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| REPORT TO: | CABINET 22 June 2015 |
| AGENDA ITEM: | 7 |
| SUBJECT: | Croydon's Economy – Our Priorities |
| LEAD OFFICER: | Jo Negrini Executive Director Place |
| CABINET MEMBER: | Cllr Toni Letts, Cabinet Member for Economy & Jobs |
| WARDS: | All |
| <p>CORPORATE PRIORITY/POLICY CONTEXT</p> <p>This report expands on economic development aspects of the recently adopted Growth Plan; The Croydon Promise. It also supports Croydon's Local Plan and the priorities in the Council's current Corporate Plan and Community Plan specifically:</p> <ul style="list-style-type: none"> • Compete as a place • Manage need and grow independence • Protect the priorities of our residents | |
| <p>AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:</p> <p>This report explains how the Council and its partners will work together to drive economic growth in Croydon and increase employment for Croydon residents. We will achieve this through responding to the opportunities presented by devolution, working with the private sector, and by using our powers, activity and resources to support local businesses expand or start up. The report is shaped around the following key priorities:</p> <ol style="list-style-type: none"> 1. Delivering economic growth through devolution 2. Partnerships for growth 3. Using the Council's powers for economic growth 4. Inward investment & SME growth 5. Increasing employment and reducing poverty | |
| <p>FINANCIAL IMPACT</p> <p>The decision to increase investment in the Croydon Economic Loan Fund will have no direct impact on the Council's revenue position. Actions to increase employability will result in long term savings to the public purse i.e. in payment of out of work benefits and other benefits.</p> | |
| <p>FORWARD PLAN KEY DECISION REFERENCE NO.: This is NOT a key decision</p> | |

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to:

- 1.1. Approve additional investment of £2.75m to the Croydon Enterprise Loan Fund to increase its value to £4m to support delivery of the recommendations approved by Cabinet on 29 September 2014 in the report on *Growth for the Prosperity of All: Growth Plan & District Centre Investment and Place Plans*. This decision would be subject to the satisfactory review of the financial model for the future delivery of the Croydon enterprise Loan Fund (CELFF) as determined by the Assistant Chief Executive (Corporate Resources and S151 Officer)
- 1.2. Approve the next steps recommendations and agree that the Executive Director Place, in consultation with the Cabinet Member for Economic Development, the Assistant Chief Executive (Corporate Resources and S151 Officer) and the Council Solicitor and Monitoring Officer, be given executive delegated authority to take any actions necessary, including entering into any related agreements, to implement these.

2. EXECUTIVE SUMMARY

- 2.1. Building on the momentum that has been created in the first year of this administration Croydon is on an exciting journey towards substantial growth, regeneration and reinvention. Over £5bn will be invested in the borough over the next five years. This growth is occurring at a time of potential significant change in the relationship between the nations of the UK, and between the regions and cities of England and our national government. The pace of technological change continues apace and continues to shape the type of places our cities will become in futures decades. This report examines the progress the Council's has made in laying the foundations for developing Croydon's economy over the next 5 years, and how it plans to set its trajectory for the longer term. The key priority for the Council is to ensure that Croydon residents benefit from economic growth in the borough and neighbouring areas of the South East, and to ensure they have the skills and qualifications to access decently paid jobs and opportunities to develop new or to expand existing local businesses.
- 2.2. It firstly looks at the ongoing debate over devolution and explains how Croydon has been proactive in recognising potential opportunities for growth provided by a long-term devolution settlement with our national and regional government. This settlement must be based on viable plans to unlock investment in the required infrastructure that will provide the right environment for further inward investment and growth. It goes on to explain how the council will work in partnership across London and the South East to maximise the support for economic development and to spread the benefits of growth.

2.3. Another key part of our approach is to use the Council's statutory powers, resources and commissioning in an effective and coordinated way to drive growth and employment. This includes providing financial support to local businesses, facilitating growth in our district centres, improving the environment in and around our high streets, and supporting the development of a 'smart city'. It also means using our planning powers to achieve residential growth of the appropriate type and in the places we need it, to communicate the Council's support for the sustainable development of different types of housing for Croydon's diverse workforce, and providing a decent proportion of affordable housing in our new housing developments for Croydon residents. The Council is both a direct employer and a commissioner of services and this report also explains how the councils contactors and service providers can play their part in increasing employment for Croydon residents, and how the Council can lead in this area through jobs brokerage, supporting improving skills and employability, and working to reducing poverty through the introducing the London Living Wage in the Council and encouraging Croydon's employers to do so also.

3. CONTEXT - DEVELOPING CROYDON'S ECONOMY

3.1. This report looks at the priorities that will set the foundations for developing Croydon's economy over the next 5 years, and set its trajectory for the longer term. It discusses similar issues to the recent Cabinet report on *Homes – Our 10 Priorities* around making the most of opportunities for growth and regeneration, partnership working, relationships with the private sector, the best use of local authority powers and resources, and how to best to deliver benefits to Croydon residents.

3.2. Our national economy and the economies of our cities have changed dramatically over the past 100 years in response to globalisation, developments in technology and in transport. As a result the distribution of investment and employment has changed from industrial and manufacturing to the public and service sectors. The challenge for local authorities is to respond positively to this change and exploit and promote the advantages of their particular location, and where possible work in partnership with others to spread the benefits across a wider area. It also means securing opportunities for local people by ensuring they have the right skills to match the jobs being created, and by doing so contribute to tackling poverty, disadvantage and deprivation.

3.3. There are significant economic development opportunities in the pipeline for Croydon to participate in and enable local people to benefit from. These include:

- Croydon's Growth Zone – the Growth Zone has the potential to provide upwards of **23,500 new jobs** and 8,300 new homes in Croydon's opportunity area by 2031. The annual Gross Value Added¹ equivalent of these jobs is estimated to be in order of £1.2 billion by 2031. The scale of growth planned is the equivalent to that of Ebbsfleet, yet in half the time. Over the next five year period Croydon will deliver a £5.25bn regeneration programme. The Growth Zone will include regeneration of the College

¹ Gross value added (GVA) is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

Green area which will become the center of Croydon's new Cultural Quarter and provide further stimulation to the evening economy. It will also include plans to develop Ruskin Square, a major development adjacent to East Croydon Station providing over 2 million ft² of new commercial development and more than 600 homes. This scheme will bring new commercial entrants to the Croydon market with a wide variety of associated employment generating activities including providing 1m ft² of new office space, accommodating more than 1,000 jobs in professional and business services. It will also include the creation of Boxpark Croydon, a pop-up mall with 80 retail and leisure units constructed of shipping containers which will be open in the summer of 2016. Boxpark Croydon will provide 24,000 ft² of shopping and restaurant space alongside a covered courtyard for year-round events bringing life and vibrancy to a once neglected area. It is estimated that 200 jobs will be created and this will attract a new generation of workforce to the town centre.

- Westfield/Hammerson – within the Growth Zone the £1billion redevelopment of the Whitgift Centre and Centrale will see Croydon become one of London's most visited retail and leisure destinations and one of the best places to shop, work and live in South London. The regeneration scheme will deliver a 1.5m ft² of state-of-the-art retail, leisure and restaurant destination, as well as improved public realm, new car parking and up to 600 new residential units which will include affordable housing. It will create **5000 new jobs** and attract new residents and visitors to the town centre for the benefit of the local economy.
 - Gatwick - Gatwick Airport is the UK's second largest airport and the most efficient single-runway airport in the world. It is a major economic driver for the South-East region, providing 21,000 on-airport jobs and a further 10,000 jobs through related activities. A second runway could result in an additional **22,000 extra jobs** that could potentially be accessed by Croydon residents. Croydon has agreed a Memorandum of Understanding with Gatwick Airport to work in partnership to realise the opportunities for employment and growth provided by the possibility of a second runway. This partnership working will include skills development, recruitment, and linking local businesses into Gatwick's supply chain.
 - Biggin Hill Airport - Biggin Hill Airport employs 1,000 people in over 55 businesses on the airfield. Biggin Hill airport has been identified as a strategic growth area by the Mayor of London and, despite being outside Croydon's immediate development focus, could create **2,300 jobs** over the next twenty years and is an opportunity to keep an eye on. A new aviation training college is proposed for the site to ensure the future workforce matches the needs of the area.
- 3.4. Regeneration and growth in the centre of Croydon will feed and sustain further development and growth in our district centres. The focus will be to work with residents and businesses to create high streets that serve their local community, that include community facilities, that are safe, with a high quality public realm and are easy to navigate. It will also include making Croydon a great place to go out with the development of the cultural offer around College Green and the Fairfield Halls, as well as supporting the evening economy in our district centres.

For example, in South Norwood plans for the district centre include new housing (including Council New Build homes), improved wayfinding and public realm, and new shops and restaurants; in Thornton Heath plans are for economic and physical improvements to the district centre; and in New Addington plans are developing for the regeneration of central parade, with opportunities for new housing (including provision for older people), leisure and community facilities and improvements to the layout of the village green. There are also plans for improvements in Purley and Coulsdon including new housing, a new leisure centre, shops, supermarkets and parking. We have already raised a significant amount of this through our own funds and those of partners (e.g. GLA, TfL); however, a funding gap still remains.

- 3.5. How we use the resources available to us to support small and medium sized businesses start up in the borough or expand to provide more job opportunities is another focus of this report. Small margins separate successful enterprises that go on to thrive and prosper from those that fail, and access to finance and support provided by the local authority play a role in that process especially within the early stages. The Council can also assist economic development through using its statutory powers to create advantageous conditions for business or by removing unnecessary obstacles. Working with neighbouring partnerships and authorities will also help maximise the funding available and assist in spreading the benefits of growth across a wider area.
- 3.6. For Croydon residents to benefit from opportunities for economic growth set out above they need to be equipped with the necessary skills and qualifications that modern businesses look for. Ensuring there is a sustained focus on training and education in order to develop a modern, skilled workforce is a key part of our economic development work going forward. This includes engaging the full spectrum of education provision in this task from primary schools, to colleges and universities and on into adult education. Providing additional support for people that have been out of the workforce for a long period, for young people that are current not in education, employment or training (NEET), and for people returning to work from a period of illness or disability is also a priority and part of the drive to ensure that everyone possible benefits from the proceeds of growth.
- 3.7. This report starts then by examining this key challenge of securing the required funding to deliver growth within the context of a fast-moving debate on devolution in England to cities and metropolitan areas. It goes on to look at plans to prepare our workforce to take advantage of the opportunities ahead. It also looks at how we can make the best use of our powers and resources to drive economic development, and finally looks at the benefits that can be delivered in terms of inward investment, support for small and medium sized enterprises and providing employment opportunities.

4. DELIVERING ECONOMIC GROWTH THROUGH DEVOLUTION

We will take on a new role in driving growth through a devolved settlement with national government and the Mayor

Our commitments on supporting economic growth through devolution

We will:

- Lobby for further devolution and financial support to ensure projects supporting growth and jobs come forward
- Secure £15m of funding to progress our growth priorities; £7m of which has already been committed through Treasury
- Work with Gatwick to ensure the jobs and growth arising from a 2nd runway benefit people living and businesses based in Croydon in line with our Memorandum of Understanding
- Work with Coast to Capital to access significant Local Growth Deal funding when it launches later this year to ensure funding comes forward for infrastructure priorities
- Ensure our business base continues to increase to ensure that the financial returns can grow the economy and the Council yields the business rates uplift
- Deliver 9,500 housing starts in the next 5-years and ensure a sustainable level of affordable housing is brought forward
- Create over 23,500 new jobs through development, SME growth and regeneration schemes such as Croydon Partnership and Gatwick

- 4.1. The debate around devolution to regions and cities in England has developed in recent years and gained considerable new momentum in the wake of the referendum on Scottish independence. Croydon is ideally positioned to deliver economic growth and regeneration with the right devolution deal in place. We know that we perform better at a local level, and with the flexibility and independence we can deliver an ambitious regeneration programme which will improve the lives of people in Croydon immeasurably.
- 4.2. The previous Coalition government dismantled top-down regional development and investment structures in line with their policy on localism. In London the Mayor already has substantial range of devolved powers and is lobbying for additional devolution of property related taxation to deliver further investment. , The newly elected Conservative government is promising further devolution within England (via the City Devolution Bill) but is concerned about the appropriate scale and about democratic accountability. The key point throughout the current fast moving devolution debate is that the government understands the benefit of investment that supports future growth, but continued fiscal consolidation and limited public finances means there are insufficient funds to close the current investment gap. The government also needs to recognise the integral part that high quality public services play in supporting economic productivity, local economic health and in sustaining communities and come up

with a fairer funding settlement for local authorities that have higher social needs.

The Growth Zone

- 4.3. Croydon has been ahead of the devolution curve for some time and is determined to secure the funding required to deliver economic growth. We have established a 'Growth Zone' in Croydon focused on the Opportunity Area in the centre of the borough which has the support of the Mayor and the Treasury. The Growth Zone has the potential to create upwards of 23,500 net new jobs with a further 5,000 during the construction phase and 8,300 new homes in the Croydon's opportunity area by 2031. The annual GVA equivalent of these jobs is estimated to be in order of £1.2 billion by 2031. To achieve this growth will require significant public sector investment estimated at around £1.1bn, and while we have secured a significant amount of this through our own resources and from Transport for London (TfL) a funding gap remains. Over the next 5 years over 150 regeneration projects are scheduled to come forward which require £250m investment in critical infrastructure to support them. The proposal is that future business rate uplift in the Croydon opportunity area is ring-fenced to fund the borrowing costs attributable to that investment. The GLA have also committed their share of business rates uplift. We have secured support from the Greater London Authority (GLA) enabling us to use business rates income to support borrowing to meet this gap. Treasury has allocated £7 million to help cover the costs in the first 5 years before the increased business rates are expected.

The South London Partnership

- 4.4. In response to the progress in the debate over devolution plans are developing throughout London to forge cross-borough partnerships of the appropriate scale to take advantage of the opportunities presented by devolution. Again Croydon is ahead of the curve and is one of five boroughs (including Kingston, Merton, Richmond and Sutton) that have formed the South London Partnership, the first in London, led by a Joint Committee with statutory responsibility and the legal authority to make decisions. Being proactive and setting the partnership up early is key to South London being in position to take advantage of developments in the devolution debate and being able to deliver an unprecedented scale of growth. South London has enormous potential - it is home to 1.3 million people, 46,000 enterprises, it generates more than £20bn in Gross Value Added (GVA) for the national economy. The partnership occupies a prime location with great connectivity by road and rail to the centre of London, to the South Coast and to Gatwick and Heathrow airports.

- 4.5. The South London Partnership's role is to:

- Secure devolved decision-making powers including devolved funding streams and budget holding, and the ability to retain business rate relief
- Match skills to employment demand to support the local economy and create new jobs and businesses through devolved funding and commissioning at a local level

- Deliver infrastructure ambitions – including greater decision-making powers in transport planning, local control of bus routes, and stronger orbital connections
- Greater freedom to deliver homes – including more control over planning housing, easier and more direct routes to funding, removal of restrictions on borrowing

5. PARTNERSHIPS FOR GROWTH

We will work with the government, the Mayor of London, local businesses and regional partnership to secure funding for the infrastructure we need to drive growth in Croydon

Our commitments on working in partnership

We will:

- Work with regional funding partners to maximise funding for growth and infrastructure investment
- Progress the routes to devolution to ensure homes, transport and skills are delivered locally in the most appropriate way
- Seek to ensure the powers afforded to the local authority can be used to the best advantage for local areas and residents
- Strengthen the local business associations to ensure they can take a stronger role in shaping their business community. This may come in the form of Business Improvement Districts, Town Teams and Business Associations and will be delivered out through our Place Plans.

Regional and sub-regional partnerships

- 5.1. As discussed above the current debate around devolution makes partnership working across the appropriate geographies and at the right scale even more important in securing the necessary funding to bring forward growth. The South London Partnership described earlier is a key part of our London facing economic strategy, as is our ongoing work with the regional partnership the London LEP. Working in partnership with the Coast to Capital Local Enterprise partnership Partnerships is another key part of the strategy again to secure funding, but also to ensure we have retain influence in relation to future opportunities provided by the expansion of Gatwick. Very recently a Memorandum of Understanding was agreed with Gatwick Airport which will bring forward jobs, infrastructure and funding to support our common shared goals.

Local business partnerships

- 5.2. At a local level business partnerships pay a vital role in working alongside the Council to understand the needs of businesses of all sizes. There are a number of business groups, networks and partnerships in place across Croydon and the South East. Support to umbrella bodies for business such as the Chamber of Commerce, Federation of Small Business and Develop Croydon has helped to

clarify and promote the opportunities provided by the Council and its supply chain as well as ensuring businesses are up to date with their local area.

- 5.3. The Growth Board under the Local Strategic Partnership structure has had two meetings in the last year giving a clear focus to delivering economic growth. The focus of the first meetings has been Employment, Housing and local District Centres. This has brought forward many new ideas to focus delivery on these topics.
- 5.4. In addition to this, round table events have been held with Chamber of Commerce to discuss Council's supply chain opportunities and local contracting options. The Occupier Forum has also been addressed several times updating local businesses on the current regeneration plans and highlighting local opportunities for them.
- 5.5. We wish to strengthen the local business associations to ensure they can take a stronger role in shaping their business community. This may come in the form of Business Improvement Districts, Town Teams and Business Associations and will be delivered out through our Place Plans for districts and high streets in the borough. The work to date with Purley to establish a Business Improvement District has been successful in attracting investment and a plan to bring in secure income for 5-years. Work will continue with all business partnerships to help understand their needs and ensure they are able to take a central position in their own communities.

6. USING THE COUNCIL'S POWERS FOR ECONOMIC GROWTH

We will use the full extent of the council's powers to deliver economic growth

Our commitments on using the Council's powers and influence to deliver economic growth

We will:

- Develop and implement our district centre offer including improved public realm, improving the physical condition of high streets and centres, and providing financial support (through the CELP, LIP funding and other sources) to expanding and new businesses, and reduce vacant commercial units
- Continue to work with developers to ensure productive use of permitted development
- Through Value Croydon work with SMEs to ensure they access the opportunities provided by the Council's supply chain and commissioning activity
- Promote cooperatives, mutuals and Social Enterprises (SE's)
- Progress Croydon as a 'social enterprise place'

- Work with FSB and other umbrella business groups to fulfil local buying potential
- Shape S106 agreements and contracts to ensure that developers and supply chains use the job brokerage as one recruitment tool.

Enabling development of our district centres

- 6.1. The 'Croydon Promise' sets out where major opportunities for growth will be focused, and how growth in the center of the borough will feed and sustain further development and growth in our district centres. Croydon's district centres have a distinctive style and character with independent shops, specialist markets, green spaces and community facilities that help make Croydon a diverse and interesting place to live and work. The Place Plans included in the 'Promise' summarise investment opportunities for the district centres and provide a starting point for further discussions and contributions with key stakeholders. Each district centre and local neighbourhood will need to be nurtured and developed in its own way protect and enhance its distinct character. Our overall approach will be as enablers of enable growth and expansion, to facilitate and support entrepreneurship, to enhance the evening economy and cultural offer in the district centres, and ensure that businesses and residents are have the opportunity shape and participate in local investment decisions.
- 6.2. Progress on this front is already underway, for example in South Norwood consultation has taken place with local businesses and residents over designing a new programme of wayfinding and public realm. This £1.5m investment signals the start of the regeneration of our districts. Proposals are also being developed for improvements to the junction of High Street, South Norwood Hill and Portland Road. The second district to receive regeneration investment will be Thornton Heath which will see £2.7m of economic and physical improvements to the centre which will be completed by the end of 2017. Leisure based regeneration plans for New Addington also are progressing with improvements to the central parade, as wells as opportunities for new housing (including provision for older people), and new community facilities and improvements to the layout of the village green. Improvements to district centres in the south of the borough are also progressing, for example in Purley and Coulsdon new housing developments, provision of a new leisure centre, and plans for new shops, supermarkets and parking.
- 6.3. Encouragement is being given to district associations to apply for funding for their local area. Schemes such as *High Streets Fund* from GLA and *Awards for All* through the Big Lottery Fund provide additional funds to support activity. So far a number of organisations have been successful in drawing down funding for local projects that could not have been supported previously. The Meanwhile Toolkit which has generated much interest across London is being reshaped to respond to requirements in the districts and key borough priorities such as healthy eating as part of Croydon's Food Flagship Borough status. This will support a reduction in vacant properties and help to ensure districts have a mixed economy. We have already raised a significant amount of this through our own funds and those of partners (e.g. GLA, TfL); however, a funding gap still remains

Using co-operative solutions to the Croydon economy

- 6.4. This priority is focused on local economies – local high streets, markets and networks that can support residents to seek opportunities and work close to where they live. While this may be for a transitional period, as residents develop skills and confidence or while they have caring responsibilities for parents or children, it can also be a long term choice, for example to start a local business or to work in a community setting. The local economy and those activities which are needed to boost growth across a region are essential. By keeping the focus local value can be added through our own supply chains and employment opportunities.
- 6.5. The Opportunity and Fairness Commission for Croydon has been set up to work with a diverse range of community partners and residents in the borough to make recommendations on how the Council can develop local and sustainable solutions to address inequality such as socio-economic inequalities health and well-being, education and employment, housing and the environment, community safety etc. and poverty that residents are experiencing. The role of the Opportunity and Fairness Commission has been to understand the business opportunities within the borough for local people and if recommendations are made, these will be factored into future work in this area.
- 6.6. Croydon Council has also committed to promoting the development of the social economy in the borough, evidenced by the pledge to promote cooperatives, mutuals and Social Enterprises (SE's) as a solution for elements of the local economy. As part of this Economic Development submitted an application to Social Enterprise UK (SEUK) to become a Social Enterprise (SE) Place joining only eight other UK areas with the award. SEUK recognises these hotspots of social enterprise activity by awarding them the SE Place badge, thus celebrating their achievements and supporting them to grow. This was launched on 28th May and highlighted positive activity to deliver Social Value procurement policies, support to the sector as well as a range of products such as SE Assist and the GLE One London enterprise loan funds in support of this part of the economy. The Council will now work with partners to take forward the action plan that ensures the development of the sector.

Planning powers

- 6.7. Croydon's local plan and its site allocations and detailed policies are aligned with the Growth Plan and the wider regeneration of the borough including the strategic sites review, the creation of the revolving investment fund and the development company. These policies provide a robust and predictable foundation to enable development to come forward in the borough. In addition the council's strategic approach to planning and a proactive enabling service (both delivered through the Council's Place department) provide the required guidance and support to developers.
- 6.8. As mentioned in the previous report on Homes – Our Ten Priorities there are planning issues that impact on the type and quality of homes being built in the borough. Croydon needs more new homes, but not tiny, poorly designed and sub-standard homes converted from old offices. We have notified the

Communities and Local Government Secretary that we will adopt Article 4 powers restricting permitted development of this type in Croydon from September 2015. Affordable housing is a key element to supporting economic growth, particularly in enabling households in lower paid employment to live closer to where they work. In September 2014 the Council increased the minimum affordable housing requirement on new housing developments outside the opportunity area in Croydon from 15% to 30% of new homes built, and in April 2015 this requirement was increased to 50%. Vacant Building Credit, introduced as a planning policy change to incentivise brownfield development, is also a concern as it reduces the affordable housing contribution required by developers in respect of vacant buildings brought back into use or demolished as part of a development, and recent amendments to the policy do not go far enough.

- 6.9. There are other issues which act as a drag on positive economic growth and have a less than positive impact on our neighbourhoods and communities. One issue is the recent “buy to leave” investment phenomenon which leaves newly developed homes empty while there are thousands of households in the borough in housing need, and another is the proliferation of certain businesses in districts such as betting shops and fast food outlets. Currently existing Council powers do not adequately deal with these issues, however, we will continue to lobby extensively to communicate the unintended consequences of such ill-conceived policies

Ensuring Council procurement and commissioning supports local employment and economic growth

- 6.10. ‘Value Croydon’ is our approach to ensuring that the Council’s activities and contracts create jobs for local people, provide opportunities for training and to develop skills, and opens up commissioning opportunities to local businesses. For larger housing schemes and major contracts with the council arrangements are already in place to ensure that these developments deliver training and development as well as jobs and apprenticeship options. Successful contractors are required to pay their staff the London living wage, and to offer a range of apprenticeships and employment opportunities to local people. We ensure that local businesses have the opportunity to bid for Council contracts and that wherever possible the main contractors work in partnership with local companies and suppliers. Specific objectives and targets for achieving ‘social value’ have been embedded into our procurement process and have been given a significant weighting in terms of overall evaluation.

7. INWARD INVESTMENT & SME GROWTH

We will delivery inward investment and ensure we use our own procurement to produce additional employment and opportunities

Our commitments on inward investment and SME growth

We will:

- Continue to expand the CELF to the agreed £4m

- Continue to nurture the tech sector by developing a Tech Hub in Croydon by December 2015
- Develop more enterprise hubs in the borough (e.g. Stanley Halls)

7.1. This section of the report sets out the different sources of investment funding available to deliver economic growth in Croydon. It includes funds to support large scale capital projects and smaller scale funding to support local businesses to start up or expand.

Croydon Enterprise Loan Fund

7.2. At a more local level, over the last year, a number of programmes to financially support the local business base have been created or proposals drawn up to grow existing provision. One of these is the Croydon Enterprise Loan Fund (CELF) which was established to enable individual businesses in Croydon at different stages (e.g. start-up and growth stage) to access relevant sources of finance to enable their business to develop and grow successfully. It addresses market failure where businesses are unable to successfully apply from mainstream lenders due to their risk profile. The focus is on supporting viable start-ups and existing businesses that wish to expand to provide job creation, attract jobs and retain jobs in Croydon.

7.3. The agreed guiding principles for CELF delivery are to strive for the longevity and sustainability of the funding pot in order to stimulate SME start-up and growth. The main way to achieve this will be to top up the funding pot (when appropriate), minimise loan write-offs and to seek, as far as possible, to cover losses with interest earned. The CELF will focus on mitigating “market failure” and helping businesses to access mainstream borrowing in the future. Increasing interest rates on loans over time is also a priority, but with the proviso that lending remains accessible to SMEs and that we differentiate ourselves from our competitors (boroughs with growth agendas). Operational efficiency and quality enhancements to CELF will also be sought, however, while maintaining adequate controls and covering all associated operational costs.

7.4. By the end of April 2015 the Croydon Enterprise Loan Fund had achieved some significant successes and had “grown” the funding pot to over £2m of lending grown from an original pot of £1m. More than 230 local businesses have benefited from loans from the fund either to expand existing or to start new businesses. 80 loans have been repaid in full from successfully growing businesses. These loans have helped create or safeguard 271 jobs generating local employment. In terms of bad debt, only 16.5% of loans have become bad debts which is lower than many banks.

7.5. CELF Board was given agreement in principal to consider the future delivery of CELF, in line with the growth agenda at the CELF AGM in July 2014. In September 2014, Cabinet gave delegated authority to the Deputy Leader and Cabinet Member for Homes and Regeneration and the Cabinet Member for Finance and Treasury with the Executive Director of Place and the Director of Finance and Assets, to make investment decisions that would accelerate early wins through schemes, including CELF, to support local businesses and employment creation to enable entrepreneurs to start a business and SME’s to

grow. Following a financial modelling exercise to analyse the various lending options; the emerging proposals are to inject additional funds to extend the fund to £4m to maximise impact. Also proposed is an interest rate of 8% for growth loans with a maximum loan size of £50k which needs to be market tested before final approval. Lending to start-ups initially remains at the current maximum of 25% (by volume) of the loans portfolio, with a corresponding interest rate of

- 7.6. Another priority is to do all we can to drive through business relocation and start-new business ups and in line with our Growth & Place plans. This can be achieved by developing tailored financial services that are sector and/or place specific, i.e. bespoke offerings for fast growing sectors and/or geographical areas such as district centres and Tier 1 Industrial areas.
- 7.7. Some important features and advantages of the CELF are: its existing loan portfolio and funds; as well as its current effective complementary use of other sources of funding and finance resources (e.g. grant, loans and equity); and, the development of close links with local professional advisers, local banks and other first 'ports of call' for many entrepreneurs. These features and advantages should be leveraged as far as possible in the continuing enhanced CELF.

Croydon's Revolving Investment Fund (RIF)

- 7.8. The scale of the investment required in Croydon necessitates developing new funding sources as well as the traditional ones, reinvesting the proceeds and profits into new and stalled development. The Revolving Investment Fund (RIF) will utilise various assets and income streams - S106 receipts, New Homes Bonus, prudential borrowing through the council's general fund and potential funding from investment companies and financial partners - and provide flexible access to capital to enable development.
- 7.9. The RIF will play a part in our developing Asset Strategy where a review of the opportunities relating to council owned land and its potential to deliver regeneration it underway. It will also play a key role in accelerating delivery of development on key strategic sites across the borough. It will also provide a loan to support the delivery of Box Park Croydon on the Ruskin Square site. Returns on this activity will be recycled into the RIF and will go forward to support and deliver further development.

Other funding

- 7.10. The Council has enabled several businesses to successfully obtain over £350,000 worth of grant funding to grow their businesses through the Regional Growth Fund. This programme continues in 2015 and more businesses will be supported to apply by matching funds through the CELF programme.
- 7.11. The SE Assist programme which gives interest free loans to social enterprises also enters its second year of operation. This fund has seen two successful social Enterprises draw down loan financing to grow their business and create employment. The second year of operation was launched in May opening up more funding options.

Supporting SME growth through a connected 'smart city'

- 7.12. The Borough is home to 1,560 Technology and Media businesses (TMT), including a thriving hub of businesses clustered around East Croydon and Old Town. This cluster is currently home to 275 TMT businesses, including industry leaders such as dotMailer, Pro G and Goal Group, and has grown by 49% since 2011. Croydon is London's fastest growing cluster and now only behind the West End and the Shoreditch/East London hub as London's biggest tech centre.
- 7.13. Following a review of Croydon's digital infrastructure capability, a number of recommendations are being put into action which include lobbying infrastructure providers for investment; continuing the GLA broadband voucher scheme; and creating a wireless rooftop concession. There has been lobby activity for infrastructure providers (BT and Virgin Media) to extend fibre network coverage, to increase the availability of superfast broadband. This has resulted in 90% of the borough being fit for purpose. However in March 2015 DCMS published the Digital Communications Infrastructure Strategy outing an ultrafast broadband ambition for the UK. Operator resources are limited and so Croydon must do everything it can to make it attractive for investment. There are 33 London boroughs competing for ultrafast investment from operators but limited resources. To this end Croydon must continue to make the case for operators to invest resources in Croydon. The GLA funded voucher scheme for businesses was successfully extended into 2015 and so far has seen 95 businesses benefit from this investment with another 54 businesses in the pipeline. Businesses will continue to be supported to ensure their infrastructure needs are met. The creation of a wireless rooftop concession was scoped last year and developed across the town centre. This delivered connectivity outcomes by streaming broadband from No 1 Croydon to Davis House. This achieved a 1000Mbps speed in each direction.
- 7.14. Following the release of the DCLG strategy attention must turn to ultrafast investment plans for Croydon as well as understanding the demand in main output areas and taking advantage of timings of street works.

Supporting SME growth by bringing empty offices to back into use

- 7.15. Mayor's Regeneration Fund has seen significant results in terms of retaining and generating employment the form of 897 gross jobs (222 jobs created), 592 indirect jobs and a 10% reduction in vacant office space in eligible area. This has helped considerably to ensure that the business base continues to regenerate.
- 7.16. In support of the tech sector and to develop a combination of suitable accommodation facilities and accelerator services for high growth businesses at all levels, a new technology hub is being created across 15,000 sq. ft. of redundant space. This will have dual outcomes of a) supporting the tech sector and b) delivering small business space to one of London's fastest growing sectors.
- 7.17. This year has also seen investment from a number of partners such as Croydon Business Venture, 3Space, Croydon Voluntary Action and Sussex Innovation Centre offering a wide variety of accommodation solutions for SMEs. These help to create a network of space giving SMEs a choice of location. There are now over fifteen enterprise hubs for businesses and in order to satisfy demand, more solutions will be brought forward.

8. INCREASING EMPLOYMENT & REDUCING POVERTY

We will develop our economy to increase employment and reduce poverty

Our commitments on increasing employment and reducing poverty

We will:

- Establish a Job-Brokerage working group in summer 2015; prepare outline delivery plan by December 2015; likely go-live date Q4 15/16.
- Improve the Pathways to Employment Programme through: employability skills in schools to ensure the future workforce are job ready; and support in the transition from school to work.
- Work with CCG to review current practice around health issues and employment
- Create employment by working with local businesses to generate growth through supply chain
- Continue conversations with businesses on London Living Wage working with our job brokerage system

- 8.1. As mentioned briefly above providing the opportunities and support for the local workforce to improve qualifications, skills and overall employability is a key part of securing the benefits of economic growth. Part of this will be that ensuring that every young person gets a pathway to an apprenticeship, a job or a degree course by forging close ties to local employers and creating more opportunities through partners.
- 8.2. While the labour market figures show that unemployment is reducing in particular for those claiming Job Seekers Allowance and within the younger age brackets, there are still significant numbers of Croydon residents without a job. One significant issue concerns the number of Croydon residents that are on Employment Support Allowance (ESA) or Incapacity Benefit. Our concern is that for some this means less support and a drift away from the jobs market. The number of people on ESA is nearly three times higher in Croydon (13,200) than those on JSA (5,635). We believe there is scope for tapping into this potential, provided the appropriate support is provided, that would provide a pathway back into employment, with the longer-term benefits that can provide in terms of financial sustainability, social inclusion and positive mental health.
- 8.3. In addition to the issues around ESA and Incapacity Benefit there are a number of other employment issues we need to respond to, including:
- Changes to Apprenticeship Funding which now be applied for and go directly to the employers
 - A prevalence of zero hours contracts perpetuating low-waged jobs requiring low level of skills in combination with the long-term low aspirations of some disadvantaged groups presents multilevel challenges

- A Department for Work and Pensions offer that is not mandated to work with residents on Employment Support Allowance (ESA); the highest category of claimants in Croydon.

8.4. Matching Croydon's working population to this opportunity is essential to ensure residents are firmly linked into the benefits of growth and regeneration in the borough. The following sections set out how the Council and its partners will ensure Croydon residents have the skills and preparedness to take advantage of these opportunities.

Increasing Employment – Job Brokerage

8.5. We are developing a Job Brokerage Service which will bring together existing employment related services to provide a single joined up, free to use recruitment service for employers. Working with, and sourcing candidates from, partner organisations including the Council's Gateway Service, Jobcentre Plus, CALAT, and other local employment support providers, the brokerage will match and screen residents for vacancies offering a tailored solution to address employer needs. Croydon's Local Strategic Partnership Growth Board has been focusing on the development of the local jobs brokerage service recently, by bringing partner agencies together and working through the issues and requirements to make it effective and successful and this work will continue in the following months.

Pathways to employment through improved skills and qualifications

8.6. Future work in this area will include developing a better understanding of the labour requirements of our business sector. It will also require extending our work into education and training to ensure our schools colleges and other partners are in a position to offer work experience placements, apprenticeships, internships in all schools.

8.7. Attracting an International calibre University remains a priority for Croydon to deliver a skilled workforce. The newly arrived Sussex Innovation Centre model in the town centre has brought with it the positive reputation of Sussex University which is already tied with Croydon College to deliver degree courses on their behalf.

8.8. In the coming months we will promote good recruitment practices among our small and medium sized local businesses, and large corporate enterprises, and introduce our workforce pool to incoming and expanding businesses. The arrival of new businesses into the borough gives a prime opportunity to understand their employment requirements and offer a suitably qualified workforce which can be accessed through a single recruitment mechanism – the job brokerage service.

Supporting a new generation of skilled workers

8.9. There are significant employment opportunities on the horizon and so the challenge of creating a developed and skilled workforce must now be consistently addressed. Since the removal of funding to support career development in schools, support to deliver meaningful work experience placements has also suffered. Recent activity with First Step Croydon has been campaigning with schools, businesses and the Council to develop suitable

placements. Feedback from stakeholders suggests that they require a framework from which to work that will support them to take on opportunities.

8.10. Plans for this year include:

- The exploration of potential service models that would enable the proposed Jobs Brokerage Service to meet the key service features schools, colleges and youth providers also desire.
- Provision of high quality work experiences in growth sectors such as: health, science and technology and construction.

Adopt and promote London living wage and flexible working

- 8.11. The London Living Wage (LLW) is based on a more realistic level of income required to financially survive in London. While it is not legally enforceable as with Minimum Wage, it shows a commitment to the value of a workforce. The meeting of Cabinet on 14 July 2014 agreed the implementation of the London Living Wage for the Council's directly employed workforce and wherever possible move towards this in respect of existing contractual arrangements and future procurement and commissioning exercises. This has ensured the Croydon Council workforce is paid the London Living Wage, currently £9.15 per hour rather than the lower London minimum wage. In addition to this the Council's supply chains have been given timeframes and targets to encourage a LLW workforce.
- 8.12. In order to achieve ambitions of Croydon becoming a LLW borough, conversations with business and business leaders have commenced and many have been encouraged to consider LLW as it makes strong business sense to nurture and develop a sustainable employee base.
- 8.13. In addition to becoming a LLW borough there are also plans to make Croydon a Flexible Working Borough. Proposals on how to bring this about will be recommended to Cabinet in September 2015 as part of the Child Poverty Strategy which will be led by the Children and Families Partnership. Increasing the flexible working opportunities in Croydon will contribute to supporting families, in particular lone parent families, in lifting themselves out of poverty through enabling them to balance caring needs with employment. Recommendations concerning this proposal are likely to cross a number of council policies, plans and services and will be co-authored by a number of council officers for example service leads for child poverty, economic development and people gateway services.
- 8.14. The priority for the next year and beyond is to continue to ensure employment offered by local businesses is cognisant of this agenda. This will be increasingly important as National Policy changes to support working families.

9. CONSULTATION

- 9.1 Each of the identified areas has been produced from direct consultation with stakeholders at a variety of levels. This involves a range of local businesses in specialist sectors, Job Centre Plus, Croydon Colleges as well as business associations and umbrella bodies.
- 9.2 Engagement has already taken place with a range of stakeholders to develop the main priorities for the Plan. As a result of the feedback from the consultation, the priority will be to take into account the specific needs of the following groups when projects are commissioned or when partners put forward interventions to support the delivery of the plan:
- Young people and NEETS
 - People with ESOL needs
 - Lone parents and carers
 - People with a disability
 - Graduates returning to Croydon

10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 10.1 The details of the additional investment in CELF are set out earlier in the report. The additional investment of £2.75m would sit as a debtor in the council's balance sheet and therefore would not have an immediate impact on the council's revenue budget. The key parameters within the financial model are, interest charged, write offs and the cost of administering the fund. Work is ongoing to ensure that the interest received covers of the write offs and administrative costs so the investment remains affordable.
- 10.2 Increasing the employment rate and reducing reliance on the public purse by increasing income will have a positive impact on the public purse and this has been accounted for in savings attributed to the Gateway project.
- 10.3 Risk assessments have been or will be completed for discrete projects referred to above.

(Approved by: Dianne Ellender, Head of Finance and Deputy Section 151 Officer)

11. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 11.1 The Solicitor to the Council comments that there are no direct legal implications arising from this report.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

12. HUMAN RESOURCES IMPACT

- 12.1 There are no immediate human resources implications.

(Approved by Adrian Prescod, HR Business Partner, for and on behalf of Interim Director of Human Resources, Chief Executive Department)

13. EQUALITIES IMPACT

- 13.1 An equality analysis has been completed for the Pathways to Employment As well as the recently adopted Growth Plan: The Croydon Promise and is still highly relevant in this same context. The equality analysis assessed the likely impact the proposed approach would have on equality / community groups sharing a “protected characteristic” and sets out a number of actions to mitigate key risks related to equality. These actions are being delivered and monitored at the programme and project level.
- 13.2 The equality analysis identified a number of wards in the east (Fieldway and New Addington) and 9 wards in the North West as characterised with high levels of deprivation and inequality due to economic inactivity and employment deprivation. The high level of inequality in these wards is visibly reflected in high levels of unemployment, low income, children in poverty and a concentration of families with multiple support needs.
- 13.3 The equality analysis also identified a number of groups (that share a protected characteristic) such as younger people, older people (50+) people with a disability, women, BME residents as well as those living in the most deprived areas, lone parents and people with ESOL needs as being most at risk of experiencing inequality and lacking an opportunity to enter into employment.
- 13.4 The inequality and socio-economic factors and risks (mentioned above) have been considered and a number of mitigating actions have been incorporated into the development of projects and activities to deliver the broader economic plan.
- 13.5 The Pathways to Employment Plan contains a range of activities that are aimed at both employers and local residents, particularly those that represent the equality and community groups who are most likely to experience disadvantage and inequality. They have been designed to support the removal of barriers to accessing employability, jobs and skills that specific groups may experience. The focus of the plan is on creating employment opportunities for local people as a means to tackle inequalities at the local level.
- 13.6 The delivery of this action plan will enable the Council to advance equality of opportunity and foster good relationships between different communities across the borough. The plan delivers economic growth and prosperity for all communities in the borough whilst focusing on those who are currently experiencing disadvantage and inequality. Economic growth is likely to bring more employment opportunities and provide a broader base for people to secure better life chances for themselves and their families.
- 13.7 The Council and its partners will implement the plan by ensuring that an inclusive approach is used to deliver economic growth and tackle disadvantage and by proactively enabling groups that share a protected characteristic to be part of that process. The plan will be delivered through a range of initiatives

which will bring people together and give them common goals and objectives through employment.

14. ENVIRONMENTAL IMPACT

14.1 Creating more employment and increasing the business base in the borough will inevitably have some environmental impact on the borough's infrastructure and resources. Large regeneration projects are required to provide detailed environmental impact assessments as part of the planning process and this process will be rigorously followed in all cases. Smaller projects and initiatives will have to demonstrate that the developer is aware of environmental issues and will be supported to put in place measures to mitigate any adverse outcomes that might be expected.

14.2 The Council will ensure that all environmental considerations are given appropriate assessment at all levels of the delivery of projects which deliver more employment opportunities for the borough's residents.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1 The suggested partnership approach will create more employment opportunities, which are a proven way of diverting people away from crime and disorder. Additional support is being provided to people on their journey to securing employment, which includes measures to address crime and antisocial behaviour.

15.2 The partnership will be working with all agencies, including those working with young people, who have previously been involved in anti-social behaviour to ensure that crime and disorder issues are tackled head-on.

16. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

16.1 Approving the suggested accelerated delivery of the approach to employability, jobs and skills will demonstrate the Council's commitment to facilitating and delivering regeneration and economic development in terms of increased employment opportunities across the borough.

17. OPTIONS CONSIDERED AND REJECTED

17.1 None.

CONTACT OFFICER: Stephen Tate, Interim Director District Centres and Regeneration extn 47446.

BACKGROUND DOCUMENTS: none