

Committee: Cabinet

Date: 19th October 2015

Agenda item:

Wards: All

Subject: Merton's Economic Development Strategy (EDS) Refresh Underspend

Lead officer: Paul McGarry, Future Merton Manager

Lead member: Cllr Andrew Judge, Cabinet Member for Environmental Sustainability and Regeneration

Key decision reference number:

Contact officer: Sara Williams, Programme Manager for Business and Economy

Recommendations:

1. That LSG note the request to carry forward the underspend of £ xxxx on the EDS Refresh 2012-15 to be used in 2015-16 and 2016-17
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1 Purpose of report and executive summary

- 1.1 To request that the current underspend from the Economic Development Strategy Refresh three year programme be used in 2015/16 and in part in 2016/17.

2 Details

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2.4 From 2012 to date, futureMerton (Business and Economic Team) have led on the delivery of the EDS Refresh.

2.5 The Programme has made significant progress in putting in place the business and economic development infrastructure and delivered a number of successful projects that have created jobs, new businesses and help attract new companies into the borough. In addition, it has helped a number of local employed and low skill residents gain employment and apprenticeships.

2.6 Working with key partners such as Merton Chamber of Commerce, the Sustainable Communities and Transport Partnership (SCTP) sub group Economic Wellbeing (EWG) and a number of business-led organisations, futureMerton has delivered a number of business support and skills & employment activities which addressed the broad actions recommended by the EDS Refresh namely:

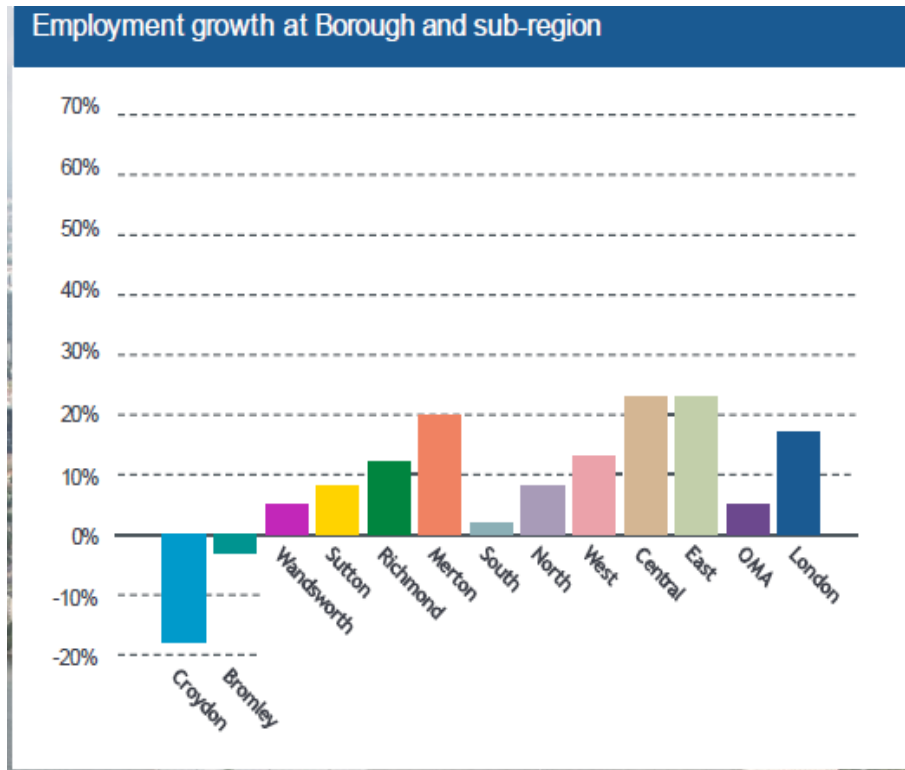
- 2.6.1 Support the growth of existing business and to encourage and support the start of new businesses;
- 2.6.2 Support the retention and growth of the borough's large, mediums-size and high growth companies;
- 2.6.3 Inward investment to attract more foreign and UK companies into Merton;
- 2.6.4 Support Town Centres, Industrial Estates and key business locations including supporting the establishments of business-led Business Improvement Districts (BIDs);
- 2.6.5 Provide targeted support to key sectors – particularly those of significant importance to the local economy, as well as those sectors with growth potential;
- 2.6.6 Support for unemployed and low-skilled residents into work particularly in the East of the borough.

2.7 **Business support** related impacts have led to:

- **545** new jobs created
- **270** new businesses created
- **300** jobs safeguarded or attracted as a result of business retention, inward investment, business loans and shopfront grant programme
- **700** businesses received practical advice and to start-up, develop, grow or survive downturn
- **£130,000 worth business** loans made to Merton businesses through the Merton Business Loan scheme, to start-up or expand
- **£900,000** of finance raised to help business to start-up, grow and survive – as a result of the business support and business loans programmes

- Merton is the only borough in the south to have experienced employment growth above the London average, in part due to the rise in the creative industries.¹

¹South London Sub-regional Transport Plan - 2015 update (Sept 2015)



2.8 Some of the key business related projects are outlined below:

2.8.1 Merton Some Business Support Service (MBSS): provides high quality support to help small businesses start-ups develop and expand. It is delivered by the Merton Chamber of Commerce and some of London's leading private sector business advisors and consultants: www.mertonbusinesssupport.co.uk. To date, **started 171 businesses, created 454 jobs, raised £777,000 finance**, supported **over 40% start ups from east of the borough with 50%** of businesses with growth/ growth potential also coming from east of the borough.

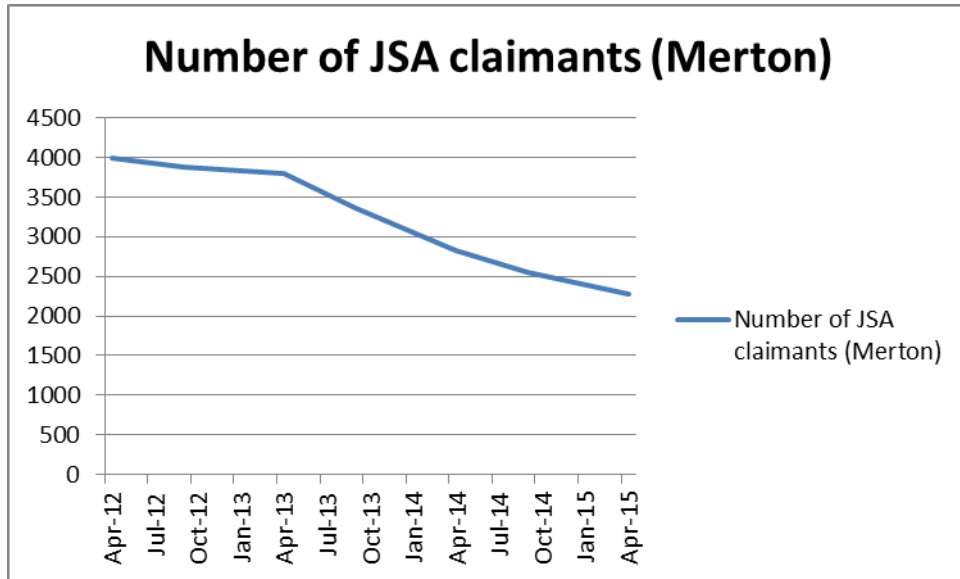
2.8.2 Merton Business Loans: Merton offers two business loan schemes, to help businesses in Merton to start-up, develop and grow via the Greater London Enterprise (www.glemertonloans.co.uk) which offer loans of up to £70k and Fredericks Foundation (<http://www.fredericksfoundation.org/loans>) which provides loans from £500 helping people start up small businesses or become self-employed. To date the loan scheme has provided £103,000 of loans to Merton businesses and as a result has helped create 19 new jobs and safeguarded 16 jobs.

2.8.3 Wimbledon Tech Campus (Wimbletech): In May 2014 the Council provided a small sum of seed funding to a local entrepreneur wanting to create a Tech Campus (Wimbletech) in a dedicated office space in Wimbledon Library. This offered a modern and flexible co-working space for tech start-up businesses in South London. Wimbletech has been so successful that in eighteen months of

operating, it is currently providing affordable and flexible co-working office space for 90 tech businesses/start-ups. Wimbletech also undertakes corporate social responsibility activities by providing free community and education events (delivered by the tech entrepreneurs) on Information Technology to help people of all ages and backgrounds learn about digital technology.
<http://www.wimbletech.com/>

- 2.9 Inward Investment and Business Growth Strategy and Action Plan: This strategy sets out in a clear and practical plan for Merton Council and its partners to attract new companies (both UK and foreign companies) as well as supporting existing firms (business retention and aftercare). To date the work has helped attract a number of companies into the borough including a Russian manufacturing company in an industrial estate in Mitcham.
- 2.10 Business retention (Aftercare): This involved the Council and its delivery partners visiting and building relationship with the borough's "Top 100" most strategically important companies for the purpose of identifying their business retention and expansion needs and issues to help address or resolve. The Council has helped relocate businesses that lost their premises, for example supporting the media village in the former Wimbledon Studios and other businesses affected by the changes in Development Control Prior Approval legislation.
- 2.11 Support to industrial estate companies: Merton's industrial estates have some of the highest concentration of jobs in the borough. For example, approx. 4,000 people are employed on the two largest industrial estates at Willow Lane Industrial Estate and South Wimbledon Business Area (SWBA). To help retain jobs and support the growth of companies on the industrial estates, the council has worked with business associations and representatives of the main industrial estates to deliver services and projects which improve the physical environment of the estate as well as schemes which increase trade, business retention and the attraction of new companies onto the industrial estates. Activities included superfast broadband to industrial estates where the Council initiated and led on a programme to address the long standing problem of poor internet infrastructure and connections on Merton's industrial estates. The Council secured funding from the Government's Connection Voucher Scheme to install business-grade super-fast broadband to the borough's worst affected estates. Estates benefiting from superfast broadband to date include: Willow Lane, South Wimbledon Business Area, Weir Road and Garth Road. Visit: <https://www.connectionvouchers.co.uk/>
- 2.12 Employment and skills activities are delivered through the Merton Partnership Sustainable Communities and Transport Partnerships (SCTP), Economic Well Being Sub Group (EWG) which meets every 6 weeks to update on progress around the priorities of the council's Employment and Skills Action Plan. Between 2012 - 2014 the focus was on reducing the number of claimants on Job Seekers Allowance (JSA) in Merton and reducing youth unemployment by encouraging local employers to **Take One** young person for employment or work experience.

2.12.1 The results are that the number of JSA claimants reduced from 3,867 (2.7% of the working population) in July 2012 to 2,125 in June 2015 (1.5% of the working population). Recent data on jobseekers allowance for Merton shows a significant improvement since early 2014.



2.12.2 The graph above illustrates that there was a decrease of 21% in JSA claimants (563 people) between January 2014 and January 2015.

2.12.3 At end of January 2015, 196 apprentices were placed through Take One. Since the start of Take One, 247 businesses that have expressed an interest in apprenticeships (these are businesses that may not have otherwise engaged with apprenticeships) have been supported by the Merton Chamber of Commerce. The Chamber used the Take One and Economic Wellbeing Group model to promote a “Skills for the Workforce” pan London “good practice” initiative. This was funded by current European Social Fund (ESF) managed through Newham College.

2.12.4 This year’s employment and skills actions focus on supporting the hardest to engage unemployed and/or economically inactive residents, including ex-offenders, lone parents and carers, over 50’s, looked after children and care leavers and long term unemployed. There are specific programmes around engagement and reducing claimants in the 4 most deprived wards with a target of 1.7% claimants by March 2017 (²average for most deprived wards is 2.77%). The employability programmes include support around developing communications/confidence, travelling outside of the borough, basic IT and CV writing.

² NOMIS June 2015 Figges Marsh 3.1%, Cricket Green 2.8%, Pollards Hill 2.8% and Ravensbury 2.4% JSA claimants

2.13 The EDS Refresh programme included a proposal to submit a bid for match funding of European Union Economic Social Fund (ESF). Unfortunately the national ESF programme has been delayed by almost two years. Bids have now been submitted in Sept 2015 for delivery 2016 onwards.

2.14 Support for Town Centres has included:

2.14.1 LoveWimbledon Business Improvement District was formed in 2013 in Wimbledon town centre. The aim of a BID was to make the town centre a better place to visit, shop and work in. LoveWimbledon provides a strong collective voice that represents all the businesses within the BID, as well as inspiring a community feel for residents, commuters and visitors.

2.14.2 Shop front and business premises improvement grants: The council have supported 20 shops and businesses with improvements since 2012 at a cost of £150k. Many of these were vacant premises and have been brought back to use and created new jobs. This is demand led and the take up has not been as significant as anticipated. Alongside external funding has supported particular schemes, for example in Mitcham the Outer London Fund.

2.14.3 The Community Toilet Scheme continues to operate in our five town centres and is funded through the EDS reserves. Currently seven businesses participate in the Community Toilet: three in Morden, one in Mitcham and three in Colliers Wood. The scheme was not initially part of the EDS Refresh but has been funded through reserves as it is a business support that compliments town centre businesses.

2.14.4 In February 2012 the council was awarded £409,094 from the London Mayor as part of the Outer London Fund Round two bids. The Council provided match from reserves enabling the delivery of improvements to Mitcham town centre including:

- 7 large public artworks with high quality interpretation boards
- 14 shop fronts
- Removal of a large (50m long) crumbling building canopy
- 2 parade refurbishments
- General presentation and operation of the market
- Agreement on improved waste collection regimes
- Development of an active 'Business Taskforce'
- 19 Jobs created through the OLF work.

2.14.5 The council were awarded £1.6m from the GLA's Mayors Regeneration Fund for Colliers Wood town centre. The scheme commenced later than anticipated in January 2015. This funds improvements to the public realm around the Brown & Root Tower, Colliers Wood Station, Baltic Close, Wandle Park gateways and riverside improvements as the first phase of wider improvements to realise Colliers Wood's potential as a new district centre. Work is currently on site in different phases and is due to finish entirely by the end of March 2016. Outputs will be reported at a later date.

3 Recommendations for April 2017 to 2019/20

- 3.1 As outlined above, the 2012-15/16 EDS Refresh programme has made significant progress in putting in place the business and economic development infrastructure and delivered a number of successful projects which have led to the creation of new jobs and other economic benefits for Merton. However, despite the contribution made by the programme, many of the problems highlighted in paragraph 1.5 do still exist. More economic development resources could still be allocated beyond March 2016 to build on the work of the existing programme and to address the local economic problems and weaknesses that still exist.
- 3.2 Equally important, a new economic development programme will be required to capitalise on the jobs and other economic benefits that will arise from local development opportunities such as central Wimbledon, Morden, Colliers Wood/ South Wimbledon and Mitcham. The council should also consider continuing a programme that will facilitate opportunities to attract new companies into the borough and support the expansion of existing companies, allocate resources to lever and capitalise on the opportunities arising from Crossrail 2 and GLA funding for business and economic development activities.
- 3.3 Key factors and drivers informing the proposed new 2017 EDS Programme are:
 - 3.3.1 Recommended following a review of the activities of the current EDS Refresh, in particular what has been successful.
 - 3.3.2 Based on the broad actions recommended by the 2012 EDS Refresh, as current evidence suggest these are still relevant to Merton.
 - 3.3.3 Also takes into account the improving national economic climate, as recent developments in the local economy.
 - 3.3.4 And, equally important, it is informed by recent evidence on "what works" in supporting businesses to grow and generate jobs, as well as effective initiatives for supporting the unemployed and low skilled into jobs.
- 3.4 Some of the key evidence and drivers underpinning the proposed new programme are summarised below:

- 3.4.1 Supporting growth and high growth businesses generate the highest return on investment in terms of job creation and other economic benefits (GLA, BIS & NESTA 2015). Merton's growth businesses created 3,500 jobs to the local economy in 2011 alone (Shared Intelligence 2012).
- 3.4.2 The Merton Business Support Service (MBSS) has been successful in providing practical and effective support to Merton businesses with growth and high potential. It is recommended that the programme is funded for a further three years but the new programme should put even more focus on targeting growth and high growth businesses in order to generate more jobs for the local economy.
- 3.4.3 Business premises: availability of affordable, flexible and appropriate premises is critical to small business development and their retention locally. Recent Studies have confirmed that there is a severe shortage of affordable and flexible business space in the borough for small businesses, particularly co-working space for tech start-up.
- 3.4.4 Inward investment and Business Retention: Attracting companies (particularly large and medium size firms) provides large number of jobs and other economic benefits into an area. In 2013/14 inward investment from foreign companies created 66,000 new jobs and safeguarded 45,000 jobs in the UK (UKTI 2015).
- 3.4.5 Wimbledon has been relatively successful in attracting national and international companies due to its global brand and good transport links. An indication of this is the FT250 international banking group, Close Brothers, recently moving its HQ into Wimbledon, relocating 600 staff from other London facilities. However the number of inward investors coming into the borough could be much greater. According to London and Partners, Merton has less than 1% (approx. 184) foreign companies in the borough. Furthermore the intensive competition for inward investment from all the London boroughs means that Merton needs to develop its inward "offer" and intensify its efforts in order to compete and attract foreign and UK companies into the borough.
- 3.4.6 Supporting companies to remain and expand in an area (Business Retention) is an important aspect of inward investment. According to UK Trade & Industry, 58,000 jobs were safeguarded in the UK, as a result of companies remaining and expanding in specific location.
- 3.4.7 To support the retention of the borough's key companies, there is an urgent need to resource and intensify its business retention, particularly business premises and other retention support.
- 3.4.8 Industrial estates: Industrial estates contain some of highest concentration of jobs and often some of the largest companies with the potential to expand and create jobs. To help retain jobs and support the growth of companies on the industrial estates, the Council needs to build on its work with business associations and representatives of the main industrial estates to deliver services and projects which improve the physical

environment of the estate, as well as schemes which increase trade, business retention and the attraction of new companies onto the industrial estates.

- 3.4.9 Business Finance: Evidence from GLA, Federation of Small Businesses and other business organisations have confirmed that businesses, particularly those wishing to expand, continue to have problems raising finance from the banks. This leads to these businesses not being able to fulfil their expansion and job creation aspiration.
- 3.4.10 Shopping Centre and retail initiatives; The retail sector is extremely important to the Merton economy. It is an important source of jobs with the combined retail and wholesale sector accounting for 18.1% of total employment in the borough, compared to 12.8% in London as a whole. There is a need for the Council to continue its work with retailers and other businesses in each town centre to improve the management of their centre, attract new quality retailers and to secure investments in new developments. Merton should consider taking innovative high street ideas forward that will meet the changing needs of the shopper. For example, using one of our town centres as a pilot of the Better Digital High Streets Scheme, a new idea to encourage economic development through a digital platform. The aim is to increase the level of spend in Merton's town centres. In the process, the platform will provide the Council with means to address areas such as:

- Merchant's concerns over the negative impact that parking has on consumer dwell times,
- Negative consumer experience of having to think about departure times upon arrival at the High Street.
- A means to support merchants, in particular independents, to use digital - for example, in digitising their store news.
- Move from a combative to collaborative relationship between the Local Authority, consumer and merchant stakeholders.
- Provide a capability to drive modal shift and nudge behaviour to reduce peak levels of activity, which will help reduce congestion, frustration and emission.

3.4.11 Targeted sector support: Business & financial services, Information Tech, Retail & Wholesale, Creative and manufacturing and construction continue to be important sectors for the borough. As identified under 2.4 above, Merton is the only borough in the south to have experienced employment growth above the London average. This is in part due to the rise in the creative industries and it is recommended that this is encouraged further. There is a need for the Council will work with partners to provide support with sectors which provide high levels of employment as well as sectors with growth potential.

3.4.12 This year Merton has offered (in principle) match funding as part of a partnership bid with the London Councils European Social Fund (ESF) bid. ESF set Priority criteria and this bid relates to Investment Priorities 1.1 (under Priority Axis 1: Inclusive labour markets) and Investment Priority 2.1 (under Priority Axis 2: Skills for growth). The programmes will support participants into work and to help those already in work to progress by gaining additional skills, confidence and motivation. Merton has provisionally committed £182,450 (2016/17) in match funding. If successful, the programme will focus on residents in the most deprived wards in the borough, predominately targeting those in the East. This bid is also at stage two and we are awaiting confirmation as to whether or not it has been successful. If successful, this will begin in early 2016.

4 Alternative options

4.1 The 2016 EDS programme under Recommendations 3 is not taken forward and either:

- 4.1.1 The EDS Refresh concludes in 2016 once the committed programmes are fulfilled or
- 4.1.2 A further revised programme is represented at a later date this financial year.

5 Consultation undertaken or proposed

- 5.1 None for the purposes of this report

6 Timetable

The EDS Refresh programme was approved in October 2012 for the three years (to 31st March 2016). In October of each year, Cabinet are updated on the actual spend and asked to approve funding for the current financial year. It is anticipated that this years funding will be presented to Cabinet on 19th October 2015 and continues the EDS Refresh to March 2017, beyond the original three year programme.

7 Financial, resource and property implications

- 7.1 In October 2012 £2,448,275 reserves were allocated to the EDS Refresh. In October 2013 a further £1,290,600 was allocated to fund more programmes. However, this was a very ambitious programme to deliver in three years. Although outputs have been achieved there has been an underspend which has been returned to the council's reserves. The full underspend will not be known until the end 2015/16. .
- 7.2 A request for £591,000 will be made under a separate finance report to Cabinet on 19th October 2015 to fund programmes into 2016/17. This would mean the EDS Refresh would continue for a fourth year and would be funded from the underspend. The programme has extended into year four because some elements of the programme started late due to staff resource and external funding became available over the original three year period.
- 7.3 Alongside the funds agreed in October 2012, the council were successfully awarded funding from DCLG for High Street Innovation Fund, Mayor's Regeneration Funds and Outer London Funds. This has been used in place of reserves and partly accounts for the underspend.

8 Legal and statutory implications

- 8.1 None for the purposes of this report.

9 Human rights, equalities and community cohesion implications

9.1 None for the purposes of this report.

10 Crime and Disorder implications

10.1 None for the purposes of this report.

11 Risk management and health and safety implications

11.1 None for the purposes of this report.

12 Appendices

12.1 The following documents are to be published with this report and form part of the report: Merton's Action Plan update.

13 Background papers

13.1 Regeneris report of Merton's Local Economic Assessment 2009 found here:
http://www.merton.gov.uk/merton_local_economic_assessment

13.2 Regeneris report Part 2,"A New future: An Economic Development Prospectus for Merton" 2010 found here:
Http://www.merton.gov.uk/merton_economic_development_strategy_2010.pdf

13.3 Cabinet report 18th July 2011 on Economic Development Programme 2011/4 found here: <http://democracy.merton.gov.uk/Data/Cabinet/20110718/Agenda/1040.pdf>

13.4 Shared Intelligence Economic Narrative 2012 found here:
http://www.merton.gov.uk/economic_narrative_for_merton_2012.pdf

13.5 Shared Intelligence Economic Development Strategy 2012 found here:
http://www.merton.gov.uk/merton_s_economic_development_strategy_refresh_2012.pdf

13.6 Cabinet report 22nd October 2012 on Refreshed Economic Development Strategy found here: <http://democracy.merton.gov.uk/Data/Cabinet/20121022/Agenda/1183.pdf>