

# **Background Analysis: The Southwark Context and Existing Enterprise Support**

**ADDENDUM TO**

**Southwark Enterprise Strategy**

**Research conducted by Southwark Council - October 2002**

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## **1. Introduction**

It is widely acknowledged that encouraging enterprise, and working in partnership with the private sector and local business community is central to regenerating local economies and communities. A successful local enterprise culture has the potential to create sustainable wealth and the opportunity for all residents to share in the subsequent prosperity. The benefits include: a reduction in crime, poverty and dependency culture; an increase in the uptake of education and employment opportunities; more care for the local environment and green issues; the area becomes a better place to live, invest and start new businesses in; and a much greater involvement of local people in local democracy.

Local Authorities have a responsibility to ensure the economic well being of the communities they serve, and many are working to create an entrepreneurial culture, providing effective business support and removing barriers to growth through cohesive partnerships with regeneration agencies, local providers and businesses. The Council's priorities, as outlined in 'A Fresh Start for Southwark' focus on tackling poverty. As part of this, the Anti-Poverty Strategy prioritises supporting local businesses, discouraging and combating crime, ensuring greater community involvement in local decision-making, and making better use of local purchasing power to benefit local employment and businesses. Equally the Council's Community Strategy (January 2001) has as one of its priorities to "promote the economic, social and environmental well-being of the area" and refers to creating a thriving and sustainable economy through promoting wealth creation as a key driver, attracting new business and investment and supporting existing businesses. A strategic approach to promoting enterprise in the borough will ensure that these priorities are translated into action.

The Council has a pivotal role to play in enabling and fostering a more dynamic enterprise culture in the borough, and as a key catalyst in increasing inward investment and outward growth.

Southwark Council has already developed an Employment Strategy for the Southwark Alliance (Local Strategic Partnership). Over time, additional research will be commissioned into the local economy, which will help develop a better understanding of the inter-relationships and trends between the local Business Districts and Town Centres, the borough and the sub-regional/regional economy. It will also be necessary to link this information with Neighbourhood Renewal strategies and regeneration initiatives. The Enterprise Strategy will need to develop a synergy with other council policies and strategies, such as the Unitary Development Plan (UDP) and the Southwark Alliance Employment Strategy to ensure its effectiveness and sustainability. This document identifies some of the key issues and factors that influence the local economy and enterprise activity within it.

The Southwark Enterprise Strategy must be a shared document with a shared responsibility to fully address the needs of the local economy and the business community in Southwark. It should help all

the key partners to work in consort and develop their own operational strategies to support the broader aims of what is required for the borough. It should also help the Council to incrementally improve its offer to the business community and the way it relates to enterprise and local economic issues, and also how its own internal functions work together to support a common purpose. Ultimately it will be about how we can all work together to build a sustainable culture of enterprise and wealth in the borough, retain businesses while encouraging more to set up, be more responsive to change and eventually improve prospects and outcomes for all residents.

In summary, this document:

- Provides an overview on the state of the current economy and its key business districts
- Identifies the main factors that influence and impact upon the local economy
- Reviews business support provision in the borough, its effectiveness and gaps
- Identifies key priorities for its business districts, town centres and neighbourhoods
- Identifies issues and cross-cutting themes that require a special strategic focus
- Outlines the key issues affecting enterprise

## **2. The Southwark Context**

### **The Local Economy:**

Southwark is part of the sub-regional area called London South Central, which combines the economic activities of the northern parts of Lambeth, Southwark and Wandsworth. The Mayor of London and the LDA has also defined a further area of core economic activity, the Central Activity Zone (CAZ), which encompasses parts of other inner London boroughs. This orientation towards the river affects mainly the northern part of Southwark. Southwark has other business districts and Town Centres linked with east and west e.g. Peckham and Walworth, Camberwell and Canada Water. The local economy is also impacted upon by a number of regeneration and business support initiatives, many of which are geographically specific.

The London South Central area is key to the overall performance of Southwark's economy as it is the main engine of growth in terms of businesses and jobs. However there is a real divide between this area and the rest of the borough where there are areas of extreme deprivation.

### **Business, Jobs and Sectors – Facts & Figures:**

Southwark has a total population approaching 245,000<sup>1</sup> of which 67% is economically active, which compares favourably to London as a whole at 64.8%<sup>2</sup>. However, the Compounded Annual Growth Rate (CAGR) for the economically active is much lower than either London as a whole or Lambeth, at

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<sup>1</sup> GLA Round Projection for 2002

<sup>2</sup> Labour Force Survey 1999-2000

0.6%. In the long term this could lead to inequalities within the local economy and wealth creation due to having to import workers into the borough who will live elsewhere, but this could be offset by a net inflow of new residents into the borough through the larger regeneration schemes and new housing. There is also a more general macro-economic trend of an aging population in the UK, which will require national initiatives to ensure more people are brought into economic activity. It is, however, a very serious concern as economic activity rates below 60% can lead to unsustainable economies.

In March 2002, the Claimant Count Unemployment for Southwark was 7.9% (9,528)<sup>3</sup>. This compares unfavourably with a Central London unemployment rate of 5.9%, a Greater London rate of 4.6% and a National rate of 3.3%. Southwark ranks 12<sup>th</sup> worst in England on the Index of Multiple Deprivation, but there are differences between individual wards and Neighbourhood Priority Areas. Only 27% of all housing in Southwark is owner occupied, indicating a low overall level of disposable income, which ultimately affects the prosperity of local businesses and their growth.

Approximately 30% of Southwark's population is from Black and Ethnic Minority (BME) communities, and it can be assumed that, of these, 38,000 are economically active (because of a younger age profile) but the economically active population of these communities are more likely to be unemployed or self-employed. In inner London, white groups have an unemployment rate of 6% compared to 19% for non-white groups. This rate rises to 23% for Black African residents and 28% for Pakistani/Bangladeshi residents of inner London<sup>4</sup>. The Employment Strategy tackles the need for improving employment outcomes for high need groups so that they can participate more fully in the borough's economy and aims to ensure that they have the necessary skills. For instance, research indicates that people from BME communities are falling behind in the knowledge-based economy and if this is not tackled it could produce yet another economically excluding factor in the borough's population. The Enterprise Strategy considers how BME businesses can be supported to improve their prospects for growth. These businesses are often net generators of local jobs, providing accessible services to deprived communities, albeit within a low wage low turnover economy. BME communities have a higher than average self-employment rate at 12.6% compared to the UK average of 11.8% (2001) and account for 9% of new business start-ups in London. 1 in 8 of the BME workforce is self-employed. It is also worth noting that approximately 20% of all businesses in London are BME owned and this is predicted to rise to 1 in 4. This proportion rises to nearly 30% for single proprietor owners (micro- businesses) in London<sup>5</sup>.

#### Business Stock:

There some 10,800 businesses in Southwark of which 7,495 are VAT registered. Although this is higher than Lambeth it must be noted that more than 50% of these are in the northern part of

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<sup>3</sup> Claimant Count, NOMIS Crown Copyright (taken from LSC *Key Statistics Series*, April 2002).

<sup>4</sup> Focus Central London, Key issues Report, Feb.2001

<sup>5</sup> London Skills Forecasting, Feb.2002

Southwark, within the London South Central (LSC) area. Although the total business stock has nearly doubled since 1991, the CAGR for business stock is lower than that of Lambeth or LSC at 4.2%<sup>6</sup>. Most of the growth has taken place in north of the borough, and east in the Canada Water area. 95% of the total business stock in Southwark are SMEs employing less than 50 people, and 83% are micro businesses employing 10 people or less<sup>7</sup>. London wide, 85% are micro-businesses, providing 23% of all jobs, and 64% of their customers come from within a 3-mile radius<sup>8</sup>. This segment of the market is labour intensive and an important provider of localised jobs, although the largest firms employing more than 200 people provide for 40% of all jobs and are key to sub-regional economies. In terms of new business formations, closures and survival rates (based on VAT registrations and de-registrations), 1155 new businesses were set up in Southwark, against 820 closures, with a net gain of 320. The rate of change has been positive since 1994, but has dropped from 41% in 1998 to 29% in 2002, higher than Lambeth (26%) and the London average (23%). Southwark has 63 businesses per 10,000 of population compared to 72 in London and 285 in Westminster. Survival rates for businesses in London are generally much lower than the rest of the UK at 62%. In the most deprived wards only 44% of businesses survive for more than 3 years<sup>9</sup>. Overall less than two out of three new businesses survive longer than 3 years. However in terms of the regional economy Southwark has maintained its share of business registrations at 6% of inner London and 3% of Greater London. London has 250,000 VAT registered businesses and 20% of all businesses in London are less than five years old.

#### Jobs:

There are nearly 157,500 jobs in Southwark, with 65% of these being located in the north LSC area. The total number of jobs available in the borough has grown by nearly 40% in the 10 years since 1991. Although this number is greater than Lambeth, the CAGR in jobs is considerably lower than Lambeth's or London as a whole. This could suggest that there is a saturation point and maturity in terms of growth, but other reasons could be rising office rents and costs of living and working in that area. This correlates with rates of change in business stock and formations. In a decade this could have more serious implications for Southwark's economy if steps are not taken to encourage greater inward investment and to promote other parts of the borough as a place to do business in. Also to ensure more micro businesses are retained and set up and to encourage diversity in both location and sector. 64% of these jobs are within larger enterprises employing more than 50 people, much higher than London's rate of 57%. This can leave Southwark more vulnerable to macro economic shifts in terms of total number of jobs. This is further exacerbated by the fact that micro-businesses (less than 11 employees) generate only 17% of jobs in Southwark, compared to 23% in London. Micro businesses help keep the economy local and are less vulnerable to macro-economic influences, but their contribution to overall employment is less than larger businesses. Figures from the 1991 Census

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<sup>6</sup> ONS/ABI/BSL, 2000

<sup>7</sup> LSC Key Statistics Report, 2002

<sup>8</sup> London Skills Forecasting, Feb.2002

<sup>9</sup> ONS/DTI/SBS Performance Unit, 2000 - Enterprise in Deprived Areas

reveal that only 33,190 of Southwark's workforce actually works in Southwark, this reduces the daily spend in the borough. Further research would reveal commuting flows to establish real patterns of employment. There are 450,000 self-employed people in London and 86% of all businesses in London employ less than 10 people.

### Sectors:

Analysing jobs in the sectors they occur, there have been some shifts since 1991 for Southwark, but not as much as would be expected. Manufacturing has declined since 1991 and Business Services has grown by more in that period. However, regional shifts are more significant. Business Services and sector related activities (incl. Property) is still the key sector that generates more than 26% of all jobs in the borough, and this is mirrored by 33% for the LSC area and 30% for London as a whole<sup>10</sup>. It has grown by more than 10% since 1991. If combined with Financial Services, this sector alone generates nearly 35% of all jobs in Southwark and 41% in the LSC area, and is growing steadily. Nearly 20% of the companies in this sector are micro businesses. This sector is the easiest to start a business in, as there are fewer barriers to entry and growth. But it is also saturated and survival rates are weaker as it is most exposed to macro-economic influences.

The Wholesale & Retail sector, which supports more than 12% of all jobs in Southwark, is the second largest single sector in Southwark, although it has dropped by 1% since 1991. It provides 12% of all jobs in London too, but only 6% in the LSC area. Nearly 30% of the companies in this sector are micro businesses.

The next major sector in Southwark is Transport, Storage & Communications providing for more than 10% of all jobs, and this is the same for the LSC area, but only 3% for London. However this is of particular importance to Southwark as the Mayor's Plan for London and the Southwark UDP have identified areas of the borough along arterial routes on Old Kent Road and Jamaica Road through Bermondsey as key strategic industrial locations, cutting through some of the most deprived neighbourhoods. This sector could generate more inward investment to the area as well co-locating new small businesses serving logistic needs, thus creating new jobs. It will be necessary to ensure that local people gain the right skills to benefit from future opportunities in this sector.

The Health (9%), Public Administration (7%) and Education (7)% sectors jointly provide nearly quarter of the jobs in Southwark, but growth in these has actually dropped since 1991. However in the LSC area, and London as a whole, this sector provide for 28% of jobs jointly. Health alone provides 12% of all jobs in the LSC area and has been identified as another growth sector by the LDA. The impact in Southwark is difficult to predict as figures show some stagnancy. However if PFI initiatives are approved in Southwark, both the Health and Education sectors could grow significantly. Three major hospital trusts have sites located in the borough.

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<sup>10</sup> ONS Annual Business Survey - LSC Key Statistics Report, 2000

The Construction sector in Southwark could also grow if it is to achieve its target of 29,530 new homes for the next 15 years, within the Mayor's draft Plan for London.<sup>11</sup> However it is likely that firms outside Southwark could benefit due to the scale of development unless these opportunities for more jobs and training can be developed for local people, as in the Peckham Partnership. Construction is currently the smallest sector for jobs in Southwark at 4% but has shown a small growth. If local purchasing of construction services was to increase, it could lead to increased local jobs in this sector.

The Manufacturing sector (incl. Printing/Publishing) is still a significant provider of jobs at 8% (in London it is 7%) but has declined since 1991 by over 4%, and this is the same for London. There are some 800 manufacturing firms in Southwark; the majority of them are in printing and publishing, mainly in the north of the borough and Bermondsey. However there are pockets of both traditional and advanced manufacturing, mainly in the Old Kent Road area (north east) and Camberwell. Peckham also has a number of small manufacturers. This sector contains a significant proportion of small firms. Rising land values and other constraints have resulted in some of the larger firms relocating elsewhere and the sector has shrunk, with a net loss in business stock. Business retention could help reduce the loss of jobs; the UDP has designated areas to protect this industry, and more could be done to attract advanced manufacturing into the area. The print and publishing sector could be better clustered to expand and grow and a number of local regeneration agencies are exploring this. This sector is being reviewed as part of the London South Central City Growth Strategy. Southwark also has a cluster of metal work/fabricators (Peckham), which often have more capacity to adopt their operation to new products, such as those that could be generated by creative industries. The Mayor and LDA have identified this sector as a key growth sector, along with wholesale distribution, as it can establish supply chain links with other sectors. "Manufacturing supports many jobs in services through outsourcing and manufacturers can draw on London's creative industries using world class design skills..." In this context the Mayor supports the creation of Preferred Industrial Locations (PIL) and the Southwark UDP has identified a number of locations for this purpose in the borough.

The LDA<sup>12</sup> has identified other key and dynamic emerging growth sectors for London's economy and some of these will be relevant to Southwark. These are: an effective ICT infrastructure and e-business services, Creative Industries (incl. Cultural & Media Services), Environmental Industries (to support businesses to become greener and impacts upon local UDPs) and Tourism & Hospitality (incl. Hotels & Restaurants). Tourism accounts for 12% of London's GDP employing 336,00 people and the GLA has launched £7m Tourism Strategy to support this sector. However Southwark is under-represented in this sector providing only 5% of these jobs. This deficit may change with some of the larger developments in the northern part of the borough. Potential development sites in Peckham and Camberwell have also been identified for hotels. This sector, along with the Creative, Culture and Media sector, has strong potential for being developed for the future, especially if the emerging art

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<sup>11</sup> Mayor of London - The Draft London Plan, June 2002

<sup>12</sup> LDA- Economic Development Strategy, Aug 2002



scene is clustered and supported along with other supply chain initiatives, utilising the pulling power of the Tate Modern. It should also be noted that more than 5% of the UK's employment is generated by knowledge intensive sectors and this is set to increase. In London the comparable figure is 66% and this is what is being recognised by the LDA. These sectors create a high wage economy and thus greater prosperity.

The Employment Strategy identifies skill gaps in the borough's workforce to ensure that the supply side is aligned to emerging demand in local and sub-regional economies. It is worth noting that the sectors of Wholesale/Retail, Hotels/Restaurants and Other Services (incl. Social & Personal services) create almost 50% more jobs per business than any of other sectors, however these may be transient and often relatively lower skilled jobs.

#### General:

Wage level, business turnover and GDP figures will need to be researched further as there are no comparable figures for the local economy. 46% of all London businesses have a turnover of under £100k<sup>13</sup> and only 12% have a turnover of more than £1m. Companies in LSC appear to be performing better than London as a whole in terms of Turnover and Gross Value Added per head of population at £68,000 and £33,500 respectively. But this wealth remains mainly in the northern LSC part of Southwark and distorts the picture in other parts of the borough, which is considerably lower, and in some deprived neighbourhoods it is often at unsustainable levels for either future job creation or even survival, once debt/equity ratios are considered. Business support can be more effectively targeted if it is provided more strategically at the appropriate time in the business life cycle, and a better understanding and profiling of local economic factors is crucial to this process. Otherwise there could be further loss of essential service businesses in deprived areas. It is also necessary to get a better estimate of the informal economy of Southwark and how this can be channelled into legitimate/formal entrepreneurialship.

Other key economic factors to note are:

- The Social Enterprise sector employs 3.5% of the workforce in London and generates 2.5% of its GDP
- Over 35% of London's employers regard NVQ Level 4 or equivalent as a minimum qualification for entry to employment and a further 25% require at least NVQ level 3.
- A third of all businesses are owned by women and this should be seen as a potential area of support as their survival rates are better than average.

In terms of cyclical developments and future trends, apart from predictions from both GLA and LDA on the regional picture, further research will be required into local factors that will affect the future.

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<sup>13</sup> Inter Departmental Business Register, ONS

Overall Southwark's economy is currently fairly robust and competitive when compared with Lambeth and with the LSC area as a whole, on absolute figures. However, it has the significant problem of being skewed by the northern quarter of the borough. A financial analysis of Southwark seems to indicate a level of insulation in the rest of Southwark's economy to the full impact of global trends. But it also highlights the separation from and weak supply chain linkages to the economy of north Southwark.

Research was commissioned to provide a basic understanding of the local economy. Further detailed research would provide a clearer picture of the various components of the economy at some depth and to establish a clearer picture of future trends. Research and statistics available are disaggregated and it is difficult to map on to local areas and business districts. The next phase of research will do this based on new 2000 Census figures released in February 2003.

### **Neighbourhood Renewal Areas:**

There are six Neighbourhood Renewal areas, with overlapping wards and business districts. The six Neighbourhood Renewal areas in Southwark are:

Area 1 - Bankside, More London, Elephant & Castle and West Bermondsey

Area 2 - Canada Water, Bermondsey and Rotherhithe

Area 3 - Walworth

Area 4 - Peckham & Nunhead

Area 5 - Camberwell

Area 6 - East Dulwich and Dulwich

The UDP has also defined six different areas that overlap wards. Individual Town Centres and Business Districts have their own catchments that also overlap. This makes for a very confusing picture when analysing economic deprivation, wealth retention and enterprise, particularly since the primary level of data is at the ward level. The business districts covered by the Neighbourhood Priority areas are analysed in section 6. Please note that all references to electoral wards are based on the old ward boundaries.

The National Strategy for Neighbourhood Renewal is a 10-20 year programme to turn around the most disadvantaged neighbourhoods, the largest and most ambitious exercise in joined up Government yet attempted. The strategy is focused on people and also recognises the importance of the need to rebuild local economies, on which neighbourhoods depend for jobs and prosperity, as part of sustainable renewal. Some of the most deprived neighbourhoods in Southwark are East Peckham; West Bermondsey; South Bermondsey/North Livesey; Elephant & Castle; Aylesbury and East Camberwell.

The DTI has been charged with taking forward the enterprise component of the National Strategy. It has identified the key problems, solutions and key targets in this context. Generally fewer people living in disadvantaged neighbourhoods run enterprises and fewer enterprises operate in the vicinity. Those that do find it harder to access finance and business support, have less prosperous local markets and are more likely to lack skills and confidence. The DTI recognises that long term lasting regeneration will only occur where local economies can be put to good health, through new local enterprises being set up and existing businesses making investments in their locality based on competitive advantage.

A separate Social Enterprises Unit has been established to promote a better understanding of social enterprises. The Inner City 100 (a showcase of the fastest growing 100 enterprises in disadvantaged inner cities) survey showed that social enterprises are likely to constitute around 10% of the fastest growing businesses. They are close to their customers and provide locally rooted role models for business and personal success, and often provide goods and services not otherwise available to deprived neighbourhoods. The DTI is also promoting corporate social responsibility, where activities of individual companies can contribute significantly to regeneration. The DTI has a public service agreement (PSA) to generate more sustainable enterprise in the 20% most deprived local authority wards and a target to improve the economic performance of each region measured by GDP per head. The DTI will measure its progress in promoting enterprise by reducing the gap in business start up rates (measured by VAT registrations) between the 20% most and 20% least deprived wards. Currently this is at 35% and the initial target is to reduce this by 1% per year until 2005, five times the current trend rate.

To champion enterprise the DTI has set up the Small Business Service (SBS), which operates the £96 million Phoenix Fund designed to encourage enterprise among disadvantaged or under represented groups such as BME communities. The SBS supports innovative projects designed to give enhanced access to business support and finance, and subsequently disseminating good practice. Business Links are the delivery arm of the SBS offering access to business advice nationally. Though independent organisations, their performance against contract is reviewed annually, whilst their services are subject to quality assurance. In agreeing resources for Business Link operators, the SBS allocates funding based on the number of businesses in the area (demand), the level of deprivation and the level of enterprise in the area (which needs stimulation). The total allocation from the SBS to Business Links for 2001-2002 was £130m across the country, of which £15m is to be spent on enterprises in deprived wards, which is approximately £25,000 per ward. The Business Link budget for London is £38m. Business Links are expected to understand the local demography of their area, to ensure they can target disadvantaged groups within it, be involved with all local agencies active in regeneration such as Local Strategic Partnerships (LSPs) and be aware of good practice in reaching and helping businesses in socially excluded communities. They also work in close partnership with Regional Development Agencies (RDAs), which the Government has established to co-ordinate the economically focused activities. In London this is the London

Development Agency (LDA). RDAs have statutory duties to further economic development and regeneration, promote business efficiency, investment and competitiveness. Government Offices are also responsible for the co-ordination and implementation of neighbourhood renewal policies. They encourage business participation with LSPs so that enterprise and business issues are reflected in renewal strategies and local community plans.

Nationally the SBS is seeking to promote a more entrepreneurial culture by supporting a number of innovative initiatives such as:

- Seeking to develop a more positive image of entrepreneurship among young people
- Encouraging people to move from benefit to enterprise
- Encouraging people to move from the informal to the formal economy (in conjunction with the Inland revenue, HM Customs and Excise and the Benefits Agency)
- Widening markets for local enterprises with greater use of e-commerce (also helping enterprises access public procurement in conjunction with RDAs)
- Enhancing the competitive advantage of neighbourhoods, businesses often fail to appreciate the opportunities available in disadvantaged areas (City Growth Strategies are part of this approach).

Southwark has benefited from increasing numbers of businesses, but mainly in the northwest corner of the borough. New large businesses are locating there as developments continue around Bankside and at London Bridge. There are also significant clusters of small businesses particularly around the town centres of Camberwell, Peckham, East Dulwich, Surrey Quays, Elephant and Castle and London Bridge. There are large industrial estates in Peckham and along the Old Kent Road. There are also a number of market trader based business clusters in areas such as East Street, Bermondsey, Borough Market and Peckham.

In contrast there are huge pockets of deprivation throughout the borough, where enterprise activity is at a minimum, there is an increasing loss of essential services, where the customer base for businesses is narrowing, where businesses cannot afford to invest further into widening their offer and where new enterprises cannot afford to set up, thus lowering the demand for local employment. The Neighbourhood Renewal plans for the priority areas of Southwark, called Local Area Action Plans (LAAPs - co-ordinated by the LSP) have an enterprise component, but additional funding will need to be allocated in future years to make a significant impact on enterprise activity in these neighbourhoods. £250,000 has been earmarked for both employment and enterprise in 2002-2004.

### **3. Factors Influencing the Local Economy**

There are many factors that can influence the local economy of an area. By far the most important are market forces, which are subject to natural cycles and phases. National governments influence some of these forces through monetary policies, mainly interest rates, money supply, spending and indirect taxation to control inflation. However the increasing globalisation of the world's economy is putting severe pressures on the ability of national governments to affect control. In this context the World Bank, IMF and more notably the US Federal Reserve Bank are the main players. To date the USA has been the main driver of economic stability, but increasingly the European Community will start to play a greater role. But events like 11<sup>th</sup> of September, the recent collapses of major multinationals and political instability can all create major shifts in economic performance and robustness. All these elements eventually influence local economies and the time lag is getting shorter, in some cases months rather than years. It is the working through of all these structural aspects into what consumers perceive to be true and how confident they feel that ultimately determines how the local economy will perform.

#### **Macro and Micro Economic Market Forces:**

The current major macro economic threat to the UK economy is deflation, as evidenced by falling prices on the high street and the stock markets. Many other countries are also facing this threat, most notably Japan which has been in deflationary cycle for more than a decade. The shift over the past decade has been towards low inflation and low interest rates. Underlying inflation, excluding mortgage payments, is well below Bank of England's 2.5% target rate. If deflation were to happen it is much more likely to take place within a broader worldwide problem, such as a downturn in the world economy, higher unemployment and downward pressure on wages. This could have disastrous consequences on the feel-good factor resulting from rapidly rising house prices, which has helped underpin consumer confidence and spending. Price deflation in the high street has been benign by boosting demand that has led the retail sector to outperform the market. Prices in the service sector have been going up, for instance the cost of eating out is 4.5% higher than last year. However it could take a down turn if people stopped shopping. The Bank of England has sought to apply lessons learnt from Japan by keeping interest rates on hold rather than risk denting consumer confidence and is prepared to see house prices rise at 20% annually to avoid deflation. The Government's ambitious spending plans should also help stimulate growth and avoid deflation. But much depends on how the world economy, particularly the US economy, behaves. Southwark has seen a meteoric rise in house prices; previously parts of the borough were undervalued. Local spending on goods and services largely rests on having a good waged secure job backed by positive equity and low interest rates. This directly affects businesses as their own investment plans are based on these patterns. This can also directly affect the rate of new business formations.

It should be noted that business failures have increased by an average of 16% in autumn 2002, compared with the same period in 2001. The main sectors experiencing decline are Business Services, IT, Manufacturing and Construction. The CBI claims that it is becoming increasingly difficult to do business in Britain due to the erosion of tax advantages, growing burden of regulation and inflexibility of local labour markets. Globalisation allows large employers to shift operations to another part of the world to avail cheap labour.

Micro influences at regional, sub-regional and local levels are property prices, inward investment policies, availability of suitable land or sites, proximity to good transport links, markets and research/intelligence (Cambridge is booming because of this and the Council could seek to strengthen its enterprise links with Southbank University and London College of Printing). London is still fortunate to be an attractive base for large multinationals in the Financial & Business Services sectors to ensure employment growth, at least for the near future. Tax breaks and incentives, along with the initiatives such as those offering stamp duty relief on non-residential property transactions in deprived areas and enterprise grants are all micro measures to assist enterprise, and in some way try to temper macro shifts. Southwark can benefit from these trends.

Overall market forces are the most important factor in any economy. Any interventions should be in recognition of these and play to the natural strengths of an area. Where larger businesses and multiples move into an area, smaller businesses can strengthen their position, to ensure survival and growth, by changing the nature of the goods and services they offer, by adding value or niching (this is when they need to invest in their business), lowering their cost base to offer value for money, becoming part of the supply chain if there is a cluster.

### **National and Regional Policies:**

#### National:

At a national level, the Government has brought in a raft of measures and special initiatives to support enterprise, particularly in deprived areas. These initiatives are sponsored mainly by the DTI and managed via the Small Business Service (SBS). Those relevant to Southwark are Business Link, the Phoenix Fund, New Deal for the Self-Employed, City Growth Strategies (CGS) and Business Improvement Districts (both in their pilot phases) and the Street Wardens scheme to reduce crime. There are other pilot initiatives in neighbouring areas e.g. the Business Brokers scheme and the Business Planning Zones (still at the consultation stage). The DTI has a cross cutting Ethnic Minority Business Forum to ensure that business support measures address the needs of BME entrepreneurs.

The Government has also brought Southwark into the neighbourhood renewal process and this is detailed in Section 2. Neighbourhood Renewal Funding is available over the next few years to assist

enterprise development. The Enterprise Strategy will help to identify the priorities for that funding in order to improve access to, or delivery of, mainstream services at a local neighbourhood level.

Although the DTI has set national targets for some initiatives, namely Business Links, New Deal and Neighbourhood Renewal, there are no specific targets in terms of enterprise support that tie in the Council, for example, through a Public Service Agreement (PSA). It should be noted that the initiatives on enterprise are still relatively new and many are at a pilot stage. These should be monitored and the Enterprise Strategy will identify the appropriate initiatives to bid for resources from relevant agencies.

Currently, the main initiative and agency in terms of supporting enterprise is Business Link (BL), which in the London region is co-ordinated centrally by Business Link for London (BL4L). BL is a national network offering access to business advice from a single point of access. BL's are independent organisations but their performance against contract is reviewed by SBS Regional Staff annually. BL services are subject to quality assurance. They must target all groups, including those that are disadvantaged, and be involved with local players active in regeneration, such as Local Strategic Partnerships. They should also be involved with those providing business support at a community level and know about good practice in reaching and helping businesses in socially excluded communities.

Business Link for London is required to work closely with the LDA in terms of their economic development focus, particularly the needs of Black and Minority Ethnic Businesses (BMEBs) and Social Enterprises. BL4L has also adopted the LDA sector strategies, establishing specialised Knowledge Centres to support this work. Much of the delivery of BL4L services is becoming the responsibility of approved delivery agencies. More than 200 business support agencies have been identified in London and 160 of these have signed the Network Concordat aimed at improving standards of delivery and improving cooperation between agencies (including Local Authorities operating strategically). BL4L has contracts with these agencies and the total budget for London is £38m annually, of which £4m is spent on the Up and Running programme across London. This is to support new start-ups with business advice and mentoring. More than 55% of BL4L client are micro businesses.

In Southwark, the Cross River Partnership has funded BL4L to develop the Supply Net project, a supply chain initiative to help small businesses bid for contracts with major purchasers. BL4L also have a contract with One-London to deliver their Up and Running programme in Southwark, but this is now due for renewal and discussions are currently taking place to see how this will be delivered in the future. The Council is likely to sign up to the Business Link Concordat or become an integral partner in its regional network. This will ensure that BL services are more strategically focused in line with the Council's own strategies and that there is effective co-ordination of all business support services and delivery agencies to directly meet the needs of Southwark businesses.

In terms of linkages to other national initiatives, the Council is already working with the LDA, Central London partnership and Pool of London Partnership on both the Business Improvement Districts and City Growth Strategy pilots, mainly in the north of the borough, although BIDs could become relevant to other areas Peckham and Camberwell for example, if proposed legislation is passed by Parliament in 2003. Business Links will have an important role to play in the delivery of Business Improvement Districts (BIDs), further information on BIDs can be found in section 6 on page 72 of this document.

Overall the influence of all these national initiatives on the local economy could be substantial. The Council needs to ensure it can maximise benefit from the available resources, particularly in deprived neighbourhoods. For example, business support agencies could be encouraged to access the Phoenix Fund.

In addition to the various business support agencies and the Council, there are other non-Governmental initiatives and agencies that also have a role to play in enterprise development in Southwark. The Southwark Education Business Alliance (which offers work-based training programmes such as Modern Apprenticeships) and Business in the Community (who manage the Business Brokers pilot) are two such examples.

#### Regional:

The most important influence on economic and enterprise development in London is how the proposals within the Mayor's Draft Plan for London, and the London Development Agency's Draft Economic Development Strategy, are implemented at local authority level. Its influence will also be shaped by how robust the partnership is and how the Southwark Enterprise and Employment Strategies are dovetailed through the Local Strategic Partnership.

The Mayor is responsible for strategic planning within Greater London and in the plan London is subdivided into different areas of activity. In the Spatial Strategy for London, the northern part of Southwark within the London South Central area has been highlighted as an area for potential intensification of growth within a wider Central London Activity Zone (CAZ). In addition almost the entire borough has been identified as a key area for 'Regeneration', the others being Lewisham and Greenwich. Within this five 'Opportunity Areas' have been mapped for Southwark: Camberwell, Peckham, Bermondsey, Rotherhithe and Canada Water (which is also very close to Thames Gateway regeneration corridor). While these draft proposals have yet to be fully agreed, they have very important implications for Southwark, not least because of the significant potential for further growth in opportunities for residents and businesses. The defined Central London area in this plan stretches as far south as East Dulwich.

Policies and targets for homes, jobs, learning and skills, land use and transport amongst others will accompany all of these spatial strategies. The CAZ has guidelines to support the UDP and in



Southwark identifies areas for mixed use with strategic opportunities, 'special industries' and those with a strong health services sector. CAZ boroughs should accommodate commercial development associated with business, tourism and retail. Boroughs with areas of regeneration should identify links that will enable their residents to benefit from the growth in nearby Opportunity Areas. The plan acknowledges the increasingly vital role of BME communities and the diversity they bring to London's growth and positioning.

The key vision is to develop London as a sustainable world city based on three interwoven themes: strong, diverse long-term economic growth; social inclusivity and fundamental improvements in London's environment and use of resources. The plan also covers the role and management of Town and District Centres and identifies a sequential approach to their development in terms of retail and leisure and how these should be accommodated within the UDP. For example, it suggests that boroughs should work with retailers and others to prevent loss of retail facilities that provide essential convenience and specialist shopping. It also advocates undertaking regular audits of local retail and service facilities, and town centre 'health checks' to assess vitality and viability. It stresses the importance of developing and promoting arts and culture by setting up 'cultural quarters' in or on the edge of town centres and allied to this is encouraging a greater role for an 18 hour night-time economy, especially outside the West End. Research indicates that town centres with town centre managers and clear strategies for these centres display greater vitality and viability than other town centres with similar characteristics but without managers or strategies. The Mayor encourages and supports such an approach to town centre management.

The LDA has published an Economic Development Strategy for London. There are a number of commitments made in the Strategy that are relevant to the Enterprise Strategy. The LDA commits to working towards integrating the delivery of regeneration and economic development initiatives and details key issues in terms of enterprise activity, sectors and business support issues. The LDA will have responsibility for the main replacement of SRB funding, under the 'Single Pot'. Agencies bidding for future funding to support initiatives and projects, will need to ensure they contribute to the LDA outcomes in Southwark. The LDA is working closely with Business Link for London (BL4L) to provide a quality assurance framework for all business support agencies, which means that local deliverers and agencies will need to develop their offer to businesses within this framework to receive contracts for service delivery. As a partner in the Local Strategic Partnership and as the core funding body for regeneration partnerships, the LDA will be expected to play a critical role in helping to implement some of the actions outlined in the Southwark Enterprise Strategy.

### **Local Policies:**

Southwark has identified addressing poverty and promoting social inclusion as a key focus over the next four years. The Council Anti-Poverty Strategy will identify actions, targets and resources for implementation of the Strategy in Southwark. The Enterprise Strategy will link closely to the Anti-

Poverty Strategy and should help to achieve its aims of strengthening enterprise and creating prosperity.

The Council has a major influence on the local business environment and economic factors, largely through its regulatory, planning and economic development functions. In particular the Unitary Development Plans (and the process of consultation in developing these), Planning (and the use of its statutory powers to grant permissions and to compulsory purchase), Business Rates (their collection and disbursement), Transport, highways maintenance and transport policy, Regulatory duties (including licensing, hygiene and enforcement) and Statutory duties (in terms of waste collection, street cleaning and lighting, highways and parking) have the greatest impact on businesses. The Council is looking at better ways of delivering key services through plans for local area management teams, and Community Council's are being established to support greater devolvement of certain functions and improve local participation in decision making. These measures should support local businesses in different business districts, taking into account local economic conditions.

The Council has a key role in encouraging Inward Investment and marketing the borough. Robust Inward Investment policies also have a beneficial effect of widening markets for local enterprises. Better co-ordination in the delivery of services to businesses, encouraging a partnership with business, and communicating effectively with the business community as key stakeholders in developing prosperity are also important. The Council is also the accountable body for most of the regeneration funding flows into the borough and thus responsible for ensuring that the funded activities meet targets and achieve desired outcomes. All of these combined can exert a significant micro influence on the dynamics of the local economy and business perception and performance.

A study was conducted by the Department of Environment Transport and the Regions (DETR) on how Local Authorities should engage with the business community, including what perceptions businesses held about Local Authorities and what methods councils use to engage business.<sup>14</sup> A guide on how Local Authorities should engage with the local business community was produced. This is part of the Government's Modernisation Agenda to create councils that are more in touch with people, provide high quality services and give vision and leadership to their local communities.

The study showed a high lack of awareness in businesses of their Local Authority and its operation, and vice versa. Three categories of engagement were considered: Partnership Working, Consultation Exercises and Information Dissemination. Local authorities saw a shortage of officer time and a limited response from business as the principal difficulties encountered in developing partnerships with the business community. Business saw a lack of understanding of the business community and a lack of will as the significant difficulties faced by their councils in developing links. More and improved communication was the only factor, perceived by business, to improving partnership working.

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<sup>14</sup> DETR – 'Doing the Business', York Consulting, May 2000

<sup>18</sup> The Southwark Plan, October 2002

Overall the study found that by far the most useful and cost effective method of engagement was partnership working. It also suggests that Finance Departments are likely to have an important role to play, associated with proposed changes to the business rate system that will give authorities the discretion to levy a supplementary local rate or to give their business ratepayers a rebate on the national rate. When the final legislation on Business Improvement Districts is agreed, this business involvement will become increasingly important, as will improved partnership working. Part of this process must involve local authorities developing a business-friendly “culture” in all service areas/departments. In summary the report states that the more successful authorities meet the statutory duty in the context of a wider and ongoing engagement with their business communities, and that this should be the way forward. Regulation is a major issue for smaller businesses and local authorities hold many of the enforcement powers. Supporting businesses to comply rather than prosecuting them for non-compliance is a key aim for Fair Regulation Partnerships. This approach enables resources to be focused on companies who will simply not comply or the worst excesses. The Council could demonstrate further commitment to local businesses by introducing Trade Refuse agreements. The Council could also consider the SBS initiative to encourage people to move from the ‘informal’ to the formal economy (in conjunction with the Inland revenue, HM Customs and Excise and the Benefits Agency).

The Southwark Plan (UDP), supported by Supplementary Planning Guidance (SPG),<sup>15</sup> has the purpose of maintaining and enhancing the range and quality of land uses available to support the economy of Southwark. It provides guidelines on preferred industrial and office locations throughout the borough, and is underpinned by national and regional policy guidance, most notably the London Planning Advisory Committee (LPAC) produced policy advice on Strategic Employment Sites (SES) and the Mayor of London’s draft Spatial Development Strategy and the LDAs draft Economic Development strategy, both of which seek to encourage sustainable growth in London. It also supports the objectives of Southwark’s Community Strategy, one of which is to attract new business investment and provide support for businesses. The Southwark Plan, includes the community plan objective of ‘Tackling Poverty and Encouraging Wealth Creation – Strengthening Enterprise and Creating Prosperity’, which aims to promote a greater number and variety of employment and wealth creation opportunities within the borough. The key policies within the UDP relate to the supply of appropriate land for employment purposes and creating opportunities for mixed-use developments. The main categories for land use are:

Preferred Office Locations – land suitable to accommodate high levels of office provision. Most of the land set aside for this is located within the north of the borough at London Bridge, Bankside and Borough. The key aim of the preferred office locations is to protect office functions so that if there is a downturn in the market, land is protected for office purposes when the economy recovers, especially where it provides significant employment opportunities. Nearly 5% of total land is earmarked for this.

Preferred Industrial Locations - land suitable for general business, industrial and warehousing activity. These are an important resource as they provide a valuable support role for the London economy, especially as relocation space for industrial businesses that are displaced. Strategic industrial locations are mainly around Old Kent Road (largely to the north of it and near to the east of the borough) and along the railway line and arches running east of Bermondsey Spa. Local areas are between Old Kent Road and Grange Road, East of Canada Water, west of Walworth Road and Elephant & Castle and at the northern end of Southampton Way in Peckham. Nearly 15% of total land is earmarked for this usage.

Mixed Use Developments – the land for this occurs all over the borough and is suitable for increased density developments, providing both residential accommodation and an increase in employment floor space, or employment generating developments that have potential to provide employment for local people and reduce the need to travel by car to work. The use of railway arches and viaducts for industrial or business purposes is encouraged in appropriate locations, particularly as they have the potential to accommodate small and medium sized enterprises.

Opportunity Areas - linked with the Mayor's spatial strategy, these cover nearly 12% of the total land, but overlap with some of the other areas.

Town Centres - development is to be guided by specific SPGs that are being prepared to address the individual circumstances of each locality and the needs of the local community. Live/Work units are classed as office accommodation developments with ancillary residential use and are permitted within mixed-use areas. The UDP maps all the Town Centre areas and Areas of Opportunity where large-scale regeneration is taking place.

The Council exerts a major micro economic influence on the local economy and for most businesses the Council is their first port of call on a range of issues. Regular, open and transparent communication can go a long way in winning over the trust of the business community, and this is vital to build an effective partnership.

### **Regeneration Partnerships & Initiatives:**

There are a number of regeneration partnerships operating in the borough. These tend to have been developed through Single Regeneration Budget (SRB) partnerships and nearly all of them have targets to increase the number of residents into employment and components of enterprise support and development. In addition, Southwark has a New Deal for Communities (NDC) area focusing on the Aylesbury Estate in Walworth. New Deal for Communities is funded via the Government Office for London while the other regeneration programmes are funded via the London Development Agency. All the regeneration partnerships operate within discrete geographical areas. Some cover all of

Southwark while others cover as little as a single estate or ward. A summary of the major partnerships operating in the borough delivering programmes that have components to support enterprise is outlined below:

Elephant Links – this regeneration partnership covers the Elephant and Castle area with a wider sphere of impact, stretching north to the river and south to the boundary of Kennington and Walworth. This is the largest programme in the borough and the partnership has identified many priorities to support businesses and entrepreneurs in the area. It commissioned a baseline survey in 2000 to establish the needs of businesses in the area. In support of this Elephant Links is establishing a well resourced Enterprise Agency, Elephant Links 'Business Extra', with the aim to provide wide ranging business support and is also considering setting up managed workspace units. The agency could become a vital partner to the local business community, as long as its offer is extended to the rest of the borough. The agency will be independent and will aim to bid for its own funds in the future. It is envisaged that it will tender to run the Business Link programme in Southwark. The agency is already offering limited business support to local businesses, via a contract with an external provider.

Cross River Partnership (CRP) – Funded through SRB, CRP covers all of Southwark as well as the boroughs of Lambeth, Westminster and the Corporation of London. CRP is currently the largest funder of business support projects, investing some £250,000 of SRB funding per annum on business support in Southwark, within the ECB Theme of the partnership. It funds several initiatives including Small Business Champions, the Supply Net project, business planning and ICT training and is also working with Spacia to redevelop railway arches to provide increased small business space. It has primary targets to achieve and works closely with the Council. CRP hosts a Business Work Group to co-ordinate projects across all its boroughs and exchange information.

Pool of London Partnership (PLP) – The PLP focuses on Riverside and Abbey wards (old ward boundaries) in Southwark and north to Tower Hamlets but can also operate projects covering areas such as Bermondsey and Rotherhithe. PLP has three themes the largest of which focuses on Environment and Infrastructure, particularly around London Bridge with an ambition to create a world-class business district in the area. Within its Employment and Business theme PLP has undertaken a few Business Liaison projects and also supports the Work Link project to forge new relationships with large employers in the area. It is also has a dedicated Business Support Officer in post to work with local businesses. The Corporation of London is the lead authority/accountable body.

Waterloo Partnership – This is a Lambeth based regeneration partnership operating adjacent to Southwark's northern wards. The partnership works closely with the Southbank Employers Group, a long-standing business network and partnership in the area. It also supports a few business support projects and intends to establish an Employment Brokerage project that will also target Southwark residents; particularly those living near the boundary.

More London via Section 106 – The major developments in this area afford a valuable opportunity for the council to maximise resources for business support through Section 106 funds. Already this includes funding for a Business Support Officer to work in North Southwark.

Aylesbury New Deal for Communities (NDC) – Covers the Aylesbury Estate in Walworth although for some programmes there is a wider area of benefit covering the Aylesbury neighbourhood. There is an enterprise theme within the Employment Working Group. The NDC has commissioned research on Social Enterprises which could become the main focus of enterprise support.

Peckham Partnership – Although the SRB programme is coming to an end and a significant amount of physical regeneration has been completed, the programme is continuing work to support the development of the town centre. This includes a Town Centre Management Group and funds a Town Centre Manager post, along with other small initiatives to support this work. It also manages the Street Wardens scheme. The Partnership is exploring ways in which the significant number of BME businesses in the area can be supported. Research has been funded into the needs of BME businesses and how the Council can develop a Local Procurement policy to assist in this process.

Greater Peckham Alliance (GPA) – This is the successor agency to the Peckham Partnership, which finished in March 2002. GPA covers five key wards in and around Peckham. GPA is a resident-led regeneration partnership. Work is underway on drafting an employment strategy for the GPA and developing appropriate projects to address employment needs across the Greater Peckham area.

The Council is already working closely with all these partnerships to ensure there is synergy with the rest of the borough's economy, but there is scope for further integration and co-ordination. The development and implementation of the Enterprise Strategy will bring these key regeneration partnerships together.

In summary, the Enterprise Strategy can only be effective if it takes into account all the influences, as outlined above. The overall level of resources devoted to enterprise by regeneration agencies has been relatively small. The Council can act as a catalyst to encourage all its partners, including the LDA, to be innovative in introducing new initiatives to support enterprise in the borough and to increase the flow of resources into areas that require them most.

## **4. Business Support and Networks**

Business support provision in Southwark has had a limited impact in the past. There are examples of good practice and SRB partnerships like Cross River Partnership are taking a proactive approach. However there are parts of the borough, particularly in priority neighbourhoods, where no business support agencies operate and businesses in these areas gain limited access to mainstream business support provision.

The Council and LSP, with the support of the LDA and Business Link, can work together to improve the situation. The Council should also work with its delivery partners to ensure local business support provision is in line with good practice elsewhere. This could include encouraging business support projects to meet recognised standards of quality in their delivery and monitoring, aligned to Business Link's approach across London. Business support agencies should be encouraged to work together at a more co-ordinated level in order to avoid duplication, both in terms of resource use and effort. They should also work towards enhancing their level of communication with the local business community, but making sure that businesses are not approached needlessly by many different agencies. It is estimated that there is £100 million of public funding going into business support in London per annum. It is important that businesses in Southwark benefit from this investment.

The LDA and Business Link are significantly influencing business support at the regional level, and business retention measures are increasingly becoming more sophisticated and focused on key sectors. Though it remains true that many of the businesses that are currently being targeted through business support programmes in Southwark are the very small generic micro businesses and start-ups, many of whom have a low capitalisation and investment base, there will be a need in the future to look at how some of the larger SMEs can be supported at different points in their lifecycle, and ensuring that growth and subsequent job creation amongst these is enhanced. There is a need to review the geographical coverage of business support in Southwark, particularly in deprived neighbourhoods. This includes looking at the business geography of a neighbourhood, assessing the need for essential business services, current stock and business retention issues. This will require a more holistic and co-ordinated approach to supporting businesses in these areas.

Below is an outline of all the key agencies that either influence strategic business provision, or deliver business support services in the borough.

## **Public Sector Provision:**

### The London Development Agency (LDA):

The LDA is the key regional agency influencing how business support is provided and delivered strategically across London. The LDA's draft Economic Development Strategy is built around the following four policy objectives:

- Supporting London's economic growth, both as a world business centre and as a balanced regional economy.
- Developing London as a city of knowledge and learning in order to fulfil the potential of its people and its businesses.
- Working to support London's continuing renewal as a vibrant and inclusive city, acknowledging the ethnic, cultural and linguistic diversity of London's people as an asset.
- Ensuring that London's growth respects the need for social progress, environmental protection and conservation of scarce resources.

The creation, growth, and retention of small businesses is central to the Economic Development Strategy and the encouragement of entrepreneurial risk-taking is considered to be vital to innovation and the development of new business sectors. Stimulating more business start-ups in sectors with growth potential is one key aim, including encouraging more spin-offs from Universities. Much of the LDA's thinking focuses on encouraging stronger links between previously disconnected sectors and supporting the development of geographical clusters of businesses in related sectors. Initiatives aimed at achieving greater cooperation between businesses and the sharing of knowledge and good practice are part of this aim.

The LDA Economic Development Strategy also recognises the importance of improving the business support infrastructure in London, especially in terms of reducing overlap between support agencies, achieving closer integration between different services, and focussing more clearly on particular needs. Achieving greater co-ordination between the various publicly funded support providers on the one hand and private sector providers on the other is also recognised. As well as working closely with Business Link for London in the creation of more effective integrated business support services, the LDA also hopes to stimulate a better demand for them, which implies raising the awareness of entrepreneurs and small business owners of what is on offer.

Besides the case for concentrating on the support needs of businesses in certain key sectors, the Strategy also emphasises the importance of focusing on the needs of the diverse range of Black and Minority Ethnic Businesses (BMEBs) in London. The establishment of a specialist Knowledge Centre for BMEBs is one of the priority actions identified in the Strategy. In partnership with Business Link for London, the LDA is providing funding for various networking and training events concerned with the



provision of support to BMEBs. Any local initiatives for this group should seek to gain support and intelligence from Business Link to ensure activities are co-ordinated and resources are maximised.

Another priority of the LDA Economic Strategy is to improve the flow of capital finance for SMEs, and in particular to BMEBs and social enterprises. This involves improving access to existing sources of finance as well as exploring new sources. For example, the LDA is currently working with 'One London' and Business Link for London to establish a pan London loan fund which aims to bring together a number of existing funding sources, including some unspent SRB monies. The LDA also has plans to work with banks and other financial providers to set up a Public/Private Investment Commission to improve access to finance for SMEs.

The LDA is still developing the implementation of the Economic Development strategy and is in the process of working with other partner organisations on formulating new policy initiatives, but details of this will have to await the outcome of the LDA's review of SRB funding. As yet, it is unclear what level of funding from the Single Pot will be made available for funding local business support projects within London.

Although the LDA stresses that it operates across London as a whole and aims not to have an area focus within London, its existing priorities will inevitably result in some parts of London benefiting more than others. For example, the key sector and business cluster initiatives are tending to focus on areas such as the Thames Gateway, Park Royal, and City Fringe. In time LDA initiatives and resources will extend to other areas. The LDA has identified London South Central as a priority area for investment through its single pot programme. At least two of the LDA's emerging priorities link well with existing business support projects, including the recognition of the importance of providing support for BMEBs and the interest in building up local supply chains, linked to the LDA's current review of the work of the London Supply Office. Once again any local initiatives in this context should cross-refer to regional level intelligence and methodologies, aligned to local priorities.

#### Business Link for London (BL4L):

Business Link for London has moved to an integrated London-wide structure, with BL4L providing the strategic oversight and five sub-regional hubs organising, and to some extent delivering, business support on a localised basis. The boroughs of Lambeth, Southwark and Westminster come under the remit of 'central regional hub'. The strategic remit of BL4L is considerably wider than previously existed, with the inclusion of start-up and micro business support (businesses with less than 10 employees), as part of a brief that also includes BMEBs and social enterprises.

There has been a change in the way in which business support is delivered, with BL advisers now acting in a network brokerage role, assisting clients to find appropriate assistance from outside of BL4L, as well as within. BL4L advisers will have a co-ordinating and mentoring role, with the aim to

refer clients to relevant specialists who will then provide support. As a result, only a small proportion of those approaching BL4L will actually receive support delivered in-house. BL4L will need to work in partnership with a wide range of public and private sector delivery organisations in order to meet its aims and objectives.

The BL advisers retained by each sub-regional hub will provide coaching and mentoring advice to clients, maintaining an emphasis on assisting businesses with ten or more employees. BL advisers will be expected to direct clients to appropriate local service providers, allowing the client to select which provider they eventually use. New start-ups and micro businesses will continue to be assisted by enterprise agencies and specialist organisations, with BL4L providing delivery contracts to those agencies that appear to provide the most suitable and best qualified advice services. The result is that BL will not market itself directly to micro businesses with less than 10 employees. The only exception is the High Growth Start-Up Programme. BL provides a phone advice line that business can ring up on an ad-hoc non-follow up basis.

BL4L is currently involved in a tendering process to contract out the delivery of support for start-ups London wide, under the 'Up and Running' programme. BL4L will have to sub-contract most of its start-up and micro business support to enterprise agencies, in order to meet the volume of demand; facilitate local area access to assistance; and make use of existing local area knowledge and specialist skills. For this purpose it has facilitated the development of a London wide network of business support organisations, having mapped out more than 200 potential business support organisations across London. A key mission of BL4L is to improve the business support infrastructure and the standard of business support services provided. The London-wide business support network will include key strategic and delivery agencies such as: the five sub-regional London BLs, enterprise agencies, chambers of commerce, strategic partnerships (e.g. SRBs), FE/HE institutions, the LDA, GOL, local authorities and a range of private and voluntary sector providers. Currently around 160 organisations have signed the Network Concordat, which is a statement of intent and is seen as a first step to getting co-operation between the partners. BL4L services will only be delivered through partners who have signed up to the Network Concordat. Both the LDA and GLA support this, as they want to ensure a minimum quality standard of business support. It should be noted that some of the smaller business support provider organisations have effectively signed through their larger umbrella organisations (e.g. London South Central Business Advice Service through its co-ordinating agency One London). Currently, South Central Business Advice Service (SCBAS) provides the BL start-up service in Southwark, although Camden Enterprise Agency (CENTA) is also an approved contractor for BL and is providing an interim service for Elephant Links. Business Link will also be introducing a co-financing regime from this year.

The Concordat will upgrade the design and delivery of business support that can be badged under a recognised standard of a quality and allow organisations to successfully bid for BL contracts, thereby maintaining the flow of resources to local business support organisations. These organisations may

need to build their capacity in order to meet these standards both in terms of internal operations and actual delivery, but it will eventually harmonise a very complex arena. The main organisations that need to be encouraged in this context are the Elephant Links Business Support Agency and Elephant Enterprises. The Southwark Chamber of Commerce should also be encouraged to sign up to the Concordat if it is to play a role in business support. The Princes Trust operates under its own national standards.

#### London Borough of Southwark Funded Provision:

The Council currently has a small budget for enterprise related activities.

Internally it supports a Business Desk, which is under review. The Business Desk is a basic referral and routing service. The Council is introducing a central call centre (CSC) system as a single point of contact for anyone ringing the Council. Backed by state of art technology, databases and decision support systems, the CSC approach is more than capable of handling almost 90% of all Business Desk queries. The volume of calls going through is very low, based on monthly analysis, and the majority of these calls are for low-level information, which are subsequently routed to the relevant section. It will be possible to phase an early switchover of the Business Desk function without any loss of service.

In terms of an overall service to support business queries that require more than referral or routing, it can be handled in a number of different ways depending on the level of 'market information and intelligence' required, and the CSC can route these appropriately. It should also be able to monitor and record the types and number of queries. Enquiries that relate to possible inward investment opportunities, property and new initiatives, which need further qualification, should be routed to the appropriate team within the Council. Business support queries that relate to specific advice can be easily referred on to an appropriate business support agency via the Elephant Links enterprise agency 'Business Extra'. Generic business support queries can be passed on directly by CSC to the appropriate agency depending on geography.

Other local authorities have built up successful one-stop business advice shops, which also cover more services such as planning on-line and Environment Direct websites. This requires a long-term commitment in terms of resources to build a quality responsive service. The proposed Elephant Links Business Support Agency could be encouraged to build its capacity to perform this function as it develops.

The Council provides direct grants, mainly to Elephant Enterprises, to provide business support and training to people wishing to start a business, and to manage such activities in the Aylesbury Learning Centre. The Aylesbury Learning Centre itself is also supported by the Council as a community facility

and learning centre through direct funding of the building. The Council also funds the Princes Trust for its outreach work across Southwark with young entrepreneurs.

There are other indirect activities offered by programmes and partnerships which the Council provides match funding for. These include the Peckham Partnership and Bellenden Renewal (through Housing). These are more difficult to enumerate due to the way services are delivered. However it would be a very useful exercise for the Council to evaluate the total level of support in order to determine the full level of resources and how these are utilised for delivery. For instance the Council indirectly supports the Southwark Chamber of Commerce through the use of Town hall facilities, subscription fees and a contract through Neighbourhood Renewal funds to run business surgeries. Bellenden Renewal programme also supports local businesses indirectly through shop front grants and other business retention measures. There is also an Ethnic Minority Business Support unit in the Council that has funding through the Leisure department to support BME businesses. It is important that all these funding strands are integrated into a strategic mechanism to maximise the effective use resources.

The Council has suspended its support to Small Business Loan Fund that was being managed by Elephant Enterprises. Council support for a loan fund is being reviewed and the Council needs to rationalise its position on loan funds in the light of new developments regionally. One London (a subsidiary of GLE) is collaborating with Business Link for London and LDA to provide a London wide loan fund in the near future, a model that has now been piloted for nearly two years. One London already provides loans for generic start-ups in London under the terms of its contract. Loan provision is limited to £5000 based on a simple business plan model. There is no consideration for targeted loan support to existing businesses based on their needs within their business life cycle, where they might need investment for growth but cannot do so based on their cash flow. There is also no targeted provision for businesses that may want to operate in key growth sectors, or specific segments of the market like 'social enterprises'. Most of these types of loan applications are either routed through venture capital avenues or more specialised financing through Community Development Finance Initiatives (CDFIs).

The Council could consider more innovative ways of supporting businesses through loan fund provision. For example, supporting businesses that start up in key growth sectors or those that are able to generate local jobs because they have been supported at the right time in their business life cycle. Equally funding could be targeted to support BME businesses that wish to break out of their co-ethnic markets. This should be in addition to 'bread and butter' start-ups although this provision could also be better focused to increase survival rates. The basic model could be based on a partnership where administration could be performed for example, by One London or the new Elephant Business Support Agency; loan decisions could be made by a representative group that included key business support agencies, local banks, sector specialists and representation from the LSP. There could be

different ring-fenced amounts of loan funding to support the different sectors and segments of the market through targeted support.

A targeted loan fund would tie in well strategically with any competitive strategies like City Growth Strategies and Business Improvement Districts, if they were implemented. It would also support established businesses in deprived neighbourhoods providing essential services, which are generally robust but are unable to extend their markets due to a lack of investment. It is vital here that any loan fund support provided by the Council or other public agency is based on being able to lever in both mainstream funding from banks and other sources. This puts the onus on all parties to bring about the total package, including the applicant. Joint loan schemes could be considered here. Although this approach would require further research and consultation before it can be fully developed, it could potentially extend the offer to businesses.

### **Regeneration Agencies & Private Sector:**

#### Cross River Partnership (CRP):

Cross River Partnership (CRP) is currently the most active agency in Southwark, in terms of funding a range business support measures and services. Its coverage is combined with Lambeth and Westminster and this brings a degree of synergy and co-ordination across a wider area. CRP supports a number of services for small businesses in Southwark. Target groups include BMEs and women. Services are open to pre-starts as well as existing businesses to encourage business creation, these include:

- A Small Business Champion hosted by Elephant Enterprises, who raises awareness of services available and signposts clients to the most appropriate source of support. Similar posts also exist in Lambeth and Westminster and they encourage co-ordination between agencies through referrals.
- Training courses including business plan advice, marketing, bookkeeping and sector specific courses, such as those for the creative industries, are delivered by South Central Business Advice Service from Brixton and Peckham.
- Brixton Online Training Services (BOLTS) offer flexible ICT and e-commerce training and advice. They are based in Brixton but also provide some on-site support.
- A web-based supply chain development initiative, 'Supply Net' is delivered by Business Link for London. This helps small businesses to bid for contracts with major purchasers through workshops and tendering information and enables small businesses to post their goods and services on the website. This service is available to all small businesses across London, however it is currently free and additional support is given for small businesses in the CRP area.
- CRP is also working with Spacia in redeveloping railway arches to provide increased small business space in the area, such as behind the new Southwark Station.

CRP invests approximately £250,000 SRB funding per annum on business support in Southwark. Primary outputs expected include approximately 45 business start ups, 900 businesses advised, 900 square meters of new business/commercial floor space and 1,100 square meters of improved Business & commercial floor space.

Included under both the SRB 3 and SRB 6 CRP programmes have been projects concerned with attracting inward investment. The SRB 3 project focused on the Bankside area and aimed to support and capitalise on the major cultural investments taking place in the form of the Tate Modern and the Globe Theatre. The purpose has been to promote business growth and survival in the north of Southwark where premises are available and transport communications have improved substantially with the Jubilee Line extension. The emphasis has been on actively marketing the area to SMEs, particularly in emerging 'creative' sectors such as multi-media, design, and commercial galleries. 'Inward investment' is thus being interpreted to include firms which relocate into the borough. Under the Round 3 projects, the SRB funding was used to appoint a dedicated 'inward investment' officer for a period of three years whose role was to market the advantages of locating on Bankside for example because rental levels were only a quarter to a third of those found in the City. A number of 'inward investments' have now taken place in the Bankside area, including the establishment of new hotels. The SRB 6 project is still at an embryonic stage, but it is based on extending the SRB3 inward investment project to a wider area i.e. London South Central, and not just the riverside strip.

#### Pool of London Partnership (PLP):

The Pool of London Partnership operates mainly in the north of the borough, covering parts of Bermondsey. It is currently reviewing its enterprise support component for subsequent years and the Enterprise Strategy should assist the PLP in focusing its programme to promote better coverage to the south of its core area. PLP is also responsible for the pilot City Growth Strategy and it will be important to get the results from this to inform future development of business support. PLP current plans are to deliver email-marketing support to SMEs in Southwark and it also funds BRASS (Business Responsibility and Southwark Students) a pilot SRB funded project to extend the citizenship curriculum covering the role of businesses as corporate citizens. It has also recently created a Business Adviser post to work with small businesses in the area.

#### Elephant Links (EL):

The Elephant Links SRB programme will be overseeing the redevelopment of the area over the next 10 years. It will be one of the largest in the country and is set to radically transform the area in every way, from physical infrastructural changes through to socio-economic changes. As part of the current delivery plans under the SRB programme, the Elephant Links agency is in the advanced stages of setting up a new and 'well-resourced' enterprise agency, to be operational from April 2003. The initial

objective of this Business Support Agency (BSA), 'Business Extra', will be to provide a comprehensive business support to enterprise activity in the Elephant and Castle area during the SRB programme, and also beyond. The current menu of services that the BSA intends to deliver is extensive. It includes generic business support, support to social enterprises, youth enterprise, developing an IT grid and website, incubators and managed workspace, 'cluster' development, a Local & Trading network, specialised sector support, amongst others. The agency hopes to eventually extend its offer to the entire borough and even beyond. They already have in place a business support group and a shadow board to steer the development of this agency.

Some of the agency's initial tasks are; to set up a Local Trading and Purchasing network to help businesses in the Elephant Links SRB area to purchase and sell goods and services in the local area. Elephant Links will seek to establish links with Peckham Programme and CRP through this project. There are also plans to develop and support community enterprises and an aim to run a two-year project to provide expertise, advice and training in new technologies through the London College of Printing. Business Extra also intends to develop incubator and small business managed workspace in the near future. Elephant Links have allocated nearly £500,000 of SRB funding to support the BSA.

The establishment of a borough-wide enterprise agency that is both well resourced and accountable creates an opportunity for the Council channel the relevant components of its business support as set out in the Enterprise Strategy. The agency should also seek to develop strong relationships and partnerships with other existing local providers and involve them in the delivery of services. In this context the key role of the agency should be to act as a strategic conduit for both local and sub-regional developments in terms of business support, driven by market intelligence and quality. Signing up to the Business Link Network Concordat will enable the agency to bid for BL4L contracts and apply for other funding from LDA and the Phoenix Fund for innovative linked projects. The Council should also ensure that the BSA works strategically with other agencies, when implementing new support projects and programmes. For example, participating in and being advised by the feasibility research funded by the Local Strategic Partnership into incubator/workspace provision, in line with the Enterprise Strategy.

Under the auspices of improving co-ordination and impact of services, the Council should seek to rationalise funding for enterprise support. The Council should also encourage the BSA to develop and support some of the other strategic aims and objectives identified in the Enterprise Strategy including working jointly with other agencies.

#### Spacia:

Spacia is part of Railtrack PLC and purchases and administers converted Railtrack property for non-rail usage. It develops and provides affordable workspace in the CRP area through the SRB programme enabling new and small businesses to locate in central London. A key issue for Spacia is

that the current usage yields low levels of employment and low value added activities (e.g. storage and vehicle maintenance and repairs). The SRB supported project with CRP will involve some relocation of existing tenants and the refurbishment of the arches into flexible modern work units. This will lead to a shift of use towards business and leisure space (A3), including shops, galleries and restaurants. Completion of all six sites administered by Spacia in Southwark and Lambeth could lead to around 42 start-up businesses and as many as 132 permanent additional jobs. Other key features of the project included trying to use local contractors, local support services such as colleges and employment services for recruiting local labour and providing access to other CRP business support services. The design of the arches will also include landscaping to provide vastly improved local environments with safe and pleasant access and open areas.

Spacia represent an important contributor to the local business premises stock. They are able to provide affordable small business units under flexible terms. For example, their rental in the prime location of Blackfriar's Road is £20 per square metre, representing half of the usual commercial market value in that area. Furthermore, tenants can rent flexible space at short notice with easy-in-easy-out 6-month notice periods. Spacia offers tenants additional services such as low cost insurance and office equipment and important business information from its business magazine for customers and a customer website. Spacia consider that these developments have considerable value added components, such as better street lighting and accessibility.

Spacia has considerable connections with other business support programmes (including SRB Partnerships), local authorities and key private sector players such as large companies and employers groups. Spacia is therefore well placed to advise on what adds value to or duplicates existing business support provision. Spacia provides a property website, working with Bankside Traders and Southwark Chamber of Commerce to assist inward investment/relocation into the area and to encourage local businesses to work together. There is potential synergy with the work of Supply Net. It is important that the valuable private sector input that Spacia provides is utilised to its maximum effect and the companies experience be drawn upon in any future plans for affordable business space in the borough, including incubators.

#### Banks:

All major banks offer pre-start and start-up advice and support, initially from local branches, and one-to-one pre-start and start-up advice and guidance from specialist business teams and managers. Natwest and HSBC actively promote special rate loans subsidised by government departments that are also available through other banks.



## **Direct Providers:**

### Elephant Enterprises:

Elephant Enterprises has been in operation for 16 years and is a largely community based organisation. Having operated in Peckham for many years before it moved into the Aylesbury area, its client base has been predominately from BME communities. The agency delivers a wide range of business support services in Southwark and Lambeth from four office sites and has a track record of community outreach work and assisting minority groups including BMEBs, young people and women.

Elephant Enterprises offers one-to-one advice and key management skills training sessions to established micro businesses. It delivers the Aylesbury Estate NDC programme of pre-start training with an NVQ3 start-up course that assists businesses to move from a pre-start foundation courses to operational trading businesses. It provides a mentoring service that operates in tandem with its NVQ start-up course for new trading businesses. This is associated with the Mentoring Award Programme sponsored by Lloyds Bank. The agency has also delivered London Larder's Market Traders Course providing retail training, advice and a start-up grant on completion of the course. Test-marketing grants of up to £250 are offered to clients completing their pre start-up training courses to test the viability of their business ideas. Elephant Enterprises currently manages the Small Business Champion for Southwark, on behalf of the Cross River Partnership. The agency is looking to set up an incubator facility in Peckham and to increase its presence in this area, running courses from the Unity Centre.

Elephant Enterprises offers a number ICT training courses for local people and it is in the process of co-locating this with Southwark College's ICT training course provision. This will offer opportunities for the two organisations to collaborate over future ICT support provision.

Elephant Enterprises has recently started offering its own social enterprise support and delivers support for social/community businesses for the Aylesbury Estate NDC programme with a particular focus on supporting local people to develop the skills required for operating community/social enterprises. It also offers sector specific training including their market trader's course for the Aylesbury Estate NDC programme. Within the area it also runs two recycling projects.

Elephant Enterprises ran and managed the Southwark Business Loan Scheme, which provided soft loans of up to £5,000 for business start-ups and existing micro enterprises. The Council is currently reviewing this provision. The agency has considerable experience of running and managing projects with a strong delivery component.

### Prince's Trust:

The Prince's Trust offers pre-start and start-up support to 18-30 year olds throughout the UK with a specific but not exclusive focus on disadvantaged groups. This is often tied into low interest loans to assist business start-up, particularly for young entrepreneurs who are unemployed or underemployed, from ethnic minorities, ex-offenders and people with disabilities. Pre start-up test marketing grants and other grants are available in special circumstances. Client support continues for three years after start of trading through business mentoring. The Princes Trust offers business planning and pre-start courses to clients through both Elephant Enterprises and Threshold Training. The Prince's Trust provides an outreach worker to provide support to young entrepreneurs in Southwark. Funding from the Council and Price Waterhouse Coopers supports this work.

Prince's Trust is discussing a proposal with More London/CIT for business incubator space on Tooley Street in the Terrace and in Peckham to provide around 10 affordable incubator workspace units for retail sector start-up clients.

The Prince's Trust is both a well-known organisation with a strong track record, and an organisation that is able to attract private sector resources. Recent statistics show that 60% of the businesses started with support from the Prince's Trust are still trading in their third year. The Prince's Trust tends to work with a range of partners in some of the more deprived neighbourhoods, particularly supporting young people. The Council supports the Princes Trust with a small grant to provide outreach support. This could be increased to expand the work of the Prince's Trust in delivering outcomes within priority neighbourhoods.

#### South Central Business Advice Service (SCBAS) / One-London:

South Central Business Advice Service (SCBAS) is the operating arm of One-London, a Greater London Enterprises subsidiary company. SCBAS is currently delivering the One-London Business Link contract for start-up support focused on areas of deprivation in Southwark. It also plans to offer ICT support to micros and SMEs in Lambeth and Southwark. One London's London Business Growth Fund provides loans to businesses trading for at least one year, have potential to grow, and have been previously refused loan funding. It is specifically targeted at disadvantaged groups. 'One London' is currently working with BL4L and the LDA to provide London wide start up loans.

One London/SCBAS has not had a high profile in Southwark. One London/SCBAS are bidding for the new Business Link contract to deliver business support services in the borough. It will be important to ensure that in future, as outlined in the Enterprise Strategy, business services are marketed and promoted more effectively to encourage greater take-up of provision.

### Southbank University:

Southbank University operates the London Food Centre and offers comprehensive support to micro food businesses with a particular focus on start up support. It offers advice, bespoke training courses and workshops. The London Food Centre is keen to link in with CRP business support provision in future. There is an apparent overlap in food sector support between London's Larder and the London Food Centre. However, the London Food Centre's technical knowledge and London-wide scope complements the London's Larder specific local focus. The university also runs another initiative called the London Aspect, which provides ICT training for businesses in the University's catchment area. This initiative started in 1997 with the help of Business Link funding and involves running some 60 different 'on campus' training courses. In the last year, around 750 different businesses sent employees on these courses.

### London College of Printing (LCP):

LCP has recently developed its business support role mainly to assist emerging graduates to set up their own freelance operations. An Enterprise Centre for the Creative Industries has been established at the Elephant and Castle site.

### Brixton Online Training Services (BOLTS):

This project is aimed at addressing the need for SMEs to increase their take-up of ICT and improve the effectiveness of their use of ICT. Training courses and customised advice is provided for businesses with less than 200 employees. Assistance ranges from basic software use and what hardware to select, to sophisticated e-commerce solutions. BOLTS has quickly developed a track record of working closely with other local business support agencies and CRP funds the majority of its work. BOLTS has a good track record and is a quality provider. Although based in Brixton it offers services to businesses in Southwark.

### **Business Partnership and Networks:**

An effective business partnership can act as conduit through which information can flow to and from all segments of the business community. It can also act as a sounding board to ensure that the design, quality and delivery of business support initiatives in the borough are responsive to local needs and that there is synergy to maximise resources. Local authorities with well functioning business partnerships have a much better relationship with, and understanding of, their local business community. They also have a deeper level of engagement with their business community, which can support the implementation of regeneration programmes and new initiatives.

It is essential that such a partnership is inclusive and independent. It also needs to be a strategic body with one of its aims being to create an appropriate interface for all business interests. It has been suggested that the LSP Enterprise Task Group could take on this role in order to develop and implement the Southwark Enterprise Strategy, with membership to include the Council and other key stakeholders in Southwark involved in enterprise. Other network organisations such as the Southwark Chamber of Commerce, Bankside Business Partnership, and any segment or sector focused organisations such as traders associations; those representing BME businesses, social enterprises or creative industries should also be encouraged to join the partnership. Business support delivery agencies such as Elephant Enterprises could also be affiliated to this partnership to provide specialist support.

The implementation of the Enterprise Strategy overseen by a partnership should ensure 'joined-up' solutions, attract appropriate resources, encourage innovation and ensure that businesses receive timely and pertinent information. To achieve this the partnership will need to develop a good understanding of the local economy and how it works. It is also vital that the partnership is able to 'listen' beyond its immediate membership if it is to succeed.

A dynamic Business Partnership can create many opportunities to extend its role within the local economy. Some RDAs are looking into setting up regional Business Support Boards. It is important that the partnership includes the LDA and Business Link working to support the local agenda.

#### Networks:

There are a number of business network organisations operating in the borough currently. The largest are the Southwark Chamber of Commerce (SCC) and the Bankside Business Partnership (BBP), which mainly represents larger businesses in the north of the borough. There are also a number of smaller traders associations namely the Bankside, Borough Market, Camberwell and Lordship Lane traders associations. The Southwark Chamber of Commerce has an important role to play and it should be encouraged to innovate and extend its current approach. Similarly the Bankside Business Partnership, in the north of the borough, could also extend its role by encouraging larger employers to offer business mentors and other services to smaller businesses in the area. Traders associations should also be encouraged as they can provide considerable local intelligence and act as a good conduit for information flows. These business led initiatives tend to develop organically but can be supported for example through community development, town centre management initiatives and the proposed Community Council's.

#### **Overlaps in Business Support Provision:**

The various business support projects and programmes offered by the agencies operating in Southwark can be confusing to businesses. Rationalisation would ensure that overlaps both in funding

and provision are reduced. It is also important to ensure that identified gaps in provision are addressed and that resources can be identified to support these gaps.

Overlap exists between the various types and coverage of pre start and start-up support, as well as generic business support, and their sources of funding. It is important that differently funded initiatives are strategically co-ordinated to ensure that they add value. The role of the Southwark Alliance is vital to ensuring there is joined up thinking in this field. It is important that the overall provision of services is mapped and monitored so that the position on the ground can be clearly understood and better co-ordinated. The Council needs to work with all its partners on this, particularly the Cross River Partnership, Pool of London, Elephant Links and LDA - the main funding agencies.

There are several sources of ICT advice and training with overlapping coverage in Southwark. This appears to negate the need for further non-specialised ICT advice and training. There is a potential role for the Council and its partner agencies to oversee greater co-ordination of ICT support activities and maximisation of resources.

Similarly there could be potential overlaps between some of the planned Supply Chain and Local Purchasing initiatives. For example between the Cross River Partnership 'Supply Net' project, the local trading and purchasing project planned by Elephant Links and local procurement proposals from the Peckham Partnership.

There are potential overlaps in Loan Funding support, while there are also gaps in provision. For example One London are collaborating with Business Link for London to provide London wide start-up loans in the near future. The Council should ensure that any future grant and loan schemes both add value and plug important gaps in Southwark. Currently loan funds operate in a very generic way, based on a simple business plan model. There is no consideration for targeted loan support to existing businesses based on their needs within their business life cycle, where they might need investment for growth but cannot do so based on their cash flow. These are often businesses that operate in key growth sectors and are capable of providing jobs for the future if supported at the right time.

There is potential for competition between some of the business support organisations operating in Southwark. Whilst there may be some benefits of competition between agencies, it is arguably more important for them to co-operate on providing a range of different kinds of support to businesses at different stages of their development. Businesses from all sectors and segments should drive support, not funding priorities. Quality will need to be driven from top down and the Council and other key stakeholders can play a role in influencing this.

There are also potential overlaps between the various agencies seeking to provide incubator units and managed workspaces. Currently the Princes Trust, Elephant Links, Elephant Enterprises, The

Salmon Youth Centre and other organisations are developing provision. However there appears to be limited co-ordination to pool resources and intelligence. The Council could influence this provision by ensuring plans are cross-referenced to the UDP, the Enterprise Strategy and the LDA. Greater London Enterprises (GLE), who have successfully developed and managed workspace developments throughout London, could be consulted on both the business model and feasibility of local schemes. Good sites are few and valuable and these resources need to be maximised.

### **Gaps in Business Support Provision:**

There are gaps in assistance for 'difficult to access groups' such as ethnic minority businesses, refugees and women entrepreneurs. Another potential future gap could exist in pre start and start-up support for refugees and asylum seekers currently offered by the Refugee Training and Employment Council's Enterprise Advice service. The Business Champion project could be increased in scope to cover some of the above groups. This is the type of innovative work that could be eligible for Phoenix Funding. This is expensive, resource intensive work and should be carefully co-ordinated across partner agencies in order to gain maximum benefits.

There may be a need for a more responsive and practical form of ICT support, such as a help line to assist micro businesses with their ICT problems, as there is a lack of support and assistance once initial supplier support guarantees have expired. There also appears to be increasing demand from micro businesses for PC health checks, e-mail/Internet, web design/e-commerce training and advice which is customised to individual business needs. There is also need for more support in e-commerce activities, even at the most basic level. Support in this area would tie in well with the Government and LDA agenda.

In terms of sector specific support, there are potential gaps in support for creative industries, the health care sector, and tourist industry. Subsidised market traders and food related training in Borough and Bankside should also be reviewed with the expiry of the London's Larder SRB programme as there may be a gap here in future, particularly in the light of the Borough Market refurbishment and expansion. The lack of free/subsidised locally targeted business support and market trading and food related training courses could mean that local people have less chance to take advantage of the increased employment opportunities arising from the redevelopment

A potential gap in social enterprise support provision exists between voluntary sector support and mainstream business support providers. Voluntary sector support agencies dealing with voluntary organisations wanting to work as a social enterprises have no local social enterprise support agencies to refer customers on to. Projects should be encouraged to provide a greater input into co-ordinating some of this activity.

## Cross River Partnership Research - Findings

The Cross River Partnership recently commissioned research to review and evaluate the current business support delivered within its programme area.<sup>16</sup> Some of its recommendations, in terms of business support were:

- Provision of support for start-up and existing micro-businesses should be enhanced and be more flexible to plug gaps and reach niche target markets. Those receiving initial start-up assistance should be retained in a programme of support over a longer duration of time to assist the sustainability of their businesses. In this respect there is a need for far greater cross-referral between delivery agencies than exists at present. Agencies often regard each other as competitors. This has led to duplication in services and also a lack of knowledge about other service providers' activities.
- Promotion of business support projects and related business support to local micro businesses could be greatly improved. A 'route map' of all the business support services available to local businesses should be developed to include a full range of relevant local business support providers. In this exercise, provision of grants and loans should also be fully researched. For example, the Nunhead Library contained a list of historical trusts that provide grant support to entrepreneurs with specific trade interests, for instance artisan trusts. Unfortunately, the library recently destroyed this list, but the funds still exist.
- The overall co-ordination of business support projects should also be improved and there should be a greater sharing of local knowledge and good practice amongst these to ensure clients receive the right level of support. There is a failure to track start-up clients through to their eventual outcomes, particularly during the crucial three-year survival period. There is also a need to create a better definition of what is a new start-up business and what is an existing micro business to avoid duplication and to maximise resources.
- Business networking clubs should be assisted in focusing on particular sectors, supply chain clusters or entrepreneurial groups. Sectors that could be considered include: retailing, food, hospitality, construction, health care and cultural industries. With regard to niche entrepreneurial groups, these could include BMEBs, refugees and women.
- The ICT/e-commerce programmes are in considerable demand but there is a need to deliver just-in-time solutions to micro businesses, particularly on-site. In the provision of traditional business support courses, raising the financial management expertise of micro business managers will be of considerable merit, especially in terms of assistance to BME entrepreneurs.
- A pilot initiative should be created to provide an up to date land and premises register for the area that could focus on the availability of new and small business units. The LDA is conducting a land use survey and it will be important to cross-refer to this when it is done.

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<sup>16</sup> Research into CRP ECB Theme Business Support Projects, Middlesex University, December 2001

## 5. Business Districts and Town Centres

This section summarises the characteristics of each business district or Town Centre in Southwark and considers their individual strengths and weaknesses. It also suggests approaches that could be taken for the future development of each district.

### 5.1 Area 1:

#### **Bankside/London Bridge:**

This area generated more than 70% of all job creation and 55% of all business formations in Southwark between 1995-2000. The area drives the economy of Southwark and generates more than 65% of its wealth, yet contains only 7% of the population, with most people commuting to work in this area. This business district has strong financial foundations but weak linkages with the rest of Southwark. It is affected to a much greater extent by international markets than any other business district within Southwark.

#### Strengths & Opportunities:

- Major 'opportunity area' within the London South Central zone.
- Large-scale redevelopment will continue to fuel growth in the area for the next 5 years increasing potential benefits to the area from planning agreements, for example developments at More London, London Bridge Tower and St. Christophers House.
- Excellent transport infrastructure, and proximity to City of London and within Mayor's Central Activity Zone and London South Central.
- Concentration of dynamic firms and HQs in key growth sectors of ICT, financial and business services that compete in international markets act as driver of growth in the Southwark economy.
- The area is also major international tourist destination with a number of key attractions.
- Comparatively high rates of employment generation and business formation
- Businesses maintained growth in assets even though revenues declined, and have very good debt coverage and management. Therefore companies are well placed to withstand turbulent conditions
- The dynamism in the sector means that, as international growth picks up, businesses will be able to generate growth in a very short period of time.

#### Weaknesses & Threats:

- Reliant on concentrated assets that primarily flow out of the local economy.
- Not enough take up of the tourist trade locally with a poor infrastructure for hospitality and hotels.



- Large amounts of in commuting of labour to service the needs of the business district, resulting in limited impact on local communities from wealth generation in the area.
- Some poor performing sectors, and heavy reliance on financial and business services
- Poor sales performance in 2002 probable given downturns in markets, specifically financial markets. There is going to be a prolonged downswing in international markets.
- When growth returns to global markets in the business and financial services sector, employment will not return as quickly.
- Concentration of financial and business services that compete in international markets and transmit external shocks (i.e., financial crash) into the local economy.
- Weak linkages with the rest of Southwark, except Elephant & Castle, and difficult to filter wealth down to other areas and to support surrounding neighbourhoods.

#### Suggested Approaches:

The upward push on land values and a knowledge-based economy could adversely affect smaller businesses and affordable retail and workspace. It could also create a secondary economy of low waged jobs in surrounding disadvantaged neighbourhoods. Congestion charging could create an additional ring of marginalisation. It is imperative that the implementation of Congestion Charging is carefully managed and monitored to maximise benefits and minimise negative impact.

Many of the employees that work in the key growth sector of financial and business services do not live locally, and the mix of housing is not currently attracting large numbers to consider relocating to Southwark. The majority of local people do not possess the skills that are demanded by these employers, and this position cannot be changed significantly in the short term.. It is important that 'secondary' business activity in the area, like Borough Market, is encouraged and supported by larger businesses, providing services to tourists, commuters and employee's, as well as local residents. There are many small retail businesses in this district that rely on commuters for their survival, and congestion charging may benefit these businesses.

One strategy to increase wealth generation and employment opportunities for local residents would be to support existing and start-up SME businesses in the consumer service sector. The aim is to keep more of the spending of the highly paid office workers within the local economy, and to reduce the share of this that goes to large national or multinational chains that are not owned by local people. This type of customer service business has also traditionally been a strong sector for BME businesses, so it could form a strand of supporting BME businesses. With the large amount of redevelopment, there is a potential risk that rents may rise to a point where they become a barrier to entry or survival for local SMEs. In this scenario, multiples would be better placed to survive, - this would reduce the local wealth multiplier.

There are a significant number of business support programmes and regeneration partnerships operating in the area, and they should be encouraged to maximise opportunities and channel them into the surrounding deprived neighbourhoods. The area will also benefit from City Growth Strategies and possibly Business Improvement District initiatives if adopted and the partnerships operating in the area should be encouraged to collectively co-ordinate and monitor progress.

### **Elephant & Castle:**

The area has nearly 10% of all jobs in Southwark, with nearly 40% of these in the public sector in education and health. Employment fell by 5% between 1995-2000. Around 1,000 businesses are situated in the area, representing 9% of all businesses in Southwark. The business stock grew by 1% between 1995-2000 compared to 20% for Southwark. There were extremes of performance between sectors. Although the overall performance of this area since 1995 in terms of job and firm creation has been relatively poor, in recent years the most important local sectors of retail & wholesale, construction and business services have seen strong sales growth. Retail & wholesale also saw relatively good employment growth over the period. Taken together with the large-scale redevelopment planned for the area, this is likely to increase the concentration of the industrial structure in these sectors and offers a real opportunity to put the area on a new growth footing.

### Strengths & Opportunities:

- A major 'opportunity area' that will be more characteristic with the London South Central area.
- The long-term redevelopment of the area will result in a renaissance for the area, possibly provoking a shift in the profile of the area.
- Substantial stream of employment opportunities and growth, particularly in the retail sector.
- Good transport links to Central London already exist and with the new interchanges and tram-link the area will be extremely well served when compared to the rest of south London.
- The area is close to London South Central and has been designated as a major opportunity area within the Mayor's spatial strategy and further resources are likely to be directed here.
- Land is still relatively cheap but this may change within the next five years.
- Generally robust businesses with good sales and job creation potential (although relatively poor recent performance).
- There are a number of high growth 'clusters' in print and publishing, and also ICT based manufacturing with the presence of Southbank University and London College of Printing.
- Strong supply-chain linkages with Bankside, West Bermondsey and Walworth Road. Small businesses can benefit from purchases by large firms.
- The area is geographically small and relatively self-contained making it easier to monitor activity.
- Some degree of protection from global shocks
- Strong turnover growth of the largest sectors in the area is expected to continue and be a driving force in the growth of this district.

- The Congestion Charging zone may make locating in the area more favourable for certain types of businesses.

#### Weaknesses & Threats:

- Until the transformation is completed the area has a negative perception and enterprise activity is still very mixed with significant numbers of low added value businesses.
- There are productivity problems in turning the positive sales growth into profit growth. This indicates a level of inefficiency in firms.
- Business services, although the largest sector, is not as dynamic as in Bankside/London Bridge, and the linkages may be getting weaker.
- A significant percentage of businesses rate Elephant & Castle as a “poor” or “very poor” place to do business
- The Congestion Charging zone may reduce the trade of certain types of businesses.
- Interest rate increases would have a significant impact on those businesses with a short-term debt structure.

#### Suggested Approaches

This area could become the next ‘Bankside’ once the transformation is complete and it is likely that the process will start within the next five years, as Bankside and More London reach a saturation point in terms of land use. Elephant & Castle is the closest in terms of geography, underlying assets and transport links. In some senses the area could behave like Croydon with a lot of major international businesses setting up their secondary HQs in the area. It could create a secondary economic focus for the borough, which in turn could strengthen linkages to the South. The issue for the Council and regeneration agencies will be how to manage and encourage this process while supporting small business in key sectors and local residents into employment. The Councils position in leading the redevelopment process and as a major landowner will give it considerable opportunity to achieve these aims.

The impact of the commercial redevelopment, the transport infrastructure improvements and the neighbouring congestion-charging zone will create both risks and opportunities for local SMEs that will require management. The identification of specific risks and opportunities, and the subsequent drawing up of action plans to tackle them, will require effective dialogue between local SMEs and regeneration partnerships.

As retail develops, the size structure may shift towards larger businesses (national multiples), especially in the newer retail developments. Rental values may also rise as the area becomes more attractive. These may squeeze local SMEs, especially those that do not occupy a niche.

There may well be large supermarkets/distribution operations set up on the periphery of the charging zone. While these would create a lot of jobs for local people, the profits will not be retained within the area, and they could displace local SMEs, particularly in the case of a large supermarket.

One strategy to pursue to increase wealth multipliers within local communities would be to encourage locally owned SME businesses in the consumer service sector. These employers will provide the type of jobs that are more likely to be within the reach of local residents, and could make a significant contribution to increasing labour market participation.

The supply chain linkages with the Bankside/London Bridge economy are likely to develop, especially in the field of business and financial services. The area may benefit from the spread of growth of these sectors southwards. This will increase dynamism in the local economy, with positive spin offs for consumer services. The proposed tram link to Peckham could help to widen the opportunities created by the expected strong future growth of this area to areas of Southwark previously cut off from the prosperous north. This would also provide the access to local labour that a strong growth in retail and consumer services businesses would need.

This business district will be a direct beneficiary of Elephant Links SRB programmes and the proposed Business Support Agency. A Town Centre management approach could be created to cover Walworth Road as well. Linkages should also be made with the Aylesbury Plus SRB programme to set up long-term projects to absorb overspill from this area, particularly in consumer services sector activity.

## **5.2 Area 2:**

### **Bermondsey/Rotherhithe:**

This area does not have an identifiable business district; business activity is clustered in various parts of the area. Bankside is gradually influencing West Bermondsey, almost like Shoreditch and Hoxton were in north London; central Bermondsey is a 'poor relative' with secondary retail activity, and Rotherhithe is amorphous facing both east and west. It also has large areas of deprived neighbourhoods and industrial estates with traditional manufacturing and business services. Two major arterial roads form the north-south boundary for the area. The area has performed well in terms of job and business creation in recent years with a relatively high concentration of business services companies. Business services have been the main driver of growth in the business district, and this is expected to continue.

The structure of the economy relative to the rest of Southwark is skewed to a greater extent towards traditional manufacturing, wholesale and retail. Local manufacturing activity is relatively sizeable, but is not dynamic. Bermondsey also has a 'cluster' of printing and allied businesses. Because of the low

density of population it has the next highest proportion of businesses to population ratio, after Bankside. It is also an area with a relatively low level of disposable income. Despite having a similar industrial structure to Bankside/London Bridge, the business services companies were not significantly affected by the downturn in the financial markets in the way that their counterparts in Bankside/London Bridge were. This suggests that the customer base of the business services companies is fundamentally different in the two areas.

This has insulated the area from the financial crisis that has had a dramatic effect on company fortunes in these other areas recently. Instead, business service firms in Bermondsey/Rotherhithe appear to service predominantly local clients, thus tying them into the growth path of local businesses to a greater extent.

#### Strengths & Opportunities:

- West Bermondsey has strong linkages with the north and is becoming affluent.
- Relatively insulated from turbulence in the global economy.
- Business services are very dynamic and robust.
- Good transport links and proximity to other growth areas.
- Financial situation of firms is generally robust.
- Very good performance in job and firm creation.
- Bermondsey Spa and Square redevelopments should support some measure of business growth.
- Opportunity for increased SME development in high growth sectors, given their existing levels in these sectors.

#### Weaknesses & Threats:

- A high level of deprivation with low-income levels.
- No major regeneration programmes planned for the area.
- Dislocated and isolated business districts and mainly secondary retail areas.
- Manufacturing not dynamic.
- Limited linkages to neighbouring business districts.
- Recent profitability has been weaker.
- Productivity problems in wholesale, retail, hotels and restaurants.
- Potential impact on some local businesses from the Congestion Charging zone.
- Productivity problems could result in increases in unemployment if businesses are forced to restructure to maintain profit levels.

### Suggested Approaches:

Overall the area needs a focus and an identity, but given its traditional structure, identity may have to be transplanted rather than happening organically. Neighbourhood Renewal plans to strengthen local enterprise in the area are centred on the Bermondsey Spa developments to provide more opportunities for start-ups and new retail units. A Renewal Co-ordinator is being recruited and this could help the overall cohesion of the area in terms of new businesses being attracted to the area, if modelled on the approach of Bellenden Renewal, in Peckham. Crime is high in the area but Bermondsey benefits from the Government funded Street Warden scheme.

The area is constrained by the growth of other Southwark businesses, and although these may be tapped into larger markets, the full extent of the gains in these markets will not necessarily be passed to the businesses in this district. Productivity, especially amongst SME businesses, needs to be addressed and support packages may be needed.

The area suffers from problems in terms of geography, perception and identity. The Jubilee line station at Bermondsey will help open the area to greater inward investment in the future, but this will need to be backed with a substantial regeneration programme. It is possible that UDP designated industrial areas could be considered for developing incubators and workspace to promote specific 'clusters' to support business activity in north central Bermondsey and parts of Old Kent Road. This area could also benefit from a local area management approach. The LDA's land use survey may reveal patterns that can help formulate a plan for action. There is still a lot of potential in this area in terms of affordable and available land, along with parts of Peckham.

### **Surrey Quays/Canada Water:**

The main sectors of employment for the area are Hotels & Restaurants, Wholesale & Retail and Manufacturing. Canada Water also has the greatest reliance on business services than any other business district. However, many of these firms are small and serve local markets, and it is manufacturing that is the largest sector in terms of assets and sales. Rapid population growth is expected along the riverfront and with this an increase in economic activity. The area has performed well in job creation in relation to its industrial structure. Retail jobs experienced the largest expansion. New business formation was also very healthy with net gains in business services. A Mori poll of the area (2000) showed that there were ambiguous feelings towards the entry of new firms into the area, with the concern that these often import workers rather than employ local people.

Recent performance in job and firm creation has been very strong, and with the recent transport investment and planned riverside developments, the area is very much "on the way up". Rotherhithe tube station, along with Canada Water and Surrey quays makes this business district an attractive

location. The area has stronger linkages to Canary Wharf and parts of Rotherhithe, than it does to any other business district in Southwark and any future plans for the area should acknowledge this. Overall this area is performing well and remains competitive in relation to the rest of Southwark's economy.

#### Strengths & Opportunities:

- The large-scale proposals to redevelop the area will have a significant positive impact on this area and some of the surrounding areas. It will create more opportunities for growth in employment and businesses and bring more wealth into the area through new residential developments.
- Rapid population growth is expected along the riverside, increasing economic activity.
- East/west transport links are good especially with the Jubilee Line and proposed improvements within the redevelopment.
- Strong performance in job and firm creation.
- Manufacturing sector offers significant employment opportunities for local residents, and this sector is financially robust.
- Wholesale, retail, hotels and restaurants sector performed well, especially in terms of productivity and this may be a significant source of future growth.
- The west of the business district could see strong growth in employment and the business stock.
- Business services sector offers significant future opportunities for SME formation.

#### Weaknesses & Threats:

- Dependency on the retailing and manufacturing base. There is some competition from Blue Water
- It is orientated towards the Thames Gateway and it is difficult to develop strong linkages with the rest of Southwark's economy.
- It is dependent on the manufacturing base, should this sector experience hard times this will have a significant effect on the incomes of the people living in the district.

#### Suggested Approaches:

This business district is destined for large-scale redevelopment that will transform the character of the area into an attractive and well designed urban 'Waterside Village' with a mixed-use infrastructure, including new retail units, restaurants and cafés. Although the timescale for completion runs over 10 years, it is likely that once a preferred developer partner is appointed by June 2003, the area will start to attract attention and inward investment.

This area has more of the homogeneity that marks the Thames Gateway area than London South Central. It is quite possible that with the significant further developments planned for Canada Water and its retail facilities, the area will include the whole of Canary Wharf as part of its retail catchment in

the future. There may be an opportunity to exploit this to lever in European Structural Funding, via the Thames Gateway regeneration corridor. It is something that will need further discussion with the LDA as to where it would fit within the Mayor's Plan for London. The future destiny of this area may, in part, be shaped by developments at Canary Wharf.

### **Old Kent Road:**

The economic influence for Old Kent Road stretches from Elephant & Castle in the west to the eastern boundary of Southwark. It is framed by Old Kent Road but it widens both north and south towards its eastern end, where most of the industrial activity occurs. This section is designated as a strategic industrial location within both the UDP and the Mayor's Spatial Strategy. Its influence on the economy of this area is also significant and it holds a strategic importance to the borough as a whole.

The industrial structure in terms of numbers of businesses is focused on Manufacturing (including the highest proportion of advanced manufacturing companies in Southwark), Utilities and Wholesale/retail and Distribution (large direct-to-public wholesalers) to a greater extent than the rest of Southwark. It has the most developed manufacturing activity in Southwark but also the second lowest growth in turnover. This particular area also has the poorest economic activity rate of all the business districts at 42% of the population, suggesting that the workforce for the businesses in the area is coming from outside the area and also that the industrial base is less labour intensive than other areas. The growth rate in new business formations is also low for the area, with manufacturing seeing a decline. Employment generation has been relatively good, though unspectacular. The industrial structure is skewed towards the retail and wholesale sector, which is robust and efficient.

There is a small manufacturing base that is not as important as it is in Canada Water, however the future zoning of this business district as a location for industrial expansion is likely to direct the future development of the business district towards a more important role for this sector. Most recent growth has come from basic manufacturing, and there may be some links to Canada Water.

#### Strengths & Opportunities:

- Designated as a future strategic industrial location and important for central London.
- Existing advanced manufacturing base could increase specialisation through future zoning.
- On average debt levels of businesses are low, and there is a relatively diverse economic base.
- Could develop good supply-chain linkages with other districts.

#### Weaknesses & Threats:

- Business formation rates have been poor
- Businesses are focussed on local markets that are not dynamic



- Manufacturing sector has efficiency problems. This could in the long-term lead to job losses.
- Wholesale, retail, hotel and restaurants are working from a low total asset base, which could hinder expansion in the absence of finance.
- A large fall in consumer spending could severely affect this area
- Efficiency problems indicate the need for some kind of adjustment in the future. This may result in a negative impact on business and job growth in the manufacturing sector.
- Old Kent Road is a major arterial transport route for cars and freight, and the proposed Congestion Charging zone will affect these flows.

#### Suggested Approaches:

Manufacturing is still strong in the Old Kent Road area, particularly advanced manufacturing, and this needs to be supported to ensure that this area has a long-term future. The future zoning of this business district as a strategic industrial location, both in the Council's UDP and Mayor's spatial strategy should help deepen the specialisation in manufacturing. However advanced engineering companies demand higher skills if they are to recruit locally and it will require working closely with the LSC and LDA to assess the needs of such employers and provide opportunities for structured training. An alternative approach could be where warehousing and distribution operations are also encouraged in the mix of new business formations. This type of activity is likely to create more jobs for the floor-space than capital-intensive advanced manufacturing. Although this scenario would not create as much wealth, jobs would be more accessible to socially excluded groups living locally. This could happen spontaneously due to the Congestion Charging Zone. A mix of these two future strategies for the area might prove to be the most appropriate way forward. New business formation could be encouraged in logistic support services to serve existing base of companies. This will become increasingly important as more warehousing and distribution services relocate here due to Congestion Charging.

### **5.3 Area 3:**

#### **Walworth Road:**

Walworth Road is a densely populated part of Southwark and is a mature and traditional business district. Its industrial structure includes the provision of retail & distribution and public sector services. It has the greatest concentration in retail activity of any part of Southwark, due to the presence of the shopping area which includes major high street multiples and East Street market, which contains a significant number of small sole traders, many of which are ethnic-minority owned. Business services and construction are also major players in the local economy. Recent job expansion for the area has been in the retail, public and construction sectors.

Although the area has generated good sales growth, the profitability of many local firms (including business services) is poor. This is likely to be due to the small size of many businesses, and may benefit from future investigation by a partnership, perhaps led by Business Link, possibly involving management training. The predominance of small businesses has led to a positive business formation rate; this segment has fewer barriers to entry and also indicates a capacity in the business district to absorb further growth in small businesses.

#### Strengths & Opportunities:

- A significant diversity in business stock, particularly small businesses.
- Spare capacity for growth if sites are subject to reassembly for more efficient operations.
- General low levels of indebtedness
- Strong growth in business services, financial intermediation, transport and communication expected to continue.
- The warehousing, retail, hotels and restaurants sector comprised mainly of SME and BME businesses. This sector offers an opportunity for expansion and growth in these businesses locally.

#### Weaknesses & Threats:

- Weak linkages with more affluent business district in the north, resulting in a lack of dynamism within the local economy
- Relatively poor recent performance in employment generation
- Redevelopment of Elephant & Castle will significantly impact on business activity.

#### Suggested Approaches:

Overall Walworth Road and other parts of the area have considerable diversity in enterprise activity, some capacity for modest growth and fewer barriers to entry for new businesses. However with the Aylesbury estate cutting it off from Old Kent Road, Burgess Park and Camberwell Road cutting it off from Camberwell, the area has no credible business corridor with either the east or south of the borough. The Aylesbury itself presents a major physical and perceptible barrier as a place in which enterprise could thrive. East Street market has lost a lot of its diversity and cache, although there are plans to enhance it within the UDP/SPG. When the Elephant & Castle area is redeveloped, Walworth Road's fortunes could become tied to this. There is a distinct threat due to its geographic proximity and it may displace both customers and businesses in Walworth Road. It is therefore important for the Council to monitor developments in Elephant & Castle to ensure that new business development there complements and adds value to both areas. Walworth Road's diversity in retail facilities and its accessibility to residents in the Aylesbury are worth preserving. Environmental improvements, business retention measures and increasing diversity or 'niching' will be the key here.

Serious consideration needs to be given to the future role of the business district in relation to neighbouring business districts. Local businesses are likely to be directly affected by the redevelopment of Elephant & Castle, which may lure away some multiples and consumers. The development of affordable rental accommodation for young professionals/students could begin to create a more sustainable local economy. This could also help develop a sympathetic business corridor with Camberwell. However any proposals should not create an over-reliance on public sector expenditure as this will restrict the growth potential in the future. The proposed development of the tram link via Burgess Park and north Aylesbury could help revitalise this business district.

#### **5.4 Area 4:**

##### **Peckham and Bellenden Road:**

Peckham town centre is a focus for surrounding diverse residential areas, and Bellenden Road is becoming an attractive secondary retail parade through support from the renewal programme. The industrial structure of the Peckham business district is oriented towards the provision of wholesale and retail, manufacturing, construction and public sector services to a greater extent than the rest of Southwark. It is worth noting that Peckham has one of highest concentrations of construction firms relative to the rest of the borough, with almost a quarter of all such firms being located in this area.

Business services have performed strongly in recent years, except in the field of employment generation. Wholesale and retail has grown employment strongly, but reduced the number of firms. Given its role as a main shopping centre, this was a particularly worrying performance. Alongside the general decline across most sectors, it suggests that the business district is not robust and has some major problems that need addressing.

Employment growth in the area has been relatively weak over the period 1995 to 2000. The poor local performance was partially due to the industrial structure, but mainly due to the poor relative performance of local businesses. VAT registrations per 10,000 residents were lower than the London and UK average, providing further evidence of the lack of dynamism in the local economy. The largest employment sectors were in Wholesale/Retail and Manufacturing.

##### **Strengths & Opportunities:**

- Distinct identity and character as an area of London.
- Centrally located within the borough with relatively easy linkages to Camberwell, Lordship Lane and Nunhead to create business corridors and increase catchment.

- Good cross rail and bus transport links to central London and west and east of the borough. These will be further enhanced when the proposed tram link to central London and the extension of the east London become operational within the decade.
- The area has benefited from considerable physical regeneration although town centre initiatives have been limited. However the business district does have some unique features and more are being planned. Peckham has the only cinema in Southwark, and also an award winning library and leisure centre. There are also proposals to revitalise and physically improve Choumert Market and this could become a potential tourist attraction.
- There are still parts of Peckham town centre that have the potential of strategic development as key gateways, particularly in the southern end of Rye Lane and the immediate area around Peckham Rye station. It is often not so easy to have sites for re-assembly in mature districts.
- Many potential sites within Council portfolio for use as workshops, incubators and managed work space, where creative artisan type of businesses could be relocated from more premium sites in the north of the borough. This could be supported with linkages and retail outlets.
- Further infra-structural support and a focused inward investment approach could help to re-establish the importance of Peckham as a district retail centre, and this in turn would improve the performance of local customer service businesses. This is particularly so for clothing retailers. This business district still remains the main centre for clothes shopping for this area of Southwark.
- Potential for creative industries businesses due to a high proportion of artists and studios in the area. If developed this sector could support the small manufacturing base in the area for projects linked to street furniture, environmental art and fabricated installations.
- Potential for a strong evening economy in the southern gateway to this district and could be allied to creative industries.
- Growth in business services and this sector could become a major growth driver, with support.
- Positive sales growth for most sectors.
- Potential pool of local labour although may need up-skilling.
- Housing choice and supply is increasing as the market for private sector development grows.
- There is a Street Wardens scheme in operation now in Peckham and could strengthen business confidence.

#### Weaknesses & Threats:

- The area still suffers from poor town centre infrastructure and an undifferentiated business environment despite a major regeneration initiative and attempts to change dynamics of the town centre.
- There are poor perceptions of the area in general and quite negative about crime and cleanliness.
- Local businesses lack dynamism and this has led to poor growth and investment.
- Many BME businesses rely on co-ethnic markets and retailers are in general at the low value added end and low stock diversity, making it difficult for the business district to establish a unique selling proposition.

- The above factors can lead to a 'culture' and 'attitude' of acceptance and survival. This is reflected in the multiples that get attracted to the area. As an example Safeway's spend per person is a break even £27 compared to Sainsbury's in East Dulwich at a very profitable £99.
- Businesses have a high debt exposure, which has reduced profitability and investment (debt levels may force businesses to close if the economy takes a downturn).
- Lack of business confidence in the area.
- Peckham businesses fear that proposed tram link may increase competition for local workers who will find it easier to access work in other areas.
- The northern gateway of Rye Lane has a very poor reputation and stock of business premises with a poor environment, and high levels of crime.
- The southern end of Rye lane is under-utilised for its potential and is an uninviting gateway to enter the business district.
- Many private and public landlords in this area have not invested in the upkeep of their property.

#### Suggested Approaches:

Southwark's economy needs a defining dynamic and vibrant heart in the centre of the borough. There is already a north south divide, physically, economically and perceptively. Once the regeneration programmes in Area 1 come to fruition the divide is bound to increase unless Peckham and its surrounding business districts begin to offer an attractive alternative. Although better transport linkages to the north in the future could help bring in more affluent residents to the area, it could in fact also create a negative loop back. Local retailers could end up competing with multiples in Elephant & Castle, for example, as local customers start shopping there due to the easy access on the tram. However the opportunity provided by new transport links should be harnessed, as more well paid workers in Canary Wharf, Canada Water and central London could be enticed to move to the area for the ease in commuting, value for money and cultural diversity.

Peckham has the right nascent ingredients to be the 'heart' of Southwark, if managed strategically. The current Southwark UDP notes that 'Peckham has been afforded the status of Southwark's Strategic Centre, as advocated by LPAC's Strategic Planning Advice for London, in recognition of its central role in the Borough, and its cultural focus for people from black and minority communities.' Peckham town centre is a focus for the surrounding diverse residential areas, and is also a main shopping centre.

Given its geographic location at the heart of the Borough, its potential to provide opportunities for many of Southwark's most socially excluded communities, and the fact that it is the only recognised town centre, it is a business district of strategic importance for promoting wealth generation and the extension of opportunity in Southwark. Peckham might form the hub of a "southern network" of business districts linking to Lordship Lane, Camberwell, Walworth Road and Old Kent Road. The development of the southern gateway to Rye lane will be a key element in this approach, particularly if

the concept of creating a small-scale 'urban village' environment with a thriving evening economy is followed. It can significantly raise the profile of the area to attract more affluent customers from East Dulwich and Bellenden and will also have the effect of pinching crime out steadily, which is one of the most effective ways of dealing with the problem. Improving the retail offer with more quality stores, and environmental improvements to open up the Peckham Rye station area will also be important.

It is important from the Council's perspective to create alternative drivers for the local economy. For example, Peckham could be put back on the map as a place of character in contrast to faceless homogeneity of the north.. Trends in lifestyles are increasingly about individuality but with connectivity to the larger picture. A strategic approach in this context could ensure that the area is better placed to exploit these potential gains and Peckham could see a renaissance. Without intervention it is quite possible, given the current structural state of enterprise in the area, that Peckham town centre could see a reversal of fortunes.

The Neighbourhood Renewal LAAP refers to creating more residential units over shops, managed workspace, a business directory and a framework for more local purchasing. Under other objectives it refers to having more public art, gateways to Rye Lane and a BME business project.

## **5.5 Area 5:**

### **Camberwell:**

There appears to be a split in the Camberwell economy. On the one side there is a more dynamic set of small local services businesses with strong linkages into the global economy and on the other there is a large public sector.

Due to the presence of Kings College Hospital (nearby in Lambeth), and many council buildings and other civic buildings located here, the area has the greatest concentration of public services and public administration in Southwark.

On the whole, the local SMEs have acceptable debt structures and reasonable productivity levels. Business services have performed particularly strongly in terms of growth.

#### Strengths & Opportunities:

- Relatively stable employment levels in the public sector will protect the local economy in the face of a recession or downturn.
- Business services sector is dynamic
- The wholesale, retail, hotel and restaurant sector offers potential for future growth.

- Up and coming business services sector, made up of mainly SME enterprises, offers potential for future growth. Local promotion of SME enterprises in high growth sectors is a possible strategy for the future.

#### Weaknesses & Threats:

- Reliance on public sector employment means that growth is highly dependent upon government spending decisions.
- Businesses in this district tend to be less dynamic and were unable to restructure their balance sheets in response negative market conditions
- The area is likely to be affected to some extent by changing traffic flows once the congestion-charging zone comes into effect.
- Future growth would be from a low asset base and access to finance will be critical in the development of growing sectors.

### **5.6 Area 6:**

#### **Lordship Lane:**

Lordship Lane is surrounded by a comparatively affluent residential area housing with some 18,000 economically active residents, a lower population density and a much higher proportion of owner occupied accommodation than most of the rest of Southwark.

The industrial structure of the area is oriented towards the provision of business services, retail, distribution & hotels and construction to a greater extent than the rest of Southwark.

The rise in the affluence of the area is yet to feed through into strong employment growth, although the sales and profits of local businesses, particularly business and consumer services have increased dramatically.

The growth in employee remuneration (and hence wealth generation) of an average of 70% per year was by far the most dramatic in Southwark. In the long term, supply chain linkages to Peckham could be developed, to try to create a new southern growth 'axis' of Peckham/Lordship Lane.

#### Strengths & Opportunities:

- Business services sector is the largest sector both in the number of firms and total assets.
- Up and coming wholesale, retail, hotels and restaurant sector that is stable.
- The "evening economy" seems to be developing

- The wholesale, retail, hotels and restaurants sectors are well placed for future growth and employment of local residents

#### Weaknesses & Threats:

- Business services sector has high debt levels.
- Dependence on business services for growth means that the fortunes of this sector will largely determine the wealth of the district in the short to medium term.
- If local businesses attempt to expand too rapidly, their debt structure could cause them problems if the economy enters a downturn.

## **6. Thematic Issues and Initiatives:**

There are certain themes and segments in the local economy that require a special focus as they can add value to mainstream business activity and help preserve local services. They also bring a greater diversity into the economy by widening the offer to Southwark residents in terms of jobs and opportunities. It is important to try and support these where possible and addressing them within an Enterprise Strategy is an acknowledgment of their growing importance to the local economy.

### **Black & Minority Ethnic Business Development:**

Nearly 60,000 businesses (20% of all London's businesses) are estimated to be from the Asian, African-Caribbean, Chinese and Vietnamese communities. Both the LDA and Business Link have acknowledged the contribution BME business will make to the future dynamism of London's economy and to diversity in business activity. BME businesses make an important contribution to the local economy, providing both jobs and essential services, often in some of the most deprived neighbourhoods. In certain areas dominated by large social housing, it is often the case that the only shops providing essential services will be BME owned, working very long hours and in sufferance from persistent vandalism and crime.

Approximately 30% of Southwark's population is from Black and Ethnic Minority (BME) communities. These communities are disproportionately more likely to encounter social exclusion. One important method of promoting social inclusion and generating wealth in deprived communities is through encouraging ethnic-minority owned business. Although there are no current figures, extrapolating trends it can be assumed that some 14% of all businesses in Southwark are BME owned businesses. The self-employment rate in BME communities is generally much higher than in the rest of the population and in Southwark there are approximately 9,620 self-employed people from BME communities. It is predicted that by 2005 nearly 25% of all businesses in London will be BME owned.



These businesses are often net generators of local jobs providing accessible services to deprived communities, albeit within a low wage low turnover economy.

The average turnover of BME businesses in Southwark is £69,000 (1999 figs.), and each has an average of 3.77 employees. Two thirds of their turnover comes from local customers, and fifty percent of customers come from the owner's own ethnic group. Many operate in local markets serving the needs of the local ethnic community, which can create problems for growing the business over the long term. However, there is potential to harness an increased share of turnover from tourism, especially when and where some crossover can be made with mainstream tastes (for example Choumert Road market in Peckham). Access to finance is perceived as being a major barrier to breaking out of co-ethnic markets and growth. Retail is the most popular business, especially among Asians (40% of BMEs), followed by consumer services to include construction and printing (25%), business and professional services (15%), hospitality and entertainment (8%), and the creative industries (5%).<sup>17</sup>

Support is required for businesses that wish to move out of the informal economy and into the formal economy. For example focused business support and market intelligence could stream new BME entrepreneurs into setting up businesses in key growth sectors and discourage businesses that rely solely on co-ethnic markets. BMEB sector groups could include tourism, hospitality/ restaurants, retailers, health care, construction and cultural industries activities (including food and clothing manufacturers). BME businesses could also benefit from network clusters that can bring together 'difficult to access' entrepreneurs into support groups. One of the most all-embracing examples of this type of BMEB cluster support is the 'Hague Mondial' project in the Netherlands. This brought together BMEBs in the Hague area into a tourism related project, and acted as a catalyst for drawing many existing BME micro businesses into the mainstream of support. Peckham could be considered as a pilot for this model combined with a Creative Industries cluster and tied into enhancing its evening economy. There are many potential BME entrepreneurs who are willing to enter this market if conditions are right, particularly in the Hospitality/Restaurants sector. Use of incubators and managed workspace could also be instrumental in getting BME businesses to explore new sectors and also develop their supply chain linkages with other business districts and sectors.

It has been suggested that BME businesses have distinctive needs compared to other small businesses including; lack of access to finance; cultural issues that effect access to and delivery of business support; concentration within core, albeit declining industries, and a lack of trust in mainstream service provision and bureaucratic procedures. Existing providers should be strongly encouraged to work more actively with BME businesses and increase their understanding and awareness of their issues. Business Link has already established a specialist Knowledge Centre for

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<sup>17</sup> "Ethnic Minority Businesses in Lambeth and Southwark" Main report, Feb 1999, Equinox Consulting

BME business, and more use should be made of this provision. Elephant Enterprises already has the capacity to provide specialised support to this sector.

Other approaches to support this segment of the business community could include widening the demand side for these businesses through enhanced Local Purchasing initiatives within the public sector. A report prepared by Civic Regeneration<sup>18</sup> for the Peckham Partnership funded by the LSP, suggests that there are a number of market opportunities that can be developed through potential contracts with Southwark Council for BME businesses. This also applies to other large public sector organisations. The report states that there is a lack of guidance and support for small firms on tendering for public contracts. It suggests Local Procurement by public bodies is one of the factors that could influence the ability of black and ethnic minority businesses to diversify out of traditional business sectors into sectors that offer growth and value. Although the feasibility of such an approach needs to be researched further, particularly around the cost-effectiveness of 'un-bundling' large contracts, it is certainly an avenue that should be explored further.

It is recommended that other partners should be involved in developing this especially the LDA and BL4L (through Supply Net). Links with the Council led Equal Project, an employment generating project for the construction industry, could also be used to widen the base of intelligence in this sector, especially in terms of future local procurement opportunities at specific sites such as More London and Elephant & Castle.

In partnership with Business Link for London, the LDA is providing funding for various networking and training events concerned with the provision of support to BMEBs. Another priority of the LDA Economic Strategy is to improve the flow of capital finance for SMEs, and in particular to BMEBs. The Bank of England has also taken an active role in looking at this issue. BME businesses are often concentrated in poorer areas and lack access to properly secured equity finance. The Phoenix Fund provides specialist assistance to BME business projects in deprived neighbourhoods and agencies should be encouraged to jointly access these funds for innovative interventions to support this segment of the market in Southwark.

Overall BME owned businesses are an essential part of Southwark's economy and strategies need to be developed to not only support this segment but also to enable it to become a more inclusive part of the mainstream. Brixton has been successful because of its diversity, and the Town Centre management there has developed a number of initiatives to promote BME businesses in the area. Choumert Market in Peckham can be promoted as an ethnic market and encouraged to expand.

Much more effort needs to be put into bringing marginal BME businesses into the mainstream formal economy. Measures to support this could include Fair Regulation, better marketing and promotion, encouraging businesses operating in the informal economy to move into the formal economy and

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<sup>18</sup> Southwark Business Development in Priority Wards, Civic Regeneration Ltd, 2002

providing support for basic environmental improvements. Ethnic diversity in business should not be allowed to become synonymous with a second-rate service or offer. Instead it should be seen as a mainstream contributor to wealth and jobs in the borough. Female entrepreneurs from this community should be particularly encouraged to set up new businesses to branch out of traditional enterprises. Anecdotal evidence suggests that they have higher survival and growth rates.

### **Social Enterprises:**

The DTI's Social Enterprise Unit defines social enterprises (SEs) as a "business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners." Though this definition captures the core ethos of what a social enterprise should be the current terminology around what constitutes a social enterprise is broad. Most definitions stop short of qualifying how 'trading' revenues should be derived and how competitiveness or efficiency is to be measured. There is a wide range of organisations which could be considered 'social enterprises'. These include Co-operatives (many of which exist as pure businesses except profit is shared by all employees), Development Trusts, Social Firms, Intermediate Labour Market companies, community businesses, employee owned businesses (John Lewis could be seen in the same light as a social enterprise), Credit Unions and Community Finance Initiatives, charity trading arms (e.g. Twin Trading which owns the Fair Trade mark and Tradicraft) etc. Even many voluntary organisations, which can derive almost a 100% of their income from 'grants', are starting to reclassify themselves as social enterprises. Genuinely successful social enterprises can play an invaluable role particularly in deprived communities but the lack of a clearer definition does not assist in giving this 'sector' a stronger sense of identity or a benchmark to base performance on.

The Government believes that "by using business solutions to achieve public good" social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy. There are many examples of good practice where social enterprises have been instrumental in providing local jobs, often playing a strong role in sustaining economies of local communities, particularly in deprived neighbourhoods. In these areas social enterprises have a particular niche, as the risks of investment are usually too high for most 'for-profit' businesses. Some well known examples of good practice are the Eden Project in Cornwall, an environmental project which has already had considerable social and economic impact on the local community, employing 600 local people of which 50% were previously unemployed; Aspire, which creates full-time employment for homeless people; Bulky Bob's, a unique partnership with Liverpool City Council which redistributes unwanted furniture and Reclaim, a plastics recycling specialist in Sheffield employing people with learning disabilities and mental health problems. Sub-regionally, Greenwich Leisure has become very successful with a £20 million turnover and employing almost 500 people, created through a management buy out within the local authority. Although the majority of 'social enterprises' are micro businesses employing less than 10 people, a significant proportion (13%) employ between

10 to 50 people. A successful balance of social enterprises working in tandem with other factors in the local economy can support a number of aims; jobs for excluded individuals in deprived communities, bringing a greater diversity to local enterprise, showing new ways to deliver public services and contributing to socially inclusive wealth.

'Social enterprises' operate across a diverse range of industry sectors, mainly in service industries. These range from environmental services, manufacturing, care, childcare, ICT, financial services, construction, retailing, leisure, tourism and arts. Traditionally many social enterprises have started in the providing environmental services and today some enterprises operate on a large scale in waste disposal and recycling, such as Ealing Community Transport and Free Form Arts Trust in Hackney (specialist glass recyclers). Another aspect of this is landscape gardening and parks maintenance; Southwark has a few examples of this although the organisations may not as yet call themselves 'social enterprises'. The Bankside Open Spaces Trust is one such example. Increasingly, as housing services are being devolved to TMOs, they will have more flexibility to use local 'social enterprises' to carry out time responsive services like repairs and maintenance.

The 'social enterprise' sector employs 3.5% of the workforce in London and generates 2.5% of its GDP. However much of this relates to the turnover generated by voluntary organisations as a whole. It is estimated that voluntary organisations had an income of £7.5 billion in 2001 and a third of this was through "sales of goods and services" almost entirely through purchases by the general public (15.4%) and government (14.9%).<sup>19</sup> It is difficult to evaluate how much of this is driven by 'grant aid'.

National and local regeneration initiatives can create further opportunities for 'social enterprises'. The £50m New Opportunities Fund for "Transforming Waste", to be launched in 2003, will enable SEs to access funding and compete with the private sector. Locally the concept of an IT Grid for community access is being trialed by Elephant Links and this could provide access to local SE's. Islington is piloting a consortia model for childcare and links in with local procurement policies.

There are a number of funding initiatives that have been recently set up to support this sector. The main ones are; the SBS/Phoenix Fund which can provide funding for both innovative support projects and directly via Community Development Finance Initiatives (CDFIs); London Rebuilding Society: Social Enterprise Fund (SEF), launched July 2001 to provide finance for social enterprises for refurbishment, working capital and bridging finance; Mutual Aid fund (MAF), credit union style assistance for social enterprise borrowing; Credit Unions and Development Trusts. The Charities Aid Foundation is setting up a new 'Charity Bank' to support this sector, and there is some £20million of capital available. In Southwark CRP is looking at ways to support this sector.

As the recognition of 'social enterprises' as a viable sector is quite recent, many initiatives are still being developed to further understand this sector. There is a London Social Economy Taskforce,

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<sup>19</sup> NCVO "The Voluntary Sector Almanac 2001"

which has the support of the Association of Local Government (ALG). The LDA and Business Link for London (BL4L) are both looking at ways of supporting and developing this sector. BL4L is establishing a Knowledge Centre for Social Enterprise, jointly with Social Enterprise London (SEL) a strategic umbrella organisation. BL4L also has a specialist adviser on SEs working in Lambeth, Southwark, Westminster and City. In Southwark the Aylesbury NDC programme has commissioned Elephant Enterprises to look at the feasibility of developing SEs in the area, and SAVO also have a worker dedicated to developing a SE agenda in Southwark and building the capacity of organisations to cross over into SE type of activity.

The Government's strategy for the next three years, 'Social Enterprise: a Strategy for Success' identified a number of major barriers to growth of this sector; there is a poor understanding of this sector in general and little hard evidence to demonstrate impact or added value of social enterprise; difficulty in accessing and making use of what is perceived to be limited appropriate finance or funding available; complexity and lack of coherence within the sector. This strategy aims to tackle these barriers and achieve three key outcomes: Create an enabling environment (extending public procurement); make social enterprises better businesses (business support and improved access to finance); establish the value of social enterprise (mapping, social audit and quality). The ALG is keen to explore how it can assist local authorities to develop their role in supporting social enterprises particularly in regeneration and neighbourhood renewal activities. It suggests that local authorities need to research business models for the development of public services, and the ALG is keen to be involved in this work. It also advocates using existing business support mechanisms, rather than creating new ones and a greater role for business mentors to work with SEs. In this context it also suggests that Learning and Skills Councils (LSCs) could do more to support social enterprises and play a role in implementing the strategy.

This is an innovative sector and a lot more information is required to understand its make up and what drives its growth. Many of the issues faced by emerging 'social enterprises' in terms of business support are quite similar to all business start-ups, and therefore there is little to be gained by setting up bespoke support mechanism for this sector. Instead existing agencies should be encouraged to extend their understanding of this sector and ensure advisers are able to offer equivalent support to SEs. There may be some divergence when it comes to finance and business models but this is more a question of extending the knowledge base of business support agencies. SEL has very recently launched its strategy to provide business support to social enterprises. Agencies should seek to work with this model and encourage SEL to assist them in developing local practices. There are also a number of national agencies, such as the Industrial Common Ownership Fund (ICOF) that should be involved in this sector to help develop appropriate business models for new SEs, they already provide support to co-operatives.

Further work could include a full mapping of this sector and how links can be developed with local procurement issues, as detailed below. This would establish what further opportunities exist for local

employment in SEs. The Southwark Alliance (LSP) could also be involved in supporting work with local communities to find out what local services they require and whether there is scope to set up local social enterprise activities to serve these needs. It will be necessary for a co-ordinated multi-agency approach to support this sector strategically; otherwise initiatives will remain isolated.

### **Incubators, Managed Workspace and Commercial Property:**

There is growing demand for incubator units, to nurture new small businesses setting up in the borough, and also for more affordable managed workspace, allied to on-site business support. There is also a growing need to have more land designated for business and commercial use, particularly for office and retail use. Rising land values and property prices have pushed rents in both private and public sector retail and office units to levels which both new and existing small businesses find it difficult to afford. Although this is a growing trend throughout the borough it is particularly marked in the north west of the borough. Many private landlords are not renewing commercial leases, in anticipation of a future residential development possibility, or putting up rents to unsustainable levels for many smaller under capitalised businesses. New entrants cannot afford to locate in parts of the borough where their market prospects might be better. Market forces in this context will find their own level but it is an issue that needs to be addressed, particularly from the point of view of business displacement and inward investment. Light industrial and warehousing land use also needs to be protected and cushioned from encroaching residential developments and this is being addressed through the UDP. Peckham has lost industrial floor space but still retains considerable potential. The Mayor's plans for higher density residential developments should assist in increasing the commercial footprint in high yield areas like north Southwark in the long term.

Southwark includes areas where land is still relatively cheap when compared to its proximity to Central London and transport nodes and arterial routes, for example Bermondsey, Peckham, Camberwell and west of Walworth and Elephant & Castle. Further land could be released for business incubation space through innovative uses of garages under large housing estates e.g. Missenden in the Aylesbury. Short-term innovative use of such space can release pressures in other more sought after areas. Bermondsey is particularly well placed to provide strategic use of sites and businesses in key growth sectors could be encouraged to locate there. There are many potential sites with good transport links, and this should also help open up the area for the future. Peckham and Camberwell also have some potential to the east and west of these areas respectively. The Council's UDP identifies preferred office and industrial sites in the borough, and some of these are the key strategic locations that form part of the Mayor's strategic spatial development plan. There are also mixed use areas that could be have suitable sites for the development of new incubator and managed workspace units, including 'Live work' space in which there is considerable interest in Southwark.

A number of SRB partnerships and other agencies are already active in developing incubator units managed and affordable workspace. CRP is working with Spacia to develop a number of railway

arches in Southwark Street. Elephant Links, through its business support agency, is seeking to identify appropriate sites for developing in the future. The Prince's Trust has plans to create affordable workspace in Peckham and at Tooley Street near London Bridge. It has already piloted an incubator development in Deptford utilising private funds to lease a large space, which is then sub-divided into smaller units, which are rented to appropriate businesses on a tiered rental structure based on the lifecycle of the business. The Princes Trust is a key player in leveraging private sector funding for property development. Elephant Enterprises is also looking at developing a scheme in Peckham, in conjunction with the Peckham Programme. There are a few other organisations in Southwark, many of them with a 'social enterprise' perspective seeking to do the same.

Although direct grant aid for such schemes is scarce, the LDA has an Incubator Fund (and also a business cluster fund). Where a development seeks to support innovative/high tech businesses there may be funding available from the Business Innovation Centre (BIC). Any such schemes should be developed in collaboration with local Further Education and Higher Education institutions. Southbank University with its focus on IT and Food could be a suitable partner. Further funding for this type of development can also be accessed through the University for Industry scheme and HEROBAC. The DTI also has Incubator funds for assisting new technology-oriented start-ups.

One of the most successful agencies in developing managed workspace, incubator and industrial units in London is Greater London Enterprise (GLE). There are also some very successful models that have been developed by the larger enterprise agencies, such as Greenwich Enterprise Board, Wandsworth Enterprise Agency and others in north and west London. The Truman's Brewery development in Brick Lane is also a good example of how workspace units have been used to cluster Hi-tech and Design orientated businesses within a robust supply chain. This initiative has come from the private sector and it is important that appropriate private sector companies are encouraged to work in partnership to support such developments. The key with all of these is viability and generating sufficient revenue streams to support future work and sustainability. The Elephant Links business support agency 'Business Extra' should refer to these models when developing its own approach.

It is important that a co-ordinated approach to developing incubator units is taken encouraging all key players including GLE, Spacia, London College of Printing and the Prince's Trust in this area to work together. For example in conducting feasibilities, exchanging good practice and sharing market intelligence about which sectors/segments to support with this provision. There is also scope for a co-ordinated effort to develop a property register, which would augment the overall approach to supporting business and inward investment. This could involve a partnership between major property agents and landlords. BL4L offers small-scale pilot funds for a property information service scheme. A comprehensive property register would include available stock of commercial property in the borough and assist by maintaining an analysis of net loss/gain of floor space, to complement the Mayor's strategy on future requirements.

A shortage of suitable and affordable commercial property can lead to declining business stock and diversity. Smaller businesses can be squeezed out or forced to relocate to smaller units in inappropriate locations, restricting their markets and prospects for growth. Eventually their survival is threatened. Different methods could be explored to encourage a larger, diverse and more affordable commercial property stock in all business districts and key strategic locations in the borough, particularly from private landlords. Residential developments offer much higher yields than commercial, and many private landlords are more prepared to leave a property empty, in the hope of gaining permission for a residential conversion, than to let it out for commercial uses. In most cases this will be in areas designated as mixed use in the UDP, but can also be in preferred office locations. A method introduced elsewhere involves offering private landlords a cushion of security whereby they can get an easy planning reversion to residential after a certain number of years, if they were to agree to let the property out for commercial purposes during this period. This could free up a large stock of property, especially if the Council, through its other departments and initiatives e.g. Private Sector Renewal unit and Neighbourhood Renewal, was to also offer grants to upgrade these units including shop fronts and for living above shops for key workers. In the more deprived areas, within areas of social housing, retail units often remain unoccupied due to crime, renovations and general undesirability of the area. The Council could encourage their use through conditional incentives. This has been carried out in the Bellenden Renewal programme area by using incentives to bring more retail units into use. Local developers should also be invited to participate in any Local Area Management plans to facilitate this process, as it would be in their interest to see the area prosper through inward investment and future growth in value for the area as a whole.

In terms of office space, there is not a lack of this type of space throughout the South East region. The Mayor of London's plan has also predicted a growth in office floor space requirements in the Central Activities Zone (CAZ) and encourages local authorities to protect net loss of this space. Rejuvenating office-based activities within the CAZ and beyond in strategically specified locations are considered a priority in view of their contribution to the London economy.

The Council owns and manages a sizeable and influential portfolio of commercial property from offices, artisan workshops, such as Pullens Yard through to retail units. Although the Council can influence the take up of these through a range of measures, such as limited rate relief (associated with proposed changes to the business rate system), direct support should not distort either market conditions or competitiveness. Direct or indirect subsidies should be considered only in *extremis*, where there is going to be a clear loss of essential services particularly in deprived neighbourhoods.

Ultimately businesses have to stand on their own in terms of their ability to survive, and direct or indirect subsidies can set an unhealthy precedence. It is only in exceptional circumstances, such as in times of deep recession, should public authorities provide special support, and this too would have to be focused on where it is most effective. In all other cases the Council must avoid introducing direct subsidy methods, which would breach State Aid rules and would be subject to scrutiny by the



Government Office for London and EC. One route for the Council to strategically encourage and support desired 'cluster's and sectors is through support via other agencies, which it can specifically fund for this purpose. Examples of this include loan funds, incubators and business support to open access to structural funds. The only other method of directly supporting a desired clustering of a business sector is where new schemes are developed. Here, there should be a clear offer that links intention with a lowered market rent to encourage a particular segment of the market to locate there. This does not distort market forces, as it is conditional. Similarly rate relief should be conditional. Loan funds that target a particular segment of the business community, such as loan funds that act as lenders of last resort, have conditional terms, for example first refusal by a bank.

If tenants of existing commercial units or workshops demand special support in the form of direct subsidy, they should be offered free diagnostic business support, in the first instance, to assess the underlying reasons of their situation. Often problems can arise out of lack of cash flow, or the operation of the business, and there are other ways to resolve these problems. A referral should be made to the appropriate support agency for example Business Link. If the business is failing due to a lack of capital investment, but has the orders then the Council, through its partner agencies, should encourage financial support with a specific loan facility through an appropriate partner, One London for example.

It may be useful for the Council to continue to review its policy on both disposals and use of remaining commercial property, and residential property where appropriate, to support new and existing enterprises, seeking to address some of the issues outlined above. This could be particularly beneficial in areas designated for mixed usage, to encourage expansion in high growth sectors for example.

### **Local Procurement:**

There is an increasing focus on how the public sector can increase its local procurement of goods and services to benefit businesses in the local economy and to sustain the social enterprise sector. Local authorities and other large public sector organisations such as the health Authority and Trusts and RSLs as well as large companies spend significant elements of their budgets buying goods and services, often from larger and non-local suppliers. These range from goods including furniture, stationery and computers, through to services like IT support, construction and maintenance. Increasingly local authorities are starting to outsource significant aspects of their direct services to local residents, for delivery by third party contractors. Greenwich Council outsourced its leisure services to Greenwich Leisure, a company established by the Council which is now a very successful not for profit 'social enterprise' with £20million turnover. Total expenditure on public sector purchases can be very substantial and if a higher proportion was to be spent with local suppliers it would significantly impact upon the local economy, and perhaps even distort it if the combined expenditure of all public services was to be spent in such a way.

All such purchases are rightly subject to competitive tendering and also have to bring in economies of scale and 'best value'. The procedures and processes for this are quite demanding and require a large capacity in the supplier organisation to meet contractual obligations and sustain internal cash flow.

The "modernising government" agenda provides a political framework in which local authorities are able to test new approaches to the delivery of public services. As many of the contracts are large and local suppliers often do not have the capacity to supply on an entire contract, there are calls for public sector purchasers to seek ways of 'un-bundling' large contracts into smaller contracts while still maintaining economies of scale. Other ways are also being explored, such as local suppliers forming consortia and aggregating supply into one contract. This is often more applicable in the construction sector, but can be applied elsewhere, especially where a business 'cluster' and supply chain already exist. A few local authorities have set up Local Purchasing Initiatives to facilitate this process in the form of a partnership with some of the larger local businesses. Some have had limited success with smaller contracts. Many local businesses simply cannot cope with the demands of the tendering process, and even sourcing contracts proves to be a major difficulty. The current procurement process tends to exclude smaller businesses and organisations, with the insistence on turnover over a certain threshold, two years audited accounts prior to being put on approved supplier lists etc. This process eliminates all emerging businesses including social enterprises. Also borough wide contracts are often impossible for smaller geographically specific businesses to bid for. The 'Local Area Management' agenda could open up the possibility of contracts being awarded in smaller geographical areas. This could be linked to the Neighbourhood Renewal LAAPs to combine resources at the local level. Best Value now allows the Council to take into account wider community benefits when awarding contracts, such as local employment and training outputs. It also allows for quality of service to be considered and not automatically taking the lowest bid.

The local procurement and purchasing agenda can offer significant opportunities, in particular to the social enterprise sector, encouraging larger businesses and public agencies to take a stake in their local economy and community, by buying goods and services locally. It can also contribute to safeguarding local jobs. Changes to the Modular Management Agreement between Tenant Managed Housing Offices and the council, currently being negotiated, will allow TMOs more flexibility in awarding work to social enterprises.

Service Level Agreements (SLAs) provide an opportunity for both consortia and single enterprises to develop a track record with the Council and other large organisations with the prospect of phased capacity building to take on larger contracts. Business support agencies and networks could be key in assisting them to gradually build their capacity over a number of years. There is an ongoing international research project on public and private procurement, and the LDA is also working on procurement.

It will be necessary to assess the genuine effect of a change in current procurement practices, using any of the suggested routes above. For instance it will be important to evaluate whether all the companies that benefit from more local purchasing by the public sector circulate their wealth within the borough, or create more local jobs. It may be cheaper, in many instances, to create jobs and wealth through another route. It is recommended that a more joined up approach be taken to look into ways this segment of the market can be supported. Interested local partners should seek to work with the Supply Net project, which has been undertaken in partnership with BL4L, who are the delivery agent. This project is aimed at facilitating increased trading between small businesses in the CRP area and larger companies, mainly in the City and central London. Apart from creating a database of relevant companies, other elements of the service provided include a web portal to promote businesses, training and advice to suppliers in order to improve their capability to undertake competitive tendering for major purchasers and developing large supplier contacts. Links should also be established with other complementary strategies, such as those supporting Social Enterprises.

A recent SBS report looking at public sector procurement<sup>20</sup> makes a number of recommendations. It states that 'Value for money must remain the driver for public sector procurement' and that there should be no overt move to 'stop aggregation' as most organisations already have too many suppliers and need to consolidate for reasons of leverage, resource management and to focus attention on better management of key suppliers. However the report does say that procuring organisations should be required to consider many factors within their procurement process in order to drive up value such as; how to encourage supplier innovation, how to stimulate markets and competition, how to obtain a better service from suppliers – there should not be an automatic assumption that bigger suppliers or contracts will always deliver value. It also suggests that organisations that keep approved supplier lists should make their policy and processes transparent. It warns that any process should ensure that EC procurement rules are not challenged; a 'buy British' or 'buy local' policy is illegal. Overall the report recommends that both SMEs and public sector procurement staff need to be better educated and informed, steps should be taken to level the playing field for SMEs, innovation should be encouraged, prime contractors should be encouraged to manage their 2<sup>nd</sup> tier suppliers in a way that stimulates value, competition, service and innovation. It asks procuring organisations to keep an open mind and to research frameworks that can support contracts with consortia, and also encourages procurement staff to question their supply.

All these points should be considered before developing any framework or policy on this issue. The Council and other business support agencies should encourage potential suppliers of goods and services to register with the Supply Net project, and to develop a database for possible consortia. It is also important to establish how local purchasing may fit in with City Growth Strategies and add value to any other competitive and business retention strategies.

## Clusters and Supply Chains:

The concepts of 'Clusters' and 'Supply Chains' come from the US and are a technique for segmenting the markets of large companies, like car manufacturers, based on the value and volume of trade within those segments. A 'Cluster' refers to a conglomeration of very similar kinds of businesses that have the capacity to add value to each other's products or services. This can be seen in the multimedia sector where one company produces the graphics and another the sound. It can also be a group of artisans who produce different products separately but can bring economies of scale in operating and marketing their businesses collectively. The print and graphic design sector could be seen as another 'cluster' which is evident in Southwark. The key ingredients for a genuine cluster are: a sector closeness where value can be added by each business in the cluster, possible economies of scale and geographical proximity. An important value of clustered businesses is their ability to spawn new ideas and products, cluster intelligence to the point where it becomes a recognisable critical mass (universities like Cambridge have done this successfully in the Bio-Technology sector) and become a magnet for other like minded companies (inward investment) and a substantial supply pool for large purchasers seeking innovation.

A 'Supply Chain' is basically a chain, often vertical, of inter-trading businesses. Each business is linked to another in the chain for the main purpose of producing, or trading, goods and services (as in the construction industry). Business may not be solely dependent on another and will often have customers and suppliers outside the chain. For a robust supply chain to exist it requires a mutuality of inter-trading and a certain amount of proximity as distance can soon erode margins. It may also require contractual obligations to ensure a business does not fail because another starts to purchase from elsewhere, or starts to supply exclusively to a business outside the chain because it wins a large order and cuts out its regular customer base, essential to the chain. For both clusters and supply chains it is essential that there is not too much direct competition between the businesses within them.

Local Purchasing initiatives often fail when the supply chain is not sufficiently evaluated for its sustainability, or clustered businesses can often detract from the gain, when there is insufficient innovation and the cluster is composed of mainly low value added businesses.

In Southwark for instance, the Southbank University and the London College of Printing could work together to support a cluster of graphic design and multi-media businesses, working with a potential printing and publishing supply chain. Elephant Links (EL) has secured funding for a printing and graphics sector initiative in the north west of Southwark, which will concentrate on the existing 'cluster' of printing and allied businesses in Bermondsey. The Cross River Partnership (CRP) should liaise with EL in order to ensure that its future cultural industries support is complementary to this project. Bermondsey in fact offers a number of opportunities for cluster development. As an area it has

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<sup>20</sup> SBS/OGC – SMEs and Public Sector Procurement – January 2002

relatively lower land values, proximity to central London, good transport links and an existing base of clustered activity. There is growing creative industries 'cluster' and related activity in West Bermondsey, with the presence of the Zandra Rhodes Fashion and Textile Museum, Glass Blowers workshop, art galleries and units in Leathermarket supporting artists and designers. The growing presence of this 'cluster' has spawned a number of allied businesses such as cafés and restaurants. If supported further this business activity could have the benefit of expanding eastwards to the heart of Bermondsey, which is deprived and needs substantial investment for the future.

A CRP review on business support<sup>21</sup> suggests that in the light of the proposed upgrading and development of the nodal and sub-nodal transport points under the SRB 6 bid, it could be possible to develop a specific project that focuses on drawing together a package of assistance aimed at regenerating businesses around these points. This 'business cluster' support could assist the mainly retail and service sector activity that typically takes place around transport intersections. It suggests that a dedicated cluster officer could act as a catalyst for bringing local businesses together, informing them about business support, and getting them to work together to improve their businesses.

This review also suggests that there is scope to support the development of sector specific 'clusters', notably the construction and transport sectors, which will lie at the heart of some of the regeneration programmes. Other sectors that could be targeted include creative and cultural industries, health care, tourism and hospitality.

The notion of a Cultural and Creative industries 'clustering' has a lot of support regionally, particularly from the LDA, which has a cluster fund to assist this kind of development. This cluster is more often allied to the Tourism & Hospitality sector, but its starting point is the arts, music and media sector. Elements of an evening economy can also be generated from a careful seeding of this cluster. Cultural Industries have the advantage of being an inclusive sector that could involve many local BMEBs. Peckham, Camberwell and East Dulwich have an emerging arts sector (allied to this are fashion, installation art and value added retail products with a high arts component) and this activity could be clustered.

Southwark is well served by art galleries with the Tate Modern in the north, the South London Gallery (and Camberwell College of Arts) in the centre and the Dulwich Picture Gallery in the south. The Horniman Museum could also be included in this group, though located in Lewisham. The Tate Modern is the biggest tourist magnet of the sub-region and the Dulwich Picture Gallery is also becoming innovative in its curatorship.

The CRP SRB6 programme seeks to extend tourism activity across the LSC area southward from South Bank/Bankside. This should be a high priority cluster for support and could feature a broad integration of activities with cultural industries, since an important aspect of recent tourist development

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<sup>21</sup> Research into CRP ECB Theme Business Support Projects, Middlesex University, December 2001

has been related to art and theatre. A new tourism cluster support initiative could focus on the proposed SRB 6 transport nodes, providing tourist information, particularly in relation to local attractions and services. An important aspect of this is the development of local services, such as hotels, restaurants and retailing. Following the Hague Mondial model, BMEB activities relating to restaurants, arts and crafts could be featured. Key to the integrated development of these 'clusters' will be; adequate promotion of local areas with up to date maps and tourist information provision, including kiosks and visitor centres which form part of an overall tourism strategy; raising customer care skills in local businesses through training and targeting of specific services and activities for tourists to visit through organised tours and promotions.

Clustering business activity can attract inward investment, create sustainable added value businesses (if allied to other opportunities like tourism) and they can also create high quality jobs. Further research into this area is recommended, with a view to mapping potential clusters in the borough and establishing their strategic strength in relation to the local economy.

### **Inward Investment:**

Local authorities that have an active Inward Investment function as part of their core economic development activity are far more likely to attract and encourage more businesses to locate or relocate into the borough. Encouraging inward investment is important for the economic well being of the local economy as it brings in new investment flows, businesses and jobs, and can increase the diversity of business stock.

Some local authorities use robust inward investment policies to attract businesses to locate in their area and market their boroughs, as far afield as Europe, America and even the Far East. Tied to this are internal departmental functions that work to support and facilitate this process, such as property, planning and regeneration. Links with other allied public and private sector agencies, like Business Link, London First and RDA's are also well developed, as are links with local business support agencies and Higher Education institutions. The London Boroughs of Merton and Croydon have developed an interactive web based property register that can be easily accessed. They have also developed a strong partnership with local commercial estate agents, who can directly update their database regularly.

Information on the availability of commercial property is one example of the incentives that the borough could offer if it is to persuade businesses to choose Southwark as a destination. Other factors are having good quality business support networks and a business friendly 'culture', regular effective communication, Fair Regulation, inter-departmental co-ordination to speed up the response rate to queries and planning applications, good transport links, employment links that can offer a pool of skilled workers, up to date market intelligence, improved business premises and environment, and

not least, strong marketing and promotion. UDP policies that seek to resist loss of local employment land to higher value uses, such as residential and large retail warehousing are also important.

Local authorities have traditionally assisted with inward investment policy and support and typically have considerable expertise in this area of regeneration policy. Southwark has recently been delivering this service for the Cross River Partnership for the Bankside area, and this could be expanded to a borough-wide role. It should be noted that inward investors tend to contact local authorities as a first port of call for local information about local business premises, rents, business rates and associated business services. Therefore there is some expectation that the local authority will be able to provide some form of inward investment advice and information. This will have resource implications for the Council but it is a function that can yield high dividends when combined strategically with other aspects that directly support the local economy. It would be efficient to combine resources with other agencies such as CRP and PLP, and also draw upon BL4L and the LDA to provide additional support.

### **City Growth Strategies (CGS):**

CGS were launched in 2001 by the SBS and Treasury to encourage cities to put enterprise and business at the heart of regeneration and to enable inner city areas to focus on their competitive advantages. There are four pilot projects nationally and in London this covers the central London area that includes north Southwark. The LDA is accountable for developing the concept in London, which is being developed by the Pool of London Partnership. There is an initial budget of £1.5m over 2 years from January 2002 from the Phoenix Fund [through RDAs] available for the pilots, mainly for action-research. The US model has identified that inner city areas have several advantages; a Strategic Location in proximity to high rent areas but with good transport links; Opportunities for back office and logistics functions; Local market demand; closeness to urban clusters and thus becoming a vital part of their supply chain, and Human Resources with many residents in the area working or seeking more employment.

City Growth Strategies have the premise that a sustainable economic approach must include integrating inner cities into the regional and national economy. The plan for rolling out CGS envisages Strategy Teams comprising of representatives from a number of organisations including local authorities, Business Link partnerships, DTI, local businesses and the Local Strategic Partnership.

The CGS must fully take account of local conditions and attitudes, which is not the same as in the US. It must also take a review of current and past efforts and initiatives for disadvantaged communities to understand how City Growth Strategies can complement and enhance those efforts. The development of CGS needs considerable research and a thorough examination of the inner city business base, including local competitive advantages and disadvantages. If implemented they could lead to an

accelerated growth of existing businesses and engender a sense of common purpose amongst businesses, community, academics and local authorities.

Given that the CGS pilot in London includes key parts of Southwark, London Bridge, Bankside and Elephant & Castle, it is important for the Council to play a key role in the development of the CGS partnership. The Council already liaises with the Pool of London, but the pilots are still in the research phase. It will be necessary for the Council to establish what resources will be available for implementation through the DTI to promote CGS. There is a danger of there being a skewed distribution of 'initiatives' in the borough. The business community in certain areas is already experiencing an "initiatives overload" while other areas do not have any significant regeneration activity. Southwark's economy is already heavily biased towards the north of the borough. CGS will also need to demonstrate how it will fit in with both the Mayor's spatial strategy and the Council's UDP if zoning is required. Nevertheless CGS is an important initiative to improve local competitiveness in certain business districts.

### **Business Improvement Districts (BIDs):**

BIDs were originally set up in the US in the late 1970s to combat declining retailing and commercial activities in older inner city neighbourhoods. In the UK, the Government introduced BIDS through a White Paper in December 2001. The model is still being developed and they are planned to be introduced in 2004. BIDs will complement Town Centre management activities, and are primarily based on charging an additional levy or surcharge to property owners in a designated district, on top of the business rates. This finance is then pooled and ring fenced to provide direct benefits to the business district in a variety of initiatives such as environmental improvements, enhanced refuse collection and street cleaning, security patrols, Christmas lighting and better promotion. The BID concept will be channelled through a local partnership of key business stakeholders and the local authority (which will act as a regulator and tax collector). Businesses in the area will vote on whether they are prepared to fund the programme through this increased levy. In the US it has been shown that BIDs require a strong partnership to succeed and this can often take more than two years to develop.

The possible benefits of BIDs are that they can provide a flexible and responsive source of funding; provide local solutions to local problems; be area specific; curb businesses that free-ride especially where a differential levy is introduced, and gives businesses a sense of civic pride in their area especially when they can make the decisions. However there are many potential difficulties in the concept: they may not actually support poorer business districts depending on how the additional levy is charged, whether it is on owners or occupiers, on floor space (where the differential between the levy paid by a small barber and a large supermarket are so great that they both opt out, when actually



it is pubs and take-away food shops whose customers are reputed to cause the most mess); they 'tackle symptoms and not causes'; whether it is privatisation by stealth, and the fear that local authorities could reduce the existing level of services in the area to save on costs while still continuing to charge business rates. In terms of the levy, the key will be persuading the multiples that usually have larger floor spaces and for whom the levy could easily add £30,000 to their costs per year. There are also a number of concerns of introducing BIDs into the UK, based on the US model, as there is greater centralisation here, business attitudes are different and there is also weaker business leadership here. It will also require additional legislation to make it work and could be seen by the business community as yet more taxation and red tape, when there is already a considerable burden on them. In some cases it could lead to businesses relocating or closing down. Strong support from local businesses is vital for the success of BIDs, and this should be from a large voting majority.

The LDA supports the concept of BIDs in London and is promoting this at a strategic level with funding from the Central London Partnership (CLP), who have set up the pilot, started in January 2001, and expiring in 2004. £4.6m of SRB funds the five partnership areas within the CLP area, including Bankside in Southwark. The LDA is considering proposals for use of LSP funding and an innovation pot towards BIDs and town centre initiatives. In addition it is also considering whether BIDs could become part of the regeneration frameworks for the LDAs priority areas.

BIDs can be used innovatively within a focused context, say in a small industrial estates (Groundwork is considering this for its 'Green Business Parks' proposals) or more enclosed business districts where there are not that many large multiples, Peckham and Camberwell could be better business areas to be strategically linked into a BID programme, as long there is a fair levy system and the Council adding value to this process. But much more research will be required on each business district before realistic proposals can be drawn up for their introduction.

The Council is starting to prepare its response to BIDs by researching, consulting and building scenarios for the appropriate business districts to evaluate whether a BID would be sustainable, and whether it will add value to existing initiatives and other elements of support, identified in the Enterprise Strategy. The initial research will also need to include the impact of initiatives such as Local Area Management, Street Wardens and Neighbourhood Renewal to look at the strategic benefits.

### **Retail Sector:**

Retailing is at the heart of any business district and it is what this sector has to offer to the consumer that determines both footfall and spend in the area. How a business district is perceived influences the type of customer, and in turn the types of shops that open in the district. The reputation of town

centres depends on this, and in turn this will affect the surrounding secondary retail areas. If the mix and quality of the shopping experience is not right, a town centre can experience decline very rapidly. This sector is a key indicator for the health and vitality of the local economy; in Southwark this is particularly so for areas in the south of the borough. The dynamic nature of the retail industry can act as one of the earliest indicators of a declining area, as falling populations and household income levels fail to sustain retail businesses and shops begin to close and move away. This can create a cycle of deprivation, ending with the loss of essential services.

Retail activity has changed significantly over the last 50 years with the rise in car ownership, fridges, freezers and microwaves, and also increased rates of female employment. Shop units have become fewer but larger with supermarkets dominating, the main supermarket food retailers now have more than 70% of the market, whilst the number of independent grocers has fallen from 116,000 in 1961 to only 29,900 in 1997, and continues to decline.<sup>22</sup> Existing trends continue to give preference to more affluent areas, favouring large format stores with extensive catchment areas easily accessible by car-owning households, as is the case with Sainsbury in East Dulwich. In areas where viability is marginal, many traditional shops have closed. These large developments have many benefits in terms of jobs, access to good quality, cheaper foods, redevelopment of derelict land etc. Overall the number of people employed in the wholesale and retail sector has risen by more than 13% in the last ten years, but many of these jobs are part-time and retail is still one of the lowest-paid occupations. However this can also represent an opportunity for local organisations to maximise job benefits by working in partnership with store operators to ensure training, literacy and numeracy courses, and child-care are available. Local agencies need to respond and access suitable funds to create and develop these opportunities, particularly for the long-term unemployed. Opportunities from retailing can also be provided by encouraging local residents to start new niche retail businesses in smaller spaces such as market stalls and kiosks, which diversify the offer. Peckham has exploited this quite well in the Aylesham Centre. Business advice and support offered to vulnerable existing traders in regeneration areas can also ensure that they maximise market opportunities.

The restructuring of retail activity has not taken into account the impact on disadvantaged neighbourhoods, but has been market-led. Deprived areas have not been a target for new development because of residents' lack of spending power and an area's reputation. Only the discount stores have increased in these areas often due to low start-up costs. However even these can become vulnerable if a supermarket opens just within reach, drawing some of the more affluent and mobile shoppers away from shopping in their deprived neighbourhoods. The gradual lack of shoppers visiting the neighbourhood stores subsequently discourages investment, leading to a cycle of decline- identified as a problem in the Policy Action Team (PAT) report: *Improving Shopping Access for people Living in Deprived Neighbourhoods*. Large supermarkets developed in deprived neighbourhoods can offer considerable benefits, particularly low-cost food. A drop of 9.4% in the real price of food was recorded from 1989 to 1998, mainly as a result of supermarket competition, though

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<sup>22</sup> DETR Select Committee report, 1999

many of these benefits are based on bulk buy discounts, not so helpful to small households on restricted disposable incomes.

New developments and increased retail diversity can attract more people into an area, thereby increasing the viability of existing businesses and helping to reduce negative perceptions. Investment in shop fronts and environmental improvements can help improve the shopping experience making them more attractive to visit. But this has to go hand in hand with variety and quality in the retail offer. Also combining retail provision with a range of community and health facilities can increase the footfall of the area. This approach would be very useful for the Bermondsey area, particularly in the Bermondsey Spa redevelopment. The Joseph Rowntree Foundation's report: *Retailing, Sustainability and Neighbourhood Regeneration* concluded that there were no simple answers to retail regeneration: solutions that worked were as divergent as the retail marketplace itself and must be tailored to local conditions and opportunities. Successful regeneration schemes have concentrated on providing shop sizes appropriate to the market, promoted a quality environment, increased variety and have developed marketing strategies to maximise stores' catchment areas.

The PAT report suggests that local forums should take a more pro-active approach and develop retail strategies. A successful retail strategy will have to take into account the viability of retail businesses, wider regeneration strategies and the aspiration of local communities.

## 7. Key Issues

In reviewing the various aspects of the local economy and its geography, there are a number of issues that have been identified.

### Overall Economy:

- There is a very significant and growing north-south economic divide in terms of businesses, jobs, wealth and infrastructure, including transport links.
- There are limited supply-chain linkages between the north, east and central business districts, which can exacerbate inequalities in the distribution of wealth and opportunities between the relatively richer areas and poorer ones, particularly to highly deprived neighbourhoods in parts of Bermondsey, Rotherhithe, Walworth and Peckham.
- There has been limited research to date on how business corridors could be developed between larger business districts.
- There is a marked bias towards certain business sectors that are vulnerable to global trends, but these sectors generate the most jobs, particularly in the north.
- There are not many Southwark businesses in sectors identified by the LDA as being capable of high growth in the future.
- Southwark has a relatively few “knowledge based” enterprises and e-business take up is low.
- Further research needs to be done on the local economy, its wealth, patterns and trends to establish a baseline against which to measure the implementation of this strategy.
- There is little information on the size of the informal economy in Southwark.
- There is considerably less activity in tourism and creative industries sectors beyond north of the borough and the future potential of these areas remains relatively untapped.

### Infrastructure and Business Districts:

- Apart from the north, including Elephant & Castle, most other business districts remain isolated and have differential rates of growth from each other.
- Most business districts, apart from Canada Water and Bankside/London Bridge have little retail specialisation or a unique selling point to make them stand out. In many districts and particularly secondary retail areas, there is stagnancy and also a decline in business stock.
- There is no clear policy towards Town Centre management and how this will relate to other functions and initiatives e.g. Local Area Management.
- Relatively high crime rates and negative perceptions still persist in many areas.
- There are still significant areas of deprivation, with a low wage economy and loss of retail services
- Apart from the UDP, there is no specific guidance in place to inform how best to develop and support secondary retail areas in the borough.

- In terms of managed workspace or incubator development, there is no specific policy in place to inform the best use of council property for enterprise support.
- There is no comprehensive property database linking Council and private sector property.
- There is a need for a thorough assessment of Council owned sites to see how they could be better used to support enterprise, or other innovative uses e.g. for social enterprises or mixed uses.

#### Support for Enterprise:

- Business support provision in Southwark has been quite fragmented and the business community has not been well served.
- There has been a lack of strategic direction and quality in provision. This is especially true for focused support for existing businesses.
- There has been an emphasis on start-up with no or limited direction towards particular sectors. There also been little tracking to look at eventual outcomes and survival after 3 years.
- Recently there has been more co-operation amongst agencies to share knowledge, resources and good practice.
- There is a need for a clearer policy on where the Councils resources should be directed for business support and what should, more appropriately and effectively, be supported by others.
- The Council needs to engage and communicate more effectively with the business community. This should include working with businesses in relation to regulatory and enforcement functions.
- Within the Council, there is a need to improve inter-departmental communication on what support, direct or indirect, is being provided for enterprise activity throughout the borough by different departments.
- Mainstream banks have not been participating in business support provision by publicly funded agencies. Leading to a lack of financial support and loan funding with additional leverage from banks.
- The Council and its partner agencies need to coordinate and direct more resources into developing initiatives to bid for further funding to support enterprise development in the borough, particularly from national and regional sources. Such as DTI, SBS, and Phoenix Fund etc.
- Linkages between enterprise support and utilisation of Neighbourhood Renewal funds could be improved and opportunities explored. For example whether there could be a bid for ERDF Objective 2 funding in connection with deprived neighbourhoods, matched with Phoenix Fund in the combined corridor of east Peckham through to central Bermondsey & Rotherhithe.
- Overall there is clear lack of strategic focus in the design and delivery of business support. There has been no co-ordinated effort to promote an entrepreneurial culture in the borough.
- Maximising the potential benefits from Section 106 for enterprise development.

### Partnerships and Co-ordination of Services:

- There is a need to enhance inter-departmental partnerships to focus on crosscutting themes.
- There are a number of Council led initiatives that add to the Local Area Management in neighbourhoods, for example Focus Teams for environmental issues. Elements of the Enterprise Strategy can be linked with these to enhance implementation and can lead to a more integrated and focused approach to tackling common issues affecting different business districts and their surrounding neighbourhoods. This approach will also assist in developing closer local relationships.
- Implementation of a strategic partnership to build stronger strategic links and work within a structure to include but not limited to The LSP Enterprise Task Group, LDA, Business Link and the Council.
- Effective co-ordination with employment support to ensure an approach that meets both business demand and supply (jobs and a skilled workforce). For example the Employment Strategy has identified Workplace Co-ordinators for a number of sectors and this resource could provide input into the Enterprise Strategy especially in the Creative Industries, Tourism & Hospitality and Retail sectors.

## 8. Summary

New and existing businesses do not operate in a vacuum and their well being depends upon all economic factors that impinge on their performance, today and in the future. This background document has covered many of these factors and sets the context for the Enterprise Strategy. It has also raised a number of important issues for the Council and other key stakeholders to consider and act upon, as part of a strategic approach to developing business districts and enterprise activity within them.

The Enterprise Strategy takes a medium-long term view of five years and its full implementation will take longer. It should be seen as a phased strategy that will evolve and will be reviewed annually to keep it responsive to changes in the dynamics of the local economy. In developing the Enterprise Strategy and Action Plan, the Council and key stakeholders must be realistic about what can actually be influenced and achieved. The Council has many demands on its limited resources. The overall vision and aim should be to sustain and enhance economic performance of the borough for the future, and to create further opportunities for growth in the local economy and thus jobs. Each priority identified in the Enterprise Strategy Action Plan should support and add value to this aim. This will require focusing support to where it really makes a difference, and support that is able to create the right conditions most effectively. If this approach is taken, market forces will kick in and create their own momentum, as has been the case in the north of the borough.

A local economy that evolves through market forces is far more dynamic and will only require minimal inputs of public intervention to keep it going. The Council's role should be as 'enabler' and 'catalyst', and to intervene directly only when patently required. This can also be viewed as 'maintenance', where the role is to ensure that the conditions for 'self-generation' exist in local economic factors, and that there are no unnecessary barriers to business growth and formation.

The Council and other key stakeholders should be driven by intelligence and innovation in their support to the local economy and business community. Publicly funded business support agencies should be encouraged to consider how their services add value to the local economy. Instead of simply measuring success in terms of outputs such as numbers of new businesses started, the outcomes should be whether: they are in the right growth sectors for the economy (for their own survival too); they have the capacity to survive for more than three years with minimal inputs; they create local employment; they are self-perpetuating and dynamic (whether they are entrepreneurial); the business offers the right mix in the context of the local economy e.g. in a deprived neighbourhood this could be a missing essential service, but there must be the right level of demand for it.

More effort should go into assisting existing businesses with potential but which become vulnerable because of short-term distortions in the market place, e.g. under-capitalisation or increased competition from multiples. It is often more cost effective to support an existing business offering the

right mix for the area, then to shore up the survival of a new business, unless it is in a desired growth sector. The aim is for public money to add value to essential components, sectors and segments in the local economy. These additional inputs create sustainability and a more balanced economy. The Council and LSP should work strategically with their partners to achieve this balance, particularly the LDA and BL4L. More use should be made of 'intelligent' and innovative services and indirect incentives to encourage delivery agencies to adopt an approach that creates added value outcomes. Wherever possible the Council should avoid providing direct business support services itself. All partners need to work towards a common vision and strategic objectives in order to strengthen the local economy. These are set out in the Enterprise Strategy.