

London Borough of Richmond upon Thames LOCAL ECONOMIC ASSESSMENT



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EXECUTIVE SUMMARY

- 1 Local Economic Assessments (LEA) are part of a range of documents that provide a strategic evidence base for councils and their partners. The role of the LEA is to present the facts about Richmond borough's economy to help the council and partners ensure that economic issues are taken account of in the development of policies, strategies and service plans.
- 2 The London Borough of Richmond upon Thames commissioned Roger Tym & Partners and Renaisi to deliver this LEA in the summer of 2010, drawing on the most up to date data available at this time.

Summary of findings

Richmond as a business location

- 3 Richmond borough is a relatively **small but successful business location**. In 2007, there were 10,100 VAT registered business units in the borough. The stock of businesses has grown faster than in London as a whole since 2000 and business density levels are high.
- 4 The borough has also attracted a number of **inward investors** as a result of its proximity to Heathrow, connectivity to Central London, access to skilled labour, high quality environment and cheaper rents than in the City. It has been particularly popular with energy, retail, ICT, financial and professional services, and marketing companies.
- 5 Richmond borough is a **dynamic economy**, recording faster job and business growth than the national average since 2001, but one which generates **below average levels of value** from the goods and services it produces. This is in part because of the weight of micro-businesses and self-employment in the local economy as they tend to be less productive, not benefiting from economies of scale as larger companies do.
- 6 Businesses are concentrated in the main centres of Richmond, Twickenham and Teddington. However, they are also present throughout the borough, even in residential areas in part as a result of the presence of small shops, studios and home-based businesses.
- 7 The sectoral structure of the economy is **diversified**, offering good protection against sector-specific shocks to the economy. The largest sectors locally include business services, creative industries and the visitor economy. They have all experienced job growth over the last 10 years.
- 8 **Business Services** is the largest sector in Richmond borough, providing 3 out every 10 local jobs in 2008. Most of these jobs are in legal, accounting and consulting professions; secretarial services and call centres. Firms in this sector encompass sole-traders serving local people / businesses (e.g solicitors), as well as large corporations looking for high quality offices and town centre or business park locations. Business Services is forecast to be the main driver of job growth in the future but this may be constrained by the limited potential to expand floorspace provision.
- 9 **Creative industries** provide over 11,500 jobs. There are a number of large businesses, for instance at Teddington Studios, but the sector is mostly made up of very small businesses and self-employed residents. As such they are more likely to be home-based or occupy small converted premises, their main priority being low rent and flexible leases.

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- 10 The **visitor economy** supports around 8,600 jobs, almost 12% of all jobs compared to 8% in London. The analysis suggests there is potential to increase value in the sector, for instance with regards to hotel provision and associated spend on accommodation, and by encouraging visitors to stay longer and benefit from the proximity to London and Heathrow in a high quality environment.
- 11 **Retail** is also a large employer, albeit one which has stagnated over the last few years and one which could potentially be larger in view of the disposable income of Richmond borough's residents. Currently, a significant proportion of retail expenditure is leaked to Kingston and other London destinations. This is a sign that town centres' vitality and their appeal to shoppers, residents and other businesses could be improved.
- 12 The borough is expected to experience **further employment growth over 2010-2031** according to GLA Economics and Oxford Economics, although the forecasts for jobs created differ across the two organisations.
- 13 The forecasts raise the question of capacity i.e the availability of adequate employment floorspace to accommodate growth. To date, there is a **lack of new/ high-quality stock** on the market. There is also an **acute shortage of potential development sites** and pressure from higher value uses, namely housing, mean that there is limited potential to expand the provision of employment floorspace. This is an area of concern for Richmond borough's ability to remain a competitive office and inward investment location and to retain local businesses as they expand. Overall, employment floorspace provision may be the single most important constraint on future employment growth in the borough.
- 14 Transport is another critical part of a competitive economic infrastructure. It is a key driver in business location decisions and their efficient operation. In the case of Richmond Borough, the connectivity to Heathrow and Central London by public and private transport is an asset. However, as elsewhere in London, the rise in road congestion both in and outside peak hours is a growing concern. In addition, the existing radial infrastructure hinders more north-south connections in the sub-region.

Richmond workforce

- 15 In 2009, approximately 71,200 people worked in Richmond. There is a high proportion of self-employed workers and local research suggests that **home-based self-employment** and **5 to 9 self-employment** (people starting a new business in the evening, after work) particularly significant.
- 16 The high level of self-employment is reflected in the occupation profile of the workforce with 15% classified as 'Corporate Managers', the largest occupation category. The other main occupations reflect the sectoral structure of the economy. They are: Culture, Media and Sport occupations; Caring Personal Service Occupations; Administrative Occupations; Teaching & Research Professionals; and Elementary Administration and Service Occupations.
- 17 Output per person working in Richmond borough is around **£38,600**, on a par with the England average but 30% lower than the London average. This translates into workplace earnings which are 17% below the London average. The gap has widened over the last 10 years as workplace earnings in Richmond rose more slowly than in London as a whole.
- 18 There are signs that the workforce does not meet all the skills requirements of local employers with 12% of respondents to our business survey saying they experienced skills

gaps amongst their staff. This is more acute in some sectors than others. The data on vacancies also suggests there may be some **recruitment difficulties** with the lower paid occupations, especially Elementary and Personal Service Occupations. These include positions in health and social care; childcare; cleaners; bar staff; kitchen assistants and waiters / waitresses. People in these types of jobs cannot afford to live locally. As a result, some businesses need to recruit outside the borough. In the case of key workers, it could potentially impact on the delivery of key essential services such as schools and social care.

- 19 It is estimated that **half of those who work in the borough also live in the borough** and the remainder come from neighbouring local authorities, mainly Hounslow, followed by Spelthorne, Kingston-upon-Thames, Wandsworth and Elmbridge. The Census shows that Richmond borough relies heavily on Hounslow for lower paid occupations.

Richmond residents

- 20 There are approximately **180,000 residents in Richmond**, 13% more than 20 years ago. Population forecasts suggest that future growth potential will be significantly constrained by housing capacity. The GLA estimates a 6% increase between 2008-2031.
- 21 Local residents tend to be highly educated and highly paid, enabling them to afford to live in a borough where house prices are very high. In 2009, the **median house price in Richmond borough was £377,750** compared to £250,000 for London and £170,000 nationally. The average house now costs 11.5 times average earnings.
- 22 This gap between local earnings and local house prices drives residents' commuting patterns to Central London and helps to explain why local businesses can struggle to recruit staff for lower paid positions. Approximately 62% of Richmond residents commute outside the borough for work, mostly to central London, Hounslow and Kingston-upon-Thames.
- 23 Despite this overall wealth, there are some persisting **areas of disadvantage**, predominantly focussed in parts of Ham, Castlenau, Mortlake, Heathfields and Hampton, although disadvantage can and does present itself across the borough. The drivers of disadvantage differ across different areas and responses by the council and partners need to be nuanced in relation to this.

Key issues

- 24 The analysis suggests five key issues specific to the local economy. In a workshop setting as part of this work, stakeholders agreed with these conclusions and that, although not exhaustive, they are the most critical to the competitiveness of the borough:
- Quality, quantity and price of premises
 - Competitiveness of local centres
 - Growth opportunities for small businesses
 - Recruitment and skills progression for lower paid jobs
 - Housing affordability

1 INTRODUCTION

- 1.1 This report is the London Borough of Richmond-upon-Thames' Local Economic Assessment (LEA). It is complemented by a database providing the key indicators used in this report.

Purpose of the LEA

- 1.2 LEAs are part of a range of documents that make up the evidence base used in the planning process. They are not strategic documents; their role is to provide the economic baseline, i.e facts, to inform Local Development Frameworks and, ultimately, direct resource allocation. This LEA incorporates the latest data from national and local sources on Richmond borough as a place to do business, work and live. The Council and partner organisations should use this research to shape their own plans, funding bids or strategies.
- 1.3 In Richmond borough, the LEA will feed into the Community Plan, enhancing its economic content. The refreshed Community Plan is likely to take a sub-area approach, looking at 7 or 8 centres in the borough and developing Community Plans for each of them.
- 1.4 It will also inform future plans within the LDF and be the basis for further work by Richmond borough on economic policy choices. As such it must help develop practical interventions which will align with the new administration's manifesto. It should identify opportunities for the borough as a business location, and any weaknesses and threats which cannot be tackled by the market alone.

The scope of the LEA

- 1.5 The focus of the LEA is on local economic issues and in particular on:
- Key sectors of interest including business services, the visitor economy, retail, creative industries, research & development, and the green sector.
 - The role, nature and prospects of town centres in the borough, including smaller neighbourhood parades.
 - Employment growth prospects.
- 1.6 In order to achieving an in-depth understanding of these themes, and the drivers of or constraints on growth in Richmond borough, we explore a wide range of factors such as transport, employment land, skills, business churn and housing affordability amongst others.

Our approach

- 1.7 We have elected a bottom-up approach to analyse the strengths and weaknesses of the borough as a business location: whether changes in the economy originate from global / national events or from grassroot activities, the local economy will react through three channels: its businesses; its workforce and its residents. Each group shapes the local economy and has relationships which extend beyond the borough boundaries, linking it to the wider economy.

- 1.8 The analysis presented in this document combines statistical data, local intelligence, relevant research and the results of a local business survey¹. It builds on the extensive amount of research already available in the studies commissioned by the council and aims to bring it together to help better understand the local economy. However, different sources can sometimes show discrepancies in their figures so it is always worth checking the original source.
- 1.9 The structure of this report reflects this approach, the wider economic context and the client's requirements:
- Chapter 2 sets the wider economic and policy context which is going to influence the borough's growth prospects and the Council's strategic priorities. Each chapter concludes with a review of the main findings and their potential implications for areas of policy intervention.
 - Chapters 3, 4 and 5 analyse the key characteristics, roles and needs of Richmond businesses, workers and residents as well as their linkages to the London, UK and global economy.
 - Chapter 7 draws from the preceding analysis in order to provide an overview of Richmond's economic geography, summarising the profile and role of the main town centres;
 - Finally, Chapter 8 provides a summary of key findings and a series of recommendations for the client.
- 1.10 *Please note that, throughout the report, 'the borough' or 'Richmond borough' is shorthand for the London Borough of Richmond-upon-Thames.*

¹ The survey included 335 local businesses and discussed location choices, business premises, business performance, skills and sources of business support.

2 THE WIDER ECONOMIC AND POLICY CONTEXT

- 2.1 This LEA is undertaken in times of transition both in political and economic terms. As such it needs to strike a balance between taking a medium to long-term view of what the local economy needs in order to prosper and recognising the potential impact of short term shocks on its future capacity for growth. In addition, our recommendations need to be mindful of changes in the delivery framework of public interventions both in terms of financial resources and emerging policy priorities.
- 2.2 This chapter sets out the wider economic and strategic which the LEA must take into account.

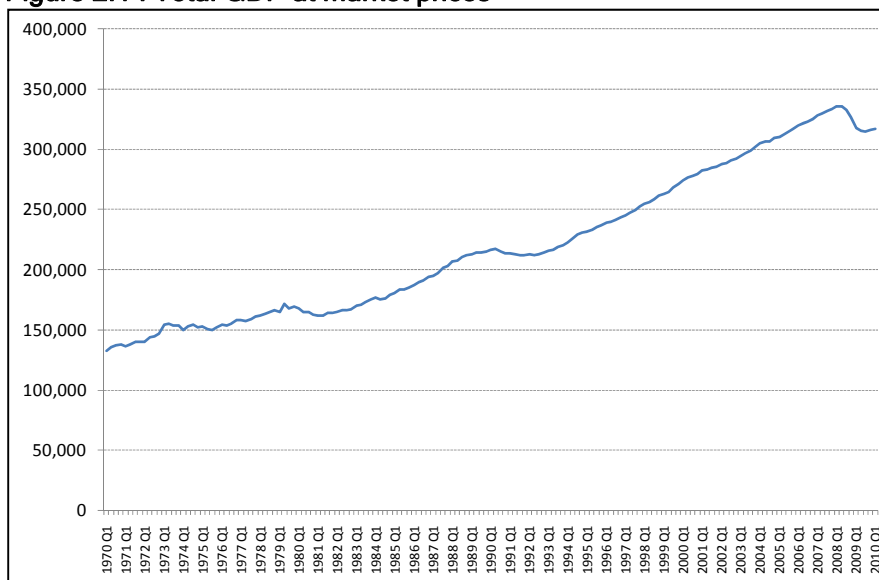
Economic context

- 2.3 The current recession, which started in 2008, has hit the UK hard and its impacts are still being felt. There are cyclical i.e. short-term impacts which should not be over-stated as part of the LEA but there may also be structural impacts which will affect the capacity for growth of the national and local economies in the medium and longer-term.

The recession so far

- 2.4 The output of the national economy, measured by the chained volume measure of Gross Domestic Product², started to drop in the second quarter of 2008 as seen below. It continued to decline until the last quarter of 2009 when it rose again, albeit very slightly. Overall, annual GDP measured in this way rose by only 0.5% in 2008 and contracted by 4.9% over 2009.

Figure 2.1 : Total GDP at market prices

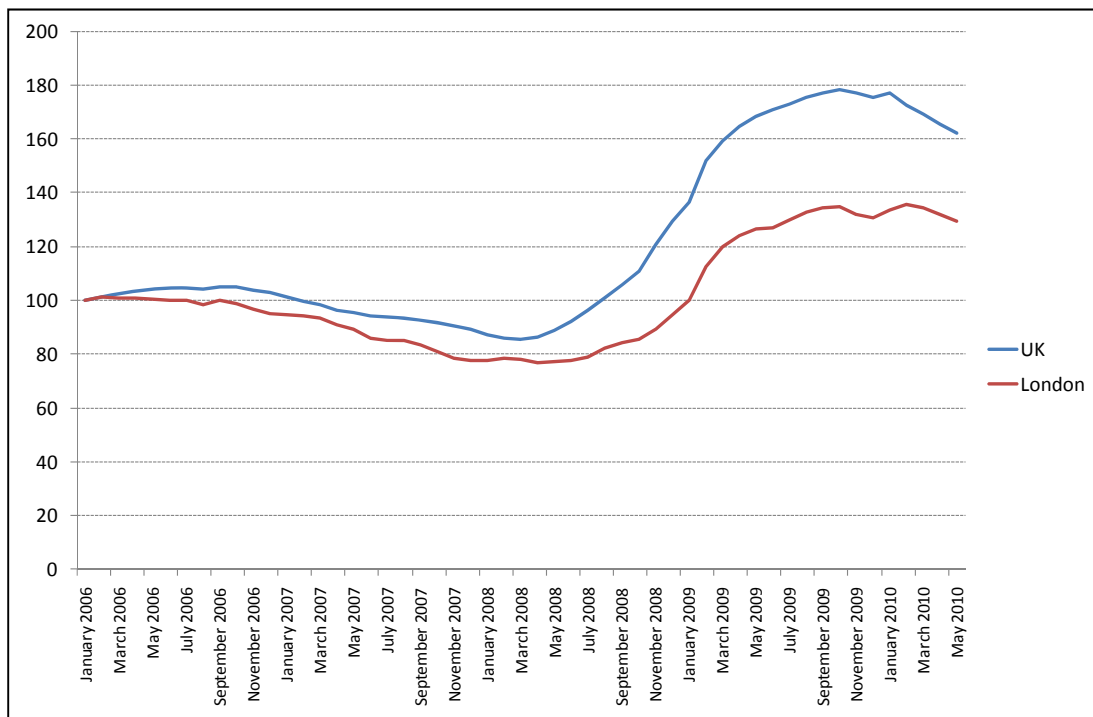


Source: Office of National Statistics

² GDP is the total value of all the goods and services produced by labour and capital in a country. It provides a measure of economic activity.

- 2.5 All sectors bar government services have experienced a decline in output over the period 2008-2009, albeit over some slightly different timescales. Manufacturing, construction, distribution and retail were hit first. Manufacturing and Construction have suffered the most over 2008 and 2009 although there has been a small recovery in manufacturing and distribution since the last quarter of 2009 and in construction in the second quarter of 2010.
- 2.6 Despite the recession originating in finance and business services, the sector was hit later (3rd quarter 2008) and to a lesser extent in terms of Gross Value Added³. At its lowest point, during the third quarter of 2009, GVA in the sector was about 6% lower than at the beginning of 2008. Aside from the public sector, it is the lowest loss of value experienced across the UK economy. In addition, since the end of 2009, GVA has started to rise again.
- 2.7 Government services have been least affected with a 1.3% rise in GVA in 2008 and a small loss (-0.7%) in 2009. However, the planned reduction of public expenditure is bound to lead to job losses.
- 2.8 While regional GVA is not available for 2010, these sectoral differences suggest that London would have been affected sooner but less harshly than other parts of the UK due to the weight of the finance and business services in the capital. This is corroborated by claimant counts, available to May 2010 and illustrated below.

Figure 2.2 Claimant Counts



Source: Office of National Statistics

³ GVA, like GDP, is a measure of economic activity. It measures the contribution to the economy of each individual producer, industry or sector. The GVA generated by any unit engaged in production activity can be calculated as the residual of the units' total output less intermediate consumption (that is, goods and services used up in the process of producing the output). GVA is an important component in the estimation of GDP.

- 2.9 Claimant counts have followed similar trends nationally and in London, but have remained consistently lower in the capital. Since January 2008, claimant counts have risen by 86% in the UK as a whole and by 66%, 87,400 people, in London.

The outlook for the future

- 2.10 A wide range of forecasts are produced and updated regularly on the UK economy's future prospects. However, they should be read with caution as they tend to rely heavily on trends-based data which can be inadequate to estimate the duration and impacts of events such as the current recession. In addition, they do not yet include the potential effects of the high cuts in public expenditure announced in the October 2010 Comprehensive Spending Review.
- 2.11 Below we summarise the growth forecasts published by the International Monetary Fund, the HM Treasury and independent forecasters. While estimates vary, they all assume a slow recovery from the recession.

Table 2.1 : Forecast GDP growth in the UK

	International Monetary Fund	HM Treasury (budget report)	HM Consensus of Independent Forecasters
2010	1.3%	1.2%	1.3%
2011	2.5%	2.3%	2.0%
2012	2.9%	2.8%	2.2%
2013	2.8%	2.9%	2.4%
2014	2.7%	2.7%	2.4%
2015	2.5%	2.7%	n/a

- 2.12 At an international level, the **International Monetary Fund** forecasts a slower recovery in the UK to 2015 than in other advanced economies. It projects GDP increases of 1.3% in 2010, 2.5% in 2011 and 2.9% thereafter⁴.
- 2.13 The **HM Treasury** broadly concurs with this view as the latest average growth estimate is +1.3% in 2010 and +2.1% in 2011⁵. However, the comparison of independent forecasts, also published by HM Treasury⁶, shows a more cautious view with regards to recovery.
- 2.14 This is supported by the **Bank of England**⁷ which produces a range of possible growth scenarios for the short-term and estimates that, despite a slight rise in GDP in the first quarter of 2010, overall growth levels will not return to pre-recession levels before 2011.
- 2.15 Overall, the pace of recovery will be determined by several factors: the extent of cuts in the public sector as a result of the need for a substantial fiscal tightening; the further strengthening in the balance sheet of the UK banking sector; and the private sector's

⁴ International Monetary Fund, World Economic Outlook, April 2010

⁵ HM Treasury, Budget Report, June 2010

⁶ HM Treasury, Forecast for the UK economy: a comparison of independent forecasts, July 2010

⁷ Bank of England, Inflation report, May 2010

desire for higher savings in an environment of increased uncertainty. As a result, the strength and speed of the recovery remains uncertain and there are concerns about the possibility of a double-dip recession.

Growth forecasts for London and Richmond Borough

- 2.16 In November 2009, the GLA published employment forecasts for London and each individual borough over the plan period 2007-31. A year later, Oxford Economics published forecasts for London and South London⁸ over 2008-2031. There are significant differences between the two sets of estimates, both for London and Richmond Borough, which reflect the modelling assumptions used by each organisation.

GLA Economic

- 2.17 The GLA method is based on a triangulated method combining:
- Historical Trends - This is based on trend output growth which is applied to future forecasts to derive employment forecasts for the future. Forecasts for individual sectors are derived based on historical sector performances.
 - Site Capacity - This identifies potential employment sites availability across the boroughs of London and their estimated job capacity.
 - Accessibility - This acknowledges the relative pull of particular boroughs and reflects changes in accessibility as a result of scheduled infrastructure investment. The underlying rationale, is that improved accessibility to a location may stimulate development and consequently employment.
- 2.18 The benefits of the GLA approach are that it applies localised specialist knowledge and integrates potential land supply constraints. Its weakness is that the demographics of population and labour supply do not have an influence on potential growth. In addition, information on land availability and prospective infrastructure spend may not be accurate.

Oxford Economics

- 2.19 Oxford Economics takes a top down approach starting with worldwide forecasts and trickling down to local level: the world economy influences the prospects of the UK economy through the volume and value of exports, which then influence the outlook for individual industries within the UK. Given different regions' sectoral strengths and weaknesses this impacts on their growth potential and finally on local economic areas.
- 2.20 In addition, OE's regional model includes interactions between the prospects of different regions via the labour market. Regional labour markets adjust through a number of channels including inter-regional migration and labour market participation. The model includes a degree of simultaneity between each region's share of economic activity and its supply of labour and population ensuring that it captures some important real world complexities.

⁸ Bromley, Croydon, Kingston-upon-Thames, Merton, Richmond, Sutton and Wandsworth.

- 2.21 At the local level, the model attempts to capture the interdependence of the economy, demographic change and housing, together with the impact of broader economic trends on Greater London⁹.
- 2.22 The benefits of this model are that by modelling a group of economic variables together it ensures that the forecasts for each of these variables is consistent with one another, so for example the forecasts for employment are consistent with the forecasts for output and real wages which are the key influences on the demand for labour. Its main weakness is that it relies on the extrapolation of past trends. These historical trends will reflect past investments and policies but will not include new projects or take account of capacity constraints.

London growth forecasts

- 2.23 As seen in Table 2.2 below, GLA Economics projects higher employment figures for 2031 than Oxford Economics: 5,452,000 compared to 5,401,000. However, this represents a higher level of growth in the latter, suggesting that the 2010 baseline is significantly lower for Oxford Economics; the result of more severe assumptions with regards to the impact of the recession.

Table 2.2 : Employment change in London, 2010-2031

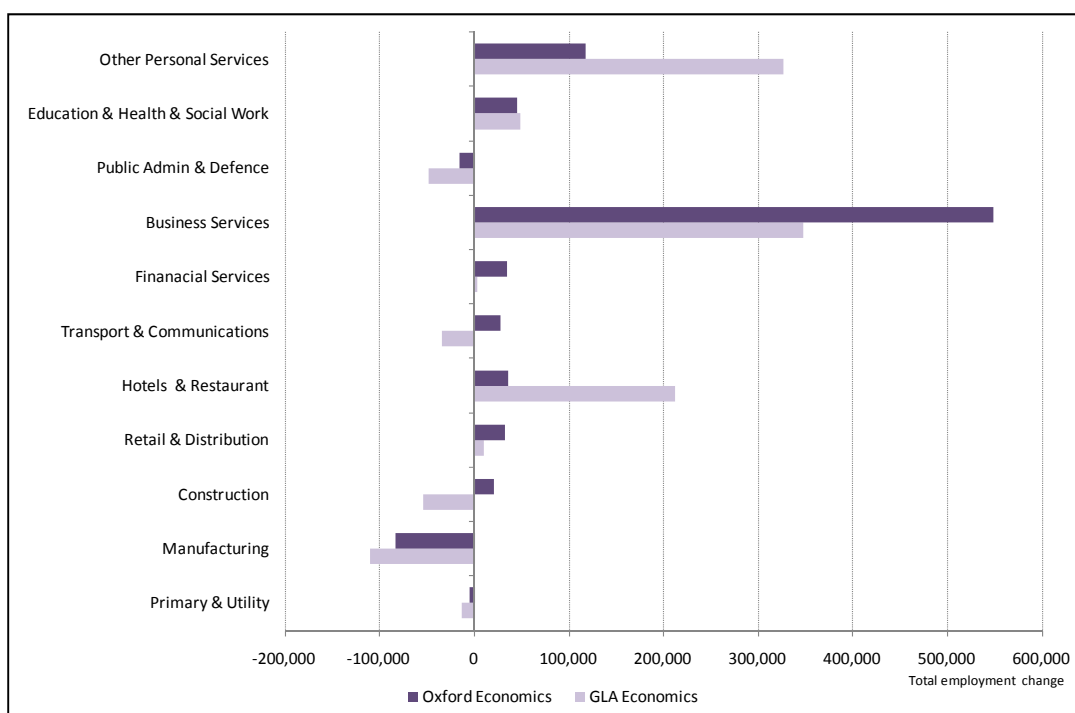
	GLA Economics	Oxford Economics
Total employment 2031	5,452,000	5,401,000
Total employment change 2010-2031	685,000	756,000

Source: South London Partnership, Employment Forecasts for South London Response to the Examination in Public, June 2010

- 2.24 While the baseline for 2010 is different, the average annual growth rates used in the two models over 2010-2031 are similar: 0.6% for GLA Economics and 0.7% for Oxford Economics. However, the assumptions made with regards to the number of jobs created or lost by sector are very different, as we see next.

⁹ This description is based on the EEFM Technical Report. We are constrained in providing greater detail on how the EEFM operates at the local level by the lack of a fully detailed model specification from Oxford Economics. We presume the lack of a detailed model specification reflects Oxford Economics' need to protect its commercial intellectual property.

Figure 2.3 : Change in total employment 2010-2031, London



- 2.25 According to the GLA, the main drivers of new jobs will be Business Services (+347,000), Other Personal Services (+326,000) and Hotels and Restaurants (+212,000). These three sectors combined account for approximately 885,000 net additional jobs.
- 2.26 In contrast, job creation under the Oxford Economics forecasts is mostly concentrated in one sector, business Services (+548,000 or 7 out of 10 new jobs), which are projected to be in strong global demand. It believes that as London leads the way in the required skills set for a wide range of these sectors including consultancy, financial services, accountancy, legal, marketing and advertising, this sectoral outlook leads to a favourable recovery in the capital. All other sectors, bar Other Personal Services, only record small increases in total employment.
- 2.27 Both models project continued losses in manufacturing and some contraction in public administration employment. In addition, GLA Economics assumes small losses in Transport & Communication and Construction.
- 2.28 As a reality check we compare the rate of employment change by sector under each set of forecasts with past change.

Table 2.3 : Average change in total employment per annum, London

	GLA Economics, 2010-2031	Oxford Economics, 2010-2031	ABI, 1998-2008
Primary & Utility	-3.6%	-1.8%	-1.2%
Manufacturing	-3.8%	-2.6%	-4.7%
Construction	-1.2%	0.4%	-0.9%
Retail & Distribution	0.1%	0.3%	-0.3%
Hotels & Restaurant	2.4%	0.5%	2.1%
Transport & Communications	-0.5%	0.4%	0.1%

Financial Services	0.0%	0.5%	0.6%
Business Services	1.1%	1.8%	2.5%
Public Admin & Defence	-1.2%	-0.4%	0.2%
Education & Health & Social Work	0.3%	0.3%	2.5%
Other Personal Services	2.7%	1.2%	2.3%
Total	0.6%	0.7%	1.0%

2.29 While both the GLA and OE broadly replicate past patterns - i.e. sectors which expanded will continue to grow and sectors which have been declining will also continue to do so - there are significant differences in the scale of change.

2.30 GLA assumes much faster growth in Hotels & Restaurants and Other Personal Services than OE, closer to the historical average. This is counteracted by larger job losses in construction and public administration. On the other hand, Oxford Economics assumes faster growth in business services, closer to levels recorded between 1998-2008.

The implications for the borough

2.31 For Richmond, the differences between GLA and Oxford Economics are stark: Oxford Economics projects an increase of 22,100 jobs between 2010-2031 compared to approximately 4,300 for the GLA.

Table 2.4 Employment change in Richmond Borough, 2010-2031

	GLA	Oxford Economics
Primary & Utility	-409	0
Manufacturing	-2,146	-1,600
Construction	-1,604	400
Retail & Distribution	-1,005	-300
Hotels & Restaurants	2,771	900
Transport & Communication	-916	200
Financial Services	-444	-200
Business Services	2,675	15,800
Public Admin & Defence	-922	400
Education & Health	-1,107	2,900
Other Personal Services	7,416	3,700
Total	4,310	22,100

2.32 As for London, OE projects that most new jobs would be in Business Services. The rest would mostly originate in Other Personal Services and Education & Health. This assumes that past growth continues unhindered by capacity constraints, which may not be realistic in the case of Richmond Borough, as we see further on in the report.

2.33 In contrast, according to GLA forecasts, the bulk of the new jobs would come from Other Personal Services followed by Hotels & Restaurants, two comparatively low value sectors, and Business Services. The GLA also projects losses in Education & Health although it is not clear what assumptions this is based from.

2.34 We will review these figures in light of our analysis of economic activity and infrastructure in Chapter 3 but the extreme differences between both sets of forecasts stresses the need for caution in their use to inform policy.

A changing planning and policy context

2.35 Since May 2010 the national policy agenda as well as some delivery mechanisms are in transition. At the forefront of the Government's concerns are financial stability and deficit reduction, with the budget cuts it entails for the public sector at large (i.e including education and health). While the details of budget cuts for local authorities are still to come, it can be assumed that they will affect most departments and place added pressure on justifying public expenditure. In addition, aside from the reduction in its financial resources, the borough is also going to operate in a changing policy environment as we review below.

Nationally

2.36 The Government intends to expand local authorities' powers. The Decentralisation and Localism Bill encapsulates the need to create a 'Big Society' as opposed to 'Big Government'. This legislation will change the powers of councils and local communities, especially around housing and planning decisions. In addition, Local Enterprise Partnerships - joint local authorities and business bodies - will be set up to replace Regional Development Agencies. These changes mean that local authorities like Richmond Borough will have more autonomy in policy making and be required to work more closely with other authorities, business associations and community groups.

At London level

2.37 In London as well the policy context is changing. Indeed, in 2008, the Mayor decided to create a Replacement London Plan¹⁰ rather than amend the previous London Plan¹¹. A draft of the Plan is currently out for consultation and offers an indication of the emerging policy priorities for London, in particular with regards to the role of Outer London.

2.38 The vision set out for London in this document is to: 'excel among global cities - expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.' This is supported by the vision set out in the Economic Development Strategy¹².

2.39 For Outer London, which includes Richmond Borough, the aim is to: realise its potential, enhance and promote its distinct existing and emerging strategic and local economic opportunities, and transport requirements. The plan also stresses the role of Outer London as a place to live and therefore the importance of enhancing the quality of life for present and future residents as one of its key contributions to London as a whole.

2.40 Key features of the strategy for the Outer London economy include:

¹⁰ Mayor of London, The London Plan: Spatial Development Strategy for Greater London - Consultation draft replacement plan, October 2009

¹¹ Mayor of London, The London Plan: Spatial Development Strategy for Greater London - Consolidated with alterations since 2004, February 2008

¹² London Development Agency, The Mayor's Economic Development Strategy, May 2010

- enabling existing sources of growth to perform more effectively, and increasing the competitive attractiveness of outer London for new sectors or those with the potential for step changes in output;
- improving accessibility to competitive business locations (especially town centres) and enabling the labour market to function more efficiently in opening up wider opportunities to Londoners;
- consolidating and developing the strengths of outer London's office market through mixed use redevelopment and encouraging new provision in competitive locations, including through the use of land use 'swaps';
- identifying and bringing forward capacity in and around town centres with good public transport accessibility to accommodate leisure, retail and civic needs and higher density housing, and providing recognition and support for specialist as well as wider town centre functions;
- managing and improving the stock of industrial capacity to meet both strategic and local needs, including those of small and medium sized enterprises (SMEs), start-ups and businesses requiring more affordable workspace;
- support strategic and local marketing of outer London's visitor attractions;
- identifying and addressing local pockets of deprivation, and especially the strategic priorities identified as Regeneration Areas (see Policy 2.14)

2.41 In the Replacement Plan, Richmond town is identified as a potential development centre for leisure / tourism. It is also classified as a major town centre; a regional / sub-regional night time economy centre; and an A office centre i.e where speculative office development could be promoted. Finally, in terms of future potential it is categorised as Low Growth i.e town centres that are encouraged to pursue a policy of consolidation by making the best use of existing capacity, either due to (a) physical, environmental or public transport accessibility constraints, or (b) low demand. It also sets a housing provision monitoring target for 2011-2021 of 2,450 new dwellings and recognises the need to work with the wider metropolitan area. It does not however set any targets with regards to the provision of affordable housing.

Locally

- 2.42 A new administration led by the Conservatives came to power in the borough in May 2010. This will alter the strategic context and will inform a review of the existing Community Plan (and related LAA indicators) and policies within the Local Development Framework. It is still early days but the Conservatives' manifesto sets their broad objectives for the borough. At the heart of this is the commitment to consult each and every household in the borough on their local priorities and to express these through 'village plans'.
- 2.43 With regards to business activity, the focus is on reviving high streets across the borough and Twickenham centre in particular. Priorities include appointing a retail area champion, improving the design and appearance of high streets and protecting small shops where possible. Supporting business and encouraging inward investment is central to this,

which includes encouraging shopping areas to set up and sustain effective associations and networks.

- 2.44 Emerging priority areas include reconsidering - through public debate - the current LDF parameters that favour taller buildings near Twickenham and Richmond stations and higher density developments in Teddington, Whitton and East Sheen centres. Other major development sites including Stag Brewery in Mortlake, Twickenham Railway station, Riverside and Post Office Depot are also subject to consultation. The provision of more affordable housing is supported, seeking delivery in line with policy requirements while having regard to individual site circumstances
- 2.45 The manifesto also recognises the need to address the insufficient provision of primary schools and the inadequate performance of secondary schools in Richmond.
- 2.46 With regards to environmental objectives, the focus will be on providing attractive alternatives to car usage rather than putting in place measures that disadvantage those that continue to choose to drive. This includes offering free short-term parking near shopping high streets for residents; and requiring developers to meet minimum standards of off-street parking whilst encouraging walking and cycling. The new administration would also investigate methods to tackle domestic emissions and increase recycling.

Implications for the Local Economic Assessment

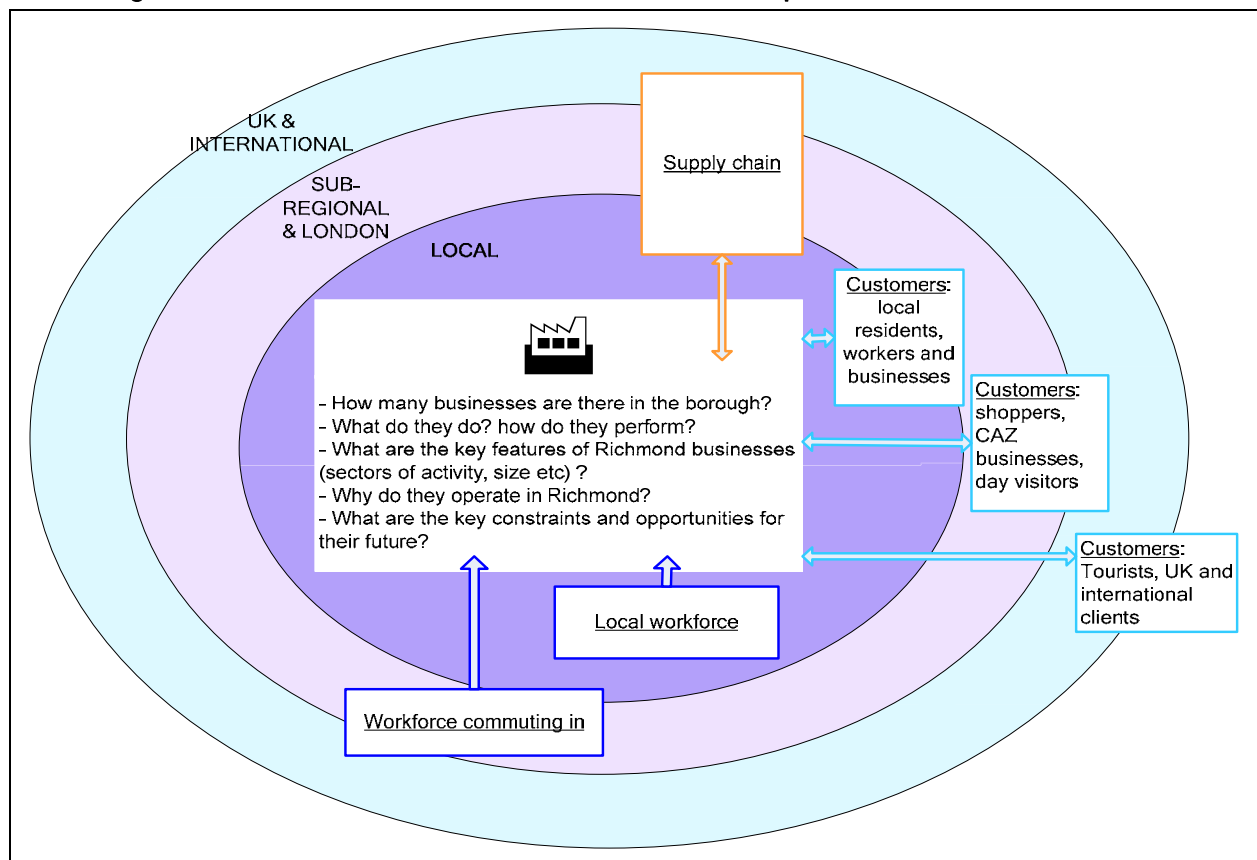
- 2.47 The LEA is first and foremost an economic baseline and as such it needs to focus on the evidence. However, in order to be of use, it needs to be more than a list of facts. The analysis of the data must understand the broader economic and policy context and answer the client's questions.
- 2.48 With regards to the economic analysis, the LEA must acknowledge the impact of the recession in two ways:
- by identifying any long-term changes which can affect the local economy,
 - by helping to prepare for and accelerate the recovery.
- 2.49 As such, and given the wide differences between the local employment forecasts produced by the GLA and Oxford Economics, it is essential to identify the borough's strengths and weaknesses and the opportunities available to it. The analysis will place the forecasts in context but the forecasts should not be used as a basis for policy decisions.
- 2.50 With regards to the policy context, the LEA should question and inform the client's priorities. In the case of Richmond Borough, it means focusing on key sectors and town centres but also understanding the role of Richmond in the South London and London economy. The sub-regional LEA produced for the South London Partnership will help achieve this and cross-check our findings at local level.
- 2.51 More generally, the policy context will influence how the LEA will be used to inform policy decisions as local authorities will be required to do more with less and rely more on joint working. The LEA provides a first step by identifying the main areas of economic potential and need, and by separating those which the market can deal with and those where public intervention can be justified.

3 THE BOROUGH'S BUSINESSES

Introduction

3.1 The engine of Richmond Borough's economy are its businesses: they create jobs and add value. In this chapter, we explore the scale and key features of the borough's businesses; their performance to date; the borough's assets and shortcomings as a business location; and the economic linkages to other boroughs, London and the rest of the UK through commuting, supply chains, shopping, tourism and inward investment. This is summarised in the diagram below.

Figure 3.1 Richmond businesses' functional relationships



An enterprising borough

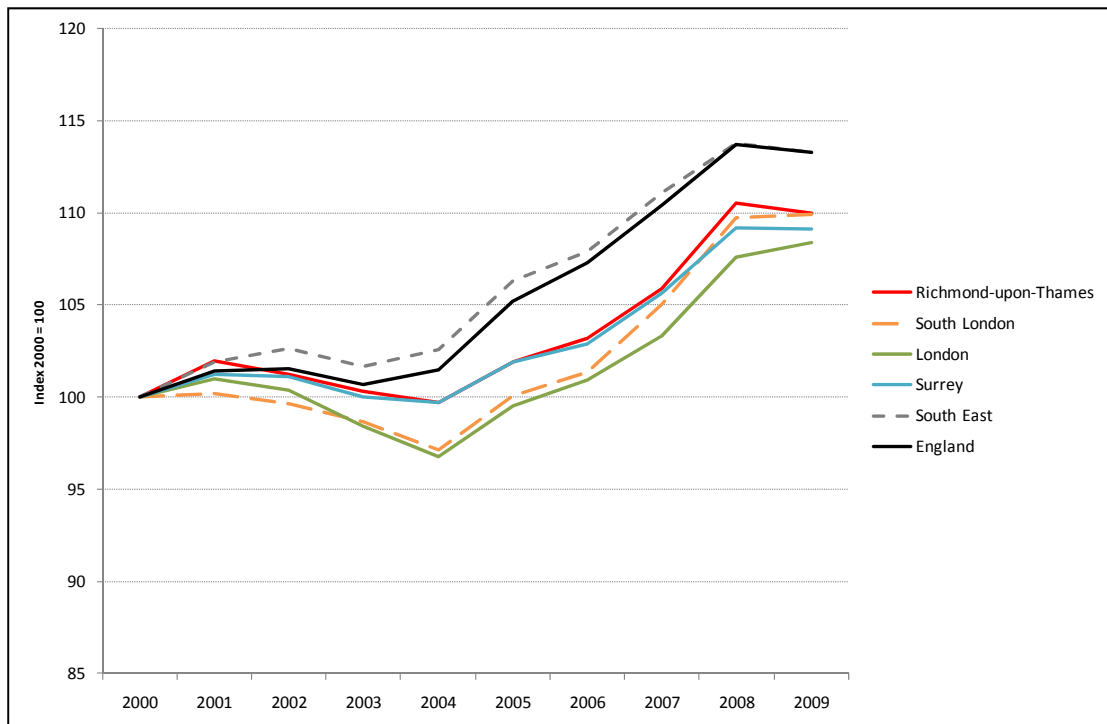
3.2 There were approximately 10,455 enterprises¹³ operating in the borough in 2009 - 10% more than in 2000 - and 11,845 business units¹⁴. As seen in Figure 4.1, the enterprise

¹³ The Inter-Departmental Business Register (IDBR) defines an Enterprise as 'The smallest combination of legal units (generally based on VAT and/or PAYE records) that has a certain degree of autonomy within an Enterprise Group'. This is different from Business Units which relates to individual sites on which an enterprise operates. An enterprise can comprise of several business units.

¹⁴ IDBR

stock in the borough has grown faster than in London and Surrey since 2000 but slower than in England as a whole.

Figure 3.2 Change in stock of enterprises, 2000-2009, index 2000=100



Source: IDBR

- 3.3 This expansion of the business population has resulted from the consistently higher levels of registrations than de-registrations in the borough. In 2007, 1,285 new businesses were registered (the highest figure since data records began in 1998) and 755 de-registered. Over the last few years, the net creation of businesses in the borough has amounted to 2-3% of total VAT registered stock, in line with the London average and South London.
- 3.4 Allowing for the fact that Richmond borough is a heavily residential area, business density levels are high: in 2007 there was a total stock of 82 VAT registered businesses per 1,000 working age resident in the borough compared to approximately 63 for London and 55 for England as a whole. This is the result of above average entrepreneurship: there were 10.5 new VAT registrations per 1,000 working age population in 2007 compared to 8.1 for London and 5.7 for England.

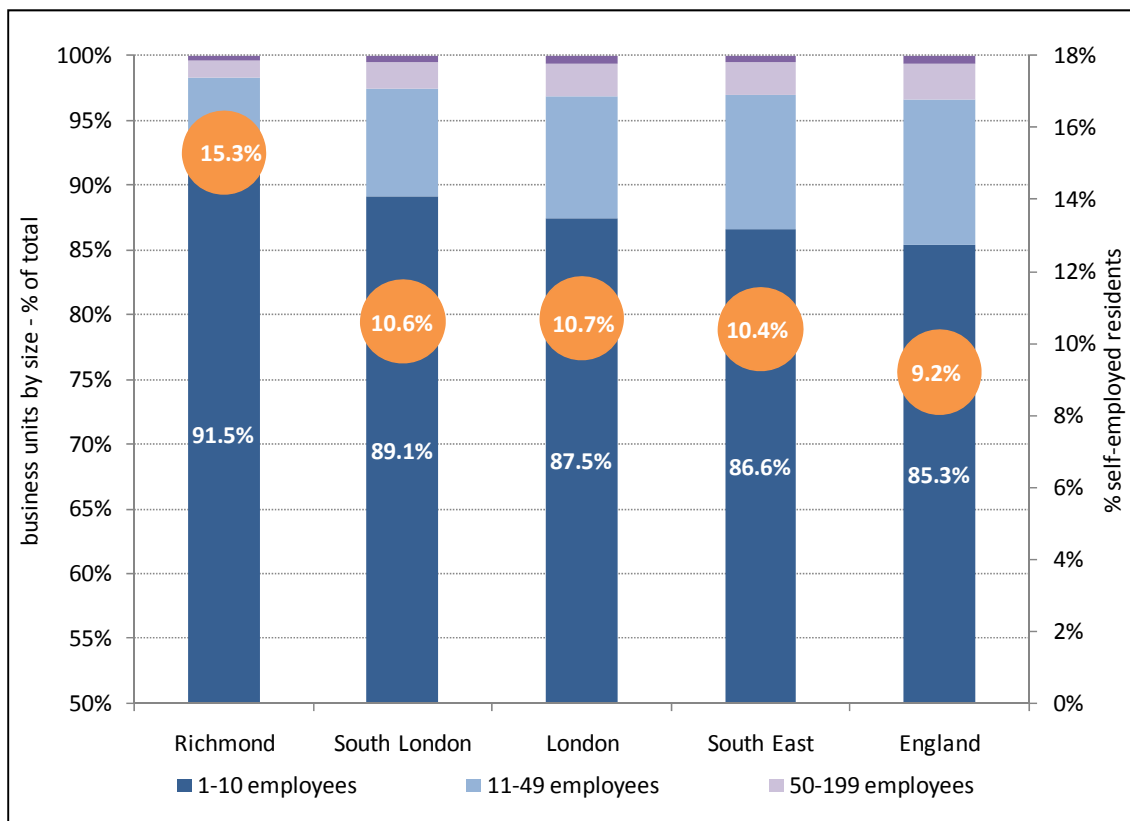
A population dominated by micro-businesses

- 3.5 Richmond Borough is characterised by the weight of micro-business units in its economy both as a result of the high presence of small business units (<10 employees) and of the large proportion of self-employed residents. In 2009, 15.3% of residents in the borough were self-employed compared to 10.7% in London on average¹⁵. These businesses do

¹⁵ Sources of these figures indicated under Figure 3.2

not tend to be recorded in standard statistical sources, which in the case of Richmond Borough amounts to overlooking a significant section of the economy. We look at self-employment separately, in the next chapter.

Figure 3.3 Business units by size, 2009



Source: ABI, APS

- 3.6 However, there is also a number of larger employers in the borough with approximately 40 units with over 200 workers. They account for 23% of all jobs in the borough while businesses with 10 employees or fewer account for 33% of the total.
- 3.7 Robust information on large employers in the borough is limited but they are likely to include: the Council, NHS Richmond, the National Physical Laboratory, the Laboratory of the Government Chemist, Kew Gardens and St Mary’s University for example. The Focus property database also helps us identify a number of large private sector businesses such as Haymarket magazines, Rugby Union, Aimita Corporation or Sainsbury’s.

A location popular with inward investors

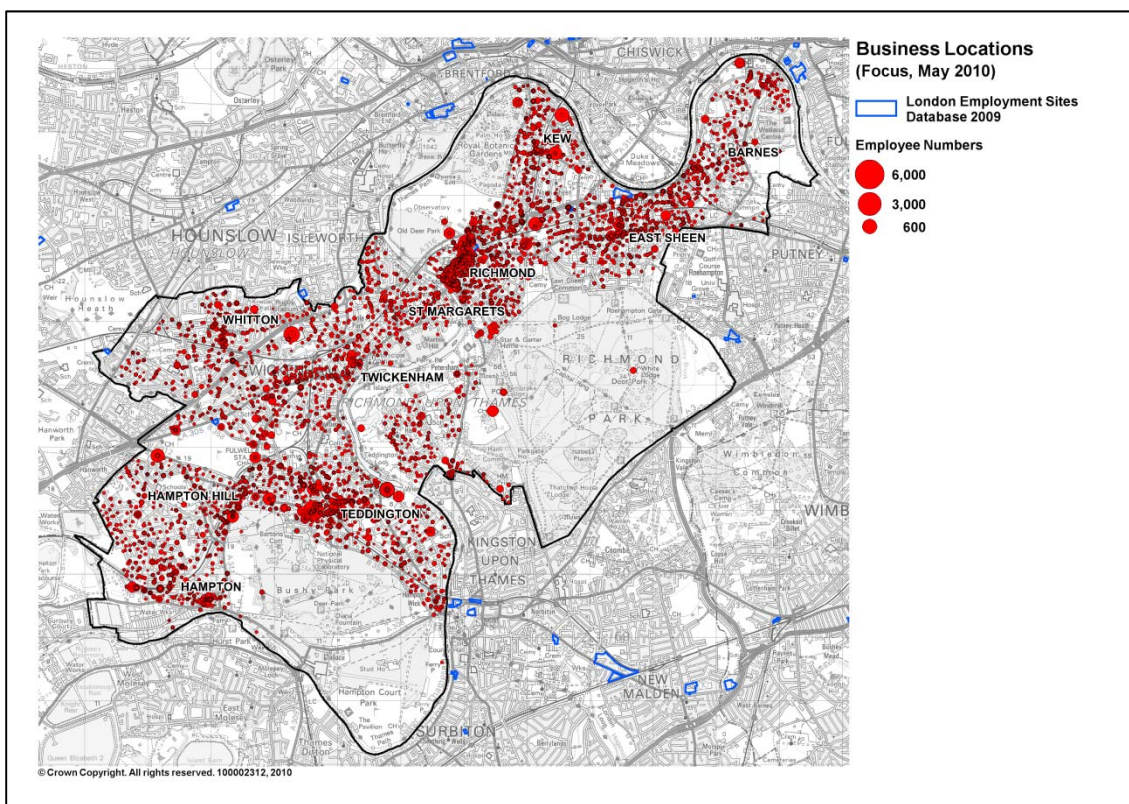
- 3.8 Over time, the indigenous business population in the borough has been augmented by a number of inward investors. These have ranged from large multinationals to smaller organisations across a range of sectors. According to Think London, Richmond borough is particular strong in the energy sector, retail, ICT, financial and professional services and marketing. For instance, it is now the home of Gazprom (in Hampton Wick), PepsiCo Holdings (Richmond); Ebay (Heron Square, Richmond) and Anheuser-Busch Europe Ltd (offices in Richmond, brewery in Mortlake although it is due to close in 2011).

- 3.9 The main reason why inward investors come to London is for access to markets and customers. In West London, which for Think London includes Richmond borough, this relies on connectivity to Heathrow and Central London. The other elements of the borough's offer are access to skilled labour, a high quality of life and cheaper rents than central London. These tend to be important criteria for high value, knowledge based operators.

Businesses are scattered across the borough

- 3.10 As seen in the map below, the main concentrations of businesses in the borough are in the town centres, principally Richmond, Twickenham and Teddington.

Figure 3.4 : Businesses in the London Borough of Richmond-upon-Thames



Source: Focus commercial property database, 2010

- 3.11 However, businesses are also scattered throughout the borough, even in residential areas, rather than confined to town centres or business parks. This is the result of a combination of factors: the presence of long, spread out high streets both in the larger centres like Twickenham and smaller ones like Whitton; the presence of offices, studios and small parades of shops in residential areas; the number of home-based businesses; and the small size and dispersed nature of employment sites and premises, partly as a result of historical factors when small industries were built alongside workers' housing.
- 3.12 This is not to minimise the role of town centres as economic drivers but it is a defining characteristic of the borough's economy, with may have impacts on employment land uses and floorspace, transport needs and job creation. The pattern of business distribution is unlikely to change drastically in the future although concentration levels may

as the LDF seeks to retain existing employment sites wherever located, and to direct new employment to the five main town centres.

Summary:

Richmond is an enterprising borough: the business population has grown faster than the London average and business density is high.

The borough is characterised by the predominance of micro-businesses, including the very large proportion of self-employed. This has resulted in dispersed patterns of activity across the borough as many businesses are home-based or located in small premises in residential areas.

However, the main concentration of businesses remains in the town centres, in particular Richmond, Twickenham and Teddington. These also tend to be the locations favoured by inward investors, in part because of their good connectivity to London and Heathrow.

A modest-size economy

- 3.13 Richmond Borough generates approximately £3.4bn of Gross Value Added and 72,700 employee jobs. In addition, there were approximately 16,600 self-employed workers¹⁶. It is a comparatively small economy, with a job density¹⁷ significantly lower than London, the South East and England.

Table 3.1 : Total GVA, population and jobs in Richmond Borough

	Total GVA (£bn), 2008	Total population, 2009	Total employee jobs, 2008
Richmond	£3.4	189,000	72,700
South London	£32.0	1,693,900	629,500
London	£254.6	7,753,600	4,168,500
Richmond as % London	1.3%	2.4%	1.7%
Richmond as % South London	10.5%	11.2%	11.6%

Source: ONS, RTP, Mid year population estimates, Annual Business Inquiry

- 3.14 Table 3.1 also shows that the borough accounts for a smaller share of London and South London GVA than jobs, suggesting lower productivity in the local economy. This can be due to the mix of activities, the type of occupations in the economy, the size of businesses and the breakdown between full-time / part-time employees. We investigate this in the rest of this chapter.
- 3.15 The geographical distribution of jobs follows that of businesses, with the main concentrations in South Richmond ward, around the Richmond station and high street,

¹⁶ Source: Annual Population Survey - Workplace Analysis, October 2008 - September 2009

¹⁷ Ratio of employee jobs to resident working age population

and Twickenham Riverside ward, which includes the Council's offices. The split of jobs by ward is presented in Table 3.2 below.

Table 3.2 Job numbers per ward, 2008

Ward	No. jobs (rounded)	% of total
Barnes	2,390	3.3
East Sheen	3,400	4.7
Fulwell & Hampton Hill	4,080	5.6
Ham, Petersham & Richmond Riverside	2,650	3.6
Hampton	3,800	5.2
Hampton North	2,100	2.9
Hampton Wick	2,990	4.1
Heathfield	1,110	1.5
Kew	4,290	5.9
Mortlake & Barnes Common	3,290	4.5
North Richmond	4,230	5.8
South Richmond	13,250	18.2
South Twickenham	3,710	5.1
St Margarets & North Twickenham	4,780	6.6
Teddington	6,490	8.9
Twickenham Riverside	7,120	9.8
West Twickenham	1,830	2.5
Whitton	1,240	1.7

Source: ABI 2008

Summary:

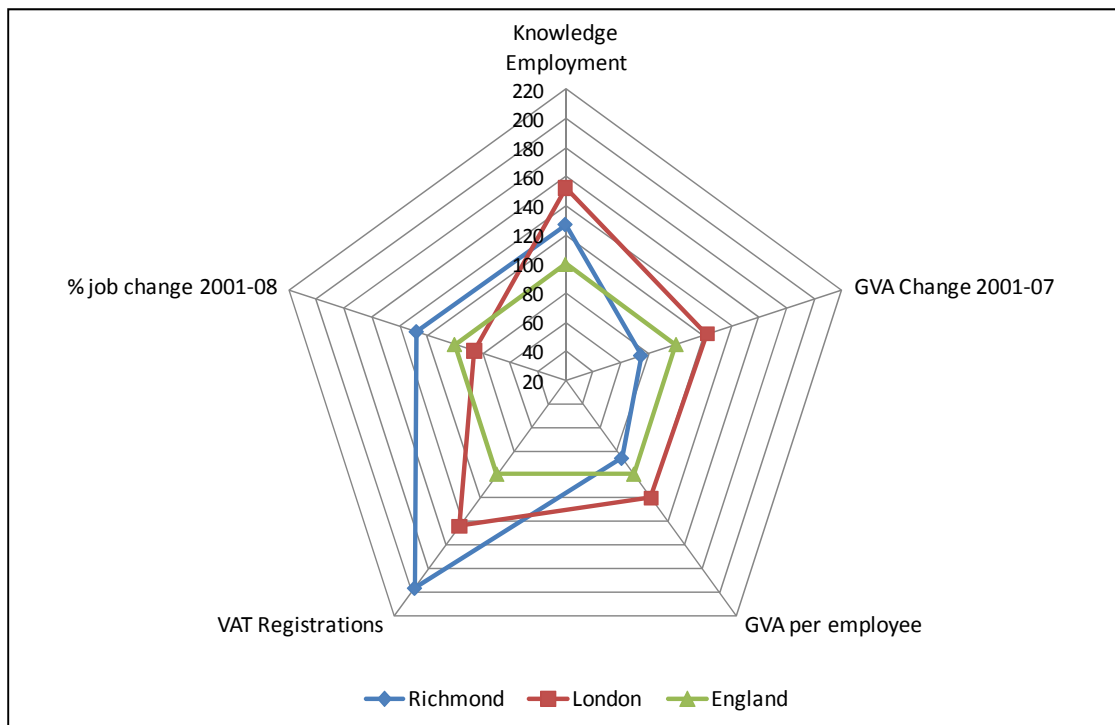
While Richmond is an enterprising borough, the weight of micro-businesses and self-employment means that comparatively it provides fewer jobs and generates less value added than other parts of the country.

How does the economy perform?

- 3.16 Richmond Borough ranked 13th out of 379 authorities in the 2010 UK Competitiveness Index, same as the previous year. It was preceded by 9 London boroughs¹⁸, Mole Valley, Windsor & Maidenhead and South Bucks. The Index combines a number of economic indicators such as the weight of knowledge-based sectors, the share of residents with a degree, enterprise levels and productivity. Similar indicators are summarised and reviewed below, indexed against the national average: a score over a 100 means that the local area performs better than England on the selected indicator.

¹⁸ City of London, Westminster, Camden, Islington, Hammersmith & Fulham, Tower Hamlets, Kensington & Chelsea, Wandsworth and Southwark

Figure 3.5 Competitiveness indicators



Source: ONS, RTP, ABI, VAT registrations

- 3.17 The chart above which combines some of the competitiveness index components and additional indicators of change confirms emerging findings from the previous sections.
- 3.18 Overall, Richmond Borough tends to perform better than the national average but not as well as London. It is a dynamic economy, creating more jobs and more businesses than the national average. On the other hand, as already noticed earlier, GVA growth and GVA per worker are not as strong.
- 3.19 However, while these indicators are useful as an overview of the relative competitiveness of an area, they do not explain the reasons for it i.e. what type of knowledge-based sectors locate there, why they do so (or not), why GVA levels are high or low. In the rest of this chapter we explore the structure of the local economy and drivers of business locations, as it is the only way to formulate policies which may effect change.

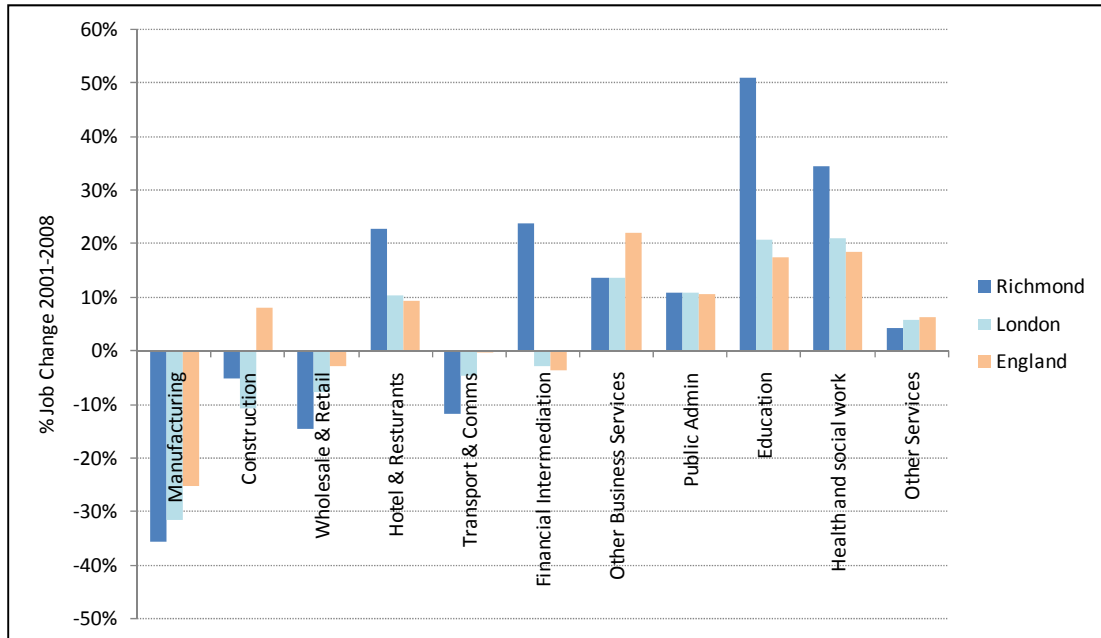
A diverse economy

- 3.20 According to the latest Government statistics there are approximately 72,700 jobs in the borough¹⁹ - excluding self employment.
- 3.21 The borough has recorded an increase of 5.6% (3,900) in job numbers between 2001-08 compared to 3.8% in London. Over this period, the structure of the economy has continued to move away from manufacturing and towards services, most jobs created in

¹⁹ ABI 2008

Education, Business Services and Hotels & Restaurants. As seen below, the pace of job growth has been fastest in Education and Health.

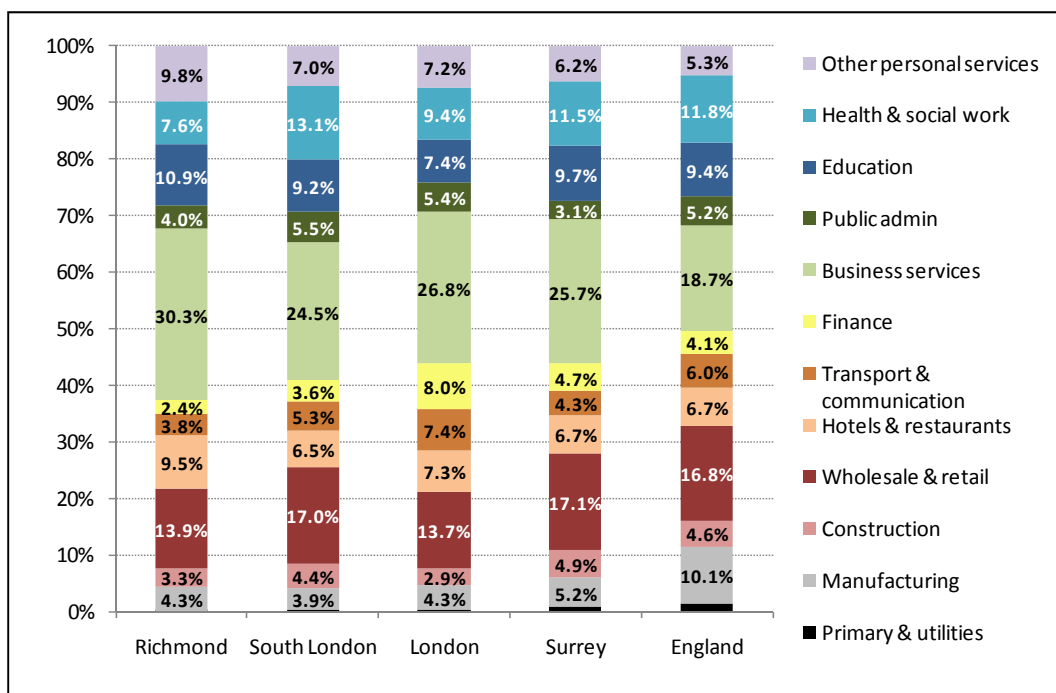
Figure 3.6 % change in jobs by broad sector, 2001-2008



Source: ABI

3.22 In 2008, as shown in Figure 3.7 the largest sector, providing 3 out every 10 jobs in the borough, was Business Services. Its weight in the local economy is significantly higher than in London and England.

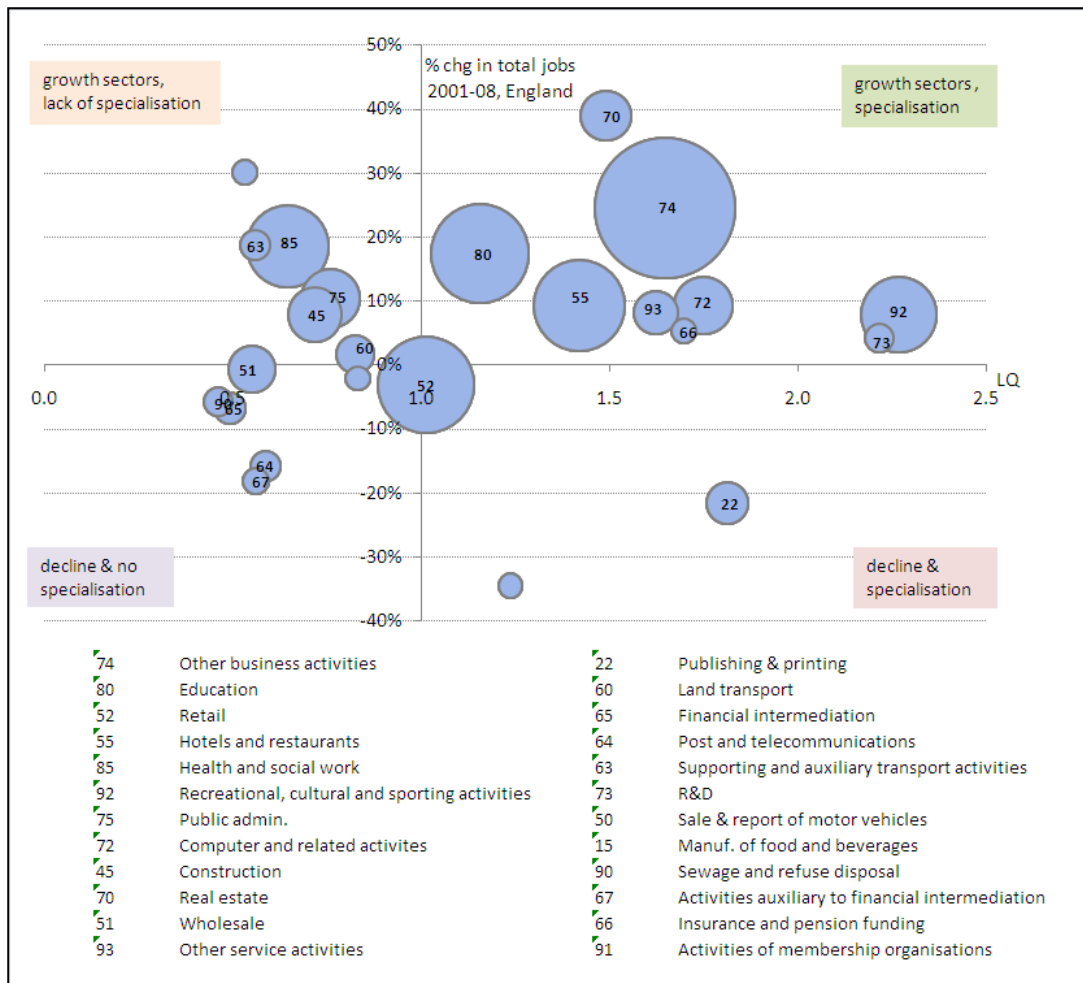
Figure 3.7 Broad Employment Structure, 2008



Source: ABI

- 3.23 The next largest employers are Wholesale & Retail with 10,000 jobs, followed by Education, Hotels and Restaurants and Other Services which all provide around 8,000 jobs. On the other hand, and surprisingly in view of its predominantly residential profile, health and public administration remain under-represented.
- 3.24 A more refined analysis of sectoral employment is useful at this point in order to help identify the borough's areas of strengths and specialisation and single out a number of sectors for more in-depth analysis. We do this in Figure 3.8 by combining Location Quotients (LQ), historical growth in jobs at national level over 2001-08, and job numbers by sub-sector (the size of the bubble is proportional to the size of the sector in terms of jobs). Location Quotients compare a sector's share of total jobs in an area with the national average. This means that an LQ greater than 1 points to some degree of specialisation in the local economy. The higher the LQ, the stronger the specialisation.
- 3.25 The chart can easily be read in quadrants:
- In the North East quadrant are sectors that are strongly represented in the local economy and have been growing nationally. They drive the local economy.
 - In the North West quadrant are sectors that have grown nationally but are poorly represented in the borough. They are sectors where some policy support may prove useful.
 - In the South West quadrant are sectors which have been declining and account for few jobs in the borough. These are sectors of little interest in terms of economic policy as they represent a small and shrinking number of jobs.
 - In the South East quadrant are sectors which have been declining but in which the local economy retains a significant presence.

Figure 3.8 Employment Growth and LQ 2001-2008



- 3.26 The analysis presents a broadly positive view of Richmond Borough's economy in terms of its structure: it is a diversified economy and the largest sectors in terms of employment are in growing industries such as computing while there are few jobs in declining sectors.
- 3.27 Indeed the borough is specialised in a number of large, expanding sectors: Business Services (combining Computing and Other Business Activities); Hotels & Restaurants and Recreational activities, as a result of the large numbers of visitors coming to the area every year; and Education. The education sector in Richmond includes large public sector employers like St Mary's University College as well as numerous private schools with catchment areas stretching beyond the borough boundaries. Richmond borough is also strong in a couple of small but high value sectors: Research & Development and Insurance.
- 3.28 On the other hand, the borough has not maximised the employment potential of other growth sectors. In particular, these include health & social work, public administration, construction, and a number of transport related activities. The relative weakness in health and public administration is unexpected given the residential nature of the borough: employment in these sectors tends to be population-related. However, in view of planned budget cuts a lower reliance on the public sector for jobs may be a strength. With regards to construction, the cost of living and operating in the borough for a sector which relies

heavily on self-employment and which requires cheap premises may play a part in its under-representation locally. The limited amount of industrial / warehousing / sui generis sites in Richmond means there is little potential to change this.

- 3.29 We would also add Retail to this category of sectors although employment has stagnated nationally over this period. Given the spending power of its residents and the attractiveness of the borough as a visitor destination, its LQ might be higher. We look at this sector in more detail further on in this section.

Summary:

The sectoral structure of Richmond borough is healthy: it is diversified and the largest sectors in terms of employment are in expanding industries while there are few jobs in declining sectors. As a result, total job numbers have grown faster than in London between 2001-08.

The analysis highlights a number of sectors of interest for further analysis:

- **Business services, as the largest sector and because it is expected to continue to drive employment and GVA growth;**
- **The visitor economy, because of its role as job provider and because it overlaps a number of sectors;**
- **Creative industries, because of its knowledge-content, importance in London's economy and because it is not easily picked up through a straightforward sectoral analysis;**
- **R&D, because of its high value content, influence on innovation and comparatively strong presence in the borough;**
- **Retail for its untapped potential.**

In addition, because of changing consumer expectations and emerging requirements placed on businesses as a result of environmental concerns, we also investigate the green economy and whether it offers untapped potential in Richmond Borough as a sector.

We do not include health or education because employment in these sectors tend to be heavily steered by central government policy.

Business services

- 3.30 Over the last decade and more, business services have driven GVA growth in the UK and created large numbers of jobs. In London, this broad sector provides over 1.1m jobs²⁰ and, in 2007, generated over £76m GVA, 30% of the total. Between 1995-2007, GVA in business services in London has expanded by a factor of 2.7 over 1995-2007 compared to 2.1 for total GVA. It is widely assumed by forecasting agencies to continue to be the main driver of future employment and GVA growth.
- 3.31 The sector encompasses a wide range of activities from estate agents, lawyers and accountants, through scientific and research activities, to labour recruitment and security services. Some of these are high value and others not. We feel it is an important distinction to make in this analysis:

²⁰ ABI 2008

- High value activities are part of the knowledge based economy, and as such are considered a key driver of productivity and economic growth, by spreading technical progress and efficient business methods. However, they do not always generate large numbers of employment opportunities as rising productivity may translate into fewer jobs.
- Low value activities on the other hand may not help drive an economy up the value chain but they provide essential support services to other businesses as well as significant numbers of entry level jobs. These are particularly beneficial for the long-term unemployed and the less qualified. As such they can have wider social benefits through inclusion.

3.32 We differentiate between these two types of business services based on the average earnings in these sectors at national level (used as a proxy for productivity) compared to the overall average: activities with earnings greater than the national average are considered high value, those below are classified as low value. They are listed in descending order of value.

<p><u>High Value</u></p> <p>Computing Scientific R&D Activities of head offices ; management consultancies Architectural and engineering activities; technical testing and analysis Advertising & market research Legal & accounting activities Other professional, scientific, and technical activities Real estate activities</p>
<p>Average earnings</p>
<p><u>Low Value</u></p> <p>Rental and leasing activities Travel agency; tour operators Security and investigation activities Office administrative and other business support activities Employment activities Services to buildings and landscape activities</p>

Source: Annual Survey of Hours and Earnings, ONS, 2009

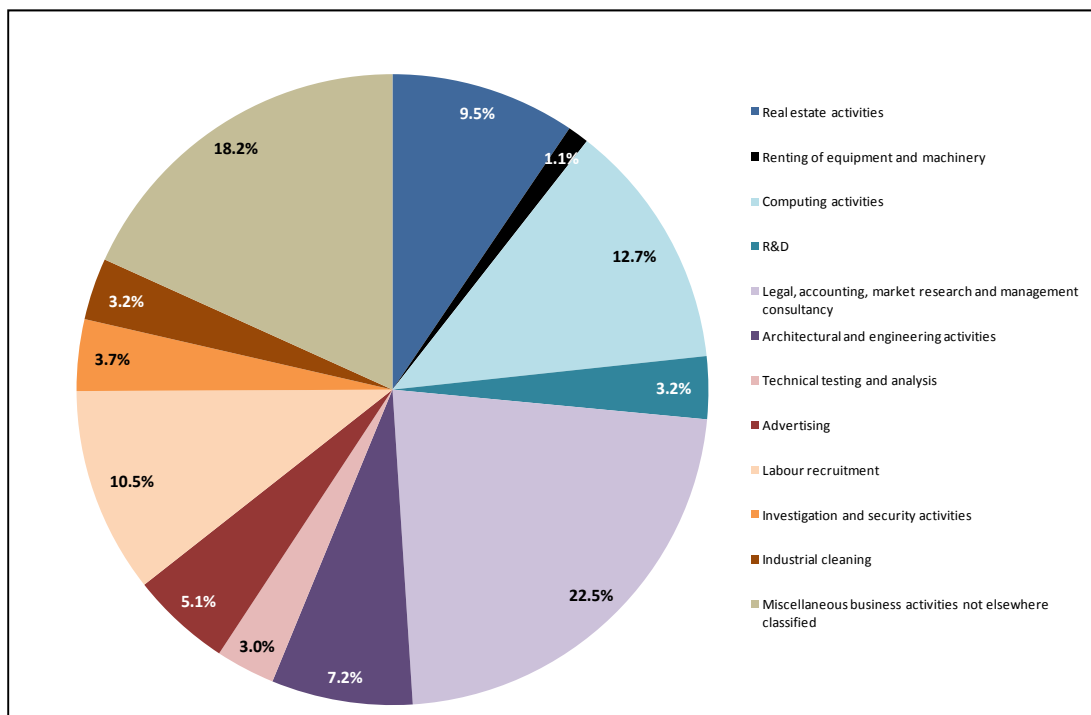
What does it mean in the borough?

3.33 As mentioned earlier, Business Services provide 22,100 jobs in Richmond Borough, 30% of the total, significantly more than in England as a whole and even in London. This does not take into account the number of self-employed which is significant: the last figures from the Annual Population Survey Workplace Analysis record 6,100 self-employed in Finance, Banking and Business Services, or 35% of all employed in the sector, over twice

the London and national average. Overall, the number of jobs in the sector has risen consistently since 2000, resulting in a 13% increase in the borough compared to 3% in London and 5% nationally.

3.34 As seen in Figure 3.9, the largest job contributors are legal, accounting and consulting professions followed by miscellaneous business activities which include secretarial services and call centres. It is worth noting that the share of business activities not classified elsewhere is approximately twice as much in Richmond Borough as in London as a whole. Unfortunately, the data does not provide any lead on why this might be or what is included.

Figure 3.9 : Business Services in Richmond Borough, 2008



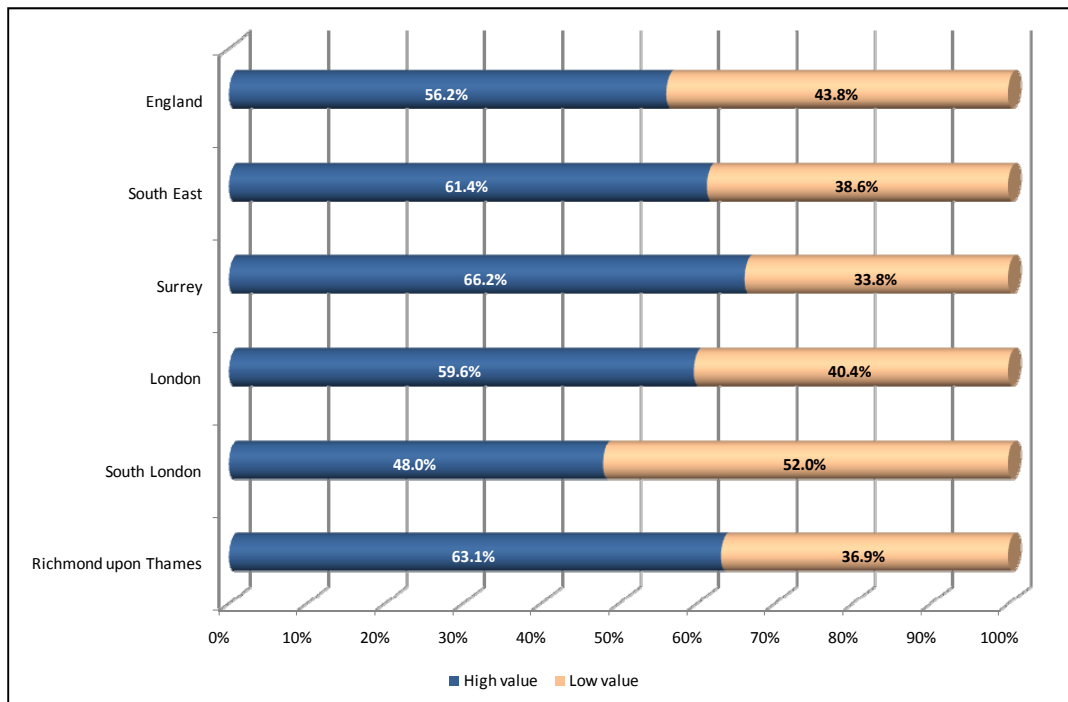
Source: ABI

3.35 The borough is also characterised by:

- A relatively weak Computing sector, compared to South London and to Surrey.
- Twice the level of jobs in R&D as in London and almost 8 times as many in technical testing and analysis, although these remain small sectors.
- The strong presence of advertising.
- Very few jobs in industrial cleaning, a sector which accounts for 10% of business services jobs in London.

3.36 Overall, based on our classification, we estimate that there are around 13,900 jobs in high value business services in the borough and 8,100 in low value business services. As illustrated below, this is a higher proportion than in all other comparator areas, except Surrey with which Richmond has many similarities.

Figure 3.10 : High value versus low value business services jobs, 2008

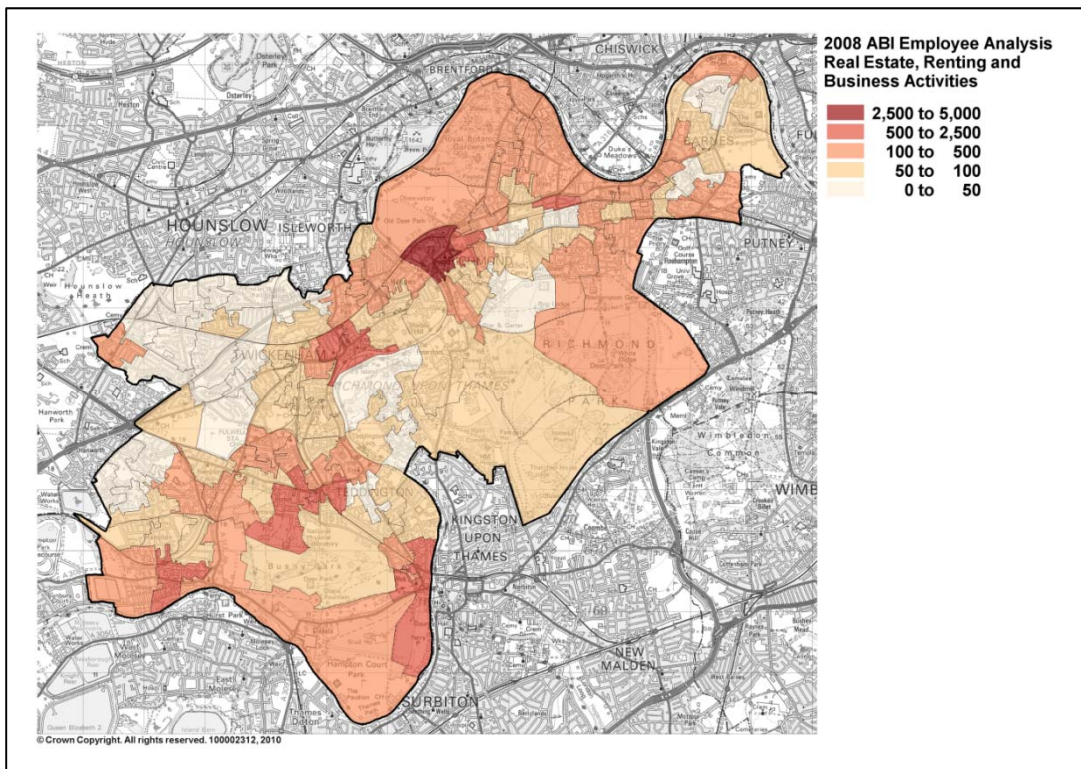


Source: ABI

- 3.37 As in other sectors, business units in Business Services tend to be smaller in Richmond Borough than elsewhere: 95% of its 5,690 units²¹ employ up to 10 people compared to around 93% elsewhere. This does not take self-employment into account so the actual proportion of micro-businesses will be considerably higher.
- 3.38 While business services are spread through the borough, in part as a result of the high level of self-employment, the main concentration is in Richmond town centre. Other locations providing the type of office premises required by these activities are shown in the map below and include: Twickenham town centre where the Council offices, one of the largest employers in the district, are located; Teddington; Hampton Wick; Hampton and a small cluster of office blocks in North Sheen which accommodate Securitas amongst others.

²¹ ABI, 2008

Figure 3.11 : Geographical distribution of jobs in Business Services, 2008



Source: ABI

- 3.39 Business services, especially higher value activities, tend to favour town centre locations or high end business park. They look for Grade A premises with good connectivity, in particular to Heathrow and Central London.
- 3.40 In the case of Richmond Borough, as we will see in more detail later, the ability to provide new office floorspace both in town centres and business parks is limited by planning and land constraints. There is very little vacant previously developed land and the ability to provide new office floorspace is limited by a lack of available land and sites. In addition, the differentials between open market housing and commercial land values place enormous pressure on potential redevelopment sites on which developers usually seek residential planning permission. This means that aside from intensifying existing sites (for instance with higher density development), refurbishing premises in town centres or switching factories or warehouses to office space, floorspace provision will constrain the potential for employment growth in this sector.

Summary:

Business Services is the largest sector in Richmond borough, providing 3 out of every 10 jobs locally. As with the rest of the economy, it is dominated by micro-businesses.

There is a diverse mix of sub-sectors, biased towards higher value activities. The borough is particularly strong in the professions, R&D and advertising.

Business Services tend to favour town centre and business park locations. However, there is little potential to expand floorspace provision which will constrain the employment growth prospects of the sector.

However, there may be potential to increase the value added produced by this sector through targeted business support.

Visitor economy

- 3.41 A recent study by Deloitte and Oxford Economics²² estimated that, in 2009, the visitor economy directly contributed to 4% of UK GDP, over £52bn, and directly supported 1.36m jobs in 2007. In addition, there are significant indirect impacts through its supply chains. Overall, it estimated the total (direct and indirect) impact of the visitor economy to 8.9% of the national GDP, approximately £115bn. This is not to mention its wider benefits on retail, economic inclusion through the provision of entry level jobs, regeneration and enterprise.
- 3.42 The sector has suffered from the recession like the rest of the economy although it has also resulted in more UK residents choosing domestic rather than international destinations for their holidays. As a result, total spending has risen in nominal terms since 2007 but contracted by 3% in real terms as the inflation exceeded the nominal growth over the period. People 1st State of the Nation 2010 report found that whilst the UK has officially emerged from recession, the ramifications are still being felt across the sector and the recovery is at an early stage. The proportion of sector businesses reporting falling turnover fell from 47 percent in 2009 to 36 percent in 2010 and 20 percent of businesses experienced an increase in turnover in the 12 months to March 2010, compared to 15 percent the previous year. However, although this suggests movement in the right direction, some increases were achieved by heavy discounting and have therefore been at the price of profitability. The next stages of recovery must be prepared for and opportunities need to be maximised.
- 3.43 This national research was supplemented by local research on the visitor economy, commissioned by the borough and undertaken by Acorn in 2009²³. We draw from this next in order to provide a more accurate view of local circumstances.

What does it mean in the borough?

- 3.44 Richmond Borough is a popular visitor destination year round, offering a wide range of attractions in beautiful settings including: Kew Gardens, Hampton Court, Richmond and Bushy Parks, the riverside, the Wildfowl and Wetland Centre, and the Rugby Football Union at Twickenham. In addition to these, there is a range of events throughout the year which attract additional visitors such as the RHS Hampton Court flower show and the rugby matches as well as business tourism.
- 3.45 Figures from the Visitor Strategy²⁴ state that in 2001, 4.5m visitors came to the borough. More up to date estimates are available for individual attractions. Figures from

²² Deloitte, The economic contribution of the Visitor Economy, June 2010

²³ Acorn, Study of the visitor market, December 2009. This study was commissioned by the council to develop understanding of the visitor economy and guide its approach to tourism marketing.

²⁴ London Borough of Richmond upon Thames, Visitor Strategy 2003-2006

VisitEngland's Visitor Attractions Survey lists Kew Gardens as the tenth most popular London attraction with 1.3m visitors in 2008²⁵. VisitLondon's own list²⁶ ranks Kew Garden 15th. Meanwhile, the short survey undertaken by Acorn²⁷ identifies Hampton Court as another significant draw for those living in the UK (outside of London) and overseas. It is estimated to receive around 500,000 visitors a year, not including special events. For Londoners, the most popular activities according to this survey were visiting a park, eating and drinking. In addition, the Rugby Football Union draws around 1.7m visitors a year, although it is worth bearing in mind that while some local businesses benefit, it can also be disruptive to others.

- 3.46 A sub-set of the visitor economy is the night time economy (NTE). Little information is available on this so the rest of this section focuses on tourism-related activities. However, research published in 2010 has ranked Richmond 43rd amongst town centres in Great Britain in terms of turnover from NTE, with £312m, up from 50th in 2006²⁸. Looking at the data more closely however suggests there is some unfulfilled potential in Richmond borough as the Night Time Economy is comparatively small in terms of firms and jobs. While sales have increased, it was from a low base and there is likely to be further opportunities to expand and draw on the borough's attractive environment and wealthy residents.

Jobs

- 3.47 The visitor economy is difficult to define as it is determined by the nature of its customers rather than by its activities. However, a proxy for the visitor economy is based on activities which deal with tourists part or most of the time. They include: travel agencies, hotels, hostels and camping sites, restaurants and bars, cultural and leisure activities such as museums, gambling premises or amusement parks.
- 3.48 Based on our definition, the visitor economy in the borough provides around 8,600 jobs in 770 business units²⁹, almost 12% of all jobs. This is significantly higher than in all comparator areas where it accounts for around 8% of jobs. However, possibly because it started from a higher base, growth in tourism-related jobs has been slower in Richmond Borough than in London and England. Despite this, the tourism sector has been resilient, continuing to play a strong role in the local economy.

²⁵ BDRC for Visit England, Visitor Attraction Trends in England, 2008

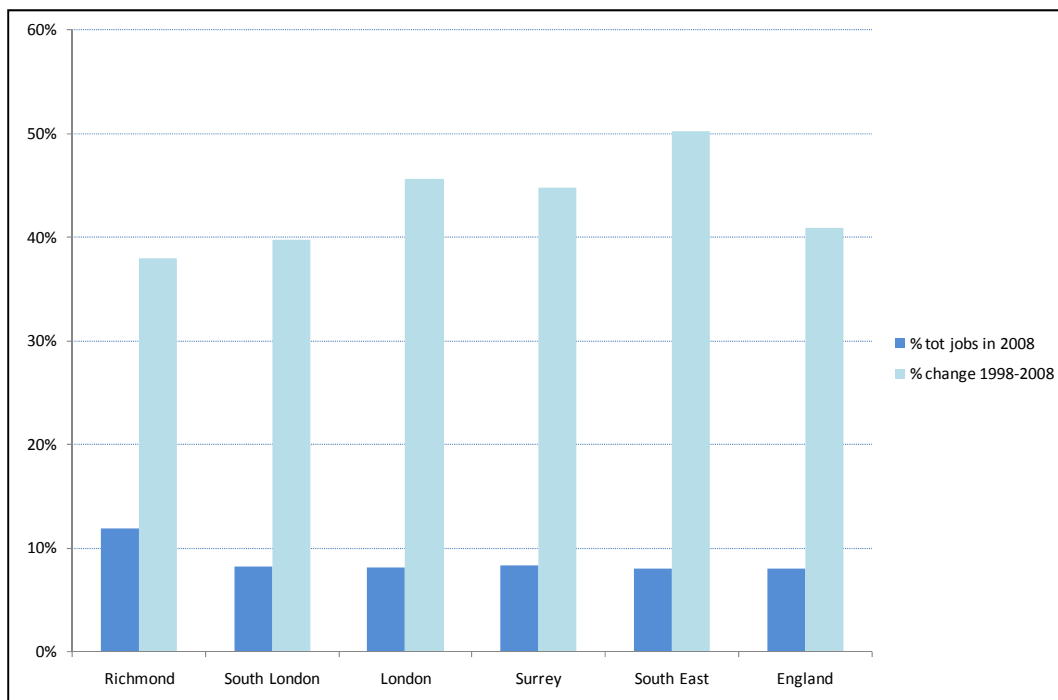
²⁶ Visit London, Attractions Fact Sheet, 2009

²⁷ Acorn, Study of the visitor market, December 2009

²⁸ MAKE & TBR, NightMix News, Spring 2010

²⁹ ABI, 2008 (does not include self-employment)

Figure 3.12 : Jobs in tourism in Richmond Borough



Source: ABI 2008

3.49 Over half of the jobs are in restaurants (36%) and bars (19%), in line with the London and national average. Sports venues and activities are the next main generators of job opportunities with around 1,400 jobs, reflecting the presence of the stadium in Twickenham. The main distinctive feature of Richmond Borough however is the weight of museums, historical sites and botanical gardens: they provide over 1,000 jobs, 12% of the all tourism-related jobs compared to 2% in England and 3% in London. On the other hand, employment in hotels is significantly under-represented with 9% of all jobs compared to 15% in London and 13.5% nationally.

Spend

3.50 The London Development Agency's Local Tourism Impact Model³⁰ aims to provide borough level estimates of tourism expenditure set in the context of recent trends for London and the UK. It combines spend in five categories: accommodation, eating and drinking, shopping, entertainment and other.

3.51 As seen below, the model estimates that the Richmond Borough received £292 million of tourism expenditure in 2007 and 2.9m visitors. Day visitors account for 60% of all expenditure and 90% of visitors. However, the estimates are experimental and should be treated with caution. Indeed, these figures may be under-estimated as they place the borough in the bottom third boroughs in London in terms of spend from the visitor economy, which seems unlikely in view of the presence of top London attractions and the visitor figures we collected from individual attractions and mentioned in paragraph 3.44.

³⁰ LDA, Local Tourism Impact Model - Richmond report, July 2009

Furthermore, they do not include the evening economy, which as we have seen was estimated to generate £312m of sales in 2009, or free attractions such as parks.

Table 3.3 The value and volume of tourism in Richmond Borough in 2007, (000s)

	Overseas visitors	Domestic visitors	Day visitors	Total
Day visits (+3 hours)	-	-	2,609*	
Overnight visits	167	124	-	291
Spending (£)	89,109	26,899	175,629	291,636

Source: IPS, UKTS, Day visits surveys, ABI, LDA surveys & calculations

*Experimental statistics and does not include business travellers

- 3.52 Another study³¹, undertaken locally, estimates total visitor spend to £111m, less than half the LDA figures. However, these figures are also likely to be under-estimated as the survey only included six locations across the borough. This further highlights the need for caution when using estimates of tourism-related spend. It does not however question the importance of the sector for the local economy.
- 3.53 According to this study, visitors from London spent an average of £19 per day in the Borough, UK visitors £27 per day and overseas visitors over £33 per day³². This refers to expenditure on shopping, food/drink, visiting attractions, and other miscellaneous expenditure and excludes accommodation.

Accommodation

- 3.54 According to the Acorn study, accommodation was the most significant expenditure item for visitors to the Borough, accounting for 32% of all visitor expenditure. This is followed by retail spend (not including food and beverage items) at 28% and restaurants and bars at 24%.
- 3.55 The study counted 70 hotels and bed and breakfast establishments operating in the Borough, offering over 1,200 rooms. The average spend per person per night in commercial accommodation was £59. The average spend per room was £95; by comparison the average for London is £128. This suggest there may be potential to boost spend on accommodation in the borough.
- 3.56 The non-commercial accommodation sector (people staying with friends and relatives) was found to be significant. Approximately four in every five overnight visitors from the UK stayed with friends/relatives, and around one-half of overseas visitors stayed with friends and relatives.

³¹ Acorn, Study of the visitor market, December 2009 - the methodology used was an intercept survey conducted over two weeks in October at Richmond Station, Richmond Riverside, Richmond Park Gate, Bushy Park Gate (Hampton Court), Kew Gardens Entrance, Kew Gardens Tube.

³² Acorn, Study of the visitor market, December 2009

Experience

- 3.57 Visitor satisfaction with the Borough was high, with London visitors enjoying the tranquillity and peacefulness of the area, and UK and overseas visitors enjoying the river, open spaces and historical significance. There were few criticisms of the area, although poor/expensive parking was mentioned by some. This high level of satisfaction is reflected in the frequency of visits by Londoners, with 48% coming to the borough up to four times a month.
- 3.58 The survey does not provide detailed information on what people think of the accommodation, hospitality experience and other infrastructure in the borough.

Visitor profile

- 3.59 Visitors from London and the UK were either in the 18-34 (pre-family) or 55+ (postfamily) age groups, with low representation in the 34-55 group. Overseas visitors were more evenly spread across the ages, although the majority were over 35.
- 3.60 As seen before, Richmond Borough's attraction is far-reaching, well beyond its boundaries and London's. According the survey conducted by Acorn, London visitors tend to come mostly from south west London (Wandsworth, Ealing, Hounslow, Kingston upon Thames) and there are also significant links with Surrey. Internationally, the US, Australia and Canada are the main sources of visitors.

Opportunities and challenges for the future

- 3.61 Looking forward, forecasts suggest that the UK's visitor economy is set to be one of the best performing sectors, with above average growth. It has been identified by the Government as a key sector for the UK but one where competitiveness needs to be improved. The Deloitte study echos this statement and lists a number of issues facing the whole UK visitor economy, including Richmond Borough, as well as recommendations on how to deal with them. They are listed in Table 3.4 below.

Table 3.4 Key issues facing the UK visitor economy

	Opportunities	Threats
Political		Capacity considerations incl. infrastructure
		Public spending
Economic	London 2012	Consumer spending
	Rugby World Cup 2015	Competition and changing market place
	Growth in emerging economies	
Social	Delivering the 'experience'	
	Cultural and heritage reputation	
Technological	Innovation e.g social networking	Digital distribution

The study also lists big unknowns which could alter the structure of the visitor economy such as environmental factors and shifts in consumer behaviour.

- 3.62 In addition to these broader, external issues, the industry also faces a number of internal challenges, the main one relating to **skills** which is considered as a major failing of Britain in comparison to other countries. There is a short term outlook in the industry amongst employees. This is evident in the high staff turnover rates that are caused by low pay and employment in the industry being seen as a stepping stone into something else. In turn this creates little incentive for many firms, especially small businesses, to provide on the job or vocational training. We explore this in more detail in Chapter 4.
- 3.63 In order to respond to these existing and emerging issues, the Deloitte report³³ suggests a number of areas of focus for businesses in the sector:
- Identify priority markets and the type of visitor targeted and reflect this offer in support services.
 - Adapt to changing trends and maximise opportunities from emerging markets and changes in behaviours. This includes: tourism's 'grey pound', food tourism, well-being tourism, green tourism.
 - Innovate and invest to promote tourism and reach customers in new ways. For instance, there is some evidence of change in the way decisions regarding holiday destinations are made: increasingly, the activity and experience drives the choice rather than the location itself. This may require a different promotional approach.
- 3.64 The public sector has a role to play in supporting the visitor economy. Intervention is justified as a result of the market failures associated with the provision of information and poor co-ordination which can prevent joined-up marketing. Negative externalities resulting from the high numbers of visits (e.g congestion, environmental costs) and the need for public goods to enhance and enable tourism such as transport infrastructure and improvements to the public realm are another reason. The previous study by Deloitte identifies areas which the public sector can influence and which can have a high impact on the visitor economy: placemaking, welcome, adaptability, choice of goods and services and to a lesser extent skills and information provision.

Summary:

With the river, parks, heritage sites and rugby stadium amongst others, Richmond Borough is a popular visitor destination. In addition, the night time economy - while rather small in terms of jobs and businesses - is dynamic, improving its profile over the last few years and generating a healthy turnover. Overall, the sector is a major provider of jobs for the local economy, accounting for 12% of all jobs.

The borough is well placed to benefit from the broad areas of opportunities identified by Deloitte, in particular London 2012, the Rugby World Cup 2015 and cultural and heritage tourism.

The analysis suggests there is potential to increase value in the sector, for instance with regards to hotel provision and associated spend on accommodation, and by encouraging visitors to stay longer and benefit from the proximity to London and Heathrow in a high quality environment.

³³ Deloitte, The economic contribution of the Visitor Economy, June 2010

Finally, there may be a role to explore for the public sector to help share information on emerging trends in the sector, facilitate joint marketing and cooperation and enhancing the attractiveness of the borough through maintenance and improvements to the public realm.

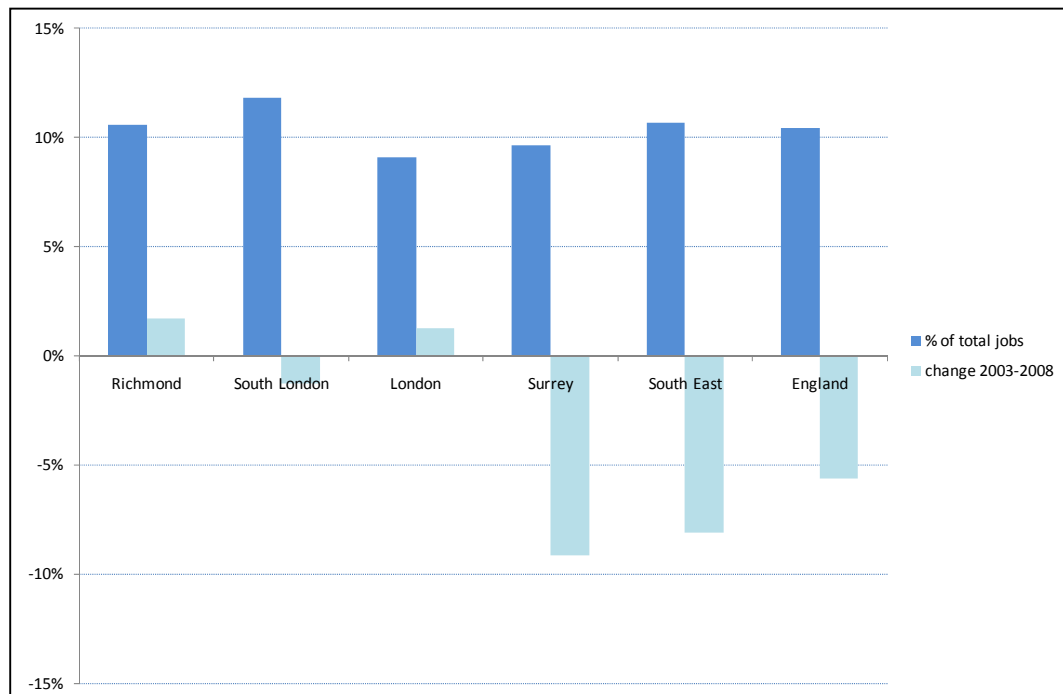
Retail

- 3.65 Retail is the third largest sector in England, in terms of jobs, employing over 2.4m individuals in 2008, approximately 10% of the total. Its share of total employment in the country has remained broadly constant in the last 10 years. However, it has faced a number of changes and challenges such as: the rise of e-tailing, the competition of out-of-town centres and the recession.
- 3.66 At the local level, retail is an important sector not only because of the employment opportunities it offers but also as a driver of local economies and communities. It is essential to the regeneration and continued vitality of town centres by providing jobs, helping retain spend locally and attracting shoppers in turn supporting other activities such as cafes and restaurants.

What does it mean for the borough?

- 3.67 Retail is the third largest sector in Richmond Borough, behind Business Services and Education, with almost 7,700 jobs in 2008. While this represents a higher proportion of total employment than in London, it is in line with the national average.

Figure 3.13 : Jobs in retail, 2008



Source: ABI

- 3.68 According to Figure 3.13, employment in retail has fared better in the borough than elsewhere since 2003: it rose by 1.7% while it contracted in England as a whole.

However, this hides a downward trend - as in South London and England - up to 2007. Overall, the data suggests a sluggish sector in the borough as elsewhere.

- 3.69 The largest sub-sectors in the borough are: Retail sale in non-specialised stores with food, beverages or tobacco predominating (i.e supermarkets); clothing; and specialised stores. Richmond Borough also shows high level of specialisation in a number of other, smaller, sub-sectors such as retail of bread and cakes; of alcoholic and other beverages; cosmetic and pharmaceutical products; and DIY products. The area where it is most under-represented, where there are in fact no jobs, is retail via stalls and markets.

Spend

- 3.70 According to the Retail Study produced by GVA Grimley³⁴, £822.8 million were spent on comparison goods retail in 2009 in the borough and this is forecast to increase to £955.0 million in 2016 and £1,628.8 million in 2026. They estimate convenience retail expenditure at £544.3 million in 2009, rising to £590.1 million in 2016 and £668.5 million in 2026. This growth is the result of increasing population numbers and per annum expenditure. GVA Grimley's forecasts assume the following growth rates, showing a short contraction of expenditure as a result of the credit crunch in 2008-09 and stagnation until 2011 before growth resumes.

Table 3.5 Retail Expenditure Growth Rates

	Comparison expenditure (% p.a.)	Convenience expenditure (% p.a.)
2007-08	3.7%	0.9%
2008-09	-3.0%	-0.5%
2009-11	0.1%	0.0%
2011-16	2.5%	0.8%
2016-2026	4.7%	0.5%

Source: GVA Grimley

- 3.71 According to the GVA Grimley evidence, the existing convenience floorspace stock is overtrading³⁵ in aggregate by some 40% compared to company national benchmarks (or averages). Given the affluence of some parts of the Borough and the higher operating costs in Greater London, this is not necessarily unexpected. However, the incidence of overtrading³⁶ in out of centres stores potentially indicates a qualitative deficiency in the Borough's town centres.

Local retention

- 3.72 The Retail Study indicates that destinations within the borough retained only some 20% of comparison (i.e. non food) expenditure in 2006. This means that there is a relatively high degree of expenditure leakage, particularly to Kingston upon Thames. It is possible that

³⁴ GVA Grimley, Retail Study Update, 2009

³⁵ See Glossary

³⁶ The quantum of turnover above what a store would achieve if it traded at its company's national average.

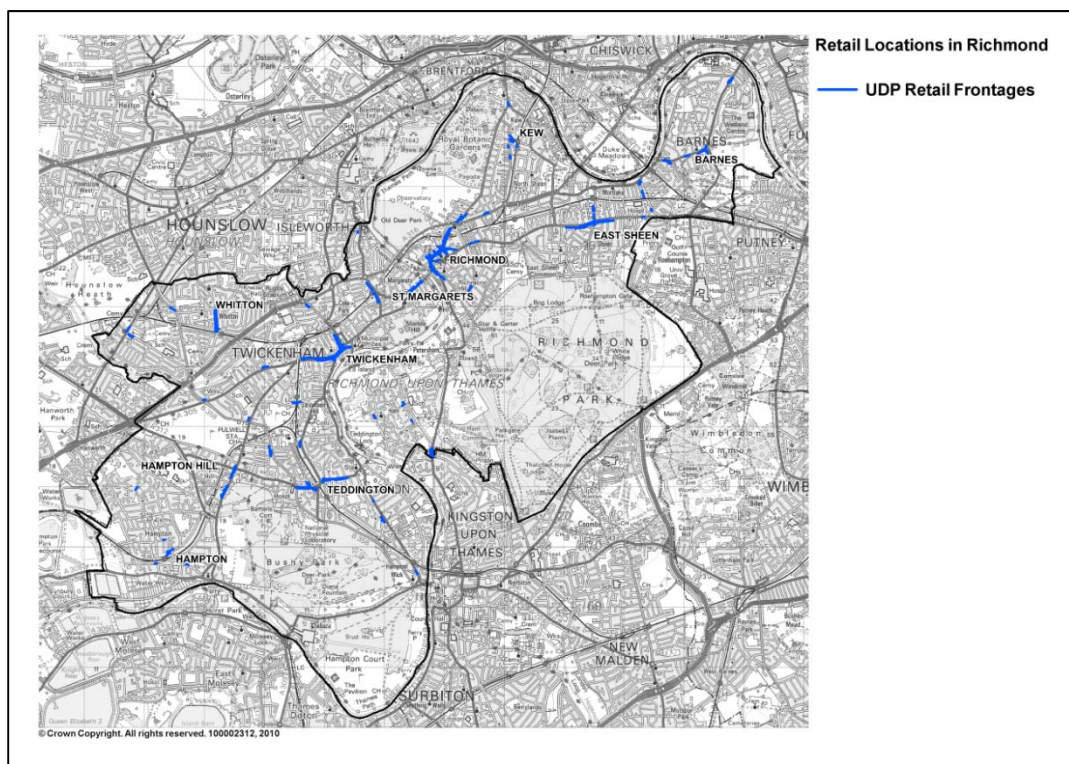
this level of leakage *may* have increased following the opening of the Westfield shopping centre in Shepherd's Bush.

- 3.73 In respect of convenience goods (i.e. food and grocery), the Borough retains some 49.8% of the study area expenditure. Again there is expenditure leakage, although this needs to be balanced against the presence of very large stores just over the Borough boundary (in particular the Tesco Extra store at Modgen Lane in the London Borough of Hounslow) and does not necessarily indicate a lack of choice in the Borough.

Location of retail activity

- 3.74 The geographical distribution of retail locations across the borough of Richmond-upon-Thames is charted in the map below.

Figure 3.14 : Retail frontages



- 3.75 As expected, the main concentrations of retail activity are in the borough's town centres: Richmond, classified as a major centre by the London Plan, followed by Twickenham, Teddington, East Sheen, and Whitton.
- 3.76 **Richmond** is the main centre in the Borough; it has established itself as an upmarket shopping destination, benefiting from an attractive environment largely within a conservation area. Key shopping frontages are relatively extensive. The town centre has a selection of up-market specialist retailers, and restaurants and bars, while the provision of ladies' fashion, clothing and jewellery floorspace is above the national average. Tesco and Waitrose are strong town centre anchor foodstores. However, the centre suffers from traffic congestion and pedestrian obstacles including narrow pavements and poor crossing points (although this has been addressed in part with recent improvements to the pavements). The prospects for the future of the town are dependent on whether

Richmond can resist competition from Westfield and Kingston without any major new investment in retail stock or whether the environment is sufficient to maintain its shopping role in the Borough.

- 3.77 The second largest centre in the Borough is **Twickenham** and, according to the Retail Study, it has experienced a good deal of investment from retailers in recent years, including a Marks & Spencer Simply Food format. Twickenham also has a Waitrose foodstore within the key shopping frontage, Travelodge have committed to a new hotel adjacent to the station and Tesco Express has also recently opened in the town. Furthermore, the diversity of uses in Twickenham has remained stable, convenience goods provision is above the national average, there is a strong representation of restaurants and licensed premises, and the number of national multiples has remained strong. However, Twickenham town centre presents a contrasted picture. To the east of the town centre is the attractive cobbled Church Street and riverside. Yet, the busy throughfare of London Road/King Street/Heath Road detracts from the environmental quality of the centre. As a result, Twickenham has been identified as a centre in need of revitalisation. The Retail Study recommended stringent planning control to maintain a good balance of uses in the centre. The prospects for the future growth in Twickenham are dependent on securing investment in the town centre to improve the urban fabric whilst respecting the town's built environment.
- 3.78 In **Teddington** there is a limited representation of multiple retailers, and the town centre generally comprises lower order and independent retailers. The Retail Study found Teddington to be a vibrant and improving town centre, anchored by Tesco Metro to the west of the centre and a recently opened Marks & Spencer foodstore to the east of the centre. Retailer demand was strong, but like Twickenham, is largely driven by restaurant / bar / takeaway operators. The Retail study suggested that Teddington is potentially vulnerable from effectively being split in two by the railway line, but concluded that since both streets are now anchored by a quality foodstore, this concern is eased.
- 3.79 In **East Sheen**, the retail sector is likely to have been affected by the out-of-centre J Sainsbury store on Lower Richmond Road. However, the Retail Study found that there is also growth in retailer demand requirements from a number of quality comparison goods retailers and restaurant operators (although this might have reduced in recent years). The offer combines restaurants, DIY / decoration shops, a Waitrose, small local shops and services in good quality premises.
- 3.80 **Whitton** is the smallest district centre in the borough, and is likely to have been affected by the Tesco Extra store at Isleworth. It is another very long high street, less vibrant than other parts of the borough with average quality premises, charity shops and some vacant units. However, Lidl is set to move to the High Street, which will bring an anchor to the area.
- 3.81 In order to meet the need of residents, retail provision in the borough extends beyond these centres. The Core Strategy (April 2009) identifies seven local centres and eight neighbourhood centres in Policy 8.B. There are also a number of parades of local importance - 15 are identified in the Council's evidence entitled 'Analysis of Town & Local Centres' (April 2007) - and Kew Retail Park.

Table 3.6 : Local and neighbourhood centres, and parades in the borough of Richmond

Local Centre	Neighbourhood Centre	Local Parade
Barnes	Castelnau	Ashburnham Road
East Twickenham	Friars Stile Road	Fulwell
Hampton Hill	Hampton Wick	Ham Street/Back Lane
Hampton Village	Heathside	Hampton Nursery Lands
Ham Common	Kingston Road	Hospital Bridge Road
Kew Gardens Station	Stanley Road	Kew Green
St Margarets	Sheen Road	Kew Road
	White Hart Lane	Lower Mortlake Road
		Nelson Road
		St Margarets Road
		Sandycombe Road
		Strawberry Hill
		Twickenham Green
		Waldegrave Road
		Whitton Road

3.82 The local centres, neighbourhood centres and parades make an important contribution to the network of amenities in the Borough. The Council has plotted areas in the Borough that fall within 400m of a local shopping facility. This enables any gaps to be identified and in general the Borough performs well, although there are some isolated gaps and some areas that have a high importance. Such shops are very important for day-to-day needs and ensure that all parts of the local community have sufficient access to shops and services. The specific gaps identified by the Council are as follows:

3.83 Small areas which are less well-served include:

- south and west of East Sheen district centre
- west of Castelnau
- parts of Ham & Petersham
- north of Hampton Wick/ east and west of Kingston Road
- east of Strawberry Vale (although served in part by an isolated store)
- west of Hampton Hill & around the catchment area of Hampton Nursery Lands generally
- around the periphery of Whitton district centre's 400 metre buffer particularly east and south including to the south west of Heathside centre, Powder Mill Lane.

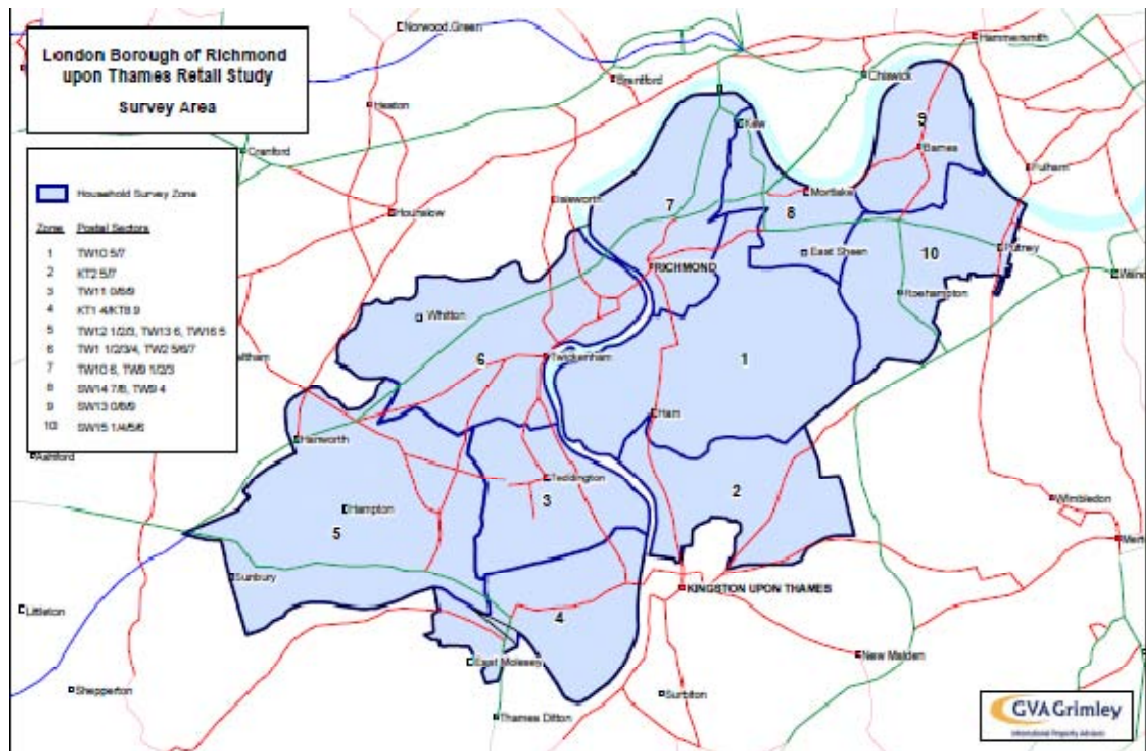
3.84 The small centres and parades reflect the spending power of their local residents with high quality boutiques in places like St Margaret's Road and lower quality convenience shops near the housing estates in Ham.

Catchment area and competition

3.85 The study area used by GVA Grimley incorporates the entirety of the Borough and parts of the boroughs of Kingston-upon-Thames and Wandsworth. The study area is divided

into 10 zones and applying the household survey data means that the broad catchment areas for the centres in the Borough can be defined.

Figure 3.15 Household survey zones



- 3.86 As expected, Richmond town centre has the widest draw in catchment (in terms of comparison goods expenditure) drawing trade from across the study area but with a particular focus on zones 6, 7 and 8. Twickenham is the second most dominant centre in the borough, drawing trade primarily from zone 6 but also from zones 3 and 5. All other centres have a more localised catchment, with East Sheen drawing trade from zone 8, Teddington from zone 3 and Whitton from zone 6.
- 3.87 As explained above, there is a lot of competition for spending in Richmond Borough and this is a function of the accessibility and overlapping catchments. The Retail Study investigated this issue and there is clear competition (on the comparison side) from Kingston upon Thames, Central London and Putney with local competition for town centres from Kew Retail Park. GVA Grimley estimated that 31% of comparison goods expenditure leaked from Richmond Borough to Kingston.

Opportunities and challenges for the future

- 3.88 As seen in Table 3.7, the growth prospects of the retail sector are modest for the short-term future as the collapse in investment since autumn 2007 and the need to restore government finances significantly constrain economic growth and consumer spending. Along with tighter lending conditions, higher unemployment is forecast to be a legacy of the current recession with impacts upon consumption growth in the short and medium term periods. The forecasters therefore expect that the boom conditions of the past decade are unlikely to be repeated in the short to medium term as consumers tighten their purses as a result of the global recession and correction in the housing market.

Table 3.7 : Forecast growth in retail expenditure

	Comparison expenditure per capita, % year on year growth		Convenience expenditure per capita, % year on year growth	
	Experian	PBBI / OE	Experian	PBBI / OE
2008	2.7%	4.6%	0.9%	-0.65%
2009	1.1%	-4.5%	-0.5%	-1.4%
2010	-0.4%	-0.9%	-0.2%	-0.3%
2011	1.1%	1.5%	0.6%	0.6%
2012	2.5%	3.6%	0.8%	1.4%
2013	2.5%	4.9%	0.8%	1.45%
2014	2.5%	5.0%	0.8%	1.45%
2015	2.5%	4.9%	0.8%	1.3%
2016	2.5%	4.7%	0.8%	0.9%
2017	2.8%	4.5%	0.9%	0.7%
2018	2.8%	4.3%	0.9%	0.6%
2019	2.8%	3.9%	0.9%	0.4%

Source: Experian, Pitney Bowes Business Insight / Oxford Economics

- 3.89 Over the medium and long term periods, PBBI/OE anticipate a much faster recovery than Experian with regards to retail expenditure.
- 3.90 Aside from differences in the expected scale of future expenditure growth in retail, there are a number of key trends which will affect the retail sector in the future, its geographical distribution, the type of premises needed and the overall environment in which businesses operate. They include: the continued competition of out-of-town centres; the demand for larger units in town centres; and e-tailing.

Out-of-town centres

- 3.91 Despite the increasing difficulty associated with securing planning permission for retail development in out-of-centre locations, town centres³⁷ accounted for 44.4% of total retail sales in 2007, compared with 49.7% in 1997 (Figure 3.1). Conversely, 'out-of-town' retailers accounted for 28.1% of retail sales in 2000, with this figure rising to 55.6% in 2007. However, given the noted difficulties experienced by certain sectors, the growth in 'out-of-town' retailers' market share can primarily be attributed to the gain in share at grocers' 'out-of-town' superstores, with Tesco, Sainsbury's and Asda all extending their offer of non-food and, in doing so, gaining sales from high street retailers. This trend is evident in Richmond with two large Sainsbury's stores selling non-food goods, as well as a large Tesco Extra at Mogden near Twickenham (just over the border in Hounslow) selling a variety of non food goods. There are other emerging changes in the profile of

³⁷ Verdict's definition of 'town centre' is 'deliberately broad' to include all areas that offer comparison shopping; it includes traditional high streets, in-town shopping centres and regional 'out-of-town' (Verdict's term) shopping malls such as Meadowhall, Merry Hill, the Trafford Centre, the Lakeside Mall and Bluewater. Verdict's 'out-of-town' definition includes retail parks (minimum three retailers/50,000+ sqft of trading space). We therefore consider that Verdict's 'out-of-town' definition embraces both 'out-of-centre' and 'out-of-town' locations as defined by PPS4.

out-of-town centre occupiers. Bulky goods retailers are currently experiencing challenging trading conditions, which is having a knock-on effect on development activity, particularly in the DIY and furniture sectors. Conversely, high street names such as Next, New Look and Marks & Spencer continue to expand in out-of-centre locations. This is evidenced locally by the presence of both Next and Marks and Spencer at the Kew Retail Park and the recent closure of Next's outlet in Richmond town centre.

In-town Retail Development Trends

- 3.92 In market and sub-regional towns, there is strong competition for larger retail units of 2,000 to 4,000 sqft units. Verdict³⁸ forecasts that the average town centre store size is set to increase by 9.2% to 2,312 sqft between 2007 and 2012, with many retailers moving into larger units as they broaden their ranges. The sizes of units in many new shopping centre developments are being designed by developers with this in mind, evident from the likes of Primark, TK Maxx and Next securing anchor units in many schemes. Other fashion retailers, such as New Look, are also migrating to larger units in town centres to drive footfall and boost their sales densities.
- 3.93 This has led to a significant and continuing trend: the polarisation by retailers towards larger schemes in larger centres which is driven by a number of factors. Retailers recognise that greater efficiency can be achieved by having a strategic network of large stores offering a full range, rather than having a large network of smaller stores, and are therefore increasingly seeking to serve larger population catchments from larger stores. It is also driven by consumers, who are becoming more discerning and are increasingly prepared to travel further.
- 3.94 There is therefore a concentration of comparison goods expenditure in a smaller number of larger centres. Indeed, CB Richard Ellis estimates that half the population currently shops in just 70 or so major locations, down from 200 locations 30 years ago. This concentration of retailing in larger centres is likely to threaten some medium and smaller towns.
- 3.95 The growth of the dominant foodstores and decline in unit numbers poses similar challenges for small town centres and district / local centres which rely on their convenience / service base. A clear picture is emerging of a network of large dominant superstores, and corresponding decline / diversification in the traditional smaller centre. This means that to succeed secondary or smaller centres must distinguish themselves from the larger destinations by providing an offer that cannot easily be found elsewhere to attract footfall and increase turnover. This might include the provision of specialist or niche shops, the provision of an enhanced customer service (i.e. home delivery) and generally contributing to a pleasant shopping experience (i.e. convenient parking, a pleasant environment and a range of different town centre uses).

³⁸ Source: Verdict, UK Retail Futures 2012: Sector Summary, May 2008.

E-tail

- 3.96 UK internet retail sales have increased by 25.0% to £18.4bn in 2008, outperforming the 2.1% increase in total retail. In 2009 internet retailing was forecast to grow by 13.3% to £20.9bn. The increase in e-tail is due to lower prices than those in stores and shoppers being able to search out bargains including secondhand goods.
- 3.97 At the same time, the internet is becoming more complex and competitive, and retailers must adapt to this retailing climate. The growth of Marketplace websites is changing the dynamics of the market and further intensifying competition. While unfavourable economic conditions are forcing retailers to scale back on physical retail space, their online operations allow them to reach a much wider customer base.
- 3.98 Currently, electricals and grocery sectors dominate the online shopping sector. Electricals is at the top of the online market, accounting for 25.7%. It is closely followed by food & grocery, which accounted for 25.3% of the online market in 2008.
- 3.99 The growing number of high street clothing and footwear retailers who have established an online presence, are likely to continue to benefit from broadening their offers to rival both the depth and breadth of those instore. This sector attracted 13.4% more shoppers (12.6m) and 37.1% more spend (£2.3bn) in 2008. Over the next five years it is predicted that the online penetration of total clothing & footwear spend will more than double to 11.5%³⁹.

Floorspace requirements

- 3.100 GVA Grimley's analysis forecasts quantitative need for additional retail floorspace in the Borough to 2026 in order to maintain a constant market share. In other words, if the quantitative need is not met then there is the potential for the Borough to lose market share. The quantitative need outputs are summarised below.

Table 3.8 Richmond Borough wide quantitative need for retail floorspace (sqm net)

Type of Floorspace	2011	2016	2021	2026
Comparison Floorspace	153	2,588	8,929	16,470
Convenience Floorspace	8,292	10,266	12,093	14,096

Source: LBRuT Retail Study Update (November 2009)

- 3.101 The convenience outputs are likely to be inflated by the conversion of the 40% overtrading figure (mentioned above) into a quantitative need output and is dominated by out of centre floorspace.
- 3.102 It should be noted that this is a borough wide assessment but the Retail Study also provide estimates of quantitative need for the larger town centres.

³⁹ Source: Verdict, *UK e-retail 2009*, May 2008

Table 3.9 Quantitative need for retail floorspace by town centre (sqm net)

	Comparison				Convenience			
	2011	2016	2021	2026	2011	2016	2021	2026
Richmond	98	1,465	4,988	9,172	2,744	3,203	3,605	4,042
Twickenham	17	226	775	1,383	-499	-310	-136	50
East Sheen	3	148	542	1,014	897	1,110	1,311	1,535
Teddington	2	95	350	658	1,231	1,511	1,777	2,074
Whitton	7	89	294	535	150	225	294	367

- 3.103 We advise caution on relying too prescriptively on the outputs for individual town centres, since it might be necessary to planning for a larger quantum of floorspace in certain centres to deliver regeneration benefits and claw back trade from out of centre and competing destinations.
- 3.104 It is unclear at this stage what the impacts of the recession and the opening of Westfield in Shepherd's Bush will be.

Summary:

Retail is one of the largest sector in Richmond Borough, albeit one which has stagnated over the last few years. It is also a core element of town centres' vitality and appeal to shoppers, residents and other businesses.

The presence of wealthy residents in the borough represents numerous commercial opportunities. However, a significant proportion of retail expenditure is leaked to Kingston and other London destination.

In addition, the sector has been affected by a number of trends including the rise of e-tailing and a move towards a concentration of comparison goods expenditure in a smaller number of larger centres. This concentration of retailing in larger centres is likely to threaten some medium and smaller towns.

The main challenges for the Borough are:

- to retain as much spend locally as possible. This will require providing additional space as the population grows and supporting the role of town centres, both as local centres and shopping destinations.
- find ways to address the possible polarisation towards larger centres and help smaller centres develop a Unique Selling Point / an identity.
- Determine the role and future of small parades
- Meet the needs of all residents.

Creative industries

- 3.105 Creative industries are usually defined as those that focus on creating and exploiting intellectual property rights, such as music, books, films and games or providing business to business creative services such as advertising, public relations and direct marketing.

The Department for Culture, Media & Sport (DCMS) defines creative industries to include these and elements of manufacturing related to crafts and fashion^{40 41}.

- 3.106 DCMS estimates that there were 157,400 businesses and 1,971,200 jobs⁴² in creative industries in Great Britain in 2008, the largest share of them in Software, Computer Games & Electronic Publishing which has also been the fastest growing sub-sector. There has been a steady rise in productivity in the creative industries as employment rose by an average 2.1% between 1997-2008 while GVA increased by 5% a year on average. In total, £60,000m of GVA⁴³ (6.2% of the total GVA in Great Britain) was generated. It is also a key sector for the national economy through exports: in 2007, £16,600m worth of exports came from creative industries, in particular Software, Computer Games & Electronic Publishing and Art & Antiques.
- 3.107 In London, creative industries are identified as a key sector not only for its jobs and GVA potential but also for its potential benefits on regeneration and tourism. Indeed, the Mayor's Cultural Strategy 'recognises the significance of the cultural and creative sectors in making London a world city, and advocates continued support and investment'⁴⁴. It states that 'London is an acknowledged centre for arts and culture and commercial creative industries, all of which make a vital contribution to London's economy. Not only is the sector a major employer and economic generator, with a turnover of over £18bn, it also plays an important role in terms of boosting the visitor economy and ensuring London's position as a global capital for creativity and commerce'.

What does it mean in the borough?

- 3.108 According to the ABI, Creative Industries provide approximately 11,500 jobs locally, accounting for 16% of the borough's total. As seen below, this is significantly higher than in London and the other comparator economies. We must bear in mind that self-employment is not included here and is likely to be significant in this sector with interior designers, graphic designers, writers and other professions often working for themselves. Total employment in the creative industries is therefore bound to be even higher.

⁴⁰ The DCMS definition of creative industries is provided in Appendix 1.

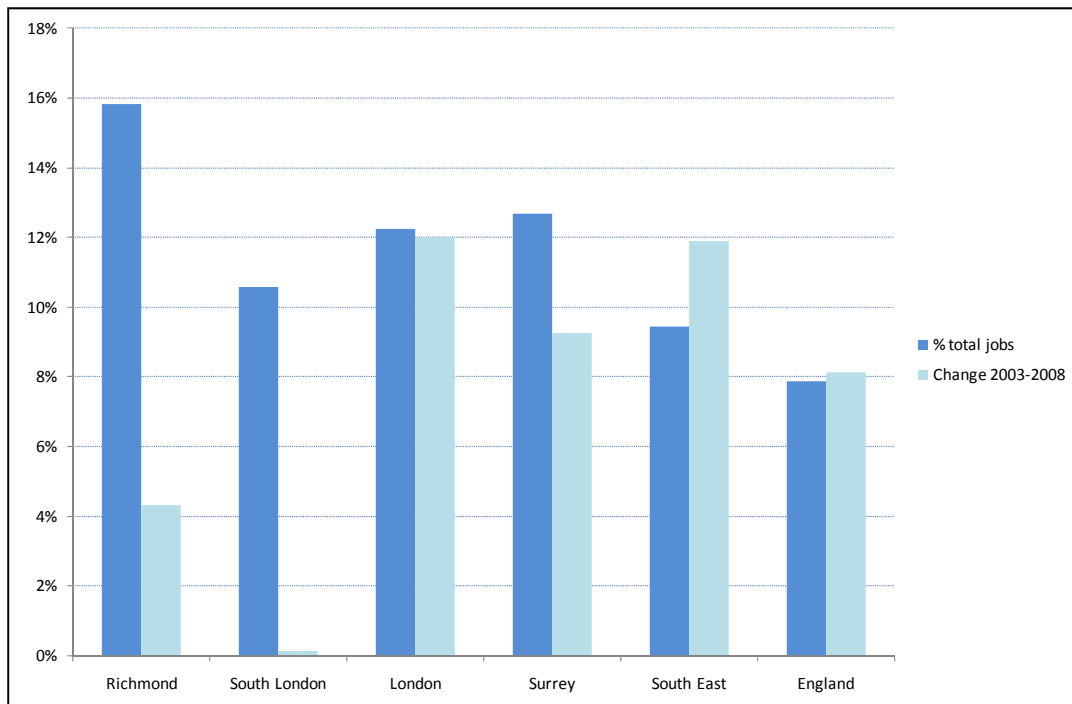
⁴¹ Note that there is a small overlap between this definition and Business Services as Other Business Activities nes, Other software consultancy, Architectural activities, Advertising, and Photographic Activities are included in both categories.

⁴² This does not only include jobs in the Creative Industries, but also jobs in creative occupations in business which are classed as being outside these industries, e.g. graphic designers working in a manufacturing firm.

⁴³ 2007 figures

⁴⁴ GLA, Cultural Metropolis - the Mayor's Draft Cultural Strategy: 2012 and beyond, June 2010

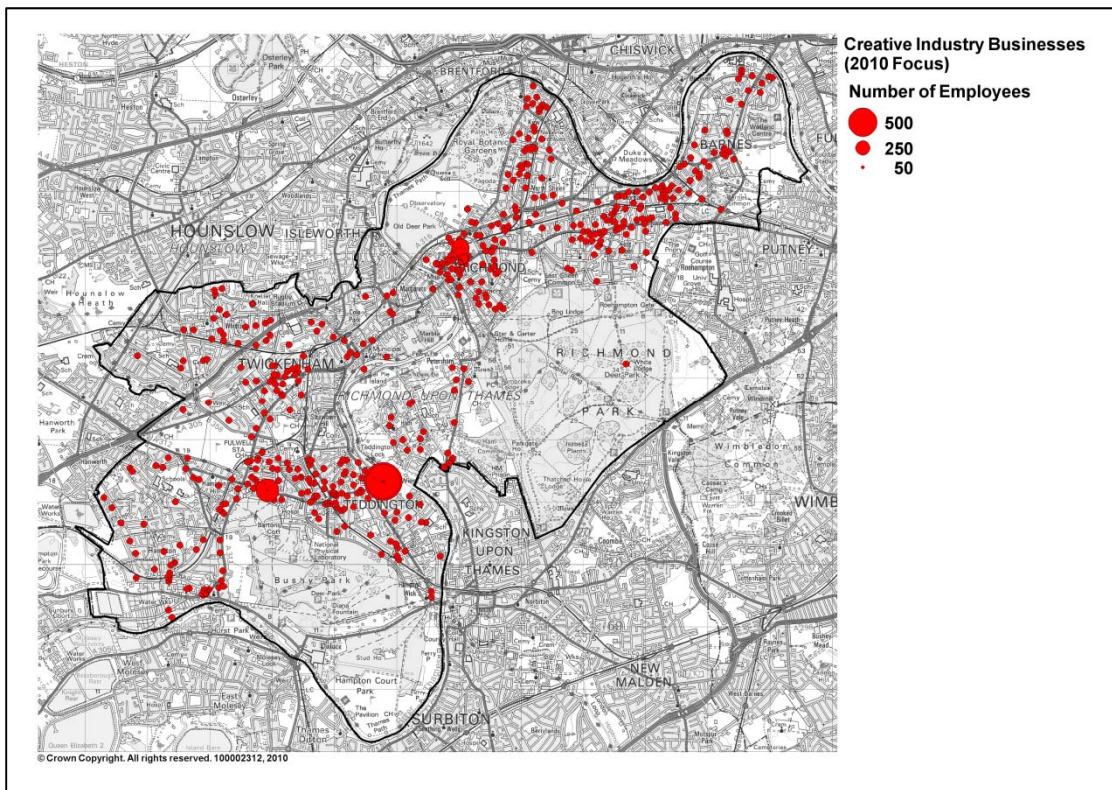
Figure 3.16 : Creative industries jobs



Source: ABI

- 3.109 The largest sub-sector is business services: other business activities not elsewhere classified, software consultancy, architectural and engineering activities, and advertising. Retail in specialised stores and publishing are also significant.
- 3.110 In terms of specialisation, the borough stands out in a number of activities: Other publishing activities, reproduction of video and sound recording and of computer media, as well as in the sectors listed above. The publishing industry is represented by Haymarket Publishing, a large employer, located at Teddington Studios. Indeed Teddington is a popular location for newspapers and magazines with other occupiers including Autocar, Harlequin Mills & Boons, F1 Racing, Customer Magazines or Classic FM Magazine.
- 3.111 The borough is also the location of Teddington Studios and Twickenham Film Studios, which have drawn a number of small broadcasting operations - such as the Chinese Channel - recording services and TV, Film & Video Production Services.
- 3.112 Another key feature of the sector is the weight of small enterprises: 91% have fewer than 5 employees. They include large numbers of interior and garden designers, architect studios and graphic designers amongst others. It is likely that a large share of these will be mostly working from home, explaining the dispersed pattern of activity across the borough's residential areas.

Figure 3.17 : Geographical distribution of creative industries, 2010



Source: Focus

3.113 The location of creative industries derives from a mix of factors, individual to each business. For the larger businesses, historical and economic considerations will be stronger: the availability of the right premises (e.g at Teddington studios), a historical presence for the printing industry on the riverside for instance, and cheaper rents than in central London. For smaller businesses, personal factors will be taken into account, in particular the place of residence of the business founder and the desire for more autonomy at work. For these businesses, cheaper rents and flexible premises will be important. They are well suited to making use of converted buildings that can not be viably redeveloped for mainstream commercial use and as such offer opportunities for growth in Richmond Borough where employment land is limited.

Summary:

Creative industries are an area of specialisation for the borough's economy, providing in excess of 11,500 jobs. It is made up mostly of very small businesses but also includes a number of larger businesses in publishing and the media as a result of the presence of Teddington Studios.

A large share of smaller businesses in creative industries are likely to be in Richmond Borough because it is where the owner lives. As such they are likely to be home-based or occupy small converted premises, the main priority being low rent and flexible leases.

The borough may be able to support this sector with a targeted approach to business support focusing on very small, starter businesses, and targeted training courses. We see more on this in the next chapter.

Research & development

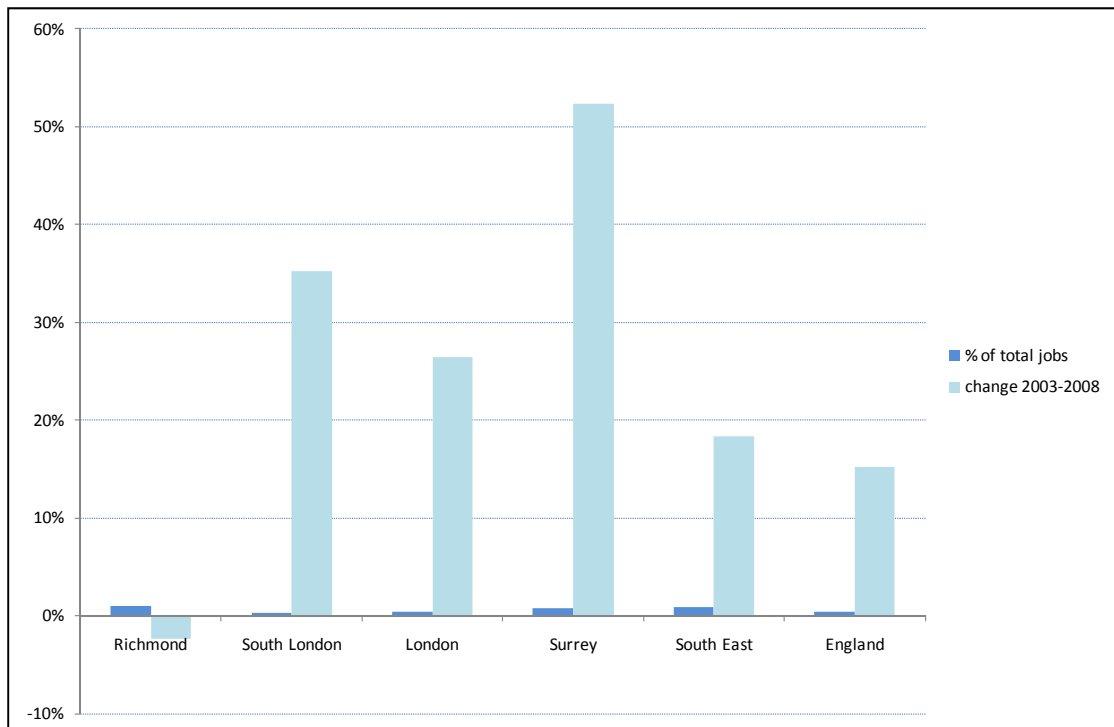
- 3.114 According to BIS, R&D can be defined as any 'project to resolve scientific or technological uncertainty aimed at achieving an advance in science or technology'. It results in the technology that brings new products and services to the market place. As such, R&D plays an important role in the innovation process which is increasingly vital to current and future profits for UK companies. Innovation generates high quality jobs, successful businesses, better goods and services and more efficient processes. International research has consistently demonstrated the positive correlation between R&D investment intensity and company performance measures such as sales growth and share price in the sectors where R&D is important.
- 3.115 The 2009 R&D Scoreboard⁴⁵ analysis shows that in 2008, the 1,000 UK companies undertaking the most R&D (the "UK1000") increased their investment by 9.2% compared with the previous year, to £26.6 billion. Of these 1,000 companies, one hundred carried out 81% of UK R&D investment. R&D spending was dominated by five sectors: pharmaceuticals and biotechnology; aerospace and defence; software and computer services; banks; and automobiles and parts. Together these sectors accounted for 59% of R&D. The emergence of the banking sector as one of the big five in R&D spending is a significant change to last year's Scoreboard.

What does it mean in the borough?

- 3.116 In Richmond Borough, pharmaceuticals, aerospace and the car industry are virtually absent. Software services and banks located in the borough are unlikely to invest vast amounts in R&D as they tend to be back offices rather than HQs. As a result, we focus our analysis on pure, scientific, R&D only. However, at local level, we are limited to job-related data which is a poor proxy for the economic value of R&D.
- 3.117 As seen in Figure 3.18, jobs in research are few and far between locally and nationally. It is a high value sector but not one which offers many employment opportunities. However, in the borough they account for around 1% of jobs, more than twice as much as in London and England.

⁴⁵ BIS, The 2009 R&D Scoreboard, March 2010

Figure 3.18 Jobs in R&D



Source: ABI

- 3.118 According to IDBR, there were 20 enterprises in R&D in Richmond Borough in March 2009. While not directly comparable, ABI information suggest that the vast majority of these are small but there is one large enterprise with over 200 employees. We assume this is the National Physical Laboratory, a high profile research facility.
- 3.119 According to the NPL website, 'independent economists have been able to show that NPL's work for the National Measurement System contributes approximately £2 billion per annum to UK GDP'. The core role of the NPL remains as the UK's National Measurement Institute (NMI) but the organisation also delivers contracts in knowledge transfer; advanced manufacturing and applied science (notably materials science, medical physics and bio-science), sustainability (including the development of renewables, carbon metrology and energy efficiency) and the digital world (including data security). In 2009 they worked for over 2,000 organisations, including government departments. The NPL operates on a regional, national and international scale but also has a local impact through the visitors it brings to the borough as well as its staff members.
- 3.120 Another high profile research employer located in the borough is the LGC (Laboratory of the Government Chemist), the National Reference Laboratory in a range of areas and the host organisation for the UK's Government Chemist function. Kew Botanical Gardens also undertake science research.
- 3.121 However, as shown above, jobs in R&D have dropped in Richmond since 2003 while it grew rapidly in all comparator areas. This is likely to reflect in part the loss of jobs at both the NPL and LGC.

Opportunities and challenges for the future

- 3.122 Although the UK has a strong science base, UK businesses as a whole invest less in R&D than their main international competitors. The Government is determined to close the UK's productivity gap with comparable international economies and is seeking to boost UK R&D investment to 2.5% of GDP by 2014. However, the latest figures from the ONS show that between 2002-2008, expenditure on R&D has stagnated below 2% of GDP⁴⁶.
- 3.123 Increasing spend in R&D is a decision made by individual business and public organisations based on their needs, long-term strategies and national regulations. A local authority is unlikely to have much leverage to influence these factors.

Summary:

While Richmond Borough has a comparatively strong presence of R&D jobs, it remains a small sector and one unlikely to grow drastically in the future. In addition, the council is unlikely to be able to influence expenditure decisions. Larger organisations, in particular the National Physical Laboratory are more likely to operate on a national or even international scale in terms of recruitment, knowledge transfer and innovation.

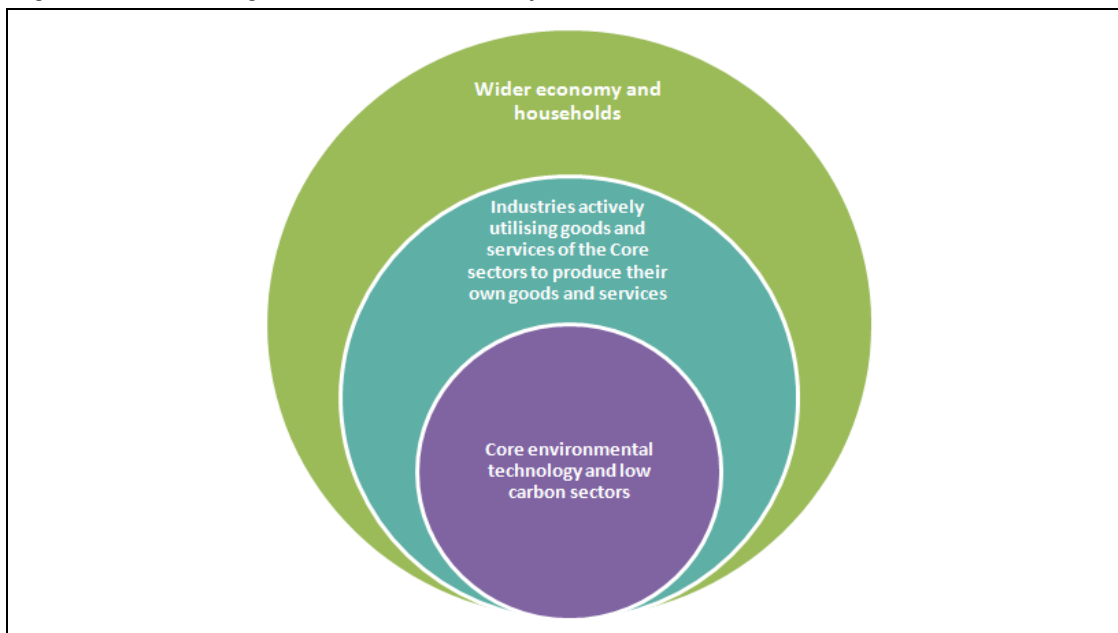
However, there may be potential to encourage more partnership work between local businesses and research / higher education facilities and ensure adequate business support and referrals are available to those businesses with an interest. The borough can also explore ways to promote the presence of high profile R&D organisations to its inward investors, and to support the NPL.

Green sector

- 3.124 A confusion is often made between 'green / low carbon economy' and 'green / low carbon sector'. The green sector relates to businesses which actively produce low carbon goods and services such as environmental consultancy, waste recycling, pollution mitigation and control, renewable energy, alternative fuels and alternative fuel vehicles, energy management, carbon finance, and low carbon building technologies (BERR, 2009). At the same time other sectors are either using the goods and services produced by the above industries or altering their own production and operation processes to ensure carbon neutrality. Finally, there is a third layer of the economy which is related to the consumption of these goods and services and the changing practices and behaviour among businesses, households, and individuals. The total green economy covers these three dimensions as shown in the diagram below:

⁴⁶ OECD

Figure 3.19 Defining Low Carbon Economy



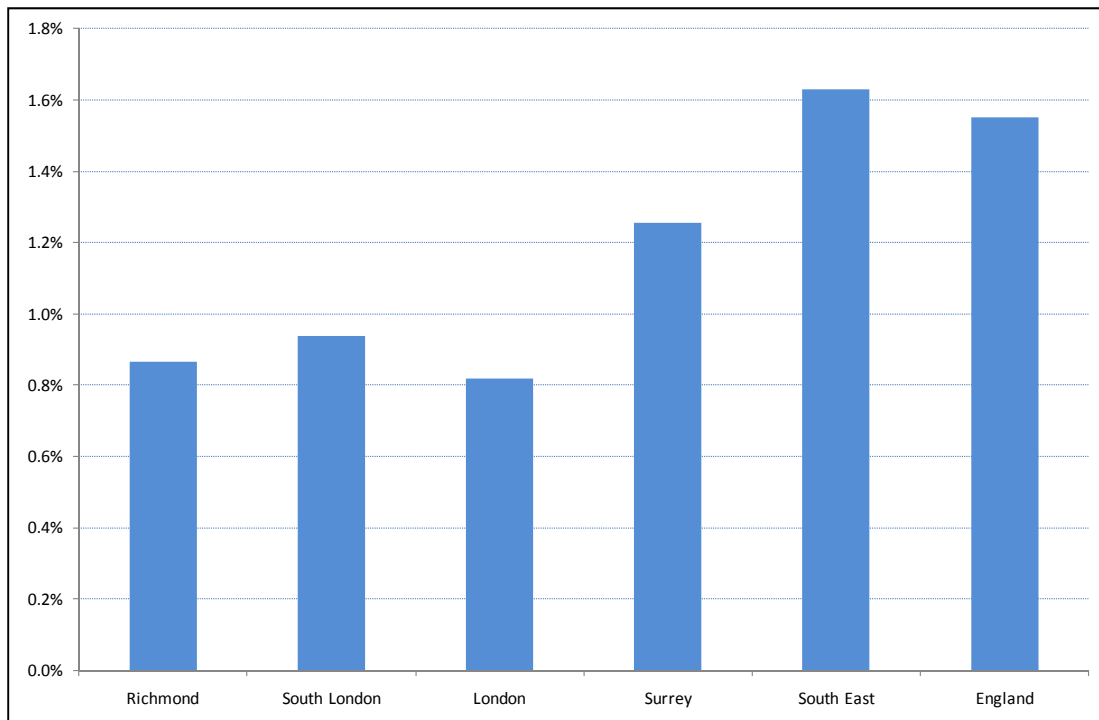
3.125 Here we focus on the green sector. At a national level, the Low Carbon and Environmental Goods and Services (LCEGS) sector was estimated at £106 billion in 2007/08⁴⁷. Almost half of this market value stems from activities in the wider supply and value chain. The sector grew by approximately 4% in 2007/08, and is forecast to grow at a similar pace over the next decade. There were estimated to be around 881,000 jobs in the LCEGS sector in the UK, almost half of which were in the emerging low carbon sector. In addition, the UK was a net exporter of LCEGS in 2007/08, with China the single largest destination for UK exports. The highest ratios of exports to imports were in environmental consultancy, wind energy and construction technologies.

What does it mean for the borough?

- 3.126 At the local level, it is difficult to estimate employment in the green sector as there is no agreed definition of what it includes: the Standard Industrial Classifications do not reflect the emerging changes in a range of sectors as a result of new occupations and activities created by environmental requirements.
- 3.127 As a starting point we have used UKCEED's definition with a few additions including the manufacture of central heating and air conditioning products as well as the production and distribution of energy. As shown below, it is a very small sector providing around 630 jobs, 0.9% of the borough total. Most of these are in the collection and treatment of waste.

⁴⁷ BIS, Towards a low carbon economy - economic analysis and evidence for a low carbon industrial strategy, July 2009

Figure 3.20 The green sector, 2008



Source: ABI

- 3.128 However, as mentioned previously, the definition above is very restrictive. Occupations such as environmental consultants or carbon traders will not be counted as they would fall in finance and business services. Similarly, the construction sector is likely to provide many commercial opportunities in the green economy but is not recognised in this approach. This also applies to architectural and engineering firms; enterprises involved in reselling used goods and manufacturing companies developing cleaner technologies.
- 3.129 Anecdotal evidence from Focus suggests that there are a handful of energy conservation and environmental consultants in Richmond Borough. They appear to be mostly small, scattered across the borough, probably in a mix of office and home-working as the rest of the business services sector in the borough. The largest identified in the database is NatSource Europe Ltd, with 15 employees, located at Heron Square. It is an example of the high value services which the green economy might generate: NatSource is a multinational company with headquarters in New York and offices worldwide. It is a provider of asset management, origination, and advisory and research services in global emissions and renewable energy markets.
- 3.130 Environmental business services⁴⁸ is likely to be the main area of green commercial opportunities for the borough. The others which relate to energy supply and the

⁴⁸ There is no official definition for environmental business services but they basically cover business to business consultancy services specialised in the impacts of climate change. They can include legal advice on compliance with new regulation, the assessment of environmental impacts of new processes / investments, product consultancy e.g design, sourcing or packaging, green procurement etc.

manufacturing of new technology and products are less likely to find the infrastructure and premises they need in the borough.

Opportunities and challenges for the future

- 3.131 It is very difficult to estimate the number of jobs which may be created by low carbon business opportunities in the future, although UKCEED identifies environmental services as the main area of growth. The scale and speed of change will depend on a number of complex factors which will influence progress towards a low carbon economy including:
- The development of new technologies and new business processes;
 - The market shares captured by the UK;
 - Changes in individuals' behaviour and patterns of consumer demand;
 - Public policy with regards to taxes, regulations, infrastructure investment and procurement procedures.
- 3.132 Overall, environmental issues are key to the economy as much because of the pressure they will place on businesses to adapt to the changes they will generate as because of the jobs and innovation they might create. In order to remain competitive in the future, businesses will need to become more resource efficient. A large part of their ability to turn this to their advantage will relate to the workforce's skills.
- 3.133 While some of the issues listed above need to be addressed at the regional or national levels, local authorities have the ability to contribute to change and nudge businesses and individuals towards greener production and consumption patterns.

Summary:

The green sector is a small provider of jobs but it has the potential to generate high value opportunities in the future, especially in environmental consultancy. The potential for 'green jobs' is in all sectors as businesses adapt to changing consumer behaviour and regulations.

Research suggests that there is a range of preparedness, both within and across sectors and by size of firm, offering commercial opportunities for those who can provide technical and management guidance. Richmond Borough, already competitive in business services, is well placed to benefit from this.

The borough can also help develop demand for green product and services, and at the same time improve its carbon footprint, by informing its residents about choices and their impacts. The public sector also has a direct role to play in driving the demand for greener products and implementing low carbon processes through their own supply chains and operational choices.

Economic infrastructure and location drivers

- 3.134 The annual South London Business Survey carried out in October 2009 found that the main reasons for locating in South London were: access to markets / clients, highlighting the importance of transport links; other reasons, likely to include the place of residence of the owner; and quality of life. It also found that, for South London as a whole, the top three issues which businesses want addressed are: business rates, the cost of premises and transport links. On the other hand, guidance on retaining staff, labour costs, the lack of

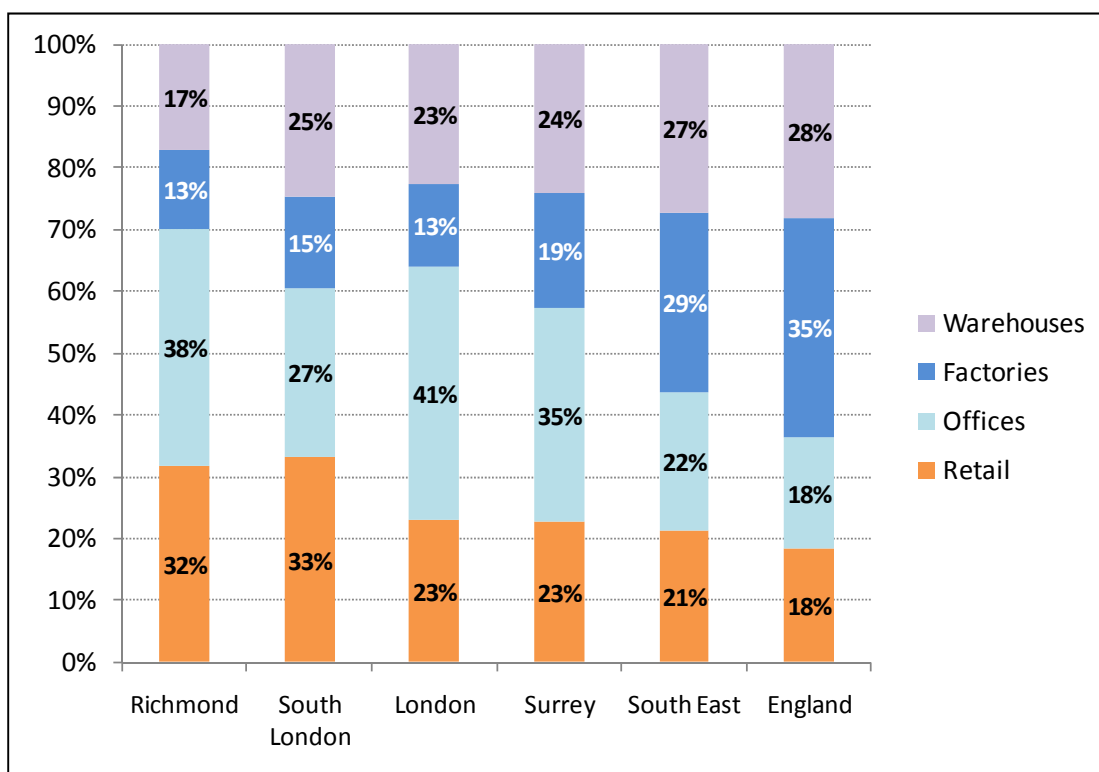
available premises or the lack of skilled labour are not seen as major issues. This information is only available at South London level however and not broken down by borough.

- 3.135 The survey did find that Richmond is the borough with the highest proportion of businesses which are very satisfied of their borough as a business location: approximately 45% compared to 30% in Kingston, the next highest ranked borough in South London. An additional 37% of respondents were satisfied and less than 10% were dissatisfied.
- 3.136 Amongst respondents to our own survey (dominated by small owner-managed retail businesses) by far the main reason for locating in Richmond was proximity to the owner's residence. Other main reasons included the availability of the right premises and access to customers.
- 3.137 The issue of land and premises is explored next, followed by transport, as those on which local authorities are more likely to have an influence.

A limited provision of employment land and floorspace

- 3.138 In 2008, there were almost 1million sqm of commercial floorspace in Richmond Borough. The lion's share was used as offices or retail space, as illustrated in Figure 3.21, even more so than in London.

Figure 3.21 : Commercial floorspace by use type, 2008



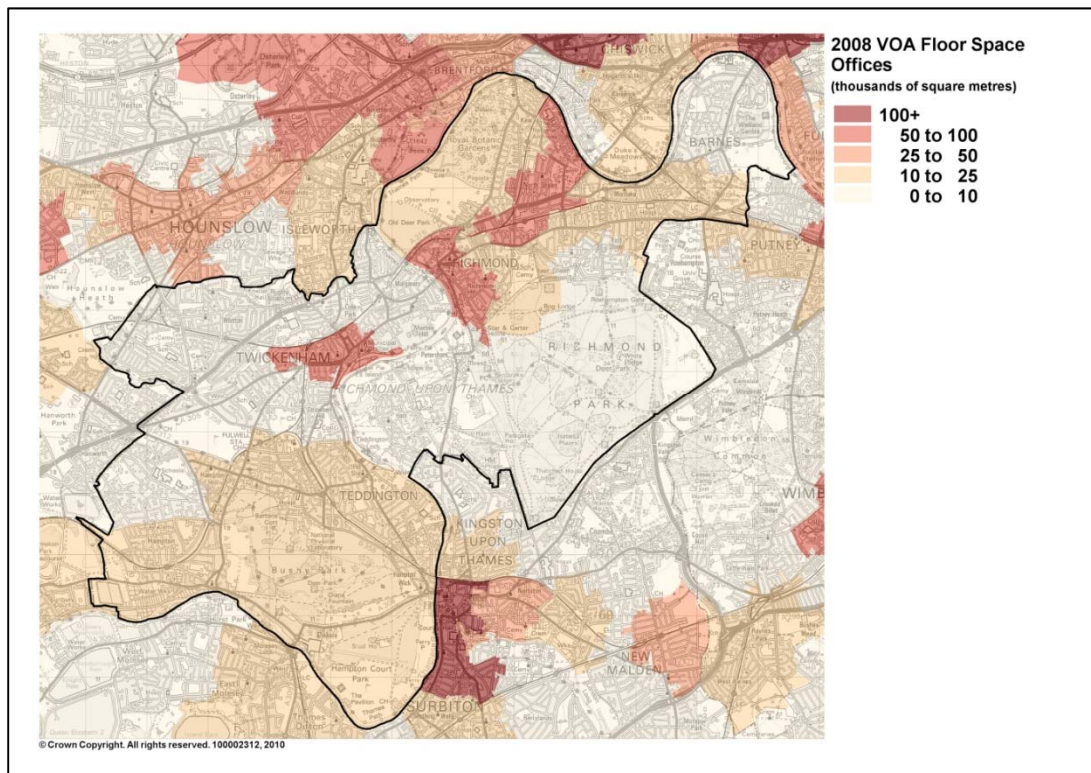
Source: Valuation Office Agency

- 3.139 Drawing from the 2009 Employment Land Study, we look at each type of use in turn, except retail which has already been covered.

Offices

- 3.140 In 2008, there were 379,000 sqm of office floorspace in Richmond Borough. It is worth pointing out that of these, 22% (82,000 sqm) are classified as non-commercial offices compared to 12% in London. This includes local government offices, surgeries and police stations as well as the National Physical Laboratory in Teddington.
- 3.141 Richmond town centre is the main office location in the Borough, and is of sub-regional importance as a location for B1 uses. Other popular locations include the main other centres, Teddington and Twickenham, as well as Hampton Hill. Smaller office premises are also found at the Castle Business Park in Hampton.

Figure 3.22 : Office floorspace in Richmond Borough, 2008



Source: VOA

Occupier demand

- 3.142 In line with the sectoral composition of the borough's economy, business occupiers cover a wide range of activities (e.g accountancy firms, marketing organisations, publishers, call centres) and are mostly small. Premises required by businesses, where demand arises, are generally below 250m² and serviced office developments are popular. The smaller occupiers in the market generally require flexible leases.
- 3.143 The 2009 Employment Land Review (ELR) indicates that demand for B1 office premises in the borough has traditionally been buoyant, owing to transport links and the area's desirability. Recently, as in most other markets, demand has been adversely affected by the economic downturn, which has meant that take-up was very modest during both 2008 and 2009. There has not however been any instances of large-scale vacancy and agents

expect demand to recover in time, commenting that the attractiveness of the Borough to office occupiers, and Richmond town centre in particular, will remain in the long-term.

- 3.144 However, the study found that there was a significant amount of cumulative vacant office floorspace in the Borough. It is thought that this is largely due to two factors; the impact of the economic downturn, and the presence of a large number of average/ poor quality premises, for which there is generally muted demand.

Quality of premises

- 3.145 The quality of office premises in the Borough is varied. Although there is a good supply of second hand office premises, particularly in Richmond and Twickenham town centres, there is an acknowledged shortage of new/ high-quality stock on the market and few readily developable sites. It can therefore be said that the current supply of premises in the office market, in terms of quality, does not generally meet demand from occupiers.
- 3.146 This is an area of concern for the borough's ability not only to attract new inward investors but also to retain local businesses as they expand. Our survey of local businesses found that 1 in 5 had experienced difficulties in finding the right premises. It also found that amongst the 35% of respondents who were considering expanding their business in the near future, the main concerns related to the availability and affordability of the right premises.

Investor demand

- 3.147 There has traditionally been good demand for development sites although employment floorspace will often be provided as a component of residential led mixed-use schemes. When market conditions for B1 uses were more buoyant, demand was generally concentrated in the town centre areas and along the River Thames, at locations where transport links are good.
- 3.148 Analysis shows that stock has remained constant at 296,000 m² since 2005. It could therefore be assumed that the B1 market has either reached a relative state of equilibrium or that there no further suitable premises available for the office market to expand into. There is an acute shortage of potential development sites, with high land values meaning that there is strong competition for sites from residential uses and limited potential to expand the provision of employment floorspace.
- 3.149 Refurbishment of older premises to provide better quality space has been popular in recent years, with buildings such as Oriel House (Richmond town centre) achieving rents of around £333 per m² (£31 per ft²) on completion in 2007 - considered to be premium rental value.

Potential for growth

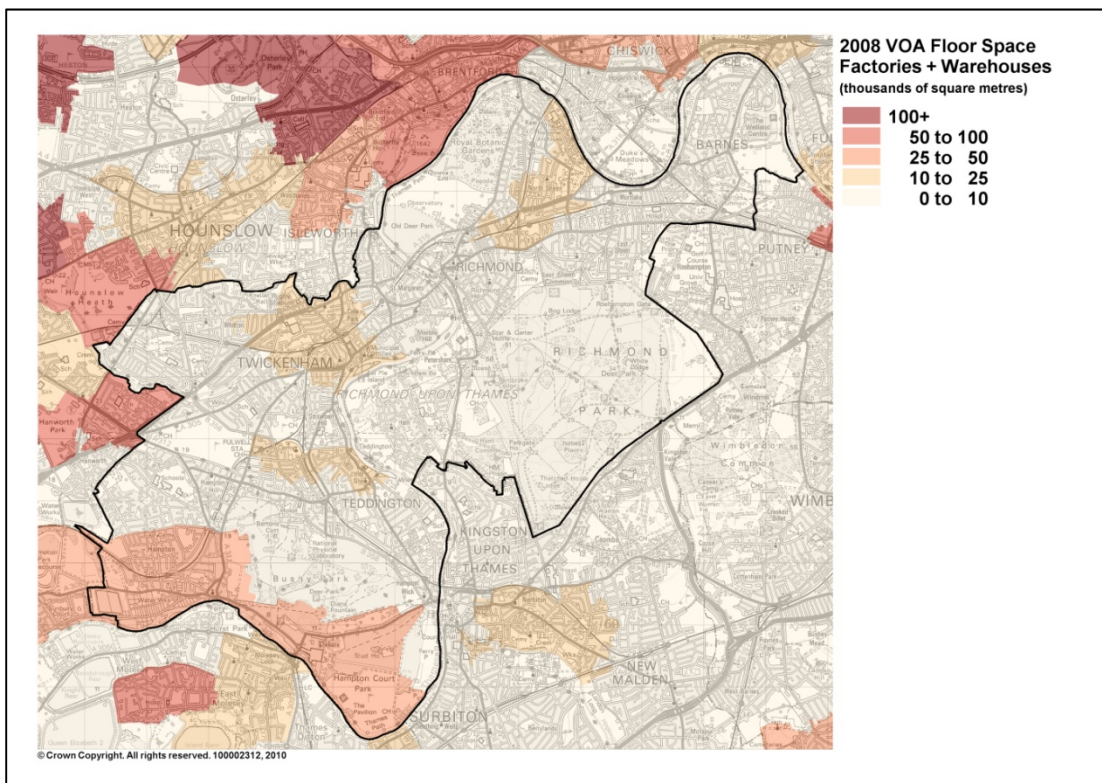
- 3.150 The ELR used the GLA's employment forecasts in order to estimate floorspace needs in the borough. These assume total jobs in the borough to increase by 3,575 jobs between 2006-2026. This is lower than the later GLA forecasts we referred to in Chapter 2 (+4,300 over 2008-2031) and much lower than Oxford Economics figures (+22,100 jobs over 2008-2031).

- 3.151 Based on these figures and on historical trends in floorspace supply, URS foresees a potential shortage of office space, which may to some extent only met by released industrial land.
- 3.152 It would suggest that the Oxford Economics forecasts, which assume almost six times as many jobs in Business Services as the ELR does, are very unlikely to be realisable unless some large employment land allocation occurs. The development of the Stag Brewery site in Mortlake will not resolve this issue as it is expected to be mixed use.

B2 & B8

- 3.153 Warehouses and industrial premises are few and far between in Richmond Borough, reflecting the service-oriented nature of the economy. In 2008, there were 169,000 sqm of B8 floorspace and 124,000 sqm of B2.
- 3.154 Owing to its small size, the industrial/warehousing market in the borough cannot readily be defined geographically, i.e. sites and premises are not concentrated in particular areas of the Borough. Instead there is a scattering of small self-contained estates and individual buildings which include St Clare Business Park (Hampton Hill), Port Hampton and Mount Mews (both Hampton), St Margaret's Business Park, locations on Lower Richmond Road/ Market Road (Richmond), Heathlands Industrial Estate (Twickenham) and Teddington Business Park (Teddington). There are also newer units at the Kingsway Business Park/ Oldfield Industrial Estate (Hampton).

Figure 3.23 : Factories and warehouses in Richmond Borough, 2008



Source: VOA

- 3.155 The majority of the industrial and warehouse floorspace is in areas with poorer public transport accessibility levels (PTAL 1-3), which seems appropriate as these types of premises generally have low employment densities. Road access and servicing (including parking) was identified as a problem in a few business clusters by the ELR, especially where access is through residential areas.

Occupier demand

- 3.156 According to the ELR, industrial/ warehousing occupiers in the Borough tend to serve non-local demand for goods and services. Some relate to the air-freight related storage sector in LB Hounslow, servicing Heathrow Airport, and some larger occupiers such as Anheuser-Busch (Stag Brewery) serve regional product markets.
- 3.157 Agents commented that although demand may have weakened as a result of the economic downturn, take-up has never been strong. However, vacancy rates have also remained low which suggests that the B2/B8 market experiences relatively low levels of turnover.
- 3.158 Indeed, the local market for industry and warehousing is relatively inactive, which is, in part, a reflection of the fact that the total quantum of land for these uses (64.8 hectares) is lower in only three other London Boroughs - City of Westminster, LB Barnet and Royal Borough of Kensington and Chelsea⁴. The neighbouring borough of Hounslow has, by contrast, the 4th largest quantum of industrial and warehousing (B2 / B8) land of all London boroughs. As such, demand for land and premises in Richmond Borough has historically been low, with occupiers preferring more established industrial areas, and agents confirm that this remains the case. There is considered to be some demand for premises from small B2 / sui generis⁴⁹ users, particularly car servicing stations and repair centres. This is fairly typical of most outer London boroughs however as these businesses do not require bespoke specification premises, rely little on the strength of their supply chain linkages and are close to their prospective market. There is also some demand from small-scale storage occupiers.

Quality of premises / provision

- 3.159 The majority of industrial and warehousing stock is considered to be of good quality.

Investor demand

- 3.160 High land values in the Borough, coupled with an acute shortage of development sites, mean that there is minimal opportunity to acquire land to develop for lower value uses such as industry and warehousing and as such agents seldom receive enquiries.

Potential for growth

- 3.161 The ELR concludes that it would appear that there is a balance between supply and demand for industrial and warehousing premises in the borough with relatively low levels

⁴⁹ Certain uses do not fall within any traditional use class and are considered 'sui generis'. Such uses include: theatres, houses in multiple occupation, hostels providing no significant element of care, scrap yards, petrol filling stations and shops selling and/or displaying motor vehicles, nightclubs, launderettes, taxi businesses, amusement centres and casinos.

of stock meeting relatively low levels of demand. However, looking to the future and based on historical trend in floorspace supply, URS estimates potential loss of 0.5ha in the best case scenario and 6.3ha in the worst one, where the recession has a lasting impact.

- 3.162 The largest development site in the borough, the Stag Brewery at Mortlake, currently classified as industrial, is set to close in 2011. This is considered by agents and the Council to be a prime development site, given its size and riverside location, and it is likely that the site will be developed for a number of mixed uses further reducing B2 floorspace in the borough. In addition, it is unlikely that the trend towards transferring premises from B2 or B8 to B1, recorded in the Annual Monitoring Report, will halt.

Summary:

Richmond Borough, and in particular Richmond town centre, is a successful if modest office centre. The quality of the environment and connectivity to Heathrow have generated demand consistently. This is despite the lack of high quality offices.

An acute shortage of development sites means there is little room for speculative development to remedy this situation. The market will have to rely on refurbishment / higher density in order to accommodate growth and the qualitative expectations of occupiers.

This is a critical challenge as the borough competes with other office markets including Merton, Kingston, Bracknell Forest, Guildford and Crawley. It also competes with Hounslow, in the M25 North West quadrant, Chiswick, Hammersmith and Wimbledon. And inward investors or growing businesses may look to these places if they do not find what they need locally.

The industrial / warehousing market seems at equilibrium but because of pressure from higher value uses it is likely to contract further in the future.

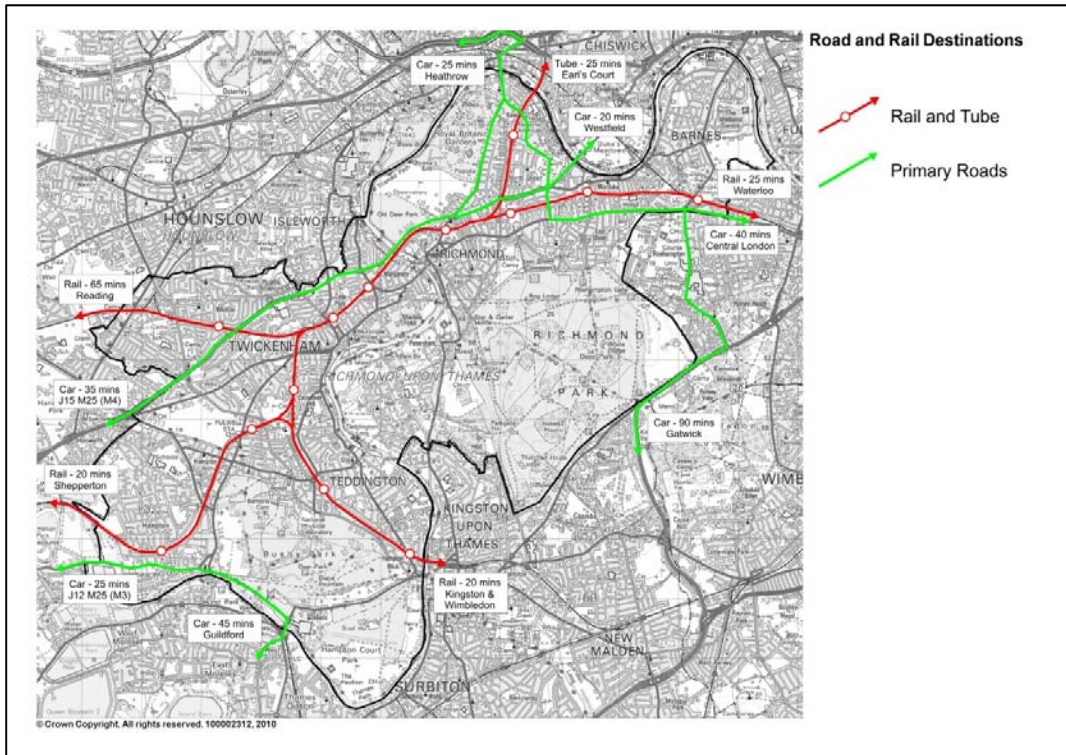
Finally, the evidence base does not capture the issues specific to home-based businesses, the specific demand they place on the planning system, and their capacity for growth.

Overall, employment floorspace provision may be the single most important constraint on future business and employment growth in Richmond Borough.

Transport infrastructure

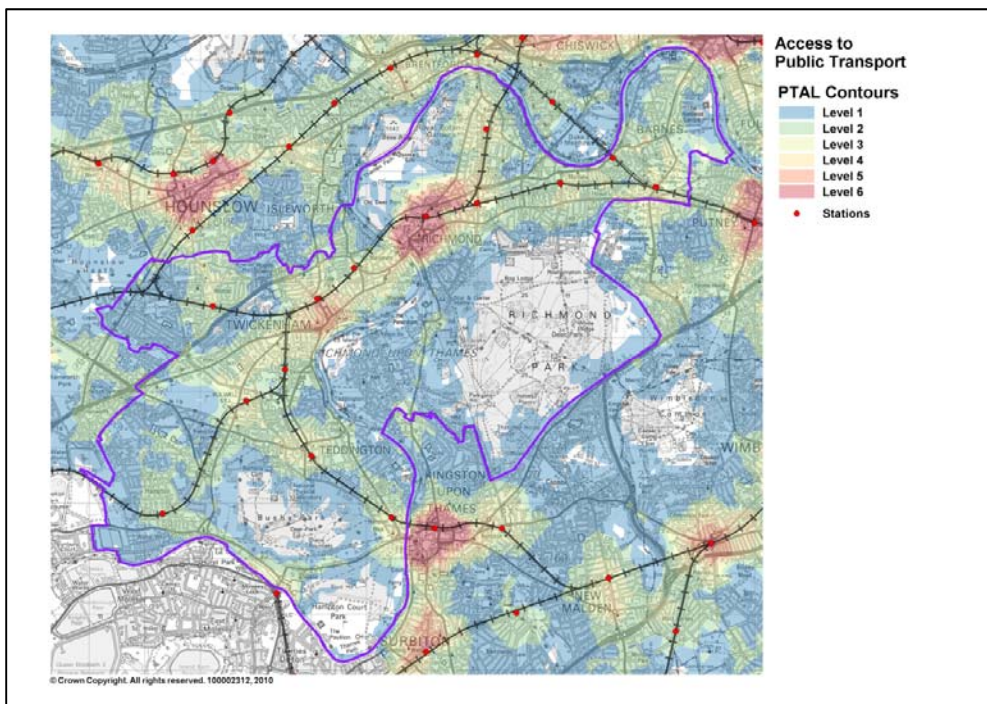
- 3.163 Whilst there is much debate on the causality link between transport and economic growth, it is accepted that a link does exist between the two i.e an efficient transport network is a critical enabling component to long-term economic growth; conversely a congested transport system constrains economic activity.
- 3.164 For businesses, connectivity to main roads, train and tube lines is necessary in order to reach their customers; connect with their suppliers; draw from a wider pool of labour. As such, it is a key factor in a business' location decision.
- 3.165 As seen below, Richmond Borough is well connected by road and public transport to Central London, Heathrow, and through the M25 to the South East and rest of the country. On the other hand, cross-borough links and east-west connections with the rest of South London are much poorer.

Figure 3.24 : Major transport links



3.166 Public transport links are best at Richmond town centre as shown below. Richmond town centre is indeed the larger concentration of businesses in the borough, the main office location and the most popular choice for inward investors. Twickenham and Teddington also have good rail connections to London.

Figure 3.25 Public transport accessibility in Richmond Borough



Source: TfL

- 3.167 In the borough, as in the rest of West London, connectivity to Heathrow is the main location factor for inward investors. It may be further enhanced should Airtrack be implemented.
- 3.168 Generally, the latest ThinkLondon survey found that the most important factor businesses in London would like to change / improve is transportation (20-25%). It also noted that the longer a business had been in London, the more important this issue was, in particular with regards to the tube user experience and road congestion.

Road congestion is increasingly perceived as a problem

- 3.169 Road congestion is indeed a recurring concern in Richmond Borough both for businesses and residents. For businesses, this is because it impacts negatively on productive time, reliability and fuel consumption.
- 3.170 If it worsens, it may also put off potential visitors, although this has not been explored in the data or in surveys. Travel by car to the Borough by UK visitors is significant, with 44% of all trips using this mode of transport⁵⁰. Whilst less used by visitors from London and overseas, it still accounts for around one in four visits by London residents and one in five visits by overseas residents. The train is used for one in three trips by all types of visitors.
- 3.171 There are a number of initiatives already underway in order to tackle this issue via the Smarter Travel strategy. For employers, the Connecting Businesses scheme aims to make travel planning more accessible and appealing to organisations. The aim of workplace travel planning is to reduce peak-time car trips by helping employees find solutions to their transport problems. A total of 124 businesses are currently engaged in travel planning, (including significant local employers, such as the National Archives) with most still in the early stages.

Summary:

Transport infrastructure is critical to the successful operation of businesses, and as such a key driver in business location decisions. In the case of Richmond Borough, the connectivity to Heathrow and Central London by public and private transport is an asset. However, as elsewhere in London, the rise in road congestion both in and outside peak hours is a growing concern. In addition, the existing radial infrastructure hinders more east-west connections on a South London scale.

Linkages

- 3.172 Businesses create linkages with the outside world through their supply chains and customer catchment areas. The reach of these linkages (sub-regional, London, UK, international) depends on the nature of the business activity and is not captured by standard statistical sources. However, our analysis in this chapter has highlighted some of economic linkages between the borough and its immediate neighbours, London, the rest of the UK and the world. We summarise them in the table below.

⁵⁰ Acorn, Study of the visitor market: London Borough of Richmond upon Thames, December 2009

Linkage geography	Type of linkages
International	<p>Visitors - in particular from the US, Australia and Canada.</p> <p>Inward investment - Richmond Borough has attracted a number of US and European firms.</p> <p>Exports - No figures are available for the borough, but at South London level, the main trading partners are Europe first, North America, and Asia.</p> <p>There may also be knowledge exchanges and transfers as a result of the presence of the National Physical Laboratory.</p>
National	<p>Visitors come from all over the country. It is likely that the South East is likely to be an important source of visitors due to its geographical proximity.</p> <p>Inward investment and expansion of national chains to Richmond Borough in order to tap into the wealthy local market.</p> <p>The borough is also the location of some national head quarters (e.g Jigsaw) and other business will operate on a national scale through their customer and supply chains, although unfortunately these cannot be quantified.</p>
London	<p>Richmond Borough is a popular destination for London visitors, who tend to come for repeat visits.</p> <p>Customer and supply chains.</p> <p>Given the high proportion of self-employed in business services, it is not unreasonable to assume a number of self-employed residents work as sub-consultants / freelance advisers to larger businesses in Central London.</p> <p>The borough, as other outer London shopping locations, competes with Central London and Westfield, for retail spend.</p>
Sub-regional	<p>The sub-regional visitor linkages are particularly strong with South and South West London (Wandsworth, Ealing, Hounslow, Kingston upon Thames) as well as Surrey.</p> <p>Customer and supply chains.</p> <p>Students coming to study in Further Education institutions.</p> <p>Richmond town centre competes with Kingston and Putney as a sub-regional retail destination.</p> <p>Similarly, it competes on a sub-regional level, in the commercial office property market.</p>
Local	<p>A large proportion of the local businesses primarily serve the need of local residents and other businesses.</p>

Conclusions

3.173 The economy of Richmond Borough presents a broadly positive profile: although it is not a large economy, it is diverse, competitive and entrepreneurial. Below we summarise the

key features of the borough as a business location using a traditional SWOT approach. However, SWOT analysis is largely open to interpretation as threats can be seen into opportunities for instance. Therefore, the table is followed by our analysis on what we see as the main issues in terms of policy making.

<p><u>STRENGTHS</u></p> <p>An enterprising borough: business density and net creation are above the London average</p> <p>The economy is diverse i.e it does not rely on one or two sectors. As a result it provides both high value and entry level jobs</p> <p>Richmond town centre is a recognised anchor of the local economy: a sub-regional office and retail centre</p> <p>Good connectivity to Heathrow and Central London</p> <p>High quality environment</p>	<p><u>OPPORTUNITIES</u></p> <p>It is strong in growing sectors such as business services, the visitor economy and creative industries, and must optimise their commercial potential.</p> <p>The enterprise potential amongst the population</p> <p>Local population with high spending power and untapped retail potential</p> <p>Increasing the value of spend by visitors, in particular on accommodation</p> <p>International sport events (London 2012, Rugby World Cup)</p> <p>The possibility of Airtrack</p>
<p><u>WEAKNESSES</u></p> <p>Vulnerability of small businesses</p> <p>Shortage of employment land</p> <p>Shortage of Grade A offices</p> <p>Economic performance and business environment in some town centres e.g Twickenham, Whitton.</p> <p>Leakage of retail spend expenditure</p>	<p><u>THREATS</u></p> <p>The ability to retain local businesses when they need to expand their activities</p> <p>Ability to adapt to change, for instance those brought about by environmental pressure and / or consumer behaviour.</p> <p>Road congestion.</p> <p>Growing competitiveness of other centres outside the borough.</p>

3.174 However, as mentioned previously, a SWOT analysis, while useful as a summary, does not necessarily highlight the key issues most relevant to policy. In the case of Richmond Borough, we feel the most important findings from this chapter with regards to the business population of the borough and its future economic prospects are set out below.

The weight of small businesses and self-employment

3.175 The high presence of micro-businesses and self-employment in the borough's economy can be seen as a strength or as a weakness. It presents threats and opportunities.

3.176 It is a strength as it shows the presence of an entrepreneurial, dynamic population and, in times of recession, is a source of alternative employment. It results in a diverse economy

which does not rely on one major sector for employment and as such is likely to be more resilient to economic shocks. In addition, self-employment allows the borough to retain some of its highly skilled residents locally and benefit from their knowledge and ideas.

- 3.177 On the other hand, very small businesses are fragile: they tend to have a high failure rate. This can create instability in the economy. In addition, they do not have as much resources as larger companies to allocated to training or business development.
- 3.178 The borough may be able to help address some of the weaknesses through targeted advice on finance sources, business management, business rates and training. It may also be useful to explore in more depth the specific needs of home-based businesses and what happens when they choose to expand. In particular, there may be planning issues related to the use of a residence, or part of residence, for business purposes.

The key sectors

- 3.179 The key sectors identified for Richmond Borough are business services, the visitor economy, creative industries and retail. They are all large employers with significant growth prospects.
- 3.180 **Business services**, as a knowledge-based sector, offers local job opportunities for the borough's highly skilled residents. As a result, it may help local retention of workers and spend. However, it is a sector which needs good quality premises and the local provision is not always adequate. We review employment land issues further on.
- 3.181 With regards to the **visitor economy**, Richmond Borough is already a recognised destination and is well place to benefit from London 2012, the Rugby World Cup and emerging trends in cultural and heritage tourism. However, the analysis suggests there is potential to increase value in the sector, for instance with regards to hotel provision and associated spend on accommodation, and by encouraging visitors to stay longer and benefit from the proximity to London and Heathrow in a high quality environment. There may also be a role for the public sector, helping share information on emerging trends in the sector, facilitating joint marketing and cooperation and enhancing the attractiveness of the borough through maintenance and improvements to the public realm. This is already acknowledged in the Core Strategy and LDF.
- 3.182 **Creative industries** are an area of specialisation of the local economy, and a sector in which self-employment is particularly strong. A large share of smaller businesses in creative industries are likely to be in the borough because it is where the owner lives. As such they are likely to be home-based or occupy small converted premises, their main priority being low rent and flexible leases. The borough may be able to support this sector with a targeted approach to business support focusing on very small, starter businesses, and targeted training courses. We see more on this in the next chapter.
- 3.183 **Retail** is another major employer and while employment has stagnated over the last decade, levels of over-trading and leakage of spend to Kingston suggest there may be untapped potential. The borough's residents have high level of disposable income and the borough should be able to retain a larger share of it.

- 3.184 Each of these sectors face other issues, in particular with regards to skills which we explore in the next chapter.

The role of town centres

- 3.185 Despite the dispersed pattern of business location in the borough, town centres remain the main concentrations of businesses and economic activity. They are also the locations favored by inward investors, in part because of their good connectivity to London and Heathrow. Town centres are the focus of planning policy and growth at national, London and local level.
- 3.186 The main office centre in the borough is Richmond town centre, followed by Twickenham. Town centres are also shopping destinations although they are competing with out-of-town centre parks and other areas in the sub-region and London.
- 3.187 The economic geography of Richmond Borough and the role of town centres is presented in more detail in Chapter 7.

The shortage of employment land

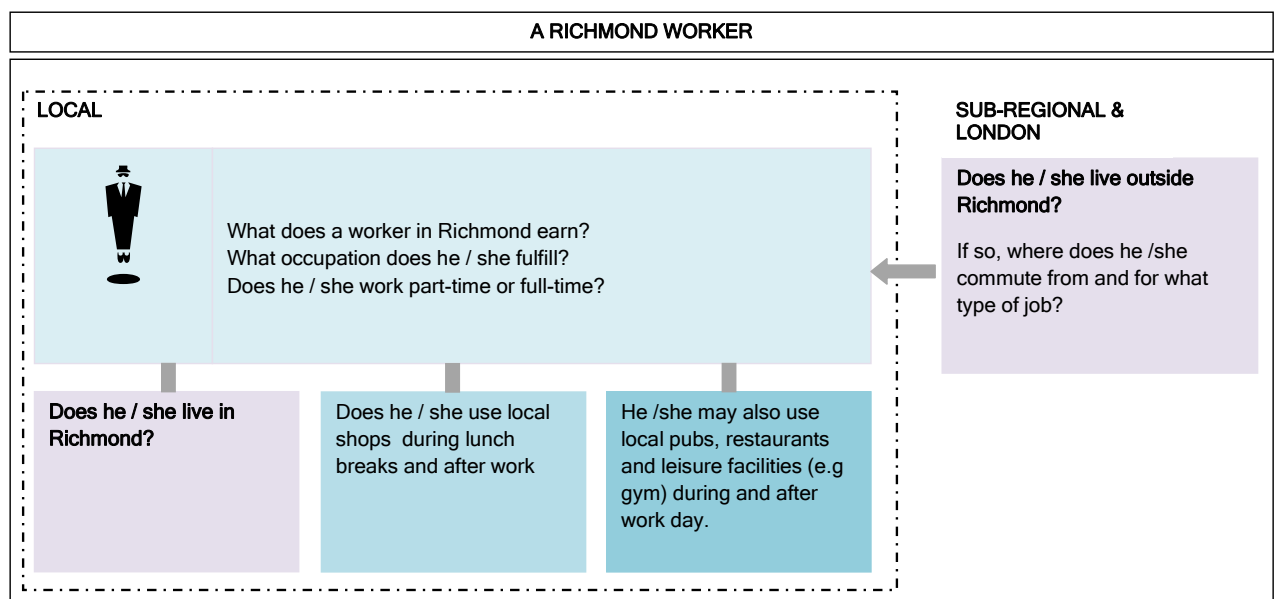
- 3.188 While the local economy is broadly successful and presents opportunities for growth, its capacity to accommodate more jobs is limited by the employment land and floorspace available. Indeed, it is likely to be the main constraint on future growth.
- 3.189 With no new large sites currently being put forward for employment uses, there is little potential to expand floorspace provision in the borough significantly. Growth can be accommodated to some extent through refurbishment, use swaps, and intensification of use but it will not significantly alter the scale of the borough's provision of employment floorspace. For these reasons, the Employment Land Review recommended that the existing office supply should continue to be protected. The high house prices mean that it is under constant pressure. It also recommended that the borough permit the redevelopment of existing industrial employment land for B1 use where appropriate; and intensify existing employment sites, where appropriate, to provide additional B1 floorspace.

The ability to prepare for change

- 3.190 On a more strategic level, it is important that local businesses are able to prepare and adapt to change. As mentioned earlier, very small businesses have no or few resources to dedicate to more strategic activity and can find it more difficult to adapt to change. However, significant changes are looming, in particular changing consumer expectations and emerging requirements placed on businesses as a result of environmental concerns. These present opportunities for those ahead of the curve but can hinder the competitiveness of those who react late, placing additional compliance costs on them. The public sector can help businesses be better prepared.

4 RICHMOND BOROUGH'S WORKFORCE

- 4.1 Labour or human capital is critical to economic competitiveness in terms of quantity (providing enough workers to enable businesses to grow) and quality (providing workers with the right skills).
- 4.2 Businesses would not locate or continue to operate in Richmond Borough if they could not access the appropriate workforce. It is also the main channel through which businesses generate benefits for the local, sub-regional and London economy: by creating jobs which in turn create outputs and spend in the local economy.
- 4.3 Therefore in this chapter, we look at the people who work in the borough:
- How many there are;
 - Their productivity and earnings;
 - Their occupation profiles and employment status;
 - Their skills and whether they meet employers' needs;
 - Where they come from and how;
 - Their interaction with the local economy aside from their job.



How many people work in Richmond Borough?

- 4.4 In 2009, approximately 71,200 people worked in the borough and, of these 16,600 (23%) were self-employed workers. This is a much higher proportion than in London (15%) and England (13%) and as such, a defining feature of the local labour market, one we explore in more depth below.
- 4.5 The geographical distribution of workers follows that of businesses illustrated in Figure 3.4 in the previous chapter. In other words, they are largely concentrated in the main town

centres but also scattered across the borough in residential areas and on isolated employment sites.

- 4.6 Modes of employment and work are changing however, with greater levels of flexibility in status, contract terms and location of work. This particularly applies to the workforce in Richmond Borough not only because of the high levels of self-employment but also because of the rise in home-based working.

High levels of self-employment

- 4.7 Self-employment plays an important role in the local economy. We must bear in mind that all self-employed workers may not come from the borough. While some will be residents providing local services from home or commercial premises (e.g plumber, catering etc), others will work for organisations located in Richmond Borough (e.g consultants, locum, freelancers) sharing their time between their home outside the borough and the company's offices. Conversely, there will be self-employed residents who do not work locally; for instance, they may work as consultants to larger businesses in Central London. However, we feel they belong in this chapter as they are workers and mostly, locally based.
- 4.8 Based on available data, self-employment is highest in Construction, Finance & Business Services, and Other Personal Services⁵¹. While standard statistical sources do not allow us to look at individual industries, other sectors are known to be popular for self-employment. One of them is creative industries, a key sector in the borough. Indeed, recent national research from Skillset found a high incidence of self-employment, including freelancers⁵². The most common reason given for going freelance is fear of or actual redundancy, cited by 41% of respondents. A range of 'pull' factors is also common, including greater freedom (39%), better earning power (26%), and better quality work (25%). This is likely to apply across other sectors as well as drivers of self-employment.
- 4.9 In Richmond Borough, anecdotal data suggests that home-based self-employment is significant. Data sourced by InfoUK, for Enterprise Nation's 2009 Home Business Report, shows that Richmond is a "*top 200 home business hotspot*" appearing at no 169 with a count of 726 home businesses⁵³. In addition, given that the number of residents claiming Job Seeker's Allowance has doubled in the last year, it is more than likely that the number of home-based businesses will increase further, especially as other vacancies have declined. Indeed, it is well documented that during times of benign economic conditions, entrepreneurship flourishes less than in times such as at present when "necessity is the mother of invention".
- 4.10 The 2009 Home Business Report also highlights an emerging trend at national level with regards to self-employment: 5 to 9 self-employment i.e people who hold down a job during

⁵¹ Annual Population Survey - Workplace Analysis

⁵² Skillset, 2008 Creative Media Workforce Survey, July 2009

⁵³ It should be noted that this data is not a complete representation of home businesses but, at a district level, this is the most reliable source of intelligence available.

the day and build their own business at nights and week-ends. More and more individuals are working 5 to 9, for a number of reasons. It is seen as a protection / back-up against redundancy and as a way to unleash creativity and try something different from the day job. It is also a safer and lower cost route into enterprise.

- 4.11 These various forms of self-employment allow greater freedom to the individual and are beneficial to the economy: they offer an alternative to unemployment in times or recession; they boost local economies, creating jobs, ideas and potential for growth. However, as new businesses, they are also particularly vulnerable, especially to the lack of start-up and grow on finance. In addition, home-based businesses face particular challenges with regards to the owner's knowledge of their legal and tax status, and their ability to grow. As part of their research, for the Home Business Report 2009, Enterprise Nation asked "*what is the one thing you'd like to see in your area that would help you and your home business?*" The main response related to : events and networks for home business owners (43%) and faster broadband / more wi-fi hotspots (37%). The importance of professional places to meet was recognised by Richmond's Home-Based / Self-Employed Task Group and appears amongst its recommendations to support self-employment in the borough⁵⁴.

Home working is increasingly popular

- 4.12 The last decade has seen a rise in home-working for employees, with some organisations actively encouraging this practice. The number of home-workers is difficult to assess as it can be an occasional or full-time practice. According to the 2001 Census, 11% of the borough's residents worked mostly from home compared to around 9% in London and England. This is likely to under-estimate home-working as it will not include those who do so only once in a while.
- 4.13 Home-based employees are linked to an organisation, which may not be based in the borough, but will spend part of the work time in the borough. Home-working raises a number of management issues but from a wider economic point of view its main impacts are twofold: it retains some economic activity locally as people stay home and it reduces congestion on the transport system and CO² emissions from cars. Enterprise Nation estimates that home workers, across the UK in 2009, will save 18 million kg in CO² emissions.

Summary:

The workforce in Richmond Borough has been broadly stable in terms of size over the last decade. Its defining feature is the strong presence of self-employed workers (including home-based self-employed and 5 to 9) and home-workers.

This has advantages in terms of flexibility, entrepreneurship, resilience during the recession, retention of local spend and activity, and job creation. However, these are also businesses which tend to be quite vulnerable, often with a short life expectancy, and which are difficult to pick up in standard data. They have very specific needs which

⁵⁴ London Borough of Richmond upon Thames, Home-Based / Self-Employed Task Group: Final Report, January 2010

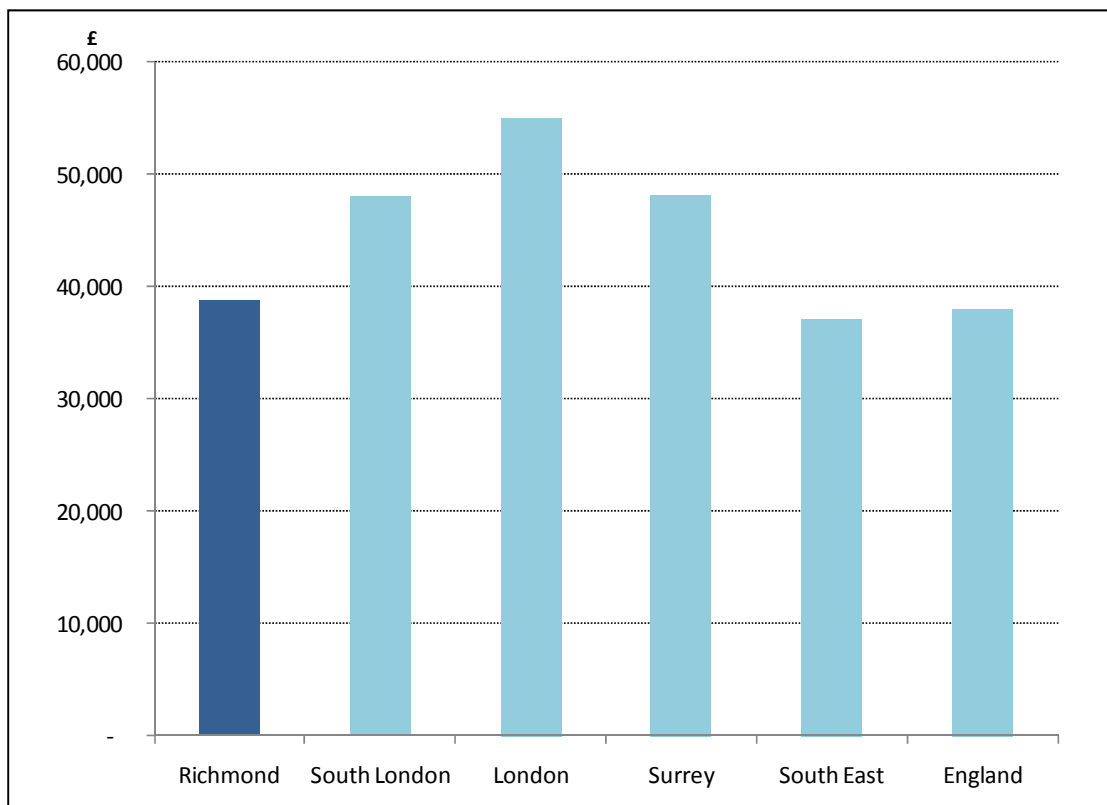
the borough may help with through support services.

The borough has recognised this as an important issue for the borough's economic vitality and has set up a dedicated Home Based Self Employment Task Group which has made a number of initial recommendations.

Productivity is lower than the London average

- 4.14 As mentioned earlier, Richmond Borough's economy generates around £3.4bn of GVA. This amounts to around £38,800 per worker, on a par with England and the South East but significantly below London and South London as illustrated below.

Figure 4.1 Productivity, £ GVA per worker, 2007



Source: ONS, APS workplace analysis

- 4.15 The average productivity of the borough's workforce reflect its profile as an Outer London economy, one that despite the presence of some higher value business services activities, is heavily geared towards servicing the needs of its residents and visitors. The higher than average presence of self-employment, micro-businesses and, to a lesser extent, part-time work also contribute to this.

Summary:

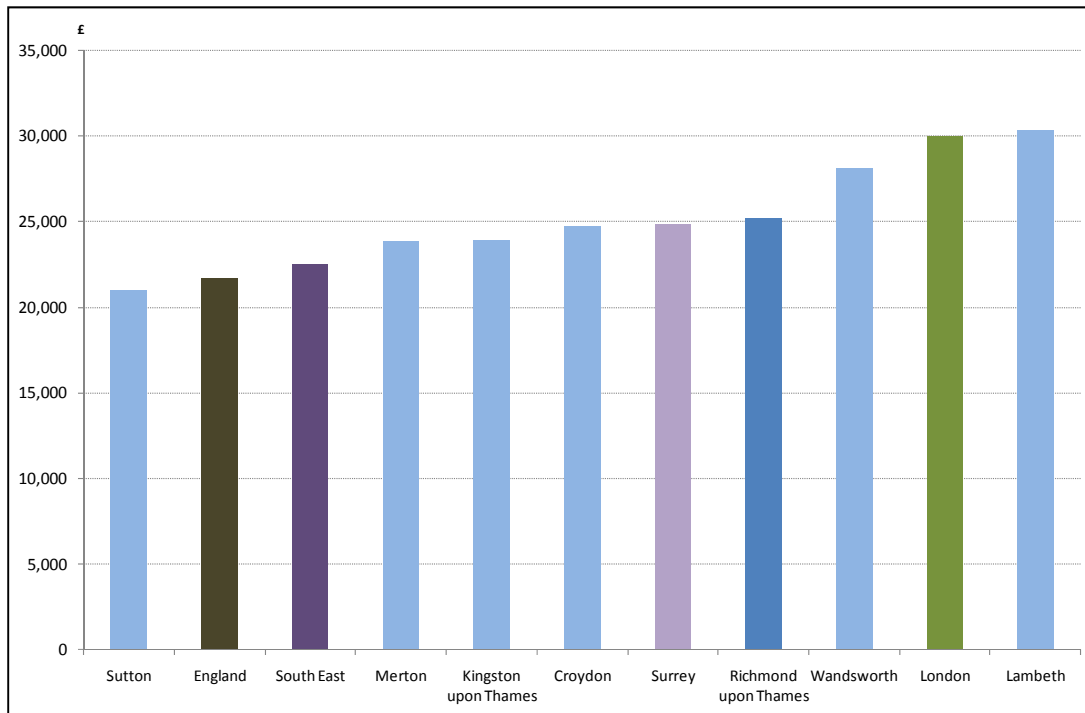
Productivity per worker in the borough is on a par with the England average but 30% lower than the London average.

Richmond Borough's workers earn less than the London average

- 4.16 The analysis on productivity above is confirmed by looking at workplace earnings.

4.17 The sectoral and occupational structure of jobs in the borough has repercussions on workplace earnings. The latest data, charted in Figure 4.2 below, shows that while earnings in Richmond Borough exceeded the national average and are on a par with Surrey and most of the South London outer boroughs, they are significantly (17%) below the London average.

Figure 4.2 : Workplace earnings: Gross median annual pay, 2009



Source: Annual Survey of Hours and Earnings

- 4.18 In addition, average workplace earnings have risen consistently more slowly in the borough than in all other comparator areas included in Figure 4.2 over the period 1999-2009. As a result, 2009 workplace earnings in Richmond Borough are 29% higher than in 1999 while they have increased by approximately 53% in London, 44% in England and 42% in neighbouring Kingston-upon-Thames.
- 4.19 This suggests that while economies across London and the country have climbed up the value chain, restructured, and taken advantage of the growth period in the economy, the economy of Richmond Borough and its workers may have missed out to some extent. The weight of self-employment may explain this in part.

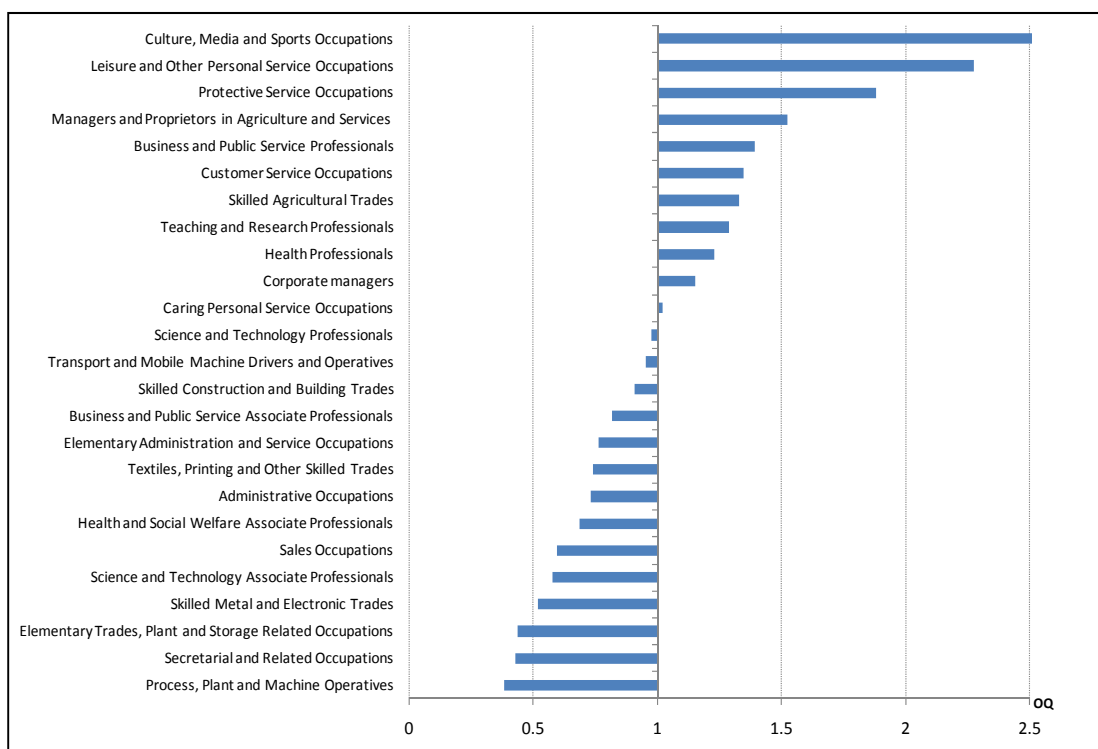
Summary:

Workplace earnings in the borough are in line with other Outer London locations and as such, significantly lower than in Inner London. The gap appears to have widened over the last 10 years as workplace earnings rose more slowly in Richmond Borough than in London as a whole.

Service-related occupations dominate the workforce

- 4.20 In Richmond Borough, as in the other comparator areas, 'Corporate Managers' is the largest occupation category: they account for 15% of all workers. The next largest occupation categories are: Culture, Media and Sport occupations; Caring Personal Service Occupations; Administrative Occupations; Teaching & Research Professionals; and Elementary Administration and Service Occupations. Together these six groups account for half the workers in the borough.
- 4.21 As seen below, the borough's occupation profile is characterised by the above average presence of leisure and cultural occupations and customer service occupations, reflecting the importance of the creative and visitor economy in the borough. Business & public services occupations and corporate managers are also over-represented as a result of the strong business services sector in Richmond Borough and the number of self-employed. Finally, the presence of the National Physical Laboratory in addition to local schools means that there are more teaching and research professionals amongst the Richmond workforce than in England as a whole.

Figure 4.3 : Occupation Quotient in Richmond Borough compared to England, 2008⁵⁵



Source: Annual Population Survey - Workplace Analysis, July 2008 - June 2009

- 4.22 On the other hand, there are comparatively few occupations related to manufacturing and production industries seeing as these sectors are very small in the borough.

⁵⁵ An Occupation Quotient greater than 1 signals an occupation that is over-represented in Richmond compared to London as a whole. An Occupation Quotient below 1 signals the opposite.

The occupation profile of Richmond Borough's workforce reflects its service-oriented economy with most positions relating to business services, creative and leisure activities and customer services.

There are skills shortages and gaps amongst the workforce

- 4.23 Our business survey found that 12% of respondents experienced skills gaps amongst their staff. This does not suggest it is a major issue in the borough, however we must point out that the sample is heavily skewed towards very small, owner-managed shops which will employ at most two staff members.
- 4.24 Standard data sources do not provide further information on the local workforce skills' profile, only residents. However, it is possible to deduct broad qualification levels in the workforce from its general occupational and sectoral profile. Corporate managers, teaching & research professionals and, to a lesser extent, Culture, Media and Sport Associate professionals usually call for higher qualifications, with more employees holding a degree. On the other hand, Caring Personal Service Occupations, Administrative Occupations and Elementary Administration and Service Occupations usually require lower qualifications.
- 4.25 However, qualification levels are a poor indicator of the variety and types of skills needed by employers in each sector and whether these needs are met by the workforce. Here we look in more detail at the skills needs, present and future, of the key sectors identified for Richmond Borough in the previous chapter: business services, the visitor economy, retail and creative industries.

Business services

- 4.26 Business services is too wide and diverse a sector to offer a summary of skills needs now and in the future. Drivers of skills demand in real estate, accounting, legal professions, administrative jobs etc will be specific to the industry. However, business services tend to be characterised by the high proportion of the workforce holding degree level qualifications. This is likely to continue and such highly qualified people tend to be more mobile and more competitive on the job market. In other words, they will have more job opportunities to choose from, even if the recession has reduced these momentarily.
- 4.27 In order to remain competitive, businesses in the borough need to be able to attract highly qualified workers to the borough, despite lower wages compared to Central London.

Visitor economy

- 4.28 The visitor economy is an industry which is constantly battling against skills gaps and shortages, with consequences on its productivity levels, ability to adapt to change and client satisfaction.
- 4.29 While the recession has temporarily eased recruitment and retention difficulties, hard to fill vacancies remain and labour turnover across the sector stood at 31% in 2009, the highest

of all sectors⁵⁶. In addition, there is a danger that once the job market picks up, good staff may leave for more attractive opportunities.

Skills needs

- 4.30 According to People 1st, the Sector Skills Council for the sector, despite significant investment by employers and government, skills gaps within the existing workforce appear to be growing. Worryingly, more businesses are reporting that they employ people who lack the required skills than they did two years ago (26% compared to 19%).
- 4.31 The main skills priorities for the sector (both currently and in the future) are: management and leadership skills; customer service skills; chef skills; and employability skills. The sector needs high quality managers, at all levels and across all sizes of business, to drive productivity and future success. There is also evidence that the recession is driving demand for: multi-skilling; entrepreneurialism; and marketing skills.
- 4.32 In addition to the above, demand for the following skills is likely to increase over the next 10 years: cultural awareness skills; language skills; and IT skills.
- 4.33 There are encouraging signs as investment in training is high and rising, and the qualification levels of the workforce continue to rise. However, it does not always guarantee the right skills employer want as they change over time.

Training provision from the public sector

- 4.34 According to the information provided on its website, Richmond Upon Thames College offers two tourism related courses for 16-19 year olds (one NVQ1 and one NVQ2); three for adults (one NVQ1 and two Professional Cookery NVQs); and 3 hour training seminars for employers on an ad hoc basis. In addition, two undergraduate degrees in Tourism are available at St Mary's University College, Twickenham.

Looking to the future

- 4.35 Despite the recession, the sector is predicted to continue to be one of the UK's largest job creators in the future with employment set to grow in the medium to long term. London 2012 and the Rugby World Cup will also create additional demand in the UK over the next 5 years. Therefore, the sector needs to be ready for these large events as well as the recovery.
- 4.36 People 1st identified the main drivers of skill needs from employers to include: consumer demands; legislative and regulative requirements; changing demographics; and new technology. The latter is identified as particularly important. Overall, with the exception of travel companies and hotels, the sector has been slow to move into on-line trading, and there is considerable scope for more businesses, particularly smaller ones, to capitalise on new and ever changing technology to reach and attract more customers. According to People 1st's 2010 Industry Survey, 59% of sector businesses have a website or trade on-

⁵⁶ People 1st, State of the Nation: Executive Summary, 2010

line. However, figures vary considerably across the sector from nearly 90% of hotels and other accommodation providers trading on-line to just over 40% of restaurants. According to the survey, IT skills are the main skills that need improving amongst the sector's owner managers

- 4.37 As a result of their research, People 1st proposes a strategy for skills structured around three key themes: the 2012 Games, improving retention and productivity, and developing on-line trading. More specifically it identifies chefs, customer service and promotion of High Performance Working Practices as areas which would particularly benefit from further support from Government and/or industry.

Retail

- 4.38 The visitor economy and retail have several points in common as employers: they provide entry level jobs, below average wages and are often perceived as short-term jobs rather than as a career. As a result, businesses can have difficulties filling vacancies, suffer from high labour turnover and persisting skills gaps and shortages.
- 4.39 According to Skillsmart⁵⁷, 34% of retail businesses in London report hard-to-fill vacancies, especially in sales and customer service occupations. In addition, the percentage of retail employers in London reporting hard-to-fill vacancies for managers and associate professionals is higher than the national average.
- 4.40 London employers reported a low number of applicants with the required skills (65%) as the principal reason for having hard to fill vacancies. This is significantly higher than the national average of 36%. A notable proportion of employers in London also reported a low number of applicants with the required experience (30%) and lack of the relevant qualifications (16%). The fact that qualifications is much less of a problem than skills can suggest that qualifications do not provide the type of skills that employers require; or that training is not provided to the workforce throughout their professional life leading to skills gaps.

Current skills needs

- 4.41 Retail employers in London find management skills (67%), customer handling (66%) and problem solving skills (64%) the most difficult skills to find in applicants. The proportion of employers in London reporting a lack of foreign language skills as a shortcoming was almost double the English (national) average.
- 4.42 Within the existing workforce, skills gaps exist throughout the sector. In frontline shopfloor roles, customer handling, technical and practical skills and teamworking are recurring issues. With regards to management, the main skill gap areas according to recent Skillsmart Retail employer research (November 2009) are entrepreneurial skills, commercial acumen/awareness and leadership skills/vision. In addition, the multichannel options for retail delivery, e.g. online, have heightened the need for additional skills and/or elements of job redesign.

⁵⁷ Skillsmart, Regional Background Brief: London, Summer 2010

Local training provision

- 4.43 Richmond Borough is home to one of the National Skills Academies for Retail, Hawk Training. The network was launched in 2009 to deliver a network of retail skills shops giving training and business support across the UK. It is a local one stop-shop, located in Twickenham, for employers, employees and those seeking to work in retail.

Future skills needs

- 4.44 The recent primary research commissioned by Skillsmart Retail suggests that the major skills challenges ahead will be improving customer service to maintain point of difference and improve product knowledge in order to meet increased customer expectations.
- 4.45 Online retailing development will pose new challenges in terms of web design skills, frontline administration, data analysis, logistics and distribution.
- 4.46 There will also be a need for staff throughout the retail organisations able to ensure a seamless transition for customers between multichannel options.

Creative industries

- 4.47 Creative industries cover a wide and diverse range of activities and jobs. A large proportion of roles in creative industries are industry-specific and often highly specialised. Many roles are esoteric and require up to date skills with particular machinery or software. There is thus a very wide range of skill areas within the sector, and often a small labour pool from which to recruit for many of those areas. This can mean that in spite of the oversupply of potential new entrants to the industry, serious gaps and shortages can and do occur in particular fields⁵⁸.

Workforce profile

- 4.48 Creative industries are part of the knowledge-based economy and as such, rely heavily on highly qualified people. Indeed, according to Skillset research, nearly three quarters - 73% of the workforce are graduates, compared with 69% in 2005 and 66% in 2003.
- 4.49 Creative industries are also characterised by a more flexible labour market. Nearly three quarters of respondents reported themselves as permanent employees at the time of the survey, and the remainder as freelance, sole traders, or running their own business⁵⁹.
- 4.50 The large proportion of freelancers has implications on training uptake in the sector: the proportion of staff receiving training correlates negatively with the prevalence of freelancing in each sector. As a result, higher proportions of freelancers (59%) than employees (49%) reported a training need. This is because the most common source of training provision is employers, reported by nearly two thirds of respondents. They are also the most common source of funding for training, with over two thirds of workers saying that their employer had paid for at least some of their training. However, this

⁵⁸ Skillset, Strategic Skills Assessment for the Creative Industries, January 2010

⁵⁹ Skillset, 2008 Creative Media Workforce Survey, July 2009

picture differs by contract type - 75% of employees said their employer had funded training but only 32% of freelancers.

Recruitment and retention

- 4.51 Most sectors of the Creative Industries have long been characterised by an oversupply of potential new entrants keen to enter an area commonly seen as glamorous and exciting. One result of this oversupply has been a high level of voluntary or unpaid working undertaken in order to get a foot in the door and a first paid job: more than two fifths (44%) of the workforce in Creative Media report having worked unpaid in order to get into the industry.
- 4.52 The oversupply of people wanting to enter the industry has also had implications for retention as well as recruitment. It creates high levels of competition and pressure which can mean that people who choose to start a family commonly find it difficult to combine this with a career in the industry and the problem appears more acute for women. It can also lead employers to overlook the value of the skills and experience gained by people leaving the industry typically in their thirties and forties, replacing them with younger and cheaper recruits. By doing so it loses a highly skilled segment of its workforce to other sectors of the UK economy.

Skills needs & drivers

- 4.53 A key unifying feature of the Creative Industries' recent past, present and future, and perhaps the greatest single most important driver of skills requirements is digital technology; it has transformed the ways in which creative content and creative products are generated and distributed. Digital platforms and processes require not only new technical skills, but also the development of new business models, flexible and adaptive management and visionary creative leadership.
- 4.54 Across many parts of the Creative industries, skills in short supply from new entrants relate directly to new and digital technology including production skills for multiplatforms and understanding of intellectual property legislation.
- 4.55 In addition management and leadership skills to take advantage of and monetise this content are a priority for the sector. Previous research has also found that fashion graduates though strong on creative ideas are lacking in technical skills and major skills shortages include design and textile technology.

Summary:

While each sector has specific needs, one driver has impacted on all key sectors, transformed the way they do business and therefore the skills workers need: technology and in particular digital / on-line media. This is a key area for skills identified in most industries.

Other recurring issues include the need for lifelong skills and the inadequacies of qualifications compared to business skills needs. This is where more joint working, at sector level, between business representatives, training providers and the local authority may be useful. Given the importance of freelancers in creative industries and their training requirements, it may be worth exploring the possibility of targeted training strategies at local level.

What business needs and what workers provide

- 4.56 An indicator for possible tensions in the labour market is the level of vacancies. High levels of vacancies signal that employers do not have access to the workforce they need, which in turn can restrict their growth prospects and productivity.
- 4.57 At the latest count, in June 2010, there were about 850 vacancies⁶⁰ in Richmond Borough, or around 11 per 1,000 workers. As seen below⁶¹, this is marginally more than for London but significantly lower than in South London and England.

Table 4.1 : Unfilled vacancies, June 2010

	Vacancies per 1,000 workers
Richmond	11.4
South London	12.3
London	9.5
Surrey	10.0
South East	12.9
England	14.6

Source: Vacancy counts, APS

- 4.58 In other words, the borough is neither better nor worse than other parts of London or the UK in terms of meeting the staff needs of local employers.
- 4.59 As seen in Table 4.2, and as expected, the wards recording the largest numbers of vacancies are also those where businesses and jobs are concentrated.

Table 4.2 Unfilled vacancies by ward, June 2010

Ward	No. vacancies (rounded)
Barnes	30
East Sheen	25
Fulwell & Hampton Hill	40
Ham, Petersham & Richmond Riverside	25
Hampton	50
Hampton North	10
Hampton Wick	25
Heathfield	10
Kew	30
Mortlake & Barnes Common	150
North Richmond	110
South Richmond	30
South Twickenham	75
St Margarets & North Twickenham	45
Teddington	145
Twickenham Riverside	10
West Twickenham	10
Whitton	1,240

Source: JobCentrePlus

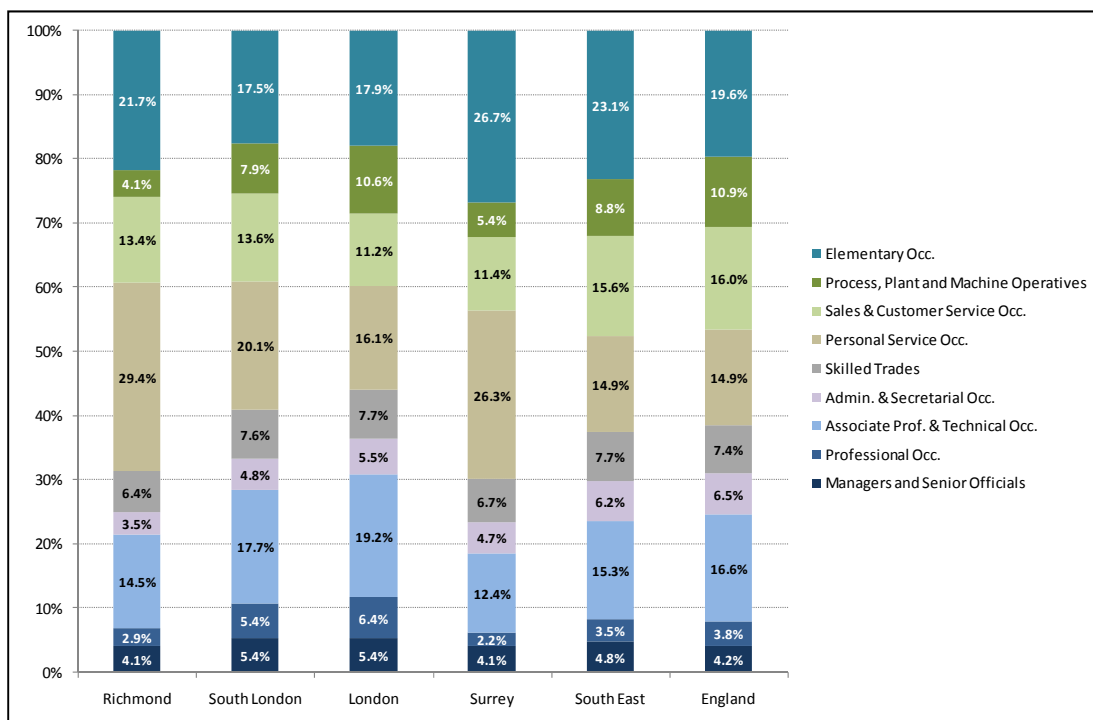
⁶⁰ JobCentrePlus Vacancies

⁶¹ Using September 2009 data in order to be consistent with the latest Annual Population Survey

4.60 It is worth noting that vacancies have a different profile in Richmond Borough: there are comparatively fewer short (less than month) and long (over 6 months) vacancies. Most vacancies (60%) are unfilled for between one and six months.

4.61 The hardest to fill positions in the borough are in Personal Services Occupations and Elementary Occupations. These include: positions in health and social care; childcare; cleaners; bar staff; kitchen assistants and waiters / waitresses. They are large occupations in critical sectors for the local economy, i.e the visitor economy, health and personal services. Difficulties in recruitment may stem from the fact that these occupations, which will include low to medium income key workers, tend to be poorly paid and workers cannot afford to live in the borough. As a result, some businesses need to recruit outside the borough. In the case of key workers, it could potentially impact on the delivery of key essential services such as schools and social care.

Figure 4.4 Jan 2010-Jun 2010 average breakdown of vacancies by occupation



Source: ONS

4.62 Vacancies are not a perfect indication of recruitment difficulties as some employers may end up hiring staff which do not meet their specification exactly. According to our business survey, recruitment difficulties affected 1 out of 5 respondents, mostly because they could not find candidates with the right experience. The other main reasons for recruitment difficulties were inadequate qualifications and wage expectation.

Summary:

The vacancies analysis suggests some tensions on the labour market in particular with regards to Elementary and Personal Service Occupations, which tend to be the lowest paid.

In addition to the skills analysis above, this suggests that some employers in the borough are not able to find the right workforce with the right skills.

Linkages

Travel to work

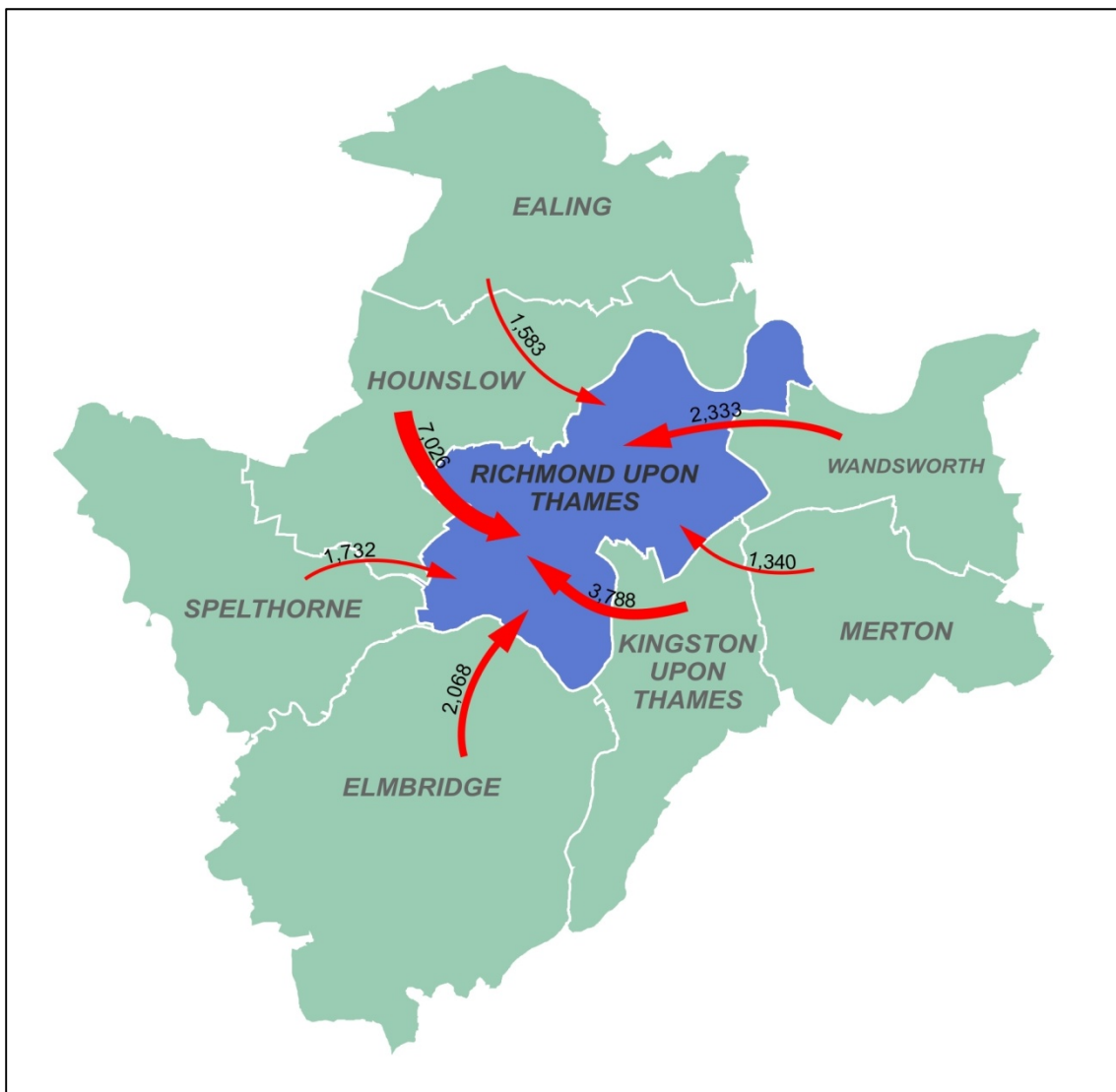
- 4.63 Richmond Borough's catchment as a employment destination is revealed by workers' travel to work patterns.
- 4.64 The 2001 Census is the only source of actual commuting flows available. However, we check against the more recent 2008 Annual Population Survey commuting analysis in order to identify whether broad patterns have altered significantly or not.
- 4.65 As shown below, in 2001, half of workers lived in the borough and the remainder come from neighbouring local authorities, mainly Hounslow, followed by Kingston-upon-Thames, Wandsworth, Elmbridge and Spelthorne as seen below. According to the APS this is unlikely to have changed markedly.

Table 4.3 : Place of residence of Richmond workers

Place of residence	% of Richmond workers
Richmond-upon-Thames	50%
Hounslow	10%
Kingston-upon-Thames	6%
Wandsworth	3%
Elmbridge	3%
Spelthorne	3%

Source: Census 2001

Figure 4.5 In-commuting flows



Source: Census 2001

- 4.66 According to Census data, approximately 34,000 workers commuted to the borough for work in 2001.
- 4.67 The 2008 APS analysis does not offer further insight into the occupation and industry profile of commuters to Richmond Borough and the transport modes they use. For this, we rely on Census data only.

Occupation profile

- 4.68 The Census shows that Richmond Borough relies heavily on Hounslow for routine and semi-routine occupations, and to a lesser extent on Spelthorne, Wandsworth and Ealing. These are locations where workers on lower wages can afford to live whereas they will tend to be excluded from the borough by house prices. Indeed, this analysis applies more generally to occupations at the lower end of the wage scale: Richmond Borough also tends to rely on Hounslow and its neighbours for lower supervisory and technical

occupations. On the other hand, and as expected, a large share of people who both work and live locally are small employers (in particular self-employed).

Sectors

- 4.69 With regards to sectors, Richmond borough draws workers from Hounslow for jobs in Wholesale and Retail; Transport, storage & communications. It also imports a significant number of workers in Business Services from Lambeth, Hammersmith and Wandsworth.

By mode

- 4.70 According to the Census, in 2001 60% of in-commuters travelled by car, mostly as the driver (57%) and some as passengers. In other words, there was a high level of one-person car usage. Of the remainder 31% used some form of public transport (mostly train) and only 4% cycled. There is a clear divide in terms of car use between commuters from London boroughs and those from Surrey districts. The latter rely overwhelmingly on the car (75 - 90% of journeys).
- 4.71 For those who live and work in the borough: 32% travelled by car, 29% worked mainly from home; 17% walk and 5.4% only cycle. If we exclude those who work from home from the equation and focus on those who need to travel: 44% used the car; 24% walk; less than 8% cycled; and 20% used public transport.
- 4.72 Since 2001, the environmental agenda has become more prominent. As a result, Richmond borough has taken a pro-active approach to boost the use of alternative modes of transport to the car and to encourage car-sharing amongst local employers.

Benefits from in-commuters for the local economy

- 4.73 As well as relying on their expertise and know-how, Richmond borough's economy benefits from the presence of outside workers through their spend in the local economy. These workers buy their lunch in local cafes, corner shops or supermarkets, use services and visit pubs and shops during their lunch breaks and after work.
- 4.74 While it would require an in-depth study to estimate the total economic impact of this expenditure, there is anecdotal evidence available on how much Londoners' spend on lunch. A recent survey found that Londoners spend on average £15.75 per week on lunch (VoucherCodes.co.uk, 2009).
- 4.75 Applying this to the number of workers commuting into the borough⁶², this amounts to roughly an additional £542,000 spent in the local economy per week as a result of in-commuting. This does not include other sources of expenditure mentioned earlier such as shopping and evening hospitality.
- 4.76 However, it does highlight the importance of workers in supporting the local day time economy.

⁶² Unfortunately based on Census 2001 data, as the latest data available

Travel to learn patterns

- 4.77 There is also a significant number of students who travel from South and West London to the borough's Further Education institutions. It is estimated that approximately 3,100 people came to Richmond borough to study in 2009/10. Indeed, the borough is a net importer of learners. The largest number of students (24%) came from Hounslow, followed by Ealing (12%) and Lambeth (11%). As demonstrated, the FE colleges do not only help retain local young people in the borough, they attract outside students who will spend some money locally in shops and bars.

Summary:

Richmond borough is not a large employment centre and as a result its catchment does not extend far. It is mostly confined to neighbouring authorities, in particular Hounslow. Indeed, it relies quite heavily on Hounslow and other neighbours to provide the lower-paid staff that its businesses need.

As well as contributing to the labour needs of local businesses, these in-commuters bring additional spend in the local economy through their lunches, outings to the pub and shopping.

Conclusions

- 4.78 As in the previous chapter, we summarise the key findings from our analysis of the borough's workforce in the SWOT table below.

<p><u>STRENGTHS</u></p> <p>High levels of home-based work (self-employed or employees)</p> <p>Lower than average proportion of long-term vacancies</p>	<p><u>OPPORTUNITIES</u></p> <p>Development of 5 to 9 self-employment</p> <p>Local opportunities available for those with lower skills</p>
<p><u>WEAKNESSES</u></p> <p>Lower than average productivity and earnings</p> <p>Difficulties recruiting Personal Services and Elementary occupations</p> <p>Reliance on car to go to work</p>	<p><u>THREATS</u></p> <p>Skills shortages which can impact on productivity and competitiveness</p> <p>Need to import lower paid workers</p>

- 4.79 In terms of economic strategy the main areas of interest are: the home-based workers and the potential skills shortages.

Home-based workers

- 4.80 This encompasses those who work from home for other companies; those who work from home for themselves whether full-time or part-time.

- 4.81 The latter are of most interest as they are running businesses from the borough. Their needs were highlighted earlier, in particular with regards to fast broadband and events / networks for home business owners.
- 4.82 The Council-led Home-Based / Self-Employed Task Group has started work on this issue, trying to understand their profile better and raise awareness. The next stage is to understand the operational needs of these business better: what does it mean in term of floorspace uses; do they understand their legal status and obligations; do they need specific training and support; do they have room to grow?
- 4.83 Home-based self-employment should be encouraged as part of a wider approach to enterprise. Home based working generally (whether by employees or self-employed) is also beneficial to the economy in a number of ways: it helps retain spend in local shops and services and reduces congestion.

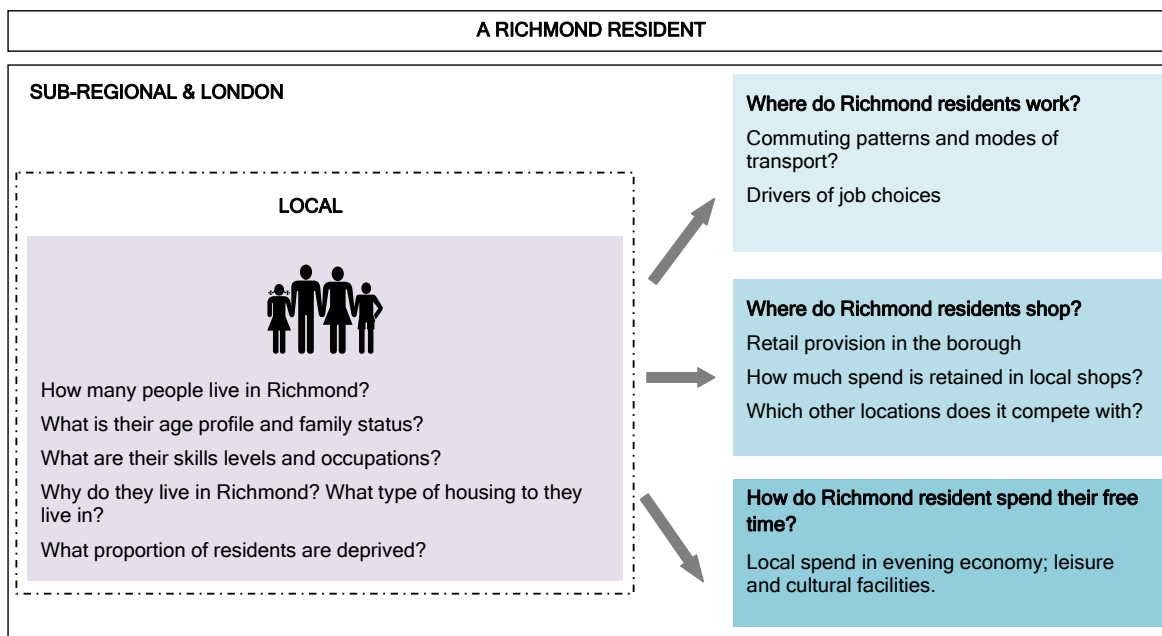
Skills shortages and gaps

- 4.84 Skills shortages relate to the ability to recruit workers who meet a business' needs. In the case of Richmond borough, the high proportion of vacancies for Personal Services and Elementary Occupations suggests that there may be skills shortages. For these occupations, they are likely to be due to the fact that local businesses have to recruit outside the borough for these positions. Individuals in these occupations are not paid enough to live locally. On the other hand, people on low wages tend to be less willing to travel for work which means that the borough has quite a small pool to draw from, in fact it mostly relies on Hounslow.
- 4.85 Given the sector profile of Richmond borough's economy, it is also likely to experience skills shortages in hospitality and retail. These sectors do not offer high wages and people in low paid positions are not likely to travel far for work, in part because of the cost of transport. This means that if hospitality and retail are to expand, they will continue to rely on workers from other boroughs commuting in. This may lead to recruitment difficulty over time, compounded by rising transport costs.
- 4.86 Skills gaps relate to the skills available within a business' workforce. They occur when employees are not able to carry out the tasks set in their job description. They are often related to change: job requirements change over time as sectors develop new products and services and training is usually required to refresh the workforce's skills. Skills gaps are more difficult to quantify.
- 4.87 There may be a case for targeted support for the creative industries. A large share of workers are freelancers / self-employed and as a result tend to allocate little resources to training. However, creative industries is a fast changing sector and skills in digital technology in particular are increasingly key to success.

5 RICHMOND BOROUGH'S RESIDENTS

5.1 The borough's economy is heavily geared towards meeting the needs of its residents. As seen in chapter 3, a large proportion of jobs are in population-related sectors: education, health, retail or personal services. Therefore the scale, profile and wealth of the resident population will have direct impacts on the local economy. In this chapter we explore:

- The demographic profile of the local population in terms of age, migration and size;
- The drivers of residential location and in particular housing;
- The economic mix in terms of skills, occupations and earnings;
- The pockets of disadvantage in the borough and the reasons for it;
- The economic linkages with the other boroughs, London and the rest of the UK through commuting, shopping and leisure spend.



Who lives in Richmond borough?

5.2 According to the latest 2009 mid year estimates, total population in the borough of Richmond was approximately 189,000 people, accounting for around 11% of South London's total population. The borough is now home to 16,200 more residents than 20 years ago, a 9% population growth, slightly above the London average.

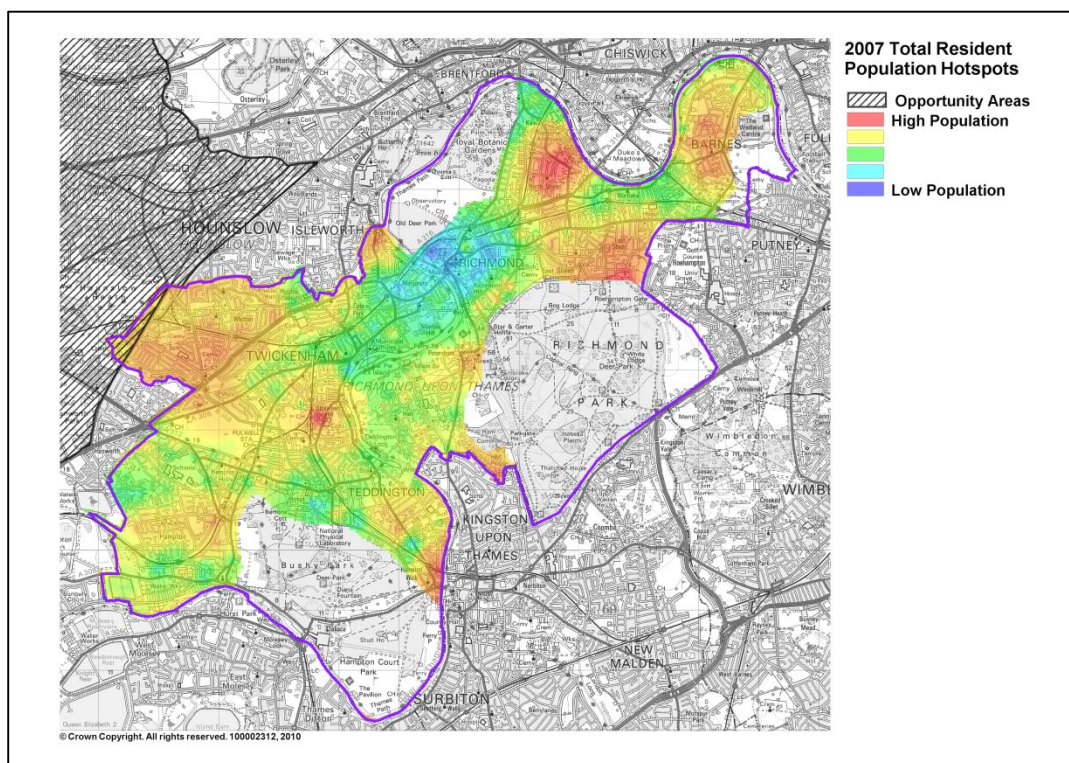
Table 5.1 Population Change 1989-2009

	1989	1999	2009	Change 1999-2009	% change 1999-2009
Richmond	162,200	172,800	189,000	16,200	8.6%
South London	1,504,400	1,574,400	1,693,900	119,500	7.1%
London	6,751,600	7,153,900	7,753,600	599,700	7.7%
Surrey	1,010,600	1,055,700	1,113,100	57,400	5.2%
South East	7,568,500	7,955,100	8,435,700	480,600	5.7%
England	47,552,700	49,032,900	51,809,700	2,776,800	5.4%

Source: Mid Year Population Estimates

5.3 As seen below, residents are spread throughout the borough. East and North Sheen, Barnes and Whitton are mostly residential areas. It is interesting to note that, contrary to other parts of the country, the town centres are not residential areas. Concentration levels are in fact lowest in Richmond town centre.

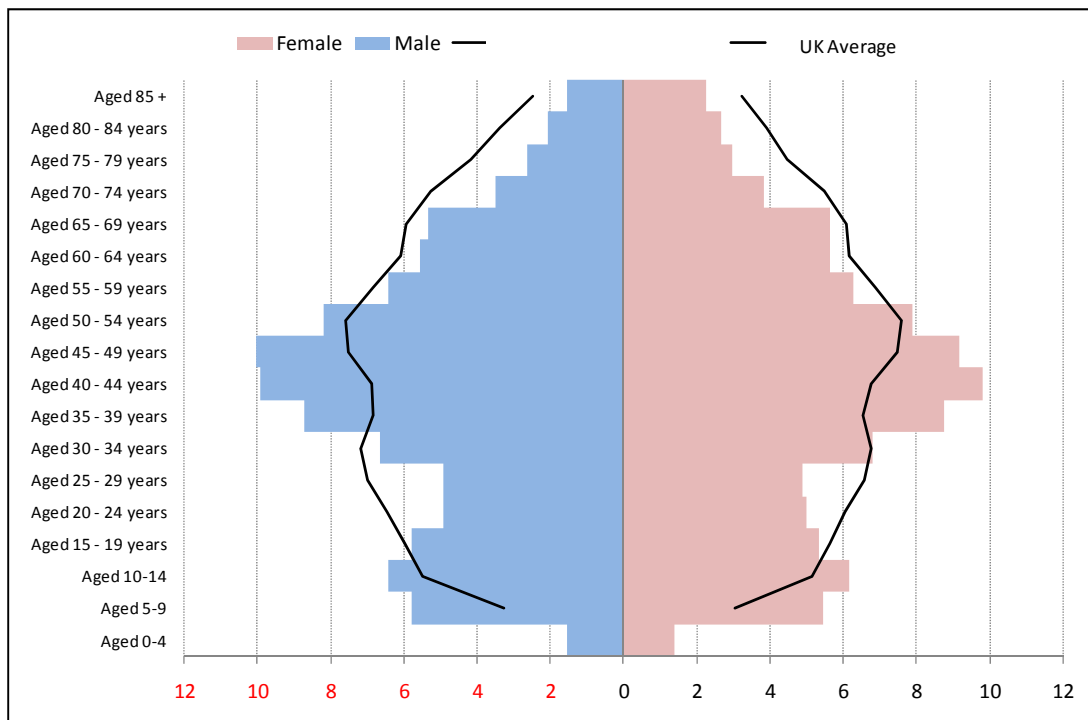
Figure 5.1 Geographical distribution of residents in Richmond borough



A family place

5.4 The borough's age profile reflects its appeal to families, as well as the fact that it can be unaffordable for younger and older people. As seen in Figure 5.2, the borough has a much higher proportion of family-aged residents i.e those aged between 35- 50 years old and those below 15.

Figure 5.2 Population Structure, 2009



Source: Mid Year Population Estimates

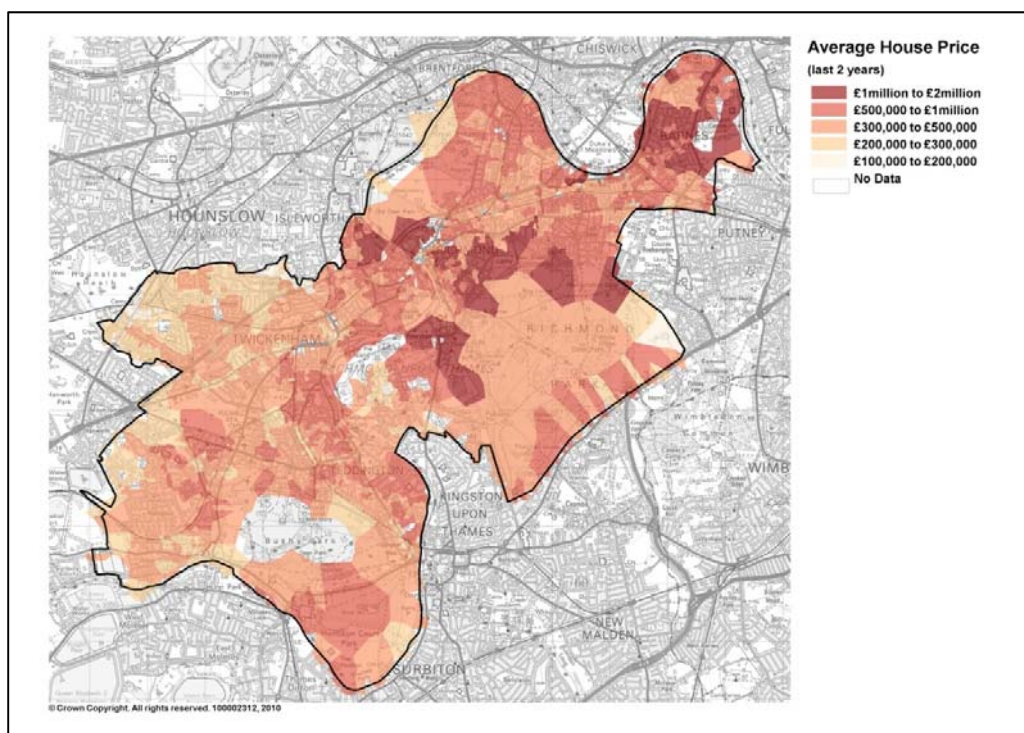
- 5.5 On the other hand, there are comparatively few young adults (20-34 year olds) and pensioners. High house prices (which we look at further on) are likely to act as a barrier for younger people without sufficient cash or equity to buy in the borough.
- 5.6 The borough is also characterised by a much lower proportion of working age residents who are disabled than London and England: around 11% compared to 16% and 18.5% respectively⁶³.

An expensive area to live in

- 5.7 According to the latest data from Land Registry, published by the department of Communities and Local Government, the median house price in the borough in 2009 was £377,750. This compares to £250,000 for London as a whole and £170,000 nationally. Based on this measure, Richmond borough is the 6th most expensive local authority to live in England, after Kensington & Chelsea, Westminster, Camden, Hammersmith & Fulham, and the City of London. This is compounded by the relatively high Council Tax compared to adjoining boroughs.
- 5.8 As seen in the map below, in a large proportion of the borough the average house price exceeds £1 million, in particular in Barnes, Sheen, St Margarets and around Richmond Park.

⁶³ APS, Jan 2009-Dec 2009

Figure 5.3 Average house prices in Richmond borough



5.9 The situation is not new. Richmond has always been a wealthy borough with expensive houses. Indeed, as shown in the table below, in 1996, the median house price in Richmond borough was twice the national average and 53% higher than the London average. In 2009, the relative situation is broadly similar.

Table 5.2 Comparison of house prices in Richmond, London and England

	1996	2009
Median house price	£118,000	£377,750
Richmond to England house price ratio	2.0	2.2
Richmond to London house price ratio	1.5	1.5

Source: Land Registry

5.10 As house prices across Richmond borough, London and the country have basically risen at the same pace, the relative position of the borough is unchanged. However, house prices alone do not tell the whole story: affordability is the key as earnings have not risen as fast as house prices. As seen below, affordability of housing has worsened over time: the average house in the borough now costs 11.5 times average earnings.

Table 5.3 : Housing affordability in Richmond

	Ratio of median house price to median earnings
1997	6.9
2001	9.6
2005	11.6
2009	11.5

Source: Land Registry

- 5.11 A similar analysis on lower house prices and lower earnings to assess accessibility i.e the ability to get on the ladder, reveals the same issue: the 25% cheapest houses in Richmond borough equate to 11.8 times the 25% lowest earnings. Fordham's survey published in 2007⁶⁴ estimated that 98.5% of existing housing association tenants and 80.5% of private renters would be unable to move into owner occupation if they were to stay within the borough.
- 5.12 This gap between local earnings and local house prices drives local residents' commuting patterns (which we see later): they travel to central London in order to be able to live in the borough. Similarly, it explains why local businesses can struggle to recruit staff for lower paid positions: they can not afford to live locally and have to travel in from other boroughs.
- 5.13 The private rental sector cannot always offer a viable solution to low income households as supply is insufficient. Indeed, according to the evidence base for the Housing Strategy, some of the cheapest areas to rent privately in the borough have the lowest levels of private renting available. This presents cause for concern for low income renters who may lack choice in the market.
- 5.14 Finally, for those on housing benefits, the options are even more limited. The London borough of Richmond upon Thames has the 4th smallest social rented sector in Greater London and some private landlords and rental agencies refuse to accept new tenants who are reliant on housing benefit⁶⁵.
- 5.15 Overall, the issue of affordability is critical in Richmond borough. It particularly affects: low to average income households; first time buyers and therefore younger households; key workers; and existing occupiers who require much larger sized properties due to family size. It also has impacts on financial and social inclusion, as we see further on in this chapter.

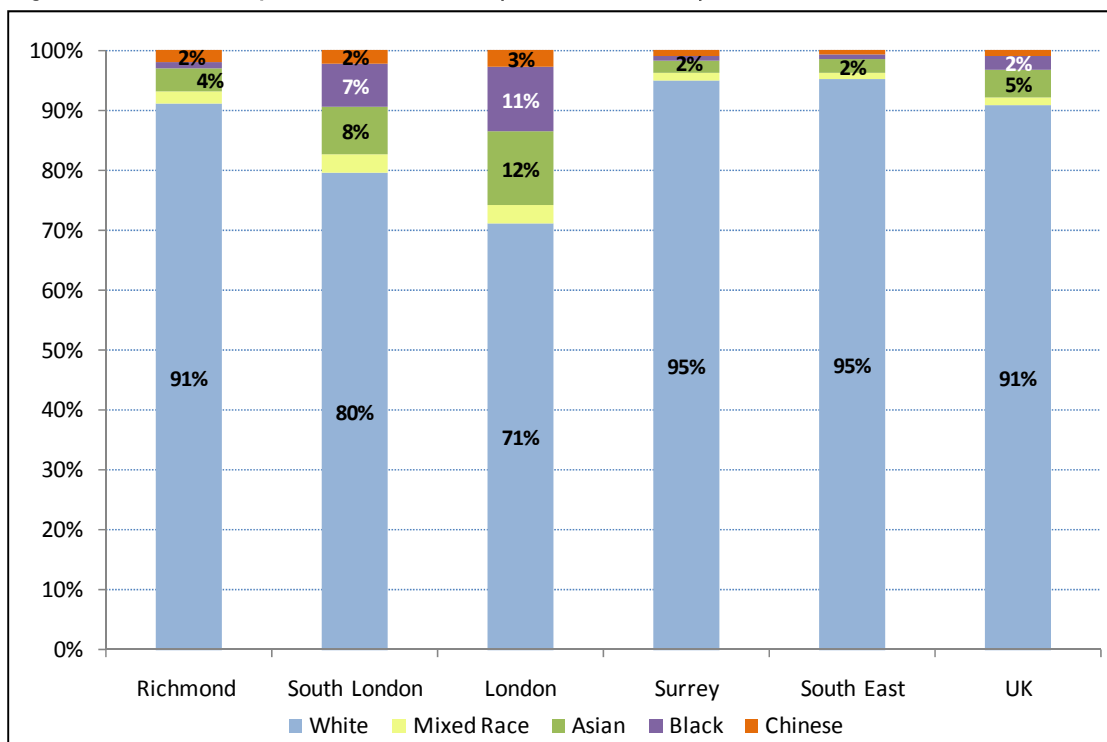
Low presence of ethnic minorities

- 5.16 Another characteristic of the borough's population is that it is less ethnically diverse than the rest of London. As seen in Figure 5.4, 91% of residents are white compared to 80% in South London and 71% in London. In this respect Richmond borough is more similar to the South East of England and the rest of the country.

⁶⁴ Fordham Research, Richmond Local Housing Assessment, April 2007

⁶⁵ London Borough of Richmond upon Thames, Housing Strategy 2008-2012

Figure 5.4 Ethnic Population Estimates (% of total, 2001)



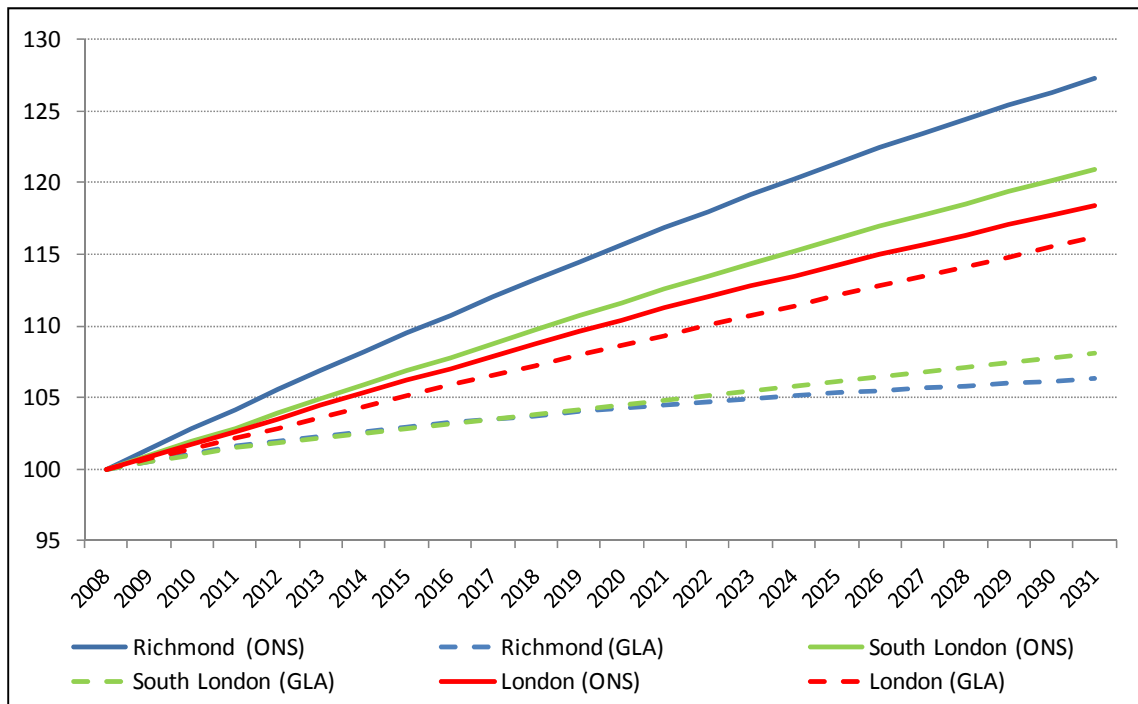
Source Census 2001

- 5.17 The data above is based on the 2001 Census, the last comprehensive record of ethnic groups. More recent (2007) ONS estimates assume the borough's ethnic profile has remained broadly unchanged although the presence of 'Other Whites' has risen to 11% of all residents.

Prospects for population growth

- 5.18 Population growth at a local level is affected by demographic factors such as birth rates and life expectancy as well as personal drivers of residential choice such as housing provision and affordability, the availability of jobs within the commuting catchment areas, the quality of schools or the desirability of the area.
- 5.19 The ONS and the GLA have both attempted to forecast the likely growth in population in Richmond borough up to 2031. They each adopt a different approach: one based on historic trends (ONS) and one using housing capacity to cap the borough's population projections (GLA). As seen below, the former leads to significantly higher growth than the latter.

Figure 5.5 Population Forecasts 2008-31, GLA and ONS



Source ONS and GLA

- 5.20 According to the ONS figures, and based on past trends, there would be 51,000 more residents in the borough in 2031 than in 2008. This represents a 27% growth in population, much faster than in South London (21%) and London (18%).
- 5.21 In contrast, the GLA forecasts much slower population growth in Richmond borough than in South London and London. It projects resident numbers to rise by 11,530 or 6% over 2008-2031. This mostly reflects natural increase and in-migration to existing housing, new provision, demonstrating the restricting role played by the housing provision in the borough.
- 5.22 It should be emphasised that most growth is natural increase and in-migration to existing housing, not due to new housing provision, which is the lowest p.a. in London
- 5.23 In view of the large number of planning designations limiting the land available for additional housing, this approach seems more sensible.

Summary:

Richmond borough is an attractive and popular place to live. It is however not mixed socially or ethnically with a mostly white population and few young adults. This is mostly the result of high house prices which prevent most people from living there.

House prices also create tensions on the labour market as employers can have difficulties in hiring the right staff, especially in lower paid occupations. This may also apply to key workers with impacts on public services.

This is unlikely to change in view of the limited land available for development, but it does emphasise the importance of affordable housing for the efficient operation of the local economy.

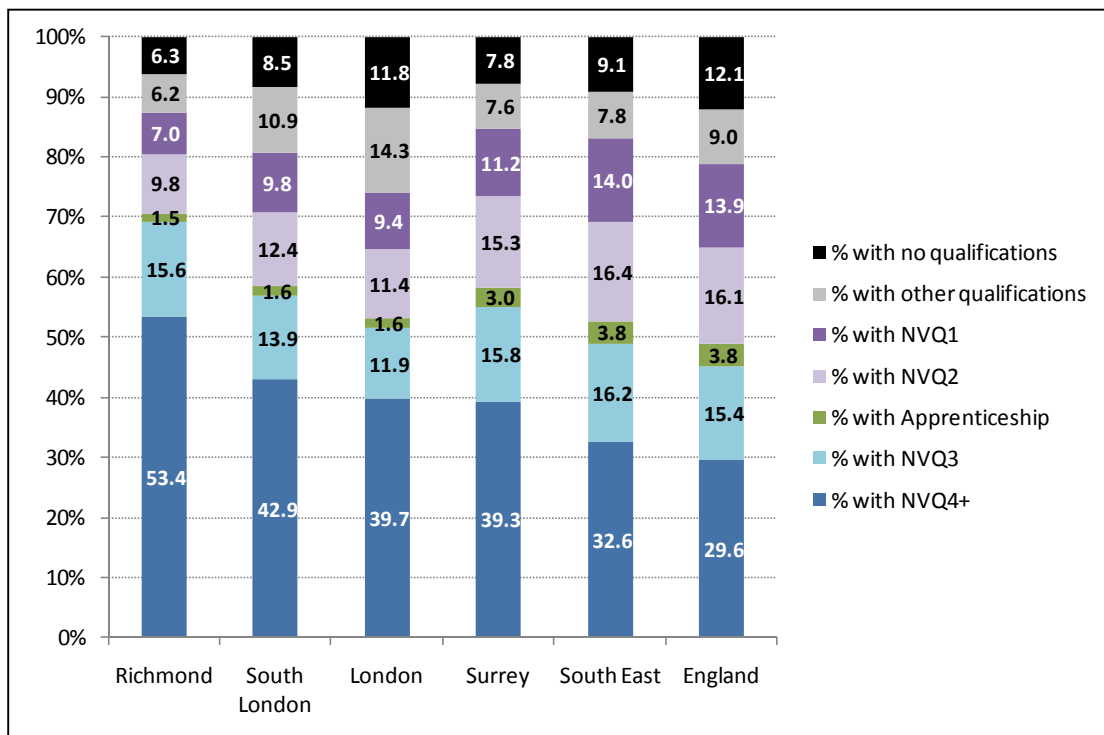
Richmond borough's residents are highly qualified and well-paid

5.24 As we see next, the residents of the borough tend to be more qualified than the London and national average and as a result, occupy higher occupations which provide them with good salaries.

Over half of Richmond borough's residents hold a degree

5.25 As shown in Figure 5.6, well over half of the borough's residents hold at least a degree. This is 80% above the English average and 34% more than the London average. Richmond borough's population is very highly skilled indeed and it also has comparatively fewer individuals with no qualifications at all.

Figure 5.6 Residents' qualifications, 2009

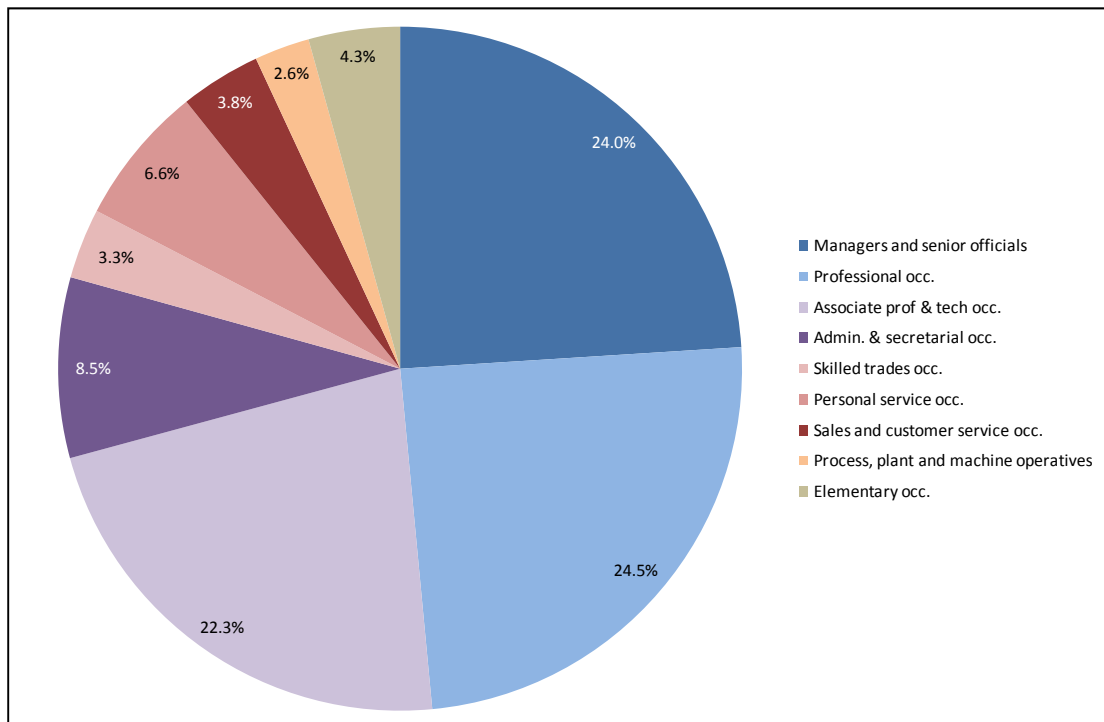


Source: APS 2009

Over half of Richmond borough's residents are managers, senior officials or professionals

5.26 As a result of this, and of the high levels of self-employed, almost half of residents in employment, belong to the top two occupation categories: managers and senior officials; and professional occupations. This compares to 36% in London and 30% in England. Another 22% are associate technical and professional occupations.

Figure 5.7 : Richmond residents by occupation

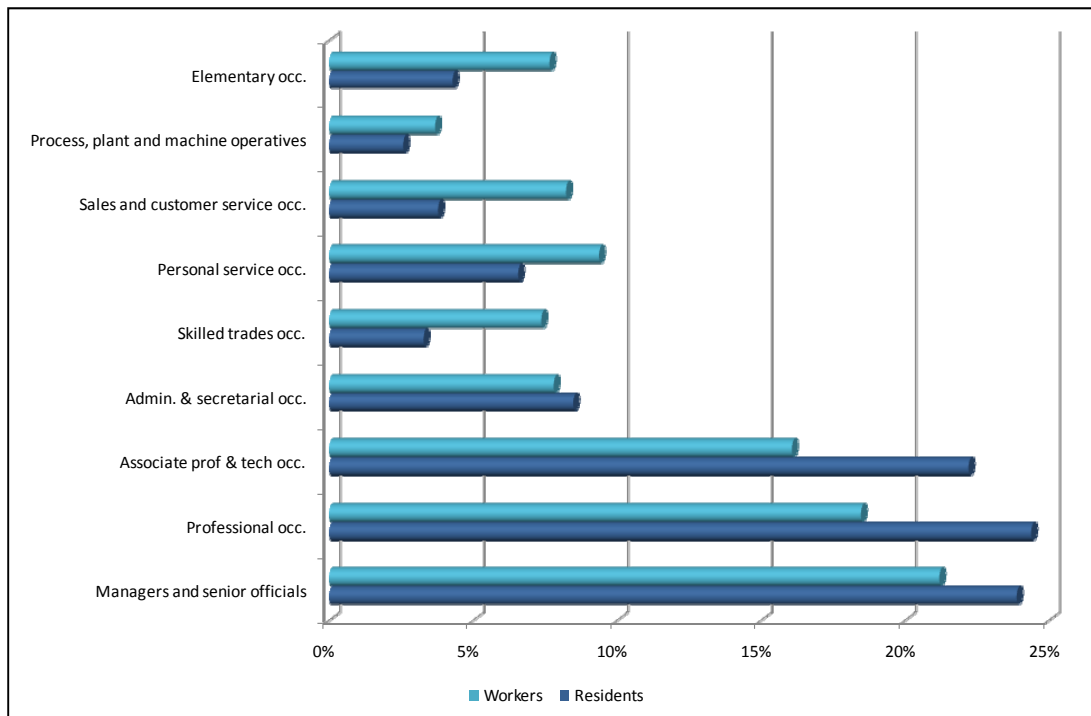


Source: APS 2008

5.27 On the other hand, only 11% of all residents belonged in the bottom three occupations i.e sales and customer services; process, plants and machine operatives; and elementary occupations.

5.28 A comparison with the broad workforce profile confirms our earlier analysis about skills and potential workforce shortages in specific sectors and occupations in the borough. As seen in Figure 5.8 below, lower occupations account for a larger share of all workers in Richmond borough than residents. In real terms, in 2009, there were 13,800 workers in these three lower occupations in the borough and 9,800 residents. While there is no reason to expect any local economy to have all its residents in local jobs, this points to the mismatch between what local employers need and what local residents' supply.

Figure 5.8 : Broad occupation profile of workers and residents in Richmond, 2009



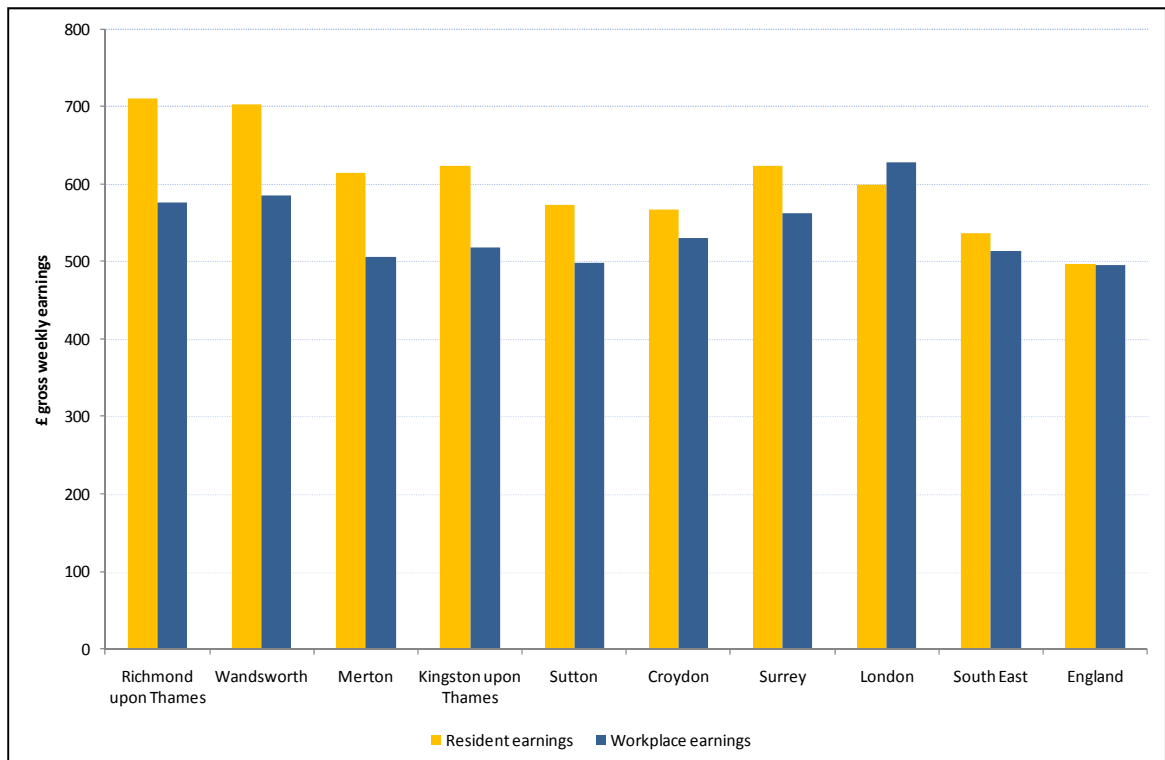
5.29 This analysis shows that there are local opportunities in lower skilled occupations, which may be suitable for those who have been out of work for a long-time, need flexible working arrangements or have low qualifications. Indeed this reinforces our analysis in Chapter 1 which highlight the potential for growth of sectors such as hospitality and retail which offer entry jobs (as well as other occupations).

5.30 However, it highlights again the possible recruitment difficulties which may occur in the borough. The profile of vacancies by occupation and the travel to work pattern showed the reliance of the borough on neighbouring authorities in order to keep its economy operating. In turns, it points out the importance of an effective transport infrastructure to enable travel from workplace to residence.

Average resident earnings are high

5.31 As a result of their highly competitive qualification profile and of their occupations, Richmond borough’s residents achieve good earnings: £710 a week, significantly higher than all comparator areas bar Wandsworth. Indeed, local residents’ weekly earnings are on average 19% higher than in London as a whole and 43% above the national average.

Figure 5.9 : Richmond resident and worker earnings, 2009



Source: Annual Survey of Hours and Earnings

5.32 As shown in Figure 5.9, resident's earnings in the borough are markedly higher than workplace earnings: by approximately £135 per week. This is due to the difference between the sectoral and occupational profile of the borough's economy and the type of jobs that residents take up, largely in Central London, where job opportunities are more numerous and better paid.

5.33 In other words, as we see further on when we look at travel to work patterns, the borough exports highly skilled workers and imports lower paid and lower skilled workers.

Unemployment remains low

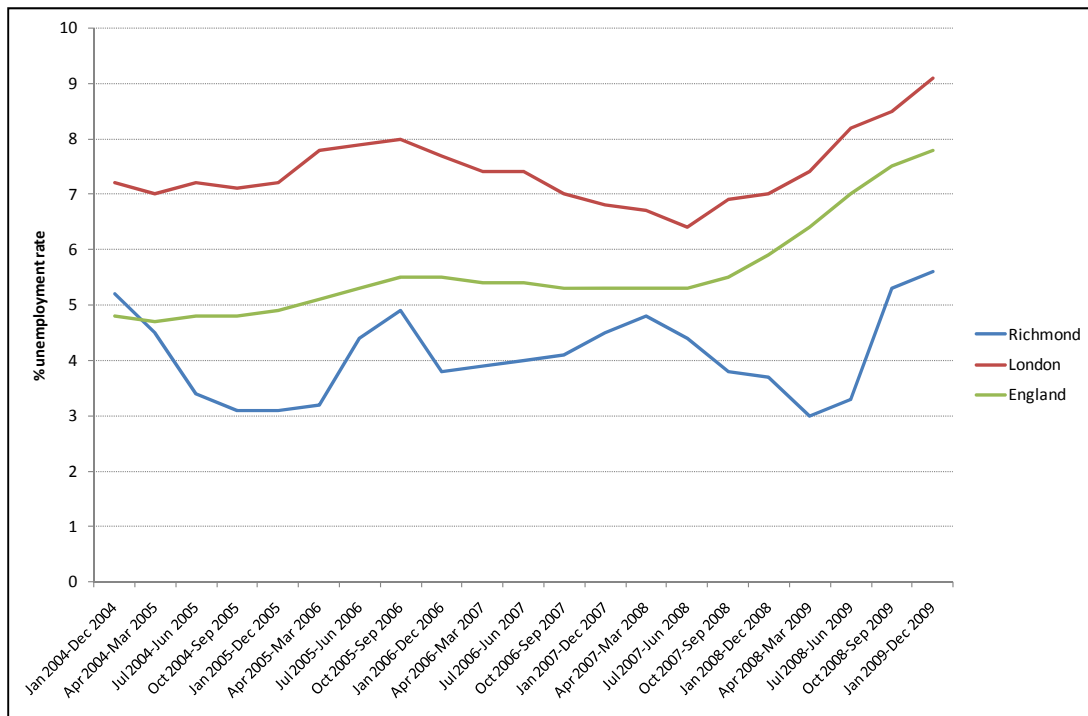
5.34 On average, 79% of residents are economically active, slightly higher than the London average and similar to the South London and South East.

5.35 A consequence of local residents' employability is that they tend to be better protected against sustained unemployment: they will find other jobs more easily as they are competitive on the job market and mobile; they are also in a better place than most to start their own business if made redundant.

5.36 There are two data sources for unemployment. The International Labour Organisation (ILO) measure counts jobless people who want to work and are actively seeking employment. Official estimates using the ILO definition can be extracted from the Annual Population Survey.

5.37 According to this ILO definition, 5.6% of Richmond borough's residents were unemployed in 2009, the highest figure on record since 2004 when the data series begins. Despite this peak, it remains significantly lower than in London and England.

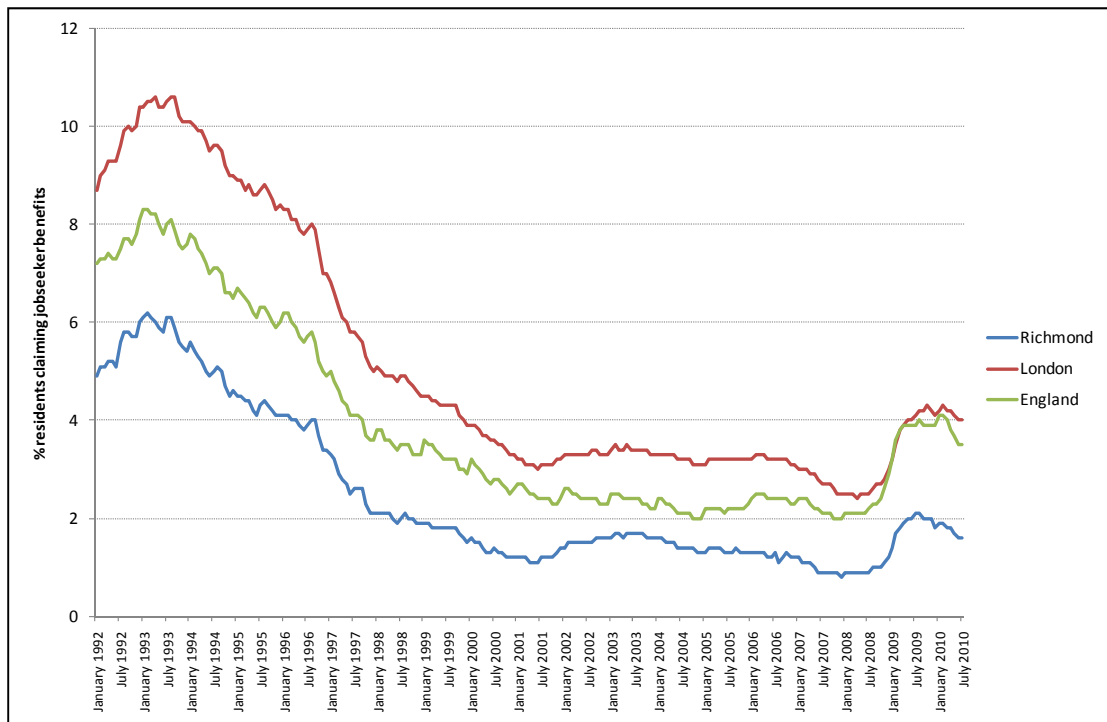
Figure 5.10 : Resident unemployment rate



Source: APS

- 5.38 Another way to assess unemployment is through claimant counts. This records the number of people claiming unemployment benefits (Jobseekers Allowance and National Insurance credits). It is always lower than the ILO measure as some unemployed people are not entitled to claim benefits or choose not to do so.
- 5.39 In July 2010, 1.6% of the borough’s residents were claiming benefits. Again, unemployment in the borough is significantly lower than in London and England. Figure 5.11 also places recent claimant counts in a historical context. It shows that while the current recession has led to a spike in unemployment, claimant counts remain low from a long-term perspective. This is in part because businesses and the labour market have adapted differently to this economic downturn, favouring reduced hours or salaries over redundancies for instance. However, this means that when the economy starts recovering, there will be a delay before employment rises again as there is existing capacity amongst businesses.

Figure 5.11 : Claimant counts



- 5.40 It is also worth pointing out that fewer residents experience long-term unemployment: in July 2010 13.6% of all claimants had been claiming for over 12 months compared to 17% in London and 18% in England.
- 5.41 The main concentrations of claimants in the borough are in areas of disadvantage, which we look at next, including Heathfield, Ham and Hampton North.

Table 5.4 Claimant counts by ward, July 2010

Ward	No. claimants (rounded)
Barnes	90
East Sheen	90
Fulwell & Hampton Hill	90
Ham, Petersham & Richmond	155
Riverside	
Hampton	110
Hampton North	150
Hampton Wick	85
Heathfield	190
Kew	115
Mortlake & Barnes Common	140
North Richmond	100
South Richmond	75
South Twickenham	115
St Margarets & North Twickenham	95
Teddington	115
Twickenham Riverside	105
West Twickenham	130
Whitton	105

Source: ONS, Claimant Counts

Summary:

The majority of Richmond borough's residents are highly qualified (half have a degree and very few have no qualifications), highly paid and tend to work in the most senior occupations.

This means that they can afford to live in the borough and also that they are better protected against unemployment.

Areas of disadvantage

- 5.42 Despite the levels of wealth present in the borough of Richmond there are also areas of disadvantage and individuals who are socially and economically excluded. This has been a persistent issue in the borough and we were asked to investigate it in more detail. This section examines the nature of spatial concentrations of disadvantage within the borough and the factors driving it.
- 5.43 It is an important issue to consider as part of an LEA because social exclusion can impact on the economy in two ways: by generating public costs (e.g. high crime, benefits payment etc) and as missed potential (i.e. people who could work and contribute to the economy but who are not).
- 5.44 There are many difficulties in trying to place a value on some of those costs, and even areas with the investment of a Total Place pilot struggled to do this completely.

The cost of disadvantage and exclusion

- 5.45 Research, such as the Total Place pilot in Worcestershire, considered whole life costings as part of tackling issues linked to disadvantage. One such cost is the estimated lifetime cost to the state of unemployment of £255,000 per individual⁶⁶. It also suggests that 1 in 6 young people who have been Not in Education, Employment or Training (NEET) for two years or more by the age of 24 will continue into lifelong unemployment.
- 5.46 The Scottish Executive has undertaken research into the cost of child poverty. Between social services, acute health care, primary and secondary education, it is estimated that the extra cost to public services of a child in poverty is £6,576 a year⁶⁷.
- 5.47 The Home Office has also released research which attempted to estimate the economic costs of crime⁶⁸. This looks at the estimated public sector and total costs for a range of crimes at a per incident level.

Table 5.5 : The cost of crime

Offence	Public sector cost	Total cost
Violence against the person	£3,910	£19,000
Sexual offence	£5,120	£19,000

⁶⁶ Worcestershire Partnership, Report of the Worcestershire Total Place Pilot, February 2010

⁶⁷ The Scottish Government, 'Estimating the Cost of Child Poverty in Scotland' (2008)

⁶⁸ Home Office, 'Research Study 217: The economic and social costs of crime', (2000)

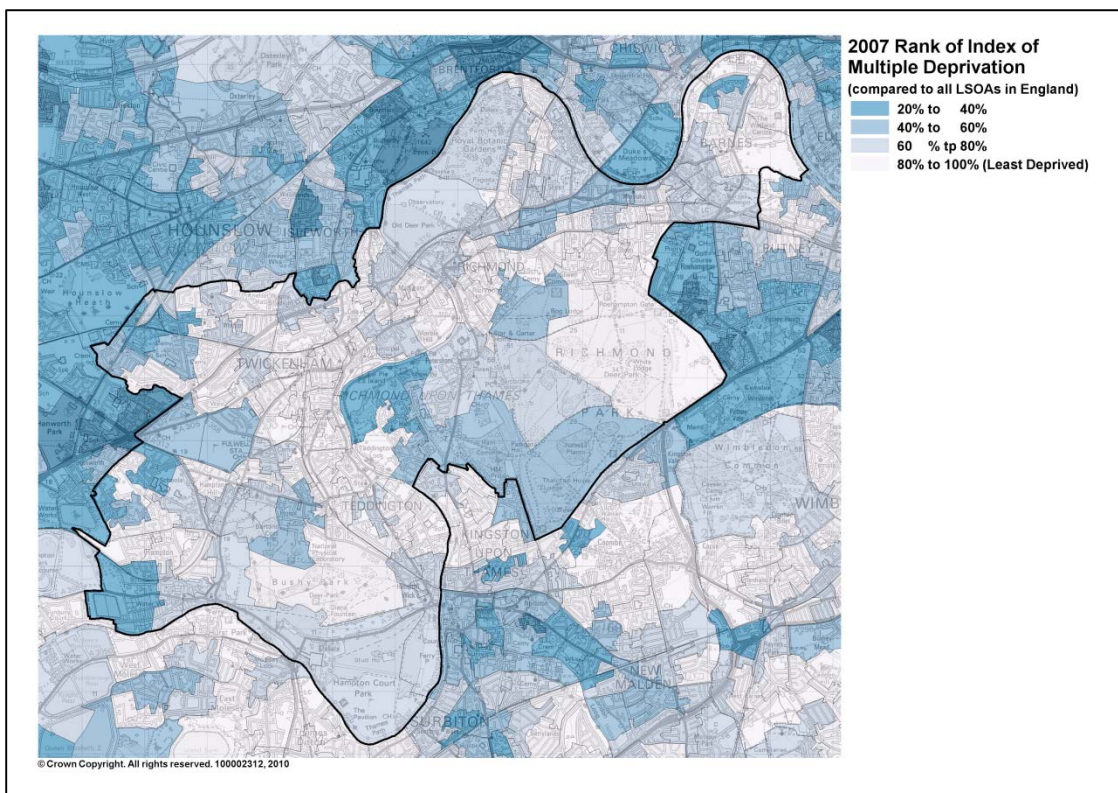
Robbery	£1,596	£4,700
Burglary	£494	£2,300
Theft	£60	£600
Criminal damage	£60	£510
Drugs	£1,200	n/a

5.48 The relevant statistics are not available required to calculate these figures at the small geographic level of Richmond’s defined areas of deprivation but are included here to highlight the potentially large in year and lifetime costs to a local economy of the consequences of disadvantage.

There are no large areas of absolute deprivation in Richmond borough

5.49 In comparison with many other London boroughs, Richmond has no significant areas of disadvantage. As seen in the map below, based on the overall Index of Multiple Deprivation, there are no areas in the top 20% most deprived in England.

Figure 5.12 Index of Multiple Deprivation, 2007



5.50 For this reason, the economic consequences of spatial disadvantage in the borough are difficult to identify and can easily be overlooked.

5.51 Social and economic exclusion can have both place-based and people-based drivers, and these often overlap.

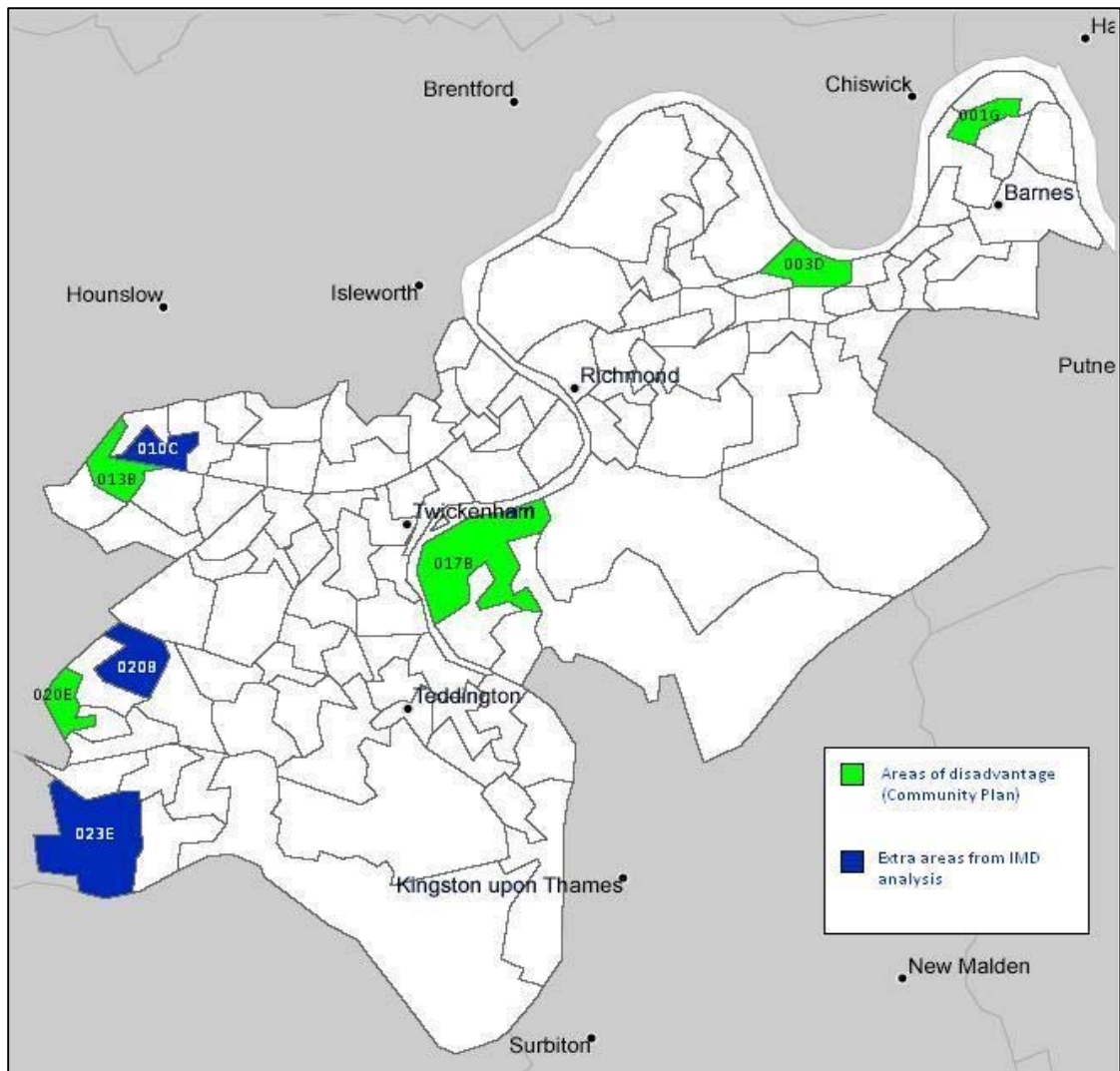
5.52 A place-based driver might be poor access to services from where they live or high crime in the neighbourhood whilst a people-based driver might be lower skill levels or poor

health. These two types of disadvantage are not mutually exclusive, and are often reinforcing: one driver can cause and perpetuate the other. For this reason, if they are not all taken into account when trying to tackle deprivation, this can weaken the chances of success.

Defining areas of disadvantage

- 5.53 It is important therefore, to define an appropriate geography of disadvantage. The Richmond upon Thames Community Plan identifies five areas of disadvantage. These have been identified by the Local Strategic Partnership, and are identified in the Plan as having higher levels of unemployment and worklessness, higher levels of crime and substance misuse problems, lower skill levels, poorer physical and mental health, and housing shortage.
- 5.54 According to the IMD 2007, there are seven Lower Super Output Areas (LSOA) which are amongst the 40% most deprived in the country. Four out of the five of the areas identified within the Community Plan are included in this set of eight. We combine the areas identified in the Community Plan and those identified by the IMD in our analysis of disadvantage in Richmond. As seen in Figure 5.13, two of the three 'other' LSOAs are next to or very close to those identified within the Community Plan. The last one, area 023E, is in the very south west of the borough, along the river and near the reservoirs in Hampton ward. Together, the areas account for 7% of the borough's population.

Figure 5.13 Areas of disadvantage



5.55 It can be seen from the sub-domains of the IMD which include income, employment, health, education, access and crime that deprivation in these areas is driven by different factors. This will be examined in more detail below, alongside proxy statistics that provide more up to date information since the IMD 2007 data was released.

Indicators of disadvantage

- 5.56 This section considers a range of indicators published more recently than the IMD 2007 to help understand the distinctive characteristics of the areas of disadvantage and what defines them as different from the rest of Richmond. Each table investigates a different dimension, looking at the effect it has in the areas identified, as well as how much of the individual 'problem' is concentrated in these areas as opposed to the rest of Richmond.
- 5.57 To consider overall deprivation we look at "all working age residents on benefits" as a proxy indicator: 21% of the working age population of the areas of disadvantage claim a benefit of some kind. This accounts for 18% of all residents in the borough who claim benefits.

Table 5.6 : Overall levels of deprivation (Feb 2010)

Area	LSOA	Working age benefits	% of Richmond total	% of working age pop.
Castlenau	001G	190	2.0	19.4
Mortlake	003D	180	1.9	16.3
Heathfield	013B	245	2.6	22.9
Ham	017B	255	2.7	24.5
Hampton Nursery Lands	020E	260	2.8	27.6
	020B	205	2.2	21.8
	023E	180	1.9	18.6
	010C	160	1.7	16.7
Areas of disadvantage		1,675	17.8	20.9
Richmond		9,410		8.1

Source: DWP Benefit Claimants

Income deprivation

5.58 To consider income levels, we use income support benefit claimants to cover the working age population and pension credits to cover the population beyond working age. It is clear that the concentration of individuals claiming income support (IS) is much higher in these areas than would be expected by their working age population. As the following data shows, 23% of the total number of income support claimants for the whole borough live in these eight areas of disadvantage, and when looking at those claiming IS who are lone parents, 24% of Richmond's claimants live in these areas.

Table 5.7 : Claimants of Income Benefits

Area	LSOA	% of Richmond total	% of working age population claiming IS	% of working age pop on Lone Parents Income Support	% of above working age residents claiming Pension Credits
Castlenau	001G	2.7	9.2	3.1	34.0
Mortlake	003D	2.5	7.7	3.2	31.0
Heathfield	013B	3.7	11.7	6.1	31.1
Ham	017B	3.3	10.6	4.3	39.1
Hampton Nursery Lands	020E	3.9	13.8	4.2	38.7
	020B	2.1	7.4	2.7	28.5
	023E	2.2	7.7	3.1	36.0
	010C	2.2	7.8	3.1	24.6
Areas of disadvantage		22.7	9.5	3.8	32.8
Richmond		-	2.88	1.1	15.8

Source: Office for National Statistics - Benefits Data August 2009

- 5.59 As can be seen above, 2.88% of the working age population in Richmond are income support claimants, but this rises to 9.5% in the areas of disadvantage. This rate rises above 10% in the areas of Heathfield, Ham and Hampton Nursery Lands.
- 5.60 In terms of those over working age, there remains a concentration of claimants of pension credits, but to a lesser extent than income support. 15.82% of people in Richmond as a whole above working age are claiming pension credits whereas nearly 33% of the population above working age in these areas are on pension credits.

Employment deprivation

- 5.61 To consider employment deprivation we use the “job seekers allowance” indicator as a proxy indicator and find that 4% of the population in the areas of disadvantage claim this benefit. This suggests that JSA, and associated unemployment, is less of a concern in these areas than other issues.

Incapacity benefits

- 5.62 In terms of incapacity benefit, 16% of all Richmond’s claimants live in these 8 areas. And of these claimants 65.6% have been on IB for over 5 years. There is a slightly higher prevalence of IB claimants for mental disorders in these areas, but not to a significant degree to infer any correlation.

Table 5.8 : Claimants of Incapacity Benefits (Feb 2010)

Area	LSOA	% of Richmond total claiming IB and SDA ⁶⁹	% of working age population claiming IB	% of Richmond claiming IB for more than 5 years
Castlenau	001G	1.9	7.7	2.1
Mortlake	003D	1.8	6.3	2.1
Heathfield	013B	2.3	8.4	2.5
Ham	017B	2.3	8.6	3.2
Hampton Nursery Lands	020E	2.9	12.2	3.5
	020B	1.8	7.5	1.6
	023E	1.8	7.2	2.3
	010C	1.5	6.3	2.1
Areas of disadvantage Richmond		16.1	8.0	19.4
			3.4	

Source: DWP Benefit Claimants

- 5.63 What is most striking is that nearly 20% of all of Richmond’s IB claimants of over 5 years live in these areas.

⁶⁹ Severe Disability Allowance

Crime

- 5.64 A snapshot of the current crime rates in the areas shows that there is a mixed picture across the areas of disadvantage. Ham and area 020B (in Hampton ward) have a particularly high crime rate compared to ward and borough averages, but some areas such as Castlenau and Mortlake have a lower rate than ward averages.

Table 5.9 : Crime rates (June 2010)

Area	LSOA	Area rate	Ward rate	Borough rate
Castlenau	001G	1.37	4.89	6.15
Mortlake	003D	4.12	4.84	6.15
Heathfield	013B	5.28	4.72	6.15
Ham	017B	9.45	7.23	6.15
Hampton Nursery Lands	020E	6.01	6.83	6.15
	020B	15.99	6.83	6.15
	023E	6.80	5.62	6.15
	010C	4.02	5.57	6.15

Source: Metropolitan Police

Access to services

- 5.65 In terms of access to services, it is clear that the areas of disadvantage are on average further away from services. This is particularly the case in terms of GP premises and Post Offices. Primary school provision is comparable with the rest of the borough.

Skills

- 5.66 In terms of skills levels, the information from the indices of multiple deprivation supports the picture from the census. These areas have a much greater concentration of residents with low or no skills than Richmond as a whole.

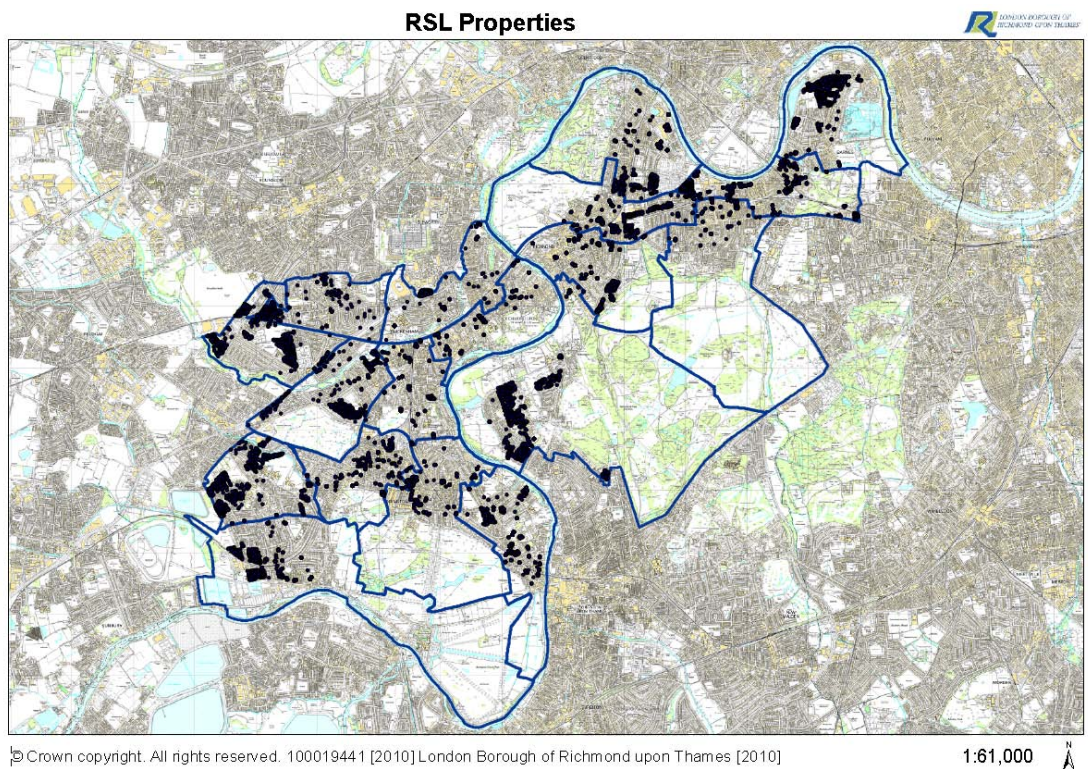
Table 5.10 : Qualification levels

Area	LSOA	% adults with no or low qualifications
Castlenau	001G	36.3
Mortlake	003D	24.3
Heathfield	013B	49.1
Ham	017B	41.4
Hampton Nursery Lands	020E	42.7
	020B	41.6
	023E	41.3
	010C	42.3
Areas of disadvantage		39.9
Richmond average		18.5

Source: Index of Multiple Deprivation 2007

Housing

- 5.67 The areas of disadvantage correlate with registered social landlord (RSL) housing provision, as the below map highlights, but the following map also underlines further that disadvantage is not concentrated solely within these areas.

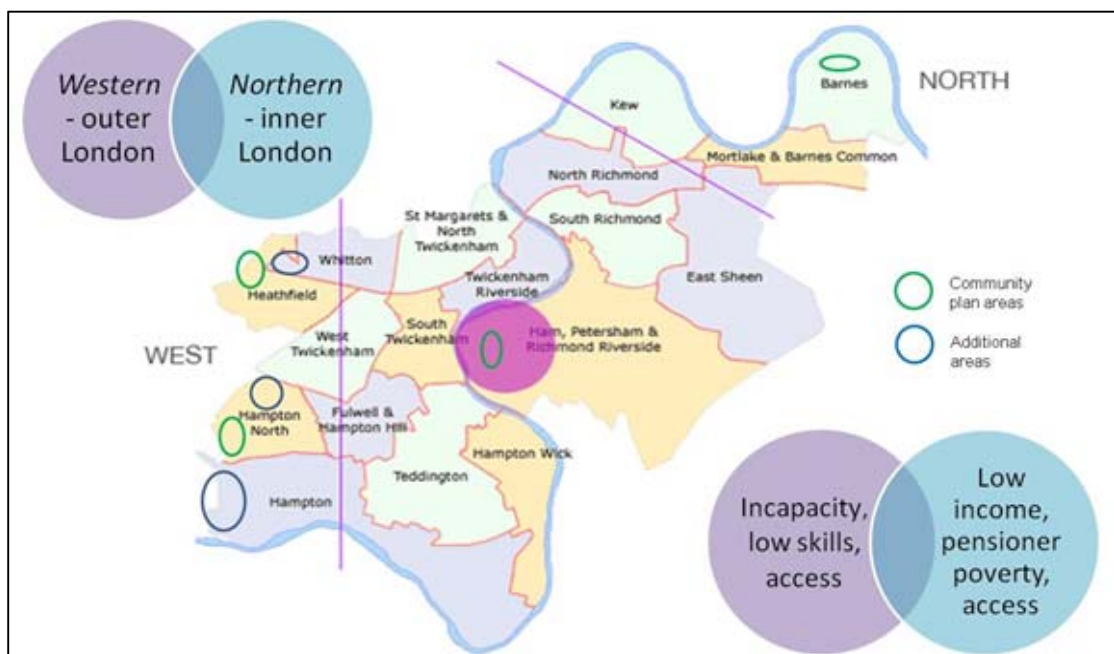


- 5.68 Data available from CoRe, the Continuous Recording of Sales and Lettings in Social Housing in England, shows that only 13% of the new tenants of the two largest social housing providers in the borough were working full-time. The largest share (36%) were out of work but not seeking a job.
- 5.69 The Richmond Housing Partnership provides some historical data and shows that since 2004/05 its tenants have become less likely to be working full-time and more likely to not seek work.
- 5.70 This analysis, shows that while the eight areas we have identified are the main concentrations of disadvantage in the borough, it will not capture all incidence of disadvantage and social exclusion in the borough as social housing is scattered across all wards.

Drivers of disadvantage across areas

- 5.71 The above data highlights the overlap between people and place-based drivers for disadvantage. The people based drivers, such as low skills and long term incapacity can add to and perpetuate the place based issues of poor access to services. The importance of focussing on areas of disadvantage, therefore, is recognition of this mutual reinforcement in certain areas of the borough. It is possible to create a typology which recognises some of the spatial differences across the borough.

- 5.72 The following typology has been developed to provide a conceptual approach to considering spatial disadvantage in the borough. It does not explain all the issues, and many of the issues highlighted overlap and intertwine. However, it aims to reflect the slightly different drivers of disadvantage in different parts of the borough.
- 5.73 The typology can be divided into the northern and western parts of the borough. The area where they overlap is Ham in the centre. Ham is an area which shares the characteristics of both areas, and also has distinct issues of its own around higher crime rates and greater access concerns.
- 5.74 Broadly, the geographies of these areas are as follows: inner London drivers of deprivation can be found in the wards of Barnes and Mortlake & Barnes Common, and outer London drivers of deprivation are more prevalent in Heathfield, Hampton North and Hampton. The map highlights that spatial division, with Ham in the centre of both and experiencing a combination of these issues.



- 5.75 The key drivers of disadvantage in these areas seem to be linked to either skills and incapacity in the west, or income driven concerns in the north. In both areas, access to the right services is also a concern. This division is not to say that both types of issues do not affect both areas, but that the degree of the role of these issues in defining the local disadvantage is different.

Change over time

- 5.76 The historical analysis of the indicators used in this section shows little change over time in terms of economic disadvantage in the borough, from a spatial perspective: those areas of relative disadvantage at the time of the last Census remained in that position when the IMD 2004 and 2007 were undertaken, and our own analysis suggests that things have not changed before and during the current recession.

- 5.77 It is worth pointing out that JSA figures show that claimants in the disadvantaged areas as a proportion of the borough total rise in times of economic growth and fall during recessions or period of economic stagnation. This implies that JSA claimants who do not live in these areas are better able to take advantage of job opportunities when they are available whilst those in the disadvantaged areas are not.

Summary:

While Richmond borough is not severely affected by deprivation, there are some areas which experience a concentration of problems including low income levels, long term incapacity, low skills and access to services.

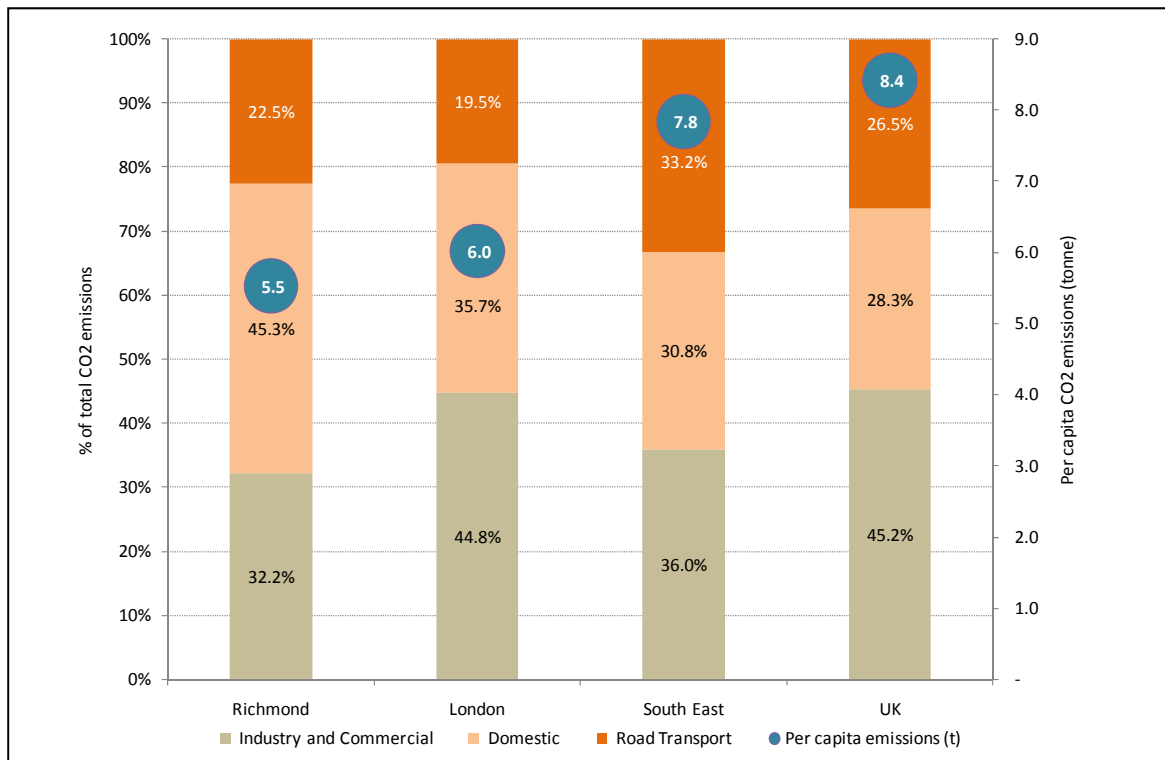
- **In Northern Richmond disadvantage is strongly linked to income in areas that often have particularly high living costs. In particular, it has more older residents who rely on pension credits than other areas.**
- **Western Richmond is more disadvantaged than the north of the borough, but its disadvantage is much more closely linked to the low skills levels of its residents. Residents are also more likely to be on incapacity benefit for over five years.**
- **Ham, in the centre of the borough, combines the characteristics of the two typologies, and on many measures it is the most disadvantaged area in the borough. This suggests a different approach is needed to tackle the specific concerns of that neighbourhood.**

Due to the overlaps between spatial disadvantage and other kinds of disadvantage, economic approaches to tackle the drivers of disadvantage should be aligned with other relevant strategies, including the LDF Core Strategy, the Richmond Community Plan, the Borough Implementation Plan and any neighbourhood or area based plans. Synergies could be achieved by aligning priorities and actions with other delivery organisations. For instance, housing associations working in partnership with the Council are particularly well suited to tackling personal issues connected to the housing circumstances of an individual as well as unemployment, financial inclusion and some benefit dependency.

The need to reduce environmental impacts

- 5.78 The structure of the economy and the demography of Richmond borough has consequences on its ecological footprint and carbon emissions. While we do not have local data on ecological footprint, there are local estimates of carbon emissions. As seen below, CO² emissions per capita are lower in the borough than the London and national average.

Figure 5.14: Local CO² emission estimates, 2007



Source: Department of Energy and Climate Change

- 5.79 This can be partly explained when looking at the sources of these emissions: Richmond borough has comparatively little industrial / warehousing activities (which tend to be the most polluting) and, being in London, relies less on road transport than the rest of the UK. As a result, 45% of its emissions are generated by domestic activities.
- 5.80 In fact, local residents emit significantly more CO² emissions from domestic activities than the London average: 2.5t per capita compared to 2.1t per capita in London⁷⁰. This is undoubtedly linked to the wealth and high standards of living enjoyed by most of the borough's population. Their high disposable income allows them to consume more and own more cars than the London average⁷¹. The latter will contribute to the borough's higher than London average road emissions.

Linkages

- 5.81 The main sources of linkages between local residents and the rest of London / the UK are through their commuting and shopping patterns.

⁷⁰ Source: DECC

⁷¹ Source: Census 2001

Travel to work patterns

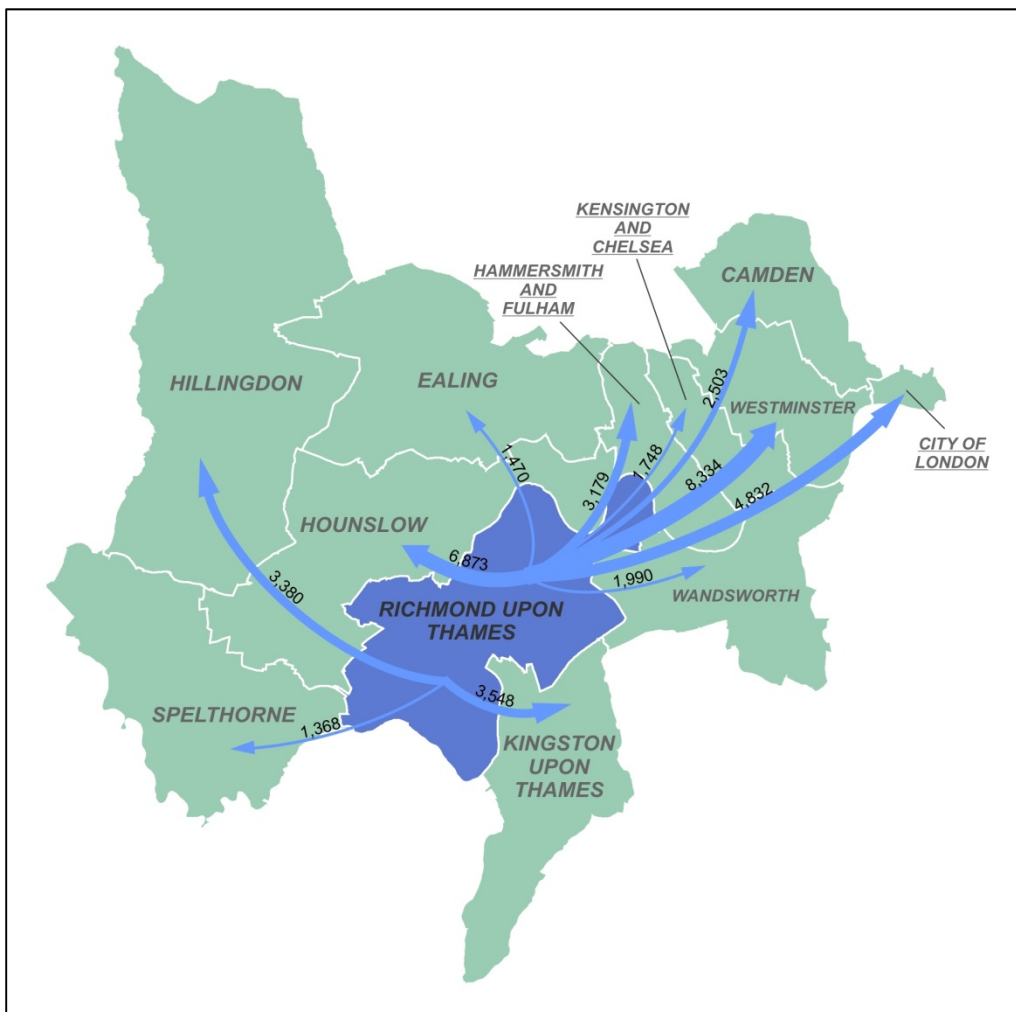
5.82 The 2001 Census shows the place of work of those who live in Richmond borough. According to this data, only 38% of residents also work in the borough, the rest commute out for work, mostly to central London. Overall, Inner London attracts about 30% of all out-commuters.

Table 5.11 : Place of work for Richmond residents

Place of work	% of Richmond workers
Richmond-upon-Thames	38%
Westminster	9%
Hounslow	8%
City of London	5%
Kingston-upon-Thames	4%
Hillingdon	4%
Hammersmith & Fulham	4%

Source: Census 2001

Figure 5.15 Out-commuting flows



Source: Census 2001

- 5.83 The Census data also shows that a significant number of residents commute out to neighbouring boroughs, especially Hounslow, Kingston-upon-Thames and Hillingdon. Heathrow is an important work destination and a recent employee survey at the airport⁷² showed that most employees coming from Richmond borough work as airline handling agents.
- 5.84 The 2008 APS analysis does not show any significant changes in these patterns. It also does not offer further insight into the occupation and industry profile of out-commuters so we continue to use Census data in the rest of this section.

Occupation profile

- 5.85 While 'Lower managerial and professional occupations' is the largest group of out-commuters because it is also the largest group of residents, there are clear differences in the profile of out-commuters depending on their destination.
- 5.86 Those who travel to work in central London are more likely to occupy higher managerial and higher professional occupations. Meanwhile, those who work in intermediate, technical or routine occupations are more likely to commute to West London (in particular Hounslow and Hillingdon).

Sectors

- 5.87 As with occupations, the sectoral analysis highlights a number of specific relationships:
- Out-commuting to Kingston is heavily dominated by retail & wholesale (probably retail). Out-commuting is also strong in this sector with Hounslow, Elmbridge, Kensington.
 - Hillingdon, with the presence of Heathrow, attracts residents who work in Transport & Communication.
 - Most people who work in the City and Tower Hamlets do so for jobs in Finance.
 - Central London is also a popular destination for jobs in business services.
 - There is some significant out-commuting of education professionals towards the neighbouring boroughs of Ealing, Wandsworth, Kingston and Hounslow.

By mode

- 5.88 There is clear divide in the mode of travel to work depending on the destination. Those travelling to Inner London boroughs overwhelmingly travel by train or tube.
- 5.89 On the other hand, the radial structure of the train / tube network means that residents who work in other West London boroughs, Wandsworth and Surrey tended to favour the car.

⁷² Sinclair Knight Merz, Heathrow Airport Employment Survey 2008-09, April 2010

- 5.90 Bus usage was not very high, even by those who live and work locally: 8% used it to go to work. The highest levels of bus usages was for travel to work to Kingston (25% of total) and Hammersmith & Fulham (16%) suggesting good links.
- 5.91 However, we must remember this data is 10 years old and modes of travel may be changed.

Shopping patterns

- 5.92 Little evidence is available on residents' shopping patterns. The Retail Study provided some indication of levels of leakages and as such suggested that there are significant linkages with Kingston-upon-Thames, in particular for comparison shopping. There are also some linkages with Hounslow although this is more due to the presence of a large supermarket right across the border from Richmond borough.
- 5.93 There is no evidence on shopping patterns with regards to Central London or Westfield.

Travel to learn patterns

- 5.94 While the FE colleges help retain young residents in the borough, a significant number of travel to Surrey and other parts of London. Esher college in particular is a popular destination, as are colleges in Kingston-upon-Thames and Hounslow.

Summary:

According to the 2001 Census, Richmond borough is a net exporter of workers and 62% of its residents work outside the borough.

Patterns observed in the Census are likely to still broadly hold true with different types of out-commuting to different destinations. Out-commuters to Inner London tend to work in higher occupations, in finance, business services and public service.

There are other links with Hounslow and Hillingdon linked to Heathrow and logistics activity. Finally, some residents also travel to other neighbouring boroughs for jobs in retail and education.

As a mirror image to in-commuters, these residents inject cash in the areas where they work through lunch and evening spend, at the expense of Richmond borough.

The higher salaries they receive in their jobs however also bring money into the borough. This higher spending power is however not fully exploited with strong shopping linkages outside the borough, in particular with Kingston.

Conclusions and recommendations

- 5.95 As in the previous chapter, we summarise the key findings from our analysis of the borough's workforce in the SWOT table below.

<u>STRENGTHS</u>	<u>OPPORTUNITIES</u>
High levels of home-based work (mentioned in previous chapter)	Retain more spend locally
Highly qualified residents	Attract and retain residents

High earnings Low unemployment	
<u>WEAKNESSES</u> Persisting areas of disadvantage Net exporter of workers, especially highly skilled workers Residents going to shop in Kingston Poor access to services in parts of the borough	<u>THREATS</u> Housing affordability could be a problem if it continues to exacerbate recruitment issues Limited capacity for housing growth High domestic CO ² emissions

5.96 In terms of economic strategy, the main areas of interest are: housing affordability and provision; tackling social and economic disadvantage in order to maximise the borough’s resources and reduce the cost of exclusion; making sure the borough continues to be seen as an attractive place to live as residents generate and support local economic activity.

5.97 With regards to **housing affordability and provision**, this has long been identified as a key issue in the borough. Its impact on local businesses’ ability to continue to fill lower occupations and the public sector’s ability to recruit key workers has been mentioned in this chapter. As we have seen, the non-market sector is unlikely to offer a sustainable solution as it is very small: Richmond borough has the 4th smallest social rented sector in Greater London. In response to this issue, the Borough Investment Plan (BIP) and Borough Investment Agreement (BIA) are being developed with partners and the Homes and Communities Agency (HCA). The documents identify housing development potential and opportunities for grant funding from the HCA within the Borough. The scope is wider than just affordable housing as they incorporate key cross departmental work streams and outline work being undertaken with partners. For the Borough to achieve this it will need to sign up to a Devolved Delivery Agreement (DDA) that will outline the level of funding available. The aim of the DDA is to ensure that investment funding is focused on local housing need whilst also benefitting/enabling other local priorities.

5.98 Tackling **social and economic disadvantage** is a complex challenge as it needs to tackle several factors and is best done at a local / individual level. However, there are different area profiles in different parts of the borough which may provide a useful starting point. In all cases however, place-based and people-based drivers of disadvantage need to be understood and considered together in order to develop effective solutions.

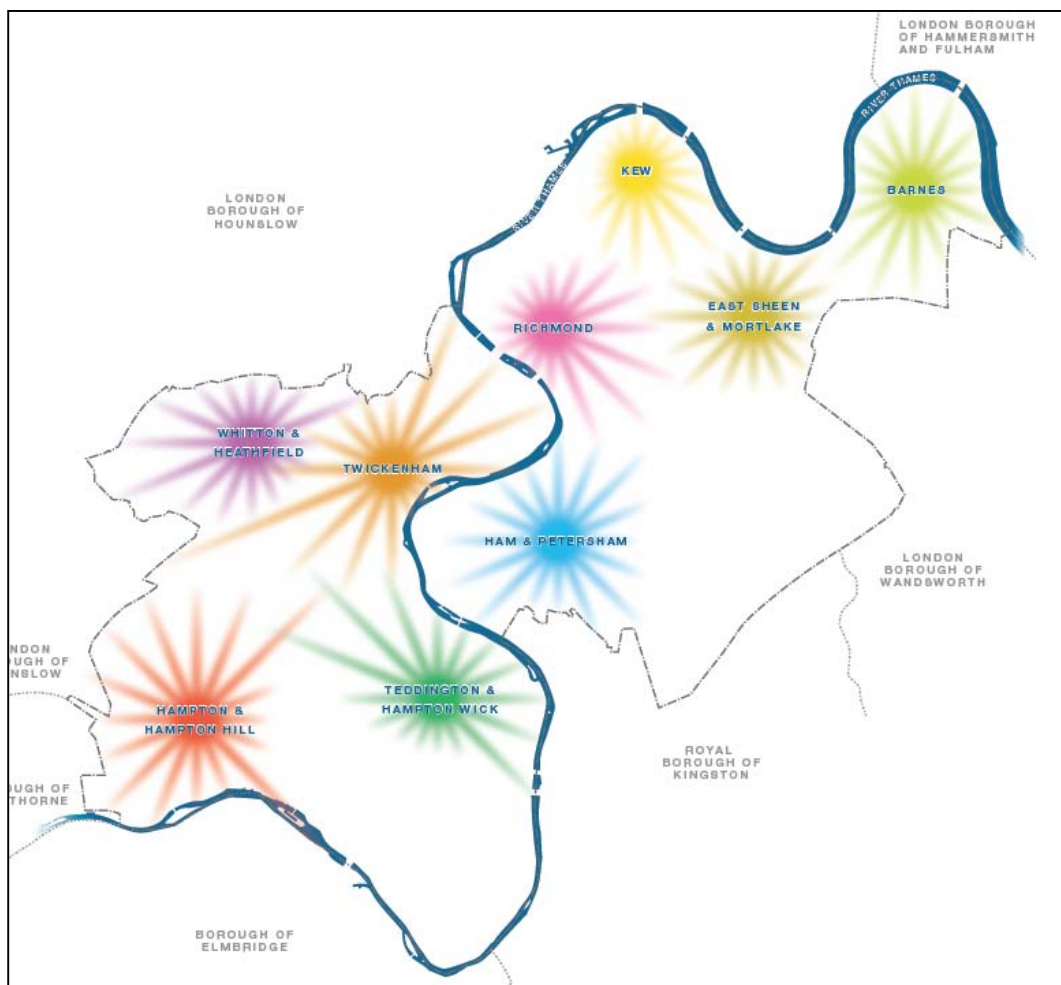
5.99 Finally, the wealth of Richmond borough’s residents is an economic advantage: it support shops and services locally. From this point of view, it is important that the borough continues to be seen as a desirable place to live. This stresses the importance of interventions which may not be seen as direct components of an economic strategy and which deal with the quality of schools, public realm or community amenities.

6 OVERVIEW OF THE ECONOMIC GEOGRAPHY OF RICHMOND BOROUGH

Introduction

- 6.1 In this chapter, we offer a broad overview of the economic geography within Richmond borough, and more specifically the role of the main town centres.
- 6.2 The analysis is mostly qualitative as data is at best available at ward level and ward boundaries do not reflect town centres well. Another issue relates to the nature of London's built environment: while in the countryside town centres / urban areas can be identified relatively easily, most of London is continuously built up (apart from open space). This means that it is impossible to clearly define town centres.
- 6.3 However, the borough's Core Strategy and our own analysis, in particular related to retail frontages and business clusters, provide a sound basis to identify the main centres of economic activity in the borough. The main ones are mapped in the current Core Strategy and presented below.

Figure 6.1 : Urban Villages



- 6.4 In the rest of this chapter, we summarise what we have learned on each of these centres to date.

Richmond town centre

- 6.5 **Richmond** is the main economic centre in the Borough. It is identified as an A office centre in the emerging Replacement London Plan, part of the M25 South West Quadrant office market. It has the largest supply of office floorspace, in high quality premises, and is the main concentration of jobs in business services.
- 6.6 Richmond town centre is well connected to central London and Heathrow both by road and public transport. As a result it has been successful in attracting a number of inward investors including Pespico Holdings, Ebay and the offices of Anheuser-Busch Europe Ltd.
- 6.7 It is also the main retail centre in the borough; an established upmarket shopping destination, benefiting from an attractive environment largely within a conservation area. Key shopping frontages are relatively extensive. The town centre has a selection of up-market specialist retailers, and restaurants and bars, while the provision of ladies' fashion, clothing and jewellery floorspace is above the national average. Tesco and Waitrose are strong town centre anchor foodstores. The prospects for the future of the town are dependent on whether Richmond can resist competition from Westfield and Kingston without any major new investment in retail stock or whether the environment is sufficient to maintain its shopping role in the Borough.
- 6.8 Finally, the town centre benefits from its location near the riverside and the visitors it attracts during the day and the evening. As such it is a popular centre of evening economy and popular destination with both Londoners and overseas tourists. In fact, it is identified in the Replacement London Plan as a potential development centre for leisure / tourism and a regional / sub-regional night time economy centre.
- 6.9 Overall, Richmond town centre is a broadly successful town centre, a centre for business rather than population although parts of it may be improved, in particular the environment around the train station and road congestion.

Twickenham town centre

- 6.10 Twickenham is the second largest town centre. There are a number of office premises although few large office buildings which may suit higher end, headquarter uses. It does however include the Council amongst its occupiers and a number of business services.
- 6.11 Some businesses in the town centre also benefits from its proximity to the Rugby Football Union, which on match and concert days bring a significant number of visitors and generate additional economic activity.
- 6.12 Twickenham is also a relatively large retail centre, albeit mostly serving residents in nearby areas. Its catchment does not really reach beyond the borough. While a good deal of investment has taken place in recent years and the number of national multiples and restaurants has remained strong, the quality of the offer is not all that it could be.

- 6.13 Indeed, Twickenham town centre is not a coherent town centre. On the one hand it offers attractive shops, boutiques and restaurants on Church Street and near the riverside. However, on the other, the busy throughfare of London Road/King Street/Heath Road detracts from the environmental quality of the centre. As a result, Twickenham has been identified as a centre in need of revitalisation. The main challenge ahead for Twickenham lies in its ability to secure investment in the town centre in order to improve the urban fabric whilst respecting the town's built environment.

Teddington town centre

- 6.14 As other centres in the borough, Teddington town centre is spread out along a long high street making it difficult to determine where it ends. It is another, smaller, location for business services and offices. There are a number of offices near the station including Park House, home to the Richmond Housing Partnership, as well as a significant number of small premises above shops. In addition, the National Physical Laboratory and Teddington Studios, both large employers, are located outside the town centre.
- 6.15 In terms of retail, there is a limited representation of multiple retailers, and the town centre generally comprises lower order and independent retailers. However, the Retail Study found Teddington to be a vibrant and improving town centre, anchored by Tesco Metro to the far west of the centre and a recently opened Marks & Spencer foodstore to the east of the centre. Retailer demand was strong, but like Twickenham, is largely driven by restaurant / bar / takeaway operators. The Retail study suggested that Teddington is potentially vulnerable from effectively being split in two by the railway line, but concluded that since both streets are now anchored by a quality foodstore, this concern is eased.

East Sheen & Mortlake town centre

- 6.16 East Sheen is a linear centre, spread along Upper Richmond Road, with restaurants, DIY / decoration shops, a Waitrose, small local shops and services in good quality premises. It serves the nearby residents of North Sheen amongst others.
- 6.17 Mortlake is the nearest station and nearby is the largest development site in the borough - the Stag Brewery - although it is not located in the town centre.
- 6.18 The retail sector is likely to have been affected by the out-of-centre J Sainsbury store on Lower Richmond Road. However, the Retail Study found that there is also growth in retailer demand requirements from a number of quality comparison goods retailers and restaurant operators (although this might have reduced in recent years).
- 6.19 East Sheen and Mortlake are not significant office locations. The nearest offices of significance are further along Lower Richmond Road.

Whitton town centre

- 6.20 Whitton is a district centre in a mostly residential area, the smallest district centre in the borough. It provides a range of shops and services along a long high street. It is less vibrant than other parts of the borough with average quality premises, charity shops and

some vacant units. However a new Lidl store is opening in vacant premises and planned environmental improvements may help to upgrade the centre.

Kew, Barnes and Hampton Hill town centres

- 6.21 There is little evidence on Kew, Barnes and Hampton town centres, because they are local centres located in residential areas. The shops and services located there mostly serve the need of their wealthy residents.
- 6.22 Barnes is a small but prosperous town centre, benefiting from the proximity of the riverside. In Kew, local residents have access to the Kew Retail Park on Bessant Drive as well as the high street. In addition, on the edge of town centre are Kew Gardens, one of the most popular tourist destinations in London and as such the town centre may benefit from the visitors spend.
- 6.23 Hampton Hill is a small town centre with some small offices along Hampton Hill High Street, which attract businesses looking for lower rents than in Richmond town centre. It also provides a range of shops and businesses including supermarkets (Tesco and Sainsburys), coffee shops and local traders such as Cavan Bakery and Burt's Cycles.

Conclusions

- 6.24 There is a clear hierarchy amongst town centres in the borough as we have seen, and each have a role to play. In addition, there is a range of smaller local centres and parades which each provide amenities to the residents of Richmond borough. Beyond the provision of local services, town centres are important to the economy as centres of business, trade, employment opportunities, leisure and cultural facilities and hubs of transport. They are equally important to an area's sense of community and its ability to attract and retain residents.
- 6.25 However, there is little hard data for an in-depth analysis of each town centre, their strengths and weaknesses and potential gaps in provision, and this may be an area to explore further, as they are a core component of the borough's strategy.

7 CONCLUSIONS

- 7.1 This report provides a detailed evidence base of Richmond borough's economy and explores how it interacts with its sub-region, London and the country. We have explored its key features, its assets and possible shortcomings, the challenges ahead and future growth prospects. Our approach looked in turn at the three components of any local economy: the businesses, the workforce and the residents.
- 7.2 We must remember that while the research took place in a changing economic, policy and planning context, the focus of this report is on facts and evidence. In other words, it aims to answer the following questions: what do we know so far about Richmond borough's economy and what can it mean for future growth potential? How these findings are taken forward and acted upon is for the Council and its stakeholders to decide. This will help them make informed decisions.

Richmond borough as a business location

- 7.3 Richmond is an appealing business location as a result of its high quality environment, access to markets and customers, and proximity to Heathrow. As a result, it records high levels of enterprise and has successfully attracted a number of inward investors.
- 7.4 The business population is dominated by micro-businesses, including a very large number of self-employed, a significant proportion of which are home-based. This appears to be a growing trend and particularly important in Richmond but data is limited on this issue. Many owner-managed businesses operate in Richmond because it is also their place of residence. This is one of several links between housing, environment and local economy.
- 7.2 Overall, Richmond borough has a dynamic economy, creating more jobs and more businesses than the London and national average. However, it under-performs in terms of productivity per worker and growth in Gross Value Added since 2001.
- 7.5 The sectoral structure of Richmond borough is healthy: it is diversified and the largest sectors in terms of employment are in expanding industries while there are few jobs in declining sectors. Sectors of particular significance in terms of jobs and specialisation include business services, the visitor economy, retail and creative industries. This highlights again the range of activities taking place in Richmond and the range of premises required to accommodate these businesses: shops, studios and offices.
- 7.3 The availability and affordability of adequate premises is a concern. With regards to offices, the borough suffers from a lack of high quality offices. If this is not addressed it is likely to hinder Richmond borough's competitiveness against other centres in the sub-region such as Wimbledon or Guildford. The very limited supply of development sites means there is little room for speculative development to remedy this situation. The market will have to rely on refurbishment / higher density in order to accommodate growth and the qualitative expectations of occupiers. Overall, employment floorspace provision may be the single most important constraint on future business and employment growth in Richmond borough. Indeed the ELR estimated a potential shortage of office space based

on a projected increase of 3,575 jobs between 2006-2026. These figures are lower than the later GLA forecasts we referred to in Chapter 2 (+4,300 over 2008-2031) and much lower than Oxford Economics figures (+22,100 jobs over 2008-2031). It would suggest that the Oxford Economics forecasts, which assume almost six times as many jobs in Business Services as the ELR does, are very unlikely to be realisable unless some large employment land allocation occurs.

Richmond borough's workforce

- 7.6 Approximately 71,300 people work in Richmond borough. This has remained broadly unchanged over the last decade. As mentioned earlier, a significant share of this workforce is self-employed (including 5 to 9 and home-based self-employment). This is a defining feature of the local economy.
- 7.4 The occupation profile of the workforce reflects its service-oriented economy with most positions relating to business services, creative and leisure activities and customer services. This and the weight of self-employment lead to workplace earnings in line with other Outer London locations but significantly lower than in Inner London. It reflects the lower than average productivity in the borough.
- 7.7 The gap between workplace earnings and house prices means that many people who work in Richmond cannot afford to live there. As a result, local employers rely heavily on workers from neighbouring boroughs, especially Hounslow. This can lead to some recruitment difficulties in particular for elementary and personal service occupations, which are low paid. If retail and the visitor economy want to expand, this may cause problems in the future as these sectors rely on such occupations. Again, this demonstrates the link between housing and the economy.
- 7.5 While the business survey does not reveal skills shortages as a major concern, it is heavily biased towards small retail outlets and does not capture the specific needs of individual sectors. In order to remain competitive, Richmond businesses need to have staff with the right skills. Very small businesses usually tend to invest less in training because of limited time and financial resources. It may be an area to monitor in some sectors.

Richmond borough's residents

- 7.8 Richmond borough is an attractive and popular place to live. It is also a very expensive place to live in, driving residents to commute outside its boundaries in order to take up highly qualified, better paid jobs and meet their housing costs.
- 7.9 The higher salaries they earn bring money into the borough but this spending power is not fully exploited because of strong spend leakages outside the borough, in particular Kingston.
- 7.10 Housing effectively operates as a form of financial selection of residents and as a result the borough is not severely affected by deprivation although some areas experience a concentration of problems including low income levels, long term incapacity, low skills and access to services. In particular there is a correlation between housing tenure and

disadvantage as social housing tenants are more likely to be affected by social and economic exclusion.

Spatial economy

- 7.11 There are two dimensions to economic geography: how economic activity is distributed within the borough and how it interacts with other parts of the country.

Within the borough

- 7.12 The town centres are the main concentrations of business and economic activity. They are also the locations favoured by inward investors, in part because of their good connectivity to London and Heathrow.
- 7.13 The largest town centre is Richmond. It is the main office centre in the borough and a popular, shopping and evening destination. Twickenham comes next and offers some office space and an attractive riverside location. It is also a relatively large retail centre although the quality of the high street can be improved and as a result, Twickenham has been identified as a centre in need of revitalisation.
- 7.14 The other town centres identified in the Core Strategy are Teddington, East Sheen & Mortlake, Whitton, Kew, Barnes and Hampton. The profile and performance of these centres vary with Teddington performing relatively well while Whitton and Hampton do not.
- 7.15 Aside from Richmond, all town centres mostly serve a local catchment area. They do however compete with out-of-town centres and some may struggle to develop a clear identity and role. The presence of wealthy residents in the borough represents numerous commercial opportunities but as mentioned earlier, local centres do not always succeed in retaining spend locally.
- 7.16 There is a clear hierarchy amongst town centres in the borough as we have seen, and each have a role to play. In addition, there is a range of smaller local centres and parades which each provide amenities to the residents of Richmond borough. Beyond the provision of local services, town centres are important to the economy as centres of business, trade, employment opportunities, leisure and cultural facilities and hubs of transport. They are equally important to an area's sense of community and its ability to attract and retain residents.
- 7.17 However, while town centres are the main concentrations of economic activity, a lot of businesses are located beyond their boundaries, scattered in residential areas and business parks. The importance of the former is particularly difficult to quantify and grasp as it includes scattered studios, lone shops and home-based operations.

Economic linkages

- 7.18 The economy of Richmond borough, as all other economies, competes with, draws resources from and exports goods to places beyond its boundaries. We have found that it interacts with its sub-region, London, the rest of the country and even overseas through a number of channels.

- 7.19 At international level, the borough attracts tourists (especially from US, Australia, Canada) and inward investors. It also exports goods and services, in particular to Europe, North America and Asia.
- 7.20 At national level, there are strong links with the South East through tourism. National chains have also invested in the borough and a few national HQs are located here. In addition, the customer and supply chains of some businesses will extend across the country. Unfortunately no data is available on this.
- 7.21 Richmond borough also interacts with the rest of London, mostly through strong commuting links to Westminster and the City. It also attracts visitors from other parts of the capital and competes with Central London and Westfield for shoppers. Finally, customer and supply chains of local businesses will stretch across London.
- 7.22 Finally, the borough has strong links with South and South West London. It receives repeat visits from residents of the sub-region and welcomes students to its Further and Higher Education institutions. It also competes on the M25 South West Quadrant office market and with Kingston and Putney for shoppers. Finally, it relies heavily on Hounslow and other neighbouring boroughs for workers.

Key issues

- 7.23 While Richmond borough is affected by global and national trends, in particular the current recession, our analysis has identified five key issues more specific to the borough and its economy. They were discussed and broadly agreed with a wide range of stakeholders during a workshop held on 2nd September 2010. They are listed below in no particular order. This is by no means an exhaustive list but they were identified as most critical to the continued competitiveness and economic success of the borough.

Quantity, quality and price of premises

- 7.24 While Richmond borough's economy is broadly successful and presents opportunities for growth, its capacity to accommodate more businesses and jobs is limited by the employment land and floorspace available.
- 7.25 The local market needs to be able to provide high end quality offices for larger companies / inward investors but also flexible grow-on space for existing local businesses. In order to provide the renewal of premises necessary to remain competitive, it will need new floorspace. As mentioned earlier, it is likely to be the main constraint on future growth.
- 7.26 With no new large sites currently being put forward for employment uses, there is little potential to expand floorspace provision in the borough significantly. Growth can be accommodated to some extent through refurbishment, use swaps, and intensification of use but it will not significantly alter the scale of the borough's provision of employment floorspace. For these reasons, the Employment Land Review recommended that the existing office supply should be protected. The high house prices and high need for affordable housing mean that it is under constant pressure. It also recommended that the borough permits the redevelopment of existing industrial employment land for B1 use

where appropriate; and intensify existing employment sites, where appropriate, to provide additional B1 floorspace.

- 7.27 The ability of the Council to influence the provision of commercial premises is limited as decisions are made by individual property owners based on market conditions, but it can act through the planning system. This is an area where more detailed information, at local centre level, might be beneficial in order to inform planning policy.

Competitiveness of local centres

- 7.28 Local centres play a central role in the life of their area through their retail, community and cultural offer. A vital, busy centre makes a place attractive to both businesses and residents, contributing to a virtuous economic circle which helps to retain spend and jobs locally. However, some locations across the borough, especially the smaller ones, are in a vulnerable position, competing with out-of-town centres and struggling to develop a clear identity.
- 7.29 This is an area where the borough and its partners can have high impact through the use of the planning system or improvements to the public realm for instance. However, further, area-specific, research may be useful.
- 7.30 There may be good practice to learn from in St Margarets, where the Traders Association was successful in bringing small businesses to work together, enhancing a sense of community through locally led action supported by the council, and boosting local retail activity.

Growth opportunities for small businesses

- 7.31 The high presence of micro-businesses and self-employment in the borough's economy can be seen as a strength or as a weakness. It presents threats and opportunities.
- 7.32 It is a strength as it shows the presence of an entrepreneurial, dynamic population and, in times of recession, is a source of alternative employment. It results in a diverse economy which does not rely on one major sector for employment and as such is likely to be more resilient to economic shocks. In addition, self-employment allows the borough to retain some of its highly skilled residents locally and benefit from their knowledge and ideas.
- 7.33 On the other hand, very small businesses are fragile: they tend to have a high failure rate. This can create instability in the economy. In addition, they do not have as much resources as larger companies to allocated to training or business development.
- 7.34 While most local businesses appear content with their current size and not to plan on expansion, there is a section of the business population that wants to grow.
- 7.35 The borough may be able to help through targeted advice on finance sources, business management, business rates and training, and sectoral clustering. It may also be useful to explore in more depth the specific needs of home-based businesses and what happens when they choose to expand. In particular, there may be planning issues related to the use of a residence, or part of residence, for business purposes.

- 7.36 This may require more information on micro and home-based businesses however, in particular with regards to their aspirations and needs and how the planning / policy system can support them.

Recruitment and skills progression for lower paid jobs

- 7.37 There are some tensions on the labour market in Richmond borough with 16% of the business survey's respondents stating they had experienced recruitment difficulties. In addition, the high proportion of vacancies for Personal Services and Elementary Occupations suggests that there may be skills shortages.
- 7.38 While there is no hard data on skills gaps or progression at the local level, the visitor economy and retail, both large employers, are well known nationally as having poor track records in terms of training and staff retention. Creative industries may also be a sector where a better understanding of training needs might be useful: this is a sector with a large proportion of self-employed, less likely to regularly invest in training.
- 7.39 Whatever the sector, the right provision of skills is critical to individual businesses' competitiveness and to Richmond's ability to bridge the productivity gap with London.

Housing affordability

- 7.40 The notion of housing affordability here is not only limited to social housing. It takes a wider meaning relating to the ability of people with average wages to rent or buy in Richmond. It therefore encompasses the private as well as the public market. As mentioned before, the private rented sector offers limited options to local residents who cannot afford to buy in the borough: it is a comparatively small sector and some of the cheapest areas to rent privately in the borough have the lowest levels of private renting available. Choice is therefore limited.
- 7.41 Housing affordability has long been identified as a key issue in the borough and, as we have seen, its impact on the local economy is multi-faceted: it drives local resident to work outside the borough for better paid jobs; it limits local businesses' ability to continue to fill lower paid occupations; the financial impacts of living in the borough can lead to financial exclusion for some residents. It also impacts on the quality of life of residents when it results in over-crowding. In some case, the inability to find an affordable place to leave can lead to homelessness.
- 7.42 Therefore this is an area of potentially high impact but one where, on a large scale, the Council's influence is limited. However, the Council can influence the housing market, for instance by using the Housing Capital Programme, Council owned assets, grant funding from the HCA and Greater London Authority, and planning policy to deliver more affordable housing. It also works in partnership with housing associations towards this goal.

Other issues

- 7.43 As we have already mentioned, the above list derives from the data analysis presented in this report but it is by no means exhaustive. Other issues which may warrant consideration are:

- The impact of disadvantage and how to tackle it
- The relevance of a sectoral approach for economic policy, in particular with regards to the visitor economy or creative industries.
- The role of transport in enabling or constraining future economic activity
- The need to develop new, more sustainable, approaches to economic development.

APPENDIX 1

CREATIVE INDUSTRIES DEFINITION

SIC 2003 class (4 digit)

- 1771 : Manufacture of knitted and crocheted hosiery
- 1772 : Manufacture of knitted and crocheted pullovers, cardigans and similar articles
- 1810 : Manufacture of leather clothes
- 1821 : Manufacture of workwear
- 1822 : Manufacture of other outerwear
- 1823 : Manufacture of underwear
- 1824 : Manufacture of other wearing apparel and accessories not elsewhere classified
- 1830 : Dressing and dyeing of fur; manufacture of articles of fur
- 1930 : Manufacture of footwear
- 2211 : Publishing of books
- 2212 : Publishing of newspapers
- 2213 : Publishing of journals and periodicals
- 2214 : Publishing of sound recordings
- 2215 : Other publishing
- 2231 : Reproduction of sound recording
- 2232 : Reproduction of video recording
- 2233 : Reproduction of computer media
- 5248 : Other retail sale in specialised stores
- 7221 : Publishing of software
- 7222 : Other software consultancy and supply
- 7481 : Photographic activities
- 7487 : Other business activities not elsewhere classified
- 9211 : Motion picture and video production
- 9212 : Motion picture and video distribution
- 9213 : Motion picture projection
- 9231 : Artistic and literary creation and interpretation
- 9232 : Operation of arts facilities
- 9234 : Other entertainment activities not elsewhere classified
- 9272 : Other recreational activities not elsewhere classified

SIC 2003 group (3 digit)

- 525 : Retail sale of second-hand goods in stores
- 742 : Architectural and engineering activities and related technical consultancy
- 744 : Advertising
- 922 : Radio and television activities
- 924 : News agency activities