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Dee Doocey AM  
Chair of EDCST Committee  
Greater London Authority  
City Hall  
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27 July 2009

Dear *Dee*

**LDA Response to EDCST Committee Report findings on Start-ups in London**

This matter is being  
handled by:

Audrey Slade  
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& International  
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Following the release of your committee's report findings from your investigation into support for business start-ups in London, I felt it was important that the LDA made a formal response to your conclusions and recommendations.

Overall, the LDA will consider all the committee findings as part of the LDA business planning process that has begun. Also, as part of the LDA's new economic development strategy, work is underway to explore how the LDA can best support SMEs at all stages including start-ups, and your report findings will feed into this work. It is important to stress that the LDA will invest in a range of products that will not only focus on just start-ups, but also at established businesses, as it is important to recognise that the LDA is seeking to invest in sustainable outcomes such as sustained job creation and sustained business growth / increases in business GVA.

In your report you raise the issue that London has a high start up failure rate. The upcoming Focus on London 2009 report, acknowledges this but also states "Relative to the rest of the United Kingdom, London has both a high start-up rate for new businesses, but also a high closure rate amongst existing businesses. Furthermore, this has been the case throughout the past decade and earlier. Importantly, the net position has remained positive. In other words there have been more start-ups than closures each year throughout the 1995 to 2007 period and, in all but one year during that period the net start up rate has exceeded the UK overall ". Excluding the recent global economic downturn, the data suggests that London is still the best location to start and grow a business.

Specifically, on the three key areas identified by the report; advice, access to finance and accommodation, the LDA would bring to your attention the following:

**Advice**

The LDA has begun development of the Business Link successor service, and a key component of this will be how best to support start-ups through interventions such as the provision of information, advice and guidance. These types of interventions will be considered as part of the LDA's overall commissioning approach to the new business link service and support to start-ups.

Therefore from your report any reference to the LDA working with Capital Enterprise would have to be in the context of the commissioning approach as strategic discussions of this nature would include other stakeholders and potential suppliers. Once the LDA has decided its approach to the provision of support to all SMEs, it will then be in a position to report back to the Committee; however this will not be by October 2009.

As per the committee recommendation to invest a further £1.4m of LDA unallocated budget into Business London, this would be considered as part of the business planning process and any subsequent LDA investment process. It is important to note that any LDA investment is subject to specific investment outcome criteria including Gross Value Added, Return on Investment and Value for Money.

Finally, you will already be aware the LDA did express concerns about the nature of the business survey that was undertaken as part of this investigation. The draft survey questions that the LDA were asked to comment on were not, in our view, well crafted, and had the potential to direct respondents, leading to potentially misleading results that could skew the committee findings. Also, Prevista the organisation awarded the contract to determine and carry out the survey, was in our view in a position of conflict as they are a provider of LDA funded support services to start-ups businesses.

**Access to Finance**

The remaining 75% of the Mayor's Economic Recovery Investment Fund is still under development and is subject to the LDA internal approval process. Unfortunately the timeline cannot be brought forward because the procurement process is governed by EU procurement rules. However the LDA's Creative Capital Fund and London Technology Fund are still available to make investments up to July 2010 and are not closed as the report suggests.

The LDA supports SMEs at all stages of development, so it is important that any financial support is targeted at viable businesses to help retain jobs and support business stability with a view to helping prepare them for growth once the

upturn in the economy occurs. This aligns with the LDA investment criteria of seeking sustainable outcomes and investing in increased business GVA.

### **Accommodation**

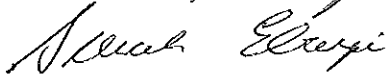
The LDA is pleased that the committee agrees with the LDA's position on the fact that there is no substantial market failure in the provision of business accommodation.

As a result of his business summits, the Mayor has already worked with the business community and planners to use section 106 agreements to require developers to make provision for affordable small shop units in major retail schemes. The LDA would recommend that the Mayor use the platform of the business summits to engage business stakeholders to influence the affordability of empty business properties in London.

In summary, the LDA believes it is important to support SMEs at all stages of development through offering a portfolio of business support products that not only protects the rich business culture that exists to support new start ups, but also provides for an environment that fosters sustained business growth. It is this vision that will drive London's economy forward, ensuring that we remain globally competitive.

I look forward to discussing this matter further with you and your committee officers once the LDA has decided on its business support provision for all SMEs.

Yours sincerely & regards



Sarah Ebanja

Deputy Chief Executive & Group Director of Jobs, Skills and Youth

cc: Audrey Slade