

THE MAYOR'S ECONOMIC DEVELOPMENT STRATEGY FOR LONDON

Heart of London response

13 March 2018

Heart of London Business Alliance serves as the voice for 500 businesses and 100 property owners in the Piccadilly & St James's and Leicester Square areas. Our purpose is to support the commercial wellbeing of the businesses and organisations we represent, and ensure our areas remain integral to London's West End offer as a place for people to visit, live, trade and work.

RESPONSE EXECUTIVE SUMMARY

We broadly welcome the Mayor's overall aim to make the city work for all Londoners. The Mayor's advocacy on business rates, infrastructure investment and Brexit are valued by business, and vital to maintaining the competitiveness of London. We want to work with City Hall to take advantage of the devolution of the Adult Education Budget so that opportunities are aligned to the needs of business. We ask the Mayor to support our call on Government to ensure any future immigration policy with the EU and the wider world reflects the need for skilled staff to maintain our tourism offer, particularly in the hospitality industry.

However, we are deeply concerned that the Strategy does not recognise the importance of the West End, and more broadly central London. In over two hundred pages there are only two passing mentions of the West End and little detail about how the "engine of London's economy", as the Mayor rightly calls it, will be supported to grow.

Many of the policies proposed by the Mayor to create the conditions for growth are welcome. With regards to Planning, the strategic functions of the Central Activities Zone (CAZ) must be prioritised, particularly in the commercial core of the West End. London already has the most varied and developed Evening and Night Time Economy (ENTE) in the world and we warmly welcome the far more positive policies on the evening and night-time economy within the plan, including the incorporation of an agent of change principle.

Many of our members have experienced business rates rises of over 80%, particularly in the hospitality and night-time economy sectors. We support the British Hospitality Association's (BHA) call for a cap on business rates in the hospitality and tourism industry and welcome the Mayor's call for a review of the entire business rates system.

The Mayor has an important job to do in selling London to the rest of the UK as well as abroad. Other regions do not recognise the contribution London makes to the rest of the UK. In this context, we also call on the Mayor to support the West End Partnership's campaign to ask the Government to agree a finance package to maintain the importance of the West End through the Tax Incremental Finance (TIF) scheme.

The focus on the culture and creative industries and tourism sectors are welcome in the strategy. We await the forthcoming Culture Strategy with interest. London is the best city in the world to visit, however this strategy fails to value the contribution of the West End as the gateway to the UK, and overlooks some key challenges for tourism. We want to work with the Mayor to keep London as the world's best place to do business, and a destination for people around the world to invest, visit, work and live.

OUR RESPONSE

The state of London's economy

We broadly welcome the Mayor's overall aim to make the city work for all Londoners. The Mayor's advocacy on business rates, infrastructure investment and Brexit are valued by business, and vital to maintaining the competitiveness of London. We want to work with City Hall to take advantage of the devolution of the Adult Education Budget (AEB) in 2019/20 to ensure that training provides opportunities for Londoners, especially those that face barriers to work, and that skills are aligned to the needs of business.

Brexit presents challenges and opportunities for our members. One challenge that particularly concerns our businesses is a post-EU immigration policy that could severely constrain their access to skilled labour. The Mayor's leadership on this is welcome, particularly the call for "a flexible immigration system that responds to demand, not one that places additional costs and burdens on employers." Heart of London was proud to work with City Hall to promote the #Londonisopen campaign last summer. Our city is strengthened and enriched by its incredible diversity and London's welcome to people from around the world.

Our hospitality businesses are particularly reliant on skilled foreign workers such as chefs, 25 per cent of whom are EU nationals, and would face significant difficulties were there to be a policy that restricted the movement of skilled staff to the capital to work. Shortages of staff leads to rising costs, degrading customer service and quality; all damaging to London's reputation globally. We ask the Mayor to support our call on Government to ensure any future immigration policy with the EU and the wider world reflects the need for skilled staff to maintain our tourism offer, particularly in the hospitality industry.

We are however deeply concerned that the Strategy does not recognise the importance of the West End, and more broadly central London. In over two hundred pages there are only two passing mentions of the West End and little detail about how the "engine of London's economy", as the Mayor rightly calls it, will be supported to grow.

The six hectares of the West End generates £51 billion Gross Value Added (GVA) annually, more than the £43.9 billion of the City and as much as the whole of Wales. It accommodates over 650,000 jobs and is expected to generate at least 77,000 new jobs by 2036¹. The hyper-connectivity and exceptional productivity of the West End plays a crucial role in London's economic success, but more importantly for the Mayor's Economic Development Strategy, it will accommodate many of the new jobs and businesses our city's economy will generate, and that will fund much of the Mayor's ambitious plans for new infrastructure.

Another notable absence from the strategy is the identification of the changing nature of retail and the consumer experience, and the challenges and opportunities it brings. It is particularly important to focus on this area in the context of the recent revaluation of business rates, which has put extreme burdens on an already ultra-competitive sector. The demand for 375,000 sq m of additional comparison goods retail floorspace over 2016-2041 (after the committed pipeline) is identified in the draft London Plan, though there is no proactive policy to support its delivery. The strategy seems to focus almost exclusively on the challenges for retail in town centres outside central London which are distinct and different from those in the West End.

The rise of multi-channel retailing in the capital needs to be recognised; consumers visiting the West End are often pursuing a more experiential visit than simply a shopping trip. The Mayor should take a strategic approach to support retail in the international shopping districts so that as retailing becomes more experience based, the high street can adapt. Notably, there is a need for a more flexible and permissive approach to change of use, allowing these new format stores that may be less traditional A1 retail and instead require a flexible A1 / A3 approach to usage classification.

¹ WEP Vision and Delivery Plan, 2015-2030

To truly realise the benefits of existing major public investment, and the taxation that will be generated from growth for local authorities and the Exchequer, a specific focus is needed on how the unique challenges of the West End will be addressed by the Mayor. The Economic Development Strategy for London is a missed opportunity in this regard by overlooking the “engine of economic growth” at the heart of the capital.

A fairer, more inclusive economy

We support many of the measures the Mayor is proposing to make London’s economy fairer and more inclusive, particularly the focus on skills. The new all-age careers information, advice and guidance service that better responds to local economic and social needs is especially welcome. We suggest a stronger focus here on the hospitality, retail and tourism sectors, considering its reliance of EEC workers.

Our members recognise the importance of educating home grown talent to increase the supply of trained UK hospitality staff. However, there is a cultural barrier hindering this skills push. There is a perception in the UK that hospitality is a second-choice job, compared to other career paths. British young people are alternatively pushed towards traditional jobs, which may cease to exist in a few years’ time, rather than to the thriving hospitality industry. Our members find that this is a considerable barrier to recruiting British staff. They find it difficult to reach out to schools to outline the opportunities available in hospitality for a career and progression. With this culture, combined with low unemployment, our members are struggling to fill the training opportunities that they offer with British staff. We ask that the Mayor invest in fighting this culture, promoting careers and opportunities in the hospitality industry.

Heart of London already works with Recruit London, managed by the Cross River Partnership, to offer a job brokerage service for our members. They give jobseekers a route back into work and fully prepare candidates for the interview process and the job, and carefully match them to the right employer. Recruit London have built up a strong track record helping over 1,600 central London jobseekers find work since 2009.

Heart of London supports the creation of a London sector-skills board to advise on aligning skills provision with industry requirements in key sectors in London. We particularly welcome that the tourism and culture industries are identified amongst key sectors with significant growth potential and opportunity for impactful investment.

Heart of London represents key sectors of the West End, the heart of the capital’s tourism offer. With a wide and unique cultural, hospitality, office and retail offer, Heart of London is best placed to support the strategy’s vision for providing the skills that these sectors need. We would therefore ask that Heart of London be considered for a place on the London sector-skills board as the representative of leaders in these key industries to London’s future.

We also welcome the promotion of investment in skills and workforce development (including apprenticeships), as well as the commitment to working with further strategic sectors in London to improve the relevance and quality of training to meet skills needs. However, the cumulative impact of apprenticeship levy with rising rents and business rates makes it hugely challenging for business to deliver further investment.

We await the publication of the London Food Strategy for more detail on support for the food and hospitality sectors, particularly around skills. We would add that specific thought around deliveries and consolidation within this sector is needed. Distribution of fresh produce presents unique challenges. The increasing use of takeaway services is also becoming an issue of tension in the West End, with residents complaining about restaurants using app-based delivery companies. This needs to be considered as it is an important issue in the food industry.

While our members try to do everything they can to make their workplaces inclusive, and offer strong continuing training and progression, we would be concerned about putting additional burdens on business around the London Living Wage (LLW). Particularly in certain sectors, paying those levels of wages is not sustainable in the context of rising rents and business rates. The Good Work Standard should remain

voluntary. With so much of the burdens of paying for new infrastructure and regulatory change falling upon business it is more important than ever that the Mayor creates a competitive environment for growth.

Creating the conditions for growth

Many of the policies proposed by the Mayor to create the conditions for growth are welcome. With regards to Planning, the strategic functions of the CAZ must be prioritised, particularly in the commercial core of the West End. Given the importance of the West End to the UK's economic growth we believe that the draft London Plan should have contained greater and more detailed guidance for its future growth.

We support a more flexible approach to intensifying employment sites in the CAZ, including through greater height and density where appropriate. We argue that local approaches to mixed-use development should not be prescriptive and allow land use swaps, credits and off-site contributions in core commercial areas to sustain strategically important activities. We have responded to these matters in detail in our response to the London Plan.

It is vital to prioritise commercial and culture development in the CAZ, especially within the overheated sub-market of the West End. Evidence from the London Office Policy Review 2017 (LOPR) has shown the scale of the challenge in the Westminster CAZ, which has seen a loss of office floorspace since 2005 (even before the temporary permitted development right, and since protections have been put in place); it states that “only Westminster stands out for suffering large scale, residential driven loss of floorspace.”²

From 1990 to 2015 prime commercial rents have increased in the West End by 600%, in comparison to 180% in the City of London and 350% across London.³ The review continues that “the West End remains the market, alongside Midtown, where demand most strongly outstrips supply”⁴ with a particular challenge to secondary commercial space, which has seen a loss to residential conversion, and rising rents from shortage of supply which has pushed out SME's and start-ups from the West End market.

The plan has employment projections of 619,300 jobs by 2041 with estimated need for 3.5 million sq. m. of office space in the CAZ and Northern Isle of Dogs (NIOD).⁵ Over 300,000 square metres of office space have been redeveloped or converted to residential properties in Westminster's Central Activities Zone since 2010 according to the City of Westminster's own figures⁶.

While the change in policy on mixed use development in the CAZ is welcome, we do not regard it as sustainable to accommodate significant quantities of new residential development in the core commercial areas of the CAZ and would support the view that residential growth should be “incremental” at most⁷. Further action is now required, given the failure of current policy to stem the loss of commercial space to residential and bring forward sufficient new supply.

The mention of digital infrastructure and broadband is important; but there is a lack of detail on how the Mayor will achieve the long overdue roll out of high-speed internet to parts of London. There are parts of the West End that continue to struggle to get a high-speed broadband connection. The Mayor must make this one of the top priorities for the GLA; the inadequate nature of London's digital infrastructure is now past embarrassing.

² GLA London Office Policy Review 2017 (LOPR), p. 126

³ LOPR, p. 62

⁴ LOPR, p. 89

⁵ LOPR and [Table 6.1](#) of draft London Plan

⁶ [Making of Westminster's Article 4 Direction for changes of use from BI\(a\) \(offices\) to C3 \(dwelling houses\)](#), City of Westminster, 26 January 2018, para. 4.13

⁷ Table A1.1 – Town Centre Network

London already has the most varied and developed evening and night time economy (ENTE) in the world and we warmly welcome the far more positive policies on the evening and night-time economy within the plan, including the incorporation of an agent of change principle.

Heart of London has taken up the mantle of improving air quality in Central London by developing a freight and waste consolidation strategy to save our members money and improve our environment for all those who live, work and play in the heart of London. As we have stated before in our response to the Mayor's Transport Strategy (MTS), a more strategic approach to this issue is required, particularly around the infrastructure for micro-consolidation, click and collect points. We are pleased that the final version of the MTS contains much more detail on how the Mayor will work with BIDs to achieve this. However, it is disappointing that BIDs receive only a single mention in this strategy (in the context of industrial BIDs) given their important role in the successful management of places, driving investment and promoting London to a global audience, not to mention in improving air quality.

We support the Mayor of London's plans to encourage walking and cycling, reducing the number of cars and freight on the roads and tackling the most polluting vehicles. Heart of London will continue to work on new and innovative ways to help our businesses to contribute to making London the greenest city in the world.

As a principle, we also strongly support the ambition of creating a more affordable and accessible high quality public transport system. We believe further consideration could therefore be given to greater flexibilities on weekly, monthly or annual season tickets to incentivise walking or cycling. We also remain concerned that the Mayor's ambitions run counter to those of National Government, who have adopted the principle that commuters should be paying a greater proportion of their travel costs, including on many of the rail networks which workers use to access Central London. We would call for a major rethink on how London transport is funded, so that it can be made increasingly affordable especially for those commuting from outer London or the suburbs.

Many of our members have experienced business rates rises of over 80%, particularly as identified in the hospitality and night-time economy sectors. In most cases the rise is not because of improved business performance but simply a reflection of the lack of supply of commercial space. These huge increases are therefore a major new cost on our members. In general the cumulative impact of rising rents, training and apprentice levy's and business rates, not to mention the contributions that new development must make, are pushing many businesses to the edge of profitability. We have already seen a loss of businesses, especially SMEs, from the West End office market in recent years due to costs.

This hike in costs has put considerable strains on many of our businesses, limiting their ability to take on and train new staff, deliver enticing events and provide a world beating service. This damages the offer of the West End and in so doing, damages the entire UK. We support the British Hospitality Association's (BHA) call for a cap on business rates in the hospitality and tourism industry and welcome the Mayor's call for a review of the entire business rates system so it is fair for business and reflects the modern economy.

The Mayor has an important job to do in selling London to the rest of the UK as well as abroad. Other regions resent the success, but do not recognise the contribution London makes to the rest of the UK. This is partly reflected in the vote for Brexit. The Mayor has a role to play as the 'face' of London and needs to do a better job of convincing the regions and central Government that the economic powerhouse of the Capital is benefitting them. We know the evidence for this is unarguable in terms of tax, inward investment, tourism and supply chains, but a renewed, powerful case is needed for increased investment and why London's success is not a zero-sum game for the rest of the UK.

In this context, we also call on the Mayor to support the West End Partnership's campaign to ask the Government to agree a finance package to maintain the importance of the West End through the tax incremental finance (TIF) scheme. West End Partnership projects have secured funding of £405 million with £154 million already (38%) drawn from the private sector. Heart of London and our members have alone invested over £40 million of investment into the public realm of our area in the last decade.

By retaining 6.5% rather than the current 4% of local business rates and reinvesting that additional sum into the West End, major co-finance can be attracted from the business sector. The West End is looking to retain only £40m more a year of the £1.8bn of business rates generated in the area. This £409m tax incremental finance (TIF) agreement to 2030 will create £12.3bn additional economic output (GVA) and £3.8bn more taxes for the Exchequer.

Supporting London's sectors

Culture and the Creative industries

Heart of London strongly supports the approach to the evening and night time economy. The introduction of the agent of change principle is a long overdue recognition of the challenges faced by noise-generating businesses. We congratulate the Mayor for bringing forward this policy both through his Culture and Night-time Economy Supplementary Planning Guidance (SPG) and now in the draft London Plan and the leadership shown on this issue.

We represent the most mature night time economy area in London and some of the world's most important cultural institutions. These range from the Royal Academy of Arts and National Portrait Gallery, to the theatres of Shaftesbury Avenue, the cinemas of Leicester Square, casinos including the Hippodrome, as well as numerous bars, restaurants, offices and hotels – big and small. Heart of London will be very interested in the Culture Strategy once it is published and want to work with the Mayor to support the arts to flourish in London.

We strive for the West End to have the most varied and high-quality ENTE for visitors, workers and residents. Given the “disproportionate” business rates revaluation in 2017 for ENTE businesses, sometimes up to 80%, we support the Mayor's call for the VOA (Valuations Office Agency) to investigate the impact of business rates on this sector.

Heart of London works in close partnership with the GLA, Westminster City Council, the West End Partnership and the Metropolitan Police to promote a responsible night time. It is important to celebrate how far we have already come and look at the positive and vibrant ENTE that exists in our city. This is valued by our residents, workers and visitors on a social and cultural level.

Crime and anti-social behaviour (ASB) associated with the ENTE have been on a long downward trend and we need to be positive about the opportunities and benefits that it brings. In fact, strong partnership work and industry standards have made huge progress.

What is often a challenge is finding the basic ‘daytime’ services, like a cup of coffee or a healthy meal at night or a doctor's surgery or library. While there is broad agreement around later opening for galleries and museums, and even some night-time retail, this still only covers a very restrictive set of activities. A sustainable night time economy, accessible and inclusive to all, needs greater diversity than what our city currently offers.

This may be helped by more a positive and considered use of the planning system to proactively plan for the ENTE, as encouraged in the Mayor's draft London Plan and ‘Vision for London as a 24-hour city’. Our view is that there is a need for detailed research into the costs and benefits of a more diverse and flexible ENTE and how that could work in terms of not just reformed planning policies but licensing and street management policies.

A positive strategy must command support from both operators and those that suffer from noise and ASB impacts. This will require compromise from both; building on the work of Business Improvement Districts (BIDs) and the industry to improve management. We welcome the Mayor's refreshing positivity on this subject and hope to work with City Hall and Westminster City Council to build a new consensus on the ENTE over the coming years.

Tourism

We are the heart of the world's capital city. We and our members strive to make ours the most visited city in the world. We believe that we can increase visitor numbers year on year, through a unique, diversified and world class offering. London is the driver for visitor growth to the UK; our success brings more visitors to every region of Britain. Over 200 million visits are made to the West End every year, with some of the world's best entertainment, culture and hospitality; generating over £11 billion in sales⁸.

Our priorities aim to enhance our status, continue to improve our area and ensure that London remains the pre-eminent city destination in the world. We have covered many areas related to tourism and hospitality in our response already. While we welcome the identification of Tourism as a sector to invest in, there is almost nothing to promote the West End in the strategy.

Almost all first-time visitors to London come to the West End first; it is the shop window for the whole country, driving repeat visits. The exclusive focus on driving tourism to other parts of London fails to recognise the crucial role of the West End in attracting visitors and as the home of most of London's visitor attractions.

London is being successfully promoted worldwide, however our digital infrastructure cannot keep up with the demands of Asian tourists who are used to high speed internet and good connectivity. This should be a key priority for the Mayor with major investment in public Wi-Fi and increased connectivity for central London.

Our members rely on tourism from both EU and non-EU countries. From tour groups on their first trip to London to high net worth individuals (HNWIs) who pick and choose which cities they visit; these customers need the easiest possible access to the UK. Heart of London has worked for many years with the UK China Visa Alliance to push for more flexible and easy to access visas for Chinese tourists. We are pleased to see steps have been taken in this direction, however much more needs to be done.

This is also the case for visitors from the Middle East. These HNWIs contribute not just to luxury brands and hotels, but to culture and the arts. Heart of London runs campaigns to target these individuals and encourage them to the UK, but if it remains difficult to get to the UK they will choose other destinations. We welcome the statement of support, and call on the Mayor to advocate strongly for action on this issue.

Security is the most crucial issue for our members. People come to London for a variety of reasons, but they will not come if they do not feel safe. The Heart of London area benefits from the Police Impact Zone, which saw a 36 per cent reduction in crime after its first year of implementation. This has enhanced our area's reputation and made it a safer place for tourists and locals to visit. Recent terrorist attacks have not yet changed this and there has been no reduction in visitors.

It is however vital that visitors continue to feel safe. This is not just feeling safe from terrorism, but safe from theft, assault and intimidation. Every reported incident damages our reputation for safety. We have called on the Government to continue to properly fund the police and the security services, so visitors continue to feel safe to come to the West End. Further cuts to the Metropolitan Police budget will inevitably reduce officer numbers and the reassurance they provide. The Mayor must maintain officer numbers and resources in the West End given the levels of crime and the impact on our international reputation.

Our visitors expect the best possible experience when they come to our capital. Our members pride themselves on providing this, and Heart of London has committed considerable resources to ensure that London is the best city in the world to visit. There are however issues which detract from the visitor experience; for example, anti-social behaviour associated with disruptive street performance, pedicabs and rough sleeping.

Heart of London are working with Westminster City Council, numerous charities and the police to do everything we can to help those rough sleeping, but this is a growing problem and both the Government, and

⁸ WEP Vision and Delivery Plan, 2015-2030

the Mayor could do more. Our members often feel helpless in the face of the growing problem of aggressive begging, rarely from those that are homeless, and we ask that the Mayor is supportive of appropriate and proportionate police action to tackle anti-social behaviour associated with rough sleeping and begging.

On street performance, we are working with the Council to find a way to ensure that we maintain high quality performance that enhances our area but removes those acts that block streets and disturb our visitors, residents and workers. We hope the Mayor will work with Heart of London when preparing his Public Space Charter so that there is recognition of the need for effective management of our streets, parks and squares so that they remain for the enjoyment of all Londoners.

Pedicabs are currently unregulated and there is no way to ensure the equipment is safe, extortionate fares are not charged, or control who is driving. This has led to serious harm, congestion and harassment. Our visitors are the most vulnerable to this. We have asked the Government to adopt the Pedicabs (London) Bill 2017-19 to allow TfL to regulate pedicabs. We hope the Mayor will continue to lobby with Heart of London and the Regulate Pedicabs Coalition to get this overdue measure enacted as committed to by the Government on multiple occasions in the last decade.

Conclusion

We broadly welcome the Mayor's overall aim to make the city work for all Londoners. However, we are deeply concerned that the Strategy does not fully recognise the importance of the West End, and more broadly central London. In over two hundred pages there are only two passing mentions of the West End and little detail about how the "engine of London's economy", as the Mayor rightly calls it, will be supported to grow. Clear guidance is needed to support growth in the West End, including strengthening policies in the draft London Plan and supporting the West End Partnership's TIF bid.

It is also disappointing that BIDs receive only a single mention in this strategy given their important role in the successful management of places, driving investment and promoting London to a global audience. Heart of London represents key sectors of the West End, the heart of the capital's tourism offer and we are best placed to support the strategy's vision for providing the skills that these sectors need. We would therefore ask that Heart of London be considered for a place on the London sector-skills board as the representative of leaders in these key industries to London's future.

Many of our members have experienced business rates rises of over 80%, particularly as identified in the hospitality and night-time economy sectors. There no scope for any new burdens on business, and a vital need for the Mayor to act to create the conditions for growth through investment and skills. We support the Mayor's call for a review of the entire business rates system, which is unfit for the modern economy and putting an unsustainable burden on businesses.

We want to work with the Mayor to keep London as the world's best place to do business, and a destination for people around the world to invest, visit, work and live. In particular we welcome the more positive attitude towards the ENTE and skills agenda and hope to work with City Hall and Westminster City Council over the coming years to create a new consensus on this issue.