

Community Wealth Building  
Town Hall, Upper Street, N1 2UD

Report of: Executive Member for Inclusive Economy and Jobs and Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 23 March 2023

Ward(s): All

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## **Subject: Impact of Covid-19 on Employment, Business, Economy, and the Council's Financial Position – Final Report of the Policy and Performance Scrutiny Committee**

### **Executive Response to Recommendations**

#### **1. Synopsis**

- 1.1. At the Policy and Performance Scrutiny meeting on 10<sup>th</sup> March 2022 members made several recommendations to strengthen elements of the Council's work in responding to the impact of the pandemic on Islington's local economy and the Council's finances.
- 1.2. This paper responds to these recommendations and explains how these recommendations are being taken forward.

#### **2. Recommendation**

- 2.1 To agree the response to the Policy and Performance Scrutiny Committee

### 3. Responses to the recommendations of the Policy and Performance Scrutiny Committee

#### EMPLOYMENT, BUSINESS AND ECONOMY

- 3.1. **Recommendation 1(a):** That the Council place on record its admiration and thanks to Islington businesses who, despite unprecedented pressures, have worked diligently throughout the pandemic to keep their customers and staff safe. In addition, they have invested extraordinary resources and efforts in meeting the enormous challenges presented by Covid-19, particularly those independent, locally owned businesses whose resilience was tested through various lockdowns and periods of restriction, and who continued to serve the needs of residents and protect local jobs.
- 3.2. **Response:** Throughout the pandemic and in its aftermath, the council's Inclusive Economy & Jobs Service has recorded admiration and thanks to Islington businesses at regular intervals through the monthly Business Bulletin. This acknowledgement of the incredible efforts to which Islington businesses have journeyed, to keep customers and staff safe, has been frequently reinforced at Town Centre Management and Trader's Association meetings and has been included on other occasions as opportunities have arisen, for example recently in the Cally Green Economy Strategy.
- 3.3. **Recommendation 1(b):** To ensure that residents understand that Business rates are set by Government, and not the Council, but that the Council will continue to lobby the government on behalf of businesses to reform the business rate system and make it fairer to support businesses. In the short-term as part of recovery efforts, the Council should also continue lobbying the Government to provide a continuation of the business rates holiday, VAT relief and eviction protections.
- 3.4. **Response:** The council keeps up to date with the latest business rate issues facing London boroughs and shares best practice through monthly meetings of the London Revenue Group. Officers will continue to participate in this body with a view to exploring opportunities to improve the service that we provide to businesses in the borough. Explanation of how business rates are set will continue to be included in the council's Budget communications, and business rates policy will form part of the council's public affairs work. We will continue to support London Councils' and other representative bodies' lobbying activity.

- 3.5. **Recommendation 1(c):** Capture learning from the extensive business communication and engagement undertaken during the pandemic, with a particular focus on supporting business owners where English is not their first language and ensuring that businesses can easily access information and guidance without needing to rely on the intensive level of support provided during the pandemic.
- 3.6. **Response:** The Local Economies team have captured learning and strengthened business networks which evolved during the pandemic period. This has included building upon examples of best practice around business engagement where businesses have English as a second language.
- 3.7. The Local Economies team now have over 10,000 contacts, the majority of whom (over 8,200), are individuals and businesses that have opted to receive a copy of the monthly Business Bulletin. The bulletin has grown over the past few months by over 1,200 indicating that content is of relevance and of interest, for example notifying businesses of grant opportunities which are aimed at helping them to cope with new challenges, save money, and become greener.
- 3.8. The pandemic also strengthened Islington Town Centre networks and trader associations, in the case of 'the Cally,' for example leading to the constitution of a new trader's body. Online communications have also evolved, with the development of What's App groups into most Islington Town Centre groupings. These groups are vital in facilitating B2B, direct officer communications for new initiatives, and festive events in addition to other types of information and guidance when required.
- 3.9. A Rapid Response Business Inbox has also been made available for businesses to communicate on a one-to-one basis. Local economy officer twitter channels provide opportunities for gathering useful information from businesses, making new announcements, for example about grant schemes and promoting opportunities in new affordable workspace facilities. Social media channels also enable cross-collaboration to help facilitate community activities such as a new heritage walk being organised for Whitecross Street to attract interest in the area and drive-up footfall.

3.10. A construction directory of local, small building businesses has been compiled as a contact resource for larger companies and anchor institutions, looking to sub-contract with local firms to drive up social value. The Local Economies team works with colleagues from Corporate Communications to ensure business-facing information continues to be accessible to speakers of other languages.

3.11. **Recommendation 1(d):** To recognise the importance of using the Council's spending power both as an enabler and commissioner to help local businesses recover, and put in place targets, as committed in the Council's Progressive Procurement Strategy, to increase spend with small/medium businesses in the local economy, and to increase the number who are successful in securing contracts through the Council's procurement processes.

3.12. **Response:** One of the key aims of our Progressive Procurement Strategy, reflected in both the Draft Community Wealth Building (CWB) Strategy and the Islington Together 2030 plan is that more council spend will be through local businesses, locking wealth into our local economy and delivering benefits for residents and communities through social value commitments. A range of activity is underway to deliver this ambition including:

- Training on commissioning, procurement, and social value for Members and for key officers involved in commissioning, procurement, and contract management to ensure that opportunities to deliver social value, including using local suppliers, are built into all stages of the process.
- A requirement that all those bidding for council contracts must set out how they will deliver social value, and this will be weighted at 20% when scoring bids
- Training and workshops for local SMEs (Small Medium Enterprises) and VCS (Voluntary Community Services) organisations.
- Procuring a new Contracts Register to provide improved oversight of our contracts and spend and enable early identification of upcoming opportunities for social value and for local suppliers to bid.
- Exploring options through the new Islington Anchor Institution Network to use the collective purchasing power to purchase more goods and services through the local economy.

3.13. We have introduced two new corporate performance indicators to help us monitor progress:

- **Percentage of suppliers from overall supplier base who are local** (i.e., Islington and neighbouring boroughs - Camden, City, Hackney & Haringey). In 2021/22 there were 2,839 suppliers with spend over £5k, of which 1,048 (36.9%) were local (25% Islington, 11.9% surround boroughs). Over the lifetime of the Progressive Procurement Strategy (to March 2027) we aim to increase this to 39% of total spend being on local suppliers.
- **Percentage of expenditure with local businesses:** In 2021/22, spend over £5k with third party providers was £558,476,012, of which £192,806,448 (34.5%) was with local suppliers (20.4% with Islington suppliers, 14.2% with suppliers in neighbouring boroughs). Over the lifetime of the Progressive Procurement Strategy, we aim to increase this to 35% of third party spend with local suppliers. This will be a challenge as we have many SMEs in Islington, so they may not (yet) be able to bid for higher value contracts, so our work to build capacity, and to look at potential for key providers in our main contracts (and for other Anchors) to sub-contract to local providers will be key.
- The first annual progress update on delivering the commitments set out in the Progressive Procurement Strategy is scheduled to come to Policy and Performance Scrutiny Committee during 2023/24.

3.14. **Recommendation 1(e):** To reaffirm the Council's commitment to enabling secure, paid work in Islington, and to initiate a campaign to increase the number of local hospitality businesses that are paying the London Living Wage, and to encourage employers to provide 'good work' for their employees, recognising that smaller businesses may need more support and time to deliver.

3.15. **Response:** An increase in the number of businesses paying the London Living Wage is embedded into the corporate performance framework for 22/23 and beyond. The Strategic Programmes and Partnerships seek to deliver this with the support of the Living Wage Foundation to promote Islington as a Living Wage Place. In the context of a cost-of-living crisis, we are refreshing the Islington Living Wage Place Action Plan to ensure that it is targeted at sectors in which low pay is a particular issue, including hospitality businesses. This is likely to involve 'deep

dive' workshops in which local hospitality businesses that *do* pay the London Living Wage and experts from the Living Wage Foundation will share barriers faced by their sector and how they can be overcome. Depending upon the size of hospitality businesses, tailored engagement approaches will be deployed to share these findings and encourage these businesses to become Living Wage Foundation accredited. There are also two "Mayoral Academies" for the hospitality sector covering Islington, both with a remit to promote the living wage to local businesses. Through the Living Wage Foundation, we will be working with both academies to share their plans to promote the living wage – one led by Capital City College Group and the other by Conel College.

- 3.16. **Recommendation 1(f):** To pursue the expansion of the Council's affordable workspace portfolio, including securing additional space on high streets and local neighbourhoods, although not at the expense of social housing in the case of neighbourhoods, and to promote a diversity of opportunities for local people to start-up their own businesses.
- 3.17. **Response:** The Affordable Workspace team are working with colleagues across the Council including property services to explore and enable the expansion of the programme with the aim of maximising the use of sub-optimised assets, such as garages and vacant properties in town centres, with the long term aim of delivering a comprehensive offer across Islington. The programme continues to engage with those within our communities who need the most help.
- 3.18. Four operational sites in the borough have delivered £1.25m of social value to date. Further sites, Regents Wharf, Bingfield Street and Garrett Street will be tendered for operators in 2023, subject to planning and other approvals.
- Bingfield Undercrofts space will bring previously underused council owned space into use as a small 150m<sup>2</sup> workspace within Caledonian Ward.
  - Regents Wharf will be themed as a net zero workspace, located close to the King's Cross Knowledge Quarter. The 350m<sup>2</sup> space will bring a focus on net zero business incubator space for the borough.
  - Garrett Street will provide 1000m<sup>2</sup> of affordable maker space into use by the end of 2025.
  - In addition, an innovative approach to small sites is in development, which will initially activate up to 325m<sup>2</sup> in five spaces as grow on space for small businesses. It is anticipated that a further 300-400m<sup>2</sup> in smaller spaces will be identified and developed over the course of the next two years.

- Archway's designation as a CEZ (Creative Enterprise Zone) will also secure additional space for creative enterprise in the zone and will be supported with funding from AWS (Affordable Workspace)

- 3.19 The emerging Affordable Workspace strategy will also address growth on spaces in underutilised spaces in council ownership and on the high streets. As well as consideration of strategic decisions for S106 contributions.
- 3.20 The new Local Plan, which is in its final stages of preparation, includes policies which strengthen the council's ability to secure affordable workspace. Developers will be required to deliver more space (10% will be required instead of the current indicative 5% as a starting point for negotiations) and for a longer period of 20 years instead of 10, with very large schemes in the south of the borough being required to deliver affordable space in perpetuity. Further, affordable workspace of higher quality will be required.
- 3.21 The council is also in the process of introducing Article 4 Directions to remove the recently introduced permitted development rights which allow a range of commercial uses, including offices, to change to residential use without planning permission. These permitted development rights can erode clusters of commercial activity, and lower grade spaces which are relatively affordable are often most vulnerable to the pressure from pd rights. Permitted development rights also bypass planning policies and remove the ability to secure affordable workspace and other planning benefits.
- 3.22 The first tranche of Article 4 Direction notifications was issued in August 2022 focusing on the following areas: Central Activities Zone (CAZ) and CAZ Fringe in Kings Cross Area; Vale Royal/Brewery Road Locally Significant Industrial Site; Fonthill Road Specialist Shopping Area; and Camden Passage Specialist Shopping Area. These Directions will come into force in August 2023.
- 3.23 Preliminary work has commenced on the second tranche of Article 4 Directions, which will focus on other Town Centres in the borough, as well as Local Shopping Areas and other employment clusters.
- 3.24 **Recommendation 1(g):** Continue to invest in support for local economies, in Islington town centres, neighbourhood parades, and create networks of businesses to work with the Council to increase footfall to local shops, hospitality businesses and cultural venues, including in the south of the borough which is being impacted by potentially long-term changes to the city and hybrid working.
- 3.25 **Response:** In April 2021, the Government amended Permitted Development Rights to add a new category: change of use from Class E "business, commercial and service use" to residential (Class C3). Class E includes shops, restaurants, estate agents, offices, museums, and indoor sports facilities.

- 3.26 As stated above, in different parts of the borough, including in the southern Central Activities Zone, the Islington Planning Service is using Article 4 directions to protect space for businesses by reintroducing a requirement for application for full planning permission rather than using the prior approval process.
- 3.27 The Local Economies team has developed a borough-wide strategy which frames a series of local strategies for town centres, high streets, and parades across the borough – including in the south, which forms part of the strategic, Central Activities Zone.
- 3.28 A core element of the strategy assists energy intensive businesses, for example those in the hospitality and restaurant trade, with access to grants and advice to reduce consumption, thereby saving money, modernising their business operations, and enabling them to play their part in the borough meeting its Net Zero carbon target. This is a sign of our commitment to local businesses; - the council succeeding in protecting its funding for small businesses at a time of considerable fiscal restraint. Over 10,000 businesses have been contacted about ReLondon grants for example, which support them in making their operations more efficient, whilst the Energising Small Businesses Grant Scheme offers £5,000 grants to small businesses to implement energy saving measures. Islington has also piloted free cargo bike delivery to replace diesel vans in the Cally and Exmouth Market, an initiative that is saving businesses money as well as reducing carbon emissions.
- 3.29 Another crucial element underlining the inclusivity of our business support approach has involved reframing markets as a stepping stone towards developing a small business. A new Markets Development Officer role has been funded, part of the role being to encourage new entrants to market trading, including entrepreneurs who want to test out business ideas. This offer is in addition to opportunities for next generation traders to provide affordable necessities to residents struggling to get by amid a cost-of-living crisis.
- 3.30 Stronger links are also being forged between small local businesses and anchor institutions, locally rooted, large organisations nine of whom have recently formed the Anchor Institutions Partnership. The partnership has set up a ‘Procurement’ task and finish group, a key task of which is to structure their supply contracts in ways that provide a genuine opportunity for small businesses to collaborate and bid successfully. Another working group is addressing the issues that local businesses face accessing employees, facilitating links and pathways between our Employment Support Organisations and SMEs.
- 3.31 The local economies team also work with the Strategic Partnerships and Programmes team to form stakeholder groups that can identify and work up bids from funders such as the GLA (Greater London Authority) to benefit our town centres, high streets, and neighbourhood parades by bringing more business activity in the area. A recent example is the Archway Creative Enterprise Zone

(CEZ). The Archway CEZ has successfully competed for funding against stiff competition from other London boroughs to become a designated area where artists and creative businesses will find permanent, affordable space to work and grow and where local people will be helped to learn creative sector skills and access pathways to employment.

- 3.32 The team will continue its work to establish and empower locally led Traders Associations to take collective decisions about local economy initiatives and support them to deliver their agreed priorities, pulling in cross-council support wherever appropriate. Town Centre Grants provide resource for small businesses to improve the look and feel of their local high street, for example through upgrading shop fronts. The team will also sustain relationships with business networks such as Angel.London, and the Federation of Small Businesses.

### **COUNCIL FINANCIAL POSITION**

- 3.33 **Recommendation (h):** To recognise the vulnerability of the Council to the loss of income, primarily from fees and charges from services such as parking and leisure and put in place measures to address these. This income is vital to underpin the investment the Council makes. Taking parking for example, £30m of income is generated which offsets eligible expenditure. Items which would count as eligible expenditure include £1.4m of highways & pavement works, £12m towards concessionary fares for our residents, £0.5m in road safety measures and £4.1m on provision of accessible community transport. In recognising the vulnerability in income levels, it may be necessary to identify possible compensatory savings, if the loss of income results in a shortfall to the medium-term financial budget.
- 3.34 **Response:** Income plays a major role in funding the Councils vital services to residents. As part of the Councils ongoing Financial Monitoring, its income streams are closely monitored. During the COVID pandemic the Council was required to report month by month analysis ensuring that there was a close grip and up to date information on any short-term problems.
- 3.35 Within the budget setting process the Council looks at the level of its Fees & Charges and models the financial impacts of demand for these services into the medium term. Where income is expected to erode over time, prudent budgetary decisions are made in a timely manner. This ensures that knee jerk decisions are avoided, and the Council can make longer term decisions on its financial position overall. Equally, any opportunities to fully recover costs through charging for discretionary services are considered at this point.

- 3.36 A core principle of the MTFs (Medium Term Financial Savings) is ensuring that estimates are robust. All income budgets are reviewed annually (and throughout the year), and income targets are reduced where required.
- 3.37 **Recommendation (i):** That the Council place on record the failure of the Government to provide all necessary funding for the COVID pandemic. This in addition to the requirement for the Council to make savings in excess of £275m due to austerity measures imposed by Government over the past 10 years. The Government failed to fund the COVID pandemic costs incurred by the Council to the tune of £6m in 2020/21, and this has resulted in the Council having to make additional savings in its medium/long term financial savings plan.
- 3.38 **Response:** The Council's outturn report for 2020/21 showed the stark impact of COVID on our finances. The Council has continued to see the impact of COVID on its finances and demand for its services. These effects have been compounded by recent economic volatility leading to increased costs to the Council and hardship for our residents.
- 3.39 The Council's budget report sets out a requirement of a further £11m of General Fund savings in 2023/24. This is to pay for increases in demand and a shortfall in funding. Overall, before demand factors are taken in to account, inflation on our costs is running at 11% however our increase in funding equates to 9.8%.
- 3.40 **Recommendation (j):** That it be noted that the provisional Local Government settlement for Islington did not provide sufficient funding to meet the Council's pressures. Any additional monies were in relation to costs of new burdens such as meeting the increase in National Insurance, or largely one off in nature. The increased demand and pressures on key services, such as Adult Social Care and children's social care, plus large increases in inflation, will mean that the Council will not be adequately funded. This inevitably means that the Council will need to increase savings targets in the medium and longer term to adequately fund our services and meet future demand.
- 3.41 **Response:** The 2022/23 Local Government Finance settlement again only provided certainty to the Council for one year, preventing long term planning. The settlement did not cover the increased costs of demand, primarily in relation to Social Care costs.
- 3.42 The 2023/24 Local Government Finance settlement again did not fully cover inflationary pressures even before the accelerating costs and demand for Social

Care. As a result, the Council is required to find £11m of General Fund savings to achieve a balanced budget.

- 3.43 A long-term funding solution for Adult Social Care is required together with a longer-term financial settlement period in order to provide the Council with the certainty needed for service planning.

#### 4. **Background**

- 4.1 The Policy & Performance Committee noted that the Council place on record its admiration and thanks to Islington businesses who, despite unprecedented pressures, have worked diligently throughout the pandemic to keep their customers and staff safe. In addition, they have invested extraordinary resources and efforts in meeting the enormous challenges presented by Covid-19, particularly those independent, locally owned businesses whose resilience was tested through various lockdowns and periods of restriction, and who continued to serve the needs of residents and protect local jobs. Unfortunately, Islington's businesses continue to face challenging trading in the post-pandemic period.
- 4.2 This report takes account of the challenging economic environment in which the council is operating. Inflation is running at over 10 percent, including for basic food items and energy costs, and this is having a severe impact upon residents, workers, and businesses.
- 4.3 Wages are failing to keep up with the rise in the cost of living and a 'Winter of Discontent' is already with us as a round of strike action begins, especially in the public sector where the issue of below inflation pay rises is particularly significant.
- 4.4 Amid a recession, the Chancellor's Autumn statement envisages a return to austerity, outlining plans for tax increases including for workers on low incomes. Although companies have succeeded in getting workers back into offices, a new 'hybrid' system of working is becoming the norm and hospitality spend is likely to be down especially in the Central Activities Zone.
- 4.5 Despite these challenges Islington's Community Wealth Building Directorate is tasked with the overarching aim of tackling economic inequality and disadvantage and creating an economy that works for everyone. The Directorate is maximising the Council's and key local institutions' roles as economic agents, taking advantage of our collective employment, and purchasing power, as well as the local physical asset base to benefit local businesses and residents. Our response is directed through four 'pillars' or programmes of work, which drive the Islington Together 2030 plan and the accompanying Community Wealth Building Strategy. These pillars are,
- **Economic Wellbeing:** Empowering residents to build financial resilience, future proofed skills, and secure and retain good quality jobs

- **Inclusive Economy:** Strengthening the local economy by supporting the development of key sectors, providing active stewardship of local economic places, and championing local businesses
- **Progressive Procurement:** Leveraging our spending power to both deliver high quality outcomes and value for money, but also to maximise social value delivery for residents and businesses
- **Social Infrastructure:** Maximising the (enabling) provision of affordable housing, affordable workplaces, and enhanced education and community assets. Ensuring that all development in the borough delivers genuinely affordable homes, enables the delivery of an inclusive economy, supports the net zero carbon priority, and drives social value.

## 5. Implications

### 5.1 Financial Implications

There are no additional financial implications arising from the contents of this report.

### 5.2 Legal Implications

There are no additional legal implications arising from this report.

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

There are no additional environmental implications arising from this report.

### 5.4 Equalities 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.

5.5 An Equalities Impact Assessment is not required in relation to this report. Agreed actions refer to existing plans, which the Inclusive Economy Service are undertaking.

## 6. Conclusion and reasons for recommendation

6.1 Policy and Performance Scrutiny has guided the Inclusive Economy Service approach to addressing key policy challenges, including making use of data and information captured during the pandemic to benefit our most disadvantaged communities, to prioritising the attainment of a London Living Wage for Islington workers in the context of a cost-of-living crisis.

6.2 There is also recognition of the longer-term effects of the pandemic on working and footfall in town centres and high streets and the need to support businesses that rely heavily upon non-local visitor custom. There is also an important role for affordable workspace in reinvigorating underutilised assets and facilitating the economic inclusion of underrepresented groups.

### Appendices:

None

### Background papers:

None

### Final report clearance:

Approved by: Executive Member for Inclusive Economy and Jobs and Executive Member for Finance, Planning and Performance

Date: 14 March 2023

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