

Subject: Access to Business Space and Support for London's Small and Medium-Sized Businesses

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 21 February 2017

This report will be considered in public

1. Summary

- 1.1 This paper sets out the proposed scope and terms of reference for the Economy Committee investigation into access to business space and support for London's small and medium-sized businesses (SMEs), and provides background information to the discussion Members will have with invited guests.

2. Recommendations

- 2.1 **That the Committee agrees the terms of reference for the investigation into access to business space for London's small and medium-sized enterprises (SMEs), as set out at paragraph 4.1.**
- 2.2 **That the Committee notes the report as background to the discussion with invited guests on SME access to business space and support.**
- 2.3 **That the Committee delegates authority to the Chair, Fiona Twycross AM, in consultation with party Group Lead Members, to agree any output arising from the discussion.**
- 2.4 **That the Committee delegates authority to the Chair, Fiona Twycross AM, in consultation with the party Group Lead Members, to agree the date and arrangements for a site visit for the investigation into business space for London's SMEs, as outlined at paragraph 4.5.**

3. Background

- 3.1 At its meeting on 11 October 2016, the Committee agreed to investigate access to business space and support for London's SMEs.

- 3.2 SMEs make up 99.8 percent of London’s private sector business, and account for around half of London’s employment and turnover respectively. London has the highest number of SMEs of all regions, collectively making up one third of the UK’s business population.¹ It has also seen the fastest rate of growth in SMEs since 2010. But SMEs continue to face a number of challenges, two of which are highlighted for the Committee’s discussion: high overhead costs, including the business rates rise due from April 2017; and, lack of suitable and affordable workspace.
- 3.3 The high cost of workspace in London often prevents start-ups and small businesses from finding the space they need. A recent survey has shown that three out of five consider the price of commercial and office space as the biggest challenge facing new businesses.² Recent research by Ernst and Young shows that commercial property rents in London have risen by an average of 70 percent over the past five years.³
- 3.4 Work by the Economy Committee in March 2015 highlighted the impact of a temporary relaxation of regulations against conversions from offices to flats, on the price and availability of office space, for example, in areas such as Old Street.⁴ In October 2015, the Government announced that the temporary relaxation would be made permanent. The Assembly later passed a motion calling on the previous Mayor to lobby the Government to reverse its decision.⁵

4. Issues for Consideration

- 4.1 The proposed terms of reference for this investigation are:
- To examine access to business space for SMEs and the likely impact of the business rates increase on accessibility; and
 - To suggest ways that the Mayor might further support SMEs in accessing business space.
- 4.2 The Committee will look to gather evidence on the issues through Members’ discussion with expert guests at the meeting, and through a visit to a London site demonstrating innovative use of business space.
- 4.3 The discussion at the meeting will focus on three main areas:
- What is driving the lack of suitable and affordable business space for SMEs;
 - The likely impact of the business rates increase on access to business space; and,
 - Whether the Mayor’s proposals provide the appropriate support needed to access affordable business space, and if not, what more could be done.
- 4.4 The following guests have been invited to attend:
- Simon Pitkeathley, Chief Executive, Camden Town Unlimited;
 - Natalie Campbell, Co-founder and CEO, A Very Good Company;
 - Dr Patria Roman, Chair of Trustees, Latin Elephant and member of Just Space;

¹ Lowest number found in the North East of England – 136,000

² [ComRes survey](#) for LCCI of 514 businesses, September 2015

³ [Ernst and Young, April 2016](#)

⁴ Transcript, Environment Committee meeting 15/03/15 PP6-7

⁵ <https://www.london.gov.uk/conversion-offices-residential-space>

- Ben Johnson, Senior Advisor, Business and Digital Policy, Greater London Authority; and
- David Fletcher, Chief Executive, Wimbletech Community Interest Company.

4.5 It is proposed that Members visit a London site demonstrating innovative and affordable business space use at the earliest opportunity following the Committee meeting. Officers are working on a number of options to be shared with Members.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in the report.

6. Financial Implications

6.1 There are no direct financial implications to the Greater London Authority arising from this report.

List of appendices to this report: None.

Local Government (Access to Information) Act 1985
List of Background Papers: None.
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