

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
17 JANUARY 2013

SUPPORT FOR SMALL BUSINESSES

1.0 PURPOSE

- 1.1 To provide Members with a brief overview of provision in Exeter for business support including the contribution made by services funded by the City Council and recommend changes in delivery to assist small businesses to start up, survive, and grow.

2.0 BACKGROUND

- 2.1 In order to sustain Exeter's economic strength, it is important to assist those small businesses which are struggling, encourage and support new businesses to replace those that have ceased trading, to create new or perhaps better employment opportunities, and to enable the economy to respond to changing economic circumstances.
- 2.2 The generation of new social enterprise businesses is also important to help strengthen and diversify the local economy. Social enterprises are businesses that principally have social objectives, with any profits achieved ploughed back into the business or into the community. In essence, the efforts of the social enterprise are invested into providing social benefit not for private financial gain.
- 2.3 In March 2012 this Committee received a report on the Council's funding of free professional advice and guidance support for small businesses and social enterprises in Exeter. The report proposed that assistance should still be available to those looking to start up in Exeter but an increasing emphasis on support should be given to clients who had been assisted to start up in the previous 2 years of trading. The aim was to provide additional support to clients during the economy's challenging trading conditions.
- 2.4 The Council funded business adviser works with colleagues in the University's Innovation Centre and meets clients primarily in the Customer Services reception area providing services under the banner of Exeter Business Support. This is a partnership consisting of Peninsula Innovations Limited (PIL), which is responsible for the management of the University's Innovation Centre, Exeter College's Business School, and the Fruit Tree for Business. Exeter Chamber of Commerce and the Exeter branch of the Federation of Small Businesses support the Partnership. The Fruit Tree for Business is contracted to deliver support to new or existing social enterprises.
- 2.5 The range of expertise offered by Exeter Business Support and that provided for innovative/high growth businesses has the additional benefit of ensuring expertise is available across a wide spectrum of business needs in the city that encompasses support for pre-starts, start-ups, and existing businesses; from privately owned entities to social enterprises, co-operatives, and mutuals.
- 2.6 As part of the Council's contribution towards business support a range of other activity is also provided directly or in partnership with other organisations. These include: information for businesses on the Council's website including the on-line commercial property register, the Exeter Business Centre (Marsh Barton), the retail shops leased by Estate Services, partnership activities with the Employment and Skills Board and the implementation of the Place Marketing Strategy, promoting the city for investment.
- 2.7 However as the landscape of business support provision has changed both nationally and locally, the marketplace has now become confusing to referral agencies and clients

in the city. To help offset the lack of clarity and to address gaps in provision, changes to the delivery of Exeter Business Support are proposed within this report.

3.0 UPDATE

Nationally

- 3.1 Business Link as the Government's nationally supported programme and provider of support for small businesses has ceased altogether, and support is only available on-line via one website, <https://www.gov.uk>. There is no longer central provision of a call centre providing access to telephone support.
- 3.2 A "Business Finance Taskforce", which was set up by the British Bankers' Association operates a separate on-line tool at www.mentorsme.co.uk. This portal enables individuals to search for help for businesses at different life-cycle stages and is available as an offer at county and national level. However, according to a survey in September 2012 by the Department of Business (BIS) some 23% of small and medium sized businesses are aware of the service, and only 3% used it.
- 3.3 According to an October 2012 survey by 'Cobweb,' a business information website for businesses, business support and advice organisations have been experiencing record levels of demand for their services, particularly from start-ups and pre-starts and those small businesses struggling to survive.
- 3.4 A report by the Financial Times in November 2012 may shed light on where the demand comes from; according to their research people aged over 50 years and older have accounted for more than 80% of the increase in self-employment since 2008

Locally

- 3.5 Research undertaken by Experian entitled, 'BBC Local Growth Research' (February 2012) 'looked at evidence for growth between 2010 and 2012 in every local authority area in England.' Exeter in particular performs well in the region and is within the top 10 local authority districts 'in the country that possesses businesses with high growth potential. Such businesses are defined as 'young, small but rapidly expanding growing firms with entrepreneurial skills, with an appetite for business risk and an international outlook.'
- 3.6 The Office for National Statistics (ONS) statistics for Exeter highlight that on average around 360 new enterprises start up in the city every year. The survival rates of new businesses in Exeter in the first year of trading are 88% (England and Wales 87%) but fall off in subsequent years of trading. By year 2 it hovers around 75% for Exeter and 74% for England and Wales. By the 5th year of trading, around 51% are still in business within Exeter, and 45% across England and Wales. These "failing" businesses, particularly as the economy continues to experience tough trading conditions, are likely to benefit from further business support. However, achieving awareness of the service requires a higher profile via marketing.
- 3.7 Provision of business support services by other organisations in Exeter has been summarised within Appendix 1. The appendix contains two tables which highlight the range of support available by type of businesses supported and services offered. Some information is being sought but has yet to be provided, hence why some cells within the tables are empty.
- 3.8 Initially, most providers provide free limited access to their services which is largely tied to support those individuals looking to start traditional small businesses (pre-starts). Individuals claiming Job Seekers Allowance (JSA) can, if they secure support via the Government's New Enterprise Allowance, receive 6 months of free support once they

have commenced trading (see Appendix 1 – West Devon BIP). However, for the majority, on-going support is fee-based. Struggling businesses may not be able to afford access to advice that could make the difference to their survival and growth. In addition, existing small businesses, and those looking to start-up often lack adequate access to finance.

4.0 Exeter Business Support

- 4.1 As reported in the previous Committee, officers have explored with neighbouring local authorities the potential to secure funding and resurrect the establishment of integrated business support across all or parts of Exeter and the Heart of Devon. This has not been realised, for example, Mid Devon and East Devon commission their own separate small business support services.
- 4.2 The table below summarises the outputs secured from Council funding. The results reflect the change in service delivery reported in March 2012 focusing more on new start-ups and existing small businesses and includes assistance to clients from the previous two financial years.

Outputs secured from Council funding for business support services	April 2011 – March 2012	April 2012 – November 2012	Target
Traditional businesses supported			
pre-start businesses assisted:	159	80	120
small businesses assisted to start-up	45	28	20
recent start-ups and existing businesses	51	113	70
number of jobs created	49	29	40
participants at workshops	224	142	N/A
on-going support for 2010/2011 and 2011/12 start-ups	N/A	61	70
Social enterprise businesses supported			
pre-start businesses assisted:	67	15	No Target Set
small businesses assisted to start-up	8	3	5
social enterprises in the pipeline to start-up	6	2	No Target Set
recent start-ups and existing businesses	15	9	20
number of jobs created	15.45 FTE	2 FTE	
on-going support for 2010/2011 and 2011/12 start-ups	8	13	20
Additional funds leveraged for clients	£80,600	£3,000 (£20,000 in the pipeline)	£10,000

- 4.3 The client profile of those people looking to start up or are trading as a traditional businesses or as a social enterprise is, broadly speaking, as follows:
- for traditional businesses
 - pre-starts – some 70% have been unemployed and 30% have been or been in the process of being made redundant;
 - around 75% have been trading for up to 2 years
 - around 25% have been trading for over 2 years
 - for social enterprises
 - pre-starts – the profile of clients is split 50-50 unemployed/facing redundancy
 - around 80% have been trading for up to 2 years
 - around 20% have been trading for over 2 years
- 4.4 Business advisers have informed officers that some small businesses struggle for more than 2 years before they are in a position to prosper and therefore may be unable to

pay for fee-based services on offer from providers within Exeter.

4.5 In terms of gender, age and ethnicity, the breakdown for 2012/2013 is as follows:

- for traditional businesses
 - 59% male, 41% female
 - 59% aged under 44; 37% aged 45 to 54; 4% aged 55 years and over
 - 95% white and 5% black and minority ethnic communities (ONS population estimates for Exeter are 93% white and 7% are from black and minority ethnic communities (BME))
- for social enterprises
 - 38% male, 62% female
 - 54% aged under 44; 31% aged 45 to 54; 15% aged 55 years and over
 - 85% white and 15% black and minority ethnic communities

4.6 Appendix 2 contains an illustrative list of typical small businesses and social enterprises assisted by the services funded by the City Council. These include a range of business to business services, retail, IT, education and training, arts and health related rational businesses and social enterprises.

4.7 The services funded by the Council deliver a range of intensive one to one support, which is dependent on need and given to small businesses facing challenges and includes the following:

- business health check & recovery strategies to assist with finance and cash flow
- assess client's research and evaluate business viability
- conduct detailed financial analysis to help prepare strategies for survival
- review effectiveness of marketing, helping to develop strategies for growth
- conduct site visits of client's main premises to identify income generating ideas to 'sweat their asset' and make it produce a financial return
- keep clients informed of new resources, business developments and funding options
- provide detailed feedback on clients' draft submissions to various agencies and potential funders
- advise on changes to business structure, e.g. from sole trader to limited company
- independent business assessments for clients facing change, provide reports for management on suggested priorities and remedial actions

4.8 With regard to sustaining small business clients which have started in the previous two years, the survival data is set out in the table below. Survival rates for traditional businesses are lower than as reported in section 3.6 above highlighting the need for support during businesses formative years.

Survival data for Council funded business support services		
Support given to traditional businesses	2010/2011 (up to 2 years trading)	2011/2012 (up to 1 year trading)
Still trading	44%	80%
No response/status unknown	44%	6%
Ceased trading	12%	18%
Support given to social enterprises		
Still trading	80%	70%
No response/status unknown	0%	10%
Ceased trading	20%	20%

4.9 Outputs from April to November 2012 from the University Innovation Centre's assistance to hi-tech businesses provided under the partnership banner of Exeter Business Support are as follows:

pre-start businesses supported	31
small businesses assisted to start-up	5
recent start-ups and existing businesses supported	43
jobs created	21
people had their business skills developed	35
business network sessions – involving around 795 participants	18
investment raised by Innovation Centre businesses	£605k

4.10 Over the last financial year, 30 of the business tenants within the Innovation Centre saw a turnover in the region of £15 million, collectively employing over 170 staff.

5.0 PROPOSAL

5.1 There is a need to clarify to referring agencies and potential clients the nature and provision of advice and guidance for small businesses in Exeter. There is also a need to continue raising awareness of advice and support available from Exeter Business Support tailoring the provision from these Council funded services to fill any important gaps in the local market place.

Awareness and Clarity

5.2 Currently the services funded by the Council refer clients to each other to ensure the most appropriate support is provided. There is an opportunity to provide a better service to the clients by officers facilitating regular communications/meetings with providers listed in Appendix 1. It is hoped that by regularly sharing information, ideas and working practices a more effective collaborative network of support for small business growth will arise.

5.3 In addition it is proposed that officers :

- focus systematically on increasing awareness amongst the network of other providers, banks, accountants, the Chamber of Commerce, Exeter Federation of Small Businesses and Exeter Business for Communities about the arrange of services available from Exeter Business Support
- explore with those organisations that provide finance for small businesses such as Fredericks Foundation, Virgin Money and Peer-to-peer lending bodies how they might create a framework which improves access to finance in Exeter

Tailoring Provision

5.4 As reported earlier, market provision across Exeter for pre-start, is largely covered by free or low cost fees charged by providers operating in the city. However, some individuals may:

- find the duration of support is insufficient to meet their business start up needs
- lack insufficient income to afford even a modest fee to pay for advice and guidance
- not meet the eligibility criteria for free support, e.g. not claiming JSA or they fall outside the age range for assistance from the Princes Trust or PRIME

5.5 Therefore, whilst it is proposed that Exeter Business Support continue to provide pre-start assistance, the offer should be adapted for the 2013/2014 financial year and

advisors should in any initial contact with an individual, quickly diagnose their ability to pay fees. Those for whom other services are available and potentially can afford to pay should be signposted to fee-charging providers.

- 5.6 There remain gaps in market provision for recent start ups and existing small businesses. Exeter Business Support should fill these gaps and/or continue to assist:
- individuals claiming JSA in receipt of the new enterprise allowance post their 6 months of support provided free of charge via West Devon BIP (see Appendix 1)
 - recent start-ups trading up to 2 years who have been previously supported by Exeter Business Support
 - struggling existing small businesses unable to pay for professional advice
- 5.7 To help build on growth in the local economy the service providers – Peninsula Innovations Limited and the Fruit Tree for Business will need to look for and identify individuals and local small businesses with high growth potential for job creation. In addition they will need to identify and help struggling businesses to survive and grow and for some also advise them on how to shift their market position to tap into new income sources.
- 5.8 To this end, it is proposed that the following types of small business clients are supported:
- pre-starts not supported or eligible for assistance with other providers
 - start-ups (0 – 2 years of age)
 - those which are struggling to survive and unable to afford fees charged by other providers
 - those with growth potential (businesses that are not eligible for the Growth Accelerator programme or can afford the fees - see appendix 1)
- 5.9 One to one sessions should still be provided. However, in order to maximise the use of business adviser time and their effective reach to more clients, a 12 month programme of regular repeat workshops will be offered. The workshops will be promoted, particularly via the referral network outlined in section 5.3 above, as a calendar of events. The workshops will be delivered via three “business/enterprise clubs” and involve other local stakeholders such as HMRC, Trading Standards, legal, and accountancy practices etc in delivering sessions.
- 5.10 Officers will meet regularly with the Council funded service providers in order to monitor performance and adapt service delivery should local support provision materially change.

6.0 FINANCIAL IMPLICATIONS

- 6.1 In 2012/2013, Peninsula Innovations Limited (PIL) contributed just over £81,000 to the delivery of services supporting innovative and high growth businesses under the banner of Exeter Business Support. PIL intends to contribute £81,000 in 2013/2014.
- 6.2 The cost to the City Council to fund business support and the programme of social enterprise support for 2012/13 is £42,000 and £25,000 respectively. The funding has been met from the Economic Partnerships Initiatives Budget.
- 6.3 It is proposed that the City Council continues its support at the same level in 2013/14.

7.0 RECOMMENDED that:

- 7.1 The positive contribution made by the Council to supporting local businesses to start up and in the first 2 years of trading be noted;
- 7.2 Council continue funding £42,000 and £25,000 respectively for the provision of small business support and social enterprise support;
- 7.3 Officers be authorised to negotiate service level agreements for 2013/14 with Peninsula Innovations Limited and The Fruit Tree for Business for the continued delivery of services outlined in the report.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

1. "Support for Small Businesses" – Economy Scrutiny 8 March 2012

APPENDIX 1

Provision of business support in Exeter – type of enterprise assisted								
Provider	Pre- Start	Start-up	Existing	Technology	Hi Growth	Social Enterprise	Co-ops	Social Business/ Entrepreneurs
1. BAS <i>(Chartered Institute of Accountants)</i>	√	√	√	√	√	√	√	√
Notes/Limitations to Service	Initial free business advice session from a member of ICAEW; charges are dependent upon the individual accountant.							
2. Business West	√	√	√	√	√	√	√	√
Notes/Limitations to Service	<p>The programme started in April 2012, and is a 3 year programme part-funded by the Regional Growth Fund, ending in March 2015. Monthly Ready for Business pre-start workshops are held in Exeter free of charge; a free business diagnostic is offered for all attendees to work out how viable their business idea is and to see if the programme might be supportive for them in getting started and securing funding. The initiative started in Exeter September 2012; thus far, they have worked with 15 clients in Exeter; they anticipate they will support around 80 clients in 2013, with about 25 businesses starting to trade. Of the clients helped to date, 3 were unemployed, 2 had been made redundant, 8 were existing employees; to date 60% female clients, 40% male.</p> <p>Fees: Should a candidate wish to progress through the programme; there is a fee of £600 to gain business support in getting their business plan and the business started along with assisting them in getting funding if required.</p>							
3. Exeter Business Support	√	√	√	√	√	√	√	√
Notes/Limitations to Service	Unique provider of services to all clients regardless of status - job clubs/enterprise clubs being run successfully by the business advisor							
4. Growth Accelerator		√	√	√	√			
Notes/Limitations to Service	<p>Since April 2012, 24 businesses in Exeter have registered their interest in the Growth Accelerator service; according to the providers, this number continues to rise. Of these clients, 3 were looking for Access to Finance; 3 were looking for Commercialising Innovation and 18 were looking for Business Development. In terms of support given: 3 decided not to take up Growth Accelerator support, one is currently on hold and the other 20 are all in the process, moving towards coaching support; 10 have already actively received coaching support and two more started in December 2012.</p> <p>The service provides no free support. To be eligible for support there must be high growth potential (20% growth). The offer is up to 7 days worth of business coaching supported by a programme of workshops and master classes. The investment for companies who wish to participate ranges from £600 for a business with up to 9 employees, £1,500 for a business with 10-49 staff, to £3,000 for a business with 50-249 staff.</p>							

Provision of business support in Exeter – type of enterprise assisted								
Provider	Pre- Start	Start-up	Existing	Technology	Hi Growth	Social Enterprise	Co-ops	Social Business/ Entrepreneurs
	<p>Each coaching intervention could last anywhere between 4 – 12 months depending on the needs of the business and their schedule. Leadership and management funding (up to £2,000 of match funded support for each person on the senior management team), an Intellectual Property (IP) Audit and a discounted membership with the Institute of Directors is part of the coaching offer. Several of these companies have already taken advantage of the IP Audit (worth £3,000) and the Leadership & Management support.</p> <p>Growth Accelerator works alongside other business support providers including UK Trade & Investment (UKTI) and the Manufacturing Advisory Service (MAS). If the business is not looking to achieve high growth then Growth Accelerator programme cannot support them. In those cases, the service looks to refer them to other providers who may be able to help them.</p>							
5. Peninsula Innovations Ltd (PIL)	√	√	√	√	√	√		√
Notes/Limitations to Service	Service only available to high growth potential companies through the Innovation Centre, ExIST, or to University student entrepreneurs							
6. PRIME	√	√						
Notes/Limitations to Service	<p>Support for people aged 50 years and over. From January to December 2012 they have assisted 36 people in the Exeter area with pre start up support. Whilst they do not have data available on local start-ups, according to one of their recent business surveys, some 46% of people who receive support go on to start their own business. Currently, support is principally provided via on-line information on PRIME's website if they are eligible for support and have registered – see www.prime.org.uk.</p> <p>PRIME is about to roll out an accredited qualification training programme 'preparing to run your own business' which supports individuals in researching their business idea. Those who complete are then matched with a mentor to support them through the early stages of their business set up. All of PRIME's services are fully funded therefore and free at the point of service to eligible beneficiaries.</p>							
7. Princes Trust	√	√						
Notes/Limitations to Service	For 18-30 year olds; Only one twelve-week course scheduled in Exeter in January in first 6 months of 2013; there are no pre-start courses currently scheduled for 2013							
8. West Devon BIP	√	√	√	√	√			
Notes/Limitations to Service	New Enterprise Allowance (NEA) scheme is now open to anyone signing on for JSA from day one; this includes the financial support to start up) the contract runs until end 2013; West Devon BIP who are contracted by Job Centre Plus has managed 28 NEA clients (May 2011 to March 2012), 9 have started business. From April 2012 until December 2012, they have managed 21 NEA clients, 5 are currently trading. West Devon BIP needs help in raising awareness of the need to secure a bank of mentors in Devon and Cornwall. They currently have 121							

Provision of business support in Exeter – type of enterprise assisted								
Provider	Pre- Start	Start-up	Existing	Technology	Hi Growth	Social Enterprise	Co-ops	Social Business/ Entrepreneurs
	<p>active mentors, but need many more in light of a profiled increase in number requiring support).</p> <p>Support duration: mentor support for NEA clients while they complete their business plan and ongoing mentor support once trading for a further 6 months. Thereafter, no support is free.</p> <p>Fees are charged post 6 month mentoring support for NEA clients; Advice 6 x 1hr sessions £400; Business Planning course 5 days @ £2,500</p>							
9. Women's Development Unlimited	√	√	√			√	√	√
Notes/Limitations to Service	<p>Range of courses of personal development / business coaching for women. The only funding they have to deliver services in Exeter is "Fast Track for Growth". The programme began in January 2012 and finishes in March 2013. Out of 56 existing businesses supported, 9 are based in the city. Two levels of service for existing businesses:</p> <ul style="list-style-type: none"> - a semi-intensive programme - two training seminars, 3 hrs coaching or 2 hrs mentoring, & a diagnostic for £50 - worth £350 - an intensive programme - 7 x 1/2 days action learning sets, 3hrs coaching 2hrs mentoring, 2 training sessions for £150, value £875. <p>Other fees based services to help start ups are: 2 hr training seminars @ £30, full day @ £75 and a coaching service. The Coaching service programme includes: 1 x 1 hr Diagnostic & Develop Planning Session. 5 x 1 hr Business Coaching Sessions, Ongoing support via email; Access to a menu of personal development learning materials; Cross referral to additional sources of business support, development and mentoring. Cost of Package: £295 or £245 for previous Fast Track for Growth clients</p> <p>6 businesses have been helped to start up, of which one was a social enterprise (data is awaited to confirm how many of these start-ups are based in Exeter).</p>							

Provision of business support in Exeter – type of services provided in Exeter						
Provider / Service	Diagnostic	Business Planning	Financial Planning	1-2-1 service	Workshops/course	Mentoring
BAS		√	√	√		
Business West				√	√	
Exeter Business Support	√	√	√	√	√	
Growth Accelerator				√		
PIL	√	√	√	√	√	√
PRIME						
Princes Trust					√	√
West Devon BIP		√		√	√	√
Women's Development Unlimited					√	√

APPENDIX 2

Examples of the types of traditional businesses and social enterprises assisted by City Council funded services

<i>Traditional businesses</i>			
Sector	Forecast turnover year 1	Sector	Forecast turnover year 1
AGA Engineer	30,000	Nutritional Consultant	15,000
Artist	15,000	Online Retailing.	12,000
Bespoke Rugby and Social Wear	30,000	Outdoor Events	30,000
Builder Property Developer	25,000	Photographer	20,000
Buying and Selling Used Furniture	10,000	Proof Reading/Editing and Admin Services	18,000
Cleaning Services	10,000	Property Maintenance	20,000
Consultancy	35,000	Recycled clothing and Fashion	10,000
Counselling for Autistic Children	20,000	Singer Songwriter/Tutor.	10,000
Counsellor	8,000	Street Food Vendor	25,000
Creative Arts	12,000	Therapist	8,000
Estate Agency	30,000	Window and House Maintenance	25,000
IT Support and Services	20,000		

Social Enterprises		
Sector	Description	Forecast turnover year 1
Arts	Theatre company linking research work with theatre in the community to engender social cohesion	15,000
Arts	Participatory photography that provides empowerment, confidence and skills to disadvantaged groups	10,000
BME	Providing BME services in the Community e.g. English tuition; secured funding of £250k	100,000
BME	Resource centre for ethnic minorities offering services such as health and well-being, mentoring and counselling	141,000
Education	A multi cultural and intergenerational community arts, culture and environmental enterprise providing education activities	30,000
Health and Social Care	Services that aid memory for dementia sufferers	94,000
Training	Workforce skills development focusing on women including BME communities	25,000
Training and support	Providing services in the South West for women to enhance confidence, skills and knowledge in developing businesses	50,000
Training and support	Online retailing of own branded and third party goods; emphasis on providing employment and skills for people with learning disabilities	30,000
Transport	Bikes for disabled people aiming to improve health and well-being	25,000