



## Executive Member for Inclusive Economy and Jobs

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| <b>Meeting of:</b> | <b>Date:</b> | <b>Ward(s):</b> |
| Executive          | 30.4.20      | All             |

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**Appendix 2 to this report is exempt and not for publication**

## **SUBJECT: London Business Rates Strategic Investment Pot (LBR SIP) – Islington-led, cross borough project: ‘An Inclusive Knowledge Economy (IKE)’**

### **1. Synopsis**

- 1.1 The purpose of this report is to seek authority to enter into a partnership with three other London boroughs to deliver the “Inclusive Knowledge Economy” (IKE) project in Islington and those other boroughs, for which officers have successfully bid for funding. IKE is a four-year inclusive economy project, led by Islington Council. The three borough partners are Camden, Hackney and Tower Hamlets councils in collaboration with not-for-profit Capital Enterprise, an organisation that has supported over 3,000 SMEs and created nearly 6,000 jobs in new start-ups since 2014.
- 1.2 IKE will secure affordable workspace and facilitate skills, employment and business start-up opportunities for local residents in the Knowledge and Tech industries.
- 1.3 This project was developed pre-Covid 19 crisis. It will be an enabling project as part of the four boroughs’ recovery plans, at a sub-regional level. The project will be re-scoped as the impact of the crisis becomes clearer. However, this will be in line with the award criteria and remain focussed on delivering for our most disadvantaged residents, to access the benefits arising from the Knowledge and Tech industries on their doorstep.

### **2. Recommendations**

- 2.1 To agree to the council acting as the lead authority in delivering the four-borough IKE project.

- 2.2 To note that the sum of £7.4024M will be available for delivery of the IKE project comprising £3.500M grant from the LBR SIP, £3.538M private sector match and £0.3644M in total from the four participating authorities.
- 2.3 To note that Islington's contribution is £26,100 from CIL/section 106 contributions and £30,000 from its Apprenticeship Levy Fund
- 2.4 To authorise the Corporate Director of Environment and Regeneration, in consultation with the Executive Member for Inclusive Economy and Jobs and following advice from Director of Law and Governance and Chief Finance Officer to agree:
1. The final implementation programme for submission to the funders,
  2. The terms of the grant agreement with the City of London Corporation; and
  3. The terms of the partnership agreement with the other participating local authorities and delivery partner

### **3. Background**

- 3.1 The London Business Rates Strategic Investment Pot (LBR SIP) 2019/20 is a fund of approximately £43M and is administered by London Councils with the City of London Corporation acting as lead authority. Funding is awarded through a competitive bidding process led by the City of London Corporation in consultation with the Mayor of London and the other London Boroughs, including Islington. The award criteria against which bids were judged are the extent to which they:
- Are predicted to increase business rates income;
  - Leverage public and private match investment funding;
  - Actively facilitate borough collaboration and impact a wide geographical area.

The Islington-led IKE bid was submitted to the City of London assessment team by the deadline of the 4<sup>th</sup> September 2019. The decision to approve IKE was taken by the Congress of Leaders, a pan-London body of elected borough leaders, on 8<sup>th</sup> October 2019. The amount awarded was, however less than the £6.02M originally requested. Further to discussions between Islington and Tower Hamlets Chief Executives, the IKE project was finally allocated a total of £3.5M of funding from the LBR SIP.

- 3.2 Up until the Covid-19 pandemic, Tech industries were expanding 2.6 times faster than the rest of the UK economy and in 2018, Islington's Technology sector together with equivalents in Camden & the City, Westminster, Tower Hamlets and Haringey contributed around £16 billion to the UK economy (19% of the total UK Technology sector contribution). Much of this activity takes place in the 'Knowledge Quarter' centred on Kings Cross (though the quarter is now extending outwards into Caledonian ward and northwards into the Brewery Road industrial estate in Islington), 'Tech City' around the Old Street roundabout, and 'Med City' in Whitechapel.
- 3.3 The aim of IKE is to make these 'Knowledge' clusters of economic dynamism more socially inclusive and environmentally sustainable, ensuring that the development of Tech and Med Cities and the Knowledge Quarter will in future connect communities with the opportunities in their locality. In the post-crisis context, this objective to link local residents to well-paid and secure jobs will be even more essential – in a recessionary labour market. IKE will

integrate People and Place – seeking to create a new sustainable community-driven approach to spatial and economic planning, which also has the ambition of facilitating new, socially purposed and co-operatively owned Knowledge and Tech businesses that spread wealth more broadly.

Given the significant impacts of the Covid-19 pandemic on London’s economy, the scope of IKE will undoubtedly need to change.

In response to these challenging times, it is recommended that the IKE should transform into a knowledge economy employment recovery programme. As the economic and employment data becomes clearer on the likely impacts, it is intended to develop a sub-regional plan that provides a platform for already under-represented groups in the knowledge economy to firstly, stabilise and re-build, as well as to expand the pool of talented local residents re-entering and entering the knowledge economy. To capture these benefits for the community, IKE should be flexible enough to engage a broad cross section of our residents, including harnessing the skills of those who have lost jobs and businesses because of the pandemic.

IKE will maintain its contribution towards meeting the objectives of Islington’s Fairness Commission and the Corporate Plan (2018-22) “to make Islington fairer and create a place where everyone, whatever their background, has the same opportunity to reach their potential and enjoy a good quality of life.” Further details on the IKE project are in the brochure at Appendix 1.

- 3.4 There are four key elements of the IKE project. The first two, ‘Community Engagement’ and ‘Talent and Entrepreneurship’ are people-based. Capital Enterprise (CE) will help to shape borough employment and business support activities so that they are primed to better promote Tech and Knowledge careers.

The first strand of IKE, ‘Community Engagement’ will be led by local councils’ employment and business support teams, working collaboratively to engage approximately 7,500 residents across the four boroughs who are in greatest need of support. CE will connect approximately 720 people from under-served communities across the four boroughs with meaningful economic opportunities in local economic clusters.

The second, ‘Talent and Entrepreneurship’ will seek to firstly secure and, laterally increase the diversity of people engaged in local economic clusters, as either entrepreneurs, business owners or workers. Approximately 70 people from across the four boroughs will be supported into entrepreneurship and business development opportunities whilst a further 1,250 people receive employment brokerage and work experience opportunities, a proportion of which will be enrolled onto apprenticeship schemes. Finally, at least 200 local businesses will be given development advice and encouraged to expand their pool of talent by actively recruiting from local communities.

The third work stream, ‘Land and Assets’ will shape a diverse economic geography that spatially supports an inclusive economy across the different types of institutions and businesses, particularly through the provision of four genuinely affordable workspaces, one in each borough, mobilising affordable workspace for local people and small local businesses. This will be particularly required in a recessionary property context to ensure that resulting land use is focussed to the benefit of local residents through employment.

The final work stream, 'Thought Leadership' takes learning from the project and will involve Islington in driving conversations across London to demonstrate what 'good' looks like in the Knowledge economy. In so doing, IKE will work through borough partnerships to change the face of inclusive employment and business development across the capital. Critically, the project seeks to enable a sub-regional approach between the four partner boroughs. This strand of work will examine issues emerging from the crisis such as precarious employment, universal rights and social exclusion.

Further indication of outcomes across the four boroughs is contained within the brochure at Appendix 1 and will be finalised as part of the agreement with the funder.

- 3.5 Delivery of these four work streams will take place over four years. In addition to the £3.5M being awarded to support IKE from the LBR SIP, the bid has committed the four councils to dedicate the equivalent of £0.3644M to the project, whilst working with partner Capital Enterprise to leverage an additional £3.538M of private sector match.

Of the £0.3644M of council funding, £160K comes from existing employment and business support programmes with no need for resource reallocation. Another £120K comes from the four councils' Apprenticeship Levy Funds (£30K from Islington). The remaining £84.4K (of which Islington's contribution is £26.1K) will be secured from CIL and Section 106 monies under officer delegated decision.

Private sector match comes from the equivalent of £3.2M of capital investment from affordable workspace contributions already in borough pipelines. Capital Enterprise brings a further £0.338M of planned revenue funding to support the development of skills and talent.

A breakdown of project finances is given in Exempt Appendix 2, 2020-02-14 IKE Finances Final Draft. This will be amended to reflect the project's new scope and priorities post-crisis, but will remain within the agreed budgetary envelope.

- 3.6 There are a number of potential risks to project implementation and completion that arise from the agreement.
- The Lead Authority (Mayor and Commonality and Citizens of the City of London) can novate the agreement without prior authorisation of Islington Council, the recipient authority. (paragraph 3.5)
  - The grant can be withheld if the participating authorities; Hackney, Camden and/or Tower Hamlets consider that the project is being delivered in a negligent manner. (paragraph 12.1(c))
  - Islington needs to agree that we are not restricted by any other organisation's rules or regulations that may prevent or impede us in meeting our obligations. We need to be assured that all our partners are able to implement all aspects of the project prior to signing the agreement. (paragraph 16(h)).
  - The Lead Authority can terminate the grant agreement and any payments with two months' written notice should it be required to do so. (paragraph 19)

## 4. Implications

## 4.1 Financial implications:

The total value of IKE project is £7.402m funded from various sources (Table A), with £0.364m funding from four participating authorities (Table B):

Table A – Project Funding (£m)

|                   |       |
|-------------------|-------|
| LBRSIP            | 3.500 |
| Private Sector    | 3.538 |
| Council Resources | 0.364 |
|                   | 7.402 |

Note – private sector funding includes £3.200m from existing S106 programmes with the remainder coming from Capital Enterprise (CE) (£0.338m).

Table B – Council Resources (£m)

|                             |       |
|-----------------------------|-------|
| Employment/Business Support | 0.160 |
| Apprenticeship Levy Fund    | 0.120 |
| Cash Contributions          | 0.084 |
|                             | 0.364 |

Of the Council resources, the total contribution from Islington is £0.030m from the Apprenticeship Levy Fund and a £0.026m cash contribution from Section 106 and CIL funding.

## 4.2 Legal Implications:

The council has power to implement the IKE project, which is designed to improve the economic wellbeing of residents of certain localities in Islington (section 1 Localism Act 2011). The arrangements appear to be *Wednesbury* reasonable, and in accordance with the Council's fiduciary obligations to council taxpayers.

For that purpose, the council may act as lead authority on behalf of the authorities participating in the project in respect of the grant from the London Business Rates Strategic Investment Pot and contribute to the cost of the project from CIL/ s106 contributions. The risks associated with acting as lead authority and the mitigating actions are summarised in paragraph 3.6 above.

As the lead authority, the council is required to enter into a grant agreement with the City of London Corporation as the lead authority for the London Business Rates 75% Pilot Pool 2019/20. The grant agreement sets out the council's obligations in respect of the use of the grant for the IKE project and the submission of quarterly progress reports.

In addition, the council will enter into a partnership agreement with the other participating authorities in order to set out their obligations to Islington in respect of the IKE project including payment of their funding commitment. In effect, the council will pass down to the participating authorities its obligations and liability to the City of London for delivery of those aspects of the IKE project for which the participating authorities are responsible for

delivering in their areas.

Implementation of the IKE project could raise legal issues, which will require consideration as the project is rolled out. In particular, the Council will need to be mindful of the rules concerning State Aid. In addition, the Council must ensure that implementation complies with discrimination law. The Council is not permitted to treat people more favourably because of a protected characteristic, unless the positive action provisions at section 158 of the Equality Act 2010 apply.

#### **4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

There are five key components of the IKE project, four of which; community engagement, talent and entrepreneurship, thought leadership and project management principally involve the use of goods and materials at employment and business start-up training events and travel to and from these venues. The sessions taking place under Islington Council leadership will provide reimbursement of travel costs where appropriate. Reimbursement will only be made towards the costs of public transport. All sessions will take place in areas where secure cycle parking is available. Use of private vehicles will be restricted to those required to transport goods and materials to and from the venue. Islington staff will be made aware of the council's cycle and public transport user allowances, so that their travel choices align with council sustainability policy. Our lead partner, Capital Enterprise will also abide by its own environmental policy.

There will be environmental implications associated with bringing on new affordable workspace which forms the major capital part of the project; these will include energy, water and material use, waste generation/disposal and contractor travel. All stages of building construction and mobilisation will accord with council sustainability policies, which are aligned to Islington's Net Zero Carbon target, and set out in the Local Plan.

Affordable Workspace Providers will then be selected mainly on the grounds to which they are able to deliver social value, which includes a scored assessment of their ability to make the premises accord with sustainability and emissions targets to be net-zero by 2030. How they use heating and cooling systems, waste facilities for tenant businesses (which will influence the level of recycling and food waste composting), and management of the building-related waste (e.g. disposing of light bulbs and other consumables) will be considered as part of this assessment.

Once the workspaces are operational, there may also be an increase in transport emissions due to people and freight access. Local noise pollution and local emissions may increase depending on the businesses operating from the Affordable Workspaces. However, since the workspaces are primarily intended to benefit local residents, it is likely that this will not constitute an opportunity environmental cost compared to private office space equivalents that are more likely to draw people from further afield. A travel plan will form a mandatory part of workspace management. A vigorous effort to source goods locally will also form part of the affordable workspace management strategy, thereby reducing freight miles and mitigating carbon emissions.

#### **4.4 Resident Impact Assessment:**

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed on 5<sup>th</sup> December 2019 and included in Appendix 3 of this report. The key outcomes arising from the project are listed below:

- Islington residents who are underrepresented in the Knowledge, Creative and Tech sectors, from diverse, disadvantaged, diverse backgrounds and furthest from accessing the labour market, will be trained, coached and actively facilitated to take advantage of the range of employment opportunities in these sectors.
- Strong connections between the four partner boroughs, Capital Enterprise, and local Knowledge and Tech employers will be leveraged to enable this access through a number of different initiatives including the 'Growing the Middle' Skills Development Programme, apprenticeships, internships and work experience placements.
- Residents will also actively understand what's involved in starting up a Knowledge or Tech business and will be empowered to take this further through business and finance management training, structured networking, mentoring, and participation in pre-accelerator programmes.
- Micro and small businesses in Islington will be actively introduced to each other and to large, anchor institutions across the four boroughs to stimulate more business to business trading and supply chain activity that will mean Islington's local economy is more resilient to external shocks.
- New genuinely affordable workspace will be made available for local small businesses, and for residents on the programme as they develop their careers in Knowledge and Tech.
- A vigorous programme of knowledge transfer will cement Islington's status as a pathfinder in developing new, flexible apprenticeship models, innovative business support and employment training for disadvantaged residents and will integrate this into the council's approach to extracting social value from genuinely affordable workspace.

#### **5. Reason for recommendations**

- 5.1
- IKE will connect Islington's most disadvantaged residents into the benefits arising from the Knowledge and Tech industries on their doorstep.
  - In spanning across four boroughs, IKE will be greater than a sum of its parts, enabling Islington residents to access benefits in Camden's Knowledge Quarter, the part of Tech City bordering Islington in Hackney, and in Med City, Tower Hamlets.

- IKE will unlock new spaces for small businesses to innovate and grow, and for residents' training and skills development in formerly underutilised buildings within Islington and partner boroughs.
- IKE marshals the skills of four economic and employment support teams across four boroughs, connecting them to the expertise of Capital Enterprise, a non-profit organisation with a strong track-record of breaking down barriers to get disadvantaged people into good quality employment in Tech and Knowledge industries across London.
- IKE therefore meets Islington's corporate plan objective, 'to make Islington fairer and create a place where everyone, whatever their background, has the same opportunity to reach their potential and enjoy a good quality of life.'

## Appendices

1. Inclusive Knowledge Economy (IKE) Brochure
2. IKE Budget and Finance Spreadsheet (**Exempt**)
3. Residents Impact Assessment

**Background papers:** None

Final report clearance:

**Signed by:**



21 April 2020

Councillor Asima Shaikh  
Executive Member for Inclusive Economy and  
Jobs

Date

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