

Item No.	Classification: Open	Date: 20 July 2022	Decision Taker: Education & Local Economy Scrutiny Commission
Report title:		The Impact on Business of the Cost of Living Crisis	
Ward(s) or groups affected:		All	
From:		Cllr Martin Seaton, Cabinet Member for Jobs, Business & Town Centres	

RECOMMENDATION(S)

1. That the Education and Local Economy Scrutiny Commission note the contents of this report.

BACKGROUND INFORMATION

2. This report responds to a request from the Commission to consider the impact on business of the cost of living crisis. The report provides some context in terms of the work underway to develop a new economic strategy to 2030. The report then goes on to cover four specific areas of concern for the council; jobs and recruitment, business support, community wealth building, and London Living Wage.

KEY ISSUES FOR CONSIDERATION

A New Economic Strategy for Southwark

3. Southwark's Economic Renewal Plan, adopted in 2020, set out an ambition that Southwark would "*Work collectively and collaboratively to deliver an economy that is fairer, greener and more resilient for the residents and businesses of our borough.*"
4. Building on the Economic Renewal Plan and responding to the impacts of the pandemic, Brexit, and the current cost of living crisis on the local economy, the council is now developing a new economic strategy to be adopted from 2022-2030. The strategy will respond to the challenges of recent years and set a new direction towards a more inclusive economy in Southwark. This will align with work to develop a borough plan to 2030 which will be a co-produced statement of the borough's priorities and our commitments to each other for a fairer, greener, safer and more equal Southwark.
5. In such a period of economic uncertainty, the new strategy will recognise the possibilities of both growth and recession over the coming years. It is

expected to embody an inclusive economic model centred on community wealth building that is redistributive by design and seeks to increase opportunities for all.

6. The emerging strategy sets 10 objectives under 3 key themes:

A fairer economy	A greener economy	A more resilient economy
<ul style="list-style-type: none"> • Extending the opportunities of inclusive growth for all • Maximise our approach to community wealth building • Reduced poverty in and out of work • Unlimited opportunities for young people 	<ul style="list-style-type: none"> • Green growth and a just transition • A greener Southwark economy 	<ul style="list-style-type: none"> • More people in work, with the right skills for the job • A stronger foundational economy • Inclusion and wellbeing in neighbourhoods • Thriving high streets for all

7. Next steps include widespread external consultation with our partners and communities over the summer, working towards adoption of the new strategy by Cabinet in the autumn. This will feed into and provide a key component to the borough plan for a fairer, greener, safer and more equal Southwark which will be brought together by spring 2023.

Jobs and Recruitment

8. The pandemic has had a profound impact on the labour market, and on the council's ability to support residents into work and progress in work. From the onset of the pandemic in March 2020, Universal Credit claimants in Southwark rose from a little over 8,000 to over 21,000 in March 2021. This figure has since reduced to 13,543 in February 2022 (latest data available) but remains significantly above the pre pandemic figure. Local and regional data is showing that younger and older people, and Black, Asian and minority ethnic residents have been disproportionately affected.

9. Despite severe restrictions placed on services like Southwark Works during the pandemic, the council still managed to surpass the 5,000 residents into work target by May 2022. Since April 2014, the council has supported over 11,000 residents into jobs and created over 4,000 apprenticeships through a range of programmes.

10. The most significant contributor to delivering employment support is Southwark Works, which has in place a network of specialist providers who

provide tailored employment support to Southwark residents. Specialist support is available for clients with a range of complex barriers including:

- Vulnerable young people including care leavers
 - Long-term unemployed, older people, health conditions and carers
 - Mental health issues
 - Learning difficulties and disabilities including autism
 - Families and lone parents
 - Homelessness
 - Substance use
 - Ex-offenders
11. Building on learning from previous years, Southwark Works has a greater focus on support for vulnerable young people including care leavers, even more effective employer engagement via sector specific provision, pre-apprenticeship support and in-work progression.
 12. Responding to the findings of the Southwark Stands Together listening events, Southwark Works has had huge successes in engaging and supporting residents from Black, Asian and minority ethnic communities, with over 85% of clients engaged and supported into work from these groups. However, we recognise that still more can be done through effective outreach and engagement.
 13. The current Southwark Works contracts, commissioned via a four-year Framework, are approaching their final year of delivery, ending in June 2023. Preparations are underway for the new commissioning cycle and we are in the process of appointing an organisation to complete an evaluation of the Southwark Works programme to make recommendations for what the model should look like in order to continue to support residents who face the most barriers into work.
 14. Labour market shortages and skills gaps exacerbated by Brexit and the pandemic are driving wage inflation for businesses in key sectors. Responding to these challenges, the Southwark Skills Partnership supports the delivery of a high quality FE and skills offer in the borough.
 15. This is achieved through a number of overarching objectives:
 - Supporting residents to access sustainable skills and employment opportunities in the context of the economic impact of the pandemic
 - Supporting employers to employ local people and offer high quality skills development and employment
 - Supporting and promote high quality skills and training provision across all sectors
 - Integrating Southwark Stands Together objectives across the delivery plan, supporting residents from diverse backgrounds to access skills training, employment opportunities and careers advice

16. Chaired by the cabinet member for Jobs, Business & Town Centres, the Skills Partnership includes schools, Adult Education, Further Education and Higher Education providers, developers, and businesses including representatives from the BIDs, Chamber and FSB, and colleagues from across the council.
17. Before the pandemic, the Skills Partnership had identified the following priorities for action, as set out in the Skills Strategy delivery plan:
 - Develop quality pathways into employment in key growth sectors – building on the work of the Construction Skills Centre, work was underway to develop a hospitality skills centre.
 - Focus on other key sectors including digital and health and social care
 - Providing quality apprenticeships
 - Improving all age careers information, advice and guidance.
18. In May 2021 the Skills Partnership agreed to add a focus on Green Skills and Life Sciences to the above priorities.

Business Support

19. Business Resilience Support Service was commissioned using Additional Restrictions Grant (ARG) funds to support businesses to survive and build resilience as government covid-related funding drew to a close. The programme launched in September 2021 and ended in June 2022 so as to meet Government deadlines on use of ARG funding.
20. Since the service launched, it has supported 322 Southwark businesses, which comprises of over 2300 hours of support, approximately half of which has been delivered 1-2-1 and half of which has been delivered as group support. 72 businesses received a grant, accumulating to approximately £366,803.
21. The service is also hitting its targets across almost all equality and diversity measures for the programme. 49% of those supported are from Black, Asian and minority ethnic backgrounds, 6% are disabled and 39% are women.
22. Moving beyond immediate support for business resilience, The Southwark Pioneers Fund (SPF) was developed in 2019 to support the creation or scale-up of commercial and social enterprises (including revenue-raising charities). The underpinning aims of the SPF were to deliver against the 2018-2022 council plan commitment to: 'Establish an Innovation Fund to invest in Southwark's entrepreneurs of the future.'
23. Following the pause of the programme during the pandemic, the fund has since been developed to ensure that it is relevant to the current economic climate. The refreshed SPF is driven by the need to support economic renewal as we emerge from the pandemic, our commitment to tackling

inequality, discrimination and injustice as part of Southwark Stands Together, and the climate emergency. With these in mind, the SPF has the following five key aims:

- Increase the creation, survival and scale-up of commercial and social enterprises (including revenue-raising charities)
- Widen the diversity of people who own and lead enterprises in Southwark
- Reduce enterprises' carbon emissions
- Create good quality employment for Southwark residents
- Generate wider social value for the people of Southwark

24. To reflect these aims and ambitions, the SPF consists of a four-year enterprise support programme combined with a budget available for grants to enterprises participating on the programme. The enterprise support will be split into four themes, delivered by four separate agreements:

- Enterprise support for start-ups and aspiring entrepreneurs (Start-up Programme)
- Enterprise support for later-stage enterprises focussed on growth (Growth Programme)
- Support for enterprises to decarbonise and reduce their environmental impact (Green Programme)
- Business support for social and community enterprises led by women or people from Black or minority ethnic backgrounds (delivered through the Local Access Programme (LAP))

25. Ensuring that the support is accessible to enterprises led by people from Black, Asian and minority ethnic backgrounds, women, disabled people and young people is integral across all four themes.

26. The procurement for the four agreements is staggered, with the Start-Up and Growth Programmes first to be commissioned and launched later in the summer.

Community Wealth Building

27. Community Wealth Building (CWB) is a place-based approach to economic development that puts local communities at its heart; an approach which seeks to ensure that those communities are beneficiaries of wealth generated in the local area, including where possible extending their influence over, ownership and control of local assets.

28. It requires that local institutions use their spending power and assets for these purposes and that those institutions reconfigure their actions, practices and behaviours to that end.

29. Southwark Council will take forward the principles of Community Wealth Building in its new economic strategy.

30. Due to being firmly embedded in a geographical area, with large workforces, significant spending power and extensive physical assets such as buildings and land, large institutions such as Local Authorities are known as “anchor institutions”. Anchors play a vital role in CWB through use of their assets, their procurement approaches and employment practices, and how they work with partners and the local community.
31. A new strategic partnership has been created between the council and the borough’s anchors – The Southwark Anchor Network, and the Leader of the Council chairs meetings of the network.
32. The network has agreed to set up a series of task and finish groups with membership comprised of specialist officers from across the network’s membership.
33. The topics agreed for these groups were procurement and employment/recruitment. The creation of the Procurement Task and Finish Group was particularly timely, as it ties in neatly with a requirement of the work that the council had commissioned from The Centre for Local Economic Strategies (CLES).
34. Progressive procurement practices are central to Community Wealth Building. Purchasing more locally matters, not only because more funds are injected directly into the local economy through procurement contracts with local businesses, but because more of that money is then subsequently recycled within the local economy; the “local multiplier effect”, as opposed to when goods and services are procured from outside the borough. Local owned businesses are more likely to use local supply chains themselves and to employ local people, who then spend more locally.
35. To understand the scope for increasing “local spend” in Southwark, we are currently working with CLES and anchor organisations to build a clear picture of procurement spend by the council and our anchor partners. This work will report in the summer.

London Living Wage

36. In its role as a Living Wage Champion and as London’s first Living Wage Borough, working with employers to support the London Living Wage campaign is a key strand to supporting with the cost of living crisis.
37. The current focus is on two emerging Council Delivery Plan targets of creating a Living Wage Unit and doubling the number of Living Wage employers in the borough. To deliver on these priorities, the council will work closely with its Living Wage partners through our established Living Wage Steering Group, which oversees delivery of a Southwark-wide action plan of supporting adoption of the living wage and increasing the number of workers who are paid a fair and sustainable wage.

AUDIT TRAIL

Lead Officer	Danny Edwards, Head of Economy	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	No
Strategic Director of Finance and Governance	No	No
List other officers here	None	
Cabinet Member	Yes	Yes
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