

**EXETER CITY COUNCIL**

**SCRUTINY COMMITTEE - ECONOMY**

**18 JANUARY 2007**

**UPDATE – HEART OF DEVON ENTERPRISE AGENCY**

**1. PURPOSE**

- 1.1 To report on the proposed merger of the Heart of Devon Enterprise Agency (HODEA) with Enterprise South Devon Enterprise Agency (ESD).

**2. BACKGROUND**

- 2.1 On the 2 March 2006 this Committee received a report that updated Members on the activities of HODEA, established in 2001 to provide free business advice for those considering starting up businesses (pre-starts), for those having already started up (start-ups) and, for businesses needing advice for their growth and survival. The Agency operates throughout Exeter, East Devon and Mid Devon.
- 2.2 The March Committee report explained that the Agency is the best performing enterprise agency within Devon, but was being adversely affected by annually decreasing funding. The Agency receives funding from Business Link Devon and Cornwall for the delivery of advice and support to start-ups and small businesses on behalf of the Small Business Service (SBS) and since April 2005 this is now on behalf of the South West Regional Development Agency (SWRDA). Funding is also provided by Mid Devon and East Devon District Councils and the City Council as summarised in section 4 below.
- 2.3 The report also referred to discussions, which have been taking place with Enterprise South Devon (ESD), to determine whether sharing resources and reducing duplication could achieve improvements to service delivery and efficiency. The merger of the two agencies was also an option being considered.

**3. UPDATE**

- 3.1 Since March 2006, Officers from the City Council have continued to work with both agencies in order to address the increasingly concerning financial position and also considering the merits of a merger with ESD, which is based in Newton Abbot. It has become clear that the merger is the primary option for securing continuity and effective enterprise support.
- 3.2 A framework for a merger between HODEA and ESD has been produced. The boards of both enterprise agencies have voted to pursue a merger and conclude it no later than 31<sup>st</sup> March 2007.
- 3.3 The process of ensuring due diligence in merging and staff consultation is well underway with both agencies agreeing the terms of the merger into a new company, to be known as 'Enterprise Devon Limited' (EDL).
- 3.4 It is envisaged that the formation of EDL should achieve the following benefits:

- the creation of a higher and stronger profile and capacity to deliver cost savings as well as efficiency and delivery benefits to be gained from a centralised approach to marketing, advertising, administration and management of one company
- a lessening of vulnerability to the vagaries of changes in funding regimes and a move away from dependency on Business Link/SBS funding contracts
- a step towards the creation of integrated business support as envisaged by the Exeter and Heart of Devon 2005-2008 sub-regional economic strategy including pursuing the development of managed workspace and also the delivery of training programmes to assist in the efficient and effective operation, survival and growth of start-ups and existing businesses
- the bringing together of the skills sets and strengths of HODEA personnel and the greater financial strengths of ESD
- the ability and capacity to bid for and win other funding contracts to deliver other forms of business support, for example through the SWRDA's implementation of the business support measures under the 'Rural Renaissance' programme.

3.5 ESD are currently working on the production of a business and finance model to assist the local authorities in establishing a service level agreement with the new agency, EDL. It is hoped that this work will be completed by 31<sup>st</sup> January 2007.

#### 4. PERFORMANCE

4.1 HODEA performance from April 2004 through to October 2006 is provided in Table 1. The table highlights the positive support provided by HODEA to business activity and demonstrates the resulting benefits in the local economy.

<b>Table 1: HODEA performance since April 2004 to October 2006</b>	<b>Within Exeter</b>	<b>% of total volume of activity</b>
1094 pre-starts advised	543	50%
368 start-ups <sup>1</sup> supported	140	38%
170 existing businesses supported	71	42%
866 jobs created	236	43%
302 jobs safeguarded	110	36%
£30.3M Sales generated or safeguarded	£16.1M	53%

<sup>1</sup> Businesses that have started up and come to HODEA for advice for the first time.

4.2 To highlight recent performance from January to October 2006, it is worth noting that within Exeter alone there have been the following additional results from HODEA's activities in its delivery of business support:

- 87 pre-starts advised
- 49 start-ups supported
- 11 existing businesses supported
- 136 jobs created
- 9 jobs safeguarded
- £3.95M of sales generated or safeguarded.

## 5. FINANCIAL IMPLICATIONS

- 5.1 The level of the City Council's contribution for 2007/8 is likely to remain the same as the current contribution to HODEA, which is £40,000 per financial year. The Council's contribution will be subject to the agreement of a new service level agreement with EDL to deliver business and training support primarily for start-up or other small businesses within Exeter and also the merits of the business and finance model mentioned in section 3.5
- 5.2 The main sources of income for HODEA are set out below. From year to year, HODEA secures additional small amounts of income from for example, modest fees and business events.

### Main sources of income for HODEA

Exeter City Council	£40,000
East Devon District Council	£40,000
Mid Devon District Council	£6,000
Devon County Council	£12,000
SBS Contract (estimate only)	£91,000
<b>Total</b>	<b>£189,000</b>

- 5.3 Funding from the SBS contract varies subject to the conditions that Business Link Devon and Cornwall impose on the achievement of targets. In addition, the funding has been based on 6 month rolling contracts. It was recently renewed in September 2006 for the next period up until March 2007, with a change on targets and a reduction in funding from the previous 6-month period. The reason for such short-term contracts is based on the fact that SWRDA which is now responsible for SBS activity have recently put the contract for the delivery of services for the whole of Devon, Cornwall and Somerset out to tender, and Business Link Devon and Cornwall are one of several bidders.

## 6. RECOMMENDED that

- 6.1 Members note the contents of this report and support the intended formation of a new agency that will provide business support for small business across the whole of Exeter and the Heart of Devon sub-region.

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

**Background Papers used in compiling the report: -**

1. Board Papers produced by HODEA.
2. Scrutiny Committee – Economy – 2 March 2006, 'Update – Heart of Devon Enterprise Agency.