

<b>Item No.</b> 8	<b>Classification:</b> Open	<b>Date:</b> 6 December 2022	<b>Decision Maker:</b> Education & Local Economy Scrutiny Commission
<b>Report title:</b>		Overview of key strategies and projects impacting Southwark's local economy	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Cllr Martin Seaton, Cabinet Member for Jobs, Business and Town Centres	

## RECOMMENDATION(S)

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

## BACKGROUND INFORMATION

2. The Education & Local Economy Scrutiny Commission has requested information on the following:
  - An update on the emerging Economic Strategy for Southwark
  - Opportunities for ex-offenders and the success rate of Southwark Works
  - Living wage and conditions of employment such as zero hour contracts
  - Number of Black, Asian and minority ethnic workers in businesses in Southwark as previous report suggested 85% of client businesses supporting Black, Asian and minority ethnic workers
  - Affordable work spaces
  - Figures on empty and occupied commercial properties, council and privately owned (landlords)
  - Businesses performances on the climate change targets including green jobs for youth of the future.
  - Progress and delivery of the Southwark Pioneers Fund (SPF)
  - Ethnic Minority Pay Gap (external)

## KEY ISSUES FOR CONSIDERATION

### A new Economic Strategy for Southwark

1. Under the current Economic Wellbeing Strategy, the council's approach to economic development in Southwark has been focused on securing the

benefits of economic growth for our residents and businesses, and promoting local employment. This approach has delivered notable successes against council commitments since 2014, including increasing local employment, supporting over 10,000 residents into work (including many of the furthest from the labour market), and creating around 4,000 apprenticeships.

2. Southwark's new Economic Strategy will guide how the council works directly and with partners to shape Southwark's economy to 2030. Moving forward, we want to build on the successes of our current approach while simultaneously building the kind of economy we want for Southwark, in the face of recent economic challenges.
3. It will align with the emerging Borough Plan to shape a medium-term vision for Southwark's economy and how we work towards achieving our aims. It builds on the previous Economic Wellbeing Strategy, last updated in 2017, bringing together learning from the delivery of that strategy with evidence of the profound and unequal economic impacts on residents and businesses of the Covid-19 pandemic, Brexit, low growth, and rising costs of living and doing business.
4. The new economic strategy will refocus on shaping a more inclusive local economy, addressing the role of business in meeting the climate emergency, and building economic fairness and resilience within communities and across the economy as a whole. The challenges that must be addressed in order to achieve this are structured around the three core ambitions of developing of an economy that is fairer, greener and more resilient.
5. These themes frame 10 challenges and missions:
  - A fairer economy
    1. Extending the opportunities of inclusive growth for all
    2. Keeping more wealth within our community
    3. Reduced poverty in and out of work
    4. Unlimited opportunities for young people
  - A greener economy
    5. Green growth and a just transition
    6. A greener Southwark economy
  - A more resilient economy
    7. More people in work, with the right skills for the job
    8. A stronger foundational economy
    9. Inclusion and wellbeing in neighbourhoods
    10. Thriving high streets for all
6. To help inform the development of a new economic strategy for Southwark, the council commissioned external support from PRD to produce an economic evidence base, which uses a large range of data

sources to assess how fair, green and resilient our economy currently is. This work completed in early 2022.

7. The draft strategy has since been shared for consultation and engagement across council teams, external partners, businesses and residents.
8. The strategy is scheduled for adoption by Cabinet in March 2023. Following adoption, a delivery plan will be developed and maintained, to track progress against each strategic mission.

### **Opportunities for ex-offenders and the success rate in Southwark Works**

9. Southwark Works is the council's longstanding employment support programme, comprising a network of providers who offer a range of tailored employment support based on client needs. Based out of the hub office on the Walworth Road, Southwark Works currently offers a universal service for any Southwark resident who is either out of work and looking for work, or is in low paid or insecure work.
10. Southwark Works has been the most significant contributor to the delivery of key council plan targets on supporting Southwark residents into work – 5,000 between 2014 and 2018, and a further 5,000 between 2018 and 2022.
11. Lot 6 of the Southwark Works framework is specifically targeted at providing support for residents who have had contact or are currently in contact with the criminal justice system to support the transition back into work and help them maintain employment. The contract for this lot is held by Camberwell based St Giles Trust, a well-established charity helping people facing severe disadvantage to find jobs, homes and the right support they need.
12. Through their Southwark Works contract, St Giles works with the council's Youth Offending Service and other key partners to help increase clients employability, build skills and secure jobs and apprenticeship opportunities; a particular focus is supporting clients to disclose previous convictions.
13. The challenges and barriers faced by ex-offenders as they seek to enter the labour market, many for the first time, are huge. These include employer attitudes towards criminal records as well as poor basic skills, a lack of educational and vocational qualifications and low self-esteem.
14. These challenges have been further exacerbated by covid and the ability of all Southwark Works providers to provide effective support during a very difficult time for the local economy. Despite this, and the fact that there is very modest resource attached to this contract, Southwark Works has supported 66 ex-offenders into employment since 2020.

## **Living wage and conditions of employment such as zero hour contracts**

15. The Council Delivery Plan commits the council to doubling the number of Living Wage Accredited employers in Southwark over the next four years, and the launch of a new 'Living Wage Unit'. Alongside this Council target, as part of our accreditation as a Living Wage Place, we have a Southwark Living Wage Place Action Plan which was launched in March 2020. This outlines our 3 year plan (the length of accreditation), and commits to ensuring 300 local employers pay the Living Wage. Progress against this target is good, with 256 organisations headquartered in Southwark currently being an accredited living wage employer, with 6,338 staff being uplifted onto the Real Living Wage.
16. The current rate for London is £11.95 and £10.90 in the rest of the United Kingdom, and unlike the statutory minimum wages, this wage is voluntary for businesses, and applies to all workers aged 18 and over. Across the UK, it is currently paid by over 11,000 UK employers, including half of the FTSE 100 and household names such as Lush, Aviva, Burberry, and Nationwide.
17. In London, the Greater London Authority have recently launched the 'Making London a Living Wage City' campaign in partnership with Citizens UK and the Trust for London. The aim of this campaign is to tackle low pay in the city, with 700,000 jobs in London still paying less than the real Living Wage, putting those workers and their families in or at risk of poverty. Lower-paid jobs are more common in outer London boroughs, with Bexley, Harrow and Redbridge each having around 40% of local jobs characterized by low pay. The best performing London Boroughs are City of London and Tower Hamlets, with 4% of 8% of jobs being low paid. Southwark has the 6th lowest proportion of jobs characterized as low-paid, with 16% of local jobs not paying the real living wage.
18. In March 2020, Southwark became London's first Living Wage Place, which is a new recognition scheme from the Living Wage Foundation, which encourages places of all sizes to develop local approaches to promote the real Living Wage and employer accreditation. There are two elements to the Living Wage Places model: smaller geographies such as Zones and Buildings achieving accreditation when 100% of businesses within them pay at least the real Living Wage, and secondly, larger places like neighbourhoods, boroughs, and cities gaining accreditation, which begins a journey to ensure the Living Wage is the expected norm in a place. Other London boroughs are now in the process of becoming Living Wage Places. Islington is currently the only other accredited local authority in London, but others like Lambeth and Lewisham are taking steps towards place accreditation.
19. Southwark's Living Wage Action Group is made up of different organisations that are representative of different sectors across Southwark. This includes Better Bankside BID, British Land, Dulwich Hamlet FC, Kings College London, Lendlease, Mercato Metropolitano,

Southbank Employers group, St Giles Trust, Team London Bridge, and Regular Cleaning. Our action plan commits to having 300 accredited living wage employers by March 2023, 4,500 workers receiving a pay rise to at least the real Living Wage, and a sectoral focus on construction, hospitality and retail to drive living wage accreditations in low-paid sectors.

20. The Living Wage Foundation have also launched a 'Living Hours' campaign that aims to tackle the wider precarious employment many workers face. Recent research found that nearly half (45%) of all minority ethnic workers are given less than a week's notice of their shifts, compared to 28% of white workers. Minority ethnic shift workers are more likely to have their hours cancelled unexpectedly, and often have a higher reliance on credit/debt because of short notice of working hours or cancelled shifts. Living Hours commits employers to providing at least 4 weeks' notice for every shift, with guaranteed payment if shifts are cancelled within this notice period. Living hour's employers also provide a guaranteed minimum of 16 working hours every week (unless the worker requests otherwise).

**Number of Black, Asian and minority ethnic workers in businesses in Southwark as previous report suggested 85% of client businesses supporting BAME workers**

21. The council does not hold data on ethnicity of workers amongst employers as businesses are not legally required to report this data. However, we can report on some employment statistics using the data collected by Southwark Works.
22. An analysis of Southwark Works undertaken as part of the Southwark Stands Together initiative shows that 80% of people accessing Southwark Works support were from Black, Asian or minority ethnic backgrounds, and almost 85% of the people who were supported into work were from Black, Asian or minority ethnic backgrounds.

**Ethnic Minority Pay Gap**

23. The 2020-22 council plan included a commitment to encourage all Southwark businesses with more than 50 employees to publish their ethnicity and gender pay gaps. Currently it is a requirement that organisations with over 250 staff publish their gender pay gap, however there is no requirement for organisations of any size to publish their ethnicity pay gap. In 2018, the UK government held a consultation on mandatory ethnicity pay reporting and in 2020 there was a petition to introduce mandatory ethnicity pay gap reporting which acquired more than 130,000 signatures in support of the mandatory reporting.
24. There is no central database of employer reported ethnicity pay gap data as this reporting is currently voluntarily. The Office for National Statistics (ONS) publishes ethnicity gap information which is based on a number of

national surveys including the Annual Population Survey, the Annual Survey of Hours and Earnings and the Labour Force Survey. While these sources can be used to provide an indication of the ethnicity pay gap nationally, this method is unlikely to be as accurate as directly reported employer data. The most recent ethnicity pay gap statistics published by the ONS was for 2019 when the national median ethnicity pay gap was 2.3%. In London this was 23.8%. These figures should be treated with caution however due to some sample sizes and due to the way the statistics are adjusted based on differences in populations and difference in pay regionally. Ethnicity pay gap data reported directly by employers may provide a more reliable local picture.

25. We have developed guidance for businesses in order to raise awareness of pay inequality and encourage them to measure and report their gender and ethnicity pay gaps. The guidance gives an overview of what the gender and ethnicity pay gaps are and how they are calculated. It sets out what the council's pay gaps are and the steps we are taking to reduce these. It also highlights the benefits for businesses of measuring and publishing their pay gaps and signposts to resources which can support them to measure their own pay gaps. The guidance is in the final stages of being refined to be published on the council website and will be promoted to businesses via the business e-newsletter during race equality week.

### **Affordable work spaces**

26. The Southwark Plan 2022 was adopted in February 2022 and included Policy 31 on Affordable Workspace. The policy requires that all developments proposing 500sqm or more employment floorspace must deliver at least 10% of the gross employment floorspace as affordable on site. The affordable workspace should be secured for at least 30 years.
27. The demand for the type of affordable workspace in different areas in the borough varies. The design, rent discount and management arrangements of affordable workspace can vary in terms of the workspace that is required. For example, there is a higher demand for co-working, offices and start-ups in the CAZ/north of the borough whereas light industrial workspace is higher in demand in central parts of the borough and Old Kent Road. Policy 31 is designed to work effectively in meeting local demand for all locations in Southwark as all are required to deliver the terms of the policy and the detail is reserved for certain locations. Evidence to support the policy concludes that high market rent discounts are generally viable in most of the northern part of the borough, in particular Southbank.
28. Policy 31 also encourages developers and applicants to collaborate with the council to identify businesses to occupy the affordable workspace. Applicants and developers are directed to the Council's Workspace Provider List. Workspace provider list - Southwark Council This is a list of workspace providers, assessed by the Council through detailed

application and a screening process.

29. Where affordable workspace is required, applicants must submit an Affordable Workspace Strategy with their planning application. The details of what needs to be included in the Strategy is available on the validation checklist.
30. The full details and specifications of the affordable workspace will be agreed between the council, developers and affordable workspace providers. If the scheme is a large development, the agreed terms will be included in the signed S106 legal agreement.
31. Affordable retail is also considered in the Southwark Plan 2022. Policy 32 on Small Shops requires existing small shops that are at risk of displacement from a development that affordable and suitable space for existing occupiers should be considered to be provided in the completed development, if feasible. To ensure the availability of small shops and affordable commercial space the policy also requires developments over 2,500 sqm GIA or more of retail space to provide at least 10% of this space as small shops.
32. In exceptional circumstances, where the applicant is unable to provide onsite affordable workspaces, a payment in lieu will be secured which will support off-site affordable workspace. This payment must be agreed and approved by the council,
33. To date 26,740 sqm of affordable workspace has been delivered in the borough. These are mainly regeneration led schemes which were had been implemented prior to the affordable workspace policy being introduced borough-wide in 2019. The schemes deliver 114 affordable workspace or retail units + 300 desks in Market Peckham. Other examples include the various schemes in Elephant and Castle which have delivered affordable retail units, Peckham Palms and Mountview Theatre School.
34. 8,441 sqm of affordable workspace is expected to be delivered from schemes that were permitted prior to the policy being introduced.
35. Since the implementation of the policy, a number of schemes providing over 500sqm of employment floorspace have committed to deliver 10% affordable workspace. 52 schemes have been approved with legal agreement including affordable workspace to be delivered on site. At least two schemes are currently under construction but none have yet been built out. These schemes have committed to 63,958sqm of affordable workspace. 9 schemes committing to deliver 19,875sqm of affordable workspace have been approved at Committee but legal agreements are still to be signed and/or referral to the Mayor of London.
36. Most affordable workspaces are not managed by the Council but by workspace providers. A workspace provider is a specialist public, private

or not-for-profit organisation, which provides and manages offices or flexible workspaces for entrepreneurs, small businesses, artists and sole traders. The space provided will often promote co-working, including shared facilities and offer low cost and flexible lease terms or pay-as-you-go hot desking. Workspace providers are a vital tool to deliver affordable workspace to support existing businesses and start-ups. Workspace providers may also offer business support and flexible terms to suit a wide range of business needs. They operate on different scales from approximately 500sqm to 2,500sqm.

37. The approach to affordable workspace provision is being reviewed, both from a Planning Policy perspective and in the practicalities managing this important economic resource going forward.
38. In addition the council owns and runs some business premises that are by their nature affordable, such as the well-established Tower Workshops in Riley Road, SE1, which is home to approximately 40 businesses and may have further potential in the affordable workspace strategy.
39. The strategy will carefully consider the balance of availability throughout the borough and how an appropriate distribution of different types of affordable business space can be achieved where it is needed most. This might, for example, entail the establishment of neighbourhood business hubs, looking at and utilising the council's own assets, to supplement the evolving offer from private workspace providers.
40. It is expected that the strategy will be reported by the summer of 2023. It will therefore be developed alongside the Commercial and Affordable Workspace Supplementary Planning Document which will also be produced. As the workstream develops the council will explore its more detailed role as a participant in workspace provision, and decide whether it wishes to directly manage any buildings (within its ownership) it designates for this purpose, and the rent policies to be adopted.

#### **Figures on empty and occupied commercial properties, council and privately owned (landlords)**

41. The council has a commercial portfolio of approximately 450 shops, 200 business units (studio/workshops/industrial, etc) and various other assets that are let on commercial terms.
42. Since the onset of the coronavirus pandemic in early 2020, churn and vacancies within the estate have reduced to historically low numbers. Excluding vacant premises for which a new tenancy has been agreed, subject to completion of legal formalities, and those undergoing works prior to re-letting, there are currently just 7 vacant shops and 6 vacant business units being offered to let.
43. These low levels of churn have been brought about through a combination of factors, including the pausing of plans to move or expand

by tenants during the pandemic and subsequently the economic crisis, and a pragmatic approach towards both rent recovery action and rent review by the council in its landlord capacity. However, we foresee conditions in the commercial estate becoming more challenging. There is a relatively high level of debt across many of the smaller businesses within the portfolio. Their operational costs, such as repairing and utility costs have increased substantially, whilst trade may have diminished. There are likely to be changes in both their national and local taxation (including a Business Rates revaluation effective 1st April 2023) which we are still to see and understand the implications of.

44. Therefore there are a number of factors which could exert pressure on the sector and cause vacancies within the portfolio to increase in the short to medium term, and which the council will wish to fully consider within its policies on high streets and other shopping locations and affordable business space.
45. The Employment Land Supply (2016) is a report commissioned to support the evidence base of the Southwark Plan 2022. The report demonstrated there was an estimated 4% vacancy rate of office stock in the Southwark CAZ in 2014. The London Office Policy Review advises that 8% is the optimal vacancy rate in London therefore Southwark has historically had lower than average vacancy rates.
46. Union Street Partners produce a quarterly research report on the take-up and investment trends in the South Bank office market. In 2021, despite a cautious start viewing numbers were back to pre-pandemic levels and in March they recorded a record month of viewings. In 2018, USP reported that the availability rate in the South Bank office market is 3.4%, well below the recommended 8% vacancy rate for efficient market operation and lower than the rates for the West End, Midtown and City. In 2021, USP report that availability levels have nearly doubled since the start of the global pandemic (now at 6%).
47. In 2021, the GLA reported (in the evidence base report for Article 4 Directions to restrict permitted development rights from commercial to residential) there was a vacancy rate of 7.9% in the Central Activities Zone as a whole in London (based on CoStar data). The long-term average is 7.1% (2003-2021).

### **Businesses performances on the climate change targets including green jobs for youth of the future**

48. The Council Delivery Plan commits the council to creating 2,000 green jobs over 4 years. The Climate Action Plan carries the same target, reinforcing the links between progress towards net-zero and the local economic benefits of investing in the green economy. Progress against this target is good, with 331 green jobs created in the first two quarters from council investment in net zero projects, employment support targeting green jobs, and construction of low-carbon buildings.

49. A green job is defined as “employment in an activity that directly contributes to - or indirectly supports - the achievement of the UK's net zero emissions target and other environmental goals, such as nature restoration and mitigation against climate risks.” This definition has been developed in partnership with Central London Forward and its member boroughs, to align the focus of work to create green jobs and grow the green economy across central London. It aligns with the definition used by the government’s Green Jobs Task Force at a national level.
50. Across London, the number of jobs in the green economy is predicted to double by 2030, driven by growth and adaptation, as parts of the existing economy become ‘green’ while higher-carbon industries and practices fall away. A significant contributor to green growth in Southwark will be public sector investment in retrofitting existing buildings to reduce energy use and building new, low-carbon structures.
51. The projected growth in green businesses and jobs is promising, but our residents need to be equipped with the skills necessary to work in the green economy. As well as providing opportunities for young people starting their careers, many jobs in the green economy will require existing workers to reskill.
52. Southwark is working with Lambeth and Lewisham through the Better Placed partnership to improve local access to the skills needed to work in the growing green economy. With funding support from the Mayor of London, the three boroughs have appointed a shared post to work specifically on green skills.
53. The key delivery mechanism currently is our Green Skills Hub, established in 2022. Part of the Mayor’s Academies Programme, and led by London Southbank University, the hub is backed by a partnership of Southwark, Lambeth and Lewisham councils, South Bank Colleges, the Construction Skills Centre, Lewisham College and TEDI-London, along with employers. The academy provides Southwark residents with the skills needed to get good jobs in rapidly growing low carbon sectors. With an initial focus on green construction and retrofit, it will also develop skills provision for careers in green transport, energy, waste/recycling, infrastructure and transport. The Green Skills Hub aims to support over 1,200 Londoners in its first 2 years. It is currently on track with 489 people supported in the first 6 months. To ensure the benefit is felt locally, targets and monitoring specifically for Southwark residents are also being put in place.

### **Progress and delivery of the Southwark Pioneers Fund (SPF)**

54. The Southwark Pioneers Fund ‘Launchpad’ and ‘Grow Your Enterprise’ programmes launched in October 2022. The programmes offer local enterprises a package of business support including one-to-one advice, mentoring, cohort-based workshops and peer networking.

55. Early indications are that demand for both programmes has been very high. Launchpad has run a series of community open days which have been oversubscribed. The accelerator which is part of the package of support offered via Grow Your Enterprise received 165 applications for 15 available places. Those who are unsuccessful can still access one-to-one support to help build capacity and can reapply for future accelerators.
56. Support is beginning to be delivered, with Launchpad participants already receiving one-to-one advice. The first accelerator begins in January and recruitment for the second accelerator is already underway.
57. Regular monitoring meetings have been set up to allow for continuous feedback on progress, including client satisfaction and the number of enterprises receiving support
58. The SPF Green Programme is currently being scoped. This package aims to support enterprises to reduce their carbon emissions. We are undertaking research to establish what support already exists to avoid duplication with existing services and identify where we can have the most impact on carbon emissions. As part of this process we will carry out soft market testing with suppliers to ensure that the support we commission meets the market demand.
59. Procurement is anticipated to take place in spring 2023, with the service anticipated to launch in Q3 2023/24.
60. In recognition of the good work that took place during the development of the initial SPF in 2018/19, the council was invited to submit a proposal for a £33m programme (the Local Access Programme (LAP)) of enterprise support and blended social investment for charities and social enterprises, to run over 10 years.
61. In January 2020, Southwark was notified that it had been chosen as one of only six places to progress to the final stage of the process and had been provisionally allocated funds of £5.375m, as set out below:
  - Enterprise support £900k
  - Investment £4.4m (£2.625m repayable capital, £1.85m grant capital)
62. The Access Foundation has now formally approved the LAP Enterprise Support Plan, which has been co-designed alongside a range of partners. This means that the £900k funding will be made available to start delivering an enterprise support programme for social enterprises. £500k from SPF will match-fund the £900k from Access, bringing the total budget for the programme to £1.4m. The £500k match-funding contribution from the SPF will help the programme to support an additional 42 social and community enterprises through a mix of enterprise support and grant packages, over a 3-year period.

63. The purpose of Southwark LAP is to facilitate and drive investment into social enterprises in the borough that have typically been undercapitalised and underserved by support. Success for the LAP would be a strong social economy that is representative of the communities of the borough, which means investing particularly in ethnic-minority led social enterprises and enterprising charities and ensuring that women-led social enterprises are a significant part of that economy. To ensure that this is achieved, the programme has two overlapping KPIs, which are intended as minimum standards:
- At least 75% of all grants and investments will be received by black and minority-ethnic led Social Enterprises and Trading Charities in Southwark.
  - At least 60% of all grants and investments will be received by women-led Southwark's Social Enterprises and Trading Charities.
64. The LAP Enterprise support programme will be delivered by contracted providers, commissioned via Renaisi (the Accountable Body for LAP), with relevant input from council officers. The council will also be part of the tender assessment panel given the significant financial contribution from SPF. It is anticipated that commissioning for the Start-up package of the Enterprise Support Plan will commence early in 2023.

## AUDIT TRAIL

<b>Lead Officer</b>	Stephen Gaskell, Director of Strategy & Economy		
<b>Report Author</b>	Danny Edwards, Head of Economy		
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