

Linked In: Realising Croydon's potential now

An independent report by Centre for Cities

March 2011 - Kimberley Mesken, Lena Tochtermann & Zach Wilcox

Croydon is part of the Centre for Cities' Partner City research programme. The programme works closely with a small group of cities to inform economic development strategies and improve economic performance.

This report examines what Croydon can do to build on its role as a centre for public and private sector office jobs. The research focuses on three main questions:

- What is Croydon's role within the London and South East economy?
- How is Croydon performing economically and how competitive are its public and private sectors?
- What do employers think about Croydon and what can the Council do to retain them and attract new investment into the town?

Croydon profile

Average workplace based weekly wage (2009)	£627
Businesses with 1-10 employees (2008)	87.1%
Private sector job growth (1998-2008)	-10,500
Public sector job creation (1998-2008)	+14,000
Public sector job losses (forecast by 2014/15)	2,000

Key Recommendations

There are three main priorities for Croydon Council:

- Working with partners such as Develop Croydon, UKTI and ThinkLondon to develop a clear identity for the borough based on its dual role within London and the South East and its key strengths, and to market it accordingly;
- Strengthening Croydon's private sector economy by reducing barriers to growth in Croydon's two main employment centres: the town centre and, in particular, along the Purley Way; and
- Pursuing a number of short term and low cost improvements with regards to the public realm; crime and perceptions of crime; and Croydon's office stock. This is to make Croydon a more attractive place to do business and live, as well as to pave the way for the Council's longer term plans for Croydon.

Summary

Croydon plays a dual role within the London and South East economy. It is both a residential location for London employees and a business centre within the wider South East, with close links to the Gatwick Diamond. Strategies to grow and retain Croydon's office based jobs need to build on this dual role and an understanding of the growth potential of the town.

This means exploiting Croydon's unique assets – including Purley Way, which is arguably south London's most important business park; mass office accommodation; and its excellent transport links. It also means thinking about Croydon's future role, which is likely to become more residential, and the scale of growth the town can achieve. In particular, priority needs to be placed on retaining existing private sector employers, which is critical for Croydon's future economic sustainability, and preparing for public sector job losses.

A lot of good work is already being done to improve Croydon's public realm, image and crime, particularly in association with the Croydon Business Improvement District. An important priority for Croydon Council now needs to be ensuring that the front-line services required by businesses are being provided. Being seen as proactive in the short term, as well as planning and delivering for the borough's future through its masterplans, will be key in retaining existing businesses, making Croydon a more attractive residential location and in achieving the Council's longer term goals.

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Introduction

Croydon is one of Greater London's 33 local authorities and is the capital's largest town centre¹ outside of central London. It is located in the south of the capital and is strategically placed between central London and the south coast with close proximity to Gatwick Airport.

Initially established as a transportation hub, Croydon later became London's back office

Croydon developed as a transport and distribution hub along the rail lines between Brighton and London in the late 19th and early 20th centuries. By the 1950s Croydon had begun to transform itself into a modern business hub, building on its transportation linkages including its rail links and Croydon airport, which until 1952 was London's only international airport. Positioning itself as a low-cost alternative to inner-London, Croydon's growth was aided by the Council's pro-growth attitude and the construction of major office blocks and retail centres.



1. Croydon is London's second largest town centre after the West End. It contains 211,000 sqm of retail floorspace and 47,000 sqm of leisure floorspace. Source: London Development Agency with Innovation (2009) Economic profile of key locations in outer London: Working paper to support the Outer London Commission
2. e-Architect (2005) Architecture Debate: Tall Buildings

Figure 1: Croydon and the South East

The town's growth continued during the 1960s, when the borough benefitted from growth in professional services in London and the South East. Height restrictions on new buildings also benefitted development in Croydon over central London, but these were relaxed to some extent by the former Greater London Council in 1956.² During this time, London's growth had not yet spread to the wider South East and Croydon's distance from London meant that firms could offer their employees lower salaries. Coupled with its lower office rents, Croydon became an attractive place for firms to locate office and back-office jobs.

Croydon is now competing in a new economic environment

During the past 20 years, however, the economic environment has changed dramatically. Globalisation has made back office jobs susceptible to outsourcing and off-shoring, and the geographic expansion of central London's economic activities has started to erode the wage difference between inner and outer London workers. Like other London boroughs, Croydon has been significantly affected by international competition for back-office functions as well as domestic competition from local authorities to the south, which still offer proximity to London but also lower rents. Croydon is now re-inventing its role and economic purpose as it recovers from the worst recession since the 1930s.

Re-inventing Croydon during a time of austerity and public spending cuts

Re-inventing Croydon and setting out a new economic purpose will need to take place during a time of considerable economic and financial challenge. Throughout the UK, local governments are facing dramatic changes to their budgets and ability to provide services. A cut of 28 percent in Local Government Resource Grant by 2014/15; the winding-up of the London Development Agency and Croydon's Economic Development Company (together with the phasing out of its Local Enterprise Growth Initiative funding); and cuts to the Department for Communities and Local Government's budget all mean that there is significantly less money to be spent on regeneration in Croydon, its vision of being London's most enterprising borough, and the delivery of its masterplans.

Despite these challenges, Croydon Council is committed to the regeneration of the area and, unlike some other councils, is set to retain its economic development function. To be effective with such reduced budgets, economic development will need to be supported by the private sector, for example through forums such as Develop Croydon.

This report aims to feed into Croydon's economic development strategy and vision, providing advice to the Council on how to protect and grow jobs within the local economy and setting out suggested priorities over the short, medium and long term.

To effectively protect and grow jobs within Croydon, we first outline the role Croydon plays within the London and South East economies and who its main competitors are (Section 1). We then assess the state of Croydon's economy (Section 2) and the future potential of major employers, such as the public sector (Section 3). Finally, we set out what employers think about Croydon and what they need to thrive there, so that economic development initiatives can meet their needs (Section 4). We conclude with a series of recommendations for Croydon's economic future (Section 5).

Like other London boroughs, Croydon has been significantly affected by international competition for back-office functions

1. Croydon's role within London and the South East

Croydon developed as a transportation and business hub between London and the South Coast based on its geographic location. Over time, however, it has become more closely integrated into the London economy. By examining Croydon's connectivity, its labour market linkages and its property offer, this section briefly investigates Croydon's role within the London and South East economies and its offer to current and prospective businesses.

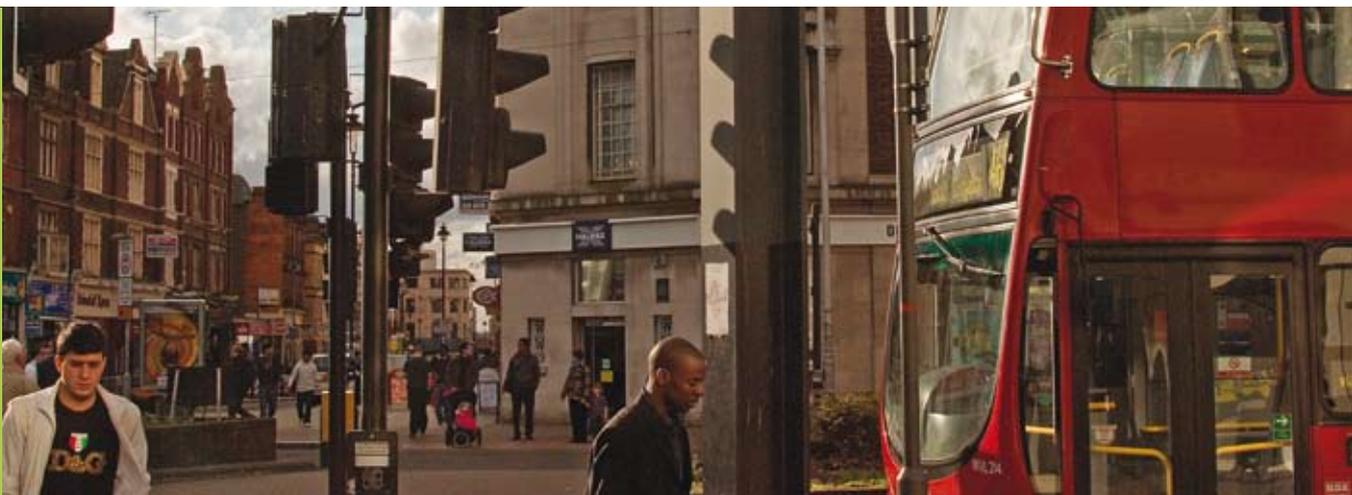
Connectivity

Croydon has excellent transport links to both London and the South East, making it an attractive location for businesses that wish to access both of these markets. Its transport links to central London make the borough an attractive residential location and give residents access to employment opportunities within the capital.

Rail links between central London and Croydon are fast

Trains between East Croydon and London Victoria, as well as London Bridge, stations are frequent, and travel times are under 20 minutes – about the same time it can take to travel across Zone 1 on the underground. This connectivity puts Croydon residents in close proximity to all London has to offer, including employment opportunities, shopping and entertainment. It also makes Croydon a suitable location for businesses that need good transport links to central London, as Victoria services Westminster and London Bridge has links to the City and Canary Wharf.

Croydon has excellent transport links to both London and the South East, making it an attractive location for businesses



Rail and motorways link Croydon to the South East and Gatwick airport

Nine miles from the M25 and M23, Croydon is within easy access of motorways connecting it to other business centres throughout the South East. East Croydon rail station serves destinations in Sussex, Surrey and Brighton, linking the town to London's highly skilled hinterland. Rail also links Croydon to Gatwick airport, which is a 15 minute journey from East Croydon station, giving Croydon residents and businesses access to a major international airport. Gatwick is also the only London airport currently set to grow within the next ten years.

Work place	Number of commuters	Percentage of all Croydon residents
Croydon	80,200	48.4%
City of London	10,600	6.4%
Westminster	9,100	5.5%
Lambeth	5,800	3.5%
Wandsworth	4,700	2.8%
Tandridge	4,500	2.7%
Southwark	4,100	2.5%
Bromley	4,100	2.5%
Tower Hamlets	4,000	2.4%
Sutton	3,800	2.3%

Table 1: Top 10 places of work for Croydon residents (2004)

Source: ONS Annual Population Survey, 2004 data

Labour market

Transport links integrate Croydon and London's labour markets

Croydon's excellent transport links integrate Croydon's and London's labour market. This is positive for attracting and retaining Croydon residents who can access a wide pool of job opportunities and benefit from London's growth (although this also means that Croydon's businesses are competing with a wide geographic area for the most talented staff). The attractiveness of London to Croydon residents is reflected in the fact that Croydon is a net exporter of labour.³ It is also illustrated by a decrease in Croydon's job density, meaning the town is becoming more residential.⁴

Croydon residents commute to London, and some commute towards Gatwick

Altogether almost 40 percent of Croydon's workforce commuted to other London local authorities in 2004. As can be seen in Table 1 most travelled north into other south or central London local authorities. Comparatively, Croydon's commuting flows into the Gatwick Diamond⁵ are of a secondary nature. Considering the variety and volume of jobs in London compared with the Gatwick Diamond this is unsurprising. Commuting links to the Gatwick Diamond could, however, become stronger in future if the ownership change at Gatwick airport leads to more competition with Heathrow,⁶ creating additional opportunities for job creation.

Most of Croydon's workers live in Croydon and the surrounding boroughs

The overwhelming majority of those working in Croydon in 2004 also lived in Croydon. Of those commuting into Croydon, 24.2 percent lived in other London boroughs in 2004, predominantly in the south of the capital (see Table 2). This means that while Croydon benefits from London's growth, it also acts as a 'hub' in its own right, mainly for local residents and residents of neighbouring boroughs, such as Bromley and Sutton.

3. The 2008 employment rate (Q2) is 75.6 percent, according to NOMIS, APS, residents analysis. Since local employment rates are greater than job density, Croydon is a net exporter of employment.

4. Between 2000 and 2008 Croydon's job density (i.e the number of jobs per working age resident) has decreased from 0.73 to 0.64. Source: ONS 2010, Job Density, 2000 and 2008 data

5. The Gatwick Diamond includes the local authorities of Crawley, Horsham, Mid Sussex, Mole Valley, Reigate and Banstead and Tandridge.

6. While Gatwick will remain a single runway airport until at least 2019, a change in the routes served or the use of larger planes could see it compete more with Heathrow over the coming years.

Residential location	Number of commuters	Percentage of all Croydon workers
Croydon	80,200	62.5%
Sutton	7,400	5.8%
Bromley	4,600	3.6%
Wandsworth	3,800	3.0%
Merton	3,700	2.9%
Tandridge	3,600	2.8%
Lambeth	3,300	2.6%
Reigate & Banstead	2,700	2.1%
Lewisham	2,400	1.8%
Tonbridge & Malling	1,200	1.0%

Table 2: Top 10 places of residence for Croydon workers (2004)

Source: ONS Annual Population Survey, 2004 data

Similarly, growth in Croydon also benefits residents from the Gatwick area, with which there are again secondary links. The Gatwick Diamond represents an important source of highly skilled labour for Croydon: over 10 percent of Croydon's knowledge workers commute in from the area. This relationship is recognised by Croydon's involvement in the Coast to Capital Local Enterprise Partnership.

Croydon's labour market links are shaped by and have an impact on its relative wages

London's outward expansion and Croydon's good transport links mean that Croydon, and other outer London boroughs (for example Ealing or Brent), have increased their wages over time, transforming from lower cost locations to mid price locations with regards to wage costs.⁷ This shift reflects Croydon's role within the London labour market. It also means, however, that businesses which located in Croydon mainly for cost reasons are being attracted to relocate to lower cost local authorities to the south of the borough. This is highlighted in Figure 2, which shows average weekly wages for some selected local authorities.

Increasing wage differentials with increasing distance from central London also help explain the fact that more Croydon residents commute north than south. For example, somebody working in an executive, managerial or professional occupation in Croydon earns an average £710 per week, compared to £664 in Sutton to the south and £999 in Westminster in central London⁸ (although this comparison does not account for differences in organisation type or function in the different boroughs). This wage differential, coupled with relatively cheap house prices and rental rates, makes Croydon an attractive residential location for London employees.

7. This continues to hold, even when accounting for differences in industry composition and skills levels. For example in the public sector average weekly earnings in 2010 were £513 in Sutton, £550 in Croydon and £746 in Westminster. Considering the fact that most of Croydon's public sector functions are back office functions, while Westminster's include high-ranking civil servants, a £200 wage differential reflects more of a difference in functions than a real low cost advantage.
Source: Annual Survey of Hours and Earnings, workplace base analysis, 2010 data
8. Source: Annual Survey of Hours and Earnings, workplace based analysis, 2010 data

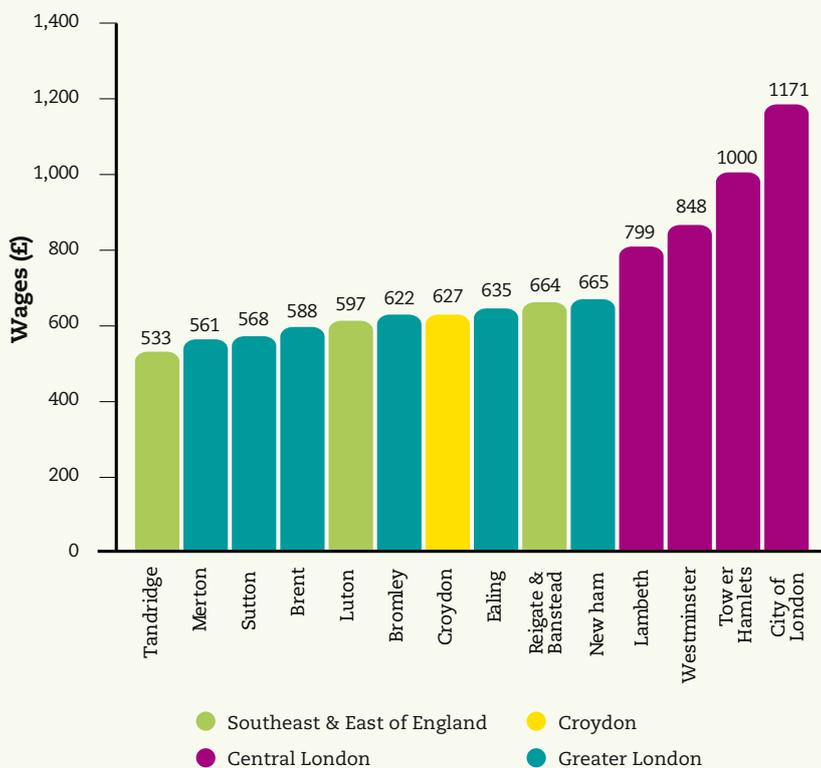


Figure 2: Mean weekly wages (2009)

Source: ONS 2010, Annual Survey of Hours and Earnings, workplace based, 2009 data
Note: Mean wages are susceptible to being skewed by concentrations of high earners and top firms in places like central London. Comparing total mean wages across Local Authorities does not allow comparison between, say, an accountant in Croydon versus an accountant in the City.

Property market

Croydon is a major centre for inexpensive office space within Greater London. In order to grow its economy, Croydon needs to compete for business investment with other outer London boroughs, the local authorities to the south of the town and cities within the wider South East.

As a business location Croydon offers scale

Croydon has the fourth largest stock of office space in London following the West End, Canary Wharf and the City of London. With its 749,000 sqm of office space, Croydon not only offers the largest stock of office space within south London; its offer is also of a slightly larger scale than that of other major centres within the South East, such as Reading (634,000 sqm), Milton Keynes (684,000 sqm) and Brighton and Hove (495,000 sqm) local authorities.⁹ Croydon’s office stock is set to grow further, helped by its designation as an Opportunity Area¹⁰ and planned developments, such as the Croydon Gateway.

Croydon has a legacy of 1960s and 70s office stock

Much of Croydon’s office stock was constructed between the 1960s and 70s. As a result, it is not to the specification that many firms require. Local authorities to the south of Croydon (Reigate, Crawley), other outer London boroughs (Stratford, Ealing) and cities within the wider South East (Reading, Milton Keynes) tend to offer newer and higher quality of office space.¹¹

9. Neighbourhood Statistics, 2008 data, data for LAs only
 10. An Opportunity Area is a designation in the Mayor’s London Plan. Opportunity Areas are key areas of brownfield land with significant capacity to accommodate new housing and other development.
 11. Data on the age of Croydon’s office stock illustrates this. 45.3 percent of Croydon’s office stock was constructed between 1940 and 1970 and only 25.6 percent was constructed between 1991 and 2000. This compares to 11.3 and 56.0 percent in neighbouring Reigate, 11.2 and 57.6 percent in Reading and 42.6 percent and 22.1 percent in Ealing. Source: CLG 2010, Total floorspace by LAD and age for each bulk class.

Reading – the ‘easy in / easy out’ programme

Reading’s office stock is somewhat newer than that of Croydon, but the Council has still faced the issue of vacant space. Reading undertook much of its office stock development between 1981 and 1990 when 38.2 percent of its office stock was built, with a further 19.4 percent built between 1991 and 2000.¹² Following the end of the dotcom bubble, Reading found that it had an excess of available commercial office accommodation but much of this was not affordable or accessible to young businesses.

Through working with partners, Reading Council now offers 41 purpose built units in the Acre Business Park which are designed for small firms in the Reading area. These provide ideal accommodation for people looking to start a business or for businesses in their early years which require premises or extra space for expansion. The units are let on a one-year licence, but occupants can leave with one month’s notice or extend at the end of the year.¹³

Box 1: Reading – the ‘easy in / easy out’ programme

12. CLG 2010, Total floorspace by LAD and age for each bulk class
 13. Reading Borough Council (2011) Land and Property Available: Acre Business Park; Reading Borough Council (2006) Reading Employment Land Review: Final Report. Reading Borough Council (2006) Sustainable Economic Development Strategy 2006 -2009

Office space in Croydon is relatively inexpensive

The cost of office space in Croydon remains relatively inexpensive, particularly when compared with central London (see Figure 3). In this respect Croydon competes with other outer London locations and cities in the wider South East, which have similarly competitive office rates.

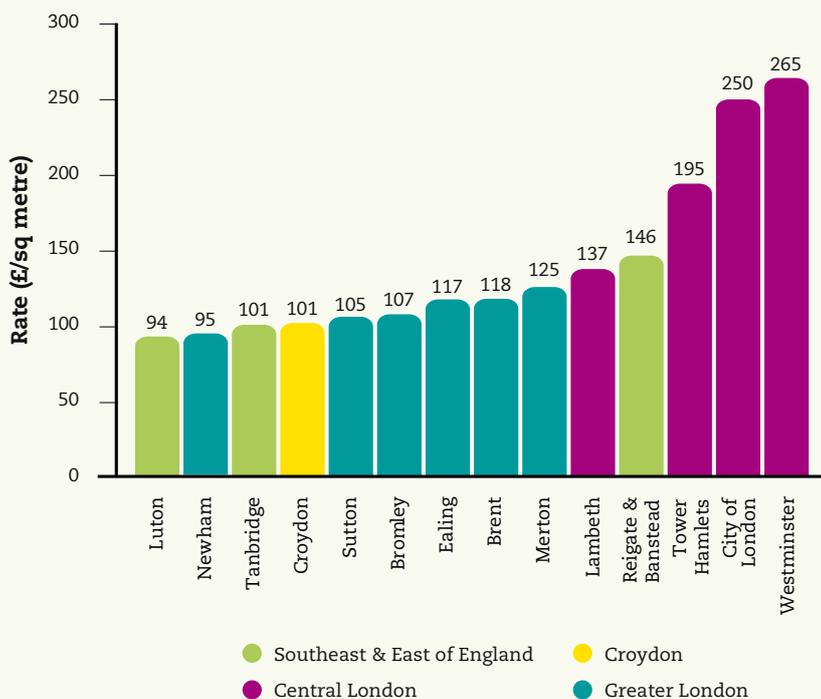


Figure 3: Rateable values for office space (2008)

Source: ONS 2010 Neighbourhood Statistics, 2008 data

Croydon's offer to businesses is a combination of location, transport and scale

Croydon's transport links mean Croydon offers access to a global city without the costs associated with locating in that city. It therefore represents a lower-cost alternative to central locations for those businesses which do not require the benefits and amenities of a central London office. However, office space typically only accounts for 10 to 20 percent¹⁴ of business costs, and competing on costs alone is not sufficient for Croydon to attract and retain businesses and develop a unique comparative advantage. For Croydon to enhance its offer further investment in the quality of its office space and the flexibility of its stock are required.

Croydon's dual role

Over time Croydon's role within the London and South East economy has changed fundamentally. From the above analysis it is clear that Croydon is now an integral part of the London economy and, as a residential location for London workers, will benefit from growth in London. Croydon also continues to be an important business hub, drawing in labour from neighbouring boroughs and the Gatwick Diamond – competing for inward investment with other outer London boroughs and the wider South East.¹⁵

Croydon must assess itself within both these contexts – London and the South East – to successfully reinvent and regenerate the town. This means supporting growth in London by working with partners in the Greater London Authority to increase employment opportunities for local residents. It also means working through the Coast to Capital Local Enterprise Partnership to prioritise inward investment into Croydon.

Stockport – another area with a dual role

Stockport is similar to Croydon with its good transport links and a large quantity of office stock, mainly built in the 1960s and 1970s. Its inclusion in the Greater Manchester Combined Authority means it is integrated into a similar governance structure as is Croydon in Greater London. Both towns are dominated by service industries, with significant employment in the sectors of banking, finance and insurance, as well as distribution, hotels and restaurants.

Similar to Croydon, Stockport has vacant town centre commercial space and issues with public realm attractiveness. Stockport Council has recently introduced a number of initiatives to help address local issues. 'Stockport Boost' helps residents and businesses deal with the impacts of the economic downturn, and 'Safer in Stockport' partners police with the local community to improve safety. In addition, there has been the transformation of St Peters Square and the Covered Market Hall; and new footpaths, signage and lighting make it easier to get around the town centre. By coordinating short term initiatives with the longer term 'Future Stockport' regeneration programme, Stockport Council is starting to have an impact on making Stockport a better place to live, work and visit.

14. Stakeholder interviews

15. Low levels of skills represent an issue for Croydon as a borough, and are being addressed through initiatives such as the planned multiversity on College Green. However, due to Croydon's excellent transport links and wide labour market catchment they represent less of an issue for retaining and attracting investment into Croydon.

Box 2: Stockport - another area with a dual role

Source: www.stockport.gov.uk/

Policy Recommendations

To effectively compete for investment and grow Croydon's economy, Croydon Council needs to develop a clear identity for the borough and market Croydon accordingly.

- **In the short term** this means continuing to work with Develop Croydon to cost-effectively explain and market Croydon's dual role at events such as MIPIM which will help raise awareness to businesses and investors of the advantages of locating strategically between the capital and the south coast.
- **In the medium term** Croydon Council should identify businesses in industries which benefit particularly from its dual location and work with partners such as UKTI, the Coast to Capital Local Enterprise Partnership and ThinkLondon¹⁶ to attract such businesses to the town.
- **Over the medium to long term** Croydon's dual role as an exporter of labour to London and a regional employment centre for neighbouring boroughs should inform all Council policies, including transport, planning and economic development policies. It should also be integrated into Croydon's economic development strategy and vision.

16. Think London is currently merging with VisitLondon and StudyLondon and will be called London and Partners from April onwards.

2. Croydon's economy

This section examines employment trends within Croydon's economy, its business structure, sectoral specialisations and major employment centres. This provides a better understanding of the key growth sectors and locations within Croydon, in the context of its dual role within London and the South East.

Employment trends in the public and private sector

Private sector job growth has been weak over the past decade

Croydon has seen a mixed picture in employment growth. Private sector growth has been patchy and between 1998 and 2008 Croydon lost 10,500 private sector jobs. However, there is some evidence of a pre-recession turnaround. As shown in Figure 4, between 1998 and 2005 the private sector shrank by 11.7 percent, but between 2006 and 2008, there was an increase in private sector employment (3.8 percent). This was primarily driven by employment growth in: other business activities; construction; computer and related activities; health and social work; and real estate activities.¹⁷

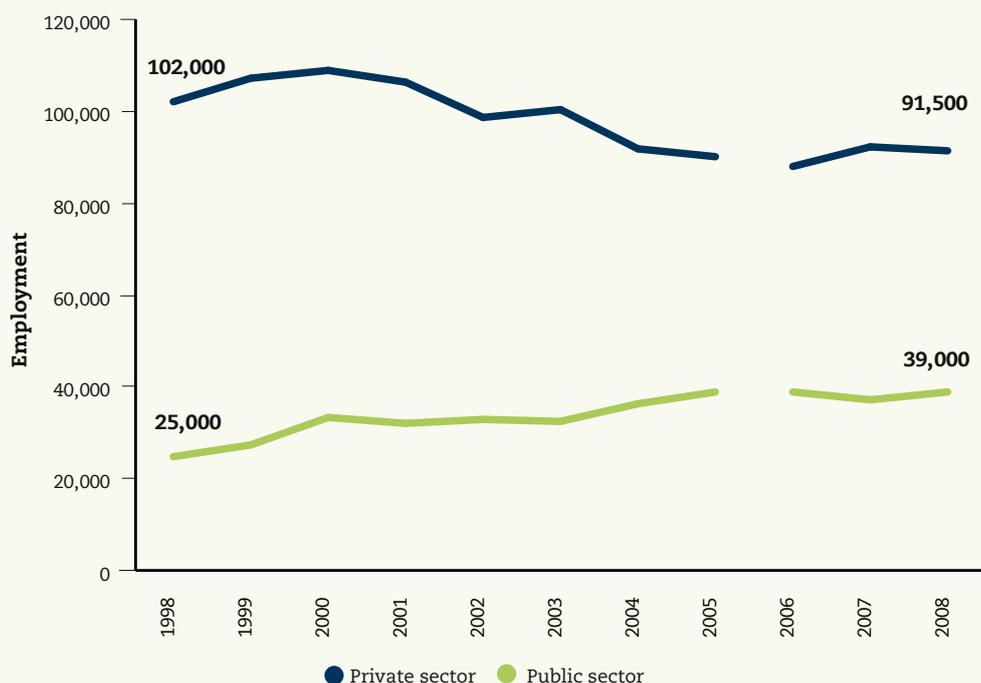


Figure 4: Growth in public sector, decline in private sector employment (1998-2008)

Source: NOMIS 2010, Annual Business Inquiry, employee analysis, 1998 to 2008 data

Note: Discontinuity in data between 2005 and 2006, due to survey reference date and data collection changes.

Croydon's employment trends reflect its wider role within London...

Some of Croydon's job losses in the private sector between 1998 and 2008 can be explained by technological change and globalisation.¹⁸ However, the job losses also illustrate Croydon's changed role within the London economy and the capital's outward growth. Comparing Croydon's employment trends with boroughs to the south and north illustrates this (see Figure 5).

Between 1998 and 2005 boroughs around Croydon, both closer to and further from London, saw a substantial growth in private sector employment. To the south of Croydon, Reigate and Banstead grew its private sector jobs by

¹⁷ NOMIS 2011, Annual Business Inquiry, workplace analysis, 1998, 2005, 2006 and 2008 data

¹⁸ For example, job losses within the manufacturing sector fall into this category.

15.6 percent and Tandridge grew its by 11.7 percent. To the north, Lambeth grew its private sector jobs by 11.6 percent. The main driver behind private sector growth within these local authorities was 'other business activities'.¹⁹ Growth within this sector was considerably smaller in Croydon.

Between 2006 and 2008 growth slowed down in Reigate and Banstead, but continued in Sutton, which over those two years grew its private sector jobs by 14.3 percent. 'Other business activities' again help to explain this trend. They accounted for Reigate and Banstead's largest job loss within the private sector between 2006 and 2008 (1,300 jobs lost) and were Sutton's strongest growth sector (5,300 jobs gained). They were also Croydon's strongest growth sector over that time period (4,400 jobs gained).

19. 'Other Business Activities' (SIC 74) includes higher value activities including legal services; accounting services; tax, business and management consultancy; market research; technical testing; architectural and engineering activities, advertising; HR. It also includes lower value activities such as security services; industrial cleaning; and call centre activities.

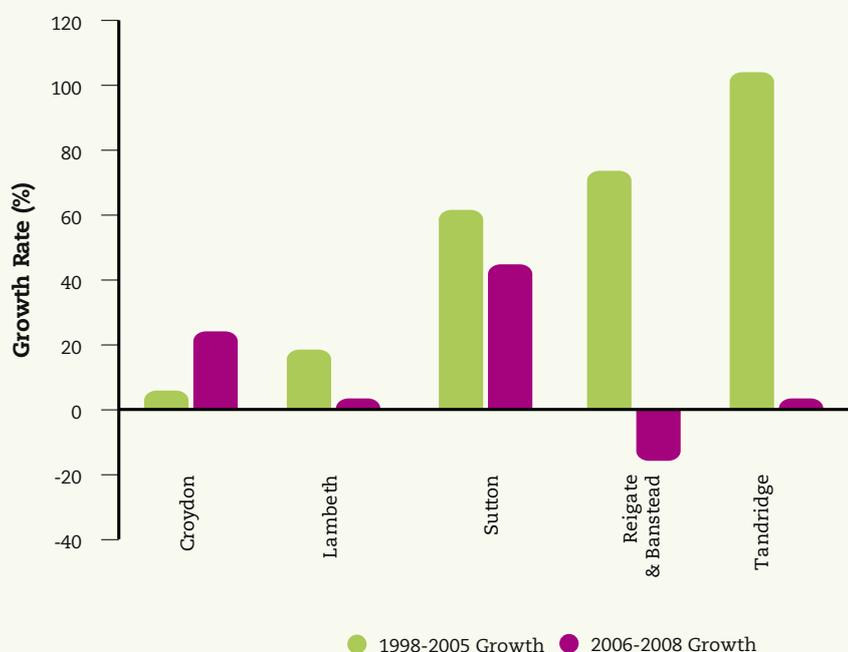


Figure 5: Employment growth in other business activities (1998-2008)

Source: NOMIS 2010, Annual Business Inquiry, workplace analysis, 1998, 2005, 2006 and 2008 data

... and are similar to employment trends in other outer London boroughs

Croydon is not the only local authority to experience reductions in private sector jobs. For example Brent, another major outer London office centre, and in this respect similar to Croydon, also experienced job losses in the private sector between 1998 and 2005 and slight growth between 2006 and 2008.²⁰

Reducing private sector decline and stabilising the local economy will be an important task for Croydon Council over the coming years. This is something the Council is already looking to address through the Coast to Capital Local Enterprise Partnership, which has set itself the target of creating 100,000 additional jobs in the private sector within its area over the next 25 years.²¹

20. NOMIS 2010, Annual Business Inquiry, workplace analysis, 1998, 2005, 2006 and 2008 data

21. Coast to Capital Local Enterprise Partnership submission, August 2010

Business structure

Large businesses are Croydon's major employers and source of growth

In Croydon, as elsewhere, the majority of businesses (87.1 percent) are small in size, employing ten or less employees.²² However, similar to London, almost 60 percent of employees in Croydon are employed in businesses employing 50 employees or more, meaning large businesses are Croydon's major employers.

Larger businesses have been an important source of job growth in the area, with employment growth in smaller sized firms declining in recent years.²³ However, a notable proportion of employment from large organisations includes government employers,²⁴ which will be reducing staff over the coming years.

Small businesses are likely to play a more important role in future

Croydon should therefore not lose sight of the small to medium sized businesses that employ 40 percent of Croydon's workforce. Engaging with these businesses and helping them to grow needs to be part of a strategy to rebalance Croydon's economy away from the public sector and increase job opportunities for Croydon's residents. The Croydon Council website is an important first port of call for these smaller businesses so it is important that it is kept up-to-date with relevant information and contacts. For example, the current advice for business rate relief is out-of-date²⁵ which may mean that fewer businesses are taking opportunity of the available relief.

22. NOMIS 2010, Annual Business Inquiry, workplace analysis, 1998, 2005, 2006 and 2008 data

23. Coast to Capital Local Enterprise Partnership submission, August 2010

24. Of the 130,000 Croydon employees for which size of the organisation they work in is known, 46,700 employees worked in large organisations. Almost 50 percent of these 46,700 (12,600) are public sector employees. NOMIS 2010, Annual Business Inquiry, workplace analysis, 2008 data.

25. www.croydon.gov.uk/business/businessrates/reductions/ was out of date in February 2011



Croydon has a diverse, service-based economy

Croydon is a modern service economy with diverse employment across a number of different sectors. The main sectors in terms of employment are public administration, education and health (29.9 percent); banking, finance and insurance (28.6 percent); and distribution, hotels and restaurants (including retail) (22.3 percent). Manufacturing is the sector with the lowest employment in Croydon (3.2 percent).²⁶

Croydon specialises in a number of sectors

Croydon specialises²⁷ in 22 sectors at two digit Standard Industrial Classification (SIC)²⁸ level. Figure 6 displays Croydon's employment in and the location quotients of the seven industries it specialises in most strongly.

26. NOMIS 2011, Annual Business Inquiry, employee analysis, 2008 data

27. Specialisations were measured by employment location quotients. A location quotient greater than 1.0 implies a concentration of an industry higher than the GB average.

28. The Standard Industrial Classification (SIC) is a system of categorising businesses by the type of economic activity in which they are engaged.

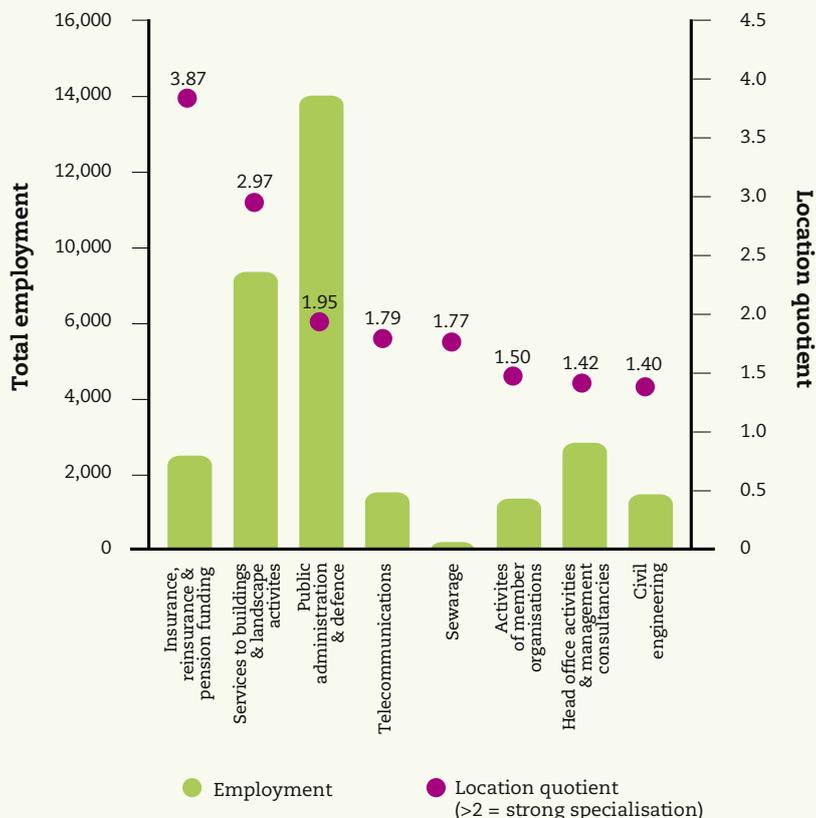


Figure 6: Concentrations of industry employment in Croydon: location quotients and total employment (2008)

Source: NOMIS 2010, Annual Business Inquiry, employee analysis, 2007 SIC codes, 2008 data
Note: SIC codes
 Insurance, reinsurance & pension funding: SIC 65, Services to buildings & landscape activities: SIC 81, Public administration & defence: SIC 84, Telecommunications: SIC 61, Sewerage: SIC 37, Activities of member organisations: SIC 94, Head office activities & management consultancies: SIC 70, Civil engineering: SIC 42

Amongst the 22 sectors we identified, there are five sectors in which Croydon lost employment over the past decade (1998 to 2008): publishing; computer programming; information service activities; financial services and insurance services. Given their importance to the Croydon economy these sectors should be key priorities for the Council in terms of business engagement to avoid any further job losses.

Potsdam – developing a diverse and complementary economy

Potsdam is the state capital of Brandenburg and is located in close proximity to Berlin, which is accessible by rail within 45 minutes. Potsdam recognises that it is integrated within the Berlin region and that it is closely connected in terms of economic development.

Potsdam has been successful in developing a diverse economy with key strengths in media; information communications technology; biotechnology; banking and insurance; and tourism. Employment in these sectors complements the administrative and civic functions in Berlin. The marketing strategy for Potsdam focuses on the strength of its location near Berlin and the capabilities of the people in the region. Based on this strategy, the city has been successful in attracting a number of significant businesses to the area, such as the Internet Sales Division of Oracle which moved to Potsdam from Dublin in 2002.²⁹

Box 3: Potsdam - developing a diverse and complementary economy

Sectoral employment trends

Croydon's employment trends need to be evaluated in a wider context

Understanding in which sectors Croydon performs very differently to the English average is essential for Croydon Council in supporting decisions on how to strengthen employment growth within the borough. Three sectors stand out from our analysis: insurance, financial intermediation and public administration.³⁰

Croydon performs better than the English average in the insurance sector

Between 1998 and 2005, Croydon's employment in the insurance industry fell by 21 percent, which is better than the English average fall of 27 percent. In recent years, Croydon has turned around employment in the sector to eight percent growth between 2006 and 2008, while England continued to decline overall. While investing further in a declining industry is risky, Croydon appears to have a local competitive factor which gives it an advantage in the insurance sector. In fact, the existing scale of the sector in Croydon continues to attract major insurers to the borough, illustrated by Zurich's recent move to Croydon. A similar story is true for financial intermediation between 2006 and 2008, although Croydon's increase above national growth is modest.

30. These sectors were identified with the help of a shift-share analysis. For further use of shift-share analysis see: <http://faculty.washington.edu/krumme/350/shiftshare.html#simple>

31. Significant public sector employment growth in Croydon was a result of increased government back office and administrative functions, rather than local service provider growth.

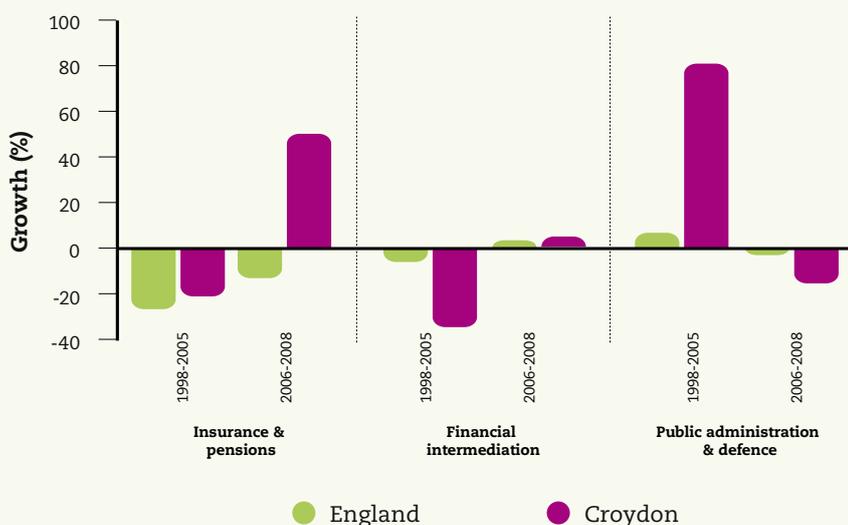


Figure 7: Understanding Croydon's key sector performance in context (2008)

Source: NOMIS 2010, Annual Business Inquiry, Employee Analysis, 2008 data

Note: SIC codes
 Insurance and Pensions: SIC 66, Financial Intermediation: SIC 65, Public Administration & Defence: SIC 75

Croydon outperformed the English average in public administration and defence, but then experienced above average decline

While national employment in public administration and defence grew only slightly from 1998 to 2005, Croydon saw 80 percent growth due to an expansion of large government office functions in Croydon.³¹ However, between 2006 and 2008, Croydon exceeded the English decline in employment in this sector by 13 percentage points. So, while public administration and defence has seen dramatic growth in the past, recent trends show Croydon has lost more employment in the sector than would be expected given national averages. As cities everywhere continue to face dramatic Government budget cuts, Croydon needs to take measures to prepare for further public sector job losses, while recognising where it may be able to capitalise on local comparative advantage when any relocation decisions are being made (see also Section 3).

Centres of employment and major employers

Croydon has two major centres of employment

Reflecting its role as an outer London borough and a business hub within the South East Croydon has two major employment hubs:

- the town centre, which is where major employers such as Nestle, Chartis and the Home Office are located; and
- Purley Way, a major regional out-of-town retail centre, containing a mix of residential, light industrial and retail development, attracting shoppers from across south London.

The town centre remains Croydon's largest employer

Employment within the town centre (ward of Fairfield) is more than double that along the Purley Way, which runs from the boundary of the ward of West Thornton through Broad Green and into Waddon. Figure 8 shows the main concentration of employment around the town centre and Purley Way. The importance of the town centre in terms of employment is also illustrated by the map in Figure 9 showing Croydon's top 50 employers. These are predominantly based within the town centre.

32. Albeit Fairfield appeared to be showing a pre-recession recovery from 2006 to 2008, growing its employment by 4.9 percent (2,200 jobs). This was driven mainly by employment growth in: other business activities; education; health and social work; real estate; and activities auxiliary to and financial intermediation. Source for employment data in this section: NOMIS 2011, Annual Business Inquiry, employee analysis. Note that the ABI is a sample based survey and that the margin of error can be high for ward level analysis.

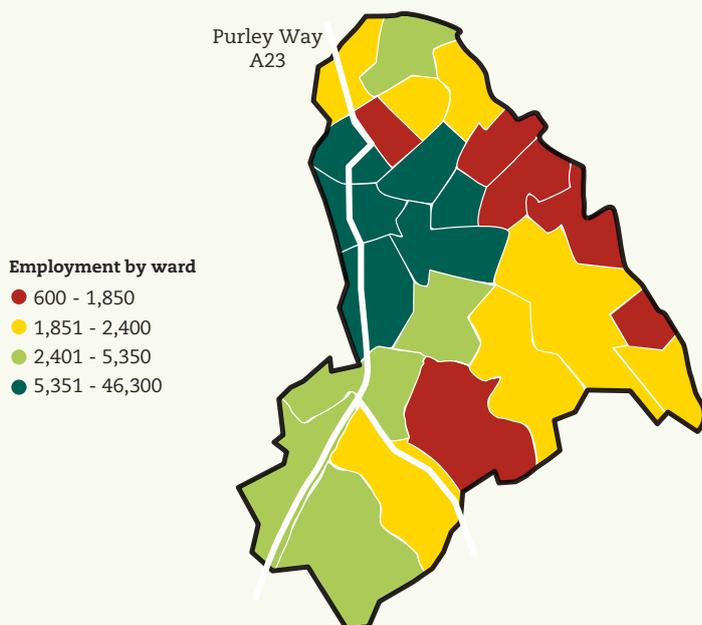


Figure 8: Map of employment by ward in Croydon

Source: ONS 2010, Annual Business Inquiry, 2008 data

But Purley Way has experienced stronger growth

Job growth in the town centre, however, has been relatively modest in recent years – reflecting the wider trends in the London economy described above. Fairfield and other wards to the north such as Addiscombe, Selhurst and South Norwood have in fact seen significant job losses between 2003 and 2008.³²

Purley Way, on the other hand, has seen the strongest growth in jobs within Croydon between 2003 and 2008. Between 2003 and 2005 the wards of West Thornton and Broad Green grew their employment base by 18.7 percent – which was followed by a small decline between 2006 and 2008 (2.5 percent). The area's success is reflected by a recently opened John Lewis 'At Home' store and continued business investment interest.

Policy Recommendations

To grow Croydon's economy in a time of economic uncertainty, Croydon Council needs to strengthen its private sector economy by growing complementary employment in its two main employment centres, Purley Way and the town centre. Section 4 looks in further detail at business retention and investment.

- **In the short term** Croydon Council should make it easier to access up-to-date business support information and contacts, to support residents looking to start their own business or looking to grow their business at either of these two locations. This should include taking down or updating out-of-date websites, such as the Croydon Economic Development Company and Croydon Crunch websites.
- **In the short term** Croydon Council should also increase awareness amongst its small and medium sized enterprises of the business rate relief available until the end of September 2011. This will help decrease the costs small businesses currently face and could be done by updating the Council's website, which is currently out-of-date, to make small businesses aware of the change and the current levels of business rate relief. It could also consider low cost use of new media to advertise this.³⁵
- **In the medium term** Croydon Council should focus on removing barriers to further employment growth at Purley Way, particularly for bulky goods, megastores and DIY stores. This means both Purley Way itself³⁶ and the land bordering onto it should continue to be developed as a key commercial area, with land allocated for this rather than residential or mixed-use purposes. It also means alleviating already increased congestion around Purley Way, for example by working with utility providers to better coordinate road works and working with local businesses to coordinate their deliveries.

35. These are things the Council could do in addition to highlighting the available relief to businesses on a case-by-case basis and the distribution of flyers to businesses within the borough.

36. Purley Way is designated as Strategic Industrial Land in the London Plan. Its superior access from the A23 means that it is well suited to large retailers and the land should not be crowded out by development for other purposes, such as housing.

3. Croydon and the public sector

The public sector has played a key role within the Croydon economy over the past decade. Therefore, understanding its future growth potential is important for devising a strategy to retain and grow jobs within the Croydon economy. This section first examines the role of the public sector as a major employer in light of the announced job cuts. It then assesses Croydon's potential for public sector relocations.

The public sector as an employer

The public sector is one of Croydon's major employers

The public sector is one of Croydon's main employers and has been a major source of job growth. It is also a sector the borough specialises in. Public sector jobs growth accounted for almost all of the total jobs growth between 1998 and 2008, stabilising employment levels within the borough during a time of private sector job losses. As the private sector lost 10,500 jobs between 1998 and 2008, the public sector created 14,000 jobs. Employment within the sector now stands at 29.9 percent, eight percentage points above the average employment in the sector within the London Primary Urban Area,³⁷ making the area highly dependent on the public sector. This has been recognised in the Coast to Capital Local Enterprise Partnership, which aims to decrease proportional employment within the sector within its area from 27 to 21 percent.³⁸

37. NOMIS 2011, Annual Business Inquiry, employee analysis, 2008 data
 38. Stakeholder interviews and Coast to Capital Local Enterprise Partnership submission, August 2010 Reference

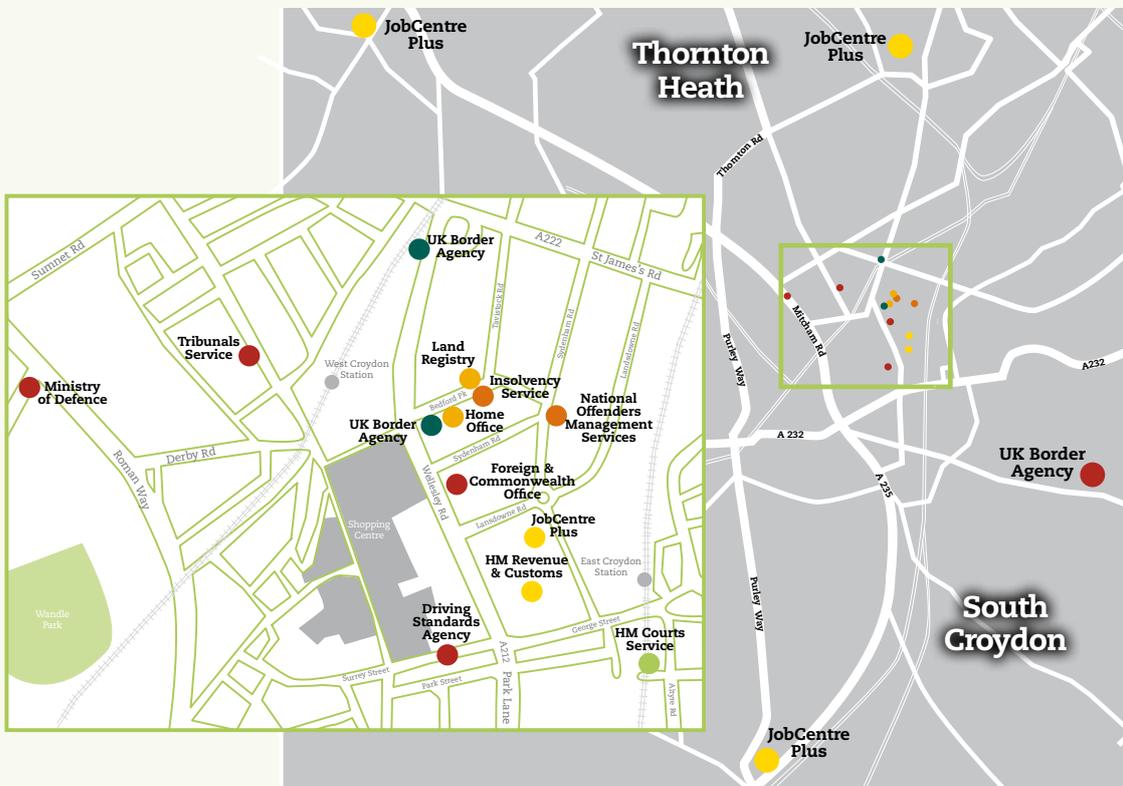


Figure 10: Location of Croydon's civil service employers

Sources: ONS 2010, Civil service employment, Q1 2010 data; Departmental websites
Note: This chart excludes health, education and local government employment and focuses specifically on 'Croydon-specific' civil service employment.
JobCentre Plus employment figures refer to total employment across all four locations.

Like other office based jobs, civil service jobs are within the town centre

Most civil service employees within Croydon are based near other office based jobs within the town centre and within a short walking distance of each other. Figure 10 illustrates that most are either located to the east of or on the Wellesley Road.

Not all of Croydon’s public sector jobs are high-skilled

Employment within Croydon’s public sector has been mixed. Most public sector employees are employed in professional occupations, an occupational group that has seen growth in Croydon over the past five years. Less highly skilled occupations, such as administrative and secretarial occupations and personal service occupations, also feature prominently.

This is due to the mix of functions that public sector offices undertake in Croydon. For example, HMRC provides the services of a consolidated regional office covering all aspects of tax calculation and collection, while the Home Office undertakes a relatively wide range of business functions including significant back-office activities, such as case working.

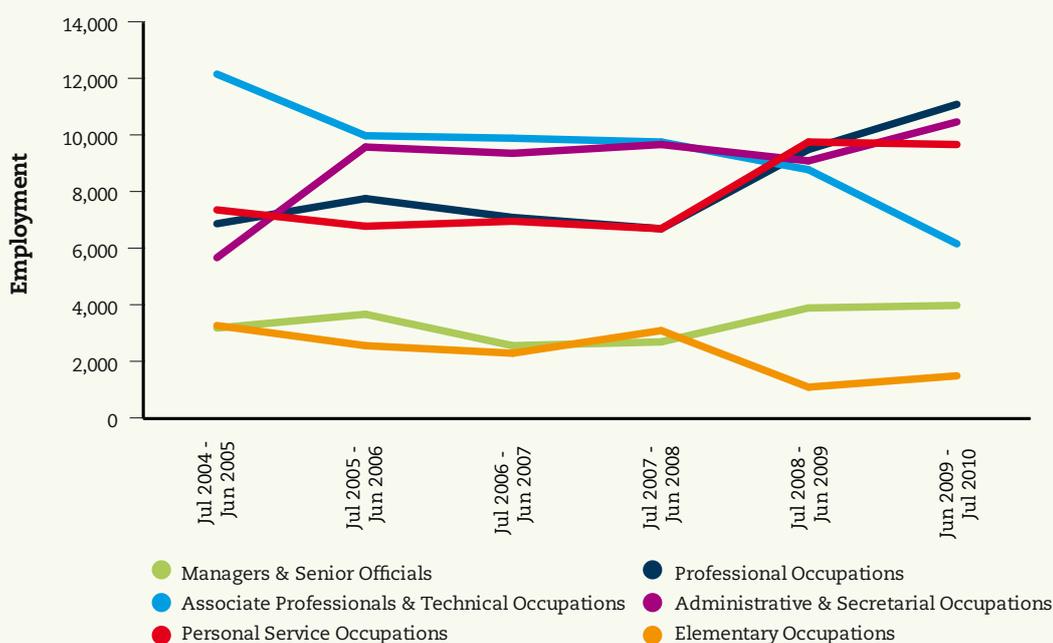


Figure 11: Public sector employment by occupation in Croydon (2004-2010)

Source: NOMIS 2010, Annual Population Survey, Workplace Analysis, 2004-2010 data

Croydon’s relative share of low-skilled occupations has increased since 2007. Employment in associate professional and technical occupations has declined, while employment in secretarial and administrative occupations has increased. With the Coalition Government committed to protecting front-line staff, this is likely to make Croydon more vulnerable to public spending cuts.

Croydon’s reliance on the public sector makes it vulnerable to job losses

Between 1998 and 2005 Croydon saw above average growth in the public sector. However between 2006 and 2008 it experienced job losses within the sector that were also above the English average (see Figure 7). The cuts in Government spending announced in the Emergency Budget and Spending Review now pose another threat to Croydon’s employment levels within the sector.

The Office for Budget Responsibility estimates that these will translate into 330,000 job losses within the public sector across the UK as a whole by 2014/15. Applying the spending cuts to Croydon's economy, we estimate job losses within the public sector could be up to 2,000 jobs. This represents a decrease in employment levels within the sector of six percent, accounting for 1.5 percent of total employment within the borough.³⁹ Table 3 details those public sector employers currently employing more than 100 employees in Croydon which are likely to be affected by the job cuts.

39. Public sector job losses methodology, Cities Outlook 2011, Centre for Cities. www.centreforcities.org/outlook11

Employer	Employees	Estimated job losses	Estimated Cut
Health	8,400	280	3%
Local Authority	7,600	720	9%
UK Border Agency	5,340	860	16%
HM Revenue & Customs	660	80	11%
HM Courts Service	160	30	16%
Home Office (excl agencies)	150	20	16%
Land Registry	150	20	16%
Crown Prosecution Service	120	20	17%
Insolvency Service	120	20	17%
Total	22,700	2,050*	

Note: This table excludes cuts to civil service employers with less than 100 employees.

* Overall job losses are estimated at 2,000, due to small increases in employment at Jobcentre Plus and in the education sector.

Table 3: Estimated job losses of major public sector employers in Croydon (to 2014/15)

Source: Own calculations with data from ONS 2010, Civil Service Employment, Q1 2010 data; NOMIS 2010, Annual Business Inquiry, employee analysis, 2008 data; LGA 2010, Quarterly Public Sector Employment Survey, Q1 2010 data; HM Treasury 2010, Comprehensive Spending Review.

Public sector relocations

Deficit reduction represents challenges but also opportunities

In parallel with major job cuts within the public sector, the Government is also set to pursue cost savings by locating further Government departments out of Whitehall, as leases come up for renewal. So, while Croydon is vulnerable to public sector job cuts due to its specialisation within the sector, and should prepare for the cuts to come, the Government's aim to reduce the deficit through relocations could also provide opportunities for the borough.

Cost focus means outer London and South East become attractive for relocations

Under the past Government, the Smith Review set a target of relocating 15,000 civil service jobs out of London by 2015, with the explicit aim of stimulating the regeneration of local areas. Relocations within London would not have counted towards this target.⁴⁰

Under the Coalition Government this target has been abandoned and the focus has shifted from regeneration to cost reduction. Relocations over wide distances aimed to reduce costs can often prove expensive, as shown by the BBC's relocation to Manchester or the ONS' relocation to Wales. This means London and the South East have suddenly become more appealing, being the

40. Smith I (2010) Relocation: transforming where and how government works, London: HM Treasury

Croydon's & Stratford's offers

Table 4: Croydon's and Stratford's offer

	Croydon	Stratford	Comments
Transport	<ul style="list-style-type: none"> • Train links to Central London (20 mins) including Thameslink, and London overground to West Croydon • National rail provides connections to South East • Tramlink service • Train to Gatwick Airport (15 mins) • Public Transport Accessibility Level rating of 6b (highest level)⁴¹ 	<ul style="list-style-type: none"> • Tube links to central London (10 mins) • National rail and overground • International rail • DLR • Access to City Airport in 15 mins • Public Transport Accessibility Level rating of 6b (highest level) • Future Crossrail stop 	Both have excellent transport links, but Croydon is better connected to Westminster via Victoria and offers town centre based offices.
Office space rateable values	<ul style="list-style-type: none"> • Rateable value in 2008 was £101 per sqm 	<ul style="list-style-type: none"> • Rateable value in 2008 was £95 per sqm 	Office rents are generally comparable, but Stratford is slightly cheaper and offices are newer. Both are significantly lower cost than Westminster.
Skills	<ul style="list-style-type: none"> • 31.3% NVQ 4+ • 11.9% No qualifications • Access to labour market in south London and South East 	<ul style="list-style-type: none"> • 24.2% NVQ 4+ • 19.1% No qualifications • Access to labour market in central London and east towards Essex 	More favourable skills levels in Croydon, but aim of current relocation is to retain existing employees.
Retail	<ul style="list-style-type: none"> • Whitgift Centre, Centrale and retail parks in Purley Way • Croydon's CACI retail footprint 2010 ranking was 29 	<ul style="list-style-type: none"> • New Westfield shopping centre is currently being built. It will be largest urban shopping complex in Europe • Expected to be in CACI retail footprint top 10 similar to Westfield London which has retained 8th ranking since opening 	Croydon currently has a superior retail offer, but this is likely to change when the new Westfield opens in September 2011.
Investment & regeneration	<ul style="list-style-type: none"> • Five masterplans • Croydon Council Urban Regeneration Vehicle (CCURV) • Opportunity Area designation 	<ul style="list-style-type: none"> • Olympics investment programme • Opportunity Area designation • Regeneration Area designation • The Mayor has identified East London as a key priority area 	Stratford is benefiting from the significant investment associated with the 2012 Olympics and their legacy. This investment is likely to be more sheltered from public spending cuts.
Housing & green space	<ul style="list-style-type: none"> • Mean house price 2009 £234,000 • Croydon is 32% green space 	<ul style="list-style-type: none"> • Mean house price 2009 £203,000 • Newham is 20% green space 	House prices are higher in Croydon, but the key advantages of Stratford and Croydon as locations for government is that staff would not need to relocate.

41. Public Transport Accessibility Level (PTAL) is a detailed measure of the accessibility of a point to the public transport network, taking into account walk access times and service availability.

Sources:

Transport: PTAL Rating; Transport for London (2010) Travel in London: Report 2.
Office rateable values: Commercial and Industrial Floorspace and Rateable Value Statistics (2005 Revaluation), 2008;
Skills: ONS APS January 2009 – December 2009;
Retail: CACI Retail Footprint 2010;
Investment and regeneration: Greater London Authority (2009) The London Plan: Spatial Development Strategy for Greater London. Consultation Draft Replacement Plan;
Housing: Land Registry, 2009

only areas within a 20 mile radius from London – beyond which distance office relocations usually trigger entitlements to compensation. Croydon Council is already actively making the case for civil service relocations to locate within the borough.⁴²

Croydon and Stratford are both being considered for public sector relocations

With its excellent transport links into Westminster via Victoria, its low cost office space and already strong public sector presence, Croydon is one of the locations currently being considered, together with other locations such as the Thames Gateway and, in particular, Stratford.⁴³

While it is unclear at this stage what the scale or composition of public sector relocations will be, spreading relocations to both Stratford and Croydon has one key advantage. Together, the two locations would be able to provide access for public sector workers from a wide catchment area, with links to the north, east and south of Westminster.⁴⁴ This will maximise the potential for staff retention – a key aim of the relocation, along with reduced operating costs. Table 4 (page 22) sets out Croydon’s and Stratford’s offer in further detail.

Croydon needs to make the case for relocations to future employees

To attract relocations to Croydon, Croydon Council does not only need to market Croydon to key decision makers, but to civil service employees, who are likely to play a key role in decisions being made. Of key importance in this respect is addressing future employees’ concerns about door-to-door commuting times and Croydon’s attractiveness as a place to work.

42. Croydon Borough Council (2010) Government relocation: The Croydon Offer

43. Stakeholder interviews and Civil Service Live Network (2010) Feature: relocation, re-examined

44. Analysis of commuting patterns of workers in Westminster using 2001 Census data shows that the majority of public sector staff in Westminster live within Greater London with a roughly even split between the north and south. Having public sector hubs to both the north and south of London means public sector employers have the potential to move to the area with the easiest access for their staff.

Relocation to Croydon

Travel	Time
Walk from home to Kennington station	5 min
Kennington to London Bridge	5 min
London Bridge to East Croydon (including transfer time)*	25 min
Walk from East Croydon station to office**	10 min
Total	45 min

Stratford

Travel	Time
Walk from home to Kennington station	5 min
Kennington to Bank	7 min
Bank to Stratford (including transfer time)*	16 min
Walk from Stratford station to office**	20 min
Total	48 min

Table 5: Travel time for a typical public sector employee

*Estimated travel times, including transfer time, come from the TfL Journey Planner for journeys to both Croydon and Stratford. The time represents the average travel time during the morning peak hour (8:00 to 9:00am)

**Estimated walking time for Croydon represents an average of walking times between East Croydon Station and several major employers. Estimated walking time for Stratford is based on the new office development within the Olympics media and broadcasting centre. See also Graham R (10 December 2010) 'London Olympics 2012: the real gold could be in property' The Daily Telegraph

While transport links between Croydon and Whitehall are of an excellent standard, for future potential employees the quoted travel times between Croydon and central London are not always an accurate measure of door-to-

door travel to work time and the cost involved. As Croydon is often perceived as ‘a long way out’ from London, the Council should address such concerns head on if it wants to benefit from relocations. An example of how this could be done is displayed in Table 5, which compares door-to-door travel times of a Kennington resident⁴⁵ to offices in Croydon and Stratford – and highlights that commuting from Kennington to Croydon is similar, in fact slightly quicker, than the commute to Stratford.

Another concern of future employees will be commonly held perceptions of Croydon by those that have never visited the area. Perceptions about crime and safety, dislike of Croydon’s architecture and built environment, and lack of the kinds of amenities that central London can offer will potentially affect employees’ willingness to relocate. Section 4 examines some of these concerns in further detail and suggests policy measures to help address them, both tackling misconceptions of Croydon and addressing existing gaps.

45. After Westminster, Lambeth is the borough where the highest number of Westminster workers reside.



Impact of public sector relocations on Croydon should not be overestimated

Civil service relocations to Croydon could potentially help stabilise employment numbers within the public sector. However, our analysis suggests that it is important not to overestimate the impact of relocations on the Croydon economy. Any jobs relocated will not necessarily represent new employment for Croydon residents, nor will they directly compensate for the 2,000 jobs that are likely to be lost within Croydon’s public sector.

Nevertheless, public sector relocations are likely to have some positive impact on Croydon’s retailers and ‘lunch-time economy’; they could help fill empty office space; and provide a potential customer for Croydon businesses. These relatively limited advantages of relocations need to be considered when prioritising how to spend Croydon Council’s time and tight budgets.

Policy Recommendations

While Section 2 focused on the private sector (which will be key to growing Croydon's economy), the public sector could also play a role in stabilising employment numbers. Public sector relocations could help to fill empty office space and will have further positive impacts on the local economy. To position itself as a strong candidate for relocations, the following is recommended:

- **In the short term** Croydon needs to continue to proactively communicate the advantages of relocating public sector jobs to Croydon compared to other non-London locations and work with Stratford on promoting the two locations' complementary offer. Croydon should also aim to go first in terms of the sequencing of relocations, to avoid giving other locations a first-mover advantage. This means the Council needs to work with landlords across the borough to be able to present ready-to-move-in high quality office space once central Government leases expire.
- **In the medium term** Croydon should emphasise its commitment to making relocations work, including addressing concerns about travel times and costs to Croydon, its public realm and wider image. Making sure office facilities in close vicinity to East Croydon station are available for relocations, for example, will raise Croydon's competitiveness against comparator locations and can help to reduce door-to-door travel times making the location more attractive for commuters.
- **In the medium to long term** the impact of public sector relocations on employment levels within the town is likely to be limited. A strategy to attract public sector relocations therefore needs to go hand in hand with a strategy to deal with potential public sector job losses and a strategy to reverse decline within the town's private sector.

A strategy to attract public sector relocations needs to go hand in hand with a strategy to deal with potential public sector job losses and a strategy to reverse decline within the town's private sector

4. What employers think about Croydon

Understanding the economic role that Croydon plays, the state of its economy and the future prospects for the public sector are all important for informing a strategy to effectively grow and retain jobs within Croydon. This section builds on in-depth interviews with employers in the public and private sectors to examine what firms see as the advantages and disadvantages of locating in Croydon, what can be done to address the disadvantages and what this suggests for a strategy to retain existing businesses.

Methodology:

This section draws on 34 face-to-face and telephone interviews undertaken with stakeholders in the public and private sector, including property developers, local estate agents, business organisations and employers in the public and private sector. The interviews were conducted between September 2010 and February 2011, followed a standardised interview guide and took between 30 and 60 minutes. Interviewees were drawn from a sample based on Croydon's economic characteristics, including its sectoral specialisations and industries that generated or lost jobs over the last decade. While explanatory of trends within the Croydon economy, findings based on this relatively small sample should not be regarded as representative of the whole of the Croydon economy.

46. Note: While our interviews addressed the issue of skills and housing, these were neither identified as a major advantage nor as a major disadvantage of Croydon. We have therefore excluded these two factors from our write-up.

47. Stakeholder interviews

48. Nestle moved to Croydon in 1965

49. Croydon Borough Council (2010)

Government relocation: the Croydon offer

Why are firms located in Croydon?

Employers identified four main reasons for being located in Croydon: transport, office rents, historical economic factors and proximity to directors' homes. While proximity to directors' homes is a common location factor for companies across UK cities, historical economical factors, office rents and transport links are more specific to Croydon's location offer.⁴⁶

Historic economic location factors

"Locating in Croydon was 'the thing to do' in the 1960s and 70s when many firms moved out of Westminster. There are good transport links for employees and a shopping centre on the doorstep".⁴⁷

Decentralisation attracted many employers to Croydon in the 1960s and 70s

Many of the firms currently located in Croydon, such as Nestle,⁴⁸ moved there in the 1960s and 1970s, when Croydon was a booming town centre. During this time many businesses were decentralising or moving back office functions out of central London to areas like Croydon, which at the time was actively pursuing growth.

Government departments, including the UK Border Agency and the Land Registry,⁴⁹ also moved to Croydon during that time and interviews suggest that a number of private sector employers followed. An example of this is various firms in the engineering consultancy sector, one of the sectors in which Croydon specialises. Several firms within the industry either relocated from central London to Croydon or made Croydon their corporate headquarters.

One interviewee explicitly stated that a reason for the move included being close to Government; others emphasised that they were taking advantage of Croydon's transport links to central London and its considerably cheaper rents and new office blocks.⁵⁰

New economic circumstances mean Croydon's offer is less cost competitive

Since the 1960s, the Croydon economy has faced significantly different economic circumstances due to globalisation, new technologies and the changing structure of the UK economy. Globalisation and improved ICT technology mean that Croydon now needs to compete with Eastern Europe and Asia, which offer much lower wages. As we set out in Section 2, this has often resulted in job losses. Norwich Union, for example, reduced its Croydon staff levels by almost a third in 2004, from 140 to 90 due to restructuring – with jobs going to Europe, India and the US.⁵¹ Vodaphone closed its call centre in Purley Way in 2009 leading to a job loss of 300.⁵² And Nestle outsourced its payroll function to Poland in 2007.⁵³

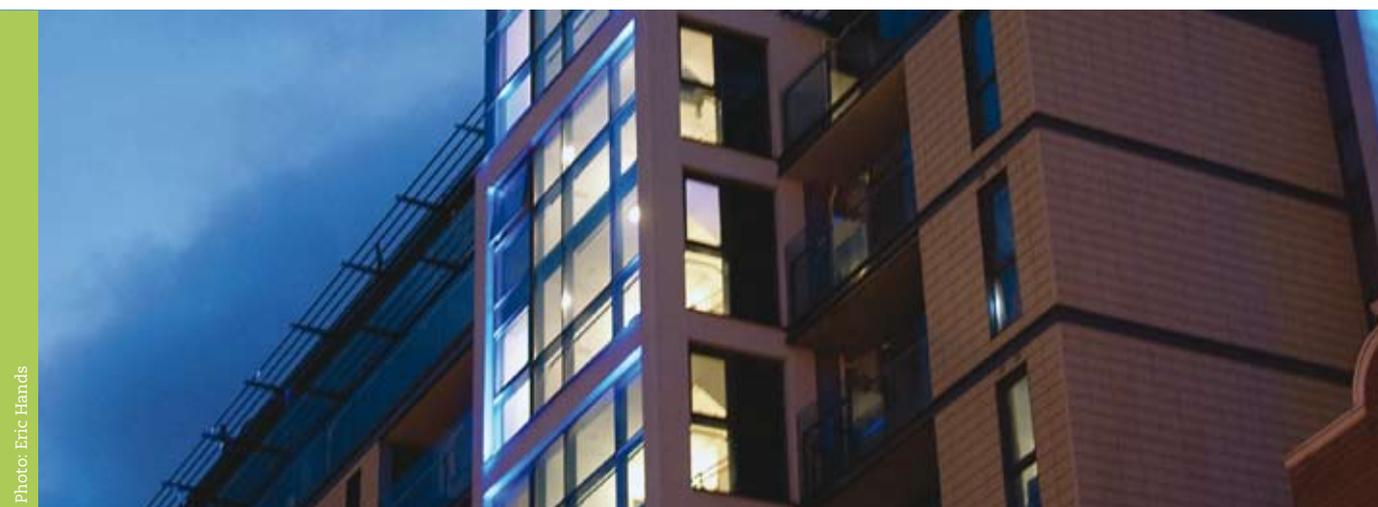
50. Stakeholder interviews

51. See: www.croydonguardian.co.uk/news/501793.Norwich_Union_to_cut_50_jobs/ and www.theregister.co.uk/2004/06/09/norwich_union_jobs/

52. Stakeholder interviews

53. See: www.croydonguardian.co.uk/news/1697204.staff_laid_off_as_nestle_moves_work_to_poland/

54. Ramidus Consulting Ltd (2009) London Office Policy Review 2009



Such job losses are due to global trends that have similarly affected the economic base of other outer London boroughs, such as Brent and Hammersmith.⁵⁴ They illustrate the challenges facing outer London boroughs that are becoming more residential but are still seeking to compete as back office locations.

However, parallel to these job losses Croydon also attracted new headquarter employment to the borough during the late 1980s and 1990s, including several major insurance firms. Today the overwhelming majority of Croydon's major employers now have their headquarters located within Croydon (see Figure 9). This means while Croydon's overall economic role has changed, with the borough becoming more residential, the borough has also successfully started to move away from back-office functions with regards to its major employers.

There is now again a trend for many companies to re-centralise and consolidate their operations in the face of continued technological change and the recession. This means some companies are either moving further south, to cheaper and – since the completion of the M25 – more accessible

office locations like Reigate and Banstead or Redbridge, or they are moving back into central London. BT, for example, is consolidating its regional offices and moving back into central London.⁵⁵ Founder of Croydon based insurance company Direct Line, Peter Wood, set up his new business, E-sure, in Reigate and Banstead.⁵⁶ Figure 12 illustrates these developments.

Historic economic reasons for locating in Croydon are no longer as valid

As businesses consolidate or re-centralise to reduce costs or move closer to clients, many of the historic economic reasons why major employers located to Croydon are less compelling. This was confirmed through the interviews undertaken: whilst many employers were very positive about Croydon as a location, few had a business that depended on staying in the area, and some were even considering alternative locations. Business retention clearly needs to be a key imperative for Croydon Council.

55. See: www.propertyweek.com/news/bt-rings-p28-changes/3154642.article
56. www.esure.com/about_esure/
57. Stakeholder interviews

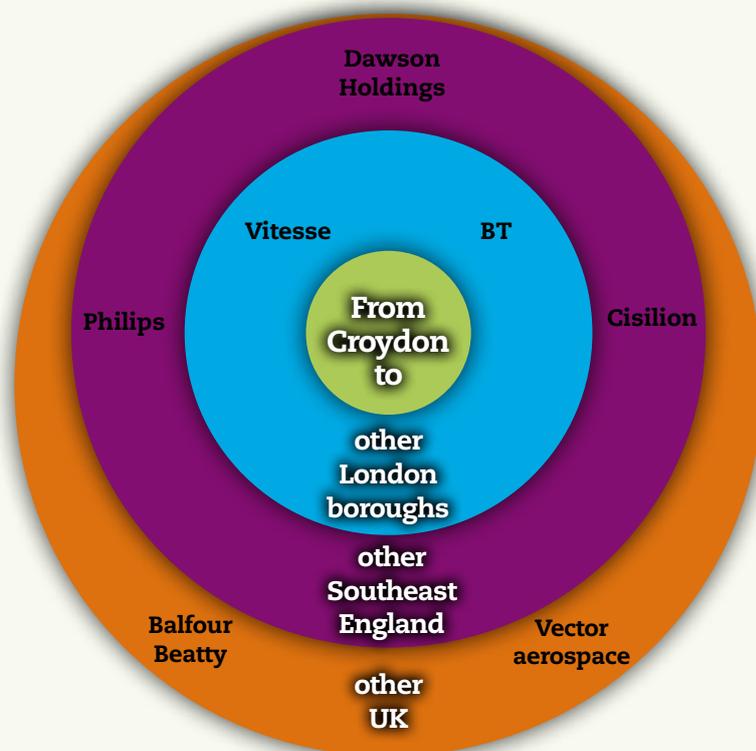


Figure 12: Past and planned relocations from Croydon

Source: South London Business; Company websites; Croydon's major employer database

Office rents

Low-cost office rents remain a key advantage of Croydon and are an important consideration for businesses in need of large offices

Stakeholder interviews indicate that levels of office rents is one of two location advantages that continue to attract businesses to Croydon and help retain existing businesses. Low-cost office space was mentioned frequently in our interviews with public sector managers and private sector employers. It was highlighted as a particular advantage for businesses in need of large offices and those looking to grow their business. Low-cost office rents were also a key factor in retaining businesses that had considered leaving Croydon, with landlords enticing businesses to stay by offering even more competitive deals.⁵⁷

There is a large quantity of office stock in Croydon, but it is of variable quality

Croydon has the fourth largest office stock in the whole of London and is a comparatively cheap location. However, cheap rents are a reflection of the age and quality of the stock as well as Croydon's outer London location.⁵⁸

Office stock quality is an issue that was raised by several companies who noted that much of the office stock needs redevelopment. "Office buildings are tired, run-down and have not been redeveloped since the 1960s"⁵⁹ Some interviewees have found buildings to have inadequate electricity or information and communications technology infrastructure for a modern office environment. Others mentioned offices were unsuitable for modern open plan office working.

This creates a vicious circle. Companies considering locating in Croydon cannot find suitable premises and often do not want to wait for them to be built, while investors do not invest in Croydon or improving its stock, because rents are already low. This also means that new inward investors continue to see Croydon as a back office location with good transport links, rather than a high quality location.⁶⁰

How sustainable is Croydon's advantage as a cheap office location?

The low cost of office space is one of Croydon's key location advantages, but competing on a cost only basis presents a risky strategy for the borough.

- **Demand for low cost, back office space in Britain is limited:** Back office functions are increasingly being moved offshore to places that have an international cost advantage. Croydon is unlikely to be able to compete with these locations based on cost.
- **Despite its cheap office rents, Croydon is not overall a low cost location:** Accommodation costs are an important consideration to businesses but represent a significantly smaller proportion of businesses' costs than wages. Croydon's excellent transport links and integration with the London labour market means that wages are comparatively high.
- **For businesses looking to locate in London or the wider South East, other locations currently offer better quality at similar or even cheaper prices – although many are slightly less accessible than Croydon:**
 - There are better quality locations to the South of the borough which are also affordable and in new developments such as in Stratford.
 - The recent recession has meant that there has been downward pressure on rents in the West End, the City and East London, making these areas more competitive.⁶¹

Offering very cheap rents to retain businesses is therefore not a sustainable long term strategy.

58. Stakeholder interviews

59. Stakeholder interviews

60. Note that this is despite the fact that the majority of Croydon's major employers have their HQs in Croydon.

61. Stakeholder interviews

Box 4: How sustainable is Croydon's advantage as a cheap office location?

Transport links to central London and the South East

Transport links are Croydon's biggest location asset

Transport links represent Croydon's strongest location advantage and are of key importance to Croydon's businesses. Most respondents mentioned

Croydon's excellent rail links with central London⁶² as one of the key reasons for being located in Croydon. This is not surprising, considering that most of the customers of the businesses interviewed were located in London.

Others also found links with the South East important for their businesses or for the recruitment of highly-skilled staff, which were often said to be recruited from Kent, neighbouring south London boroughs or the Brighton area. The fact that several businesses interviewed had located in Croydon to cater for both the market in the capital and the south coast illustrates that the town is a hub location that enables businesses to serve both London and the South East.

While train links were identified as the key benefit, local tram and bus networks were also mentioned by some respondents as well as access to the M25. As one interviewee highlighted, the only other south London location with comparable transport connectivity is Clapham Junction. However, the areas around Clapham Junction do not offer much office space.⁶³

Transport links are not only key in retaining existing businesses; they have also helped Croydon attract new businesses to the town. For example, local press reported transport links as the main reason behind Zurich's recent re-location to Croydon.⁶⁴ Several businesses argued in very strong terms that transport was the most important reason for locating in Croydon: *"Transport links are the only advantage Croydon retains: if they deteriorate Croydon will go downhill, and there is no reason for us to remain here."*⁶⁵

Wakefield's Central Area Action Plan

Wakefield, in the Leeds City Region, is similarly well connected to Leeds by train as Croydon is to London. Due to this, it plays a dual role as a residential location for those working in Leeds (14.2 percent of Wakefield's residents commuted to Leeds in 2004) and a regional employment centre.⁶⁶ The public sector is a major employer locally, as are back office and call centre activities, for example within the financial services sector. Its office stock is of similar age and quality to that of Croydon.

Wakefield's Central Area Action Plan positions the city within this context and sets out a number of policies to help the city benefit more from growth in neighbouring Leeds. This includes: restricting office-based development to Wakefield's city centre and concentrating it alongside Wakefield's main transportation links; improving Wakefield's urban realm by reducing the dominance of major roads, pedestrianisation and creating cycle lanes; providing good quality homes for young professionals working in Leeds.⁶⁷

Transport links could be promoted better to externals

Transport links are Croydon's most important location advantage. But external stakeholders do not always recognise Croydon's transport strengths. As a town centre in its own right, and perhaps because both East and West Croydon stations are in travel card zone four, Croydon is often perceived as a long way away from London. Many interviewees who had moved to Croydon to take up employment there were surprised about how quickly you can get

62. Trains from East Croydon station to London Bridge or Victoria are under 20 minutes.

63. Stakeholder interviews

64. www.epsomguardian.co.uk/news/business/business_news/8403778.Zurich_move_sees_140_employees_leave_Sutton_for_Croydon/

65. Stakeholder interviews

66. Centre for Cities, The Work Foundation and SURF (2009) *City Relationships: Economic Linkages in Northern city regions. Leeds City Region. Newcastle: The Northern Way.*

Box 5: Wakefield's Central Area Action Plan

67. For more information, please see: Wakefield Metropolitan District Council (2009) *Wakefield Central Area Action Plan*

from Croydon to central London.⁶⁸ This suggests that more could be done to promote Croydon's transport links externally, especially if new businesses are to be successfully attracted to Croydon.

Some short-term improvements are possible

Interviews also highlighted some local transport issues that could be improved. This includes traffic congestion, poorly managed roadworks, insufficient or unsafe parking and inadequate signage and way-finding. These issues exert a cost on local business and were identified by respondents in both central Croydon and Purley Way.⁶⁹

Retail and amenities

While not a primary location driver, Croydon's retail offer is a positive

While not identified as one of the key reasons to locate in Croydon, Croydon's retail offer and amenities are still seen as an important location advantage.⁷⁰ As one interviewee put it: "Croydon has very good shopping centres – in the town centre you can buy just about anything you would want".

68. Stakeholder interviews

69. Stakeholder interviews

70. Stakeholder interviews

71. Greater London Authority (2009) London Town Centre Health Check Analysis Report

72. CACI (2010) Retail Footprint

73. Stakeholder interviews

74. Stakeholder interviews

75. Stakeholder interviews



Photo: Eric Hands

Croydon has a large number of leisure facilities, with the highest number of restaurants and cafes, fast food and takeaways, and pubs, bars and nightlife of any London Metropolitan Town Centre.⁷¹ In the CACI⁷² ranking of top GB retail centres Croydon is in 29th place with approximately £770m of expenditure. Reflecting this, respondents felt that Croydon's retail offer and amenities are superior to many alternative locations, in particular other outer London business parks. They stressed Croydon's good retail and hospitality offer "for lunch or a quick drink after work".⁷³

The quality of other amenities could be improved

However, at the same time respondents highlighted a lack of quality restaurants to go to after work or take clients to – "it is generally not a very good place for meeting people".⁷⁴ The night-time offer is also regarded as very local in Croydon, "you wouldn't travel to Croydon for the nightlife the way you might travel to Clapham for example".⁷⁵ Retail and amenities again highlight the dual role Croydon plays. For an outer London location, Croydon tends to have very good retail and amenities, but its offer is not comparable with the quality of offer in central London, particularly for meeting clients and business partners.

Does Croydon offer agglomeration advantages?

Despite specialisations, businesses do not benefit from agglomeration advantages

Croydon specialises in a number of industries that research suggests can benefit from agglomeration, including insurance; consultancy; IT services; and public administration.⁷⁶ However, interviews suggest that firms within these sectors co-locate in Croydon rather than form 'business clusters'. Within the engineering consultancy sector, for example, a number of firms are based in and around Croydon, including Mott MacDonald, White Young Green, TPS, WT Partnership, AECOM and Atkins.

But interviews with firms in the sector suggest they neither recruit from the same pool of labour nor collaborate or exchange information. The same applies to Croydon's insurance companies. Although we did not identify 'traditional' agglomeration advantages for firms within these sectors it is worth noting that critical mass in these sectors does improve Croydon's overall ability to attract new firms. Inward investors are often risk-averse and prefer to invest nearby other major employers.

Similarly, linkages between the public and private sector are limited

Stakeholder interviews with employers in the public and private sector indicate that both sectors work relatively independently of each other. In some instances, employees have been switching jobs between the public and the private sector, but this was usually due to the nature of the business concerned rather than specific to Croydon as a location. There is a perception by some private sector businesses that public sector staff would not be willing to give up the higher rates of pay and benefits in the public sector to move to the private sector.

Given that there is likely to be a significant reduction in public sector jobs over the next four years, linkages between the public and private sector may become increasingly important, particularly in terms of recruitment. This is something that we would expect to happen naturally, without need for the Council to intervene.

Box 6: Does Croydon offer agglomeration advantages?

76. These sectors all have positive and significant 'agglomeration coefficients', meaning they were proven to benefit from dense urban environments. For further information on the link between agglomeration and industry, see: Graham D (2006) Investigating the link between productivity and agglomeration for UK industries. London: Centre for Transport Studies

Policy recommendations

To encourage new businesses to locate in Croydon, the Council needs to ensure that it maintains the key factors that attract businesses to the area:

- **In the short term** it should exploit its transport links by better marketing them to draw in new firms, investors and regional consumers. This could be done by working with local businesses to integrate travel times into their marketing to avoid the cost of running separate ads on the tube or rail services.⁷⁷ In addition, Croydon Council should work with utility companies and Transport for London to better manage road works to minimise their impact on traffic flows. The Council should also improve signage and way-finding to encourage visitors and new businesses into the town.

77. For example PC World currently has large advertisements in central London tube stations mentioning its Croydon superstore. Adding 'Croydon – only 15 minutes from central London' to such ads would reach a wide audience and help address perceptions of Croydon's distance to London.

- **In the medium term** Croydon Council should continue to work with Transport for London (TfL) to include Croydon Tramlink in its map of tube services and it should also work with Transport for London and local rail operators to re-assess Croydon's travel card zone.⁷⁸
- **Over the medium to longer term** Croydon Council should work with local landlords to improve the quality of the town's restaurant and night-life offer and to increase the number of higher quality facilities in Croydon that could be used for meetings with clients and business partners.

78. For example Tulse Hill is 17 minutes from London Bridge station and is in Zone 3, while East Croydon station is only 15 minutes from London Bridge station, but is within Zone 5.

79. Stakeholder interviews

What are the challenges to Croydon becoming more attractive to businesses?

Local employers highlighted three main areas where they think improvements can be made: Croydon's branding and positioning; its built environment; and crime and safety. This section summarises why local stakeholders think addressing these issues could help Croydon become a more attractive business location.

Branding and positioning

One of the greatest challenges that stakeholders argued Croydon faces is its image. This includes issues around the way the borough looks, feelings of safety and the Croydon 'brand'. *"The town centre isn't particularly attractive and there are image issues. There are certain places you don't want to go to at certain times of the day"*.⁷⁹

Derby's Bondholder Scheme

Derby Bondholders are companies and organisations who contribute towards raising the city's profile. Bondholders provide funding to Marketing Derby to promote the city to developers, investors, retailers and the public sector. In return for their support, bondholders receive benefits such as Bondholder Breakfasts and other networking events, as well as media coverage in newspapers and via the e-Newsletter. The amount of funding businesses contribute varies depending on their number of employees. Since its launch in 2006, the scheme now has more than 100 businesses on board, ranging from large, global brands to small and medium sized enterprises.⁸⁰

While Croydon is already working with the private sector through organisations such as the Croydon Business Improvement District, a bondholder scheme could provide funding and engagement to support the marketing of Croydon.

Box 7: Derby's Bondholder scheme

80. See: www.marketingderby.co.uk/bondholders/about-the-bondholder-scheme

Croydon needs to define its role and its unique selling points

Related to Croydon's image is its role in the London and wider South East economy. Some interviewees commented that they are unclear what Croydon's role is and whether it is a part of London, a 'third city', or an outer town centre. *"Croydon is in London, but it doesn't feel like London"*.⁸¹

81. Stakeholder interviews

This was further complicated for some respondents by Croydon's pursuit of city status and its likely inclusion in both the London-wide and Coast to Capital Local Enterprise Partnerships. Croydon plays a dual role and the Council's inward investment team needs to be clearer about this role. Communicating the benefits of this will be key when developing Croydon's brand, working with local businesses and through the use of forums such as Develop Croydon.

Public realm

Croydon Council needs to make Croydon a more pleasant place to live and work

Public realm is regarded as Croydon's single biggest challenge. Almost every single interviewee stated that the public realm in Croydon is not very attractive. With little redevelopment since the 1960s and 1970s, it was commented that, "many parts of Croydon are looking tired and run-down".⁸²

- Interviewees highlighted that the town's design was unfriendly for pedestrians and cyclists, with subways feeling unsafe at night and main roads cutting the town centre into two parts.
- As the main entry point into the town, East Croydon station, with its "dated tower blocks"⁸³ and the vacant Croydon Gateway site was not seen to provide the best first impressions. Insufficient way-finding added to this.
- Interviewees also mentioned that empty buildings and boarded up shop-fronts added to the feeling of Croydon "not being a nice place".⁸⁴

Croydon Council is addressing these concerns through its masterplans...

Croydon Council is aware of these issues and public realm is one of several issues being addressed through Croydon's five long-term masterplans (see Box 8). In addition, public realm improvements are already being pursued by Croydon BID, Croydon's Business Improvements District.

Interviewees were generally supportive of the masterplans. Redevelopment in line with the East Croydon masterplan was highlighted by many interviewees as key to improving perceptions of Croydon: "First impressions are important so improving the presentation of Croydon at a key arrival point is valuable."⁸⁵

Croydon's masterplans

Croydon has five masterplans that set out plans over the next 15 years to regenerate Croydon through improved public realm, new office stock and residential accommodation. The Opportunity Area Planning Framework that will be completed later this year aims to draw these masterplans together. The masterplans include:

- Significant new investment in Grade A commercial office space.
- Public realm improvements that enhance the quality of place and allow better movements through increased pedestrianisation.
- Increased residential accommodation in the centre of Croydon to "bring life into the city centre".
- There is also an intention to build medium density housing to attract families.

82. Stakeholder interviews

83. Stakeholder interviews

84. Stakeholder interviews

85. Stakeholder interviews

Box 8: Croydon's masterplans

Source: www.croydon.gov.uk/planningandregeneration/regeneration-vision-croydon/focusonplaces/cmc

...but there is a lack of confidence in the masterplans being implemented

While the execution of these plans would provide a dramatic improvement for Croydon, the benefits of the masterplans will take time to materialise. In addition, several interviewees were unconvinced that the plans would be delivered or were unclear of what was involved. Stakeholders suggested this lack of confidence reflected lack of delivery of masterplans over the past 20 to 30 years. For example, one stakeholder mentioned that a sign at the Croydon Gateway site has been claiming that 'Croydon is changing today' for the past four years.⁸⁶

This highlights the importance of the Council being seen as proactive and achieving change in the short and medium term, alongside planning for long term change. Nearly all stakeholders agreed that Croydon's long term plans will only be viable if short term improvements are being made.

A large stock of vacant offices does not make the job of changing Croydon's urban realm any easier over the short term

A large percentage of Croydon's office stock is vacant. Existing estimates of vacancy rates range from 30 percent for Croydon's central business district to 12 percent for a slightly wider area.⁸⁷ While some of this will be cyclical, it will be a difficult task to reduce vacancy rates over the short term. In the current economic environment, interviews suggest that businesses are looking to use their office space more efficiently rather than expanding⁸⁸ and this may lead to less demand for existing, never mind additional, office space.

An above average stock of vacant properties does not only impact on the quality of Croydon's public realm. It also makes the implementation of the Council's longer term masterplans more difficult, which include a substantial amount of new-build grade A office space but relatively little demolition.

86. Stakeholder interviews

87. Our discussions with interviewees have shown alternative methodologies for measuring vacancy rates that have resulted in relatively different figures for Croydon. However, both measures suggest above average vacancy rates in Croydon.

88. Stakeholder interviews

Vacancy rate	Vacant stock sqm	Additional personnel needed to reach 10% vacancy rate (as a % of 2008 employment)			
		4.6 person/sqm		8 person/sqm	
10%	74,900	0		0	
12%	89,880	3,260	2.5%	1,870	1.4%
14%	104,860	6,510	5.0%	3,750	2.9%
16%	119,840	9,770	7.5%	5,620	4.3%
18%	134,820	13,030	10.0%	7,490	5.7%
20%	149,800	16,280	12.5%	9,360	7.2%
22%	164,780	19,540	15.0%	11,240	8.6%
24%	179,760	22,800	17.5%	13,110	10.0%
26%	194,740	26,050	20.0%	14,980	11.5%
28%	209,720	29,310	22.5%	16,850	12.9%
30%	224,700	32,570	25.0%	18,730	14.3%

Table 6: Jobs needed to fill vacant office space (2008)

Source: NOMIS (2010), Annual business inquiry, workplace analysis, 2008 data. Office Stock from GAVURIN, 2008 data. Minimum space requirement information from the Transport Salaried Staffs' Association's Health and Safety guidelines.

Note: A 10 percent vacancy rate is set as a reasonable goal, as the English and South East average (2004) is 9 percent. A range of vacancy rates shows the number of jobs which must be added to Croydon's employment depending on the vacancy rate at a given point in time to reach the 10 percent goal. 4.6 sqm / person is the minimum requirement according to the fire code, but most offices have much more space than just the minimum per person (i.e. kitchen, meeting rooms, lobby, etc). 8 sqm / person accounts for such extra office space.

In such a market, property developers only commit to building pre-let properties. In addition, Croydon's relatively low rents can make it difficult for business cases to stack up for new investments and low rents mean there is little incentive for developers to invest in improving the existing office stock.

Table 6 illustrates this further. It shows how many additional jobs Croydon as a borough would need to reduce its vacancy rate of office stock to 10 percent, the English and South East average, from different starting positions. For example, to reduce its vacancy rate from 12 to 10 percent, Croydon would need to create an additional 1.4 to 2.5 percent of employment. Considering public sector job cuts and Croydon's track record in creating private sector jobs this seems unlikely, meaning Croydon's vacancy rate is structural rather than cyclical. Croydon's oversupply of office space is something that Croydon Council needs to address.

Some things can be done over the short term

Reducing vacancy rates is therefore a longer term aim, but there are things that can be done in the short term. When asked what would make a difference immediately firms suggested a variety of short-term improvements, including:⁹¹

- painting old concrete buildings
- opening up vacant sites to farmers markets
- art on boarded up buildings
- opening up empty ground floor offices and re-using them as coffee places or business networking lounges.

Such low cost immediate actions could potentially be pursued through the Government's Work Programme, providing the added benefit of helping residents out of work back into employment.⁹² Box 9 sets out what cities elsewhere have done and Box 10 sets out how much these initiatives might cost.

Examples of approaches undertaken in other areas

Bellenden Renewal Area in Southwark

To improve the streetscape in its 'Bellenden Renewal Area', Southwark Council fostered an innovative community-based approach. Here local residents and businesses were invited to submit their ideas for the regeneration of the locality. As a result, new paving, lighting columns and billboards were developed by local renowned artists such as Anthony Gormley. The approach transformed the streetscape, fostered a strong sense of place and encouraged investment in the locality.⁸⁹

Public realm improvements in Sheffield

In the late 1990s Sheffield's urban regeneration company drew up a masterplan for the city's centre, which helped radically transform the area around Sheffield station. Key elements of the masterplan included: the creation of a network of public spaces between the station and the city centre through demolition of several buildings; the establishment of several 'super crossings' replacing subways under main roads; and the division of the city centre into different zones with varying levels of cleanliness.⁹⁰

Box 9: Examples of approaches undertaken in other areas

^{89.} Office of the Deputy Prime Minister (2005) The Deputy Prime Minister's Award for Sustainable Communities 2004
^{90.} Green Places (Winter 2007) The Green Route

How much could be achieved with £5k?

Considering the financial constraints on Croydon council's budgets, the cost of short term initiatives will be an important consideration. To give an indication of the cost of some of the suggested initiatives, we estimate that for £5,000 it would be possible to do one of the following:

- Install and maintain 42 hanging flower baskets;⁹¹
- Work with a tree planting charity to organise community tree planting events and ongoing tree maintenance;⁹²
- Install 250 new street signs to improve way-finding;⁹³
- Paint 33 dedicated female parking spaces to improve safety in carparks;⁹⁴
- Paint one concrete building with a height of 50m;⁹⁵
- Support one year of alternative use for a vacant space; or⁹⁶
- Purchase and install three “shopjackets” to improve the image of empty shop fronts and provide an alternative to boarding up store fronts.⁹⁷

Box 10: How much could be achieved with £5k?

91. Gainsborough BID (2010) Gainsborough BID projects: Your guide to Gainsborough BID Project
92. Trees for Cities www.treesforcities.org/
93. Somerset County Council (2011) Road traffic signs: how much does it cost?
94. and 95. Own calculations based on cost of paint from B&Q and labour
96. East of England Development Agency (2010) Empty Shops and Premises: Researching the baseline
97. www.shopjacket.co.uk/

Policy Recommendations

To make Croydon more attractive to inward investment and residents, and improve Croydon's image, Croydon Council should improve Croydon's urban realm and address Croydon's vacancy problem.

- **In the short term** Croydon Council should work with South London Business and local property agents to do a stock-take of Croydon's town centre office stock.⁹⁸ The Council should also work with stakeholders such as Croydon BID, Croydon Chambers of Commerce and local landlords on a variety of small scale, low cost improvements, including: planting trees and flowers, hosting markets in vacant lots, painting buildings, opening up vacant ground floor offices as temporary coffee shops or business networking facilities. Croydon Council should consider utilising the Work Programme for the implementation of some of these.
- **In the medium term** Croydon Council should work with office space providers such as Workspace and agencies such as UKTI and ThinkLondon⁹⁹ to develop a strategy for Croydon's existing office space. This could include converting larger offices into smaller units, for which there is greater demand; changing the use of un-used offices and converting them into apartments or hotels;¹⁰⁰ marketing existing large offices to businesses that are restructuring or looking to consolidate; but also demolishing existing buildings that are 'beyond hope'.
- **Over the medium to long term** the Council should adopt a flexible approach to providing office space, including making key sites available for use where there is demand for new office space.

98. Stakeholder interviews

99. This strategy should be pursued in parallel with improving Croydon's resident skills, e.g. through the planned multiversity on College Green.

100. South London Business already has an online database of vacant stock that is being marketed on which such as stock-take could build.

Crime

Crime levels are perceived to be high

Perceptions of high levels of crime have had a detrimental impact on Croydon’s image, particularly since high levels of crime were experienced in the past. Crime is an issue that was brought up by many of the interviewees. Respondents commented that they “would not like to walk around on my own at night” and that “around West Croydon station is an unsafe area to be”.¹⁰³ Fear of crime and personal safety issues were identified by a number of respondents as disadvantages of locating in Croydon and are caused by insufficient lighting, road underpasses or a lack of CCTV in car parks.

Crime is only above average in three sub-wards

Perceptions of crime reflect reality for three sub-wards within the centre of Croydon where crime rates were above average or high in October 2010, particularly with regards to violence against the person and business robbery. This includes the sub-ward covering Wandle Park, the Centrale shopping centre and George Street station (high crime rate); and the sub-wards that cover the area around East and West Croydon station and Norwood junction (above average crime rate).

101. ThinkLondon is currently merging with VisitLondon and StudyLondon and will be called London and Partners from April onwards.

102. Note: Converting offices into other uses is something that is already being done in Croydon.

103. Stakeholder interviews

104. All of the crime rate data in this section comes from: <http://maps.met.police.uk/>

1. Kensington & Chelsea
2. Hammersmith & Fulham
3. Westminster
4. City of London

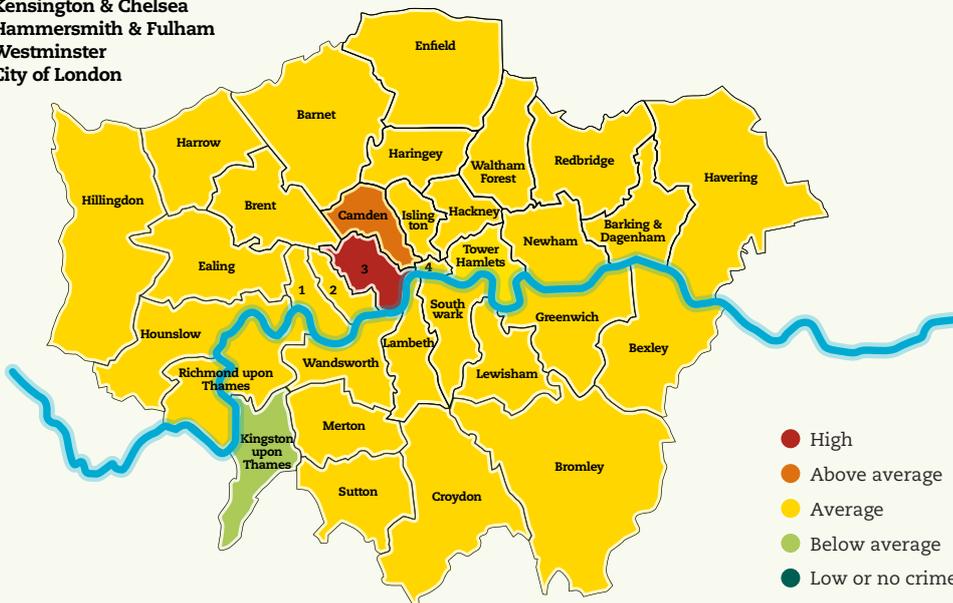


Figure 13: Crime in London (2010)

Source: Total Notifiable Offences, October 2010 <http://maps.met.police.uk/>

Crime rates in the borough as a whole are average

But the same data also shows that Croydon as a whole does not have a crime rate significantly higher than the London average (see Figure 13). Crime levels in Croydon in October 2010 (8.70 crime incidents per 1,000 population) were slightly higher than in neighbouring boroughs (5.76 in Sutton and 6.39 in Bromley), but below other outer London town centres, such as Greenwich (9.35), Ealing (10.02) or Brent (9.52) and considerably below those in central London boroughs such as Westminster (28.95).¹⁰⁴

Why public realm and perceptions of crime matter

Whether perceptions about crime reflect reality or not they can still impact on Croydon's economy. Our interviews with local stakeholders suggest that public realm and perceptions of crime resulted in the following:

- Several investors decided against Croydon as a location due to its unattractive public realm and reputation for being unsafe.
- Phillips left West Croydon in 2004 because, amongst other reasons, its staff felt unsafe walking to the station late at night. This led to a loss of 500 jobs.
- A few firms competing with central London for labour reported that they are struggling to attract high quality staff.¹⁰⁵

Over the past years, Croydon has made progress in reducing crime through initiatives such as 'Operation Stay Safe', which was piloted in the area three years ago and for which the Council was awarded beacon status,¹⁰⁶ and the work of Croydon BID. However, our research suggests that reducing crime rates even further as well as addressing perceptions of crime need to remain key priorities for the future. Box 11 gives an example of how Sunderland has addressed this.

105. This information comes from our 34 stakeholder interviews

106. Best Practice (February 2010) Street Fight Winners

Sunderland's Safer Sunderland Partnership

Sunderland is one of the safest northern cities and the Safer Sunderland Partnership has contributed to this significantly. But the partnership has not only successfully reduced crime levels; it has also improved residents' feelings of safety. This was achieved through innovative use of media and engagement with local people. For example, feedback postcards were used to inform local residents about crime levels, crime prevention advice and reassurance messages were played in local supermarkets through the Safer Sunderland Partnership Television and home security was improved for people at risk.

Box 11: Sunderland's Safer Sunderland Partnership

Source: Safer Sunderland Partnership (2011) Key achievements from 2006-2010

Policy recommendations

To help make Croydon a better place to do business, businesses and their employees need to feel safe. Making Croydon a safer place to be and a place that is perceived as safe should therefore be a key priority for Croydon Council.

- **In the short term** this could be done by working with National Car Parks (NCP) to consider the possibility of female parking spaces and more CCTV in town centre car parks to improve security and safety. Another measure to highlight progress on reducing crime, increase transparency and counter external perceptions of crime would be to regularly publish Croydon's crime statistics in the news.
- **In the medium term** the Council should work with the Metropolitan Police to continue providing a strong police presence within the town centre at night and continue implementing Operation Staysafe. The Council should also continue to work with Croydon BID on improving street lighting within the town centre, to help improve feelings of safety at night and reduce crime.

Business retention

Businesses relocating out of Croydon have a significant impact

Employment in Croydon is dominated by a number of very large firms,¹⁰⁷ so if one or more of these decides to relocate it can have a significant impact on employment in the area and the success of the local economy (especially knock-on impacts on retail and hospitality). Exiting firms can have a detrimental impact on Croydon's image, making it more difficult to attract new businesses in the future. Vacant space reinforces negative perceptions and quality of place issues. With interviews suggesting several major employers are considering relocating out of the borough, retaining existing businesses is an important strategy that needs to be pursued and should be prioritised.

107. ONS 2011, Annual Business Inquiry, workplace analysis, 2008 data

Why are businesses leaving Croydon?

Some business relocation is natural, especially in former back-office locations

Some degree of business relocation over time is natural, so it is not unusual that some businesses may be moving out of Croydon, especially considering its history as a back-office location. From the discussions that have been undertaken with local firms, many businesses feel positive about Croydon as a business location. Those looking to relocate tend to do so for a variety of factors, ranging from strategic business decisions (often made in headquarters located elsewhere) to very specific factors, such as buildings becoming unavailable for office use.

But there are several risks specific to Croydon with regards to business retention

While Croydon Council has little influence over some of these decisions, there are other reasons why businesses are leaving Croydon that can be influenced by the Council. Addressing these will help not only retain existing businesses, but it will also make Croydon more attractive to inward investors. Table 7 categorises risks to business retention and inward investment into risks Croydon Council can influence and those it cannot. As the table highlights, the Council has a considerable influence over business retention, with the majority of risks either being addressable by the Council or by the Council working with its partners.

Risks the Council cannot influence

- Historic location factors that do not apply any more
- A lack of 'embeddedness' (i.e. little local supply chains) of firms in the local economy
- Strategic decisions made in HQs elsewhere

Risks the Council can influence

- Quality of office stock (low price currently offsets this partly, but this is not a long term strategy)
- Strategic decisions made by HQs within Croydon (most major employers are headquartered in Croydon)
- Crime and perceptions
- Urban realm improvements
- Image and marketing
- Deterioration of transport links

Table 7: Risks to business retention and inward investment

Source: Stakeholder interviews, own representation

Business engagement will be key in helping retain businesses

Engagement with businesses will be key in increasing business retention and also in securing future business investment into Croydon. This will help the Council identify those businesses at risk of leaving and also, as time passes, re-assess priorities around business needs. The Local Enterprise Partnerships that Croydon is involved in provide a good vehicle for this. Box 12 highlights an example of successful business engagement elsewhere.

Northamptonshire's Employer Engagement Group

Northamptonshire's County Employer Engagement Group (CEEG) engages with employers and feeds into the East Midlands Regional Skills Partnership. Employers are drawn from four priority sectors – construction, health and social care, engineering and manufacturing and logistics.

Within CEEG communication was essential – using business not policy language and translating policies into implications for individual members. To derive maximum benefit, meetings had to be well structured and focused on decision making. This meant that the group needed to be clear on the expected contribution of businesses.

Businesses were keen to be heard and use their skills to make a difference. However, whilst some felt their voices had been heard, others did not. Some businesses also found it challenging to articulate their message amongst a set of firms with varying concerns and agendas. Both these points demonstrate the need for feedback and a strong link to the decision making process.

Box 12: Northamptonshire's Employer Engagement Group

Source: Sector Skills Development Agency (2008) Employer Engagement Research Report 29

Policy Recommendations

To halt and reverse any further decline in Croydon's employment in the private sector, Croydon Council needs to increase its business retention. Addressing issues such as crime and quality of office space will be key to this, but effective business engagement and account management will also play a role.

- **In the short term** Croydon Council should continue to use South London Business and Croydon's Chamber of Commerce to identify businesses at risk of leaving and work with them to identify how they might be persuaded to stay.
- **In the medium term** Croydon Council should build up its own account management system, with dedicated account managers regularly catching up with major employers in addition to its current policy of speaking at business events. This will help the Council strengthen its business links. It will also help the Council identify employers at risk of leaving and facilitate working with them to retain them. For the 87 percent of businesses that are small or medium size, Croydon should then continue to work with the local Chamber and South London Business to design an effective joint account management system.

5. Conclusions and recommendations

Croydon is located strategically between London and the south coast and plays a dual role within these two economies. It is both a residential location for London employees and a business centre within the wider South East, with close links to the Gatwick Diamond. This dual role is reflected in Croydon's potential involvement in both a London wide Local Enterprise Partnership and the recently formed Coast to Capital Local Enterprise Partnership.

Croydon has two main employment centres, the town centre and Purley Way, which both complement each other. While the borough's economy as a whole is diverse, most of its employment growth over the past decade has come from the public sector. This means that the town is now vulnerable to the coming cuts in public spending. While civil service relocations could potentially stabilise employment levels in the public sector they are unlikely to compensate for forecast job losses within the sector.

Employers value Croydon as a location due to its low cost and large office space offer; its excellent transport links to London and the south coast; and its retail amenities. They highlight public realm, crime and Croydon's image as issues that could be improved.

Strategies to grow and retain Croydon's office based jobs need to build on Croydon's dual role and an understanding of the growth potential of the town and its key assets.

There are three main priorities for Croydon Council:

- Working with partners such as Develop Croydon, UKTI and ThinkLondon to develop a clear identity for the borough based on its dual role within London and the South East and its key strengths, and to market it accordingly;
- Strengthening Croydon's private sector economy by reducing barriers to growth in Croydon's two main employment centres, the town centre and, in particular, along the Purley Way; and
- Pursuing a number of short term and low cost improvements with regards to public realm; crime and perceptions of crime; and Croydon's office stock to make Croydon a more attractive place to do business and live, as well as to pave the way for the Council's longer term plans.

Strategies to grow and retain Croydon's office based jobs need to build on Croydon's dual role and an understanding of the growth potential of the town

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