

London Borough of Hackney
Skills, Economy and Growth Scrutiny Commission
Municipal Year 2022/23
Date of Meeting Wednesday 14 December 2022

Minutes of the proceedings of
the Skills, Economy and
Growth Scrutiny Commission
held at Hackney Town Hall,
Mare Street, London E8 1EA

Chair Councillor Clare Potter

Councillors in Attendance Cllr Steve Race, Cllr Gilbert Smyth, Cllr Jon Narcross, Cllr Fliss Premru, Cllr Jessica Webb and Cllr Joe Walker

Apologies: Cllr Polly Billington and Cllr Anna Lynch

Officers In Attendance Michael Toyer (Economic Development Manager)

Other People in Attendance

Members of the Public

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Councillor Clare Potter in the Chair

1 Apologies for Absence

- 1.1 Apologies for absence from Cllr Billington and Cllr Lynch.
- 1.2 Apologies for lateness from Cllr Premru.

2 Urgent Items / Order of Business

- 2.1 There were no urgent items, and the order of the business was as per the agenda.

3 Declarations of Interest

- 3.1 No declaration of interest.

4 Local Economy Update - Understanding the Local Economy

- 4.1 The Chair introduced the local economy update item and outlined. The information will cover:
- Hackney's economy pre and post pandemic
 - Key considerations for the Council's Economic Development Plan
 - What this means for the borough and local economy
 - Cost of living support to local businesses.
- 4.2 The Chair welcomed to the meeting the Economic Development Manager, Michael Toyer from London Borough of Hackney.
- 4.3 The Chair informed the commission the discussion item will be divided into 3 sections. The officer will highlight the key points from each section and each section will be followed by a Q&A.
- 4.4 Section 1 - Data on Hackney's economy
- 4.4.1 The Council has been establishing the economic evidence and statistics about the local economy post cyber-attack and during covid.
- 4.4.2 The pre pandemic economic data was outlined on page 12 in the agenda taking the headlines from the inclusive economy strategy developed in 2019.
- 4.4.3 Hackney's economy has experienced rapid growth from 2010-2019. Largely driven by the tech sector around Shoreditch. Growth in Dalston and the emergence of Hackney Wick post the Olympics.
- 4.4.4 Hackney has maintained its strong place base brand around the creative sector and tech creatives.
- 4.4.5 A victim of its own success Hackney businesses have been facing challenges with higher commercial rents. Essentially there is more demand for property, in addition to residents facing challenges with housing affordability too. This has compounded the systemic issues of exclusion that some residents have experienced and it is likely to increase the wealth gap in Hackney.
- 4.4.6 The council has been doing work to learn from the early mistakes of not capitalizing on the tech boom.
- 4.4.7 The officer explained there is a time lag on the data from Government sources. The latest series of data was displayed on page 13 (of the agenda) and is up to March 2022 covering business count compared to London. It was noted that for the employee data this covers employees in borough-based businesses this data covers the period up to September 2021. (*This is the latest available*).
- 4.4.8 Overall Hackney's growth in business units has continued. This growth commenced pre pandemic and continued throughout 2020 and the pandemic. Whereas London's picture of growth is flatter. For employees it's a similar growth trajectory for Hackney but again a flatter picture for London.
- 4.4.9 The main sectors in Hackney are as outlined in the Inclusive Economy Strategy in 2019. They are:

- Professional, scientific and technical – consultancy, LBH offices, any headquarters and tech city
- Information communication – TV digital design.

- 4.4.10 The largest sector in terms of the quantum of businesses is the professional, scientific and technical sector. Closely associated and followed by the communication and information sector.
- 4.4.11 Other important sectors for Hackney are construction, transportation and storage, online retail and in store retail. These are a smaller quantum of businesses but still important. Not large companies but smaller suppliers.
- 4.4.12 There is no large constructions companies in Hackney but there is a constant line of growth. These are anticipated to be small and medium sized and likely to be sole traders that work within the supply chains.
- 4.4.13 Retail is very important and has been split between instore and online. This is because when they analyse the numbers one of the biggest beneficiaries of the pandemic period was online retail. For online retail there was a smaller number pre pandemic (approximately 400) this increased (approximately mid 600s) as of March 2022. The officer explained this area needs further analysis because the council has not data about what goods/services are being sold. The officer highlighted the statistics will not give this information the council will need to speak to people and investigate further.
- 4.4.14 Store retail was impacted during the pandemic by having to close in the lock down periods there is continued growth for in store retail. But this growth represents the overall net change. It does not account for business churn. The officer pointed out within these figures will be a number of business closures and a number of new businesses opening.
- 4.4.15 The officer pointed out there has been a delay in getting the demography data which looks at business disbursement. This data has just been received and will be analyzed to understand business closes versus business formation. Again, the time period of this data is up to last year.
- 4.4.16 The officer referenced in the presentation two of Hackney's town centers (Dalston and Shoreditch) as examples to demonstrate the impact of the pandemic on consumer spend.
- 4.4.17 The consumer spend data is sourced from the GLA and covers Mastercard cash spend on food and retail. The graph in the presentation demonstrated the weekly cash values. The graph on page 16 in the agenda provided more detail of the spend for each lockdown, pre and post-Christmas, the new year and the recovery.
- 4.4.18 The officer presented 2 areas in Hackney's economy and illustrated the impact.
- 4.4.19 The first was Dalston. In summary Dalston has fared well throughout the pandemic and has stabilized but there is pressure on retail.

- 4.4.20 For Dalston as of January 22 the statistics area showing a positive recovery to above pre pandemic levels. But the recent cost crisis spend shows spend is fluctuating within a band.
- 4.4.21 From the Council's recent engagement with a small sample of local retail businesses this has informed that cost pressures are eroding their profit margin (for stores) and impacting on their income.
- 4.4.22 The research shows that town centers serving the local communities (not large office footprints) have managed well during lockdowns and post lockdown because of people working from home. Areas serving a local population are showing a better recovery.
- 4.4.23 In contrast the picture for Shoreditch is different but it is stable and rising. Also the key area of difference is the weekly spend. In Dalston the weekly spend bar is up to £5000. But for Shoreditch the weekly spend bar is over £20,000. (This is weekly cash spend on Mastercard). The trends mirror London with a similar increase up to the Christmas period and then a drop off.
- 4.4.24 For Shoreditch there has been a much bigger effect on spend because of the lockdowns. The data shows a zeroing out during the lockdowns whereas for Dalston this was not the case. The recovery after each lock down period for Shoreditch was more sluggish and this was being attributed to people staying away from the office. Shoreditch is more reliant on the office footprint. Overall, the recovery since the last lockdown has been steady.
- 4.4.25 In relation to consumer spend and the cost crisis for Shoreditch, it is relatively positive because more people have return to the office but it is still showing an impact.
- 4.4.26 For Hackney overall the picture for consumer spend is showing a recovery.
- 4.4.27 In relation to employee data for Hackney this is showing some shifts by sector for the main sectors of employment.
- 4.4.28 Public sector fluctuates but this is seen as normal.
- 4.4.29 The professional, scientific, technical sector has increased throughout the pandemic period. Most of these jobs can be carried out working from home so have continue to grow. The other employee sector bands have seen the usual variations.
- 4.4.30 The officer explained in relation to residents in the borough and work the council does not have data that provides information about resident sectors of employment. The data gives information about economic inactivity.
- 4.4.31 The officer explained the difference between being economically inactive and unemployed.
- 4.4.32 Economically inactive means they have not been looking for work in the previous 4-week period and they are not available to work within the next 2 weeks. People drop out the labour market.

- 4.4.33 If a person has the classification of unemployment this means they have been looking for work in the last 4 weeks and could start within the next 2 weeks.
- 4.4.34 Over time the council has noticed that the resident population for 16-64 year olds as economically active has been falling consistently at a higher rate of reduction than London. For the first time since 2018 Hackney's economically inactive percentage has stayed below London but by June 22 it started to increase again.
- 4.4.35 Coming out of the pandemic there has been a positive economic inactivity picture. This may be because of the benefits system and people trying to shift to being economically active (furlough scheme coming to an end but many factors could have driven this shift).
- 4.4.36 The median wages per week is slightly closer to the London average. For the average weekly wage Hackney is doing better than London. However when segmented by areas and different communities the picture changes.
- 4.4.37 Hackney's unemployment rate is different to the economically inactive rate. This rate has remained constant over the years but increased during the pandemic and then decreased in June 22 back to familiar data range. This could be due to people switching from being economically inactive and seeking employment but not finding employment. The caveat is this data set is based on a survey so the sample size can fluctuate thus affecting the quality of the data. *(Hackney has raised concerns about this).*
- 4.4.38 In relation to the business sector for Hackney not much has changed since 2019 in relation to the main sectors of employment. The table on page 24 of the agenda for borough base employment is driven by the number of businesses in the sector or the number of employees.
- 4.4.39 The officer referred to the wholesale sector and highlighted this has a high employee count for businesses.
- 4.4.40 Retail is similar and important (there are 700 establishments).
- 4.4.41 The food and beverage sector consists of mainly restaurants (there are 200 licensed pubs, bars etc.) In retail.
- 4.4.42 The Arts, entertainment and recreation sector is lower but features in the list because it's a defining sector for the borough.
- 4.4.43 The graphics on page 25 of the agenda show the shifts by sector for business count and employees. This is a positive outlook and has remained stable.
- 4.4.44 In summary the key headlines from the data about the economy are:
- Hackney's economy came through Covid (like many parts of London) unscathed in terms of business counts and levels of employment. However, the full impact and nuances can't be assessed due to the data lag.
 - From the council's engagement with businesses they learnt that businesses survived but by running down their reserves or taking out the

government loans made available etc. especially businesses in retail and hospitality. It was highlighted that although businesses survived they are in a weaker state now as they enter the cost of living crisis.

- Most of the government support that came into the council was distributed mainly to hospitality and retail businesses. The funding provided was directed to support these businesses in response to the lockdowns when they were forced to shut.
- There were some impacts on business sub-sectors, i.e., hospitality. But in that same sector online retail businesses and transport/logistics grew.
- Spend for retail and food in Hackney's town centres has bounced back well but has been more sluggish in Shoreditch.
- From the data on spend post February 2022 has stabilized but in real terms is lower once inflation is considered.
- The council still needs to review the new data sets they have received to assess the number of business closures and openings. This will be by quantum not sector because the data available does not split down to that level.
- There are some unknowns particularly in relation to sole traders / unregistered businesses.
- Employment levels and resident economic activity is strong but resident wages still lag behind the London average and median.
- The council has received the data about the number of business formations and closures up to December 2021. But this need analyzing to review the information and consider the dynamics of change within the wider data set.
- There is currently not enough known about the number, sectors or perspectives of sole traders / unregistered" businesses in the borough to understand or access.
- The statistics represents business units rather than sole traders. There is some data on sole traders but this relates to registered businesses. The businesses will be VAT registered with a turnover of above £80,000 or employ people and registered with HMRC for PAYE.

4.5 Section 2 - Key considerations.

- 4.5.1 Looking ahead and considering the impact of the cost crisis for businesses the officer pointed out the lowest point was quarter 2 in 2020. This data was drawn from a large survey of 500 companies in London and the drivers reported are applicable and the same for Hackney.
- 4.5.2 As the route out of covid became clearer positivity increased for overall prospect, turnover expectations, and profitability expectations. But as the cost crisis takes affect this positivity is starting to fall.
- 4.5.3 In relation to business confidence, it is a negative outlook for large businesses. Although the turnover of businesses has remained stable the data is only (national small business survey) until 2021. The council had no control over the questions asked in the survey so will be supplementing this information with their own local survey. But most businesses are reporting key concerns about inflation and energy prices.

- 4.5.4 In relation to consumer confidence during covid consumer confidence dropped to a lower level before it started to recover. However, from January 2022 it has been falling but from September 22 it started to increase.
- 4.5.5 The data shows a picture of businesses and consumers feeling less and less confident. The economy is now on a brink of a recession having had two quarters of negative growth.
- 4.5.6 The GLA forecast for the future predicted a fall in spring 22 compared to December 22 which has predict an increase for 2023.
- 4.5.7 The GLA data is modelled on 3 scenarios a) deep recession, slow recovery, b) mild downturn and rapid recovery and finally c) a recession with a gradual recovery. Similarly, the predictions for jobs the during 2023 is lower but overall the predictions now are worse than they were in Spring.
- 4.5.8 There is a lot of negative business sentiment driven by inflationary pressures. The level of uncertainty among large businesses is reflected in the survey and driven by the current conditions and pending general election.
- 4.5.9 Studies are starting to show the lingering Brexit impact.
- 4.5.10 There is a gap in council data about business sentiment at a borough level. From anecdotal conversations with local businesses the council has noted small businesses have a more positive sentiment during this trading period. However, they are nervous about the future when taking into consideration cost pressures and where their goods from. This will be tested in the survey the council conducts shortly.
- 4.5.11 The Government is not investing in areas like the green economy infrastructure etc. and this is creating uncertainty.
- 4.5.12 During the recovery there will be some structural changes but it's not certain if these will remain long term.
- 4.5.13 For example, for central London and the central activity zone consultancy has reported changing travel to work patterns for offices. A lot of people are going in 3 days a week Tuesday – Thursday. Generally, the spend is quite similar but the patterns are very different. There is compressed spend on the 3 days with Thursday being the new Friday night out. Resulting in peaks and troughs on Mondays and Fridays with a mini peak at weekends from general visitor trade. For the hospitality and retail that is reliant on the office footfall.
- 4.5.14 There is uncertainty about how property prices will react to this or investments linked to property.
- 4.5.15 The unknowns are the green economy and transition into net zero. The economic development team will be reviewing the council's climate action plan in relation to the green economy to ensure there is a transition to net zero. Currently it is too early to predict what will happen in terms of businesses related to expansion, new businesses and new jobs. Some studies are predicting there will not be a net increase in jobs and economic output driven by

the green economy because other aspects of the carbon intensive economies will end.

4.5.16 In summary the key headlines are:

- A mixed picture on business sentiment at the national and regional level with some responses showing more positive expectations for the year ahead. But inflationary pressure have been raised as a major concern.
- Consumer confidence has fallen rapidly in 2022 and likely to be driven by negative perspectives on the economy and lower disposable income.
- Recent GLA economic projections predict overall growth in output and jobs but with a slowdown during 2022 and 2023 - primarily driven by cost pressures.
- The national economic policy is under another new Prime Minister plus a pending general election before Jan 2025.
- The medium-term impact of further pandemic lockdowns (China and their approach)
- The short, medium and potentially long term impact of the Russia-Ukraine War.
- London economic restructuring and use of buildings in response to the pandemic i.e. working locations and patterns - reinvention of the Central Activity Zone if the changes become permanent
- The extent to which the green economy and transitioning to net zero can generate a net increase in businesses (in-borough) and jobs (in-borough and London) is unknown. Regional studies suggest no net increase.
- Not known if the recent prioritization of work-life balance for many workers will outlast the current economic pressures.
- There may be changes needed to Hackney's town centres to respond to the current pressures and changing consumer habits.

4.6 Section 3 - What this means for Hackney.

4.6.1 If cost crisis embeds and becomes entrenched, then we will start to see short-term disparities. There are the structural inequalities, but we may start to see some new challenges. Reflecting on the tech city growth, a disparity like this could happen again in response to the cost crisis. E.g., a sole trader with options (renting a workspace) may not fair as badly as the sole trader with a retail store-based business.

4.6.2 Any recession brings tension. During pandemic residents and communities came together more but there is an indication that many communities and residents are entrenching and splitting apart. This will feed through into the economy if that happens. The council is currently trying to manage that risk. A cross council department officer group is generating a lot of activity to support residents.

4.6.3 If people start to entrench and start to feel negative and disconnected economically, they switch into the economically inactive and then stop looking for work. But the longer people are away from the labour market the more difficult it becomes to access it. This is a real risk that cannot be solved through economic programs but would require community programs.

- 4.6.4 There is limited funding to support the economy and businesses. In addition, the council has very few levers at its disposal and very few lever at the council's disposal. The council will need to be cognizant of what businesses and residents will expect in the current context.
- 4.6.5 The council had plans to engage with businesses more and achieve better social value by talking to them about taking on an apprentice or a green accreditation when shifting to net zero. The communications and promotion of this will need to be nuanced and very careful because businesses are under a lot of pressure and every pound counts.
- 4.6.6 Small businesses are already struggling because they do not have the capacity and have not always had the capacity to support an apprentice. To take on an apprentice a business needs the right support mechanisms in place to adequately support an apprentice.
- 4.6.7 How the council communicates and engages with its businesses will be critical at all levels.
- 4.6.8 The Council's economic development levers remain the same but with limited resources and more external pressures this work would need to be very focused and targeted.
- 4.6.9 There are many different needs for residents and businesses and drivers. All wanting different things. Therefore, the council will have to be quite smart about how they prioritize activities.
- 4.6.10 The officer was of the view that this might be achieved through cycles and focusing on one or two issues. Targeting for a period of time but in the future switching its focus to another issue/sector.
- 4.6.11 Economic development is not a statutory function and there are other statutory services experiencing a shortfall of funding. Therefore, a key activity for the economic development team is to pull in funding through seeking opportunities. Some of these opportunities will come through the GLA and UK share prosperity fund. The funding pot is not as large as it used to be under the EU structural funding system. They will have to focus more on understanding the impact in the area of regeneration for their socioeconomic activity. However, this is difficult because there will be other drivers. Therefore, partnership working and signposting will be important for their work on the economy.
- 4.6.12 The macro-economic nature of the pressures currently facing businesses was reiterated. These stem from a combination of the Russia / Ukraine war; post-pandemic; international policy positions; UK's exit from the EU; and instability of our national economic policy.
- 4.6.13 In terms of what the council is doing now to help local businesses, it is doing a range of activities. Engagement with local small business found they did not trust the energy companies. They struggled to engage with energy companies and understand the information. The council will not be doing work in this area because there is support from other organisations that are funded to do this. The Council can sign post to save businesses time to look for these

- organisations. As the landscape of support and information can be quite messy the Council needs to be better at sign posting to ensure there is a trusted source of information for businesses to access.
- 4.6.14 Part of the council's lobbying has been for targeted relief measures for businesses most at risk i.e., hospitality and retail. The Council has submitted a proposal to the GLA for sign-off for the next tranche of business support. This is smaller than the covid amounts but will be used in a targeted way. In addition, the Council has been lobbying on business rate reform. It is anticipated that this will not change without a new government.
- 4.6.15 In the next stage of the Council's business support program, they will be focusing on cost crisis support through the next financial year.
- 4.6.16 The plan is to transition the support to more socially orientated businesses and support their transition to net zero. This is based on feedback received from businesses who are thinking about this.
- 4.6.17 Upon reflection of the recession in the 1980s it has been noted that there was still economic activity in town centers. In London there will always be a group of people that will be spending money. But the competition will be for every pound spent.
- 4.6.18 Hackney's town centers attract people from other boroughs and the council needs to make sure that people think about Hackney's town centers first when they want to go out and spend money. This will be vital when they start to think about place marketing.
- 4.6.19 Hackney has run a successful "Love Hackney Shop Local" campaign through November and December but this has focused on residents. For future activity the Council will need to think about how they can move some of that marketing beyond the borough.
- 4.6.20 The Council's role and levers around economic development are outlined below and the question is how hard the council can pull on each lever and how hard the council is willing to pull.
- Regulatory and statutory functions
 - Commissioner and purchaser
 - Asset owner and developer
 - Direct service delivery
 - Direct employer
 - Convener and influencer
 - Assembling funding.
- 4.6.21 It is not possible to pull on all the levers because of how the funding and priorities work. The officer pointed out if the council tried to be ambitious across all the areas it would fail so it's better to target resources and effort.
- 4.6.22 The Council also needs to think about its capability to do some of these things. For example, as a commissioner and purchaser the council would need the right staff to do the fine granular economic interventions to make local commissioning work.

- 4.6.23 Having a procurement strategy that has measures for local supplies, local labour etc. is good but the real nuance and good economic development goes further by looking at the long-term pipeline over 3-5 years. There needs to be certainty the money will be spent and that this will not be insourced. Then the market assessment can be done to see if there are businesses locally that can respond to the tenders.
- 4.6.24 If the rules for procurement are there but there are no businesses locally to respond this is futile. But if businesses do exist but they are not large enough or do not have the right credentials (have potential) you can fund and put mechanism in place for business support to get them to the right place to be able to compete. At this point the council can add some conditions to the support that require certain social elements such as local labour etc. This will require the capability in the right teams not just the procurement team.
- 4.6.25 It will need the procurement team, economic development team and the service areas to work alongside each other and the funding then finally the right business support provider to make it work. This is long-term work requiring investment of 3 years or more.
- 4.6.26 The Council also needs to consider dependencies. Although the council will rely heavily on its planning powers and Section 106 agreements to leverage on affordable workspace.
- 4.6.27 Currently the council has the rules in place and has achieved. Now it's about how to be more targeted, nuanced, have reach to support people who have missed out on other economic opportunities.
- 4.6.28 There are issues to resolve, and we will need to be cognizant of the wider economics in relation to operating the council and other tensions. Taking for example the Council's property portfolio which at the highest level will have property to rent out that will help to fund essential services and on the flip side there is the debate about letting out some of the commercial property of submarket level to support access for local businesses and communities to thrive economically.
- 4.6.29 The big challenge with social value is the ability to compare this to commercial income or give it a cash value for the social outcomes achieved. Although this is difficult it is possible. The team are currently doing this work.
- 4.6.30 The officer highlighted examples of the issues that need to be resolved to have a good economic development plan (detailed below).

Delivery activity	Issues to resolve
Leveraging assets Provide more affordable workspace that supports business opportunities for local communities and key sectors	<ul style="list-style-type: none">• How we assess options our commercial buildings, ie maximising income vs social value• Update and refine our approach on s106 via Planning inc defining key sectors.• Improve monitoring of

	<p>affordable space provided via s106.</p> <ul style="list-style-type: none"> • Improve targeting of type, location and end-users inc more flexibility of multi-use.
<p>Leveraging spend Achieve more local spend, increased social value and support the shift to net zero through public sector procurement.</p>	<ul style="list-style-type: none"> • Switch to extended pipeline scanning and targeted support to local businesses to achieve readiness, inc local labour, social values and net zero. • Improve co-ordination on practice, pipeline scanning and support. • Increase internal awareness and support across services on social value.
<p>Leveraging regulation Use these functions, inc. licensing, to maintain quality, safe provision to enhance the quality of the local offer</p>	<ul style="list-style-type: none"> • Which aspects of regulation can have most impact in terms of balancing • bureaucracy and achieving quality. • Feasibility of difference aspects of regulation to achieve net zero aims then. • change/implementation timescales.
<p>Direct Service delivery Including direct support to businesses and residents (for employment)</p>	<p>Approach to maximise the targeting and impact of our own teams, i.e., Employment and Skills, Economic Development, Area Regeneration, Markets, etc.</p>
<p>Convening, influencing and funding. Maintain and develop beneficial public and private sector relationships to support all aspects of the above</p>	<ul style="list-style-type: none"> • Balance of priorities between big vs small business, public vs private sector, local vs regional vs international • How to manage the above to maintain coherence and maximise impact. • How does our area-based approach address current and potential change in places? • A realistic focus for our collaborations with anchor institutions.

4.6.31 For the areas they have clarity and understand what is needed they will apply the theory of change approach to identify the measure against an outcome's framework.

4.7 Questions Answers and Discussions

Section 1 Q&A

(i) Member asked the following questions:

a) In relation to the data on employees and borough base businesses when will the new data be released for analysis covering Sept 21-Dec 22.

b) In relation to the Dalston does the spend data include Markets? Members pointed out Ridley Road Market did really well during the pandemic and takes large amounts of cash. If not can the council work this out?

c) In relation to the support the council provided to local businesses during the pandemic. Members asked if this was a contributing factor to local businesses coming through the pandemic unscathed? Members acknowledged that there was some insight about this because the officer mentioned that businesses used their reserves but wondered if the council had a detailed understanding of the effects now.

In response the Economic Development Manager from LBH informed the updated employees data is expected in February or March 2023.

In response to spend data the Mastercard spend data is a proxy indicator. They are unable to track spend perfectly. The data source is the GLA. The officer advised that Hackney have queried why they use MasterCard spend instead of visa spend (visa spend is higher). The response was that the MasterCard data was easier to assess.

In relation to the data for market spend where a market trader accepts card payment it will be captured. The Economic Development Manager agreed a lot of payments would be cash. The officer pointed out the Markets team have been tracking the impact of covid. The officer offered to check with the Markets Team and report back to the Commission.

ACTION	The Economic Development Manager agreed to take away for follow up with Markets Team about spend data for Markets in the borough
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In relation to the covid funding and the impact of this. The officer informed the Commission there were different tranches and different methods of distribution. Overall, the council received £133 million. This was a mix of business rate relief, small grant posts and retail, hospitality and leisure grants.

The business rate relief was great for businesses and was a huge help to retail business particularly those retails businesses that closed.

There were other elements of how the grants were deployed locally. This was a mix of direct support to businesses covering things like promotions, events to improve their online retail offer, web optimization and website design etc.

The officer agreed that several businesses outside of retail and hospitality would have taken the Government backed loans. However, the Council had

no data about this and recognizes that this is a gap in their knowledge. To plug this data gap, the council would be conducting a sample business survey. This survey will ask questions about the state of the business's reserves, loans and debts. This survey is scheduled to be carried out in Feb/March 23 followed by a report in April 23.

Anecdotally the Council has noted that businesses are weakened especially retail and hospitality.

Research indicates that it is cash flow that causes a business to fail. This is due to the bills accumulating and the business not having enough cash to pay the bills, leading to their demise. Most businesses can hold off until quarter 4 (especially retail and hospitality) because most of their income is generated in November and December in the run up to and during the festive period.

The Quarter 4 data will give the council a better understanding about the state of local businesses. The council will have the survey and information from speaking directly to businesses in workshops.

ACTION	Members requested to receive the quarter 4 figure data for local businesses when it was available.
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(ii) **Members referred to the headline point in the presentation about resident wages lagging behind the London average and median and queried the graphs in the presentation. Members pointed out it illustrated a different picture to what the officer described. Members asked for clarification.**

(iii) **Members asked if councils know the percentage of employment for residents in the sectors. Members also queried if the data lag was linked to the sectors of employment or if it was a Hackney specific issue?**

In response the Economic Development Manager from LBH explained in relation to wages he will take this way for clarification.

In reference to the data for employment and business sectors this related to jobs in the borough. The officer explained there is no data source that can provide information about the sectors that Hackney residents work in. The data available about resident employment is classified by occupational tier i.e., managerial, elementary etc. The officer pointed out this information is hard to ascertain without bespoke research.

The officer advised he would provide clarification about the wages and information about the occupational tiers but could not provide information about the sectors residents work in.

ACTION	Economic Development Manager to provide clarification about the wages and information about the occupational tiers residents work in.
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- (iv) **The Vice Chair asked the officer to clarify if the council suspected there was a wage lag in some of the sectors or if this could be proved by sector? Members commented from the data they were assuming Hackney had a significant increase in the professional sector and that the average wage had risen. In comparison to the information being presented by the officer.**
- (v) **Members referred to the census data and asked if it provided the council with information about resident occupations?**

In response the Economic Development Manager from LBH explained the information he presented was following his review of the pre covid data for the Inclusive Economy Strategy. The officer advised he would recheck the wage data and provide the Commission with an update.

In response the Economic Development Manager from LBH explained the data about residents is not specific to a Hackney resident job. It was important to note that when he referenced sectors, they were jobs in the borough and anyone could be doing these jobs were not specific to Hackney residents. But the census data will provide information about resident travel to work patterns but not the sectors. This data provided the council with information about the residents and the resident's situation.

In response the Economic Development Manager from LBH confirmed they get information about occupations and that helps to bolster the other occupational level data from the large survey. This information is not provided by sector. Therefore, the council is unable to identify that a specific percentage of its residents work in manufacturing or retail. However, the council can determine what percentage of their residents work as managers or as elementary workers. The officer informed it would require a lot of funding and a deep study to acquire this level of data.

The census has useful data, but it does not have a large amount of economic data. The census data is being released in stages. It was noted that the council is anticipating it will be able to identify where residents travel to work and where people travel from to work in Hackney. The officer pointed out the census data is only useful for about 2 years because the demographic changes and evolves quickly. Although it does provide a good level of information for a good assessment.

- (vi) **Members referred to the cash welcome here motion passed at the last Full Council meeting. Members asked if there was a break down of how people spend?**
- (vii) **Members asked how the Council could be working with businesses to encourage them to take cash although Members recognized the trend currently was encouraging more people to shop online.**

In response the Economic Development Manager from LBH explained from the information available there is no way to work out how much is cash spent and how much is MasterCard, Visa, credit card or debit card. The only way to collate this information would be through the retail units via a bespoke study.

The officer highlighted many businesses do not record this information themselves and the Council would not ask them to log that level of detail.

In relation to encouraging businesses to take cash the council is not currently running any promotions. It was highlighted that for online retailers this would be almost impossible to do. Notwithstanding the officer did cite a possible method but this was quite niche and for items like collectables or high-end retro clothes. The online business would advertise the item to get consumer interest and people could go to the shop to view the item before they buy. They can then pay by cash or card.

The officer informed that if the council was interested in running a promotion for businesses to accept cash this could be an option. But pointed out for businesses in Hackney's town centers the drive was to remove cash. The officer did point out the dynamic was different if the retail businesses served a small community, or the town centre was in a small residential area. In essence many retailers were moving away from cash, and it can be very difficult to stem the tide when trends like this happen, but this can be considered.

- (viii) **Members highlighted the motion was passed at Full council in November 2022. Members anticipated that the campaign for this motion would come to the economic development team shortly to see how they can support this initiative.**

In response the Economic Development Manager from LBH expressed the caveat that the council cannot control what a business chooses to do. Notwithstanding they can try to influence them, and make the case.

The officer highlighted that officers that cover town center within the team worked closely with businesses. The officer advised it would be good to have clarification in relation to the detail about the motion to confirm if it was targeted at town center retail or convenience store retail (who are closer to where people live).

ACTION	The Overview and Scrutiny Officer to send over information about Full Council motion to the Economic Development Manager.
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- (ix) **Members referred to the data sets and the difficulty with getting access to trustworthy economic data and asked the following questions and made the following comments:**
- a) **About the data source and if the council was confident and happy with the data?**
 - b) **Does the data give the whole picture or are there some gaps?**
 - c) **Does this data reflect some of the nuanced work and intelligence from the Council's work?**
 - d) **The data presented makes comparison of Hackney to London. Is it possible to get data comparing Hackney to other boroughs?**

In response the Economic Development Manager from LBH confirmed the data sources are a combination of statistics from central government and the Office of National Statistics (ONS).

The data is collected in different forms so for the business sector data this is a combination of a business survey and then cross reference with the data held at companies house and HMRC. In the officers view this data is reliable and he was happy with the business count data.

The employment data is from large surveys. It is reliable at the regional level but as for borough level it is more unreliable. The data is displayed as the mid percentage point. The office confirmed they do have access to all the boroughs and could provide a comparison with other similar boroughs. In essence the data is available and could be shared with the Commission if requested.

(x) **Members requested for this data.**

In response the Economic Development Manager informed there is a lot of information and suggested the data is shared as a report for Member to review.

ACTION	The Economic Development Manager to provide a written report with borough comparisons for resident employment data.
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In response to the question about gaps in the data. The Economic Development Manager advised there is always a time lag with data. The officer highlighted that in October the Council will get the March data. The officer pointed out there is a delay on the resident level data. This is because it comes from survey data.

The officer explained that during Covid it was impossible to take a data driven approach because the data was not available quick enough in any of the formats. Therefore, the council relied on its own data intelligence from front line work and what residents told them. The alternative would be to access experimental data, but this is less reliable and it's not robust enough to use to make big decisions.

(xi) **Members referenced the Council's conclusion following analysis of the data in relation to the wealth gap. The information presented showed that homeowners were benefitting more from the economic growth in the borough than people living in other housing tenure. Members asked if this was being driven by gentrification and asked how the council can close the gap?**

(xii) **Members asked about the work on the wealth gap and how this information is being fed into other service areas of the council to address the systemic issues related to poverty and inequality.**

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In response the Economic Development Manager from LBH informed the work in relation to the wealth gap formed part of the inclusive economy evidence base and this work was carried out by the Policy and Strategic Delivery Team led by Sonia Khan.

The officer advised the gap has not narrowed but a lot of work has been done on poverty reduction. From an economic perspective there are large drivers that the council is unable to control. Citing for example with private sector housing there were several factors driving this.

Hackney has a positive brand of creativeness for different types of creatives (culture creative and tech creative etc.) and over the last 10 years has benefited from the growth. As a result, people have wanted to move to the place which heighten competition e.g., for the housing stock (private sector housing). But this is an issue London wide too. However, a local authority's ability to influence this is zero. Notwithstanding the council can create opportunities and links to opportunities for residents who might not have benefited from the previous growth.

The work by the Diversity and Tech Commission carried out by the employment and skills team recently reported and this is an example of a focused piece of work on economic development activity. They focused on tech roles (tech companies covering technical and non-technical roles) and technical roles in non-technical companies like a public sector organisation. They have a series of activities planned to try to address the issue.

This provided some learning about where there is an opportunity for growth and for the council to be cognizant of the systemic challenges faced by our residents.

The important thing now for the council is to spot growth opportunities. The green economy may a new area of growth for Hackney. Reports about the growth of this sector from life sciences sector (covering health in hospitals to research in private sector labs etc.) identify tackling and breaking down the barriers and discrimination from the start.

4.8 Section 2 Question, Answer and Discussion

- (xiii) **Members asked if the data lag was frustrating and if it hindered the council's ability to plan? Members asked if anything be done about the time lag?**
- (xiv) **Members referred to the central activity zone (point 4 on page 33); moving into a recession and the GLA data predicting overall growth, output and jobs but with a slowdown in 22/23. Members asked what the council can do to support local businesses during this period?**
- (xv) **Member highlighted the officer mentioned a reinvention in relation to the central activity zones. Members asked for further clarification on what this could mean for Hackney's residents?**

In response the Economic Development Manager from LBH acknowledged the lag in data is a frustration but it has always been there. What is more

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challenging now is that society and economic shifts are on a much tighter cycle than previously. This means a plan could be written and then needs rewriting in a years' time because of an economic or societal shift. For example, the massive expansion of delivery drivers for home eating was not predicted thus there was not physical planning or allowance for this new activity. Plans for spaces to charge or park bikes of various descriptions. In the future it will be important to be flexible.

There is no longer an economic policy for the country, and this is compounded by having a different political leadership for London and national government. This has caused tensions in alignment e.g., the levelling up agenda excluding London.

In relation to the change for offices and reinvention. It was noted that a lot of the offices are linked to and predicated on large investments. Therefore, if commercial rents in central London started to fall this might be a positive output because many rents were out of reach for most business. This could help some of the fringe areas (like Hackney's Shoreditch) and take a lot of pressure off the council's work to create affordable workspace. The officer highlighted that the affordable rent was set as a percentage of the market rate. But even though its more affordable than commercial rates it is still out of reach for many businesses.

In this complexity they cannot just let property prices fall because they are linked to investments and if that starts to fail then London's economic bubble will start to collapse. From the Corporation of London work with businesses they are seeing some office blocks become multi-use places and having more leisure and creative activity. It has been noted that the City is looking at the economies on the fringes (like Hackney and Camden) and considering modelling themselves on their economies. They are realizing that the hospitality economy cannot be driven by office footfall anymore, so they need another attraction to get people visiting. They plan to aim for the creative sector. This is an interesting space and could provide opportunities for Hackney residents and organisations to take advantage of those spaces.

(xvi) **Members commented sometimes a new shop opening in an area can be beneficial for all shops in that area (metaphorically speaking). Members queried if competition from the City could affect Hackney positively or negatively and asked if the council had any concerns?**

In response the Economic Development Manager from LBH replied yes and no. Explaining that place-based competition is always a concern. The strong positive about Hackney is that it has a long history of creativeness and radicalism, and the City does not have that history. The officer cited Waltham Forest borough had changed tremendously over the last 25 years, but this could have been because of the over spill from people being able to afford the brewery, creative and arts spaces. Thus, being priced out of the inner London boroughs. But there is still a high volume of creators in Hackney and a lot of demand for space. Hackney still has a positive reputation. Notwithstanding Hackney feels confident that it can compete as a place and will monitor the work by the City.

4.9 Section 3 Question, Answer and Discussion

- (xvii) **Members referred to the Money Hub recently introduced to support residents on benefits. Members asked if this work is covered by the Economic Development team?**

The Economic Development Manager from LBH confirmed it was not covered by his team.

- (xviii) **Members referred to the London Business Hub and asked if Hackney's Money Hub was a model that could be considered for Hackney businesses too or does this exist for businesses in Hackney already?**

In response the Economic Development Manager from LBH advised the GLA has funded and continues to fund the London Business Hub using some of the UK SPF funding. There has been dialogue about improving its reach into boroughs. There are options on models, but the council is still awaiting further information.

The Council has received some funding from the UK Prosperity Share Fund and can choose how this will be spent locally but this is not a big funding pot. Next financial year it will be approximately £180k and the following year is anticipated to be £190k. The unit cost for supporting one business with 12 hours of support is approximately £1000. Taking that into consideration the funding pot will not support many businesses compared to the number of businesses in the borough. Therefore, the council will need to take a targeted approach to this spend.

The GLA has various pan London programs, and the officer is looking has the council can link into the program to pull in some of that spend and support to Hackney. The tenders were released yesterday (December 2022). There is £30 million for various posts across Pan London. This can be covering environmental sustainability in businesses, social and representative founders etc. The challenge will be to pull this into Hackney borough.

- (xix) **Members referred to the different drivers and political commitments of the Council's Executive and the need to prioritize given the cost pressures businesses faced. Members asked if there was any further information in relation to the manifesto commitments related to business such as on the circular economy and community wealth building?**

In response the Economic Development Manager from LBH referred to the manifesto commitment linked to community wealth building to support social businesses in the social sector. The officer explained his definition of this was a co-operative, social enterprises, and KICKs. All are non-profit trading organisations and very different to voluntary and community sector organisations. VCS organisations access grant funding.

The council is engaging with the infrastructure organisations that support the social organisations (Hackney Co-operative Developments, East End Trades Guild and the New Social Founders Network) to come together as a group and link them into the support being proposed for socially orientated

businesses. The officer explained these infrastructure organisations have good delivery mechanisms for support but lack reach to the kind of organisations the council wants to target. The council is providing facilitation to help build collaborative working among them. The alternative to this would be for the Council go down the traditional route of commissioning a larger organisation. Currently the Economic Development team is reviewing this with the lead Member Cllr Pallis.

In reference to the circular economy the Executive has set up the Circular Economy and Green Skills Commission. The officer pointed out they are two areas that cross over but both requires different thinking. Highlighting that the things you might consider for green skills and the people you consult for the discussion are different. But they do need to come together at the end.

The Economic Development Manager confirmed he is involved in the circular economy work as a subset of the green economy. They have some good findings linked to the grant funded work with businesses for the Hackney Central plan around the circular economy. This has been used as learning to understand their motivations and the language that should be used about circular economy, businesses, and the opportunities. This work just concluded. There is also further circular economy activity in Hackney Wick.

In relation to the manifesto commitment about creating zones, they are working through how to achieve this. This means looking at what type of eco system they will need to thrive.

(xx) **Members referred to community wealth building being seen as an important driver for economic growth in the borough. Members were of the view this will be important, and the council will need to consider how it will work in partnership with the voluntary sector and other sectors to reach the economically excluded communities across the borough. Commenting that business models like a social enterprise will be a critical driver to identifying economic exclusion and the skills deficit. Members asked how the council will take this work forward?**

(xxi) **Members referred to the Council's economic assessment for Hackney noting it illustrated the national and pan London drivers. Members asked about the council's assessment of the local factors that will determine the shape of the economy going forward.**

In response the Economic Development Manager from LBH replied in relation to community wealth building the officer expressed all parties need to be clear on the definition of community wealth building. This is important for the narrative because there is a pure definition defined by international research. Other boroughs have defined their interpretation.

The officer explained they will be doing social enterprise work to identify and support social enterprises and cooperatives. But it takes time to work with embryonic organisations who may wish to become a co-operative or social enterprise. This will require time, money and investment.

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The overarching logic is if local and social organisation are supported, and the council has done the work as previously outlined on the procurement pipeline. There will be the income to fund them, thus creating a virtuous circle with the organisations becoming embedded within communities. They will employ people and evolve to be supportive of training opportunities etc. The caveat highlighted was the officer is unable to confirm this has been achieved in the UK.

The Employment and Skills team have been doing a lot of community level engagement to support their residents to transition through training opportunities.

In relation to the local factors the local economic factors depend on the place. For example, Dalston as a place has a very mixed offer from the historic Ridley Road Market to long standing social, dynamic and political places to bars and restaurants (cultural offer etc). But Dalston may need to confirm its identity to drive the future.

In contrast Hackney Wick is considering its identity and the links created with the long-standing residents post Olympics. There is a commitment from some local businesses but it's unknown what the future Hackney Wick will look like. The planning powers are due to return from LLDC in 2025.

Another different area is Shoreditch. Questions remain about what the city fringe will look like or if it will return to the status quo with people returning in full to office working. Alternatively large office blocks could change their use and become a more mixed-use building.

The officer outlined 3 different places with different economic factors to consider.

Overall, the Council will need to be very flexible on what it does in the area of economic development simply because it will require external funding opportunities. They will need to be clear about the places and articulate the place dynamics and physical aspects linking the residents and the place.

The officer pointed out many of the plans were put on hold during covid (Dalston, Shoreditch, Hackney Central Plans). There is a question mark over Hackney Wick's plan due to the inherited LLDC powers returning to boroughs.

The summary point was that everything needs to be flexible and they should be hindered by the physical fabric to evolve.

5 Minutes of Previous Meeting

- 5.1 Members noted the minutes from the previous meeting will be on the next agenda.

6 Skills, Economy and Growth Scrutiny Commission Work Programme 2022/23

- 6.1 Chair referred to the Commission's work programme in the agenda on pages 37-50. The Chair asked Members for any comments in relation to the work programme.
- 6.2 Members suggested inviting in HCVS to have a discussion with them about their future strategy as the key institution that oversees the voluntary sector in the borough. Members commented this would be a critical time to bring them in as the council is considering its partnership working with the third sector and other sectors across the borough.
- 6.3 Members referred to the report from ReLondon on the circular economy at work and suggested the Commission has a presentation about this report (recognizing it focuses on pan London) and how this related to green skills and the local economy.

In response the Chair advised this will be considered.

7 Any Other Business

- 7.1 None.

Duration of the meeting: 7.00 - 9.00 pm