GATEWAY to ENTERPRISE

Towards an Enterprise Strategy for the Thames Gateway

JUNE 2009

CONTENTS

EXECUTIVE SUMMARY

Introduction

This report was commissioned by SEEDA, the LDA and EEDA as a consequence of the Thames Gateway Economic Development Implementation Plan (EDIP) published in 2008. The EDIP recommended that further work be carried out to examine the state of enterprise in the Thames Gateway and to consider if enhancement is necessary to support the EDIP's wider objectives. This report is complementary to other documents dealing with infrastructure, housing, major investments and skills.

The purpose of this study is to establish the current position and trends in enterprise in the Thames Gateway and to consider if this trajectory is likely to be sufficient to satisfy the stretching targets, particularly employment growth, which have been set for the Gateway.

Definition of Enterprise

We have taken as the basis for this study all that is to do with business: the underlying enterprise culture, the creation and survival of new businesses and the growth of existing businesses. We have included in scope all the factors which relate to and bear upon the business lifecycle. We have taken a long term view - 15 to 20 years, but have also necessarily included a view of the impacts of the current economic downturn and the role of enterprise in helping prepare for the up-turn.

Strategic drivers and enterprise aims

The Thames Gateway strategic drivers tend to prioritise physical and spatial development. Enterprise, as we have defined it here, is relatively less thoroughly dealt with in these existing strategies and policies than other aspects of the EDIP, such as spatial priorities, infrastructure, skills and housing. This does not arise from a belief among stakeholders that enterprise is unimportant, but because on the whole, the Thames Gateway has been driven by land use, planning, housing and large scale infrastructure projects. Stakeholders agree that enterprise needs to be given more priority and are beginning to address the issue.

There is an ambitious employment growth target for new jobs growth of 225,000 by 2016, based on the level of planned investment in infrastructure, major projects and housing. Whether these new jobs will arise from new business starts, business growth, public sector growth or inward investment, has not been clearly traced as yet, and this report attempts to begin that analysis.

Current baseline

The performance of the enterprise base in the Thames Gateway is broadly in line with that of the Greater South East on most measures, although the sectoral composition tends towards a more traditional, less service-based model. There are, however, some strong indications that the enterprise culture is weaker and that productivity is lower. The question then arises about whether being *in line* with the performance of the wider region is *sufficient* to deliver the Thames Gateway targets for employment growth.

New economic conditions

The stakeholders interviewed during the study were largely of the view that the current economic climate will mean that business and employment creation will only be delayed or put on hold for the interim, rather than show permanent negative downward trends.

There is some concern that the economy of London and the South East has been over dependent on the success of the financial services sector, and that the future success of the

Thames Gateway is too intimately tied to the success of this sector. However, on the whole, stakeholders believe these concerns should not be exaggerated

Enterprise – current position and gaps
There current position in relation to the "enterprise infrastructure" has been considered, and some gaps identified.

Jobs growth targets
The overall target for new jobs in the Gateway is for 225,000 new jobs between 2001 and 2016[1]. We have attempted to calculate what additional contribution might need to be made to this target by enterprise – ie new business creation and business growth.

The growth that can be expected from current rates of inward investment, business formation and growth have been projected forward and compared to the new jobs target.

Source of new jobs growth	
Additional jobs due to inward investment	**3,000**
Additional jobs due to business growth and employment trends at existing levels (all sectors, inc. public)	**107,272**
Additional jobs due to new business formation at current rates	**11,580**
Total	**121,852**
Target	**225,000**
GAP	**103,148**

This estimate is very approximate and needs to be validated by a more in depth econometric calculation. However, it shows the size of the potential gap and leads to a challenge for enterprise in the Thames Gateway - a significant rise in new business formation and business growth is required in order to meet the jobs growth targets – *possibly as much as double the existing rates.*

Building a strong enterprise culture
To achieve the required level of new business starts there will need to be a strong enterprise culture in the resident population. We have looked at the key barriers to enterprise and suggested a number of interventions that might be initiated, including work with young people in schools, colleges and higher education. The impact of these will be maximised if they are undertaken with a degree of coordination throughout the Thames Gateway, and importantly, they need to be maintained over a sustained period of time.

Business Growth
The baseline study suggests business growth in the Thames Gateway is broadly in line with the Greater South East. The issue is NOT that the Gateway needs something different in terms of business stimulation or support from the rest of the Greater South East, but rather it needs more businesses/start up/growth to achieve the ambitious targets that have been set.

Business Support
Although the strategic importance of the Thames Gateway is widely agreed and understood, this is not reflected in the deployment of business support .There are some sub regional differences, but there is a pattern to business support in the Thames Gateway - the penetration of Business Link and other services is in line with the current level of business density, but not above as might be expected given the importance of the area. Services

[1] Thames Gateway Delivery Plan, CLG, November 2007

might need to be more heavily targeted in the Thames Gateway area if the ambitious targets are to be achieved.

Businesses in the Thames Gateway do not necessarily have a need for business support interventions that are widely different to those that are required in other locations. The issues are more those of *intensity of supply*, *stimulation of demand, ending fragmentation* and *targeting specific issues*

The deployment of the Solutions for Business portfolio in the Thames Gateway provides an opportunity to adjust the current patterns of provision to meet the extra impetus that is required in the area. It is likely that for some products, a combined approach from the three RDAs and Business Link providers will be required.

Creating the necessary conditions for enterprise success
In order to consider what interventions might be necessary to address the gaps identified in the enterprise infrastructure, the conditions necessary to achieve the desired high levels of business creation, business survival and business growth were considered.

There are a set of necessary pre-conditions that will allow such enterprise to flourish. Each on their own can represent a barrier to enterprise if not addressed. They include:

- Enterprise Culture and aspiration
- Business ideas and information
- Personal skills
- Trade, skills and profession for trading
- Finance
- Infrastructure and connectivity
- Premises and workspace
- Creativity and Innovation
- Business Support

Enterprise policies and interventions should focus on addressing these issues as they provide a framework for coordinated input from a number of partners – which will be important as we enter a period of restricted availability of funding.

Conclusions
The key conclusions we draw from the scoping study are:

1. In many respects the enterprise position of the Thames Gateway in relation to business creation, business growth and key sectors is very similar to the rest of the Greater South East. The baseline information shows that the Thames Gateway does not perform significantly worse or better than the Greater South East except in 2 key areas: enterprise culture (as measured by new business starts to population) which is considerably lower, and productivity which is also lower that the Greater South East.

2. However, high aspirations are held for the Thames Gateway as a strategically important location, and its importance in leading the UK economy out of the recession. There are ambitious jobs growth targets of 225,000 jobs by 2016. These targets are based on the level of investment that is planned in the Thames Gateway area. However, there is need to now understand how these additional jobs will flow from existing business and public sector growth, new business formation or inward investment.

3. There is an enterprise shortfall in the Thames Gateway. The targets for new jobs within the Thames Gateway are unlikely to be achieved by the current trajectory of business formation and business growth and we estimate a shortfall of 103,000 jobs. To meet this

gap of additional jobs created, rates of new business formation and business growth may need to double over a 15 year period.[2]

4. There is agreement between partners that there is a lack of planned enterprise activity and support to underpin the strategic drivers and there associated employment targets. In particular, the underlying enterprise culture is not thoroughly addressed in existing strategies.

5. There is clearly great potential for establishing the Thames Gateway as a prime enterprise area with rates of business formation and business growth at the higher levels required to deliver the desired employment growth. However, there would need to be concerted application and intervention over the medium and long term if some of the necessary pre-conditions for creating such a high enterprise area were to be satisfied.

6. The business support requirements in the Thames Gateway are not necessarily very different from those of any locality. It is the issues relating to *intensity of supply*, *stimulation of demand, ending fragmentation* and *targeting specific business issues* which are relevant. The implementation of Solutions for Business provides the best opportunity to address these issues, but will require collaborative action across the three regions.

Recommendations
The recommendations are all designed to contribute to an overall goal:

- To increase the level of enterprise in the Thames Gateway to a level which will deliver the employment and growth aspirations for the area

The scale of the goal is defined by the enterprise challenge for the Thames Gateway:

- To <u>double</u> the rate of new business formation and rate of business growth over the next 15 years

1. <u>Local Enterprise Plans</u>
   Enterprise plans should be developed at local level to provide a structure to help all the bodies with an interest to contribute resources in a common direction. These would be simple and would focus on practical interventions that support the necessary conditions for improvements in the underlying enterprise culture, business creation, survival, and business growth.

2. <u>Thames Gateway Enterprise Framework</u>
   An enterprise framework for the Gateway as a whole should be developed which would take a comprehensive and strategic view of creating the necessary conditions for enterprise which will deliver at the scale necessary to meet the .high aspirations of the Thames Gateway. It would commit all the relevant regional bodies to a concerted effort over the medium to long term

3. <u>Business Support</u>
   The implementation of Solutions for Business in the Thames Gateway should be undertaken with a regard to addressing the need to increase business formation and

[2] These figures are based on projections using past growth rates. It was not within the scope of the study to undertake detailed econometric projections and we recommend that these should be undertaken.

growth *above* the average for the Greater South East. This will require some Solutions for Business products to be implemented collaboratively by the three RDAs.

The three RDAs in collaboration with other funders of business support should use the opportunity of the current implementation of Solutions for Business to create a business support environment in the Thames Gateway which:

- Increases the *intensity of supply* to levels which reflect the strategic importance of Thames Gateway rather then just the current numbers of businesses
- *Stimulates demand* for business support by raising the visibility and profile of business support agencies, by putting in place services which are relevant and attractive to businesses in the Thames Gateway
- Promotes the e*nding of fragmentation* by using "Solutions for Business" as an impetus to streamline business support in the Gateway and reduce duplication.
- *Targets specific business issues* which are acting as barriers to enterprise, including innovation, finance and access to global markets, taking a lead from "New Industries New Jobs".

4. <u>Innovation infrastructure</u>
   Practical steps should be taken to improve the innovation infrastructure in the Thames Gateway:
   - Ensure there is a consistent offer for potential high growth, high innovation businesses across the Thames Gateway
   - Agree with Business Link how those businesses with lower innovation and growth aspirations, but still with potential, will be supported
   - The full and combined power of higher education in the Gateway needs to be brought to bear through a unified offer to businesses.
   - Ensure the potential of the Thames Gateway Institute for Sustainability is deployed to the advantage of enterprise and business in the Gateway.

5. <u>"Enterprising Gateway" – The UK's most enterprising region</u>
   Taking a lead from the "new interventionism" proposed in "New Industry, New Jobs", stakeholders should consider taking steps over a 10 to 15 year period to establish Thames Gateway as a high profile "super-enterprise" area, with a reputation for entrepreneurship and business growth above that of other regions.

GATEWAY TO ENTERPRISE
Towards an Enterprise Strategy for the Thames Gateway

INTRODUCTION

This document is the report of the Enterprise Enhancement Scoping Study commissioned by South East England Development Agency (SEEDA), East England Development Agency (EEDA) and the London Development Agency (LDA). The work was commissioned following a recommendation in the Thames Gateway Economic Development Implementation Plan (EDIP) published in 2008. The EDIP recommended that further work be carried out to examine the state of enterprise in the Thames Gateway and to consider if enhancement is necessary. This report is complementary to other documents dealing with infrastructure, housing, major investments and skills.

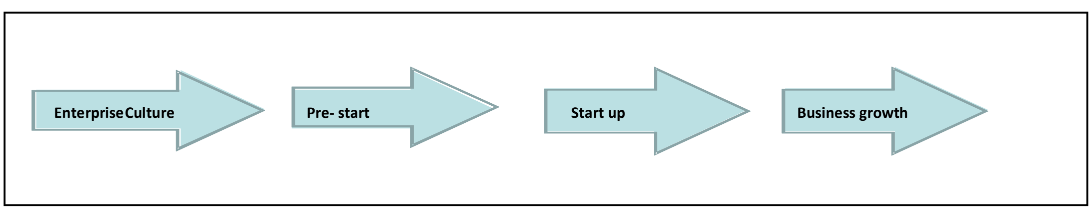
This report establishes the current position of enterprise and the probable future trends and considers if this trajectory is likely to be sufficient to satisfy the existing aims and objectives for the Thames Gateway. It considers the pattern of enterprise support and makes recommendations for additional interventions.

The work has been undertaken by SOA Development from February to June 2009.

Definition of Enterprise

The term **enterprise,** for the purpose of this report**,** describes that which is to do with business - the presence, performance and activities of the part of the economy that directly creates wealth and employment. The enterprise sector is made up of individual enterprises, ranging from sole traders to multinational corporations, whose defining characteristic is the function of profitable trading through the supply of goods and services to individuals or to other organisations. **Enterprise performance** is dependent on the ability of enterprises to exploit opportunities successfully and to be competitive and productive in response to market pressures.

We have taken as the basis for this study the business lifecycle; enterprise culture (the propensity of a population to create new businesses), business formation, business survival, and the growth of businesses. We have included in scope all the factors which relate to and bear upon this elongated business lifecycle.



We have excluded wider interpretations of “enterprising behaviour” which might be found in any walk of life. Inward investment is excluded as there is a separate dedicated Thames Gateway approach being developed. We have also excluded innovation as a subject in itself, though we have looked at the role of innovation and creativity in business growth and the possible need for stronger interventions.

All types of business are included, including self employment and social enterprise.

THE APPROACH

The approach to the scoping study was based on the following logic model to enable a gap analysis to be undertaken and recommendations made for enhancement of enterprise strategy and support interventions.

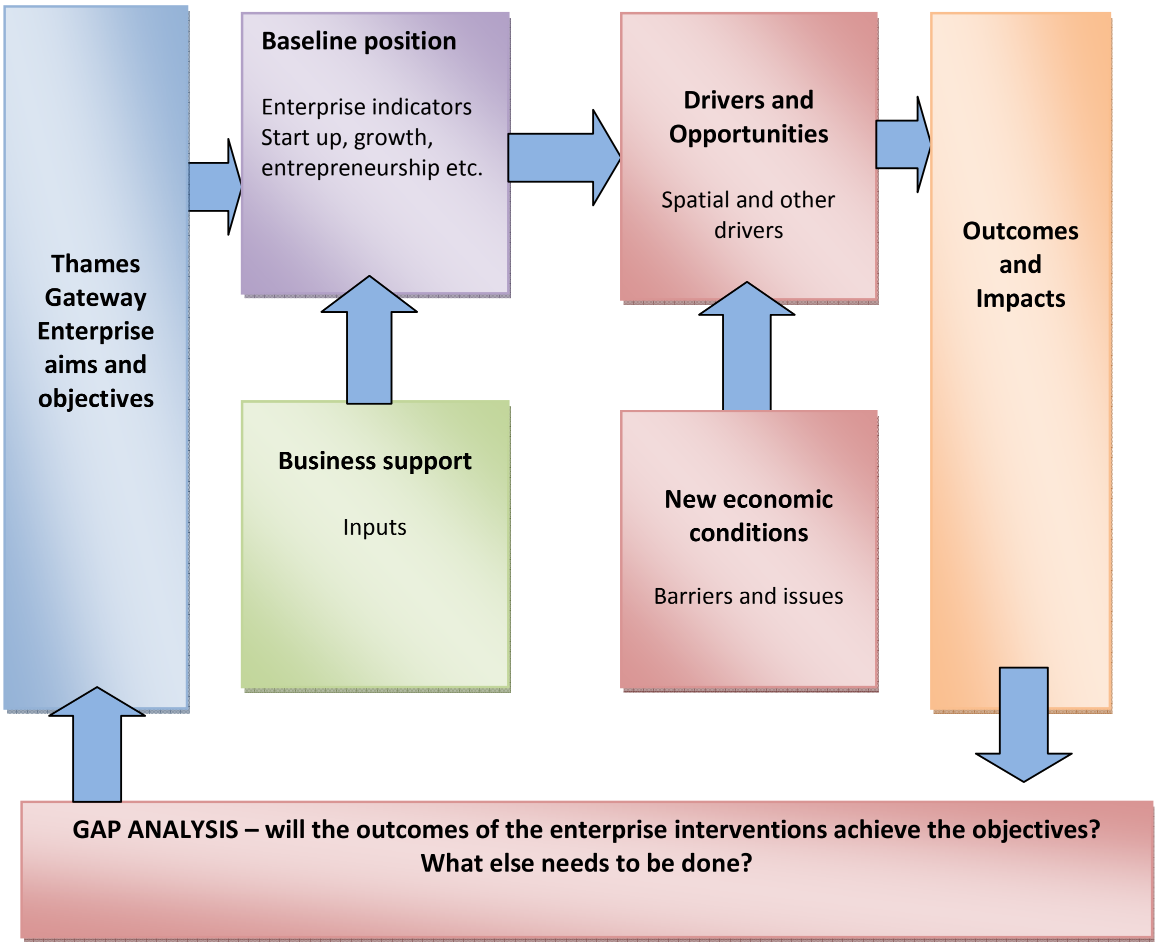


Figure 1: Thames Gateway Enterprise Enhancement Scoping Study Logic Model

A limited number of indicators were agreed as being the best to measure the state of enterprise culture, business start up, business density, business stock and business growth. The current position of the Thames Gateway compared to the Greater South East region (London, South East and East) was established. The current strategies and targets of the stakeholders and partnerships in the Thames Gateway were examined to understand the degree of alignment between them, the degree to which they explicitly address enterprise issues and the drivers and targets that have been identified.

We have selected a small number of higher value added sectors as proxy indicators of business growth potential and performance of the Thames Gateway economy. However, their use as indicators should not be taken to imply or recommend that they are target sectors for intervention or support; other recent reports have made recommendations on target sectors in this respect.

We have taken a long term view over 15 to 20 years and have also necessarily included a view of the impact of the current economic downturn and the role of enterprise in helping prepare for the up-turn.

The Solutions for Business (SfB) mapping documents created by each RDA have been used to establish current enterprise interventions, and information has also been supplied by the three Business Link providers (BLPs).

A limited number of interviews have been conducted with key stakeholders and partnerships and a consultation workshop held.

Where possible we have drawn upon and linked to other recent reports, particularly in respect of economic development plans and priority sectors.

ENTERPRISE AIMS AND OBJECTIVES

There is no single over-arching enterprise strategy for the Thames Gateway and the extent to which enterprise related aims and interventions are explicitly reflected in other plans is variable. In general, the enterprise element of the various strategies and plans pertaining to the regeneration of the Thames Gateway has not yet been given such a high level of priority as other drivers such as physical development or priority sectors.

The Economic Development Investment Plan (EDIP) as the main document setting out the aims and objectives for the Thames Gateway regeneration is a case in point. Although the EDIP contains a wide range of drivers, themes and areas for development, it recognises that enterprise aims and interventions and targets for enterprise have not yet been derived , and relatively few of its stated aims and interventions currently relate directly to enterprise.

The following is a summary of the economic development aims and themes in the EDIP which do relate **directly** to enterprise. (Others that might be expected to have a bearing on enterprise development and support are contained in Annex 1)

Intervention area	Rationale/ explanation	Interventions
Drivers of Urban Competitiveness		
Innovation Creativity and Enterprise	Business stock too small, innovation low , knowledge economy weak and localised	• Greater collaboration with the GSE knowledge base • Innovation and Enterprise Champion • East London Business Centre • Enterprise enhancement study
Economic specialisation / diversity	Some evidence of clustered diversity but needs more knowledge intensive clusters	• Create high value specialisations, sites premises incubator units • IfS (Inst for Sustainability) 3 Centres: Dagenham Dock, Kent Thameside, Thames gateway North Kent
Sectors with global significance		
Advanced manufacturing	Move traditional manufacturing to modern manufacturing	Support, for example, environmental sustainability manufacturing businesses

Table 1: Summary of the EDIP themes and interventions directly related to enterprise.

Enterprise targets

We have reviewed existing Thames Gateway wide policies and strategies. In summary, there are relatively few direct enterprise support interventions and very few measurable milestones and targets in relation to enterprise per se. As yet, there appears to be no overall Gateway-wide targets for business formation, business density or business growth and neither do the majority of the sub regional or local strategies reviewed during this project contain many explicit enterprise targets. This does not arise from a belief among stakeholders that enterprise is unimportant, but because on the whole, the Thames Gateway has been driven by land use, planning, housing and large scale infrastructure projects. Stakeholders agree that enterprise needs to be given more priority and are beginning to address the issue.

However, there is an accepted target of 225,000 new jobs to be created between 2001 and 2016 which was set out in the Thames Gateway Delivery Plan, released in November 2007 by Communities and Local Government (CLG) and announced by the Prime Minister.

The sub regional targets for job creation are as follows:
- 56,000 new jobs in Thames Gateway North Kent by 2026;
- 55,000 new jobs in Thames Gateway South Essex by 2021;
- 114,000 new jobs in Thames Gateway London.

This overall job creation target has been used as the principle goal in this report and has been used as the basis for calculations on the extent of the likely gap between the forecast outcome of the key drivers, current enterprise performance and support interventions and the aims of the Thames Gateway regeneration.

Thames Gateway sub regional strategies

At the sub regional level, there is a reasonable degree of strategic alignment in relation to the key sectors and strategic drivers and interventions e.g. physical development, key sites, housing development, priority sectors and skills and these sub regional strategies do - in some cases - contain a number of enterprise related objectives. The three partnerships - Thames Gateway London, Thames Gateway Kent Partnership and Thames Gateway South Essex Partnership - each have sub regional strategies for the Thames Gateway which are summarised very briefly below. However, it should be noted that some of these are currently being updated.

Thames Gateway London
The Thames Gateway London Partnership's document[3], currently being updated, highlights the development of enterprise and entrepreneurship in the sub regional economy as a major challenge. It sets out the following priorities:
- Address barriers to enterprise start up, growth and competitiveness
- Maintain London's position as a key enterprise and trading location
- Improve the skills of the workforce
- Maximise the productivity and innovation potential of London's enterprises

Milestones and outcomes are not quantified, although these may be included in the updated version.

[3] *Sub Regional Economic Development Implementation Plan (SREDIP)* Nov 2006 TGLP/LDA

Thames Gateway South Essex

Thames Gateway South Essex Partnership's Economic Development Business Plan for 2009-2011 sets out programmes of activity which include:

- Identifying & promoting synergies between major investments in enterprise and innovation facilities;
- Informing the Business Link offer;
- Maximising impact of Essex Innovation Network and regional innovation services

Key sectors are ports & logistics, manufacturing and financial intermediation (existing strengths); professional services, environmental technologies and creative industries (opportunity sectors).

Targets include 58,000 new jobs and 49,600 new homes by 2026

The Thurrock Economic Development Strategy, designed to achieve employment growth of 21,000 jobs by 2021, proposes that a particular set of sectors should be targeted for growth as these "core" and "opportunity" sectors are likely to generate the majority of new employment in Thurrock. It identifies the "core" sectors as Port, Logistics & Transport, Retail and Construction and the "opportunity" sectors as Business Services, Recreation & Leisure, Environmental Technology, Recycling & Energy, Creative Industries.

The strategy emphasises that business support must include "highly tailored support for existing Thurrock businesses in target sectors to ensure that employment growth potential is achieved" and "support to encourage ongoing innovation within target sectors"

Thames Gateway Kent

In Thames Gateway Kent, enterprise priorities include strengthening key drivers of competitiveness including economic specialisation and innovation, enterprise and creativity Key sectors are ports & logistics, advanced manufacturing and construction /sustainable construction (existing strengths); business & financial services, creative industries, environmental technologies and tourism & leisure (opportunity sectors).

A Multi-Area Agreement is proposed by the Thames Gateway Kent local authorities in which business and enterprise are likely to be an emerging theme. The draft North Kent Economic Development Strategy will give priority to enterprise and business growth:

- **Enhancing the Enterprise offer** – Exploring whether there are opportunities to co-commission additional enterprise services in North Kent
- **Supporting benefit claimants to set up in business** – There may be opportunities to pilot a scheme in North Kent as part of the MAA;
- **Improving access to finance** - Exploring opportunities to pilot a North Kent loan fund building on the Partners for Growth scheme in Medway – an innovative match funding scheme with the banks
- **Flexible workspace** – Exploring a voluntary commitment to a quota of flexible workspace as a proportion of the existing stock or the pipeline

BASELINE POSITION

To establish the relative strength of enterprise in the Thames Gateway a limited number of indicators were selected which were used to collect comparative data for the Gateway and these were compared to those for the Greater South East (GSE) – a combination of the three regions of London, East of England and South East England.

The chosen indicators are proxies for enterprise culture, business formation, business density and business growth. The indicators show:

- Types and characteristics of Gateway businesses including the sectoral make up and the distribution of enterprises across size bands.
- The performance of the enterprise base in the Gateway including growth in the business base, employment growth, productivity and survival rates
- The strength of the enterprise culture including start up rates and self employment rates

The indicators used are summarised in the table below.

Parameter	Characteristic	Indicator
Types / characteristics of enterprise	Numbers and size	The size of the business base: Numbers overall and in each size band
	Sectors	% age in key sectors compared to GSE
Performance	Business growth	Growth rates of key sectors – increase in numbers of businesses over 5 years 2002-07
		Growth in employment in key sectors over 5 years 2002 -7
	Productivity	Growth in GVA compared to GSE
	Survival rates	1 and 3 year survival rates compared to GSE
Enterprise Culture	Entrepreneurship	Levels of entrepreneurship/ self employment
	Entrepreneurship	Start up rates

Table 2: Summary of the enterprise indicators used in the baseline exercise

In addition, to further inform discussions on the potential for business growth, data sets for five Higher Value Added (HVA) sub sectors were also examined:

- High value added manufacturing
- High value added transport and logistics
- IT and Telecoms
- High value added financial services
- High value added creative industries

These were selected on the basis of their greater levels of technological intensity and generally higher productivity as well their importance to the future success of Gateway regeneration strategy. This is not to say that they are, or necessarily should be, target sectors in enterprise strategies; however, their relative performance is useful marker of the progress of the Thames Gateway enterprise base towards a modern and competitive economy.

The detailed data from the baseline exercise is contained in Annex 2. The headline conclusions are as follows.

Enterprise characteristics:

- The Thames Gateway contained about 107,020 enterprises at the start of 2008[4], or approximately 10% of the business base of the Greater South East.

- The Thames Gateway has proportionately slightly fewer micro businesses (< 5 employees) and slightly more medium sized businesses (>50 employees) than the Greater South East (GSE) as a whole.

- In terms of sectoral composition, the Thames Gateway is a more traditional, less service intensive economy than the GSE; it has a greater share of manufacturing, construction, retail and transport and a proportionately smaller share of property and business services, finance, health and public sector organisations.

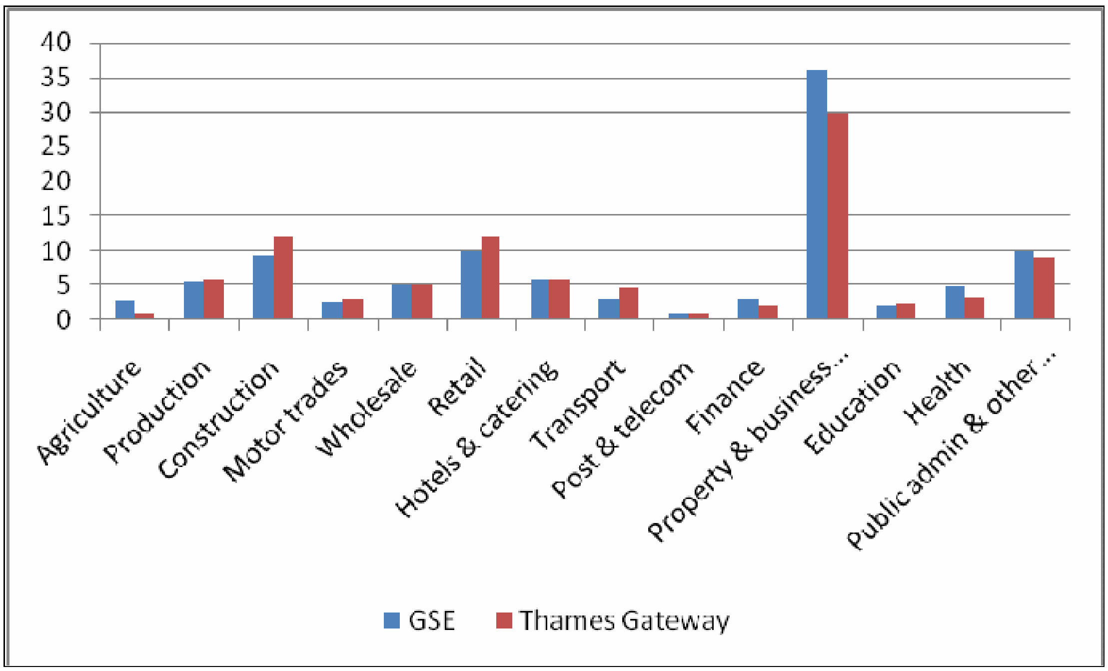


Chart 1: Percentage share of total business base by broad industrial sector for Greater South East and Thames Gateway.
Source: IDBR 2008 no. of VAT and/or PAYE based enterprises

- The pattern for employment in the Thames Gateway is broadly similar with a greater percentage of the Gateway workforce employed in construction and distribution than the GSE as a whole and a smaller proportion employed in service based industries notably financial services and IT.

[4] Source: IDBR 2008 No. of VAT and PAYE based enterprises. IDBR has been used in preference to Annual Business Inquiry which counts no. of units rather than enterprises and as a survey based data set, tends to produce higher estimates. The VAT statistics have also been used where appropriate, as although they do not record all businesses, they provide useful comparator statistics between geographies, particularly in relation to business creation and survival.

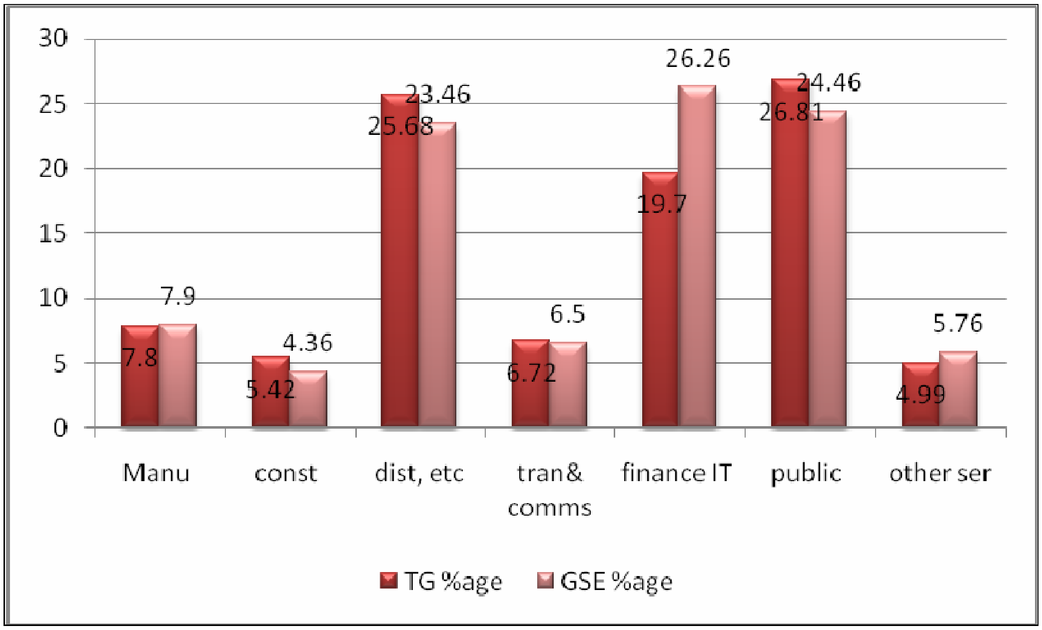


Chart 2: Employee jobs by sector as a percentage of the workforce as a whole
Source: ABI 2007

- The one significant difference between the sectoral distribution of enterprises and jobs is that there are more employees in the public sector in the Thames Gateway than the Greater South East as a whole – although it has fewer public sector employers in percentage terms. This might make the Thames Gateway more vulnerable to any cuts in public sector employment in the future.

Enterprise performance:

- The five High Value Added (HVA) subsectors have shown mixed growth performance in terms of both number of enterprises and the number of jobs over the period between 2004 and 2007 the latest year for which data are available.

- HVA manufacturing employment has declined by nearly 30%, HVA transport (including ports) employment has declined by 7% whilst IT and Telecoms, HVA Financial services and HVA creative industries have all grown in employment terms.

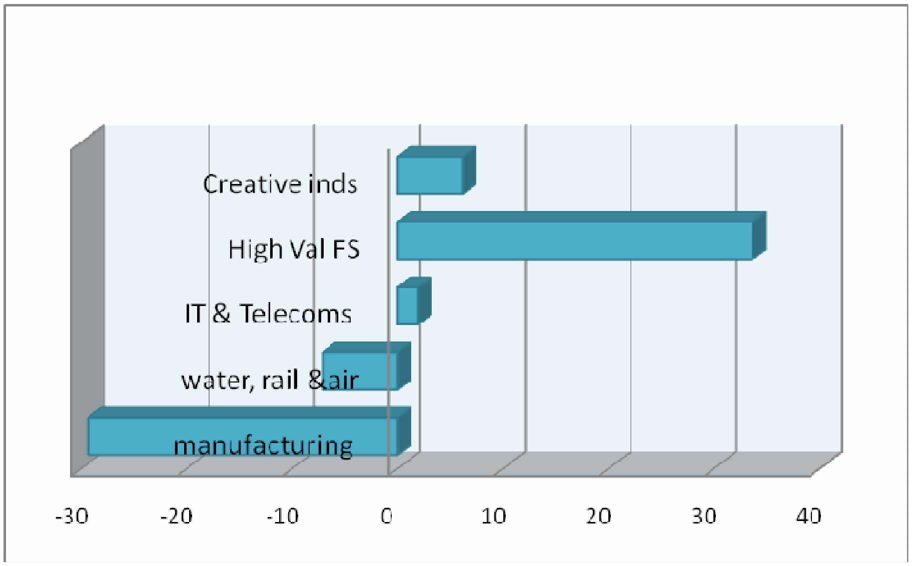


Chart 3: % age change in employment in HVA sectors in the Thames Gateway 2004-7
Source: ABI 2009

- In productivity terms, the growth in GVA in the Thames Gateway has largely followed a similar trajectory to growth in the Greater South East but at a lower level overall. In 2006, GVA per head was £23,472 in the GSE and £18,891 in the Thames Gateway as a whole.

- Within the Thames Gateway itself there are substantial sub regional variations on GVA per head with London (£22,012) significantly outperforming the Thames Gateway South Essex (£15,389) and Thames Gateway North Kent (£15,826) sub regions.

Enterprise culture:

- In terms of net business creation, the Thames Gateway region slightly outperformed the GSE with an average creation rate in 2007 of 3.72% of business stock compared to a rate of 3.13% in the GSE as a whole, according to the VAT statistics. There were however, substantial variations across the Gateway with the TG London sub region (5.4%) outstripping TG North Kent and TG South Essex rates of 2.8% and 2.4% respectively.

- VAT registered business stock overall has grown by only 1% in the Thames Gateway compared to 2% in the Greater South East in recent years.

- However, the ratio of new business starts to population, a key measure of entrepreneurial propensity, is considerably lower in the Thames Gateway than in the Greater South East and it is Thames Gateway London that is the worst performing Gateway sub region.

	2004	2005	2006	2007
GSE	965	916	837	1,020
TG	654	659	620	667
TG LONDON	557	601	495	615
TG S. ESSEX	685	669	645	655
TG KENT	730	709	720	731

Table: Business starts per 100,000 economically active population 2004-2007
Source: Business demography 2007 and Annual Population Survey

Conclusions on enterprise performance
In conclusion, the performance of the enterprise base in the Thames Gateway is broadly in line with that of the Greater South East in terms on most metrics, although the sectoral composition tends towards a more traditional, less service-based model. There are, however, some strong indications that the enterprise culture is weaker and that productivity is lower.

STRATEGIC DRIVERS AND OPPORTUNITIES

The previous analysis provides an overview of past trends and performance. These are important in understanding likely future trends but it is important to link enterprise prospects to the wider strategic drivers and opportunities for the Thames Gateway. This is a two- way relationship – enterprise has an important part to play in achieving the wider goals, and the wider developments will also provide opportunities and a stimulus for enterprise.

There is a strong degree of alignment in the strategies and policies we have examined, and between the stakeholders. The key strategic drivers are agreed as:

- Spatial
  The four main locations of Canary Wharf, Stratford, Ebsfleet, and London Gateway are identified in the EDIP as being the main drivers. In addition there are a wide range of 'secondary' locations that are potentially important anchors for business development; for example, Kent Thameside, Dartford Town Centre and Northern Gateway and the Southend environs and airport cluster. At borough level, there are numerous plans to regenerate individual town and district centres and to improve or develop industrial and business locations. Crossrail is the major transport infrastructure development which will impact on the Gateway as a business location.

  Each of the major four developments has associated estimates of the job creation impact. However, these are not further explored to differentiate between the sources of the jobs – new business creation, inward investment, or accelerated growth by existing businesses. The secondary locations will be important areas of intensification for business growth and good locations for new businesses.

- Housing and communities
  Strong growth in new housing is still expected despite the current crisis in the housing market, which is seen as a delay rather than a major departure from the existing projections. Plans are based on the need to create sustainable communities with a mix of employment, leisure, health and education facilities

and a good quality of life. New residential developments also provide an important new market for local businesses as well as a source of new business formation, including home-based businesses.

Population growth will in itself drive an element of new business creation and business growth. However, it is widely recognised that new housing growth has to be accompanied by new employment opportunities.

- Sectors
  The priority sectors for the Thames Gateway are widely agreed and well understood. Financial services remains a priority despite the current recession, but there is acceptance that there will need to be greater diversity as the recession ends – partly because the financial sector may not bounce back as strongly as before, and partly to build greater resilience to future shocks by moving away from over-dependence on one sector. There is strong interest in an emerging environmental technology sector, but as yet there is little available evidence that critical mass has been achieved.

  Additional sectors include ports and logistics which will increase in significance as London Gateway is developed, creative industries, advanced manufacturing with an emphasis on green technologies, construction, and business and leisure tourism.

- Skills
  There is a symbiotic relationship between skills and enterprise as businesses – particularly knowledge intensive businesses – locate where the skills are to be found and skilled individuals follow employment opportunities. The successful development of higher value added economy in the Thames Gateway and the fulfilment of such aspirations as the creation of an 'eco region' will depend on the availability of a suitably skilled and knowledgeable workforce. The current level of skills in the Gateway is widely thought to be too low, and there is strong agreement among partners and alignment between strategies on the need to improve skill levels. The importance of higher education is highlighted.

- Employment
  There are jobs growth targets for the Thames Gateway; 56,000 new jobs in North Kent by 2026; 55,000 new jobs in South Essex by 2021; 114,000 new jobs in London Thames Gateway which gives an accumulated target of 225,000 new jobs in line with the pan Gateway target of 225,00 jobs by 2016, although the target dates are not aligned. The detailed analysis of where these jobs are to come from has not yet been undertaken however, and the expectation appears to be that this employment growth will be a combined product of the drivers above, particularly the spatial and physical development drivers.

Impact of these strategic drivers

The Thames Gateway strategic drivers tend to prioritise physical and spatial development and are predicated on the assumption that creation of business premises, housing and a better physical environment and transport links will support job creation through attracting businesses into the area and through facilitating population growth.

Whilst physical regeneration is clearly vital to the future of the Thames Gateway, if it is to compete successfully with other areas in the South East, for example, West London and the M4 corridor, the spatial and infrastructure drivers on their own may not be enough to achieve the economic growth required, particularly in the light of the current economic downturn. The likely impact of the main drivers as set out in existing strategies is assessed individually below:

Spatial drivers
The London Olympic and Paralympic Games and hence the associated Stratford developments, will go ahead no matter what. The Mayor's Plan expects the Games to: 'speed up development in the Lower Lea Valley', stretching from Canary Wharf to Stratford'. Estimates of the impact of the Games vary, and none appear to have been produced since the economic downturn, but a report from Nottingham University Business School[5] estimated an increase for East London of £464m in the pre Games period from 2005 to 2011 and 7,344 jobs. However, a large amount of these jobs would be in construction and unlikely to be sustained during and after the Games. During and after the Games, the report estimates that East London will perform less well than Central and West London who stand to benefit more due to their higher shares of services in general and tourism and accommodation in particular. (One of the legacies of the Olympics is expected to be a sustained increase in tourism).

The development of the Lea Valley is closely associated with the Olympic Games impact, and the London Thames Gateway Development Corporation is projecting 28,000 new jobs in their area (which comprises the Lower Lea Valley and Barking Riverside) by 2016. The LDA Lower Lea Valley area team has a longer term projection of 50,000 jobs in the Lower Lea Valley by 2026. Of these jobs, up to 35,000 might be in Stratford City, with approximately 6000 in the retail sector, and up to 29,000 in the commercial sector[6] – these estimates date from before the current economic downturn. A new 2012 Legacy Company, owned by the Government and Mayor of London, is currently being established in order to realise the economic, social and cultural opportunity once the Games have finished.

London Gateway, the new advanced container port on the River Thames, is estimated by the developer, DP World, to lead to 14,500 jobs. In addition to a major deep sea facility, London Gateway port will combine with Europe's largest logistics park, offering 9.5 million square feet for distribution, manufacturing and high-tech sectors. The logistics park will offer individual units in excess of 1million square feet.

Crossrail is highly likely to have a beneficial and long term impact on the Thames Gateway by increasing its accessibility considerably and making it significantly more attractive as a business location. Construction will employ some 14,000 people at its peak and a Tunnelling Academy will open in Newham in 2010 to train local people in the skills required to access these opportunities. A recent impact assessment by Colin Buchanan estimates that Crossrail will bring up to £1.24bn of benefit per year when it opens in 2017. Boroughs directly served by Crossrail will benefit the most - by more than £60m a year – including Greenwich and Newham, but the research suggests that outer London boroughs will also receive a boost. However, Crossrail will open up employment opportunities across the capital and not just in the Thames Gateway, the majority of the economic benefits are expected to be in central London[7] and it is not expected to be completed until 2017.

The timetable for other spatial developments must now be in question due to the economic downturn. This delay can be expected to have negative direct and indirect impacts on achievement of the employment growth targets for the Gateway. Postponement or even cancellation of development plans will impact directly on forecast growth in construction

[5] The Economic Impact of the London 2012 Olympics *15-12-2005*

[6] As reported in "Stratford City and Stratford International:SWOT analysis on the potential impact on the visitor economy" January 2008
[7] See Crossrail an Economic Appraisal

employment and indirectly through the impact on inward investment into Thames Gateway areas from, for example, the cascade of commercial developments to house financial services and associated sectors from the City, to Canary Wharf, to Stratford City, Ebsfleet and beyond.

Housing developments
The target in the Thames Gateway Delivery Plan is for 160,000 additional houses by 2016. Achievement of this is likely to be delayed by the economic downturn. In relation to employment additional housing will act as a driver by providing a market and a resident workforce. Research by GLA Economics suggests that, in outer London, an increase in the residential population of 1,000 is associated with the creation of 230 local jobs[8].

However, some commentators believe that unless active steps are taken to create local employment, there is always a risk that new residents will merely commute to central London and other areas, leaving unsustainable communities and adding to environmental impacts. Some believe that that at least one job must be created for every additional household, while in Thames Gateway South Essex, a ratio of 1:1.4 is recommended[9], which if applied to the projected housing growth leads to an additional jobs target of 224,000.

Sectoral drivers
Sectoral development strategies in the Thames Gateway tend to support the overall spatial development priorities with an emphasis on for example, supporting ports and logistics in tandem with the physical development of the London Gateway and promoting the financial services sector to support the expected office development at Ebbsfleet. Other sectors such as creative industries, environmental technologies and advanced manufacturing are not currently significant in employment terms in the Gateway and may not provide a large percentage of the new jobs required.

Skills
The importance of skills as a driver and enabler of competitiveness cannot be underestimated. However it has not been examined in detail as part of this work. It should be noted that the relatively low levels of earnings in the Thames Gateway is an indicator of a low skills, low value economy. Interviews with stakeholders highlighted the importance of addressing skills for employment - that is, maker better linkage between the skills gaps and the employment requirements, but also of driving up demand for skills through business innovation. There is also a need to increase educational aspirations, participation and attainment in the Thames Gateway. These, however, are long term objectives.

In summary, at present it is unclear the degree to which the strategic drivers will achieve the aims and objectives for the Gateway in terms of enterprise and employment growth and the degree to which they will in themselves drive enterprise, and the degree to which they are dependent on increases in the current levels of enterprise. This is a complex relationship and stakeholders are increasingly turning to enterprise interventions to complement agreed spatial and strategic investments.

This view of the uncertainty of the causal effect and the specific source of the additional jobs is supported by other studies – for example Thurrock's Employment Study in which the report's authors concluded:

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[8] More Residents, More Jobs?, GLA Economics, 2005
[9] *Thurrock Employment Study, Bones Wells Associates, May 2005*

> *"The consultants' view is that this sort of level (+19,000 more jobs) is possible rather than likely. It follows that the target 26,000 additional jobs is chimerical. There is simply no convincing evidence where they would come from."*
>
> *Thurrock Employment Study, Bones Wells Associates, May 2005*

However, a statement that there is a lack of *clarity* about how these wider strategic drivers will result in increased employment and business growth *is not* the same as saying that their impact is doubted. What we are saying is that it is not possible to be certain the impact will be sufficient to achieve the agreed targets, or to know where interventions might be most effective to ensure it is sufficient, without further work to understand the contributions that are required from enterprise – ie new business creation and growth of existing businesses.

NEW ECONOMIC CONDITIONS

A study of enterprise cannot be complete without considering the impact of the recession. It is worth noting here that Learning and Skills council (LSC), Communities and Local Government (CLG) and RDAs are doing further work on the impact of the recession on the Thames Gateway and this section is a light treatment in advance of that report (due to be published later in 2009).

The recent performance of both the UK and global economies will have a bearing on the performance of the Thames Gateway economy and enterprise base. Gross Domestic Product (GDP) provides one of the main measures of total economic activity. References to 'growth in the economy' are usually quoting the growth in GDP.

According to the UK Statistics Authority, Gross Domestic Product (GDP) contracted by 1.5% in the fourth quarter of 2008, down from a fall of 0.7% in the third quarter of 2008. The level of GDP in the fourth quarter of 2008 is now 1.9% lower than the fourth quarter of 2007. Output of the production industries fell 4.5% compared with a fall of 1.7% in the previous quarter, mainly due to declining manufacturing output. Construction output fell 1.1% over the quarter. Output in the service industries fell by 0.9% in the fourth quarter, compared to a fall of 0.5% growth recorded in the previous quarter.

Given the Thames Gateway's relative dependence on both construction and manufacturing, their performance during the downturn must be a matter for concern.

Economic outlook

The 2009 Budget projects that:

- like most advanced economies the UK will experience a sharp recession in 2009 with the economy contracting 3½ per cent, before growth picks up from late 2009 with growth of 1¼ per cent in 2010. The economy is then forecast to grow strongly in 2011 at 3½ per cent as the global economy improves and Government's measures take full effect; and

- inflation will fall to 1 per cent by the end of 2009 and remain below the 2% target during 2010. Inflation is then forecast to return close to target during 2011, as the impact of interest rate cuts takes full effect.

The National Institute for Economic and Social Research (NIESR) forecasts that UK business investment will fall by 8.8% in 2009. Imports will fall more than exports as consumer spending continues to retract (predicted 3.8%). Helped by the sharp fall in the value of sterling, exports will increase by 2.4% in 2010 whilst imports continue to fall further due to weak domestic demand and, as a consequence, net trade will drive the modest recovery in GDP in 2010.

Firms relying on imports (e.g. manufacturers) will have to deal with the negative effects of a weak currency, but the possibility that there is less overall UK demand may mean they can drive a harder bargain for materials purchased, as supply outstrips demand.

Impact on the Thames Gateway

Strategies such as the EDIP which have been predicated on continuing GDP growth, a stable economy and relatively open access to credit to fund business expansion and physical development are likely to see a less positive outcome than forecast. However, the stakeholders interviewed during this study were largely of the view that the current economic climate means that business and employment creation will be on hold for the interim, rather than show permanent negative downward trends.

In terms of enterprise, while the impact on business growth is predictable, the impact on new business formation is not as clear. On the one hand, less favourable economic conditions might be expected to depress the propensity for people to start new businesses based on a rational assessment of the likelihood of success. On the other, the "necessity push" aspect of entrepreneurship (see below) may increase. At the time of this report (June 2009) the balance between the two factors is not clear. However, anecdotal evidence from Business Link suggests that there has been an increase in the volume of enquiries from people thinking of starting a business. It is not possible to distinguish any uniquely Thames Gateway aspects to this evidence.

There is some concern that the economy of London and the South East has been over dependent on the success of the financial services sector, and that the future success of the Thames Gateway is too intimately tied to the success of this sector. However, on the whole stakeholders believe these concerns should not be exaggerated. Consultations have shown two strong viewpoints:

- The Thames Gateway is well diversified and is <u>not</u> over dependent on financial services; there are many other sectors which are important to future growth and success

and

- The financial services will continue to be an important sector for the Thames Gateway. It may recover in a somewhat different form, and the cascade from Canary Wharf, to Stratford City, to Ebbsfleet, Southend and beyond may take longer than anticipated, but it will still be a key sector.

Other impacts of the economic downturn in the Thames Gateway may include:

- Difficulties in firms getting finance to fund business growth (or survival). There is mixed evidence, with some reports saying that even good propositions cannot get bank funding, and others starting that there is credit available, but the quality of business plans is not strong enough.

- Major infrastructure projects, particularly those relying on private sector funding will be delayed

- Those regeneration projects which were housing led will be delayed, which will have consequential delays for some business related premises and also for creation of the resident market in the Thames Gateway, and the availability of a skilled workforce.

The Thames Gateway is, however, in a reasonably strong position to weather the current economic situation and grow in the long term. It is backed by significant levels of committed government investment and key developments are going ahead most notably the commitment to deliver the 2012 Olympic Games, the development of Stratford, Crossrail and the advanced container port at London Gateway.

ENTERPRISE: Current Position and gaps

In this section we look in more detail at the current position of enterprise in the Gateway and assess the key gaps focusing on:

(1) The quantitative gap for business formation and business growth to meet the jobs growth targets
(2) Building a strong enterprise culture
(3) The factors that need to be addressed for stronger business growth

1. Jobs growth targets

The overall target for new jobs in the Gateway is for 225,000 new jobs between 2001 and 2016. In the light of the analysis above that shows that there is not a clear causal trail between the additional jobs target of 225,000 and the sources of this new employment, we have attempted to calculate what additional contribution might need to be made by enterprise – ie new business creation and business growth.

PLEASE NOTE: The following calculation is a rough estimate of potential net new jobs growth due to enterprise as represented by new business formation and business growth. It is not presented as a thorough econometric assessment, but merely as a means to understand the *scale an order of magnitude* of any potential gap in new jobs creation.

The relationship between strategic investments and employment growth is complex. They will stimulate enterprise and therefore create employment; but conversely their employment impact may be dependent on a level of innate enterprise. What we have attempted with this calculation is to understand if the current level of background enterprise in terms of business formation and growth will be sufficient.

Growth in employment could come from:

a. Inward investment
b. Expansion or growth in employment by existing businesses or existing public sector growth
c. New businesses starting up leading to overall growth in the business stock and hence jobs;

The number of new jobs that could be expected to come from each of these sources is calculated below although it should be noted that these calculations are based on data from before the economic downturn.

NB: It should be noted that these figures and those set out in the following section are estimates based on projections using the past growth rates between 2001 and 2007. It was not within the scope of this study to undertake detailed economic projections and we would recommend that these should be undertaken.

We have discounted for the purpose of this calculation the aspirational targets or estimates of jobs created for the major drivers set out in the earlier sections. These targets will be met by the mix of inward investment, new business or exiting jobs growth.

a. Inward investment
Excluding the big infrastructure developments, which we have not included as inward investment, there are no available inward investment figures for the Thames Gateway as a

whole. However the inward investment team at UK Trade and Investment South East in 2007 enabled 84 foreign owned companies to invest in the whole of the South East region. The investments are forecast to generate in excess of 2,300 jobs and safeguard more than 1,500 jobs over three years. However this is for the whole of the South East. If the Gateway maintains its 10% share of SE employment this will result in 230 additional jobs in three years.

Assuming Thames Gateway London and Thames Gateway South Essex also obtain jobs in line with their shares of regional employment through this mechanism, it may be that 250 jobs per annum are added to the Gateway total or a further 1,500 additional jobs between 2010 and 2016. However, we have assumed that inward investment in the Thames Gateway will be at a higher level than the rest of the Greater South East due to the availability of land and the attraction of the big infrastructure developments. It is not possible to say by how much the level of investment will be, but for the purpose of this calculation we have assumed it will be twice the rate of the rest of the Greater South East – ie **possibly 3,000 additional jobs from inward investment if the current trend was continued.** Intuitively, this figure feels low, but we have no evidence on which to base a higher estimate.

b. <u>Expansion or growth in employment by existing businesses and public sector growth</u>
Between 2001 and 2007 there has been an increase in jobs in the Thames Gateway from 1,028,241 to 1,081,441 or an increase of 53,200 or 5%.

	2001		2007
TG Kent	201,474		214,054
TG South Essex	199,123		207,836
TG London	627,644		659,551
Total	**1,028,241**		**1,081,441**

Table: Growth in jobs in the Thames Gateway 2001 – 2007
Source Annual Business Inquiry 2008

Assuming a zero growth rate in 2008 and 2009 and thereafter a similar rate of growth to the period 2001 to 2007 over the next 7 years, the result would be a total growth in jobs of 54,072 from 2010 to 2016.

This would give a total increase in jobs of **107,272 accountable to existing business and existing public sector growth at the current rate**.

Period	Net growth in jobs	Actual / projected	Total jobs
2001 – 2007	53,200	Actual (ABI)	1,081,441
2007 – 2009	0	Projected	1,081,441
2010 – 2016	54,072	Projected	1,135,513
TOTAL	**107,272**		**1,135,513**

Table: projected growth in jobs 2001 to 2016
Source: ABI 2008 / SOA Development

c. <u>New business starts and growth in the business stock</u>
The current rate of net business creation is 1% per annum of the total of VAT registered businesses in the Thames Gateway.

The current stock of firms is 107,020 at the beginning of 2008 according to IDBR which captures VAT and PAYE data, so gives a more complete picture of stock. Using this figure and assuming zero growth for 2008/9 followed by a resumption of 1% average growth per year, during the seven years from 2010 to 2016 inclusive the cumulative growth in stock would be 114,740 in total or a net increase of 7,720 new businesses.

There are no reliable job creation statistics for new businesses but given that a large proportion of new business starts are micro- businesses, assuming that an average of 1.5 jobs per business were created would lead to a net increase of **11,580 jobs by 2016 accountable to new business start ups at the current rate**

So, putting the three elements together:

Source of new jobs growth	
Additional jobs due to inward investment	**3,000**
Additional jobs due to business growth and employment trends at existing levels (all sectors, inc. public)	**107,272**
Additional jobs due to new business formation at current rates	**11,580**
Total	**121,852**
Target	**225,000**
GAP	**103,148**

Although this calculation is very approximate, it is interesting to note that in 2007 the National Audit Office attempting reach the same estimate but deploying a different approach concluded there was a gap of 99,500 in the jobs growth target (at that time the target was 180,000).[10]

This calculation leads to the key challenge for enterprise in the Thames Gateway - a significant rise in new business formation and business growth is required in order to meet the employment goals. Reflecting the current economic situation, we believe this challenge should be framed over a longer time period than the current 2016 horizon – even ten years seems short for the size of the challenge.

ENTERPRISE CHALLENGE FOR THE THAMES GATEWAY
Current trends in business formation and growth are unlikely to match the jobs growth targets agreed. **The challenge to the Thames Gateway is to <u>double</u> the rate of new business formation and rate of business growth over the next 15 years**

Stating this challenge brings into stark relief both the structural economic and business development challenges at stake in the strategy for the Thames Gateway. We believe this needs to be a core strand throughout the EDIP but requires particular clarity with respect to:

- Building a strong enterprise culture; and
- Business Growth

[10] National Audit Office – The Thames Gateway, Laying the Foundations; May 2007

2. Building a strong enterprise culture

Although net business creation rates in the Thames Gateway are broadly in line with the Greater South East, the Thames Gateway significantly under performs on business starts per head of population, a key ratio in measuring entrepreneurship levels. Start up rates per 100,000 residents in the Gateway are 35% lower than in the Greater South East. There is therefore an enterprise culture which is weaker than the rest of the Greater South East. – ie the likelihood of the resident population to start a business or become self employed is lower. There are, however, strong sub-regional and local variations, especially in Thames Gateway London, with some boroughs exhibiting much higher or lower indicators than the average.

We propose that the current level of enterprise culture in the Thames Gateway cannot be accepted as being sufficient to meet the aspirations that have been agreed:

- As shown above, the current rates of business formation, survival and growth is unlikely in the long term to be sufficient for the ambitious jobs targets to be achieved
- While inward investment is a very important element in the regeneration of the Gateway, there has to be an underlying level of "indigenous" business formation and growth if the Gateway is to become truly dynamic economy, and, importantly, if it is to be able to react in the long term to future changes in the economy and industrial patterns. Otherwise, there will need to be successive generations of searching for new inward investment, rather than successful firms in the Thames Gateway themselves becoming sought after international firms making their own investments in other parts of the world.
- There are very high levels of new house building targets. As new people come to live in the area, there should be a strong sense of enterprise in order for there to be sufficient number and variety of jobs available locally for the creation of sustainable communities. The danger will be that new residents will commute to work elsewhere (– or worse, that they will have no jobs as was the case with *some* new town developments of the latter 20th century)
- The aspiration for the Thames Gateway to act as an engine of economic success for the wider south east requires higher levels of enterprise, business growth and density.

There is little treatment in existing policies and strategies of the underlying enterprise culture, though there are exceptions – for example Barking and Dagenham where the LEGI programme explicitly tackles enterprise culture.

There is a need therefore to develop interventions to address the features which will lead to a stronger enterprise culture. Two aspects are relevant:

- Propensity – the innate probability that a person from a given population will consider starting a business or becoming self employed at some point during their lifetime
- Latency – how easy or difficult it is to shift a person from a position of *possibly* starting a business to *actually* starting a business.

Global Enterprise Monitor (GEM) and others have looked at some of the barriers faced to potential entrepreneurs, some of which relate to propensity and some to latency.

- Awareness and aspiration
  There is evidence that people who do not have in their family or community networks others who have at some point started a business or have been self employed have

less basis on which to consider themselves as having the potential to run a business as those that do.

- Culture
  Some cultures are more entrepreneurial than others – possibly due to necessity push factors, which are then reinforced down the generations. An example often quoted is the Asian community in Britain.

- Access and exclusion
  Some groups do not have access to the information they need to be able to consider becoming their own boss. Some groups might be excluded from certain necessary pre-conditions eg – finance

- Skills
  This includes both the skills of running a business per se and may also include the concept that many early stage start ups are built around the entrepreneur having a trade skill, trade or profession. Those without will find it more difficult to start a business.

- Place
  The degree to which a place makes it easy for a business to start in terms of the supporting infrastructure, premises, access to markets, local taxation, local incentives

Summarising the factors that may be significant for the enterprise culture of the Thames Gateway.

	Propensity	**Latency**
Drivers and Barriers	• Existence of entrepreneurial roles models • Skills levels • Existence of tradable skills and profession • Levels of education	• Strong market opportunities due to Gateway vitality • Good connection to markets • Availability and type of finance • Availability and type of start up business premises • Innovation infrastructure
Possible interventions	• Children – work with schools • Young people – FE colleges, Young Enterprise • Target graduates and higher education • Focus on the tradable skill or profession • Target certain groups – eg women • Create role models • Overcome the information and skills barriers	• Ensure an ongoing availability of quality business premises • Support home based businesses • Develop support for new models of businesses, including e-businesses • Broadband and wireless connectivity • Work with banks to improve success rates for applications • New models of finance including CDFI and credit unions

These possible interventions and their relationship to the Solutions for Business portfolio are developed further in later sections and in <u>Annex 4</u>

3. Business Growth
As shown in the earlier evidence section, business growth in the Thames Gateway as measured by employment is broadly in line with the Greater South East. However, productivity is somewhat lower. As outlined above, these current trends pose a risk that the employment growth aspirations for the Thames Gateway will not be achieved.

To develop proposals which will accelerate current trends we need to understand the factors which constrain aggregate business growth in the Thames Gateway.

- The Thames Gateway business profile shows a dependence on manufacturing and construction sectors and a comparative lack of 'knowledge' based or high tech industries. For instance, South Essex has employment levels in Research and Development that are half the national average. Whilst sectoral mix is not necessarily a determining factor in future growth prospects[11], it will be important for individual businesses to achieve the necessary steps in improving productivity and moving up the value chain.

- Some parts of the Thames Gateway's business landscape are dominated by small businesses with less than 10 employees. This is also significant in contributing to low rates of business growth. Evidence from Business Link Kent for example shows that 75% of the increase in GVA is achieved from businesses in the 10-249 employee size band.

- The London Annual Business Survey (LABS) conducted in 2007 reported that businesses that gave a higher priority to "value added" factors such as quality of products or services, uniqueness of products and services, improving innovation and the technical performance of products and services and speed of delivery, appear to have performed significantly better in terms of increased employment or productivity. The relative low levels of activity in knowledge intensive businesses impacts on productivity within the Thames Gateway.

- Another key constraint on business growth is the availability of skilled employees- the low skills base and relatively low aspiration within the Gateway is an important barrier to be overcome. It is therefore positive to see the new skills academies and campuses that have opened across the region.

Turning to interventions which might unlock some of these constraints, although "picking winners" by public bodies is generally discredited, there is still much intervention aimed at "growth sectors" and those businesses adopting "growth technologies". These approaches confuse the general with the particular. There are other characteristics of latent high growth businesses which can be used to <u>spot potential</u> which are independent of sector or technology. The characteristics of the entrepreneur and/or leadership team are a critical indicator. The Governments new policy document, "New Industry, New Jobs" supports the identification of new opportunities for UK businesses, and the importance of public sector interventions which will create the right environment for businesses to exploit these opportunities. A new style of "industrial activism" is suggested, focusing on five areas that underpin competitiveness – innovation, skills, finance, infrastructure and access to global markets.

Businesses with growth potential have to address a range of issues simultaneously, including finance, market position, skills, leadership, process and innovation. It is this need to move forward on all fronts at the same time that often leads to the failure to achieve growth potential, especially by small companies.

Research conducted for the high growth coaching programme suggested that interventions to support growth businesses should:

1. Support the for high growth SMEs to address simultaneously a wide range of issues, but in a systematic manner, tied to a focused plan for growth

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[11] For example see 'Industrial Structure and Economic Success at the local level', Ormerod 2005 (http://www.paulormerod.com/pdf/sbe1br.pdf)

2. Make better, more coordinated use of existing programmes
3. Bring together the fragmented nature of the coaching and mentoring support available across a number of services

The research also suggested that the core elements that have to be addressed by any business wishing to grow are:
- Business planning suitable for growth and external finance
- Investment readiness
- Market awareness
- Innovation and creativity
- Leadership and management
- Skills of the workforce

There is significant atomisation in business support – often for good reasons, such as meeting local or regional circumstances. At the level of the individual business, there are many good initiatives that in themselves would support high growth, but there are few that take a latent high growth business through the necessary extended programme of support.

There have been recent moves both at national level through Solutions for Business (SfB) and at regional level, to focus expensive, high intensity business support interventions on those businesses with *high* growth potential. An example is SEEDA's Innovation and Growth Teams which will be targeted just on the top 2000 businesses with the greatest potential for growth and innovation.

However, there may be an unintended consequence that many firms with growth potential who fall outside the *high* growth bracket may also fail to be offered sufficiently intensive support by other services, particularly as Business Link is under increased pressure to deal with a wider range of clients.

<u>Sectoral interventions</u>
Although as mentioned in the previous section sector is not necessarily a good predictor of growth potential, there are still some potential gains from taking a sector based approach to business growth interventions. In some instances it will be easier and more successful to engage businesses along sectoral or cluster lines than generic business issues. It is also likely that in promoting deeper collaboration between businesses, a sectorally based cluster will be more attractive.

Regeneris Consulting[12] conducted research into seven sectors considered important to Thames Gateway North Kent. The study makes recommendations on possible interventions for each sector. This raises the question as to whether enterprise support across the Thames Gateway would be best enhanced by adopting a sectoral focus. This has the potential to take a longitudinal approach from promotion of the sector within schools to developing clusters in priority locations and support for more established businesses. This also make sense in that there are some common key sectors across the wider Thames Gateway and there is generally strong alignment across all partners about the priority locations and priority sectors.

<u>Innovation</u>
The role of innovation in business growth is important. Although this study does not focus in depth on Innovation, the various sector strategies and stakeholders alike acknowledge its importance to the Thames Gateway. Extracting from a recent "Innovation Insight" Report for EEDA by The Work Foundation:

[12] Thames Gateway Kent Sectors Study Regeneris Consulting December 2008

> "*Innovative businesses tend to be knowledge intensive- their workforces have high levels of skills and qualifications. Knowledge–intensive industries have generated a significant share of jobs in recent years and these jobs tend to be more productive and generate a higher level of value added in the economy. Between 1995 and 2005, 12 jobs were created in knowledge intensive industries for every one job created in other industries"*[13]

A recent discussion paper from Nesta[14] similarly highlights the importance of innovation in "fighting the downturn" and how the recession should be used to develop new dynamic growth sectors of the economy and to stimulate more entrepreneurship in micro businesses to create jobs.

The EDIP highlights that many parts of the Gateway have made slow progress in transitioning to a modern knowledge based economy and that fewer businesses are actively innovating and involved in knowledge transfer. Each of the sub regions is providing support for innovation but it is not part of a Thames Gateway overall strategy and in some areas is considered insufficient by stakeholders to address the needs of business.

<u>Environmental developments</u>
In common with many localities, stakeholders in the Thames Gateway are keen to exploit any opportunities that may arise from new environmental technologies.

There remains a strong commitment to developing the Thames Gateway as an eco region including delivering the " Parklands Vision", creating more "green collar jobs" by encouraging research and innovation in emerging green areas as well as using the Olympics as a showcase for sustainable development. Charles Landry in his recent "Journey through the Gateway" similarly highlighted the potential of the Gateway as an eco region and its ability to really project the Gateway to potential inward investors and local people. " *We could use the Gateway as the place that creates green jobs and employment by attracting new technology companies linked to universities and attracts the "recycle, re-use and re-manufacture business"*

The Government's focus upon developing the low carbon economy as part of the new 'Industrial Activism' agenda could provide a further opportunity for the Gateway to identify and exploit initiatives in this area.

However, while the enthusiasm and backing for environmental technologies is there, we have not found a cluster of businesses involved in this sector that has yet reached sufficient critical mass to be visible. This may be just an issue of a lag in evidence, but it may also be a sign that progress is slow in the Thames Gateway. Specific interventions might be required. The first we would suggest is that stakeholders across the Thames Gateway should agree a common understanding of what businesses they expect to make up this new sector or cluster, and how its development can be measured.

The Thames Gateway Institute for Sustainability may well provide the stimulus the sector needs to get up to critical mass. The Institute operates extensive networks spanning the private, public and academic sectors and establishes close-to-market, collaborative research and demonstration projects. The aim is to develop practical and affordable technologies, systems and services that can be readily implemented. With strong financial backing and

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[13] Innovation Insight. The Innovation Performance of the East of England. March 2009. Insight East and The Work Foundation
[14] Attacking the Recession. How Innovation Can Fight the Downturn. NESTA December 2008

commitments of £12m revenue and £14m capital over the next three years, along with funding for the Institute's research and demonstration projects, there should be sufficient impetus to make a big impact quickly.

Any existing regional wide sector cluster initiatives such as the South East's Sector Consortium Envirowise might also be helpfully brought together across the whole of the Thames Gateway.

BUSINESS SUPPORT: Current position and gaps

In this section we examine how well equipped the Thames Gateway is to support enterprise- both business formation and business growth - through business support interventions.

Business Link

Business Link is the common element in business support across the Thames Gateway. In recent years, there have been increased moves to make the Business Link offer consistent nationally, with all providers now required to focus on the Information, Diagnostic and Brokerage role.

In all the consultations with partners and stakeholders we found a generally positive relationship with Business Link. The recent confirmation during the Solutions for Business process that Business Link will continue to be the primary access channel to all publicly funded business support and that its role will be expanded to cover all sizes and type of business, with a greater reflection of local priorities has been helpful in clarifying the future role that Business Link will play.

We have attempted to quantify whether there is proportionately greater intensity of support by Business Link to businesses in the Thames Gateway, reflecting the strategic priority of the area.

	BL Intensive Assist (IA) interventions in Thames Gateway as a % of total IA interventions	VAT registered businesses in Thames Gateway as % of total VAT registrations in the region
TG South Essex	10.1%	9.67%
TG North Kent	29.0%	29.0%
TG London	15.7%	12.14%

Source: LDA, EDDA and Business Support Kent

The table shows that for South Essex and North Kent, the level of Intensive Assists (typically the faster growing businesses) in Thames Gateway is in line with the number of VAT registered businesses in the area – ie there is no greater, nor any lower intensity of Business Link intervention. For London Thames Gateway, the level of intensity is a little higher then would be suggested by the number of businesses, but not to a very marked extent.

Thames Gateway Kent

The range of business support in Kent is relatively extensive but feedback from stakeholders suggests that more will be required to meet the targets for job growth in North Kent.

Current provision includes:

Business Link in the sub region is provided by Business Support Kent (BSK). The Business Link service primarily provides Information Diagnostic and Brokerage (IDB), but also delivers the local start up service and support to early stage enterprises. It has a joint programme to promote enterprise in schools and provides outreach services and capacity building for pre starts.

Business Support Kent also leads for the region in delivery of access to the London Olympics and Paralympics supply chain, greening businesses and the European Enterprise Network which supports trade with Europe.

SEEDA has a number of region wide programmes and has also funded two Enterprise Hubs within North Kent, one at the University of Greenwich in Medway and the other on the Kent Science Park in Sittingbourne. The hubs have typically worked with early stage businesses with a focus on innovative and knowledge based businesses.

Start up and other support is provided by enterprise agencies, funded in some instances by local authorities. For example Medway Council and Gravesham Council both support new and existing businesses through Enterprise First. However, coverage is not consistent, and there is some concern about an element of duplication with the core Business Link services. It is intended that the mapping and dialogue prompted by the Solutions for Business process will lead to better clarification between agencies about the different services and more effective use of limited resources.

There is specialist support for some sectors, including the tourism and media sectors, but this is region or county wide and not specifically targeted in the Thames Gateway.

There are significant changes afoot for business support in Kent. Specifically:

- From April 2010, there will be one regional Business Link for the South East and therefore the same approach as for London and Eastern region
- SEEDA is developing a regional strategy for start up provision working closely with local authorities and other partners
- SEEDA is introducing Innovation and Growth teams. These are local partnerships which bring together all the key partners who provide innovation support. They will provide business support to new and existing businesses with high growth potential working with ~250 businesses in the local area. The Kent and Medway IGT will be live from October 2009 and although will operate across the area will give some priority to North Kent as it is a Growth Area

The IGT model is positive in terms of a highly targeted programme for businesses with high growth potential but in real terms will only be able to assist a relatively small number of businesses in the Gateway. There remains a need to enhance business support for the generality of existing growth businesses, as well as boost the rate of business start ups.

Enterprise is given high priority by the stakeholders, with both Kent County Council and Medway Council having included National Indicator 171 (New VAT registrations) in their Local Area Agreements. Enterprise support is emerging as a theme in the Multi Area Agreement which is also under negotiation.

Thames Gateway South Essex

Business Link is delivered by a single organisation across the East region. There are some local authority funded business support services in Thurrock,Rochford, Castlepoint, Basildon and Southend aimed both at business start up and business growth. Essex County also has a range of business support services in place. The extent of the funding available for these services is constrained.

By reviewing existing provision and in discussion with key partners within South Essex, the consensus is that current provision is insufficient to meet growth targets. The key points made by stakeholders are:

- There is a low take-up of formal business support by businesses in South Essex – this is a failure in demand.

- Given the strategic priority of Thames Gateway South Essex (TGSE), there does not appear to be a higher level of enterprise support in relation to other areas within the region. These are issues of supply.

- There is a perceived lack of agency presence in South Essex. For instance, Business Link has a hub at the Southend Campus of the University of Essex but no visible presence at locations like Thurrock or Basildon. Although Business Link is actively working across South Essex, *visibility* is perceived to be important. To address this Business Link East has introduced a mobile facility which is being used with great effect across the whole of the South Essex area, and particularly in the major shopping centres**.**

- To compliment the universal Business Link start up offer some local authorities support enterprise agencies such as the Basildon and District Local Enterprise Agency and Thurrock Local Enterprise Agency. Local Authorities such as Southend Borough Council have co-invested in Business Link to deliver enhanced support to local businesses.

- Action in relation to promoting enterprise and developing an enterprising culture is relatively low key and certainly fragmented. This is a missed opportunity given that many people feel that south Essex is naturally entrepreneurial. There are, however, plans to address this as set out in the TG South Essex Business Plan 2009-11.

- Services are not providing the continuity of support needed to address the low survival rates of start up businesses. Partners point to the need for continuity of support and access to mentoring.

- There is strong consensus on the spatial and sectoral priorities and agreement that enterprise support needs to focus on these as well as providing generic support. For example enterprise support to focus on the business park near Southend Airport or help to stimulate new health related businesses in Basildon.

The local authorities and Thames Gateway South Essex Partnership all recognise the need to enhance enterprise support and have or are in the process of developing local economic development plans. For example, the Economic Development Business Plan 2009-2011 for Thames Gateway South Essex Partnership (TGSEP), by Shared Intelligence, highlights the importance of strengthening the provision of business support in south Essex and making it commensurate with the scale of the growth challenge. It identifies a number of potential programmes which TGSEP could take forward that would adopt a sub regional approach and fill the existing gaps in provision. These include:

  - Informing Business Link's offer for existing and start up businesses so that it is more tailored to local need
  - Identifying and promoting synergies between major investments, such as championing employer usage of facilities
  - Maximising the impact of Essex Innovation Network and EEDA's regional innovation services in south Essex and supporting businesses to access these.
  - To examine the feasibility of a South Essex supply chain initiative.

Thames Gateway London

Enterprise support for both business formation and growth in Thames Gateway London is fragmented across a range of regional, sub regional and borough level services, and does not have itself an explicit enterprise strategy.

The Business Link service in London is delivered through a single provider, Business Link in London. Advisers operate from sub regional bases across London including the "Knowledge Dock" business centre at the University of East London. However, face to face interaction with businesses takes place in their premises or through events at a variety of venues.

Thames Gateway London benefits from pan London programmes, including

- Business London: intensive start up support
- Access to Finance: finance readiness advice
- Gateway to Investment: investment readiness advice
- Supply London: increasing SME capacity to bid for new contracts
- Designing Demand: increasing take up and use of design
- Knowledge Connect: incentives for SMEs to work more closely with the knowledge base

Despite this range of support and an historic focus of funding on much of East London, feedback from stakeholders suggests current support for enterprise in Thames Gateway London is not sufficient in scale or scope to meet the growth targets and to help create 114,000 new jobs between 2001 and 2016. Support for existing businesses needs to be enhanced as well as encouragement to take up existing support to help them diversify and innovate as well as stimulate opportunities in other knowledge intensive sectors which will deliver higher productivity in the longer term.

London Borough of Barking and Dagenham's successful LEGI bid in 2006 has enabled it to significantly enhance its support for enterprise and highlights programmes which may have wider potential across the Gateway. For instance, it has a number of projects to foster an enterprising culture such as Enterprise Advisers who work alongside teachers to promote enterprise education in the classroom as well as Enterprise Champions who are promoting enterprise throughout the borough and particularly in the most deprived wards.

Another programme which may have wider application across the Gateway is the supply chain programme run by East London Business Centre and funded by the LDA. This is proving successful in assisting SMEs within the Thames Gateway London boroughs to tender for contracts and to bring buyers and potential suppliers in the sub region together.

Conclusions on current Business Support Provision

There are some sub regional differences, but from the above analysis we can draw the following conclusions:

1. Business Link services for those businesses with growth potential could be more heavily targeted in the Thames Gateway area. At present there is a perceived shortfall both in the supply and visibility of Business Link, although the figures show that provision is in line with the relative density of businesses in the area. However, there are also issues of demand, and it may be this factor which is the more significant in determining the density of business support. Maximising the take up of business support is a key consideration for the RDAs and Business Link.

2. There is no comprehensive enterprise strategy for the Thames Gateway which provides the context for current business support provision. While there are sub - regional and local differences in the scale and scope of current provision, the

collective view is that it is not enough to achieve the business and employment growth ambitions for the Thames Gateway. This is well understood by partners and they are developing local strategies to address the gap

3. In every sub region, there are examples of good practice but the infrastructure is not in place at present to disseminate this across the Thames Gateway. The sub regional boundaries are rather artificial. For example, Thurrock in South Essex with its close proximity to London faces similar issues and could benefit from similar services. There may be some benefit in planning and delivering some services across the Thames Gateway.

4. The recent "Solutions for Business" (SfB) exercise has helpfully clarified a number of areas where publicly funded business support is likely to have most impact. In the coming months, the three RDAs will be migrating their support for business start up to the SfB business creation products. It is likely that much of the Thames Gateway will be designated as being included in the eligibility for the Intensive Start Up Support and Enterprise Coaching products. This will bring a degree of consistency to business creation support across the Thames Gateway. Transition paths for other products in the SfB portfolio may help to overcome much of the fragmentation that has been identified and provide a renewed focus on driving demand for businesses to take up the range of support that is available. This is particularly the case for services to businesses seeking to grow and innovate. Further suggestions for the Thames Gateway requirements from the implementation of the SfB products can be found at <u>Annex 4</u>.

5. With some exceptions, a lot of current provision is generic and is not dovetailed to particular sectors or developments. Recent studies and local economic development plans all highlight the importance of business support targeted on the core and opportunity sectors as well as providing support to businesses irrespective of sector or stage of development. This is supported by the Solutions for Business portfolio which targets services where they are likely to have most impact. The Government's new policy paper "New Industry, New Jobs" encourages more sharply targeted interventions to help businesses maximise new opportunities that will arise as the recession lifts.

6. There are initiatives aimed at developing an enterprising culture but these are fragmented and insufficient to achieve the step change required

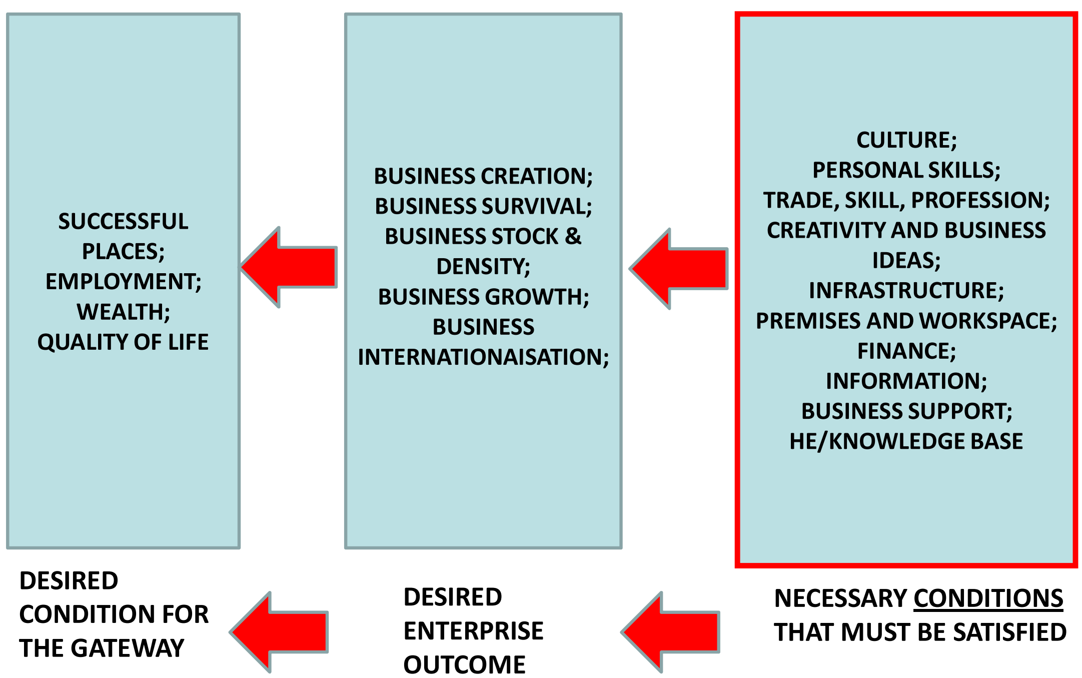
7. Generally, there is more support for starting a business than there is for ensuring survival. Some recent studies (Regeneris LEGI Baseline December 2008) have highlighted the importance of focusing more resource on growth of high value businesses and established business rather than start ups. This may be heightened during times of recession.

TOWARDS SOLUTIONS & RECOMMENDATIONS

In developing our recommendations, we have considered the following:

- Creating the necessary conditions for enterprise
- Key principles for business support and whether more tightly targeted services are required
- Learning and good practice from elsewhere
- National policy, specifically the recent "New Industry, New Jobs" report

1. Creating the necessary conditions for enterprise
To achieve the desired state of a thriving Thames Gateway with a strong economy, a mix of employment and sustainable communities requires high levels of enterprise in terms of business creation, business survival and business growth. There are a set of necessary pre-conditions that will allow such enterprise to flourish. Each on their own can represent a barrier to enterprise if not addressed. The diagram below is based on a summary of feedback from stakeholders consulted for this report and other reports such as Global Enterprise Monitor. It shows the link between the necessary preconditions, the desired enterprise outcome and the impact on wider goals



Similarly, in the Enterprise White Paper of April 2008, the Government proposed five supporting enablers of enterprise:

- Culture
- Knowledge and Skills
- Access to Finance
- Business Innovation
- Regulatory Framework

It can be argued that interventions to drive up the level of enterprise should therefore be focused on creating, stimulating or supporting these necessary conditions for enterprise to thrive.

Building on the responses from stakeholder during the consultations and at a specially convened workshop, the Thames Gateway can be scored as follows against the necessary pre-conditions:

Condition	Characteristics	Stakeholders assessment of current Thames Gateway position
Enterprise Culture and aspiration	A long term objective to create a more enterprising culture within the Gateway both in respect of propensity and latency for which coordinated activity needs to start now.	• Evidence shows that TG is lower than GSE • Stakeholders believe the picture is mixed, but agree more should be done to promote a stronger enterprise culture • Interventions aimed at enterprise culture are patchy and the impact is not understood
Business ideas and information	Many people have the innate ability to run a business but may need information about potential markets to help get them on a path to business. New forms of business including e-trading need to be given a higher profile Information about enterprise, the benefits of business, and the support for starting and growing a business needs to be widely available.	• The provision of information by Business Link is in line with business density. • However, provision by other bodies is inconsistent and new forms of trading are not adequately addressed
Personal skills	Giving people the skills and self confidence to start a business	• There is some provision for those who do not have these skills (eg Enterprise Gateway) but it is inconsistent
Trade, skills and profession	Many businesses start from the basis of having a tradable skill	• Skill levels in the Thames Gateway at Level 3 and Level 4 are below the averages for the regions and national levels
Finance	Debt and equity finance at all levels, including small packages, and the ability of businesses to access it is essential. New forms of finance including credit unions, CDFI and equity finance need to be made more widely available.	• Finance is hard to find for all businesses. However good proposals will still be backed. Interventions need to focus on helping SMEs improve business plans and proposals to sources of finance

		• Alternative sources such as CDFI and Credit Unions may need to be more uniformly available • Special measures such as Enterprise Finance Guarantee are not always widely available.
Infrastructure and connectivity	Transport, business to business, global connections, including latest generation broadband	• Thames Gateway will be well connected physically once all the proposed projects are completed • ICT connectivity remains a concern
Premises and workspace	A variety of good quality workspace is required across the Thames Gateway, from start up clusters to specialist environments for high growth firms. Support for businesses operating from home needs to come " above the line"	• Secondary locations with provision for businesses are planned • Town and district centres are not sufficiently often thought of as centres for business intensification • Home based businesses are still "below the line"
Creativity and Innovation	Links to an innovation infrastructure are important particularly for business growth. Links to higher education, other research establishments as well as peer collaboration are all important.	• The innovation provision is not targeted and is fragmented • HE is active, but not consistent and does not always collaborate well with each other • The aspirations for environmental technologies and an "eco-region" are yet to be realized
Business Support	Business support is important at all points in the business lifecycle and is particularly effective if targeted at critical points in business development, or at crucial "tipping points"	• Business support is generic and not targeted • Business Support is not visible enough, and demand is low • Business support is in line with expectations, but is that enough?

2. Business Support
Our findings so far have indicated that the businesses in the Thames Gateway do not necessarily have a need for business support interventions that are widely different to those that are required in other locations. The issues are more those of *intensity of supply*, *stimulation of demand, ending fragmentation* and *targeting specific issues*

Intensity of supply
An overall strategy for Enterprise across the Thames Gateway would provide the context for Thames Gateway wide programmes and sub regional and local plans and the level of business support intervention required.

It makes sense to develop Thames Gateway wide programmes for certain initiatives, specifically programmes to achieve a coordinated approach to promoting an enterprising culture and a supply chain programme

Stimulating demand
A key priority is to increase the take up of business support within the Thames Gateway. At present there is a shortfall both in the supply and visibility of business support, and in demand from businesses

To increase take up, some services should be made more relevant to target sectors, and businesses facing specific growth barriers.

New types of business model must also must be recognised. Some businesses now exist entirely on-line and the opportunity afforded by internet market places such as E Bay should not be ignored. Many businesses are run from home – in some areas it is estimated that as many as 40% of all businesses operate from home. These are no longer necessarily life-style businesses. Many of them are substantial operations, and businesses based at home may well be a very sustainable and low environmental impact business model.

Ending fragmentation
“Solutions for Business” provides an impetus to streamline business support in the Gateway and reduce fragmentation. A good example is adopting sub regional approaches to the provision of pre start and start up services which will cut out duplication and waste of resources and allow more consistent services.

Further suggestions for the implementation of Solutions for Business in the Thames Gateway are at <u>Annex 4.</u>

Targetting specific issues
The Governments new strategy “New Industry, New Jobs” (see below) suggests targeting that to support business growth as the recession eases, there are a number of drivers of competitiveness that should be addressed - innovation, skills, finance and access to global markets.

The issue that has emerged above all others in the context of enterprise in the Thames Gateway has been innovation, suggesting that there needs to be an overhaul of the innovation infrastructure to make it more consistent and more focused on different client groups with relevant interventions.

3. Enterprise Support - learning and good practice from elsewhere

We have looked at a limited number of examples from elsewhere to see if there are lessons to be gleaned for the Thames Gateway.

<u>LEGI: National Baseline[15]</u>

Given that the aim of Local Enterprise Growth Initiative (LEGI) is to release the economic and productivity potential of the most deprived local areas through enterprise and investment, there may be valuable learning from the recent evaluation of the LEGI Baseline. Pertinent points in relation to enterprise enhancement in the Thames Gateway are:

- Most of the LEGI programmes have sought to work with existing delivery agencies but extended these and deepened them in the target areas. This is relevant in the Thames Gateway where the scope and scale of enterprise support needs to be enhanced and existing delivery structures built upon. Equally this is important in the context of Solutions for Business
- In some areas, LEGI has been used as a real opportunity to integrate activity better for more impact. There is potential to achieve greater impact by integrating activity on start ups in the sub regions and across the Gateway on other initiatives such as innovation and supply chain

[15] Communities and Local Government. LEGI: National Baseline. A final report. Regeneris Consulting December 2008

- In the view of the authors of the LEGI Baseline report, LEGI targets are highly aspirational and unrealistic given the existing gaps and economic and regeneration challenges. This emphasises the importance of agreeing realistic targets for enterprise support within the Gateway.
- The importance of clear evaluation and monitoring on a small number of core output indicators. We have proposed a small number of measures to be utilised across the Gateway to monitor and measure impact
- LEGI has led to more or better joint working on enterprise and business support and raised the profile of enterprise with local bodies.
- Enterprise has been interpreted differently. In some areas there is a real focus on start ups while in others equal weight is given to existing firms. The study recommends that greater emphasis should be given to supporting and encouraging higher value added turnover/employment businesses.

<u>Scottish Enterprise</u>

The Scottish experience and its strategy to “improve the business birth rate” in the 1980s and 1990s demonstrates the value of a widespread commitment to action that required support throughout Scottish institutions and society. The Scottish priorities remain relevant today for the Gateway:

- Unlocking the potential-persuading more people to set up in business including building enterprise into the education system
- Improving the environment and making it a more encouraging place for entrepreneurs by improving formal and informal support networks
- Improving access to finance
- Widening the entrepreneurial base-unlocking untapped potential among women and other groups underrepresented in business ownership
- Increasing start ups in key sectors
- Increasing the number of fast growing new starts

Attitudes towards entrepreneurship have shifted positively and now match those of the UK’s. The actual rate of start up still lags behind and this highlights that creating a more entrepreneurial economy can take considerable time to achieve.

It is striking how closely the list of issues that had to be addressed in Scotland so closely resembles the set of necessary conditions that have to be tackled in the Thames Gateway. A further lesson for the Gateway stakeholders is that widespread commitment across all bodies and a concerted effort over a long time period were required.

<u>Wales – building a stronger enterprise culture among young people</u>

Since devolution, successive Welsh Assembly Government strategies have identified entrepreneurship as a key economic driver, with many making the direct connection between education and entrepreneurship. An evaluation of the Dynamo Programme[16] has some potentially helpful learning points for the creation of a stronger enterprise culture in the Thames Gateway.

Dynamo was conceived as a means of helping to raise the profile of entrepreneurship within schools, colleges and higher education institutions and to promote positive ideas towards enterprise among learners – from primary school education upwards.

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[16] Evaluation of the Dynamo Programme; ARAD Consulting for Welsh Assembly Government, October 2007

To provide a strong structure and framework for working with young people, the ACRO model was adopted. This model gives a "meaningful structure to the concept of entrepreneurship, allowing it to be aligned with essential skills". The model presents entrepreneurial attributes in four key dimensions:

> **Attitude** (Self Knowledge, belief and confidence; Motivation; Determination; Aspiration and Competitiveness).
> **Creativity** (Problem Solving; Innovation; Spotting and creating opportunities; Lateral thinking and ideas generation).
> **Relationships** (Communication; Working with others; Managing difficult situations; Negotiation, persuasion and influence; Presentation).
> **Organisation** (Planning, Managing resources; Decision-making; Managing risk; Research and understanding the environment; Vision and goal setting).

A possible lesson for the Thames Gateway is that a common structure to developing greater entrepreneurship in young people might be beneficial and would help concentrate scarce resources for maximum impact.

4. National Policy and Targeted Measures

The recent report from Government "New Industry, New Jobs"[17] highlights the importance of targeting government action on markets, sectors and places where it will have a real and beneficial impact, with the aim of unlocking competitive or productive potential that would not be achieved by the market alone

> *"A decision by Government to target action on a particular sector does not necessarily mean it believes that sector is more important for UK growth than others. Rather it signals that the sector has significant constrained potential and the Government can make a difference to the prospect of growth or high value employment by removing the barriers to market."*

The report highlights a number of areas where further work will be taken and includes:

- Low Carbon Industrial Strategy
- Digital Britain
- Life Sciences and Pharmaceuticals
- Advanced Manufacturing
- Professional and Financial Services
- Engineering Construction

The relevance of this to the Thames Gateway is that it confirms the view that the market alone will not produce the levels of enterprise to generate 225,000 new jobs by 2016. More intervention will be required. A greater proportion of government investment in the Gateway should be redirected to generate more enterprise, linked to the key infrastructure developments, spatial drivers and opportunity sectors within the Gateway.

The report also identifies five drivers of competitiveness which also ought to be addressed:

- Innovation
- Skills
- Finance
- Infrastructure
- Access to global markets

[17] BERR(2009)Building Britain's Future: New Industry, New Jobs

"New Industry, New Jobs" suggests that a "new interventionism" needs to be adopted. Bolder and more radical initiatives might need to be taken to ensure that UK businesses can take advantage of new opportunities. This opens up the possibility of more radical interventions to support enterprise in the Thames Gateway, for example:

- Use the Thames Gateway as the Government showcase for enterprise, driving out of recession, and seeking specific fiscal incentives from national Government, for instance on business rates, business tax and VAT
- Create other financial incentives which are in the gift of Thames Gateway partners, such as reduced rents for new businesses, and employment incentives – possibly using LAGBI funds, and successor schemes
- Redirection of investment in Thames Gateway to support an Enterprise Strategy. For instance, local area bidding could be introduced for specific Enterprise Funds to boost existing activity
- Adopting Thames Gateway wide policy and targets, akin to a Multi Area Agreement, which would bind partners to pursuing a common goal on enterprise..

CONCLUSIONS

The key conclusions we draw from the scoping study are:

1. In many respects the enterprise position of the Thames Gateway in relation to business creation, business growth and key sectors is very similar to the rest of the Greater South East. The baseline information shows that the Thames Gateway does not perform significantly worse or better than the Greater South East except in 2 key areas: enterprise culture (as measured by new business starts to population) which is considerably lower, and productivity which is also lower that the Greater South East.

2. However, high aspirations are held for the Thames Gateway as a strategically important location, and its importance in leading the UK economy out of the recession. There are ambitious jobs growth targets of 225,000 jobs by 2016. These targets are based on the level of investment that is planned in the Thames Gateway area. However, there is need to now understand how the extent these additional jobs will flow from existing business and public sector growth, new business formation or inward investment.

3. There is an enterprise shortfall in the Thames Gateway. The targets for new jobs within the Thames Gateway are unlikely to be achieved by the current trajectory of business formation and business growth and we estimate a shortfall of 103,000 jobs. To meet this gap of additional jobs created, rates of new business formation and business growth may need to double over a 15 year period.[18]

4. There is agreement between partners that there is a lack of planned enterprise activity and support to underpin the strategic drivers and there associated employment targets. In particular, underlying the enterprise culture is not thoroughly addressed in existing strategies.

5. There is clearly great potential for establishing the Thames Gateway as a prime enterprise area with rates of business formation and business growth at the higher levels required to deliver the desired employment growth. However, there would need to be concerted application and intervention over the medium and long term if some of the necessary pre-conditions for creating such a high enterprise area were to be satisfied.

6. The business support requirements in the Thames Gateway are not necessarily very different from those of any locality. It is the issues relating to *intensity of supply*, *stimulation of demand, ending fragmentation* and *targeting specific business issues* which are relevant. The implementation of Solutions for Business provides the best opportunity to address these issues, but will require collaborative action across the three regions.

[18] These figures are based on projections using past growth rates. It was not within the scope of the study to undertake detailed econometric projections and we recommend that these should be undertaken before any annual targets are confirmed .

RECOMMENDATIONS

The recommendations are all designed to contribute to an overall goal:

- To increase the level of enterprise in the Thames Gateway to a level which will deliver the employment and growth aspirations for the area

The scale of the goal is defined by the enterprise challenge for the Thames Gateway:

- To <u>double</u> the rate of new business formation and rate of business growth over the next 15 years

1. <u>Local Enterprise Plans</u>
   Enterprise plans should be developed at local level to provide a structure to help all the bodies with an interest to contribute resources in a common direction. These would be simple and would focus on practical interventions that support the necessary conditions for improvements in the underlying enterprise culture, business creation, survival, and business growth. Interventions would be agreed and coordinated between Business Link, local authorities and other agencies, and where necessary focus on Solutions for Business products. The lessons from LEGI suggest simplicity and structure are important.

   A grid to structure a simple enterprise plan is at <u>Annex 3.</u>

2. <u>Thames Gateway Enterprise Framework</u>
   An enterprise framework for the Gateway as a whole should be developed, which would support local enterprise plans, but which would also take comprehensive and strategic view of creating the necessary conditions for enterprise which will deliver at the scale necessary to meet the .high aspirations of the Thames Gateway. It would commit all the relevant regional bodies to a concerted effort over the medium to long term. The lesson from Scotland is that change is possible, but it takes time and requires organisations to stick with the goal.

   As part of this framework, the three RDAs should explore whether better co-ordination of services, perhaps even some pooling of resources in some limited circumstances, for the Thames Gateway might give a better return in terms of supporting enterprise. Similarly, some other funding streams, for instance ERDF, might be implemented on a Thames Gateway wide basis.

   At Thames Gateway level some of the harder strcutrual barriers to enterprise should be addressed, such as latest generation broadband, and the availability of business premises.

   The Enterprise Framework would need to be reflected in other Thames Gateway strategies and would provide the business formation and growth counterpoint to spatial, infrastructure, housing, skills and sectoral strategies.

   To support the development of a stronger enterprise culture, a flagship scheme across the Gateway could be created- *Enterprising Gateway.* This would promote enterprise to young people in schools, colleges and universities as well as support increased enterprise among adults. The example of Wales suggests a common approach could lead to greater consistency and impact.

3. Business Support

The implementation of Solutions for Business in the Thames Gateway should be undertaken with a regard to addressing the need to increase business formation and growth *above* the average for the Greater South East. This will require some SfB products to be implemented collaboratively by the three RDAs. The SfB products and the implementation issues that need to be considered for the Thames Gateway are at Annex 4.

The three RDAs in collaboration with other funders of business support should use the opportunity of the current implementation of Solutions for Business to create a business support environment in the Thames Gateway which:

- Increases the *intensity of supply* to levels which reflect the strategic importance of Thames Gateway rather then just the current numbers of businesses
- *Stimulates demand* for business support by raising the visibility and profile of business support agencies, by putting in place services which are relevant and attractive to businesses in the Thames Gateway
- Promotes the e*nding of fragmentation* by using "Solutions for Business" as an impetus to streamline business support in the Gateway and reduce duplication.
- *Targets specific business issues* which are acting as barriers to enterprise, including innovation, finance and access to global markets, taking a lead from "New Industry New Jobs".

4. Innovation infrastructure

Practical steps should be taken to improve the innovation infrastructure in the Thames Gateway:

- Ensure there is a consistent offer for potential high growth, high innovation businesses across the Thames Gateway, with agreed targeting so that all the highest potential businesses are targeted for stimulus and support. The example of the Innovation and Growth teams currently being implemented in the South East may prove a replicable model.
- Agree with Business Link how those businesses with lower innovation and growth aspirations, but still with potential, will be supported
- The full and combined power of higher education in the Gateway needs to be brought to bear. Higher education is already well engaged with business, but not necessarily in collaboration with each other across the whole area. Encourage the coming together all the Higher Education institutions into a "Thames Gateway for Business" network and encourage them to create a unified offer to businesses.
- Review the points of innovation exchange between Higher Education, the research organisations and business, and ensure that information about the availability and location of specialist knowledge is well disseminated and kept up to date.
- Ensure the potential of the Thames Gateway Institute for Sustainability is deployed to the advantage of enterprise and business in the Gateway. One of the messages of "New Industry, New Jobs" is that too often UK firms do not benefit from UK innovations.

5. "Enterprising Gateway" – The UK's most enterprising region

The Thames Gateway could not currently claim to be more enterprising than other regions. Howeveer, taking a lead from the "new interventionism" proposed in "New

Industry, New Jobs", stakeholders should consider taking steps over a 10 to 15 year period to establish Thames Gateway as a high profile "super-enterprise" area, with a reputation for entrepreneurship and business growth above that of other regions.

Necessary steps might include:

- Use the Thames Gateway as the Government showcase for enterprise, driving out of recession, and exploring any openings in "New Industry, New Jobs" for specific fiscal incentives from national Government, for instance on business rates, business tax and VAT
- Create other financial incentives which are in the gift of Thames Gateway partners, such as reduced rents for new businesses, and employment incentives – possibly using LAGBI funds, and successor schemes
- Redirection of investment in Thames Gateway to support the Enterprise Strategy. For instance, local area bidding could be introduced for specific Enterprise Funds to boost existing activity
- Adopting Thames Gateway wide policy and targets, akin to a Multi Area Agreement, which would bind partners to pursuing a common goal on enterprise. This would be a significant step up from the enterprise framework recommended above.

ANNEX 1: Summary of EDIP in relation to Enterprise

Intervention area	Rationale/ explanation	Interventions
Drivers of Urban Competitiveness		
Innovation Creativity and Enterprise	Business stock too small, innovation low , knowledge economy weak and localised	Greater collaboration with the GSE knowledge base Innovation and Enterprise Champion East London Business Centre Enterprise enhancement study
Economic specialisation / diversity	Some evidence of clustered diversity but needs more knowledge intensive clusters	Create high value specialisations, sites premises incubator units IfS (Inst for Sustainability) 3 Centres: Dagenham Dock, Kent Thameside, Thames gateway North Kent
Sectors with global significance		
Financial and business services	Alternative/ overspill locations at Ebbsfleet and Stratford	Physical development and provision of business premises
Ports and logistics	London Gateway Thurrock deep water facility	Innovation learning centre ports and logistics
Environmental technologies and services	Low carbon technologies, air pollution control etc.	Open innovation centre at Ford Dunton. Develop environmental engine.
Creative industries	Transformational power, high value jobs, supports tourism and inward investment	Cultural Olympiad; Royal Opera House production campus; CC Skills Academy Purfleet; National Skills Academy at Thurrock; Joiners Shop business centre Chatham
Advanced manufacturing	Move traditional manufacturing to modern manufacturing	Support for example environmental sustainability manufacturing businesses
Construction	Olympics, Stratford, Ebbsfleet, housing	
Business and visitor tourism	Greenwich, Chatham, Rainham Marshes, O2, Southend	Link together strategically
Spatial transformers		
Canary Wharf	Spread benefits to surrounding boroughs Tower Hamlets etc Links to Stratford and Ebbsfleet developments (overspill)	National Skills Academy for Financial Services; reduce carbon footprint,
Stratford and Lower Lea Valley	Olympics, Stratford	Stratford cultural quarter, Stratford economic action plan 15 year plan for Stratford and Lea Valley

Intervention area	Rationale/ explanation	Interventions
Ebbsfleet	Overflow from Canary Wharf	3,400 houses and 5.4m sq.ft. mixed use. SUSCON, construction training, refurbished canal basin, Institute for Sustainability
London Gateway	New deep water port in Thurrock	Academy for Logistics and Ports Innovation centre, demonstration centre for renewable technologies
Secondary locations		
Kent Thames Waterside	Regeneration opportunity	Mixed use close to Dartford and Gravesend
Dartford Town Centre and Northern Gateway		Retail and leisure, public realm and community , employment and residential
Southend and environs and airport cluster	Jobs and homes – vibrant waterside towns	
Other related areas and themes		
Thames Gateway eco region	Eco innovation location	
Catalysing town centres	Cross rail, brownfield sites provide opportunities	

Table : Summary of the EDIP themes and interventions related to enterprise: (direct relationship highlighted in pink, otherwise indirect relationship or may have an impact.

ANNEX 2: Results from the baselining exercise

The main conclusions from the baselining exercise are as follows:
Types and characteristics of enterprises

Numbers of businesses
According to IDBR, the Thames Gateway contained 107,020 businesses made up of VAT registered and PAYE enterprises in 2008 or 10.08% of the total business stock in the Greater South East. Thames Gateway sub regional shares were as set out in the table below.

Region	No of businesses	%age of GSE	%age of Thames Gateway
Greater SE	1,061,761	N/A	N/A
Thames Gateway	107,020	10.08	100
TG London	62,025	5.84	57.96
TG North Kent	20,275	1.9	18.94
TG South Essex	24,720	2.32	23.09

Table: no. of VAT and/or PAYE based enterprises
Source: IDBR 2008

Of the total of 107,020 businesses in the Thames Gateway, London had the largest share at just under 58% followed by the Thames Gateway South Essex region with 23% and the Thames Gateway North Kent with nearly 19%.

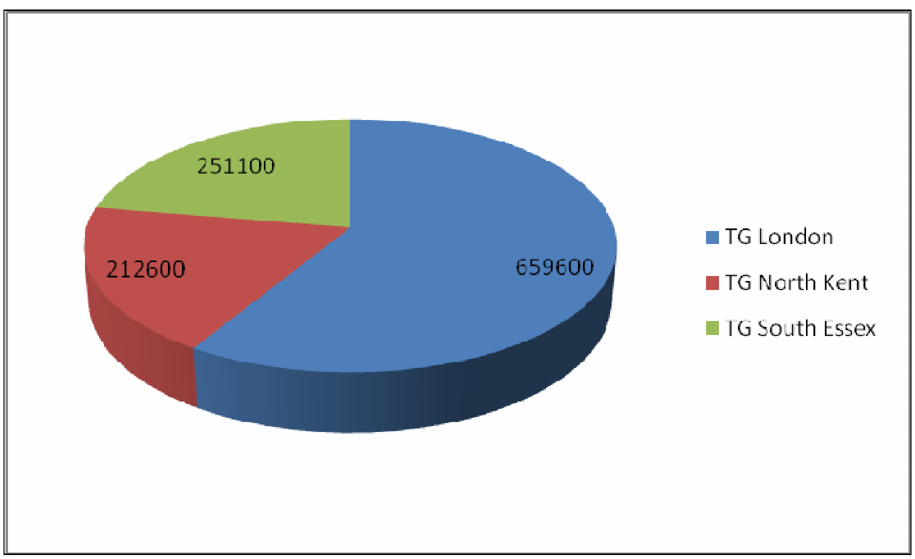


Chart: Percentage share of the total business population in the Thames Gateway by sub-region
Source: IDBR 2008 no. of VAT and/or PAYE based enterprises

Size of businesses

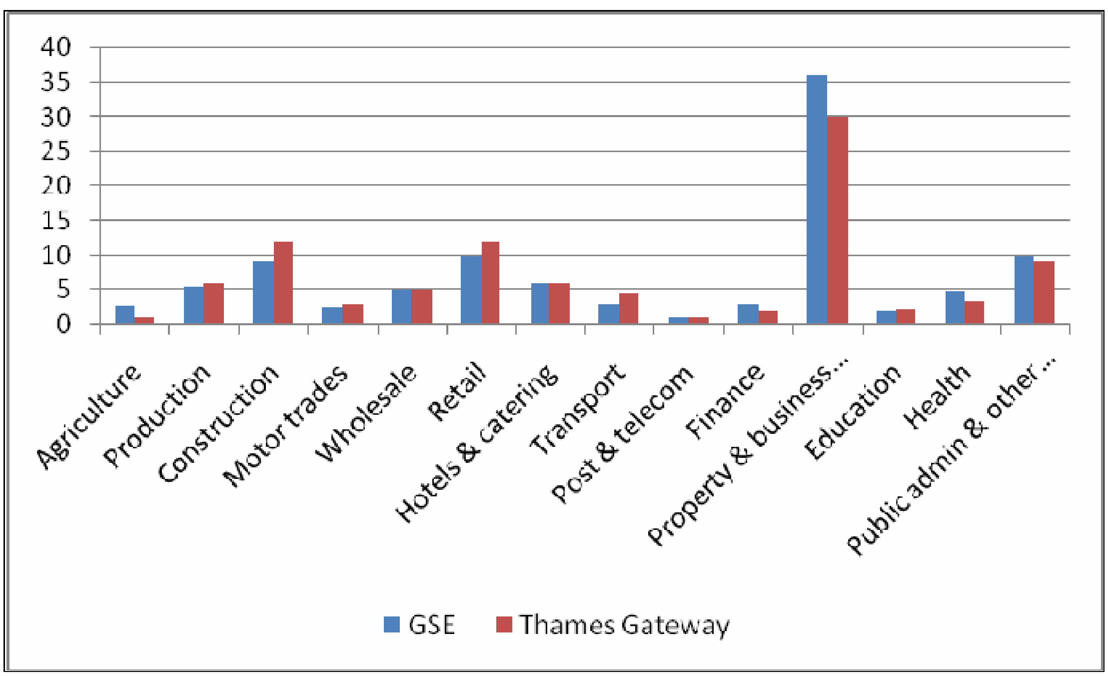
In terms of size band, the Thames Gateway has relatively fewer micro businesses employing under 5 employees in relation to its overall share of the business stock in the Greater South East and a concomitant although small overrepresentation in all other size bands. Its greatest percentage share is in the medium size bracket of 50 to 99 employees where the Thames Gateway has 11% of its business stock in this size bracket.

Size band	Greater South East	Thames Gateway	TG %age of GSE	Greater South East % in each size band	Thames Gateway %age in each size band
0 - 4	760,265	75,670	9.95%	71.60%	70.77%
5 - 9	138,040	14,265	10.33%	13.00%	13.30%
10 - 19	80,340	8,280	10.31%	7.56%	7.70%
20 - 49	50,770	5,295	10.42%	4.78%	4.95%
50 - 99	17,880	1,975	11.00%	1.68%	1.85%
100 - 249	9,945	1,065	10.70%	0.94%	0.99%
250 +	4,515	480	10.63%	0.44%	0.45%
TOTAL	**1,061,755**	107,030	10.08%	**100%**	100%

Table: Thames Gateway businesses by size band compared to Greater South East
Source: IDBR 2008 no. of VAT and/or PAYE based enterprises

Sectoral composition

In terms of sectoral composition, the Thames Gateway is a more traditional, less service-intensive economy than the GSE; it has a greater share of manufacturing, construction, retail and transport and a proportionately smaller share of property and business services, finance, health and public sector organisations.



Percentage share of total business base by broad industrial sector for Greater South East and Thames Gateway
Source: IDBR 2008 no. of VAT and/or PAYE based enterprises

Employment by sector

The pattern of employment in the Thames Gateway is broadly similar to its sectoral distribution of enterprises with a greater percentage of the Gateway workforce employed in construction and distribution than the GSE as a whole and a smaller proportion employed in service based industries, notably financial services and IT.

The one significant difference between the sectoral distribution of enterprises and jobs is that there are more employees in the public sector in the Thames Gateway than the Greater South East as a whole – although the Thames Gateway has fewer public sector organisations in percentage terms. This might make the Thames Gateway more vulnerable to any cuts in public sector employment in the future.

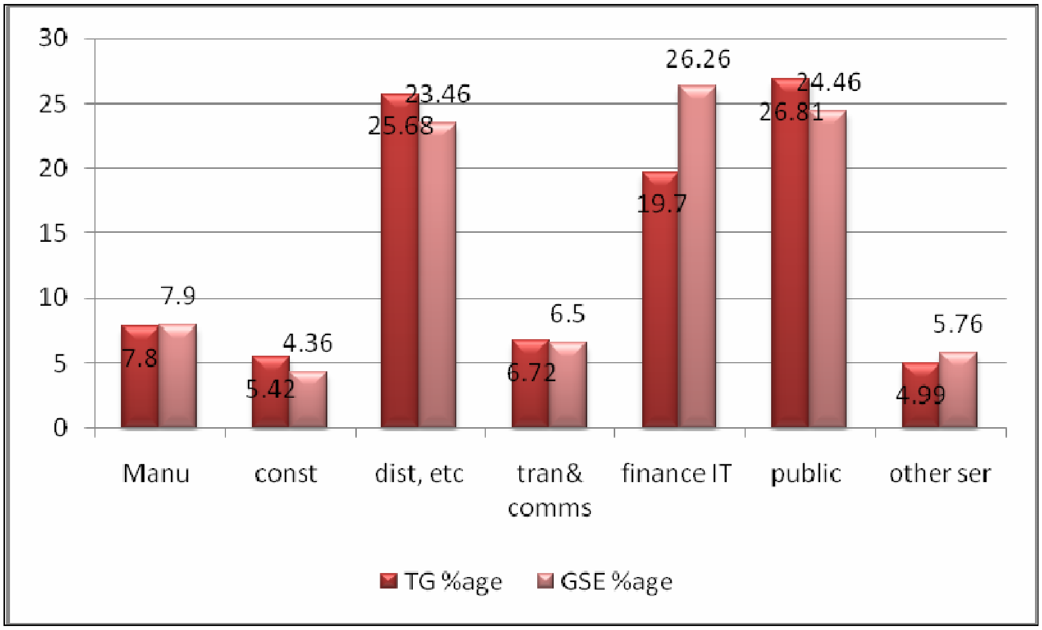


Chart: employee jobs by sector as a percentage of the workforce as a whole
Source: ABI 2007

Performance of the enterprise base

There was a small overall growth of just less than 1% in the VAT registered[19] business stock between 2003 and 2007. The Greater South East VAT registered business stock increased by just under 2% in the same period. In the Thames Gateway the number of micro businesses with fewer than 5 employees increased during the period, as did the number of large businesses with 250 plus whilst all other size bands decreased. The greatest decreases were in the 5 – 19 size bands and the 50-99 size bands.

[19] *NB The VAT statistics do not capture the entire business population e.g. those under the VAT threshold and those not liable for VAT. Hence numbers are lower than IDBR figures which include PAYE statistics.*

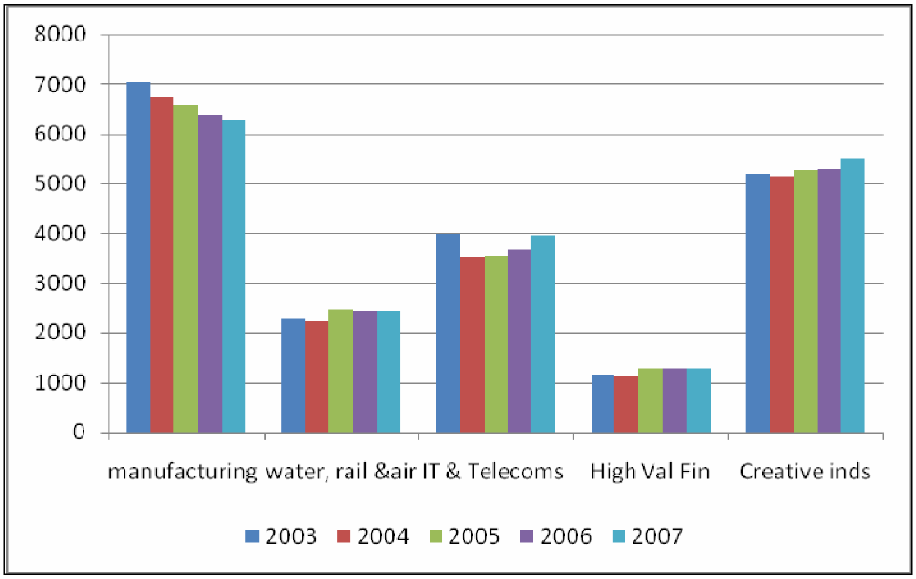
THAMES GATEWAY REGION	2003	2004	2005	2006	2007	%age change 2003-7
0 - 4	48,985	48,670	49,220	49,620	51,055	+4.23
5 - 9	8,560	7,870	7,905	7,830	7,725	-9.75
10 - 19	4,105	3,765	3,645	3,660	3,695	-9.99
20 - 49	2,060	2,045	1,960	1,880	1,935	-6.07
50 - 99	655	605	635	625	590	-9.92
100 - 249	385	375	345	370	360	-6.5
250 +	250	265	265	280	275	+10
TOTAL	65,005	63,575	63,985	64,265	65,635	0.99

Chart: No.s of VAT registered businesses in the Thames Gateway by sizeband from 2003 - 2007
Source: VAT statistics

Higher value added sectors
For the purposes of the baselining exercise a number of sectors identified as significant in terms of Higher Value Added contribution and/or potential for development in various strategies were also investigated to ascertain their performance.

	Thames gateway High Value Add: Businesses. No of enterprises					
	2003	2004	2005	2006	2007	%age change
HV manufacturing	7,040	6,745	6,575	6,390	6,280	-10.78
HV water, rail &air	2,275	2,215	2,455	2,450	2,430	+6.81
IT & Telecoms	3,980	3,515	3,555	3,670	3,965	-0.38
HV Financial Services	1,170	1,100	1,285	1,290	1,290	+10.26
HV Creative industries	5,205	5,160	5,280	5,295	5,510	+5.86

Chart: Growth in HVA businesses in key sectors in the Thames Gateway 2003- 2007
Source: IDBR UK Business Activity, Size and Location



In numerical terms, there was a decline in High Value Added Manufacturing of almost 11% and a growth in High Value Added water, rail and air and creative industry High Value Added Financial Services. IT and Telecoms and remained relatively stable over the period.

In terms of employment in these High Value Added Sectors the change in percentage terms over the period shows a similar pattern as follows, although water, rail and air decreased in employment terms whilst showing a growth in the number of businesses over the same period.

HVA sector	%age change
manufacturing	-29.35
water, rail &air	-7.08
IT & Telecoms	+1.93
High Val FS	+33.63
Creative inds	+6.17

Table: % age change in employment in HVA sectors in the Thames Gateway 2004-7
Source: ABI 2009

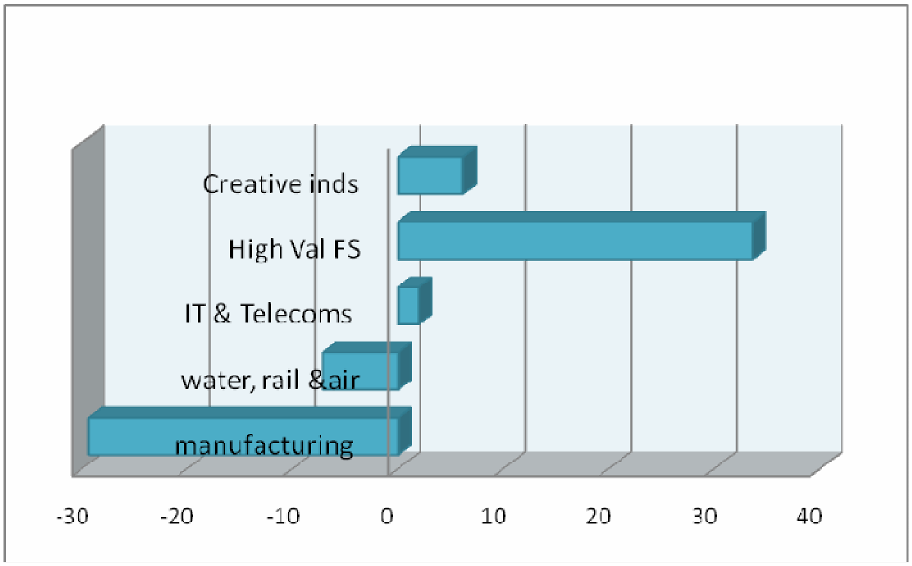


Chart : % age change in employment in HVA sectors in the Thames Gateway 2004-7
Source: ABI 2009

Productivity
Productivity is one of the key measures of economic performance and is usually measured in terms of GVA per head.

	GVA per head NUTS 3 regions £000				
	2002	2003	2004	2005	2006
Greater South East	19,422	20,600	21,628	22,396	23,472
Thames Gateway	15,465	16,520	17,372	18,014	18,891
TG London	17,875	19,151	20,117	20,925	22,012
TG North Kent	12,779	13,566	14,290	14,758	15,389
TG South Essex	13,006	13,896	14,668	15,174	15,826

Table: Growth in GVA per head from 2002 – 2006 in the Thames Gateway compared to the GSE
Source: Headline GVA by NUTS3 area at current basic prices by region, mid-year population estimates ONS

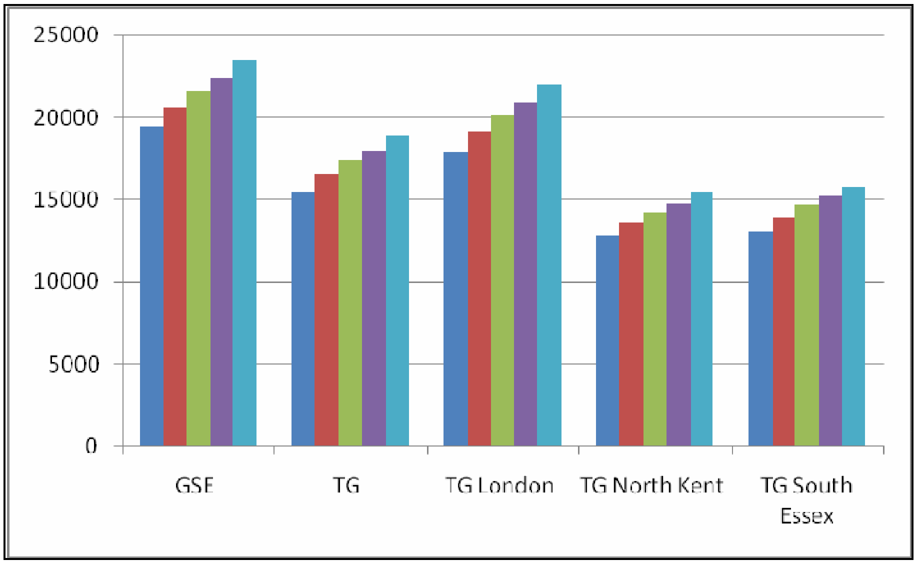


Chart: Growth in GVA per head from 2002 – 2006 in the Thames Gateway compared to the GSE
Source: Headline GVA by NUTS3 area at current basic prices by region, mid-year population estimates ONS

It can be seen that growth in GVA in the Thames Gateway has largely followed the same trajectory as that in the Greater South East, although it has started from a lower base in all sub regions of the Gateway and remains lower than that of the GSE. Thames Gateway London outperformed Thames Gateway South East and Eastern Gateway sub regions on this measure both in terms of GVA per head and GVA growth over the period.

Earnings
Earnings are also a good indication of relative prosperity.

Region /sub region	Median FT weekly wages £s	% difference to GSE	%age difference TG sub region / whole region
Greater South East	£526		
Thames Gateway	£514	-2.30%	-2.30%
London Region	£612	+16.34%	
TG London	£583	-10.83%	-4.73%
South East Region	£499	-5.30%	
TG North Kent	£504	-4.18%	+1.0%
Eastern Region	£468	-11.00%	
TG South Essex	£456	-13.30%	-2.56%

Table: median full time weekly wages in the Thames Gateway compared to the Greater South East
Source: ONS annual survey of hours and earnings – workplace analysis 2008

Earnings in the Thames Gateway are 2.3% lower than in the Greater South East as awhole but lowest in Thames Gateway South Essex (-13.30% compared to the median earnings in the GSE)

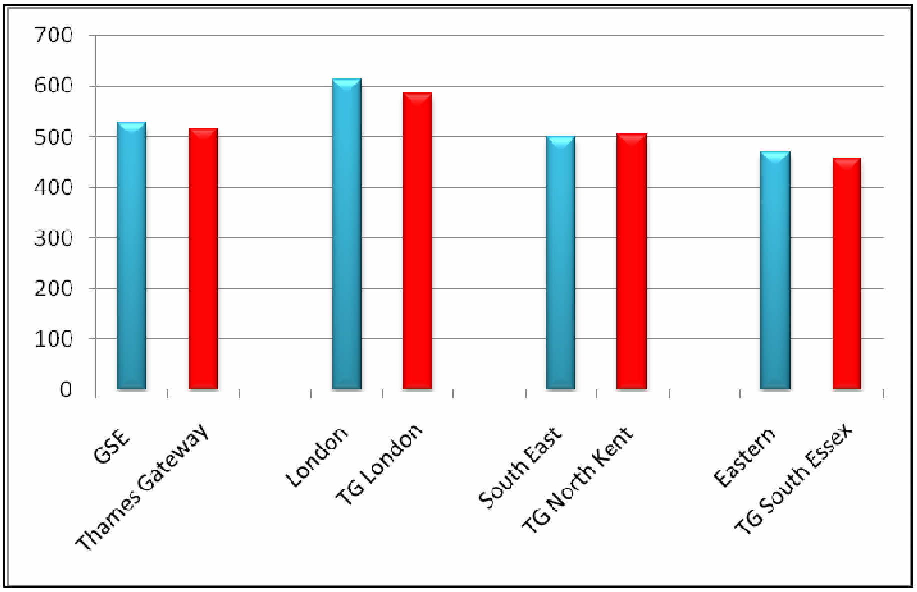


Chart: median full time weekly wages in the Gateway compared to the Greater South East
Source: ONS annual survey of hours and earnings – workplace analysis 2008

Business start up and survival
Business start up and survival rates are also a useful measure of enterprise performance.

% age of business stock	TG London	TG North Kent	TG South Essex	TG average	Greater South East average
Registrations	14.0%	11.2%	11.0%	12.1%	10.8%
De - registrations	8.6%	8.4%	8.0%	8.3%	7.7%
Net	5.4%	2.8%	3.0%	3.7%	3.1%

Table: Net business creation rates in the Thames Gateway in 2007
Source: VAT statistics 2007

In 2007, the latest year for which figures are available, the Thames Gateway average net business creation was 3.72% of stock, slightly higher than that of the GSE as a whole at 3.13%. There were sub regional variations in the Gateway however; Thames Gateway London significantly outperformed both the Thames Gateway and the Greater South East averages, whilst both TG North Kent and TG South Essex Gateway sub regions both underperformed.

(London Thames Gateway outperformed London as a whole on this metric by 5.4% to 4.2% net growth in business stock)

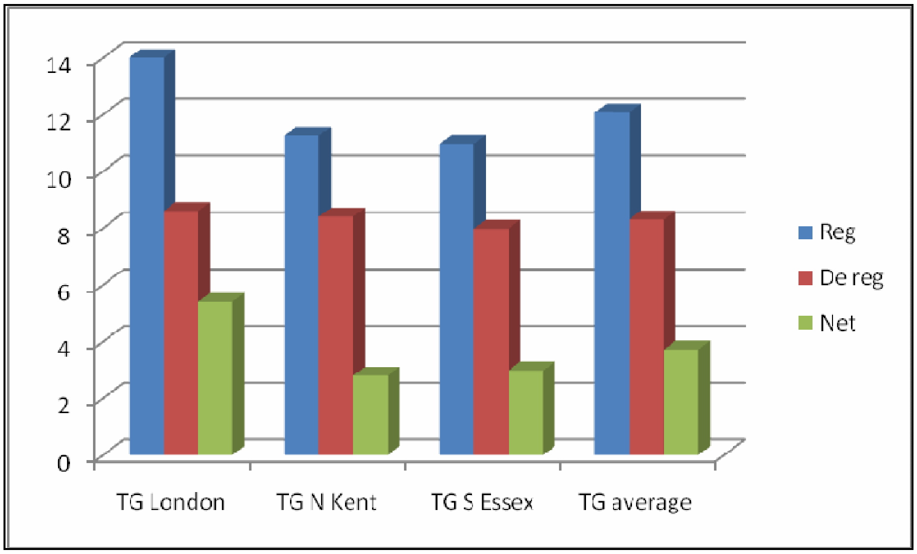


Chart: Net business creation rates in the Thames Gateway in 2007
Source: VAT statistics 2007

Survival rates
In terms of longer term survival rates, a different pattern emerges with Thames Gateway London's businesses less likely to survive for 5 years than either Thames Gateway businesses as a whole or those in any of the other sub regions. Although London is good at creating businesses, they appear to be less stable.

However, on this metric, the TG North Kent sub region is the best performing area in the Thames Gateway, but both the TG North Kent and TG South Essex sub regions out perform the Greater South East. Therefore, although they create fewer new businesses in overall percentage terms, survival rates are better.

	% age new businesses surviving at:				
	1 YR	2 YR	3 YR	4YR	5YR
Greater South East	93%	79%	63%	51%	44%
Thames Gateway	93%	78%	60%	49%	42%
TG London	93%	76%	57%	46%	39%
TG North Kent	93%	82%	66%	55%	46%
TG South Essex	93%	80%	63%	51%	44%

Table: %age survival rates of new businesses from 1 to 5 years in the GSE and the Thames Gateway
Source: Business Demography 2007, Enterprise Births, Deaths and Survivals, ONS Crown Copyright Reserved.

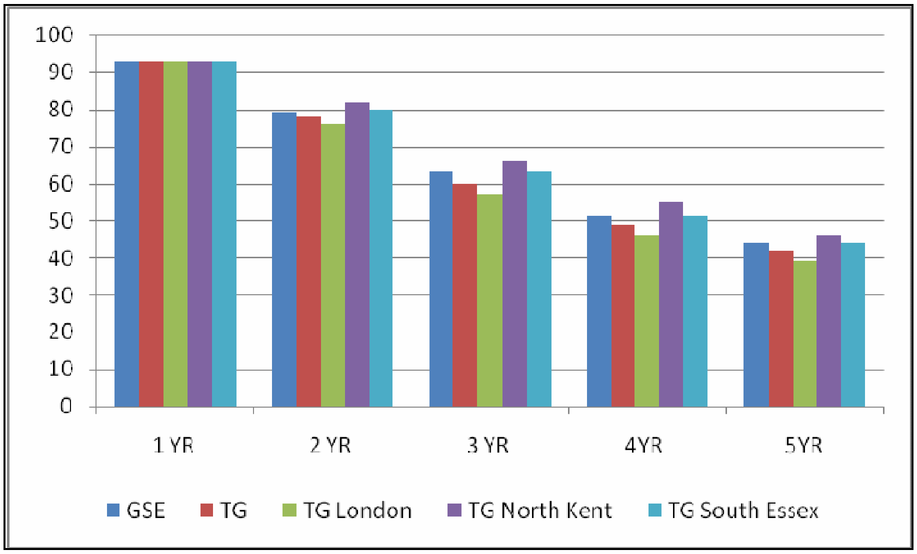


Chart: %age survival rates of new businesses from 1 to 5 years in the GSE and the Thames Gateway

Source: Business Demography 2007, Enterprise Births, Deaths and Survivals, ONS Crown Copyright Reserved.

Enterprise culture

A useful measure of enterprise culture is the ratio of business starts to population, usually per 100,000 economically active working age population.

	2004	2005	2006	2007
Greater South East	965	916	837	1,020
Thames Gateway	654	659	620	667
TG LONDON	557	601	495	615
TG North Kent	685	669	645	655
TG South Essex	730	709	720	731

Table: Business starts per 100,000 economically active population 2004-2007
Source: Business demography 2007 and Annual Population Survey

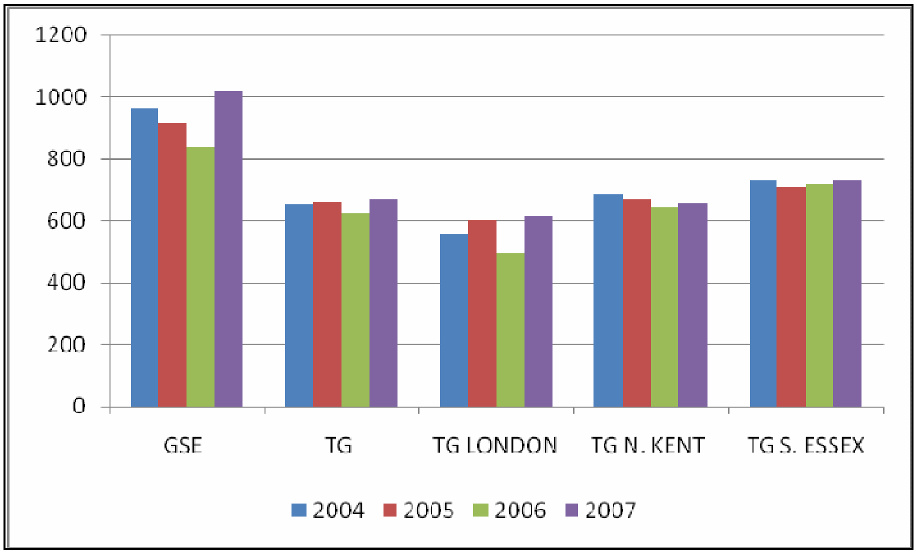


Table: Business starts per 100,000 economically active population 2004-2007
Source: Business demography 2007 and Annual Population Survey

On this metric, the Thames Gateway underperforms quite considerably in relation to the Greater South East and it is Thames Gateway London that is the worst performing sub region. One of the possible factors is that as IT makes location less important for many types of businesses, entrepreneurs are choosing to start up in less expensive and less congested areas.

Self employment rates are also lower in London than in other sub regions of the Gateway compared to the London region as a whole.

Region/ Sub region	Self employment Rate %age
Greater South East average	10.9
Thames Gateway average	9.75
London region	10.8
TG London	8.75
S. East region	11
TG North Kent	9.55
Eastern region	10.9
TG South Essex	10.96

Table: self employment rates as a % age of all those in employment
Source: ONS Annual Population Survey July 2007- Jun 2008

Many businesses start from the basis that the entrepreneur has a skills, trade or profession that can be turned into a tradable proposition. We have looked therefore at the middle band of skills in the Thames Gateway and compared the performance to the Greater South East and the national picture.

	NVQ 3+	NVQ 4+	SOC 1-3
TG North Kent	35.1	19.4	39.1
South East region	49.6	30.8	47.5
TG South Essex	34.5	18.5	38.8
Eastern region	43.4	26	44.3
TG London	40.8	27.0	45.8
London region	50.7	37.4	53.2
Thames Gateway	39.8	24.2	45.0
Great Britain	46.4	28.6	43.1

Table: Qualification level -% of population

It can be seen that the level of skills at NVQ Level 3 and 4 is below the national and regional averages.

ANNEX 3: Grid for local enterprise strategies

Business lifecycle

Creating the necessary conditions for enterprise

	Enterprise Culture		**Business Formation**		**Business Survival**	**Business Growth**
	Propensity – Increasing the probability	Latency – Getting them to act	Pre-start	Start up		
Individual aspirations and skills						
Something to trade: Business ideas, skills/trade/profession and links to HE						
Supporting infrastructure						
Business premises						
Finance for business						
Innovation and creativity						
Business support and tipping point interventions						

soa DEVELOPMENT

ANNEX 4 : Business support – Issues relating to implementation of Solutions for Business in the Thames Gateway

Solutions for Business Product	**Implementation issues relevant to enterprise in the Thames Gateway**	**Regional Implementation Plans**		
		SE	East	London
Accessing International Markets	- Growth is predicted to come from firms that export – need to ensure a higher % in the Gateway are getting into new Markets - Bring together Euro Network activity across the Gateway - UKTI to target the Gateway - Importance of HE in making international links - Institute of Sustainability must link T Gateway firms to international partners	To be completed later in 2009		
Developing Your International Trade Potential				
Business Collaboration Networks	- Likely to be important for some sector development work - Develop sector and cluster networks linking growth businesses to the target sectors and major infrastructure projects.			
Business Growth: Specialist Facilities & Environments	- Need to consider if some target sectors will need specialist facilities – possibly based on existing HE expertise. - Institute for Sustainability has plans for cluster location of firms			
Business Premises	- Essential there is a broad mix of types and quality of business premises - Prime and secondary locations are understood and agreed - Need to develop further the designation of town and district centres as areas for intensification of business and employment - New housing developments may need intervention to ensure business premises are part of the mix			
Starting a Business	- RDAs and BLPs to collaborate to provide a consistent and rich "Starting a Business" offer in the Thames Gateway with a higher density of promotion and provision than that which applies in the rest of the regions. - To increase business survival rates, the three Business Links should take the lead in tracking all new start ups known to any agency or partner organisation and ensure follow up is undertaken at three monthly intervals during the critical period for business failure, 12- 36 months after start up. - Consider developing new interventions for existing home based businesses, and tailoring the Solutions for Business products for self employed people.			

Enterprise Coaching	- Crucial to developing a stronger underlying enterprise culture - RDAs should collaborate to ensure that deployment of this product in the T Gateway is disproportionately higher than the rest if their regions - The Enterprise Strategy should inform how the two high intensity business creation products are implemented, targeting those places and sectors associated with the spatial and physical developments.			
Intensive Start Up Support	- Crucial to developing a stronger underlying enterprise culture - RDAs should collaborate to ensure that deployment of this product in the T Gateway is disproportionately higher than the rest if their regions - The Enterprise Strategy should inform how the two high intensity business creation products are implemented, targeting those places and sectors associated with the spatial and physical developments. - There could be specific tailoring of support for new home based businesses and new forms of business including digital businesses.			
Starting a High Growth Business	- Should be consistently available to all businesses in the Gateway			
Finance for Business	- Review the availability of alternative sources of finance across the Thames Gateway, including CDFI and credit unions; explore spreading the successful models to those areas which do not have access to such funds - Explore the creation of a Thames Gateway equity network, bringing together existing angel and equity initiatives to ensure comprehensive coverage			
Small Loans for Business				
Understanding Finance for Business	- The three RDAs to consider contracting for an enhanced SfB Understanding Finance service across the Gateway to improve the capability of all types of business to access funding			
Grant for Business Investment	- RDAs to monitor combined take up in the T Gateway and agree collaborative action to increase take up if it falls below the GSE average			
Grant for Research & Development				
Enterprise Finance Guarantee	- RDAs to monitor combined take up in the T Gateway and agree collaborative action to increase take up if it falls below the GSE average			
Export Credit Guarantee	National implementation			
Coaching for High Growth	- Ensure there is a consistent offer for High Growth potential businesses across the whole Gateway - Need to make sure that businesses outside target sectors who have growth potential can still access this product - Business Link to ensure that businesses with moderate growth potential are picked up and do not fall between the stools			

Collaborative R&D	- Consider bringing together businesses across the Thames Gateway - Get all the HE institutions to collaborate on a combined approach to business in the Thames Gateway - Institute for Sustainability will support environmental technologies sector - Identify lead knowledge body for each Gateway priority sector			
Designing Demand	- Should be consistently available to all businesses in the Gateway			
Innovation Advice and Guidance	- Ensure there is a consistent offer for high innovation potential businesses across the whole Gateway - Consider replicating the SE Innovation and Growth Teams after a bedding in period - BL to ensure businesses with moderate but not high potential still receive adequate support			
Innovation vouchers	- Following the pilots, RDAs to consider T Gateway initiative, combined with a new HE offer			
Knowledge Transfer Partnerships	- Draw together all the HEIs and KTPs in the t Gateway to form a unified and powerful offer to business			
Improving Your Resource Efficiency	- Should be intensively targeted in the T Gateway if the ambition for the eco-region is to be realized. Targets should be set for take up above those that apply in the rest of the regions if the claim is to be credible - RDAs and BLPs to consider a collaborative approach across the whole Gateway - Use the lessons of the Olympics to spread the message and methods			
Low Carbon Energy Demonstration	- T Gateway Institute for Sustainability should work with T Gateway firms to become demonstrators			
Manufacturing Advisory Service	- There is a higher density of manufacturing in the T Gateway. MAS needs to target businesses to ensure more traditional sectors are still competitive			
Networking for Innovation	- High priority for sector based activity. RDAs should combine some aspects of implementation of this product across the Thames Gateway – eg for logistics, environmental technology,			
RDPE	- RDPE should targeted on communities in T Gateway which are over dependent on farming/fishing and encourage diversification - RDPE support to assist smaller district and town centres to become areas for intensification for business- eg new use of redundant buildings for business premises; support for community businesses			
Train To Gain	Skills not considered in this report			
Maximising Foreign Direct Investment	Inward investment not considered in this report			