

Item No. 8.	Classification: Open	Date: 23 November 2010	Meeting Name: Cabinet
Report title:		Adoption of refreshed Southwark Economic Development Strategy 2010 – 2016	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

1. Unprecedented growth in the decade before the recession galvanised the Southwark economy, driving investment into the borough, attracting new businesses and increasing jobs dramatically. Market-led development and investment such as the Shard of Glass and the council’s own regeneration programmes such as Elephant and Castle will continue to transform the borough for the people that live and work here. However, old and new challenges still face us. Despite progress made through growth and opportunities, worklessness remains an entrenched problem in particular areas, certain groups face serious problems in finding work; and the labour market becomes ever more competitive as the effects of the recession continue. Meanwhile we face the further impact of the 2010 Comprehensive Spending Review on jobs and business in both public and private sectors alike.
2. The challenge remains to make regeneration work for Southwark’s residents and businesses and to harness the benefits of this recent growth. The Local Economy Group brings together the council, Job Centre Plus, the business improvement districts, Southwark College, London South Bank University, the Chamber of Commerce, businesses & business support agencies, training & employment support providers and voluntary sector organisations as partners, all aiming to make inroads into persistent concentrations of unemployment and low skills, remove barriers to work and let our businesses flourish, exploiting opportunities from development. Our new Economic Development Strategy aligns the influence of the council and partners in order to bring our residents into jobs in an increasingly tough labour market and to keep our businesses in a position to offer jobs and sustain the regeneration of our town centres..

RECOMMENDATIONS

That the Cabinet

3. Approve and adopt the revised Southwark Economic Development Strategy 2010 – 2016 (attached as appendix 1)
4. Approve and adopt the revised Southwark Economic Development Strategy 2010-2016 as the borough’s local economic assessment, in response to the local authority economic assessment duty.
5. Note and approve the council’s role in the associated 2010 - 11 strategic delivery plans (attached as appendices 2 & 3)

BACKGROUND INFORMATION

Southwark's Economic Development Strategy

6. The Southwark Alliance employment and enterprise strategies were first developed in 2002 to address the high levels of unemployment and deprivation in Southwark with the aim to create employment opportunities for Southwark residents who were most disadvantaged in the labour market, to encourage small firms to thrive, and to promote enterprise activity in deprived areas and amongst disadvantaged groups.
7. The strategies were comprehensively revised and developed in 2005 following wide stakeholder and public consultation. The subsequent Southwark Alliance employment and enterprise strategies 2006 – 2016 were endorsed by the Southwark Alliance and adopted by the Council Executive in 2005 with a commitment to review them every three years to reflect changing economic and policy contexts.
8. As partnership documents the strategies were owned by the Southwark Alliance Employment and Enterprise Partnerships; following the merger of the latter into the new Local Economy Group, ownership has transferred accordingly. Over the last year, the strategies have undergone their first three year review to assess whether they are still fit for purpose to deliver the strategic objectives set out in Southwark 2016 and the corporate plan's aims to improve life chances and build a vibrant economy.
9. The revised strategy for 2010 – 2016 has been endorsed by the Southwark Alliance and is now proposed to council Cabinet for formal adoption.
10. The strategy has been developed as a response to the challenges and opportunities to Southwark's economy as set out in Appendix 1. As we face up to these challenges, we know that the immediate future is going to be very tough. In the wake of the 2010 comprehensive spending review, the council's spending and that of the partners to the strategy will be substantially reduced. More people will lose their jobs as a consequence of public sector budget reductions, and businesses are set to suffer a loss of opportunities from a shrinkage in public expenditure. Public sector investment in employment and enterprise initiatives will be limited.
11. As the strategy is completed, unemployment in London is high and vacancies are low following the impact of the recession. The economic outlook remains uncertain. Major changes are taking place in the national and regional policy environment that affect the planning and delivery of skills development, including the introduction of welfare to work programmes and a major shift in priorities for business support provision.
12. While we are clearer about the challenges ahead of us, partners also recognise the need to work effectively with reduced resources. The strategy sets out the commitment to more effective partnership working and co-ordination and to finding the most effective way of using partners' individual and collective resources to achieve common goals.

Review of the Southwark Economic Development Strategy

13. The strategy review began in July 2009 managed by the council's economic development team and directed by a steering group comprised of Jobcentre Plus and Better Bankside Business Improvement District representatives in their capacity as chairs of the employment and enterprise partnerships respectively and, initially, the council's executive member for regeneration, succeeded by the cabinet member for regeneration and corporate strategy. Consultants were engaged to carry out the consultation, produce the evidence base and draft the strategies.
14. The evidence base for the economic development strategy was reviewed and an assessment of economic conditions provided; to assess the validity of the strategic priorities identified in 2006; and to provide the basis of the local economic assessment which local authorities are required to prepare. While the guidance on the contents has been made less prescriptive by the new government, the requirement remains, and the work done on preparing this evidence base and preparing the strategies fulfils the requirement to prepare a local economic assessment. Recommendations were then made to the strategy steering group.
15. The draft strategies were subsequently presented to LSP thematic partnerships and council departments for agreement, and comments were sought from the London Development Agency, the Skills Funding Agency and neighbouring boroughs.
16. The draft employment and enterprise strategies were finally merged into a single economic development strategy, with distinct employment and enterprise elements in order to reflect the merger of the Southwark Alliance Employment and Enterprise Partnerships into the Local Economy Group.

KEY ISSUES FOR CONSIDERATION

17. In assessing the current strategic objectives and priorities, the review concluded that while these are still valid the council and its partners should adapt to a very different economic and policy context due to the impacts of global recession, uncertain recovery, public expenditure reviews and reform of welfare to work and skills policies.
18. The review concluded that the strategy should place increased emphasis on
 - **Tackling the skills gap** particularly targeting young people in collaboration with the Southwark Families and Children's Trust and the 14-19 Partnership as the council's strategic commissioner for young people and skills.
 - **More and better engagement with businesses and employers**, particularly with the private sector as public sector employment shrinks.
 - **Stimulating enterprise activity** in outlying areas and town centres to increase job density in areas of high worklessness.
 - **Increasing low start-up and self employment rates** to ensure future business growth and provide alternative options for workless residents in an increasingly competitive labour market.

19. In addition, the review concluded a theme throughout the strategy and for the delivery of the strategic objectives should be improving partnership working across health, housing and children's services in order to make a step change in moving volumes of residents into work with reduced resources.
20. A comparison of the current visions and priorities with those proposed in the revised strategy for 2010 – 2016 is summarised in table 1 below.

Table 1

SOUTHWARK EMPLOYMENT STRATEGY 2006 – 2016	REVISED SOUTHWARK EMPLOYMENT STRATEGY 2010 - 2016
<p>Current vision To maximise opportunities for accessing and sustaining high quality employment for all Southwark's residents</p> <p>Current priorities</p> <ul style="list-style-type: none"> • Increase access to work, supporting sustainability and progression in work and preventing people falling into long-term worklessness. • Focus on addressing barriers to employment for those who are furthest from the labour market • Target services that add value to mainstream provision. 	<p>Proposed vision To build sustainable, inclusive, and prosperous communities by reducing worklessness and sustaining high quality employment for all Southwark's residents</p> <p>Proposed priorities</p> <ul style="list-style-type: none"> • Tackle the barriers to work faced by priority groups. • Increase business and employer engagement. • Raise skills for sustained employment.
SOUTHWARK ENTERPRISE STRATEGY 2006 – 2016	REVISED SOUTHWARK ENTERPRISE STRATEGY 2010 - 2016
<p>Current vision To create a healthy competitive business environment built on an entrepreneurial culture with improved access to quality employment opportunities for all residents.</p> <p>Current priorities</p> <ul style="list-style-type: none"> • Build an entrepreneurial culture, support and develop the existing business base, attracting inward investment. • Focus on maximising benefits from growth in the north, increasing enterprise activity in deprived areas, targeting under represented groups 	<p>Proposed vision To create a strong, sustainable economy with a thriving network of town centres, built on an entrepreneurial culture</p> <p>Proposed priorities</p> <ul style="list-style-type: none"> • Support existing businesses. • Develop key business districts and town centres. • Increase business start ups.

<p>e.g. young people, women, minority ethnic groups</p> <ul style="list-style-type: none"> • Join up regional and local strategies, plans and initiatives to provide a coherent offer to investors and businesses. 	
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Policy implications

21. This report proposes a single economic development strategy to replace the separate employment and enterprise strategies that were adopted by Council Executive in 2005. This strategy continues to support two key objectives of the council's current community strategy: "improving individual life chances" and "making the borough a better place for people". These are to be attained through a number of measures that would allow residents to achieve economic well-being and the borough to become a vibrant economy.
22. The proposed strategy supports the mission and commitments of "A Fairer Future for Southwark" by providing a partnership framework and objectives for employment and enterprise development; these provide an evidence base and justification for setting out clear expectations of the benefits in terms of jobs and business opportunities of the council's regeneration programmes, and will thus help to realise the stated aim "to make regeneration work for the community".
23. During the consultation process the strategy was presented to each of the thematic partnerships operating on behalf of Southwark Alliance and to council departments for feedback. The development of the strategy has taken into account the relevant policies, plans and strategies of the other thematic partnerships and of the council in general. The purpose was to identify opportunities in each to maximise opportunities for reducing worklessness, improving skills and extending business opportunities. In turn, the economic development strategy has been designed to support wherever appropriate the delivery of other strategic objectives, such as the children and young people's strategy (for example through the 14-19 commissioning plan); the health inequalities strategy; the housing strategy; the reducing reoffending strategy, and the planning policy via the council's core strategy. As an example, the economic development strategy has been used as a business case for the revision of the Section 106 Supplementary Planning Document (SPD) to provide clearer information for the negotiation of economic benefits from planning obligations. In addition, the refreshed strategy aims to develop closer collaboration with Children's Services through development of initiatives to support better vocational pathways for 14-19 year olds.
24. Support for economically inactive people seeking jobs and training is provided by a number of organisations, agencies and partnerships in Southwark; the mainstream service provider is Jobcentre Plus (JCP) and its associated business partners and DWP contractors (such as the current Flexible New Deal providers). This nationally and regionally designed JCP and DWP provision does, however, leave gaps and is not equally successful in meeting the needs of all groups and localities. By having an economic development strategy and the infrastructure to deliver it, regional and national delivery can be influenced to fit the local context. For example, DWP's new Single Work Programme will result in 3 to 8 providers

contracted to deliver services across the whole of London, with a total contracting value of £10-£50 million. Contracting at this level leaves little scope for specialist delivery tailored to the needs of individual boroughs and wards.

25. Successful implementation of the strategy will depend on joint work between all of the relevant agencies and partners who work with residents directly. Similarly, nationally and regionally designed provision for business support is not efficient in helping deprived and harder to reach groups that might stand to benefit from the provision, and thus co-ordination of activities between business support providers and business representatives operating locally is essential in order to meet demand for advice needs, mitigate particular market failures and build a more entrepreneurial community. The Local Economy Group is the current forum in which implementation of the strategy is overseen and governed on behalf of the Southwark Alliance.
26. Given its role as a landowner and landlord, planning authority, education authority and provider of services, commissioner of projects and purchaser of goods and services, the council has a number of very significant roles in leading and supporting the delivery of the economic development strategy. The council is leading the regeneration of the borough and is the sole organisation with a specific interest in supporting the economic wellbeing of residents and businesses. The economic development strategy reflects the priorities within that direct interest in the locality while other agencies operate on a national or regional basis.
27. The Local Democracy, Economic Development and Construction Act 2009 places a duty on councils to prepare an assessment of local economic conditions. There is no longer statutory guidance on local economic assessments, local authorities must determine the breadth and scope of their own assessment and they will not be monitored by the government. The assessment can be revised at any time.
28. The revision of the Southwark Economic Development Strategy has been informed by research and a gap analysis that provides the strategy's evidence base. Subsequently the strategy reflects local economic development priorities in line with the statutory duty. All future guidance on content and consultation for the local economic assessment will be kept under review by officers. This report recommends the council Cabinet adopt the Southwark Economic Development Strategy as the council's local economic assessment.

Community impact statement

29. As a borough-wide strategy underpinning the sustainable community strategy, the economic development strategy potentially impacts on the whole community in all wards including the business community of the borough. However the core aim of the strategy is to tackle the barriers and market failures that prevent certain sections of the community from being able to achieve their potential, participate in the economy and achieve financial independence and well being.
30. In tackling the borough's high concentrations of worklessness the strategy's first priority is to tackle the barriers to work for priority groups. The strategy recognises the main barriers to work as low or no skills or qualifications; access to affordable, flexible childcare; employer engagement; poor health and/or disability; access to information and routes to services; lack of basic skills and

ESOL; confidence and motivation; vocational and soft skills; caring responsibilities and complex personal problems such as drug or alcohol addiction; housing instability or family or relationship breakdown. Workless residents often face one or more of these barriers in accessing or sustaining a job, and the more barriers an individual faces the more support they need to enter or re-enter the labour market.

31. Whilst any individual can face these barriers the evidence base underpinning the strategy and the equalities impact assessment has identified resident groups in the community who are most disadvantaged in the labour market and confirms that inequalities still exist for certain sections of the community.
32. For example ethnic minority employment is at 59% compared to a borough average of 67%, and a 72% employment rate for the overall White group. Similarly the female employment rate is 60% whilst the male employment rate is higher at 74%.
33. The review also found that young people aged 18 – 24 are being disproportionately impacted by the recession in terms of rising numbers seeking Jobseekers Allowance compounded by their over representation in the 16% of residents who have no or low qualifications.
34. Therefore the strategy prioritises the removal of barriers to work for priority groups and sets out to steer employment and skills services to target ex-offenders and young offenders, BME residents, women, young people, people with alcohol or drug dependency, homeless people, refugees, people with disabilities, the over 50s, those with mental health needs and families with young children, particularly lone parents.
35. The review also found that concentrations of worklessness match concentrations of social housing and the pattern of deprivation in the borough. This is recognised in Southwark's Local Area Agreement target to 'reduce out of work benefits in wards where claimant rates are above average' and includes the wards of Livesey, East Walworth, Nunhead, Peckham, Riverside, South Bermondsey, Camberwell Green, Grange, Newington, Rotherhithe, The Lane, Cathedrals, College, Faraday, Peckham Rye, Surrey Docks.
36. Areas of the borough with concentrations of worklessness and claimant rates also show low job and business density in local town centres such as Peckham, Camberwell, Bermondsey and the Elephant and Castle. The review of the strategy renews the priority to focus on stimulating enterprise activity in these areas to encourage business start ups, growth and local employment opportunities close to where workless residents are concentrated. Caring responsibilities, and the cost and accessibility of transport are barriers for many priority groups such as parents, lone parents and people with poor health and disabilities who often need flexible or part time work close to home.
37. Stimulating enterprise in town centres such as Camberwell is tied to the priority to build an entrepreneurial culture in the borough, creating an environment which encourages and supports business activity from all sections of the community including young people, women, BME groups and people with disabilities who are under-represented in business ownership. The review advocated stronger links between tackling worklessness and enterprise, with stronger promotion of

self employment and business start up as a viable option for priority groups seeking work in an increasingly competitive job market.

Resource implications

Financial

38. Funding has been available for employment and enterprise activity in Southwark. The review of the employment and enterprise strategies has been used to identify gaps in services and assisted in directing the strategic work of partners including the council. For 2011-12 onwards, the level of council resources will be reviewed, and resources for 2010-11 have been assumed at existing levels¹. However, no specific resource levels for future years beyond 2010-11 have been assumed in this report or in the strategy and associated delivery.
39. The council has up to 2010-11 operated a small council-funded contracting budget for employment and enterprise focused projects. The impact of this has been maximised through commissioning of projects in combination with Working Neighbourhoods Fund plus project funding and partnership activity resourced from London Development Agency and other sources such as irregular contributions from S106 planning gain to deliver the employment and enterprise strategies. Wherever possible, council core funding has been used as match to bring in additional investment to the borough. This is a non-statutory area of work, and the strategies aim to demonstrate the value and impact of council investment in the economic development of the borough by working with funding partners and mainstream service providers.
40. Agreement is sought for a set of strategic priorities. Delivery plans are attached and will be used by the Local Economy Group to demonstrate partner resources that contribute to delivery of the strategic objectives and the extent of mainstream service provision that contributes to delivery. The delivery plans are also intended to assist review of the contribution by all partners. All partners have noted that commitment or description of resources in future years is not currently possible due to imminent spending reviews and changes in policy direction (such as introduction of welfare to work programmes by DWP). For this reason they do not provide commitments beyond March 2011 at this stage and they will be reviewed by the LEG for 2011-12 and annually thereafter. The Local Economy Group provides a means to add value to other national and regional provision operating in Southwark as it provides intelligence for partners on the impact of partners' service delivery; highlighting areas for improvement, and providing the opportunity to hold partners to account for their role and contribution to delivery of strategic aims, in keeping with the stated aims of Scrutiny sub-committee (June 2010) to invite partners in the LEG to participate in a closer examination of their role and impact.
41. Actions identified in the strategy delivery plans where Southwark Council is lead partner are already funded from existing council budgets in 2010-11 and have been commissioned through the council's procurement guidelines. No further commitment of resources is sought in this report. Similarly actions in the strategy delivery plans describe activities already commissioned and resourced by partner agencies in 2010-11, and make no additional call upon council resources. The

¹ September 2010

delivery plans have been amended to reflect the government's in-year reduction of the Working Neighbourhoods Fund and the subsequent impact on the scale of service delivery.

Staffing

42. The council will need to make available some resources to support implementation, and any subsequent activity such as project development and commissioning, bids for external project funding, influencing partners, monitoring and review. The staff resources and expertise for implementation and management of the strategy and associated partnership management are contained with the council's Economic Development Team. Staff currently work with local and regional agencies on joint employment and enterprise projects, including: Jobcentre Plus, Southwark College, London Development Agency, Business Improvement Districts, Business Link in London, the voluntary and community sector and others. No additional staffing resources are proposed with the adoption of the strategy.

Consultation

43. The Southwark Alliance Employment and Enterprise Strategies were comprehensively developed and revised in 2005 and were open to full public consultation. The most recent review entailed a two phase consultation starting in 2009.
44. Phase 1 of the consultation was led independently by consultants who, after preparing a preliminary local economic analysis to set the baseline for the review, held 25 confidential stakeholder interviews with a combination of members of the employment and enterprise partnerships, partner agencies represented on the Southwark Alliance and lead officers across the council. The stakeholder interviews were designed to gather views on gaps and future priorities for the council and its partners and draw on expert knowledge from partner organisations and commissioners in the borough in the context of the emerging economic assessment.
45. The priorities and issues emerging from the preliminary local economic analysis and stakeholder interviews were then subject to consultation through a conference attended by LSP partners, council lead officers and other partner organisations.
46. Following the conference, further consultation around key issues and priority groups was undertaken through focus groups including a range of employment support providers; parents and lone parents; peer to peer research with young people; ex-offenders; town centre businesses and locally based creative industries.
47. The findings from the Phase 1 consultation were key considerations when evaluating the current strategies and refreshing priorities for 2010 – 2016 (see background paper – Phase 1 Consultation Report).
48. The initial draft strategy produced following Phase 1 was subject to further consultation via members of the employment and enterprise theme groups of Southwark Alliance (now succeeded by the Local Economy Group), and governed by a strategy steering group as described in paragraph 6 above. The

final stages of the consultation involved formal consultation sessions with each of Southwark Alliance's thematic groups; national and regional agencies responsible for commissioning and delivery of employment, skills and business support and neighbouring boroughs. Drafts were also circulated for comment to divisional heads of service across all council departments and presented to senior manager teams on invitation. (See background paper – Phase 2 Consultation Report).

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

49. The council is required under section 69 of the Local Democracy, Economic Development and Construction Act 2009 to prepare an assessment of the local economic conditions in its area (a local economic assessment) and in doing so to consult such persons as it considers appropriate. It is further required under the Local Government Act 2000 to draw up a community strategy for promoting or improving the economic, social and environmental well being of its area and contributing to the achievement of a sustainable development in the United Kingdom. In preparing this strategy, the council is required to consult and seek the participation of partner and other organisations in the community.
50. Two key objectives of the council's current community strategy are "improving individual life chances" and "making the borough a better place for people". These are to be attained through a number of measures that would allow residents to, among other things, achieve economic well-being and the borough a vibrant economy.
51. The Economic Development Strategy 2010-2016 document is therefore in compliance with and consistent with the council's duties under the Local Democracy, Economic Development and Construction Act 2009 and could also count as being the local economic assessment required under section 69 of the 2009 Act. In addition it is consistent with the council's duties under the current community strategy and the general power to improve the economic, social and environmental well being of the area contained in section 2 of the Local Government Act 2000.

Departmental Finance Manager

52. Economic Development is subject to the same financial constraints as the rest of the council. The reduction in the Working Neighbourhoods Fund will impact on the ability of the Economic Development team to deliver the level of service previously provided, as will any reduction in the core council funding. Other sources of funding, such as LDA and S106 will also be affected by the current political and economic changes being introduced. Paragraphs 39 – 42 above give explanations of how this will be managed.
53. This report does not request any additional commitment of resources. The financial implications of any specific strategy should be addressed as part of any specific proposal, including confirmation of funding as well as formal approval in line with current procurement protocols.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Phase 1 Consultation Report	Economic development & strategic partnerships.	Sarah Randall 020 7525 2234
Phase 2 Consultation Report	As above	As above
Southwark Local Economic Analysis	As above	As above
Economic Development Strategy Equalities Impact Assessment	As above	As above
Economic Development Strategy Sustainability Assessment	As above	As above

APPENDICES

No.	Title
Appendix 1	Economic Development Strategy 2010-2016
Appendix 2	Employment Strategy Delivery Plan – Year 1: 2010/11
Appendix 3	Enterprise Strategy Delivery Plan – Year 1: 2010/11
Appendix 4	Local Economy Group Partners and Resources 2010/11

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly, Deputy Chief Executive and Strategic Director Regeneration & Neighbourhoods	
Report Author	Graham Sutton, Economic Development Team	
Version	Final	
Dated	11 November 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Departmental Finance Manager	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	11 November 2010	