

# **Croydon**

## **Local Enterprise Growth Initiative (LEGI)**

### **BASELINE & PERFORMANCE INDICATORS FRAMEWORK**

#### **Final Report**

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# 1. Introduction

The Local Economy Policy Unit (LEPU) at London South Bank University (LSBU) was commissioned by the Croydon LEGI programme to conduct *'initial baselining work with a view to provide core performance indicators'* (invitation to tender).

Our proposed approach comprised a number of tasks to both establish an initial working baseline and assist in developing understanding of performance indicators and impact measurement for the programme for the purposes of future evaluation. At this early stage in the LEGI programme it was apparent that specific primary baseline research data had yet to be produced and, as such, this baseline exercise was dependent on local (and other) secondary data sources as they existed. What is presented and discussed in this report is therefore the result of a document and data review that necessarily highlights the gaps in current knowledge.

The LEGI programme, however, requires a statistical baseline as a working tool from which to further plan and target its resources. Apart from the most headline of indicators, available from official statistics, the baseline has been compiled largely based on modelling assumptions in relation to national/regional trends and apportioning to local scale. This approach does not claim an exactness but rather a sufficient provisional basis for programme business planning. We recommend primary surveying in the LEGI area which by the time Year 1 evaluation is required (June 2007) would serve to verify or qualify the baseline estimates made here. The LEGI programme will require continuous development and innovation, which would then be fully-supported for Years 2 and 3 and beyond.

In terms of performance indicators and an evaluation framework, there is both a top-down and bottom-up requirement. The Croydon LEGI programme will need to demonstrate its contribution to national LEGI policy aims, but also to local innovations that can tackle particular issues and barriers in the target areas and among target client groups. However, the central project management is still at a commissioning stage for delivery activities and our consultations were able to gather only limited guidance (i.e. on what performance should be measured) to support a bespoke indicator and evaluation framework. This commission did not include local project targeting and development research and this is also recommended in order to build understanding and underpin real impact measurement.

Finally, we should note that this exercise was conducted in only around one month and as such we were constrained by the time in which information could be identified and obtained. As such, while an extensive schedule of potential data sources has been identified there may still be some further mileage in using secondary baseline before commissioning any primary research.

## Aims and Objectives

The three strategic objectives of the Croydon LEGI programme are<sup>1</sup>:

LEGI Outcome 1: Increase the entrepreneurial potential of our key target groups in North West Croydon and New Addington

Raising awareness and unlocking the entrepreneurial potential of key target groups will enable them to capitalise on their innate potential and competitive advantages, identify new opportunities for enterprise development, leading to a new long-term enterprise dynamic for North West Croydon and New Addington – Fieldway

LEGI Outcome 2: Support the creation of new businesses, the sustainable growth of existing businesses and reduce the failure rate of locally-owned business in North West Croydon and New Addington - Fieldway

Giving people the skills and support they need to start their own business or become self employed; enabling firms to exploit diversity, skills, sector strengths, and markets, supported by access to relevant premises and sources of finance, underpinned by business led networks and collaboration will strengthen the overall business environment in North West Croydon and New Addington Fieldway, contributing to a thriving dynamic economy for Croydon.

LEGI Outcome 3: Attracting Appropriate Inward Investment and Franchising into North West Croydon and New Addington areas, making use of local labour resources

Capitalising on the inward investment opportunities offered by core strategic developments in Croydon and the wider sub-regional and regional economy to revitalise Croydon's deprived areas offering long-term jobs and business opportunities. Creating the right business environment that will attract and retain new and existing businesses to our target areas. There will be a particular focus on district centres as zones of opportunity.

The Baseline & Performance Indicators tender listed the following requirements: Identify core performance indicators; Establish baseline data for all the indicators; and Recommend a methodology for updating this information.

Specific tasks included the following:

1. *Core tasks*

- 1.1. Build on quantitative and qualitative data identified
- 1.2. Build on existing national / regional / sub regional data relating to performance indicators
- 1.3. Establish robust baseline data
- 1.4. Develop measurable performance indicators

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<sup>1</sup> Croydon LEGI (2006), p.2/3.

- 1.5. Identify ways to measure: Entrepreneurs who are not VAT registered; Levels of self employed in the target areas.

*2. Additionally to ensure that:*

- 2.1. These meet overall LEGI strategic objectives and the Local Area Agreement.
- 2.2. Data supports implementation of work packages objectives

*3. The contractor will be required to:*

- 3.1. Advise how we will utilise the methodology to update information
- 3.2. Provide a report with analysis of performance indicators relevant to LEGI and LAA.
- 3.3. Present findings to the LEGI Advisory Board

Given the limited budget and timescale for this exercise, it is important to qualify some of the requirements that were set out. Under 1.1. and 1.2. 'build on' was taken to mean improving on what had been gathered for Croydon LEGI bid; while under 1.3. 'robust' was to be what was best achievable within the resource constraints (and prior to a structured local survey being commissioned). Point 2.2. was necessarily dependent on work package information that was available (and project commissioning specification was only received later in the assignment), but some progress has been made.

## **Methodology**

Our approach noted national LEGI guidance and that in addition to initial baselining work and core PIs there was also a need to '*support the development of an initial body of knowledge*', '*support development of the overall LEGI observatory*', and produce '*an effective means to collect baseline data*'. The exercise was therefore as much about developing a system of evidence gathering and monitoring and understanding evaluation criteria.

The methodology included the following exercises:

*1. Core Performance Indicators*

- 1.1. Identify measurable performance indicators
- 1.2. Identify ways to measure enterprise
- 1.3. Produce PIs integrated with LEGI priorities

*2. Updating Baseline Data*

- 2.1. Review existing data sources and local research/surveys
- 2.2. Collate and update quantitative/qualitative data for LEGI and comparator areas
- 2.3. Check and verify complete baseline data set

*3. Baseline Evaluation Methodology*

- 3.1. Consult over LEGI strategic objectives and LAA developments
- 3.2. Consult over LEGI implementation packages (15 PAGs)
- 3.3. Design outline performance monitoring and evaluation model based on PIs

## **Structure of the Report**

The remaining chapters cover the following:

Chapter 2 – a discussion paper on understanding entrepreneurialism and enterprise creation that provides a broader definition (and measurement) of enterprise.

Chapter 3 – a review of national guidance and regional indicators that are relevant to the LEGI programme and its future evaluation.

Chapter 4 – findings from our consultation with programme officers and project partners in the Croydon LEGI area.

Chapter 5 – a commentary on each of the baseline indicators (as per Annex 1 in the Delivery Strategy) and methodological calculations made, with a context-setting introduction.

Chapter 6 – recommendations for further baseline and evaluation actions by the LEGI programme.

Annex 1 – a schedule of local evidence sources

Annex 2 – a mapping of performance indicators (ref Chapter 3)

## 2. Measuring Entrepreneurial Activity

### Introduction

This background chapter provides a brief literature review and discussion of current understanding of how enterprise and entrepreneurialism can be understood in the context of the LEGI programme and its aims.

In defining 'enterprise' a series of questions can be asked as to what we mean by business, enterprise, entrepreneurship etc. that aim at a wider and more inclusive definition. It may be looked at in terms of the real opportunities that are accessible (or not) to local people, or what informal activity might be formalised into a sustainable business and livelihood. Also, as what factors, resources and personal attributes need to go into and constitute a successful business. There are undoubtedly socio-economic backgrounds and differing advantages and rationales in starting a business – and a level playing field cannot be assumed.

In practical terms, in order to achieve a key target of raising enterprise levels, we suggest the LEGI programme should address three key questions:

- What are the social contexts and reasons for starting a business?
- What are the possible types of new enterprise that will meet growth in target wards?
- What will need to be done to support and enable these enterprises to flourish?

A report by authors of analysis devised by consultancy Beta Model Ltd notes that '*what is known of enterprise in deprived areas is patchy and subject to anecdote and circumstantial assumption*'. It highlights: the need to understand the dynamics of the business population in more detail than is possible with current data sources; and identify differences between enterprise and employment opportunities in deprived areas in comparison to the norm.<sup>2</sup>

### Reasons for Enterprise

The Small Business Service (SBS) has supported a definition of 'total entrepreneurial activity' (TEA) that has been devised by London Business School and Deloitte - in the annual Global Entrepreneurship Monitors (GEM) survey. TEA is made up of the total numbers of people involved in nascent (start-up) businesses and in new firms which have been operating for up to 42 months. The GEM has recorded a fall-off in UK TEA over 2001-2003.<sup>3</sup>

Two different sources provide a broad picture of why people choose to go into business:

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<sup>2</sup> Haywood & Nicholls (2004), p.1

<sup>3</sup> SBS (2004)

startups.co.uk website <sup>4</sup>	Small Business Survey (national %) <sup>5</sup>
<ul style="list-style-type: none"> <li>• You are your own boss</li> <li>• You get to do what you're interested in</li> <li>• Your firm = your deadlines</li> <li>• Get creative</li> <li>• It's not that hard to do</li> <li>• It can be very profitable</li> <li>• It's varied</li> <li>• You can have a second career</li> <li>• Cut the commute</li> <li>• The big dream really can become reality</li> </ul>	<ul style="list-style-type: none"> <li>• Independence, own boss, etc, 27%</li> <li>• Financial reasons, make money, etc, 13%</li> <li>• Difficulty finding any employment, redundancy, 9%</li> <li>• Exploiting a gap in the market, 9%</li> <li>• To develop an idea, 5%</li> <li>• Challenging work, 5%</li> <li>• Offered the opportunity, 5%</li> <li>• To prevent firm closing down, 4%</li> <li>• Continue family tradition, 3%</li> <li>• Career progression, 3%</li> <li>• Change of lifestyle, 3%</li> <li>• Wanted a change of career, 3%</li> <li>• Previous experience in business, 3%</li> </ul>

The Total Entrepreneurial Activity model makes an important distinction between:

- *'Necessity entrepreneurship'* - engaged in entrepreneurial activity because they have no better choice for work; and
- *'Opportunity entrepreneurship'* - seizing a market opportunity.

Necessity entrepreneurship in the UK has fallen from 1.4% of the adult working age population to just 0.7% between 2001 and 2005. Opportunity entrepreneurship has increased marginally over the same period, from 5.1% to 5.2%.<sup>6</sup>

In terms of market opportunity, the national Barclays Bank survey of enterprise start-ups found that two-thirds of the annual increase has been in:

- Business & Professional (accountants, solicitors and wide range of other business services) and
- Leisure & Personal (businesses in sports and the arts as well as lifestyle support services such as domestic help or nannies).

These sectors represent growth areas of the economy and benefit from relatively low barriers to entry for those seeking to enter self-employment.<sup>7</sup>

But 'necessity' business often lies behind **family businesses**. The annual SBS survey shows that, nationally, 71% of firms are family-owned, with an even higher rate for smallest businesses.<sup>8</sup> Nearly three in ten family businesses are run by women, slightly higher than average. According to the Barclays survey, family firms have more productive employees, survive longer and provide more opportunity for women. However, particularly among Asian and other BME groups, higher qualified and aspirant offspring of family businesses owners can be reluctant to take over and sustain the business. 60% of family business owners have not thought about succession planning, and one in four believe government can support family businesses via tax relief on succession.<sup>9</sup>

<sup>4</sup> www.startups.co.uk

<sup>5</sup> SBS (2006), p.31

<sup>6</sup> LBS (2005)

<sup>7</sup> Barclays (2004)

<sup>8</sup> SBS (2006), p.188

<sup>9</sup> Quoted at: www.brad.ac.uk/smenetwork/index.php?page=facts2

## Target Groups and Areas

The latest SBS survey highlighted London's relative weakness in entrepreneurship and enterprise among target groups, with the lowest share of sole trader businesses, among the lowest women-owned business sector, and young enterprise rates below the UK average.<sup>10</sup>

For **women**, although their share of all businesses in London may be lower, since London (and the South East, South West and East of England regions) have higher enterprise rates in general those for women are also above average.<sup>11</sup> Women are more likely to fear failure, see fewer opportunities, have a lower perception of their skills to start a business and are less likely to know an entrepreneur than men. However, there are no significant differences between men and women in their attitudes to entrepreneurship as a career option and as a high status activity. Women are proportionately more likely than men to be 'opportunity' entrepreneurs (rather than out of necessity). Female entrepreneurs are less likely to attempt to access external finance, but when they do, they are more likely to be successful than men.<sup>12</sup>

**Ethnic minority** groups are substantially more entrepreneurial than their white British counterparts, although this may in part be because they tend to be younger on average:

- TEA rates amongst Indian origin respondents and Pakistanis are twice as high as they are in White communities, and in the Black African community almost three times higher.
- Black African women are significantly more entrepreneurial than women from other ethnic groups.<sup>13</sup>
- Black people are more than twice as likely as white people to set up a business independently, or to be involved with a job related start-up.
- BME groups are five times as likely as their White British counterparts to be Business Angels.
- Asians from the Indian sub-continent are twice as likely as White British people to be involved in start-up activity, and three times as likely to be Business Angels.
- Both Blacks and Indian sub-continent Asians have more positive attitudes towards entrepreneurship.
- Mixed ethnic background entrepreneurs are nearly five times more likely to set up new technology businesses than their white British counterparts. They are also more likely to be innovative in terms of the newness of their product or service.<sup>14</sup>

The GEM survey found that 18-24 year olds are the most likely of any age grouping to be expecting to start a business in the next three years.<sup>15</sup> However the Davies Review (2002) found that while most **young people** (aged 15-18) would not want to run their own business because they consider the personal and financial risks to be too high, they might reconsider in another ten years time.<sup>16</sup>

<sup>10</sup> SBS (2006), p.202/203

<sup>11</sup> Prowess (2005), p.8

<sup>12</sup> [www.brad.ac.uk/smenetwork/index.php?page=facts2](http://www.brad.ac.uk/smenetwork/index.php?page=facts2)

<sup>13</sup> LBS (2005)

<sup>14</sup> [www.brad.ac.uk/smenetwork/index.php?page=facts2](http://www.brad.ac.uk/smenetwork/index.php?page=facts2)

<sup>15</sup> LBS (2005)

<sup>16</sup> [www.brad.ac.uk/smenetwork/index.php?page=facts2](http://www.brad.ac.uk/smenetwork/index.php?page=facts2)

As regards the 'necessity' and 'opportunity' enterprise distinction made above, enterprise in **deprived neighbourhoods** can be a product of labour market (and social) exclusion, and not necessarily based on a viable market demand; on the other hand 'opportunity' businesses operating in disadvantaged communities can run the risk of exploitation (e.g. targeting interest loan offers etc at the vulnerable). Although the GEM survey found that differences in levels of entrepreneurial activity between deprived and non-deprived areas are surprisingly small and not statistically significant<sup>17</sup>, entrepreneurial activity amongst the lowest income decile is two-thirds of the level in the remaining 90% by income grouping. Low-income people are half as likely to be involved in a job-related start-up and half as likely to be Business Angels, and owner-manager entrepreneurship is one quarter of the level in the rest of the population.<sup>18</sup>

Individuals with higher incomes and higher levels of education are still more likely to be entrepreneurs. The SBS entrepreneurship survey indicates that there is a relationship between education and entrepreneurial activity'.<sup>19</sup>

## Barriers to Enterprise

The most common barriers to enterprise nationally stated in the GEM survey are as follows:<sup>20</sup>

- Getting finance for business – 51%
- Fear of debt – 14%
- Lack of interest – 13%
- Lack of skills/knowledge – 11%
- Time commitment – 10%
- Age – 8%
- Not having an idea – 8%
- Chance of failure – 6%

Finance is obviously the dominant issue and the survey goes on to ask what are respondents main sources of finance, which are as follows (male / female differences).

- Bank overdraft – 33% M / 24% F
- Friends and family – 23% M / 18% F
- Credit cards – 17% M / 16% F
- Unsecured bank loan – 18% M / 10% F
- Secured bank loan - 13% M / 14% F
- Individual investors - 9% M / 7% F
- Government grants – 8% M / 9% F
- Secured non-bank loan - 6% M / 3% F
- Equity – 5% M / 3% F

There can therefore be a high dependence on informal sources of financial support.

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<sup>17</sup> LBS (2005)

<sup>18</sup> [www.brad.ac.uk/smenetwork/index.php?page=facts2](http://www.brad.ac.uk/smenetwork/index.php?page=facts2)

<sup>19</sup> SBS (2004), p.22

<sup>20</sup> LBS (2005)

## Social and Community Enterprise

There is quite some interest in social and community enterprise as a possible route to greater enterprise activity in disadvantaged communities. The Government's definition of a social enterprise is as follows:<sup>21</sup>

- regularly provide products or services for payment;
- minimum 25% income from trading<sup>22</sup>
- a primary purpose to pursue social or environmental goal
- re-invest profit/surplus to further social or environmental goal.

In terms of income-sources, the latest SBS survey found that earned income accounts on average for 82% of turnover, grants and donations 12%, other income, e.g. return on assets, and subscriptions 5% – and that this income split remains relatively unchanged for social enterprises regardless of their overall turnover size.<sup>23</sup>

Recent research suggests there are now at least 55,000 social enterprises in the UK. Together these represent almost 5% of the UK's employing businesses and generate over £27 billion in annual turnover. Social enterprises are represented strongly in deprived areas, with over half (51%) located in areas of higher multiple deprivation, of which 29% are in the top fifth most deprived wards.<sup>24</sup> However, a separate report notes that only around 15,000 social enterprises in the UK are registered as Companies Limited by Guarantee (88%) or Industrial & Provident Societies (12%) – which represents only 1.2% of all firms. Moreover, 14% social enterprises have annual turnover below £50,000 (i.e. non-VAT registered).<sup>25</sup> The relative importance of social enterprises in any local economy should not therefore be overplayed.

Nationally, the sector profile of social enterprises and their trading income sources are as follows:

- Health & Social Care (33%) – mostly daycare, childcare, welfare / guidance but also accommodation services.
- Community or social services (21%) - membership organisations, cultural or artistic organisations and/or sporting activities
- Real estate / renting activities (20%) - renting, selling or developing ones own property / land or intermediating in these activities (i.e. as in an estate agent)
- Educational sphere (15%)
- Wholesale / retail (3%).

Health & Social Care social enterprises are most likely to provide services to 'customers' free at the point-of-use.

In Croydon, the LDA's social enterprise programme October 2002-May 2004 is said to have created 23 new businesses (40 new jobs and 150 new learning opportunities)<sup>26</sup>,

<sup>21</sup> SBS (2005)

<sup>22</sup> Commonly, definitions of social enterprises set the minimum level of income from trading at 50 per cent. However a scoping study by ECOTEC recommended including those with 25-50 per cent income from trading in order to capture emerging social enterprises. Just under 90 per cent (88%) of those surveyed generated 50 per cent or more of their income from trading.

<sup>23</sup> SBS (2005)

<sup>24</sup> SBS (2006b), p.2

<sup>25</sup> SBS (2005)

<sup>26</sup> Croydon Council (2004b).

which over 19 months works out that Croydon and Sutton average 8 new social enterprises per year. Social enterprises are valued for their links with youth, women, older people, BME communities, single parents, childcare needs, community cohesion, education, creative industries and for environmental benefit. However, a survey for SENSE (social enterprise network for social entrepreneurs) found in its small sample of 31 that only 13 were fully established, 13 were start-ups/early growth, and 4 were pre-starts.<sup>27</sup> Common types of social enterprises in Croydon are:<sup>28</sup> Co-operatives; Credit Unions; Community Enterprises; and Social Firms.

The GEM survey found that social entrepreneurial activity (SEA) was 3.2% in the UK in 2005, and is particularly high among those with postgraduate education experience (5.5%), students (5.0%), and the ethnic minority community (5.0%).<sup>29</sup> Social enterprise is important as an emergent source of new enterprise, with individuals from all ethnic minorities more likely to be social entrepreneurs than their White British counterparts.<sup>30</sup> But there is a paradox in that social enterprise are still more likely among more advantaged rather than disadvantaged groups and locations. London has the highest number of social entrepreneurial start-ups and equal highest social entrepreneurial owner-manager businesses, but individuals on higher incomes and with post graduate qualifications are more likely to be social entrepreneurs.

On the other hand:

*‘Social enterprises in deprived areas tend to receive a larger proportion of their income from “grants and donations”, although they are not necessarily more likely to benefit from this type of funding. They are less likely to have any volunteers on their staff, and volunteers form a lower proportion of the total workforce (30% in 20% most deprived wards vs. 43% outside these wards), but those volunteers that work within social enterprises in deprived areas tend to contribute more hours per week (4 vs. 2)’.*<sup>31</sup>

There is an income risk attached to social enterprises based on social-oriented aims that those with less financial security to fall back on could not afford to take on. Hence, a mainstream profit-generating business may be viewed as being a more viable, sustainable and wealth-building commitment than a social enterprise.

## Conclusions

This chapter has highlighted the following issues that should be taken into account both in effectively monitoring and evaluating enterprise growth impact, and also in devising interventions and programme outputs that tackle in-built disadvantages and barriers in business start-up.

- There is a need to understand the dynamics of the business population in more detail and identify enterprise/employment opportunity differences in deprived areas vs. the norm.

<sup>27</sup> Croydon Council (2005), p.3.

<sup>28</sup> Croydon Council (2004b)

<sup>29</sup> LBS (2005)

<sup>30</sup> [www.brad.ac.uk/smenetwork/index.php?page=facts2](http://www.brad.ac.uk/smenetwork/index.php?page=facts2)

<sup>31</sup> SBS (2005), p.4

- Independence and individualism is a primary motivator in business start-up engagement, which may not be suited to the more vulnerable or risk-averse in communities.
- There is a contrast between (a) labour market/social exclusion forcing people into self-reliant start-up ('necessity' business), and (b) those with capital - financial and social - to exploit markets ('opportunity' business).
- Family-owned firms (rather than corporate branches) are valued for their community attachment, but in reality a majority are at risk and younger entrepreneurs could be more foot-loose (out of the LEGI area).
- Women can be keener than men in start-up but face more barriers, and London's male-dominant corporate culture may discourage women more than in other regions.
- BME entrepreneurs can face an even greater gap between aspiration and realisation in enterprise, with high start-up involvement but a proportion of formal business ownership that is below average compared with population.
- Realism is needed among young people as to the appropriate age for starting a business: younger school-leavers may be keen but will lack experience or financial credit status; meanwhile, tertiary-level students are less keen and are prepared to defer till the future.
- Enterprise in deprived areas reveals little difference to average rates in other areas, but activity among most deprived residents with low incomes tends to be lower – i.e. new businesses in deprived areas may be by capital-rich and higher educated residents (or outsiders) rather than by indigenous people.
- Finance is the overriding barrier (and enabler) in starting a business, and fear-of-debt a major deterrent. More disadvantaged people are at a higher risk of unsecured or high-interest loans, with lack of capital to fall back on.
- Social enterprise is a locally favoured route but also involves higher risk where trading income is less secure, which might favour social entrepreneurs already with greater personal financial independence.
- Social enterprises account for only up to 5% of all firms and cannot be a substitute for mainstream commercial enterprise based on clearly identified and profitable market demand.

These issues cannot always be captured in a quantitative sense and qualitative assessment and tracking of target groups and barriers can be achieved through in-depth interview, consultation and feedback.

### 3. Review of LEGI Performance Indicators

#### Introduction

The Local Enterprise Growth Initiative (LEGI) programme derives from a national policy concern over under-performance and market failure in economically and socially disadvantaged parts of the country, and the UK's general state of competitiveness, particularly in small business sectors. It therefore has a wider context and can contribute to local, regional and national policy targets.

In this chapter we discuss a number of relevant existing performance indicator schedules with which LEGI can link. The **Annex 2** table maps out linkages between indicators and different performance schedules: we have split the list of indicators (under Outcomes 1, 2 and 3) between those that are regarded as end-outcomes that measure a tangible impact on business activity and the economy, and those that are programme outputs that contribute towards outcomes. The latter distinction is important as, when it comes to evaluation, the LEGI will need to demonstrate the *net* benefit it has had (i.e. that which is additional to what would have occurred in any case without the LEGI).

#### Local LEGI Measures

The starting point in building up a comprehensive schedule of indicators was to refer to the schedule in the draft Delivery Strategy being put together by the Croydon LEGI programme.<sup>32</sup> These were grouped under the three LEGI Outcomes with the priority given to Local Area Agreement (LAA) indicators. The full set of indicators had been further developed from those in the successful LEGI bid<sup>33</sup> and specifically aligned with the LAA Block 4 (Economic Development) indicators to which LEGI will contribute as 'target boosting' investment.

National guidance has suggested indicators that may be adopted in local programmes.<sup>34</sup> There is some overlap between the Croydon indicators adopted and those listed, however the following are **not yet adopted** locally and could be considered:

Outcome 1:

- *'Business activity change from informal to formally registered'* – this is an important indicator for LEGI as it seeks to recognise the contribution (to LEGI targets and the local economy itself) of enterprises that are either not fully recognised, by markets or the entrepreneur, or not fully legal but might take measures to overcome this. Informal activity may only be identified through a well-designed survey.
- *'New enterprise access to informal and community investment'* – finance is the key barrier to new businesses and diminished high-street banking and other financial exclusion have been documented. Hence, non-mainstream finance/investment could be monitored.

<sup>32</sup> Croydon LEGI (2006) – see: Annex 1.

<sup>33</sup> Croydon Strategic Partnership (2005) – see: Annex to Section Four (p.32).

<sup>34</sup> HM Treasury (2005).

## Outcome 2:

- *'Labour productivity (GVA per worker)'* – this measure is generally not available beneath European NUTS3 level (e.g. outer London south), however might be calculated at Croydon or target area level using other comparator data.
- *'Fear of business failure (expect downturn/closure)'* – alongside supporting growth SMEs there should be awareness of declining ones. Expected turnover change can be monitored via the London Annual Business Survey (LABS), however a boosted sample is needed at target ward level.
- *'Business, management and/or finance skills in existing SMEs'* – there remains a question as to the level of accredited business skills in small firms (and many business managers lack any qualification). This could also be monitored via LABS.
- *'Existing enterprise access to informal and community investment'* – this is similar to that under Outcome 1.
- *'Coverage and availability of business support/advice services'* – Croydon LEGI is prioritising coverage in establishing District Centres but is not necessarily monitoring availability, which may be done via provider returns and local surveys.

## Outcome 3:

- *'Residents in employment (% of working-age) in Croydon and target areas (Total and all Target Groups)'* – LEGI is not just about businesses but has an interest in job-creation and local employment rates across all three Outcomes. This would seem to be a key indicator, particularly for target client groups, and is one of Croydon Council's PSA Filior Targets.<sup>35</sup>
- *'GDP/GVA per capita (resident population)'* – this uses the same numerator as the GVA under Outcome 2 but is divided by local population level, as an overall measure of wealth per head (which could be significantly increased via large inward investments).
- *'Investing business perceptions of local administration barriers/support'* – this indicator concerns inward investment and 'aftercare' services and is a sub-set of overall investor perceptions of a location.

## National and Regional Measures

Beyond LEGI, we also identified key national performance indicator schedules that govern (centrally) policy priorities. These are namely: *Public Service Agreements (PSAs)* – the PSAs for the DTI (4 – Productivity; 6 – Enterprise) and DWP (4 – Employment) lie at the heart of LEGI as a funding stream, under the central Spending Review by HM Treasury. *Best Value Performance Indicators (BVPI)* – this system (conducted by the Audit Commission) has monitored local government activities and performance, with specific

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<sup>35</sup> ONS (2006)

BVPs for Economic Regeneration. Regional Development Agency Tier 2/3 – Croydon LEGI can contribute to the regional targets of the London Development Agency.

National/regional **indicators not included** in the current Delivery Strategy, apart from those already listed above, are:

Outcome 1:

- *'New jobs created or safeguarded (through start-ups)'* – certain projects appear to profile outputs/outcomes as either start-ups or securing employment elsewhere, whereas the job-creation impact of start-ups should be monitored (i.e. new enterprises that are sole traders/self-employed have only a minimal impact).

Outcome 2:

- *'Failure of locally-owned businesses (insolvency rate)'* – it would be easy to lose sight of firms that fall off the radar and Companies House/FAME<sup>36</sup> data could be monitored.
- *'Business VAT deregistrations (per 10,000 working-age population)'* – these may be monitored via official statistics with target areas analysis.
- *'Median annual earnings for full-time workers'* – this indicator may be used as a proxy for local productivity and measures the value-added wealth creation being achieved.
- *'Businesses with significant skills shortages'* – this a common LDA (and LSC) indicator which shows whether skills barriers are being tackled, by industry sector.
- *'Satisfaction of business with future prospects (business confidence)'* – this has been surveyed by the CBI nationally and Chambers locally for many years and a local monitor may be available. It ties in with perceptions-of-the-area monitoring.
- *'Research & Development spend (as % of GDP/turnover)'* – the Office of Science and Innovation (DTI), European programmes and university-industry initiatives adopt this indicator (otherwise known as GERD).
- *'Adult residents and Young People with No Qualifications and Levels 2 to 3/4+'* - although LEGI focuses on enterprise, national research has shown a link between general educational attainment and entrepreneurialism.

Outcome 3:

- *'Vocational skills supply relevant to investing employer needs (total level)'* – there are training output targets included in some foundation project, but these may not relate to skills needs of the LEGI areas.

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<sup>36</sup> Financial Analysis Made Easy (FAME) - commercially available database compiled from Companies House data and contains information on a total of around 2.8 million companies in the UK and Ireland. Further information on FAME is available from its publisher Bureau van Dijk via [www.bvdep.com](http://www.bvdep.com) (SBS 2005).

- *'Total local jobs in Croydon and target area and annual change'* – LEGI seeks to support enterprise of all kinds, including non-mainstream forms; however it is important not to lose sight of the key industry sectors that Croydon shows strengths in.
- *'Residents economically inactive (% of working-age) in Croydon and target areas (Total and Target Groups)'* – as with employment rates, LEGI ultimately (and where it links with wider Neighbourhood Renewal agenda) seeks to reduce economic inactivity in disadvantaged areas.
- *'Public and private regeneration infrastructure investment levered'* – the LEGI programme can link in with regeneration initiatives and opportunities, where disparate public interventions can work to common goals.
- *'No. of inward investment enquiries (per 10,000 econ active population)'* – this would seem to be an essential output in fostering and securing future business location decisions.
- *'Local people assisted to get a job (Total and Target Groups)'* – as with regeneration links and inward investment support, job brokerage is a valid means to fulfilling Outcome 3.

The LEGI programme, with significant resources, is a unique opportunity to further economic development aims in Croydon. Although it is an innovative programme that acknowledges diverse routes to enterprise and employment among marginalised groups it has a 'mainstreaming' side (under Neighbourhood Renewal) to better target general business support at new and existing small firms, and the industry sectors that can greatly contribute to Croydon's overall growth.

A comprehensive impact evaluation would look at both the direct and second-round supply-chain benefits of core interventions and major investment. The net sum might be that greater gain is achieved through maximising (and retaining) the largest mainstream business sectors, than via niche and marginal activity.

## Conclusions

The delivery strategy for the Croydon LEGI programme will need to develop a range of interventions that addresses enterprise development at all three levels: new start-ups (outcome 1); SME growth (outcome 2); and inward investment (outcome 3). Each will require a different set of support activities and associated outputs and each have distinct outcome and impact measures, that can contribute to regional economic strategy. The balance between interventions under each theme is also to be determined, which will relate to the local economic structure.

A comprehensive set of indicators for future evaluation is required that will effectively monitor progress, not just in start-up formation but other contributory factors and outcome performance measures. The schematic flow-chart in the draft delivery strategy<sup>37</sup> can be structured into a balanced evaluation framework, which we attempt in the final chapter.

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<sup>37</sup> Croydon LEGI (2006), p.14

## 4. Croydon LEGI Delivery Theme Consultations

### Introduction

A consultation was conducted at the local and delivery project level. This involved making contact, and maintaining liaison during the assignment, with

- Evaluation Manager
- 4 Programme Managers, and
- 7 foundation project partners.

A key issue was identifying agreement on *by what performance measure will the package/project be judged in future*. This exercise sought to produce findings on: suitable output/outcome performance indicators; what appropriate baseline criteria in the Croydon LEGI programme for future evaluation.

Specific questions, among others deemed appropriate, to be answered through interview and follow-up during September were:

- What are the overall strategic (in regional context etc) priority issues, barriers and opportunities in the target Croydon areas that LEGI aims to address?
- LEGI Delivery Theme specification: What is the LEGI area context, priority issues/barriers, target aims and proposed delivery solutions for each of the 4 themes: Latent/potential entrepreneurs; Crime; Business creation and growth; and Skills?
- Target areas and sub-groups: What specific target localities within the LEGI wards (Northwest Croydon & Fieldway, New Addington - see bid document) and beneficiary sub-groups (e.g. age, ethnicity, work-status) need to be defined for more detailed baseline measurement and future evaluation?
- Performance Indicators: What outcome, interim, project output, organisational etc performance measures should the LEGI programme be evaluated against in future?
- Evaluation data: What data/report evidence has been referred to by LEGI and partners and what local administrative/monitoring data can be used in future evaluation?

These consultations findings were to complement desk-based data being collated.

In general, there was some consistency in views about the desired nature of the overall evaluation and monitoring framework and the pitfalls likely to be encountered in collecting monitoring data. However, we found that there were few suggestions on specific performance indicators. The views of those interviewed are presented below under the headings of 'general issues' and of each of the delivery themes. At the time the interviews were conducted, project specifications were being issued and negotiations were taking place with programme managers on appropriate outputs, indicators, and monitoring systems. The aim is to use contract specifications to bring consistency to the overall monitoring framework.

## General issues

- There is general agreement that baseline data on the target areas and target groups is currently inadequate, making **target-setting difficult**. There is considerable flexibility in the LEGI framework to add, remove, or modify indicators and targets set out on the current LEGI strategy document, with the exception of eight LAA targets. However, baseline data relating to the LAA targets needs to be improved in order to assist future reporting to, and negotiations, with, GOL.
  - Particularly difficult is LAA 6 (number of businesses assisted to improve their performance) because targets were based on what is thought to be an unreliable baseline of existing business support activity derived from the caseloads of support agencies in the borough.
  - Similarly, targets have been set for LAA 1 (increase the number of people thinking of going into business), although there is no reliable baseline.
  - There is some opinion that specification for both of these targets needs to be improved if they are to be monitored adequately, and a minority view that contact with *all* support agencies (such as private sector accountants), not just LEGI-supported agencies, should be monitored.
  - There is as yet no baseline or targets for LAA 2 (increased enterprise in the NR areas) or LAA 7 (number of small businesses whose performance have improved).
- Most of those interviewed had experience of delivering regeneration projects and of their evaluation and monitoring. Past experiences of evaluations have not always been satisfactory. There is general agreement that the evaluation must consist of more than 'number crunching', but deliver valuable information on how the programme is affecting and improving people's lives, and on how the projects (the programme's instruments) are contributing to desired outcomes. It is thought that these will best be achieved through regular '**qualitative**' exercises involving one-to-one interviews or focus groups with project beneficiaries. These data will also supply valuable material for publicity.
- Given that the programme covers all phases of entrepreneurialism, from pre-enterprise (or even pre-labour market) through to business growth and expansion, monitoring systems should be able to **track the progression of individuals** through the programme, or from the programme to other destinations. Requirements for follow up should be built into the project specifications, so that (for example) the progress of assisted businesses can be monitored at regular intervals.
- Successful outcomes should not so be narrowly defined so as to preclude the recording of '**unintended consequences**' – for example, attendance at an enterprise training course need not be followed by a business start-up, but some other positive outcome.
- Improvements in the targeted areas resulting from the programme need to be separated from those ensuing for other reasons – for example, it is known that the imminent opening of a new superstore in one of the targeted areas has levered in

significant improvements through S.106 agreements. However, the evaluation needs to show how the programme **complements, and adds value to, other regeneration initiatives.**

- Of great interest is the circumstances of individuals working, or running a business, in the **'informal economy'**. There is a general feeling – strongly held in some quarters - that the programme should assist businesses operating informally to make the transition to the formal economy. It is noted that the smaller, community-based business support agencies are best placed to engage and assist individuals in this predicament. Yet these agencies are the least well equipped for systematic data gathering. It is noted that, in general, the various enterprise agencies across the borough have collected data inconsistently and haphazardly. Further, the client group involved is likely to be reluctant to yield even 'basic' data like personal details. However, individuals engaged in the informal economy are likely to be among the most marginalised among the groups LEGI is trying to reach, and it is therefore consistent with the spirit of the programme to engage with them and record their progress.
- Delivery themes one and two implies an intention to produce a step-shift in the **quality and effectiveness of business support** in the targeted areas. Hence the programme's operational processes should aim to generate data, perhaps through its customer relationship management arrangements, showing how business support is improving.
- The LEGI target area corresponds with Croydon's targeted area for neighbourhood renewal. The data collected for the NRF is robust and able to indicate progress towards desired outcomes, including differences between the targeted areas and the rest of the borough. LEGI is thought of in some quarters as the **'economic development' arm of neighbourhood renewal**, and hence should be able to demonstrate progress in a similarly robust way, and compare changes in performance between the targeted areas and the borough overall.

### **DT1 - Latent or Potential Entrepreneurs**

LEGI aims at 'permanent change in culture', and hence there is a need for indicators that show **shifts in attitudes, aspirations, and awareness** among the target groups. Baseline data on targeted groups, for example, women or disabled entrepreneurs, is currently inadequate, out of date, or cannot be disaggregated below borough level. It is difficult under such circumstances to know how many of the targeted groups the programme can reasonably be expected to support.

### **DT2 - Business Creation and Growth**

Performance measures, for example, of business start-ups and growing businesses, are relatively easy to derive from output data and **local business surveys**. Start up survival rates need to show that they are as high in the targeted area as in the rest of London. Suggested indicators under this theme include employment growth as well as turnover growth, recruitment into business from non-employment, and actual earnings compared to expected earnings sometime after start up.

Croydon Business Support Network will orchestrate all business support, including specialist and generic services, and will integrate customer information and client management across all services delivered under the LEGI programme.

Supporting businesses through **local supply chains** is an important strand in this theme. Croydon council and the LEGI team has conducted an analysis of the council's procurement and supply chain and its impact on local businesses. It is estimated that only 15 per cent of the council's supply purchases are local, and that 1,033 jobs are at risk if the council decides not to re-contract with the employing businesses. Further surveys of the procurement practices of other parts of the public sector and of large private sector firms are in the pipeline.

### **DT3 - Business Retention and Inward Investment**

Under this delivery theme, the key aim is to create a '**business friendly environment**', primarily through the installation of district centre managers. Crime and a poor environment will also be tackled. The LEGI team has initiated a business crime survey, which should yield key performance data. Household and other types of business surveys could be used to judge improvements in perceptions, although outcomes will be assessed on the basis of growth in the business population in the area.

### **DT4 - Capital Projects**

There is general agreement that the assessment of capital projects is the least problematic of the four themes. Essentially, the projects' outcomes are the same thing as the project's outputs, the latter being the successful delivery of the projects.

## **Conclusions**

At the stage when these consultation interviews were conducted, baseline data was inadequate and leading to considerable uncertainty in the formulation of targets. Under the pre-existing business support regime, data on clients has been collected haphazardly and inconsistently. Many community-based organisations – key to the stated aim of many of those interviewed of engaging with those in the 'informal' economy - probably lack the capacity to collect data and monitor outcomes systematically. A key recommendation therefore is to use programme support funds to improve the monitoring and data collection capacity of smaller, community based business support agencies.

## 5. Croydon Baseline and Targets

### Introduction

In the previous chapter, our consultation with local LEGI partners highlighted the limitations faced, at this stage of the programme, in establishing a 'robust' baseline. While there is a clear absence of primary survey data for the target wards (and limited even at Croydon borough level) there is also a need to strengthen systems for collating local provider monitoring data to support specific indicators. The approach taken for this key task of strengthening the baseline data is therefore a combination of official statistics (or survey) and, in large part, provisional estimation of values based on secondary data. As most indicators are expressed as rounded percentages or relative to population sizes, they are relatively 'blunt' instruments that provide more of a guide for targets than precise baseline measure at this stage - though the intention is that primary data gathering would verify (or refute) the assumptions made.

Within the limited timescale, we conducted an extensive review of existing data sources that might be of some use in baseline-setting. This required a quite broad-minded approach - documents, surveys and other data sources identified are listed in **Annex 1**.

### Economic Context

It is worth at this stage making a brief assessment of Croydon's economic context and the LEGI target areas, where data permits.

The exact size of the LEGI area economy is not known, however as a guide Heart of South London City Growth Strategy (HSL CGS) research has calculated Gross Value Added (GVA) per head of £38,400 (compared with a London average of £40,600 and England average of £34,900). Total GVA for Croydon borough in 2001 was estimated as £5.07bn.<sup>38</sup> If you take relative jobs level in the area as an indication of economy size, then the Croydon LEGI area wards' employment (2004) in proportion to Croydon borough would give:

- total GVA of £2.4 billion, and
- GVA per workforce head of approximately £39,600.

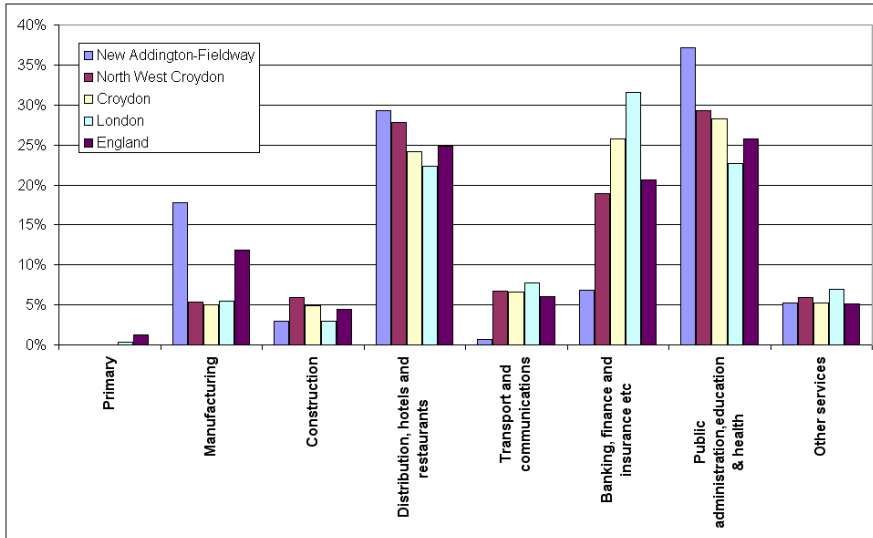
The LEGI target areas have a different industry profile to Croydon borough as a whole. As of 2004, the main sectors of employment are public sector, retail and distribution, and financial and business services. The key differences are (see chart below):

- North West Croydon – more Retail, Construction, and 'Other Services' sectors, and less Finance & Business Services relative to Croydon as a whole.
- Fieldway-New Addington – significantly more Manufacturing sector (18% of jobs), also more Retail & Distribution and Public Sector employment in the area, and much less Finance & Business Services.

<sup>38</sup> CGS (2004b), p.19/20. Croydon CGS wards – Bensham Manor, Broad Green, Selhurst, South Norwood, Thornton Heath, West Thornton.

Croydon borough overall has a higher dependence on public-sector employment and while having a higher finance/business service share than for England is below the London regional average (which includes the City of London and Docklands).

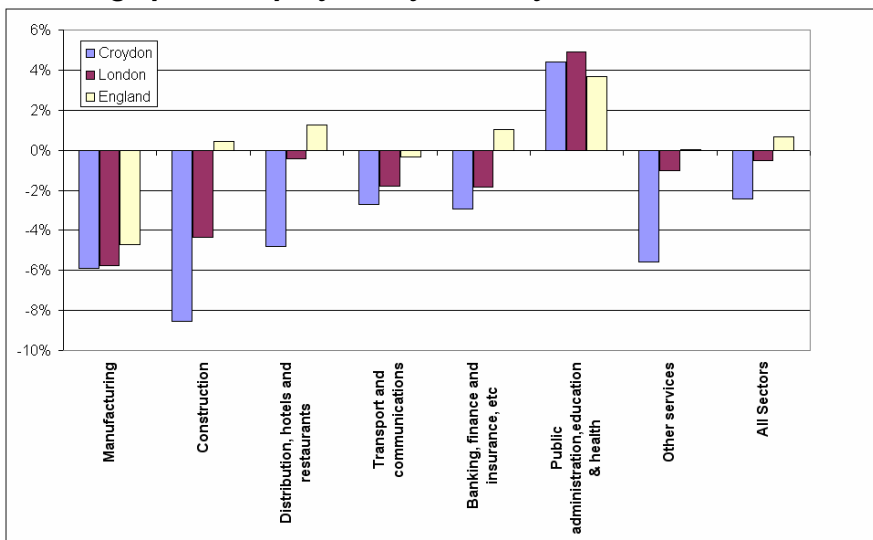
**Employees in Employment by Industry Sector (% of Total)**



Source: Annual Business Inquiry 2004 (ONS)

Most recent employment trends (2001-04) at the Croydon level point to job contraction in all private sectors, while net job-growth is accounted for by the public sector. While this is only one data source (and the Annual Business Inquiry has been unreliable in the past), this recent public sector-driven growth has been commented on elsewhere.<sup>39</sup>

**% Change pa in Employees by Industry Sector 2001-04**



Source: Annual Business Inquiry (ONS)

<sup>39</sup> See Sunday Times article & report [check ref]

What it suggests for the LEGI programme is that, across London, on the one hand public sector investment and programmes have disguised weakening (some might say 'crowded out') in commercial sectors, but more probably that the upshot of desired productivity and competitiveness improvements is that staffing levels are being cut, resulting in jobless-growth. Croydon would seem to be vulnerable to further job losses in manufacturing and construction sectors, and also experiencing job shake-out in retail and distribution (in spite of some new investments – see below). More detailed analysis of industry sector trends might be warranted to identify any particular growth opportunities.

In terms of how future economic growth plans and small firm supply-chain opportunities might affect the LEGI target areas, the following schemes should be noted:

- *Croydon Council 'Major Projects'*:<sup>40</sup>
  - Ashburton Learning Village
  - Croydon Gateway Project
  - Fairfield
  - New Addington Multi Service Centre
  - Community Facilities & Sainsbury's Redevelopment at Selsdon
  - The Sir Philip Game Centre & Croydon Judo Club
  - Thornton Heath Library and Garden Centre Site
  - Valley Park Healthy Living Centre
- *Croydon Town Centre* - designated Opportunity Area in the London Plan. The plan highlights a number of sites, which even individually are of strategic importance – those covering the station, Fairfield Halls, Croydon College, Park Place and the Whitgift extension. The Opportunity Area is projected to generate 5,500 jobs and 2,000 new homes (over 2001-16).<sup>41</sup>
- *Fairfield* - Regeneration plans for the Fairfield area are currently ongoing and include a £65m major capital investment project by Croydon College.
- *Wandle Valley-Gatwick Corridor* - An important corridor of growth is emerging through Croydon and the Wandle Valley to Gatwick and down to Brighton.
- *Crystal Palace* - highly accessible location, which will be further boosted by the proposed Tramlink extension (from Beckenham) and the extension to the East London Line currently programmed to commence services by 2010 - significant opportunities related to the National Sports Centre Renewal project.
- *'Heart of South London'* - LDA is funding a City Growth Strategy Project for the area, including Penge, Upper Norwood, Streatham, Anerley and Thornton Heath. Heart of South London CG area covers the area around Crystal Palace Park from Streatham in the north down to Croydon in the south and from Thornton Heath in the west to Beckenham in the east. The boundary crosses the London Boroughs of Croydon, Bromley and Lambeth in South London. 243,000 people live in the CG area

<sup>40</sup> <http://www.croydon.gov.uk/business/esdu/regeneration/majorprojects/>

<sup>41</sup> LSCLS (2005).

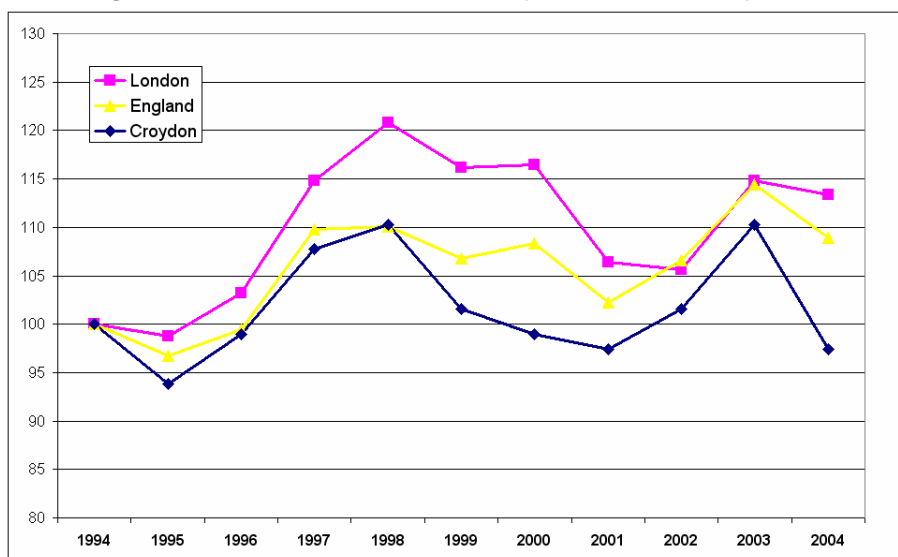
- *Carlsberg UK* - new Regional Distribution Centre on Marlow Road, just off Beddington Farm Road, close to the A23 Purley Way, Croydon. A 60,000 sq ft drinks distribution depot with the creation of about 50 jobs, opened June 2004.<sup>42</sup>
- *Thameslink 2000* - a key strategic transport initiative, intended to enhance and expand the existing Thameslink network throughout London, the South East and East of England. It will take 5 years to build and represents an investment by Railtrack of £800 million.<sup>43</sup>

Analysis in 2004 of employment projections indicated a growth of 37,000 new jobs in the London South area over the next decade (2004-2014), or 3,700 growth per year.<sup>44</sup> However, more recent GLA Economics projections (for the GLA and London Mayor) estimate London South growth of 23,000 over 2006-2026 (only 1,150 per year). Croydon is forecast to actually decline from 153,000 in 2006 down to 152,000 by 2016 (100 per year decline), but up to 157,000 by 2026 (equating to 200 net new jobs per year over 2006-2026).<sup>45</sup>

Hence, the immediate prognosis is that Croydon's employment base could decline over the longer-term LEGI period (10 years) – in the absence of the special public intervention that LEGI represents – but could be more buoyant in the following decade (after the London Olympics).

Finally, we can take a brief look at trends in VAT-registered businesses at Croydon borough level, compared with London regional and England trends. The general trend in new business registrations has been one of decline since 1997 apart from a temporary boost after 2000.

#### **VAT Registrations Trends 1994-2004 (Index 1994=100)**



Source: VAT registrations data (ONS)

<sup>42</sup> CGS (2004a), p.75; [http://www.carlsberguk.co.uk/about\\_our\\_company/depot\\_copy.htm](http://www.carlsberguk.co.uk/about_our_company/depot_copy.htm).

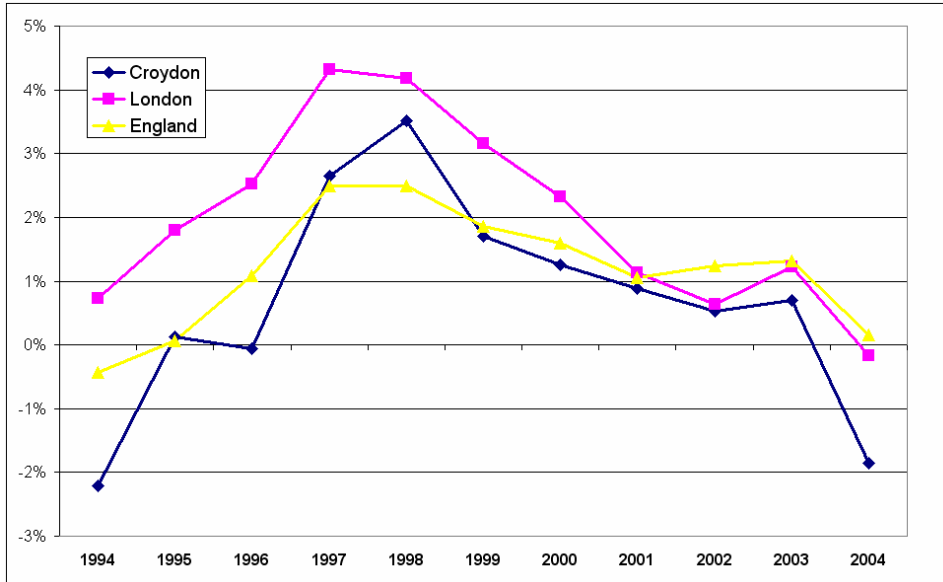
<sup>43</sup> [www.croydon.gov.uk/transportstreets/TransPlan/TransportInitiatives/TL2000](http://www.croydon.gov.uk/transportstreets/TransPlan/TransportInitiatives/TL2000)

<sup>44</sup> LSCLS (2005)

<sup>45</sup> GLA Economics (2006)

The chart above plots the number of registrations over 1994 to 2004, taking 1994 as a index-base year (i.e. equals 100). Registrations in Croydon have been lagging regional and national increases, and experienced a sharp drop in recent years.

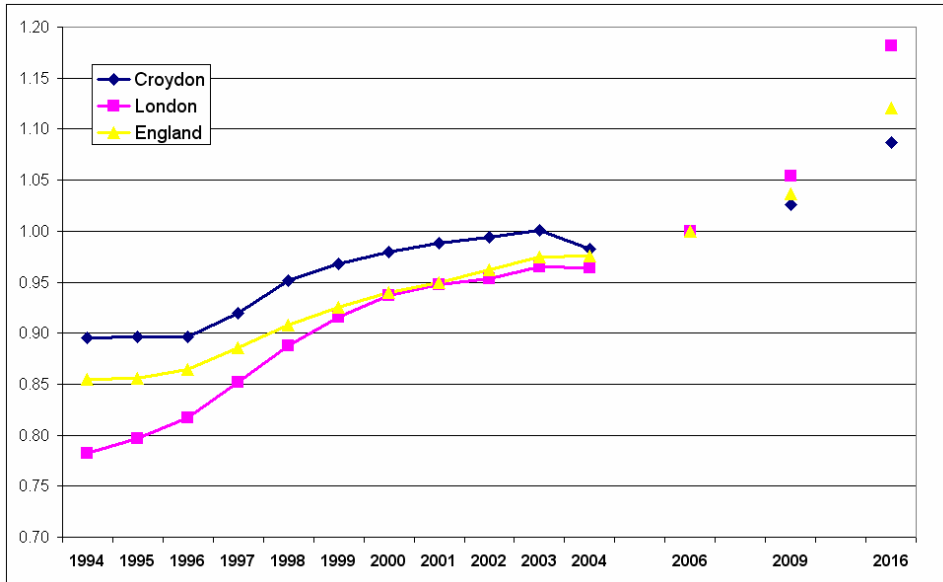
**VAT Net Registrations less Deregistrations as % of Stocks 1994-2004**



Source: VAT registrations data (ONS)

Net business growth has to take account of business deregistrations (closures), although the latter is seen as component of business ‘dynamism’. The chart above shows that, relative to total business stocks, Croydon has not only been lagging wider trends but has recently returned to a negative growth situation that it was in in the early 1990s. London and regional rates have also suffered, suggesting general pressures on businesses.

**VAT Stocks 1994-2004 and Projections 2006, 2009 and 2106 (Index 2006=100)**



Source: VAT registrations data (ONS)

The final chart above sets out how stocks of VAT-registered have performed over the past, and projecting into the future, this time taking 2006 as the base year (1.00). We project that business growth in Croydon (before considering the impact of the LEGI programme) will continue to fall behind regional and national rates. This trend should be taken into account when calculating what local disparities with London and England performance by 2009 and 2016.

## Baseline Estimates

A key requirement in this assignment was to strengthen the baseline evidence and provide a basis for target-setting by the LEGI programme. We first set out estimates for the eight core Local Area Agreement (LAA) indicators and then discuss other indicators in the delivery strategy.<sup>46</sup> As actual data for the LEGI area wards is very scarce, this has involved making reasonable estimates based on available secondary data that can provisionally guide early-stage delivery planning. The ‘targets’ set out in this section are simply based on the LEGI target area or Croydon borough as a whole achieving performance levels comparable to London regional or England national averages:

- London ‘uplift’ – what change or output would be needed in LEGI area and Croydon to reach the regional average (this tends to be a more onerous ‘target’);
- England ‘uplift’ - what change needed to reach the national average (less onerous or possibly negative if the England rate is already exceeded).

The methodology and sources used in making the baseline estimations are set out in the landscape table overleaf. A future task will be to conduct primary survey research to verify (or refute) these figures. However, these base figures and targets should only be viewed as a guide, and it will be for the LEGI programme to set targets that are realistic and deliverable within the financial and capacity limits of the programme.

### Base populations 2006-2016

A first task is to establish the base populations for the area in 2006 – both people and enterprises. The methodologies used to calculate baselines are summarised below.

Indicator	Methodology	Source data
Working-age population 2006	2006 age 16-retirement population for Croydon, London and England derived from projecting 2005 level by 2004-05 change to 2006. Croydon wards for 2006 based on ratio of 2006 to 2001 level for Croydon applied to 2001 ward data.	2001 Census (ONS/NOMIS) 2005-05 Annual Population Survey (ONS/NOMIS)
VAT enterprises 2006	2006 VAT-registered enterprises for Croydon, London and England derived from projecting 2004 level by annual average of 1994-2004 change to 2006. Croydon wards for 2006 based on ratio of 2006 to 2001 level for Croydon applied to 2001 ward data.	VAT registration data (ONS/NOMIS)
Sub-VAT enterprises 2006	LABS survey by LDA notes that of the private sector firms (excluding self-employed) it contacted, 27% had turnover below the VAT-registration threshold. Hence, Sub-VAT Enterprises could account for 0.2 times the VAT-registered total	London Annual Business Survey (LDA, 2004) VAT registration data (ONS/NOMIS)

<sup>46</sup> Croydon LEGI (2006)

Indicator	Methodology	Source data
Self-employed 2006	2006 self-employed for Croydon, London and England derived from projecting 2005 level by 2004-05 rate to 2006. Croydon wards for 2006 based on ratio of 2006 to 2001 level for Croydon applied to 2001 ward data.	2001 Census (ONS/NOMIS) APS / Labour Force Survey (ONS/NOMIS)

The working-age (16 to retirement) population estimates are based on 2001 Census data and levels and trends 2004-05, giving a total of 133,180 in the LEGI area and 220,000 in Croydon borough.

For the enterprise population, one business measure available at ward level and often used as a basis for number of businesses is 'units' in the Annual Business Inquiry (ONS): there were 5,710 business units (i.e. workplaces) across North West Croydon and New Addington-Fieldway target areas. However, this can provide a multiple count of firms, even for SMEs, where separate operations and office support functions exist. Also, it does not count enterprises run out of domestic dwellings, on-the-road or otherwise premise-less, and the ABI and inter-departmental business register (IDBR) it draws its sample from uses mainstream business databases and directories.

Our estimation starts with the number of VAT-registered businesses, i.e. with turnover above the VAT threshold. Guidance suggests the total number of residence-based self-employed can be added for 'total enterprises'. We have also made an estimation for firms beneath the VAT threshold: the London Annual Business Survey (LABS) finds 27% of respondents sub-VAT; while it has been suggested that 'less than half of the 3.8m businesses in the UK are actually VAT registered, which means that there may be more business activity in deprived areas than is being picked up through the VAT register'.<sup>47</sup> We estimated based on the London picture and came to a total of 770, bringing the LEGI area total enterprise count to 16,400 and almost 33,000 for Croydon borough.

#### *Croydon LEGI - 2006 Baseline Population and Total Enterprise Estimates*

Indicator	NW Croydon	NA-Fieldway	LEGI Area	Croydon
Working-age (16-64) population	120,580	12,600	133,180	220,000
VAT enterprises 2006	3,640	200	3,840	8,650
Sub-VAT enterprises 2006	730	40	770	1,730
Self-employed 2006	10,860	930	11,790	22,600
Total Enterprises	15,240	1,160	16,400	32,980

Source: Annex 4 spreadsheet (LEPU)

We present estimations for stocks of businesses in 2006 based on a projection of the 1994-2004 trend. However, any targets based on 2006 will need also to consider possible divergence in base trends, i.e. the 'counter-factual' situation of there not being a LEGI programme. If the 1994-2004 VAT data projection (assuming a 10-year cyclical trend) is extended to 2009 (n.b. 3-year LEGI ) and 2016 (10-year LEGI) then we find the following relative growth:

<sup>47</sup> ODPM (2003)

*Enterprise stocks – baseline trend over 3 and 10 years*

	Total enterprise estimate	Projected change on 2006		Projected bases	
		2006	2009	2016	2009
Croydon	32,980	+3%	+9%	34,000	35,900
London	898,590	+5%	+18%	943,500	1,060,300
England	4,882,910	+4%	+12%	5,078,200	5,468,900

Source: LEPU estimates (based on VAT registration data, ONS)

The projected bases baselines for 2009 and 2016 should be used for 3-year and 10-year target-setting, respectively, in order to address changes in base disparities.

## LAA Target Estimates

In this section we attempt to resolve definition and target-setting issues to help the LEGI programme set realistic targets for the 3 years. The methodologies and analysis are summarised in the tables below.

### LAA 1 - Increase the number of people considering going into business

This indicator is from the DTI's PSA 6 and has been measured nationally and in 'most deprived' areas via the SBS Household Survey of Entrepreneurship (2001 and 2003, next due for 2005 data). The rate nationally of adult population 'considering going into business' (also referred to as enterprise 'thinkers') fell from 12% in 2001 to 11% in 2003, and the 2005 target is 14%. London's rate was above average in 2003, at 15%.

Croydon-level data is not available in the SBS survey (and should be collected via a local survey). Hence, we estimate a Croydon rate of 12% and LEGI area rate of 10% based on each areas' total enterprise activity rate relative to London (on the assumption that an equivalent number of 'thinkers' go on to form businesses). Based on the adult population projection for 2006, this equates to 27,210 adults considering business in Croydon and 13,530 in the LEGI area, based on the SBS/DTI definition.<sup>48</sup>

In the Croydon LAA targets, the baseline estimate is currently only 2500 'people considering going into business', with a 3-year growth of 100% to 5000. This is therefore noticeably low in relation to the total adult population (only 2%), although this indicator is meant to be the first step in 'increasing total entrepreneurial activity (TEA)', and from which a proportion will go onto outreach, pre-start etc. Also, the baseline column in the LAA schedule suggests that the current estimate is based only on contact with Croydon Business Support Partnership providers, and therefore not all such enterprise interest/contact in the borough.

The 'uplift' estimates, to bring the Croydon rate up to the London (15%) average would mean an increase of 5790 (which is more than twice the initial LAA growth estimate over 3 years), or a growth-rate of 21%, to 33,000 'people considering going into business'. Matching the England (11%) average would imply a decline as this rate has already been exceeded in Croydon. The annual targets for LAA1 could be 29140, 31070 and 33000.

<sup>48</sup> N.B. The London 15% in 2003 has been taken as the baseline reference, although the national target expects an increase 2003-05, as the base trend 2001-03 isn't actually showing an increase.

## LAA 2 - Increase Enterprise in the NR Areas

This indicator is comparable to the DTI PSA 6 target '*more enterprise in disadvantaged communities*'.<sup>49</sup> It is measured as the number of new VAT-registrations (business start-ups) - *per year* - per 10,000 of adult population, which is generally available at local authority level from VAT registrations data (ONS/DTI). However, this target is for disadvantaged (LEGI) areas although ward-level data are not openly available – ONS has made estimates for DTI. The DTI target was to be reached by 2004 and the national 2000 baseline was 31 VAT registrations (falling to 30 in 2001) per 10,000 resident adults in the 20% most deprived wards - compared with 49 (falling to 46 in 2001) in the 20% *least* deprived wards). All VAT registrations per 10,000 resident adults in England fell from 41 in 2000 to 39 in 2001.<sup>50</sup>

The Croydon LEGI bid quotes a baseline (year is not stated) of 27 per 10,000 in NRF wards nationally; and, for all wards, 57 per 10,000 in London, and for Croydon 945 out 350,000 (n.b. all residents), which is around 43 per 10,000 adult residents. The bid target is for 50% increase. A 2006 baseline for Croydon can be arrived at based on an average of registrations over the 1994-2004 cycle, since registration-rates are known to fluctuate greatly.<sup>51</sup> This gives a Croydon borough rate also of 43 per 10,000 (or 940 registrations), and higher London rate of 75 and England rate of 53. But to arrive at a LEGI ward baseline (needed for this target), we estimate this in proportion to total enterprise activity (on the same proportioning principle noted above). This gives a Croydon LEGI area baseline of 35 per 10,000 resident adults (or an estimated 470 registrations in 2006).

We do not have a '20% least deprived' figure for Croydon to measure the closing of the gap with '20% most deprived' (LEGI wards). A comparison with the high London rate would not be realistic given the density of firms in central London, however one with the England average of 53 per 10,000 would be. An 'uplift' in the Croydon LEGI rate to the national rate equates to an increase of 240 registrations – an increase of 51% on the 470 baseline (i.e. comparable to the Croydon bid estimated target).

- VAT registrations per 10,000 might increase from 35 base, 39 in 06/07, 46 in 07/08, and 53 in 08/09.
- Total VAT registrations per year progressive increase might be 470 base, 520 in 06/07, 615 in 07/08, and 710 in 08/09.

Trying to monitor VAT registration change on a year-on-year basis is likely to be unfruitful given the cyclical nature of start-up rates, noted above. Hence, a rolling 10-year comparison i.e. comparing 1997-2007 average with the baseline would be more realistic.

## LAA 3 - No of new businesses created & demonstrating growth after 12 months

This is a difficult indicator to measure and is a combination of business survival rates (new businesses created and surviving for 12 months) and business demonstrating growth after 12 months. In some guidance (e.g. EMDA, 2005) the latter definition assumes that growth will have been demonstrated if the business shows an *increase in employment* between 12 and 24 months. However in others (e.g. ODPM 2005) firm with at least 2 employees or a turnover of over £100,000 in the year after registration is taken as 'growth'. The ODPM

<sup>49</sup> The 'more' is technically defined as 'at least a one percentage point reduction in the shortfall of VAT registrations per 10,000 adults compared to the 20% least deprived wards each year' (DTI website).

<sup>50</sup> [www.dti.gov.uk/about/strategy-objectives/PSA-Targets/page14315.html](http://www.dti.gov.uk/about/strategy-objectives/PSA-Targets/page14315.html)

<sup>51</sup> see first line chart in Chapter 5 of LEPU Baseline report

guidance accepts only VAT-registered firms, where as the EMDA guidance notes that 'created' should include all types of enterprise, not just VAT-registered (e.g. including National Insurance Class 2 contributions registration).

The Croydon LAA targets estimate a baseline of 200 'starts' rising with LEGI to 300 'starts' in 2008/09, a 50% increase. Without published national or regional benchmark data it is unclear what precise measure is required, however the following sample of other LAA/LEGI areas gives examples of local authority district-level scale for this indicator (though many have yet to set their targets): Harrow – 23 rising to 38 (non LEGI); Birmingham – 120 to 210 (non LEGI); NE Lincolnshire – 150 to 165 (365 with LEGI stretch). The Croydon base could therefore be on the high side.

In line with the EMDA/ODPM method noted above, we estimate this indicator from VAT-registrations, estimated business-survival rates, and estimated % of firms with employment growth. The Croydon baseline is calculated as 170 'new businesses created and demonstrating growth after 12 months'. A Croydon 'uplift' to the London rate (per 10,000 resident adults) would be to 300 (76% increase), and to the England average 220 (29% increase). A mid-point uplift to 260 (with LEGI) is approximately 50% increase.

#### LAA 4 – Self employment rate as % of economically active

This indicator is straightforward and is produced by ONS from the Annual Population Survey (which is replacing the Labour Force Survey) – however some ONS local area profiles state self-employment as a % of all adults residents rather than the % of economically active required here.

The Croydon LAA targets quote a 2003 baseline of 11%, with a with-LEGI increase to 11.4% over three years. The England average is noted as 12.4% and (England) NRF average as 10.7%. According to NOMIS, the England rate was 12.1% | 2005, London 14.7% and Croydon 12.5% (22,100 self-employed in total).

A Croydon 'uplift' to the London rate of 14.7% would mean increasing self-employment to **25,990** or an increase of **3890**. Change to the England rate would actually be a decline. However, the Croydon target could be based on achieving halfway towards the London rate, **i.e. increase the self-employment rate to 13.6% or by just under 2,000 more self-employed in Croydon.**

#### LAA 5 – Net Increase in VAT registrations

This indicator needs some clarification as it is for change in *VAT-registered stocks year-on-year*, rather than new registrations, as noted in the LAA targets schedule. This is available from ONS annual data down to local authority district level, however this also tends to fluctuate year-on-year so a longer cyclical trend gives a better baseline picture.

The LAA target currently states a 'net growth' of 15 per year in VAT stocks in 06/07 (or 0.21%), rising to 52 in 07/08 (0.50%) and 109 in 08/09 (0.75% year-on-year growth). This would represent a large increase in annual growth within three years (of more than 700%!).

The estimate is in the right ball-park but starts lower than the 1994-2005 average trend, of 53 net growth in VAT stocks per year in Croydon (0.66%) – which lags the equivalent

London average of 1.99% per year and England average of 1.18% per year growth. The Croydon 'uplift' to the London rate is calculated as an increase to 160 net increase per year, and to the England average of 95 per year. The end-target of 109 is therefore realistic and starting on a base of 53 means around a 100% increase in performance.<sup>52</sup>

#### LAA 6 – No of businesses assisted to improve their performance

The new LDA outputs guidance states that this indicator should relate to all types of business (not just VAT-registered).<sup>53</sup> The assistance can be in a variety of forms<sup>54</sup> but be for a minimum of 2 hours or £250 worth of support. For LEGI (or any other programme) outputs assistance would need to be measured via monitoring records, however many business surveys ask firms whether they have received any business support over the last three years. The 'improving performance' seems to refer to the type of support provided, rather than evidence that the benefiting firms have shown subsequent growth.

National and regional surveys show that general business support take up is around 30% over a year, but the LABS 2004 survey shows that only a third of this is accounted for by Business Link support (11% of firms in London South).

The Croydon LAA targets estimate a baseline of 1,500 firms assisted per year (although the source isn't given), which equates to 17% of VAT-registered firms and only 5% of all firms. The increase to 2,500 per year would be a 67% increase in take-up within three years.

However, under an effectively identical indicator in the Croydon LEGI bid, according to the new LDA guidance – '*SMEs taking up business advice, support and/or training for growth*' – the Croydon LEGI bid notes 25% taking up business support in NW Croydon (5% in NA-F) LEGI area. We therefore take the 25% and 5% as a baseline rate, and 25% as the Croydon borough average,<sup>55</sup> and take 30% as the average rate for London and England. Based on our total enterprises estimates above, this calculates as a baseline of 8,250 firms assisted; with an uplift to London or England average take-up would be a 20% increase to 9,890 over three years (1,650 in total).

#### LAA 7 – No of small businesses whose productivity has improved

This is not in the new LDA outputs indicators, but is a DTI PSA 6 target '*An improvement in the overall productivity of small firms*'. Productivity is technically defined as gross value added (GVA) per employee, however 'turnover divided by total employment is also a supporting measure of productivity' according to the DTI. Small businesses are defined as those with under 250 staff and improvement is defined by the DTI as follows: '*productivity of SMEs to increase by more than the productivity of all firms*'.<sup>56</sup>

The DTI quotes UK baselines of SMEs having 92% of all firm GVA productivity in 1999, increasing to 93% in 2000 – SME productivity increasing 6% over 1999-2000. However, it

<sup>52</sup> It should be noted that, to be consistent, if a subsequent monitoring figure in, say, 2007 measured an average trend 1996-2007 then to gain the increase the latest (2007) would have to be particularly high. (See chart in LEPU report for how VAT stocks fluctuate year-on-year).

<sup>53</sup> LDA (2006b)

<sup>54</sup> Assistance can include 'marketing', but excludes 'electronic or hard copy mail-shots and brochures' – i.e. attending a 2hr+ event is valid.

<sup>55</sup> The Anker SPA survey notes 32% using business support, although this was a small survey.

<sup>56</sup> <http://www.dti.gov.uk/about/strategy-objectives/PSA-Targets/page14315.html>

would be very difficult to monitor GVA change at Croydon or LEGI levels. SME turnover UK-wide increased 4% over 1999-2000 (3% for all firms), though again this IDBR-based survey data (from the ABI) is not readily available at local level.

Croydon LEGI and LAA targets have yet to establish figures and the indicator should adopt the DTI PSA definition – i.e. attempt to estimate the overall change in SME productivity (compared with all firms / total economy), rather than the number of firms with productivity improvement (though a primary survey could also measure this).

We make an estimate for the percentage of SMEs with productivity increase based on survey data and the Annual Survey of Hours of Earnings (ASHE/ONS), though this is not particularly robust. Adopting the DTI measure of productivity change across all SMEs could be measured for Croydon using the ASHE and possibly local turnover data from IDBR/ABI – though primary local surveying would be better.

Annual median earnings growth (for all firms) averaged 2.2% in Croydon compared with 3.6% for London, suggesting a gap to close of 1.4 percentage points (England data can also be obtained). Due to possible wage inflation (with actual output productivity per labour unit unchanged), further analysis of ASHE and IDBR/ABI trends should also note overall and wage-inflation trends, nationally.

#### LAA 8 - No of businesses attracted to Croydon

In the new LDA guidance the measure ‘businesses attracted to the region’ is also a subset of LAA 3 on growth. This further distinguishes between ‘corporate establishments that have been attracted to the region’ through support activity – including first branches of UK-established companies; and foreign direct investments (FDIs). An indicator that can benchmark the local area against London and England would be ‘*Businesses investments attracted to Croydon, making use of local labour (per 10,000 VAT enterprises)*’.

The Croydon LAA targets note a baseline of 10 investments per year, from Croydon Council and Croydon Business Ltd records, with a target of 15 per year, a 50% increase with LEGI support.

In the LEPU report, data from London First Centre (LFC) list **8 FDIs** into Croydon, or 9 per 10,000 VAT firms (compared with a London average of 37 per 10,000). As FDIs probably only account for a minority of all regional investments, the baseline rate is likely to be higher – further LFC data could be obtained. However, an ‘uplift’ to the London FDI-only rate would be unrealistic (a baseline of around 15 per year and increase to 30 for all investments is more probable, subject to LFC data).

*Croydon LEGI - LAA Indicator Baseline Methodologies*

<b>LAA</b>	<b>Indicator</b>	<b>Methodology</b>	<b>Source data</b>
1	Number of people considering going into business (% of adult population) – Total	SBS entrepreneurial survey in London found 15% of people thinking about starting a business ('thinkers'). No Croydon rate possible from survey, hence London rate applied to LEGI wards and Croydon in proportion to their total enterprises per 1,000 population relative to the London rate. (N.B. It is assumed that there is a causal link between actual firms and interest, in a particular area)	Small Business Service Household Survey of Entrepreneurialism (SBS, 2004) Total enterprise data sources (see above)
2	Increase Enterprise in the NR Areas (more enterprise in disadvantaged communities, VAT registrations per 10,000 resident adults)	New VAT registrations data provides trend and baseline figures to national, regional and local authority district levels. On the same principle as above, the Croydon LEGI area rate is calculated in proportion to the estimated stock of total enterprises at Croydon borough and LEGI levels.	VAT-registrations data 1994-2004 (ONS) Annual Population Survey (ONS)
3	No of new businesses created & demonstrating growth after 12 months	There is no definitive methodology. However, it can be estimated via a combination of new VAT registrations data. This is then multiplied by estimated business start-up survival rates at Croydon level (based on London and England rates for 12 months). The 'demonstrating growth' aspect is taken to be the percentage of firms with employment growth, based on LABS and SBS small firm surveys.	VAT registrations data (ONS) SBS business survival rates (DTI/ONS) London Annual Business Survey (LABS, LDA) Annual Small Business Survey (SBS/DTI)
4	Self-employment rate (% economically active)	2006 self-employed for Croydon, London and England derived from projecting 2005 level by 2004-05 rate to 2006. Croydon wards for 2006 based on ratio of 2006 to 2001 level for Croydon applied to 2001 ward data. The same projection is applied to economically active rates.	2001 Census (ONS/NOMIS) APS / Labour Force Survey (ONS/NOMIS)
5	Net increase in VAT registrations (% change in VAT-registered start-of-year stocks on previous year)	This is measured simply as the change in VAT-business stocks. However this can fluctuate greatly year-on-year so an average cyclical 10-year trend gives a better picture of performance.	VAT registrations data 1994-2005 (ONS)
6	Number of businesses assisted to improve their performance (% using support over the year)	The new LDA outputs guidance (LDA 2006) clarifies that business assistance can include any support activity aimed at increasing performance (though simple surveying or mailing contacts are not counted). National SBS surveys provide a regional take-up rate, while local surveys give indications of Croydon and LEGI area rates.	Croydon LEGI Bid (Croydon Strategic Partnership, 2005) Annual Survey of Small Business UK 2004/5 (SBS, 2006) Ancer Spa survey of business support (Croydon Council, 2004a)
7	Small businesses whose productivity has improved (% of VAT firms)	This should technically be measured via gross value added (GVA) output per employee, however this is very difficult at the local level. Turnover might be used as a proxy for GVA but would require local surveys to measure. LABS (2004) reports share of London firms with productivity increase; earnings change data (AHSE) for Croydon and London might be used to estimate Croydon productivity improvement.	London Annual Business Survey (LDA 2004) Annual Survey of Hours and Earnings (ASHE, ONS/NOMIS)

LAA	Indicator	Methodology	Source data
8	Businesses investments attracted to Croydon, making use of local labour (per 10,000 VAT enterprises)	London First Centre FDI Database reports 1090 FDI in London and 8 in Croydon in 2003-04 (CGS 2004a, p.109). Croydon LEGI bid notes 21 investments to central Croydon but doesn't state period. Croydon ward FDI weighted in proportion to share of VAT enterprises. Non-FDI could be used to	London First Centre (City Growth Strategy, 2004a) VAT registrations data (ONS/NOMIS)

*Croydon LEGI – Comparison Between Current Croydon LAA Targets and LEGI Baseline Estimates*

LEGI LAA Targets						LEPU Baseline Report						
LAA Indicator	Base-line (ex LEGI)	06/07	07/08	08/09	3-yr % chng	PI definition	Base - LEGI area	Base - Croydon	Uplift to London rate	London uplift % on base	Uplift to England rate	Engl'nd uplift % on base
LAA1 (Croydon target) - Increase the number of people considering going into business	2500 <i>(1% of w/age popn)</i>	3000	4000	5000 <i>(2% of w/age popn)</i>	<i>+2500 (+100%)</i>	Number of people considering going into business (% of working-age population)	n/a	27,210 <i>(12% of w/age popn)</i>	33,000 <i>(15% of w/age popn)</i>	<i>+5790 (+21%)</i>	24200 <i>(11% of w/age popn)</i>	<i>-3010 (-11%)</i>
LAA2 (LEGI area target) - Increase Enterprise in the Neighbourhood Renewal Areas	To be estab.	To be estab.	To be estab.	To be estab.	To be estab.	More enterprise in disadvantaged communities (VAT registrations per 10,000 resident adults)	<i>35 per 10,000 adults (470 total reg.)</i>	n/a	<i>75 per 10,000 adults (1007 total reg.)</i>	<i>+537 (+114%)</i>	<i>53 per 10,000 (712 total reg.)</i>	<i>+242 (+51%)</i>
LAA3 (Croydon target) - New businesses created and demonstrating growth after 12 months	200	220	250	300	50%	<i>New businesses created and demonstrating growth after 12 months (new VAT registrations per 10,000 x 1 year survival rate x % employment growth firms)</i>	n/a	<i>8 per 10,000 adults (170 total)</i>	<i>14 per 10,000 adults (300 total)</i>	<i>+130 (+76%)</i>	<i>10 per 10,000 adults (220 total)</i>	<i>+50 (+29%)</i>
LAA4 (Croydon target) - Self-employment rate as % of economically active	11.0%	11.0% <i>(220 starts)</i>	11.3% <i>(225 starts)</i>	11.4% <i>(280 starts)</i>	3.6%	Self-employment rate as % of economically active	n/a	<i>12.5% (22100 total)</i>	<i>14.7% (25990 total)</i>	<i>+3890 (+18%)</i>	<i>12.1% (21393 total)</i>	<i>-707 (-3%)</i>

LEGI LAA Targets						LEPU Baseline Report						
LAA Indicator	Base-line (ex LEGI)	06/07	07/08	08/09	3-yr % chng	PI definition	Base - LEGI area	Base - Croydon	Uplift to London rate	London uplift % on base	Uplift to England rate	Engl'nd uplift % on base
LAA5 (Croydon target) – Net increase in VAT registrations	7475 stock (2005)	15 growth (0.21%)	52 growth (0.50%)	109 growth (0.75%)	0.75%	% change in VAT-registered start of years stocks on previous year	n/a	0.66% (av. 53 increase per year 1994-05)	1.99% (160 per year)	+107 per year (+202%)	1.18% (95 per year)	+42 per year (+179%)
LAA6 (Croydon target) - No of businesses assisted to improve their performance	1500	1750	2000	2500	67%	No of businesses assisted to improve their performance (% used support per year)	n/a	8250 (25%)	9890 (30%)	+1650 (+20%)	9890 (30%)	+1650 (+20%)
LAA7 (Croydon target) - No of small businesses whose productivity has improved	To be estab.	To be estab.	To be estab.	To be estab.	To be estab.	An improvement in the overall productivity of small firms (annual % SMEs vs. all firms)	to be est. from ASHE/IDBR	to be est. from ASHE/IDBR	to be est. from ASHE/IDBR	to be est. from ASHE/IDBR	to be est. from ASHE/IDBR	to be est. from ASHE/IDBR
LAA8 (Croydon target) – No of businesses attracted to Croydon	10 per year	12 per year	15 per year	15 per year	50%	Businesses investments attracted to Croydon, making use of local labour (per 10,000 VAT enterprises)	n/a	9 per 10,000 (8 per total year)	37 per 10,000 (33 total per year)	+25 total (+313%)	n/a	n/a

In the following three sections we discuss in more detail the current baseline situation of Croydon and the LEGI area, including noting baseline estimates for other, non-LAA, indicators listed in the draft Delivery Strategy.

## **Outcome 1 – Enterprise Activity (New Start-Ups)**

The first outcome theme focuses on individuals and entrepreneurial activity at progressive stages.

### O1 - Strategic Impact Outcomes

**Enterprise** activity rates seem to differ between the overall average and target groups. The London Annual Business Survey monitors black and minority ethnic (BME) business ownership and regional and sub-regional levels, but not borough-level. The London South BME enterprise ownership rate is 15%, however the BME population makes up around 25%.<sup>57</sup> This disparity can be applied to the enterprise rate indicator to give a BME rate in the LEGI area of 75, compared with the average of 120 per 1,000 working-age population (the Croydon borough estimate is 90).

Similarly, female enterprise-ownership rates are below average. The SBS annual survey of small business, when including mixed-ownership, found 28% female ownership or 24% for firms with employees – around half of the population rate.<sup>58</sup> Nationally, 26% of the self-employed are women<sup>59</sup> and the SBS entrepreneurs survey found a ratio of female to all enterprise ‘doers’ of 62% of the average.<sup>60</sup> However, the LDA ABS survey found only 10% of regional firms owned by women.<sup>61</sup> We therefore estimate around 25% women-owned enterprises which works out as 60 per 1,000 population in the LEGI area and 75 across Croydon.

In the core LAA indicators we estimated, based on the SBS entrepreneurs survey, that 10% of people in the LEGI area were **considering enterprise** for work (compared with 12% for Croydon, 15% for London and 11% for England, noted earlier). This was based on the rate of ‘thinkers’ about enterprise nationally and regionally. The survey found that young people (aged 19-24) were more likely to be thinking about enterprise; when applied to Croydon and the LEGI area, we estimate that 13% and 15% young people, respectively, are considering enterprise. There is no direct local evidence and education subject-type data is not necessarily an indicator of leavers’ destinations. However, in Croydon 7% of those aged 16-18 take business administration courses.<sup>62</sup>

The number of **new enterprise** (taken as VAT registrations) per 10,000 working-age population (LAA 2) in the LEGI area rate is estimated at 35, which compared with a Croydon rate of 43, England 53, and London 75. The rate in the capital is boosted by the City, Docklands and West End, but Croydon is a sub-regional central business district itself and might expect to pitch closer to the regional average, and at least be above the national average. Based on enterprise density, LEGI area start-up rates seem lowest in Fieldway, Bensham Manor and Selhurst wards.

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<sup>57</sup> LDA (2004)

<sup>58</sup> SBS (2006)

<sup>59</sup> Croydon Strategic Partnership (2005)

<sup>60</sup> SBS (2004)

<sup>61</sup> LDA (2004)

<sup>62</sup> LSCLS (2005), p.61.

However, the VAT data does not account for all start-ups. The Barclays Bank Survey of start-ups estimates (by grossing up Barclays' business banking data for the total UK market) a larger count of 2,300 for Croydon in its half-year survey (possibly 4,600 per annum) and a start-up per 10,000 rate of 108.<sup>63</sup> This would mean grossing up starts by 2.5 times (i.e. 108 divided by 43) and as we estimate total enterprise to be 3.8 times VAT businesses in Croydon, this could be plausible.<sup>64</sup>

The LAA target 3 monitors business sustainability and growth after 12 months, however **business survival rates** are also recorded after 3 years. Heart of South London City Growth Strategy analysis found that overall 61% survived over three years, a rate similar to that of London but below both the South London average of 65% and the England average of 66%. The CGS area survival rate was also lower than the boroughs of Lambeth, Bromley and Croydon (64%, 67% and 65%, respectively).<sup>65</sup>

'**New jobs** created or safeguarded' (as a % of all jobs in the area) is a standard indicator for RDAs and local BVPIs.<sup>66</sup> For Outcome 1, this could be gathered from monitoring data on start-ups. However in the meantime we have calculated a net job growth for micro firms with 1-10 staff: our estimate is -0.93% in North West Croydon and 0.2% increase in New Addington-Fieldway, compared with -0.14% in London and 0.11% growth nationally. This suggests that London is not as favourable for the smallest firm as might be expected.

### O1 - LEGI Programme Outputs

The programme output indicators for enterprise activity and start-ups are essentially a progression from the indicator for 'people considering enterprise'. From this there are progression, or 'conversion', rates into outreach engagement, support programme participation, start-up commitments, and sustained enterprise. This is clearly illustrated in the Croydon LEGI delivery strategy, which we summarise as follows:<sup>67</sup>

#### *LEGI Programme Enterprise Progression*



Rates at which individuals progress successfully along the stages from idea to sustained business are key to enterprise growth. The local ambition might be for 100% progression but in reality only a proportion will succeed, hence it is as much for the LEGI programme to challenge (and improve) the current baseline (2006) rates estimated here.

For **Latent entrepreneurs** involvement in 'outreach activities to raise awareness of entrepreneurship', we estimate 53% of those who are considering enterprise might be

<sup>63</sup> Barclays (2004), p.6

<sup>64</sup> N.B. The Total Enterprise figure includes all residents self-stated as 'self-employed', many of whom will not open business bank accounts.

<sup>65</sup> CGS 2004b, p.26

<sup>66</sup> We suggest this can be split between jobs from start-ups, jobs from SME growth, and jobs from inward investment.

<sup>67</sup> Croydon LEGI (2006), p.15

engaged. This is based on the proportion in London of 'thinkers' in the SBS entrepreneurship survey being 'serious' about enterprise.<sup>68</sup> This results, for all people, in 5% of working-age (7,200) in the LEGI area – i.e. around half of the 10% 'considering' - and 7% (14,400) across Croydon. However enterprise interest seems to be higher among BME groups, with 21% of Asian and 31% of Black respondents (26% BME average) in the same SBS survey being enterprise 'thinkers' compared with 11% on average.<sup>69</sup> The SBS small business survey also found more BME-owned firms seeking formal support – 31% compared with 25% on average.<sup>70</sup> Based on this we estimate 7% of BME residents in the LEGI area being 'latent' entrepreneurs and 8% across Croydon.

Based on similar calculations we estimated only 4% of women in LEGI and 5% across Croydon could be engaged in awareness. From the SBS survey, interestingly, single women with dependent children are more likely than on average to be thinking about starting a business and could be engaged (6% LEGI, 7% Croydon). This can be expected given their greater need for financial independence.

Young people not in employment, education or training (NEET) are said to make up 8.8% of those in Croydon aged 16-18.<sup>71</sup> The SBS entrepreneurship survey found a higher 14% of aged 19-24 and even higher 18% of unemployed (all ages) being enterprise 'thinkers'.<sup>72</sup> This would point to a higher rate among the young NEET target group, which we estimate as 10% in LEGI and 12% in Croydon borough areas. A final target client group is those with a disability or Incapacity Benefit (IB) claimants: based on a lower rate in the SBS survey, we estimate 5% LEGI and 6% Croydon awareness engagement.

**Pre-starts** are the next step, with the indicator definition being 'engaged in actions to support business creation or self-employment'. The SBS entrepreneurship survey points to a quite high ratio of 'doers' to 'thinkers+doers', however the same survey found only 13% of 'thinkers' taking up some study or training. Hence, there is not a very clear steer for this indicator but 20% conversion might be reasonable – this equates to 1.1% (1,400) of LEGI area and 1.3% (2,900) of Croydon working-age populations. In the SBS survey, the ratio for BME entrepreneurs, nationally, seemed to result in fewer pre-starts compared with those interested in enterprise, hence a lower conversion of 12% was applied, resulting in 0.8% of BME adult population being involved in pre-start support. Women, however, have a similar conversion rate to men, which (by coincidence) also results in 0.8% of the female adult population in pre-start support. We have seen that young people NEET are likely to have a higher interest in enterprise, but are half as likely to convert into pre-start take-up (i.e. 10%), which results in 0.9% of all YP NEET. Finally, people with disabilities or IB claimants are marginally less likely to take-up pre-start support (16%, or 0.8% of the total disabled/IB population).

There is no direct evidence for enterprise **Starts** however we assume only 25% of those in pre-start support seriously commit to starting a business: a 1 in 4 rate would be consistent with overall new start-up rates for the area, resulting in 22 starts per 1,000 enterprises. The start rate for BME groups and women are estimated in proportion to their enterprise density – i.e. 13 and 11 starts per 1,000 enterprises, respectively. Of those start-ups that access sources of **finance**, the SBS survey found around 50% seeking finance; but local

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<sup>68</sup> SBS (2004)

<sup>69</sup> SBS (2004)

<sup>70</sup> SBS (2006)

<sup>71</sup> LSCLS (2005), p.55

<sup>72</sup> SBS (2004)

evidence points to only 14% of firms seeking being successful in securing financial support (i.e. 7%).<sup>73</sup> This results in 25 finance awards in the LEGI area, which is close to the 25 for North West Croydon noted in the LEGI bid. The BME success rate, with more applying, is estimated to be 8% (17 awards), while women rate lower at 6% (11 awards). Based on SBS survey entrepreneurs need for **premises**, we estimate 10% of start-ups (35).

One indicator under Outcome 1 that could not be estimated was for 'Primary School (age 8-13) engaged in enterprise awareness and links with employers'. This information might be collated directly from schools or via education business partnerships.

## Outcome 2 – Sustainable Growth (Existing Firms)

The second LEGI outcome focuses on existing small and medium sized enterprises (SMEs), with the emphasis being on their competitiveness and growth performance.

### O2 - Strategic Impact Outcomes

In the core LAA indicators we estimated SMEs with productivity improvement; it is also worth estimating straightforward **growth performance**, i.e. the number of firms showing a turnover increase (and also those not). The LABS survey found 28% of firms in London reporting turnover increases<sup>74</sup>, while a local survey by South London Business found 74% with turnover increases and 37% predicting positive growth over the next 12 months.<sup>75</sup> However, the latter was a quite small survey and as such a more modest 30% (below the London average) rate is suggested. Based on VAT-registered businesses only, this would point to 1,100 growth firms in the LEGI area, but around 2,500 not showing growth.

Data for the indicator in the Croydon LEGI delivery plan of 'Failure of locally-owned businesses (insolvency rate)' has not been found, although the VAT **deregistration** trends discussed previously give an idea (n.b. a deregistration does not necessarily imply a business failure). The estimated baseline deregistration rate for the LEGI area is 35 per 10,000 working-age population (based on the 1994 to 2004 trend), which compares with 42 average for Croydon, 60 for London, and 45 for England.

The **new jobs** created through the SME growth indicator has been estimated through employee change data for business units with 11-199 staff.<sup>76</sup> Expressed as a percentage of all existing jobs, the rate in the North West Croydon target area over 2003-04 (the nearest baseline) was 1.4%, while in New Addington-Fieldway this was only 0.9%. The Croydon borough average however was 2.4%, while London and England rates were 0.3% and 0.4%, respectively. Croydon, overall, would seem therefore to have relatively healthy SME job growth – but this is not the case in the target LEGI areas.

### O2 - LEGI Programme Outputs

An important programme-level indicator under Outcome 2 is 'SMEs taking up **business advice, support and/or training** for growth'. This would be measured in any mainstream

<sup>73</sup> Croydon Strategic Partnership (2005) – 13.5% success rate quoted for North West Croydon (90% of the LEGI area). High street business bank loan-decision data might also give local success rates.

<sup>74</sup> LDA (2004)

<sup>75</sup> SLB (2006)

<sup>76</sup> Annual Business Inquiry data (ONS)

business survey, however the London Annual Business Survey does not report down to Croydon level. The following more anecdotal evidence was found:

- 25% take-up in North West Croydon; 5% in New Addington-Fieldway<sup>77</sup>
- 32% support-use reported in LEGI target area Ancer Spa survey<sup>78</sup>
- 11% of London South firms use Business Link<sup>79</sup>
- Just over three quarters in London South provided training (76% - 86% in Croydon), with a third of delivered off-site of a combination<sup>80</sup>
- 28% of UK (and London) firms sought advice/info - 26% in deprived areas; 31% of BME-owned firms; 30% of women-owned firms.<sup>81</sup>
- around half (14 out of 31) of Croydon social enterprises are not using business support<sup>82</sup>

The rates above will apply to all forms of business advice and support, where the most commonly cited are private banks, accountants, or professional or trade associations. In the latest annual Small Business Service survey, only 35% of firms nationally were *aware* of public business support services and only around 5% actually used public sector support.

The annual SBS survey also found 30% of growth **SMEs needing finance** (or 8% of all SMEs). In the Croydon LEGI bid it was noted that there was low take up of the government's Small Firm Loan Guarantee (SFLG) fund. An estimate of 5% of SMEs in Croydon taking up external funding or finance is suggested, although this could be on the low side, which equates to 190 VAT-registered firms in the LEGI area.

Estimating new **premises take-up** by SMEs is also difficult, although a structured survey or complete property data would support this. UK-level evidence points to 35% of growing firms needing new premises, with 27% of the total being growth-firms, hence 9% of all firms seek premises for expansion reasons. Our estimate of 10% of 'SMEs accessing suitable premises for growth' equates to 380 VAT firms.

SMEs achieving new **procurement** sub-contracts is estimated at only 2% in the LEGI target areas and 6% across Croydon.<sup>83</sup> There is no other specific evidence for this indicator, but is something that would warrant more in-depth study. The local estimate suggests that only 80 firms have procurement contracts (based on public contracts), although this could be higher.

The 77 members in Croydon of the UK Trade & Investment (UKTI)<sup>84</sup> mission equates to only 1% of the business base. Across the UK, 7% of small firms mainly export and 21% do some overseas business. London and the South East firms are most likely to have export businesses.<sup>85</sup> For the indicator 'SMEs participating in international **trade events / missions**' we therefore estimate only a modest 5% of SMEs are active. SME participation in **business networks and collaborations**, in general, is an important indicator of local

<sup>77</sup> Croydon Strategic Partnership (2005) – CBSN data

<sup>78</sup> Croydon Council (2004a), p.22 (n.b. very small sample)

<sup>79</sup> LDA (2004)

<sup>80</sup> LSCLS (2005b). Survey of 500 SMEs across London South boroughs – 22% in Croydon (110 responses).

<sup>81</sup> SBS (2006)

<sup>82</sup> Croydon Council (2005), p.9.

<sup>83</sup> Croydon Strategic Partnership (2005)

<sup>84</sup> Ibid

<sup>85</sup> SBS (2006), p.202

clustering and capacity-building. Although we were unable to obtain exact local membership figures for the Chamber of Commerce or other associations, this in itself would not give the full extent of networking. The Business First event in Croydon reported 2,500 delegates, which is 15% of firms in the Croydon postcode area.<sup>86</sup> Meanwhile, the annual SBS survey found, nationally, 6% of entrepreneurs networking; hence, we estimate that 10% of local firms are involved in networking or collaborations.

Finally in this section, **innovation** and knowledge transfer is a key factor in SME development and growth, and is measured as a regional outcome target. The (small) South London Business survey reports low take-up of innovation, although 59% of South London firms are said to be interested in innovation as a priority: 66% of companies in the technology sector and 43% of companies in the manufacturing sector confirmed new product launches are in the pipeline.<sup>87</sup> At the London level, 40% of firms are involved in new product development; 27% are described as 'high-tech'; 24-40% of SMEs are involved in research and development (R&D); while 17-21% of firms are innovating.<sup>88</sup> At the UK-level, 28% have introduced innovation (but 37% among women-owned, 34% BME-owned and 36% of firms in deprived areas); and 40% of firms would introduce new products or services for growth.<sup>89</sup> These figures do not necessarily indicate the extent to which innovation is being accessed (and certain Higher Education programme data might support this). A provisional estimate for Croydon LEGI area is that 25% of firms access sources of innovation or knowledge transfer.

### **Outcome 3 – Inward Investment (Local Employment)**

The LEGI outcome focuses on inward investment and employment of local people.

#### O3 - Strategic Impact Outcomes

An estimate was made for the number of firms locating into Croydon and the LEGI area (LAA 8). Inward investments in Croydon over 2003-04 recorded by the London First Centre include:<sup>90</sup>

- Pegasus Solutions (Hospitality – 70 jobs)
- Tianjin Carpets (Wholesale – 3 jobs)
- Profakt GmbH (Business Services – 15 jobs)
- State of Mississippi European Office (Public Admin – 6 jobs)
- Hirai Seimitsu Corp (ICT – 2 jobs)
- LG Soft India (ICT – 10 jobs)
- Anges MG (Life Sciences – 2 jobs)
- Seismic Micro-Technology (ICT – 5 jobs)

However more detailed information on business inward investment, relocations, and area image and perceptions was not available during the course of this study and such measures cannot be estimated based on other sources. (There is therefore a need for primary research on this subject). Local evidence notes that 70% of companies are satisfied with South London as a business location; 40% of companies operate in South

<sup>86</sup> FAME database (Companies House)

<sup>87</sup> Croydon Strategic Partnership (2005)

<sup>88</sup> LDA (2004)

<sup>89</sup> SBS (2006)

<sup>90</sup> CGS (2004), p.109.

London because of excellent access to their clients; 30% because of the quality of life; 27% for access to markets and 20% because of local or regional transport links.<sup>91</sup> In 2003, 71% of Londoners were very or fairly satisfied with London as a place to live, with 78% very or fairly satisfied with their neighbourhood.<sup>92</sup> But local area perceptions need to include opinions from outside of Croydon, and benchmarks from other areas for comparison.

A report for local business group, SOLOMAN, has noted that 'South London is in advance of other areas of London in that few very large employers, vulnerable to worldwide economic trends, remain. These have been replaced by vibrant, diverse, innovative companies. These companies utilise high levels of skill and innovation to service secure niche markets locally and worldwide'.<sup>93</sup>

We can make an estimate concerning the indicator 'vocational skills supply relevant to investing employer needs'. This relates to **skills shortages** among employers: according to the Croydon LEGI bid there are 50% employers in London South with skills shortages<sup>94</sup>, while the LSC assessment is for 42% in the sub-region – rising to 43% for banking/finance, 44% for retail/distribution, and 49% for manufacturing, while 'creative industries' have a lower 38% skills shortage - and 22% of Croydon SMEs with skills gaps.<sup>95</sup>

We estimate that 25% of all Croydon firms have some **skills mismatch**. For particular sectors, we take a different approach by comparing the actual number of jobs in the area by sector with the number of residents (local people) working in each sector. The area- and resident-based employment figures are based on the projections for 2006, discussed earlier. The ratio can be expressed, at the Croydon borough level only, as the number of residents in a sector (labour supply) as a percentage of the number of jobs (labour demand) in the area. Anything over 100% points to over-supply while under 100% could be under-supply, although normal travel-to-work patterns should also be taken into account:

- *Manufacturing* – Croydon local labour 176% of local jobs. London ratio of 98% indicates regional net self-containment (i.e. neither inward nor outward commuting), hence Croydon - based on a projection of jobs decline - could have significant over-supply in manufacturing skills.
- *Retail/Distribution* – Croydon 58% labour/jobs, London 75%, hence higher in-commuting, but suggests Croydon has higher in-commuting in the sector and therefore local under-supply of skills.
- *Finance/Business Services* – Croydon 209% labour/jobs, London 60%. This is also based on a projection forward of local jobs decline and combined with the sector tending to have higher in-commuting, there is a risk of local skills over-supply in future.
- *Other Services* – Croydon 196% labour/jobs, London 110% (England 144%). Although this ratio might also point to over-supply, the national ratio highlights that around half of

<sup>91</sup> South London Business (2006)

<sup>92</sup> GLA (2004)

<sup>93</sup> LSCLS (2005), p.32 – reference to 'Report on activity with Manufacturers 2004-05', Prepared by Soloman for South London Business, Sept 2005.

<sup>94</sup> Croydon Strategic Partnership (2005)

<sup>95</sup> LSCLS (2005), p.25

working in the sector is not employee jobs but self-employment or other work modes (e.g. semi-volunteering). This sector is less reliant on larger inward investing companies but more about community-level activity.

Recent and new inward investment developments should be monitored for the proportion to which companies are using local labour supply (including short-term construction jobs). This information was not readily available but might be compiled from analysis of commercial developments and regeneration schemes.

As with start-ups (1-10 staff) and SMEs (11-199), we can calculate change in employees (based on ABI data) among large firms with 200+ staff as a proxy for changes in major investors. Change as a percentage of total employees shows declines in North West Croydon (-2%) and New Addington-Fieldway (-5%), and across Croydon borough (-5.5%). This compares with 0.5% annual increases in jobs in large firms at regional and national levels. Croydon and the LEGI areas seem weak in attracting/retaining large employers.

### O3 - LEGI Programme Outputs

The Outcome 3 indicators noted above are all area-based impacts that the Croydon LEGI programme would not count as a direct output unless it directly provides inward investment and retention services itself. There are no programme level indicators in the delivery strategy at present, however (as was noted in Chapter 3) there are labour market and inward investment referral outputs that could be counted as contributing to area-level performance. The LEGI programme could bring more people into the jobs market and support employability and skills-matching brokerage; and it could pass referrals to inward investment and premises agencies from its on-going links and consultation with the local business community.

In this chapter we have presented as best possible the limited existing local evidence against indicators in the LEGI delivery strategy. We have identified local information sources (see Annex 1) from which more evidence might be available, however an exact measure and monitoring of local performance would require primary data gathering.

## 6. Recommendations – Evaluation Framework

### Introduction

In this concluding chapter we bring together findings from the earlier chapters that can inform development of an on-going evaluation framework for the Croydon LEGI programme. We also make recommendations on how gaps in the evidence base can be filled and how survey and other data availability can support performance measurement throughout the LEGI programme timetable.

Firstly, we set out in summary a suggested framework for evaluation. Second, we specifically commissioned Ipsos-MORI to provide survey recommendations in response to the following questions:

- a) What types of primary survey methods (quantitative or qualitative) could be used by the LEGI programme to gather evidence from 'harder-to-reach' businesses and entrepreneurs in Croydon and its target wards (i.e. firms below the VAT-threshold, informal businesses, ethnic minority firms, nascent start-ups, young potential entrepreneurs etc)?
- b) What survey frequency (run quarterly, half-year or annually) would be appropriate, and what economies of scale through collaboration with other LEGI areas (Round 1 and Round 2, due to be announced) or national LEGI surveys?

Finally, we make some specific recommendations for data gathering via primary surveying, programme monitoring information and targeted studies to strengthen baseline knowledge.

### Evaluation Framework Overview

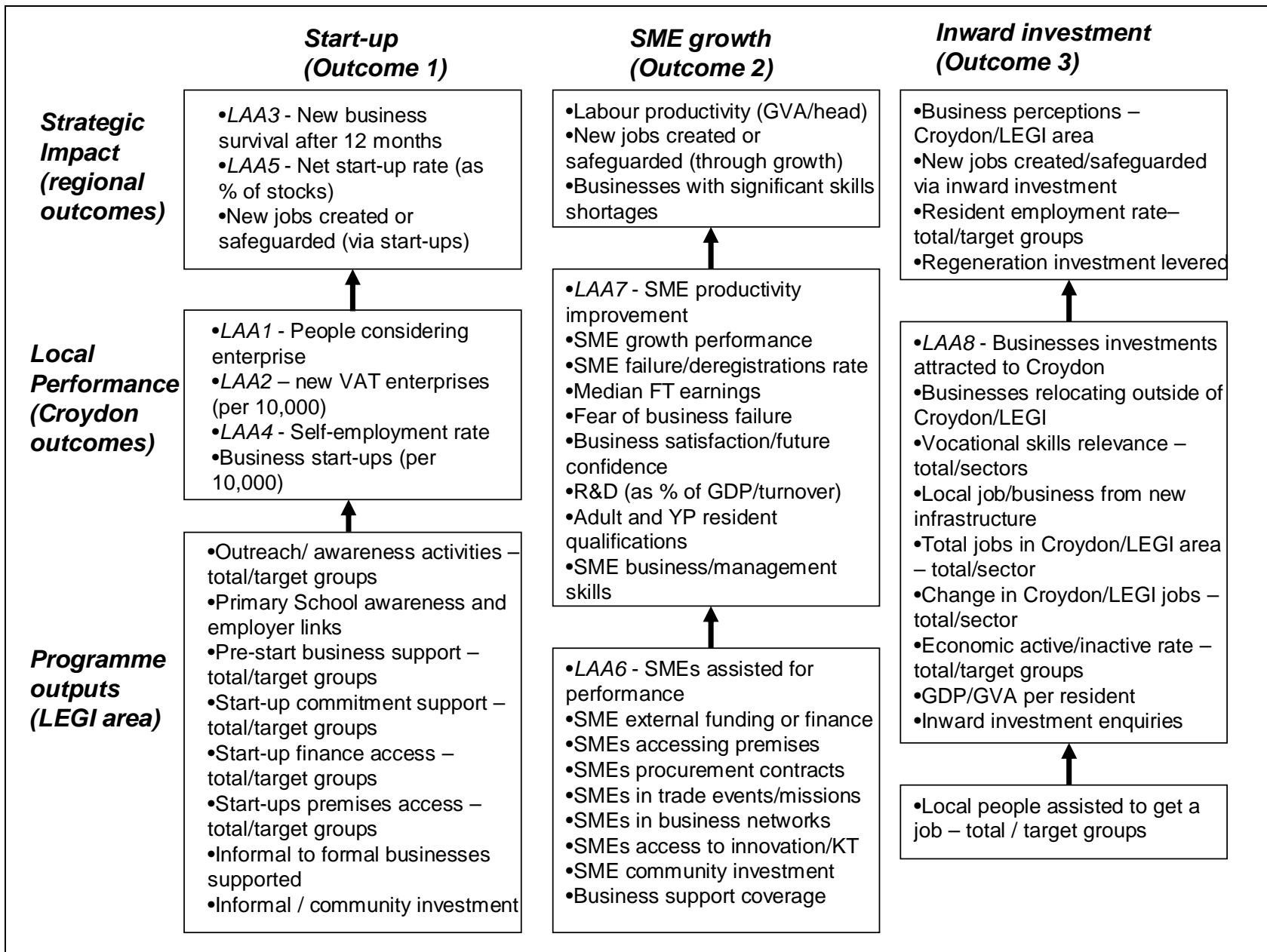
The overall evaluation framework will need to be able to assess each of the following:

- Performance against programme output targets
- Financial value-for-money assessment of unit output/impact costs
- Area-based net contributions to local and strategic regional outcomes
- Addressing of local needs, progression and barriers among all and target client groups
- Development of structures, management and delivery arrangements

This assessment may be based on a range of evidence sources, including official statistics, any existing local survey data, new local primary surveys, monitoring data, and qualitative information gathered via in-depth interviews with programme beneficiaries, other local stakeholders, programme officers, and policy representatives in and outside of the Croydon area.

At the core of the framework would be the comprehensive set of performance indicators (PI) that we have identified as being relevant to the LEGI programme. These are set out in full in the diagram overleaf. What is important is understanding how delivery activities and interventions supported by LEGI will result in desired outcomes and benefits to local people, businesses and the area economy as a whole. Programme-level output measures should therefore be identified, and data collected, appropriate to specific project activities.





For more qualitative and in-depth evaluation of the LEGI programme, the following questions could be considered:

- How is the programme affecting and improving people's and entrepreneurs' lives?
- What unintended consequences of LEGI participation have there been (positive or negative)?
- What quality and effectiveness of support has been given to individuals and businesses by LEGI-funded services
- What changes have there been in culture and attitudes towards enterprise and entrepreneurship, particularly in target areas and among target groups?
- How are perceptions of and confidence in Croydon and the LEGI area as a place to live and do business changing?

This is not an exclusive list but illustrates the types of qualitative questioning that would provide a more rounded and in-depth understanding of LEGI performance and possible improvements for the future.

### **Initial thoughts on primary reseach methods (Ipsos-MORI)**

The following outlines the various types of primary survey methods that could be used to access the views of the 'harder-to-reach' businesses and entrepreneurs in Croydon. We have assumed that the target groups are ones given as examples in the email below (i.e., firms below VAT threshold, informal business, ethnic minority business, start-ups, young potential entrepreneurs).

It is very likely that you would need to use a combination of approaches to include the variety of groups mentioned. In most cases, a combined quantitative/qualitative approach would ensure the highest level of inclusiveness. Telephone surveys are the most common and accepted method for conducting business surveys, but given that you are interested in accessing lower penetration groups, you may want to augment/inform a quantitative survey with some qualitative work. While qualitative approaches would not give you the large sample size you may be interested in, it would give you greater depth and context to the findings and is better suited to accessing the harder-to-reach groups.

In terms of survey frequency, annual or bi-annual waves would be most appropriate. As with other area-based initiatives (e.g., SRB), there is unlikely to be much change in anything under a year as it takes some time for the effect of an initiative to take root. Although with the NDC programme, the impact appears more apparent, this is likely to be related to the large-scale funding and relatively small areas that it is targeted at. In terms of economies of scale, it is likely that there would be some savings through collaboration with other LEGI areas.

It may also be of interest to note that the model used for the NDC evaluation involves a core questionnaire, but also area-specific questions that are paid for either by the national funding body or by partnership areas themselves. This has proved to be a useful way of obtaining some core measures, while capturing data on issues specific to individual LEGI areas. We would be happy to discuss this further with you.

Quantitative Approaches

	Telephone survey	Face-to-face survey	Postal survey	Online survey
Pros	Most common method for business surveys (relatively dispersed and used to conducting business on the phone)	Greater control over quotas and targets – can access businesses / individuals without phones	Good for sensitive issues, as interviewer bias is removed	Fast, efficient data collection
	Greater control over quotas and targets	Higher response rate compared to other methods	Can be completed at convenience of the respondent	Built-in 'routing' of the questionnaire which avoids the minimal amount of human error that can occur
	Cost effective and relatively short fieldwork period	High quality data	Cost effective	Real-time data is instantly available
Cons	Certain groups are excluded, such as some ethnic groups, informal businesses and entrepreneurs	Relatively high cost, particularly for the harder to reach individuals	Low response rate, particularly from certain groups, such as ethnic minorities and businesses	Extremely difficult to obtain representative sample (depends on availability of accurate email addresses)
	Difficult to obtain sample for businesses not VAT registered or not listed in various business registered/databases (official and unofficial)	Longer fieldwork period	Potentially long fieldwork period	Lower response rate compared to other approaches
			Less control over quality of response	

Qualitative Approaches

	Depth Interviews	Discussion Groups
Pros	Interviews can be arranged at the convenience of the respondent – audience would consist of busy people who tend to be difficult to bring together in larger numbers	Group interaction and dynamics can provide insight into wider social context - participants are often enthusiastic and feel part of consultation process
	Interviewers can drill down to high level of detail – provides greater depth and insight than quantitative approaches	Good for exploration where previous knowledge/experience may be lacking (e.g., with young potential entrepreneurs)
	Suitable to cover more sensitive topics or hard to reach audiences (e.g., informal businesses, ethnic minority businesses)	Can be accessible and interesting to clients (who have option of observing research)
	Can be used to feed into questionnaire design and provide context to quantitative findings	Good way to tap into lower penetration groups such as young potential entrepreneurs or ethnic minority businesses
		Can be used to feed into questionnaire design and provide context to quantitative findings
Cons	Small sample size – ability to generalise to whole population is limited	Small sample size – ability to generalise to whole population is limited
	Lacks 'hard numbers' to feed into evaluation	The moderator has less control over the data than in structured surveys
		Low penetration of certain groups means that discussions can be difficult to assemble and certain people may be discouraged from participating, e.g. those not confident or articulate
		Lacks 'hard numbers' to feed into evaluation

## Recommended Approaches

In order to access the views of as many 'hard to reach' businesses and entrepreneurs as possible, you will need to use a combination of methods

### **General listed businesses (and some hard-to-reach)**

- Telephone survey is the most common approach for business surveys and tends to achieve relatively high response rates (c. 50%)
- Sample is drawn from business telephone directories which include VAT registered, sole traders/self-employed and some ethnic minority businesses
- Some businesses below VAT threshold, more informal businesses or start-ups can be accessed by making links with local advice/support agencies (e.g., Business Link for London, Croydon Business Support Network, etc.)

### **Other hard-to-reach groups (informal businesses)**

- Given the low penetration of some groups such as informal businesses, it may be necessary to conduct additional/alternative research to access their views
- We would recommend conducting qualitative depth interviews recruited from local advice/support agencies

### **Ethnic minority businesses**

- While a telephone approach is the most common among businesses, it may not be inclusive enough to reach all target audiences – many ethnic minority businesses are small and locally-based and may not have listed telephone numbers
- A face-to-face methodology may be more appropriate and could be targeted at relatively small, geographically clustered areas
- Interviewers would conduct some initial investigations of the survey area in order to assess the types of businesses present. Quotas would then be set to get a good spread of different businesses and ensure that the sample is broadly representative of the local business profile
- This approach would lend itself to either quantitative interviewing or recruitment for more in-depth qualitative interviews, depending on your analysis needs

### **Young potential entrepreneurs**

- Low penetration group means that a qualitative approach is most appropriate
- Two primary means of recruitment
  - Contact with support organisations e.g., Prince's Trust that could put us in touch with suitable young people
  - Free-find recruitment at local FE colleges, screening on attitudes towards enterprise or those who are self-employed

### Alternative approach for young potential entrepreneurs

- It may also be possible to recruit a sufficient number of young people to conduct a discussion group using the recruitment methods outlined above
- Participants could be segmented according to analysis needs, for instance, by level of experience of enterprise or views towards entrepreneurship

The above is provided as ideas and possible options only and would be subject to available resources.

### Further Baseline and Monitoring Research Options

It has been noted from the outset of this report that the Croydon LEGI programme will need to allocate some of its evaluation resources towards periodic primary surveying in the target area. It could also commission certain one-off studies to strengthen some baseline evidence

#### Residents/Entrepreneurs Survey

In the Annex 2 comprehensive table of performance indicators we note, in the last column, where primary research is needed in the LEGI ward-level target area. Available data is limited to the 2001 Census for people and Annual Business Inquiry (2004) for businesses and jobs. As well as other official data sources and regular surveys such as LABS we identified other relevant enterprise surveys, but none of these provide ward-level data (and many not even Croydon-level). However, surveys such as LABS and the SBS Household Survey or Entrepreneurship (latest 2003) provide questionnaires that could be partly run locally to generate comparator data.

We suggest Croydon LEGI commissions an annual survey of residents and entrepreneurs in each of the 3 years to capture and monitor specific data to underpin the evaluation indicators. This survey may be conducted on a household, in-street or other face-to-face basis, but a telephone survey would not reach all target groups. The 'entrepreneurs' side would be to reach businesses run out of homes, workshops, on-the-road or from other non-business premises locations. Young people (age 13-19) and other target groups may need to be reached through innovative means.

	Sample Quotas				Working-age Population 2006 est.	%
	LEGI area	Other Croydon	Total	%		
Total	375	125	500	100%	220,000	100%
Women	188	63	250	50%	55,000	25%
BME	188	63	250	50%	33,000	15%
Young	113	38	150	30%	33,000	15%
Lone Parent	56	19	75	15%	22,000	10%
Disabled	30	10	40	8%	11,000	5%

Source: LEPU

The table above provides a possible sample frame biased towards the target areas for 500 responses, which we estimate to cost £25,000 per year on average (£50 per response). This survey might gain cost-savings if jointly-commissioned with some other LEGI areas.

### LEGI Business Monitoring Survey

There is a distinct lack of business surveys for Croydon and its local areas, and those that have been conducted have small samples that do not allow cross-variable analysis. An option might be to purchase a boosted Croydon sample in the London Annual Business Survey (LABS), however it would not be possible to tailor the questionnaire to underpin all LEGI evidence gathering, so would leave gaps. A new annual business monitoring survey would be designed for LEGI but also have a wider local audience (who may contribute to survey costs).

A Business Monitoring Survey will want to have an emphasis on SMEs and larger companies, and include a control sample of non-Croydon firms which could also be used to monitor external perceptions of the local area. The sample frame would be based on Croydon's business structure, though we suggest not including public sector organisation, and boosting a sample for 'other (community-based) services' sector, in particular.

	Sample Quotas			Total	Survey	Population
	LEGI area	Other Croydon	Non Croydon control		%	%
Total	250	150	100	500	100%	100%
size 1-10	75	45	30	150	30%	85%
size 11-49	100	60	40	200	40%	11%
size 50-199	50	30	20	100	20%	3%
size 200+	25	15	10	50	10%	1%
manufacturing/construction	38	23	15	75	15%	10%
retail/distribution	75	45	30	150	30%	31%
business/financial services	88	53	35	175	35%	26%
public sector	0	0	0	0	0%	28%
other services	50	30	20	100	20%	5%

Source: LEPU

Again, for 500 responses per survey we estimated an average annual cost of £25,000 based on running for 3 years. Some match funding could be sought.

### LEGI Knowledge Observatory

The programme wishes to build up an on-going resource in a 'knowledge observatory' that brings together the existing body of knowledge and identifies issues warranting further in-depth study. In this assignment we have started this process by obtaining a wide range of local, regional and national research evidence that can assist the programme.

We have identified two bespoke studies needed for Croydon:

- **Investment and Location Study** – Outcome 3 of the programme, on inward investment, should not be overlooked, alongside start-up enterprise, as attracting major inward investment could achieve a step change in economic performance. Although the Croydon delivery plan outcome indicators do not specifically include supply-chain and cluster links of firms (apart from general procurement), this is a key development issue. This study could analyse recent investment trends and regeneration-led developments and how local suppliers have benefited (or not), which would include temporary construction opportunities. It could include interviews with key informants in investment. Estimated cost: £20,000.
- **Enterprise Sector Dynamics Study** – In Chapter 2 of this report we begin to unpick the contexts and sources of potential business development in Croydon, however a more in-depth enquiry would be of value. This would not be a standard industry classification sector study but be based around the target client groups; reasons for starting a business; specific barriers and enablers; and how types of new enterprise would fit with the Croydon/London economy. It would explore franchising opportunities, social enterprise and other markets that could be entered. Estimated cost: £20,000.

We would recommend that the ‘knowledge observatory’ has a steering or ‘experts’ group that would consider and commission these and/or other bespoke studies.

### LEGI Project Feedback

National and regional guidance for LEGI bids has highlighted that much evidence on target groups etc needs to be collected from local partners, providers or statutory agencies. Delivery project commissioning will include monitoring information requirements, but to build a more comprehensive picture data should be sought from other public (and private) support providers. This is generally public-domain data and would be treated in confidence such that no direct cost should be incurred. The key provider sectors are:

- Business support – Business Link, Croydon Business, Chamber etc
- Skills and training – Learning & Skills Council, Colleges, private/VCO training centres
- Youth etc enterprise – Prince’s Trust
- Small business finance – business banks, SFLG, CDFIs etc
- SME premises – Croydon Council, property agents, affordable workspace

In Chapter 4 we noted that monitoring systems should be able to track the progression of individuals through the programme, or from the programme to other destinations. Requirements for follow up should be built into the project specifications, so that the progress of assisted businesses can be monitored at regular intervals.

Smaller, community-based business support agencies are best placed to engage and assist individuals in this predicament, however these agencies are the least well equipped for systematic data gathering. LEGI can support these organizations to adopt effective systems.

This information gathering system will involve the Croydon LEGI team establishing protocol agreements on data exchange that are mutually beneficial, and engages partners in on-going analysis of performance.

### Programme Evaluation Studies

Finally, the baseline and monitoring data gathered will primarily be for use in interim and final programme evaluations. We note in the framework overview, earlier in this chapter, what parameters an evaluation would cover. All the primary survey and research would directly support this assessment, and project feedback data can be analysed to assess performance. We estimate that two interim evaluations could be budgeted at £20,000 each, while a full final evaluation (3-year) would be £40,000 (and possibly commissioned after March 2008). This is subject to LEGI's continuation after the 2007 spending review.

### Summary and Cost Estimates

The Croydon LEGI has a total evaluation budget of £500k (120k in 2006/7, 180k in 2007/08 and 200k in 2008/09). This may not include other budgets for one-off research, however a programme would generally require greater allocation in its first year of development. Our estimate of costs is presented below.

#### ***Evidence Gathering and Evaluation Cost Estimates (£000s)***

	06/07 Q1	06/07 Q2	06/07 Q3	06/07 Q4	2006/ 07	2007/ 08	2008/ 09	3-year Total
Crime Survey	51				51			51
Evaluation Baseline/PI Framework		20			20			20
Residents/Entrepreneurs Survey			25		25	25	25	75
LEGI Business Monitoring Survey			25		25	25	25	75
Investment and Location Study			20		20			20
Enterprise Sector Dynamics Study			20		20			20
Evaluation – Interim (Y1 & 2)						20	20	40
Evaluation – Final (3-year)							40	40
<b>TOTAL</b>	<b>51</b>	<b>20</b>	<b>90</b>		<b>161</b>	<b>70</b>	<b>110</b>	<b>341</b>

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## Glossary

ABI	Annual Business Inquiry (ONS)
APS	Annual Population Survey
BME	Black and Minority Ethnic
BVPI	Best Value Performance Indicator
CBI	Confederation of British Industry
CGS	City Growth Strategy
DTI	Department for Trade and Industry
DWP	Department of Work and Pensions
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Global Enterprise Monitor (Deloitte / London Business School)
GLA	Greater London Authority
GOL	Government Office for London
GVA	Gross Value Added
HSL	Heart of South London (CGS area)
IB	Incapacity Benefit
IDBR	Inter-Departmental Business Register
LAA	Local Area Agreement
LABS	London Annual Business Survey
LDA	London Development Agency
LEGI	Local Enterprise Growth Initiative
LFS	Labour Force Survey
LSC	Learning and Skills Council
NEET	Not in Employment, Education or Training (Young People)

NOMIS	National Online Manpower Information Service
NUTS	Nomenclature of Units for Territorial Statistics (EU)
ONS	Office of National Statistics
PSA	Public Service Agreement
RDA	Regional Development Agency
SBS	Small Business Service
SFLG	Small Firms Loan Guarantee
SME	Small or Medium-sized Enterprises
TEA	Total Entrepreneurial Activity (GEM measure)
VAT	Value Added Tax

## Annex 1: Enterprise Data and Providers

### Enterprise surveys

Provider / Sponsor	Publication Date	Report / Resource Name	Survey Geography / Sample Sizes	Frequency and timing
Ancer Spa / Croydon Council	2004	Analysis of Business Support and Development Needs in North West Croydon and New Addington and Fieldway	NW Croydon / Fieldway-NA = 60 interviews	one off
Barclays Bank	2004	Barclays Small Business Survey – Start-Ups and Closures First Half 2004	actual Barclays data and estimates of market share	twice year
Chamber of Commerce	2005	Chamber of Commerce Business First		
Croydon Business		Business Focus Report		
Croydon Council	2005	Croydon Council Survey of Procurement		Annual
DTI	2002	Prodata report		
Learning & Skills Council London South	2005	Learning & Skills Assessment of Croydon	Secondary / ILR data	3-year plan
LEGI collect data	2006	LEGI Customer Contact Form		continually updated
London Business School	2005	Global Entrepreneurship Monitor	UK = 32,500 adults; London = 1,500 in London; est. Croydon = 50	Annual
London Development Agency	2004	Annual London Business Survey	London = 4000; London South = 773; est Croydon = 150	Annual
Office of National Statistics (ONS)	Various	Annual Population Survey	London borough = min 450 Croydon (not ward)	Annual (since 2004) Jan-Dec data release June
Office of National Statistics (ONS)	Various	Labour Force Survey	London borough = min 450 Croydon (not ward)	Quarterly / Annual May06 change to calendar quarters
Croydon Council / Nighat Taimuri	2005	Report for the Local Economic Growth Initiative (LEGI) bid for Social Enterprise Research	Croydon = 31 responses	one off
Small Business Service	2003	Small Business Household Survey of Entrepreneurship	England = 10,000; London = 800; est Croy = 25	Annual
Small Business Service (SBS)	2006	Annual Survey of Small Businesses 2004/5	UK = 7,500; England = 5,300; est. London = 1,000; est. Croydon = 30	Annual (Autumn / Winter)

<b>Provider / Sponsor</b>	<b>Publication Date</b>	<b>Report / Resource Name</b>	<b>Survey Geography / Sample Sizes</b>	<b>Frequency and timing</b>
South London Business	2004	South London Business Survey	6 Boroughs = 376 response; est Croydon = 63	one-off
South London Business	2006	Property Data Base, Retention Survey		continually updated
South London Business	??	South London business focus database		

## Support providers

<b>Provider Name</b>	<b>Client group</b>
1230 Women's Company	Women
Academy of Enterprise	Young People
Acca	Women
Aurora	Women
Business Angels Network	
Business Dynamics	Young People
Business Enterprise Centre	?
Business in the Community	Young People
Business Focus (provides start up services on behalf of Business Link for London)	
Business Link for London	
Business Link Surrey	General
CAN – online (Community Action Network)	
CandoCanBe	Women, Surrey, Sussex
Community Links	?
Continuing Education & Training Service	
Croydon Business	
Croydon Business Support Network	General
Croydon Business Venture	General
Croydon Chamber of Commerce	General
Croydon Connexions	Young People
Croydon First - networking event	General
Croydon Innovation Centre	General
Education Business Partnerships (EBP)	Young People
EMICA Research	
Enspiral Ltd	Women
Enterprise Insight	Women
Everywoman Ltd	Women
Fredericks Foundation	Women, Disadvantaged people, Surrey, Sussex...
Global Women Inventors and Innovators Network (GWIIN)	Women

<b>Provider Name</b>	<b>Client group</b>
Innovate South London	General
Interactiv Solutions	
KINESIS	
LMU Centre for Micro Enterprise	Women 50+
London Business Angels	
Makepeace Consulting	Women
New Economics Foundation	Deprived areas
Prefix Associates LLP	Women, health
Prince's Trust	Young People
Prowess	Women
SEED	Women
SENSE: Social Enterprise Network for Social Entrepreneurs	Social Enterprise
Shell LiveWIRE	Young People
SLEMBA South London Ethnic Minority Business Association	BME
Social Enterprise Coalition	Social Enterprise
SOLOMAN	Manufacturing
South London Business	General
The Asian Resource Centre in Croydon	BEM
The Enterprise Zone	Women, BME, disadvantaged groups
The Women's Company	Women
UniSdirect	Women, general
Women and Manual Trades	women in manual trade
Youth Enterprise	Young People

## Annex 2: LEGI Performance Indicators Schedule

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
<b>OUTCOME 1 – ENTERPRISE ACTIVITY (NEW START-UPS)</b>											
<b>O1 - Strategic outcomes/impacts</b>											
Number of people considering going into business – Total	1.1a		✓	LAA1	✓	DTI (6)			SBS Household Survey of Entrepreneurship 2003	Sample: Eng 10,000 Lon 800 Croy ~25	Residents / entrepreneurs survey
Number of people considering going into business – Young People	1.1b		✓		✓				Princes Trust data? Connexions data?		Residents / entrepreneurs survey
Increase Enterprise in the NR Areas (more enterprise in disadvantaged communities, VAT registrations per 10,000 resident adults)	1.2	✓	✓	LAA2	✓	✓	✓		VAT data (ONS): annual 04 Population: APS 04 / 2001 census	VAT: 04 Croy, Lon, Eng Popn: model ward for 04	Residents / entrepreneurs survey Business Monitoring Survey
New businesses created and demonstrating growth after 12 months	1.3			LAA3				✓	SBS survival rates (DTI): annual 94-03	SBS: Lon, Eng	Residents / entrepreneurs survey Business Monitoring Survey (LABS05 Q.22a/28)
Self-employment rate (% economically active)	1.4		✓	LAA4		✓			APS/LFS (ONS): annual 04 2001 Census (ONS)	APS: Croy, Lon, Eng Census: all	Residents / entrepreneurs survey
Change in no. of VAT-registered businesses (% of stocks)	1.5			LAA5			✓		VAT data (ONS) annual	Croy, Lon, Eng	n/a
New jobs created or safeguarded (through start-	2.6a						✓	✓	ABI: annual change employees for micro (1-	ABI: all	Residents / entrepreneurs survey

<sup>96</sup> Croydon LEGI (2006), Connecting to Opportunity – LEGI Delivery Strategy, draft v8, Annex 1.

<sup>97</sup> Croydon Strategic Partnership (2005), Connecting to Opportunity – Croydon's LEGI proposal, December, Section 4.3.

<sup>98</sup> Based on project specification information provided by Croydon LEGI.

<sup>99</sup> Local Area Agreement Indicators: noted as 'LAA Mandatory' in Bid - Croydon Strategic Partnership (2005), Annex to Section Four (second column); 8 key LAA targets – Croydon LEGI (2006), Annex1.

<sup>100</sup> HM Treasury (2005), Enterprise and economic opportunity in deprived areas – consultation on LEGI proposals, March, p.50.

<sup>101</sup> Public Service Agreements: PSA 6 – Enterprise (DTI); PSA 4 – Productivity (HM Treasury); DWP 4 - Employment.

<sup>102</sup> Audit Commission (2005), Economic Regeneration Definitions Manual, November. BVPI – Best Value Performance Indicators

<sup>103</sup> LDA Economic Development Strategy and Corporate Plan

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
ups)									4) SENSE Project data?		Business Monitoring Survey (LABS05 Q.1/4)
Total enterprise activity in the area (per 1,000 adult population) – Total					✓				VAT stocks (ONS): annual 04 Self-employment (ONS): annual 01/05 ABI business units: annual 04 FAME	VAT: Croydon Self-Emp: 01 all, 05 Croy, Lon, Eng ABI: all FAME: Croydon postcodes	Residents / entrepreneurs survey (LABS05 Q.9/10)
Total enterprise activity in the area (per 1,000 BME adult population) – BME community-owned					✓				Self-Employment: 2001 Census (ONS)	Self-Emp: Croy, Lon, Eng	Residents / entrepreneurs survey Business Monitoring Survey (LABS05 Q.17)
Total enterprise activity in the area (per 1,000 female adult population) – Women-owned					✓				Self-Employment: APS annual 04	Self-Emp: Croy, Lon, Eng	Residents / entrepreneurs survey Business Monitoring Survey (LABS05 Q.15)
Net start-up rate (VAT registrations less deregistrations) as % of stocks			✓					✓	VAT data (ONS): annual 04	VAT: 01 ward; 04 Croy, Lon, Eng	n/a
New businesses that are social enterprises											Residents / entrepreneurs survey Business Monitoring Survey
New jobs created that are in social enterprises			✓				✓				Residents / entrepreneurs survey Business Monitoring Survey
<b>O1 - LEGI programme targets</b>											
Involved in outreach activities to raise awareness of entrepreneurship (Latent) – Total	1.6a	✓	✓	✓							Residents / entrepreneurs survey LEGI Project Feedback
Involved in outreach activities to raise awareness of entrepreneurship (Latent) –	1.6b	✓	✓	✓	✓						Residents / entrepreneurs survey LEGI Project

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
BME community											Feedback
Involved in outreach activities to raise awareness of entrepreneurship (Latent) – Women	1.6c	✓	✓	✓	✓						Residents / entrepreneurs survey LEGI Project Feedback
Involved in outreach activities to raise awareness of entrepreneurship (Latent) – Lone Parents	1.6d	✓	✓	✓							Residents / entrepreneurs survey LEGI Project Feedback
Involved in outreach activities to raise awareness of entrepreneurship (Latent) – Young People NEET	1.6e (ref 1.8)	✓	✓	✓							Residents / entrepreneurs survey LEGI Project Feedback
Involved in outreach activities to raise awareness of entrepreneurship (Latent) – Disability / IB claimants	1.6f	✓	✓	✓							Residents / entrepreneurs survey LEGI Project Feedback
Primary School (age 8-13) engaged in enterprise awareness and links with employers	1.7	✓	✓	✓							LEGI Project Feedback
Engaged in actions to support business creation or self-employment (Pre-start) – Total	1.9a	✓	✓								Residents / entrepreneurs survey LEGI Project Feedback
Engaged in actions to support business creation or self-employment (Pre-start) – BME community	1.9b	✓	✓	✓	✓						Residents / entrepreneurs survey LEGI Project Feedback
Engaged in actions to support business creation or self-employment (Pre-start) – Women	1.11a	✓	✓		✓						Residents / entrepreneurs survey LEGI Project Feedback
Engaged in actions to support business creation or self-employment (Pre-start) – Young People NEET	1.8	✓	✓	✓							Residents / entrepreneurs survey LEGI Project Feedback
Engaged in actions to support business creation or self-employment (Pre-start) –	1.12	✓	✓	✓							Residents / entrepreneurs survey LEGI Project

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
Disabled / IB claimants											Feedback
New start-up commitments (Starts) supported in target areas (% of Total)			✓				✓				
New start-up commitments (Starts) supported, per 1,000 VAT-registered businesses – Total		✓	✓				✓				Residents / entrepreneurs survey LEGI Project Feedback
New start-up commitments (Starts) supported, per 1,000 VAT-registered businesses – BME community	1.10	✓	✓		✓		✓				Residents / entrepreneurs survey LEGI Project Feedback
New start-up commitments (Starts) supported, per 1,000 VAT-registered businesses – Women	1.11b	✓	✓		✓		✓				Residents / entrepreneurs survey LEGI Project Feedback
Start-ups access to sources of finance inc. Seed loans (Starts) – Total	1.13a	✓	✓								Residents / entrepreneurs survey LEGI Project Feedback LABS05 Q.38/39/40/41
Start-ups access to sources of finance inc. Seed loans (Starts) – BME community	1.13b	✓	✓						ditto		Residents / entrepreneurs survey LEGI Project Feedback LABS05 Q.38/39/40/41
Start-ups access to sources of finance inc. Seed loans (Starts) – Women	1.13c	✓	✓						ditto		Residents / entrepreneurs survey LEGI Project Feedback LABS05 Q.38/39/40/41
Start-ups access to relevant start up premises – Total	1.14a	✓	✓						South London Business (SLB) property database? Workspace & other providers? Incubator units?		Residents / entrepreneurs survey LEGI Project Feedback LABS05 Q.24/32
Start-ups access to relevant	1.14b	✓	✓						ditto		Residents /

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
start up premises – BME community											entrepreneurs survey LEGI PC LABS05 Q.24/32
Start-ups access to relevant start up premises - Women	1.14c	✓	✓						ditto		Residents / entrepreneurs survey LEGI Project Feedback LABS05 Q.24/32
Business activity change from informal to formally registered					✓						Residents / entrepreneurs survey LEGI Project Feedback
New enterprise access to informal and community investment					✓						Residents / entrepreneurs survey LEGI Project Feedback
<b>OUTCOME 2 - SUSTAINABLE GROWTH (EXISTING FIRMS)</b>											
<b>O2 - Strategic outcomes/impacts</b>											
Small businesses whose productivity has improved	2.2		✓	LAA7		DTI (6)			FAME database		LABS05 Q.4/28
Small business growth performance (sustainability growth)	2.3			✓							LABS05 Q.22a/28
Failure of locally-owned businesses (insolvency rate)	2.4			✓	✓						n/a
Business VAT deregistrations (per 10,000 working-age population)	2.5			✓	✓		✓		VAT data (ONS)		n/a
New jobs created or safeguarded (through growth)	2.6b		✓	✓			✓	✓	ABI: annual change employees for SME (11-199)	ABI: all	LABS05 Q.21
Labour productivity (GVA per worker)					✓	✓		✓	ABI/IDBR	NUTS3 (London sub-region) Borough-level modelling possible	LABS05 Q.4/27
Median annual earnings for full-time workers - All							✓				
Median annual earnings for full-time workers – Male							✓				

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
Median annual earnings for full-time workers - Female							✓				
Businesses with significant skills shortages								✓			LABS05 Q.48b
Fear of business failure (expect downturn/closure)					✓						LABS05 Q.25/31
Satisfaction of business with future prospects (business confidence)							✓		Chambers of Commerce?		LABS?
Research & Development spend (as % of GDP/turnover)						✓			DTI/OST	Regional	LABS05 Q.27/56
Adult residents with No Qualifications							✓				
Adult residents with Level 2 Qualification							✓				
Adult residents with Level 3 Qualification							✓				
Adult residents with Level 4 (degree) 3 qualification						✓	✓		APS/LFS (ONS) LSC	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Age 16-19 with Level 2+ qualification						✓			APS/LFS (ONS) LSC	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Age 19-21 with Level 3 and Level 2 qualification						✓			APS/LFS (ONS) LSC	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Business, management and/or finance skills in existing SMEs					✓						LABS05 Q.75
<b>O2 - LEGI programme targets</b>											
<b>Businesses assisted to improve their performance (growth performance)</b>	<b>2.1</b>		✓	<b>LAA6</b>				✓			<b>LABS05 Q.65</b>
SMEs taking up business advice, support and/or training for growth	2.7		✓	✓							LABS05 Q.65
SME taking up external funding or finance	2.8		✓								LABS05 Q.38/39/40/41
SMEs accessing suitable premises for growth	2.9		✓						South London Business (SLB) property database?		LABS05 Q.24/32

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
									Workspace & other providers?		
SMEs achievement of new sub-contracts and/or public procurement	2.10		✓						Croydon Council Survey of Procurement		LABS05 Q.43/44
SMEs participating in international trade events / missions	2.11		✓						UK Trade & Investment data?		LABS05 Q.57 LEGI Project Feedback
SMEs participating in business networks and collaborations	2.12		✓						CBSN, SLEMBA, ARC surveys? Membership lists: Croydon Business; Croydon Chamber; South London Business; SLEMBA; ARC etc (get names to check duplication)		LABS? LEGI Project Feedback
SMEs accessing sources of innovation (knowledge transfer)	2.13		✓			✓		✓	CBSN survey? London University Knowledge Transfer Partnerships (KTP) etc data? Innovate South London (SLB) data? LDA Connects grant data?		LABS05 Q.54/55/57/58/59
Existing enterprise access to informal and community investment					✓						e.g. community / voluntary enterprises
Coverage and availability of business support/advice services					✓						LEGI Project Feedback LABS05 Q.57
<b>OUTCOME 3 – INWARD INVESTMENT (LOCAL EMPLOYMENT)</b>											
<b>O3 - Outcome/impact measures</b>											
<b>Businesses investments attracted to Croydon, making use of local labour</b>	<b>3.1</b>	✓	✓	<b>LAA8</b>			✓		<b>Croydon Council inward investment data?</b>		<b>LEGI KO-business investment study</b>
Businesses or franchises locating to target areas	3.2	✓	✓	✓					Croydon Council inward investment data?		LEGI KO-business investment study
Businesses relocating to outside of Croydon	3.3a	✓	✓	✓					SLB business retention surveys?		LEGI KO-business investment study

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
Businesses relocating to outside of target areas	3.3b	✓	✓	✓					SLB business retention surveys?		LEGI KO-business investment study
Business perceptions of Croydon	3.4a		✓	✓	✓			✓	Croydon Business BIDS survey? Croydon LEGI Business Crime Survey?		LABS?
Business perceptions of target areas	3.4b	✓	✓	✓	✓			✓			LABS?
Vocational skills supply relevant to investing employer needs (total level)	3.5	✓			✓				APS/LFS (ONS) LSCLS ILR data Job forecasts		n/a
Local employment and business opportunities from new infrastructure (e.g. construction jobs)	3.6	✓	✓	✓					Health Sector investment impact data		LEGI KO-business investment study LABS05 Q.43/44
New jobs created or safeguarded (through inward investment)	2.6c		✓				✓	✓	ABI: annual change employees for large (250+) n.b. show major investments/ disinvestments? Regeneration plans data? Property development industry data?	ABI: all	LEGI KO-business investment study
Total local jobs in Croydon and target area – by industry sector							✓				
Annual change in local jobs in Croydon and target areas – by industry sector							✓				
Residents in employment (% of working-age) in Croydon and target areas – Total					✓		✓	✓	APS/LFS (ONS)	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Residents in employment (% of working-age) in Croydon and target areas – BME community					✓		✓	✓	LFS	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Residents in employment (% of working-age) in Croydon and target areas – Women					✓		✓	✓	LFS	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Residents in employment (% of working-age) in Croydon					✓		✓	✓	LFS	Borough (model ward from 2001)	Residents / entrepreneurs survey

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
and target areas – Lone Parents										LSC	
Residents in employment (% of working-age) in Croydon and target areas – Young People					✓		✓	✓	LFS	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Residents in employment (% of working-age) in Croydon and target areas – Disability / IB Claimants					✓		✓	✓	LFS	Borough (model ward from 2001) LSC	Residents / entrepreneurs survey
Residents economically inactive (% of working-age) in Croydon and target areas – Total							✓				
Residents economically inactive (% of working-age) in Croydon and target areas – BME community							✓				
Residents economically inactive (% of working-age) in Croydon and target areas – Women							✓				
Residents economically inactive (% of working-age) in Croydon and target areas – Lone Parents							✓				
Residents economically inactive (% of working-age) in Croydon and target areas – Young People							✓				
Residents economically inactive (% of working-age) in Croydon and target areas – Disability / IB Claimants							✓				
GDP/GVA per capita (resident population)					✓		✓		workplace-based median earnings or business turnover proxy?		n/a
Public and private regeneration infrastructure investment levered								✓			LEGI KO

indicator	Croydon Delivery Strategy (PI no.) <sup>96</sup>	Croydon Bid <sup>97</sup>	Croydon Project Spec. <sup>98</sup>	Block 4 LAA <sup>99</sup>	National LEGI <sup>100</sup>	PSA <sup>101</sup>	AC BVPI <sup>102</sup>	LDA Tier 2/3 <sup>103</sup>	Existing data/ surveys & frequency	Existing data geog. available	Primary research in target areas
No. of inward investment enquiries (per 10,000 econ active population)							✓				
Investing business perceptions of local administration barriers/support					✓						LEGI KO
<b>O3 - LEGI programme targets</b>											
Local people assisted to get a job – Total								✓			Residents / entrepreneurs survey LEGI Project Feedback
Local people assisted to get a job – BME community											Residents / entrepreneurs survey LEGI Project Feedback
Local people assisted to get a job – Women											Residents / entrepreneurs survey LEGI Project Feedback
Local people assisted to get a job – Lone Parents											Residents / entrepreneurs survey LEGI Project Feedback
Local people assisted to get a job – Young People NEET											Residents / entrepreneurs survey LEGI Project Feedback
Local people assisted to get a job – Disability / IB claimants											Residents / entrepreneurs survey LEGI Project Feedback