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BRENT ECONOMIC ASSESSMENT 2010

Summary key issues report prepared by
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Presented to

London Borough of Brent Council

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1.1 Economic context

Forecasts suggest continued but slower growth in the UK's economy...

The short to medium term future of the global economy is likely to be dependent on two factors – the potency of the policy stimulus in prompting recovery, and whether the growth potential of the world's major economies has been permanently dented by the global financial crisis. This, combined with large levels of public debt, means that the UK economy is likely to see slow return to growth.

Globalisation and other changes in the global economy are working together to change the economic map of the world...

China is projected to become the second biggest economy globally by 2020, and to overtake the United States to become the largest economy by 2050. India is also projected to grow to become the third largest economy by 2050.

The Eurozone's recovery is however the most perilous of the world's recovery areas, due to the concerns around the stability of public finances...

There is plenty of spare capacity and slack amongst the Euro area countries. The ILO unemployment rate in June 2010 was 10%, meaning that 15.7 million people are looking for work but cannot find a job. There are still concerns that if the instability in the Eurozone persists it could tip some of its economies back into recession.

Another drag on recovery will be public finances...

It is clear from the results of the Comprehensive Spending Review that there will be significant cuts across most government departments and resulting job losses will add to the strain on the labour market. Whilst it is important not to overstate the repercussions of these reforms – some of the negative impact of reduced welfare spending will be off-set by residents being financially incentivised to move into work or to take on additional work – they are still likely to have a deep impact on many of Brent's residents, particularly the long-term unemployed and low-paid.

Despite challenging conditions London remains the key driver of the UKs economy...

London's economy contributes around £230 billion to total UK GVA, an estimated 20% of total national output and has created more than 380,000 net new jobs (a 5.3% increase) in the last decade. Forecasts suggest that London will see modest but sustained recovery in the next 5 years, with longer-term growth (beyond 2015) seen in professional and business services sector. With its international outlook as a world city, London is well positioned to take advantage of the positive trends emerging amongst the major emerging market economies.

Agglomeration economies remain a powerful factor supporting growth in London, especially in the Central Activity Zone (CAZ)...

Around one-third of London's jobs are located in Central London, the largest and most productive centre of employment in Britain. The benefits of agglomeration tend to discourage employment from being spread across London and so despite technological advances allowing for remote working, it is likely that more commercial office property and transport capacity on radial services will be needed, both within and from, the CAZ in the future.

To understand the drivers of change in the local economy in Brent, it needs to be considered in terms of its location and functions within the London economy...

London's economic geography in large part determines the level and type of employment located across the 32 boroughs. Brent is not part of the London central activity zone, and the benefits of agglomeration tend to discourage employment from being evenly spread across London. Current and future development in Brent will be related to the relative locational advantages inherent in any particular employment site, as well as the wider economic climate.

Brent contains some regionally significant assets...

Brent does contain some unique assets and performs a number of functions within the capital. It is a strategic location for a major visitor attraction in the form of the national stadium at Wembley, and contains part of the largest manufacturing area in London.

Future development in Brent will be affected by housing and retail developments in the surrounding West London area....

There are major retail developments at White City and Brent Cross, and the potential for major housing growth on its boundary with Barnet, and continuing commercial developments in the central activity zone and into East London.

2 COMPETITIVE PEOPLE

People are at the heart of any economy. A growing population with the right skills base should help secure Brent's future. But Brent and its surrounding area are changing. Demand has shifted in favour of highly skilled workers as the knowledge economy in London has grown. The challenge is to see that this demand is met, in addition to ensuring that local employer skill needs across the spectrum are fulfilled. There is also a need to tackle high levels of social exclusion, reflected in the pockets of high concentrations of worklessness, in order to maximise the area's potential.

A growing population, a healthy labour market, access to the right training and education: these are all factors that support economic growth. As do the right social conditions, adequate housing, and an effective transport infrastructure. For individuals, education and skills are central to reaching their full potential, allowing access to employment and enabling social inclusion.

The focus of this section of the LEA is on the people of Brent, examining the area's demographic influences on the supply of labour to the economy; providing an analysis of the economic activity / inactivity characteristics of the working age population; and examining the qualifications profile and key skills issues across a range of sectors and occupations.

2.1 Findings

Brent has experienced significant levels of migration...

Brent has experienced significant levels of inward migration, the deprived neighbourhoods in the south of the borough experience significant levels of churn and population transience. High rates of NiNo registrations show that the borough is a destination for people arriving in the UK who may choose to locate first in Brent because of a combination of cultural associations or availability of comparatively cheap accommodation, it is not known what proportion settle in the borough.

Brent's ethnic diversity presents both challenges and opportunities for the borough...

Brent is one of the most diverse boroughs in the country, with large Indian, Pakistani, and Black (Caribbean and African) communities, with the borough being home to many refugees, asylum seekers, and economic migrants. On one hand this can provide opportunities to develop diverse local products and services - adding to the appeal of Brent as a centre for different cultural attractions - on the other it can present challenges around inclusion and access to services.

Brent's employment rate is close to the London average but obscures significant variation between male and female and within ethnic groups...

Employment rate is close to the London average. However, as with many London boroughs female employment rates are low, and there is also significant variation between ethnic groups in Brent.

Worklessness is concentrated in the south of Brent and amongst particular groups...

Worklessness is concentrated in certain geographical locations in the borough, and this corresponds with other measures of deprivation. The relative position of the borough in terms of employment deprivation is worsening. Health inequality is high in the borough, and the rate of people claiming incapacity benefit for mental illness is significantly worse than the national average. There are particular barriers to employment for particular groups of workless individuals including ethnic minorities, those with health and mental health needs, and women.

Levels of child poverty are high...

The cost of childcare is a significant barrier to employment and impacts on levels parental unemployment, a fifth of dependent children were living in one parent families, and more than a third of the borough's children live in poverty. Brent ranks within the top 10% most deprived in England in the Child Well-being Index, and almost a third of children live in households that are claiming workless benefits, much higher than the average for both London and the UK. National evidence suggests that the key factors for areas improving are the creation of higher level skills in the resident population and ensuring access to entry level jobs.

Resident and workplace earnings are low suggesting a lower skilled labour force and a lower value business base...

Average weekly workplace earnings in Brent are almost identical to that of residents earnings, which suggests that the district is not a net importer of higher remunerated occupations, rather that those commuting are commuting out of the borough to similarly low paid occupations. Workplace earnings in Brent are lower than the West London and London averages, suggesting a lower value business base predominating in the area.

Despite growth in professional and managerial roles a significant proportion of Brent's residents remain employed in low skilled occupations...

The proportion of residents who are managers and senior officials or in professional occupations accounts for over two fifths of Brent's population, below the London average. Almost a third are employed in low skilled occupations against a London average of around a fifth. This is further reflected in the low skills base of local residents. Despite an increase of nearly 20,000 graduates in Brent since 2004 the borough still has a lower proportion of residents qualified to NVQ Level 4, compared with the London average.

While there have been significant improvements in young people's educational attainment too many residents have no qualifications...

Whilst there have been significant improvements in educational attainment of young people in the last five years, the existence of high proportions of the workforce with no qualifications remains a persistent major challenge to raising productivity and economic inclusion within Brent. Nearly one-in-ten of Brent's residents have no formal qualifications, equivalent to over 18,000 residents. Disparities in educational performance reflect and reinforce the geography of social segregation.

2.2 Issues to consider

With less council resources available to tackle barriers and support residents to access employment opportunities, Brent will need to find new ways of operating to ensure that the needs of its diverse communities are met within the new welfare regime, and as the Work Programme and assessment of stock incapacity benefit claimants are introduced.

Suggested priorities emerging from the analysis are:

- ❑ Engaging with the Work Programme either through delivery or influencing commissioning, to ensure that the needs of its diverse communities are met;
- ❑ ensuring that Brent residents and businesses benefit directly from regeneration of the borough and major projects through links to employment and supply contract opportunities;
- ❑ exploring ways to work with GP consortia and Work Programme contractors to support claimants during this transition from incapacity benefit;
- ❑ continuing to improve educational participation and achievement in schools to ensure that Brent's young people have the right skills to compete in an increasingly competitive London labour market;
- ❑ working with colleges and through the London Skills and Employment Board to enhance skills provision in Brent and including increasing the take up of apprenticeships and other vocational opportunities; and,
- ❑ ensuring that there is adequate provision of ESOL linked to vocational outcomes, and minimising the impact of cuts in provision.

3 BUSINESS PERFORMANCE

This section of the LEA looks at Brent's performance in terms of business performance. This is vital in understanding how the borough has been adapting to the profound structural changes that have taken place over recent decades and how robust its economy is in relation to the current global economic landscape.

By looking in depth at areas such as the structure and performance of the business base, entrepreneurship and the knowledge economy, the aim is to better understand Brent's future potential. What sectors are the most important going forward? What kind of shape are they in? How will business type influence the future direction and prosperity of the Brent economy?

Brent has experienced an expansion of its business base that has been close to the growth rate across London as a whole driven by growth in micro-enterprise, however at the same time the area has seen a contraction in the number of local jobs and a loss of large local employers. There have been clear structural changes across key economic sectors, which should be of interest to policy makers. Looking ahead at future competitiveness, the all important knowledge economy looks to be strengthening in terms of output and employment, but there are still many of challenges that need to be met.

3.1 Findings

Growth in the business base has been driven by micro-enterprise...

Brent has an estimated total of 12,000 enterprises; accounting for almost a fifth of workplaces in West London and nearly one-in-twenty workplaces in London. Nine-out-of-ten are micro enterprises (with less than 10 employees); higher than the average for West London, London and nationally.

However, the borough has lost a number of large firms...

However Brent has experienced decline in the number of large firms, falling by -6.6. per cent between 2003 and 2008, compared to the average for West London (0.2%), London (2.4%) and nationally (4.4%).

There is evidence of an entrepreneurial culture with high levels of self employment...

The level of self-employment in Brent is above the London and national average. National benchmarks there is a healthy enterprise culture in Brent, with national indices ranking the borough 52nd in Britain.

But growth in the business stock has lagged behind the London average and business survival rates are low...

The borough records below-average growth in VAT-registered stock, and whilst business survival has improved significantly within Brent during the last decade, longer-term (4years+) survival rates still lag behind regional and national averages.

Brent has experienced job losses, which occurred during the period of sustained economic growth in London and the UK...

There are over 93,000 employees in the (and an additional 10,000 self-employed). However the total number of employees has fallen within Brent during the last decade, driven by job losses in hotels and catering, wholesale and retail, and the continued contraction of manufacturing employment.

Few employers report skills gaps within their workforce, but many struggle to recruit suitably skilled labour...

Data from the National Employers Skills Survey 2009, covering firms in Brent and West London, and suggests that almost a fifth (16.5%) of employers within the borough reported skills gaps within their workforce, compared with an average of 18.2% in West London, 17.2% in London and national average of 19.0%. However employers in Brent also found it harder to recruit from the local labour market during 2009. Over a third (34.4%) of employers reported skill shortages, higher than the average for London (24.4%) and the national average (21.1%). Future employer engagement in training remains critical for the Brent's workforce, as the proportion of the labour market receiving training up to Level 3 or below (17.6%) was lower than the London and UK averages (21.2%).

Businesses and local employment are concentrated in a number of sectors...

The largest private sector employment in Brent is in wholesale and retail (21,800 employees) accounting for almost a fifth (19.3%) of employment. This is followed by business services (16,800),

manufacturing (10,600), in particular the manufacturing of food and drink (5,000), transport and communications (10,600), and the construction sector (9,500). The borough also provides a significant number of jobs in the public sector¹; including public administration (5,000), education (6,500), and health (13,700).

Forecasts suggest the potential within Brent for jobs growth within the next ten years...

These forecasts are net of reductions in public sector employment, and may be over-optimistic, depending on wider economic conditions. However, there may be the potential for overall employment growth over the coming years, based on the opportunities within the borough. It should be noted that this will be subject to the qualifications discussed above in relation to the relative competitive position of Brent locations in relation to other parts of the capital.

Potential growth sectors may be business services, construction, creative/new media, food and drink manufacturing and healthcare...

All these sectors are forecast to have growth potential, although growth in each of these will be affected by the availability of suitable accommodation, and sector specific issues.

Hospitality and tourism set to grow, based on key developments in the borough...

Brent receives an estimated 2.75 million visitors, the majority of these are day visitors, and an estimated 296,000 overnight visitors. Brent also has opportunity to capitalise on other tourist attractions including a range of cultural festivals and leisure facilities linked to regeneration at Wembley. Baseline forecasts suggest a net in year increase of 400 jobs and £24m GVA by 2020.

Transport and communications is essential to supporting both local enterprise in Brent and supporting future economic and labour market growth across London...

The sector is a major employer within Brent, accounting for 10,600 employees and £496m GVA. Future opportunities are linked to investment in local infrastructure – including transport access at Park Royal, as well as potential to capitalise on link to other key transport projects in London such as Crossrail. Baseline forecasts suggest that the sector could deliver a net in year increase of 1,000 jobs by 2020, and an increase of £170m GVA per annum.

Despite growing competition between different parts of West London, Brent's retail economy remains important to the continued vitality of local neighbourhoods...

Whilst levels of employment in the retail sector have fallen within Brent over the last five years, proposed developments within the borough and longer-term growth forecasts (as the economy returns to growth) suggest that the sector deliver a net increase of 600 jobs by 2020, and an increase of £162m GVA per annum.

3.2 Issues to consider

There is considerable opportunity for growth in employment into the future in the Brent economy. However, there are also clearly risks from competition from elsewhere within London.

Suggested priorities emerging from the analysis are:

- ❑ Up-skilling the local workforce, and connecting to job opportunities remains vital for future economic prosperity in the borough.
- ❑ Raising resident's skills levels and their aspirations to access employment opportunities within both the CAZ and key developments within Brent will be vital.
- ❑ Concentrating and coordinating office development within Wembley (capitalising on key assets, continuing existing plans for infrastructure development, accessibility and branding) remains, in our view, the main way Brent can bring in additional investment and prosperity to the borough.
- ❑ The Park Royal Opportunity Area remains a key employment area accommodating 2,000 businesses employing around 40,000 people. Whilst the future key objectives set out for Park Royal are mutually supportive of the economic analysis undertaken in this LEA, there is a particular need to invest in the estate, continuing to support local sector specialisms, at the same time exploring potential for other parts of the area to be developed for public realm and residential opportunities to support the high levels of housing demand in Brent.

¹ These figures excludes public services that are included under the heading 'other personal services'

- ❑ In the current economic climate and with significant retail growth outside the borough boundaries, there is little likelihood of attracting significant retail or office growth to other local town centres. This suggests these centres will need to build on their role as local service centres, and expand employment as and when local opportunities arise, such as through supporting growth of the evening economy, and encouraging local business-led improvement schemes where possible.
- ❑ With reduced levels of public funding for business support and environmental improvements, the council will need to maximise its support for local business-led schemes, and identify opportunities to direct any funding that is available towards local priorities.

4 QUALITY OF LIFE, HOUSING, TRANSPORT AND ENVIRONMENT

London performs well in terms of some quality of life criteria such as its cultural life and rich heritage. In other areas the perception of quality of life is more mixed, judged against competitor cities. The overall perception of the quality of life is the accumulation of a range of issues, which must be addressed to help improve the lives of Londoners and make the city as attractive as possible to investors, businesses, workers, and tourists.

The competitiveness of Brent and its economic hinterland is defined not just by its business base and labour market, but also its wider critical infrastructure and 'offer'. For the economy to flourish, people, goods and information must move freely. Businesses across Brent need the right conditions to grow. Reliable infrastructure: affordable housing, transport and communications networks, utilities are essential to achieve this. Ensuring these networks are integrated and resilient is vital. Failure to make the right choices at the right time, or pausing investment, risks not only stunting growth but also damaging the borough's competitiveness.

This part of the economic assessment focusses upon Brent's offer in terms of housing, connectivity and transport infrastructure; and the local environment.

4.1 Findings

Brent has experienced significant growth in its population and housing requirement over the last decade putting significant pressure upon the housing market...

Rising demand, combined with the loss of larger accommodation converted into flats for the private rented sector and new build which is predominantly 1 or 2 bed accommodation, has resulted in a critical housing shortage which is reflected in rising accommodation prices.

Rising accommodation costs has meant that buying their own home is beyond the means of many of the borough's residents...

With average salaries in Brent 30% below the London average. The lowest priced housing in the borough is around ten times corresponding earnings levels; higher than the average for both London (eight times) and nationally (six times).

As house prices have climbed in Brent and London, private sector rents have followed...

Average weekly rents in the private sector remain relatively high compared with average earnings across the whole of the West London area. When housing benefit reforms come into force in 2012, impacts will hit London hardest of any region. Households will face weekly losses of £20 or more far more than the total in the rest of England.

Brent benefits from a well developed transport network, which includes the Underground, National Rail services, and an extensive bus network...

A significant amount of investment has been made in transport infrastructure across London and within Brent. For example the rebuilding of Wembley Park station - a flagship project funded by the public sector - increased the capacity of the station by 70 per cent ahead of the opening of the new Wembley Stadium in 2007.

Strong public transport infrastructure provides high levels of accessibility for most of the borough...

For most of Brent's residents it is possible to find high frequency public transport services operating generally less than 500m from their homes. Whilst there are strong radial connections from west London to central London, these are often crowded or congested. Enhancing east-west capacity and managing congestion is clearly an immediate need.

However immediate challenges include congestion and road access to key employment sites...

Average road journey times are comparatively high in Brent when compared to the London average (just over 3 minutes per 1 mile in 2009). Heavy road transport and congestion are continuing to put pressure upon parts of the borough, in particular freight movements in and out of Park Royal. Peak morning and afternoon vehicle delays have increased between 2008 and 2009 more than the majority of other London boroughs.

Other longer-term opportunities include developing accessibility and links to Crossrail and High Speed rail development...

Transport investments will continue to change the relative accessibility of one place in London against another. Significant transport programmes across London include: upgrades to the London Underground; Crossrail; the Thameslink Upgrade; and an extension of the East London Line. While this will reinforce the competitive advantage of Central London – a benefit to London’s globally active economy as well as local businesses – it will also improve accessibility and provide economic opportunities across West London.

Upgrading housing stock across Brent will have a key role in helping to reduce the borough’s carbon footprint...

The carbon footprint in Brent is lower than the London average and fell between 2005 and 2007. The London Plan seeks to encourage a 20 per cent reduction in carbon emissions through the sustainable use of energy including using less energy, supplying energy efficiently, and incorporating renewable energy within new developments. Household energy consumption is responsible for a lion’s share (30 to 40%) of London’s carbon footprint and remains a key focus for both investment (in retro-fitting older housing stock) and job creation in the construction sector and its supply chain.

The quality of the local environment, and promoting sustainability are central to the borough’s vision for the future...

Brent has more than 1,000 acres of public open space, including Fryent Country Park and the Welsh Harp reservoir, as well as formal Victorian parks such as Gladstone Park and Roundwood Park, plus the newly-built Northwick Park golf course. However, continuing to address environmental improvements across the borough will have a significant impact on resident’s quality of life, in particular those living adjacent to the North Circular Road.

4.2 Issues to consider

Suggested priorities emerging from the analysis are:

- ❑ A critical issue for the council, given the shortage of housing, and particularly affordable housing, is to balance housing with employment development. These need to be considered together in relation to improving economic competitiveness and the attraction of employment locations within the borough, and maybe an argument supporting the continued incorporation of mixed use development onto appropriate areas within or on the edge of employment areas.
- ❑ Despite significant investment in transport improvements, in certain areas of the borough, congestion and inaccessibility are limiting economic growth and investment.
- ❑ The environmental benefits of reducing traffic on some of the roads within the borough would be significant, but some industries on Park Royal in particular are dependent on road transport and there are clear conflicts between economic and environmental goals.
- ❑ Finally, upgrading the housing stock across the borough would play an important role in reducing the carbon footprint of the borough.