

Newham, London

Local Economic Assessment

2010 to 2027



Regeneration Planning and Property Directorate

October 2010

1. Introduction

1.1 As of the 1st April 2010, all upper tier local authorities have a statutory duty to prepare a Local Economic Assessment (LEA)¹. The duty is part of a policy to grant local authorities greater power and influence over supporting economic growth in their area. The purpose of LEAs is to:

- Provide a sound understanding of the economic conditions in the area and how they affect the well-being of residents and businesses.
- Identify the economic linkages between the area assessed and the wider economy.
- Identify the comparative strengths and weaknesses of the local economy and the nature and form of local economic challenges and opportunities.
- Identify the constraints to local economic growth and employment and the risks to delivering sustainable economic growth.

Newham's LEA

1.2 Newham's LEA is a comprehensive assessment of the Borough economy. Alongside this LEA, the London Borough of Newham (LB Newham) has prepared an **Economic Development Strategy (EDS)**. The LEA and the EDS are complementary documents that together will help shape the priorities for Newham's economic development. A key purpose of the LEA is to provide the foundations for the Economic Development Strategy, setting out the challenges and opportunities that need to be addressed to deliver sustainable economic growth.

1.3 This LEA reflects the key messages of a number of LB Newham studies and strategies including the Sustainable Communities Strategy, the Local Area Agreement, the Local Development Framework studies and Transport and Housing strategies. It is also anticipated that the LEA will be used to inform further revisions of these documents.

1.4 Where possible, this LEA also incorporates the key priorities and messages of sub-regional and regional strategies, including the Host Borough Single Regeneration Framework and the Multi-Area Agreement, as well as the London Plan and Economic Development Strategy currently being prepared by the London Mayor. The LEA also highlights some issues that need to be addressed in these regional documents in the future.

1.5 Newham works closely with the neighbouring Olympic boroughs. In November 2009, a Strategic Regeneration Framework (SRF) was published with the vision of achieving a convergence in living standards with the rest of London by 2030. The Framework describes an Olympic legacy which goes beyond the Olympic Park and sporting arenas to radically transform an area which contains some of the most deprived areas of the country. Further, in March 2010, a Multi-Area Agreement (MAA) was signed between the five host boroughs cementing the commitment to work together. Newham is also part of the Thames Gateway partnership.

¹ This new duty is outlined in Part 4 of the Local Democracy, Economic Development and Construction Act 2009.

Overview

- 1.6 Nowhere else in the UK is undergoing transformation on the scale of Newham. With an abundance of land for development and excellent transport links, the Borough is poised to create a new piece of Central London in the east. Already a vibrant place and one of the most diverse boroughs in the country, Newham's vision is to ensure that more people choose to stay in the Borough as they fulfil their ambitions.
- 1.7 Newham has a number of **town and district centres**, namely: Stratford, East Ham, Canning Town, Forest Gate and Green Street. These are important centres of local activity serving the local population. Elsewhere, there are important employment areas around the Royal Docks, Beckton and the Lower Lea Valley. In these more industrial areas, Newham has retained some manufacturing companies and is home to distribution and warehousing businesses serving London and the South East. Newham's economic geography, and its relationship with the surrounding boroughs, is set out in **Section 2** of the LEA.
- 1.8 Newham had a population of around a **quarter of a million (241,200)** in 2009 according to Office for National Statistics (ONS) estimates², but LB Newham and estimates by the Greater London Authority (GLA) suggest it could be substantially higher due to the scale of migration into the Borough (at least **265,688** people)³. Many international migrants continue to see Newham as their first point of stay for building a new life in the UK. The population is one of the most **diverse** in the country with some 70% of residents from Black and Minority Ethnic (BAME) backgrounds⁴. Newham has a relatively **young** population which means that it is expected to enjoy a "demographic dividend" – an increase in the working age population relative to the rest of the UK. Newham's population is set to grow by approximately 50% over the next 20 years⁵. A detailed demographic assessment of Newham is set out in **Section 3** of this document.
- 1.9 Examining some of the headline indicators of **competitiveness** – productivity, employment and business turnover - Newham fails to achieve its potential given its size and proximity to Central London. GVA per employee is £47,035 compared with £59,300 in Greater London⁶. The employment rate is just 56% compared to the London average of almost 70%⁷. Businesses generally have a lower turnover than elsewhere in London⁸.
- 1.10 Persistently **high levels of worklessness and low skills** contribute to economic underperformance. Unemployment in September 2009 was 14.2% compared with 8.6% across London as a whole⁹. More people in Newham work part-time or on temporary contracts than elsewhere in London. 57,400 people are defined as economically inactive¹⁰. Unemployment and low incomes contribute to high levels of poverty, deprivation and ill health. Low skills amongst the resident population are a barrier to work and to raising

² ONS mid-year population estimates (2008)

³ GLA Round Low Population Projections (2008)

⁴ GLA Ethnic Group Population Projections (2008)

⁵ GLA Round Low Population Projections (2008)

⁶ Experian (2010)

⁷ ONS, Annual Population Survey (2008)

⁸ ONS, IDBR (2009)

⁹ ONS, Annual Population Survey (2008)

¹⁰ ONS, Annual Population Survey (2008)

productivity. **Section 4** of the document assesses the labour market in Newham and the work and skills challenges.

- 1.11 There are just over **5,000 VAT registered businesses** in the Borough¹¹. Around 42% of the business base is comprised of services companies but this proportion is low relative to the London average of 55%¹². Meanwhile 27% are wholesale and distribution companies – a much higher proportion than the London average of 15%¹³. Whilst the number of businesses per resident is less than half the London average the number of businesses in the Borough has grown by 15% since 2004, a significantly higher growth rate than the 9.5% growth across London as a whole over the same period¹⁴.
- 1.12 There are approximately **70,000 jobs** in the Borough¹⁵. A significantly high proportion of jobs are in the public sector; the largest employers in the Borough include the LB Newham, the National Health Service and the University of East London¹⁶. Large numbers of people are employed in wholesale, distribution, and transport due to Newham's strategic location and connectivity¹⁷. London City Airport and businesses on the airport site are together the largest private sector employers, with over 2,000 jobs on site¹⁸. The Borough has a developing visitor economy and leisure offer, incorporating the ExCeL exhibition centre. **Section 5** of the LEA examines the business base, business start-up rates and sectors with growth potential.
- 1.13 Newham is **well connected by road, rail and air transport**. Strategic road and rail connections link the Borough to the east, west and north. Stratford station is a nationally significant rail interchange with connections to the City of London and the Isle of Dogs via the Jubilee line and the Docklands Light Railway. High speed rail services connect to St Pancras and Kent. More than a million passengers a year use London City Airport for domestic and international flights to Europe as well as New York. **Section 6** sets out the transport and connectivity opportunities and challenges.
- 1.14 Newham's **housing market** does not provide the range of high quality homes for rent and for sale that are needed to complement economic growth. Many residents live in overcrowded conditions that do not meet decent homes standards¹⁹. A short overview of the housing market is provided in **Section 7** of the LEA together with a consideration of the Borough's business environment and the environmental sustainability challenges facing Newham.
- 1.15 Looking forward, Newham is ideally placed to become a new piece of city, with land available for new development. Many new jobs and homes will be created across the Borough. Developments already underway include Stratford City, Canning Town and Custom House, the Olympic Park and the Royal Docks. The challenge is to ensure that this new development enhances Newham's economic competitiveness and improves the quality of life of local residents. Planned investment in regeneration and the scale of potential growth is set out in **Section 8** of the document.

¹¹ ONS, IDBR (2009)

¹² ONS, IDBR (2009)

¹³ ONS, IDBR (2009)

¹⁴ ONS, Business Demography (2009)

¹⁵ Annual Business Inquiry (2008)

¹⁶ LB Newham (2010)

¹⁷ ONS, Annual Business Inquiry (2008)

¹⁸ London City Airport / LB Newham (2010)

¹⁹ LB Newham (2009) Newham Household Panel Survey 2009

A Note on Data Sources

- 1.16 Throughout this document we have endeavoured to use the most relevant and most up-to-date sources of information available. This includes national and regional statistical sources, written reports and interviews with key stakeholders. We have used Borough level data to understand Newham as a whole and local data to understand the differences between different parts of the Borough. In all cases we have endeavoured to ensure that the data used is comparable, both against the geographies of the host boroughs and London as a whole and across time. In the few cases where the validity of a data source is questionable this has been raised and the rationale behind using the source has been discussed.