

REQUEST FOR DIRECTOR DECISION – DD2500

Title: Central Activities Zone (CAZ) Economic Futures Research

Executive Summary:

The Central Activities Zone (CAZ) area faces a significant challenge as a result of the Covid-19 pandemic characterised by a reduction in office workers, a sharp slowdown in domestic and international tourism, and changes to how Londoners spend their leisure time. The future of the CAZ is under debate as the economic impact of the Covid-19 pandemic takes effect. There are different perspectives to this debate with some arguing that the immediate threat is existential, while others view the CAZ as being in transition.

The research the GLA is seeking to commission aims to develop an authoritative evidence base that makes sense of the emerging trends across the key sectors, and strategic functions, that make up the CAZ (including office agglomerations, culture, the night-time economy, retail and tourism), the interactions between these sectors and functions, and their impact on the overall CAZ ecosystem. The primary focus of the research is on the medium-term impacts (2-5 years) and will be supplemented by a high-level analysis of longer-term effects (5-10 years).

The research will inform the development of the Mayor's policy recommendations for supporting the economic recovery of the CAZ, and for understanding how the relationship between the CAZ and the rest of London may shift in future. In addition to informing the Mayor's policy position, the research insights will be insightful to boroughs, sub-regional partnerships, central government and CAZ businesses.

This decision form seeks the Executive Director's approval of expenditure of up to £100,000, to commission this research. The expenditure will be funded through the GLA's Recovery Fund budget.

Decision:

That the Executive Director of Good Growth approves:

Expenditure of up to £100,000 to procure research on the Central Activities Zone (CAZ) Economic Futures.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities. It has my approval.

Name: Philip Graham

Position: Executive Director, Good Growth

Signature:



Date:

26 October 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The CAZ area faces a significant challenge as a result of the pandemic characterised by a reduction in office workers, a sharp slowdown in domestic and international tourism, and changes to how Londoners spend their leisure time.
- 1.2. The economic output of the CAZ, Northern Isle of Dogs (NIoD) and a 1km fringe around them stood at just under £228bn in 2017, accounting for nearly 53% of London's output and just under 13% of UK output from an area of land covering just 0.03% of the UK. 40% of international tourist spend in the UK is within central London (Westminster, Kensington and Chelsea and the City of London)¹.
- 1.3. This research will seek to develop an authoritative evidence base that makes sense of the emerging trends across the key sectors, and strategic functions, that make up the CAZ (including office agglomerations, culture, the night-time economy, retail and tourism), the interactions between these sectors and functions, and their impact on the overall CAZ ecosystem. The primary focus of the research is on the medium-term impacts (2-5 years) and it will be supplemented by a high-level analysis of longer-term effects (5-10 years).
- 1.4. The future of the CAZ can only be properly considered in the context of the future of the London economy as a whole. There is a need to understand the economic transformation brought about by Covid-19 and the new economic relationships that are forming between the CAZ and outer London fringe markets, and whether the perceived improvements in productivity and performance will result in more lasting structural changes.
- 1.5. This research seeks to understand:
 - a. The changing trends in office use and worker behaviour resulting from the Covid-19 pandemic and the implications on (i) the financial viability of activities reliant on daily footfall (ii) land use and planning; and (iii) public transport use and investment in the CAZ. The research is to be complemented by a corresponding analysis of working practice and commuting patterns emerging in the suburbs and commuter areas.
 - b. The trends affecting and the interdependencies of the key elements of the CAZ economy and its strategic functions (for example, professional services/office work, retail, hospitality, tourism, culture and the night-time economy) and the potential impact on the overall ecosystem (such as on employment, tourism and overall international competitiveness, including attractiveness to Foreign Direct Investment), including footfall, dwell time and spend.
 - c. Approaches to building on the unprecedented experience in remote working, reductions in carbon emissions and improvements in air quality that the CAZ has undergone throughout lockdown.
- 1.6. The research will inform the development of the Mayor's policy recommendations for supporting the economic recovery of the CAZ. In addition, the research outputs will inform policy development by boroughs, sub-regional partnerships, and central government, and strategic planning by CAZ businesses.
- 1.7. This decision form seeks the Director's approval of expenditure of up to £100,000 to procure research on the Central Activities Zone (CAZ) Economic Futures.

¹ Centre for London, A recovery plan for the West End, https://www.centreforlondon.org/wp-content/uploads/2020/09/Centre-for-London_West-End_Sep-2020-digital.pdf Sept 2020

- 1.8. The budget is based on spend on previous research commissions. The research will be procured by Transport for London Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the GLA's Contracts and Funding Code. The research will be put out to competitive tender.

2. Objectives and expected outcomes

- 2.1 The objectives of the research are to develop an evidence base of the future challenges and opportunities facing the CAZ, which has suffered a sudden and rapid reduction in footfall due to the Covid-19 pandemic. The research will inform the development of the Mayor's policy recommendations for supporting the economic recovery of the CAZ. In addition, the research outputs will inform policy development by boroughs, sub-regional partnerships, and central government, and strategic planning by CAZ businesses.

- 2.2 The research commission will focus on responding to the following key areas:

Understanding office use trends in the CAZ

- i) Analysis of office use trends in the CAZ and CAZ satellites² and developing projections for the medium (2-5 years) to long term (5-10 years), building on existing GLA commissioned survey data and framed within the context of the UK's exit from the EU. This should include occupational density, workspace flexibility and impact on demand for space, coworking and place-making and social value outcomes on tenant/business attraction.
- ii) Analysis of shifts in office use trends in outer London (particularly larger town centres) and commuter areas, reflecting on potential shifts of the functional urban area. This should include: projections on what future capacity is needed pre and post Covid (to be expressed in alternative scenarios, as appropriate and in line with the medium and long-term horizons above) to inform if a return to 'business as usual' is expected or a 'new normal' will emerge.
- iii) Understanding behavioural shifts amongst workers including homeworking patterns.

Understanding interactions of key sectors of the CAZ and their impact on the overall ecosystem

- i) Analysis of trends affecting and the interaction of key elements of the CAZ economy and its strategic functions (including professional services/office work, retail, hospitality, tourism, culture and the night-time economy) and the potential impact on the overall CAZ ecosystem including footfall, dwell time and spend. This could include looking at how the morning and evening peaks could be evened out with different approaches to the times that offices, cultural organisations, and retail operate, enabling more people through and more value out of the CAZ with less crowding.

Understanding long term trends in the CAZ and implications on London's agglomeration model, and the relationship with outer London economic activity zones

- i) The future of London's agglomeration economy (centred on the CAZ), whether this may evolve away from physical proximity and towards new (more virtual) forms of agglomeration, recognising that nearly 40 per cent of jobs in inner London are in four highly specialised, high value sectors (Information and Communication; Finance and insurance; Real estate; Professional, scientific and technical activities) in contrast to 17 per cent of jobs in outer London as a whole.³
- ii) The implications of this for the relationship between the CAZ and the rest of London's economy/sectors, and London's international role (including the implications for the future

² The NIOD is recognised in the London Plan as a CAZ 'satellite' location for world city office functions (see para 2.4.3 of the ItP London Plan). Stratford is recognised as a future potential CAZ satellite for CAZ office functions and is already performing strongly as an office location. Old Oak Common is also identified as a future potential CAZ satellite although this is likely to be in the longer term.

³ <https://www.london.gov.uk/sites/default/files/description-londons-economy-working-paper-85.pdf>

development of London's innovation ecosystem, its global brand, and flows of Foreign Direct Investment).

- iii) What this means for the London Plan, and its underlying assumptions (including transport and wider infrastructure requirements) and London's future role nationally and globally.
- iv) The impact of the Business Rate revaluation and structural shifts in the retail sector (rise in online retail and the shift towards local spend). This would need to be considered alongside the wider implications of commercial value revaluation. How attractive will London commercial property remain as an investment and redevelopment proposition? Does this provide opportunities as well as challenges?

Scenario development and policy implications

- i) Developing scenarios of possible economic futures (medium to long term, including addressing the potential implications of the UK's exit from the EU) for the CAZ, building and drawing on existing Transport for London expertise in this area.
- ii) Scenarios to be used to identify negative impacts and emerging opportunities for the CAZ economy and set out a suite of policy implications.

2.3 These objectives will be achieved through the following outputs

Output description	Output measure
Interim report	<ul style="list-style-type: none">A robust evidence base of medium- and short-term trends affecting the CAZ.
Final report	<ul style="list-style-type: none">Strategic policy and lobbying recommendations put forward for the GLA, sub-regional partnerships, boroughs, central government and CAZ business that will support the economic recovery of the CAZ, thereby protecting jobs and businesses.

3. Equality comments

- 3.1 The Public Sector Equality Duty as set out in section 149 of the Equality Act 2010 requires, the Mayor of London as a public authority to have 'due Regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not. Accordingly, the research undertaken will take due consideration of the positive and negative impacts on groups with protected characteristics where relevant and ensure diverse input into the research, including through a call for evidence. These considerations will be included in the tendering process and commissioning of the brief.
- 3.2 Strategic equality, diversity and inclusion objectives are enshrined within the GLA's programmes and activities according to the Mayor's Equality, Diversity and Inclusion Strategy.
- 3.3 A Partnership Board will be established to act in an advisory capacity to the research commission. This will be monitored for diversity and inclusion to ensure a balanced representation of Board members wherever possible.

4. Other considerations

Key risks and issues

Risk	Likelihood	Impact	Mitigation
The role of the research is not understood	Low	Medium	A robust terms of reference will be developed, supported by effective project management and stakeholder engagement.
Insufficient uptake and response to the procurement process by suppliers	Low	Medium	We will aim to undertake supplier engagement to encourage prospective commissioning partners as part of the procurement planning process.
The project is not delivered in time before the pre-election period (PEP) for the 2021 Mayoral elections	Medium	High	<p>Robust programme management of the contract and supplier performance to ensure the project is on track to meet key milestones.</p> <p>Review of delivery schedule in January following publication of interim report to consider likelihood of achieving publication of final report before the PEP and develop a contingency plan if necessary.</p>
Research outputs do not drive policy and strategic action.	Low	High	Engagement with key stakeholders to ensure their buy-in to recommendations put forward in the final report.

Links to Mayoral strategies and priorities

- 4.1. The research on the economic impact of Covid-19 on the CAZ is a priority for the Mayor. The London Recovery Board has been leading on London's recovery from Covid-19. The Mayor is determined to ensure London's long-term global competitiveness is maintained, and to safeguard and enhance the city's position as an international powerhouse for culture, tourism and innovation. This will be enabled by understanding and preparing for the medium and long-term trends that will affect the central London economy.
- 4.2. The economic case for focusing on central London is overwhelming. The combined output of central London and the Northern Isle of Dogs and their immediate surroundings was around £228bn in 2017 and accounted for over half of London's output and over a tenth of UK output.
- 4.3. The research will help City Hall and its partners to understand the emerging trends that might affect London's city centre economy, including cultural and economic changes that may become the new normal as the city recovers, and how the relationship between the CAZ and the rest of London may change.
- 4.4. The objectives and outcomes of this research are aligned with the following ambitions from the Mayor's Economic Development Strategy:
 - London remains the world capital for business trade and investment.

- London has higher productivity relative to other global cities.
 - London continues to contribute to the UK economy so that London and the UK can grow together.
 - London is the best city in which to start and grow a business.
- 4.5. The objectives and outcomes of this research are aligned with the following priorities from the Mayor's Culture Strategy:
- Culture and Good Growth - supporting, saving and sustaining cultural place.
 - Creative Londoners - investing in a diverse creative workforce for the future.
 - World City - a global creative powerhouse today and in the future.

5. Financial comments

- 5.1 Approval is being sought for expenditure of up to £100,000 for the procurement of research on the Central Activities Zone (CAZ) Economic Futures.
- 5.2 The proposed expenditure of £100,000 will be funded from the GLA's Recovery Fund that was established as part of the repurposed 2020-21 GLA budget as approved by MD2666. This project cuts across and supports a number of recovery missions, including Helping Londoners into Good Work and High Streets for All, and the budget and associated expenditure will be accounted for within the Regeneration & Economic Development Unit (Good Growth Directorate).

6. Legal comments

- 6.1 Sections 1 to 2 of this report indicate that the decisions requested of the Director concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:
- Pay due regard to the principle that there should be equality of opportunity for all people;
 - Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - Consult with appropriate bodies.
- 6.2. In taking the decisions requested, the Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to Section 3 (above) of this report.
- 6.3 The services required must be procured by Transport for London Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the GLA's Contracts and Funding Code. Officers must ensure that appropriate contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the services.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	19 October 2020
Announcement	9 November 2020
Delivery Start Date	16 November 2020
Final evaluation start and finish	TBC
Delivery End Date	Mid March 2021
Project Closure	End March 2021

Appendices and supporting papers:

Appendix 1 – Map of the Central Activities Zone

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? YES, until contract is awarded, expected by 31 November 2020 latest.

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Anesu Bwawa has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Luke Bruce has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

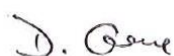
This decision was agreed by the Corporate Investment Board on 12 October 2020.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date

26 October 2020