

## **Royal Docks Enterprise Zone Programme Board**

Date of meeting: **18 September 2019**

Title of report: **Economic Baseline and Economic Purpose**

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Classification: **Public, with reserved appendices**

### **1 Executive Summary**

- 1.1 This paper provides an update of the team’s work to establish an economic baseline, and articulate an economic purpose, for the Royal Docks Enterprise Zone (EZ) area, building on the Economy theme work packages identified in the five-year Royal Docks EZ Delivery Plan.

### **2 Recommendations**

- 2.1 That the EZ Programme Board notes the economic baseline work to date.
- 2.2 That the EZ Programme Board provides comment on the proposed direction of travel for the Economy theme area.

### **3 Introduction and Background**

#### Newham Context

- 3.1 Newham’s current Economic Development Strategy was agreed in 2010 and there has been significant development and demographic change in and around the borough since then. Amongst many other developments this has included: Westfield, the Queen Elizabeth Olympic Park and East Village, the redevelopment in Stratford town centre, the Royal Albert Dock, expansion of ExCeL and hospitality facilities at City Airport. The population has increased and is more diverse than ever before and the borough faces an uncertain economic climate considering Brexit and the onset of the fourth industrial revolution.

- 3.2 Work to upskill and support local residents into work has been taking place for many years – particularly since the winning of the Olympic bid in 2005. Much has been achieved in increasing the numbers of residents who are employed, with the gap between the London and Newham average having decreased in recent years. However, poverty as a result of low wages remains a huge issue for local residents and there is still significant challenge here. Residents need support to increase income via higher paid jobs, which usually means jobs requiring higher levels of skills and experience. Consequently, the focus of Newham’s new administration is to drive economic regeneration from within the borough by supporting local residents (and businesses) through adopting a community wealth building approach, reaffirmed through the development of a new Economic Strategy.
- 3.3 The EZ plays a key part in this. However, a whole borough approach is needed to ensure that development in the EZ benefits and includes Newham’s existing residents and businesses as well as bringing forward exciting and innovative development for the whole of London.

#### Royal Docks EZ Context

- 3.4 In June 2018, the EZ Programme Board endorsed and recommended the Delivery Plan for onward LEAP approval. A paper was considered at the LEAP Board on 27 June 2018 for approval of the Delivery Plan and to endorse the overall budget envelope of £314.3m with an initial expenditure approval of £212.5m to fund individual projects.
- 3.5 Within the Delivery Plan, the Economy theme (one of five) allocated c.£57m over a five-year period across four overarching projects of Good Growth (£22m), Employment and Skills (£4m), Business Support (c.£10m) and Workspace (c.£21m). Each was supported by an approved Project Initiation Document (PID) that articulated what, why and when investment was due to happen.
- 3.6 The delivery of this Economy programme has been re-profiled principally to align with the changing political context in Newham (articulated above) which has necessitated a review of priorities, approaches and projects so as to ensure investment is appropriately directed. Hatch (formally Regeneris) is leading this review, with the scope of their commission in the Royal Docks to:
- Establish an economic baseline for the wider Royal Docks area, as well as other neighbourhoods within Newham, that articulates the challenges and opportunities for the various geographies;
  - Articulate an economic purpose for the EZ; and
  - Signpost transformative initiatives that could enable Newham and the Royal Docks Team (RDT) to create significant transformation over the next five years. This included an appraisal of the existing Economy work strand in the Delivery Plan.
- 3.7 Alongside this Royal Docks-specific work, Hatch is also leading the development of the aforementioned Newham Economic Strategy and a separate review of Workplace to inform future iterations of that operation in light of the changing strategic context within the borough. Each of these

workstreams are inherently linked. Further, the borough's Community Wealth Building Strategy is due to be seen formally by Cabinet in early September, and the key recommendations of that will need to be factored into any Docks' specific activity.

- 3.8 As a nuanced direction of travel for the Economy theme emerges, the RDT is also welcoming new resources by way of two Economic Project Managers due to start in early autumn 2019, alongside interim arrangements for an EZ Economic Development Lead. This will enable the interventions emerging from the Hatch study to be actioned quickly.
- 3.9 The Delivery Plan identifies four indicative areas for spend – Good Growth Fund (£22m), Employment & Skills (£4m), Business Support (c.£10m) and Workspace (c.£21m). There has been limited spend of this to date whilst the suitability of these projects and allocations has formed a significant part of the current review, and consequently a key part of this paper. This investment will be supported by access to other funding streams – notably s106 contributions – secured to support the delivery of Newham's job brokerage mechanism.

#### **4 Issues for consideration**

- 4.1 Hatch has provided a detailed evidence base to establish the baseline of the current socio-economic conditions within the wider Royal Docks area. This has fed into emerging findings that begin to establish a blueprint for the economic development of the Royal Docks – based around a clear economic purpose, a philosophy, and a subsequent set of actions that build on the priorities of the existing Delivery Plan.
- 4.2 This workstream is being developed alongside equivalent strategic thinking around Place (public realm interventions) and Cultural Placemaking, overseen by the RDT. The final results of each are inter-related so the emerging findings as presented here will evolve alongside these parallel activities.
- 4.3 Ultimately this Economic work is about providing a robust evidence base to justify the significant investment proposed as part of the original Delivery Plan and identify how the economic ambitions of the EZ will be realised. It also directly informs key actions that move ambitions into delivery from 2020 onwards.

#### Where We Are Now

- 4.4 The Royal Docks is one of London's most distinctive economic locations, with regionally important anchor assets (Nine million combined annual visitors through ExCel and City Airport) located within one of London's fastest growing boroughs (20% population growth since 2013) and sub-regions. There are genuine global connections (both assets and population – 48% of residents born outside of the UK) and evidence of an evolving economic momentum notably through ABP and the Silver Building. All this is set within a genuinely unique identity of the enclosed dock area.

- 4.5 However, the area is punching below its weight economically – it lacks critical mass, key connections, density of activity and a sense of purpose. Productivity is low and historically there is a limited supply of quality office space.
- 4.6 There are also deep embedded socio-economic challenges. Some neighbourhoods remain among the most deprived nationally, there are weaknesses in the local labour market, levels of social and civic participation are relatively low, and cohesion and inclusion are constrained by a transient population (15% change per annum) and physical barriers to movement.

#### Headroom for Growth

- 4.7 There is plenty of room for growth if targeted correctly. Spatially the Royal Docks will provide for 6% of all new homes (30,000) and jobs (41,500) across all draft London Plan Opportunity Areas, and it is a vital part of the Thames Gateway Growth Corridor. Projections are in-effect for a 125% growth in the Royal Docks economy by 2031.
- 4.8 This is set within an evolving (and eastward moving) London economy which has seen rapid growth since 2010 that has reaffirmed its position as a global leader in tech, creative and financial and professional services. Importantly Newham, including significant part of the Docks and its hinterland, continues to supply significant industrial capacity for London.
- 4.9 From a sector perspective there are clear opportunities identified in Creative Production, ICT, Digital and Creative services and in Financial and Business Services. This is due to latent demand across London, the inherent spatial assets of the area and of key regional and national policy priorities.
- 4.10 Identified opportunities however need to be tempered with the challenges of prevailing economic conditions. Notably there is a significant gap between past growth rates and future capacity, with recent local growth skewed by proactive intervention in Stratford. There are noted weaknesses (low quantity and quality) in the local office supply hampered by wider connectivity challenges. And more broadly competition across London is high with many areas having growth ambitions of a similar scale.
- 4.11 Consequently, a balanced approach to growth is needed to support a diverse, resilient and ‘sticky’ economy that is grounded in place, amenity and infrastructure. On this basis, crudely, the opportunities to realise the target of 41,500 new jobs can be broken down into five areas, each of which has a role to play in realising the quantitative targets of the Delivery Plan:
- Demand created by new residential population (c.8,000 in retail, leisure and services);
  - Growth within existing business base (every firm growing by 20% would provide c.7,000 jobs);

- Encouraging enterprise. There were 500 business start-ups last year, with an average size of five after five years...but only a third survive to five years, and many will 'grow' elsewhere.
  - National investment through the continued eastwards movement in London for firms of all sizes, although there is a growth vs displacement discussion.
  - International investment. The average size of investment to the UK is 36 jobs, so 30 investments would lead to c.1,000 jobs.
- 4.12 The emphasis here is not on targeting sectors (in most cases) but rather enabling sectors to self-select by providing the right facilities and infrastructure to encourage all forms of business, as being agile enough to adapt to take advantage of opportunities as they emerge (which may be sectoral in nature).
- 4.13 Further, it is essential to remember to consider how the jobs will be split into jobs displaced from elsewhere, new jobs to be taken by non-Newham residents (and filled immediately) and jobs that are genuinely new for Newham residents. Whilst it is possible to apply HM Green Book compliant assumptions to the profile of jobs, there is scope to work harder to ensure the proportion of new Newham jobs available (and ultimately taken) are higher than one may normally expect. This is a core aspect of an inclusive economy and this has implications explored under the transformational interventions section.

#### Positioning the Docks

- 4.14 The positioning of the Docks needs to be framed within the external factors that influence the scale, speed and nature of growth – at macro global/national level and the regional/sub-regional. Therefore, there needs to be a long-term commitment to content and ethos, as well as retaining agility and flexibility to adapt to changing circumstances.
- 4.15 The Royal Docks needs to find its 'place' in London, considering its competition and synergy across the city and the Thames Estuary. This 'place' approach emphasises assets and anchors instead of sectors – something proven to be successful in comparable localities (e.g. Kings Cross). On this basis there are three 'building blocks' of the economy which frame the spatial and thematic aspects of activity:
- New Economic Hubs at Royal Victoria, Connaught and Excel area, Royal Albert Dock, Albert Island and Silvertown that can be focusses of growth and development as part of balanced approaches to place-shaping and identity. Actions should include developing partnerships, workspace investments, targeted inward investment, place marketing and focussed interventions to increase skills and better ensure local people are skilled to take local opportunities and are empowered to do so.
  - Amenity Centres at Canning Town, Custom House, Beckton and North Woolwich are defined by densely populated communities with prevailing socio-economic challenges. These are key gateway locations (North Woolwich an exception) that link residents with opportunities elsewhere in the Docks and

beyond. Actions should include developing social capital and participation, means of citizen empowerment, support for community business and local direct spatial investments to improve access.

- City Assets of City Airport, ExCel, UEL, Tate & Lyle and (potentially) the Water underpin the identity of the place and its global links. These assets have direct contributions to make in defining the vision and in supporting the building of community wealth.

4.16 The response of the EZ to these challenges needs to include the steering and curating of private investment, the proactive targeting of new investment opportunities, a close tailoring of commercial space, supporting business scale-up and growth, maintaining quality and prioritising equality.

#### Purpose and Philosophy

4.17 Considering its current position, the headroom for growth and the potential positioning of the Royal Docks the 'place', the Royal Docks Economic Purpose is proposed as:

*“A nationally significant hub of enterprise, employment and culture, recognised as a testbed for social, environmental and technological innovation. Globally fluent and internationally focussed, harnessing the benefits and Newham’s diverse community.”*

4.18 This definition takes into account the need for the Royal Docks to create jobs in a distinctive way, recognises the wider need to include environmental and social issues in the making of economic decisions, and captures the potential for the area to be a home for international business and culture.

4.19 However, whilst having a 'purpose' is a helpful shorthand to explain a future vision for the Docks, the nature of the place and its assets means defining the approach is perhaps more valuable as a means of guiding what needs to be done. On this basis, the delivery of the Economy theme needs to be grounded in a philosophy that reflects the local circumstances, namely differentiating the Royal Docks globally, be more about Inclusive *Economy* than Inclusive *Growth*, and one that embraces and tracks innovation to provide insight for London. Lessons from elsewhere are a warning that growth can often lead to furthering inequality, and there is a real opportunity within the Docks to try something different.

4.20 Focal points need to include:

- Building foundations for long-term participation and local involvement;
- Innovating and communicating;
- Better understanding and balancing 'value';
- Responding to new investor motivations that explicitly includes environmental and social aspects as key criterion of investment decisions;
- Gathering evidence and insights so as to 'prove the case';

- Enhancing existing assets; and
- Remaining footloose and agile.

### Transformational Interventions

- 4.21 The Delivery Plan identifies four indicative areas for spend – Good Growth Fund (£22m), Employment & Skills (Workplace) (£4m), Business Support (c.£10m) and Workspace (c.£21m).
- 4.22 It is felt that while these four project areas as a steer are generally correct, there is an opportunity to reprofile focus and resources to better reflect the opportunities and challenges identified in the work to date. At a high level, this means:
- Changing project titles and wording to ensure that these better align with the fundamentals of a more dynamic, inclusive and competitive economic area.
  - Re-distributing funding to reflect the importance of workforce and skills projects (Currently titled Workplace Plus), ensuring that the core guiding principles of an inclusive economy that directly benefits Newham residents are accounted for.
  - Better articulating the cross-cutting nature of the projects and how they link together.
- 4.23 ECO 1 – Innovation and Challenge Fund (formerly Good Growth Fund). This workstream should expedite changes in perception and a culture of innovation with the Royal Docks. Recommendations are to split the fund into three distinct areas: (1) a ‘traditional’ GGF approach that seeks projects to meet stated Good Growth priorities; (2) a programme that encourages more genuine innovation from the bottom-up, possibly managed through a suitable external organisation so that the Docks can act as a testbed for new ideas – potentially linked directly to social innovation and community wealth building objectives; and (3) looking at equity investment opportunities so that the public sector can support the types of organisations it feels best contribute to the wider place. Here the EZ is taking on an enabling role to curate the place in line with its ambitions – the measurement and insight developed through this should be considered alongside emerging proposals for monitoring and evaluation.
- 4.24 ECO 2 – Inclusive Workforce and Progression (previously Employment and Skills). Key recommendations will need to flow from the Newham-wide review of Workplace but are likely to maximise the role of local assets and institutions within a framework that addresses the long-term needs of the market and builds careers opportunities for local people. Currently Workplace is an employment brokerage with some employability support. Aspirations are to extend this to better coordinate work experience, internships and apprenticeships alongside closer links to schools, further and higher education institutions. Through co-curation with young people and major employers, the aspiration is to provide a career long continuum of intervention, alongside a

genuine incentive (a stronger workforce) for businesses locating to the Royal Docks. The importance of the issue supports the case for additional investment (potentially up to £10m).

4.25 ECO 3 – Competitive Business Environment (previously Business Support).

This is about creating the perception and momentum of the Royal Docks as a business location with recommendations geared around supporting growth (supporting expansion rather than start-ups), exploring wrap-around business support services, support with internationalisation and building a cohort of innovators. This could be articulated as two streams of work:

- Incubating and evolving a cohort of higher growth companies through an annual recruitment to develop the best businesses ideas in London through intensive support.
- Provide a more significant SME inward investment task force, supporting Foreign Owned Enterprises (FOEs) to come to the Royal Docks incentivised through an enhanced aftercare offer.

The look and feel of this investment needs to flow from Newham's emerging position, but the approaches taken will be tailored to address the type and form of businesses identified (service sector, enterprise growth, new enterprise, national investment and international investment).

It should be noted that elements of the business support function will be addressed within ECO1, 2 and 4, responding to key business needs (finance, workforce and space respectively).

4.26 ECO 4 – Workspace Curation. This is about establishing a profile of the Royal Docks as a business location by enabling a distinctive cluster of spaces (likely to involve some acquisitions) which offer companies the opportunity to stay and grow within the Royal Docks. This should involve a broader discussion about the future of the Crystal; opportunities to enable light industrial spaces around Tate and Lyle; leasing subsidies for target businesses (and/or business incubation operations); Opportunities to cross subsidise space for youth enterprise; and resources to promote progression between spaces within the Docks.

4.27 The ECO 4 Workstream offers a good working example, in development, of how to bring together these four projects (and budgets) to steer investment to meet strategic Economy theme aspirations. The EZ is currently actively exploring six opportunities (including Brunel Street Works, Compressor House and new light industrial space at Thameside West) to support/deliver workspace in the Docks area. The directions of this Paper will help steer:

- What this provision may look like – inform which sites to invest in as part of a co-ordinated approach; and
- How it may be done and what levers the public sector can pull to expedite this - be it through direct control, working in partnership, or a scheme that incentivises the 'right' type of provider and tenant.



- 4.28 There is potential for very strong direct links to be made with these opportunities and the evolving ambitions for Workplace and Business Support, with these offers being the link to local opportunities, as well as these being incentives in their own right to attract the original investment. The Innovation and Challenge fund could also be used to incentivise the provider and/or the tenant through encouraging innovative models, or merely operations that have the local community at their heart – either in the residency of their owners, or in the ethos of their operation.
- 4.29 Broadly on the theme of workspace, the Silver Building is an example of Innovation Challenge fund supported investment that is able to successfully and sustainably attract businesses and investment to the Docks area.
- 4.30 An approach to workspace is one strand of an updated programme for interventions that builds on the Delivery Plan and PIDs that is currently in development, and which will be presented at the November Board meeting. This is currently best described as an economic ‘blueprint’ for how the EZ will achieve its ambitions, meet its targets, and does so in a way that is in line with the philosophy and ethos of both London and Newham.
- 4.31 Appendix One offers an area-based starting point for this blueprint by linking area-specific aspirations (function) with possible interventions.

#### Monitoring & Evaluation

- 4.32 There are vital links between this emerging Economic blueprint and the plans for a Monitoring & Evaluation (M&E) framework, as discussed at the July Board. Key points to recognise:
- How impact will be defined and how it will be measured will flow principally from the identified priorities, but also the philosophy through which they are delivered;
  - The need for a broader definition of value that goes beyond economic indicators;
  - Practically the economic recommendations and actions need to be framed within the Delivery Plan’s overarching M&E framework; and
  - The tracking of long-term area change is key to a valuable M&E workstream, and central to the long-term thinking that is a key part of the Royal Docks economic purpose.
- 4.33 As with the parallel strategies (Place and Cultural Placemaking), the economic purpose and priorities will need to align (and vice versa) with the M&E framework as it is developed.

## **5 Equality comments**

- 5.1 Equality impact considerations and mitigations are built into individual projects as they move forward for implementation and procurement. The economic purpose position statements are driven by the strategic positions of both

Newham and the GLA – grounded in principles such as Community Wealth Building and Good Growth.

## **6 Risks arising / mitigation**

- 6.1 The main risk to the Economy programme relates to the limited spend to date. The development of the economic strategy and implementation plan will capture the priorities of the new administration and define and guide the development of the skills, business support, good growth and workspace initiatives going forward. Underspends will be reprofiled across the remaining years of the Delivery Plan.
- 6.2 A risk register is maintained to continuously review programme delivery.

## **7 Financial Comments of the Executive Director Resources**

- 7.1 None directly arising from the recommendations outlined in this report.

## **8 Next steps**

- 8.1 A Blueprint for delivery of the economic ambitions of the EZ will be presented at the November Board, alongside an overarching headline programme. This will be followed by a revised series of PIDs and the progression of early projects.

<b>Activity</b>	<b>Timeline</b>
Blueprint for delivery presented to the Board	November 19
Revise Economy PIDs	On-going
Economic strategy completed	Autumn 19
Initiate projects	April 2020

### **Appendices:**

Appendix A – Economic Function by Geography (RESERVED)

Appendix B – Draft Royal Docks Economic Purpose (August 2019) (RESERVED)