

Committee/Meeting: Cabinet	Date: February 2012	Classification: Unrestricted	Report No: CAB 068/112
Report of: Corporate Director Development and Renewal Originating officer(s) Nick Smales - Service Head Economic Development and Olympic Legacy		Title: Enterprise Strategy Wards Affected: All	

Lead Member	Cllr. Shafiqul Haque - Lead Member Employment
Community Plan Theme	Prosperous Communities
Strategic Priority	Supporting more people into work and improving employment skills; and Fostering enterprise and entrepreneurship

1. **SUMMARY**

- 1.1 The draft Strategy was widely circulated for comment to internal and external stakeholders during late April and throughout May 2011.
- 1.2 Comments from the consultation exercise have been considered and taken into account and a final (post consultation) draft is attached for adoption by Cabinet.

2. **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

- 2.1 Note the extensive consultation process undertaken for the draft Enterprise Strategy and the amendments made to the document
- 2.2 Agree to the Strategy and the proposed action plan going forward to Full Council for approval.

3. **REASONS FOR THE DECISIONS**

- 3.1 The Local Economic Assessment, completed during 2010, concluded that Tower Hamlets was a place like no other facing "*both challenges and opportunities like no other local authority.*" The economic transformation of the Borough in the past two decades has made the Borough's economy

significant in a global context and yet the Borough has the second lowest employment rate in London despite there being three jobs for every two residents in the Borough.

- 3.2 The Employment Strategy adopted by Cabinet in May 2011 seeks to focus activity on supporting residents into the labour market, essentially responding to labour market supply. It is also necessary to consider the demand side of the labour market i.e. the ability of the enterprise economy to grow and create jobs and opportunities for local Tower Hamlets residents. The Enterprise Strategy therefore provides a focus for the Council and its partners concerned with the growth and relevance of the demand side of economic development in the Borough.

4. ALTERNATIVE OPTIONS

- 4.1 The principal focus for the Council and its partners is clearly to respond to the worklessness challenge, supporting more residents into work which is a function of the recently adopted Employment Strategy and thus the option of continuing economic development activity guided solely by the Employment Strategy was considered.
- 4.2 However given the significant evidence base generated from the LEA and the aim of ensuring greater employment and enterprise opportunities for local residents via a greater understanding and development of interventions on the demand side development of the first Enterprise Strategy was considered the most appropriate option.

5. BACKGROUND

- 5.1 The strategy considers the structure of the Tower Hamlets economy including its transformation from a de-industrialising, traditional economy to a predominantly knowledge based, higher skilled, service economy.
- 5.2 Transformation has been driven by the emergence of the financial and business services cluster and this sector is forecast to continue to grow further over the next decade. However, whilst the Tower Hamlets economy has been hugely successful in the past decade its benefits and relevance to Tower Hamlets residents is not comprehensive and there remains the need to maintain a broad based, diverse economic structure which supports the start up, development and growth of businesses in the Borough in growth sectors in addition to financial and business services.
- 5.3 The Council and its partners have the ability to shape and influence the enterprise environment and the Enterprise Strategy has been developed to respond to the objective of supporting enterprise and entrepreneurial activity for the benefit of local people.

6. BODY OF REPORT

- 6.1 The Tower Hamlets economy has transformed over the past three decades and is now worth around £6 billion annually. In the decade to 2008 employment grew in the Borough by around 60% so that there are now around 1.4 jobs accommodated in the Borough for every working age resident.
- 6.2 The growth has been characterised by the emergence of the Financial Services Sector and Business Services sector clustered around Canary Wharf and the City Fringe. These sectors account for over half of all jobs in the Borough. There is however evidence that there is a ripple effect emerging across the Borough with reference to auxiliary services serving the principal clusters.
- 6.3 Traditional industries have declined as the economy transitions from a traditional industrial economy into a knowledge based / service sector economy and manufacturing now accounts for around 5% of employment in the Borough which drops to 2% if the classification of newspaper publishing is discounted from the wider manufacturing category.
- 6.4 There is a healthy rate of business births in the Borough and there is evidence of SME growth above England averages. The greatest number of businesses exist in the Wholesale and Retail and Business Activities sectors.
- 6.5 Issues within the enterprise economy include the need to close the gap between the skills increasingly demanded by the knowledge economy and the skills levels of local residents; the limited supply and affordability of space for small businesses; access to financing for start up and small businesses and a fragmented business advice network.
- 6.6 Overall the Enterprise Strategy seeks to provide the context for the maintenance of a vibrant and growing economy which benefits the local population. Accordingly the draft Strategy establishes the overall aim of the Strategy as *to encourage and support enterprise and entrepreneurial activity to increase opportunity, prosperity and mobility in Tower Hamlets.*
- 6.7 The Strategy includes:
- an overview of the Tower Hamlets Enterprise Economy (chapter 2, *What is happening in the Tower Hamlets Enterprise Economy*)
 - information about key stakeholders (chapter 3, *Who's who in relation to Enterprise*)
 - a summary of the key issues facing the enterprise economy in the borough (chapter 4, *Challenges*)
- 6.8 The key conclusions of each of these sections are summarised below:
- 6.9 **What is happening in the Tower Hamlets Enterprise Economy**

- 6.9.1 Enterprise is strong in Tower Hamlets and the economic picture is broadly positive. There has been a major and long-term shift towards financial services. Financial services help to fuel a cluster of other businesses, buying in services and supplies and spending money locally, including through their employees. This in turn creates opportunities for a broad range of business services. Functionally, Tower Hamlets is now part of the central London economy.
- 6.9.2 These changes bring some tensions, as traditional sectors continue to decline, but new opportunities exist. Besides financial and business services, tourism, creative industries and knowledge-based industries are growth sectors which are not directly part of the financial and business services cluster and offer greater diversity. Tower Hamlets has a higher than average level of business starts, indicating that there are enterprising local people.

6.10 **Who's who in relation to Enterprise**

6.10.1 There are different types of business in the borough, which have different characteristics and therefore require different responses from an enterprise strategy. Four key types of business are outlined. Within Tower Hamlets there are also services which exist to support enterprise, for instance through providing finance and advice, and this includes a particular role for the Council. Generally speaking, the borough and partners have a greater role to play in supporting enterprises which are more locally focused in terms of the markets they serve and/or the people they employ.

6.11 **Challenges**

6.11.1 *The skills gap - residents and borough businesses* A high proportion of local residents lack basic skills, and there is a predominance of job opportunities that are either at entry level or require a very high level of skills – with relatively little in between. Tackling both these issues will have benefits for both businesses and residents. The Employment Strategy suggests how the Council and its partners can improve residents' access to jobs by raising their skills levels. The challenge for the Enterprise Strategy is to support enterprise, encourage growth and support a diverse, sustainable business base that generates employment within the borough and that local people can access.

6.11.2 *Relatively low rate of self-employment* Overall, self-employment appears to be underperforming in Tower Hamlets, in terms of its contribution to the borough's enterprise economy and specifically in its contribution to employment. However, there has been a significant increase in self-employment rates in the borough in recent years, particularly among women, and female self-employment rates are relatively strong. The Council and its partners need a fuller and more detailed understanding of the issues relating to self-employment in Tower Hamlets, in order to inform business support provision so as to

maximise the contribution self-employment can make to tackling unemployment.

6.11.3 *Limited resources for business* Business support provision is under increasing threat, owing to funding reductions and uncertainty about future funding. The existing services have finite resources and are probably not sufficient to fully meet local needs. There are also signs that the sources of finance for enterprise in Tower Hamlets may be limited, and constraining business operation and expansion. The Enterprise Strategy should provide a framework for coordinating provision in order to maximise the impact of scarce resources.

6.11.4 *Underperforming town centres* Improving the performance of the borough's town centres has the potential to retain more spending locally, support a more diverse economy in Tower Hamlets, and increase the number and range of jobs available to residents. The Enterprise Strategy can support the delivery of the Town Centre Spatial Strategy by ensuring that business support provision meets the needs of existing town centre businesses, and encouraging a wider range of businesses, particularly SMEs, to locate in the borough's town centres.

6.11.5 *Lack of suitable workspace for small businesses* There is a shortage of workspace for SMEs in Tower Hamlets, which risks pushing business start-ups and growing businesses out of the borough. These enterprises are vital for the strength of the local enterprise economy and could provide substantial employment opportunities to local people. Improving the supply of flexible workspace would support small and growing businesses and, if located in parts of Tower Hamlets other than Canary Wharf and the City Fringe, could support the commercial viability of town centres in the borough. The Enterprise Strategy can help to address this issue by promoting the development of appropriate workspace, particularly in town centres.

6.12 Having reviewed the evidence base and identified the key challenges, the Strategy proposes a series of strategic and intermediate objectives for the Council and its partners in meeting the identified challenges and supporting the borough's enterprise economy. These are set out in the next section.

7. **STRATEGY AIMS and OBJECTIVES**

- 7.1 It has always been the intention to express the overall purpose or aim of the strategy as straightforwardly as possible to provide coalescence around a clear purpose and thus the strategic aim for the Strategy has been developed *as to encourage and support enterprise and entrepreneurial activity to increase opportunity, prosperity and mobility in Tower Hamlets*
- 7.6 In order to define how progress can be made against the overall aim and reflecting comments made in the consultation process, three Strategic Objectives have been developed. The table overleaf provides the read through from the strategy aim to the strategic objectives and then to the intermediate objectives which in turn provide the context for the development and delivery of activity.

Table: Aim and Objectives Read Through

<u>AIM</u>	STRATEGIC OBJECTIVE	INTERMEDIATE OBJECTIVE
To encourage and support enterprise and entrepreneurial activity to increase opportunity, prosperity and mobility in Tower Hamlets	1. Support the establishment, growth and development of SMEs.	1.1 Co-ordinate and strengthen enterprise support services and access to finance
		1.2 Work with large organisations and business to harness their resources for the benefit of SMEs
		1.3 Support social enterprise
	2. Provide an environment that supports a thriving and diverse economic base	2.1 Secure premises to support business growth
		2.2 Ensure that the physical environment, including town centres, is suitable for a range of businesses
		2.3 Encouraging an entrepreneurial spirit and a culture of innovation
	3. Support the borough's enterprise economy by communicating local needs and wishes to influence a variety of audiences	3.1 Develop Tower Hamlets enterprise voice
		3.2 Influence the policy context to maintain a diverse and sustainable economy
		3.3 Promote Tower Hamlets as a location for investment and enterprise, and a destination for visitors

8. CONSULTATION

- 8.1 As referenced above throughout late April and most of May the draft strategy (considered by MAB in April) was subject to consultation and a number of comments were received and the Strategy revised accordingly.
- 8.2 Generally the consultation draft Strategy was well received by external agencies including some strongly positive feedback e.g.
- “The Tower Hamlets Enterprise Strategy.....is a very comprehensive document, and we at the centre welcome support for enterprise”

(East London Small Business Centre)
 - “The Executive Summary and Context sections show thorough research and set the scene well.”
 - “Overall, a good strategy that has the potential to deliver change and results”

(East London Business Place)
- 8.3 With reference to comments concerned with areas for strengthening / attention these fell into two principal areas, the role of the voluntary / third sector in supporting social enterprise and how the Strategy could help residents obtain jobs in the local enterprise economy.
- 8.4 As a result of the consultation process and responding to internal comment the structure of the strategy has changes to provide a greater focus on why it is necessary in a Borough such as Tower Hamlets for the Council to develop an Enterprise Strategy and the purpose behind the proposed interventions in the enterprise economy.
- 8.5 A report on the detail of the consultation and the strategy response is attached at Appendix 3.

9. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 9.1 This report asks Cabinet to approve the Enterprise Strategy following the stakeholder consultation that has recently taken place.
- 9.2 As is the case with the closely related Employment Strategy, the objectives contained within the Enterprise Strategy set out a range of activities and priorities for the Council and key partners providing a clear focus for ensuring that available resources are targeted to and in line with these priorities.
- 9.3 Whilst there are no specific financial consequences arising from the recommendations in the report, delivery of the strategy will be extremely

challenging in the current economic climate, and will require a co-ordinated approach and aligning of funding from all major partners. It will also require that best value for money is obtained from limited sources of external funding, given that the Council's mainstream resources to support the Enterprise Strategy are extremely limited.

10. **CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE
(LEGAL SERVICES)**

- 10.1. There is no statutory requirement for the Council to adopt an enterprise strategy. It is understood that the strategy is being brought forward to further the Council's sustainable community strategy, as expressed in the Community Plan. This may be underpinned by the Council's well-being power, set out in section 2 of the Local Government Act 2000.
- 10.2. The Council is empowered under section 2 of the Local Government Act 2000 to do anything which it considers likely to promote the social, economic or environmental well being of Tower Hamlets, provided the action is not otherwise prohibited by statute. The power may be exercised in relation to, or for the benefit of: (a) the whole or any part of Tower Hamlets; or (b) all or any persons resident in Tower Hamlets. In exercising the power, regard must be had to the Community Plan. The Council should be satisfied that there is appropriate evidence to suggest that the strategy will relevantly promote well-being.
- 10.3. In the absence of any statutory obligation to consult, it is still good practice for consultation to be undertaken at a time when proposals are still at a formative stage, to include sufficient information to allow those consulted to give intelligent consideration and response and to allow adequate time for this purpose. A report on the consultation conducted is provided with the report.
- 10.4. The enterprise strategy plays a companion role to the Council's employment strategy and will assist the Council to realise the priorities of the Community Plan insofar as the strategy will be a document informing Development Plan Documents including the Development Management DPD and Site and Place-Making DPD.
- 10.5. The enterprise strategy is not proposed to eventually be adopted as a Local Development Framework (LDF) planning document, rather it is an overarching strategy that will inform the LDF, and therefore will not attract the same weighting in terms of the Council's local planning policy. Such approval raises no immediate legal implications.
- 10.6. Before making the proposed order, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. An equality impact assessment has been prepared and this may assist the Council to meet its statutory equality duty.

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1 The overall aim of the strategy is to Strategy is to increase opportunity, prosperity and mobility in Tower Hamlets consistent with the Vision and Priorities expressed in the Tower Hamlets Community Plan.
- 11.2 An Equalities Impact Assessment has been undertaken as part of the strategy development process. The Equalities Impact Assessment has concluded that the approach taken in developing the strategy will have a positive impact on equality of opportunity in the borough, as intended. It recognises and acknowledges the diversity of the Tower Hamlets population and business base by ensuring that initiatives will be implemented and monitored to ensure substantial benefit for these diverse groups and to provide support for any group which, in terms of business support and involvement is disadvantaged compared with the others.
- 11.3 Following the impact assessment it is not anticipated that the Strategy will lead to any discrimination or other behaviour that has been prohibited by the Equality Act 2010.

12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 12.1 The strategy sets objectives around creating opportunity within the local supply chains which if realised will lessen the carbon footprint whilst capturing business activity and wealth within the Borough.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1 The principal risk for the Enterprise Strategy is around execution and the full engagement of key partners which are fundamental to the aims of the strategy. For example the need for better coordination of a fragmented business and enterprise support network in the Borough requires the engagement and commitment of business agencies operating in the Borough and thus without their participation and support the ability to join up / coordinate services better will be more difficult.

14. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 14.1 The aim of the strategy is to increase opportunity, prosperity and mobility in the Borough through supporting an enterprise economy that creates jobs and wealth for local residents. Increasing available employment opportunities to match the refreshed Employment Strategy aim of increasing the number of residents in work will make a positive contribution to the reduction of crime and disorder.

15. EFFICIENCY STATEMENT

- 15.1 The Enterprise Strategy has been developed from within the context of a changed policy environment and therefore a number of efficiencies can be identified from delivery of objectives and from the development of a strategic approach.
- 15.2 Having a robust, partnership agreed strategy can reduce inefficiencies within the enterprise, business support network and support bidding for and leverage of national / regional and local resources are targeted against Tower Hamlets priorities. Given the changed policy context in which the public sector can only bid for Regional Growth Fund with the private sector having clearly articulated aims and objectives which are agreed with and by partners will support Tower Hamlets voice in attracting funds and within new governance structures such as the pan London Local Enterprise Partnership (LEP).

16. APPENDICES

- Appendix 1 – Enterprise Strategy
- Appendix 2 – Indicative Action Plan
- Appendix 3 – Consultation Response document
- Appendix 4 – Equalities Impact Assessment

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Tower Hamlets Local Economic
Assessment (December 2010, vols 1-4)

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