

Committee: Cabinet

Date of meeting: 18 September 2019

Subject:	Elmbridge Civic Improvement Fund
Lead Officer:	Head of Organisational Development
Portfolio Holder:	Community and Corporate Development / Resources
Link to Council Priorities:	Economic Development
Exempt information:	None
Delegated status:	For recommendation to Council on 2 October 2019
Key decision:	No

Executive summary:

Economic development is a top priority of the Council. A thriving local economy is essential to the wellbeing of the wider community within Elmbridge, supporting the Council's other top priorities.

Central to the health of the local economy is the success of our town centres and high streets. The Elmbridge Civic Improvement Fund (ECIF) provides an important source of funding for local businesses, enabling them to invest in a range of projects. However, the conditions within which independent retailers operate is constantly changing and it is important to ensure that the fund remains relevant to local businesses.

This report proposes changes to the scheme's processes and makes recommendations for the future development of the fund. This includes adapting the existing project criteria to support environmental projects and the creation of a new digital grant scheme.

The report also seeks approval from Cabinet to recommend to Council an increase in funding for the schemes and an extension of their operation.

Recommendation: that

- (a) learning and training projects are removed from ECIF criteria;**
- (b) creation of the Elmbridge Digital High Street Fund;**
- (c) environmental projects are added to the existing ECIF community improvement project type;**
- (d) £150,000 be transferred from Strategic Reserve (LAGBI) to ECIF;**
- (e) the Elmbridge Civic Improvement Fund be extended for a further two years until 31 March 2021; and**
- (f) the threshold for approval by Leader of the Council and Chairman of Overview and Scrutiny is increased to grants above £7,500.**

Report:

1. Background and context

- 1.1 Elmbridge has developed a strong and competitive local economy with a record of consistent performance and is positioned within the London economic ecosystem, close to international airports at Gatwick and Heathrow. Our economic success has been driven by locational and transport advantages which have helped facilitate the largest business base across Surrey.
- 1.2 The economy is based on a flourishing and resilient small business community, without a dependence on any one sector or large employer. Elmbridge's shopping areas contain a varied combination of restaurants, cafes, office space and leisure services in addition to national and independent retailers. Thriving high streets contribute to the strength of the economy but also provide vital focal points for the creation of vibrant communities.
- 1.3 This mix of enterprises has created a resilient business base and provides an important range of services for the local population. The strength of the local economy is reflected in the 2019 UK Competitiveness Index which ranked Elmbridge 7th out of all UK local authorities for predicted annual GDP per capita growth.
- 1.4 For our economy to continue to grow, our local businesses need to be equipped to deal with the national and local challenges they face. In addition to national economic uncertainty affecting all high street retailers, both large and small, changing technology and consumer behaviour are contributing to a number of growing challenges for independent retailers:
- Competition from online retailers – 19% of national retail sales in May 2019 were online
 - Evolving retail trends, with many consumers choosing to shop at a single shopping and leisure destination rather than visit multiple high street shops
 - National economic uncertainty is impacting on the confidence of consumers – this is affecting their retail spend in high streets

2. Elmbridge Civic Improvement Fund

- 2.1 The Elmbridge Civic Improvement Fund (ECIF) was established in 2009 to provide investment to make our high streets and town centres more attractive shopping destinations. The fund was created with £1 million from the Local Authority Business Growth Incentive scheme (LAGBI).
- 2.2 In addition to the grants on offer to our businesses and high streets, the £1 million of initial funding provided investment for the following projects:
- £350,000 funding towards the 'Soul to the Street' town centre improvement scheme in Walton-on-Thames.
 - £33,205.74 invested in the Community Connect scheme.
 - £150,000 for enhanced street lighting in our town centres.

- £11,000 for the Shop Local grant scheme.
- £50,000 to create the Elmbridge Start-Up Fund.

2.3 The scheme is open to independent Elmbridge retailers and offers grants of up to 90% of eligible project costs. Projects which are covered by the scheme include:

- Shop front improvements and signage.
- Street scene and street furniture improvements.
- Empty shop improvements.
- Promotions and marketing initiatives.
- Community events.
- Learning skills and training initiatives.
- Fat, oil and grease (FOG) interceptors for catering premises.

2.4 In total 283 grants have been approved to date, investing more than £880,000 in local projects to boost the economy.

Ward	Number of approved grants	Amount paid	Percentage of fund allocated
Claygate	17	£50,592.90	5.7%
Cobham and Downside	20	£59,121.75	6.7%
Esher	25	£99,105.01	10.7%
Hersham	22	£73,142.81	8.3%
Hinchley Wood and Weston Green	2	£2,808.00	0.3%
Long Ditton	4	£16,210.36	1.8%
Molesey East and Molesey West	65	£161,833.70	18.3%
Oxshott and Stoke D'Abernon	3	£15,678.46	1.8%
Thames Ditton	7	£14,888.21	1.7%
Walton	58	£188,244.63	21.4%
Weybridge (inc. Oatlands)	60	£203,144.99	23.1%
Total	283	£884,770.82	100.0%

2.5 The most common project funded by the scheme has been shop front improvements. More than £600,000 has been spent on improving the appearance of shops in our high streets which helps attract residents to our centres by investing in a quality town centre environment. One business commented: "This [grant] allowed my shop to look stunning within a year, something I did not think I would be able to do".

2.6 The introduction of the scheme has coincided with an increase in the rate of retained local spending in the borough. The retention rate for comparison (non-

food) expenditure grew from 15.5% in 2005 to 29% in 2015, while in 2015 convenience (food) expenditure was 65%.

Money spent in the high street is more likely to remain in circulation in the local area. Therefore ensuring that local households spend their disposable income within Elmbridge is an important element of further economic success.

3. Elmbridge Start Up Fund

- 3.1 The Elmbridge economy is a knowledge-based, highly entrepreneurial economy. This is shown in the latest business births figures of 1,260 new enterprises in 2017 – the highest of any Surrey district or borough.

To support new businesses during their crucial first year of trading, the Elmbridge Start Up Fund (ESUF) was created in 2015. Cabinet agreed to allocate the new scheme £50,000 from the existing Elmbridge Civic Improvement Fund.

- 3.2 The Elmbridge Start Up Fund is open to businesses which have yet to start trading or have been trading for under six months. Up to £1,000 is provided towards anything that would help a business start operating. There are some restrictions, such as the exclusion of projects which require ongoing costs.

To date 57 grants have been awarded, totalling more than £40,000 paid out to local start-ups.

Area	Number of approved grants	Amount paid	% age of fund allocated	Ranked
Claygate	3	£2,697.92	6%	
Cobham	11	£8,868.78	21%	2
Molesey	6	£5,223.82	12%	
Esher and Hersham	8	£7,804.96	18%	3
Oxshott & Stoke D'Abernon	1	£316.96	1%	
Thames Ditton, Long Ditton, Weston Green and Hinchley Wood	4	£889.99	2%	
Walton	17	£13,053.46	30%	1
Weybridge (inc. Oatlands)	7	£4,271.37	10%	
Total	57	£43,127.26	100%	

- 3.3 Ongoing national economic uncertainty means that the Start-Up Fund continues to be an essential source of funding for new businesses. Support for these new enterprises can play an important role in helping Elmbridge maintain its position as the local authority with the most active businesses in Surrey.

4. Proposed changes to the existing Elmbridge Civic Improvement Fund criteria and processes

4.1 Learning and training project type

The following table shows grants by project type:

Grant type	Number of applications
Shop front	229
Street furniture	20
Promotional	20
Community	12
FOG	2
Total	283

To date no grants have been awarded for the learning and training project type. The criteria for this project set out learning and training initiatives which benefit the local economy, which no prospective applicants have been able to meet.

Therefore it is recommended that:

- The learning and training initiative element is removed from ECIF

4.2 Environmental projects

The Council has a key responsibility in leading the borough's efforts to mitigate the impacts of climate change. The importance of this duty was recognised with the passing of a climate emergency motion at full Council on 17 July 2019. The motion included a pledge to make Elmbridge carbon neutral by 2030 and a commitment to report to full Council within six months setting out immediate actions.

As our high streets are the focal points of our communities, we can take a practical step towards meeting the Council's environmental aims by using ECIF to enable improvements in the sustainability of those areas.

To support our retailers and business groups in developing the environmental sustainability of our town centres, it is proposed to add environmental projects to the community improvement project element of ECIF. Currently this element supports 'projects that are of benefit to the local economy or attract people to services'.

Any applications for environmental projects would be required to include a written proposal, statement of aims and measurable outcomes. It is proposed to cap these grants at £2,000 to help ensure the longevity of the fund.

To encourage collective action by retailers to enhance sustainability in our town centres it is recommended that:

- 'Projects by a group of retailers that improve environmental sustainability of the town centre or high street' is added to the community improvement project element of ECIF. These environmental grants are capped at £2,000.

4.3 Grant approval limit

Currently ECIF grants up to £5,000 require Council Management Board (CMB) approval, while those more than £5,000 require approval from both CMB and the Leader of the Council and the Chairman of Overview and Scrutiny.

To date there have been 77 grants over £5,000, with two having been rejected by the Leader of the Council.

The two rejected applications were both in 2016. One was rejected because works had already been funded in 2011 and the other was rejected because the business was considered to be part of a franchise and not an independent business.

To help streamline the process it is recommended that:

- Threshold for approval by Leader of the Council and Chairman of Overview and Scrutiny is increased to grants above £7,500

5. Future development of the Fund

- 5.1 Ongoing developments in technology and changing consumer preferences suggest that e-commerce has become an increasingly significant aspect of running a business. An effective online presence is particularly important for small independent businesses on our high streets, as they may lose out to larger companies which have the resources to establish a much larger digital presence.

An increased digital presence for our independent high street businesses can help ensure a viable future for our retailers already under pressure from the uncertain national economic picture and rising rents and rates.

- 5.2 The latest Office for National Statistics figures show that e-commerce continues to grow in the UK economy:
- Estimated that total UK e-commerce sales in 2017 were £586 billion, up from £506 billion in 2016.
 - Looking at website sales specifically, these grew by £52 billion since 2016 (21%) to £300 billion in 2017. The majority of these website sales, £160 billion, were to private customers (rather than businesses or public bodies).
 - In May 2019, online retail accounted for 19.3% of total retail spending, with an overall growth of 8.2% compared to the same month a year earlier.

It is clear that the size of a business clearly impacts how likely it is to make e-commerce sales. Large businesses dominate website use:

- In 2017, of businesses with 10 employees or more, 82% had a website, almost double the proportion of businesses with fewer than 10 employees, at 42%.
- 46% of businesses with 1,000 or more employees made website sales in 2017 – compared with 8.8% of micro-enterprises (fewer than 10 employees).

5.3 The potential impact of upgrading the digital presence of the high street is evidenced by successful schemes already under way in other parts of the country. In September 2018 Wolverhampton City Council partnered with eBay for a 12-month programme called Retail Revival.

Prior to the start of the scheme, research was carried out by Wolverhampton and eBay:

- A quarter of small UK businesses don't have an online presence aimed at generating sales.
- 71% said they had no plans to close the 'digital gap'.
- The study suggested that if they were to close the gap, on average each business could generate additional revenue of £19,250

The Wolverhampton scheme involves eBay experts providing support to participating retailers to help them start up or expand their online presence. Support includes onboarding assistance to create an eBay shop, training in eBay selling basics, promotional support and customer services support.

After 6 months of the scheme:

- 64 retailers had taken part
- Participating retailers had generated £2 million in sales and had seen average year-on-year growth of 36%
- 46% had expanded or plan to expand their business premises since enrolling
- 42% had hired or plan to hire additional staff

The above figures, best practice, and changing consumer behaviour suggest there is an argument for expanding our business grant offer. This will help it remain relevant to the customer demands faced by local businesses and support the vitality and viability of our high streets.

5.4 **Proposed e-commerce grant scheme**

It is proposed to create an e-commerce grant scheme to further support our independent retailers and high streets.

E-commerce is the activity of buying and selling goods using the internet. The grant scheme will offer funding for the establishment or upgrading of e-

commerce websites to businesses within the defined primary/secondary frontage in our town centres and high streets.

Project definition: the establishment of an e-commerce website or the upgrading of an existing e-commerce website.

Restrictions:

- Only one grant per applicant
- Applicants must have been trading for at least one year (so that this does not clash with ESUF)
- Applications restricted to independent retail businesses (excluding professional services e.g. accountancy) which operate a physical premise in the primary/secondary frontage of a town centre or high street

What is eligible:

Website development which is necessary for the establishment of an e-commerce website. This includes:

- E-commerce web development

What is ineligible:

- Projects requiring ongoing costs
- Websites which do not/will not have e-commerce functionality
- Hardware e.g. computers
- Services e.g. digital coaching/consultancy review of website
- Maintenance of existing digital technology
- Domain name
- Website hosting as a stand-alone cost
- Paid advertising e.g. Search Engine Optimisation

Included with each application:

- Three detailed quotes for the initiative for which applicant is seeking funding
 - o One of these quotes must be from an Elmbridge-based supplier
- Clear outline of current digital presence of the business and how the initiative will make the business more competitive (e.g. time savings for the business, ease of use for the customer, increased revenue growth)
- Outline of expected impact on e-commerce sales

How applications will be assessed:

- An applicant's current digital presence – businesses without an e-commerce website or with an outdated e-commerce website will be prioritised
- The project's likely impact on e-commerce sales
- Value for money

Grant amount

- Grants capped at 90% of project costs up to a maximum of £2,000

Terms and conditions:

- Due to the intangible nature of websites and to preserve the Council's investment, it is proposed that a condition be added to e-commerce grants which requires businesses to remain registered in Elmbridge for at least two years following the date of grant payment. If a business moves out of the Borough during this time, they could have to repay up to 50% of the grant.

Grant monitoring

- Grant recipients must provide a progress updates on the impact of their e-commerce website
 - o Data must be provided at the 6- and 12-month stages following grant payment
 - o Data to be provided: website visits, online sales, online sales as percentage of overall sales

Application process

1. Applicant completes application form
2. Eligibility check carried out by officers
3. Application considered by CMB
4. Applicant notified of outcome via final offer letter
5. Applicant accepts grant offer by completing and signing acceptance form
6. Grant paid after project has been completed and EBC has received invoices

Scheme branding

This new grant scheme will be branded separately to ECIF and ESUF. It is proposed to call the new scheme the 'Elmbridge Digital High Street Fund'.

5.5 **ECIF funding and extension**

Currently the remaining ECIF funds available are:

- Approximately £45,000 for ECIF
- Approximately £19,500 for ESUF

ECIF funds are drawn from the Strategic Reserve (LABGI). The reserve currently stands at approximately £701,000.

To increase the longevity of ECIF and support the creation of a new digital grant scheme, it is recommended that £150,000 be transferred from Strategic Reserve (LABGI) to ECIF. Of this £150,000 it is proposed that:

- £80,000 be allocated to ECIF
- £20,000 be allocated to ESUF
- £50,000 be allocated to the new Elmbridge Digital High Street Fund

The ECIF scheme is scheduled to expire in March 2020. It is therefore proposed that:

ECIF and its schemes be extended to 31 March 2021 in line with the timeframe for the 2019-21 Enterprise Elmbridge Action Plan.

Financial implications:

If approved, £150,000 will be transferred from the Strategic Reserve (LABGI). The reserve currently has £701,000.

Environmental/Sustainability Implications:

Successful economic development supports the long-term sustainability of the community. Providing jobs and services within the Borough will also reduce the need for out of Borough travel, therefore reducing the environmental impact of transport.

Legal implications:

None.

Equality Implications:

None.

Risk Implications:

None.

Community Safety Implications:

None.

Principal Consultees:

Portfolio Holder, Council Management Board, Heads of Service.

Background papers:

None.

Enclosures/Appendices:

None.

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