

# LONDON ASSEMBLY

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## **Marina Ahmad AM** **Chair of the Economy Committee**

Sadiq Khan  
Mayor of London  
(Sent by email)

1 March 2024

Dear Sadiq,

I am writing to you as Chair of the London Assembly Economy Committee following the Committee's investigation into the impact of remote working on central London. The Committee held a meeting in City Hall on 13 December 2023, which was attended by the following guests:

- **Councillor Kaya Comer-Schwartz**, Leader, Islington Council, and Deputy Chair, Central London Forward (CLF)
- **Rosie Day**, Director, London Property Alliance
- **Kate Hart**, Chief Executive, Eastern City Business Improvement District (EC BID)
- **Ben Johnson**, Mayoral Head of Business and Economic Policy, Greater London Authority (GLA)
- **Jonathan Seager**, Policy Director, BusinessLDN

Our investigation set out to understand the impact of remote working on London's Central Activities Zone (CAZ) and Canary Wharf following the pandemic. We examined how businesses have adapted to changing working patterns and how they have been supported by local authorities, the Mayor and Business Improvement Districts (BIDs). We also asked to what extent the CAZ and Canary Wharf have recovered and what more the Mayor can do to ensure these areas remain highly sought after destinations for leisure and work in the future.

The Committee heard that workers have gradually returned to the office since the pandemic, and that this return to the office is vital for the economic success of central London. Councillor Kaya Comer-Schwartz, Leader of Islington Council and Deputy Chair of Central London Forward, told the

Committee that people being in the office is important for the survival of industries that make up central London's 'ecology', such as tech, hospitality, finance and culture.<sup>1</sup>

## **Evaluating the impact of fare changes on activity within the CAZ**

The Committee heard that, despite a decrease in homeworking since the pandemic, commuter flows are unevenly distributed throughout the week. Analysis of ridership figures reveals that most people come into the office on Tuesdays, Wednesdays and Thursdays, with Mondays and Fridays seeing lower numbers of commuters.<sup>2</sup>

Kate Hart from the Eastern City Business Improvement District (EC BID) noted that this presents a particularly challenging situation for hospitality businesses within the CAZ, many of which now only open on peak days. She emphasised that this presents a risk to the city's 'vibrancy', which serves to make the CAZ an attractive global destination for workers and tourists alike.<sup>3</sup> Guests generally agreed that it was worth exploring opportunities to even out commuter flows and encourage more people to travel into the CAZ on Fridays.

The Committee is aware of the Mayor's recently announced three-month trial to make all London Tube and Rail fares off-peak on Fridays. The panel was broadly supportive of using Transport for London's (TfL) fare structure to incentivise commuting on particular days of the week. However, both Jonathan Seager from BusinessLDN and Ben Johnson from the GLA noted that the longer-term future of any such arrangement will be dependent on the Mayor securing a sustainable funding settlement for TfL with the Government.<sup>4</sup> The Committee is aware that securing a funding settlement for TfL beyond April 2024 is an action outlined in the Mayor's CAZ Futures Action Plan.<sup>5</sup>

Monitoring the impact of this trial on ridership figures will be of critical importance. Kate Hart told the committee that the BID sector has been commissioning a substantial amount of research into activity within the CAZ to monitor the impact of interventions. For example, the EC BID is currently working with Colliers, a real estate group, to measure footfall, spend and dwell time within the district.<sup>6</sup> Such data could make an important contribution by complementing ridership figures to gain a more holistic understanding of the impact of the Mayor's off-peak trial on businesses within the CAZ.

***Recommendation 1:*** *The Mayor should monitor the impact of the off-peak trial on ridership figures and share his findings with this Committee at the end of the three-month trial. The Mayor should*

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<sup>1</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.1)

<sup>2</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.2)

<sup>3</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.13)

<sup>4</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (pp.17,32)

<sup>5</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#)

<sup>6</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.19)

also explore opportunities for working with the Business Improvement District sector to gain a better understanding of the trial's effect on measures such as footfall, dwell time and spend.

## **Making central London's public realm more attractive for commuters**

Whilst it is difficult to forecast how commuting patterns will change in years to come, the future success of the CAZ and Canary Wharf will likely depend on commuters returning to the office in these places. Research carried out by the think tank Centre for Cities, on behalf of the EC BID, highlights the importance of 'agglomeration benefits' to central London's knowledge-based economy. This refers to the benefits of in-person working, such as the exchange of ideas between workers and businesses or the facilitating of on-the-job learning. The report argues that given London's sluggish productivity growth, steps should be taken to encourage workers coming into the office.<sup>7</sup>

Kate Hart noted that the commute was the biggest barrier to people returning to the office post-pandemic. She highlighted the importance of 'push- and pull-factors', stressing that improvements to the public realm are critical to enticing workers back into the office and 'earning the commute'.<sup>8</sup>

This is supported by other evidence heard by the Committee. Rosie Day from the London Property Alliance told the Committee that vacancy rates in prime locations remain comparatively low as workers prefer "high-quality, sustainable, amenity-rich offices in central locations with excellent transport links".<sup>9</sup> This has come to be referred to as a 'flight to quality'.<sup>10 11</sup>

We understand that a key priority for central London BIDs is to help facilitate improvements to the public realm. The Committee has received a written submission from the EC BID, showcasing recent projects, such as the new Strand Aldwych pedestrianised public space and Christchurch Gardens.<sup>12</sup>

The Committee is aware that one of the actions outlined in the CAZ Future Actions Plan pertains to "[working] in partnership with Business Improvement Districts to improve the quality and cleanliness of the public realm".<sup>13</sup> This may enhance the attractiveness of the CAZ and Canary Wharf and encourage more workers to commute into these areas more frequently.

***Recommendation 2:*** *The Mayor should build on his commitment in the CAZ Futures Action Plan to support Business Improvement Districts to help deliver improvements to the public realm within London's Central Activities Zone. In response to this letter, he should also set out details of the*

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<sup>7</sup> Centre for Cities, [Office politics: London and the rise of home working](#) (p.5)

<sup>8</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.23)

<sup>9</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.9)

<sup>10</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.2)

<sup>11</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.15)

<sup>12</sup> Written evidence received from the Eastern City Business Improvement District

<sup>13</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.18)

*impact this public realm improvement work has had so far on footfall and public transport ridership in the Central Activities Zone. He should continue lobbying Government to ensure local authorities have sufficient funding to invest in public realm improvements.*

## **Giving local authorities a say on conversions of office buildings**

The other side to the ‘flight to quality’ popularity of premium office buildings is the presence of vacant office buildings in less desirable secondary and tertiary locations. Rosie Day told the Committee that there could be opportunities to prevent these buildings from becoming ‘stranded assets’ by converting offices into housing or cultural and leisure venues.<sup>14</sup>

Kate Hart from the EC BID explained to the Committee how her BID has been working with a range of partners to transform unused buildings into spaces for charities and artists.<sup>15</sup> This is broadly in line with the actions outlined in the CAZ Futures Action Plan, which sets out to “animate the CAZ through promoting cultural and creative activities”.<sup>16</sup>

However, the Committee also heard that converting office buildings into other uses can have significant drawbacks. Rosie Day warned that conversions often are not straightforward, giving rise to the risk of poor-quality offices being turned into poor-quality housing.<sup>17</sup> The Committee learnt that this problem may be exacerbated by the Government’s expansion of permitted development rights (PDR), whereby developers are able to convert office buildings without the need to apply for planning permission.<sup>18</sup> Rosie Day informed us that the expansion of PDR could be counter-productive as conversions work best when local authorities are actively involved in the planning process.<sup>19</sup>

Our guests told us that, in some cases, local authorities can use ‘Article 4’ directions to block conversions and require developers to submit a planning application.<sup>20</sup> Councillor Kaya Comer-Schwartz stated that, in Islington, the Council has been able to use ‘Article 4’ directions to protect three developments from being converted with positive results.<sup>21</sup>

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<sup>14</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.10)

<sup>15</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.10)

<sup>16</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.25)

<sup>17</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.10)

<sup>18</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.10)

<sup>19</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.10)

<sup>20</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (pp.10, 18)

<sup>21</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.18)

Overall, guests agreed that a coordinated approach to planning was necessary. The Committee is aware of the assessment made in the Mayor’s CAZ Futures Plan that the recent extension of PDR represents a ‘significant risk’ for the CAZ, potentially leading to an “uncontrollable loss of offices [...] without creating the genuinely affordable housing needed”.<sup>22</sup> An action contained within the CAZ Futures Action Plan is for local authorities to “agree Article 4 Directions with government and monitor the impact of permitted development rights on the CAZ”.<sup>23</sup> However, the Action Plan rightly recognises that this has not been done consistently across the CAZ, leaving a large portion of the CAZ unprotected.<sup>24</sup>

***Recommendation 3:*** *The Mayor should encourage local authorities within the Central Activities Zone to agree ‘Article 4’ directions with the Government to ensure they can prevent inappropriate development within the CAZ. He should do this as part of the CAZ Futures Working Group, which was set up after the publication of the CAZ Futures Action Plan., The Mayor should also explore how he can facilitate the use of empty properties for the benefit of local charities and community groups.*

### **Lobbying the Government on re-introducing the VAT Retail Export Scheme**

Decreasing levels of commuting traffic into the CAZ and Canary Wharf have served to highlight the importance of visitors from abroad to the local economy in central London. Our guests told us that the Government’s decision to withdraw the VAT Retail Export Scheme (VAT RES) in 2023 had further harmed local businesses in London. The scheme allowed international tourists from outside the EU to claim the value-added tax on items purchased during their stay.

We heard from guests that the retail sector makes up a large part of the CAZ and plays an important role in enhancing its attractiveness.<sup>25</sup> However, Jonathan Seager from BusinessLDN told the Committee that tourists now purchase less in London as around 10 per cent of UK spending from international visitors has been reallocated to the EU as a result of withdrawing the VAT RES.<sup>26</sup> The numbers of international visitors in London also remain below pre-pandemic levels.<sup>27</sup>

The proposal to re-instate the VAT RES received explicit support from three panel members. Ben Johnson reported that the Mayor had already written to both the Prime Minister and the Chancellor, urging them to re-introduce VAT-free shopping for international visitors as soon as possible.<sup>28</sup> The

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<sup>22</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.15)

<sup>23</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.19)

<sup>24</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.15)

<sup>25</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (pp.1, 17)

<sup>26</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.32)

<sup>27</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.3)

<sup>28</sup> [London Assembly Economy Committee – Wednesday 13 December 2023: The Impact of Remote Working on Central London](#) (p.32)

Committee is also aware that the CAZ Futures Action Plan calls on the Government to re-introduce the VAT RES.<sup>29</sup>

***Recommendation 4:*** *Given the importance of this issue to the central London economy, the Mayor should continue to lobby the Government to re-introduce the VAT Retail Export Scheme (VAT RES), including by writing to the Minister for London and by working with the London and Partners in 2024 to build the London business case for its return.*

The Committee would welcome a response to this letter by Friday 10 May 2024. Please send your response to by email to the Committee's clerk, Jack Booth ([jack.booth@london.gov.uk](mailto:jack.booth@london.gov.uk))

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Marina Ahmad', is centered on a light grey rectangular background.

Marina Ahmad AM  
**Chair of the Economy Committee**

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<sup>29</sup> Mayor of London and Central London Forward, [CAZ Futures Action Plan](#) (p.29)