



**Cabinet**  
7<sup>th</sup> September 2020

**Report from the Strategic Director  
of Regeneration and Environment**

## **Affordable Workspace Strategy & Action Plan**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b>	Open
<b>No. of Appendices:</b>	Appendix 1: Brent Affordable Workspace Strategy & Action Plan  Appendix 2: Existing & Pipeline Affordable Workspace Schemes  Appendix 3: Draft AWS Equality Analysis
<b>Background Papers:</b>	None
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### **1 Purpose of the Report**

- 1.1 To present to Cabinet the Affordable Workspace Strategy and Action Plan, for approval, prior to publication on the Council's website, dissemination of the same to key partners and stakeholders, and implementation.

### **2 Recommendation(s)**

- 2.1 To note the Affordable Workspace Strategy & Action Plan.

- 2.2 To approve the Affordable Workspace Strategy and Action Plan, prior to publication on the Council's website, dissemination of the same to key partners and stakeholders, and implementation.

### 3 Detail

- 3.1 Following adoption of the Inclusive Growth Strategy 2019-2040 (IGS) last year, officers have developed a Brent Affordable Workspace Strategy & Action Plan (AWS). The AWS aligns with IGS policies to develop and support businesses, curate a strategic vision for workspace, diversify our town centres, and specifically create such an affordable workspace strategy.<sup>1</sup> Economic issues the AWS seeks to address (such as workspace affordability for start-up and microbusinesses, and the decline of the high street), whilst in places structural, are being accelerated and exacerbated by the still emerging impacts of the coronavirus. The start-up, micro, small and medium-sized enterprise (SME) businesses and employment the AWS aims to support, are observed to be some of the most vulnerable to the economic impacts of the pandemic. New affordable workspace also provides for a range of outcomes aligned with the Council's social value policy, and local and community benefits.
- 3.2 The AWS was produced in-house, with support from Hatch Regeneris consultants. The AWS builds on research and local policy and practice for affordable workspace developed over the past 3 years. Consultation was undertaken with local affordable workspace operators, the Greater London Authority and West London Alliance in May and June 2020, and the final draft AWS is now presented to Members (see Appendix 1). The AWS better defines different types of 'affordable workspace' based on supply, demand and market evidence, and analyses its significance in adding socioeconomic value for priority sectors and locations across the borough. The 8-point Action Plan sets out tangible initiatives to be implemented immediately to influence predominantly supply side factors. If properly implemented, these initiatives can increase the quantity and quality of affordable workspace across the borough in the medium term, providing vital space and resources for local start-ups, small businesses and enterprise for recovery after the coronavirus pandemic.
- 3.3 Business feels the shock of the coronavirus pandemic and lockdown. Early estimates prior to government intervention considered a fifth of small businesses to be at high risk of closure<sup>2</sup>, and Companies House data shows a c65% increase in business dissolutions in London in March 2020 versus March 2019<sup>3</sup>. Consumer spending is down, and the state of the high street becomes increasingly precarious. Retail, hospitality and construction sectors – all vital to Brent's economy – are viewed as least resilient to recession and face an uncertain future<sup>4</sup>. Further turbulence is expected as the UK moves through the EU departure transition period, with new rules on trade, travel and business. Never has the provision of affordable workspace and business support for microbusinesses and SMEs looking to recover, and new start-ups looking to enter the market, been more important. New regeneration and development, as well as existing premises including vacant retail units on the high street, represent important potential sources of new affordable workspace supply.

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<sup>1</sup><https://www.brent.gov.uk/your-community/regeneration/inclusive-growth-strategy/>  
[Policy Responses EC1,3,7; Annexe1: Action Plan EC3.2]

<sup>2</sup><https://www.thecfn.org.uk/18-of-all-smes-are-set-to-collapse-within-the-next-4-weeks-unless-the-government-steps-in-a-team-of-leading-industry-professionals-are-ready-to-launch-such-a-rescue-plan/>

<sup>3</sup> <https://www.ft.com/content/5d198135-b38f-4512-b611-9f017f76929d>

<sup>4</sup> PRD (2020) COVID-19 Thoughts – Resilience and Recovery

- 3.4 AWS Actions 3 and 4 propose to diversify town centres and repurpose sites where traditional commercial uses may be lost. With retail and the food industry in decline in a post-COVID-19 economy<sup>5</sup>, vacancy rates in town centres and high streets are set to rise, and workspace is viewed as one use that can help fill widening gaps. Actions 7 and 8 propose developing a new financial framework which can both assist struggling businesses and organisations in dealing with the impacts of COVID-19, and stimulate new enterprise growth.
- 3.5 Whilst the impacts of the coronavirus, business closures and recession may ease workspace supply pressures in the short term, the economy is forecast to rebound, even if a second wave of coronavirus re-emerges<sup>6</sup>. Structural market fundamentals that have choked off the supply of affordable workspace in the borough have in contrast built up over past decades. Brent's base of microbusinesses and SMEs has grown from c10,000 SMEs in 2010 to over 15,000 today. At the same time, industrial land and office stock has diminished. Businesses vulnerable to recession need workspace to be affordable to move into recovery, as will enterprise and start-ups expected to step up and replace those businesses that will sadly not survive. Developers, investors and real estate have limited appetite to deliver new affordable workspace, due to lower values and financial returns, and new development puts pressures on existing commercial land, buildings and so local jobs. Recession, market uncertainty and development viability all have the potential to further undermine the delivery of workspace affordable to small businesses in new development.
- 3.6 Office vacancies are set to rise in the immediate aftermath of the coronavirus, however experts forecast rental growth post-2020<sup>7</sup>, and point to commercial real estate bouncebacks from past epidemics and recessions<sup>8</sup>. Debate about workspace and lifestyle trends, how future offices will function in London, swirls around density, homeworking/commuting and technology. Office space requirements may remain largely unchanged as a rise in homeworking and de-densification to meet hygiene standards balance out. Homeworking does not however suit everyone's circumstances, and some activities (e.g. hosting customers, learning from others, social interaction, technical equipment use) are better done at the office. There will still likely be demand for office space after the coronavirus. An immediate decline in hot-desking seems inevitable, but flexible office terms could become increasingly important. Flexible leases and equipment/utility contracts are less risky to startup, micro and SME businesses looking to recover or launch, and to larger businesses anxious about committing to big capital projects. For Brent, there may be an opportunity from a shift by larger Central London companies towards a "hub and spoke" office model<sup>9</sup>, with smaller local facilities closer to where their employees live.
- 3.7 To retain a competitive business base that supports local employment, we must protect and support existing workspaces, and ensure new development does its bit in delivering the infrastructure and workspace businesses need and can afford. Affordable workspace provides opportunities to grow and retain local businesses and jobs, attract new sectors, incubate start-ups, and is vital to a healthy local economy. Affordable workspace may also have role to play in

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<sup>5</sup> [https://www.savills.com/research\\_articles/255800/299058-0/covid-19--impact-on-european-real-estate---vol-3](https://www.savills.com/research_articles/255800/299058-0/covid-19--impact-on-european-real-estate---vol-3)

<sup>6</sup> Oxford Economics (2020) How might coronavirus impact the West London economy?

<sup>7</sup> <https://www.cbre.bh/en/research-and-reports/US-MarketFlash-Despite-Early-Resilience-Uncertainty-Surrounds-US-Office-Markets>

<sup>8</sup> <https://www2.deloitte.com/us/en/insights/economy/covid-19/covid-19-implications-for-commercial-real-estate-cre.html>

<sup>9</sup> <https://www.wework.com/newsroom/posts/wework-ceo-on-the-future-of-the-workplace-in-cnbc-interview>

regenerating and diversifying Brent's priority town centres and high streets, replacing declining traditional retail uses which are unlikely to return.

- 3.8 Affordable workspace also delivers important social value outcomes for local businesses, residents and communities, and supports local employment and training. Affordable Workspace Plans (AWPs) for new workspaces between providers and the Council typically target 50% local occupation. AWP's also set out partnership arrangements between affordable workspaces and local organisations (including schools), to deliver training and networking services. Other socioeconomic benefits that have been secured under AWP's include free workspace for young creative Brent residents and open days where the public can come in and talk to workspace tenants about how to start up a new business. Workspace also plays a significant placemaking role in regeneration, supporting mixed-use development through accessible creative, cultural and enterprise spaces and activities, delivering sector-specific jobs, business support and training for local businesses, and connecting local communities.
- 3.9 To date, the Council has facilitated delivery of managed affordable workspaces on former employment and industrial sites at a 50% discount to market rates, and built a forward pipeline of new workspaces secured under s106 planning obligations (**see Appendix 2**). Brent's emerging Local Plan<sup>10</sup> proposes 10% affordable workspace floorspace in major developments exceeding 3,000sqm in growth areas, which would be expected to further boost supply if adopted. Proposed government planning reforms for England are however due to significantly change the local planning framework in the medium term. Planning policy and obligations to secure affordable workspace will have to adapt through the transition and to a new regime, including the proposed abolition of s106 and its replacement with a new consolidated infrastructure levy.

### **Proposed Actions**

- 3.10 The AWS proposes measures to:
- Develop planning policy and practice to secure a range of affordable workspace in new development;
  - Attract new affordable workspace providers and investment into the borough;
  - Encourage and enable development of more commercial space;
  - Keep rents and costs low for the businesses and industries that really need it<sup>11</sup>;
  - Deliver business support, including financial incentives tailored to local priorities and which complement existing government schemes.
- 3.11 The Action Plan proposes new routes and initiatives to deliver affordable workspace.
- Action 1: Develop a Brent Affordable Workspace Supplementary Planning Document (SPD)

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<sup>10</sup> Policy BE1 'Economic Growth and Employment Opportunities for All'

<sup>11</sup> AWS assessment is start ups and microbusinesses with smaller turnovers find it harder to access workspace that is affordable, as well as industrial and light industrial businesses which require larger units at lower job densities; AWS identifies nine priority business sectors as key to G(row)R(etai)nA(attract)S(tart-up) in Brent's economy.

- Action 2: Expand the Affordable Workspace Operator list
- Action 3: Create or facilitate affordable workspace projects in vacant and hard to let properties on the high street.
- Action 4: Inform and direct business cases for workspaces in Council assets and developments
- Action 5: Facilitate and optimise affordable workspace delivery in mixed-use development in Local Plan site allocations.
- Action 6: Agree a forward plan for using S106 commuted sums collected in lieu of onsite affordable workspace.
- Action 7: Work with Economic Development and Finance colleagues to develop discretionary business rate relief for Affordable Workspace Operators, including assessment of financial costs and benefits.
- Action 8: Work with Economic Development and Finance colleagues to design and launch a Brent finance and grant scheme for Affordable Workspace Operators with a focus on either location or sector.

3.12 The supporting evidence base is framed around the following questions:

**What is affordable workspace?** Defining what affordable workspace means for Brent within the wider London context, as well as analysing policies in place across other London Boroughs. Brent's draft Local Plan proposes that Affordable Workspace must be secured in perpetuity and leased to an approved Affordable Workspace Operator at no more than 50% market value.

**Who needs affordable workspace?** Identifying 9 priority sectors for affordable workspace, business space requirements and guidance on affordable rent levels. Data and analysis covers turnover, location, sectors across the borough; with the clear message that start-up and small businesses are under most pressure from high rents and the impacts of COVID-19.

**Why do we need affordable workspace?** Setting out the economic case for workspace in the identified priority sectors (through analysis of the number of local jobs supported; Gross Value Added delivered to the economy; and local spend in shops and businesses) and considering the range of socioeconomic benefits to communities and places (from diversifying and strengthening town centres, building communities, driving footfall and local spend, and catalysing development and regeneration in a post COVID-19 economy).

**Where do we need affordable workspace?** High priority locations for affordable workspace in the borough identified include Wembley, Kilburn and Alperton (where rents are beyond the range of affordable benchmarks for the majority of businesses).

#### 4 Financial Implications

The AWS was produced from within existing budgets and no additional budget or approvals are sought for delivery at this time.

- 4.1 The actions identified in the AWS do, however, have financial implications, and in some cases costs. These will be considered in more detail on a case by case basis in discussion with finance and other colleagues, and the relevant approvals sought where required.
- 4.1.1 Action 1: Note that developers have minimum profitability requirements and there are indirect trade-offs between different planning requirements that reduce developer profitability – for example between the quantum of affordable housing and provision of affordable work space, the viability of which is tested as part of the planning application and decision-making process in accordance with the adopted Local Plan.
- 4.1.2 Action 3: In the first instance £0.25m regeneration reserves allocated for high street regeneration and meanwhile projects over FY2021-2122 will be used to run a small pilot scheme to activate workspace in vacant high street spaces.
- 4.1.3 Action 6: suggests putting together a robust forward plan for allocating s106 commuted funds already ring-fenced to deliver more affordable work space.
- 4.1.4 Action 7: suggests creating a specific discretionary business rates relief. If it was possible for the property to be used by a business paying full business rates instead, then this would have a direct impact on the revenue that the Council receives. However if the property would otherwise be unoccupied, then there would be no net reduction in the council's revenue.
- 4.1.5 Action 8: suggests developing and launching a Brent finance and grant scheme for affordable workspace operators with a focus on either location and/or sector. The potential sources of funding identified are pooling S106 contributions (where appropriate), CIL funds, GLA funding and council borrowing. As an illustrative example only, LB Haringey Opportunity Investment Fund was set up 2015 to support local businesses to grow. To date, the £3.5m capital loan pot has helped 20 businesses, with loans typically between £50,000-£300,000 linked to increased productivity, jobs growth and workspace.

## **5 Legal Implications**

- 5.1 Where the Council requires a proposed development to provide affordable workspace, this would be through section 106 planning obligations. Such obligations may be entered into under section 106 of the Town and Country Planning Act 1990 (as amended) provided that in each case, the tests are met concerning any obligation, namely it is: (a) necessary to make the development acceptable in planning terms; (b) directly related to the development; (c) fairly and reasonably related in scale and kind to the development.
- 5.2 The AWS Action plan proposes to develop a Brent AW SPD. The relevant statutory framework that governs the form and content of supplementary planning documents, as well as the process required to be followed in their preparation, is located chiefly in the Town and Country Planning (Local Planning) (England) Regulations 2012. The 2012 Regulations require that an SPD contains a reasoned justification of the policies within it and stipulate that it must not conflict with adopted development plan policies.

- 5.3 Policy E3 of the Mayor's London Plan (intend to publish version) encourages boroughs to introduce an affordable workspace policy, and suggests that planning obligations may be used to secure affordable workspace at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose.

## **6 Equality Implications**

- 6.1 The AWS will seek to advance equality of opportunity, with targeted actions to improve access to workspaces for disadvantaged groups, and in particular economically disadvantaged groups.
- 6.2 The Action Plan sets out a framework which moving into implementation can prioritise more inclusive projects (for example through additional equality criteria for preferred affordable workspace operators or access to council financial business rates, grants and finance incentives).
- 6.3 Equality Analysis to assess AWS impact on different individuals and groups within the borough has been drafted and is being reviewed by Richard Harrington; and would be further developed moving into implementation.

## **7 Consultation with Ward Members and Stakeholders**

- 7.1 Consultation on the AWS was undertaken with local affordable workspace operators, the Greater London Authority and the West London Alliance in May and June 2020. Feedback was positive and amendments responding to the consultation are incorporated within the final draft AWS presented to Members.

## **8 Human Resources/Property Implications (if appropriate)**

- 8.1 None at this point in time.

### **Appendix 1 :**

#### **Brent Affordable Workspace Strategy & Action Plan**

### **Appendix 2 :**

#### **Existing & Pipeline Affordable Workspace Schemes**

### **Appendix 3 :**

#### **Draft AWS Equality Analysis**

**Report sign off:**

**Amar Dave**

Strategic Director of Regeneration  
and Environment