

Item No. 5.	Classification: Open	Date: 6 November 2018	Meeting Name: Planning Committee
Report title:		Confirmation of Article 4 Direction to withdraw the permitted development rights granted by Schedule 2, Part 3, Class O of the Town and Country Planning (General Permitted Development) Order 2015 (as amended)	
Ward(s) or groups affected:		All	
From:		Director of Planning	

RECOMMENDATIONS

That the Planning Committee:

1. Authorises the confirmation of a non-immediate Article 4 Direction (Appendix A) to withdraw the permitted development rights granted by Schedule 2, Part 3, Class O of the Town and Country Planning (General Permitted Development) (GPDO) Order 2015 for changes of use from office use (Class B1a) to a dwellinghouse (Class C3) in the Central Activities Zone in Southwark (Appendix B). The Direction allows more than 12 months notice prior to the date when Class O will come into effect for the Central Activities Zone (31 May 2019).
2. Notes the equalities analysis of the proposed Article 4 Directions (Appendix C).
3. Delegates to the Director of Planning the arrangements for confirming the Article 4 Direction including compliance with the notification requirements under the Town and Country Planning (General Permitted Development) Order 2015.

BACKGROUND INFORMATION

4. In March 2018, planning committee resolved to make a non-immediate Article 4 Direction for the removal of permitted development rights for changes of use from offices to dwellinghouses in Southwark's Central Activities Zone. This will come into effect when Class O of the GPDO changes on 31 May 2019 and will no longer provide exemptions in the CAZ.
5. Paragraph 1 (9) of Schedule 3 of the Town and Country Planning (General Permitted Development) Order 2015 (as amended) stipulates that in deciding whether to confirm a direction made under Article 4 (1), the local planning authority must take into account any representations received during the representation period specified in accordance with sub-paragraph (4)(d) of the same.
6. Representations received during the consultation period are considered within the report on page 12. It is recommended that Planning Committee confirms the Article 4 Direction.
7. The Central Activities Zone (CAZ) covers London's geographic, economic and administrative core. The CAZ is an internationally and nationally significant office

location and a key driver of the London and UK economy. The CAZ accounts for 10% of UK output and is projected to need to accommodate at least 177,000 additional office jobs and 2.3 million sqm of office floorspace over the period 2011-2031 London-wide (Mayor's CAZ SPG, 2016).

8. In Southwark it incorporates Bankside, Borough, London Bridge and Elephant and Castle. It contains two London Plan designated opportunity areas: Bankside, Borough and London Bridge and Elephant and Castle. These are areas in which significant growth is expected including 1,900 homes and 25,000 jobs in Bankside, Borough and London Bridge and 5,000 homes and 5,000 jobs at Elephant and Castle.
9. The CAZ contains over 80% of the total office jobs within Southwark and the vacancy rate is estimated as low as 3.4%. The borough as a whole has seen a net loss of employment floorspace since 2010 and presently extant permissions will lead to the loss of over 31,000 sqm of B1a floorspace. In the period leading up to 2041, it is estimated 37,800 new office jobs will be generated in Southwark, which equates to some 506,800 sqm of office space. The majority of this space would be delivered in the CAZ. The main forecast demand is for a significant volume of Grade A office space with increasing demand for this space to respond to flexible working, natural light, technology-enabled and stylish design trends. The Southwark Employment Land Study (2015) recognises that flexible and smaller business uses are required in the Bankside and Borough employment land cluster, to ensure vital support space is not being lost.
10. Southwark's Economic Wellbeing Strategy 2017-22 seeks to make Southwark a place where businesses thrive and prosper. The strategy notes the scarcity of land for business in the borough, the need for new office space and the pressure for residential development. The strategy sets out to protect the functions of the CAZ and encourage growth in areas within and connected to the CAZ with a balance of uses providing a mix of homes, employment, commercial and leisure opportunities.
11. The GPDO consolidated permitted development rights for England. This included the change of use from offices to dwellinghouses before 30 May 2016 without the need for a full planning application, except for land which had been granted an exemption. The exempted land included Southwark's CAZ after a successful application by the council to the Secretary of State when the right was first introduced in 2013. The GPDO was amended in 2016 making the development right permanent and removing the exemption after 30 May 2019.
12. The council has been collaborating with the GLA and other boroughs to make Article 4 Directions to cover the CAZ as supported by the Mayor of London and the London Plan. The City of London, Tower Hamlets, Hackney, Kensington and Chelsea and Wandsworth have made their Directions. Strategic evidence prepared by the GLA is endorsed by Southwark in the making of this Article 4 Direction and is attached as Appendix D. The draft New London Plan (December 2017) also supports a London wide approach to Article 4 Directions in Policy SD5.
13. The Article 4 Direction is proposed in recognition of the significant economic function of the CAZ and the need to retain and grow office space to support projected demand in Southwark and in the wider London context. This report sets out the justification for a confirmation of the non-immediate Article 4

Direction which will come into force from May 2019 when the GPDO exemptions will expire.

Article 4 Directions

14. An Article 4 Direction can be used to remove specific permitted development rights in all or parts of the local authority's area. It would not restrict development altogether, but instead ensure that development requires planning permission. A planning application for the proposal would need to be submitted that would then be determined in accordance with the development plan.
15. Article 4 Directions must apply to all uses within the relevant use class and it cannot restrict changes within the same use class.
16. The government's on-line National Planning Practice Guidance (NPPG entitled "When is permission required?") sets out guidance on the use of Article 4 Directions. The NPPG states that an Article 4 Direction to remove national permitted development rights should be limited to situations where this is necessary to protect local amenity or the wellbeing of the area. It also states that in deciding whether an Article 4 Direction would be appropriate, local planning authorities should identify clearly the potential harm that the Direction is intended to address (paragraph 038).
17. Article 4 Directions can either be immediate or non-immediate depending upon when notice is given of the date on which they come into force. The process for making and confirming a non-immediate Article 4 Direction is as follows:
 - Stage 1 - The council decides whether to go ahead and introduce a Direction setting a date in the Notice for when the Direction will come into force which must be at least 28 days and no more than 2 years after representations can first be made, which is usually after the last publication/service date;
 - Stage 2 – Publication/Consultation stage. The council:-
 - 1) publishes the notice of Direction in a local newspaper;
 - 2) formally consults with general members of the public and the owners and occupiers of every part of the land within the area or site to which the Direction relates over a period of at least 21 days;
 - 3) and places notices up on site for 6 weeks;
 - Stage 3 – On the same day that notice is given under Stage 2 above, the council refers its decision to the Secretary of State who has wide powers to modify or cancel a Direction;
 - Stage 4 – (the current stage) Confirmation Stage - The council cannot confirm the Direction until after a period of at least 28 days from publication/service of the Notice. Once a Direction has been confirmed, the council must give notice of the confirmation in the same way as it gave notice of the initial Direction, and must specify the date that the Direction comes into force. A copy of the Direction as confirmed must also be sent to the Secretary of State.

Compensation

18. In some circumstances the council can be liable to compensate developers or landowners whose developments are affected by Article 4 Directions. Local planning authorities are liable to pay compensation to landowners who would have been able to develop under the permitted development rights that an Article 4 Direction withdraws, if they:
 - Refuse planning permission for development which would have been permitted development if were not for an Article 4 Direction; or
 - Grant planning permission subject to more limiting conditions than the GPDO would normally allow.
19. Compensation may also be claimed for abortive expenditure or other loss or damage directly attributable to the withdrawal of permitted development rights. 'Abortive expenditure' includes works carried out under the permitted development rights before they were removed, as well as the preparation of plans for the purposes of any work.
20. Loss or damage directly attributable to the withdrawal of permitted development rights would include the depreciation in the value of land or a building(s), when its value with the permitted development right is compared to its value without the right.
21. However, the compensation arrangements differ for cases where a development order in respect of prescribed development is being withdrawn. The definition of prescribed development can be found in regulation 2 of the Town and Country Planning (Compensation) (England) Regulations 2015 (as amended). In cases such as these compensation is not payable if the following procedure is followed, as set out in section 108 of the Town and Country Planning Act:
 - The planning permission withdrawn is of a prescribed description as set out in the Town and Country Planning (Compensation) Regulations 2015 (as amended).
 - The permitted development right is withdrawn in the prescribed manner.
 - Notice of withdrawal is given in the prescribed manner:
 - Not less than 12 months before it takes effect.
 - Not more than the prescribed period of two years.
22. Permitted development rights granted by Schedule 2, Part 3, Class O are prescribed development, which means that compensation will not be payable if more than 12 months notice of the withdrawal is given.

Planning applications

23. If permitted development rights are withdrawn and planning permission is required, the council would be obliged to determine the proposal in accordance with the development plan unless material considerations indicate otherwise. In Southwark's case, the development plan includes the London Plan, the Core Strategy, saved policies in the Southwark Plan and adopted area action plans. Core Strategy Policy 10 'Jobs and Business' and Southwark Plan Policy 1.4 'Employment Sites outside the Preferred Office Locations and Preferred Industrial Locations' protect business space in the CAZ, requiring no net loss

through development. The New Southwark Plan will replace the Core Strategy and Southwark Plan once it is adopted. New Southwark Plan Policy P26 'Office and business development' will require development in the CAZ to retain or increase the amount of employment floorspace on site whilst promoting successful integration with homes.

24. It should be noted that where the submission of a planning application is required as a result of withdrawal of permitted development rights through an Article 4 Direction, the council cannot charge a planning application fee.
25. In addition to ensuring an uplift or retention of employment space, other policies in the development plan would also apply to the determination of applications. These would include policies to secure affordable homes, family homes and homes for households with specialist needs. Policies would be applied to ensure residential design standards are met, that sufficient social infrastructure such as education and health facilities are available and that the right amount of cycle parking, car parking, amenity space and play space are provided.

KEY ISSUES FOR CONSIDERATION

26. As noted above, the NPPF advises that the use of Article 4 Directions to remove national permitted development rights should be limited to situations where it is necessary to protect local amenity or the wellbeing of the area. This is reiterated in the NPPG which also states local planning authorities should identify clearly the potential harm that the Direction is intended to address.
27. As set out below, permitted development rights for the change of use from office to residential in Southwark's CAZ would have implications for office locations of great significance to London and the UK's economy. Southwark's CAZ is often referred to commercially as part of the now well recognised South Bank office market. The nationally significant stock of office space provides a unique concentration of businesses contributing to employment growth. Demand for new office space is already outstripping supply from both existing and permitted office space.
28. Schedule 2, Part 3, Class O of the GPDO requires prior approval from the local authority for a determination of the transport and highways impacts of the development, and contamination and flooding risks in relation to the building. Class O was amended in 2016 which now requires consideration of the impacts of noise from commercial premises on the intended occupiers of the development.
29. The prior approval process does not allow the consideration of impacts related to the suitability and quality of accommodation created through change of use, pressure on social infrastructure and open space, the loss of employment space or wider economic effects. Such impacts could not be mitigated through planning conditions or obligations, nor could affordable housing or contributions towards strategic infrastructure be secured.

Contribution to Economy

30. Offices in Southwark's CAZ contribute to the economy both within and far beyond the local area. The GLA has compiled strategic evidence to support the introduction of Article 4 Directions in the CAZ for office to residential permitted development rights (Appendix D). It calculates that the output of the CAZ,

Northern Isle of Dogs and a 1km fringe around them stood at just over £194 billion in 2015 accounting for over 50% of London's output and around 12% of UK output. Southwark's output in 2015 was £14.9 billion or around 1% of the entire UK output. In addition to achieving this very high output Southwark is an economically competitive borough. Southwark was ranked as the 4th most competitive out of 379 local authorities in the UK in the 2013 UK Competitiveness Index. Southwark contains a large portion of the South Bank office market. The Union Street Partners' Quarter 4 2017 London South Bank Office and Retail Markets (2018) update reported an annual investment of £2.2 billion in 2017 up from a 10 year average of £930 million. There has been £3.9 billion investment in the last 3 years including £2.1 billion from overseas.

31. The strength of the office-based economy in Southwark's CAZ is underpinned by its strategic location. Businesses can access major transport hubs at Waterloo, Elephant and Castle and London Bridge and are well connected to the City, Midtown and West End markets north of the river. Major international firms from a range of sectors have taken up premises in the area including business and professional services such as Pricewaterhouse Cooper and Norton Rose Fulbright, traditional media companies such as the Financial Times and News UK and new media companies such as Square Enix.
32. The Southwark Employment Land Study (ELS) 2016 identifies the Southwark CAZ as being part of the principal economic cluster for professional scientific and technical services in London. It has attracted professional and business services such as legal and accountancy services, advertising and market research which will continue to grow as a sector. Union Street Partners report recent take-up of offices from 2014-17 by technology, telecoms, professional services and serviced offices companies.
33. Many of the businesses within Southwark's CAZ come together in Business Improvement Districts (BIDs): Team London Bridge, Better Bankside, South Bank and We Are Waterloo. When the council successfully sought the exemption for the CAZ in the GPDO in 2013, BIDs wrote in support of the application. The council has also received letters from Better Bankside and We are Waterloo BIDs (Appendix E) in support of an Article 4 Direction to maintain planning controls for office to residential conversions.
34. The strategic evidence provided by the GLA concludes that the CAZ provides an irreplaceable contribution to the prosperity of the UK thanks to established policy support for offices. Offices in Southwark's CAZ bring the opportunities provided by strategic economic activity close to residents. There are deprived areas in the north of the borough and their proximity to the CAZ provides opportunities for those most in need. An Article 4 Direction would prevent harm to economic wellbeing locally, city-wide and nationally.

Agglomeration benefits

35. As set out in the GLA's strategic evidence, the concentration of large numbers of office-based businesses in Southwark's CAZ leads to increased productivity, access to a large pool of labour, collaboration, and transfer of knowledge, innovation and technology between businesses. Along with the character and reputation of the CAZ this improves the competition, efficiency and global competitiveness of Southwark, London and the UK. This agglomeration is boosted by exceptional levels of transport connectivity.

36. The Southwark ELS (2015) describes how the improvement of the environment in Southwark's CAZ in recent years, the Jubilee Line extension, development of large scale offices and the local cultural offer have supported the growth of professional and creative business clusters. Developments at Bankside, More London, The Place and The Shard have added 550,000 sqm of prime office space to help create a critical mass for agglomeration. Union Street Partners report evidence of clustering in recent office leases that have been taken up. Closely associated with office clusters, hotel growth in the South Bank market added 8,500 rooms in 2017.
37. The Small Offices and Mixed Use in CAZ (2015) report for the GLA identifies Southwark's CAZ as an important growing cluster for small offices as well. The Southwark ELS points to the establishment of co-working and incubator spaces. It also gives examples of small office agglomeration at the level of individual buildings where businesses share similar requirements for facilities, location and rents. For example 75 Bermondsey Street contains the following firms:
- Agent (account management)
 - Animi (digital marketing)
 - Beyond (design)
 - Encore (digital media)
 - Kurt Geiger (fashion)
 - Lexis (creative communications)
 - Morar Consulting (marketing)
 - Next 15 (business investment)
 - Reverb (event management)
38. An Article 4 Direction would allow planning controls to maintain the concentration of businesses which add to the character and amenity of Southwark's CAZ as well as underpinning economic activity and wellbeing.

Employment

39. The Southwark ELS estimates that 56.3% of all jobs in Southwark's CAZ are found in B use class properties and of this total 51.9% are office jobs. The ELS also places publishing/media/digital, professional services and second-tier office activities in the top 5 sectors for the strongest growth and greatest concentration in job numbers. These sectors have helped to drive job growth in recent years; between 2000 and 2013 the ELS indicates employment in Southwark grew by 41% (74,000 jobs) compared to 21% for Lambeth and 16% for London.
40. The Southwark ELS estimates that 72% of Southwark's jobs and 90% of all office employment in the borough is concentrated in the CAZ. A further 18% of Southwark's jobs are in the CAZ fringe which is also highly dependent on businesses providing services to the central London office-led economy. This connection of the wider employment base to the CAZ is also highlighted by the Southwark Industrial and Warehouse Land Study 2014.
41. The GLA's strategic evidence predicts that employment in the CAZ will increase by 423,000 jobs between 2016 and 2041 of which around 290,000 jobs are expected to be in offices. Between 2014 and 2036 the Southwark ELS forecasts an increase of 58,000 jobs, with 34,500 of these being office jobs due to high levels of growth in professional and technical services. London Plan opportunity areas set targets for 30,000 new jobs in Southwark's CAZ and the ELS argues

that these should be increased. The New Southwark Plan contains allocations for development sites in the CAZ requiring an uplift in office floorspace to meet these targets alongside the delivery of new homes. Some of these sites contain existing offices and their conversion to residential could prevent comprehensive redevelopment.

42. Offices are central to providing employment in Southwark both for residents and workers across a much wider area. Overall job numbers are highly dependent on the CAZ and its vicinity as is the high level of jobs growth seen in recent years. Offices account for the majority of future jobs forecast and this expansion of employment would be undermined by the uncontrolled loss of offices to residential.

Contributions to strategic infrastructure

43. Change of use from office to residential without planning permission in Southwark's CAZ would undermine contributions to strategic infrastructure. The impact on funding could be significant given the amount of existing office space. The GLA has highlighted the success of the Mayoral Community Infrastructure Levy (CIL) to fund strategic transport infrastructure, namely Crossrail, essential to supporting the agglomeration of business functions in the CAZ and their contribution to the local and national economy and employment. The GLA has consulted on its proposals for MCIL2 to fund Crossrail 2 to address major pressures due to growth in London and the South East.
44. Development granted planning permission must also pay Southwark CIL to help fund strategic health, education, parks and transport infrastructure. This will include the extension of the Bakerloo Line, enabling delivery of 20,000 homes and 10,000 jobs in Old Kent Road as well as growth in New Cross and Lewisham. It will transform connectivity in south-east London, increase the capacity and resilience of London's transport network and provide opportunities for improved wellbeing and enhanced local amenity for quality of life. Offices could also contribute to the Bakerloo Line extension through MCIL2 if the Mayor allocates some of those receipts. Business rate retention will also make an important contribution to strategic infrastructure funding packages in the future, including the Bakerloo Line extension. This funding would be reduced by the loss of office floorspace and potential loss of higher density mixed use redevelopment.

Central London office market trends

45. The stock of office space in Southwark's CAZ is substantial and has grown in recent years to accommodate a variety of businesses in growing clusters benefitting from agglomeration and providing employment as well as supporting the national economy. The GLA's evidence states that office space in the CAZ has been growing since 2000 and now amounts to almost 20 million sqm, which is over a fifth of the UK's total. The Southwark ELS indicates that the borough's office stock grew from 1 to 1.3 million sqm between 2000 and 2012 due to the regeneration of the South Bank and delivery of More London as well as smaller schemes. Union Street Partners report that the total South Bank stock is now almost 2 million sqm. The ELS describes how the office market south of the river has been transformed, notably with the relocation of City firms such as Ernst Young and Omnicom Group south of the river.

46. Despite the expansion of office stock all evidence points towards demand outstripping supply. The Southwark ELS reasons that the regeneration of Southwark's CAZ will continue to strengthen its appeal for business and that there are positive underlying drivers of demand for office space. This is in line with the situation across the CAZ; the 2017 London Plan Annual Monitoring Report concludes that the current level of office permissions is too low to provide adequate development supply. The ELS forecasts a need for 460,000 sqm net additional office floorspace and that 80% of this should be provided in Southwark's CAZ, including Grade A space of the order of More London in highly accessible locations as well as smaller managed offices for SMEs. The sensitivity of location underlines the need to protect office stock that is already in highly suitable locations for business. These forecasts are backed up by the latest market data. Union Street Partners report that the availability rate in the South Bank office market is 3.4%, well below the recommended 8% vacancy rate for efficient market operation and lower than the rates for the West End, Midtown and City. They also report an annual take-up of space by business of around 120,000 sqm, above the 10 year average of 100,000 sqm. The New London Quarterly Winter 2017/18 described the office market in Southwark's CAZ as resilient with continuing investor interest and one of the few markets not to be negatively impacted by EU Referendum result. All of these indicators of high demand and constrained supply suggest that a significant loss of office space would negatively impact the effective functioning of the market and create issues for businesses such as increases in rents.
47. Within this context there is a concerning threat to office space and office-based businesses posed by the competing demand for homes. The GLA's London Office Policy Review (2017) highlights the pressure for residential development with little likelihood of change in the future. The Southwark ELS demonstrates that projected housing growth will negatively impact employment floorspace.
48. Existing small and second hand office premises are more likely to be at risk from office to residential permitted development rights as they would be more readily converted into flats compared to large floorplate or new recently fitted out offices. The Small Offices and Mixed Use in CAZ report states that 82% of Southwark's businesses have less than 10 employees. The ELS also suggests that Southwark's CAZ is still largely characterised by SMEs, such as those found around Blackfriars Road, Borough High Street, Southwark Street and Bermondsey Street, with demand for new space catering specifically for small occupiers. Union Street Partners also point to the importance of second hand space for the local market, making up 69% of activity in Q4 2017.
49. The delivery of new offices is also put at risk. The ELS forecasts a high need for new Grade A, large floorplate office space to serve the professional services market where there is little available supply at present. These offices will require the delivery of strategic scale development in Southwark's CAZ. The profile of opportunity sites identified during the preparation of the New Southwark Plan suggests that suitable sites will usually have an existing employment land-use, often offices. Opportunistic conversion of these offices to residential could undermine their comprehensive redevelopment to achieve greater levels of new office provision alongside new homes. The pipeline of existing planning permissions in the London Development Database illustrates that sites with offices are coming forward for redevelopment to provide improved office space. Of the approximately 138,000 sqm gross new office floorspace in the pipeline in March 2017, 110,000 sqm (80%) was permitted on sites with existing office

space. The New Southwark Plan allocates sites to achieve the delivery of new office space in the CAZ and their delivery could be undermined by permitted development rights where these prevent sites with existing offices being available for comprehensive redevelopment. Sites that are within the CAZ are recognised in the plan as being the most in demand for office delivery and are required to contribute to this growth by providing an increase in the amount of employment floorspace.

Office and residential values

50. The profits that could be realised would provide a strong incentive for conversion from office to residential under permitted development rights due to differences in value between the land uses. The GLA's evidence points out that the whole CAZ is attractive for homes as well as offices and that subsequent viability studies have shown that residential values have exceeded office values even in the most desirable locations for high turnover office-based businesses. The GLA present evidence that office rental values are cyclical so that relative values to residential change over time. At the top of the cycle in Southwark's CAZ some offices may have competed with average residential values but at the bottom of the cycle there would be an even stronger incentive for conversion. Since 2008 the price of residential land has been growing and office price growth cannot compete, with prime residential values far exceeding those for prime offices across the CAZ.
51. The Southwark ELS discusses the threat of high value residential in Southwark's CAZ creating pressure to convert and for businesses to have to relocate out of the borough or occupy poorer quality space. The study identifies a problem with office rental values dropping away from the riverside putting the second tier businesses that support the highest value CAZ firms at risk. It also draws attention to the risk to any future supply if potential development land can be outbid by residential developers. This would be exacerbated if residential could be established as the existing use through the tactical use of the permitted development rights.
52. The New Southwark Plan Housing Viability Study 2017 supports the GLA's findings that residential values have grown significantly since the recession and they now exceed pre-recession peak values by 71%. The study reviews residential sales value forecasts and they predict that values will continue to increase. Southwark's CAZ falls in the highest value zone identified for residential development in the borough. High value residential rents range from £2,600 per month for a 1 bed flat to £3,250 per month for a 3 bed flat. For one bed flats this approximates to £800 per sqm per year, above the £700 per sqm per year for office rents. Union Street Partners' transaction data suggests that office space is achieving lower rents than this in practice, with an example of second hand grade A space on Blackfriars Road letting for £565 per sqm and even a new investment office letting on Blackfriars Road for £535 per sqm. Sales values of residential in the area from the viability study range from approximately £12,400 to £23,200 per sqm. This puts the majority of residential above the £13,000 per sqm approximate sales value for offices calculated from the rent. Again Union Street Partners' data suggests office values are even lower in practice with a new build example on Blackfriars Road at £12,700 per sqm, dropping to £6,500 per sqm for an office on Great Suffolk Street and £5,400 per sqm on Bermondsey Street.
53. This data suggests that residential values will continue to outstrip office values and that offices of all grades and particularly the smaller offices vital to SMEs

and easiest to convert to residential are at risk. There is therefore a high likelihood of the harm to the economy, agglomeration, strategic infrastructure delivery, employment and the office market discussed above. The GLA highlight the cumulative nature of this impact that requires management through a planned approach to office and residential development in the CAZ.

Impacts and unintended consequences

54. Office to residential permitted development rights were introduced with the intention of making better use of vacant commercial buildings for housing. This would not be the outcome in Southwark's CAZ where vacancy rates are exceptionally low but high residential values would nevertheless incentivise conversion of offices even though they are occupied. This unintended consequence can already be observed in areas across London where the permitted development rights already apply. The GLA report that 1.6 million sqm of office floorspace (6% of London's total stock) has prior approval for office to residential conversion, including many offices on the fringes of the CAZ. More than half of this floorspace is fully or partly occupied and the GLA conclude these permitted conversions are impacting on SMEs and start-up businesses in particular. Given the size and nature of the office market in Southwark's CAZ the harmful impacts would be even greater.
55. The Southwark ELS raises concerns about the net loss of office space since 2010 and the even greater gross loss of lower cost office space important to SMEs. The study points to successful regeneration leading to rising rents, with the discount compared to the city falling from 18% in 2006 to 8% in 2014, which would likely inflate significantly with a greater loss of office space allowed by permitted development. It highlights prominent examples of large residential development at One Tower Bridge and the King's Reach Tower conversion that illustrate the pressure for residential development even where the most successful commercial uses are otherwise viable.
56. An Article 4 Direction would prevent the unintended harm of office to residential permitted development rights in the CAZ on existing occupiers and their contribution to the character of the area, employment, the overall functioning of the CAZ and the wider economy.

Housing delivery

57. Large numbers of new homes are being delivered in Southwark through an effective planned approach to regeneration and even greater numbers will be deliverable in the future without the need to relax requirements on office to residential conversion. The Authority Monitoring Report indicates that from 2011 to 2016 over 1,700 homes have been delivered in Southwark on average each year through large-scale regeneration, conversions, extensions, student housing development and vacant homes being brought back in to use. A net total of nearly 2,200 affordable homes have been delivered in the borough over the five year period and 42% of new homes on schemes of ten units or more have been affordable. The Southwark Five and Fifteen Year Housing Land Supply: 2016-2031 report last indicated that planning was making sufficient land available for 18,595 homes that could be developed over 5 years and 42,043 homes that could be developed over 15 years.
58. The GLA evidence points to the Mayor's draft London Plan, which sets out ambitious ten-year housing targets for every borough, alongside Opportunity

Area plans for longer-term delivery where the potential for new homes is especially high. The London Plan strikes an appropriate balance between strategic housing and office needs, supported by the draft London Housing Strategy setting out how the Mayor of London will work with boroughs to deliver the step change in housing supply required. The London Plan and Housing Strategy support the delivery of housing within the CAZ such that it does not compromise the agglomerations of offices and other strategic functions.

59. The New Southwark Plan identifies enough sites to build at least 2,736 homes per year which would meet the adopted London Plan target of 27,362 homes between 2015 and 2025. This is a greater level of capacity than the target in the draft London Plan. Site allocations in Southwark's CAZ will achieve an uplift in office floorspace sufficient to meet demand as well as making a substantial contribution to the ambitious target for homes. The level of housing and office delivery anticipated in the plan through comprehensive redevelopment would be greater than that achieved by piecemeal conversions of office to residential. There are examples of conversions from commercial to residential that have taken place outside the CAZ in Old Kent Road before regeneration had begun in earnest where a much greater scale of development is now being planned for on nearby sites. The London Development Database also provides evidence that planning controls are effectively managing and not preventing the redevelopment of appropriate office sites. Of the live permissions at March 2017, 1,304 of the 3,085 permitted homes in the CAZ wards were on sites that had existing office floorspace. This illustrates how permitted development rights could undermine the delivery of a greater number of homes due to the possibility of a quick profit through conversion.

Areas affected

60. The NPPG states that an Article 4 Direction to remove national permitted development rights should be limited to situations where this is necessary to protect local amenity or the wellbeing of the area. For the reasons outlined above it is considered necessary to remove all permitted development rights relating to conversion to residential in Southwark's CAZ (Appendix B).

CONSULTATION

61. The representation period on the Article 4 Direction: B1 Office to residential complied with the provisions set out under Article 4 (1) of the Town and Country Planning (General Permitted Development Order) 2015 as amended and ran from 29 March 2018 to 10 May 2018. Notice of the Directions was made by:
- Local advertisement in the local press;
 - Site notices placed in visible locations on principle streets in Southwark's CAZ;
 - Written notification sent to all commercial addresses in Southwark's CAZ, specifying a period of at least 21 days in which representations can be made; and
 - Notification to the Secretary of State.
 - Mail out to over 7,000 email addresses on the council's planning policy consultation notification mailing list;
 - Article 4 Direction council webpages updated with relevant information on the Direction, the representation period, the planning committee report and other supporting documents available to view and download; and

- Online Consultation Hub Page providing information on the Direction and a portal for submitting representations.
62. During the representation period 17 representations were received, of which 8 respondents expressed their support for the Article 4 Direction. Reasons given in support of the Article 4 Direction included concern for the loss of economic activity as part of the mix of uses.
63. In support of the Article 4 Direction respondents identified the following issues;
- The loss of office uses would result in a loss of the mix of uses, disturbing the diversity of the area, discouraging economic activity.
 - The loss of office use to residential would result in an escalation of property value due to the lack of availability, reducing affordability.
 - The loss of office use would lead to further overcrowding, including added pressure on the transport network.
 - The loss of office use to residential would lead to a lack of scrutiny and consideration of the impact of additional residential properties on neighbouring residents.
64. Four respondents objected to the Article 4 Direction. Reasons given include:
- Considers the Article 4 to be a preventative measure to increase housing in the borough.
 - The need for housing in the borough rather than a need for office space, demonstrated by thousands of empty office spaces.
65. In response to objections received, the pressures of delivering housing to meet local needs within the borough is a council priority and there are strong policies to strategies to increase the supply of housing. Nevertheless the CAZ represents an important part of the central London and Southwark economy which responds to demand for offices as outlined within this report. Housing delivery within the borough is outlined in paragraphs 57-59 above.
66. Four respondents neither object nor support the Article 4 Direction.
67. One response was received which cannot be considered in the decision to confirm the Direction, as it does not relate to the purpose of the Direction.
68. Each of the representations received raised relevant to the confirmation of the Direction have been carefully considered in the planning committee report, under the Key Issues for Considerations Section. It must be noted that whilst the Council welcomes support to the Direction, representations of objection are acknowledged and considered.

Conclusions

69. An Article 4 Direction can be made if the council is satisfied that it is expedient that development should not be carried out unless planning permission is granted on application.
70. The use of an Article 4 Direction would not restrict development altogether, but instead ensure that development requires planning permission. Planning permissions including residential development on office sites in the CAZ would ensure the balance between office and residential uses is appropriate. They

would ensure that new homes are of good quality with access to sufficient amenity space, play space, parking and social infrastructure. They would secure affordable housing, housing for people with specialist needs, family housing and contributions to strategic infrastructure. In accordance with adopted and emerging planning policy, employment sites within the CAZ are required to retain or uplift the amount of employment floorspace.

71. The council is satisfied that permitted development rights granted by Schedule 2, Part 3, Class O would present a significant risk to the economic wellbeing of residents and the amenity of Southwark's CAZ where the concentration of offices is essential to its character and function. The harm that permitted development rights could cause extends to London and the UK due to the contribution offices make to economic output, agglomeration, employment growth and the property market; the loss of funding for strategic infrastructure; unintended consequences for occupiers and future development; and the undermining of planned housing delivery.
72. Having taken into account the representations made and for the reasons as detailed in this report, the council is satisfied that permitted development rights granted by:
- General Permitted Development Order 2015 (as amended)
 - Schedule 2, Part 3, Class O (change of use of a building and any land within its curtilage from a use falling within Class B1(a) (offices) of the Schedule to the Use Classes Order, to a use falling within Class C3 (dwellinghouses) of that Schedule)

presents an immediate threat to the protection of offices within the Central Activities Zone in recognition of their contribution to the economy nationally, regionally and locally and therefore the Direction should be confirmed.

Community Impact Statement

73. The council is working to improve the economic wellbeing of residents and to ensure that Southwark has a strong local economy with opportunities for employment, vibrant centres to do business in and residents equipped with skills and knowledge to access employment. The Article 4 Direction seeks to protect the contribution of offices to the local economy and economic wellbeing.
74. The equalities analysis (Appendix C) has concluded that the Article 4 Direction will have a positive impact on equalities and it will assist the council in implementing its planning policy framework, which has also undergone equalities analysis.

Financial Implications

75. As is noted above, should the local authority refuse planning permission for development that otherwise would have been granted by Schedule 2, Part 3, Class O, the council's potential liability for compensation is limited to one year from the date the Direction is introduced. The direction will be made more than one year before the expiry of the existing exemption from the permitted development right so applicants will not be entitled to claim compensation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

76. Planning Committee is being asked to confirm a non-immediate Article 4 Direction to withdraw the permitted development rights granted by Schedule 2, Part 3, Class O of the GDPO to restrict changes of use from office use to a dwelling house within the Central Activities Zone; to note the equalities analysis of the proposed Article 4 Direction and to delegate to the Director of Planning the arrangements for confirming the Article 4 Direction including compliance with the notification requirements.
77. Part 3F of the council's Constitution entitled "Matters reserved for decision by the Planning Committee" at paragraph 3 reserves to Planning Committee any authorisations under Article 4 of the Town and Country Planning Permitted Development Order. This confirms Planning Committee has authority to take the decisions being asked of it.
78. The Equality Act 2010 introduced the public sector equality duty, which merged existing race, sex and disability equality duties and extended them to include other protected characteristics; namely age, gender reassignment, pregnancy and maternity, religion and belief and sex and sexual orientation, including marriage and civil partnership. In summary those subject to the equality duty, which includes the council, must in the exercise of their functions: (i) have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and (ii) foster good relations between people who share a protected characteristic and those who do not. This report notes the conclusion in the equalities analysis that the Article 4 Direction is anticipated to have a positive impact on equalities. The report should however be considered in full.
79. In addition, the Human Rights Act 1998 imposed a duty on the council as a public authority to apply the European Convention on Human Rights; as a result the council must not act in a way which is incompatible with these rights. The most important rights for planning purposes are Article 8 (respect for homes); Article 6 (natural justice) and Article 1 of the First Protocol (peaceful enjoyment of property). It is important to note that few rights are absolute in the sense that they cannot be interfered with under any circumstances. 'Qualified' rights, including Article 8 and the First Protocol, can be interfered with or limited in certain circumstances. The extent of legitimate interference is subject to the principle of proportionality whereby a balance must be struck between the legitimate aims to be achieved by a local planning authority in the policy making process against the potential interference with individual human rights. In this case it is considered proportionate to remove permitted development rights in order to protect the Central Activities Zone.

Strategic Director of Finance and Governance (PW18/004)

80. The report is requesting planning committee to authorise the confirmation of a non-immediate Article 4 Direction (Appendix A) to withdraw the permitted development rights granted by Schedule 2, Part 3, Class O of the Town and Country Planning (General Permitted Development) (GPDO) Order 2015 for changes of use from office use (Class B1a) to a dwellinghouse (Class C3) in the Central Activities Zone in Southwark (Appendix B). The Direction allows more

than 12 months notice prior to the date when Class O will come into effect for the Central Activities Zone (31 May 2019).

81. The report is also requesting planning committee to note updated equalities analysis of the proposed Article 4 Directions (Appendix C) and delegates to the Director of Planning the arrangements for confirming the Article 4 Direction including compliance with the notification requirements under the Town and Country Planning (General Permitted Development) Order 2015. Full details are provided within the main body of the report.
82. The strategic director of finance and governance notes that there will be no financial implications due to the implementation of the recommendations of this report.
83. Staffing and any other costs connected with this recommendation to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Saved Southwark Plan 2007	http://www.southwark.gov.uk/info/856/planning_policy/1241/the_southwark_plan	planningpolicy@southwark.gov.uk
The Core Strategy 2011	http://www.southwark.gov.uk/info/200210/core_strategy	planningpolicy@southwark.gov.uk
General Permitted Development Order 2015	http://www.legislation.gov.uk/ukxi/2015/596/pdfs/ukxi_20150596_en.pdf .	planningpolicy@southwark.gov.uk
Southwark's Economic wellbeing strategy 2017-22: A partnership for local growth	https://www.southwark.gov.uk/business/economic-wellbeing-strategy	planningpolicy@southwark.gov.uk
New Southwark Plan proposed submission version 2017	https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/local-plan?chapter=4	planningpolicy@southwark.gov.uk
London Plan 2016	https://www.london.gov.uk/what-we-do/planning/london-plan	planningpolicy@southwark.gov.uk
London Plan Annual Monitoring	https://www.london.gov.uk	planningpolicy@southwark.gov.uk

Report 2017	k/what-we-do/planning/implementing-london-plan/monitoring-london-plan	k.gov.uk
CAZ Supplementary Planning Guidance 2016	https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/supplementary-planning-guidance/central-activities-zone	planningpolicy@southwark.gov.uk
Small Offices and Mixed Use in CAZ 2016	https://www.london.gov.uk/file/24189	planningpolicy@southwark.gov.uk
London Office Policy Review 2017	https://www.london.gov.uk/sites/default/files/london_office_policy_review_2017_final_17_06_07.pdf	planningpolicy@southwark.gov.uk
Southwark Employment Land Study 2016	https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/evidence-base-documents	planningpolicy@southwark.gov.uk
Southwark Industrial and Warehouse Land Study 2014	https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/evidence-base-documents	planningpolicy@southwark.gov.uk
New Southwark Plan Housing Viability Study 2017	https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/evidence-base-documents	planningpolicy@southwark.gov.uk
Southwark Authority Monitoring Report	https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/authority-monitoring-report	planningpolicy@southwark.gov.uk
Southwark Five and Fifteen Year	https://www.southwark.gov.uk	planningpolicy@southwark.gov.uk

Housing Land Supply: 2016-2031	ov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/evidence-base-documents	k.gov.uk
Union Street Partners' Quarter 4 2017 London South Bank Office and Retail Markets (2018)	http://www.unionstreetpartners.co.uk/research	planningpolicy@southwar.k.gov.uk
New London Quarterly Winter 2017/18	http://www.newlondonquarterly.com/	planningpolicy@southwar.k.gov.uk

APPENDICES

No.	Title
Appendix A	Draft Article 4 Direction to withdraw the Permitted Development Rights granted by Schedule 2, Part 3, Class O, of the Town and Country Planning (General Permitted Development) Order 2015 (as amended)
Appendix B	Map of the Central Activities Zone subject to proposed Article 4 Direction
Appendix C	Equalities analysis
Appendix D	Strategic evidence to support London borough Article 4 Directions in London's nationally significant office locations
Appendix E	Letters of support from Business Improvement Districts

AUDIT TRAIL

Lead Officer	Simon Bevan, Director of Planning	
Report Author	Deepa Mistry, Planning Policy Officer	
Version	Final	
Dated	24 October 2018	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team	24 October 2018	