

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
5 JUNE 2008
SUPPORT FOR SMALL BUSINESSES

1. PURPOSE

- 1.1 To update Members on changes to advice for new and small businesses directly supported by the City Council.

2. BACKGROUND

- 2.1 The generation and survival of new businesses is important to the local economy in order to create new or perhaps better employment opportunities, to replace those who have ceased trading and to enable the economy to respond to changing economic circumstances. In order to help local businesses start-up and grow in Exeter, the City Council has facilitated the establishment of free advice, training and guidance previously through agreement with the Heart of Devon Enterprise Agency and since 2007 with its successor, Enterprise South Devon.

- 2.2 In Exeter the following outputs have been achieved since 2005:-
- | | |
|-----|---|
| 590 | pre-start business advised |
| 180 | businesses have started up |
| 123 | existing business have been supported and |
| 313 | jobs have been created with 111 having been safeguarded |

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

59 pre-start businesses
18 businesses started up
56 existing businesses supported

- 2.3 Officers have been in discussion with the University of Exeter Innovation Centre and Peninsula Enterprise, the new provider of Business Link services for small businesses, and have agreed a more effective joined-up approach which is outlined in section 3 below.
- 2.4 Exeter appears to have a lower rate of entrepreneurial activity than other locations. The table below indicates that Exeter's rate of VAT registered businesses per 10,000 of its working age population is around 33, compared with much higher rates in other geographic areas. It remains important to improve performance on the number of start-ups, not only to broaden Exeter's economic diversity and be more able to withstand the vagaries of the market, but also to create employment for residents that might seek ways of improving their income.

VAT registrations per 10,000 working age population

Area	Business Registrations 2006	Working-age Population 2006	Rate per 10,000 working-age population
Exeter	270	80,600	33.5
East Devon	390	70,100	55.6
Mid Devon	270	43,800	61.6
Teignbridge	385	71,800	53.6
EHOD*	1,315	266,300	49.4
Devon	3,075	667,700	46.0
South West	15,745	3,082,800	51.1
South East	28,680	5,066,300	56.6
England & Wales	165,935	33,416,600	49.6

Source: VAT Registrations 2006 and Mid Year Population Estimate 2006 @ Crown Copyright

*EHOD – Exeter and Heart of Devon covering Teignbridge, East Devon, Mid Devon and Exeter

- 2.5 In order to nurture the growth of existing businesses and create and safeguard jobs, the service has proactively undertaken a range of activities. This has included the establishment of the Exeter Business Fund of nearly £0.5 million, to assist with gap funding for local businesses to achieve their growth plans (when insufficient finance is available from other sources). The Fund has been managed by the South West Investment Group (SWIG), with funding from the City Council, HSBC Bank and Business Link Devon and Cornwall.
- 2.6 The flow of enquiries at 42 has been reasonable but with only 6 applications having been approved. A total of £74,500 has been loaned to date and 10 new jobs have been created, which is below expectations for the Fund despite similar funding mechanisms in the region dealing with a much higher level of applications and approvals. This may be a further indication of relatively low levels of business formation.

3. SUPPORT FOR NEW BUSINESSES

- 3.1 An agreement has been reached, following consultation with the Portfolio Holder, with Peninsula Enterprise and the Innovation Centre to provide a co-ordinated approach to support for pre-start and new businesses from 1st June 2008, which will entail the following.
- the City Council's supported advice will be matched by a second co-funded business advisor, funded by the University; this will provide extra capacity and broaden the skills and knowledge available for all types of businesses
 - a base for the two business advisors to operate from the Innovation Centre alongside the specialist Innovation Centre advice and also staff from Business Link (Peninsula Enterprises)
 - continued opportunity for the business advice to be provided via outreach and the meeting of clients in the Civic Centre's Customer First Centre and

also anywhere else in the city, such as from Exeter College, a client's premises or place of residence

- an integration of customer handling services with clients being supported primarily through a single source by Business Link's Gateway Service and then onward referral to relevant and appropriate support in Exeter – this should reduce the administrative burden and thus maximise adviser time for delivery of one to one and group workshop support.

3.2 Importantly, this enhancement is resulting in a 'tripartite working partnership between the City Council, the Innovation Centre and Peninsula Enterprise and should serve to improve client handling and support in Exeter. The focus of the service will be to increase the number of start ups, jobs created and consequent survival rate of businesses and will:-

- complement the diagnostic and information providing activities of Peninsula Enterprise under the Business Link brand and where there are gaps in their service provide direct advice and support (mentoring) for pre-start, start-up and post start-up businesses
- support Innovation Centre client businesses
- liaise with Peninsula Enterprises to ensure continuity between support programmes according to the stage of development of the client's business and efficient monitoring and recording of client interventions
- undertake enterprise development related work in Exeter to encourage higher numbers of start-up businesses through awareness events, workshops, one-to-one consultations, advisory and mentoring sessions, diagnosis, and brokerage and work with other agencies such as Exeter College, Job Centre Plus/4AE and Princes Trust to link with their enterprise support initiative
- assist in the University (student, graduate, and staff) enterprise development programme to encourage business start ups

3.3 The annual delivery targets for this initiative are for 180 pre-starts and existing businesses to be supported, resulting in 30 new businesses starting up.

3.4 The provision of two business advisors has not simply been translated into a doubling of target performance based on that achieved through Enterprise South Devon operating in Exeter. A large portion of the additional business advisor's time will be in the handling of potentially higher value and higher growth companies forming in Exeter. These are likely to have more complex issues requiring advice and guidance in assisting their establishment and successful operation in the city.

3.5 Recognising the need for gap funding to promote business development, a new regional fund to support small business is currently in the final stages of negotiation between the RDA and a delivery body, to administer the new fund on its behalf. It is understood that this will be in place by the end of 2008. It is recommended that the current fund is maintained until the new fund is in place.

4. FINANCIAL IMPLICATIONS

- 4.1 The level of the City Council's contribution for small business support for 2008/9 will be £42,000. The Council's contribution will be subject to a new service level agreement with the Innovation Centre setting out expectations from the service against the targets included above at 3. The University are contributing a similar amount to this initiative.
- 4.2 The use of the Council's contribution to the Exeter Business Fund of £25,000 per annum will be monitored until the new regional fund replaces it later in the year.

5. RECOMMENDED that

- 5.1 Members note the contents of this report.

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**Local Government (Access to Information) Act 1985 (as amended)
Background Papers used in compiling the report: -**

1. Scrutiny Committee Economy 18 January 2007 - Update Heart of Devon Enterprise Agency