

Item No. 23.	Classification: Open	Date: 13 June 2023	Meeting Name: Cabinet
Report title:		Report of the Education and Local Economy Scrutiny Commission: Review Impact of the cost-of-living crisis on businesses	
Ward(s) or groups affected:		All	
From:		Education and Local Economy Scrutiny Commission	

RECOMMENDATIONS

1. That cabinet note the recommendations from the education and local economy scrutiny commission arising from the scrutiny review Impact of the cost-of-living crisis on businesses in the London Borough of Southwark, paragraphs 12 to 22.
2. That the cabinet considers the recommendations from the education and local economy scrutiny commission and request that the relevant cabinet member reports back to cabinet within eight weeks.

BACKGROUND INFORMATION

3. At its meeting on 20 July 2022 the education and local economy scrutiny commission received a report from the principal strategy officer on businesses in the face of the cost-of-living crisis, the report focused on jobs and recruitment, business support employment programs such as Southwark Works and Southwark Pioneer's Fund (SPF), Supply chain and London Living Wage.
4. At its meeting on 17 October 2022 the commission received a presentation from the Regional Director and the Hotel Manager, Sea Containers, Lore Group and the commission also heard from the Strategy & Creative Director, Federation of Small Businesses (FSB) on local businesses coping with cost-of-living crisis especially supply chain issues.
5. At its meeting on Tuesday 6 December 2022 the commission interviewed the cabinet member for jobs, business and town centres and also heard from the head of economy and the planning policy & digital transformation manager on key aspects under the portfolio; council delivery plans for internships for people from disadvantaged backgrounds, SPF, green jobs, High Street Fund, consultation of the New Economic Strategy, affordable work spaces, street markets, Southwark Works, professional education

and training for Global Ethnic Majority¹ people.

6. Furthermore, at the same meeting the commission also discussed; the impact of Brexit, Covid and Inflation; rent increases and 5 year lease for commercial properties in Bermondsey; Planning regulations and protection of commercial spaces on high street, licensing of street markets, Business rates increase, support for small businesses and Business Improvement Districts (BIDs).
7. At its meeting on 8 February 2023 the commission heard from the representatives of Southwark BIDs; Blue Bermondsey and South Bank London on support for small to medium businesses, reduced profits due to rising costs of products and utilities, Southwark Council support, business networking, Section-106 funding, London Living Wage, training and apprenticeships, flexible business models and central government funding for businesses.
8. At its meeting on 6 March 2023 the commission heard from the Chair of Southwark Black Business Network and representative of East street traders on impact of the decrease in spending and rising business costs, extreme economic hardships for East Street traders, increase in rent of council owned properties and advertising support for street traders. The commission discussed comparison of post-Covid recovery between South Bank and Blue Bermondsey BIDs; and council support for traders.
9. At its meeting on 19 April 2023 the commission received a report from cabinet member for jobs, business and town centres on Southwark's Local Access Programme (LAP) and SPF with regards to; development of SPF, vision and plans submitted to Foundation for Social Investment and Big Society Capital (BSC).
10. At the same meeting the commission also heard from the Chief Executive of Renaisi, the leading accountable body for LAP in Southwark on; Social Investment Models and driving investment into social businesses, plans to co-ordinate and access funds from Access Foundation and BSC, equity differences in Global Ethnic Majority and Women led social enterprises; Community Asset Trust model. The commission also discussed; allocation of LAP funding through Access Foundation & SPF funding; lack of access to funds for businesses like East Street Traders and organisations like Black Business Network; deadlines on BSC monies investment and council's role in supporting the development of the community asset trust model; and support within the LAP for successful Global Ethnic Majority businesses.
11. The commission considered and agreed the recommendations at its meeting on 19 April 2023. The rationale and commission recommendations are set out in paragraphs 12 to 22.

¹ <https://www.leedsbeckett.ac.uk/-/media/files/schools/school-of-education/final-leeds-beckett-1102-global-majority.pdf>

KEY ISSUES FOR CONSIDERATION

Set out below are the recommendations of the education and local economy scrutiny commission.

12. It is evidenced in addresses from small to medium businesses to the commission that with the rising costs of utilities such as electricity and gas and inflationary cost of food and other raw materials, that many businesses are struggling to generate meaningful or sustained profit. The commission appreciates the steps taken by the council to consult with local businesses for developing economic mitigation strategies to help businesses recover from the aftermath of the pandemic and the current cost-of-living crisis. SPF and Southwark Works are critical business support employment programs to help meet inflationary costs. The commission also understands that the council is targeting 250 employers in Southwark to adhere to the London Living Wage.
13. The commission heard from the representative of Federation of Small Businesses (FSB) that the cost-of-living crisis has had a detrimental impact on; budgets & revenues, utility costs, beverage & food costs (post-Brexit) and the supply chain. The commission also discussed; uncertain future of micro businesses, small businesses unable to access help from the Southwark council website and council's role in creating workshops & networking events for small businesses and educating people in the community.

Recommendation 1- That the cabinet ask officers to review the access and support for small businesses through the council website whilst also ensuring that the support is widely publicised in the business community; and also that the cabinet look at organising, promoting and setting up workshops and networking events to help small businesses.

14. It is evidenced from the presentation of the hospitality sector representatives (Sea Containers, Lore Group) that the cost of some dairy products have gone up by 50% and champagne by 200%, repair works for boilers are taking 8-9 months due to unavailability of spare parts and there are recruitment issues within the hospitality sector (post-Brexit). The commission feels that the council has a role to play by working with the hospitality sector in reaching the unemployed, promoting the hospitality sector as a career choice and bridging the hospitality skills gap. The council also could play a role as liaison in the community, connecting Globe academy run by Sea Containers hotel group to young people by introducing them to hospitality. The commission also discussed apprenticeships for young people and that complications and a lack of flexibility within the schemes make it difficult for businesses to find time and resources to hire apprentices particularly in such a volatile economic climate.

Recommendation 2 – That the cabinet review the council's role in the

hospitality sector and act as liaison to help bridge the hospitality skills by connecting young people and the community to academies run by the sector; and also extend support in hiring apprenticeships to the hospitality sector.

15. Given the strain on businesses to cover the costs of fuel, gas, electricity, raw materials and resources, the council has an important role to play in supporting businesses mitigate the cost-of-living crisis. The commission feels that the council could do more in supporting businesses before they reach a crisis point of closure, especially those that are affected by the increase in business rates. The commission feels that it may be appropriate that 'Business Rates' fall under the portfolio of the cabinet member for jobs, business and town centres for the coming municipal year.

Recommendation 3 - That the cabinet review the cabinet member for jobs, business & town centres portfolio for the coming municipal year to provide clear remits as it currently does not include business rates; this is to avoid businesses reaching a crisis point due to being unable to afford increase in business rates

16. East Street Traders and Black businesses in Southwark are facing extreme economic hardships due to the impact of the decrease in spending by customers and rising business costs, this is further exacerbated by the increase in rent of council owned properties. There has also been an increase in rent for street pitches from £312 to £380 monthly with no increase in size of their trading pitches with little or no support from the council.
17. Furthermore, the commission gathers that East Street Traders cater to low income residents compared to Borough Market and other big supermarkets and high street retailers. There is a need for the council to invest in places like East Street through advertising, promoting variety of trade, and organising historical & cultural festivals and night markets. The commission discovered that East Street Traders are keen to organise cultural festivals and night markets, however there seems to be a lack of interest from the council management at East Street. Some licensing issues have also come to light due to the inadequate monitoring of stalls, with shops displaying products beyond the limits allowed to them by the council. This has led to East Street Traders protesting on 7 March 2023 outside Southwark Council Offices on Tooley Street.

Recommendation 4 - That the cabinet look to review and invest more in the council's governance and on-site management structure for support to Local Businesses especially Street Markets; this could be achieved by appointing business liaison officers to help organise night markets, historical and cultural festivals; and a local trader to be involved in managing the site, as a co-operative manager working with the on-site council management; and also that the council carry out quarterly reviews on the progress of the above mentioned initiatives.

18. The commission agrees that there is a need for the Council to invest in and supports places like East Street traders to make it more attractive to visitors. It has also been noted that post pandemic East Street Traders have not recovered when compared to the BIDs such as Blue Bermondsey & South Bank and businesses at Elephant Park who seems to get most of the investment.

Recommendation 5 - That the cabinet look at utilising the benefits of central areas of successful businesses like Blue Bermondsey and Elephant by providing Community Infrastructure Levy (CIL) money for Local Street Markets in the year 2023-2024.

19. The Southwark Black Business Network is quite a new organisation and funding from the council such as Southwark Pioneer's Fund is quite challenging for businesses to get access to; as it's required for the businesses to have to develop and gain expertise by attending courses, which is quite challenging whilst running a full time business. The commission gathered that East Street market and the Global Ethnic Majority businesses in Southwark are struggling to cope with increase in rent prices. In addition East Street traders face challenges such as parking charges amounting to £490 per year for their trailers and customers have to pay £4.80 an hour for parking and bus routes through Wharf Road are due to be closed. This has led to a decrease in foot fall leading to closure of 180 trader stalls from a total of 260 traders.
20. The commission agrees with LAP's vision statement which is to have a collaborative, sustainable and diverse social economy, which delivers positive social impact and a better future for all Southwark residents. The collective ambition for the LAP is to build new capacity skills, community connections and provide support across social ecosystems to tackle entrenched social issues in Southwark. The commission also appreciates the refresh of the SPF and its growth program which is the stage for enterprises focusing on growth of social & community programs. These enterprises are led by the community, and in particular women and people from Global Ethnic Majority backgrounds. The commission understands that there would be £900k from Access Foundation as development grants and £500k from SPF would be put towards social businesses & enterprises.
21. However, it is unclear at this developmental stage whether the scale of the Community Asset Trust model would be large enough to provide ad-hoc support to successful Global Ethnic Majority businesses like 'Plush' who have been evicted as a result of the private landlord wanting the land for redevelopment. This would largely depend on the viability of site, land value challenge and the market demand of the land for development; it's unlikely that that a community social investment trust can outbid the market value for a site. The challenge here is the massive equity differences in Global Ethnic Majority led social enterprises and how London's economy is driven land & property prices.

Recommendation 6 – That the cabinet ask officers for an action plan to outline how the LAP seeks to use its repayable capital to develop a local community asset or assets for long-term public benefit that could provide a low-cost environment for the social economy to operate and scale in ways that commercially owned real estate cannot. It is important that this action plan contains a timeframe for delivery, along with key milestones and that there are periodic updates to this commission to monitor progress.

22. Southwark small to medium business and especially Global Ethnic Majority businesses are at risk of closures due to the current extreme economic circumstances. In order to preserve the historical and cultural heritage of Southwark businesses and the wider community, it is important for the council to consider providing additional financial support in the form SPF funds and CIL money. These businesses need to be protected from eviction, regeneration projects and policies that deter customers from visiting such as high parking charges.

Recommendation 7 - That the cabinet commission the council to devise a charter similar to the Schools Inclusion Charter whereby businesses that are important community/cultural assets, can apply for and be granted 'Heritage Business' status; therefore enabling them to access additional support, CIL money, protection from eviction and/or appropriate mitigation measures from any detrimental impacts associated with regeneration or other policies such as changes to parking. The charter could consider the wider impact and value that businesses which are owned or managed by under-represented groups such as women and Global Ethnic Majority groups have on the local economic area including employment.

23. It is for the cabinet to decide whether or not to accept the scrutiny commission's recommendations.
24. Overview and scrutiny procedure rule 15.3 requires the cabinet to consider and provide a written response to the report within two months.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Education and Local Economy Scrutiny Commission agenda and minutes- 20 July 2022	Southwark Council Website	Amit Alva Amit.alva@southwark.gov.uk
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieListDocuments.aspx?CIId=550&MIId=7373&Ver=4 (see item 5)		

Background Papers	Held At	Contact
Education and Local Economy Scrutiny Commission agenda and minutes- 17 October 2022	Southwark Council Website	Amit Alva Amit.alva@southwark.gov.uk
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=550&MId=7374&Ver=4 (see item 7)		
Education and Local Economy Scrutiny Commission agenda and minutes- 6 December 2022	Southwark Council Website	Amit Alva Amit.alva@southwark.gov.uk
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=550&MId=7375&Ver=4 (see item 8)		
Education and Local Economy Scrutiny Commission agenda and minutes- 8 February 2023	Southwark Council Website	Amit Alva Amit.alva@southwark.gov.uk
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=550&MId=7376&Ver=4 (see item 5)		
Education and Local Economy Scrutiny Commission agenda and minutes- 6 March 2023	Southwark Council Website	Amit Alva Amit.alva@southwark.gov.uk
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=550&MId=7587&Ver=4 (see item 6)		
Education and Local Economy Scrutiny Commission agenda and minutes- 19 April 2023	Southwark Council Website	Amit Alva Amit.alva@southwark.gov.uk
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=550&MId=7377&Ver=4 (see item 7)		
Westminster City Council	City of Westminster Council Website	NA

Background Papers	Held At	Contact
Global Majority - https://www.westminster.gov.uk/news/council-commits-serious-action-inclusion		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Member	Councillor Jason Ochere, Chair, Education and Local Economy Scrutiny Commission	
Lead Officer	Everton Roberts, Head of Scrutiny	
Report Author	Amit Alva, Scrutiny Officer	
Version	Final	
Dated	1 June 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive – Governance and Assurance	No	No
Strategic Director of Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	1 June 2023	