

**Urban Development, Small Business Communities, and the Entrepreneurialisation of English Local Government**

**Abstract**

The paper draws on in-depth research on the impacts of urban regeneration programmes on small business communities in Haringey, London. It uses the Haringey case to document and describe the rolling-out of more entrepreneurial forms of delivery-based urban policy and planning. It explores the relationships between: austerity and local government finance; recent reforms to the planning system and the implementation of delivery-based, housing-focused urban regeneration programmes; and the types of urban built environments that are now emerging in cities. The discussion uses the example of small business communities to assess the impacts that contemporary planning interventions have on the form and character of urban economic development. It concludes by highlighting some of the broader implications for the planning of diverse cities and outlines future directions for research and analysis.

## Introduction

There is a growing academic and policy consensus that England's cities face a supply-side 'housing crisis'. For some, including central government, the problem lies with the traditional planning system and the restrictions it places on the supply of land for residential properties (Ball, 2010; HM Treasury, 2015). In order to tackle this problem policy reforms have sought to introduce new forms of *entrepreneurial* statecraft with local authorities required to find innovative ways to generate finance to become 'self-sustaining' in the wake of austerity cuts of over £18 billion since 2010 (Neville and Gainsbury, 2015). Many are using their land and assets to de-risk urban sites and open up opportunities for private investors and developers to both build more housing units and raise income and contributions through planning gain agreements, that can then be used to fund social and welfare commitments. Delivery-based, pro-development planning is thus seen as the primary vehicle through which they will be able to fill their budgetary gaps. Policy is gradually being re-shaped in ways that privilege the profitability of projects for investors, developers, and speculators.

The impacts of these processes on urban residents and their difficulties in accessing affordable housing, whilst facing the prospect of relocation, have been well documented (see Fields and Uffer, 2016; Penny, 2016). However, within this context much less attention has been given to the ways in which planning and development reforms impact on the diversity of land-uses for economic activities in cities and small and medium sized enterprises (SMEs) in particular. The policy emphasis on entrepreneurialism and housing is skewing narratives and interventions towards the mass construction of residential units, often at the expense of sites for the creation and expansion of SMEs (see Ferm, 2016). Even within the literature on SME competitiveness, the focus is often on issues such as the difficulties firms face in accessing finance and/or their lack of expert knowledge, with little mention of the role of spatial planning in guaranteeing appropriate premises (see Nightingale and Coad, 2014; Storey, 2011). The wider significance of the loss of sites for the competitiveness of the UK economy and its cities is significant, yet under-acknowledged. SMEs constitute 99% of the UK's 5.5 million registered firms (*The Economist*, 2016). Many face challenges in expanding. In 2015 four million SMEs were sole-trading companies and only 11,575 firms in England qualified as 'high-growth companies', that is, firms that grow by at least 20% over 3 years. Moreover, 'fewer than 4% of start-ups have ten or more employees after their first decade' (p.2). Restricting opportunities for SME development and expansion thus constrains the potential for place-based economic growth. Paradoxically, it is in urban areas in which these processes are amplified most as property markets are most buoyant and austerity cuts to local government budgets have been deepest.

Drawing on research in the London Borough of Haringey, we examine and assess both the development strategies that local authorities are adopting, and the impacts this is having on the longer-term sustainability and competitiveness of SMEs in areas scheduled for 'regeneration'. The paper examines the mobilisation of more entrepreneurial planning discourses and agendas in Haringey and their direct impacts on local built environments and SME communities. After reviewing some of the key literatures on local government, austerity, and the impacts of urban projects on SMEs, the paper turns to the detailed case study. It begins by analysing Haringey Council's current regeneration plans and documents and describes the shift towards the prioritisation of residential property development as both the means and the ends of local

regeneration projects. It then turns to in-depth evidence taken from interviews with SMEs within regeneration areas and examines the impacts of development on the short-term competitiveness of existing firms and their longer-term sustainability. It demonstrates some of the difficulties that they are facing in maintaining their survival and their increasingly limited options for (re)location in the wake of change. In a final section, we turn to the example of one specific area, named Wards Corner, that encapsulates and exemplifies the fundamental impacts of regeneration on the diversity of local businesses and the residents and communities that they serve. Wards Corner possesses a unique combination of Latin American retail and service firms that serve a sizeable ethnic population. It is also, however, in a strategically significant location that has been targeted with a major property-led regeneration project, that will help the local authority meet its wider targets for new residential units and the ‘upgrading’ of commercial activities. We conclude with a discussion of the impacts of property-led regeneration on SMEs and argue for a greater focus on the impacts of financialisation and viability modes of planning on the evolution and character of contemporary cities.

### **The Financialisation of Local Government and the Rise of Viability Planning**

English local government is undergoing a shift towards more entrepreneurial forms of planning policy as its finances are squeezed and its powers to limit market demands are curtailed. The changes are so profound that authorities no longer fulfil their traditional post-war role of acting as local providers of national welfare programmes, dependent on the re-distribution of centrally allocated funds (see Cochrane, 1993). In its place, local actors are being converted into spearheads for a wider governmental programme that prioritises the delivery of housing and economic growth in England’s cities and regions (see Plinder, 2017). As the DCLG (2016: p.7) states by 2020 ‘*local government will retain 100% of taxes raised locally....The system will have stronger incentives to boost growth, and areas that take bold decisions to boost growth will see the benefits*’ (p.7). The situation is reinforced by a further shift in the planning system towards *viability-based* arrangements and the opportunities these offer to local authorities to raise much needed revenue (see Colenutt et al., 2015). The policy rationale is encapsulated in a statement published in 2012 under the *National Planning Policy Framework* (NPPF) that represents one of the most radical reformulations of planning principles since the Town and Country Planning Act 1947: ‘*pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable*’ (Paragraph 173). Good planning is elided with expedited decision-making that will ensure that ‘pre-commencement planning conditions are only imposed by local planning authorities where they are absolutely necessary’ (Smith, 2016: p.11). Local planners are told that they must contribute to what central government terms a ‘national crusade’ to build thousands of new homes (see Forrest and Hirayama, 2015). At the local level, this has the effect of prioritising *economic* assessments and values over broader public policy objectives and re-defining the public interest as one based on growth and rising market values. It is a process that has fuelled mass speculative and high-yield based investment into property, much of which originates from a changing international investment landscape (see Moreno, 2014).

The shift towards viability-based planning represents the extension of processes of *financialisation* into state and governmental practices or the ‘ingraining of financialised metrics and reasonings into spaces and situations where they were previously non-existent or less common’ (Chiapello,

2015: p.15). The growth of calculative practices, which are based on rationalist paradigms of mainstream financial economic methods, are being gradually incorporated into a broad range of public policies. As a result, traditional approaches to the valuation of programmes and assets are being increasingly challenged and affected by financial economics (Christophers, 2017; Crosby and Henneberry, 2016). Financialisation is having an ever-stronger impact on the determination of 'what should' and 'should not' be considered during the processes of valuation (Halbert and Attuyer, 2016). In this scenario, investors take on a leading role as they are seen as having the capacity to identify the most profitable investments and 'rational' choices which result in improved economic efficiency. According to Chiapello (2015), since financial calculations are underpinned by general statistical models, they have 'no need to know or understand the actual production processes (combining people and material resources under the constraints of technical procedures in concrete situations) in order to make decisions' (p.20) and this changes the viewpoint from which the value of investments are calculated, by disassociating them from their impacts on local economies and actors.

The ethos of the planning system is thus inverted. Its traditional role of ensuring that development proposals are granted permission once they conform to local, publically-defined needs is replaced by a legal requirement, wherever possible, to prioritise growth and the expansion of new homes and development projects. The role of planning practice is to take the messiness and complexity of places and convert them into spaces ripe for investment. The requirement to become financially self-sufficient will make local authorities increasingly *dependent* on property market uplift, whatever the wider impacts on marginalised local residents, businesses, and places. As Penny (2017) notes, this is leading to a growing correlation between English local government and the entrepreneurial models of 'localism' and growth that have characterised local governance in the United States since the early 20th Century (see also Peck, 2017). All of this has taken place in a context of growing social and spatial inequalities across England, fluctuating and unpredictable welfare demands from increasingly diverse communities, growing pressures on local welfare services brought about by ageing populations, and the constant threat of major governmental shocks, such as the effects of Brexit, de-globalisation, and/or another financial crash. The challenge for contemporary planning systems is to both deliver growth and market-based property development whilst maintaining a diversity of activities and land uses. SMEs are particularly vulnerable to residential-led viability planning and it is to the relationships between them and urban development programmes that the discussion now turns.

### **SMEs and the Regeneration of Contemporary Cities**

As urban property markets have become financialised and driven by concerns with viability, so the availability of more 'marginal' and 'affordable' spaces for SMEs in English cities has declined. Earlier studies of the effects of major urban regeneration projects on SME communities have shown how vulnerable firms are to relocation and disruption (see Imrie *et al.*, 1995; Raco and Tunney, 2010). However, in many instances, urban property markets continued to offer spaces for firms that were able to move and relocation planning was managed, albeit imperfectly, by well-funded development organisations, who were often in a position to provide tailored support and assistance. In contemporary cities, particularly those that act as centres for property investment such as London, markets no longer offer the range and quality of appropriate sites

for SMEs and those that they do occupy are being re-valued and re-assessed as sites for housing development and ‘sustainable community-building’. Recent reforms have compelled local authorities to identify industrial sites that can be converted into spaces for new housing under specific land ‘release’ programmes (see Ferm and Jones, 2016). Permitted Development Rights that define land-uses as ‘residential’ or ‘commercial’ have been made more flexible and can now be changed by land-owners, allowing them to convert commercial locations into sites for more lucrative residential development (Smith, 2017).

Even service sector firms in ‘creative’ sectors are suffering from the negative effects of marketisation. Recent studies by Jones (2017) and Nathan (2015) of the much-hyped ‘Tech City’ in London, document the corrosive effects of residential development in the area and how market changes are transforming the neighbourhood from a predominantly business location into a residential one. Tech City is not alone. Commercial property rents in London rose by an average of 70% between 2010 and 2015, more than doubling in ‘creative’ locations such as Clerkenwell, Farringdon and St James’ and reaching over 180% in Shoreditch, in East London (Ernst & Young, 2016). The Federation for Small Businesses (2015) noted that over half [56%] of its London members reported that rents and business rates were one of their ‘major concerns’ with 41% reporting that they had had a negative impact on their competitiveness, affecting not only plans for relocation but also lower (or non-existent) growth, less investment in the business, fewer jobs, difficulties retaining good staff and general uncertainty for the small business owner’ (p.1). Whilst London’s property markets are exceptionally buoyant, its experiences are indicative of wider trends in English cities and beyond.

Austerity cuts are also having an impact on SME support. More traditional forms of intervention, such as the provision of lower-rent commercial sites for start-ups, or subsidies to firms or developers to produce business units and parks, are becoming prohibitively expensive and costly. Local authorities are selling off land for residential development as they become more ‘entrepreneurial’ and financially-driven. Rising property prices mean that firms that lose subsidies face the prospect of trying to find affordable locations in increasingly expensive and restricted markets. These problems are compounded by SMEs’ relatively limited political authority and lobbying power and the difficulty in mobilising and defining a clear ‘business agenda’ (see Valler *et al.* 2004). Firms in particular manufacturing sectors or those specialising in bad neighbour activities, have often been relatively invisible actors, operating in the marginal spaces of cities. They have been airbrushed out of the dominant economic imaginaries of urban development that focus on creative companies and/or the benefits associated with the attraction of major inward investment programmes.

It is in this wider context that the paper now turns to in-depth empirical research that was carried out in the London Borough of Haringey on contemporary regeneration programmes and their qualitative and quantitative impacts on SME communities. Interviews were conducted with key development actors at local and city levels, along with a systematic analysis of planning documents, strategies, and related materials and we draw in these in the next section to examine and assess contemporary planning strategies and reforms.

## The Shifting Nature of Local Economic Development Planning in Haringey

The Borough of Haringey, with a population of approximately 270,000 is located to the north of London's commercial centre (see Figure 1). It is a spatially and socio-economically diverse borough, with a sharp divide between its western and eastern wards. Whilst locations such as Highgate and Muswell Hill, in the west, are some of the capital's most affluent areas, Tottenham, in the east, has long been associated with deprivation and has been the centre of recent attempts to bring 'regeneration' to the area. Haringey's economy is dominated by SMEs, with those employing less than 10 people corresponding to 93% of all firms in the borough (Haringey Council, 2017). Whilst manufacturing played a significant role in the past, since the 1990s job creation has been slow to the extent that Haringey has one of the lowest jobs-to-working-residents ratio within London (4<sup>th</sup> place).

### INSERT FIGURE 1

The local authority has been run by a Labour-led administration since 1971. In the 1980s, it was one of the key sites of resistance to the Thatcher government's national policy programmes and was branded by right-wing groups as a centre for anti-business, local socialist policies (see Cochrane, 1993). During the 1990s and 2000s, the local leadership has gradually embraced a more entrepreneurial political outlook. This has partly resulted from internal changes within the Labour group, but also reflects a broader perception that some parts of the borough face significant economic problems that can 'only' be tackled through economic renewal. Stringent austerity cuts since 2010 and the introduction of the NPPF in 2012 have reinforced this approach. The borough is therefore witnessing the co-evolution of shifting local priorities for economic development, changing market conditions, and the introduction of financial models for local government that are requiring market-led developments to secure future funding streams. In its corporate strategy (Haringey Council, 2015), the authority notes that it will be forced to make unprecedented cuts (or what it terms in de-politicised language 'savings') of £70 million between 2015-2018. For the Council *'growth is the only option for a council like Haringey that's determined to control its own destiny'* (Kober, 2017: p.1).

In pursuing growth as its 'only option', the authority has embarked upon a series of controversial public-private partnerships with multi-national companies to implement regeneration projects and development programmes<sup>1</sup>. Development policies are mostly targeting the eastern, and most deprived, parts of the borough, shaped by responses to major urban riots that started in Tottenham and spread to other parts of London and beyond in 2011. Soon after the riots, Haringey Council and the Greater London Authority (GLA) initiated major regeneration programmes based on growth-centred property-led investments to change the character of the area. With the explicit aim of diversifying the local economy, they established an Opportunity Investment Fund (OIF) of £41million, which included a £3.67m business loan fund available for existing non-retail start-ups and businesses located in or wanting to relocate to Tottenham. The OIF finances capital works with loans of an average of £100,000 with interest rates payable over several years and negotiated on a project-by-project basis, with those with social objectives being

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<sup>1</sup> Taking central stage in its plans is the Haringey's Housing Development Vehicle, which will consist of a 50:50 partnership with Lendlease, into which the Council will put land and other assets to be matched by the developer's own funds.

able to retain part of the funds. Haringey Council describes itself as *'driving forward growth'* by having an *'innovative approach to business support'* (Haringey Council, n.d.).

However, the OIF has also evolved significantly and has become increasingly focused on interventions that *'overcome scheme viability issues'* for potential investors into the area. In a report that influenced its core priorities and objectives, the focus was on highlighting the obsolescence of the existing place and outlining a new vision for what the area could become. Despite ostensibly representing diverse local business populations as an asset, the policy focus shifted to one criticising the presence of *'shops of the wrong size and the wrong mix of trades... [resulting]... in Tottenham having no retail heart like any normal town'* (Levett, 2012, p.78). The proposed solution was to use property interventions to encourage *'high-grade retail offerings'* which would *'serve as a catalyst for wider change in the area as well as attracting visitors and creating jobs'*. This, however, would require a sizeable allocation of both more expensive commercial spaces and the building of new residential units to generate sufficient financial returns to make regeneration programmes economically viable. Following this shift in approach a *Tottenham Delivery Board* was established in 2014 with the express aim of realigning local planning and regeneration programmes with the needs of investors. By reducing *'uncertainty'* for investors, public policy could leverage-in private capital and bring about the redevelopment of the area.

The focus on property development is clear in other strategies. *The Tottenham Strategic Regeneration Framework* (Haringey Council and Urban Strategies Inc., 2014), published in 2014, called for changes to the physical environments of Tottenham, described as *'character areas'*, in order to attract investments in housing and in the local economy. The subsequent strategies, published in the *Tottenham Physical Development Framework* (GLA and London Borough of Haringey, 2014), include the diversification of the housing stock through the demolition of post-war social housing estates in order to *'move away from the dominance of social housing that is one of the factors limiting private sector investment'* (2014: p.1). The report, produced by the global consultancy firm Arup, in conjunction with real estate consultancy firm, Jones Lang Lasalle and others, sets out to transform such areas by strengthening their perceived dominant character and promote different *'hubs'*, described as *'culture and education', retail, 'business and exchange, sports and leisure and 'knowledge hub'* (pp.20–22). In response, an *Economic Development and Growth Strategy* has adopted much of the language and rhetoric associated with a creative-class led urban revival. In terms that mimic those of the UK government, the emphasis is on creating *'an innovation economy'* and a *'place where living and working environments combine'*. Local government's role is to move from *'a protectorate and provider to a true promoter of people and place'*. Existing activities and SMEs are criticised for the relatively low density of their employment and under-utilisation of land and resources.

In the same document, the Council acknowledges that in order to develop its economic base, it needs to create urban environments that will attract SME sectors with a *'promising future'*, such as those in the *'digital economy, tech-led design and manufacture and low-carbon industries'* who require *'intelligently designed workspaces [that] are stitched into a dense and varied urban fabric'* (p.7). Such industries are seen as flexible in their locational preferences and look for a combination of characteristics, such as *'the quality of facilities and infrastructure provision, location and affordability'* (p.6). The rhetoric is that regeneration should move away from the creation of *'soulless business parks'* and concentrate on producing *'a bustling, business borough...[which]...involves formal and informal social areas, performance spaces, markets, breweries, restaurants, cafes and street food vendors'* (p.13). Despite this sanguine

representation of the area's attractiveness, the new strategies acknowledge that the high demand for housing is putting pressure on the affordability and supply of commercial spaces for SMEs. According to the Council's Economic Development and Growth Strategy, '*demand for housing across London is acute, and our residential property values have accelerated rapidly beyond their previous 2007 peak, which risks crowding out employment space*' (p.5).

The factors that make the area attractive to many SMEs (and lower-wage workers) are, therefore, being singled-out as 'problems' in need of market-driven interventions. Inflated asset values and lower affordability would, it is claimed, benefit the area by introducing a higher-class of resident and business. There is little consideration of the effects of such price increases on those unable to stay or what damage might be done to existing social and economic relations in the area. This is despite the publication of a consultants' report, funded by the local authority, that highlighted the role of SMEs in boosting local economic growth and employment. It claimed that locally-owned SMEs constituted up to 26% of all employment and that,

*New development would likely price out most existing businesses, therefore if seeking to improve buildings and places, on some estates, it would be worth taking the approach of working with landowners and businesses to incrementally improve industrial areas, whilst carefully maintaining local businesses (Gort Scott, 2013: 15).*

In line with major development projects elsewhere, but in contrast to local authority-led programmes of the past, existing forms of business activity are represented as an *impediment* to the wider development-based ambitions of council policy. Whilst there is a recognition that SMEs and entrepreneurs play a key role in both promoting greater social cohesion and economic growth, the push towards viability-based forms of planning, necessitates an 'up-scaling' of business activities and the creation of urban environments that will encourage the in-migration of national or international capital. Policy increasingly represents the area's affordability as a negative characteristic as 'low rents attract transient populations, which can lead to high rates of population churn' (Levett, 2012: 5).

The discussion now focuses on how local plans are being rolled out and the influence that a focus on 'viability' and 'deliverability' is having on the urban fabric and SMEs. It begins by reflecting on respondents' experiences in Tottenham before focusing on a particularly important local project known as Wards Corner to document and analyse the types of development now being rolled out and their impacts on existing SMEs and the social and economic character of place.

### **SMEs and Urban Development in Haringey**

Semi-structured interviews were conducted with 40 SMEs in the eastern part of the borough. A sampling framework was developed in order to identify firms in core locations/clusters that were: a) located in specialist incubator premises designed to support start-up businesses; and/or b) sited in community-run units that support a variety of local entrepreneurs; and/or c) located in areas that were being directly targeted for comprehensive property-led regeneration. The findings capture the experiences of both long-established and new fledgling businesses, focusing on their economic performance and support networks and insights on the relationships between suitable urban spaces and the performance of their SMEs, with a particular focus on the impacts

of regeneration programmes. The interviews were undertaken between October 2015 and March 2016. As noted above, SMEs form the bedrock of Haringey's economy and the sampling framework identified firms that matched the economic diversity of the area. Respondents were taken from five main activity sectors: the 'hospitality' trades; 'food/beverage production'; 'fashion and textiles' manufacturers; 'creative industries' sector; and the 'hair and beauty' sector. Their characteristics typify the diverse character of the SME sector in inner London, with the inclusion of small-scale manufacturers, retailers, specialist service providers, and firms tailored to specific local markets (e.g in providing services to specific ethnic groups).

Respondents identified three principal ways in which property-focused regeneration programmes were having an adverse impact on competitiveness and sustainability, each of which is brought out empirically in the discussion below: increasing uncertainty over the future of the area; rising costs and reduced affordability; and deteriorating forms of local authority support and concern/awareness of the challenges they faced.

It was widely reported that regeneration plans were affecting the sense of security of firms and undermining their confidence to make longer term investments and/or embark on expansion programmes. There was widespread frustration over the lack of what one firm owner described a "clear resolution" to planning discussions, which she felt had led to considerable uncertainty and was beginning to undermine her ability to expand her business or to even think about its longer term sustainability. Or, as another interviewee noted,

*"a more balanced approach to gentrification in Haringey...potentially by championing and empowering local characters/businesses and tradespeople under threat of losing their businesses and offering them some support to understand how the system works around regeneration to enable them to get involved in the process".*

Others repeated the charge, found in research on SMEs elsewhere (see Raco and Tunney, 2010), that their position as businesses, rather than residents, meant that their needs were often ignored by local politicians. There was criticism that there had not been enough consultation over the use of the large OIF in the area and that more engagement with SMEs over the direction of future planning was particularly important if the area's economic base and its opportunities for (diverse) entrepreneurs were to be expanded/maintained.

There was also a reflexive awareness that the longer-term viability of existing SMEs was likely to be one of closure and/or site relocation. Even established and relatively large companies recalled that they had moved to Tottenham as "*industrial property in London is not easy to find and we wanted to have a London postcode as well to say [for marketing purposes] that we are a London [company]...and this area had affordability, availability and the right size of property*". Whilst possessing a relatively secure medium-term agreement, the firm was aware that its landlord, a pension fund, had long-term visions of change for the area because of "*the amount of investment they are making*". More significantly, they noted that, the likelihood of their relocating to other premises nearby was slim; "*there aren't that many industrial units around this area so it is really difficult for us*". More successful firms reported that they had reached the point at which they found it increasingly difficult to expand their businesses and faced the threat either of compulsory purchase or the renewal of expensive leases. Many SMEs in England pay commercial property rents on three-year cycles. Regeneration projects, allied to general market inflation, can therefore bring about rapid increases when rents

are up for renewal, further destabilising business activities. One owner of a thriving restaurant business, for instance, had put expansion plans on hold as he faced the prospect of a Compulsory Purchase Order (CPO) and was “*aware that I might not be able to find premises for the same price*” and this was a widely shared view. CPO rates are determined at the market value at which a property is sold before regeneration projects have begun, making it almost impossible for a business to remain in an area once prices have risen.

Similar feelings surrounding the ‘inevitability’ of gentrification in the area and its likely impacts were recounted by almost all respondents. Whilst a number of interviewees expressed some hope that the area’s more deprived locations might receive new investment, there was significant concern that the gains made through the investments since the riots would be lost and that, as individual companies, they no longer had a future in an area whose socio-economic profile was changing fast. As one firm noted when discussing the area’s affordability, “*it spreads out. The need to then supply that demand will take over...you can already see it and it will be more and more. So it’s just gonna get gentrified*”. This feeling of inevitability also generated investment blight, which, in the words of one expanding service company that had benefitted from subsidised support from a local charity, would affect start-up businesses in special, “*whoever wants to invest here, if they don’t have a proper lease, they won’t want to invest*”. This negative sense of change and its potentially disruptive effects on local firms was reflected across our interview sample.

Across the respondent base there was also evidence of deteriorating levels of public sector support. Narratives were told of partial support, of visits from officers or politicians pledging their assistance but little in the way of coherent, joined-up, or concrete action. Whilst this has been a long-running finding of research on SMEs (see Blackburn, 2012), the evidence indicates a fragmenting public realm and the lack of capacity amongst local actors to carry out core business development functions. Some firms complained that the local authority “*loved to talk about us...do all their PR and mention us...[but] they are not supporting this business*”. Council representatives would visit “*but then disappeared*”. Or, as another successful, medium sized company noted in interview, “*there is [sic.] bigger fish to fry in this borough now. There are billions of pounds of contracts for redevelopment and we believe that’s where their interests lie, rather than with the community and just ground-level development*”. The firm had recently been served with an eviction notice and reported that like other SMEs, they had few potential places to move to. This inability to find appropriate and affordable space in the area meant that some SMEs had already tried to develop long-term plans to leave the borough.

A combination of rental increases and regeneration programmes are leading to a gradual decline in the competitive position of existing businesses and, consequently, the breakup of SME networks that had proved relatively successful after the 2011 urban riots. Firms reported that the most effective forms of assistance had been the direct provision, through local and city authority regeneration funds, of affordable, subsidised premises, notably a specialist centre, funded by the OIF, to support SMEs named the 639 Centre. However, the Centre only exists through support from the Mayor’s office and was a specific intervention that is not replicated elsewhere in the borough. It is also designed to support younger entrepreneurs with time-limited assistance, after which firms are expected to take up premises in the open market. Respondents complained that other options for property-based support were absent, despite being more effective in meeting SME needs. As property market values inflate in the wake of regeneration, so the ability of local

authorities to subsidise asset-based forms of intervention becomes circumscribed, with policy moving towards ‘softer’ forms of support such as the setting up of local business associations and networks that, respondents noted, were fairly limited in their impacts.

The entrepreneurs interviewed reported that the diminishing sense of security, as a consequence of the lack of consultation in relation to regeneration proposals and the feeling that their involvement in the regeneration plans was not welcomed, were negatively affecting their willingness to invest in their businesses and hire new staff. Furthermore, clear signs of gentrification and the reduction of affordable industrial and commercial premises in the area, either through physical redevelopment and change of land use or rising rents, threatened their ability to make long-term plans in Haringey. Since some of the entrepreneurs interviewed relied on location and clustering of similar businesses, demographic changes and physical redevelopment threatened their survival. We develop more detailed evidence of this process in a final section on an area named Wards Corner that exemplifies many of the core changes taking place in the area and the direct relationships between the financialisation of planning policy and the impacts of changes to the built environment on entrepreneurs and residents.

### **The Regeneration of Wards Corner**

Wards Corner is one of two principal sites in London in which there are concentrations of Latin American businesses and residents. Local interviewees in our research, all highlighted the “*multicultural*” and “*multilingual*” nature of the neighbourhood and the existing cluster of ethnic businesses as integral components of their competitiveness and longer-term sustainability. The site houses Edwardian and Victorian buildings that in 2004 were earmarked for redevelopment by Haringey Council. The project is being undertaken by the property development company Grainger<sup>2</sup>, one of the UK’s leading residential investors, with assets in excess of £2.5 billion. In 2008, a year after signing a development agreement with Haringey Council, Grainger obtained planning permission to redevelop the site.

The redevelopment plans for Wards Corner have become highly politicised due to the fact that there was no acknowledgement from the developer of how the removal of SMEs would impact local residents’ wellbeing and existing social relations. In 2010, an organisation representing SMEs and local communities (the Wards Corner Community Coalition) won a landmark judgement in the High Court that resulted in the initial planning permission being rejected. They successfully mobilised equalities and diversities legislation to support their challenge to the original planning approval on the grounds that the development had failed to adequately protect and promote equalities of opportunity for different ethnic groups. Other groups, such as the Our Tottenham network of local residents and numerous groups in the area, have been actively campaigning against the closure and repossession of community facilities, supporting existing local businesses, and resisting gentrification.

In response to the rejection of the original proposal, the local authority commissioned a review of the viability-driven plans discussed above. The report, published in 2011, noted that *‘where it proves unviable for some of the existing businesses to continue to trade, some negative equality impacts can be*

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<sup>2</sup> See Grainger (2016).

*expected* (URS and Scott Wilson, 2011: 3). Likewise, the assessment recognises the loss of the existing shops and market as a potential threat to the interactions between different ethnic groups. However, given the demands on viability and the implementation of the Section 106 agreement<sup>3</sup>, the report judges that *'appropriate measures are proposed to enable the community cohesion to be revived within the redevelopment'* (p. 4). It is claimed in the Assessment that *'the proposal will give rise to negative equality impacts resulting from the non re-provision of affordable housing on the site and lack of new provision of affordable housing, in conflict with existing Council policy'* (p. 5). But it is also claimed that these would be mitigated by the positive changes to the initial application that will minimise social effects and generate growth that will be in the broader 'public interest' and the initiative was once again given planning permission to proceed.

The redevelopment of Wards Corner exemplifies the trends associated with the financialisation of planning discussed earlier and its impacts on local SME (and residential) communities. The local authority, ostensibly working in the 'public interest', has taken a role as an active partner and has used its powers of Compulsory Purchase to acquire the site and convert it into 3,693 square meters of new 'retail floorspace' and a 'mix' of residential housing, although it is admitted that most of the units will be smaller to boost market returns and viability for the developer. The delivery of the project is justified as part of a *'compelling need to regenerate this part of Tottenham'* (LB Haringey, 2017: paragraph 8.39), even though only 18% of the dwellings consist of family-sized 3-bedroomed apartments, for which demand in the area is high. The introduction of the NPPF in 2012 meant that the grounds for rejecting the proposals were increasingly limited as the developer argued in its appeal against rejection:

*'within the NPPF it is considered in paragraph 19 that planning should operate to encourage, and not act as an impediment to, sustainable growth and that therefore significant weight should be placed on the need to support economic growth through the planning system'* (ASP/Grainger, 2012: p.12).

At the same time, the local authority has started to pursue growth objectives with greater vigour and has become an active player in shaping and facilitating development. Despite a community plan for the area — put forward by the Wards Corner Community Coalition — being approved by Haringey Council in 2014, in pursuing the Compulsory Purchase Order in 2016, the local authority stated that it *'has fully considered the merits of the Alternative Scheme...and is satisfied that the Order Scheme represents the only credible solution to redeveloping and regenerating the Order Land and the surrounding area'* (LB Haringey: paragraph 18.19) The lack of 'credibility' is equated to a lack of perceived financial viability. A *'confidential'* viability appraisal has been used in local discussions to show that 'too many' social obligations and planning gain requirements would limit the site's profitability and undermine the business case for development.

Neither community groups nor SMEs have been allowed to see the appraisals because they *'contain commercially sensitive and therefore confidential information'* (paragraph 18.23). It is up to local interests to accept that the local authority *'is satisfied that the conditions of the Development Agreement are met'* (*ibid.*) on their behalf and that confidentiality strengthens the negotiating position of public authorities. In other words, the public interest is served by public groups *not* knowing the

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<sup>3</sup> Section 106 agreements are legally-binding agreements between developers and local authorities as established in the *Town and Country Planning Act 1990*.

financial calculations that lie behind the granting of the proposals (see Colenutt *et al.*, 2015). A legal planning gain (Section 106) agreement has been signed under which the development will re-cycle some of the profits to provide a new market, introduce environmental improvements in the immediate shopping area, promote the letting of the proposed new retail units to independent retailers, and recruit local jobseekers both during construction and following occupation of the development (Paragraph 2.4). This, it was noted by the local authority, could be done in a way that would meet a ‘viability condition’, defined as allowing the developer ‘*to be reasonably satisfied that the Order Scheme would yield a satisfactory net profit by reference to a viability appraisal. Grainger is satisfied as to the viability and deliverability of the Order Scheme*’ (LB Haringey, 2017: paragraph 11.7).

The principal objective of the development is to ‘diversify’ the local retail market, meaning, in effect, the attraction of high-paying globally-oriented firms and retail chains and higher returns from commercial rents. The built environment will, as an objective of policy, become less affordable and less diverse than that which existed previously. The local authority will not directly provide subsidies to firms to remain, as this would almost certainly be prohibitively expensive, but use the Section 106 agreement to ensure that in the first instance ‘*smaller units*’ would be protected for ‘*independent trading...provide rents consistent with the rents paid for units of similar size and nature in the vicinity of the Order land*’ (paragraph 8.20). The implementation of such conditions represents an admission that, in the longer run, ‘market conditions’ will make the regeneration area unaffordable for many SMEs. As the local authority’s CPO states ‘*rents for the Market are (in the main) dictated by the marketplace*’, so the developer ‘*is required to provide a discount against the open market rent of the stalls for the first 18 months of occupation*’ (paragraph 18.35). There has been little discussion of what the actual space and property needs for local SMEs consist of and whether or not the new modernised units will meet them in the longer term. Short-term losses, in terms of disruptions to business activities and the loss of local customers, are not factored in to the discussion, whilst a window of 18 months in which a ‘discount’ applies will expose SMEs to the full ‘market rates’ in the longer-term. There are also significant limitations in terms of the disruption caused by blight and relocation and the loss of existing customers and markets as the residential composition of the area is also subject to change. As one small real estate firm noted, whilst their business was becoming increasingly profitable, “*the ongoing problem is one of development, which is threatening to close us...and people [firms] feel like well, it is not worth it. You invest all your money and for what?*”.

The SMEs interviewed reported that the socio-cultural and physical characteristics of the location were particularly important to their continued existence. In the words of one firm that “*if one wants Latin American products in London they either have to come to Seven Sisters or go to Elephant and Castle*”. Another noted that “*Wards Corner is special because it is different to anywhere else in London... it is an important centre for the Latin American community*” and that its loss would be damaging in both social and economic terms. Most of the firms provide services and/or small-scale manufactured products that meet the needs of relatively small, but captive communities. A local lawyer specialising in support to Spanish speakers noted that approximately 90% of his clients are Latin Americans from Mexico or Argentina. Others in the area also specialise in the provision of jewellery, internet services, and hairdressing to local ethnic groups, whilst also seeking to expand their customer bases to enhance their profitability. The research also found

much evidence of social interactions between residents in their use of SMEs and a strong correlation between diverse encounters and the presence of local firms, a finding that reflects those found in similar studies in the UK (see Piekut and Valentine, 2017; Wilson, 2017). SMEs represent key agents of social integration and their loss (or potential loss) can damage the social fabric of urban communities, whilst also shutting down opportunities for the social mobility of groups that are more prone to suffer wider discrimination (Nathan, 2015).

Amongst our respondents there was also a lack of clarity over the best way to try and influence local development priorities and practices. Nevertheless, at the time of writing, the project is set to proceed with the local authority acting as a development partner and taking an active role in supporting the project. The regeneration plans, and their effects on the local built environment, the commercial activities that take place in them, and the gradual rolling-out of higher-return and externally-oriented forms of residential and commercial development, reflect and reproduce wider trends found in Haringey and cities across England. The entrepreneurialisation of local development planning reduces the space for 'alternative' forms of less intensive economic activity, with significant long-term implications for the presence/absence of a diverse and socially-oriented economic base.

## **Conclusions**

This paper has drawn on the case of Haringey, London, to assess the entrepreneurialisation of local planning policy in England and its impacts on urban built environments and SME communities. It illustrates the processes and trends that are now shaping development in cities in a context of creeping financialisation, austerity-driven governance, and viability-led planning. It has shown how attempts to foster regeneration are becoming increasingly financialised, with the inflation of market values and returns becoming both the means and ends of regeneration policy. It provides evidence of the changes taking place to local planning practices in the wake of the NPPF 2012 and the prioritisation of housing delivery. Local governments, facing cuts and needing to generate income for social programmes, have established innovative governance solutions, including the creation of partnerships with multi-national investors that promote development in areas where public land and assets can be used to generate market income. In order to make the case for regeneration, targeted areas are depicted as lacking attractiveness, being stagnant and possessing 'undesirable' activities.

The implications have relevance beyond Haringey. The paper has shown how new planning arrangements and the shift towards local government entrepreneurialism are having a direct impact on the built environments of urban areas in ways that are precluding the possibilities for the creation of more diverse activities. Their presence and capacities for expansion are increasingly threatened. Whilst much of the policy rhetoric on establishing 'creative' cities focuses on the construction of economically and socially diverse environments, the reality underlying contemporary forms of urban policy is of one greater exclusivity and separation between those who can and cannot afford to live or work in such environments. As the focus of planning moves towards viability concerns, many SMEs are finding their options and opportunities to expand, and even survive, being circumscribed. The diversity and creativity found in urban economies is, consequently, being corroded by policy interventions that,

paradoxically, aim to promote economic vibrancy and dynamism. Contemporary processes are thus enhancing the marginality and invisibility of selected urban actors and devaluing their social and economic contributions to the lives of urban people and places in the name of growth. The paper has argued that the study of urban development in cities needs to go beyond generalisations and abstract framings of political and economic processes to look to impacts on specific groups and people.

What is also evident is the widespread impact of fiscal austerity on the traditional functions of local government and the gradual erosion of multiple forms of intervention to support SMEs and traditional forms of welfare. The options open to local authorities are becoming increasingly circumscribed. Public-private partnerships are now being tried by some councils in an attempt to overcome budgetary limitations. In Streeck's (2016) terms, however, such activities reflect and reproduce trends in which welfare state systems are fracturing and being replaced by new models of financialisation. These, in turn, are shaping the types of public policy intervention that are possible in cities and re-shaping urban built environments. As Jessop (2015: pp.125-126) notes, 'the politics of austerity...involves far more than quantitative cuts in spending, because it is also intended to have qualitative, transformative effects...and becomes a major vector of the colonisation, commodification, and eventually, financialisation of everyday life'. And yet, as Christophers (2017: p.62) notes, 'the role of the state in this financialisation process...has to date been afforded very limited theoretical or empirical attention'. The paper has examined one dimension of these transformative effects by exploring the relationships between public policy, changes to the built environment, and their social and economic impacts. Whilst much attention has been given to the impacts of development on urban residential communities (Beswick *et al.*, 2016), the paper calls for a stronger focus on the implications for the diversity of business activities and services that support urban communities and a broader sense of social cohesion.

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