

Examination of Draft Revised Lambeth Local Plan 2020-2035 Response to Inspector's Matters, Issues and Questions

1. This written statement is submitted to the Lambeth EIP on behalf of Stanhope PLC in response to Questions and Matters for discussion at the Examination in Public, raised by the Inspector in relation to Matter 4 specially in respect of Affordable Workspace at paragraph 4.3 and Employment and Training at paragraph 4.9.

Matter 4.3 – Affordable Workspace

1. Stanhope PLC previously made representations to Policy ED2 of the Proposed Submission Local Plan in May 2020.
2. Whilst the provision of affordable workspace is supported in principle by Stanhope PLC, we consider that policy ED2 of the draft Local Plan as currently drafted is not sound and is not justified for the reasons set out in this statement.

Questions

.i) Is policy ED2, which seeks to promote affordable workspaces, sufficiently responsive to sensitive viability considerations, or are there soundness issues with its application, for example in relation to applications for redevelopment and refurbishment of office space?

3. We do not consider that the current wording of Policy ED2 sufficiently responds to sensitive viability considerations and is unsound.
4. Part A i), ii) and iii) of the draft policy apply to development of over 1,000 sq m GIA of office floorspace. The policy requires the provision of 10% of **all** the office floorspace to be provided as affordable workspace. It is considered that this should be calculated on the basis of office floorspace **uplift** given that the floorspace will be liable to pay CIL.
5. As currently drafted, the policy challenges the viability of the demolition of an old office building to bring forward new grade A office floorspace as you do not get a floorspace credit for existing floorspace to be demolished. Additionally, where a refurbishment and extension of low-grade office floorspace is proposed, you would need to provide 10% of the whole resultant floorspace as affordable. The policy will therefore deter any office development/ or refurbishment.
6. It is also considered that the policy should be based on net useable internal area (NIA) rather than Gross Internal Area (GIA) as most office buildings will be multi tenanted and there will be a lot of back of house / circulation space so a net basis will result in a more efficient way of calculating such provision
7. The inflexibility of the policy results in viability issues for schemes coming forward and will reduce the delivery of new office floorspace during the plan period. This is particularly pertinent in light of Covid 19 and Brexit and the long-term challenges that this will present in respect of workplace demand. It is considered that some flexibility should be built into the policy to enable the best product to be delivered.
8. Part B requires provision of affordable workspace onsite that is designed to meet local need within the former B1 use class (office). It is considered that an office floorspace only offer would not go far enough to meet the aspirations the policy is trying to achieve.
9. Stanhope have experience of affordable workspace hubs at their other Sites such as the Gateway site in White City and believe that discounted space is more effective if supporting services are provided also. These services are vital to the success of new start-up companies such as mentoring services,

lectures, co-working arrangements, technical support, coaching, amenities, synergy with an industry in close proximity etc.

10. The recent Use Class order amendments and the introduction of Class E enable office, retail, leisure and medical uses to change use within Class E without requiring planning permission, building in more flexibility to commercial units. A similar approach should be applied to the draft policy allowing for a wider range of local businesses to benefit from discounted rents. Where you have a significant quantum of office based affordable workspace being provided, other forms of affordable workspace can be beneficial to supporting the office floorspace. For example:

- Coffee shop/ restaurant units (Class E);
- Fitness / health & Wellbeing start -ups (Class E); and
- Social and community uses such as a community space for use by a charity, or social group that cannot afford to pay full rent for hire etc (Class F1/F2).

11. The policy states, provision should be based on local need. Allowing more flexibility to allow other uses that are still technically 'workspaces', would in Stanhope's opinion, go further in delivering a genuinely effective offer that meets the local need of an area.

12. Furthermore, Policy E3 of the draft London Plan sets out the Mayors approach to affordable workspace and notes that the intention is to secure Use Class B space with rents that are below the market rate for social, cultural or economic development purposes such as charities and space for cultural uses including rehearsal space. Part A of Policy E3 of the draft London Plan states:

"In defined circumstances set out in Parts B and C below, planning obligations may be used to secure affordable workspace (in the B Use Class) at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose such as:

- 1) **for specific sectors that have social value such as charities, voluntary and community organisations or social enterprises**
- 2) **for specific sectors that have cultural value such as creative and artists' workspace, rehearsal and performance space and makerspace**
- 3) **for disadvantaged groups starting up in any sector**
- 4) **supporting educational outcomes through connections to schools, colleges or higher education**
- 5) **supporting start-up and early stage businesses or regeneration".**

13. Paragraph 6.11 of the draft Local Plan recognises that these types of spaces for creative, cultural and charitable organisations are "an integral part of London's ecosystem". It is therefore considered that the intention of the policy should allow such space to be provided on a basis that can best support local needs and not be restricted by the Use Class but rather a definition of workspace. The requirements and needs of the new enterprises benefitting from affordable workspace are still evolving and Stanhope consider the policy should allow for this.

14. It is therefore suggested that draft Policy ED2 part B should be revised to state:

"The affordable workspace secured should be provided on-site and be designed to meet a local need within **Class E B4 or **another use Class as agreed with the Council where a local need is demonstrated**".**

15. Part C of draft policy ED2 sets out that affordable workspace must be delivered in one of three ways. One of these is for it to be leased and managed by an approved affordable workspace provider. There is growing evidence in other Boroughs where affordable workspace obligations have been adopted that there is a disconnect between the affordable rent the policy allows / requires and the rent that the approved affordable workspace providers will pay.

16. It is suggested that the approaches are potentially restrictive and flexibility should be included for alternative approaches to be agreed with the LPA. In particular, these will have to be defined at the time of planning permission being granted but may not be delivered for some years and new products, arrangements, approaches may emerge in time. At the time of delivery, a better approach may be the best solution for the site and so a mechanism to allow for this should be considered.

It is suggested that a point iv) be added that states:

‘or an alternative approach to be agreed with the LPA’.

17. Another area where it is considered that it would be beneficial to introduce some more flexibility is part D of Policy ED2 in terms of the timing of delivery of affordable workspace. Policy ED2 part d currently states:

“The affordable workspace should be made available for occupation at the same time of or prior to first occupation as the rest of the B1a floorspace in the development”.

18. It should be recognised that the non-affordable workspace provision and occupation enables the funds for the delivery of the affordable workspace elements and therefore it may be helpful to include a timed approach that enables a percentage of non-affordable workspace to be delivered and occupied prior to the affordable workspace elements; or a mechanism that requires delivery of affordable workspace within 12 months of occupation of the non-affordable workspace.
19. Separately on masterplan / phased schemes, there should be the ability to ‘pro rata’ the affordable workspace provision. For example, if a scheme has several office plots that will all be delivered at different times, then the minimum requirement should be for the affordable workspace element associated with the floorspace of the office floorspace in that phase to be delivered.
20. There are various ways of securing this, but a suggestion is that Policy ED2 part d should be revised to state:
- “The affordable workspace should be made available for occupation within 12 months of first occupation of the non-affordable workspace.**
- In phased developments, the affordable workspace can be delivered on a pro rata basis requiring that at least the minimum amount triggered for that phase is delivered and ready for occupation within 12 months of occupation of the non-affordable floorspace element.**
21. Part E of the policy sets out that in exceptional circumstances, a payment in lieu of affordable workspace provision may be accepted if it is demonstrated that on-site provision is not feasible / and or a greater economic impact would be achieved through a Payment. The policy refers to Annex 10 for calculating the payment anywhere in Lambeth.
22. The payment could result in developers providing affordable workspace onsite to avoid the payment in lieu costs. This may result in those areas with the highest demand / need for affordable workspace, not receiving any because it is being provided onsite in other areas of the borough where more development is taking place. An approach that encourages on and offsite delivery subject to local need is considered to go further in achieving the policy goal of delivery of affordable workspace to meet local need.
23. Part F requires that where proposals do not provide the level of affordable workspace required, viability information will need to be supplied to demonstrate why.
24. Further flexibility should be included here to ensure where schemes deliver an alternative option that equates to a policy compliant offer, the affordable workspace offer should be considered to have

complied with the policy and the application should be allowed to still be processed using the fast track route without needing to provide a full financial viability assessment.

25. Whilst the policy can be viability tested on a scheme by scheme basis Part F suggests that where a viability case is submitted, and its subsequently determined that a greater level of affordable workspace could viably be supported, than that higher level of affordable workspace will be required. This suggests that you can be required to provide more space or a deeper discount than the policy requires. We do not consider this is reasonable, and this is obviously not the case in relation to affordable housing obligations, where the obligation is capped by the policy.
26. Where viability determines that a sub policy level of affordable workspace is reasonable, the policy requires early and late stage reviews to be applied. The detail of these reviews are in a separate SPD, but they largely follow the requirements of affordable housing reviews, given that there is an early stage review if a scheme has not commenced within 2 years and a late stage review at 75% of occupation of the floorspace. The SPD suggests any "surplus" from these reviews is split 80/20 in the Council's favour and, if via an early stage review, the additional obligation is sought on-site and, if via a late stage review, it is sought as a payment.
27. The proposed 80/20 split does not align with the London Plan Viability SPG split which states it should be 60/40.
28. Given the pre-let nature of office development / funding, we question if the early stage obligation of providing additional floorspace on site could actually work in practise.
29. We are not aware of review mechanisms being imposed on affordable workspace as part of any other Borough policies. Given the current market pressures around office, and the conflicting / competing requirements of affordable housing reviews we do not consider that this is a reasonable or justified approach.

ii) What is the justification for the proposed rent levels?

30. It is not considered that the proposed rent levels are justified or sufficiently tested.
31. It is not clear if Lambeth have tested the demand / ability of their approved affordable workspace providers to pay the proposed rents.
32. Furthermore, from the BNP CIL viability Study, it is not clear if BNP have differentiated the office yield to reflect the weaker covenant of occupiers of the affordable workspace, over the market office space.

iii) Is there a case for amending the policy to make it clear that office floorspace associated with or ancillary to health facilities would form an exception to the policy requirements?

33. The recent changes to the Use Class Order have resulted in office floorspace and medical / healthcare floorspace falling within the same use class. It may therefore be difficult to differentiate between those offices that are ancillary to healthcare providers and those that are operating under the previous Class B1 use. Medical & Healthcare uses serve a different purpose to general employment space and the inclusion of those offices in this policy would compromise their intended use.

Matter 4.9 Employment and Training

Question

"Policy E15 seeks to maximise local employment opportunities through a number of measures, including a requirement for a minimum of 25% of all jobs created by a development proposal (in both the construction phase

and for the first two years of end-use occupation of the development) to be secured for local residents. Is this policy justified, is it in accord with the London Plan and national policy and is it enforceable, i.e. effective?"

34. The policy as currently drafted is incredibly prescriptive and is not always within the control of the developer, particularly in relation to end-use occupation. On a site where the proposed uses are very specific, such as medical research uses, it may not be possible to fill 25% of jobs from the local area. Notwithstanding the flexibility introduced by Part iii) of the policy which states:

"The council will expect the developer to make all reasonable endeavours to meet the obligations set out in (i) and (ii), above. The developer is expected to make or bring about the necessary provision to meet these obligations. However, if the developer can demonstrate to the satisfaction of the council that there are circumstances specific to the scheme such that either direct provision is not operationally feasible, or that an alternative means of delivery would result in a more effective outcome, then the council may consider a financial contribution in lieu. In these circumstances, the amount of the contribution will be based on the calculation set out in Annex 10"

35. This still requires a payment in lieu if the obligations cannot be met which are sometimes out of the control of the developer.
36. Furthermore, Policy E11 of the intend to publish version of the London Plan recognises at Para 6.11.2-4 that where Developers are often required to make employment and training opportunities in new developments available to local residents as part of Section 106 planning agreements, the current model does not always enable residents to complete their training, securing sustainable employment for local people or meeting the demand for construction skills. The Employment and training targets are often based on the number of new apprenticeship or training starts, rather than the meaningful completion of these.
37. It goes on to state that the nature of construction projects compared to the longer duration of apprenticeships mean that apprentices employed at the beginning of a project may not have finished their training by the time construction on site is completed. This means that once developments finish, apprentices may not be able to move with contractors to developments in different areas (because they too will have their own local labour requirements and requirements for new training and employment starts). They may, therefore, be unable to complete their training. In addition, local labour requirements can mean that contractors struggle to meet the demand for skills because they must source labour from a geographically-defined labour pool, where the required skills may not necessarily be available.
38. The current drafting of Policy ED15 is therefore not in line with the Intend to Publish London Plan and will not result in overall effective, long term, local employment and training opportunities. The policy should be redrafted to allow for cross-borough working opportunities and sharing of data to enable a holistic approach across London in tackling unemployment. Policy E11 of the draft London Plan (Intend to Publish) does not set out specific criteria in respect of job numbers but notes that development proposals should support employment in the construction and end use phases. It is therefore considered that Policy E15 should take this approach and that each site should be reviewed on a case by case basis.
39. In Stanhope's experience, a more achievable target for construction is 10% of new jobs secured locally recognising that the majority of construction jobs are skilled roles that cannot always be met locally
40. In terms of end- user jobs, a wide range of jobs require specific education, training and skills that result in employers creating established routes to employment such as specific universities and courses to secure the best talent. This is not an area where the developer can or should be expected to play a role and such a policy may well discourage occupiers from locating in Lambeth.