Tower Hamlets
Local Economic Assessment

Volume 4: People and Places

TOWER HAMLETS

London Borough of Tower Hamlets
December 2010

Nathaniel Lichfield and Partners

Planning Design Economics

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FINAL

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1.0 Executive Summary

1.1 This volume focuses on the role of people and place in driving economic competitiveness, and examines five geographical sub-areas selected for particular focus: Bethnal Green, Canary Wharf, Fish Island, Spitalfields / Aldgate, and Whitechapel.

Population Change

1.2 The population of Tower Hamlets has grown markedly over the past 20 years, spurred by the dynamic growth of Canary Wharf, and varying estimates put the current population between 220,000 and 240,000.

1.3 There is a consensus that population growth will continue over the next 20 years – to anything from 280,000 to over 330,000 with much of this growth expected to arise from natural change within the existing population. This scale of increase is greater than that projected anywhere else in London except in Newham and will have significant economic implications. Household growth (of up to 80% by 2026) is expected to predominantly be of single person households – accounting for some 60% of the increase – with significant implications for housing type and tenure.

1.4 Although population growth from 2001-2010 has averaged around 4,500 additional people per annum, the borough has generally been a net exporter of population to the rest of the UK (with the exception of 2008/09), with positive inflows from international sources on top of natural demographic increases driving population growth. The borough, however, performs a role as one of London's 'receiving areas' for in-migrants from outside the capital.

1.5 Tower Hamlets has the fourth highest level of population turnover – after the City, Newham and Brent. In particular it draws in those under 30 and exports those aged 30-45, reflecting perhaps constraints in the availability of family accommodation for this latter group. The Isle of Dogs is the leading area of choice for new residents from outside London, potentially reflecting the nature of the housing offer, and these residents are the most transient in the borough.

1.6 Tower Hamlets has evolved from a deprived borough to a deprived borough with an oasis of wealth, which is most obviously manifest in the polarisation of incomes and the 'missing middle' that lies between. The borough has proportionately more people earning less than £20,000 per annum than the Greater or Inner London averages, lower proportions earning between £30,000 and £85,000, and significantly more people earning over £85,000 than the Greater London average. On other indicators of deprivation there has been progress in recent years, in particular in respect of education and employment, though only a marginal improvement in respect of health.

Housing Choices

1.7 The relationship between housing and economic activity is complex and particularly so in a borough where there is such a high level of commuting exchange with the rest of London. The fundamental dynamics of the borough's housing market mean that middle earners look outwards, and poorer households face more limited choices and may experience adverse housing outcomes.

1.8 Overall house prices are higher in the borough than in East London and London-wide averages, and though prices fell during the course of the recession they have stabilised and are now seeing marginal rises.

1.9 The house price to mean income ratio in the borough is 6.6 to 1, but this is based on a mean income of £39,000 which is heavily skewed by the high wages of a minority. The largest group of residents earn in the £15-20,000 band and face a far higher affordability ratio.

1.10 Housing tenure has diversified significantly over the past 20 years, mainly through the construction of new private flatted accommodation – in 1985, 13% of housing in the borough was in private ownership, and this had risen to 58% by 2005. But this diversification of tenure has changed the outcomes only for certain parts of the population, with social tenure dominating for all but cohabiting adults without children and single adults.

1.11 Residential properties in the borough are smaller than in the rest of London, with 70% of dwellings having four rooms or less – i.e. one and two-bedroom flats - compared to 49% in London as a whole. With residential densities in new housing the second highest in the capital, new supply is likely to exacerbate this imbalance.

Places

1.12 The borough's geography reflects a complex legacy of industrial change, wartime damage, slum clearance and social housing development. Moreover it still reflects the polycentric nature of the borough's historic hamlets and their town centres as well as the growing effect of the City's proximity to the West. The past twenty years has seen the iconic heights of Canary Wharf and ribbon riverside residential development reshape the borough's physical and human geography.

1.13 Tower Hamlet's City Fringe is centred on the Spitalfields/Aldgate area. Here, financial and business services predominate, with publishing a key sub-sector. Bethnal Green, also a part of the City Fringe, has a more mixed character – both socio-economically and in its sectoral mix – 12% of employment is in retail and health accounts for 20% of the area's employment.

1.14 The economy of Fish Island, at the borough's north-eastern edge is heavily weighted towards wholesaling and manufacturing activities, with the latter under significant pressure over the past decade.

1.15 The Whitechapel area is home to the Royal London Hospital. Outside of the health sector employment is scattered across a large number of smaller enterprises and across multiple sectors, with the largest being retail (2.6%) and hotels and restaurants (3.1%). Despite the lack of specialisation, or perhaps because of it, Whitechapel has seen the highest employment growth since 2006 in the borough at 6.8%.

1.16 As an Olympic Host Borough, Tower Hamlets has a key role to play in the transformation of the ‘Olympic Fringe’. The opportunity provided by the facilities of the Olympic Park and surrounding new infrastructure will be key for housing and economic growth in the Lower Lea Valley, and particularly for the development of Fish Island, part of the Olympic Legacy Masterplan Framework area.

1.17 There are a number of major redevelopment and regeneration opportunities, of which the most economically significant are Aldgate, Fish Island and Wood Wharf, with the latter representing up to 25,000 potential new jobs. These, however face a number of challenges to their progress and realisation including a changed economic landscape, heightened developer risk aversion and public sector funding cuts.

Quality of Life and the Natural Environment

1.18 Satisfaction with the borough as a place to live was the fifth lowest in London, and though higher than other East London boroughs it was markedly below that of central or edge-of-centre boroughs, notably Camden, Islington and Hackney.

1.19 Fear of crime is cited by over half of all residents as among their top three concerns, but does not reflect trends actual crime, which has generally reduced. Crime is concentrated in a number of hotspots, which correlate to areas of higher deprivation, with low levels of crime in the often gated and private estates on the river frontage and at Canary Wharf.

1.20 Tower Hamlets has a rich heritage resource which encompasses features of international, national and local importance, and includes the historic environment, buildings and archaeology, parks, open spaces and views, archives and collections, and local cultural elements such as markets and local festivals, which are mostly clustered in and around the edge of the borough. Tower Hamlets has the seventh largest tourism economy within London, broadly similar to other boroughs that fringe the main central destinations.

2.0 Introduction

2.1 The London Borough of Tower Hamlets (LBTH) contracted with Nathaniel Lichfield and Partners (NLP) and The Mackinnon Partnership in May 2010 to develop a Local Economic Assessment (LEA) for the Borough. It has been prepared in association with Navigant Consulting and LBTH.

2.2 This document forms part of the LEA, and provides analysis on the issues of People and Places.

2.3 Place is one of the key drivers of economic competitiveness. Businesses and enterprises (generally) require places in which to produce and trade, people need places to live, work and 'play', and infrastructure is required to facilitate the movement, inter alia, of people and goods. In many cases, the quality of place is itself a commodity with an economic value. In a market economy, where businesses, people and investment have relative freedom of movement and the ability (within pricing parameters) to choose where to locate, the place and infrastructure offer of a locality is important.

2.4 Moreover, in terms of the overriding issue of worklessness or deprivation that characterises Tower Hamlets, this is not solely driven by "*poor education, unemployment or low wages, and lack of opportunity. It is typically associated with poor housing and poverty of place – badly designed housing estates or low quality neighbourhoods, with disfunctionally designed, energy inefficient homes, unsafe passageways and poor public spaces*[1]."

2.5 Volumes 2 and 3 have considered economic structure and enterprise; and worklessness and skills respectively. This volume considers the role of people and place in the economic positioning of Tower Hamlets.

2.6 This part of the LEA focuses upon a number of different components of Tower Hamlets place 'offer' namely:

- People and Population Change;
- Housing Choices;
- Places (including Transport and Town Centres); and areas of economic distinctiveness; and
- Quality of Life, the Natural environment and Heritage.

[1] World Class Places (2009)

Structure of the LEA

2.7 The remainder of this document forms part of a suite of documents prepared as part of the Tower Hamlets LEA. These are:

Volume 1: The Story of Place	A narrative overview of Tower Hamlets economy, history and prospects, and a summary of the findings of the Local Economic Assessment;
Volume 2: Economy and Enterprise	Describing the structure and drivers of the local economy, enterprise and innovation, including the outputs of a survey of business needs;
Volume 3: Employment and Skills	Analysis, forming the Worklessness Assessment, which assesses drivers of employment and worklessness including skills;
Volume 4: People and Places	This document considers the 'place' drivers of the local economy, including transportation, town centres, housing, land use and buildings, alongside other factors including the natural and historic environment;
Volume 5: Equalities Impact Assessment	Prepared in accordance with the Council's methodology;
Volume 6: Appendices	Provides other supporting information, including more detailed findings of the business survey.

2.8 The Council's brief for developing the LEA defines a series of key outputs:

- inform and strengthen the evidence base for the Community Plan, Local Development Framework and Local Area Agreement;
- provide evidence for emerging enterprise and economic development strategies;

- improve understanding of how economic development can support regeneration priorities;
- consider the borough's "strategic fit" with sub-regional markets and functional economic areas;
- identify the comparative strengths and weaknesses, challenges and opportunities of the borough's economy;
- provide a spatial understanding of the borough's economy;
- provide a better understanding of how other services such as health, education and crime can influence economic development;
- consider the impact of the low carbon economy, and how the local economy will be impacted by the transition to the low carbon economy;
- provide a shared evidence base to support wider sub-regional economic development activity.

2.9 In developing this assessment, account has been taken of statutory guidance from the Department for Communities and Local Government (CLG) and advice prepared by PAS/I&DeA on undertaking Local Economic Assessments.

2.10 The remainder of this document (Volume 4: People and Places) is structured as follows:

- Section 3.0 - People and Population Change
- Section 4.0 - Housing Choices
- Section 5.0 - Places
- Section 6.0 - Quality of Life and the Natural environment

3.0 People and Population Change

3.1 This section looks at the changes to and characteristics of the people of Tower Hamlets, notably in terms of the recent and projected growth in population in the borough and the levels of inequality and deprivation found within the borough.

Reconciling Estimates

3.2 As with many dynamic urban areas both inside and outside London, gaining an accurate picture of current and future levels of population in the borough is challenging. In Tower Hamlets, significant efforts have been made via Planning for Population Growth and Change project and the GLA's population and household projections provide a perspective on future change, and the work of Mayhew Harper Associates (MHA) to provide an assessment of the current population. These projections are considered by the Council to be a more accurate basis for judging matters of demography than the ONS figures, However, for past trends (notably in migration), the ONS data provides the most appropriate basis for longitudinal analysis and movement between boroughs.

3.3 A summary of the base and projected position is set out below in

Table 3.1. In general terms, the estimates of current local population vary between 220,509 and 239,762, whilst projections of population in 2031 vary between 280,950 (the assumption of the Oxford Economics economic forecasting) through to 334,000 (the GLA's High projection). For households, the estimates vary between 92,000 to 100,995 currently, and 121,000 and 147,000 in 2026.

Table 3.1 Reconciliation of Population and Household Estimates and Projections

Source	2008		2026		2031	
	Population	Households	Population	Households	Population	Households
ONS Mid Year Estimates	220,509					
ONS Projections[2]	226,800		274,700		283,700	
CLG Household Projections[3]		92,000[4]		121,000		126,000
GLA Low Projections	234,974	97,800	301,000	141,000	321,000	
GLA High Projections	239,511	99,200	313,000	147,000	334,000	
Mayhew Harper Associates Report	239,762[5]	100,995				
Oxford Economics work on employment forecasts for the Host Boroughs	220,500		270,200[6]		280,950[7]	
Tower Hamlets Planning for Population Change and Growth – Lower Density	234,974[8]		293,084			
Tower Hamlets Planning for Population Change and Growth – Higher density	234,974[9]		309,625			

Source: Various as identified / NLP analysis

3.4 Of significance, in terms of consistency, is that the Oxford Economics work assumptions on labour force and employment growth discussed in Volumes 2 and 3 relate to population levels much lower than the GLA's own projections, and more similar to the ONS Projections.

[2] 2008 Sub-National Population Projections

[3] 2006-based

[4] Based on extrapolating data between 2006-2011

[5] Including residents of HMOs and supported housing

[6] An extrapolation based on an even rate of change between the 2020 and 2030 figures given in the Oxford Economics work.

[7] As with 1 above.

[8] Reflects GLA Population Projections – Low for 2009. Taken from LBTH, LDF Capacity Assessment - Baseline Report, August 2009

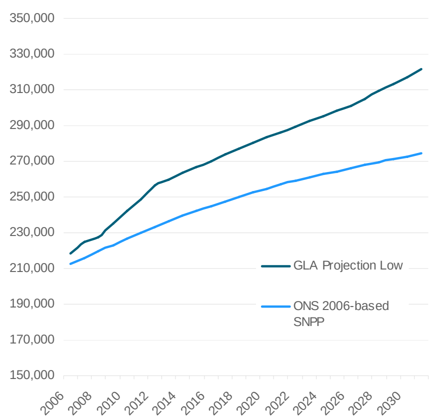
[9] *ibid*.

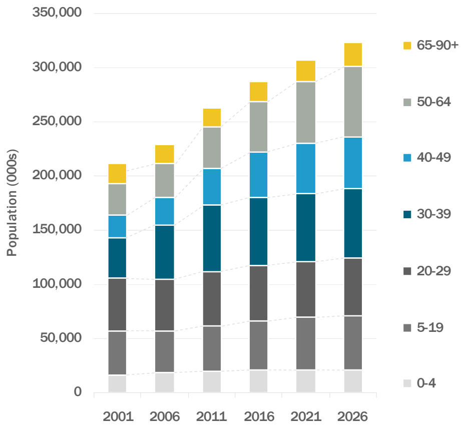
3.5 Clearly, projections are a function of the inputs and assumptions that are made and these are therefore a starting point for discussion only. In particular, it is of note that the GLA 2008 projections were prepared prior to the financial crisis and recession, and we are not aware of any subsequent comparable projections.

Population Change

3.6 Population projections suggest growth of 60-100,000 people by 2031, mostly from natural change, implying a significant increase in the working-age population. The GLA Low Projections that Tower Hamlets Council adopts as the most appropriate basis for planning, envisages growth of 86,000 to 2031, giving a population of 321,000 people. An illustration of this (benchmarked to the lower ONS 2006-based projection), with associated breakdown by age cohort, is shown below at Figure 3.1.

Figure 3.1 Population Change 2006-2026

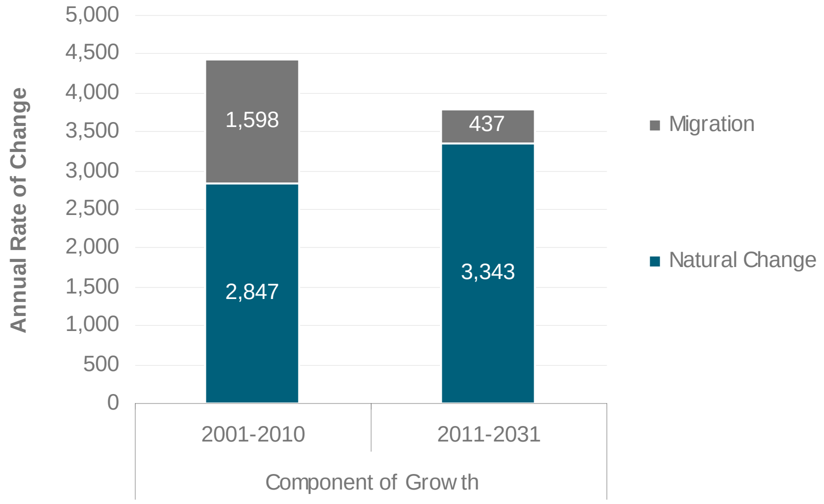




Source: GLA / ONS / NLP analysis

3.7 Figure 3.2 below shows that the components of population growth 2001-2010 (based on GLA Low Projections data) have averaged around 4,500 additional people per annum. The majority of this has been through natural change, with the remaining, but still significant proportion, through net in-migration. The GLA data projects a marginal reduction in the level of growth for the period 2010-2031 at just under 3,800 per annum. The rate of natural change is expected to increase from 2,850 to 3,350 per annum. Conversely, the contribution of net-in migration to this level of growth has been assumed to be significant over the past decade (some 1,600 people each year in the period 2001-2010) but reducing to just under 450 for the next twenty years. It should be remembered that migration can fluctuate markedly year to year. Analysis of recent migration patterns (based on ONS and DWP data) is considered later in this document.

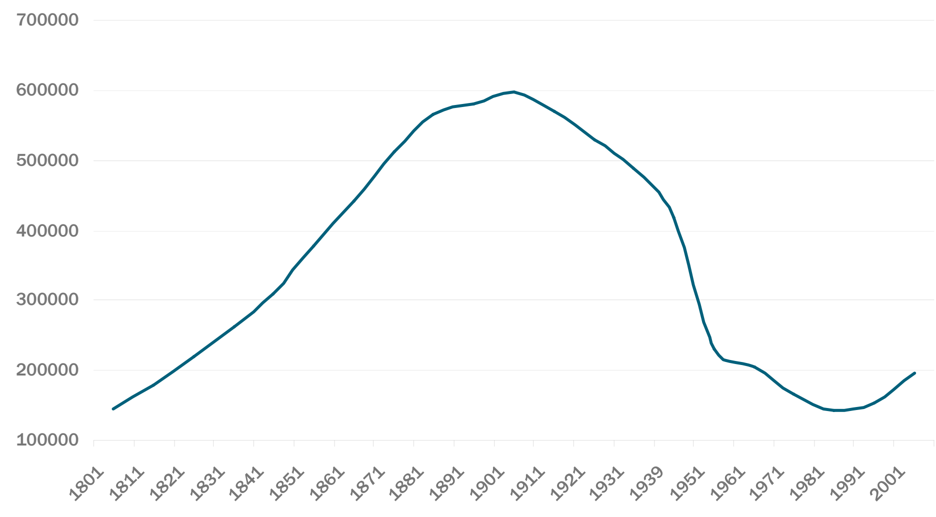
Figure 3.2 Rate and components of population change 2001-2010 / 2011-2031



Source: GLA / NLP analysis

3.8 Although the rate of population growth experienced over the past decade and projected forward is very significant, it can be put into the context of the historical change shown in Figure 3.3. Throughout the 19th Century, the local population increased by an average of 20% every ten years. By 1891, Tower Hamlets was already one of the most populated areas in London, with almost 600,000 people living in the borough – approximately three times the population in 2001, and almost double what the GLA projects for the borough in 2031. Clearly, this period was characterised by significant overcrowding and poverty, and the construction of the railways saw the borough's population enter a long decline during the first half of the 20^{th} Century, as the more affluent moved away, new residential suburbs were opened up in Essex and post-war reconstruction and the Abercrombie Plan for London (1944) began an exodus from London towards the new towns. This decline, which saw a population as low as 165,000 in 1981 finally began to reverse with the establishment of the London Docklands Development Corporation (LDDC) bringing new industries and housing to the brownfield sites along the River Thames; and new immigration from Asia, which had begun in the 1970s.

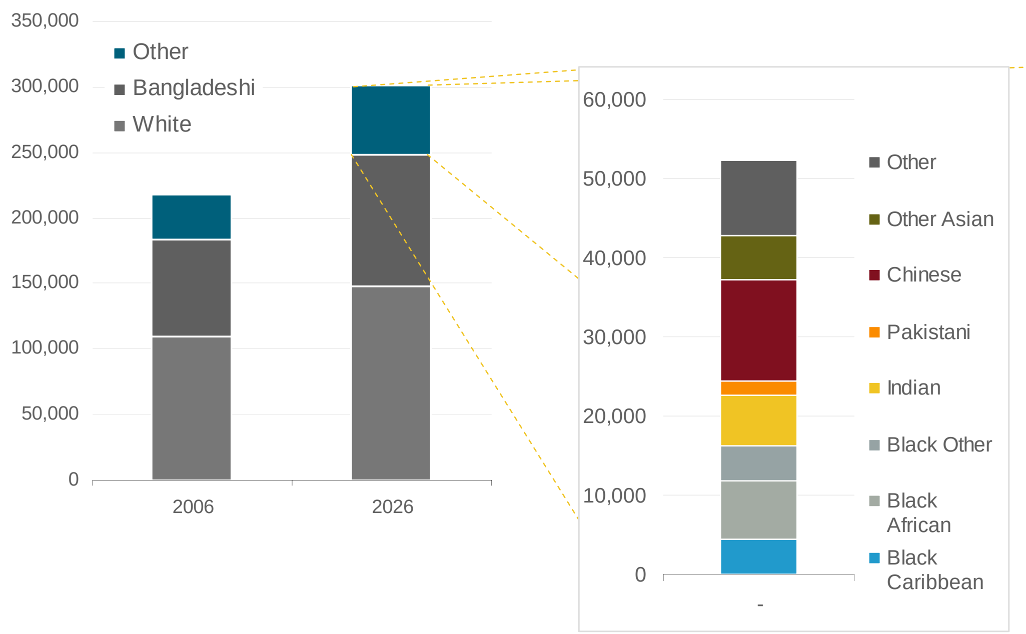
Figure 3.3 Population Growth 2006-2026 by Ethnicity



Source: ONS / NLP analysis

3.9 Although future projected population growth is spread across all but one of the main ethnic groups present in Tower Hamlets, the largest communities (white and Bangladeshi) inevitably make up the majority of growth (see Figure 3.4). A combination of the economic and housing circumstances across different ethnicities means that future housing needs flowing from this will differ. The MHA work identifies that approaching 80% of the Bangladeshi population lives in a household on means-tested benefits.

Figure 3.4 Population Growth 2006-2026 by Ethnicity

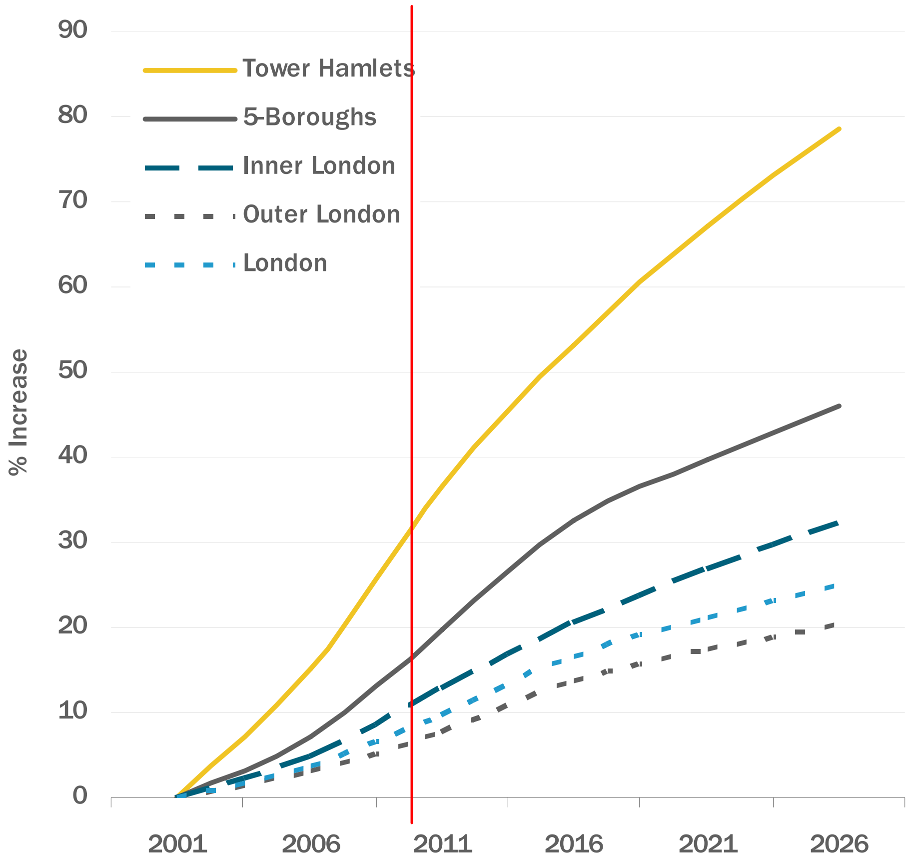


Source: GLA Population Projections 2008 Low / NLP analysis

Household Growth

3.10 Household projections produced by the GLA set out potential implications of a range of demographic factors on the number of households in the borough. Population growth in Tower Hamlets is accompanied by major increases in the number of households - projected by the GLA to be up by 56% from 2006-2026. This would see the number of households increasing from c.79,000 in 2001 to c.141,000 in 2026 – a 78% increase (see below Figure 3.5) well above the inner, outer and general London averages. The rate of new housing provision envisaged in the draft replacement London Plan is broadly in line with this rate.

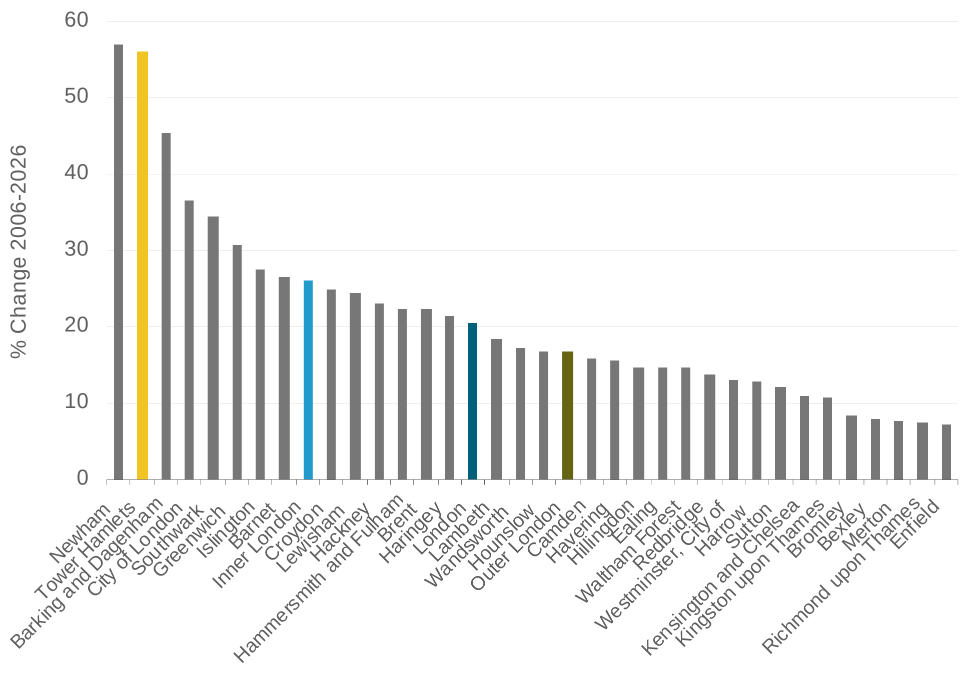
Figure 3.5 % Increase in Household Projections 2001-2026



Source: GLA Household Projections 2008 Low / NLP analysis

3.11 At a borough level, this scale of projected increase is well in excess of that experienced anywhere else in London except Newham, demonstrating how Tower Hamlets faces a scale of potential growth (with its associated implications) that is very unusual even in a London context, and will inevitably give rise to economic changes. See Figure 3.6 below:

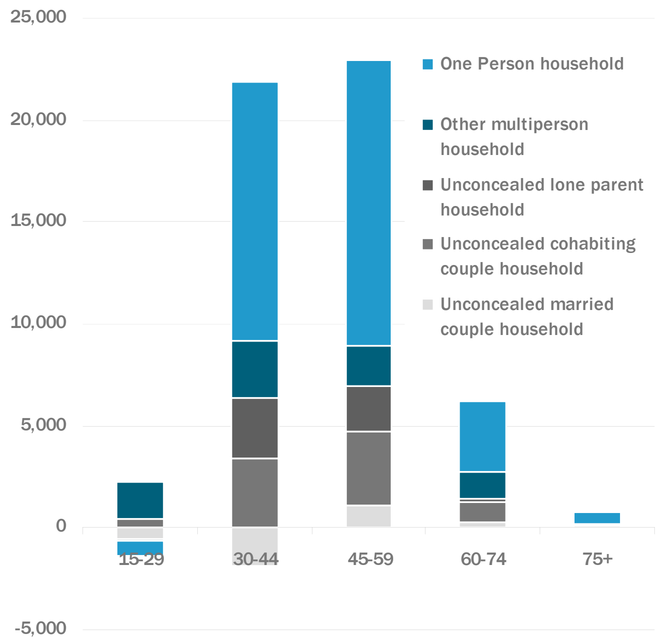
Figure 3.6 % Household Growth 2006-2026 by London Borough



Source: GLA Household Projections 2008 Low

3.12 Household growth is projected to be accompanied by significant changes in certain types of household as illustrated in Figure 3.7 below.

Figure 3.7 Components of change in number of households



Source: GLA Household Projections 2008 Low / NLP analysis

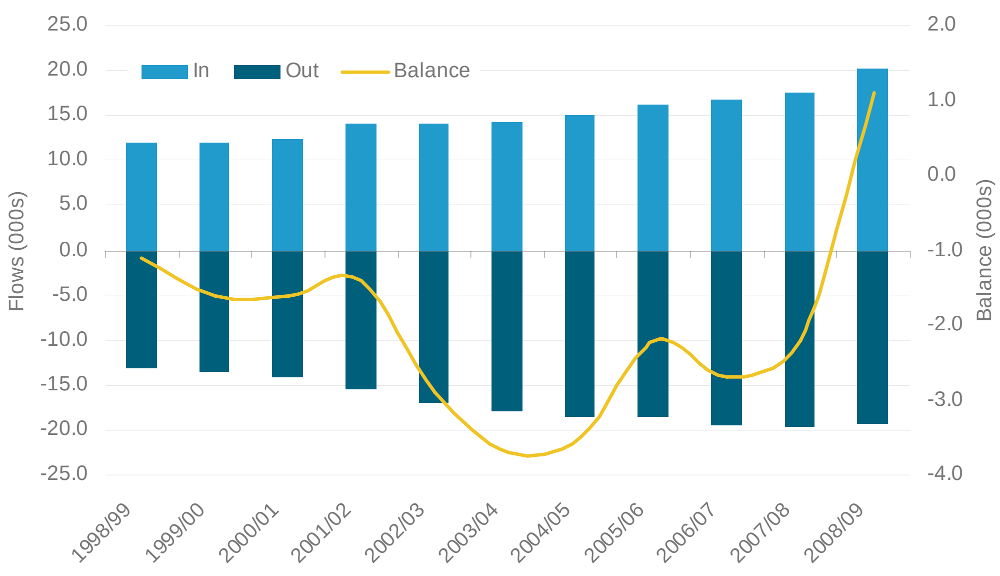
3.13 Like many localities, single person households make up the largest component (almost 60%) of projected household growth in the period 2006-2026. However, more so than in many places, it is those in the 30-59 age bracket who make up the largest increase. Married and co-habiting households make up a small (14%) proportion of the total increase.

3.14 The projected change in single person and multi-person households has implications for affordability, tenure and type of housing because average single income households will tend to have a lower purchasing power than double income households. That said, some single person households will be those in the financial and business services sector who make up some of the higher earners in the borough.

Migration Flows

3.15 Over the past ten years, Tower Hamlets has generally been a net exporter of population to the rest of the UK, although this moved into net importation in the most recent year.

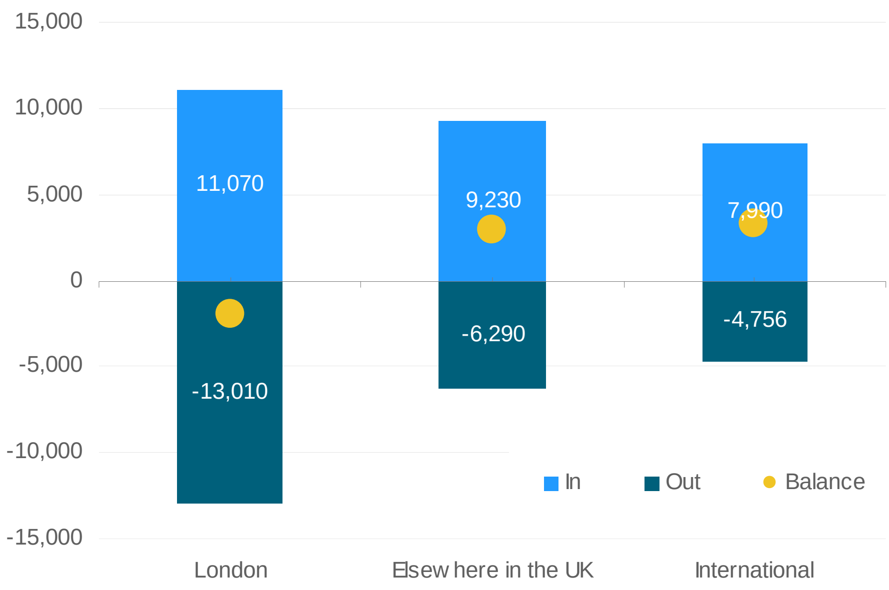
Figure 3.8 Tower Hamlets Domestic Migration Flows 1998-2009



Source: ONS / NHSCR / NLP analysis

3.16 The make-up of migration varies by year, but the most recent figures indicate that the greatest flows are within London (and a net outflow) with positive inflows from both domestic and international sources. This reflects the perceived view that Tower Hamlets performs a role as one of London’s ‘receiving areas’ for in-migrants from outside the capital.

Figure 3.9 Components of Migration Flows in Tower Hamlets (2009)

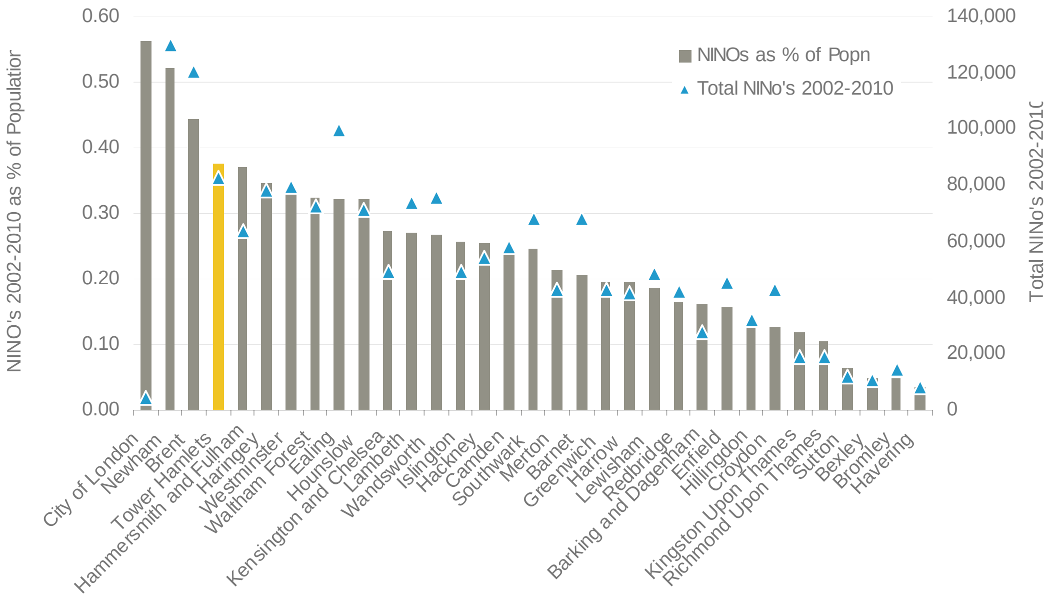


Source: ONS / NLP analysis

3.17 Data on the flow of international migration is assessed by the International Passenger Survey, through the National Insurance registrations, as well as through the identification of foreign workers in the Labour Force Survey. Each of these differs and has its own limitations. For longitudinal analysis, the National Insurance Number (NINo) registrations provide a reasonable basis for looking at the way in which the pattern of net-international migration has changed (although it does not provide 'out-flows') and for comparing Tower Hamlets with other boroughs. The figures by Year of Registration are based on the date of registration i.e. after the NINo application and allocation process has been completed. This may be a number of weeks or months after arriving in the UK.

3.18 Figure 3.10 below compares the number of NINo's in Tower Hamlets with other London boroughs. This highlights that Tower Hamlets has one of the highest rates of NINo registrations over the past ten years, lower only than the City (which is low in absolute terms given its small population), Newham and Brent. It is similar, in terms of both rates and absolute terms, to Hammersmith and Fulham and Westminster, as well as to Haringey and, to a lesser extent, Waltham Forest. Clearly, part of the factors driving the location of international migrants is the desire to seek locations with existing concentrations of existing nationalities/origins, and so boroughs with higher levels of ethnic diversity (e.g. Brent) will see higher rates of registration in years with higher levels of international in-migration.

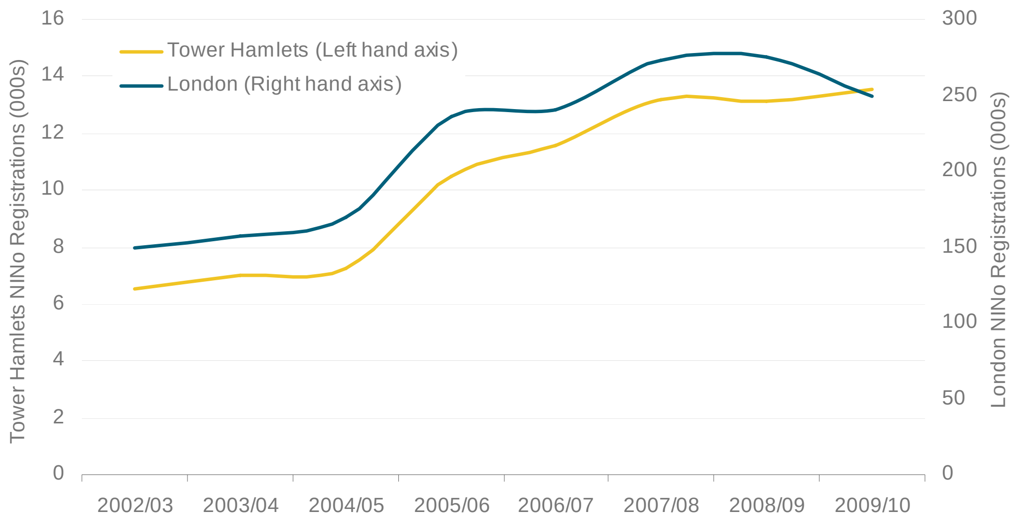
Figure 3.10 NINo Registrations 2002-2010 (total and as a % of Population)



Source: DWP / NLP analysis

3.19 Figure 3.11 shows how this rate of registration has changed over the period 2002/3-2009/10 (noting that NINo registration might take place some months after the arrival of the migrant) with Tower Hamlets broadly mirroring the London trend. Interestingly, it does not shown a decline in the most recent year unlike London. In general terms, the number of NINo migrants doubled from 6,500 to 13,500 per annum (note: this does not capture international out-flows so is not a net figure).The extent to which this will continue at this level is a moot point, but is not anticipated to continue in the GLA population projections which anticipate a much reduced contribution from migration.

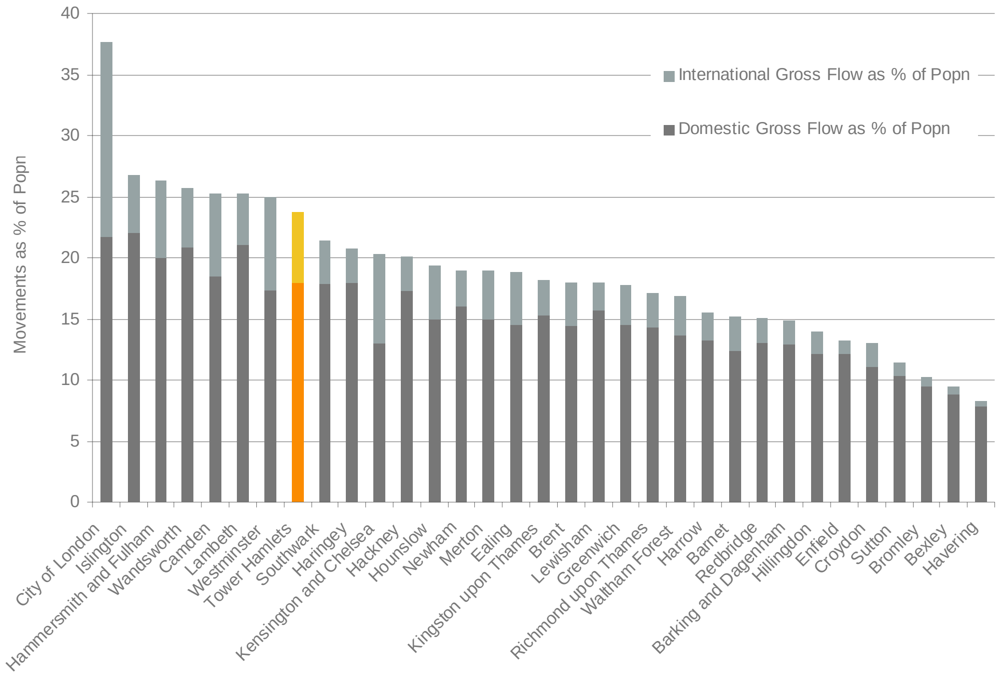
Figure 3.11 NINo Registrations 2002-2010 (total and as a % of Population)



Source: DWP / NLP analysis

3.20 Taking these domestic and international flows together, compared with most London boroughs (and more so than any of the other Host Boroughs) , Tower Hamlets has a reasonably substantial 'churn' of people moving into and out of the borough, as illustrated below in Figure 3.12. Although figures will be subject to factors such as the propensity of migrants to register with medical practices (which drives the NHSCR figures), the latest data for the year to 2009, indicates a gross flow of population of over 52,000 people moving into or out of the borough. This is not the highest in the capital as a percentage of total population, but the fact that it is similar to other central London Boroughs (Westminster, Camden, Islington, Hammersmith and Fulham) and much higher than eastern boroughs shows the way that the borough's offer links to a more central London population role.

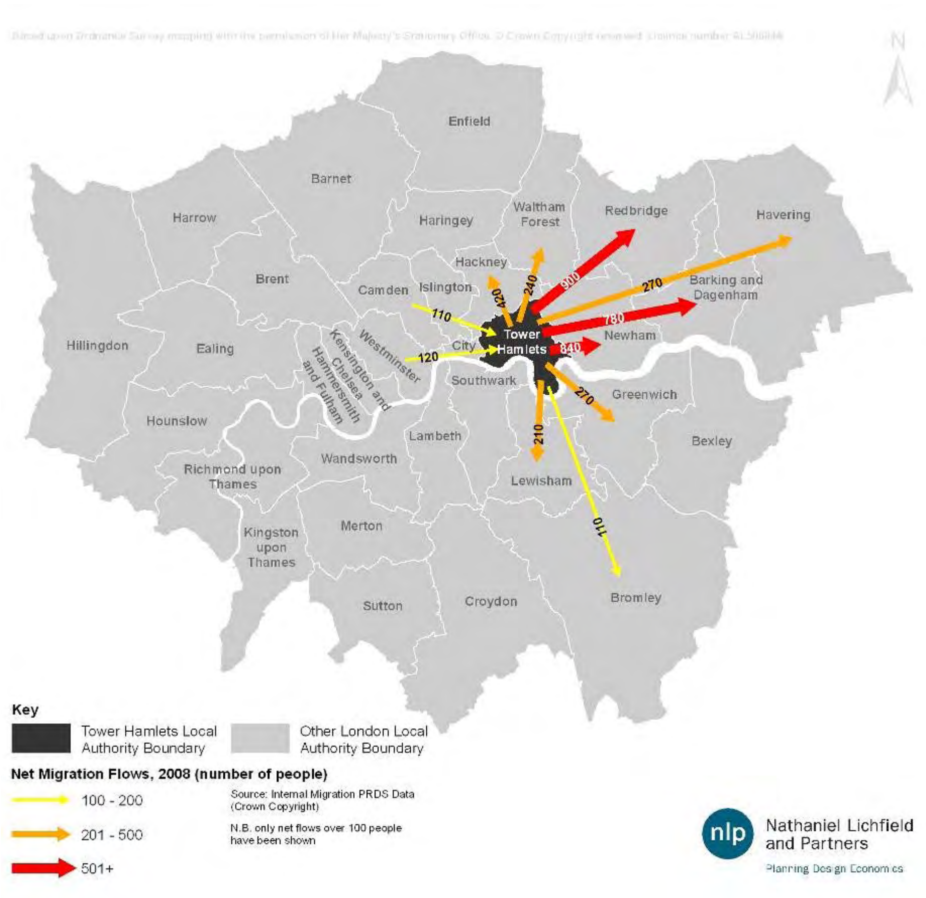
Figure 3.12 Migration flows as a % of Population (2009)



Source: ONS / NLP analysis

3.21 In terms of the direction of these flows, the housing market dynamic described earlier is likely to be driving migration eastwards to Redbridge, Barking and Dagenham and Newham, as illustrated below in the analysis of moves in the year ending June 2008.

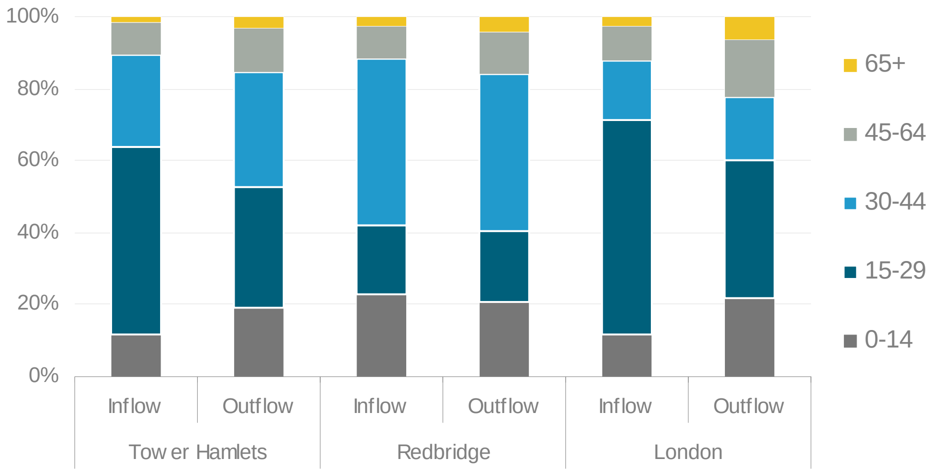
Figure 3.13 Migration Flows Year Ending June 2008



Source: NHSCR / NLP analysis

3.22 The age profile of migrants illustrated below (comparing data for Tower Hamlets, Redbridge as the greatest net receiver of Tower Hamlets migrants, and London as a whole) shows how the housing dynamic is likely to be a key driver of these movements. Tower Hamlets 'imports' proportionately more people in the 15-29 age group than it 'exports' and conversely fewer people in the 30-44 age group (alongside their dependents in the 0-14 group) who make up more of the outflows.

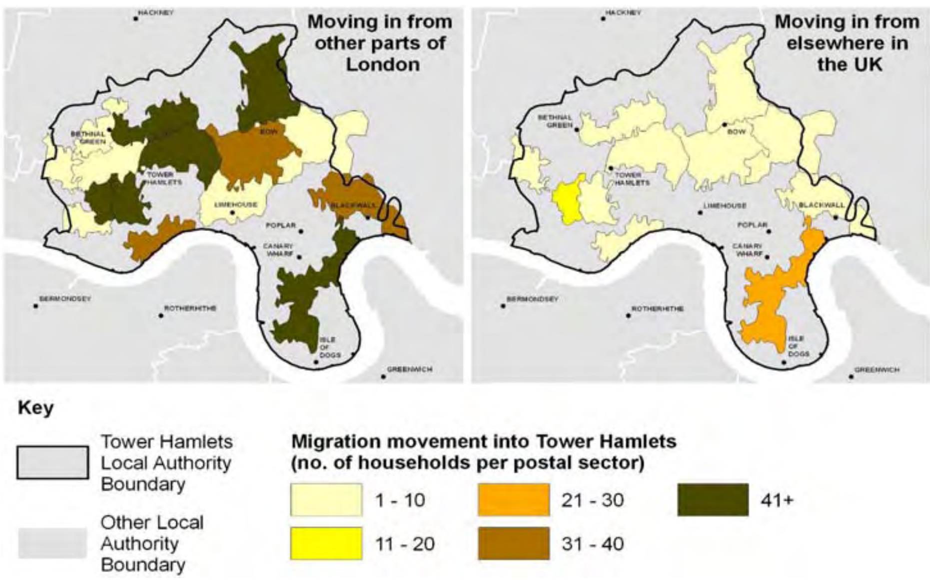
Figure 3.14 Age of Migrants



Source: NHSCR / NLP analysis

3.23 The majority of households moving into new housing have come from other parts of London, but interestingly those moving into Tower Hamlets from outside London tend to be more likely to occupy housing on the Isle of Dogs (see Figure 3.15), potentially reflecting the nature of the housing offer in that area. Those from elsewhere in London occupy a range of locations in the borough.

Figure 3.15 Destination of in-migrants



Source: TH / NLP analysis

3.24 The most recent New Housing Development Survey (NHDS) undertaken by the Council in 2009 and which informs the Tower Hamlets Partnership's Planning for Change and Growth Model (which in turn monitors population change and growth so to plan for the timely and adequate provision of infrastructure), found that of the 693 households surveyed, residents in the Whitechapel ward were more likely to move out of the borough in the next 1-5 years, and those respondents in Bethnal Green South and Bromley-by-Bow had no plans to move.

3.25 However, it is worth highlighting that from both the 2008 and 2009 NHDS surveys, the majority of respondents (87.6% and 75.7% respectively) intend to remain living in the borough in the foreseeable future.

Inequality

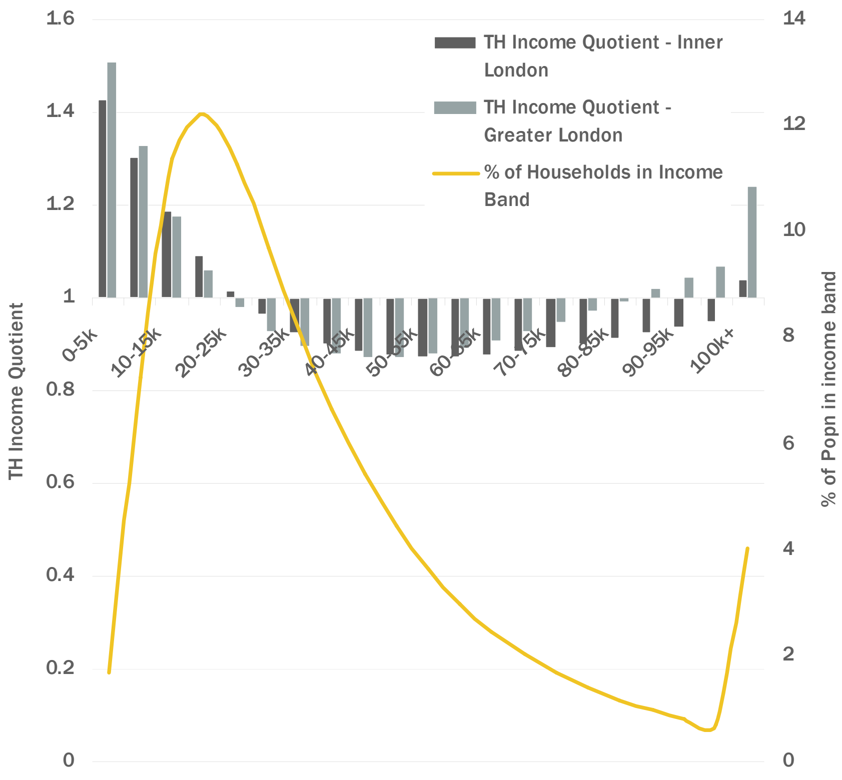
3.26 Inequality – typically measured through the prevalence of deprivation – has existed within East London for a long time. The 1898 poverty map produced by Charles Booth showed a pattern of deprivation, and therefore inequality, in the capital not dissimilar to now, with a concentration of deprived communities beginning to be formed to the east of the City.

3.27 Since the production of the Booth Map a great deal has occurred within the borough, but a lot has remained the same. The 2007 Indices of Deprivation (IMD) rank Tower Hamlets the third most deprived borough in the country, and the second most deprived borough in London. Clearly despite the huge amounts of resource, both money and time, that have been put into the borough, Tower Hamlets remains a place where deprivation is very real and inequality a pressing issue.

3.28 With the significant changes in the make up of the borough described above, Tower Hamlets evolved from a deprived borough to a deprived borough with an oasis of wealth. The dynamic between the ‘haves’ and ‘have-nots’ has been played out ever since. This is most obviously manifest in the polarisation of incomes, with Figure 3.16 showing the income distribution for the borough and income quotient compared with inner London and London as a whole. This clearly demonstrates that Tower Hamlets has proportionately *more* people earning *less* than £20,000 per annum than the Greater or Inner London averages, and lower proportions earning between £30,000 and £85,000. It then has significantly more people earning over £85,000 than the Greater London average (although it is broadly similar to the Inner London average).

3.29 It is important to recognise that the inequality (i.e. the gap between the top and the bottom earners) – the ‘missing middle’ - is a function of the increase in the number of high earners at the top, rather than a growth in the number of lower earners, so in that sense, inequality has not grown as a result of the deprivation situation worsening – quite the contrary.

Figure 3.16 Income Distribution 2009



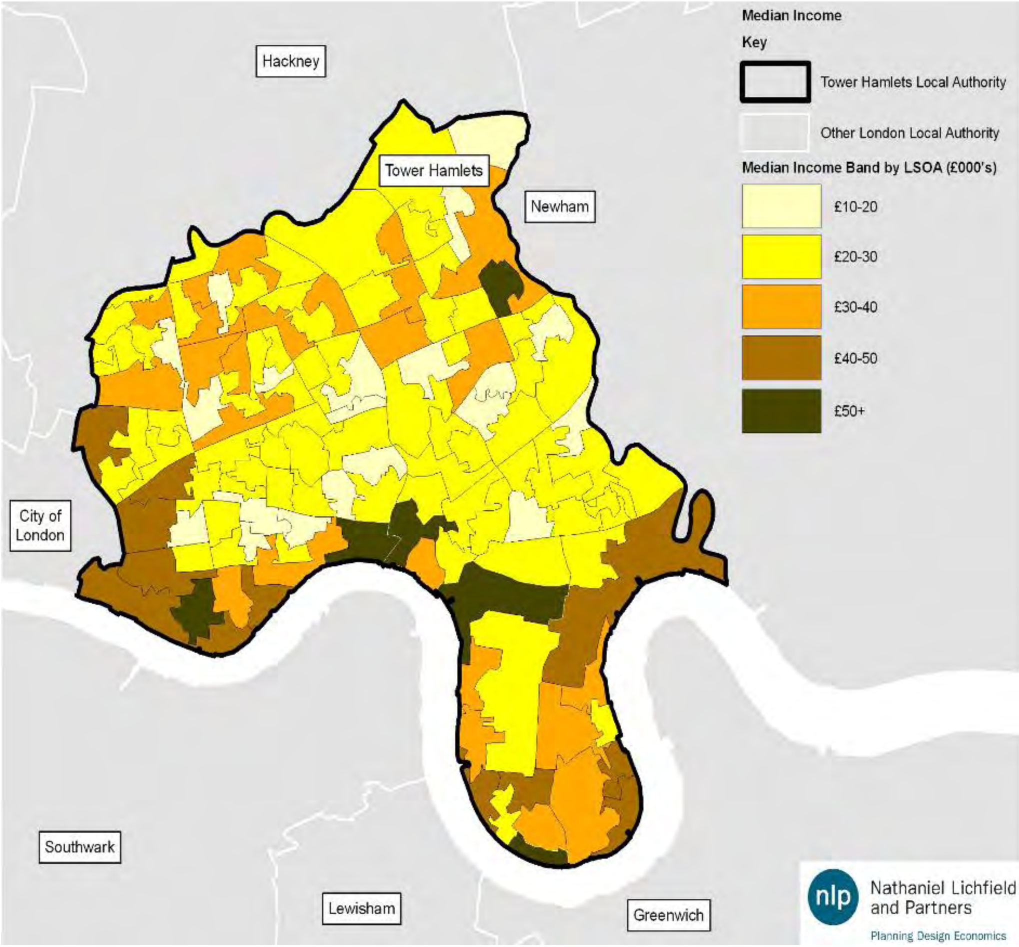
Source: CACI

Note: Data is Equivalised Paycheck data. Equivalised data takes account of household size and composition and its impact on household budgets

3.30 Income deprivation increased between 2004 and 2007. So did inequality – those neighbourhoods that were already experiencing income deprivation became more deprived and those that were not became even less so. By 2007, a quarter of all LSOAs within the borough were ranked within the top 1% most income deprived areas in England and a further 48% are within the top 10%. At the other end of the scale approximately 2% of the borough is ranked within the top 1% least income deprived areas within England.

3.31 The spatial distribution of this income inequality is set out in Figure 3.17. This shows stark differences, with those on higher incomes (£40k+) concentrated particularly along the river frontage and city fringe and in other 'pockets' within the borough. The relationship between this income distribution and housing is explored in Section 4.0.

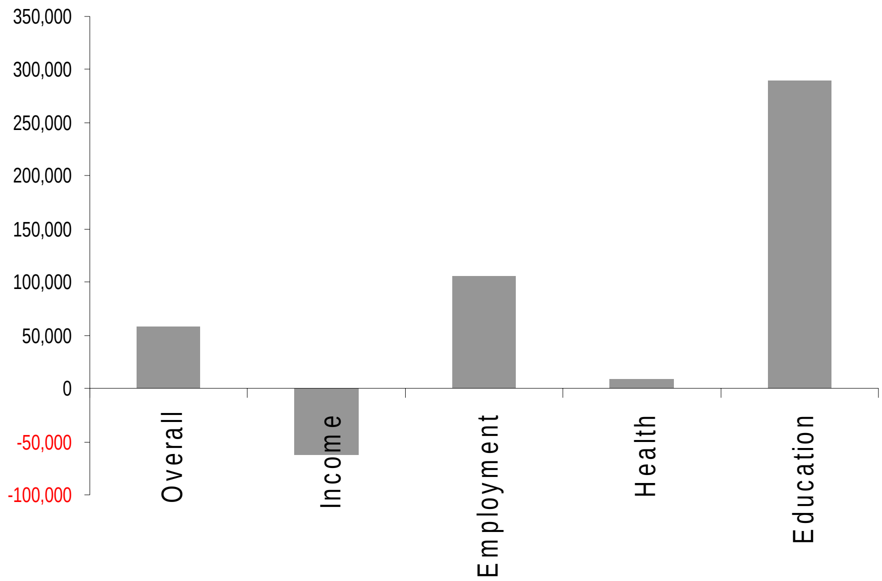
Figure 3.17 Median Income by LSOA (000s)



Source: CACI

3.32 Across a range of other factors, the picture is more complex. Figure 3.19 shows the change in cumulative LSOA rank for each driver of deprivation in the IMD for the period 2004-2007. This shows how income deprivation worsened (as discussed above), but for employment, education, and more marginally, health it improved, resulting in an overall improvement.

Figure 3.18 Change in cumulative LSOA rank per driver 2004-07



Source: ONS

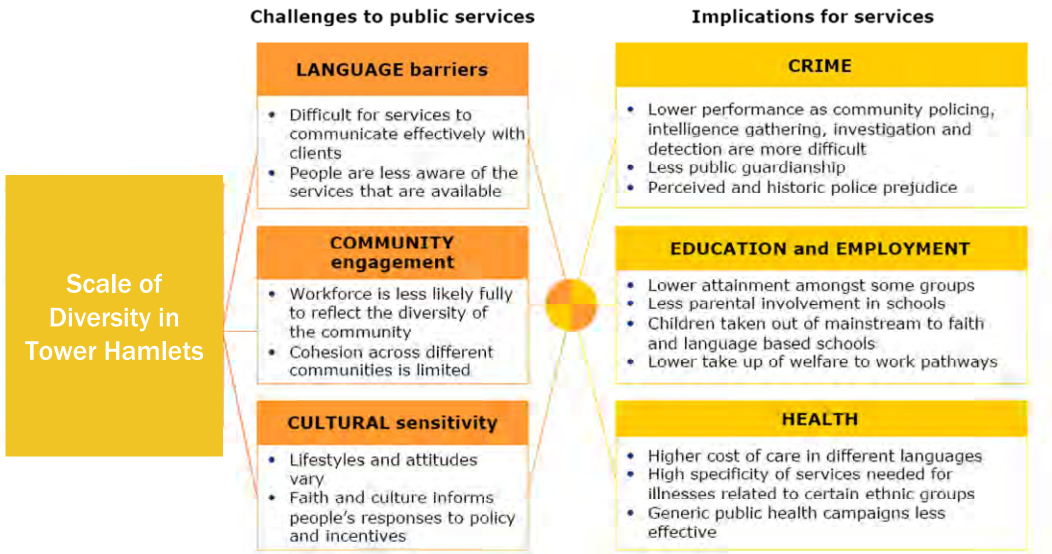
3.33 From this, it is clear that overall inequality is narrowing. Access to employment, health services and education and training have all improved in the 21st century – deprivation has decreased and inequality has narrowed between the haves and have-nots.

3.34 The economic prospects in terms of different sectors that provide employment opportunities both within the borough and outside it are considered in Volume 2. The drivers of worklessness and the factors that will drive or impede improvement are considered in Volume 3. These present a mixed and complex picture. But overall, it is possible to conclude that the prospects for the borough have improved markedly over the past decade, and notwithstanding the recent economic recession and uncertain prospects for sustained recovery, an argument can be made that the long-term prospects for the borough remain favourable, albeit with all the uncertainties inherent in predicting economic futures.

3.35 Good, and improving, provision of education and training will enable residents (particularly those that are still in the education system) to improve their work prospects – sowing the seeds for a longer-term economic revival for the borough as a whole (if they stay within it). However there are clear short-term problems driving inequality. Income deprivation, in many respects a measure of current employability (itself a measure of the quality of past provision including education), is very high and increasing.

3.36 One of the factors underlying the difficulties in tackling inequality is the challenges faced by public services in supporting a diverse community – something that applies across London, but is likely to be particularly significant in Tower Hamlets, given the diversity of its population. This is reflected in the resident survey feedback that indicates higher than average perceptions of not being treated fairly by public services (although civic participation and ability to influence decisions was perceived better). These challenges are illustrated in Figure 3.19.

Figure 3.19 Challenges in tackling inequality and improving quality of life



Source: Adapted from PMSU

Synthesis

The situation:

- Projected population growth in the borough envisages growth of 86,000 residents to 2031, giving a population of 321,000.
- Although this projected growth is spread across all but one of the main ethnic groups present in Tower Hamlets, the largest communities (white and Bangladeshi) inevitably make up the majority of growth.
- The borough is a net importer of 15-29 year olds and a net exporter of 30-44 year olds (and their children).
- Inequality is visibly represented by polarisation in incomes – the borough has more people on low incomes (below £20K) than the inner and Greater London averages and more on the highest incomes (£100K+) than the Greater London average, coupled with a 'missing middle' of those on household incomes in between.
- If income inequality is increasing (partly due to an increase in high earners) overall inequality in terms of other outcomes (education and employment) is decreasing and this presents a more positive longer term picture.
- The diversity of the borough, identified as a great strength by many, does present challenges for public service delivery (as is the case across London) in the face of significant social and economic problems.

4.0 Housing Choices

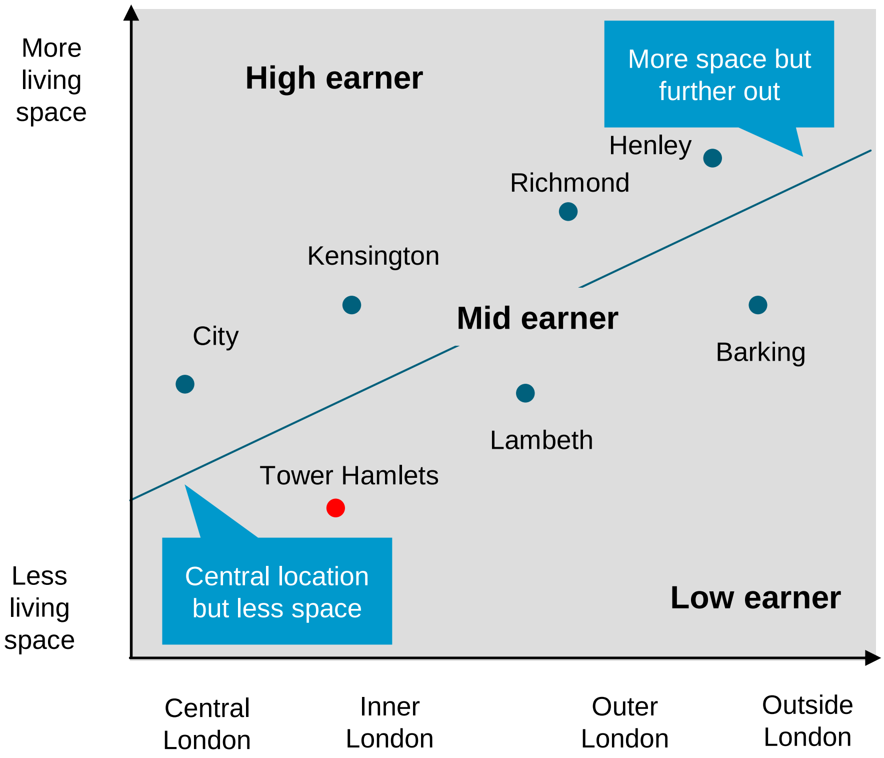
4.1 Housing is a critical factor in shaping the character and appeal of a place. However, the relationship between housing and economic development is complex and multi-faceted, and it is very difficult to draw conclusions based on simple metric relationships. This is particularly important because so many Tower Hamlets residents work outside the borough and so many jobs in the borough are occupied by those who commute in each day. In the Tower Hamlets context, it is important to understand to what extent the housing offer of the borough (which is very distinct) provides the type of accommodation that is more or less likely to match the aspirations and realisable demand of those who are economically active and seeking to move up through their housing 'career'. Households make multiple trade-offs when making housing choices, not least between location, size and price. Many of these factors influencing the expression of housing demand are related to employment, but by no means all – for example the needs of those not of working age also contribute to housing demand.

4.2 This section provides a summary of the housing offer within the borough and explores its relationship to the economy of the borough. It draws upon the work of the Strategic Housing Market Assessment, principally, alongside other data sources and documents referenced accordingly. It is broadly structured to reflect the drivers of the housing market, drawing on the demographic factors explored in Section 3.0.

The London Housing Dynamic

4.3 Tower Hamlets operates within a London-wide dynamic of housing-based trade-offs illustrated in Figure 4.1, and these choices vary based on income. In general terms, the highest-earning households are able to purchase across the capital. Medium-earning households are generally unable to afford large amounts of space in Inner London, and find the best combination of space and proximity in Outer London. Low-earning households are able to afford less space for any given level of proximity to the centre, but some have access to subsidised housing in the Inner boroughs, which offers a combination of proximity and space superior to that available for the same earnings level outside London.

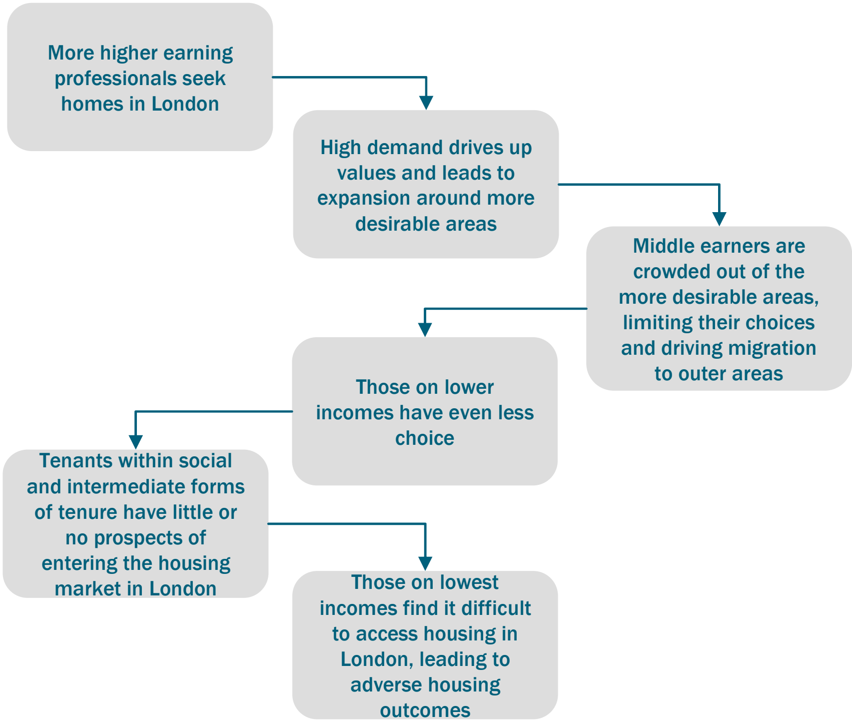
Figure 4.1 The Housing Trade-off in London



Source: PMSU / NLP analysis

4.4 The fundamental dynamics of the market mean that middle earners look outwards, and poorer households face more limited choices and may experience adverse housing outcomes. A combination of high market prices and a dominance of social rented tenure in many localities make it difficult for those on middle incomes who can neither afford higher priced properties or do not qualify for social rented housing to secure housing in many parts of London, including in large parts of Tower Hamlets.

Figure 4.2 The London Housing Dynamic



Source: PMSU / NLP

4.5 The net result of this is that inner London will continue to have to cope with increased demand from higher earners, and continued pressure to increase the supply of social/affordable housing (to a greater extent than has been or can realistically be supplied). This means that for middle to low earners whose needs cannot be met by affordable housing:

- They end up with less space than they want or need;
- Ultimately to meet their aspirations, many will move outwards to more affordable areas in outer London; and
- Some will move outside London completely.

4.6 This fundamental dynamic has a significant impact on how Tower Hamlets is able to position itself economically in terms of its population profile, being less able to retain and attract ‘middle-income’ households, increasing the potential levels of polarisation between high and low incomes that are set out in Section 2.0. In this regard, the outcomes for the borough include:

- An affordable homes shortfall of 2,700 homes per year (incidentally, only slightly lower than its London Plan housing target overall);
- A level of over-occupation (over-crowding) of 16.4%, which is much higher than the national average of 2.7%.

Financing Housing Demand

4.1 Demand for housing flows from demographic change (population change and household formation). The ability of a given demography to convert demand into realisable access to housing depends on finance.

4.2 House prices in Tower Hamlets are higher than East and London-wide averages, and despite recession-based falls, they are forecast to rise again. The Strategic Housing Market Assessment (SHMA) summarises the position in terms of housing prices (August 2009). It identified that:

- Overall house prices are higher than in the rest of East London, the South East and nationally;
- Flat/maisonette property prices (which make up 90% of transactions) are also higher than benchmark areas;
- Prices rose markedly in the period since 2004 (by 30%) - higher than in East London (29%) but lower than the London-wide average (40%). Prices fell during the course of the recession (at a greater rate in Tower Hamlets than elsewhere), but have stabilised and seeing marginal rises; and
- The number of housing transactions also fell markedly between an average of c.1000-1200 between 2004 and 2007, and a low of 320 in 2009 (a fall of 73.6%).

4.3 The Residential Property Focus produced by Savills Research forecasts a reduction in prices during 2011, with growth returning in the second half of 2012, and regaining peak levels in 2014. Although price falls over recent years and over the coming year will see reduced values from the 2008 peak, they remain high by historical standards, and the long term prognosis is for recovery and growth, certainly in the period 2015-2020, with London and the wider South East running ahead of the rest of the country.

4.4 High prices mean that, as across most of London, the average property is out of reach of those households on average incomes or lower. This shows that accessing owner occupation for an *average* property (based on the SHMA-guidance established income multiple of 2.9) requires a household income of over £100,000 for all property types, including flats/maisonettes. Clearly, some properties will be cheaper than this and indeed, some mortgage products allow greater than 2.9 income multiples, but it shows the fundamental price-income challenge facing the borough.

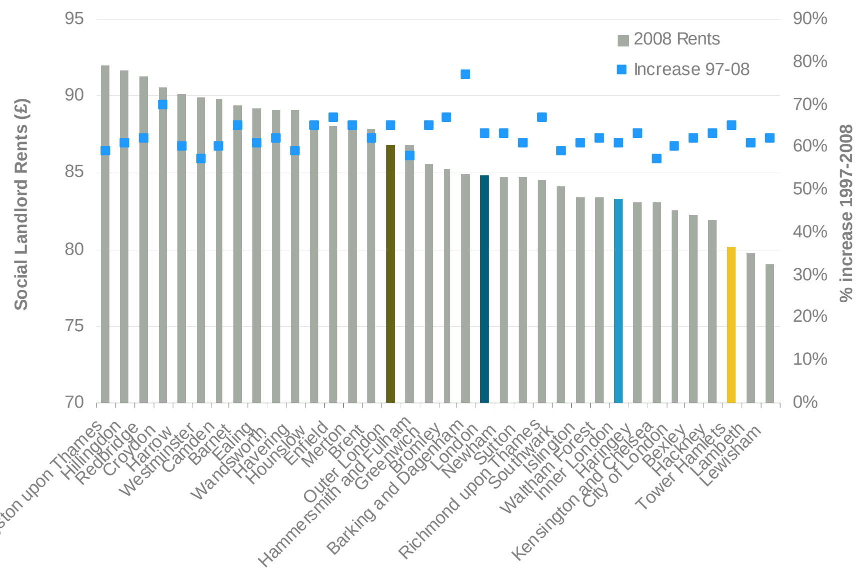
4.5 The average house price to mean income ratio in Tower Hamlets (6.6 to 1) is marginally higher than the East London and London-wide average and significantly higher than the national average (4.8). In fact, income inequality in Tower Hamlets means that for the majority of households the house price ratio to income is even higher than mean averages suggest. The modal household income band is £15-20,000, considerably lower than the mean of £38,867 (equivalised Paycheck data).

4.6 Access to finance has changed as a result of the financial crisis, and in the long term, credit is likely to be rationed, reflected in the increase in mortgage rates. The trends in the market are likely to add to barriers to owner occupation for those on lower to middle incomes. Although changes in the financial markets are inherently uncertain, few commentators are predicting a return to the mortgage availability and affordability levels that preceded the financial crisis, and the rates on new mortgages remains high compared to other finance products/standard rates.

4.7 For this reason, large deposits and relatively high interest rates are likely to be a feature of the market for the next few years. In general terms, there is nothing in the financial markets to suggest that the affordability issues highlighted above will improve.

4.8 For social housing, rents in Tower Hamlets are relatively low (at just over £80 per week) compared to other London boroughs but they have seen one of the highest rates of increase (some 65%, compared with the inner London average) as shown in Figure 4.3.

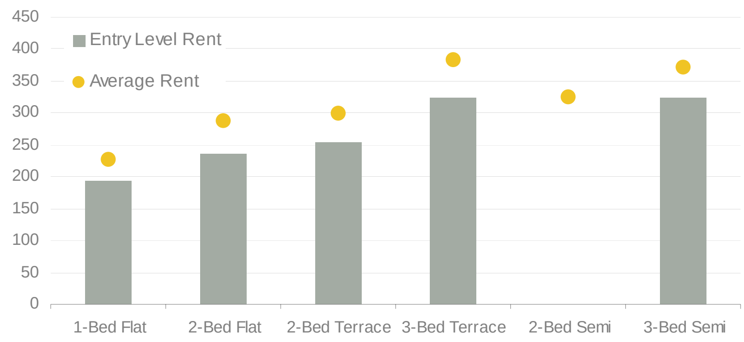
Figure 4.3 Social Housing Rents



Source: CLG / NLP analysis

4.9 Private sector rents are set out in the SHMA. Although the situation varies markedly between areas, the entry level (lower quartile) monthly rents for different property sizes varies between just under £200 per week for a 1-bed flat and £325 for a 3-bed terrace, with average rents higher still at £380 per week. This is illustrated below.

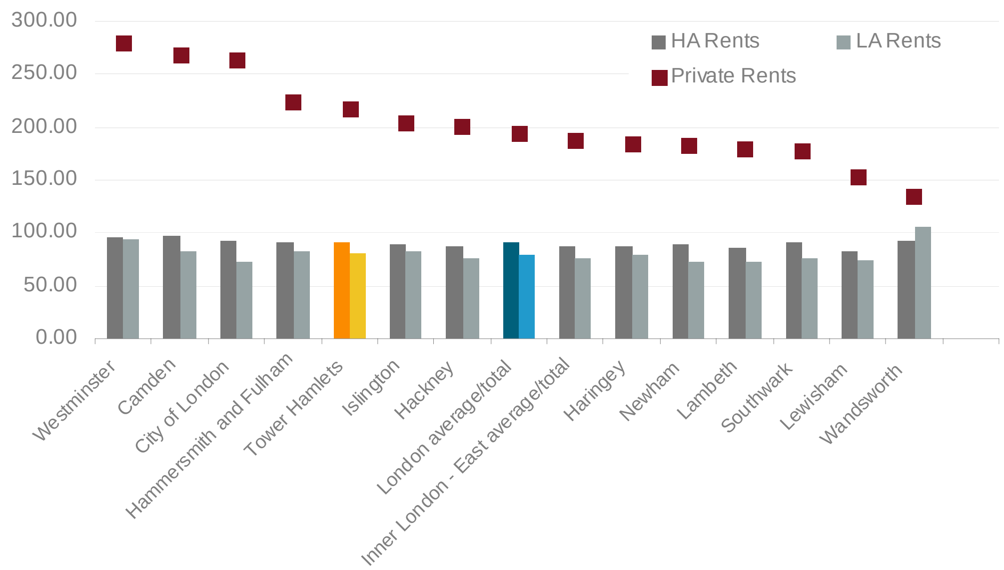
Figure 4.4 Private Sector Rents



Source: SHMA / NLP analysis

4.10 Coupled with the housing benefit/or housing allowance system, the private rented sector provides a source of housing for those facing affordability issues. In this regard, it often provides a similar role to social rented accommodation. The picture for Tower Hamlets of rental levels between HA, LA and the private rented sector (based on TSA data via Datastore) is shown below (Figure 4.5). This shows that Tower Hamlets private sector rents are above the London and Inner London East averages, and higher than those in Islington and Hackney.

Figure 4.5 Rents by Tenure



Source: TSA / NLP analysis

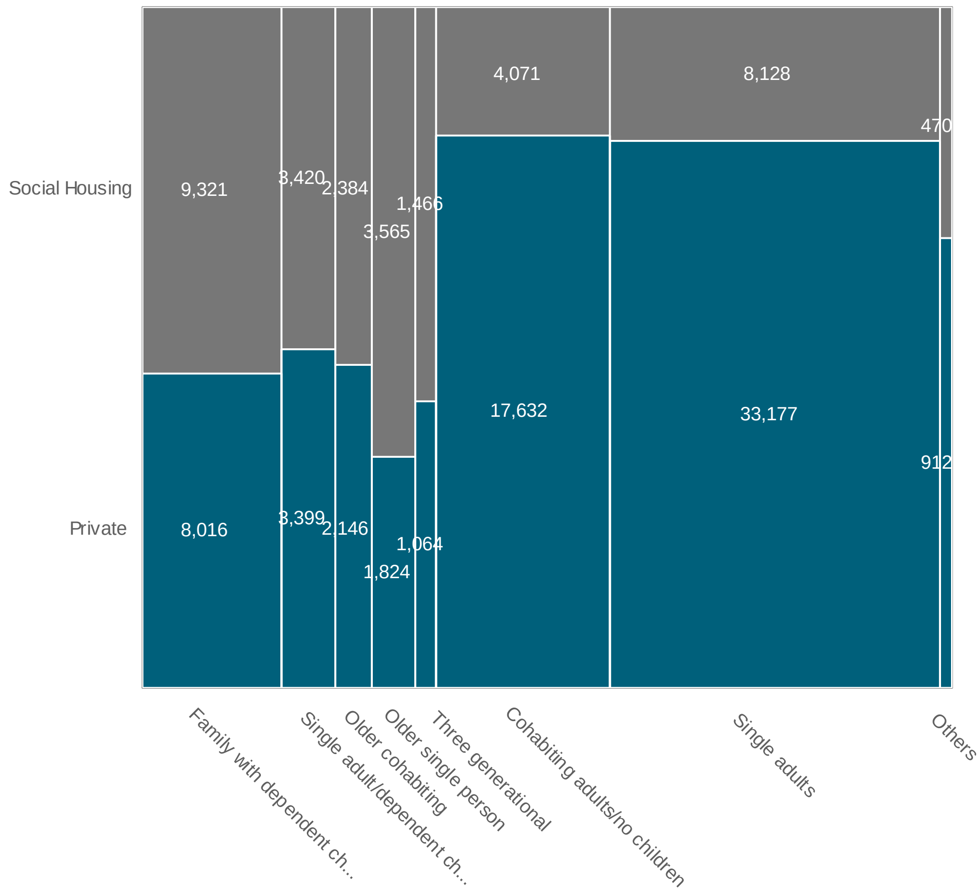
Housing Supply

4.11 As with many areas, housing stock in the borough is a function of historic patterns of existing stock, alongside adaptation and new supply.

4.12 Clearly, housing tenure has diversified significantly in the borough over the past 20 years. In 1985, 13% of housing in Tower Hamlets was in private ownership. By 2005 this had risen to 58% representing a radical shift from a mono-tenure borough to a more mixed community. This shift resulted from the construction of thousands of new homes across the borough. However, this is not evenly spread between household types.

4.13 Figure 4.6 shows the relationship between household type and social:private tenure, revealing that the borough has just 8000 two parent families with dependent children in private housing, compared with 9300 in social housing: a social:private tenure split for families of 54:46. The ratio for single adults with dependent children (at 6819 in total across tenures) is similar. For single persons and couples, the social:private tenure split is 19:81. So, the diversification in tenure is one that has predominantly changed the tenure outcomes of just some parts of the population. For others, the choices remain limited.

Figure 4.6 Household Type by Social:Private Tenure

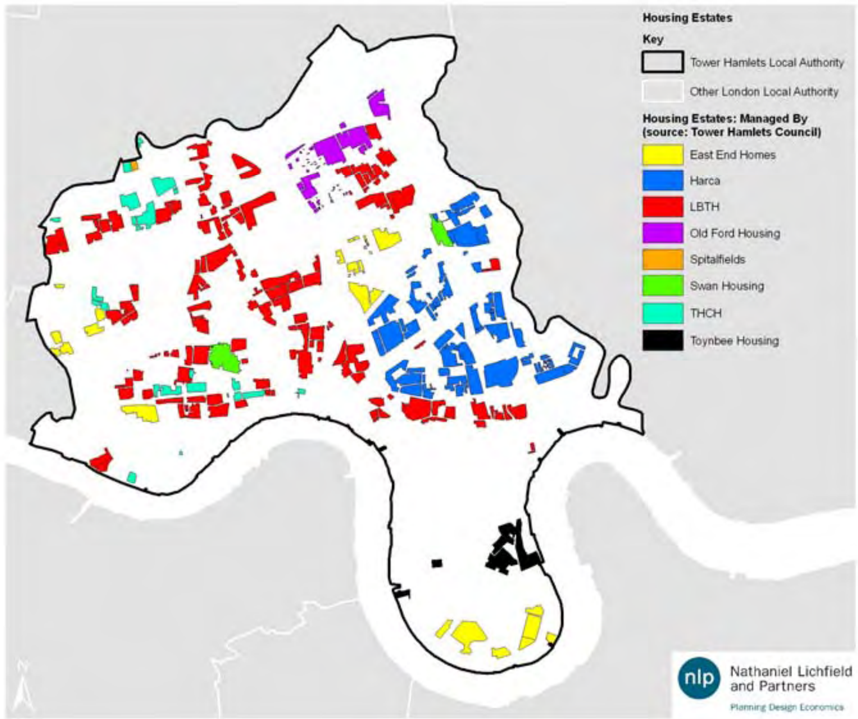


Source: MHA / NLP analysis

4.14 Single-tenure private housing has tended to be occupied by those with greater levels of wealth or higher incomes, whilst social housing still contains many of those residents suffering from at least some aspects of multiple deprivation. Tower Hamlets Homes (the borough's Arms-Length-Management Organisation) remains the biggest landlord in the borough.

4.15 The consequence of this shift has been the residualisation of deprivation within tightly concentrated places across the borough. The map below at Figure 4.7 shows housing estates in the management of Tower Hamlets Homes and major Registered Social Landlords (RSLs) operating in the borough. Note there are smaller RSLs operating in the borough, so the map does not provide the complete picture.

Figure 4.7 Social Housing Estates managed by the major RSLs



Source: Tower Hamlets Council / NLP analysis (LBTH denotes Tower Hamlets Homes)

4.16 In general terms, much of the social rented accommodation is in the form of ‘estates’. By the nature of urban design solutions that were applied when most of the social housing estates were designed and built, these tend to have an urban form that is less permeable and more inward facing than more traditional street patterns.

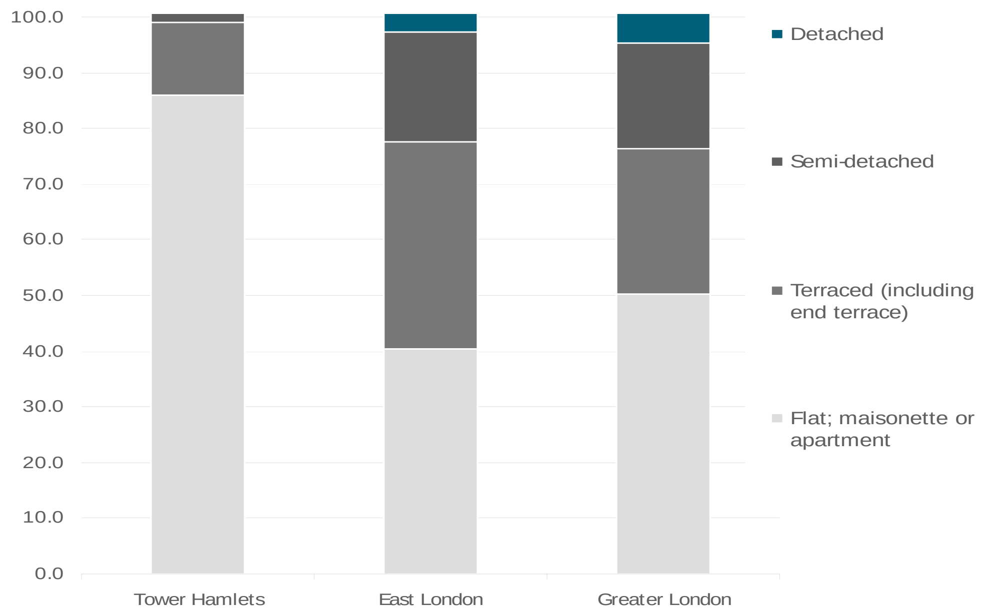
4.17 Similarly, some contemporary forms of residential development, particularly at higher densities, are ones that have similar characteristics (e.g. with gated areas, private entrances and spaces), even if the architectural approach and design treatments are different.

4.18 As a result of this, in most parts of the borough, Tower Hamlets has residents from different backgrounds living in close spatial proximity; from high earning young professionals, working families, to more vulnerable groups. However, despite this physical proximity, a combination of issues (related to design, economic and social factors) they remain physically spatially divided by tenure, and by social/economic outcomes.

Existing Housing

4.19 The Mayhew Harper Associates (MHA) analysis does not provide a breakdown of type of dwelling, so the most recent data on existing stock remains that based on 2001 Census data (the most recent borough-wide survey). This shows that small flats/apartments dominate the housing stock, while there is a limited supply of detached or semi detached properties.

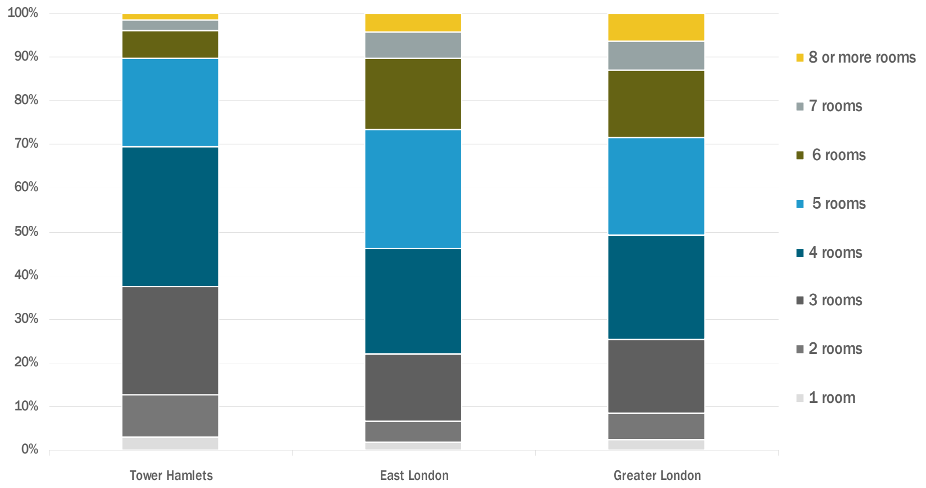
Figure 4.8 Housing Type



Source: ONS/NLP analysis

4.20 Similarly, the housing stock in the borough is smaller than the rest of London – 70% have four rooms or less, compared with 46% East London average, and 49% in London as a whole.

Figure 4.9 Housing Size



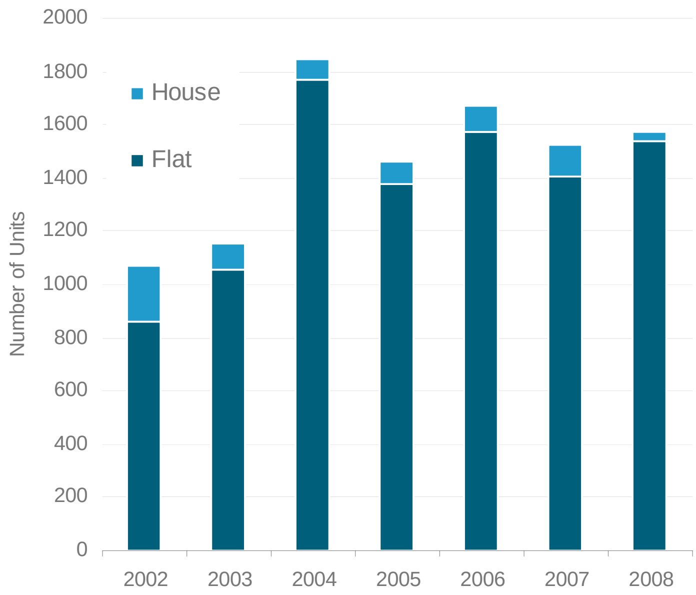
Source: ONS/NLP analysis

4.21 The analysis by MHA indicates that the vacancy rate in stock is 10.8-12.5% (the higher of the two figures applying with the application of HMO residents and properties). Although there is some uncertainty regarding the classification of dwellings as either residential/non-residential (an anomaly that might result in the actual vacancy rate being as low as 7%), this is higher than that for neighbouring boroughs including Hackney (3.2%), Greenwich (4%), Barking and Dagenham (5.7%) and Waltham Forest (4.5%). This significantly higher rate of vacancy is explained by MHA as potentially relating to 'decanting' (e.g. from the Ocean Estate), but also because new build supply has a much higher vacancy rate (some 4,162 dwellings). 'Hotspots' of vacancy are all related to new build apartments constructed in 2008 and 2009, in the City Fringe and on the Isle of Dogs. This may be a function of the demand for smaller apartments, and/or the legacy of recession.

New Supply

4.22 Analysis (Figure 4.10) indicates that new supply is likely to add to rather than diminish the 'imbalance' of housing type. In common with many inner London boroughs, only a small proportion of family homes have been developed in recent years, the focus instead has been on 1 and 2 bedroom flats and apartments.

Figure 4.10 Recent House Type Completions

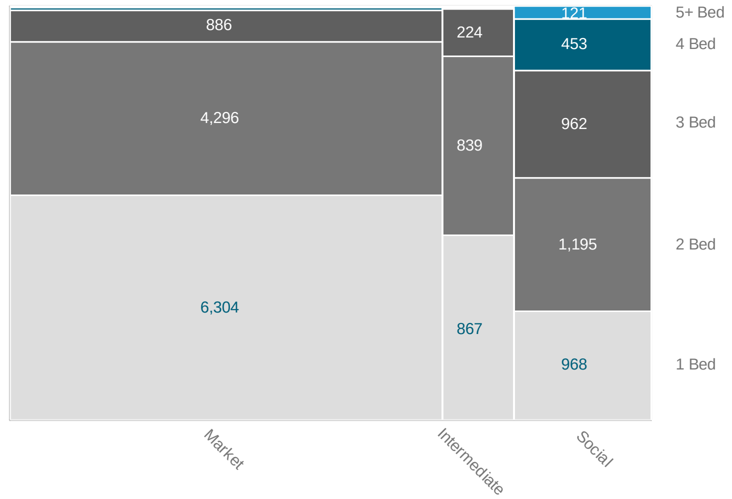


Source: NHBC / NLP analysis.

Note: NHBC data has some inconsistencies with CLG and other data on completions, due to issues of calendar/financial year, treatment of conversions, and use of building control information.

4.23 Figure 4.11 shows that the size profile in terms of number of bedrooms is particularly stark in terms of size by tenure, with a very low proportion of market 3-bed or above homes.

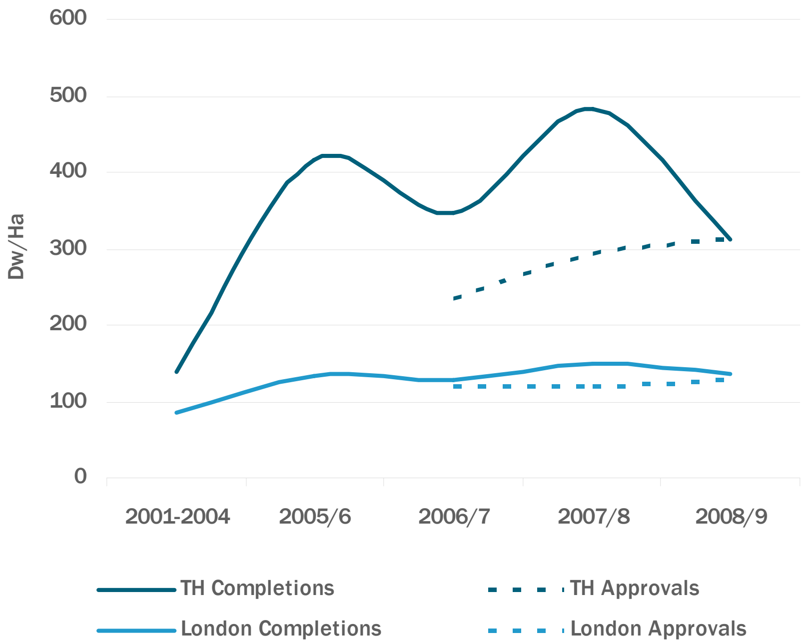
Figure 4.11 Housing Size (bedrooms) by tenure, pipeline schemes April 2008



Source: GLA / NLP analysis –

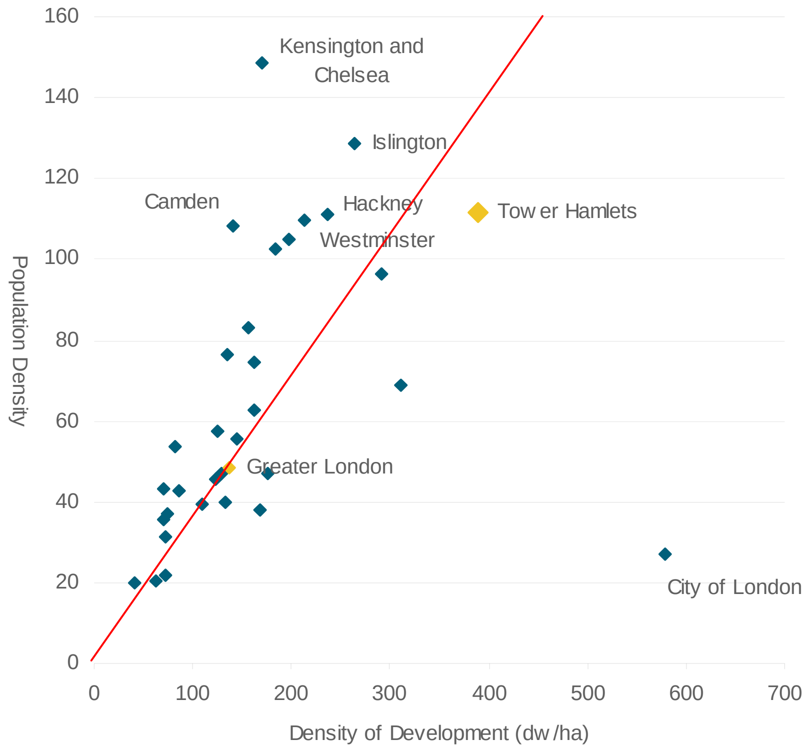
4.24 In addition, Figure 4.12 and Figure 4.13 show that residential densities in new build housing are the second highest in London and rising, increasing population concentrations and militating against achieving the kind of market offer attractive to families.

Figure 4.12 Density of Residential Development 2001 - 2008/9



Source: GLA AMR/NLP analysis

Figure 4.13 Density of Residential Development by Population Density



Source: GLA/ONS/NLP analysis

4.25 If the borough is to meet the demand of higher levels of household growth, analysis for the LDF (Figure 4.14) suggests that higher density development will be needed - this will further accentuate the existing mix imbalance.

Figure 4.14 Tower Hamlets Planning for Population Change and Growth - Capacity Assessment

Figure 4.7 Demographic Outputs - Cumulative Increase in Population

Cumulative Population Impacts	Existing Population 2009*	Lower Density			Higher Density		
		2015	2020	2025	2015	2020	2025
LAPs 1&2	64,434	67,748	72,588	74,908	68,270	74,716	78,445
LAPs 3&4	53,495	53,453	57,867	58,259	53,542	58,994	59,696
LAPs 5&6	50,206	54,843	61,522	61,806	55,315	64,151	64,733
LAPs 7&8	66,838	76,190	91,606	98,111	77,412	98,176	106,750
Tower Hamlets Total	**234,974**	**254,249**	**283,583**	**293,084**	**254,539**	**296,038**	**309,625**

* This reflects the GLA Population Projections - Low for 2009 (2008 Round)

Source: LBTH

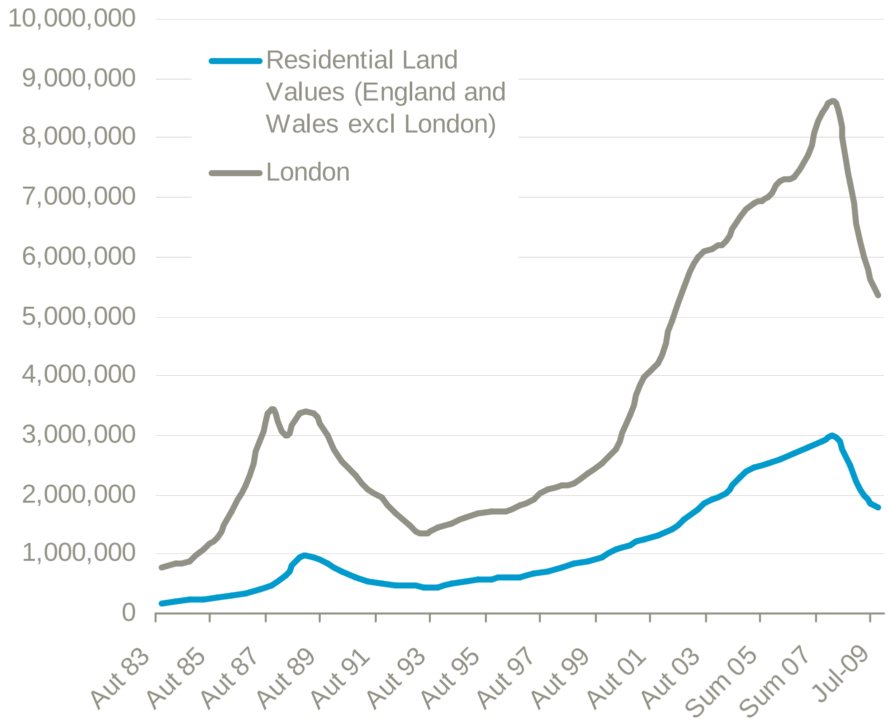
4.26 Lower density forms of development would mean either a lower level of housing development or a more dramatic shift in land use pattern (e.g. re-allocation of non-residential land such as that used for business/industrial) – something that is difficult to evidence as being possible given underlying market and funding issues.

Affordable Housing

4.27 It is the policy of both the Mayor of London and Tower Hamlets Council to seek affordable housing provision within new developments, to be achieved through planning obligations. With a vibrant property market, land values have allowed greater contributions by private development for the costs of infrastructure and to deliver up to 50% affordable housing.

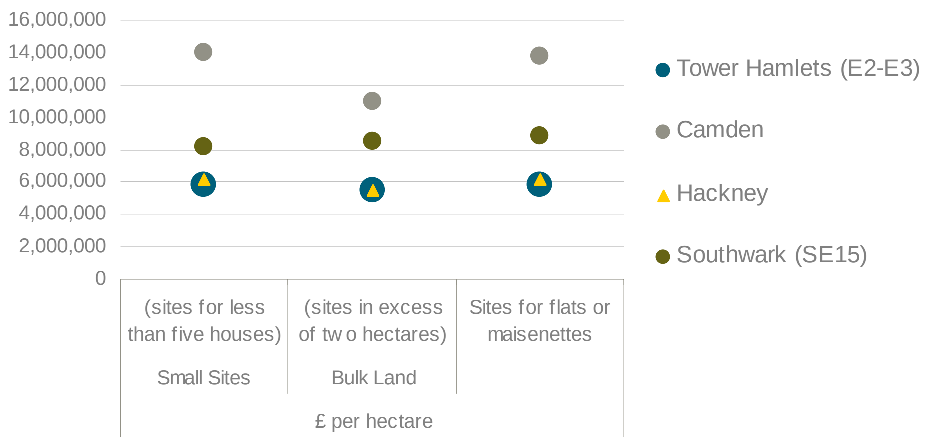
4.28 However, the residential land market has fallen dramatically in London (Figure 4.15), and values in Tower Hamlets are lower than in some London locations (e.g. less than half that in Camden - Figure 4.16). This makes viability of affordable housing contributions more difficult without public sector grant (via the HCA).

Figure 4.15 Change in Residential Land Values (London)



Source: VoA/NLP analysis

Figure 4.16 Residential Land Values



Source: VoA / NLP analysis

4.29 The Council's Affordable Housing Viability Study identifies that some sites may be able to contribute 50% affordable housing, but it will be difficult in many cases, including on the river frontage, at least in the short to medium term. It is also understood from the LEA Workshop that much regeneration led residential development has relied to an extent on public sector capital funding which will become more limited in future. Indeed, the RICS 'Red Book' on valuation identifies a working assumption of nil affordable housing grant.

4.30 The Council's Viability study notes that, paradoxically, it is more likely to be possible to deliver additional affordable housing in lower value locations where there is limited distinction in value between public and private housing. However, this would risk accentuating existing concentrations of affordable housing.

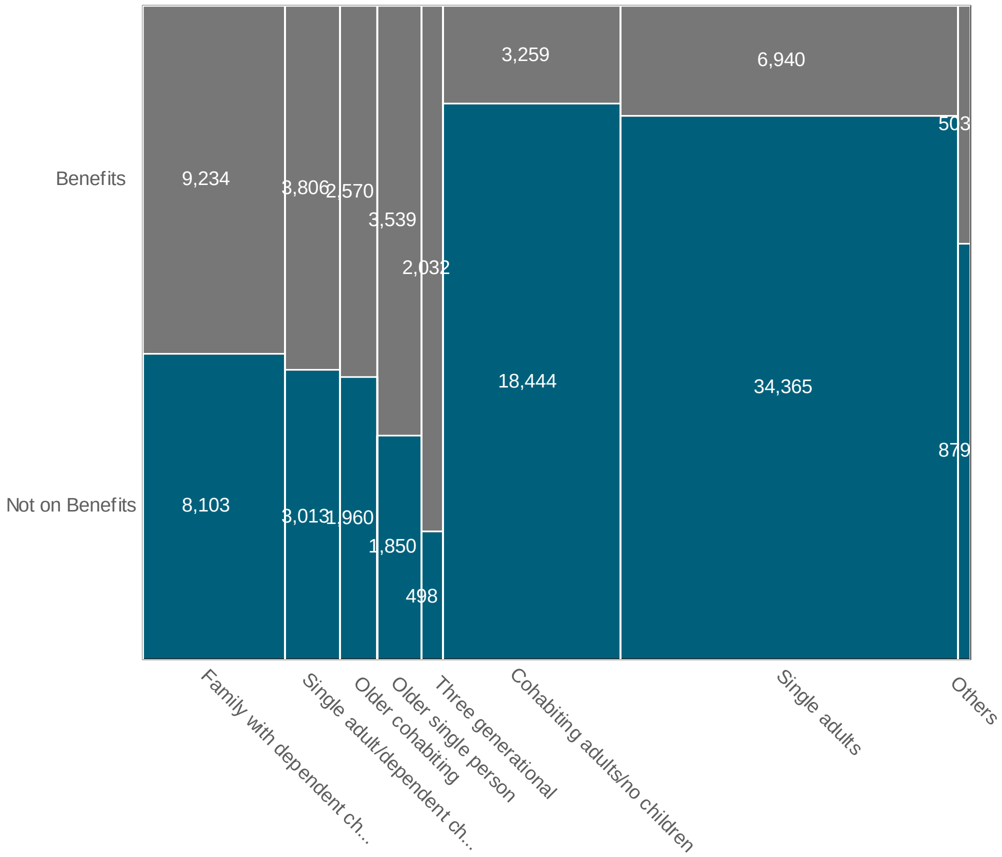
Housing and Social and Economic Outcomes

4.31 The work of MHA indicates that the main associations with income poverty in every age group are housing tenure especially social housing, lone parenthood, and family size.

4.32 As a result of the historical development of much of the borough, the concentration of tenure, particularly social rented accommodation in many neighbourhoods (e.g. Poplar, Stepney, Globe Town, Bromley by Bow, Millwall), limits opportunities for middle income households to move into those neighbourhoods or for those existing residents who become economically active and aspire to a form of whole or semi owner occupation to remain.

4.33 This contributes to a structural barrier to diversification of incomes and economic outcomes in those neighbourhoods and acts as a constraint to change in the demographic and social mix within the borough. Figure 4.17 below shows a breakdown of household type in Tower Hamlets in terms of means-tested benefit or non-benefit claimants, based on the MHA analysis. It shows that there are more families with dependent children on benefits (9,234) in the borough than not on benefits (8,103). And this latter figure is dwarfed by the 50,800 households who are single or couples with no dependents, not on means-tested benefits (10,200 households of this type receive benefits).

Figure 4.17 Household Type by Benefit Claimant



Source: MHA / NLP analysis

4.34 In essence, existing and future residents of the borough who are economically active, aspirational in housing terms, and are seeking family accommodation for their children have very few opportunities and, all things being equal, are likely to continue leaving the borough and moving eastwards.

4.35 With some exceptions in regeneration locations, the current identified development sites, particularly for residential development, are not of the scale or distributed in such a way as to enable delivery of new housing to change the mix in some neighbourhoods (other than to increase the supply of private 1 or 2 bedroom apartments), even if policy or viability choices reduced the level of affordable housing provided or increased the supply of large family properties in the private market.

4.36 If the London Plan's rate of development for Tower Hamlets (2885 pa) were applied to the period 2008-2026, with a mix of development extrapolated by the GLA figures pipeline (which it is recognised may not represent all future supply) then this would see some 43,000 additional 1 and 2 bedroom apartments being provided, the majority of them (60%) private. At the same time, fewer than 8,500 homes of 3+ bedrooms would be delivered, of which just 3,000 would be private.

4.37 New development in river frontage locations, in the city fringe or on the Isle of Dogs will increase the supply of private flats for smaller households, but there are higher vacancy rates associated with these properties, at least during initial years of their development, which means they have a less immediate impact on meeting housing needs.

Synthesis

Synthesis on Demand

4.38 Tower Hamlets faces major forces of demand that, as over the past decade, could impose major pressures on the borough's housing market. A growth of some 43,200 households 2008-2026 represents a 44% increase over just 18 years (56% over 20 years). By any measure this is significant and will impose major challenges and changes. It will also, if realised, increase the size and possibly nature of the local labour market, whilst at the same time, likely involve the continued flow of in-and-out migration. The key questions arise in terms of how far housing supply is able to meet the scale of demand – and not just 1 and 2 bedroom flatted development; provide a product that caters for the likely characteristics of the market; and, to what extent can the housing supply be adapted to shape the patterns of demand?

The situation:

- The major affordability pressures across London make it difficult for low-middle earners to gain access to market housing – a fact that is even more marked in Tower Hamlets. Access to finance and supply-demand pressures mean this is unlikely to diminish;
- The average house price to mean income ratio in Tower Hamlets (6.6 to 1) is marginally higher than the East London and London-wide average and significantly higher than the national average (4.8);
- The vast majority (84%) of new housing development pipeline in the Borough is in the form of 1 and 2 bedroom flats;
- The majority of 3+ bedroom (e.g. family) properties are in the social rented sector;
- The majority of households (60%) are single person and couples with no dependents, predominantly in private housing The existing housing stock in many neighbourhoods is dominated by social rented homes, and this is strongly correlated with lower household income and means-tested benefits;
- Families with children are a small proportion of the households in the borough (circa 15%), and the majority are in receipt of means tested benefits and in social housing;

- The urban form associated with many ‘estates’ can act as a barrier to permeability and legibility of the borough’s urban grain. The form of new development risks accentuating this;
- New development opportunities are generally focused in clusters, particularly on the river-front and Isle of Dogs, rather than across the Borough;
- There are significant levels of projected household growth across London and particularly in Tower Hamlets (48% - 2008-2026) and this is reflected in London Plan proposals for housing.
- The London Plan’s policy is to increase the supply of new housing as far as possible (a rate of 2,885 pa) in order to seek to achieve levels of projected household growth. This equates to a high density form of development;
- Policy is broadly to maximise levels of affordable housing provision within viable development to meet identified needs, and give access to those unable to afford their own home;
- The LDF Core Strategy seeks to increase the role of private sector development in contributing to affordable housing need (up to 50%) where viable.

Key Questions for Policy and Further Investigation

- Will level of new housebuilding meet need and demand?
- Is new housing needed to meet the labour force requirements of future job growth? If new job-growth does not arise, will increased housing provision increase levels of out-commuting and/or result in increased levels of local worklessness?
- Will provision of new housing below the London Plan rate result in a tighter labour market and increased levels of in-commuting
- Will policy result in new affordable housing adding to existing concentrations of social rented accommodation?
- Will pressures for housing development on the scale planned lead to displacement of industrial and commercial uses?
- Will new development and regeneration in itself change the borough and make it more attractive to middle earners?

Areas for Future Policy consideration

- Should the borough continue to maximise housing delivery in order to meet household projections, but accept limited diversification of stock through development, and an accentuation of the current polarized pattern of housing and population mix?
- Or should it actively promote development including of more family homes at a moderate (rather than high density) that diversifies mix of property, particularly within areas with concentrated tenure, but accept much lower levels of house building?

- Should regeneration focus on diversification and urban design solutions in a small number of neighbourhoods dominated by single tenure and/or adverse social and economic outcomes?

5.0 Places

Places within Tower Hamlets

5.1 This section looks at the Places within Tower Hamlets, including areas of economic distinctiveness and the Town Centres, which play a key economic role within the borough. It goes on to consider the potential economic benefits arising from the key areas of regeneration and redevelopment opportunities emerging in the borough.

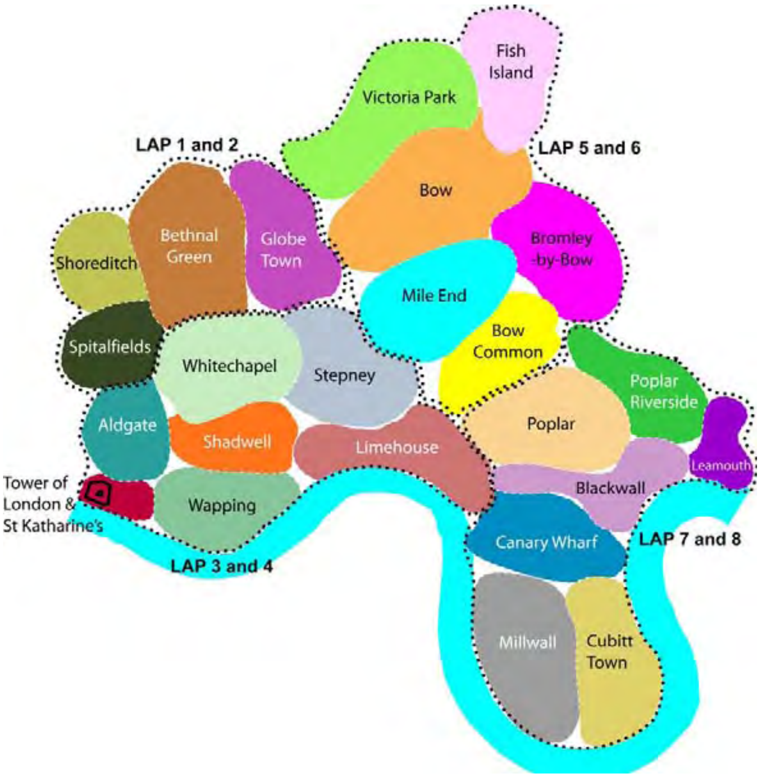
The Geography of Tower Hamlets

5.2 The geography of the borough reflects the legacy of its historic evolution, significantly reshaped to respond to new social and economic conditions – most notably the rebuilding of (predominantly social) housing post 1945, and the transformation of the former docks into a world financial centre.

5.3 As a result of change both within the borough and contiguous to it, the character of different areas has evolved markedly. Beginning with a series of semi agricultural settlements, rapid urbanisation led to significant population growth (increasing by 20% every ten years) to the point where some 600,000 people lived in the borough at the turn of the twentieth century and provided for a tightly knit, high density street pattern. This continued population growth was driven by its location on the Thames, with import/export activity being a key economic driver and draw.

5.4 However, post-war redevelopment led to a trend of de-population and a reduced density of street patterns which reached its nadir in the early-mid 1980s accompanied by the moving of port activity down-river to Tilbury. Although subsequent development transformed many locations, and saw significant population growth (driven by in-migration to the borough), the urban form and geography (particularly the 'block' form of some housing estates and barriers created by some infrastructure such as the A12) maintains a perception of individual hamlets, with a somewhat fractured and fragmented urban form.

Figure 5.1 Tower Hamlets' Places



Source: London Borough of Tower Hamlets: Town Centre Spatial Strategy 2009 – 2025

5.5 According to stakeholders consulted through the LEA workshop, the historical 'Hamlets' legacy is one that continues to drive the perceptions of many residents, with distinct neighbourhood identities shaping people's views on where they might look for employment or go shopping.

5.6 The distinct characteristics of the different neighbourhoods of the borough are outlined below, consistent with the LAP (Local Area Partnership) groupings of areas set out above in Figure 5.1, as used for the Council's Core Strategy.

Shoreditch, Spitalfields, Bethnal Green and Globe Town

5.7 These areas are part of the City Fringe and comprise a generally mixed use area, with a range of employment uses which serve local communities or which need to be close to the economic activities of the City. The area has a rich history whose population and character has changed over hundreds of years. Historically, the area was home to wealthy traders and factory owners but then became an area for poor immigrants which offered a place for cheap housing and living. The area has a diverse socio-economic profile, with many deprived communities and pockets of affluence.

Tower of London, Aldgate, Whitechapel, Shadwell, Wapping, Stepney and Limehouse

5.8 This area of the borough has a strong connection to the City with a pattern of historical development along Whitechapel Road. Wapping and Limehouse are primarily defined by the area's relationship with the water through warehouse conversions and nearby residential apartments. Shadwell and Stepney in the centre of the LAP were largely rebuilt following World War II and as a consequence historic street patterns that previously influenced development forms were lost. The high concentrations of social housing in post-war estates provide a number of opportunities and challenges.

Bow, Fish Island, Victoria Park, Bromley-by-Bow and Bow Common

5.9 The historic hamlets of Bow, Mile End and Bromley-by-Bow define this area, which evolved through their trading connection with the City, along routes such as Old Ford and Bow Road. Early 19th Century industrial uses were located in the area to maximise the benefits of its comprehensive canal and river network. Throughout this period overcrowding became an issue, leading to the creation of Victoria Park in 1845. With the recent decline in industrial and manufacturing industries key riverside sites in the area are under market pressure to be redeveloped for alternative, primarily residential, uses. The 2012 Olympic Games are a significant catalyst for change in this area.

Canary Wharf, Millwall, Cubitt Town, Blackwall, Poplar Riverside, Leamouth

5.10 Historically, the main land-uses in this area have strong links to the docks and the shipbuilding industry which started to decline in the late 1960s. Although some remnants of its historical appearance are preserved, particularly around the dock basins, the character of the area has changed substantially. The area features the high density tall buildings of Canary Wharf and surrounding areas also have significant amounts of office and retail floorspace. The Isle of Dogs' two dominant land uses are residential and commercial offices. The south of the island is predominantly residential.

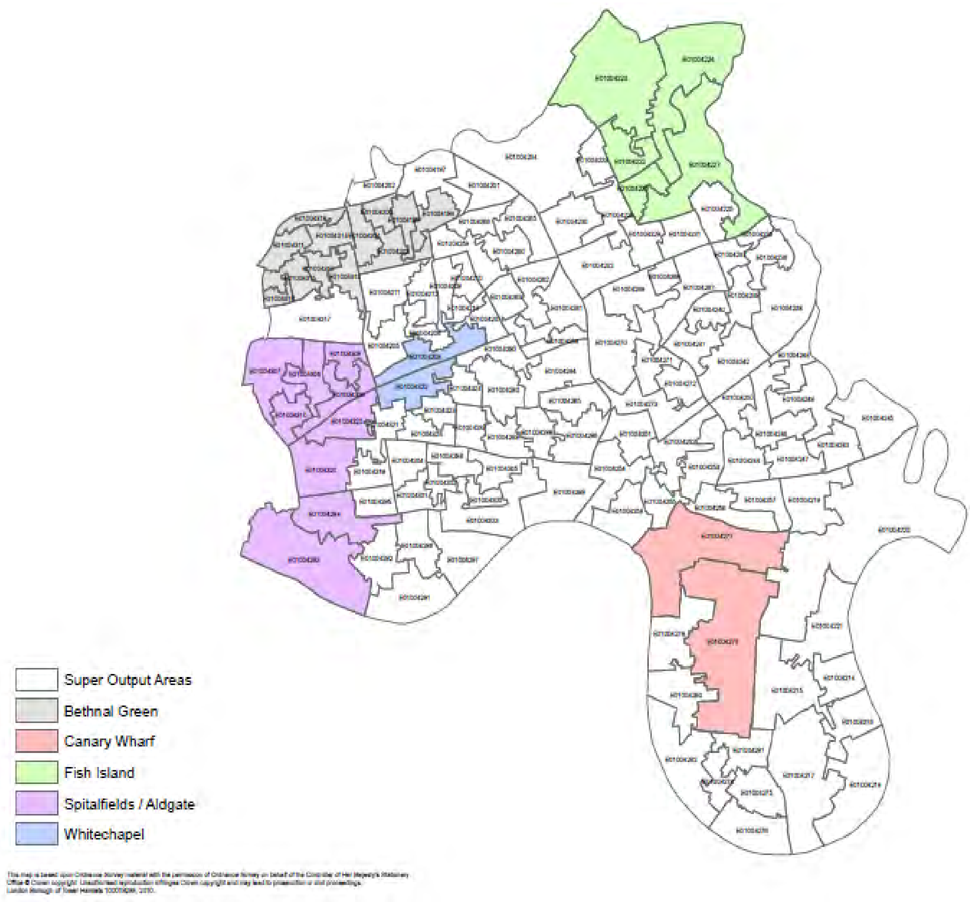
Sub-borough Area Analysis

5.11 This section provides sectoral economic analysis for five selected sub-areas of the borough, which were chosen due to their economic importance or distinctiveness and are compared with the Tower Hamlets economy as a whole (using employment by sector in 2009). The sub-areas are:

1. Bethnal Green;
2. Canary Wharf;
3. Fish Island;
4. Spitalfields / Aldgate; and
5. Whitechapel.

Figure 5.2 below shows the sub-areas with their Lower Super Output Areas (LSOAs) selected for review.

Figure 5.2 Map of Tower Hamlets showing the sub-areas



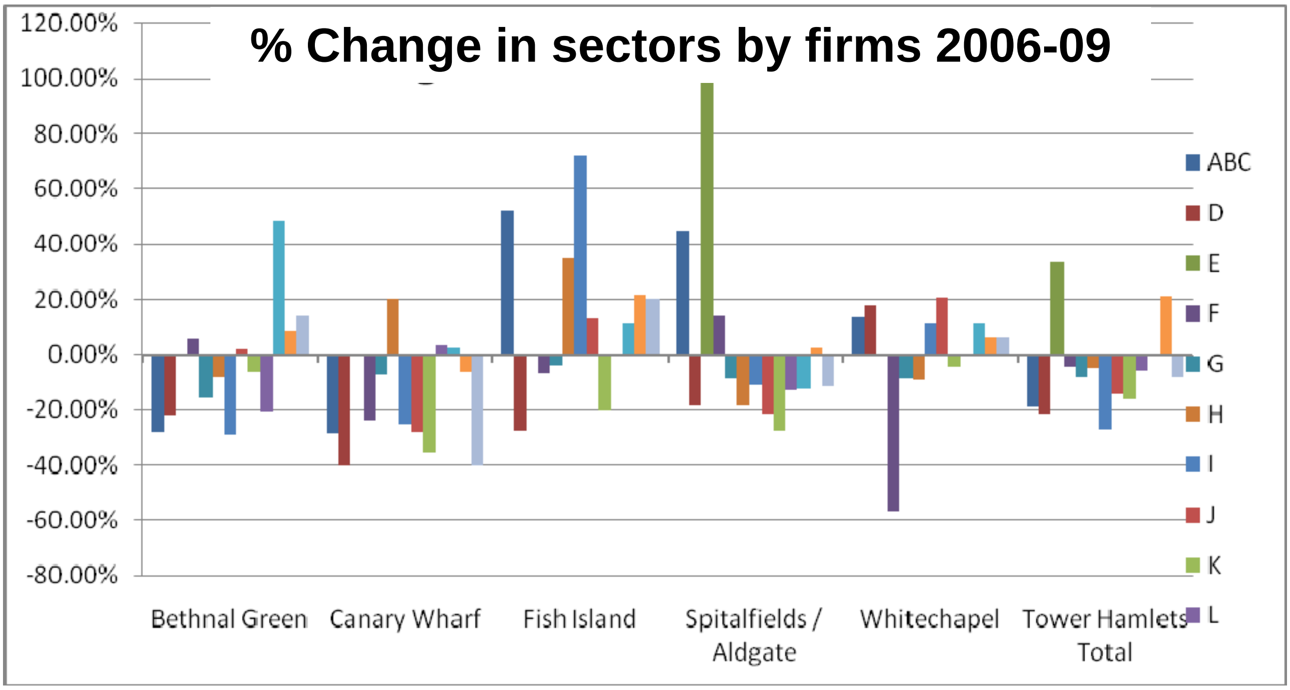
Source: LBTH

5.12 The change in sectors by firms and employment from 2006-09 is set out in Figures 5.3 and 5.4 below (with a key in Table 5.1). These provide a snapshot over only a short period of time and indicate some noticeable shifts across both sectors and areas.

Table 5.1 Sector Codes for Standard Industry Classifications

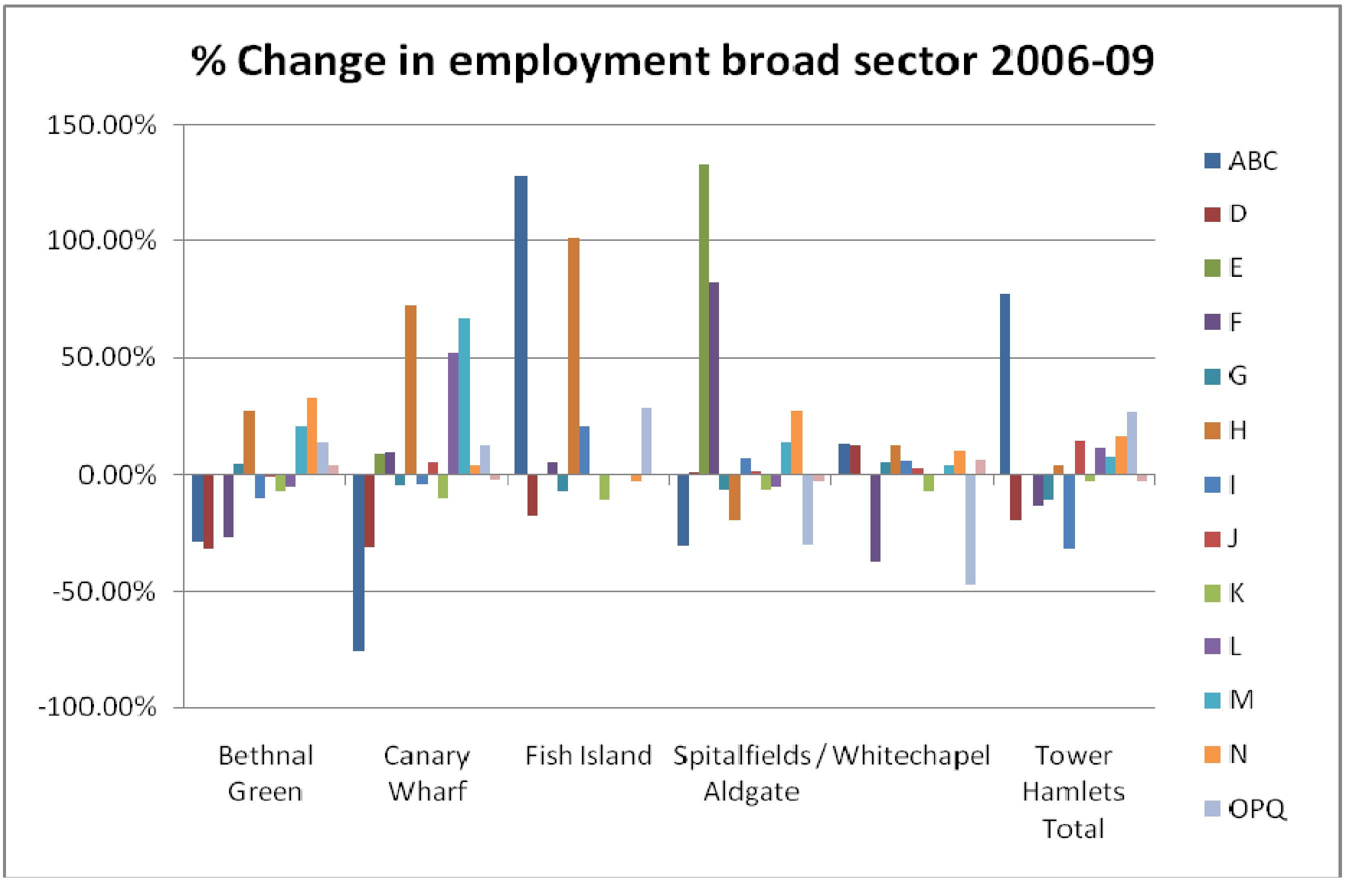
Sector Code	Description
ABC	Agriculture, hunting & forestry, Fishing, Mining & quarrying
D	Manufacturing
E	Electricity, gas & water supply
F	Construction
G	Wholesale & retail trade; repair of motor vehicles, motorcycles & personal/ household goods
H	Hotels and restaurants
I	Transport, storage & communications
J	Financial intermediation
K	Real estate, renting & business activities
L	Public administration & defence; compulsory social security
M	Education
N	Health & social work
OPQ	Other community, social and personal service activities, Activities of private households as employers and undifferentiated production activities of private households, Extra-territorial organizations and bodies

Figure 5.3 Percentage change in broad sectors by firms for sub areas and borough as a whole, 2006-09



Source: TCR/Navigant

Figure 5.4 Percentage change of employment in broad sectors for sub areas and borough as a whole, 2006-09



Source: TCR/Navigant

Bethnal Green

5.13 Bethnal Green has a rich history and distinctive identity, with residential communities woven into its network of conservation areas, historic buildings, terraced housing and traditional street network. Regents Canal lies to the North and the City Fringe to the West. Its thriving high street acts as the retail, commercial and civic hub for the area (it is classed as a district centre), with strong public transport connectivity through the Central Line tube station and bus routes.

5.14 In 2001, the census found that of nearly 7,000 homes, 61% were social rented, grouped mainly in estates and owned by the council and by Tower Hamlets Community Housing. Owner-occupied housing constituted 24% and private rented accommodation 13%. Over the past five years an additional 188 homes have been built. Over the next fifteen years, 1,200 additional units are expected to be delivered. Development opportunities exist on the former Queen Elizabeth Hospital site (closed in 1996) and on a gasworks site to the North.

Socio-economic indicators

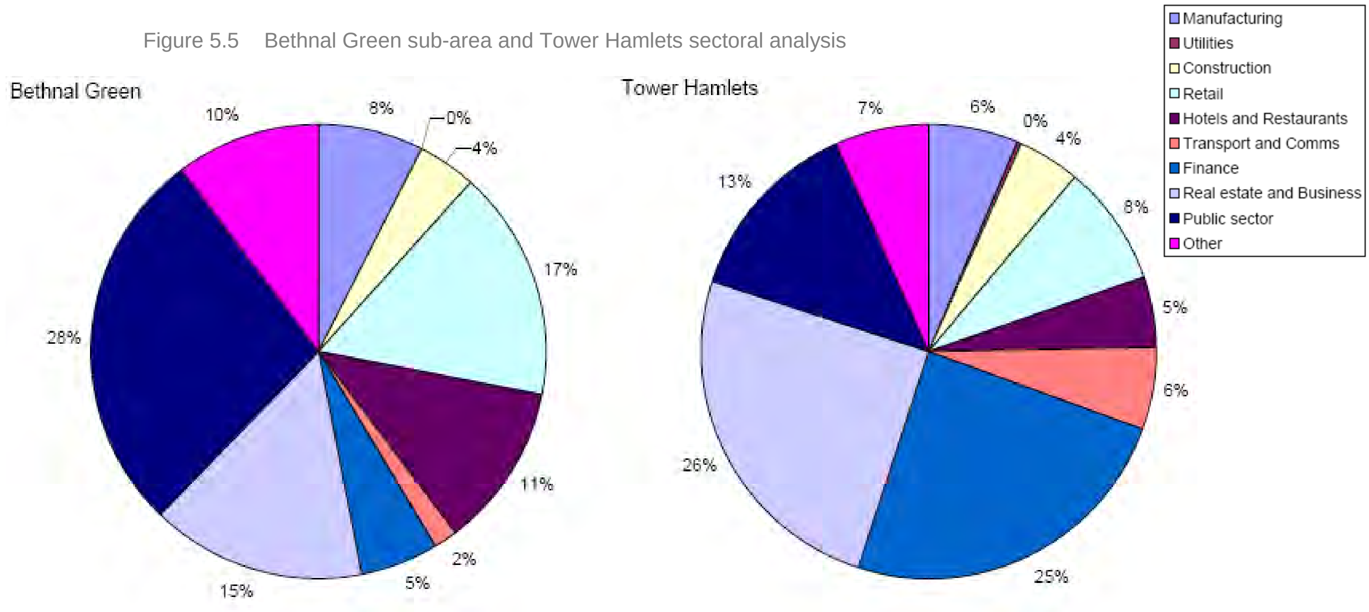
5.15 The population of the sub-area is just over 17,000, and the age groups closely mirror the make-up of the borough as a whole, with a fifth of residents under 16 years old, and almost a tenth of retirement age.

5.16 Consistent with the borough average, around a fifth of residents of working age are in receipt of out-of-work benefits, with 1 in 16 in receipt of JSA. The proportion claiming Incapacity Benefit and Severe Disability Allowance is a quarter higher than in the borough as a whole and a slightly higher proportion (67% compared to 61%) have been claiming for more than 5 years.

Sectoral Analysis

5.17 Bethnal Green has 7% of all firms in the borough, and with just over 5,000 jobs, 2.8% of the borough's employment.

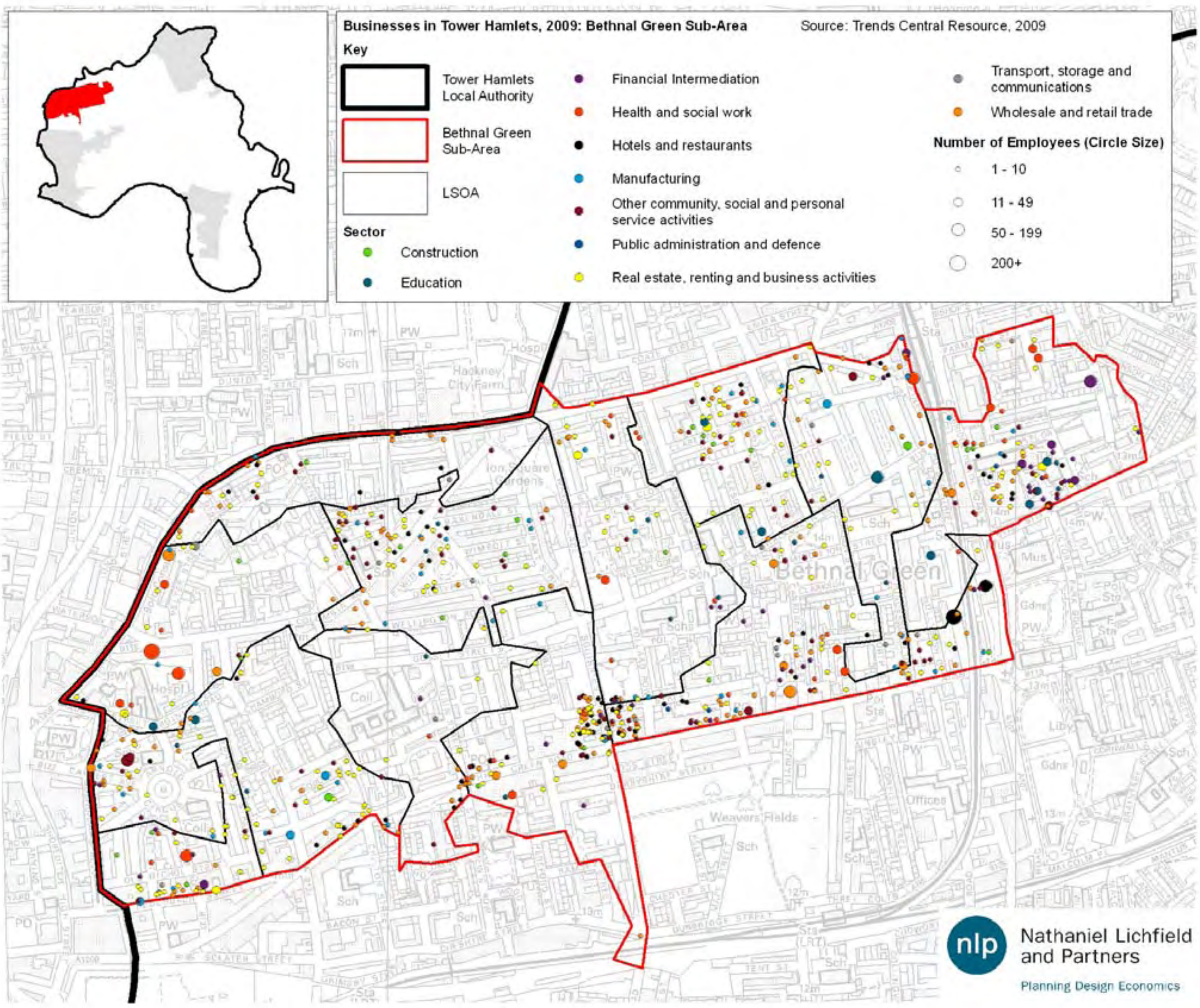
Figure 5.5 Bethnal Green sub-area and Tower Hamlets sectoral analysis



Source: TCR/Navigant

5.18 The map below details the businesses operating in the Bethnal Green area by sector and number of employees (denoted by the size of the circles) and their location. Businesses for this purpose denote workplaces in both the private and public sectors.

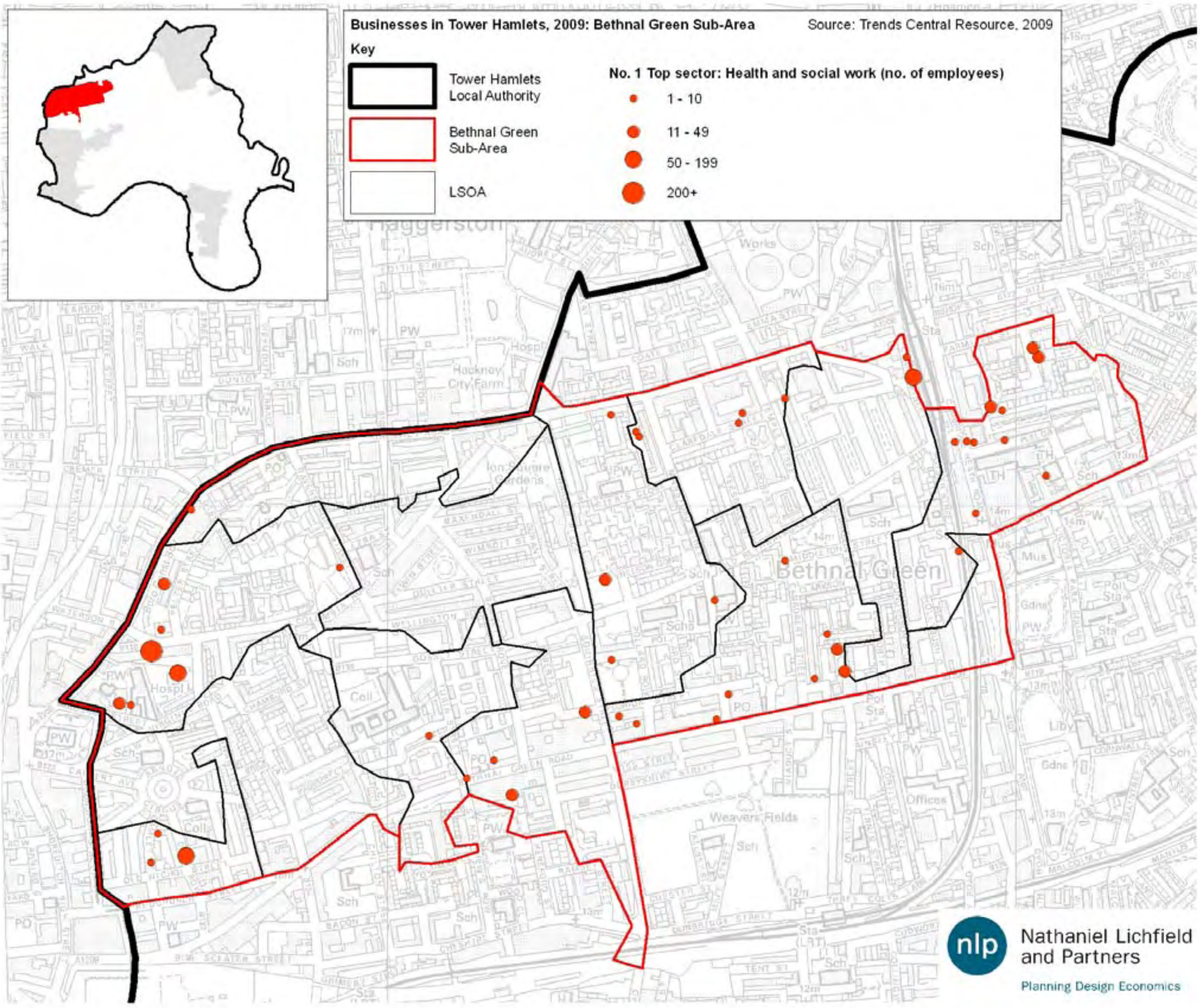
Figure 5.6 Bethnal Green businesses by sector and number of employees



Source: TCR/NLP

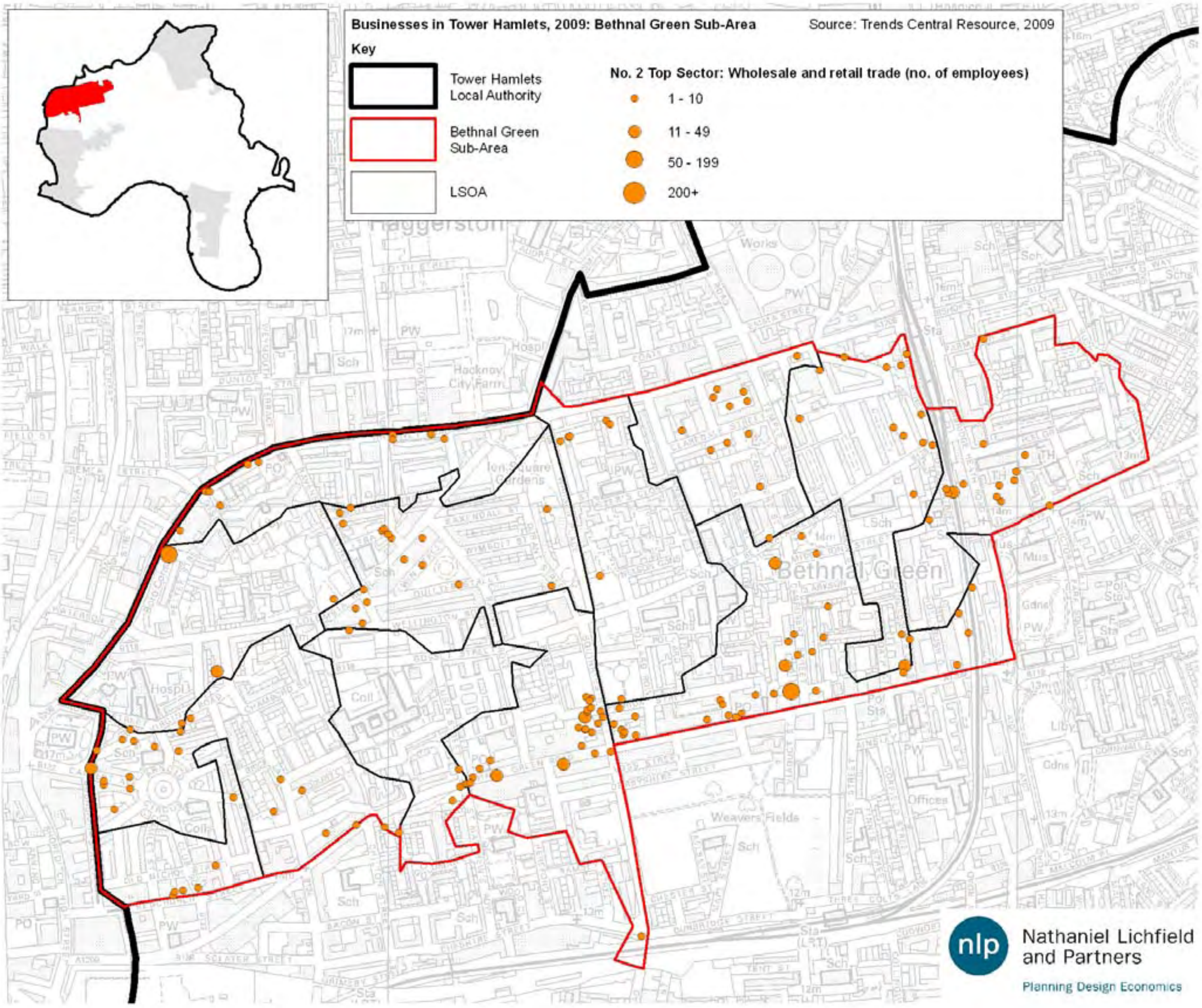
5.19 The top three sectors in the area are: Health and Social Work; Wholesale and Retail Trade; and Real Estate, Renting and Business activities, as set out in Figures 5.7 – 5.9 below. Within the health sector there are two employers that employ over 200 staff. There is only one other employer in the sub-area that employs over 200 staff and this is in the Hotel and Restaurants sector.

Figure 5.7 Bethnal Green sub-area No.1 top sector



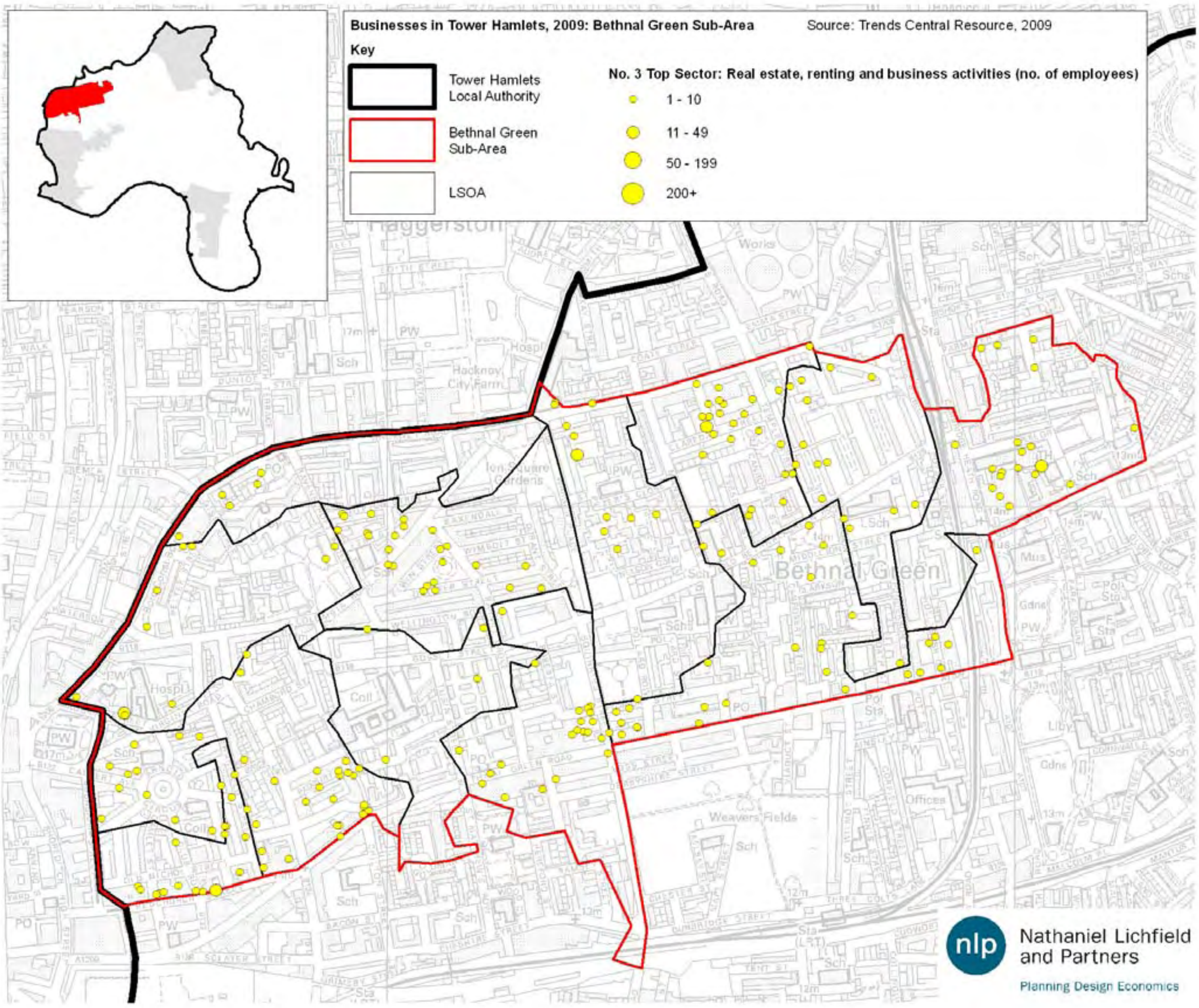
Source: TCR/NLP

Figure 5.8 Bethnal Green sub-area No.2 top sector



Source: TCR/NLP

Figure 5.9 Bethnal Green sub-area No.3 top sector



Source: TCR/NLP

Canary Wharf

5.20 Canary Wharf is the UK's second largest business district, a key actor in London's Central Business District and the borough's most significant employment centre.

5.21 In the next fifteen years with the development of Wood Wharf in the North-East of the Isle of Dogs peninsula, and the opening of the Crossrail station in 2017, the area is projected to grow significantly bringing an expected circa 25,000 additional jobs and over 2,500 new homes by 2025. The borough's LDF Core Strategy recognises the need for Canary Wharf to retain its global role as well as adopt a stronger local function, and better integrate with the waterways and with Poplar to the North.

5.22 It is worth noting that though the Isle of Dogs as a whole has a relatively strong residential population, the two LSOAs examined in the sub area focus tightly around the economic activity area of Canary Wharf. The last census found that of nearly 1400 homes, 25% were owner-occupied (slightly less than the borough average of 29%), 42% social rented, and 30% private rented – the latter far exceeding the borough average of 17%. Over the past five years, just over 2500 units have been built in the area, a substantial change to the built environment, and accounting for a fifth of development in the borough as a whole.

Socio-economic indicators

5.23 The population of the sub-area is just under 4,000, and the age groups differ from the borough average, with notably the highest proportion of 30-44 year olds in any of the sub-areas and 6% above the borough average.

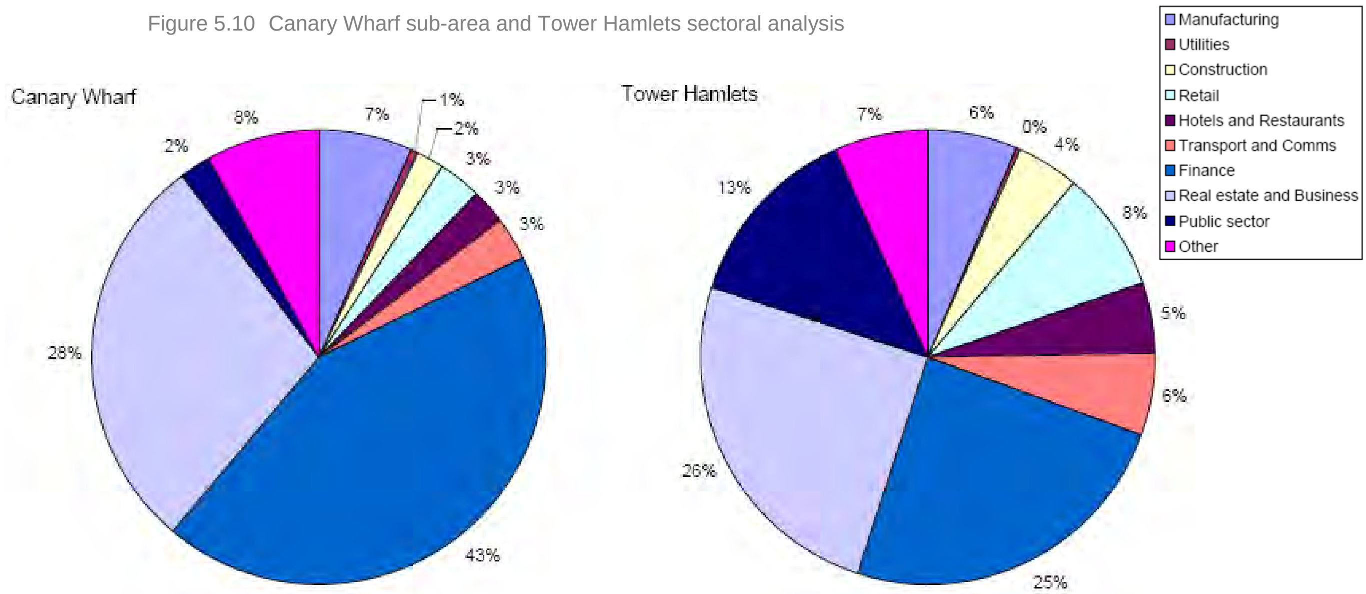
5.24 At 14%, the proportion of residents claiming out-of-work benefits is the lowest in the borough, and half that of Fish Island. The proportion claiming Incapacity Benefit and Severe Disability Allowance is significantly below that of the borough average (4.4% compared to 6.4%), and again, half that of both Fish Island and of Bethnal Green.

5.25 Median income for one of the LSOAs in the sub-area is £55-60,000, higher than any other of the sub-areas, though strikingly the median for the other LSOA sits between £20-25,000. There is by no means a consistent picture of residential affluence compared to the other sub-areas or the rest of the borough.

Sectoral analysis

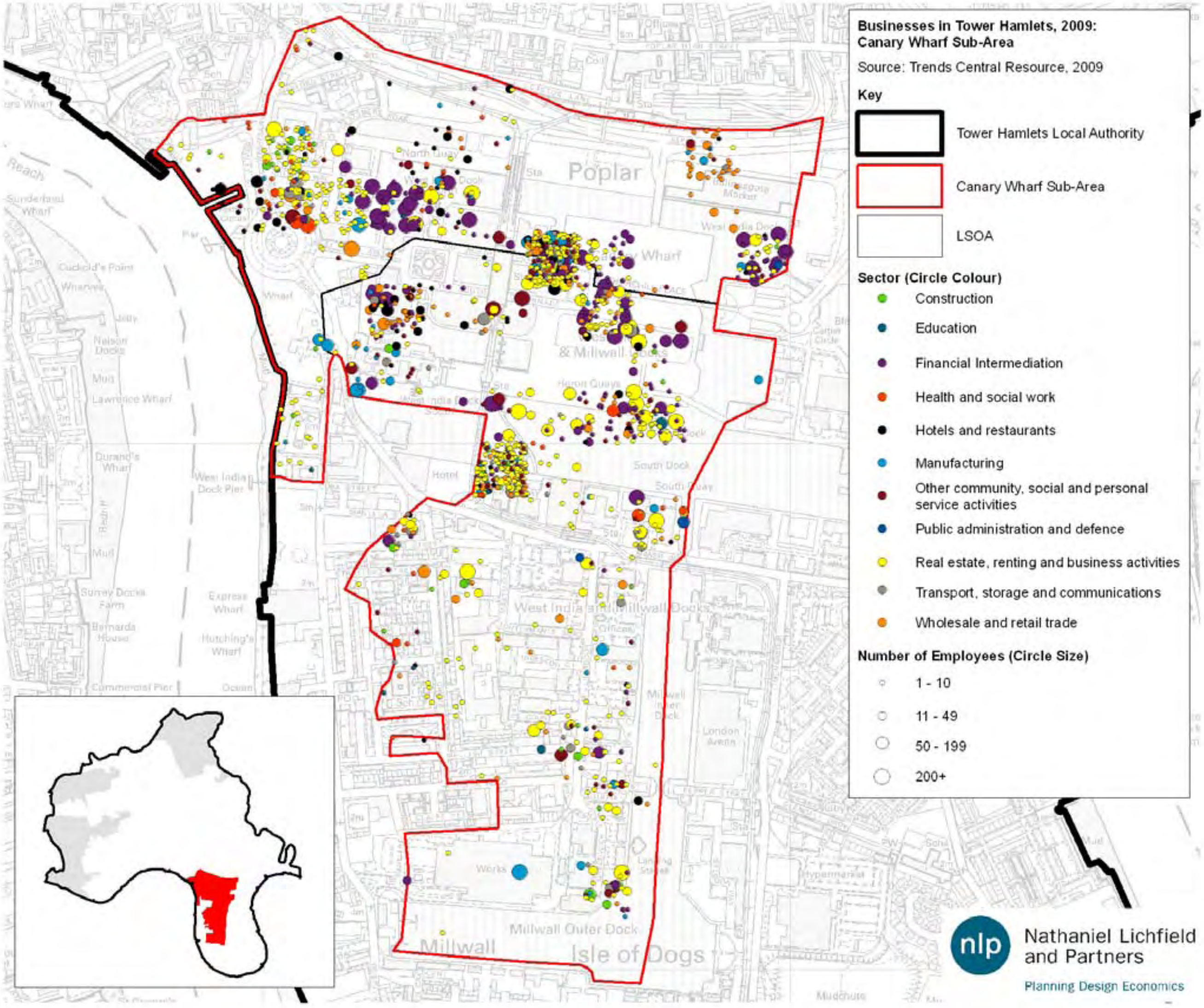
5.26 With just over 50,000 employees, Canary Wharf has 27% of the borough's employment (within the two selected LSOAs), and 13% of the borough's firms.

Figure 5.10 Canary Wharf sub-area and Tower Hamlets sectoral analysis



Source: TCR/Navigant

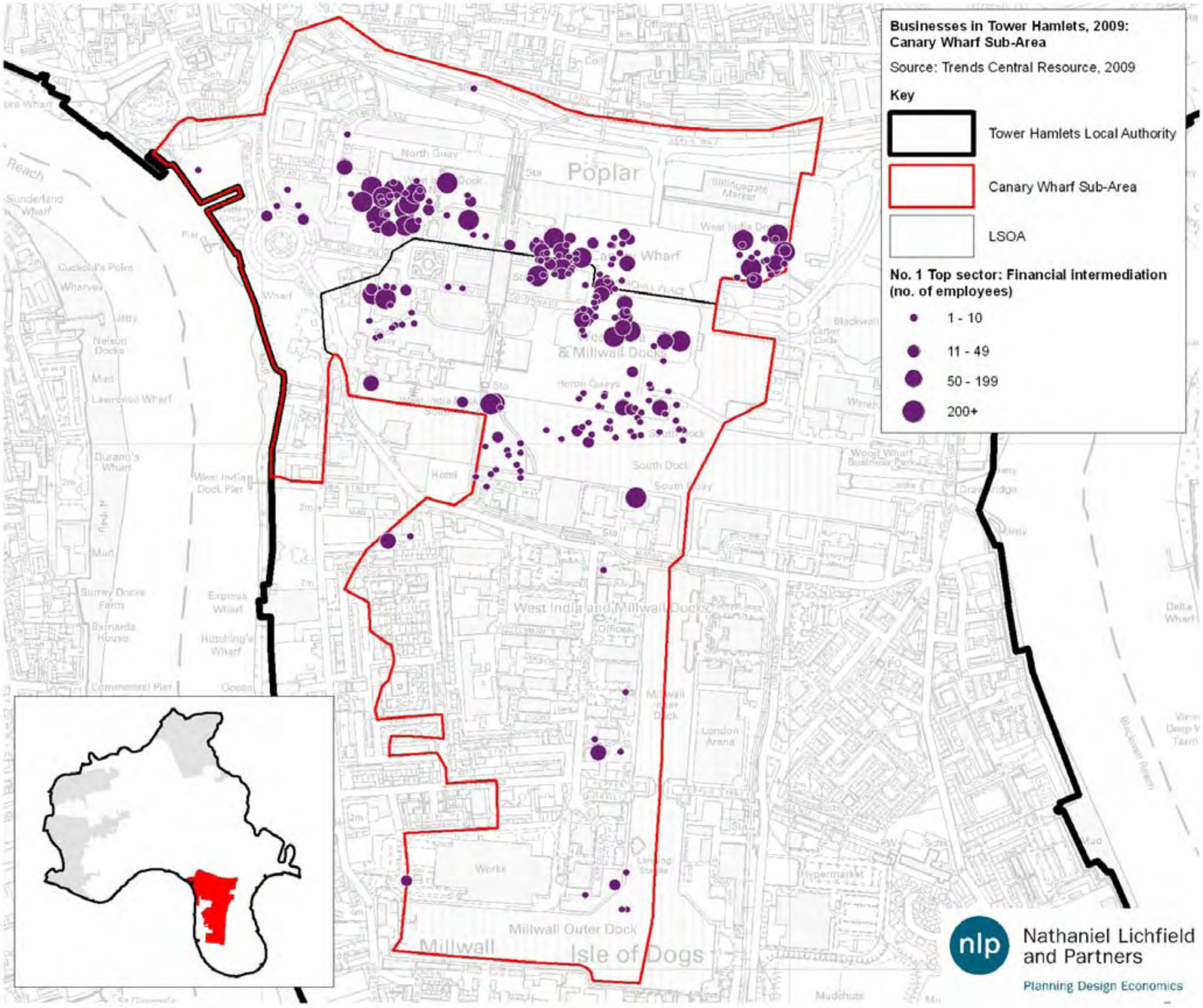
Figure 5.11 Canary Wharf businesses by sector and number of employees



Source: TCR/NLP

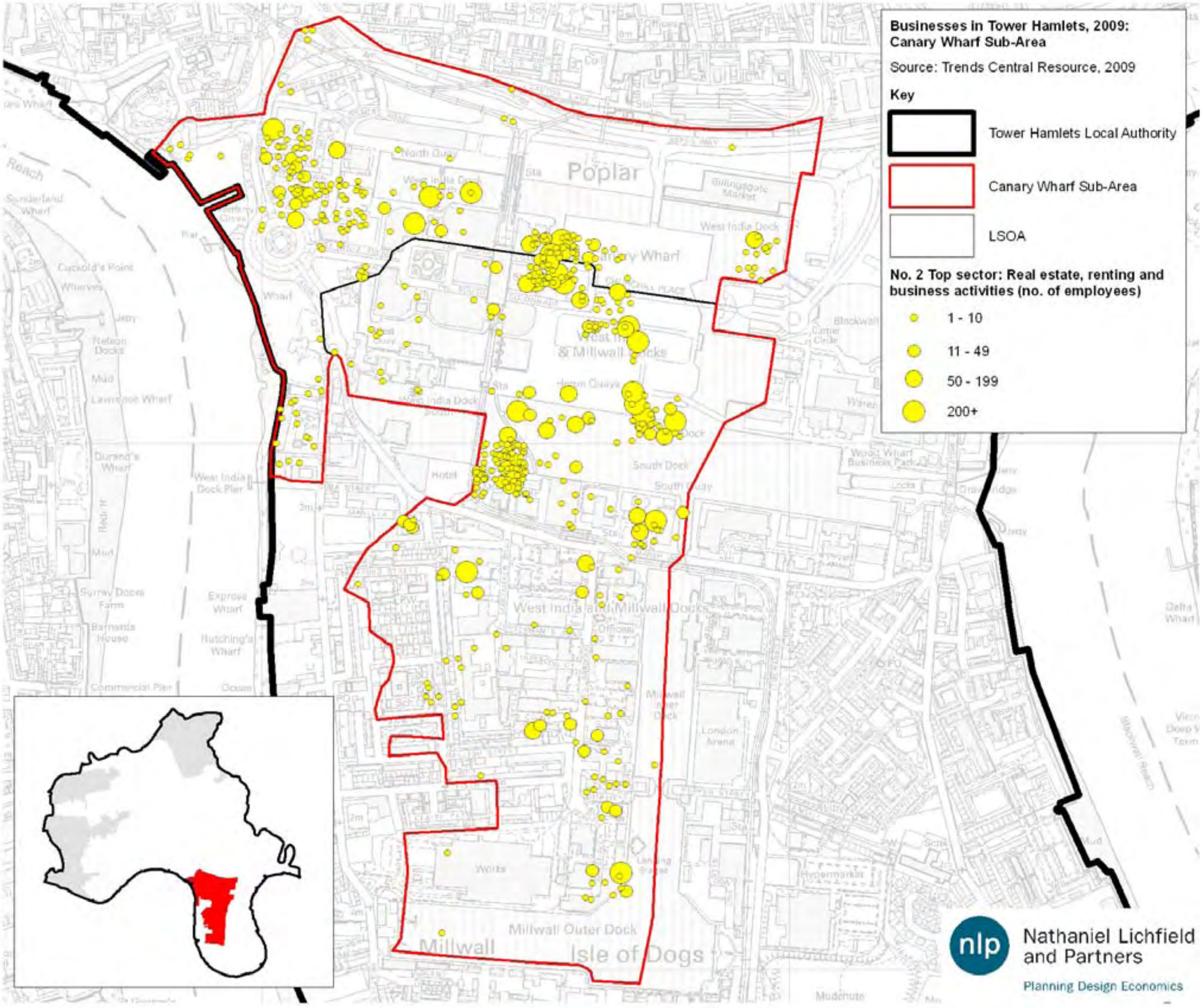
5.27 The top three sectors in the area are: Financial Intermediation; Real estate, renting and business activities; and, Other community, social and personal service activities. In terms of large employers, there are 10 firms in the area that employ over 200 staff, 9 of which are within the top three sectors.

Figure 5.12 Canary Wharf sub-area No.1 top sector



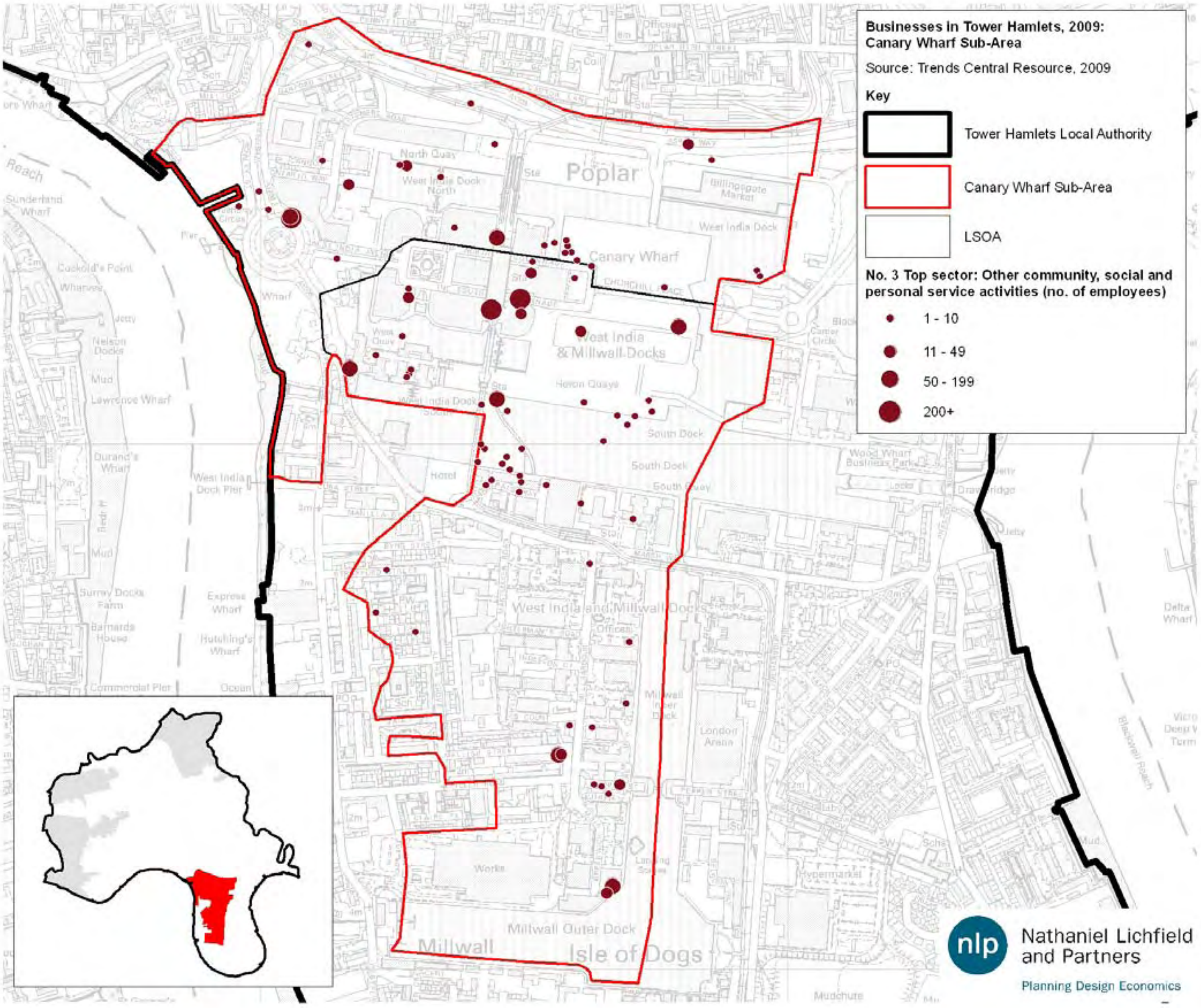
Source: TCR/NLP

Figure 5.13 Canary Wharf sub-area No.2 top sector



Source: TCR/NLP

Figure 5.14 Canary Wharf sub-area No.3 top sector



Source: TCR/NLP

Fish Island

5.28 Fish Island in the North-East of the borough borders the 2012 Olympic Park, and as part of the Olympic Fringe, is one of the areas being focused on in the Legacy Masterplan Framework. It has been earmarked by the Council for particular attention due to the proposed development in the area, promoting a range of uses, from existing industrial activities to new residential and creative and cultural industry-led regeneration. An Area Action Plan is in preparation to capitalise on the area’s unique location, waterways, and access to the Olympic Park and Stratford to the East, and Hackney Wick to the North.

5.29 Some of the area is a protected conservation area, so conserving and promoting heritage-led regeneration will be a key concern.

5.30 From the 2001 census, 66% of households lived in social rented accommodation, the highest of any of the sub-areas and higher than the borough average (53%), with the proportion of private rented accommodation half that of the borough as a whole. Over the past five years over 1,700 new housing units have been built, and over the next 15 years, a projected 2,400 units are expected to be delivered. As with Canary Wharf, this sub-area will see significant change.

Socio-economic indicators

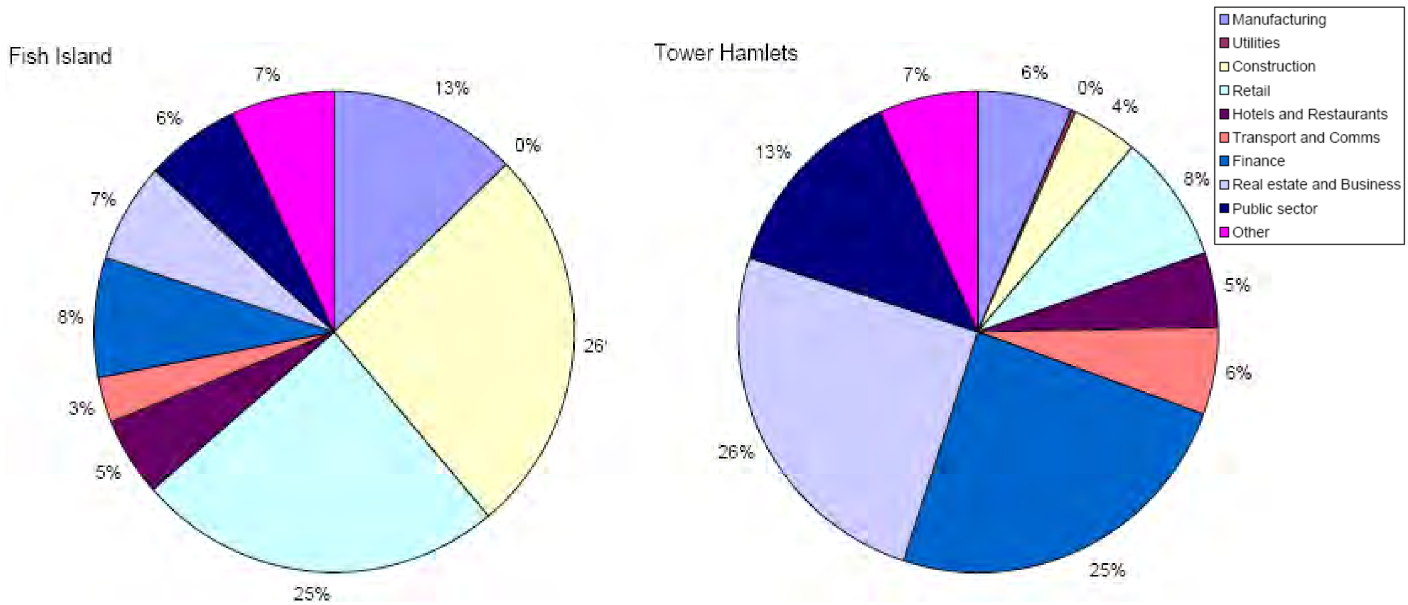
5.31 The population of Fish Island is just under 10,000, and the age profile relatively closely mirrors that of the borough as a whole, though it has a higher proportion of men and women over 45 than any of the other sub-areas or of the borough as a whole.

5.32 Nearly a third of the residents are in receipt of out-of-work benefits (28%) and one in twelve residents are in receipt of JSA. One in eleven residents claim Incapacity Benefit and Severe Disability Allowance, 50% higher than in the borough as a whole, and one in seven of the female population aged 16-44 are lone parent claimants, again 50% higher than in the borough as a whole. This is, then, currently an area of significant deprivation.

Sectoral analysis

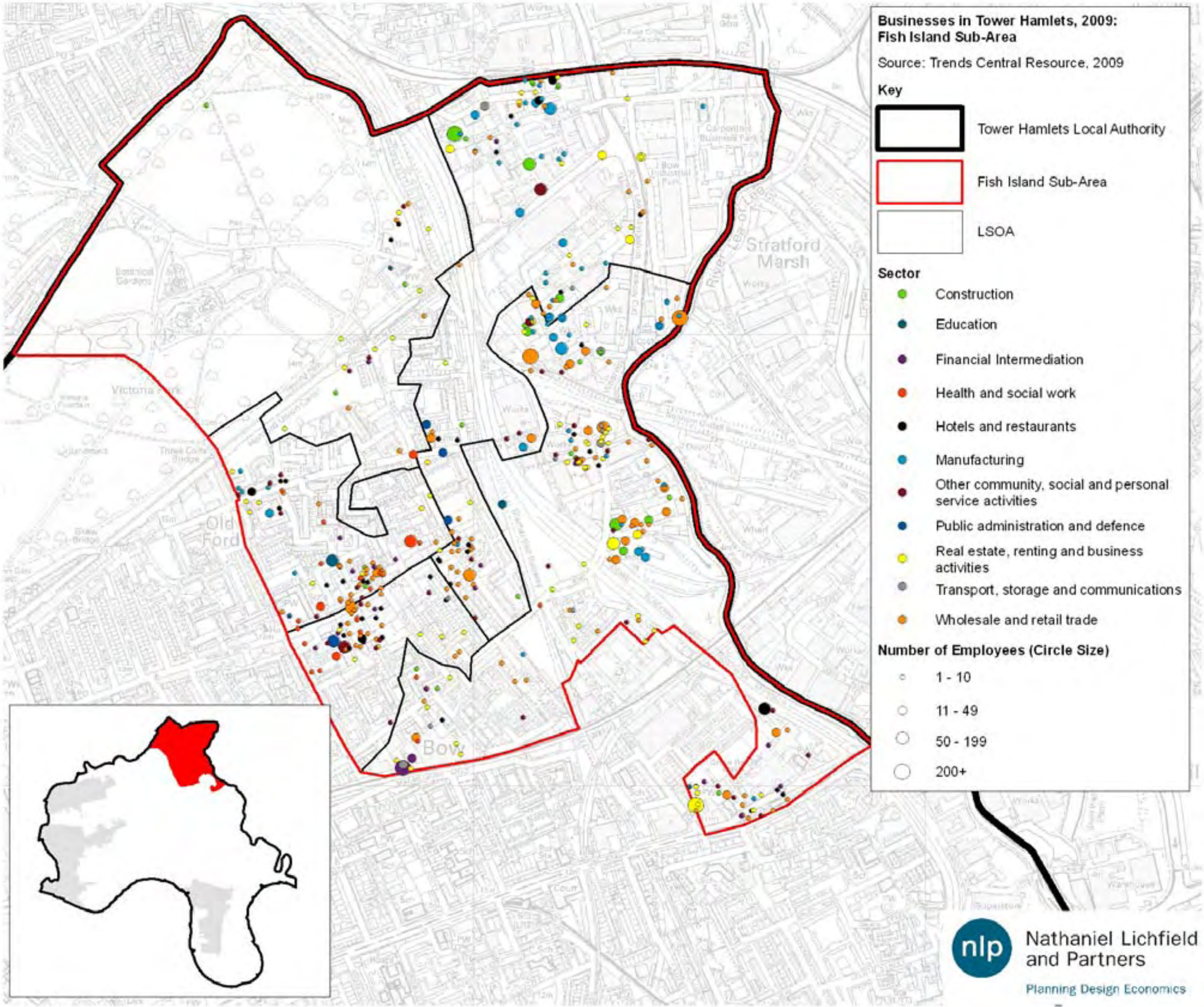
5.33 With 690 firms, Fish Island has 3% of all firms in the borough, and with just under 6,000 jobs, it accounts for 3.2% of the borough's employment.

Figure 5.15 Fish Island sub-area and Tower Hamlets sectoral analysis



Source: TCR/Navigant

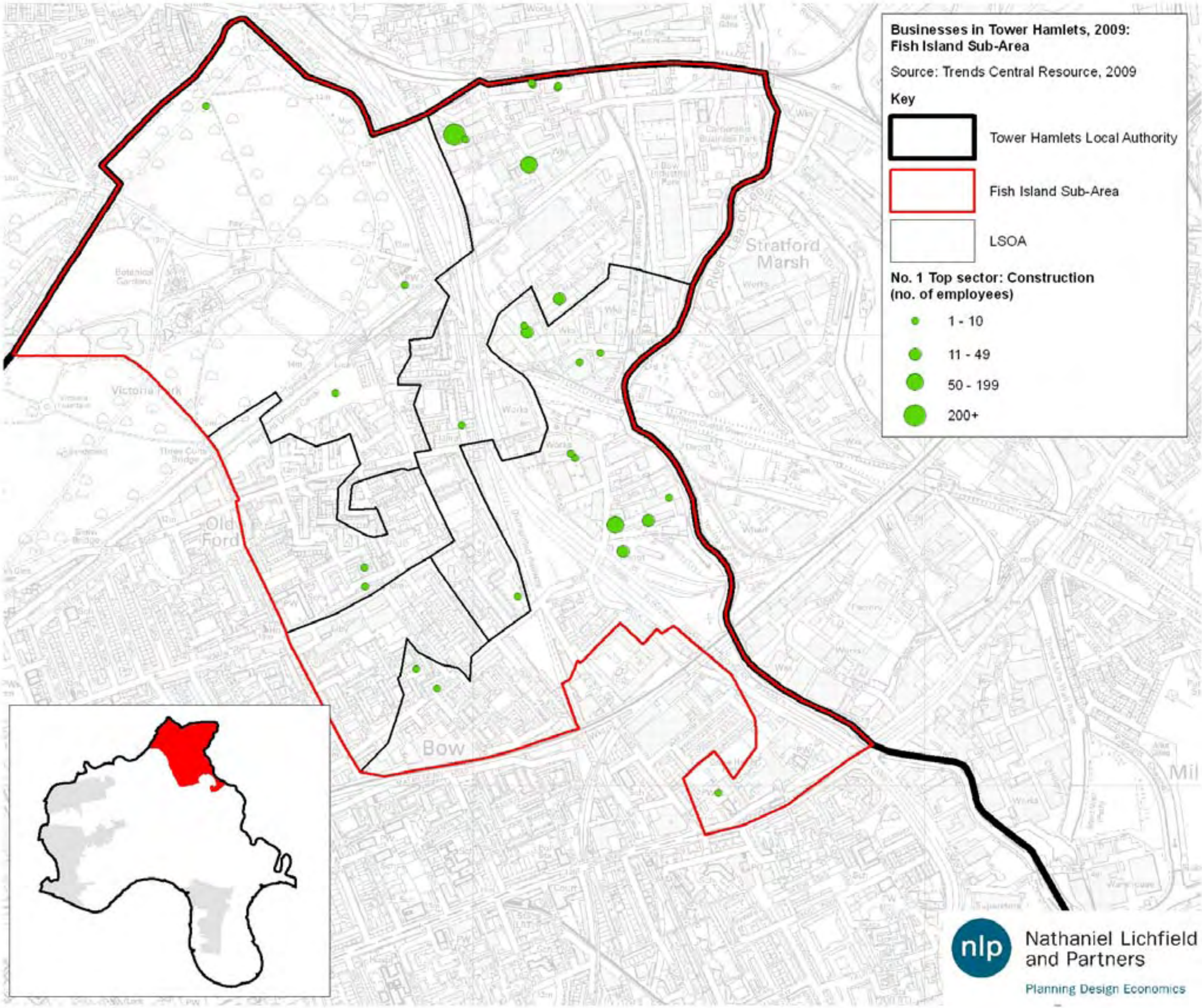
Figure 5.16 Fish Island businesses by sector and number of employees



Source: TCR/NLP

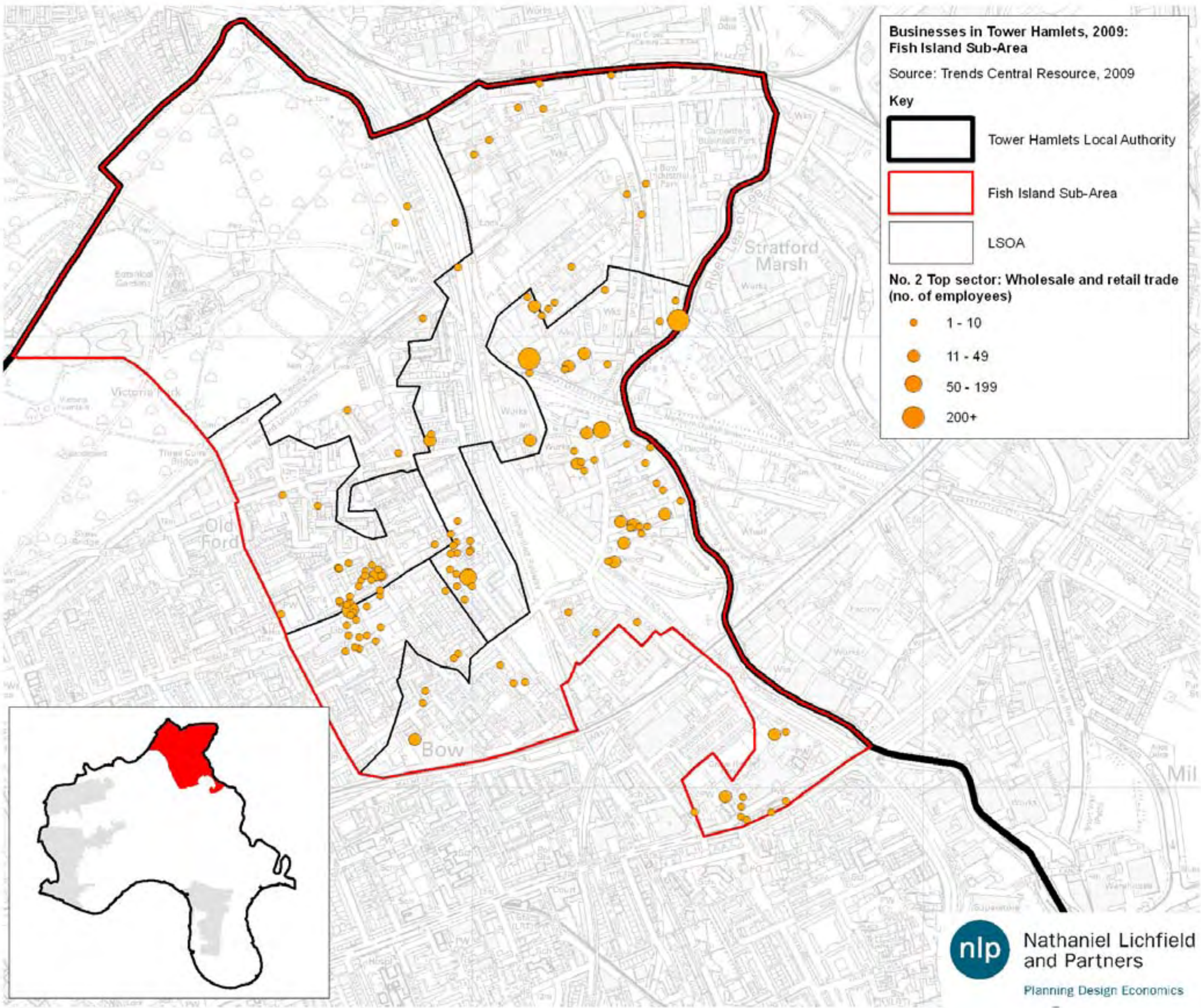
5.34 The top three sectors in the sub-area clearly echo the industrial heritage of the area. Construction and Wholesale and Retail dominate amounting to half the sub-area economy, with Manufacturing the third. There are four firms that employ over 200 employees, three of which are in the top two sectors.

Figure 5.17 Fish Island sub-area No.1 top sector



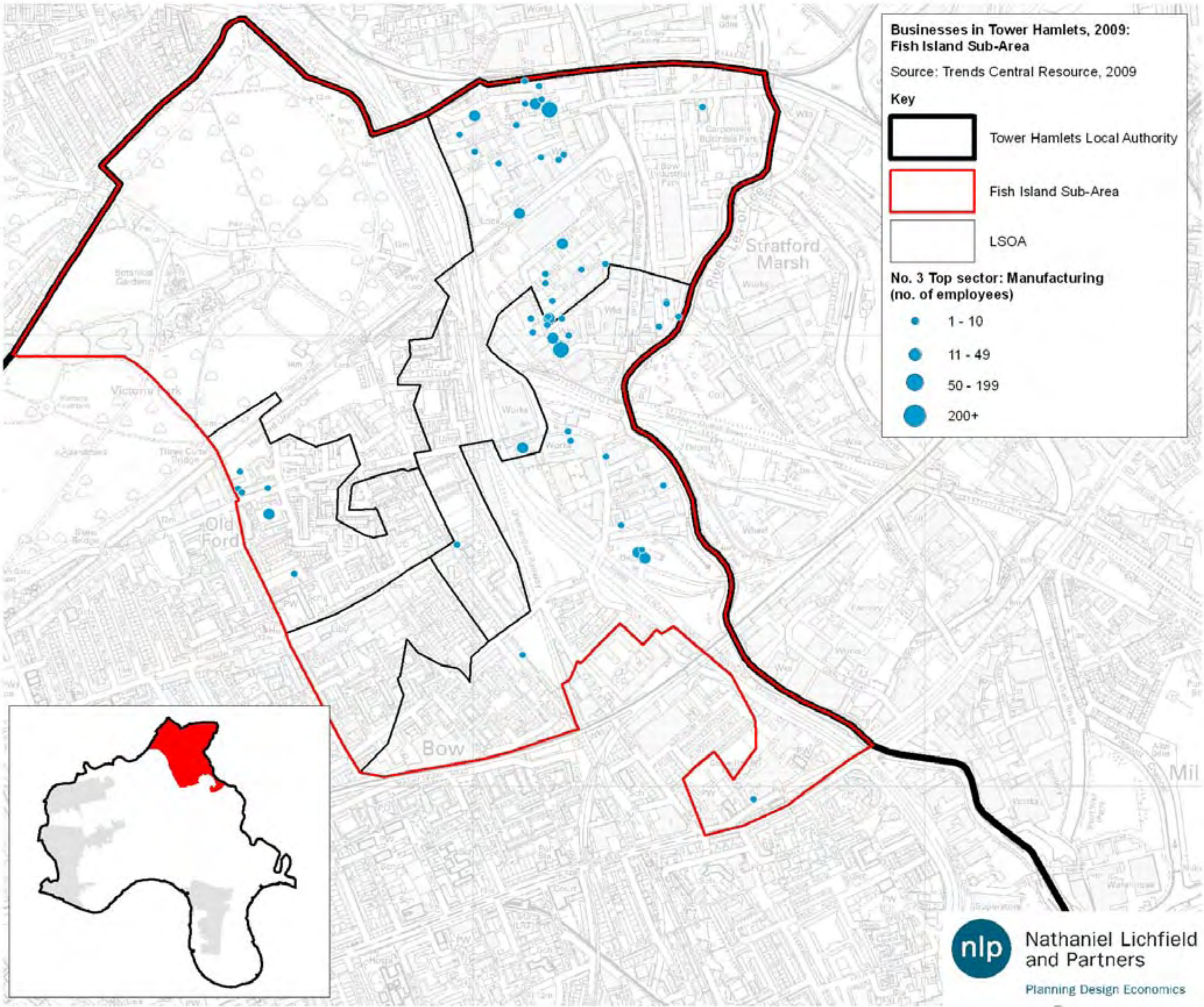
Source: TCR/NLP

Figure 5.18 Fish Island sub-area No.2 top sector



Source: TCR/NLP

Figure 5.19 Fish Island sub-area No.3 top sector



Source: TCR/NLP

Spitalfields / Aldgate

5.35 The Spitalfields / Aldgate sub-area incorporates the City Fringe and is significant both in terms of population and economic activity, as a gateway to the City of London, and as the location of historical attractions such as Brick Lane and the redeveloped Spitalfields Market that are such a great asset of the borough.

5.36 The 2001 census found that of 5,575 households, only 39% lived in social rented accommodation (compared to an average of 53%), and 27% were in private rented accommodation, compared to an average of 17%. This high proportion mirrors that of Canary Wharf and perhaps reflects the similar economic foci of the areas on financial and business services.

5.37 In the past five years a little over 100 housing units have been completed, just 9% of the total development in the borough, though this is projected to substantially increase by up to 4,000 additional units by 2025.

Socio-economic indicators

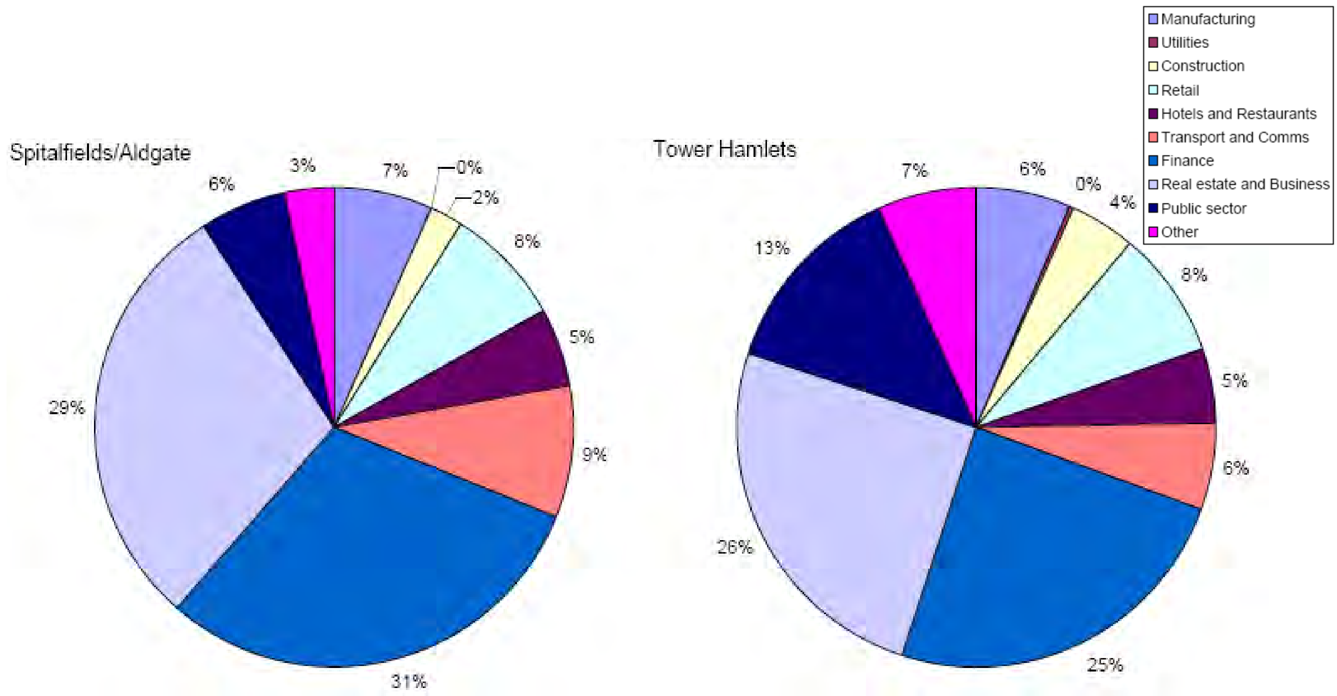
5.38 The population of the sub-area is just over 16,000, the second largest of the sub-areas, and though it has significantly fewer residents aged 0-15 years compared to the borough average, it has the highest proportion of residents aged 16-29 years: a third of all residents.

5.39 Though having fewer residents in receipt of out-of-work benefits compared to the borough average – one in six compared to one in five - and fewer residents claiming Incapacity Benefit and Severe Disability Allowance (one in eighteen compared to one in sixteen), just over half of residents are claiming due to poor mental health, higher than the borough average.

Sectoral analysis

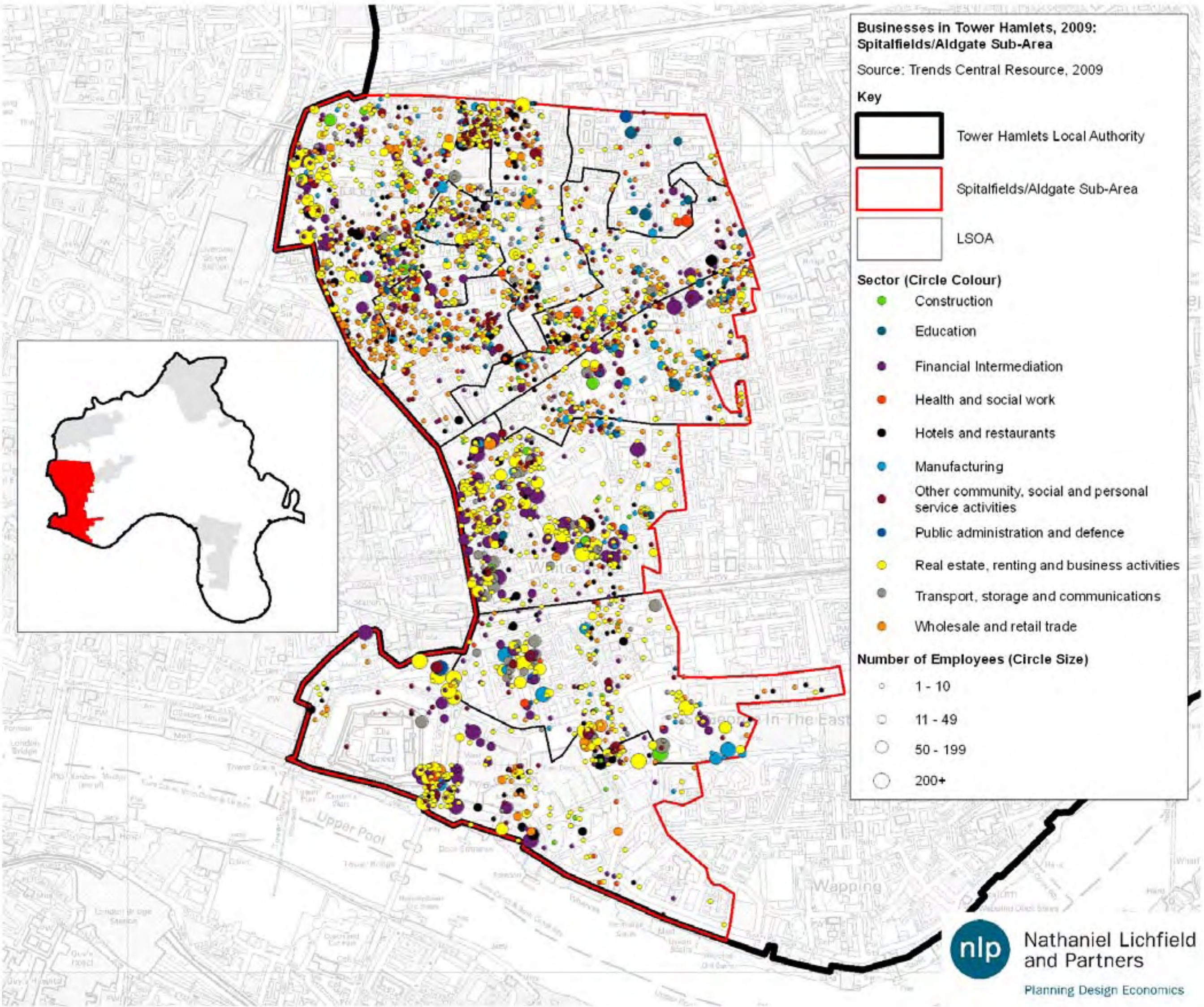
5.40 Spitalfields / Aldgate is the largest of the sub-areas analysed both in terms of the number of firms and employment: With over 5,400 businesses it accounts for 26% of the borough total, and provides 32% of the borough's jobs. This suggests that the sub-area accounts for more firms and employment than Canary Wharf but this is also significantly because the boundaries of LSOAs only approximate roughly to the actual footprint of these respective areas, with those for Canary Wharf more tightly drawn and those for this sub-area which is drawn more broadly than the City Fringe.

Figure 5.20 Spitalfields/Aldgate sub-area and Tower Hamlets sectoral analysis



Source: TCR/Navigant

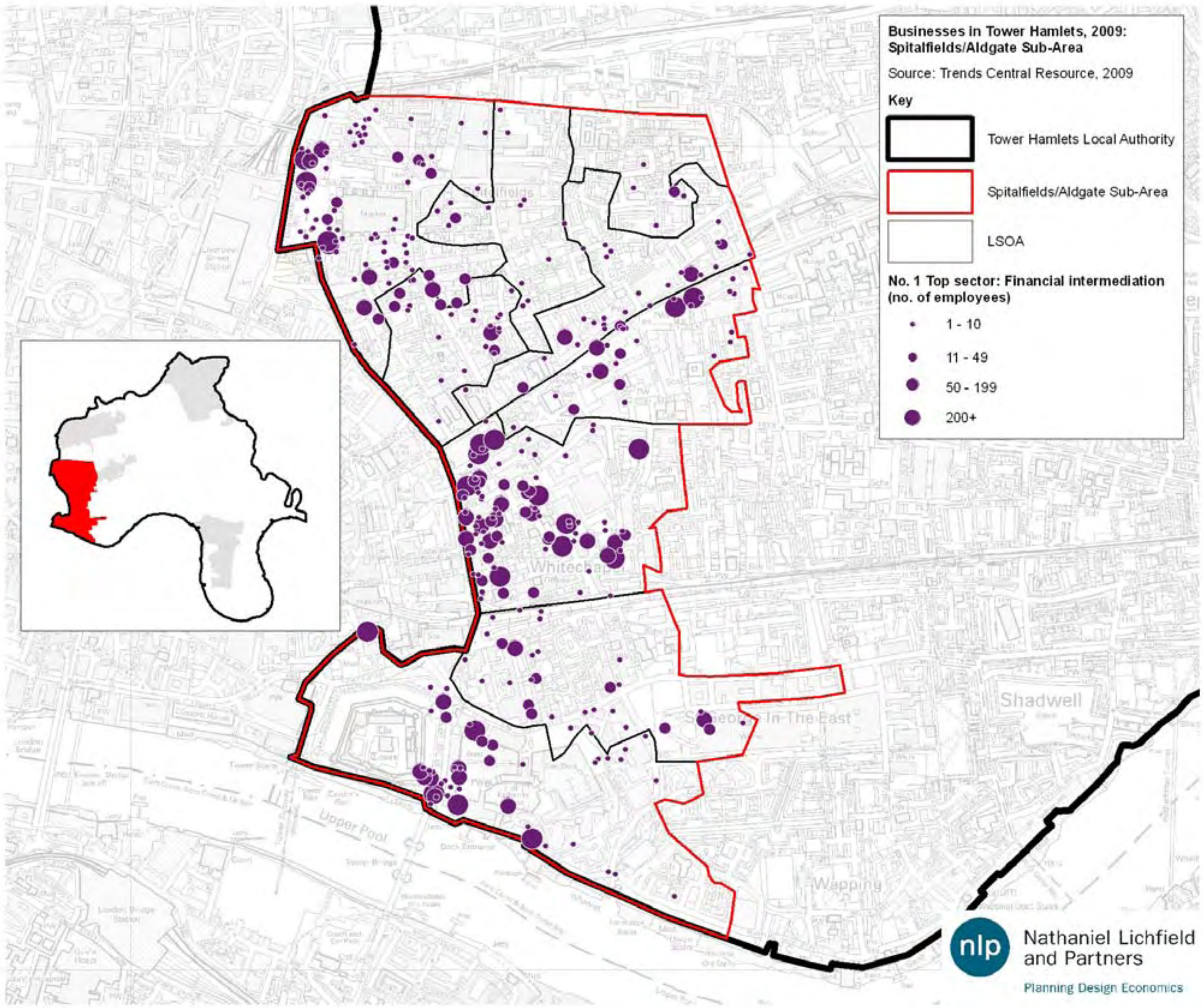
Figure 5.21 Spitalfields/Aldgate businesses by sector and number of employees



Source: TCR/NLP

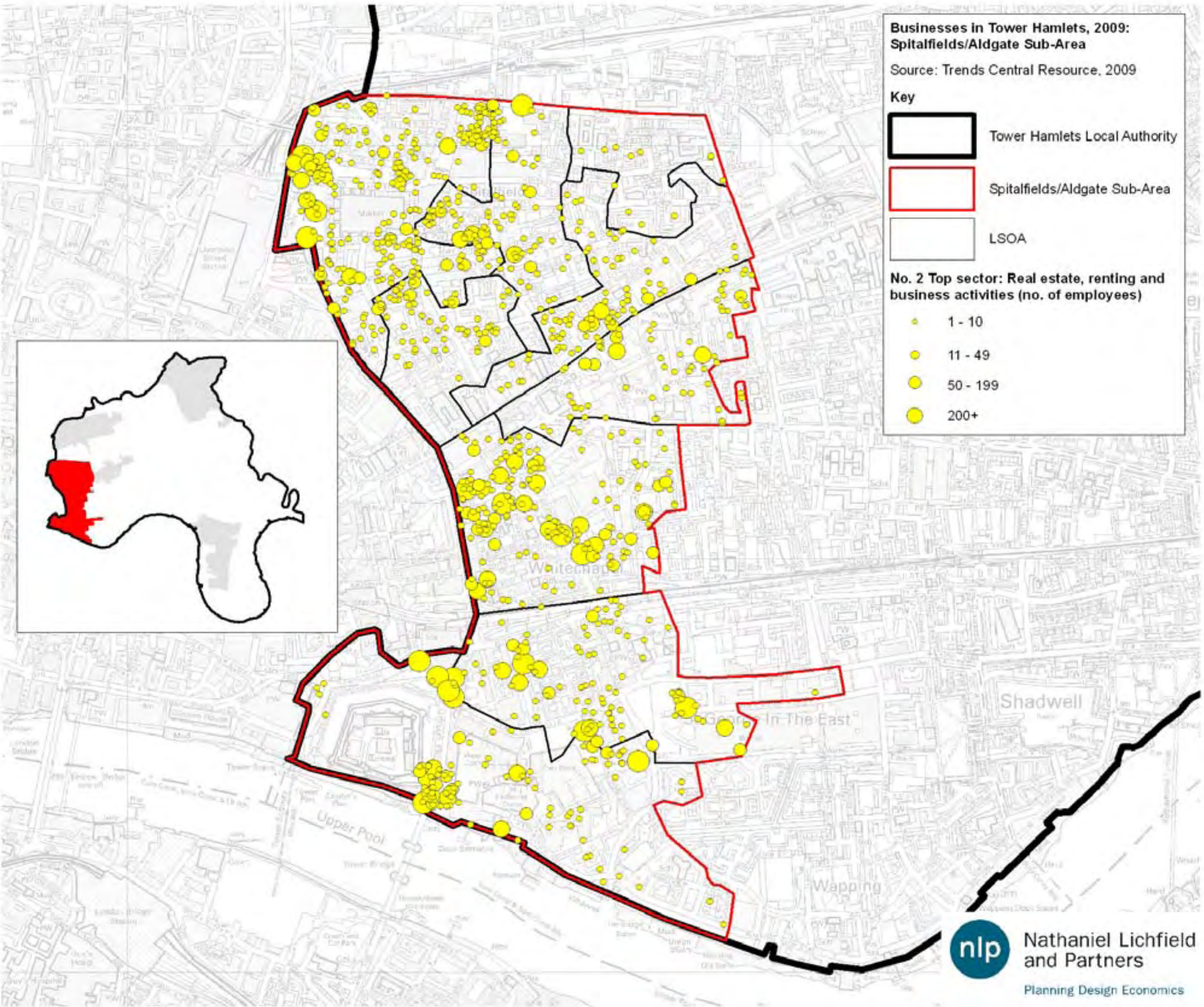
5.41 The top two sectors in the sub-area are: Financial intermediation; Real estate, renting and business activities; which account for 60% of the sub-area economy, with Transport, storage and communications a distant third. Eight firms in the sub-area employ over 200 staff, five of which are in financial intermediation.

Figure 5.22 Spitalfields/Aldgate sub-area No.1 top sector



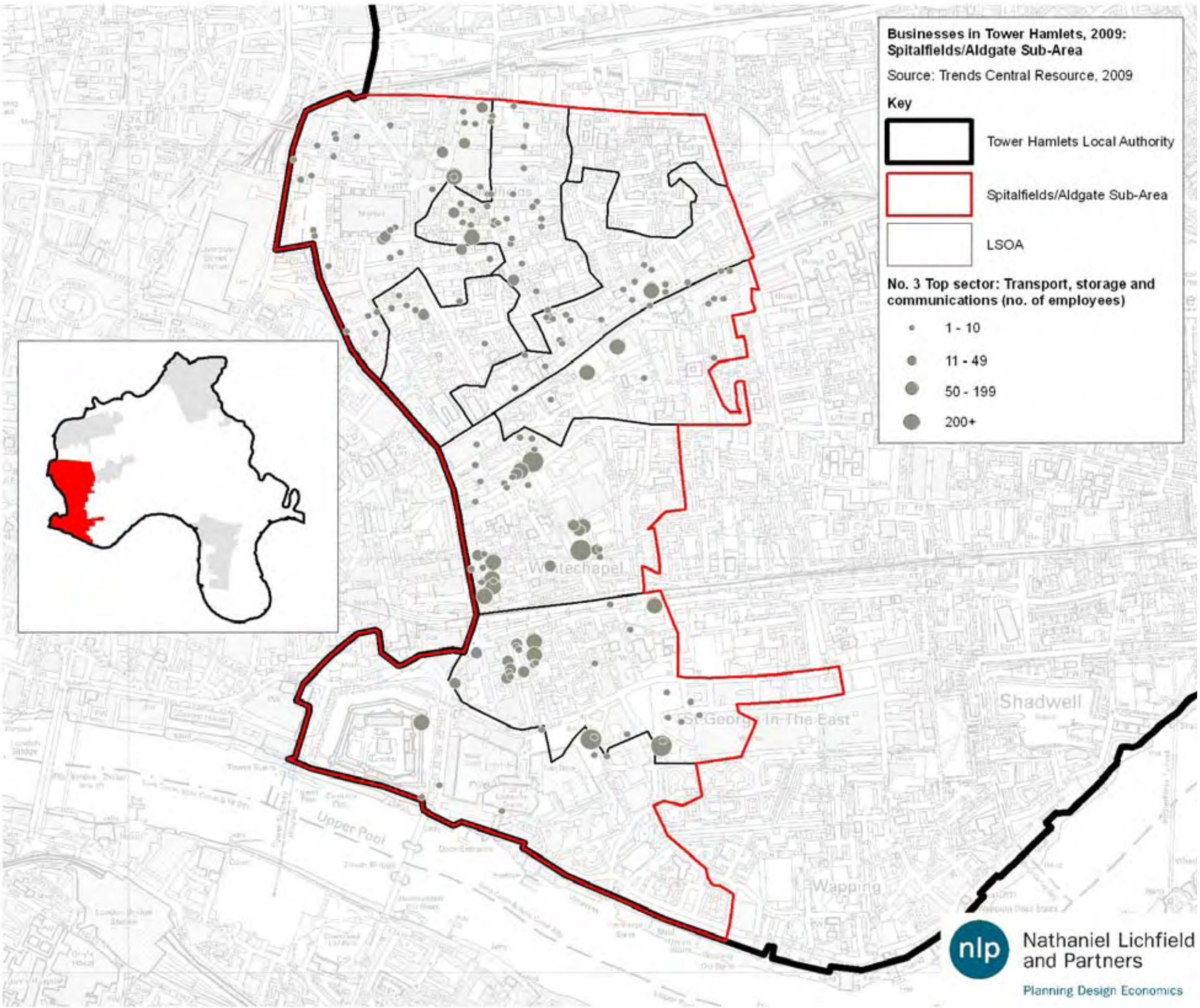
Source: TCR/NLP

Figure 5.23 Spitalfields/Aldgate sub-area No.2 top sector



Source: TCR/NLP

Figure 5.24 Spitalfields/Aldgate sub-area No.3 top sector



Source: TCR/NLP

Whitechapel

5.42 Whitechapel is located in the centre of the borough, and resembles Spitalfields / Aldgate in its western part. It is a designated district centre, and is linear, running along Whitechapel Road, a key arterial connection between central and east London. Whitechapel Road has received significant investment as part of High Street 2012, part of the gateway to the Olympic Park. A new Crossrail station and the East London Line Extension will further add to the connectivity of this sub-area.

5.43 The redevelopment of the Royal London Hospital into the biggest hospital in the country will further strengthen its importance in this sub-area (and regionally), and with the cultural attraction of the expanded Whitechapel Gallery and the street market, it is a vibrant sub-area.

5.44 From the 2001 census, a greater proportion of the just over 1,200 households live in owner-occupied dwellings and private rented dwellings compared to the borough average – for the latter this is over one in five compared to one in six. Over the past five years, only 15 housing units have been completed, though to 2025, 1,340 new homes are expected.

Socio-economic indicators

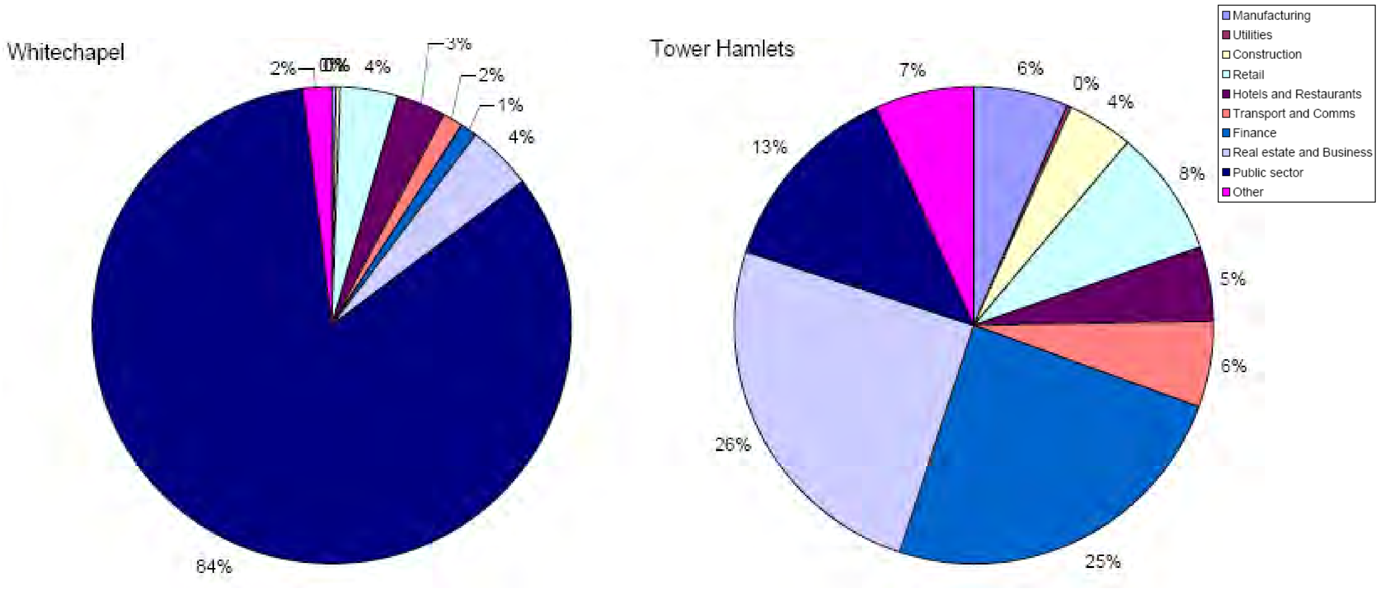
5.45 With a population of just over 2,700 residents, this is the smallest of the sub-areas examined, and the age groups are similar to neighbouring Spitalfields / Aldgate in that there are fewer residents aged 0-16 years, and significantly more aged 16-29 years (one third).

5.46 The proportion of residents in receipt of out-of-work benefits is slightly below the borough average, as is that of the number of residents claiming Incapacity Benefit and Severe Disability Allowance, and only just over half of claimants have been claiming for more than five years, compared to a borough average of 61%.

Sectoral analysis

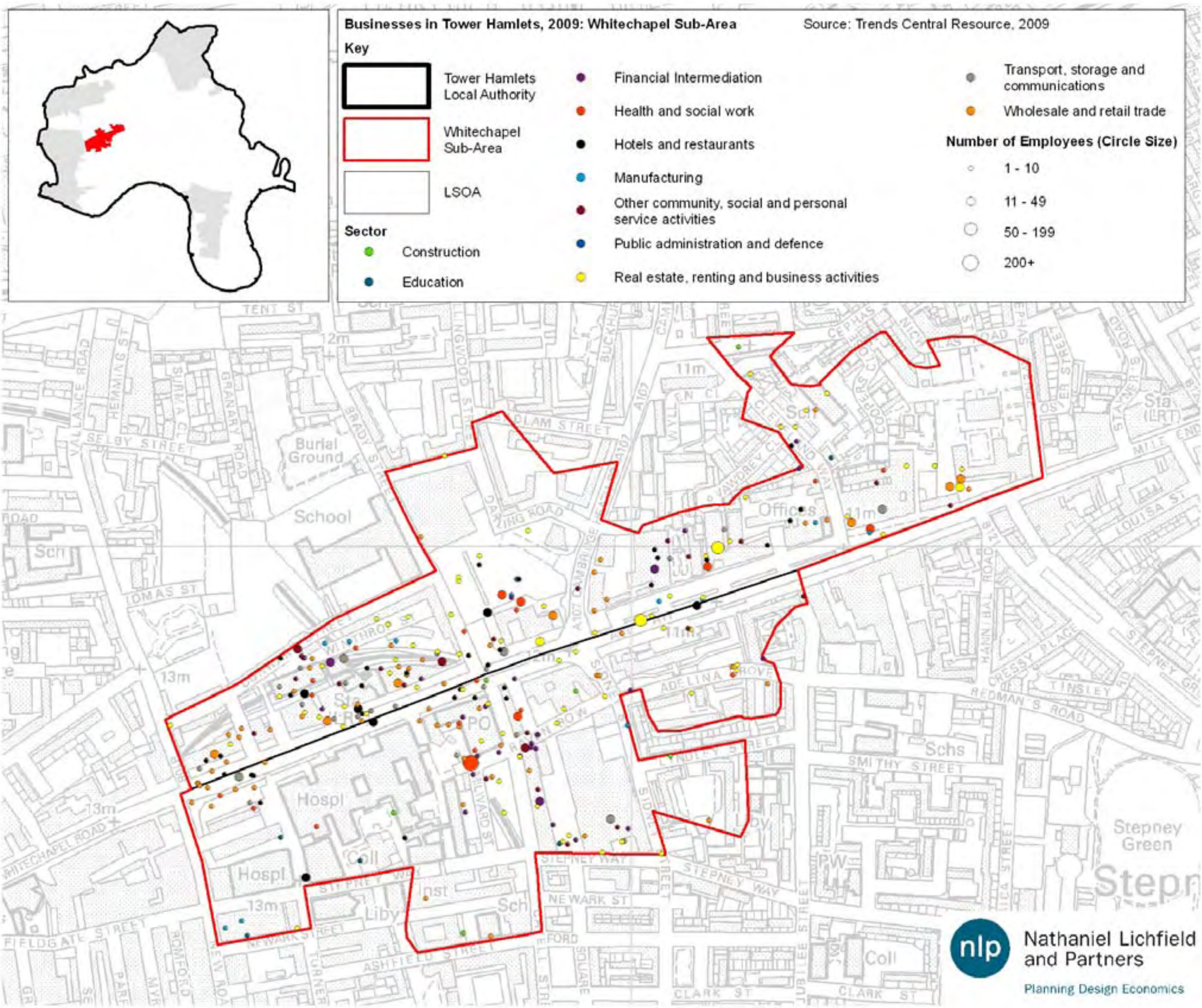
5.47 Whitechapel accounts for 5% of the borough's employment, and with over 400 firms, nearly 2% of all firms in the borough.

Figure 5.25 Whitechapel sub-area and Tower Hamlets sectoral analysis



Source: TCR/Navigant

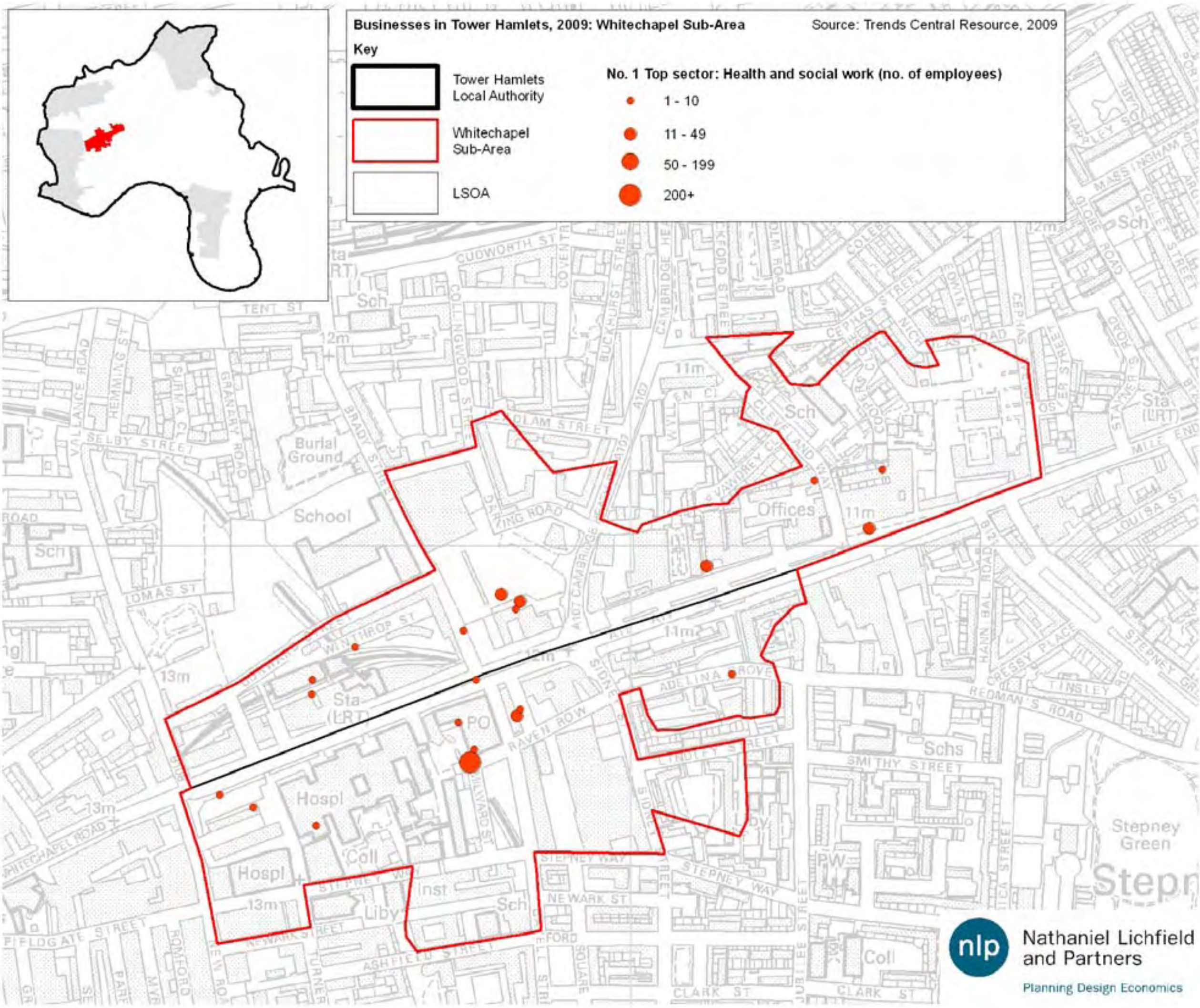
Figure 5.26 Whitechapel businesses by sector and number of employees



Source: TCR/NLP

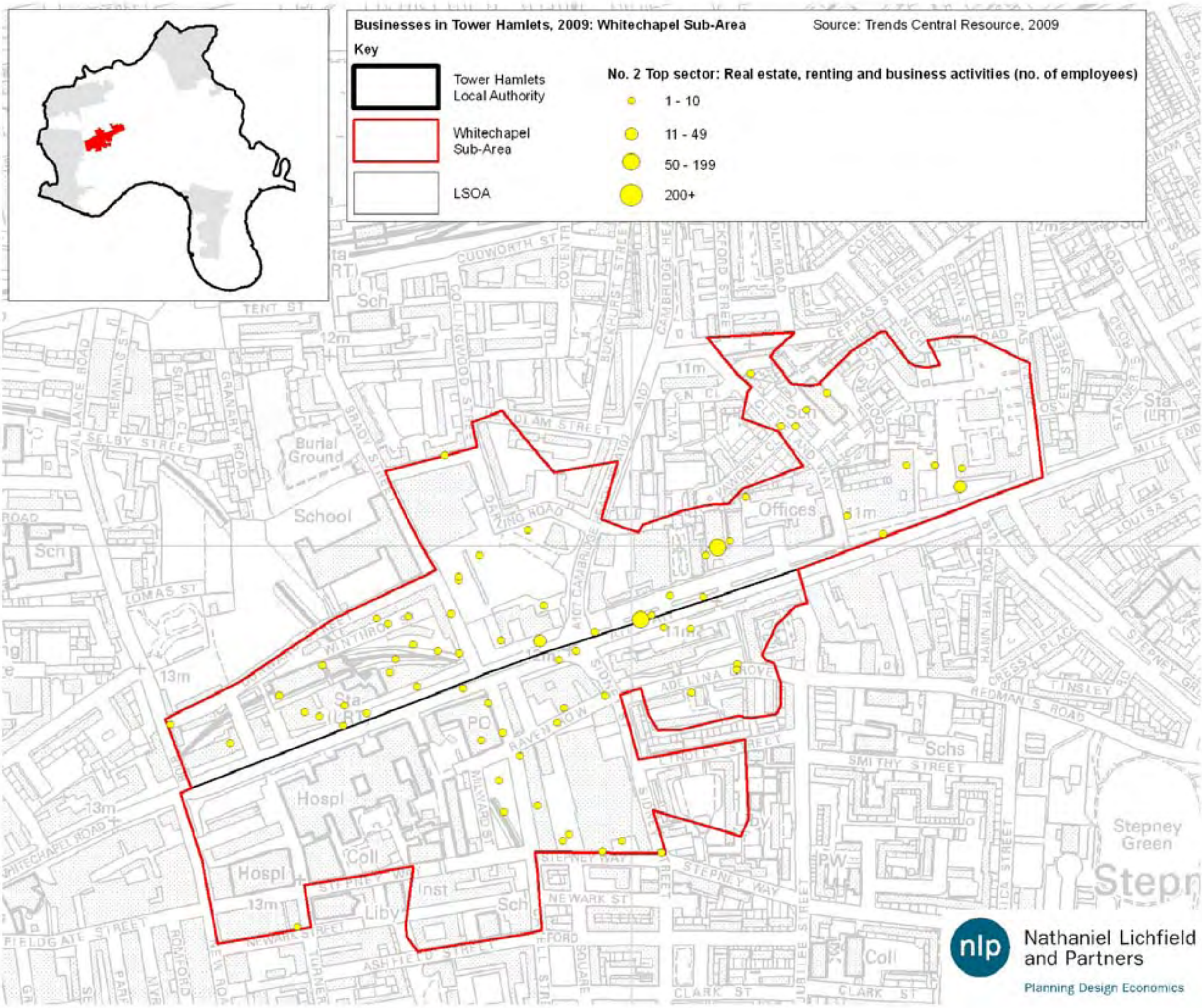
5.48 Employment in the sub-area is absolutely dominated by the Royal London Hospital with 7,500 employees and the Health and social work consequently accounts for over four-fifths of employment in the area; Real estate, renting and business activities; and Wholesale and Retail trade are, at a great distance, the next largest sectors.

Figure 5.27 Whitechapel sub-area No.1 top sector



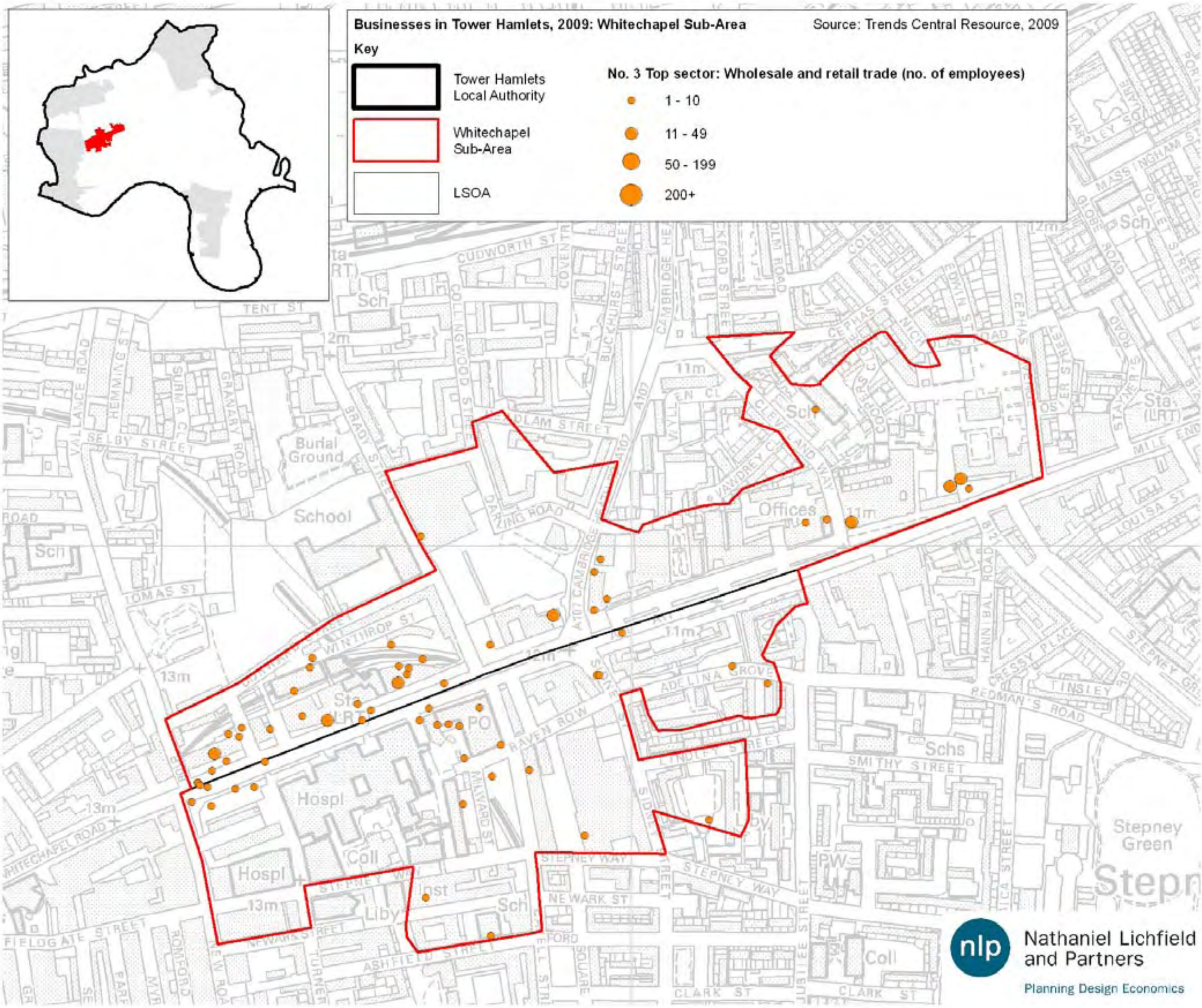
Source: TCR/NLP

Figure 5.28 Whitechapel sub-area No.2 top sector



Source: TCR/NLP

Figure 5.29 Whitechapel sub-area No.3 top sector



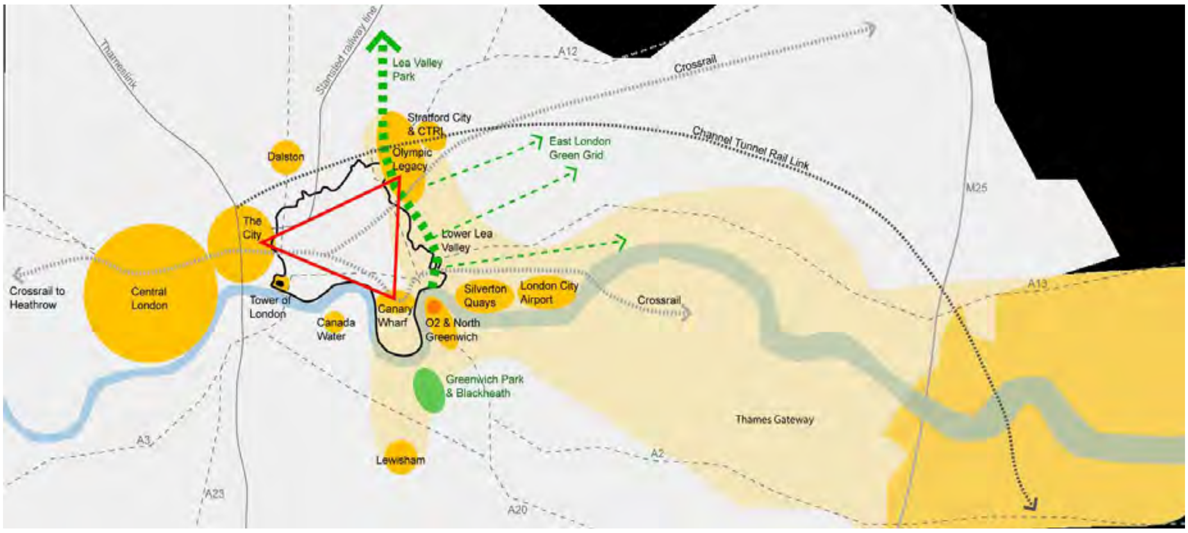
Source: TCR/NLP

Regeneration

5.49 Substantial investment and regeneration is planned for the borough which has the potential to effect change in deprived areas and to drive forward major employment growth, if coupled with economic growth in the relevant sectors.

5.50 Tower Hamlets is at the heart of major zones of regeneration and growth with a range of major new and improved transport connections (Figure 5.30 and 5.31). The success of the Docklands Light Railway in securing massive regeneration benefits to the Docklands area over the last twenty years, demonstrates the major benefits new transport infrastructure can play in stimulating growth and the local economy. As of April 2010 the East London Line has already opened through the west of the borough with others including further extensions to the DLR and Crossrail due to occur in the medium to long term.

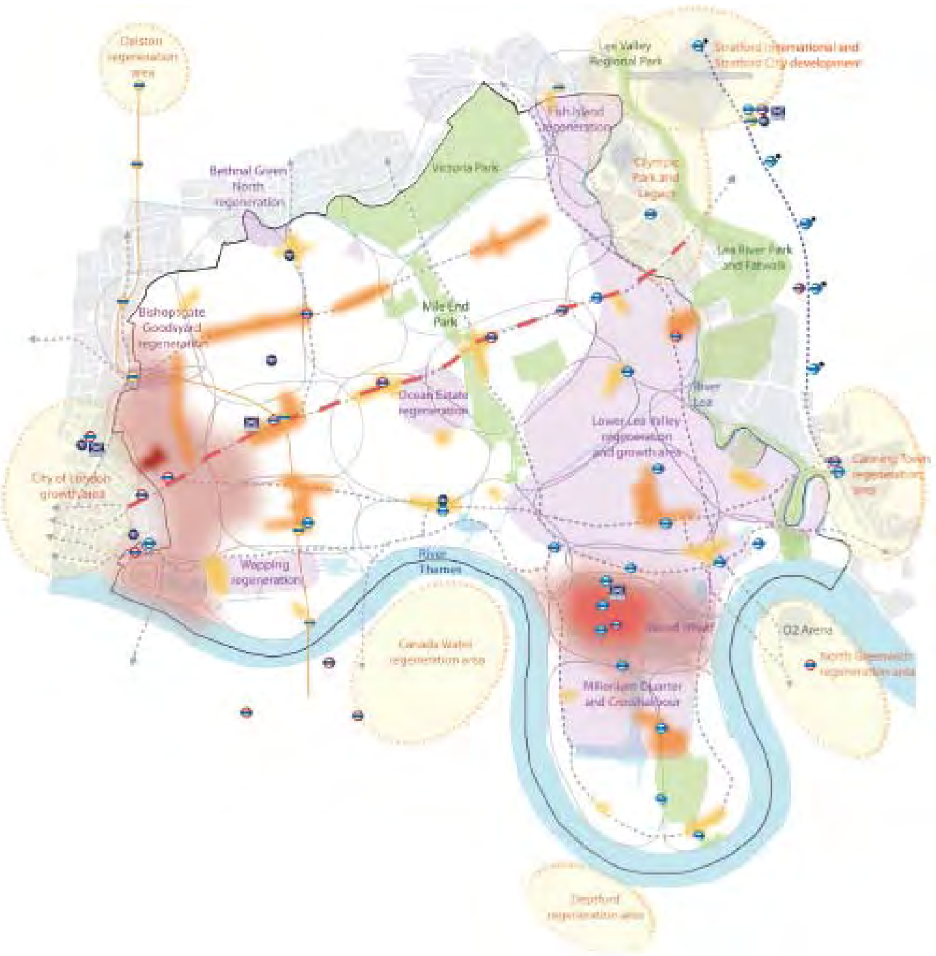
Figure 5.30 Sub-Regional Regeneration and Connectivity



Source: Tower Hamlets Local Development Framework Core Strategy (2009)

5.51 The programme of regeneration projects in and around the borough, as demonstrated in the Core Strategy, provides a comprehensive picture of change and investment (see Figure 5.31 below).

Figure 5.31 Programme of Delivery



Source: Tower Hamlets Core Strategy

Olympics

5.52 Tower Hamlets sits on the doorstep of the 2012 Olympics site - the single largest regeneration project in Europe. To secure the maximum benefits for the borough, the London 2012 Olympic & Paralympic Games Legacy Strategy and Programme for Tower Hamlets identifies that: -

“Fundamentally our strategy must be to exploit the Games for local benefit and to enable the greater number locally to simply enjoy the experience – and in the process make a step change towards achieving key goals for the Borough of increasing and sharing prosperity, of making better places and of bringing our communities closer together”

5.53 The ‘5 Borough’s One Vision’ identifies a number of regeneration benefits to East London, inter alia:

- Significant legacy benefits from new infrastructure/sports facilities;
- Opening up opportunities for local communities in the Lea Valley;
- Delivering 9,000 new homes after the Games;

- Providing major boost for business and jobs;
- Engaging and motivating young people in sport/recreation;
- Providing focus for new local training/skills programmes;
- Improvements to physical landscape;
- Levering greater private investment to lead to earlier regeneration than would otherwise have occurred; and
- Providing an opportunity to improve the health of residents.

5.54 The Council has been working with the other Host Boroughs and the wide range of national and regional agencies working to secure a sustainable legacy from the 2012 Games for its residents. The sign up across all of the agencies – notably the Mayor of London, and national government departments to the principle of convergence, that "*within 20 years the communities who host the 2012 Games will have the same social and economic chances as their neighbours across London*" cements the importance of securing lasting benefits from the physical transformation of the Olympic Park and transport infrastructure in the area.

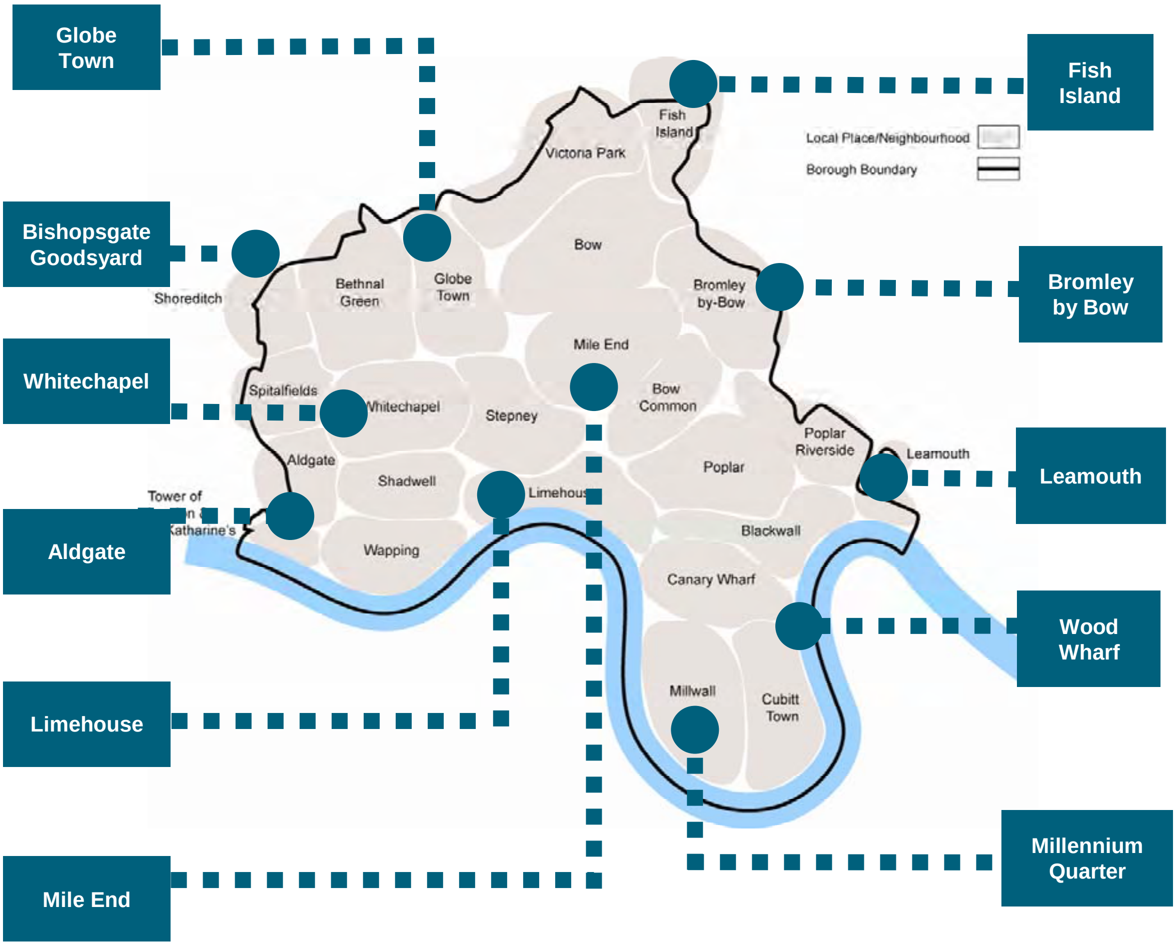
5.55 The Council continues to press for consideration of how residents will be able to best physically access the jobs that will be created in Stratford and the physical infrastructure of the Queen Elizabeth Park.

Future Opportunities and Enablers

5.56 The sub-areas selected were deemed to be of particular interest to the economy of the borough, and were focused on in order to understand in more detail the key sectors that are active. With expected development in other areas of the borough, this may mean that any future assessment may extend to other key areas, including Poplar and Mile End amongst others highlighted below.

5.57 Future opportunities for regeneration focus on a mix of flagship development sites, tackling neighbourhood regeneration, and reinforcing economic foci, and span the borough, as demonstrated on the map below.

Figure 5.32 Key Regeneration Opportunities



Source: Based on Tower Hamlets Community Plan/Core Strategy

Mile End

5.58 Mile End has an existing, vibrant town centre, and with Mile End Park and the Regent's Canal along with the Stadium and Leisure Centre, it has a strong offer to residents and the student communities of Queen Mary University London. The area will undergo housing growth, with development on a number of new sites and housing estate regeneration. A new mixed-use town centre is planned at the junction of Mile End Road/Grove Road/Burdett Road.

Poplar

5.59 With the expansion of Canary Wharf to the South, and housing estate renewal and new development in Poplar led by Poplar HARCA, this area is expected to become more economically active and will see a substantial increase in residential density.

The regeneration of Chrisp Street district centre, which already has an important local market and an IDEA store, to encourage additional retail, leisure and civic uses will strengthen the role of this area, and with proposed increased pedestrian connections to Canary Wharf in the South across East India Dock Road, can complement the role of Canary Wharf.

Globe Town

5.60 Globe Town envisages lower housing growth than in the recent past, but a greater focus on lower density family housing, something identified as a key priority in the borough. Public realm and other improvements will support the vitality and viability of Roman Road.

Bishopsgate Goodsyard

5.61 Bishopsgate Goodsyard crosses the Tower Hamlets/Hackney border and provides a major mixed-use development opportunity, close to the new Shoreditch High Street London Overground station.

Limehouse

5.62 Continued medium levels of growth are envisaged in this area, with old industrial sites being redeveloped for residential or mixed-use. A new neighbourhood centre at Limehouse DLR/Commercial Road is foreseen and the promotion of SME business space.

Bromley by Bow

5.63 Comprehensive regeneration proposals have been set out for this area including transformation of the A12 to provide a new town centre and better linkages to surrounding areas, taking advantage of the location and amenities already there. Compulsory purchase of land to assemble land for the new centre is being undertaken by the London Thames Gateway Development Corporation.

Leamouth

5.64 Older industrial uses are to be redeveloped for mixed-use, predominantly residential, development in this area, with the safeguarding of Orchard Wharf for future cargo-handling uses.

Millennium Quarter

5.65 A new development at North Millwall is planned through the Millennium Quarter Masterplan to include 2-5,000 new dwellings, new commercial and leisure facilities, and better linkages through to the North with Canary Wharf.

The Economic Role of Town Centres

5.66 At the heart of the individual hamlets or 'Places' are the Borough's Town Centres, illustrated in Figure 5.33. These are key locations for business and provide strong sources of employment. Retailing, the UK's second sector in job terms and has significant potential to drive change. There is growing recognition that new retail investment can make a real and significant difference, bringing jobs and investment, and acting as a catalyst for further economic and social development.

Figure 5.33 Town Centre Hierarchy

Source: Tower Hamlets Town Centre Spatial Strategy to 2025 (July 2009)

5.67 The retail and leisure sector is still perceived by some as providing poorer quality jobs or merely displacing existing jobs while the type of employment they offer does not always sit easily with objectives for employment growth in higher skilled and knowledge-based sectors. Yet retail and other core town centre uses make a significant contribution to economic development and regeneration.

5.68 These uses generate high numbers of local jobs that are generally more resilient to economic downturns, and these jobs in turn offer flexible employment opportunities for those unable to work fixed hours (such as single parents, students, those with disabilities and those needing second jobs). The jobs require a range of skills, but many are suited to less skilled workers in the young, female and elderly sectors, where economic inactivity tends to be highest. Typically these jobs offer training and career progression, and employ more workers living locally (compared to other sectors).

5.69 Development of retail or other town centre uses can, in the right circumstances, provide land values sufficient to make marginal or costly brownfield sites viable. New development can signal investor confidence in marginal areas, transform perceptions and be a catalyst for future investment and growth, and high quality schemes with accompanying improvements to the public realm and streetscape can bring physical and place-making regeneration benefits.

5.70 The Town Centre Spatial Strategy to 2025 establishes that there has been significant pressure for retail and leisure growth in the City Fringe area to the West of the borough and around Canary Wharf, and this is perceived to have conflicted with local needs in these areas and also impacted negatively on the quality of local amenity (street cleanliness, noise, etc). At the same time, the role and accessibility of local centres and markets in the central and most deprived areas of Tower Hamlets require management to ensure that they best meet local needs.

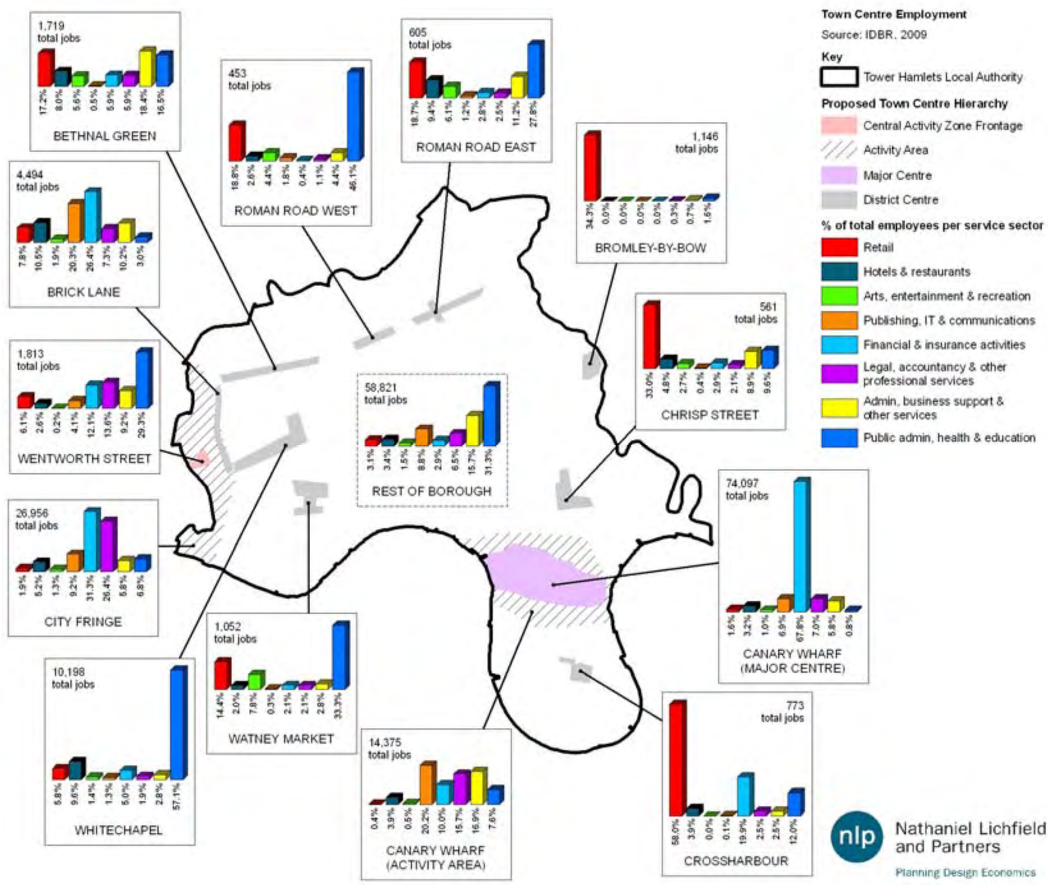
5.71 The retail strategy acknowledges that the proximity of the West End to the borough will always attract shoppers away from Tower Hamlets but that there is also potential to claw some of this expenditure back by focusing on the above objectives and ensuring that care is taken to build on the local distinctiveness which the borough's centres can offer to the consumer.

The Economic Functionality of Key Town Centres

5.72 A useful baseline profile of town centres is set out in the Town Centre Spatial Strategy 2009-2025 and this is not repeated in this LEA. However, that document does not provide analysis of each centre's business and employment role. Using geo-referenced IDBR data, the economic structure of each of the defined town centres within the Borough has been quantified – the District Centres, Major Centre, and Activity Areas set out in the Town Centre Spatial Strategy.

5.73 The results are illustrated in Figure 5.34 and detailed in Table 5.2.

Figure 5.34 Town Centre Employment in Service Sector Activities



Source: IDBR, 2009 / NLP analysis

5.74 This analysis reveals the important employment role of the Town Centres which provide 138,000 jobs, or 68% of the borough's total workplace employment. Although these are defined as including the City Fringe and Canary Wharf (the main employment locations for the borough), excluding them gives a figure of 96,000 jobs (49% of the borough total).

5.75 The other key factor is the diversity of employment within designated Town Centres and Activity Areas, including:

- 62,300 jobs in financial and insurance activities – this dominates employment within the Canary Wharf designated major centre and the City Fringe;
- 15,500 jobs in legal, accountancy and other professional services –reflecting the presence of these sectors within the City Fringe activity area;
- 11,500 jobs in publishing, IT and communications activities – accounting for high proportions of jobs in the Canary Wharf activity area, but also around Brick Lane;
- 11,200 jobs in public administration, health and education – accounting for high proportions of jobs at Whitechapel, Watney Market and Roman Road;

- 6,100 jobs in hotels, restaurants and other catering activities – with particular representation around Whitechapel, Brick Lane and Bethnal Green; and
- 4,400 jobs in retail sectors – accounting for high proportions of jobs ay Bromley-by-Bow, Chrisp Street and Crossharbour.

Table 5.2 Economic Structure of Town Centres

Proposed Town Centre Hierarchy		Total Employment	% of total employment Retail	Hotels & Restauran	Arts, entertain ment &	Publishin g, IT & comms	Financial & insurance services	Legal, accountan cy & prof services	Admin, business support & other	Public admin, health & education
Wentworth Street	Central Activity Zone Frontage	1,813	6.1	2.6	0.2	4.1	12.1	13.6	9.2	29.3
City Fringe	Activity Area	33,263	2.9	5.8	1.3	10.4	29.6	23.1	6.5	7.5
City Fringe	Activity Area (excluding Wentworth Street & Brick Lane	26,956	1.9	5.2	1.3	9.2	31.3	26.4	5.8	6.8
Canary Wharf	Activity Area	88,472	1.4	3.3	1.0	9.0	58.4	8.4	7.6	1.9
Canary Wharf	Major Centre	74,097	1.6	3.2	1.0	6.9	67.8	7.0	5.8	0.8
Canary Wharf	Activity Area (excluding Major Centre)	14,375	0.4	3.9	0.5	20.2	10.0	15.7	16.9	7.6
Whitechapel	District Centre	10,198	5.8	9.6	1.4	1.3	5.0	1.9	2.8	57.1
Bethnal Green	District Centre	1,719	17.2	8.0	5.6	0.5	5.9	5.9	18.4	16.5
Roman Road East	District Centre	605	18.7	9.4	6.1	1.2	2.8	2.5	11.2	27.8
Roman Road West	District Centre	453	18.8	2.6	4.4	1.8	0.4	1.1	4.4	46.1
Watney Market	District Centre	1,052	14.4	2.0	7.8	0.3	2.1	2.1	2.8	33.3
Chrisp Street	District Centre	561	33.0	4.8	2.7	0.4	2.9	2.1	8.9	9.6
Crossharbour	District Centre	773	58.0	3.9	0.0	0.1	19.9	2.5	2.5	12.0
Bromley-By-Bow	District Centre	1,146	34.3	0.0	0.0	0.0	0.0	0.3	0.7	1.6
Brick Lane	District Centre	4,494	7.8	10.5	1.9	20.3	26.4	7.3	10.2	3.0
Rest of the Borough (non town centre)		58,821	3.1	3.4	1.5	8.8	2.9	6.5	15.7	31.3

Source: IDBR, 2009 / NLP analysis

5.76 The analysis highlights not only the significant sectoral variation across the borough's town centres, but also their relative contribution in terms of total employment. In total, about 21,000 jobs are located within the nine district centres, less than a third of the jobs located within the Canary Wharf major centre. Of the district centres, Whitechapel is the largest in employment terms by some margin, followed by Brick Lane.

Future Growth Needs

5.77 In 2009, Tower Hamlets commissioned a Retail & Leisure Capacity Study which identified relatively low comparison expenditure retention in the borough, reflecting the proximity and easy accessibility to the West End, but 73% convenience expenditure retention (despite some areas lacking in supermarket provision). This is identified as being a 'healthy level of retention' for a London borough, and this assessment is broadly shared by NLP's own experience.

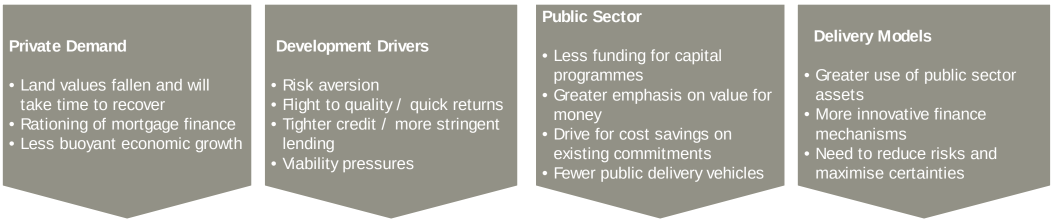
5.78 The study identifies a requirement for up to 16,600sqm net of additional comparison floorspace by 2017 and 10,560sqm net of additional convenience floorspace to meet quantitative needs. Some scope for additional floorspace in certain locations is identified to meet other qualitative needs and particularly where this gives rise to regeneration benefits. The study recommends: -

- New comparison floorspace should be focused in Canary Wharf, Chrisp Street, Brick Lane, Bethnal Green and Crossharbour, and potentially in Bromley by Bow. New convenience floorspace should be focused in Bethnal Green and Roman Road East (where current provision is poor) and in Whitechapel, Bromley by Bow and Crossharbour (where existing stores are overtrading).
- The importance of independent retailers to the local economy are noted (e.g. Brick Lane) in attracting customers. Street markets are also important and are generally well used both from a retail and social/cultural perspective.
- The study identifies that demand in the recreation sector should support the provision of at least one additional sports facility, at least one new cinema as well as new restaurants, bars and cafés in the period up to 2017. However, the proximity of the West End may mean that it may be difficult to attract new operators to the area. The Westfield Centre at Stratford due to open in 2011 which also features a range of A3 and D2 uses may have a similar effect, although this has not been tested in impact/expenditure terms. Much may depend on the scale of population growth.
- Existing hotel provision is focused in Docklands and close to the City and it is likely that increased demand will give rise to new proposals up to 2017. There are 1,995 hotel bed spaces in the current pipeline (approved in planning terms or under construction) for 2009/10[10].

The Changing Drivers of Regeneration

5.79 In considering the scope for the borough to realise the benefits of the regeneration plans identified, it is important to recognise that the landscape for delivering transformational change has shifted. This relates to four key drivers:

[10] Tower Hamlets Planning Approval Data 2009-10



Private Demand

5.80 A significant part of the delivery model for regeneration over the past decade has been founded on ready access to credit to take forward new regeneration schemes, particularly where they are residential or consumption (e.g. retail/leisure) led. Although many schemes in Tower Hamlets have been marginal or have faced the need for public sector funding, particularly to deliver higher levels of affordable housing provision, they have nevertheless been able to deliver at all because demand has been strong. This model has now fundamentally changed as grant and private finance and mortgages are no longer as freely available.

5.81 It is clear that falling land values will take some time to recover, even if house prices in London continue to do so. Meanwhile some form of mortgage finance rationing is likely meaning that, potentially, where some locations, products and customers combine, there is likely to be a squeeze on the ability of customers for residential property to secure the finance they need to access it.

5.82 More generally, the potential for a more sluggish growth in the consumption led part of the economy (e.g. retail, leisure) where that caters for those parts of the population more dependent on credit to fuel spending over the past decade, means that the capacity for retail or leisure schemes to support wider regeneration will be more limited, although not eradicated.

5.83 The demand for office space is uncertain. The pipeline of supply that was committed pre-recession is still to emerge through the system. This may play out to result in internal displacement due to dampened demand for net new space.

Development Drivers

5.84 The development industry has emerged from the recession defined by a number of characteristics.

- It is generally more risk averse in terms of the types and location of project it will take on – the so-called flight to quality. In some cases, developers are seeking short term returns to repair balance sheets rather than longer term opportunities; in others, they are looking for the right kinds of opportunity to secure good, longer term investment yields;
- Where the business model is debt-finance driven, developers are needing to work harder to secure development finance,
- Where there is access to investment (and there are a significant number of cash-rich investors) organisations are only willing to pay lower rates for land and assets – something that is not necessarily being reflected in land and property owners sales values; and

- Finally, specialist developers are looking to take on long-term partnership arrangements with public sector partners based on land and property assets and/or infrastructure investments.

5.85 Combined, these lead to a market for development that makes it more difficult, although by no means impossible, to bring forward market appetite for regeneration, provided that it delivers the right balance of risk and reward, and with levels of uncertainty reduced where possible.

Public Sector

5.86 The issues around public sector funding are familiar. In general terms, the funding sources identified for regeneration are, like most public sector funding, constrained by Spending Review periods, though the in-year cuts imposed by the Coalition Government have changed the dimension of funding security, with many programmes cut or significantly reduced.

5.87 The Comprehensive Spending Review for the period 2011-2014 heralded further significant cuts to local authority budgets, impacting the capital and revenue spend of services and programmes alike.

5.88 So, it is likely that the environment for regeneration funding in Tower Hamlets will, like in the rest of the country, be focused around value for money, efficiencies, and effective use of the public sector asset base and land holdings.

Delivery Models

5.89 Achieving more through use of public sector assets is now the priority, with asset-based vehicles an option for driving value for local authorities to achieve regeneration and growth objectives, or the Homes and Community Agency's Public Land Initiative predicated on joint ventures with deferred land receipts for the public sector (the rebalancing of risk identified above), but there are other models too, for example Tax Increment Financing (TIF), borrowing on the basis of future business rates growth.

5.90 Wood Wharf itself is an example of a joint venture led by British Waterways, based on a defined land portfolio and clear masterplan. Other asset backed vehicles for wider local government portfolios would be more complex, with challenging governance, financing, and planning issues to be overcome in order to secure a viable model. In general terms, there are three success factors:

1. A strong investment prospectus – a clear vision of how the assets can generate value, including where relevant, their role in supporting growth;
2. Attractiveness to all joint venture participants – both public and private sector with clarity of objectives and roles (through clear governance); and
3. Capable of raising and repaying finance – to forward fund development in the expectation of future benefit and meet ongoing running costs. This includes commercial debt, attracting private equity, and then servicing and repaying it.

5.91 The role of Tax Increment Financing (TIF) will also need to be explored. The TIF is based on securitising future increases in local business rates revenue within a defined area to deliver up-front investment. Lessons from the US indicate that, in order for TIF to be effective, it will be important to establish clear planning frameworks to maximise certainty of future value uplift being realised with limited discretion on detailed planning once the approach is established. Although a 'public sector TIF' is likely to require legislation – being developed by the Government, a so-called 'private sector TIF' may be capable of implementation without it.

5.92 There is significant uncertainty over the length of period during which the more challenging landscape for regeneration and development will exist. Although some parts of the development sector are relatively buoyant, these are focusing on the best and 'safest' schemes. For riskier propositions, the position is likely to be difficult for at least for the next three-five years.

Synthesis

The situation:

- Tower Hamlets comprises a series of individual 'hamlets' that, partly as a function of history, party due to urban form and infrastructure, exist as distinct localities within the wider whole.
- The five sub-areas analysed in part conform to expectations – the dominance of Canary Wharf and Spitalfields / Aldgate in the borough's economy, Whitechapel being dominated by the Royal London Hospital with health and social work accounting for over four fifths of employment in the area. The analysis of Fish Island demonstrated that it is currently an area of significant deprivation, still dominated by its industrial heritage.
- Tower Hamlets Town Centres (defined as the CAZ, 'Activity Areas', Major Centres, and District Centres) perform an important economic role. They provide a significant proportion of employment (70%) within the borough, and have with a symbiotic relationship with other economic clusters. The town centres also provide accessible entry-level employment to those with lower skills moving out of worklessness.
- Apart from the financial and professional services sector, the City Fringe Activity Area provides employment mainly in legal, accountancy and other professional service sectors, as well as publishing, IT and communications. Of the District Centres, the largest employment locations are Whitechapel with 10,200 jobs, mainly in the public administration, health and education sectors.
- The borough has major redevelopment and regeneration opportunities, of which the most economically significant are Aldgate, Fish Island, and Wood Wharf. The latter, with its potential for c.25,000 new jobs represents the single largest opportunity and is identified as such in Oxford Economics economic modeling outputs. Its success depends on recovery and future growth in the financial and professional services sector despite some current uncertainty coupled with a sustained recovery in the commercial and residential property market.

- The changing landscape for regeneration and development flows from uncertain private demand; greater developer risk aversion, public sector funding cuts (which have been involved in supporting many Tower Hamlets residential schemes where affordable housing has been involved), and the potential need to apply new delivery and funding models, over which there is uncertainty. This puts some schemes at greater risk in the short to medium term. All things being equal, employment-led schemes are considered to be at greatest risk at the current time although transport, estate regeneration and town centre schemes are also vulnerable. Residential schemes will rely upon more flexible approaches being taken to levels of affordable housing contributions and/or other obligations.
- This uncertainty has a major impact on the ability of the borough to deliver the levels of employment and housing growth it has planned, with commensurate impacts on its ability to sustain the scale of demographic growth projected for it, without sustaining adverse outcomes (e.g. overcrowding, increased worklessness).

Key Questions for Policy and Further Investigation

- Can trends in the sub-areas be identified, tracked (perhaps taking a longer snapshot) and forecast? Though outside of the scope for this volume, further work could be used to inform economic development policy in the borough.
- What can be done to enhance the business base in each Town Centre and increase the prospects for town centres serving neighbourhoods with higher levels of worklessness to provide more entry-level employment opportunities?
- Is Tower Hamlets positioned to maximize the benefits of Olympics legacy for its population and overcome the barriers to securing them?
- What are the future realizable opportunities for regeneration and how far and in what way are these going to be different in securing economic and regeneration outcomes from previous schemes?

Areas for Future Policy consideration

- The role of new development as a means of attracting investment in and around town centres to deliver wider improvements and enhance their economic role.
- Securing the right mix of uses within major redevelopment schemes in order to maximise delivery prospects and maximum economic benefit
- In a more challenging economic and fiscal environment, will new tools be needed in order to deliver and how geared up is the Council and its partners for addressing the technical, legal, financial and governance issues associated with them?
- How might priorities (over the content or type of scheme) need to change in order to realise economic potential from regeneration during the period of austerity and risk aversion. Is it better to deliver 'sub-optimally' now or wait for the conditions to be right to secure the best scheme?

Transport Infrastructure and Accessibility

5.93 This section considers the transportation and accessibility factors within the borough. The significance of this specific issue is that:

- Transportation provision within the borough has been transformed over the past thirty years, particularly around the Docklands area;
- The borough is one that sees many (70%) of its population out-commuting to work. At the same time, only 15% of jobs within the borough are occupied by existing residents. So, the transport system has to sustain a very significant flow of people in and out.
- Despite this flow (which shows Tower Hamlets to be a very out-reaching and inward-drawing place), the perception is that for some individual neighbourhoods/places, those who are workless perceive accessibility to be a barrier to securing employment, unless opportunities are made available very locally.

5.94 This section provides an overview of transportation provision/linkages overall, provides a review of public transport and then road access, before considering potential future infrastructure investment. It concludes with a synthesis of the key points emerging from the analysis. The assessment does not cover cycle or walking modes specifically because, important as these are to sustainable transport, these have not emerged from the analysis or consultation as factors that are material to the LEA. However, the general issue of urban form and 'grain' and the way it potentially limits permeability between neighbourhoods and communities is raised elsewhere in the assessment.

5.95 An analysis of commuting flows is considered within Volume 3 – Worklessness Assessment.

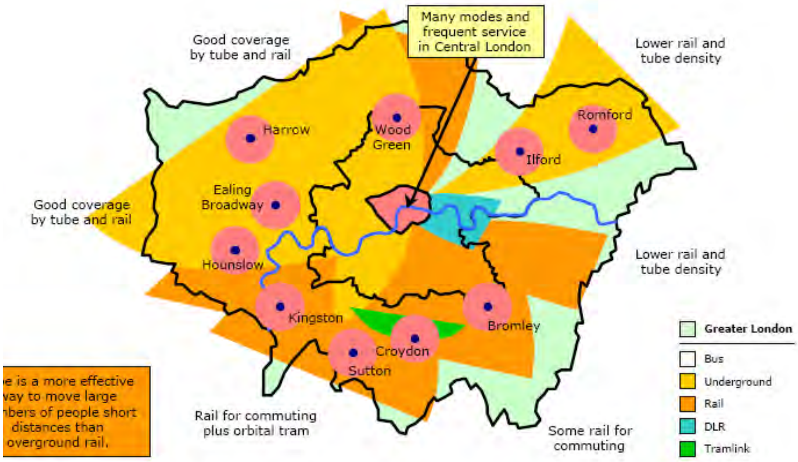
Overview

5.96 There is a need to provide and maintain public transport to serve a growing population in the right locations while helping to mitigate climate change and improve the health and well-being of local people by enabling less use of private vehicular transport.

5.97 The public transport connectivity of the borough and competing locations has legacy impacts in terms of the establishment of locations as places to live for different groups, and in particular the ability to establish some attractive outer London boroughs as being accessible to the central activity zone.

5.98 For historical reasons, public transport coverage across London is uneven and this weakened the attractiveness of the borough to mobile households (Figure 5.35).

Figure 5.35 Access to Public Transport



Source: PMSU based on TFL, GLA, GOL data

5.99 The rail network was largely in place by 1900, and this to a large extent under-served Tower Hamlets. Similarly, the tube network, which expanded between the wars was more focused on the west and northern suburbs. Thus, there was a rail-based public transport deficit for much of the borough before the advent of DLR and Jubilee Line extensions. This network will have cemented some longstanding locational preferences in neighbourhoods across London.

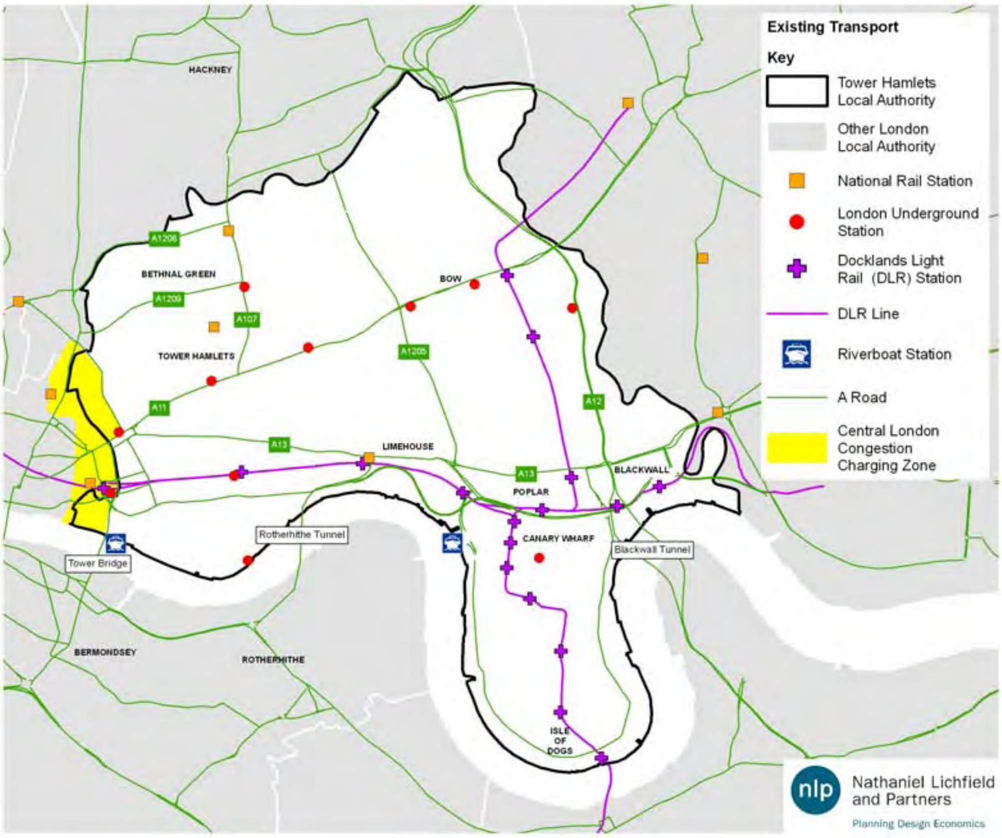
5.100 The road network across London was put under pressure by a suburbanisation, rising car ownership and a general lack of investment in major urban highways, leaving much of the historical network to accommodate rising traffic.

5.101 Combined, this means that Tower Hamlets has been historically and relatively under-served in terms of tapping into London's wider network and accessibility to the CAZ. Although this is no longer the case (and will be even less so with Crossrail and other investment), there is a historical legacy factor which has shaped perceptions and investment decisions over a succession of decades.

Current Provision

5.102 Tower Hamlets has few main vehicular routes but reasonable connections to and continued increasing patronage of public transport compared to private modes of travel.

Figure 5.36 Overview of Existing Transport Infrastructure in Tower Hamlets



Source: ONS/NLP analysis

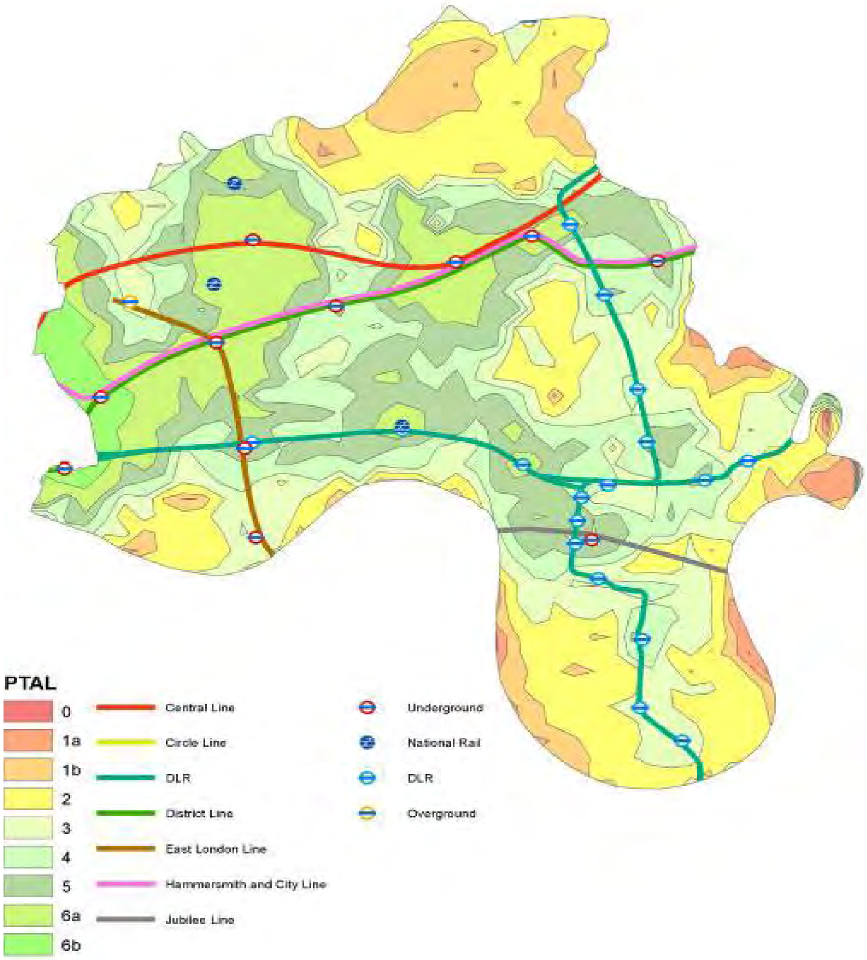
5.103 The borough's existing transport infrastructure can be summarised as follows:

- Road – main east-west travel via the A13 and A11; north-south via the A12, A1025 and A107. River Thames acts as a natural barrier to the south but with access via Tower Bridge, the Rotherhithe Tunnel and Blackwall Tunnel;
- Rail – previous limited network (3 stations) supplemented by the stations of the new East London Line (stations at Shoreditch High Street, Whitechapel, Shadwell, and Wapping) which opened earlier this year;
- Other – 23 Underground and DLR stations and 38 bus routes; Riverboat services accessible at St Katherine's Pier and Canary Wharf Pier; and
- Freight – 2 freight handling facilities at Bow Midland Yard West and Mile End Sidings.

Public Transport and non-car modes

5.104 In common with all Inner London boroughs, Tower Hamlets has a high level of patronage of public transport. This is a function of the relative centrality of and good public transport accessibility levels across much of the borough (Figure 6.2) and the ability of many residents to walk to work. The PTAL analysis, widely recognised as a sound assessment of public transport accessibility, gives many areas within the borough a top quartile banding. Some locations, notably in Wapping, and parts of the Isle of Dogs have lower scores.

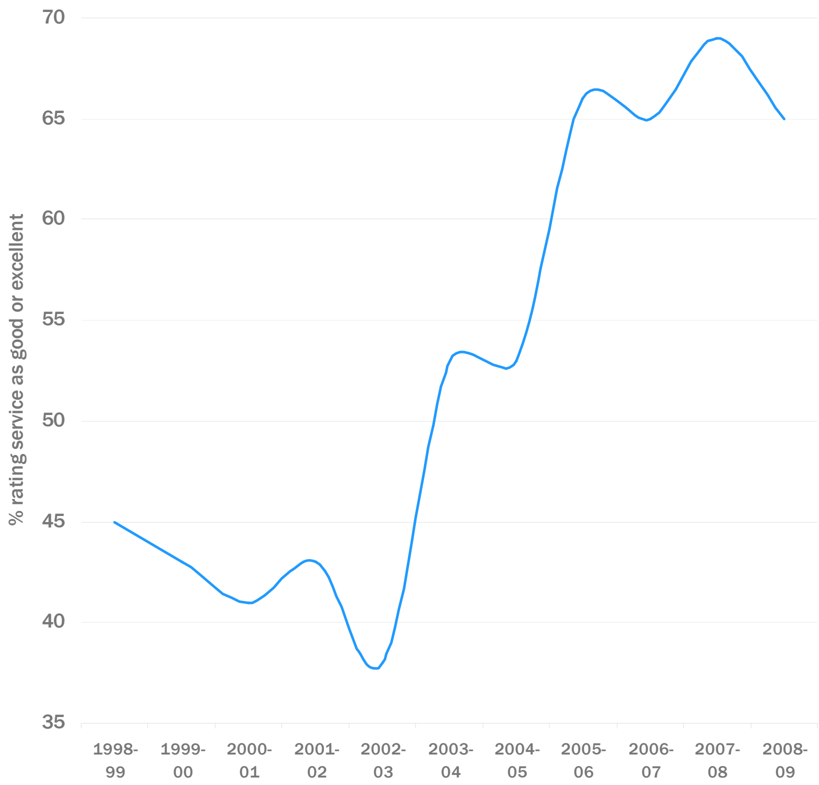
Figure 5.37 Tower Hamlets PTAL @ 2005 (Green = High/Red = Low)



Source: Tower Hamlets Final Local Implementation Plan 2005/2006 to 2010/2011

5.105 However, in general terms, indications from the annual resident's survey (Figure 6.3) are that there is also a high level of satisfaction with the public transport service offered, and that this has increased markedly since 2002, probably reflecting the introduction of new services.

Figure 5.38 Tower Hamlets Annual Residents Survey - Resident's Perceived Views on Public Transport Services

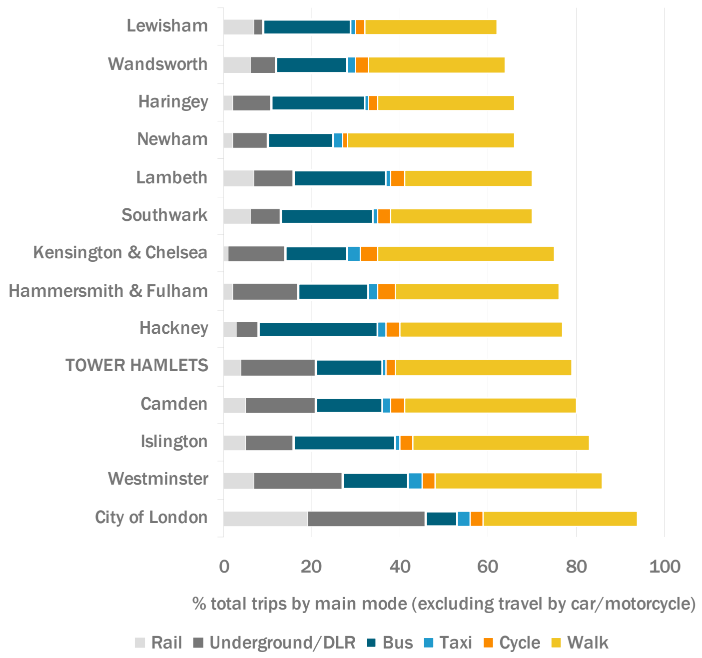


Source: Tower Hamlets Partnership 2009 / NLP analysis

5.106 In terms of modal split, the borough also has a high level of residents undertaking journeys on foot, perhaps indicating that the issue of urban 'grain' and lack of permeability is not necessarily a fundamental barrier to pedestrian movement. However, it may also reflect that many residents journey within their more immediate locality. Moreover, there are examples in the borough where urban form and infrastructure does present a key barrier to non-vehicular access – the relationship between Canary Wharf and Poplar, and the barrier of West India Dock Road is one of the starkest examples of this, and is likely to increase further the sense of separation that some stakeholders report is likely to be felt between residents in Poplar and the businesses and amenities to the south. This is likely to be a further perceptual barrier to employment.

5.107 Businesses responding to the survey conducted within this LEA (covered in more detail in Volume 2) reported that over 70% regarded good public transport as being most or very important in shaping their decision to locate in Tower Hamlets. The figure for road transport was 65%. However, despite this measure of satisfaction, nearly 60% also regarded improvements in public transport as most or very important.

Figure 5.39 Percentage trips by non-private motorised vehicle

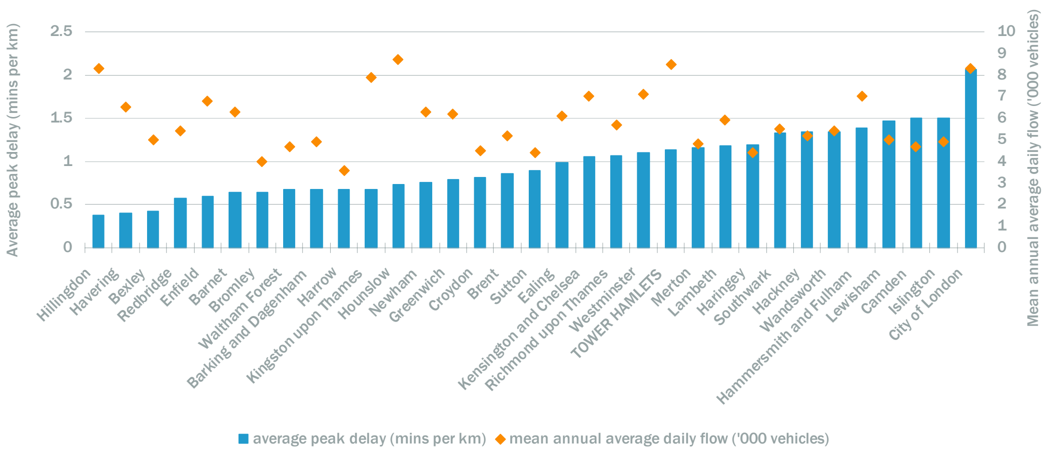


Source: TfL/NLP analysis

Strategic Road Access

5.108 Because of its relatively central London location, there is a high level of traffic flows throughout the borough. Levels of congestion, which are generally high in London, are also high in Tower Hamlets, but not above average.

Figure 5.40 Vehicle Traffic Flows



Source: TfL/DoT//NLP analysis

5.109 Data comparing 2007/08 and 2008/09 vehicular flows in London shows Tower Hamlets has one of the highest mean annual vehicular flow rates in London; but, considered against the average delay due to congestion (measured in minutes by km), the borough has reasonably average rates of delay when considered against other London boroughs. This may be an indication of:-

- Relatively limited number of main routes through the borough;
- High levels of number of households with no car (39% in Tower Hamlets compared with 23% for London as a whole, 2001 Census);
- Relatively high accessibility to public transport.

5.110 Despite the falling level of travel by car, road traffic congestion has been increasing in all areas of London for some years. The implementation of the central London Congestion Charging Scheme in 2003 (the zone of which impinges on the western edge of Tower Hamlets) led to an initial fall in this area but this trend has since reversed as improvements in the area to benefit other modes of travel reduced capacity for vehicles. TfL are looking at measures to address this issue.

Future Investment

5.111 Before the DLR and Jubilee extension, many parts of Tower Hamlets were poorly served. This historical deficit has been changed as a result of DLR and Jubilee line, and there are further investments either just completed or planned:

- Crossrail, with stations in Whitechapel and Canary Wharf – construction of the latter commenced in 2009;
- East London Overground extension with new/improved stations at Shoreditch, Whitechapel, Shadwell, and Wapping;
- Interchange improvements at Bromley-by-Bow and Hackney Wick;
- TfL Crossing projects across the River Thames;
- Capacity, design and junction improvements to the A12 road network;
- Promotion of river bus services along the Thames.

5.112 By 2020, the combined impact of these (particularly Crossrail) will be significant in terms of the borough's strategic positioning within London.

5.113 This will create opportunities for the borough in terms of the strategic reach of existing neighbourhoods in the borough to wider London locations - including, notably Heathrow and West London - a global accessibility impact. This will make existing key economic locations within the borough more accessible to residents elsewhere in London.

5.114 It will also make certain economic locations in London more accessible to residents of the borough, potentially making West London, Croydon, Heathrow, and beyond, a viable commuting option.   However, it will also increase competition to Tower Hamlets existing centres – a potential threat to their vitality and viability.

Synthesis

The situation:

- Over the past thirty years, public transport has been transformed, and most parts of the borough have a good PTAL score. In fact, the resident-workplace dynamic is such that there are very large movements of people into and out of the borough every day for work. Some 85% of the estimated 192,000 workplaces (IDBR data) in the borough are filled by people who travel into the borough every day. Equally, some 70% of working people in the borough travel out to other boroughs. So, Tower Hamlets is a very mobile borough;
- The historical legacy of public transport in Tower Hamlets was poor, and this likely fuelled a perception among a small minority in the borough that it is difficult to access employment outside their immediate locality;
- Satisfaction with the quality of public transport is generally high, having increased among residents to almost 70% over the past eight years. For businesses, good transport is cited as a factor by a similar number of businesses, but further improvements are also believed to be important. Significant population growth inside and outside the borough and further employment growth (e.g. at Wood Wharf) will put additional pressure on the network;
- There are a range of additional services and infrastructure capacity being planned, including Crossrail, which can further transform transport in the borough in the ten years.

Key Questions for Policy and Further Investigation

- What are the transportation implications of future demographic and employment growth as set out by the Oxford Economics work?
- Despite good quality public transport generally, are there areas where perceptions need to change in order to break down perceptions and increase labour mobility?
- Is cost of transportation a barrier to movement for those in employment but on lower incomes, and prevents them from moving up the employment ladder?
- To what extent are transportation or pedestrian solutions needed to address urban 'grain' issues (e.g. the relationship between Poplar and Canary Wharf)?

Areas for Future Policy consideration

- Public transport subsidy issues for those on lower incomes;
- Urban realm and other measures to overcome barriers to pedestrian permeability, where this potentially blocks access to employment locations.

6.0 Quality of Life, the Natural Environment and Heritage

6.1 This section focuses on the quality of life experienced by residents, and the natural environment and heritage of the borough, the latter forming one of its key assets. These factors impact on the current experience of those living and working in the borough, and also on the future economy of the borough, and their inclusion is predicated on the Department for Communities and Local Government guidance on producing local economic assessments.

Quality of Life

6.2 This section provides a summary of resident perceptions of Tower Hamlets as a place to live compared to other London boroughs, and explores the issue of crime - one of the key factors driving current perceptions of the borough.

Resident Perceptions

6.1 The IPSOS/MORI survey on life in London for 2008/9 revealed that Tower Hamlets was the fifth lowest ranking borough in terms of quality of life, with circa 69% respondents stating that they were very/fairly satisfied with the local area. This was above levels in three neighbouring East London boroughs (Newham 56%, Barking and Dagenham 67%, and Waltham Forest 64%) and broadly comparable to levels in Ealing, Haringey, Hounslow and Enfield. However, it was markedly below other boroughs with a central or edge of centre location, notably Camden, Islington and Hackney which achieved satisfaction levels of 82%, 77% and 72% respectively.

6.2 Key factors underlying lower levels of satisfaction in Tower Hamlets were related to:

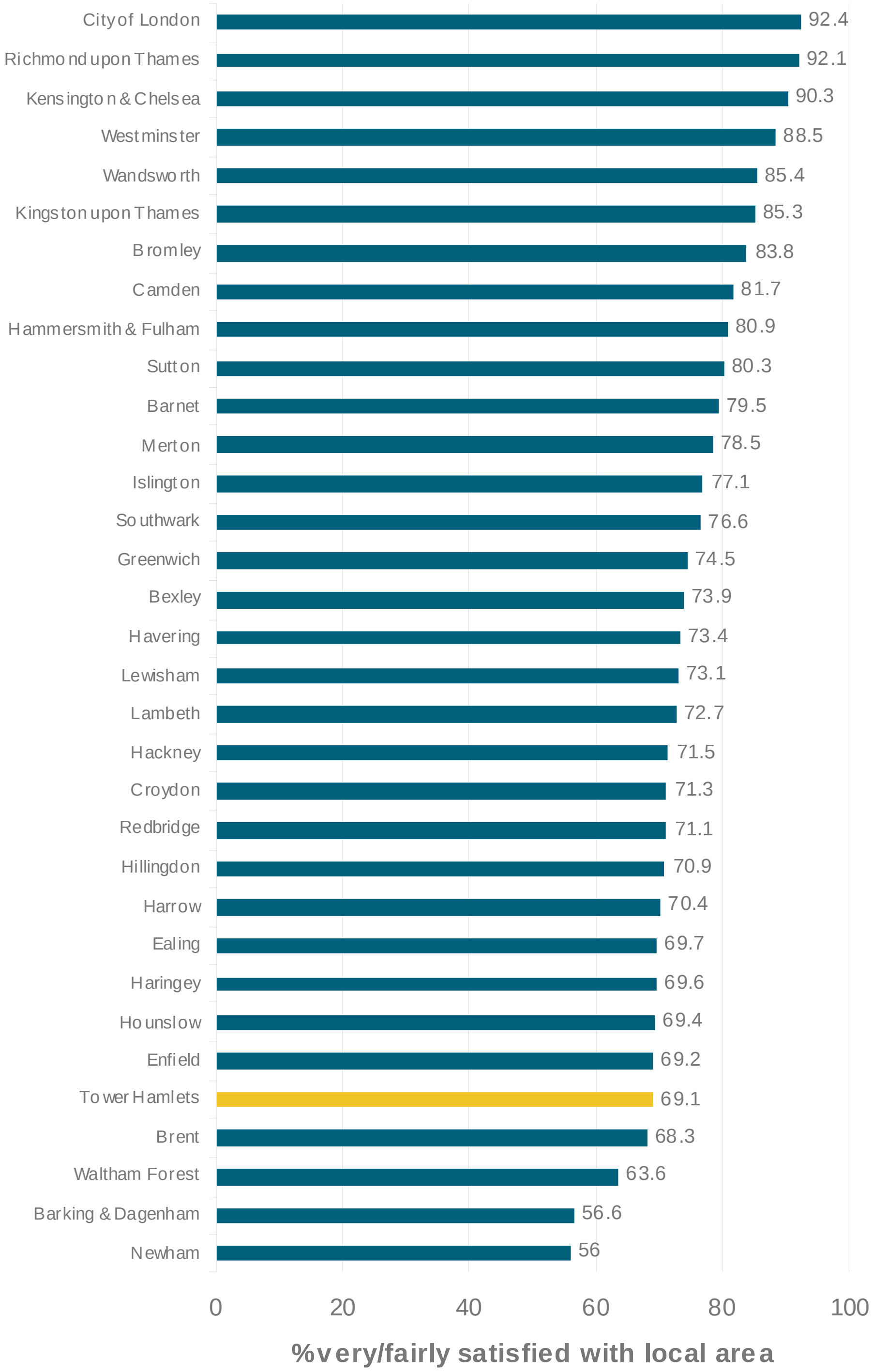
- anti-social behaviour;
- drug using and dealing;
- drunken and rowdy behaviour;
- perceptions that police and local services are dealing with crime and anti-social behaviour;
- perceptions of not being treated fairly by public services; and
- limited 'sense of belonging' to their immediate neighbourhood.

6.3 Tower Hamlets scored well for:

- Civic participation (24% of people reported being involved in civic activities in the past 12 months, compared to a London average of 17%)
- Ability to influence local decisions and a willingness to do so

- Sports and leisure service facilities, and museums provided by the Council

Figure 6.1 Resident Satisfaction



Source: IPSOS/Mori Survey Results 'Life in London' 2008/09 Place Survey Findings

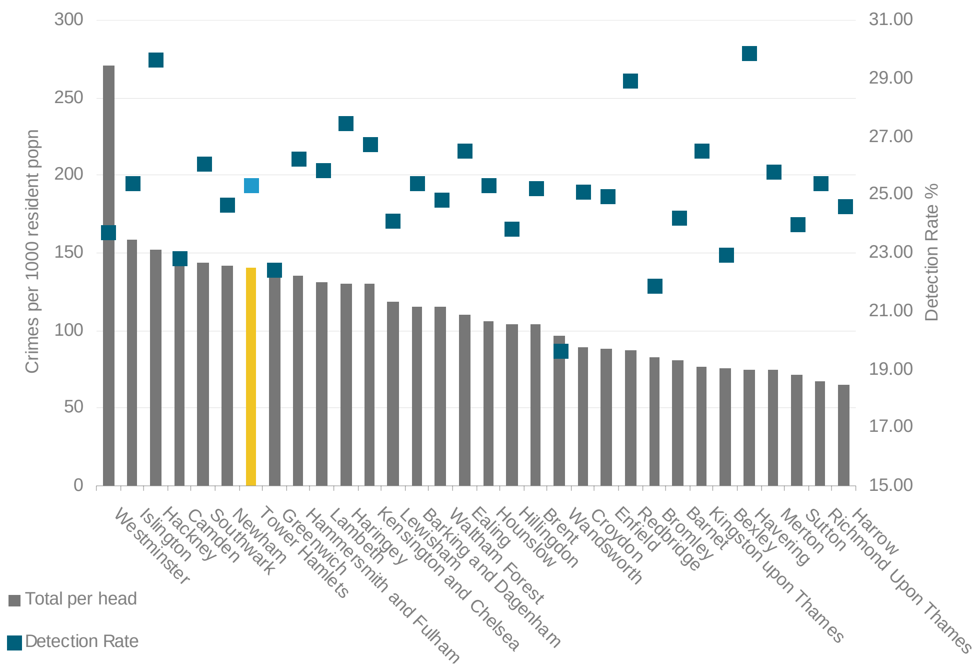
Crime

6.4 Evidence gathered for the Council suggests that, as is the case nationally, fear of crime is a significant and increasing issue in the borough, at about the London average - over half of all residents count it among their three top key concerns. However, this is not proportionate to actual crime, which has generally reduced, with reported incidences of anti-social behaviour also falling in the period 2003/4-2008.

6.5 There were 30,900 offences recorded in the borough in 2007-8 and the rate within the borough (140/1000 popn) is in the upper quartile of London boroughs, but broadly equivalent to other central London boroughs, notably Islington, Camden and Southwark, as well as other Host Boroughs – Hackney, Newham and Greenwich. The detection rate, at 25%, is at the London average.

6.6 The proportions or split of different crimes is broadly comparable to the London average, indicating that the nature of criminality is not dissimilar to patterns elsewhere in the capital and that the solutions are likely to be as much a function of wider factors than those solely within the borough.

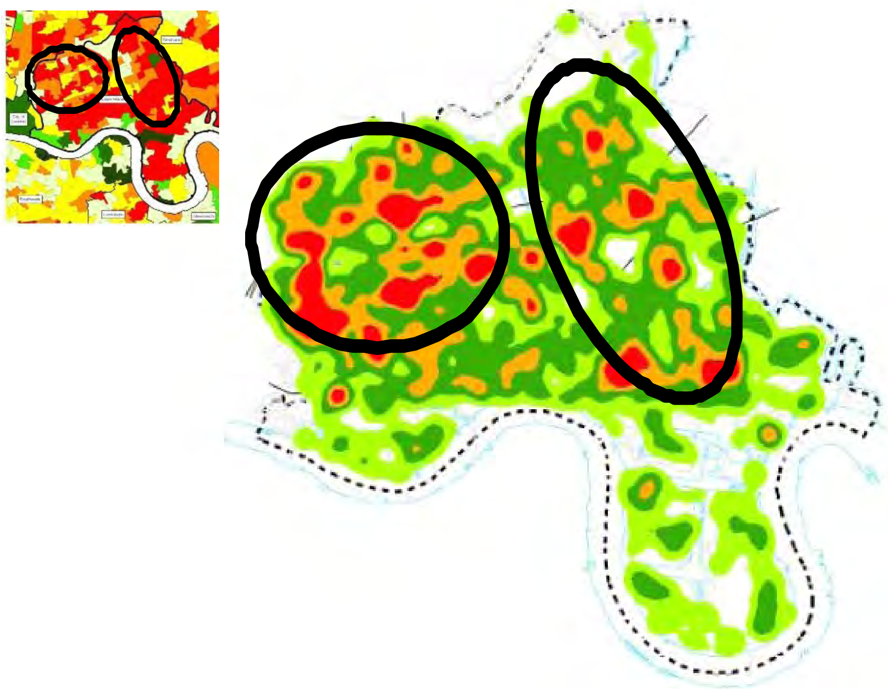
Figure 6.2 Crime Rate per 1000 population / detection rates



Source: IPSOS/Mori Survey Results 'Life in London' 2008/09 Place Survey Findings

6.7 However, the location of the actual crime, which has a role in fuelling fear of crime, is not evenly spread, as is shown on Figure 6.3. Rather, it is concentrated in a number of hotspots, and these correlate to areas of higher deprivation, with low levels of crime in the often gated and private estates on the river frontage and at Canary Wharf, where private security is in place.

Figure 6.3 Crime 'Hotspots' 2007 – 08 / Correlation with IMD



Source: Tower Hamlets Council

Natural and Historic Environment

6.8 The CLG guidance for LEA defines the Natural and Historic environment as a key theme for the assessment. It states that they should:

"consider and make a judgement over the extent to which economic activities are supported by or impact negatively on the natural and historic environment and the positive contribution the natural and historic environment makes to sustainable economic growth"

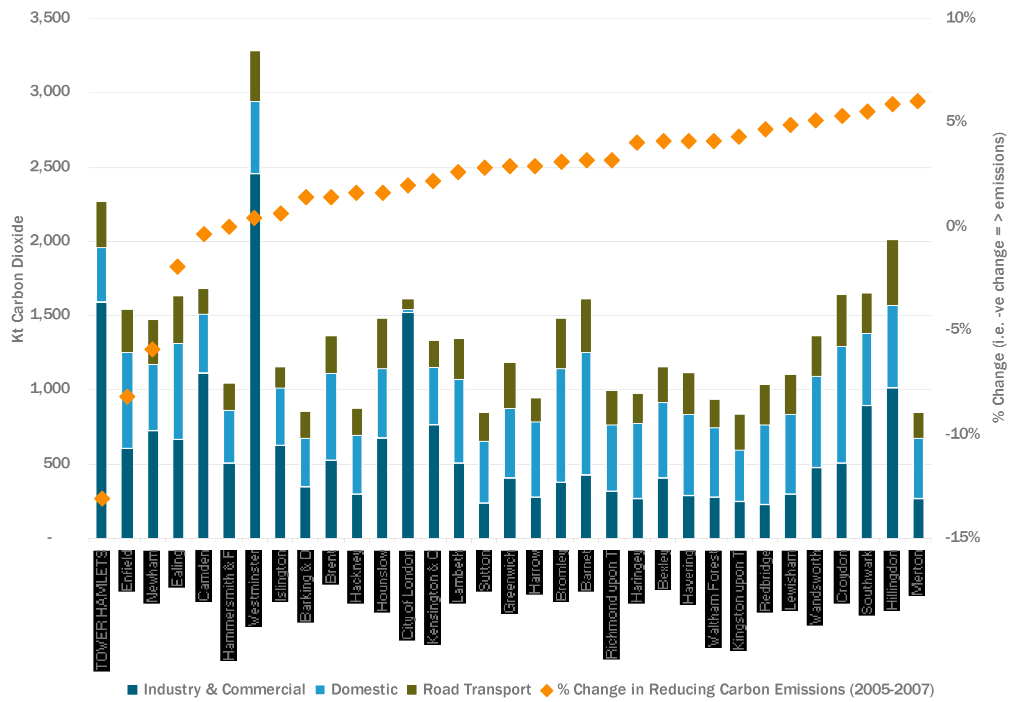
6.9 This section considers this issue under the headings:

- Carbon emissions
- Flood Risk
- Open Space
- Historic and Cultural Assets

Carbon Emissions

6.10 Whilst London as a whole performs well in terms of carbon emissions per capita, Tower Hamlets is one of the worst performing boroughs in the capital in relation to levels, with only Westminster having higher carbon emissions.

Table 6.1 Carbon Dioxide Emissions by Type and Location



Source: Local and Regional CO2 Emissions Estimates for 2005-2007 (AEA for DECC)

6.11 Tower Hamlet's 'Climate Change Mitigation and Adaptation Evidence Base' (August 2009) acknowledges that the borough produces the second highest level of both total carbon emissions and per capita carbon emissions from the industrial and commercial sector, and one of the biggest contributors is the Canary Wharf area. When coupled with the projected growth in homes and jobs in the borough over the coming years, without action to mitigate against further emissions, this will lead to further rises in emissions.

6.12 London's carbon emissions are predicted to rise by a further 15% by 2025 (source: London's Climate Change Plan, 2007) without action. The Mayor's vision to address this is to establish the city as a 'Low Carbon Capital' with a 60% reduction in emissions by 2025 and building on London's strengths:-

- Its scale: the city is big enough to deliver major low carbon programmes;
- Financing: it is a leading global financial centre;
- Research and development: there is a cluster of world class research institutions in and around the capital;
- Business services: London is the global centre for legal and other business services;
- Trading: London is the leading global centre for carbon trading.

6.13 Tower Hamlets role in addressing this vision could pose significant challenges for the borough. A range of possible initiatives which have been identified for consideration in the borough include the potential to retrofit residential, commercial and public buildings with renewable technology; rolling out energy from waste and recycling; increasing the use of electric vehicles; and building a decentralised energy network. The impact of implementing these changes on the borough's economy has yet to be fully explored, and will need to be based on a more detailed exploration of the costs involved.

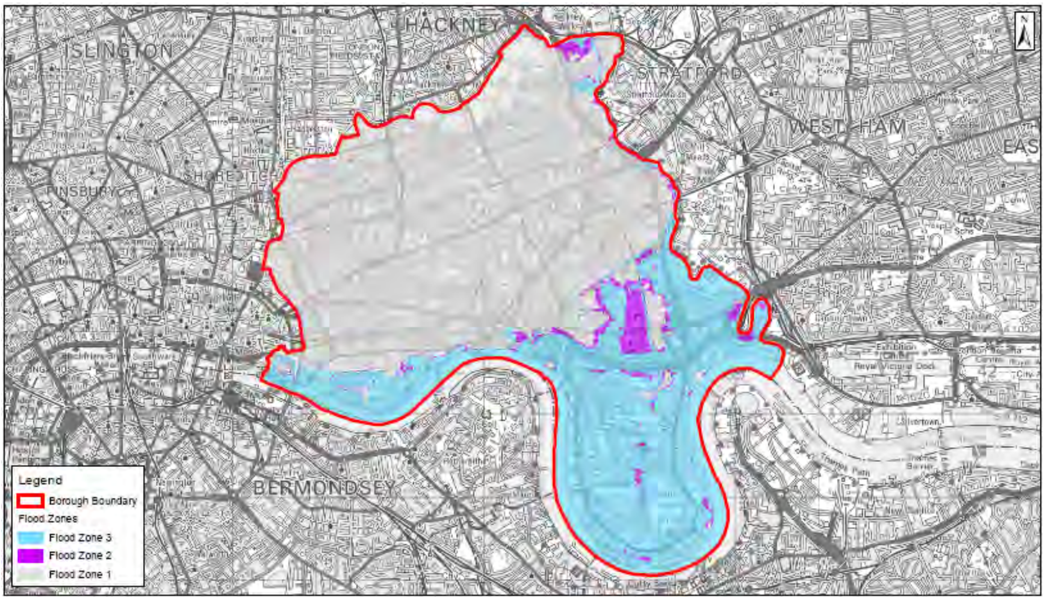
6.14 However, at face value there appears to be limited exposure of industries within the borough that may be especially vulnerable to excessive cost or off-shoring due to regulatory change on climate change.

6.15 Volume 2 of the LEA explores the potential of the Low Carbon Economy within the borough itself.

Flood Risk

6.16 Tower Hamlets is situated on the north side of the River Thames and has the longest Thames frontage of any London borough (more than 10km). As Figure 6.4 shows, a large proportion of the borough lies within Flood Zones 2 and 3a with a medium to high probability of flooding; the area affected in includes the Lower Lea Valley Area of Opportunity (a key focus for growth) and areas around Canary Wharf, Isle of Dogs and Wapping.

Figure 6.4 Flood Risk Zones



Source: London Borough of Tower Hamlets Strategic Flood Risk Assessment (August 2008)

6.17 The risk of tidal flooding is much reduced by the presence of the Thames tidal defences (including the Thames Barrier) just to the East of the borough; however the area is still at risk from an extreme surge event. The Tower Hamlets Strategic Flood Risk Assessment (2008) notes that there are areas where the hazard rating in the event of such a surge is classed as 'extreme and a danger to all'. The compatibility of significant economic growth contributing significantly to regeneration objectives and the location of some of these areas in Zone 3 mean that the 'exception test' under PPS25 will need to be taken into account.

6.18 Because so much of the borough's economic prosperity is predicated on the success of the river frontage, including Canary Wharf and Wood Wharf, this is a matter that the borough will need to actively engage with, including the need for any future flood risk mitigation, where higher risks could militate against attracting investment.

Open Space

6.19 Open space is undeveloped land within an urban area and includes parks, gardens and water environments. The government's Urban Green Spaces Taskforce in 2002 emphasised that the decline of urban green spaces has helped to weaken community cohesion in many deprived areas.

6.20 Research carried out for the NWDA indicates that green space has a number of economic benefits, with the following being of potential relevance to Tower Hamlets:

- **Labour Productivity:** Better working environments can significantly affect productivity. Studies suggest that employees work better and more productively in greener, more attractive environments, but health benefits such as lower stress levels can reduce sickness and absenteeism. High-grade staff say they stay in their jobs longer if there is a pleasant physical environment, which reduces the costs of recruiting and training new staff. Green infrastructure has also been used as a valuable education resource, and has the potential to improve educational achievement.
- **Land and Property Values**: Research by CABE indicates that proximity to green space has a value uplift effect on property values (an 8% premium), with green space (of the appropriate quality) having a wider contribution to make to economic attractiveness of an area's built capital;
- **Tourism:** a topic considered further later in this section. Green space can provide destinations in their own right, but in the Tower Hamlets context play an important role in providing the setting for major tourist attractions – notably the Tower of London – the 6th most visited tourist destination in the UK.
- **Health and Recreation**: Green infrastructure investment can encourage leisure and exercise activities such as walking, cycling and sport which directly address these problems. This not only reduces demands on public finances from sickness benefits and NHS costs, but also reduces the burden of sick pay and absence for employers and can improve productivity

6.21 The GLA have identified that more than half (63%) of London's area is made up of green space and yet the proportion accessible for use is unevenly distributed – GLA data identified 23% of the capital as an area of deficiency in terms of access to nature.

Figure 6.5 Areas of Open Space

Source: Open Spaces Strategy for the LB of Tower Hamlets 2006 – 2016

6.22 Using 2001 census data, Tower Hamlets identified an average of 1.2 hectares of open space per 1000 population compared to the National Playing Fields Association's (now superseded) standard of 2.4 hectares per 1000 population. Areas in the City Fringe and Leaside are particularly deficient and access in other areas is restricted due to physical barriers (e.g. major transport routes). Some areas of what might appear to be public realm (e.g. in the Canary Wharf complex) are actually privately managed, although there is generally ready access to residents and visitors.

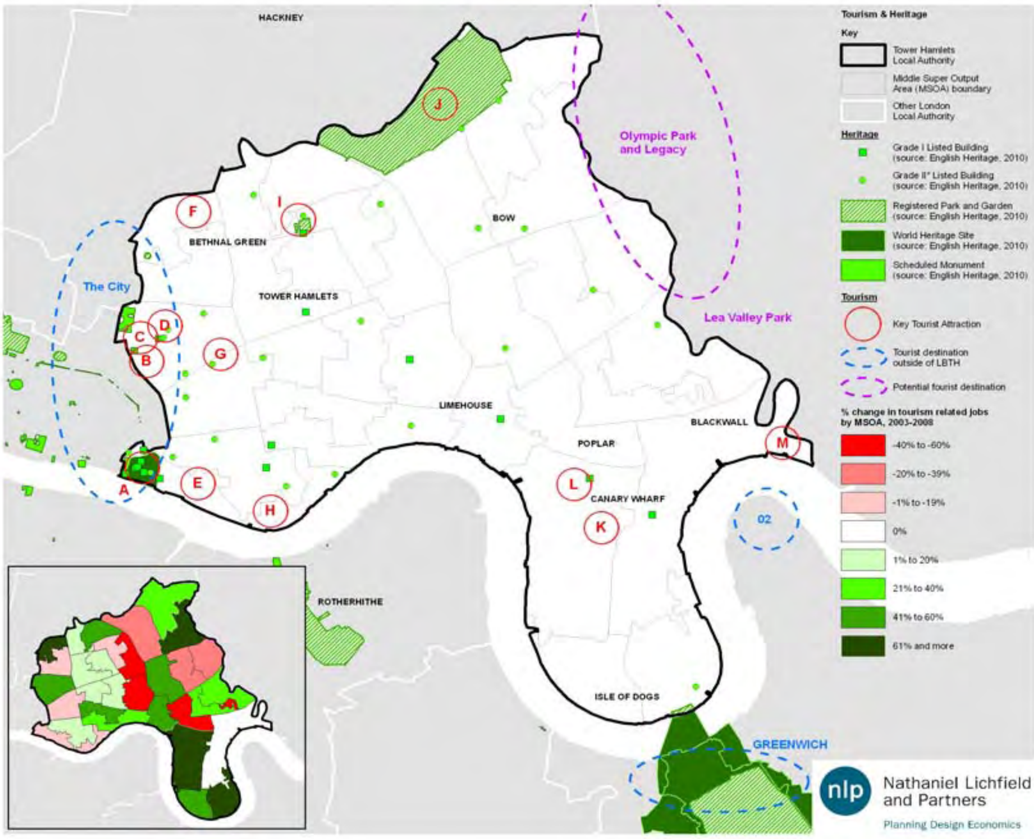
6.23 Higher density forms of development (and a greater propensity for space to be private rather than public) make it less likely that deficiencies can be addressed without a proactive approach through urban form.

Historic and Cultural Assets

6.24 Tower Hamlets has a rich heritage resource which encompass features of international, national and local importance and includes the historic environment, buildings and archaeology; parks, open spaces and views; archives and collections; and local cultural elements such as markets and local festivals. There is a significant concentration in the City Fringe as shown in Figure 6.6.

6.25 The wealth of historic and cultural assets in the borough is clustered away from the areas with higher deprivation, and closer to the City Fringe. There is potential for these assets to be better exploited in order to maximise the potential of the visitor economy.

Figure 6.6 Culture and Heritage assets (main map)/tourism related jobs



Source: London Borough of Tower Hamlets/ONS/NLP analysis

6.26 Of these, of most significance is the Tower of London – the 6th most visited tourism attraction in the UK (2.39m visitors)[11] and the most visited paying and non-gallery 'historic' attraction. There is also access to features on the edge of close to the borough boundary including assets at Greenwich, in central London and the future facilities at the Olympic Park. The tourism economy of the borough is considered further in Volume 2.

6.27 The document *'Towards a Conservation Strategy for Tower Hamlets'* (December 2009) recognises that these assets should be appreciated and conserved for their value but identified that they are often under pressure due to development, particularly in the case of locally important, (but not statutorily designated) assets. It was also identified that the potential

[11] The London Eye does not publish figures and is excluded from results, but claims to attract c.3.5m visitors per annum. This would push the Tower of London to 7th most visited, and second paying and non-gallery attraction.

contribution of assets to tourism and to the local economy is currently not being maximised.

Synthesis

The situation:

- Though Tower Hamlets was the fifth lowest ranking borough in terms of quality of life, with circa 69% respondents stating that they were very/fairly satisfied with the local area, this was above levels in three neighbouring East London boroughs (Newham 56%, Barking and Dagenham 67%, and Waltham Forest 64%) and broadly comparable to levels in Ealing, Haringey, Hounslow and Enfield.
- The borough's ranking was markedly below other boroughs with a central or edge of centre location, notably Camden, Islington and Hackney.
- Crime is cited a key factor in driving this although recorded crime levels are broadly similar or lower than other central London boroughs (outside Westminster).
- Crime levels are concentrated in key neighbourhoods and these often correlate with areas of higher deprivation.
- Tower Hamlets has high and increasing levels of carbon emissions, with the largest contribution coming from business activities.
- The borough's principal area of economic activity (Isle of Dogs and the river frontage) lies within a zone of higher flood risk, with the potential that 'exception' approaches of PPS25 may be required for new development to proceed.
- Open and green space has a potentially important economic role, although it is difficult to quantify or attribute a monetary value to it. Levels of open space provision within the borough are well below (i.e. half) the former NPFA standard, with areas of the City Fringe and Leaside particularly deficient.
- Cultural and historic assets in the borough are significant in many respects, including the UK's 6th most visited tourist attraction, but they are generally clustered in and around the edge of the borough – the City Fringe, Greenwich, and, in future, the Olympic Park. In particular, they are generally situated away from areas of deprivation.

Key Questions for Policy and Further Investigation

- What are the options for reducing carbon emissions in the borough, given the largest source of emissions are from business? Are there risks to competitiveness in seeking to reduce carbon emissions and how can these be mitigated?

- What are the policy and investment options in the event that flood risks move outside tolerable limits for maintaining investor confidence in key economic locations on the Isle of Dogs?
- How can open space standards be maintained and improved whilst also delivering high levels of high density development?
- What can the borough do to maximize the economic benefits of tourism, including achieving objectives in tackling worklessness?

Areas for Future Policy consideration

- Crime is having a significant impact on perceptions of quality of life in the borough, although its levels are broadly equivalent to other central London boroughs – what can be done to both address crime but also the perception of crime in Tower Hamlets;
- Low Carbon strategy for the borough, including opportunities for professional services in the low carbon economy, and maintaining the competitiveness of key business locations;
- Providing a positive policy framework for dealing with flood risk issues and the wider debate about flood prevention in London as a whole;
- Policies for open space provision to address deficiencies including achieving high quality, genuine open space, within new development.
- Maintaining quality of the urban environment around the Tower of London World Heritage Site to support its attractiveness and maximise synergy with other economic activities.

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