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Jacqueline Christie  
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**BY EMAIL:** [eip.programme.officer@southwark.gov.uk](mailto:eip.programme.officer@southwark.gov.uk)

Dear Jacqueline Christie

### **Written Response to Inspectors' Matters, Issues and Questions (MIQs)**

#### **Policy P30 'Affordable Workspace', Policy SP1 'Quality Affordable Homes' and general compliancy with the Publication London Plan (December 2020) and the national approach**

We write in response to the Inspector's Matters, Issues and Questions (MIQs) (Ref. EIP88) published in December 2020 for which written statements are being accepted in response to the MIQs up until 2 February 2021.

In particular, we respond to the following policy themes and questions:

- **Policy P30 - Affordable Workspace:**
  - **Question 5.22** - *Is the policy overall justified, effective and consistent with national policy and the London Plan? Is it viable? Is it sufficiently flexible?*
  - **Question 5.28** - *Is the policy intended to require affordable workspace as part of employment refurbishment proposals or any net new employment floorspace including extensions to existing premises in single occupancy? Is this justified?*
- **Policy SP1 - Quality affordable homes:**
  - **Question 3.10** - *Is the policy justified, effective and consistent with national policy? How will the target of 50% of all new homes to be either social rented or intermediate tenures be achieved against a minimum 35% requirement on qualifying new development?*
- **General comments in respect of conformity with the Publication London Plan (December 2020) and the national policy position/ approach.**

### **1. Background Context**

By way of background, we previously submitted a representation (Ref. NSPPSV426.1) in respect of Policy P30, in response to Southwark's consultation, which closed in October 2020. This representation is provided at **Appendix 1**.

Indeed, whilst we note that the London Borough of Southwark has responded to this representation, unfortunately, the crux of the point we have raised on the policy has not been understood. As such, a further statement in response to officers has been made in **Appendix 2**.

We consider this useful background to the reasoning and approach we have taken in response to the Inspectors Questions, which are set out in sections 2, 3 and 4 of this letter.

Further details are provided below.

## **2. Response to Questions 5.22 & 5.28 - Policy P30, Affordable Workspace**

***Question 5.22 - Is the (affordable workspace) policy overall justified, effective and consistent with national policy and the London Plan? Is it viable? Is it sufficiently flexible?***

***Answer:*** No, the policy requirement to provide payments in lieu for sites of 500sqm GIA or more is not justified for small scale developments as it has not been viability tested. Furthermore, the evidence base has not taken into consideration the impacts of Covid-19, which has resulted in short to medium term changes in the office market as a result of the need for social distancing and the requirement to work from home, further impacting on viability and the ability to let buildings.

We also note that several other representations raised similar issues with the draft policy and the its potential impacts (Refs. NSPPSV38.5, NSPPSV182.9, NSPPSV157.7&8, NSPPSV477.3 and NSPPSV498.5).

***Discussion & Our Justification:*** We note that Examination in Public Document Number EIP20, "*Viability background paper*" dated May 2020, at Page 15, states: "*Viability for this policy (P30) is justified within the Viability Study 2019*".

We have, in turn, reviewed the BNP Paribas Report "*Housing and Affordable Workspace Policies - Further Viability Sensitivity Testing*", dated July 2019.

From reviewing this report, it is clear that no scenarios have been tested by BNP Paribas for refurbishment schemes under 2,500sqm. Indeed, without any further testing of smaller developments of less than 2,500sqm - where there is often a loss of marketable space to accommodate policy provisions such as cycle parking provision, along with high refurbishment costs - we do not consider the policy is justified.

Indeed, the document itself, at Paragraph 3.41, recognises that the delivery of affordable workspace will not always be financially viable in all the scenarios tested. This has been further exacerbated by Covid-19 which, as a result of the need for social distancing and the requirement to work from home, further impacts on the viability and the ability to let buildings.

In conclusion, we do not consider that the policy is justified or consistent with the London Plan noting that Policies E2 (D) and E3 (C) of the Publication London Plan (December) sets a threshold of 2,500 sqm for the provision of affordable workspace. Whilst we do not object to a lower threshold, we do object to the lack of viability evidence to support such an approach.

Without actual scenario testing, this policy is not robust, deliverable nor viable. Furthermore, as previously stated, in light of Covid-19, the viability of office developments has worsened creating a further disincentive to bring forward small scale office development. This approach will be a huge burden.

As such, we consider that the threshold should be changed from 500sqm to 1,000sqm net additional office space, thus applying only to major development, as has been tried and tested in other London Boroughs (such as the adopted and emerging policies of London borough of

Hackney, Tower Hamlets, Islington, Lambeth, Wandsworth and many more) which we consider strikes the right balance.

**Question 5.28 - Is the (affordable workspace) policy intended to require affordable workspace as part of employment refurbishment proposals or any net new employment floorspace including extensions to existing premises in single occupancy? Is this justified?**

**Answer:** No, the policy is not justified for small scale developments as it has not been viability tested, for the reasons highlighted in response to Question 5.28 above. tested.

Furthermore, the evidence base has not taken into consideration the impacts of Covid-19, which has resulted in short to medium term changes in the office market as a result of the need for social distancing and the requirement to work from home, further impacting on viability to bring forward office development and also the ability to let buildings.

We also note that several other representations raised similar issues with the draft policy and the its potential impacts (ref. NSPPSV38.5, NSPPSV182.9, NSPPSV157.7&8, NSPPSV477.3 and NSPPSV498.5).

### **Proposed Amendments to Policy P30**

In view of the above, we request that Policy P30 Parts 2 and 3 and "Reasons", Part 5, be amended as per the suggested text below and overleaf.

Where wording has been deleted this has been marked with a **red bold strikethrough** and where introduced through **bold black underscored wording**.

## **Policy P30, Affordable Workspace – Amendments necessary to make the policy viable and justified**

"2. **Major** Developments proposing ~~500sqm~~ **1,000sqm** GIA or more employment floorspace (B class use) must, **subject to viability**:

1. Deliver **at least** 10% of the proposed gross **new (GIA) net additional** employment floorspace as affordable workspace on site at discount market rents; and
2. Secure the affordable workspace for at least 30 years;
3. Provide affordable workspace of a type and specification that meets current local demand; and
4. Prioritise affordable workspace for existing small and independent businesses occupying the site that are at risk of displacement. Where this is not feasible, affordable workspace must be targeted for small and independent businesses from the local area with an identified need; and
5. Collaborate with the council, local businesses, business associations and workspace providers to identify the businesses that will be nominated for occupying affordable workspace.

3. If it is not feasible to provide affordable workspace on site, an in lieu payment will be required for off site affordable workspace, **subject to viability**.

### Reasons

5. The policy applies to all new build developments providing **over 1,000sqm Gross Internal Area or more 500sqm of** new employment floorspace regardless of any existing employment uses that will be demolished. **The maximum reasonable provision of affordable workspace will be secured, subject to viability, in line with Part 2 of the policy.** For extensions to buildings or changes of use, the policy applies to the new floorspace created if the extension or change of use is **1,000sqm Gross Internal Area or more over 500sqm.**

### 3. Policy SP1 – Quality affordable homes:

**Question 3.10** - Is the policy justified, effective and consistent with national policy? How will the target of 50% of all new homes to be either social rented or intermediate tenures be achieved against a minimum 35% requirement on qualifying new development?

**Answer:** No, the policy needs to be amended, as has been the case with the Publication Local Plan, to comply with national policy and the national context so that affordable policies only apply to 10 units or more, to be consistent with the national position.

**Discussion & Our Justification:** the Publication London Plan (December 2020) has gone through a robust Examination in Public and has been subject to a number of Secretary of State Directions.

Details of these Directions and schedule of changes are available to view online here:

<https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/publication-london-plan>

<https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/intend-publish-london-plan-2019>

For the New Southwark Plan to be consistent with the Publication London Plan (December 2020) and in turn, the national context, Policy P1 (Social rented and intermediate housing) should be amended to remove the requirement for affordable housing contributions on small sites (9 homes or less).

As part of the examination process, the Council has prepared a Background Paper relating to Viability (May 2020) the paper notes that a number of viability studies have been prepared to inform and test the viability of the New Southwark Plan policies. This includes the following:

- SP110 - Vacant Building Credit Viability Study June 2015 by BNP Paribas Real Estate (BNPPRE);
- New Southwark Plan Evidence Base: Housing Policy Viability Study September 2015 by BNPPRE;
- Old Kent Road Opportunity Area Viability Study April 2016 by BNPPRE, for which there was an examination version published in 2017 including amendments of typos and clarification points raised by the Examiner's questions;
- New Southwark Plan Evidence Base: Housing Policy Viability Update Study November 2017 by BNPPRE;

- SP108 - New Southwark Plan Evidence Base: Housing Policy Additional Small Sites Viability Testing July 2019 by BNPPRE; and
- SP109 - New Southwark Plan Evidence Base: Housing and Affordable Workspace Policies Further Viability Sensitivity Testing July 2019 by BNPPRE.

The Housing Policy Additional Small Sites Viability Testing (2019) concludes that in the majority of cases small schemes in LBS can viably accommodate the Council's proposed requirement for the identified contributions towards affordable housing in small sites. However, the report fails to take account of the additional burden in terms of costs and time that undertaking a financial viability review places on developments. This has the potential to limit interest in small site development opportunities which in turn could have a significant impact on the borough's potential to meet its small site housing target of 6,010 set out in the Publication London Plan.

In addition, the report clearly makes reference to the Draft London Plan seeking tariff contributions from minor developments defined as 9 units or less. The report states that the Council is seeking to reflect this change to Policy P1 in the Submission NSP in line with the emerging Draft London Plan.

The Publication London Plan has since been updated in response to comments from the Secretary of State (SoS) to remove reference to tariff style charging on small sites. Specifically, the SoS highlighted that the approach would undermine the national approach in this regard:

*"The ItP London Plan undermines national approach and will lead to confusion for applicants and decision makers. The Inspectors' report recommended the deletion of these paragraphs.*

*Approach is inconsistent with Written Ministerial Statement (HCWS50) made by Minister of State for Housing and Planning Brandon Lewis on 28th November 2014 which sets out that affordable housing and tariff style contributions should not be sought on developments of 10 units or less."*  
Annex A, Changes to fulfil Directions 10 December 2020.

In light of the updates to the Publication London Plan, it follows that the justification behind the NSP to incorporate this requirement has fallen away and it should now be removed in order to align with the national approach and the Publication London Plan.

Where wording has been deleted this has been marked with a **red bold strikethrough** and where introduced through **bold black underscored wording**.

## **Policy P1, Quality affordable homes – Amendments necessary to make the policy justified, effective and consistent with national policy**

~~**2. Development that creates 9 homes or less must provide the maximum amount of social rented and intermediate homes or a financial contribution towards the delivery of new council social rented and intermediate homes with a minimum of 35% subject to viability as set out in Table 1.**~~

### **4. General comment on compliancy & conformity**



Finally, we also consider that the plan's policies should be reviewed for consistency against the Publication London Plan (2020).

Thank you in advance for giving this matter your kind attention. Should you require further clarification, please do not hesitate to contact Laura Jenkinson (Planning Director) on 020 7911 2366 or [laura.jenkinson@avisonyoung.com](mailto:laura.jenkinson@avisonyoung.com).

Yours faithfully

A handwritten signature in cursive script that reads "Avison Young".

**Avison Young (UK) Ltd**

Our Ref: 02C000049

Your Ref:

19<sup>th</sup> October 2020Laura Hills  
Planning Policy  
Southwark Council  
PO BOX 64529  
London SE1P 5LX**BY EMAIL: [planningpolicy@southwark.gov.uk](mailto:planningpolicy@southwark.gov.uk)**

Dear Laura Hills,

**Proposed Changes to the Submitted New Southwark Plan: Representation in respect of 'Policy P30 Affordable Workspace'**

We write to make a representation on behalf of clients of the firm, in relation to Policy P30 'Affordable Workspace'. This representation is submitted as part of Southwark Council's current public consultation on the proposed changes to the Submitted New Southwark Plan which runs until 26th October 2020.

In summary, we generally support the policies contained within the New Southwark Plan, including its 'Strategic Targets' and 'Strategic Policies'. In particular, we offer our support to Policies SP1B 'Southwark's Places' and SP4 'Strong Local Economy' which together direct the majority of new development to the Action Area Cores (including Bankside, Borough and London Bridge) and provides for the delivery of 460,000sqm of new office space from 2014 to 2036 – the majority of which will be delivered in the Central Activities Zone (CAZ).

We do, however, have some minor comments/ suggested amendments in respect of Policy P30, 'Affordable Workspace' which are set out below.

**Policy P30 'Affordable Workspace'**

Our representation is concerned with Policy P30 Affordable Workspace, specifically Part Two, which as currently drafted states:

*"2. Developments proposing 500sqm GIA or more employment floorspace (B class use) must:*

*1. Deliver at least 10% of the proposed gross employment floorspace as affordable workspace on site at discount market rents; and*

*2. Secure the affordable workspace for at least 30 years;*

*3. Provide affordable workspace of a type and specification that meets current local demand; and*

*4. Prioritise affordable workspace for existing small and independent businesses occupying the site that are at risk of displacement. Where this is not feasible, affordable workspace must be targeted for small and independent businesses from the local area with an identified need; and*

*5. Collaborate with the council, local businesses, business associations and workspace providers to identify the businesses that will be nominated for occupying affordable workspace."*

We note the significant need for affordable workspace across the borough and as such, we fully support the principle of securing it in principle. However, we consider that very minor amendments are made to the policy to ensure that small office developments are not disincentivised from being delivered.

In particular, the proposed threshold for seeking a contribution towards affordable workspace is currently set at 500 sqm net additional floorspace, however as a result of the significant cost of refurbishing office floorspace, including to meet the latest BCO guidelines (2019), along with the need to provide ancillary floorspace for which little value can be added (for example the provision of cycle parking and showers which is not chargeable per sq ft), then this puts small scale office development at the margins of viability.

It is notable that Policies E2 (D) and E3 (C) of the Draft London Plan (Intend to Publish Version, December 2019) sets a threshold of 2,500 sqm for the provision of affordable workspace. Policy E3 (C) allows for a lower locally set threshold where justified as part of a local Development Plan Document, considering local evidence of need and viability.

We note that Policy P30 goes beyond the requirements set out in the Policy E2 and E3 by setting a significantly lower threshold of 500 sqm (as opposed to 2,500 sqm set out in the Draft London Plan) for which sufficiently robust evidence and viability testing does not exist.

In our view seeking affordable workspace contributions on minor planning applications for employment floorspace would not be viable or practicable.

The 'Housing and Affordable Workspace Policies Further Viability Sensitivity Testing' evidence base document prepared by BNP Paribas has not specifically tested the impact of Policy P30 on minor refurbishment schemes where only modest increases in floor space are proposed. The viability testing evidence base document recognises that the delivery of affordable workspace will not always be financially viable in all the scenarios tested, however, this is not sufficiently referenced in the emerging policy.

In addition, as a result of the current economic climate and the on-going impact of Covid-19, there is a great deal of uncertainty surrounding the viability and role of office floor space in the future, and we consider that the proposed policy as drafted would exacerbate this uncertainty and disincentivise small scale office development.

### **Amendments Sought**

In our view, Policy P30 does not legal tests of soundness, but could be considered capable of meeting this test if the following amendments are made:

- The threshold for which affordable workspace contributions will be sought should be increased to capture 'major' developments that create more than 1,000 sqm of additional floor space only;
- The policy should expressly state that any contribution towards affordable workspace should be subject to an assessment of the viability of the planning application.



Thank you in advance for giving this matter your kind attention. Should you require further clarification, please do not hesitate to contact Laura Jenkinson (Planning Director) on 020 7911 2366 or [laura.jenkinson@avisonyoung.com](mailto:laura.jenkinson@avisonyoung.com).

Yours faithfully

A handwritten signature in cursive script that reads "Avison Young".

**Avison Young (UK) Ltd**

## Appendix 2 - further statement to officers in response to our written representations

Avison Young Written Representation ref. NSPPSV426.1	Officer's Response	Avison Young Response
<p>Our representation is concerned with Policy P30 Affordable Workspace, specifically Part Two, which as currently drafted states:</p> <p><i>"2. Developments proposing 500sqm GIA or more employment floorspace (B class use) must:</i></p> <ol style="list-style-type: none"> <li><i>1. Deliver at least 10% of the proposed gross employment floorspace as affordable workspace on site at discount market rents; and</i></li> <li><i>2. Secure the affordable workspace for at least 30 years;</i></li> <li><i>3. Provide affordable workspace of a type and specification that meets current local demand; and</i></li> <li><i>4. Prioritise affordable workspace for existing small and independent businesses occupying the site that are at risk of displacement. Where this is not feasible, affordable workspace must be targeted for small and independent businesses from the local area with an identified need; and</i></li> <li><i>5. Collaborate with the council, local businesses, business associations and workspace providers to identify the businesses that will be nominated for occupying affordable workspace."</i> <p>We note the significant need for affordable workspace across the borough and as such, we fully support the principle of securing it in principle. However, we consider that very minor amendments are made to the policy to ensure that small office developments are not disincentivised from being delivered.</p> <p>In particular, the proposed threshold for seeking a contribution towards affordable workspace is currently set at 500 sqm net additional floorspace, however as a result of the significant cost of refurbishing office floorspace, including to meet the latest BCO guidelines (2019), along with the need to provide ancillary floorspace for which little value can be added (for example the provision of cycle parking and showers which is not chargeable per sq ft), then this puts small scale office development at the margins of viability.</p> <p>It is notable that Policies E2 (D) and E3 (C) of the Draft London Plan (Intend to Publish Version, December 2019) sets a threshold of 2,500 sqm for the provision of affordable workspace. Policy E3 (C) allows for a lower locally set threshold where justified as part of a local Development Plan Document, considering local evidence of need and viability.</p> </li></ol>	<p>Policy E3 of the ITP London Plan sets out that boroughs should consider detailed affordable workspace policies in light of local evidence of need and viability. The evidence base includes the BNPP viability study (SP423) and the Avison Young affordable workspace in Southwark – evidence of needs report (SP422). These studies support the policy approach. The proposed 500sqm threshold is appropriate and viable for the range of employment uses and locations identified for employment uses. The threshold is informed by the evidence of need for affordable workspace in the borough, and by the average size of a micro business unit at 50sqm. This is the minimum unit size which could be accommodated in proposals which include separate micro business units. In circumstances where this is not feasible to provide on site, an in-lieu payment will be required to secure off-site provision of affordable workspace. This is an exceptions approach in which the Avison Young study supports and provides a number of recommendations for the use of in-lieu payments.</p> <p>We consider the policy to be sound and the requirements to be deliverable and viable however we would expect any sites not meeting the policy requirement to provide a viability assessment.</p>	<p>For clarity, we do not dispute the evidence within the Avison Young <i>"affordable workspace in Southwark – evidence of needs report"</i> (SP422). However, we do dispute the financial viability of providing it on small sites, <b><u>which was not considered by the Avison Young Report.</u></b></p> <p>In fact, this issue was considered by BNP Paribas. In particular, we note that Examination in Public Document Number EIP20, <i>"Viability background paper"</i> dated May 2020, at Page 15, states: <i>"Viability for this policy (P30) is justified within the Viability Study 2019"</i>.</p> <p>We have, in turn, reviewed the BNP Paribas Report <i>"Housing and Affordable Workspace Policies - Further Viability Sensitivity Testing"</i>, dated July 2019 as referenced in Doc No. EIP20.</p> <p>In particular, from reviewing this report, it is noted that no scenarios were tested by BNP Paribas for minor refurbishment schemes under 2,500sqm. Indeed, without any testing of small developments of less than 2,500sqm – particularly where there is a loss of marketable space to accommodate policy provisions such as cycle parking provision, along with high refurbishment costs having a significant impact on viability - we do not consider the policy is justified, particularly in light of Covid-19.</p> <p>Indeed, the document itself, at Paragraph 3.41, recognises that the delivery of affordable workspace <b><u>will not always be financially viable in all the scenarios tested and therefore viability testing is required. This has been further exacerbated by Covid-19. Clearly, there will be short to medium term changes in the office market as a result of the need for social distancing and the requirement to work from home.</u></b></p> <p>As such, Officers' statement that the 500sqm threshold is 'appropriate and viable' is therefore unfounded as the evidence base does not support this. As a result, the policy unduly compromises the viability of small-scale developments and minor applications where only modest increases to floorspace are proposed, discouraging landowners from updating and improving existing commercial stock within the borough. It is furthermore problematic that the policy refers to the requirement for 10%</p>

<p>We note that Policy P30 goes beyond the requirements set out in the Policy E2 and E3 by setting a significantly lower threshold of 500 sqm (as opposed to 2,500 sqm set out in the Draft London Plan) for which sufficiently robust evidence and viability testing does not exist.</p> <p>In our view seeking affordable workspace contributions on minor planning applications for employment floorspace would not be viable or practicable.</p> <p>The 'Housing and Affordable Workspace Policies Further Viability Sensitivity Testing' evidence base document prepared by BNP Paribas has not specifically tested the impact of Policy P30 on minor refurbishment schemes where only modest increases in floor space are proposed. The viability testing evidence base document recognises that the delivery of affordable workspace will not always be financially viable in all the scenarios tested, however, this is not sufficiently referenced in the emerging policy. In addition, as a result of the current economic climate and the on-going impact of Covid-19, there is a great deal uncertainty surrounding the viability and role of office floor space in the future, and we consider that the proposed policy as drafted would exacerbate this uncertainty and disincentivise small scale office development.</p> <p><b>Amendments Sought</b></p> <p>In our view, Policy P30 does not legal tests of soundness, but could be considered capable of meeting this test if the following amendments are made:</p> <ul style="list-style-type: none"><li>• The threshold for which affordable workspace contributions will be sought should be increased to capture 'major' developments that create more than 1,000 sqm of additional floor space only;</li><li>• The policy should expressly state that any contribution towards affordable workspace should be subject to an assessment of the viability of the planning application.</li></ul>		<p>affordable workspace for gross development. Instead, the 10% should apply to <b>uplift only</b>.</p> <p>Whilst we note that officers have suggested a viability assessment may be provided to demonstrate where a contribution or provision of affordable workspace would render a scheme unviable, this has not been explicitly set out within the policy. Based on officers' response, <b><u>the policy wording should make it clear that the requirements are subject to viability testing.</u></b></p> <p>Finally, with regard to the threshold for the provision of affordable workspace, it is noted that a 1,000sqm uplift threshold has been tried and tested in other locations such as Hackney, and we consider this strikes the right balance.</p> <p><b><u>As such, in conclusion, the policy should be changed to require 10% affordable workspace on schemes that are 1,000sqm of over, on floorspace uplift, subject to viability.</u></b></p>
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