



THE MAYOR'S ECONOMIC PLAN FOR LONDON

How it can assist to maintain London's
global city status

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CONTEXT

In 2016, just before Sadiq Khan began his first term as London's Mayor, a report titled "London: The Global Powerhouse"¹ was produced by the Greater London Authority (GLA), which states that London is the UK's global city, Europe's preeminent global city, the world's leading international city, and the capital of the world. These are bold, inspiring words, but do they remain true?

Britannica defines a global city as *"an urban centre that enjoys significant competitive advantages and that serves as a hub within a globalised economic system"*. There are many factors that feed into the assessment and characterisation of cities that formulate the resulting global city status. One of these factors is the London economy and its performance.

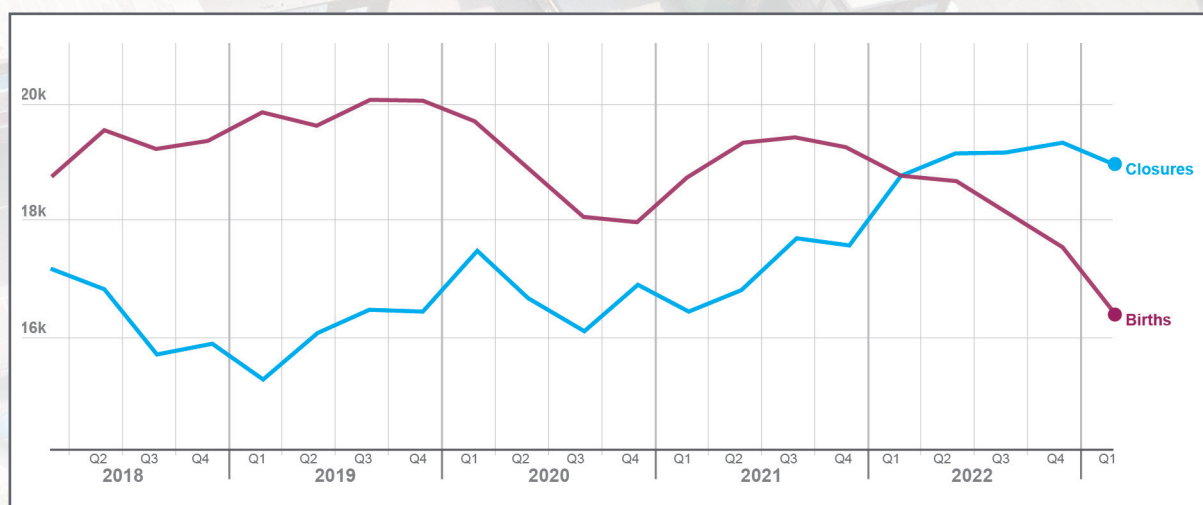
It has been a turbulent few years for the economy with Brexit and the Covid pandemic causing impacts regionally, nationally, and worldwide. The Mayor spoke in January on the damage Brexit has done to London, shrinking London's economy by **£30 million** and the cause of **290,000** fewer jobs than if Brexit hadn't taken place, with half the total **two million** job losses nationwide coming in the financial services and construction sectors (London's Economy After Brexit: Impacts and Implications, January 2024²).

At odds with the fallout of Brexit, the GLA's most recent reporting on London's economy *"The State of London"* (January 2024³) shows that London has recovered relatively strongly from the pandemic, with an improvement on the pre-pandemic position by Q3 2023. The strength of the labour market is considered to underly London's resilience, with workforce jobs growing by **3.5%** in 2023 (albeit subsequently hit by a slowdown late in 2023 with unemployment rates in London rising faster than the rest of the UK at the end of 2023). The slowdown is expected to continue with jobs expected to grow by just **0.1%** in 2024.

Another indicator is the rate of new and closing businesses, and in the year to Q3 2023, London has seen on average over **1,800** more businesses close than open per quarter. Nationally, there was a positive net opening of businesses in Q3 2023, for the first time since Q3 2021.

Business births and closures in London

Number of births and closures (four-quarter moving average)



Source: ONS Business Demography. Note: experimental data

Whilst it is a little too early to establish London's current status and its economic performance for 2024, we can consider the implications on London's economy from a spatial planning perspective.

This briefing note looks at the GLA's strategic approach to supporting and growing the London economy via the planning process, with delivery via the London Plan and its adopted policies and guidance. It also considers whether the spatial framework is successful at delivering the GLA's economic objectives for London as the UK's global city.

LONDON PLAN 2021

The Mayor's priorities for London's economy and business focuses on Global London, championing business and jobs, skills and good work. In support of these priorities, the GLA published "*The Mayor's Economic Development Strategy for London*"⁴ (2018) which sets out the Mayor's ambitions for London's economy by 2041, how London contributes to the UK economy, the Mayor's approach to growth (Good Growth) and the role of the Mayor and the strategy, including influencing the development of London's economy through the planning process via the London Plan.

The London Plan was first published in February 2004 under the then Mayor, Ken Livingstone, and replaced the Regional Planning Guidance for London. It has since been through a number of revisions and updates, with the most recent and currently adopted version being the London Plan 2021⁵. It sets out a framework for how London will develop over the next 20-25 years and the Mayor's vision for Good Growth. Good Growth is defined as "growth that is socially and economically inclusive and environmentally sustainable – it underpins the whole of the London Plan and each policy. It is the way in which sustainable development in London is to be achieved".

The good growth theme runs through all sections of the Plan and is one of the six Good Growth objectives (set out below) which informs the Plan policies.

GG1 Building strong and inclusive communities

GG2 Making the best use of land

GG3 Creating a healthy city

GG4 Delivering the homes Londoners need

GG5 Growing a good economy

GG6 Increasing efficiency and resilience



Chapter 6 of the London Plan covers the topic of economy and builds on the Good Growth objective. It includes policies to support and direct all sectors of the economy including offices, industry and logistics, growth sectors, which include (but not exclusive of) culture and creative industries, tourism, life sciences and the tech and digital sector as well as retail, and visitor infrastructure. The planning policies of this chapter provide spatial, quantum, design, and operational direction at a strategic level for all business activities and development.



OTHER GLA PLANNING POLICY GUIDANCE

Other GLA-produced documents that are relevant to supporting London's economy and delivering Good Growth include the following:

- **Opportunity Area Planning Frameworks**

There are 47 Opportunity Areas identified in the London Plan, which include 3 with adopted Frameworks: Royal Docks and Beckton Riverside Opportunity Area (2023), the Thamesmead and Abbey Wood Opportunity Area (2020) and Old Oak and Park Royal Opportunity Area (2015). The latter is also an established Mayoral Development Corporation and is the local planning authority for the area with a Local Plan (2022).

- **London Plan Guidance (LPG) – Industrial Land and Uses (Consultation Draft December 2023)**

The purpose of the LPG is to support the implementation of the Mayor's industrial land policies in the London Plan and support planning authorities and applicants to define terms relating to industrial development, ensuring sufficient industrial supply and demand, promoting industrial intensification and co-location, and providing strategic guidelines for the development, assessment and determination of industrial schemes.

HAVE THE CURRENT LONDON PLAN POLICIES DELIVERED?

The London Plan's current policies are very proactive, and the overall approach is to strongly encourage the growth of business.

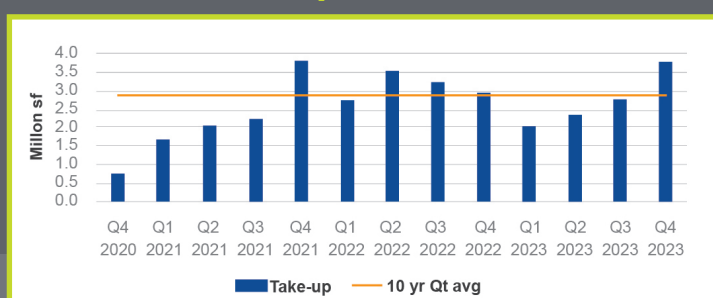
OFFICE

The London Plan's Policy E1 relating to offices recognises the diverse office market and that it is going through a period of restructuring with increasing numbers of micro, small and medium-sized enterprises (SMEs), and changing work styles supported by advances in technology. These changes have resulted in a demand for new forms of accommodation such as flexible and co-working space. Whilst the format of space continues to change, the demand remains for between 4.7 and 6.1 million sqm of office floorspace across London over the period 2016 to 2041.

Despite the pandemic and the significant growth in employees working from home, Colliers reported in January 2024⁶ that the London office take-up has improved for the third successive quarter with the

total (3.8 million sqft) being the highest quarterly number for two years. They also reported London-wide vacancy falling to its lowest level (9.7%) since Q1 2022 and an investment turnover for Q4 2023 of £1.6 billion which was up by 23% quarter on quarter. Collier's outlook for 2024 remains optimistic with 2024 set to see a further increase in speculative deliveries, with 5.5 million sq ft scheduled to complete this year, split between new builds and refurbishment projects

London Office Take-up



Source: Colliers



The use of counting construction cranes in the London skyline is a visual way to measure the current status of development. Deloitte's latest office crane survey⁷ (covering the period April to September 2023) titled "2023: Recovery, rebounds and a City fightback", noted the London office development market's resilience with renewed activity and optimism amongst developers. The report states the volume of new starts – 5.1 million sqft – was the highest seen across the seven Central London submarkets since they began tracking them in 2005.

It appears that the London Plan's office-specific policy remains fit for purpose and is not constraining the development/supply of office space. What may become more of an issue is where Councils do not apply Article 4 Directions to prevent office conversion to residential use, which will likely result in a decrease in existing stock. Other planning policies and the planning system itself are also more likely to have a constraining affect on development in general.

The use of Article 4 Directions and protection of existing office stock may become more prevalent with Michael Gove suggesting that the current floorspace and vacancy requirements are removed from the Class MA Permitted Development Rights, allowing commercial (Class E) buildings of any size the freedom to be converted into new homes.

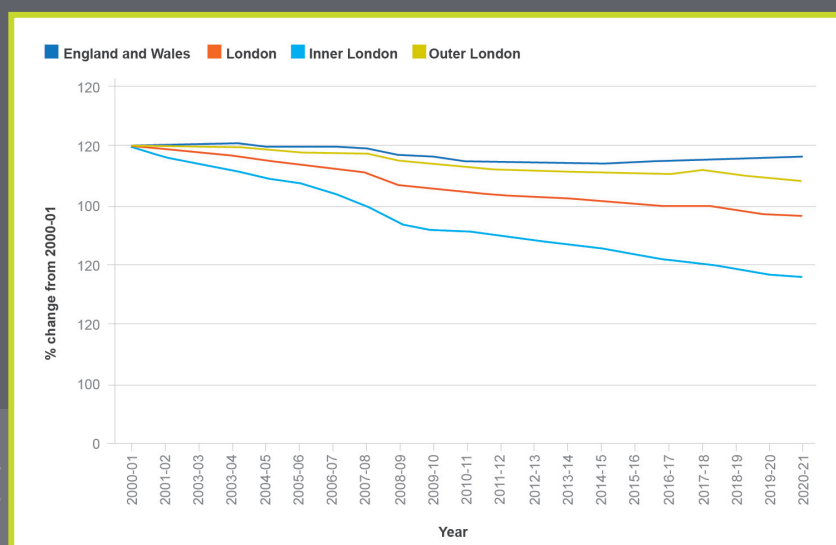
The objective behind this, which is to help revitalise town centres, is commended but it's not clear what the full implications of an increased loss of office space and the further introduction of residential in potentially sensitive areas will be. Article 4 Directions may become a more important tool for Councils to utilise going forward.

INDUSTRIAL & LOGISTICS

A report by the Centre for London (Making Space: Accommodating London's industrial future, January 2022⁸) states that in the last 20 years, London has released 24 per cent of its industrial floorspace to other uses which has led to rising land values and rents, particularly affecting smaller enterprises which are unable to meet rising costs.

Source: VOA (2021). Non-Domestic Rates, Table FS4.1: Industrial sector - total floorspace by administrative area, data to 31 March 2021

Change in industrial floorspace between 2000/01 and 2020/21



In addition, permitted development rights also exist for industrial development allowing conversion to residential which not only erodes provision but impacts delivery by constraining new proposals for industrial uses close by.

This appears at odds with the intention of the London Plan's policies in relation to industrial, warehouse/logistics and other uses (Policies E4, E5, E6 and E7), which generally seek to retain a sufficient supply of land and premises for these uses, via the retention, enhancement and provision of additional industrial floorspace. The policies focus on Strategic Industrial Locations (SIL).

Intensification is supported in these areas and co-location in Locally Significant Industrial Sites (LSISs) and potentially SILs, with the broader approach that intensification may allow for release of areas for residential or co-location allocations. Intensification includes introduction of small units, development of multi storey schemes, addition of basements and higher plot ratios.

In January 2024, Cushman and Wakefield reported (UK Logistics & Industrial Outlook⁹) on London and the South East, as follows:

- Q4 of 2023 proved the sector remained resilient.
- The region has been hit relatively hard by an absence of third-party logistics take up and retail activity.
- Demand coming from a wide variety of business types (including health care, entertainment, and equipment hire) shows occupier take-up recovering.
- Mid-box units have seen the most demand.
- Larger space has been hit both by a lack of supply, and subdued demand due to concerns around affordability.
- A shortage of suitable development land has limited developer response where the sector faces fierce competition from other uses.

It is considered that whilst planning policy is in place to support growth and intensification, it appears to be relatively slow-going, which is likely due to a number of reasons, including the demand for larger units, lease positions, the practicality/buildability of multi-storey units and other planning policies that constrain development. That's not to say it doesn't happen. V-Park, a multi-level light industrial building has been developed by St. George and SEGRO in Park Royal (within one of the Plan's Opportunity Areas).



V Park Grand Union (SEGRO)

The GLA has recognised that there has been a change in the way we live and shop, which has increased competition for a declining supply of industrial land, and the pressure of accommodating housing. They note that demand is increasing for modern and accessible workplaces with a focus on sustainability and efficient use of land. To this end, in December 2023, the GLA published for consultation draft London Plan Guidance (LPG) titled “Industrial Land and Uses”¹⁰ as guidance to support the implementation of the Plan’s policies relating to industrial land.

Providing additional guidance is helpful, but as drafted it is not considered to go far enough in recognition of the varying and expanding/growing industrial uses, locational/spatial factors, the implications of

encroaching residential, or other constraining Plan policies. It is considered that this guidance could be bolder and more encouraging of development and recognise that there should be an allowance for more flexibility for development to be more developer/operator led.

This guidance provides the opportunity to add stronger reference to new and emerging uses and critical urban infrastructure such as data centres, which have just the briefest of mentions in the London Plan. Whilst sitting within the B8 Use Class, they have a very different look, function and impact when compared to warehouse/logistic uses. They are significant pieces of infrastructure which have Government support via the National Data Strategy (2022) and regionally with the Mayor’s Smart London Plan (2013; updated 2016)

OTHER POLICY AND PLANNING IMPLICATIONS ON DEVELOPMENT

Outside of the Economy chapter of the London Plan, there are many other factors and related policies that influence how development is expected to come forward in London to satisfy sustainability, energy, carbon, design, urban greening, biodiversity net gain, and tall buildings objectives. But some can be overtly onerous.

It is considered that there should be a broader assessment of all matters mindful of operational requirements and scheme benefits. Design considerations can be quite subjective and also overtly prescriptive/restrictive, and not account for operational factors.

Another significant impact is the lack of planning officers at LPAs who process the applications. It is known that there is a shortage of planning officers and skills, with Council budget/service cuts and more regular outsourcing which impacts the delivery of pre-application advice and planning decisions. Whilst the Government's recent increase to the planning application fees may assist with resourcing, it will be slow to fix. The delay in processing applications, the number of refusals and appeals, shortage of Planning Inspectors all lead to delays and impacts for the programme and costs to the developer.

In the current circumstances, employment development and intensification will remain constrained to a degree due to planning policy and process.



Proposed Bidder Street Data Centre (sineQN)

As developers evolve, the London Plan also needs to move with the times and the GLA must engage and listen to industrial sector leads to understand how London can accommodate industrial requirements in the next Plan period, including emerging and strengthening sectors such as data, artificial intelligence, virtual reality, laboratories and renewables/alternative energy. There is a need for the critical infrastructure to enable the delivery of growth such as digital connectivity, green/sustainable power, heat exporting solutions (in response to The Energy Act 2023) and sustainable waste options.

WHAT DOES LONDON NEED TO MAINTAIN ITS GLOBAL CITY STATUS ?

To keep London on top as a global city, we'll need more than just one fix to boost its economy. It's not just about planning, costs, programs, or supply and demand. It's a combination of factors that contributes to successful development. The Centre for London report concluded that a new approach is needed to address London's industrial land shortage via several means including:

- Improving representation from developers, landowners and occupiers (including the need for a powerful champion at City Hall).
- Enhancing local planning protection and flexibility to prevent further loss of industrial land and allow the diverse variety of industrial uses.
- Securing additional provision of land to meet industrial land demand.

To facilitate this approach, the report concludes that the GLA will need new evidence as the little existing data is not up-to-date, with the details unknown for the existing space, the space needed, the type, quality, and affordability. The GLA will also need the powers and investment to deliver, with national government leaving London planners to define a strategy and investing in infrastructure across London and the wider south east to unlock additional industrial capacity.

From a planning perspective, any changes relating to the London Plan should consider the following factors:

Review of policies and guidance more regularly, updated to account for changing times, technological advances, and innovation.

Importance of infrastructure – poor quality or slow-growing infrastructure impacting growth plus lengthy planning determinations on critical infrastructure.

Wider skills and education – for new, emerging and developing sectors to ensure developers can not only build but occupy and grow.

Better industrial land retention – whilst the need for housing is recognised, particularly local to employment, erosion of industrial land availability by residential and other non-employment uses is impacting. There needs to be:

- Further use of Article 4 Directions to secure more of a balance.
- Review of poor quality, sustainably located Green Belt land to be freed up for appropriate development.

More collaboration/engagement between GLA, LPAs, landowners, developers, and occupiers – utilise the available expertise.

Additional Officer/Member resources and enhanced education for those making policy and development control decisions

CONCLUSION

This briefing began by questioning how the London Plan's policies contributed to the Mayor's objectives for Good Growth and maintaining London's Global City status. There are so many impacts and influences. As planners, we would conclude that the foundation is present in the London Plan, ingrained within supportive economic policies that encourage appropriate development.

However, it is considered that it is other planning-related matters such as interpretation of policy, other spatial and design constraining policies, and resourcing and skills, that play a part in preventing and delaying the delivery of the necessary innovation, quantum, form and type of employment development required to truly bring forward the growth that enables London to live up to its Global City status.

What can we as planners, landowners, developers and operators do to assist with the Mayor's ambitions? Engage, collaborate and campaign to ensure the GLA has the best, most specialist, most useful and latest information to hand, and to ensure this filters down to local authorities to plan for this fast-changing and challenging sector.



REFERENCES

¹ London: The Global Powerhouse, GLA March 2016

² London's Economy After Brexit: Impacts and Implications, Cambridge Econometrics January 2024

³ The State of London, GLA January 2024

⁴ The Mayor's Economic Development Strategy for London, GLA December 2018

⁵ The London Plan, GLA March 2021

⁶ January 2024 London Offices Snapshot, Colliers

⁷ London Office Crane Survey: The Winter Edition, Deloitte

⁸ Making Space: Accommodating London's industrial future, Centre for London January 2022

⁹ UK Logistics & Industrial Outlook, Cushman and Wakefield Q4 2023

¹⁰ London Plan Guidance - Industrial Land and Uses – GLA, December 2023

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