

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – ECONOMY 12 MARCH 2009

#### EXTENDING SUPPORT FOR SMALL BUSINESSES

##### 1. PURPOSE

- 1.1 To inform Members of a proposal to expand the capacity of support in Exeter for small businesses to assist their survival.

##### 2. BACKGROUND

- 2.1 In June 2008, a report was taken to Scrutiny Committee – Economy about the need to support the generation and survival of new businesses as being 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.
- 2.2 As Members have been advised, Exeter has a lower rate of entrepreneurial activity than other locations. The table in Appendix 1 indicates that Exeter's rate of VAT registered businesses per 10,000 of its working age population is around 37, compared with much higher rates in other areas. It remains important to improve performance on the number of start-ups and their survival, 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 as a way of raising incomes.
- 2.3 Members were briefed on the establishment of Exeter Business Support, a partnership between the City Council, Business Link, University of Exeter and Peninsula Innovations Limited (the Company that operates the Innovation Centre). Exeter Business Support helps viable new businesses to start up in the city as well as helping existing ones to grow and survive.
- 2.4 In 2008, the following number of businesses were supported and advised through the joint activities now being delivered through Exeter Business Support:-
- 307 pre-start businesses
  - 141 start-up businesses
  - 133 existing small businesses
- 2.5 During previous downturns, Exeter has fared better than other areas, due in part to the high proportion of the workforce in the public sector and due to its position as a hub for services for businesses, for retail and for visitors. However, unemployment and business closures during 2008 have been increasing nationally and more recently locally.
- 2.6 Data produced by the Insolvency Service, indicates that in 2008, there were over 15,500 compulsory liquidations and creditors' voluntary liquidations in England and Wales, with a sharp increase in company failures in the last quarter; overall liquidations for 2008 were 24 % higher than 2007. Increases in insolvent businesses and individuals, tend to follow 6 to 12 months after an economic downturn.
- 2.7 As has been widely reported, company insolvencies are likely to increase over the coming months, as too, will resultant job losses. Data from Job Centre Plus for the South West supports this view. For October - December 2008 period, Jobcentre Plus South West was notified of 12,619 redundancies. This is 45% up on the previous quarter. Reported redundancies are also up 381% on the same period in 2007.

- 2.8 In January 2008, over 41,000 people were claiming Job Seekers Allowance (JSA) in the South West Region. In January 2009, this had risen to nearly 77,000 people, an increase of nearly 87%. Exeter saw a percentage rise of around 83%, with an increase from 1,007 to 1,831 people claiming JSA. The table in Appendix 1 provides more detail on the upward trend.
- 2.9 Vacancies advertised in the Exeter Job Centre decreased by 46% from January 2008 to January 2009, down from 837 to 453.
- 2.10 In summary, the recession is affecting the ability of businesses to survive and prosper, job losses are increasing and vacancies are declining. It is important that timely support is provided to help vulnerable small employers, where possible, to safeguard and create jobs.

### **3. EXTENDING SUPPORT**

- 3.1 Working through the partnership with Exeter Business Support, a small number of companies and consultancies that provide specialist advice to small businesses have been approached to explore their interest and views on what is required to support businesses to start up, grow and survive in the city during the difficult economic climate. The emerging consensus is that small businesses struggling to survive need early intervention that guides them on how they might best avoid closure and safeguard jobs. Often a few hours of focussed effort in the right place from professional and specialist advice can make the difference to survival or not.

#### **Proposal**

- 3.2 It is proposed that early access to professional support and guidance for small businesses is offered, using funding from the City Council, together with contributions from small businesses needing advice, support from partners within Exeter Business Support and also through a reduction in fees charged by professional and specialist companies. This would mainly be in 4 core areas:
- Effective marketing
  - Financial management and securing external funding
  - Employment law
  - Achieving efficiencies in operation and expenditure.
- 3.3 It is important to note that traditionally most small businesses do not seek of their own accord such professional and specialist advice, which could make the difference to them surviving and growing. It is anticipated that as they experience the positive effects of tailored specialist advice, this will encourage them to seek further support from professional and specialist advisors. In this respect, Exeter Business Support will also have encouraged an increase in business to business services.
- 3.4 The following has been discussed with partners in Exeter Business Support to encourage and provide for greater take-up of professional and specialist advice:
- 3.4.1 an agreement to undertake proactive promotion of a targeted service to encourage small businesses at risk to take early preventative measures to safeguard their business and their employees
- 3.4.2 Business Link, in addition to managing the enquiries for business support in Exeter through their 'Gateway' call centre and 24 hour access to on-line information, have agreed to deploy as required, additional staff to the two already working in the city, to meet the need for any increased one to one advice in Exeter. Initial assessment of the core issues of each business survival will be assessed to identify the most appropriate means of providing in depth support through this initiative to small businesses that would otherwise not be able to pay by themselves for specialist and professional advice.

3.4.3 As part of this initiative, several specialist and professional firms in Exeter in addition to providing initial free consultation, have agreed in principle to reduce their normal fees by upto 33% for clients identified by Exeter Business Support as being in need of this targeted support

3.4.4 Business Link have also agreed to make follow up contact with clients of Exeter Business Support to measure the impact/outcome of support given through this initiative, namely: what difference the professional advice made to their businesses in terms of jobs safeguarded, jobs created and the financial performance of their business.

3.5 Through Exeter Business Support, businesses wishing to take up this initiative will have to:

- contribute up to £250 of the reduced costs of professional fees, which would be match funded by up to £250 from the City Council – this will enable early intervention on offer through this targeted initiative to reach at least 100 small businesses in Exeter
- sign a commitment to provide information to Business Link that enables the measuring of the impact of the support.

3.6 This initiative will typically secure on average, 8 hours of intensive specialist support per business.

#### **Criteria for the release of City Council funding**

3.7 Based on the assessment of Exeter Businesses Support advisors, funding will be made available if a small business meets one or more of the following criteria: that there -

- is an identifiable risk of job losses
- is a need for help to secure external funding
- are significant opportunities to reduce and/or avoid unnecessary expenditure
- is an identified weakness in marketing effort and capability.

#### **Promoting the initiative**

3.8 Once the procedure for delivering this initiative has been agreed by partners and professional and specialist firms have committed themselves to reduced fee rates, it will be promoted through a range of channels including: -

- partners in Exeter Business Support,
- email alerts,
- a dedicated Exeter Business Support website,
- a range of customer facing City Council Services,
- Job Centre Plus,
- Train to Gain,
- Westward Training and Personnel, which supports staff facing redundancy,
- High street banks and professional services in the city,
- business centres,
- Exeter Chamber of Commerce & Industry,
- Citizens Advice Bureau and,
- local media.

#### **4 FINANCIAL IMPLICATIONS**

- 4.1 Peninsula Innovations Limited (operator of the University's Innovation Centre) will administer the City Council's 50% matched funding element (of up to £250 per small business supported) and monitor the payment of fees to professional and specialist firms.
- 4.2 It is intended that at least 100 small businesses will receive assistance through this initiative at a cost of £25,000. This funding can be met from within the Economy and Tourism budget's allocation for the Exeter Business Fund, which is no longer required, having been superseded by a regional fund promoted by the South West Regional Development Agency.

#### **5. RECOMMENDED that**

- 5.1 Members support the proposal to extend the services of Exeter Business Support to help small businesses in Exeter survive and grow.

**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 the report: -**

Scrutiny Committee Economy 5 June 2008 'Support for Small Businesses'

## APPENDIX 1

## VAT registrations per 10,000 working age population

Area	Business Registrations 2007	Working-age Population 2007	Rate per 10,000 working-age population
Exeter	305	82,900	36.8
East Devon	395	70,500	56.0
Mid Devon	240	44,500	53.9
Teignbridge	400	72,300	55.3
EHOD*	1,340	270,200	49.6
Devon	3,195	674,700	47.3
South West	17,020	3,111,600	54.7
South East	31,970	5,095,700	62.7
England & Wales	186,720	33,588,500	55.6

Source: VAT Registrations 2007 and Mid Year Population Estimate 2007 @ Crown Copyright. \*EHOD – Exeter and Heart of Devon covering Teignbridge, East Devon, Mid Devon and Exeter.

## Claimant Count: rates and absolute numbers December 2007 to January 2009

Date	Exeter		EHOD		Devon incl Plymouth & Torbay		South West		England & Wales	
	number	rate	number	rate	number	rate	number	rate	number	rate
Dec-07	943	1.2	2,705	1.0	9,528	1.4	37,909	1.2	698,523	2.1
Jan-08	1,007	1.2	2,910	1.1	10,354	1.6	41,126	1.3	732,020	2.2
Feb-08	1,036	1.3	2,896	1.1	10,685	1.6	42,393	1.4	748,187	2.2
Mar-08	1,011	1.3	2,739	1.0	10,172	1.5	41,412	1.3	743,046	2.2
Apr-08	1,014	1.3	2,659	1.0	9,660	1.4	40,723	1.3	736,789	2.2
May-08	1,017	1.3	2,681	1.0	9,535	1.4	40,729	1.3	734,806	2.2
Jun-08	1,063	1.3	2,647	1.0	9,583	1.4	40,964	1.3	736,136	2.2
Jul-08	1,138	1.4	2,975	1.1	10,442	1.6	43,610	1.4	765,992	2.3
Aug-08	1,327	1.6	3,421	1.3	11,646	1.7	48,017	1.6	812,253	2.4
Sep-08	1,315	1.6	3,443	1.3	11,762	1.8	49,241	1.6	833,688	2.5
Oct-08	1,426	1.7	3,801	1.4	12,746	1.9	52,180	1.7	856,480	2.5
Nov-08	1,565	1.9	4,384	1.6	14,283	2.1	59,490	1.9	931,993	2.8
Dec-08	1,663	2.0	4,974	1.8	16,135	2.4	66,710	2.1	1,019,789	3.0
Jan -09	1,831	2.2	5,585	2.1	18,158	2.7	76,814	2.5	1,134,158	3.4

Source: Claimant Count @ NOMIS Crown Copyright