

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – ECONOMY 17 JANUARY 2008

#### ECONOMIC DEVELOPMENT SERVICE OVERVIEW

##### 1. PURPOSE OF REPORT

- 1.1 To provide Members with an overview of the Economic Development Service activities undertaken under its purview.

##### 2. BACKGROUND

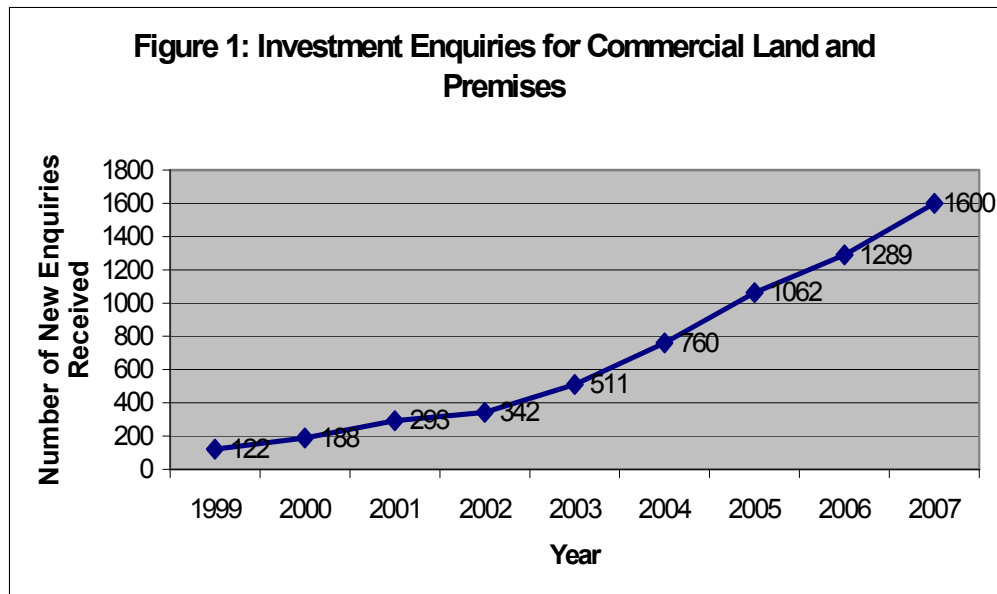
- 2.1 Exeter's economy is at the core of the Exeter and Heart of Devon (EHOD) sub-region, an area which sits across the boundaries of Exeter, East Devon, Mid Devon and Teignbridge. Exeter's sub-region is a principal economic driver in the Region making it an important part of the South West economy.
- 2.2 The Council supports the economic development of the city under the banner of the EHOD Economic Development Strategy 2005 – 2008. The Strategy complements the Exeter Vision and also the South West Regional Development Agency's (RDA) Regional Economic Strategy. Through the activity of the Economic Development Service the Council seeks to sustain and increase the economic well being of the city working in partnership with key stakeholders in a range of roles, in leadership, facilitation, co-ordination and support.
- 2.3 The Vision for the EHOD Economic Development Strategy is to:  
*“ ... provide a highly significant contribution to the growing economic prosperity of the South West. This will be facilitated by an integrated and cohesive partnership approach which maximises the economic potential and benefits arising from the inter-dependency between Exeter as the principal commercial and regional centre south west of Bristol and the urban, rural and coastal areas of the sub-region.*
- 2.4 The strategy provides a framework for the economic development activities of the City Council, neighbouring authorities and key agencies focussing on promoting and securing the growth of businesses, a better-trained workforce, helping people into work, the availability of employment land and investment in transportation and communications infrastructure.
- 2.5 The activities of the service, which are summarised in section 3, have taken place in the context of a number of significant challenges:-
- the need to sustain and build upon the growth in the local economy over the last 8 years including growth in number of businesses of twice the national average
  - relative under-employment in the sub-region in the knowledge based industries, (telecommunications, computer and information services, business services, high-technology industries and pharmaceuticals) businesses which are considered to have the highest growth potential and provide the

- opportunity to diversify the local economy with higher paid employment
- along with significant population growth, employment in the sub-region has grown from just over 220,000 in 2003 to 228,000 in 2005, of which 6,830 were created in Exeter; the city is the major centre for in-commuting west of Bristol, providing employment directly or indirectly for the majority of people residing in the sub-region
- relative levels of part-time employment are high and overall household income is below average
- the need to increase the number of start-up businesses
- the need to secure the provision of sufficient suitable land and premises including overcoming development constraints for the future prosperity of the sub-region
- social and economic exclusion, particularly in pockets of intensive multiple deprivation in the city with many individuals living in these areas needing to develop and build upon their skills to secure higher earnings through work or to gain employment for the first time; seventeen of the 282 areas in the sub-region covered by the Indices of Deprivation in 2004 were in the top 25% of areas in England, of which 11 were in Exeter
- investment in skills and learning to enable the existing and future workforce to contribute to and benefit from improving economic productivity; there has been a relatively low level of young adults with high qualifications in the sub-region where staying on rates and GCSE pass rates have been comparatively low with low aspirations being considered to be a significant contributory factor.

### 3. SUMMARY OF ACTIVITIES

#### Handling Investment Enquiries

- 3.1 This aspect of the service was established in 1998 to pro-actively co-ordinate the handling of enquiries to relocate and/or expand within Exeter. In 2003, the service was extended to cover the whole of the sub-region to reflect the realities of business activity. High profile and/or substantial employment generating organisations for Exeter receive tailored help and support including from the provision of bespoke information. More routine enquiries are directed towards the current website and followed up where appropriate.
- 3.2 Figure 1 illustrates the growth trends in the investment enquiries handled by the service: The annual totals of enquiries in the sub-region exceeded over 1,000 per annum from 2005 onwards, reflecting the buoyancy of the local economy and interest in the city as a location. Available on the City Council's website are: -
- listings of over 800 sites and premises in the Commercial Property Register for the sub-region
  - extensive provision of over 200 business web-pages which receive over 35,000 visits per month containing most information a business needs for relocation decisions.



- 3.3 In 2007, over 84% of enquiries came via the website, in contrast to only 7% in 2001 with 40% of all enquires focused on Exeter. Of all the enquiries, around: -
- 60% originate from within EHOD
  - 10% from the rest of Devon
  - 25% nationally and less than 5% internationally
  - 39% are existing employers seeking relocation
  - 36% are wanting to start-up
  - 25% are seeking to establish a branch or regional base within EHOD.
- 3.4 The breakdown of enquiries can be summarised as follows: -
- 35% industrial, warehouse and distribution sectors
  - 30% office sector
  - 28% retail sector
  - 5% hotels, leisure, public houses and restaurants
  - 1% investment opportunity
  - 1% other
- 3.5 As a result of the buoyant economy, promotional work, targeted marketing of Government Agencies, and listings on the Council's and other web pages there has been a continually growing high volume of investment enquiries. Whilst it has not been possible to comprehensively monitor the outcomes in terms of business relocations and jobs created, the limited follow-up, to date, indicates that since 2005, some 224 businesses consisting of new companies, expansions and relocations have been established, with varying levels of involvement from the service and at least 1,700 jobs have been created.
- 3.6 The City Council received acclaim in February 2007 for being a high performing investment promotion agency, coming 13th out of 72 organisations assessed worldwide during 2006. Assessment was undertaken by a specialised panel coordinated by GDP Global Development.
- 3.7 With funding from East Devon and Teignbridge District Councils, the service will be appointing a temporary part-time Economic Development Assistant in 2008.

This post will assist in the handling of minor enquiries and free up officer to time to focus more effort on significant job creating employers.

- 3.8 Similarly, the service is pro-active in supporting key employers within Exeter to retain and assist them as appropriate in achieving their growth and/or survival plans and a number have been assisted in securing sites for expansion.

#### Promoting Development & Investment

- 3.9 The service's activities have also focused on raising Exeter's profile. Since 2005, joint marketing activities with partners in the private and public sectors have emphasised the city as the regional capital possessing a competitive business environment, an accessible, educated and loyal workforce and a high quality of life.

- 3.10 Key actions to raise the city's profile have included: -

- achieving local, regional, national and international coverage on the advantages of Exeter as a location in the business to business and public sector/Government Agencies media
- working jointly with the Met Office and the South West Regional Development Agency (South West RDA) promoting the benefits of relocation to the sub-region and to Government Agencies at national conferences. This has also involved targeted contact with over 100 non-departmental public bodies through mail shots, telephone contact and provision of tailored information to assist decision makers. A small number of possible relocations are being followed-up.
- promoting the city for its quality of life, as a place to visit, participate in events and for film production through the raising of Exeter's profile more widely on websites, in print and PR
- contributing to the implementation of the City Centre Strategy to attract shoppers and visitors through a comprehensive campaign of media releases, adverts, web sites and the production and distribution of brochures.

#### Develop Innovation & Knowledge Based Businesses

- 3.11 The service has worked with the University of Exeter to lobby for, develop and promote both phases of the Innovation Centre. The Head of Economy and Tourism sits on the Innovation Centre Strategy Board, which governs the direction of business development and support activities arising from the Centre.

- 3.12 Similarly, the service: -

- supported the creation of a support package through 'Innovation Exeter' that helps R& D and hi-tech businesses to develop, to secure investment and trade in national and international markets – to date more than 600 businesses have been assisted since 2002
- has promoted the growth and profile of the local biotech industry marketing with the University contributing to the establishment of:
  - 4 University spin-out companies
  - Peninsula Bioventures' at the Innovation Centre to commercialise biomedical research

- research support to assist companies in bringing biotech products and services to market.
- 3.13 The Council has played a significant part in making progress towards the realisation of the 25-hectare Science Park by facilitating partner meetings, co-ordinating research for market demand, managing development of the initial business plan, and providing a contribution towards working capital of £750,000 to establish the park.
- 3.14 Additionally, the service has continued to explore and identify opportunities for joint working through its well-established partnership with the University of Exeter, South West RDA and the Met Office in order to better position Exeter in marketing terms to attract relocations and investment, enhance the city's science credentials and raise its profile as a location for research excellence in climatic change and prediction.

#### Support Business Start-Ups and Growth

- 3.15 The generation of new business is important to the local economy in order to replace those who have ceased trading, to create new or perhaps better employment opportunities and to enable the economy to respond to changing economic circumstances. The number of new businesses created in Exeter in comparison to other cities has been low. To help local businesses start-up and grow in Exeter the service has facilitated the establishment of free advice, training and guidance through agreements with Heart of Devon Enterprise Agency and with its successor, Enterprise South Devon since April 2007. In Exeter the following outputs have been achieved since 2005:
- 570 pre-start businesses advised
  - 167 businesses have started up
  - 115 existing businesses have been supported and
  - 310 jobs have been created and 111 have been safeguarded.

Of these, and with much reduced funding, Enterprise South Devon has achieved the following:

- 39 pre-start businesses
  - 23 start up businesses
  - 48 existing businesses supported
  - 15 jobs created
- 3.16 Currently officers are in discussion with other agencies and Peninsula Enterprises, the new provider of Business Link services for small businesses to agree the principles of achieving a more strategic approach to support in Exeter. The aim is to provide a range of advice, ranging from generalised via the enterprise agency, to more specialised assistance via the Innovation Centre and the University of Exeter. Discussions also include consideration of working proactively with high schools, Connexions, Business Link, the Enterprise Agency and the private sector to promote a “more enterprising culture in the city”.

- 3.17 In order to nurture the growth of existing local businesses and create and safeguard jobs, the service has proactively undertaken a range of activities, including: -
- the establishment of the Exeter Business Fund of nearly £0.5million over three years to assist with gap funding (when insufficient finance is available from other sources) for local businesses to achieve their growth plans; the Fund is managed by the South West Investment Group (SWIG) with funding from the City Council, HSBC Bank and Business Link Devon and Cornwall. So far SWIG has received 36 enquiries for the Fund, now in its second year, and submitted 9 applications to a review panel with 6 being approved. A total of £74,500 has been loaned to date and 10 new jobs have been created. The overall anticipated outputs within Exeter are for 45 businesses to be supported and creating and/or safeguarding 90 jobs over a period of 3 years
  - the co-ordination of the ICT Strategy Group established to stimulate greater use and integration by local businesses of information and communication technologies (ICT) to help them to be more efficient and competitive; the service has: -
    - brokered proposals by a major employer to persuade the County Council, which owns the highway infrastructure to allow the extended coverage of wire-free communications (wi-fi) in Exeter. This will help improve access to the internet, create more flexibility for both office and home based working and support the role out of e-government
    - worked with local ICT small businesses to help them pilot their communication technologies with other employers and consumers in Exeter.
- 3.18 In addition the service works with and supports the Exeter Business Forum, Exeter Chamber of Commerce Property Initiative Committee, Marsh Barton Employers Forum and the Sowton Employers Forum in order to glean a greater understanding of current business issues and as a means of regularly communicating with the business community. Relevant issues raised are fed back into the Council and addressed by appropriate Units.

#### Develop a Skilled Workforce

- 3.19 A skilled workforce is essential for the local economy to be attractive for investment, for existing businesses to remain successful and competitive and for local people to have the opportunity to reach their earning and career potential.
- 3.20 The Service co-ordinated the production of a joint Workforce Development Plan by working with employers, training providers in the private, public and voluntary sectors, Job Centre Plus and the Learning and Skills Council. A Workforce Development Group was established to progress implementation of the Plan's objectives, namely to encourage businesses to invest in training and providers to meet business training needs, raise the skills of the workforce especially those people who are socially excluded, and raise the expectations, motivation and aspiration of individuals from 14 years upwards. Some of the key activities arising out of the EHOD Workforce Development Group are set out below: -
- a review of information, advice and guidance on training provision for employers and the workforce has been undertaken, in order to ensure employers' needs are more closely met by training providers

- partners have been seeking ways to better co-ordinate national programmes of job search and training advice to improve the employability of those finding it difficult to obtain work
- a 'Ports of Call for Employers' leaflet to signpost businesses to advice and where to go to access training provision has been produced together with Job Centre Plus. This will assist and encourage employers locally to training and be distributed via intermediaries, e.g. business advisers, accountants and also published on the Council's web-pages
- helping more people into work by working with Job Centre Plus to influence the development of an integrated adult careers service to help raise workforce aspirations especially in Exeter
- new programmes have been instigated with the Learning and Skills Council to establish new ways of working with employers involved in retail, sustainable construction, business administration or those employing migrant workers; activities include: -
  - the Exeter Retail Skills Partnership have piloted customer service programmes working with 10 independent retailers aimed at improving business and staff performance
  - working with Exeter College's Construction Centre of Excellence at Sowton and the Construction Industry Training Board to develop the sustainable construction sector by:-
    - i) establishing local training capacity to deliver appropriate skills
    - ii) directly promoting new opportunities within this sector to employers
    - ii) determining demand for these skills and the new working methods required
    - iv) promoting such careers to schools through the Devon Education Business Partnership
  - working with the Council for Administration (CfA) which is planning to develop a skills academy to improve business administration in the sub-region in both generic and specific administration skills across the whole range of qualification levels
- 10 migrant workers have been trained through a workplace-based programme in ESOL (English for Speakers of Other Languages) within Exeter, with further planned pilots for January – March 2008. The pilot will be used as a springboard to other learning, including the more substantial ESOL qualifications, while highlighting the role employers need to play in investing in their workforce.

#### Increase Economic Inclusion

- 3.21 The city is often referred to as having two wards within the worst 10% in the country where people experience high levels of deprivation. The reality in Exeter is that the nature of employment and education related disadvantage is experienced more widely across the city in smaller concentrations. As previously reported to this Committee, the City Council works with groups who seek to help such individuals focussed through the Exeter Positive Steps Fund. The service:-
- led on the establishment of the Exeter Positive Steps Fund working closely with Devon Community Foundation (DCF), the Council contributing £125,000 over 3 years towards a grant making budget of £358,000 which includes support secured from the European Social Fund. Positive Steps focuses on

people of working age in Exeter to help improve their skills, build confidence and raise self-esteem, assisting them on the road to work and training and/or improve their earning potential. Some 46 community and voluntary groups have been supported to deliver projects. Interim results indicate that so far 655 people (all from typically hard to reach groups) have taken part in projects. Out of these, 55 have found work, 106 have taken up training, 158 have become volunteers and 10 have come off benefits. Attempts are being made to find a funding mechanism for continuing this activity and to date two private sector organisations have expressed a desire to support such an initiative

- participated in work of the Valley Regeneration Scheme (TVRS) to encourage business start ups in the area and provided data to enable benchmarking for the whole scheme to assist partners in their monitoring responsibilities
- is working with the Social and Inclusion Partnership (SHIP) to assess the location and characteristics of many small pockets of deprivation in Exeter to assist in developing further joint actions to tackle deprivation in the city.

#### Improve Sub-Regional Working

3.22 Recognising the importance of a coordinated partnership approach to development of the sub-regional economy, the Service supports the EHOD Economic Partnership and has taken a pro-active role in a number of initiatives to promote the sub-region and lobby for investment in infrastructure. This has included lobbying for: -

- improvements to the A30/A303
- new air links provided by Flybe within the UK and mainland Europe
- regular and faster train times connecting Exeter to London and also for improvements to the service on the Waterloo line.
- funding from the Rural Renaissance programme to promote business development which has been secured; a number of initiatives are being progressed on behalf of the partnership by Teignbridge District Council

3.23 The service also provides an extensive range of support in research and data analyses relevant to the operational activities of the Council and its partners. Key activities include: -

- monitoring the health of the economy of the sub-region, assessing an array of data from local, regional and national sources, and producing quarterly economic trends reports published on the Council's business web pages and distributed to inform over 200 organisations within the local economy, including e.g. commercial agents and developers, local business fora and local media
- undertaking analyses of the nature and distribution of deprivation to inform agencies involved in SHIP; data for 2007 has only just been released which will be analysed and circulated in January 2008
- updating the Council's website business pages to provide information on the economic characteristics of the city and sub-region
- undertaking and or coordinating market and also customer surveys from time to time to understand the nature of demand for a specific economic development initiative, such as the Exeter Science Park or to sample satisfaction with services, highlighting any issues that might need addressing to improve delivery.



### Provide Sites and Premises

- 3.24 Availability of sufficient suitable sites and premises for indigenous and inward investment is crucial to the ability of the local economy to respond to existing businesses to grow and to attract new employers. Working with neighbouring local authorities the service has been involved in reviews of workspace needs in the sub-region. Results have been fed into on-going research by the South West RDA to inform their consideration for investment into facilities to accommodate small businesses.
- 3.25 The service has worked with Planning Services in the preparation of Exeter's Local Development Framework (LDF), the Core Strategy of which, when approved, will provide guidance on development in the City up to 2026, including proposals for the protection and growth of the local economy. Other activities to which the service has contributed: -
- the Exeter Employment Study, March 2007, Atkins: identified employment land and floorspace requirements in response to anticipated economic growth and job creation in the Exeter area
  - an on-going in-house employment land review to assess the potential for continued and enhanced employment use of existing employment land and buildings to help businesses seeking to grow
  - an Hotel Study, October 2007: The Tourism Company (commissioned jointly with East Devon District Council), which reviews the demand for hotels in the Exeter area and makes recommendations about the scale and nature of future provision required to service the area and contribute to its prosperity.
- 3.26 The service has met with and sought to encourage investors to consider developing managed workspace within the sub-region. A company has now acquired land in Matford and plans to open managed workspace on an easy in – easy out basis in December 2008 providing between 60 – 80 units.

## **4. NEXT STEPS**

- 4.1 Exeter's economy operates within an increasingly uncertain global economic climate and like other UK cities it competes with, is exposed to the vagaries of the market. The city needs to continue to seek diversification of its economy, build upon its strengths and take advantage of the opportunities it currently has.
- 4.2 The city is forecast to continue its economic growth. The draft Regional Spatial Strategy forecasts that Exeter will realise its economic opportunities and its role as a major regional centre for employment, retail services and culture, with provision for jobs growth in the Exeter travel to work area for about 28,500 jobs over the plan period to 2026. The Regional Economic Strategy highlights the following potential for the future role of Exeter as: -
- developing a stronger knowledge-based employment structure,
  - facilitating growth in electronics, transport communications and other business services,
  - providing targeted programmes to address poor skill levels in parts of the urban area,
  - utilising the knowledge-based institutions located in Exeter including the University, Met Office and Peninsula Medical School as key economic drivers and,

- delivering sustainable land and sites, including a science park and innovation centre, for future development, especially for high growth and particularly to the east of Exeter.
- 4.3 The city's economy has broadly mirrored the performance of the UK economy. It has a higher proportion of employment in public, health and educational services in comparison to most other UK cities, which has helped it to ride downturns in the UK economy more smoothly. However, the effect of the Government's policy drive towards major revisions in public sector services and increased integration of services may well affect this major part of city employment. Additionally, the Government's increasing focus on skills development and training may well have a positive effect by providing further employment within the educational and private sector and thus benefit Exeter.
- 4.3 Executive has recently approved funding to update the Economic Development Strategy for the period 2008 – 2013 in collaboration with Teignbridge and East Devon District Councils. Some current initiatives, such as those projects within East of Exeter will carry forward as a priority; namely the Science Park, the multi-modal freight terminal and development of the Airport. These projects will be affected by changes in the performance of the UK and local economy and are reliant on public and private sector funding which will influence to a greater or lesser extent the pace of development. A revised Strategy will need to: -
- take account of and build upon these opportunities and others
  - advice on how best to promote a more enterprising culture
  - address current and future skill issues
  - address pockets of deprivation related to low incomes and employability
  - maintain and develop the competitive position of the city through attracting additional private and public investment whilst raising income levels amongst employed people.
- 4.4 The Government has recently announced its intention to transform the way economic development is delivered devolving greater powers to regional development agencies and local authorities. The proposals are to be the subject of consultation papers expected in January including: -
- requiring upper tier local authorities to carry out a local economic assessment (county councils would have to do so jointly with districts) to support the implementation of regional economic strategies, local community strategies and the preparation of Local Area Agreements
  - allowing groups of local authorities to jointly establish statutory economic development duties and strengthen sub-regional working relationships
  - expecting Regional Development Agencies to delegate responsibility for their spending to local authorities or sub-regions where there is capacity and capability to undertake it
  - the creation of an employment and skills system at local, regional, national and sector levels to help sustain employment and provide skills development where required for businesses to be more competitive and for those people needing help into work
  - further developing the role of local authorities in the 'place shaping' agenda enhancing their leadership role in developing the well-being of their communities, enabling and empowering them to influence the direction of all

agencies to prioritise their resources to effect outcomes which are most important to local people.

- 4.5 The revised sub-regional strategy will take account of these changing contexts in setting out the priorities for the next five years and in determining how best to achieve the key activities involved and collaborating with relevant key agencies to support delivery.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 The Economic Development Service consists of 3 full-time officers, with the equivalent of an additional 1.5 FTE support given by the Head of Service and also marketing and clerical staff.
- 5.2 The operating costs of the service to the City Council including employees, premises and support services and budgets for initiatives in 2007/08 are summarised below.

Economic Initiatives	164,000
Economic and Tourism Admin	531,100
City Marketing	62,700
	<u>£757,800</u>

An additional £750,000 has been allocated for the Science Park development.

- 5.3 The Economic Initiatives Budget includes the following:-

Positive Steps Fund/Skills Development	32,000
Enterprise Agency Support	42,000
Business Grants	25,000
Science Park Development Contribution	50,000
SW of England Food and Drink Festival	15,000
	<u>£164,000</u>

## **6. RECOMMENDATION that**

- 6.1 Members note and comment on the range of activities undertaken.

**RICHARD BALL**  
**HEAD OF ECONOMY AND TOURISM**

### **ECONOMY AND DEVELOPMENT DIRECTORATE**

**Local Government (Access to Information) Act 1985 (as amended)**

**Background papers used in compiling this report:**

1. Exeter and Heart of Devon Economic Partnership Economic Development Strategy 2004 – 2008, Scrutiny Committee – Economy, 9 September 2004 and Executive 14 September 2004