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# Signposts For Success

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A Small Business  
Manifesto for  
Tower Hamlets



**Federation of Small Businesses**

*The UK's Leading Business Organisation*

# Introduction

The 2010 elections for Tower Hamlets Council are taking place against the backdrop of a city emerging from the deepest recession in living memory. For many, the recession resulted in business closure. Others were weakened but survived and some, naturally, were able to withstand the effects of the recession.


The business community throughout London now faces the challenge of re-establishing a pattern of growth, of continuing to create jobs for Londoners and of helping to build vibrant and sustainable local communities. This is particularly true in Tower Hamlets and other outer London boroughs where the needs of locally based businesses can be overshadowed by the profile of central London.

Businesses cannot, of course, do it on their own. Decisions taken at every level of government can help – and they can also hamper the ability of small businesses to prosper and grow.

This must be at the forefront of thinking in London's councils, who by their actions have a huge influence on their local business communities.

This policy documents outlines actions which could be taken by every council in London. It identifies issues which need to be addressed and seeks to encourage the adoption of best practice in a range of council activities.

We urge Tower Hamlets Council to adopt the proposals we are putting forward. The Federation of Small Businesses looks forward to working with the new administrations in every borough to ensure that London is, and remains, the best city in the world in which to do business.



Sue Terpilowski

*Chair, London Policy Unit, Federation of Small Businesses*

## Why the small business sector matters

There are nearly 750,000 businesses in London. 99% of them are small – that means they have fewer than 50 employees – and about 700,000 of them are sole traders micro-businesses employing fewer than 10 people.

The self-employed and these micro- and small businesses (MSBs) employ over 2 million of London's workforce. There are on average over 20,000 of them in every London borough. By contrast, there are fewer than 8,000 businesses in the whole of Greater London which employ more than 50 people.

In recent years, the self-employed and MSBs have created over 70% of all new jobs in London. In the near future, the public sector is set to shrink so it is all the more important for small businesses to be supported if the current levels of worklessness in London are to be reduced.

In the past it has been – and in the future it will be the micro- and small business sector which will lead London's economic recovery...

*... if it is given the chance.*

# Business Rates

Business rates are often the third largest cost heading for a small business. For many, their rates bill can amount to as much as 30% of their net profit, while for a large firm it may not amount to more than 1-2%.

Any increase in business rates therefore has a disproportionate effect on the viability of a small business.

The 2010 revaluation has been particularly damaging for many small firms in Tower Hamlets<sup>1</sup> and the imposition of the 2p Business Rate Supplement on 1542 businesses with a rateable value in excess of £55,000 is a further burden on over 11% of local business rate payers.<sup>2</sup>

It is important that Tower Hamlets Council tries to minimise the impact of business rates on their business community. They should do everything they can to ensure that no business in the borough pays more business rates than it needs.

At present the percentage of businesses in Tower Hamlets who receive the rate relief benefits to which they are entitled lags well behind councils like Bromley which have nearly 90% of eligible businesses in receipt of the benefit.

With very significant changes in rateable values as a result of the 2010 revaluation, councils can help businesses avoid unexpected and damaging changes in business rates in the next few years.

## The FSB Recommends

### Tower Hamlets Council should

- **Support moves to ensure every eligible business receives Small Business Rate Relief.** Until the law is changed and SBRR is automatically applied, councils should use every opportunity to encourage the maximum take-up of the relief.
- **Enable every business either to spread their rates payments over 12 months or to allow businesses currently paying in 10 instalments to choose the two months for which no payment is due.** Many small businesses have seasonal trading patterns, and the ability to spread payments over 12 months or to select their 'fallow' months would help ease cash-flow problems.
- **Inform every business ratepayer about the projected change in the business rate bills which they are likely to receive over the next three years as a result of transitional relief (excluding inflation).**
- **Oppose moves to re-localise business rates.**

<sup>1</sup> 6008 businesses will lose out as a result of the 2010 revaluation: Leaseholders United Feb 2010

<sup>2</sup> GLA Press Release 29.1.10

# Business Support

In Tower Hamlets there are only 260 businesses which employ more than 50 people. All the others are micro- or small businesses. There are nearly 8,520 businesses that employ fewer than 10 staff and many more who are self-employed or sole traders.<sup>3</sup>

It is those small businesses who are the key to prosperity and who want to expand and create the new jobs for local people.

At 13.1% the unemployment rate in Tower Hamlets is the highest in London. This level of worklessness means the council needs to make providing support and advice to the self-employed and small businesses a priority since they are the groups most likely to create new jobs in the borough.

Existing business owners may have no experience of 'life after a recession'. They each need support and advice to help them grow their businesses and overcome the challenges of operating under such difficult economic circumstances.

Those who are starting a new enterprise need to know the challenges and difficulties they may face - for example, with funding and with finding premises.

Those based from domestic premises have their own set of issues and we would welcome Tower Hamlets looking into their needs, in the way Richmond upon Thames Council have.

## The FSB Recommends

### Tower Hamlets Council should

- **Organise and promote regular advice workshops for small businesses and potential business owners on post recession business challenges.** Advice and mentoring can help reduce business failure rates and increase the chances of local people moving out of worklessness.
- **Establish a municipal loan scheme similar to the "Banking on Essex" model.** Working in partnership with Santander, Essex CC has made £30m available to small businesses in the county. Tower Hamlets Council should investigate the viability of a similar scheme for London.
- **Make empty council premises available for small and start-up firms on short-term and flexible leases.** The first step into commercial premises is often a major challenge for new businesses and access to affordable sites is key to small business development.

<sup>3</sup> Business Link: IDBR Mapping 2009

# Consultation & Engagement

Local businesses have a key role to play in delivering a council's agenda. Many of the targets in a council's Local Area Agreement depend on the business community, and the value of good local authority engagement with businesses cannot be underestimated.

If done properly, it can create a genuine partnership. If done badly it creates an atmosphere of mistrust, resulting in poor consultation and a failure of the local authority to address the concerns and needs of those involved in the local economy.

The FSB created a Small Business Engagement Accord to highlight actions which both local authorities and the small business sector can take to ensure meaningful and worthwhile processes of engagement and consultation. This 14-point plan has already been adopted by over a third of local authorities in England.<sup>4</sup>

Tower Hamlets Council needs to sign the Accord to ensure that effective consultation with the business community becomes a mainstream feature of all future consultations, rather than an optional extra.

The need to engage with the business community is also important in assessing the indicators which the council wishes to set. It is disappointing that many of the key indicators which would demonstrate the state of the local economy or the performance of the council are not included in the council's LAA.

## The FSB Recommends

### Tower Hamlets Council should

- **Sign up and work to the Small Business Engagement Accord.** This will ensure that an ethos of best practice permeates throughout the authority.
- **Ensure that the Tower Hamlets Partnership and the other organisations with whom it works contain representatives from the business community.**
- **Indicate what consultation has taken place with all sections of the business community in each policy-making process.** Not only will this make for better policy - it will break down the perception that the views of business are not given consideration.
- **Address omissions in the council's Local Area Agreement indicators relating to the needs of business.** It is of concern that key indicators such as NI 171 172, and 174 are being overlooked.<sup>5</sup> There is a need to consult with all sectors of the business community to identify their priorities and needs.

<sup>4</sup> [www.fsb.org.uk/policy/rpu/london/assets/london%20accord%20revised.pdf](http://www.fsb.org.uk/policy/rpu/london/assets/london%20accord%20revised.pdf)

<sup>5</sup> NI 171 - New business registration rate

NI 172 - Small businesses showing employment growth

NI 174 - Skills gaps in the workforce reported by employers

# Crime

The business community in Tower Hamlets and the rest of London is angry at the lack of priority given to crime against business. And their anger is understandable.

There is no strategy for tackling business crime. Indeed, there is no standard definition of crime against business and it is not recorded as such. To make matters worse, there is evidence that as many as 50% of the reported crimes are not recorded and therefore do not appear in the official Metropolitan Police statistics.

The council and the police have got to show they really take the problem seriously.

There needs to be genuine consultation between the police, local councils and all sizes of business to determine how the crime prevention needs of business can be best addressed. There need to be adequate resources given to tackle crime against business.

A crime against a business – possibly shoplifting or petty vandalism – is often the first step taken by a young person embarking on a life of criminal activity. Targeting such offenders and such crimes will result in a reduction in more serious crimes later on.

Crime against business affects every business and the impact of crime on small businesses is disproportionately greater – often resulting in the enterprise closing.

## The FSB Recommends

### Tower Hamlets Council should

- Establish a borough-wide Business Crime Reduction Partnership or network of partnerships which truly represent all sections of the business community.
- Ensure that the business community is adequately – and not in a token fashion – represented on a properly funded Crime and Disorder Reduction Partnership, which also considers the needs of the borough's businesses.
- Require the police to record all reported business crime regardless of the chances of securing a conviction.
- Work with others to identify what actions the business community wants implemented to reduce both the fear of, and the rate of crime and anti-social behaviour against businesses.
- Accept that a financial contribution from the council will be necessary to make processes for intelligence gathering and sharing affordable to the small business community.

# Economic Development

70% of all new jobs are created by self-employment and small businesses. The economic development policies of the council must focus on giving them the support and advice they need.

Encouraging economic growth is a major challenge for any council and the FSB regrets the lack of attention to the rate of new business registrations and the measure of the percentage of small businesses reporting employment growth as indicators in the council's Local Area Agreement.

Given the extremely high levels of unemployment in the borough, it is very troubling that the council has chosen not to monitor the number of new business rate registrations and the number of new jobs created by small businesses in the borough, as part of its LAA.

However, having some areas with relatively low commercial property costs, Tower Hamlets should be able to position itself as a centre for enterprise. Furthermore, it offers the potential to support alternative sectors, such as the creative industries or the newly emerging 'green industries', where the benefits of clustering and collaboration can bring added value.

A borough like Tower Hamlets also needs to adopt additional strategies to attract new business to the areas and help existing small businesses to flourish and grow.

## The FSB Recommends

### Tower Hamlets Council should

- **Ensure the requirements of planning policy and development management do not hamper economic growth.** This will not only help address the high levels of worklessness, but also reduce commuting needs, keeping the economically active within the borough.
- **Ensure that an extensive provision of start-up units and incubator hubs are provided as part of future development.**
- **Plan for an appropriate mix of workshop, office, distribution and retail premises as well as housing, recognising that they all have differing transport, environmental and other requirements.**
- **Recognise the role the council should play in encouraging new sources of economic growth to replace those businesses which no longer exist.**
- **Understand that economic development needs more – not fewer – resources, particularly if the role of the LDA were to be reduced.**

# Environmental Issues

Now more than ever, environmental issues are rising in importance on the small business agenda. A damaged and unattractive local environment will only serve to harm the local economy in the longer term and lead to a lower quality of life for all.

The FSB in London has been working with the London Sustainability Exchange (LSx) to develop a toolkit to help small businesses adopt behaviours and best practice in sustainability, demonstrating how this can have real benefits for their business.

Tower Hamlets Council published its Environmental Strategy and Action Plan in June 2007. These detail a number of strategies the council plans to implement to increase sustainability in the borough. It is therefore, extremely disappointing that none of these specifically refer to business and the role that local small businesses can play in helping to achieve a better environment for the people of Tower Hamlets. We would urge the council to consider how they can help small businesses become more sustainable, so that they in partnership can make the borough better for everyone.

The council should seek to look for ways to best support small businesses to become sustainable through cheap and cost effective measures, or where there can be significant longer term savings made. It should actively encourage and incentivise local businesses to maintain clean and tidy frontages.

## The FSB Recommends

### Tower Hamlets Council should

- Work with a range of business organisations to identify ways of helping small businesses to adopt best practice in sustainability, including the LSx.
- Work with small businesses to identify where there may be cost savings in adopting environmentally friendly practices - for example upgrading old inefficient heating equipment.
- Introduce a comprehensive system of grants to match fund shop front improvement plans.
- Consider the potential of the borough as a centre for the development of the new 'green industries' which will help reduce London's carbon footprint.

# Procurement

How a council buys its goods and services can make a huge difference to its local economy. With an annual spend on goods and services of over £380m, Tower Hamlets' spending power can support local business, create new jobs and ensure that the money remains in the local community.

However, FSB research shows that local and small businesses are less able to win contracts from local authorities in London than in any other part of the UK. Furthermore, London Councils through the London Procurement Portal are actively seeking ways of aggregating contracts, thereby putting them out of the reach of small businesses.

It is not acceptable for local authorities to pay lip service to the principle of a SME-friendly, locally driven procurement system while at the same time creating unnecessary barriers and bureaucratic requirements which have the effect of disqualifying smaller firms from competing.

Small businesses have a proven record of delivering contracts efficiently and economically. The FSB believes that every effort should be made to regard local micro- and small businesses as the preferred bidders for all contracts.

## The FSB Recommends

### Tower Hamlets Council should

- **Make every effort to advertise contracts of small value to as many businesses as possible.**
- **Resist moves to aggregate contracts.** The bigger the contract, the less the likely benefit to local businesses, the local economy and the local community.
- **Hold regular and free 'Meet the Buyer' events to enable face-to-face contact to be made between buyer and potential supplier.** Assistance should also be given to potential suppliers hoping to win council business.
- **Require large contractors, when bidding, to specify how they would create a diverse supply chain, using small, local subcontractors.**
- **Place its contracts on the Competefor website.**
- **Set a target of a 10% year-on-year increase on the value of contracts awarded to small businesses.**

# Promoting the Borough

London is a world brand, heavily promoted through the work of a range of agencies but its iconic images tend to focus on only a small part of the city.

London's councils have a key role in promoting their own individual boroughs as a place to live, work or visit. Figures from the GLA demonstrate that every pound spent promoting London results in £30 in visitor or tourist income. For a London borough like Tower Hamlets the return might not be quite as great, but there will still be benefits to individual businesses, the local economy and the well-being of the local population from highlighting the offer which the borough can make.

A recent FSB survey showed that over 30% of London's businesses had seriously considered relocating out of London in the past twelve months, largely as a result of the cost of running a business in the city.

An area like Tower Hamlets can and should demonstrate that London can be an affordable city in which to base a business. Its central position and proximity to the City mean that it can offer the same locality but at a fraction of the price to that being offered just up the road.

As an Olympic borough, Tower Hamlets can benefit from its proximity to the Olympic Park, and should not miss out on the opportunities this offers the borough, including being a cheaper and more convenient place to stay than central London locations.

## The FSB Recommends

### Tower Hamlets Council should

- **Work with businesses to identify the borough's USP, seeking to promote reasons why it is attractive to business.** It should organise 'Meet the Borough' events to shop-window itself.
- **Highlight its open spaces, its good transport links and the value it can offer to businesses seeking a convenient and affordable location.**
- **Demonstrate how the council is investing in the future.** Transport projects, town centre improvements and commercial opportunities all help raise the profile of the area.
- **Promote the little things which give an area its distinct character.** Often overshadowed by the City of London, Tower Hamlets should strive to promote its own character and place as a destination which is multi-cultural and steeped in history.

# Regulation & Inspection

'Red tape' and regulation are always cited by small businesses as one of the greatest burdens they face. 60% of businesses listed regulation as an obstacle to success in the 2007 BERR Annual Survey and 14% said it was the biggest single obstacle.

With over 430 new regulations expected to be introduced before April 2011, ignorance of, or failure to implement a regulation should be understandable where no reasonable effort has been made to inform the business of any such regulation.

The FSB believes that businesses have a duty to act responsibly and legally. Equally, local councils should have a duty to act sensitively – to recognise the pressures under which a business owner or manager operates.

The FSB therefore supports a risk-based approach to the inspection regime and backs moves to 'name and shame' businesses which do not meet appropriate standards for health and safety. The legitimate and honest trader should not be treated the same as the persistent offender.

However, there must remain the opportunity for any business to appeal against a ruling or the interpretation of a regulation when they feel they have been treated unfairly or in an arbitrary manner.

## The FSB Recommends

### Tower Hamlets Council should

- **Appreciate that non-compliance is not always the result of negligence or of a deliberate disregard of the law.** Only in the most severe cases should an informal warning not be the first step towards enforcement.
- **Support calls for the establishment by London Councils of an independent appeals procedure.** Business owners should be able to challenge the interpretation of a regulation which they feel has been unfairly or inconsistently applied.
- **Create an on-line resource giving examples of best practice for the implementation of regulatory requirements.** The council's inspection regime needs to be seen as the business' friend and advisor and not as their persecutor.
- **Send a regular newsletter to the business community informing them of changes in the regulatory field.** The vast majority of businesses want to comply with regulation, but they need to know what to do.

# Town Centres

Maintaining the vibrancy of London's town centres is fundamental to preserving the diverse and distinctive nature of its communities.

The FSB has highlighted through its *Keep Trade Local* campaigns over the past two years some of the actions which boroughs need to take to protect a network of complimentary yet interdependent town centres.

In particular, there is a need to maintain the range of shops, markets, post offices, pubs and leisure facilities which help build a community identity. The council needs to be proactive in trying to maintain a strong and independent retail presence, avoiding the downward spiral as closure follows closure, which creates both crime and despair among the residents.

An annual audit of the town centres, benchmarking against other towns, would identify where action might be needed to maintain the vibrancy of the area.

There is evidence in many parts of London of members of the local business community working together to support and promote their areas and the local economy. A good example is the Crouch End Project in Haringey. The council should promote this project and look to how it might help roll it out across the borough.

The FSB believes that the council has the ability to work for the economic and social wellbeing of their town centres, and, collaborating with a range of partners, this ability should be imaginatively exercised to achieve the maximum effect.

## The FSB Recommends

### Tower Hamlets Council should

- **Work with a range of business organisation to identify ways of supporting the borough's town centres.**
- **Work to make the borough's high streets more attractive.** Modest improvements in the urban realm, e.g. architectural lighting, better signage and less street furniture, can all boost a town centre's look.
- **Ensure parking policies do not drive shoppers and visitors out of the town centres.** Traffic management systems can often impede the ability of business to function efficiently and effectively.
- **Investigate a borough-wide customer loyalty card.** This would encourage people to shop more frequently in the various town centres' independently-owned shops.
- **Resist moves for further change of usage from retail to office in the borough's high streets.** The planning system should be used to maintain a diverse and independent commercial sector in each town centre.

# Transport & Parking

Small businesses rely on many different forms of transport. Changes in transport policy can affect their ability to make or receive deliveries or limit access to their customers. Often, such changes have a major impact on the viability of the business.

For example, ill-considered changes in parking policy or traffic flow can spell the end of a business or a parade of shops. Access to cheap and readily available parking is of significant importance to business owners, their customers and suppliers.

The introduction of pedestrianised streets is increasingly becoming a feature in even the smallest of town centres. Although pedestrianisation can enhance a town centre's environment it can also present practical difficulties for many small businesses.

A road closure or major programmes of road works might present a problem which a large business can weather – but for small businesses, a closure of even just a few weeks can spell the difference between survival and closure.

The extension of the East London Line through Whitechapel, and the new Crossrail stop mean that the borough is better connected than ever; both north to south and east to west.

## The FSB Recommends

### Tower Hamlets Council should

- Confirm that it will not seek the introduction of further road charging in the borough.
- Sign up to and ensure that income from the Roadworks Permit Scheme is used to compensate businesses who are inconvenienced by roadworks through promotional advertising and signage.
- Resist moves to increase parking charges, recognising that increases in parking charges damage town centre economies.
- Provide an adequate supply of free 'Stop and Shop' parking by parades of shops.
- Give local small businesses access to residents' parking bays or enable them to purchase a resident's permit for times of day when there is no demand from residents.
- Work with London Councils to adopt a common observation period for deliveries.
- Undertake a business impact assessment when considering changes to parking arrangements.

# Waste & Recycling

It is often difficult for small businesses to play their part in reducing waste and increasing the percentage which is recycled when a range of obstacles – both practical and financial – are put in their way.

We therefore welcome moves to help boroughs provide recycling and composting collection services for small businesses. Small businesses creating only a modest amount of recyclable waste should have the same access as municipal recycling facilities as domestic ratepayers.

Currently the Council offers both commercial waste and recycling services through a contract with Veolia; businesses can choose from various bin sizes and sacks and are charged by the container for collections. Whilst there is a minimum collection of 5 sacks for waste collection, there is no minimum collection for recycling. Businesses can recycle mixed glass bottles, cans, plastic bottles mixed card and paper, cartons and aerosols.

The charges for the bins, bags and collections can make this an impractical or expensive method of waste disposal. Furthermore some businesses are based in locations where bags can also be impractical.

Often small businesses feel there is a disincentive to recycle. It is quite illogical for councils to collect recyclable and non-recyclable waste through a kerbside collection from residential premises (for example a flat above a shop) while refusing to collect waste from the shop itself.

In addition, the charges for disposal of trade waste at civic amenity sites bear no relation to either the quantity of, or type of waste.

With help from the council, the business community will be able to recycle more, reduce its costs and in turn benefit the wider community.

## The FSB Recommends

### Tower Hamlets Council should

- Consult with small businesses to identify practical approaches for addressing their commercial waste needs.
- Press ahead with strategies to improve collection of recyclable waste for businesses, regardless of the time scales in the Mayor's strategy.
- Collect all waste from small businesses for free where the quantities are similar to those of generated by a domestic household, on the same kerbside terms as residential waste where practical.
- Reduce the charges for small businesses taking waste to municipal sites.
- Consider waiving bin rental charges for small business who group together to take advantage of 'economies of scale' in their business waste.



[www.fsb.org.uk/london](http://www.fsb.org.uk/london)

The Federation of Small Businesses is the UK's largest business organisation. Formed in 1974, it now has over 213,000 members. It represents the self-employed and those who own or manage small businesses.

These small businesses serve the whole population and our membership is drawn from every section of the community and every economic sector.

The FSB's Voice of Small Business Survey Panel and its other survey work creates the most accurate picture of small business issues and views, and is an invaluable asset for policy makers and decision takers.

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