

<b>Cabinet Decision</b>	 <b>TOWER HAMLETS</b>
24 April 2019	
Report of: Ann Sutcliffe, Corporate Director of Place	<b>Classification:</b> Unrestricted
<b>Draft Growth and Economic Development Plan 2018-2023</b>	

<b>Lead Member</b>	<b>Councillor Motin Uz-Zaman Cabinet Member for Work and Economic Growth</b>
<b>Originating Officer(s)</b>	Vicky Clark, Divisional Director, Growth and Economic Development Ekim Bireroglu, Senior Strategy, Policy and Performance Officer, Governance Keiko Okawa, Senior Strategy and Policy Manager, Governance
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	7 March 2019
<b>Reason for Key Decision</b>	Significant effects on communities living or working in an area comprising two or more wards
<b>Strategic Plan Priority / Outcome</b>	People are aspirational, independent and have equal access to opportunities / People access a range of education, training, and employment opportunities.

## Executive Summary

This report presents the Council's Growth and Economic Development Plan 2018-2023. The plan sets out the Council's priorities and actions which aim to build an economy that works for local people and ensures everyone can benefit from the borough's success. The Council's vision is to create a Tower Hamlets that delivers sustainable and inclusive economic growth enabling all of our residents and businesses to prosper. This is aligned with priorities set out by the Council's Strategic Plan 2019-2022, (People access a range of education, training and employment opportunities) and the Tower Hamlets Partnership's Tower Hamlets Plan (tackling inequalities by building a stronger, more inclusive and fairer borough).

The consultation on the draft Tower Hamlets Growth and Economic Development Plan ran from November 2018 to February 2019. We invited responses from a range of interested parties to help inform further discussions on the plan and its objectives. The overarching conclusion of the consultation showed support for the vision and priorities in the plan.

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Approve the Growth and Economic Development Plan.

### **1. REASONS FOR THE DECISIONS**

- 1.1 The objective of the Growth and Economic Development Plan is to deliver the Council's priorities of building an economy that works for local people. Our proposed approach is to enable residents and businesses to prosper by connecting them to growth and economic development opportunities.
- 1.2 The development of this plan is identified as an action in the Strategic Plan 2019-2022. It considers the needs and requirements for the Council's further support to residents and businesses. Residents, business bodies, businesses and other stakeholders have been engaged in consultations.
- 1.3 Partners have also closely been engaged through the Growth and Economic Development Partnership Board. The outcomes and impact of the plan will be reported as part of the Council's Performance Management and Accountability Framework.

### **2. ALTERNATIVE OPTIONS**

- 2.1 'Do nothing' option. The lack of a plan will limit the Council's ability to enhance and embed effective work to deliver growth and economic development.
- 2.2 We could choose to develop a partnership strategy. However, this will require a longer timeframe for the development of a plan and delay the implementation of the Council's actions. Furthermore, while the Growth and Economic Development Partnership has been consulted on this plan, a co-developed growth strategy may not give sufficient, tangible priorities/actions that all partners including the Council will take away to deliver. As the Council is required to respond to the issues and equip young people with employment tools as soon as possible, identifying a Council Growth and Economic Development Plan is needed ahead of a partnership strategy.

### **3. DETAILS OF THE REPORT**

#### **Growth and Economic Development Plan - Summary**

Introduction and background

- 3.1 The Tower Hamlets Growth and Economic Development Plan 2018-2023 aims to build an economy that works for local people and ensures that everyone can benefit from the borough's success. The Council's vision is to

create a Tower Hamlets that delivers sustainable and inclusive economic growth enabling all of our residents and businesses to prosper.

- 3.2 This aim and vision are aligned with priorities set out by the Council's Strategic Plan 2019-2022(e.g. Priority 1: People are aspirational, independent and have equal access to opportunities) and the Tower Hamlets Partnership's Tower Hamlets Plan (tackling inequalities by building a stronger, more inclusive and fairer borough).

#### Why do we need a Growth and Economic Development Plan?

- 3.3 Currently, Tower Hamlets is a borough of sharp contrasts. While 4.3% of people working in Canary Wharf earn over £100k p.a., it is estimated that around four in ten households in the borough are living below the poverty line.
- 3.4 Residents identify a lack of jobs as one of their top three areas of concern. This is in the context of low skills, poor qualifications, and inequality. Inequality can act as a significant barrier in the search for employment and progression with much lower rates for certain groups, including those from ethnic minority communities, including newly arrived migrants and refugees, people with disabilities or health issues, and women.
- 3.5 The on-going challenges of austerity and welfare reforms coupled with the uncertainty around the possible economic impact of UK's withdrawal from the European Union have required us to find innovative solutions and seize opportunities to ensure our residents get the best deal possible.
- 3.6 With regards to Brexit, irrespective of the terms of the UK's departure from the EU, it should be assumed that Brexit is most likely to have an impact on local government, the local economy, the borough's workforce and the way organisations operate. The expectation is that this will present new challenges for the council, the borough's population and its businesses but also create new opportunities to do things differently.
- 3.7 The magnitude of these effects remains unknown as they depend on the eventual form of Brexit, and knowledge of the post Brexit UK economic environment across a range of dimensions such as trade, migration, and regulation.
- 3.8 To best prepare the borough for the UK's departure from the EU, the Mayor of Tower Hamlets launched the Tower Hamlets Brexit Commission tasked with examining the likely impact of Brexit on Tower Hamlets across a range of areas including public, economic and social implications. The council will carefully monitor the Tower Hamlets Brexit Commission Report and the outcome of Brexit negotiations and adjust our Growth and Economic Development approach accordingly.
- 3.9 Given the above, the incentive to further invest and strengthen our local economy has never been stronger. We believe that 'inclusive growth' is the way forward to address the challenges and opportunities ahead, and is an

absolute necessity to achieve greater prosperity, independence and access to opportunities for all our residents.

3.10 To achieve ‘inclusive growth’ we will complement and strengthen local, regional and national initiatives that are already in place to create better prosperity and growth for our local people and businesses. By drawing on these strategies and initiatives we want to create a plan that is applicable to the Tower Hamlets growth context.

3.11 We have identified three main priorities that we believe will deliver results.

- **Priority 1: Preparing our young people for success;**

- We will make the transition from education to employment work better for our young people. To achieve this we propose a targeted approach to equip young people in the borough with the tools they need to understand and navigate the options that are available to them.

- **Priority 2: Helping our working age residents thrive;**

- We will ensure all working age residents in the borough get the best possible outcomes in terms of their jobs and careers – by looking where we can complement and strengthen existing ongoing projects such as WorkPath.

- **Priority 3: Creating the conditions for business growth**

- We will support our existing businesses in the borough to thrive and to stay in Tower Hamlets as they grow. We will also identify ways in which we can attract a diverse business base – so that there are more job opportunities for people with different kinds of interest and aptitudes. The case for expanding our business base is further enhanced by business rates reform which will see the borough retain a greater proportion of business rates income. Tower Hamlets’ position as one of the UK’s leading business destinations is both an opportunity and challenge in this regard, as the desirability of locating in the borough drives up commercial property values.

3.14 In all cases we will try to invest rather than just spend. We will commission activities that will either;

- Generate a direct financial return to invest in further activity
- Lever in substantial sums of external investment
- Increase the proportion of national funding streams accessed by Tower Hamlets residents and businesses or
- Create a ‘virtuous circle’ of positive actions and outcomes that will become embedded over time.

3.15 The plan answers the following questions:

- Why do we need to further enhance growth and economic development?
- What is growth and economic development?
- What are our long-term aims?
- Why have we chosen these priorities?
- What is our immediate work?
- How will we know if our work is successful?

3.16 This plan is being developed in parallel with the Tower Hamlets Regeneration Strategy, which will take an overview of the borough's development as a place to live and work. Complementing the Regeneration Strategy's focus on place, this plan looks at thematic interventions to help people and businesses across the borough succeed.

### **National, regional and local policy context**

- 3.17 To develop this Growth and Economic Development Plan, national, regional and local responses to the current challenging economic and financial situation, including the impact of the austerity, were reviewed.
- 3.18 The government published the Industrial Strategy in 2017. It aims to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure.
- 3.19 The Mayor of London has initiated a series of policies to address economic and social exclusion. The latest policy is the Mayor's Economic Development Strategy (2017) which sets out aspirations to deliver the following amongst other things:
- Better educational opportunities for all, a lower cost of living, fairer pay and employment practices, better health and less poverty
  - Creating the conditions for growth – through enhanced workspace, better transport and infrastructure, more innovation and better skills, and by encouraging enterprise and entrepreneurship.
- 3.20 The priorities of the Growth and Economic Development Plan are set out within this context.
- 3.21 We also draw on other strategies to strengthen our plan; referenced as and when applicable throughout this document.

### **4. Consultation**

- 4.1 The consultation on the draft Tower Hamlets Growth and Economic Development Plan (2018-2023) ran from November 2018 to February 2019.
- 4.2 We invited responses from a range of interested parties to help inform further discussions on the draft plan and its objectives.

- 4.3 Three groups of respondents were identified as key audiences in the consultation process:
- The education sector
  - Representative business bodies
  - Individual businesses from a range of sectors across the borough
- 4.4 In summary, consultees were asked for their feedback on the vision and priorities outlined in the draft plan. They were also asked for their views on how to achieve the vision of sustainable and inclusive economic growth.
- 4.5 The overarching conclusion of the consultation with the education sector was that there are opportunities to collaborate and support each other, across organisations, in improving careers support provision and that these opportunities should be explored in partnership with the business community.
- 4.6 The consultation with representative business bodies, including the East London Business Alliance (ELBA) and Canary Wharf Group, showed strong support for the vision and priorities in the draft plan. Some constructive suggestions were given.
- 4.7 For example, in relation to priority 1, Craft Central, a charity focused on supporting innovation and employment in creative industries, suggested that the focus on preparing young people for success should also include self-employment opportunities as well as education, training and careers.
- 4.8 ELBA stressed the need to think about how we can help schools deliver and monitor themselves against the benchmarks in the context of the recent developments with the Gatsby Benchmarks. Canary Wharf Group agreed that the careers service within schools does not always reflect current growth areas and new sectors.
- 4.9 On priority 2 ELBA mentioned that they would like there to be more of an emphasis on the support for the working poor, not just those who are unemployed. Canary Wharf Group suggested a more collaborative approach with partners in the borough who also provide employment and training support to residents to help reduce duplication of assistance and provide a more streamlined action plan from the view of the local resident.
- 4.10 As for priority 3, the biggest single barriers to business growth mentioned were:
- General economic uncertainty
  - Very risk-averse banking
  - Costs / availability of premises
  - Business rates
  - Lack of SME awareness of what support is actually available
  - Lack of digital skills

- 4.11 Canary Wharf Group stressed that there is still an £85bn productivity gap in the UK SME and charity sectors which digital can help close. The biggest opportunity exists for sole traders, as 41% fall within the low digital capability bracket.
- 4.12 The consultation with businesses from a range of sectors across the borough resulted in submissions that were also in agreement with the suggested approach in the draft plan.
- 4.13 Respondents strongly agreed the draft Growth and Economic Development Plan will create the conditions in which businesses can grow sustainably and residents can prosper.
- 4.14 Respondents identified the following as the single biggest barrier to residents seeking employment in Tower Hamlets
  - Lack of suitable qualifications
  - Poor command of spoken and written English
  - Extended periods out of the labour market
- 4.15 Respondents identified the biggest barriers to growing businesses in Tower Hamlets as:
  - Lack of suitably qualified staff
  - Rising rents and lack of flexible and affordable workspace
- 4.16 The majority of respondents strongly agreed that the increased cost of renting and the lack of workspace that can adapt with the growth of a business is forcing small companies to move out of Tower Hamlets.
- 4.17 All respondents strongly agreed the Council has a role to play in identifying and securing flexible workspace using either its own assets or through discussions with developers.
- 4.18 Based on the consultation responses received, it was decided that the vision and approach set out in the draft plan were in line with the informed views of relevant stakeholders and therefore, it should proceed without any fundamental changes.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 An equality impact assessment is attached. Our research indicates that this plan will have a positive impact on residents as a whole. Particular focus is given to young people and adults including women and people with disabilities.

## **6. OTHER STATUTORY IMPLICATIONS**

- 6.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are

required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.

6.2 There are no other statutory implications.

## **7. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 7.1 Following the conclusion of the consultation on the Council's Growth and Economic Development Plan (2018-2023), this report seeks the approval of the Mayor in Cabinet for the formal adoption of the plan.
- 7.2 In conjunction with other Council strategies, the Growth and Economic Development Plan will assist in the prioritisation of activities within programmes which are designed to encourage local enterprise, support local businesses and improve employment opportunities for residents. The plan will give rise to various initiatives which will be considered by the Mayor in Cabinet as they are developed. The cost implications will be incorporated within the Council's Medium Term Financial Strategy as they become known; with the likelihood that external funding will be available to support various programmes. In addition to the support provided to residents and businesses, successful implementation of the plan should lead to an expanding business base which will provide the opportunity for the Council to generate additional resources from business rate retention at a time when it is becoming ever more dependent on locally raised sources of income.
- 7.3 The costs associated with the development of the plan, including the consultation process, were mainly staffing related and have been financed from within existing budgetary provision.

## **8. COMMENTS OF LEGAL SERVICES**

- 8.1 The Council does not have a legal duty to adopt a policy of this nature. However, the Council does have a legal duty to consider how something it procures and/or the method of its procurement will benefit the economic environmental and social well-being of the borough.
- 8.2 Therefore, adopting a plan of this nature will significantly assist the Council to meet this legal duty.
- 8.3 Each part of the plan will be subjected to the Council's equalities assessment processes as the Council must ensure that its policies comply with the equality act 2010.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- Strategic Plan 2019/2022
- The Tower Hamlets Plan 2018-23

### **Appendices**

- Appendix A: Draft Growth and Economic Development Plan
- Appendix B: Draft Growth and Economic Development Plan Equality Impact Assessment

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

Ekim Bireroglu, Senior Strategy, Policy and Performance Officer, Governance (ext. 1693)