Enterprise Issues and Options

1.0 INTRODUCTION

1.1 This report is being submitted by the Royal Borough of Kensington and Chelsea as an addendum to the Sustainability Appraisal (SA) Scoping Report for the Royal Borough of Kensington and Chelsea's Local Development Framework (LDF). It is for consultation in line with the requirements of the SEA Directive 2001/42/EC and the Environmental Assessment of Plans and Programmes Regulations 2004. The LDF SA Scoping Report was the subject of community engagement in early 2005 and has subsequently been adopted. The LDF SA Scoping Report comprises of three volumes, namely the Scoping Report (Sept 05), Baseline Characterisation Figures (Aug 05), and Context Review (Sept 05), which are all available on the Council’s website.

1.2 The LDF Interim Sustainability Appraisal report was produced in November 2005 and, together with the LDF Core Strategy Issues and Options report, was the subject of community engagement during November and December 2005. However, in accordance with advice from the Government Office for London, the Council revised the Core Strategy Issues and Options report and, together with a revised Sustainability Appraisal Update Report, was re-issued for further stages of community engagement throughout 2008 and 2009. The Core Strategy was finally adopted in December 2010.

1.3 This Addendum report extends the LDF SA / SEA Scoping Report to include the emerging issues and options around future enterprise policies.

2.0 BACKGROUND

Legislative Background

2.1 In the summer of 2001, the European Union legislated for Strategic Environmental Assessment (SEA) with the adoption of Directive 2001/42/EC on the Assessment of the Effects of Certain Plans and Programmes on the Environment (the ‘SEA Directive’). The Directive was incorporated into UK law with the Environmental Assessment of Plans and Programmes Regulations 2004 and applies to a range of UK plans and programmes whose preparation began after 21st July 2004, or whose formal adoption is not complete by 21st July 2006.

2.2 The SEA/SA report supports public consultations as required by Regulation 25 of the Town and Country Planning (Local Development) (England) Regulations 2004 and the National Planning Policy Framework 2012 (paragraph 165 - Environment). Furthermore, issuing the SEA/SA Report alongside the Enterprise Issues and Options (which will move to specific draft policies) will help to provide objective information for consultees, so that

1 Available from: [http://www.rbkc.gov.uk/planningandconservation/planningpolicy/localdevelopmentframework/sustainabilityappraisal.aspx](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/localdevelopmentframework/sustainabilityappraisal.aspx)
responses can take full account of the predicted sustainability impacts of different ‘options’. It will also identify the information being fed into the decision making process and how this has informed the decisions.

Contents of this report

2.3 Figure 1 below sets out the outputs at each stage of the SA/SEA process. This Addendum report documents the Scoping (or Stage A) of the process, setting out the context and objectives of the SA / SEA. It also establishes the baseline and decides on the scope of the SA/SEA.

Stage A: Setting the context, collecting the baseline, identifying sustainability issues, creating SA Framework, consult on scope

Stage B: Testing the LDF Objectives against the SA Framework, developing and refining options, predicting and assessing effects, identifying mitigation measures and developing proposals for monitoring

Stage C: Documenting the Appraisal process

Stage D: Consulting on the plan with the SA Report

Stage E: Monitor the effects of the implementation of the plan

Figure 1. Outputs from the SA process

2.4 Stage A from figure 1 (as set out in subsequent sections of this report) is divided into the following 5 key tasks:

- A1 – Context;
- A2 – Baseline;
- A3 – Sustainability issues;
- A4 – SA Framework; and
- A5 – Consult on scope.

2.5 This report seeks to supplement the LDF SA Scoping Report which was adopted by the Council in November 2005.

2.6 The main body of this report is divided into sections which document Stage A of the SEA process and, in particular, tasks A1 to A5.
3.0 Enterprise Policy: Background

3.1 Our current Core Strategy employment land planning generally protect all non residential uses across the Borough. They provide some flexibility for A1 shops within town centres to change to other town centre uses, concentrate large and medium offices within town centres and areas of high public transport accessibility and identify the Borough’s Employment Zones as locations for small and medium sized premises.

3.2 The Core Strategy planning policies were only adopted in December 2010 so it is very early to judge their effectiveness (the 2011 Annual Monitoring Report provides a review). However, since adoption the Borough has seen a dramatic decrease in house building. This would appear to be primarily a result of the current recession because although the number of planning approvals remains healthy, development on site has slowed2.

3.3 The National Planning Policy Framework (NPPF) which comes into full effect in April 2013 has a strong policy presumption in favour of allowing the loss of vacant business premises to housing. However, current Core Strategy policy resists this.

3.4 This is the first phase of consultation on a review of the Core Strategy enterprise planning policies. This review is intended both as an examination of our planning policies that relate to business uses and an investigation of how the Borough might become more business friendly. The issues reviewed in this document are:
- employment in the Royal Borough;
- employment Planning Policy;
- employment in Town Centres;
- hotels;
- employment elsewhere in the Borough;
- supporting people into employment; and
- making the Borough more business friendly.

2 See Annual Monitoring Report 2011
4.0 STAGE A: Tasks A1 to A4

Task A1 – Identifying other relevant plans, programmes and sustainability objectives

4.1 An initial review of policies, plans, programmes, strategies and initiatives (PPPSIs) was carried out as part of the LDF Scoping Report. This section outlines those PPPSIs which are considered to be of particular relevance to the emerging policy regarding enterprise policies. These are set out in Table 1 below which includes also additional policies, plans, programmes, strategies and initiatives not included in the LDF Scoping Report but relevant to the formulation of enterprise policies.

4.2 The key messages from these PPPSIs which need to be taken into account are set out in Volume 3 of the main LDF SA / SEA Scoping Report and in the October 2009 updated Sustainability Appraisal Report.

Table 1: List of relevant policies, plans, programmes, strategies and initiatives

<table>
<thead>
<tr>
<th>National</th>
<th>London</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Localism Act November 2011</td>
<td></td>
<td>Core Strategy for the Royal Borough with a Focus on North Kensington</td>
</tr>
</tbody>
</table>

Task A2 – Collecting Baseline data

4.3 The LDF SA / SEA Scoping Report identifies the key characteristics of the Royal Borough of Kensington and Chelsea. It was updated in 2009 with the information in the table below in relation to economy (pages 50 and 51).

---

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key information / trends</th>
</tr>
</thead>
</table>
| Economy   | There has been a growth in the number of people of working age in the Royal Borough of Kensington and Chelsea from 114,710 in 2001 to 123,700 in 2007. This is a higher percentage of the population (69.3%) than for London (66.9%) and the UK (62.2%).

A 38.5% increase in employment occurred between 1999/2000 and 2007/2008. The proportion of people of working age in employment in January–December 2007 and July 2007–June 2008 increased from 67.1% to 67.9%. This is lower than for London (69.8%) and 70.5%) and for the England (74.4% Jan–Dec 2007) and the UK (74.5% July 2007 – June 2008). This figure has varied in the Borough over the last 10 years, from a high of 68.7% in March 2000-February 2001, to a low of 61.5% in April 2006-March 2007.

The unemployment rate, as measured by claimants of job seekers allowance, compares well with London, being below the average, and claimants experienced a downward trend between 2000 and 2005 experiencing a 34% drop. Claimant count with rates dropped significantly between 2006 and 2008 to increase again in the end of 2008. Number of claimants remains lower than for London and the UK (respectively, May 2006: 1.7%, 2.5%, 2.1%, and December 2008: 2.0%, 3.2%, 3.0%).

In 2007, average gross weekly earnings for the Borough (£862.4) were higher than for London (£800.8) and the UK (£679.3), and increased by £76 between 2007-08. Percentage of low pay for the Borough (8.2%) is lower than for London (12.8%) and the UK (13.1%) – although this figure has decreased since the 1990s, it has increased in most recent years. Levels of GVA per capita increased between 1995 and 2004 by 55.5% in RBKC to £88,563, and remain at a significantly higher level than in London and the UK. Although job density has decreased in RBKC from 1.34 in 2001 to 1.23 in 2003, it remains higher than for London (1.02) and the UK (0.98).

The indices of Deprivation Domain for Income and Employment highlight Super Output Areas (SOA) that lie within ward boundaries that are within the 20% most deprived in England. These statistics have improved between 2004 and 2007: the number of SOAs within 20% most deprived in England decreased from 26 and 23 to 19 respectively. The wards with the most income deprivation are concentrated in the wards of St Charles, Golborne, Notting Barns, Colville, and Cremorne. The wards with the most employment deprivation are concentrated in the wards of Golborne, Notting Barns, Norland, and Redcliffe.

The recent Employment Land Study in the analysis of the local economy in the Study identified many positive features, but three apparent deficiencies in RBKC:

- There is a concentration of socio-economic disadvantage in the North Kensington wards.
- Jobs located in Kensington and Chelsea on average are relatively low-paid; it seems that high-skilled, high-earning residents typically commute to work out of the Borough, while low skilled workers commute into the Borough.
- While the Borough has a positive labour market balance – it provides more jobs than it has working residents.

The Employment Land Study has estimated a minimum requirement of 114,000 sq m of office/B1 space between 2001-21 and a maximum loss of 73,000 sq m of industrial/warehousing space over the same period.
Employment in the Royal Borough

4.4 The Royal Borough is a small, highly developed, largely residential Borough. It is generally very wealthy and has a track record of growing employment. The vast majority of people who work here do not live in Kensington and Chelsea. Estimates for the number of businesses located in the Borough vary from 11,000⁴ to 20,000⁵, and the number of employed from 97,000⁶ to 121,000⁷.

4.5 Over 82% of businesses in the Borough employ less than four staff and 55% of business activity is from micro-businesses i.e. the self-employed, sole traders and partnerships⁸.

4.6 Approximately 10.2% of all Kensington & Chelsea businesses are classified as Home Based Businesses (London average 5.6%). There are particularly high levels of home based working in Notting Hill, Westway, Holland Park Avenue and to some extent, West Brompton and Knightsbridge. There is very little home based activity in the north of the Borough⁸.

4.7 Employment in the Borough tends to be concentrated in and around the Borough’s main town centres (more than 20%). Only 5% of employment is located in the designated employment zones⁹.

4.8 The Borough’s economy is reliant on a small number of industry sectors mainly in property and business services, retail and wholesale, and hospitality. There are very few larger employers, particularly in the private sector, creating limited diversity in the labour market. There is also less reliance on public sector employment than many central London locations¹⁰.

4.9 The cultural and creative sectors are a major employer in Kensington and Chelsea, accounting for around 15% of employment and 30% of business units. There are small clusters of such businesses in the northeast of the Borough¹¹. The Borough has also a strong arts heritage stemming from the Chelsea arts scene and a significant visitors’ economy¹².

4.10 Over the last five years Kensington and Chelsea has seen the lowest net change in business numbers of all the inner London boroughs. This may be an indication either that the Borough has a more stable business base or that barriers to entry for businesses wishing to start-up in Kensington and Chelsea, particularly the lack of commercial space and therefore high cost of available businesses premises, make it difficult for the economy to expand. There is also a relatively high proportion of well-established firms¹³. Technological changes, property issues and planned development in the Borough may have implications for employment in the short to medium term.

---

⁴ Study of the Visitor Economy RBKC 2009
⁵ ONS Annual Business Inquiry 2011
⁶ Local Economic Evidence: Employment and Land Use RBKC 2010
⁷ ONS Annual Population Survey 2012
⁸ Local Economic Evidence: Employment and Land Use RBKC 2010
⁹ Initial findings RBKC Enterprise Review 2012
¹⁰ Local Economic Evidence: Employment and Land Use RBKC 2010
¹¹ Understanding the Creative and Cultural Sector in Kensington and Chelsea 2008
¹² GLA The Mayor’s Cultural Strategy 2012 and Beyond
¹³ Local Economic Evidence: Employment and Land Use RBKC 2010
Employment in town centres

4.11 20% of the Borough’s employment is located in town centres\(^\text{14}\). The Royal Borough has one international town centre, Knightsbridge, and two major centres King’s Road (East) and Kensington High Street. These higher order town centres form part of the London town centre network within the London Plan. Portobello Road Special District Centre is a major tourist attraction as are the South Kensington Museums.

4.12 Our larger town centres have a closely interrelated mix of businesses. Shops, hotels, restaurants, cafes, bars and other leisure activities together with good transport links attract visitors from across the capital, the rest of the country and internationally. They also make them attractive places for office based employers to locate. Each town centre has a distinctive character which is explained further in the Issues and Options document.

4.13 It is not possible to intervene effectively in the retail mix of any of our centres because landownership is very fragmented, apart from parts of Sloane Street / King’s Road/ Duke of York Square (owned and actively managed by Cadogan Estates).

4.14 It is likely that in the UK as a whole there will be a reduction in total retail floorspace as retailers give up under-performing shops when leases come up for renewal. This trend is less likely to affect Kensington and Chelsea because of the expenditure of large number of visitors, from overseas and the rest of the country, and the wealth of most of our residents. There is demand for vacant shops in our town centres, and very few remain vacant for long even if on occasions landlord’s rental expectations have not been in line with retailers’.

Hotels

4.15 There are 191 hotels (28,500 bed spaces) in the Borough and the hotel industry is particularly strong in terms of the number of people employed and the number of businesses, compared to elsewhere in the UK\(^\text{15}\). Expenditure on overnight accommodation is estimated to contribute £730 million per year to the Borough’s economy\(^\text{16}\).

Employment elsewhere in the Borough

4.16 Outside the town centres employment is distributed more evenly and dominated by small businesses and working from home.

4.17 The Borough currently has a policy which identifies three employment zones Kensal, Freston Road / Latimer Road and Lots Road. Within these zones we protect employment uses and we do not allow residential development. These areas are not particularly accessible by public transport so we do not encourage large offices (over 1,000 sq metres). Generally these areas provide relatively low cost accommodation for small and medium sized businesses.

\(^{14}\) Initial findings RBKC Enterprise Review 2012
\(^{15}\) RBKC Hotel Survey 2004
\(^{16}\) Study of the Visitor Economy 2009
4.18 Although they only account for 5% of the employment in the Borough recent research has indicated these zones accommodate significant clusters of creative businesses that serve international clients, particularly in the music and high end fashion design industries\(^\text{17}\). Despite lack of encouragement the success story in parts of these areas has been the attraction of larger occupiers.

4.19 Some buildings in the employment zones are quite run down. This may mean they provide cheaper premises for businesses that could not afford to pay higher rents, such as new businesses and businesses that provide local services like car servicing and repair. Alternatively, it could signal the opportunity to refurbish and re-develop buildings to better meet modern business requirements.

4.20 A recent survey of employers, mainly in employment zones has found\(^\text{18}\):
- Almost 100% of employment property is leased.
- Employers expressed concerns about parking costs and enforcement regimes and the lack of lunch venues in employment zones, and some area specific issues like security of the canal at Kensal, street cleaning after the Notting Hill Carnival and problem school children.
- Most companies are not concerned about having residential neighbours but there is a sizeable minority of businesses who are. Their concerns relate to residents creating noise during office hours and some firms needing to make noise 24 hours a day, or at odd hours. There was also some concern about residents’ parking and residents’ cars blocking access.

**Supporting people into employment**

4.21 Overall employment in the Borough is high; however, unemployment is an issue. As of August 2012 there were just under 3,000 residents in receipt of Job Seeker's Allowance, or 2.5% of the working age of the population. This average figure hides a wide disparity between wards at the extremes, with Golborne ward at 7.2% and Queen's Gate ward at 0.9%. The number of residents claiming one of the key out of work benefits is 11,180 (February 2012), 9.5% of the working age population.\(^\text{19}\)

4.22 Long term unemployment (those claiming Job Seeker's Allowance for 12 months or more) has tripled since the start of the recession, while total unemployment has risen by 16% over the same period, but the increase it is not as high as other parts of urban London.

4.23 Residents are out of work for a variety of reasons, including skills levels, health conditions, caring responsibilities, lack of suitable childcare and levels of motivation. During the recession young people and recent graduates have faced intense competition and struggled to gain their first jobs. The range of circumstances for unemployed residents means that the availability of

---

\(^{17}\) Initial findings RBKC Enterprise Review 2012  
\(^{18}\) Initial findings RBKC Enterprise Review 2012  
\(^{19}\) https://www.nomisweb.co.uk/Default.asp
personalised employment support (advice, guidance and training) and assistance to access suitable vacancies is a Council priority.

**Making the Borough more business friendly**

4.24 The Council has encouraged new businesses by funding advice and training for start-ups, ensuring that premises are available on flexible terms (e.g. Baseline Studios) and supporting projects to develop young entrepreneurs. The Council also engages with employers to identify and fill apprenticeship places and supports hospitality employers to recruit locally.

4.25 The Council has a statutory role in regulating business through planning and transportation and highways, health and safety, licensing and environmental health regulations. The Council also uses discretionary powers to license chairs and tables on the public highway, increase planning control in Conservation Areas and through Article 4 Directives. Much is already being done centrally to reduce the burden of regulation on business and promote growth, but it is felt that there are opportunities at the local level to take this further.

**Task A3 - Main social, environmental and economic issues and problems identified**

4.26 Section 4.3 of the original Scoping Report, along with the Sustainability Appraisal iterations and the Core Strategy provides a summary of the key social, environmental and economic issues that have been identified as of the most importance to the Royal Borough. The most relevant of these are listed below:

<table>
<thead>
<tr>
<th>Sustainability problem</th>
<th>Supporting Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td></td>
</tr>
<tr>
<td>Residential prices are so high in this borough that there is a danger that all employment uses could change to residential without planning policy controls.</td>
<td>Average house prices the highest in the UK creating a barrier to entry for low and medium level earners. July 2009 SEA update and Land Registry</td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
</tr>
<tr>
<td>Local distinctiveness</td>
<td></td>
</tr>
<tr>
<td>The Council has designated 36 Conservation Areas, encompassing about 72% of the Borough. The Borough also contains over 4,000 buildings which are listed at Grade II or above for their special architectural or historic interest. There are further areas of architectural character and historic interest including strategically important views. The Borough’s scheduled monuments, registered parks and gardens and archaeological priority areas are also important to local distinctiveness</td>
<td>July 2009 SEA update</td>
</tr>
<tr>
<td>Social</td>
<td></td>
</tr>
<tr>
<td>Equality issues: within the Royal Borough of Kensington and Chelsea, there is a clear north south delineation in regard to equity and social inclusion. Indices of Multiple Deprivation, clearly shows that the</td>
<td>July 2009 SEA update</td>
</tr>
</tbody>
</table>
northern areas of the Borough are relatively more deprived than those in the south. Indeed, four wards (Golborne, St Charles, Notting Barns, Norland) in the north are in the 0-10% most deprived nationally, whereas the ward of Royal Hospital in the south includes an area are of the 81-100% least deprived, showing the Royal Borough to be an area of extremes.

Data ‘gaps’ and availability
4.27 Additional work has been commissioned from consultants to strengthen our understanding of business in the borough. This will inform later stages of this review.

Future trends under the ‘business-as-usual’ option
4.28 Predicting the nature of future trends is fraught with difficulty. These depend on a wide range of factors including the global and national economic climate and decisions made at the national, regional and local level. We need to undertake this review in order to ensure that our employment planning policies are fit for purpose. It is important to note that mitigation measures will be recommended in the SEA/SA, which could address any potential impacts of a future policy.

STAGE A: Task A4 - Sustainability Appraisal Framework
4.29 The Council’s 16 SA objectives set out in the LDF SA / SEA Scoping Report are shown in Table 3 below. Changes may be made to these in light of the consultation on this Scoping Report Addendum.

Table 3: Sustainability Appraisal Framework: SA objectives

<table>
<thead>
<tr>
<th>SA objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To conserve and enhance the natural environment and biodiversity</td>
</tr>
<tr>
<td>2. To reduce crime and anti-social behaviour and the fear of crime</td>
</tr>
<tr>
<td>3. To support a diverse and vibrant local economy to foster sustainable economic growth</td>
</tr>
<tr>
<td>4. To encourage social inclusion (including access), equity, the promotion of equality and a respect for diversity</td>
</tr>
<tr>
<td>5. To minimise effects on climate change through reduction in emissions, energy efficiency and use of renewables and adopt measures to adapt to climate change</td>
</tr>
<tr>
<td>6. To reduce the risk of flooding to current and future residents</td>
</tr>
<tr>
<td>7. To improve air quality in the Royal Borough</td>
</tr>
<tr>
<td>8. To protect and enhance the Royal Borough’s parks and open spaces</td>
</tr>
<tr>
<td>9. To reduce pollution of air, water and land</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>9a.</td>
</tr>
<tr>
<td>10.</td>
</tr>
<tr>
<td>11.</td>
</tr>
<tr>
<td>12.</td>
</tr>
<tr>
<td>13.</td>
</tr>
<tr>
<td>14.</td>
</tr>
<tr>
<td>15.</td>
</tr>
<tr>
<td>16.</td>
</tr>
</tbody>
</table>

4.30 It is not proposed to change or add any further Objectives or sub-Objectives to the existing SA Framework as these Objectives, and in particular Objectives 2, 3, 4, 10, and 16 are considered appropriate in terms of assessing the implications of emerging enterprise policies.

5.0 **CONSULTATION**

**STAGE A – Task A5: Consultation on the Scope of the SA/SEA**

5.1 In accordance with the regulations implementing the SEA Directive, the Council has a statutory duty to consult the three statutory SEA Consultation Bodies, namely English Heritage, English Nature and the Environment Agency, on the scope of the assessment contained in this Addendum Scoping Report. The consultation will run from 16 October to 27 November 2012.

5.2 This report focuses primarily on tasks A1 – A4 and when commenting on this report, respondents are asked to consider four key questions:

- Are the policies / plans / programmes / strategies / initiatives that have been highlighted as being of relevance to future enterprise policies appropriate?
- Do you know of any further baseline indicators that might provide useful information? If so, please provide the information or a source for the data.
- Are the sustainability problems identified for RBKC the correct ones?
- Do the SA objectives encompass all the necessary issues?
- Do you have any further comments on the Issues and Options paper?
6.0 NEXT STEPS

6.1 Following consultation on this Addendum Scoping Report, the Council will carry out a sustainability appraisal on emerging enterprise draft policies. The SA / SEA report (or ‘Stage B’ of the SA process) involves assessing the various options put forward against the Borough’s relevant SA objectives.

6.2 In addition, this ‘Stage B’ assessment will include:
   - Testing the policy objectives against the SA Framework;
   - Developing and refining options;
   - Predicting and assessing effects;
   - Identification of mitigation measures; and
   - Developing monitoring proposals

6.3 The draft policy will be put out for public consultation in accordance with the adopted Statement of Community Involvement. The Council is required to notify stakeholders when the Council is likely to consult, which in this instance will be 16 October – 27 November 2012. The Sustainability Appraisal (SA) of the draft policy will be published alongside the policy document. These documents will be available on the Council’s website.

Further Information
Further information on the development of the draft enterprise policies in the Borough and the accompanying SA process can be obtained from:

Joanna Hammond
Neighbourhood Planning Team Leader
Neighbourhood Planning
The Royal Borough of Kensington and Chelsea
The Town Hall
Hornton Street
London SW14 7HE
Tel 020 7361 2061