

# Affordable Workspace Strategy

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## Foreword by Cllr Asima Shaikh

There are two Islington.

One is undoubtedly a place of great wealth and opportunity. The borough's economy continues to grow, with over 18,000 businesses, and a number of world-class business clusters.

The other Islington is a place where many people struggle to develop their skills, and to access and progress within well-paid, secure employment. It is a place for smaller businesses where the impact of rapidly rising property costs and business rates negatively impacts on their ability to grow and remain within the borough.

And a place of such intense inequality doesn't work for anyone.

In 2010, Islington led the way with its pioneering Fairness Commission, and since then, we have been unrelenting in our determination to make this borough a fairer place. We are passionate about achieving an economy that works for all, creating opportunity for those who need it most, and keeping money as close to home as possible.

This Affordable Workspace Strategy is a central plank of our ambition for that inclusive economy. We want to create spaces in which micro and small businesses can innovate, thrive and grow.

But it's more than just about developing physical spaces. It's also about creating connections between local residents and businesses – whether by providing skills training, offering business support advice to start-ups or working with alternative providers in the third sector. It's about creating workspaces that meaningfully change disadvantaged people's lives for the better.

On behalf of the Council's Executive, I commit to working with partners to create new workspaces that are genuinely accessible and affordable to local people. In developing this new model, we need a dynamic conversation with workspace operators, local communities and developers – to learn together and stretch our expectations of what is possible.

Because we all know that Islington's greatest strength is its people – and we all need to play our part in creating workspaces where everyone has their chance to grow and thrive.

Islington: A fairer place for all.

# Introduction

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## **Purpose of this Document**

This document sets out Islington Council's Affordable Workspace Strategy. It details how the council will deliver and manage affordable workspace within the borough. This is in the context of the forthcoming Inclusive Economy Strategy, which will be guided by the overarching principle of creating a fairer Islington and building a local economy that provides everyone with equal access to opportunity.

## **Definition of Affordable Workspace**

Affordable workspace is often defined as workspace that has a rental value below the market rate (generally 80% of the market rate or less).

However, within Islington rents of up to 80% of market value may not always be affordable to micro and small businesses. The council is therefore committed to assessing the affordability of any new workspaces that it delivers on a case by case basis. Affordable workspaces are managed by a range of providers, including not for profit organisations.

Flexible, small-scale commercial spaces are also sometimes considered to be affordable workspace by virtue of their size even though the rent per square foot may be above what is considered to be sub-market levels. In most cases the rent per square foot will be at or close to market rates, and this is not therefore the council's preferred approach to affordable workspace.

## **Structure of the Document**

Section One of the Affordable Workspace Strategy briefly sets out the key economic challenges faced by local residents and micro and small businesses in Islington,

Section Two sets out the aims and objectives of this strategy and describes how it contributes to the achievement of the council's vision of a fairer Islington and an inclusive economy.

Sections Three to Seven describe how the aims and objectives of the Affordable Workspace Strategy will be delivered.

Section Three describes how the council intends to increase the supply of affordable workspace within the Borough.

Section Four explains how the council will ensure that the management of Islington's affordable workspaces delivers real opportunities for local people and supports the council in tackling poverty, disadvantage and social inequality within the borough.

Section Five describes how this Strategy will encourage resilience and growth within the local economy by supporting Islington's established and emerging business clusters.

Section Six explains how the Strategy will aim to use affordable workspace in a way that keeps wealth and resources in Islington for the benefit of local people by supporting the development and implementation of a local wealth-building approach.

Section Seven describes how a clear 'brand' will be applied to all affordable workspaces managed on behalf of the council to communicate the fact that these spaces have been secured and delivered by the council.

The actions that the council will take to deliver this strategy are summarised in an Action Plan and Monitoring Framework presented in Section Eight.

# 1. Challenges

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1.1 This affordable workspace strategy has been developed to address the following economic **challenges** within the borough:

- 1) intense social inequality and disadvantage, with many local residents being shut out from the benefits of the borough's economic growth either through in-work poverty or unemployment;
- 2) the impact of rapidly rising property costs and business rates on the ability of micro and small businesses to start-up, grow and remain within the borough;
- 3) a growing concern that rapidly rising property costs and business rates may allow larger businesses and multinationals to displace micro and small businesses, and undermine the effective functioning of Islington's business clusters; and
- 4) a growing concern that if micro and small businesses are displaced by larger businesses and multinationals, greater levels of wealth and resources will be extracted from the local economy.

**Intense social inequality and disadvantage with many local residents being shut out from the benefits of the borough's economic growth.**

1.2 Islington is a borough of contrasting wealth and poverty and of opportunity and disadvantage.

1.3 Islington has a thriving, diverse and growing economy. According to Grant Thornton's latest study of all 324 local authority areas in the country, Islington ranks as the fourth most prosperous local economy, and the seventh most dynamic, entrepreneurial and innovative local economy.

1.4 The borough's latest Labour Market Study indicates that the number of higher-level corporate managers and directors living in Islington grew by 8,700 between 2012 and 2017. Over the same period the number of science, research, engineering and technology professionals living in the borough increased by 4,700.

1.5 Despite these apparent signs of huge success, and high levels of skilled employment, the borough is also home to some of the poorest people in London – many of whom struggle to access the opportunities that are generated by economic growth in the borough. One in five residents of a working age is either unemployed (4%) or economically inactive. 20,900 people or 12% of the working age population claim out of work benefits. In 2015 nearly a third of all children aged below 18 were living in out of work households compared to only 16% in the capital as a whole.

1.6 Finsbury Park, Caledonian and Bunhill wards suffer from particularly high levels of unemployment. For example, with a population of 16,700 in 2015, Bunhill Ward had an employment rate that was 14% below the London average.

1.7 In-work poverty also presents a significant challenge. 15% of Islington's residents are in low paid work, and just under 9% of residents have no qualifications compared with 6.6% across London as a whole.

1.8 Between 2012 and 2017 the number of Islington residents who were working in relatively low paid caring and personal service occupations grew by 3,100. The borough economy also saw large increases in the number of residents employed in accommodation and food and business administration and support, services, many of whom are likely to be working as low paid security guards, cleaners, and hotel staff.

1.9 Combining deprivation and economic data, and comparing with other local authority areas, the Vibrant Economy Index sees the borough rank 262<sup>nd</sup> out of 324 for inclusion and inequality. The

impacts are then manifest in Islington ranking as the fourth worst performing local authority area in the country for health, wellbeing and happiness.

### **The impact of rapidly rising property costs and business rates on the ability of micro and small businesses to start-up, grow and remain within the borough**

1.10 Micro (0-9 employees) and small businesses (10-49 employees) make up 98%<sup>1</sup> of the businesses located within Islington. These businesses are a key driver for economic activity in Islington's town centres, and in those parts of the borough where businesses within the same sector co-locate to form distinctive economic clusters. The strength of Islington's economy is therefore critically dependent upon the ability of micro and small businesses to succeed and grow.

1.11 These businesses support a diverse, vibrant and increasingly productive local economy, providing 7%<sup>2</sup> of Islington's jobs. They provide a wide variety of employment opportunities in the borough, offering employment to residents with diverse backgrounds and skills.

1.12 Furthermore, many local residents struggle to access mainstream employment and training opportunities and self-employment, including setting up their own businesses, may be their best chance of engaging in meaningful and sustainable economic activity.

1.13 However, there are concerns that micro and small businesses are being increasingly priced out of the local property market due to the high rental cost of workspace and/or prohibitive lease terms. This is especially the case in the south of the borough, where prime space is now letting at between £50 and £70 per sq. ft. and, largely because of demand pressures, rents on lower specification space occupied by micro and small businesses are reaching the same levels.

1.14 This problem has been compounded by a significant loss of office floor space in the borough over the last five years in particular. There have been significant pressures to convert offices to residential use. The introduction of Permitted Development Rights in 2013, allows offices to be converted to residential use without express planning permission exacerbating these pressures still further. Since 2013, approximately 5,000 sq. metres of office floor-space have been lost in Islington as a result of the office to residential Permitted Development Right. The council sought to introduce a borough wide Article 4 Direction to remove these permitted development rights but this was turned down by the Secretary of State. The council subsequently agreed an Article 4 Direction against a more limited area of the borough.

1.15 From May 2019, the Government intends to lift the Article 4 exemption in the Central Activities Zone (CAZ), meaning that offices could legally change to residential use without the need for planning permission. Islington's CAZ accommodates a significant amount of office space and supports 70% of the borough's jobs. To ensure that the lifting of this exemption does not have a negative impact on Islington's economy, the council intends to make an Article 4 Direction to protect the CAZ. Consulted on between March and May 2018, this Article 4 Direction is intended to remove this permitted development right and will come into force in March 2019, subject to approval by the Council.

1.16 Islington's Employment Land Study<sup>3</sup>, estimates that 400,000 square metres of office floor space will be required in Islington by 2036 to meet current demand. This demand is led by the projected growth of the professional and technical services sector. However, supply is likely to fall far short of what is needed due to the limited availability of employment land in the borough placing further pressures on rental values.

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1 A total of 98% is made up from 88.4% micro businesses and 9.3% small businesses (Nomis, 2017). Link: [https://www.nomisweb.co.uk/reports/lmp/la/1946157251/subreports/idbr\\_time\\_series/report.aspx](https://www.nomisweb.co.uk/reports/lmp/la/1946157251/subreports/idbr_time_series/report.aspx)

2 Based on the proportion from Islington's of micro and small businesses compared with Islington's job density (Nomis 2017)

3 Islington Employment Land Study (2016). Link: [https://www.islington.gov.uk/~/\\_media/sharepoint-lists/public-records/planningandbuildingcontrol/publicity/publicconsultation/20162017/20160512lbislingtonelsreport160126.pdf?l a=en](https://www.islington.gov.uk/~/_media/sharepoint-lists/public-records/planningandbuildingcontrol/publicity/publicconsultation/20162017/20160512lbislingtonelsreport160126.pdf?l a=en)

1.17 Research indicates that there are significant gaps in the borough's supply of workspaces<sup>4</sup>, particularly for:

- i. small service-based and light industrial businesses serving local communities and other local businesses (including spin-off creative industries unable to afford City Fringe locations);
- ii. niche sectors requiring flexible premises in key locations (e.g. media and creative industries within the City Fringe); and
- iii. new and emerging businesses seeking affordable small offices, studios or workspace with favourable lease or license conditions.

1.18 The impact of high and increasing rents for business space is further exacerbated by the Government's recent decision to re-evaluate business rates based on the property market, which in Islington will raise office business rates by 55% on average – the 3rd highest rate of increase across London<sup>5</sup>.

1.19 Small businesses in Islington are also likely to suffer further increased property costs driven by major redevelopment around King's Cross, which is attracting new large office occupiers and will drive rents up within the south-western areas of the borough. Furthermore, the opening of a new Crossrail station at Farringdon is likely to further strengthen the area's status as a key central London office sub-market<sup>6</sup>.

### **Growing concern that rising property costs and business rates may allow larger businesses to displace micro and small businesses and undermine the effective functioning of Islington's business clusters**

1.20 Islington has a range of unique business clusters which include:

1. the Central Activities Zone (CAZ);
2. the World's third highest concentration of technology businesses around Old Street;
3. the design cluster at Clerkenwell – the largest concentration of design businesses within Europe;
4. an emerging creative industries cluster around Brewery Road and Vale Royal;
5. the Knowledge Quarter straddling the borough boundary with Camden at Kings Cross and extending to Pentonville Road; and
6. the garment sector in Finsbury Park.

1.21 Islington's business clusters are in the main internationally or nationally significant contributing to the economic success of London and the UK.

1.22 A diverse local economy is more resilient to change than one that is dominated by a small number of sectors or even businesses. The diversity and dynamism of Islington's business clusters is therefore critically important to Islington's continued economic resilience and growth.

1.23 The continued success of these clusters is crucially dependent upon the ability of micro and small businesses within the same or complementary sectors to locate within a small geographical area.

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4 Employment Land Study, 2016. Link: <http://www.ramidus.co.uk/wp-content/uploads/2017/03/LB-Islington-ELS-Report-16-01-26.pdf>

5 The Business Rates Revaluation in London, Ramidus Consulting, 2018, <https://lep.london/sites/default/files/documents/article/ramidus.pdf>

6 Employment Land Study, 2016. Link: <http://www.ramidus.co.uk/wp-content/uploads/2017/03/LB-Islington-ELS-Report-16-01-26.pdf>

This co-location enables businesses to trade with one another and share knowledge, resources and skills.

1.24 The council is concerned that rapidly rising office rents and business rates are making it increasingly difficult for many start-up, micro and small businesses to remain within their preferred location and that this in turn may threaten the longer-term resilience and future of these business clusters. The council therefore wishes to ensure that its approach to affordable workspace supports the resilience and growth of local business clusters. Equally importantly, it wants to ensure that local people are able to access opportunities within these clusters.

**Growing concern that if micro and small businesses are replaced by larger businesses including large corporates and multi-nationals, greater levels of wealth and resources will be extracted from the local economy.**

1.25 The council is also committed to supporting micro and small businesses because it is believed that these businesses are less likely than large corporate businesses to extract wealth from the local economy for example by paying dividends to shareholders or by buying goods and services through national or even international procurement contracts.

1.26 The council is therefore concerned that if high property costs mean that micro and small businesses are displaced by larger corporate businesses and multi-nationals less money will be spent locally. The council has therefore incorporated a “local wealth building approach” into this Affordable Workspace Strategy. This approach seeks to ensure that as far as possible any wealth generated within the Islington economy remains within the Islington economy. This means that in addition to supporting micro and small businesses, the council also wants to explore how alternative businesses models such as co-operatives can be supported to encourage a local wealth building approach, as well as enabling Islington residents to access the employment opportunities that will emerge.

1.27 In this context, the council has committed to work with local businesses, developers and other stakeholders, to devise a new model that tackles these challenges.



## 2. Vision, Aims and Objectives

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2.1 As we have already seen in Section One, there are two Islington. One is a place of great wealth and opportunity. The other is a place where many people struggle to develop their skills and to access and progress within well paid and secure employment. This in turn leads to high levels of unemployment and in-work poverty.

2.2 In the face of this challenge, the council has a long-standing commitment to ensuring that Islington is a fairer place. The council's new Corporate Plan 'Building a Fairer Islington 2018-22' reaffirms and strengthens the council's commitment to making Islington fairer. This states that the council's overarching ambition is:

*"to make Islington fairer and create a place where everyone, whatever their background, has the same opportunity to reach their potential and enjoy a good quality of life."*<sup>7</sup>

2.3 In pursuit of this commitment, the Corporate Plan sets out the council's seven main objectives for the next four years. This includes an objective of:

*"Delivering an inclusive economy, supporting people into work and helping them with the cost of living".*

2.4 An inclusive economy is an economy that has fairness at its heart and where economic interventions are shaped and driven by the desire to achieve social justice, environmental sustainability and shared prosperity.

2.5 The adoption and delivery of the council's Affordable Workspace Strategy is therefore integral to the achievement of the council's commitment to make Islington a fairer place and to deliver an inclusive economy. Further actions within the Corporate Plan are relevant to the Affordable Workspace Strategy including the council's commitment to provide support for small businesses and ensure that local spending remains within the local economy.

2.6 This Affordable Workspace Strategy contains five key **objectives**. These objectives have been adopted to address the challenges outlined in Section One above, and to ensure that the strategy makes the best possible contribution towards delivering the council's fairness priority and an inclusive economy.

2.7 These objectives are:

1. To support local micro and small businesses by increasing the supply of affordable workspace within the borough.
2. To ensure that the management of Islington's affordable workspaces delivers real opportunities for local people to access high quality jobs and training, and start their own businesses, and supports the Council in tackling poverty, disadvantage and social inequality within the borough.
3. To encourage resilience and growth within the local economy by supporting Islington's established and emerging business clusters.
4. To ensure that as far as possible wealth and resources remain within Islington for the benefit of local people and micro and small businesses, by supporting the development and implementation of a local wealth-building approach.

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<sup>7</sup> Islington Corporate Plan 2015-19, p2 [https://www.islington.gov.uk/~/\\_/media/sharepoint-lists/public-records/democracy/qualityandperformance/reporting/20152016/20151027islingtoncorporateplanoct2015resident](https://www.islington.gov.uk/~/_/media/sharepoint-lists/public-records/democracy/qualityandperformance/reporting/20152016/20151027islingtoncorporateplanoct2015resident)

5. To develop a strong 'brand' and communications strategy that will be applied to all affordable workspaces managed on behalf of the council to communicate and promote that these spaces have been secured and delivered by the council.

2.8 This document sets out the actions that the council will take to achieve these objectives over the next two years. Progress against the delivery of the Action Plan will be monitored to ensure that the council remains on course to deliver its objectives.

### 3. Supporting local micro and small businesses by increasing the supply of affordable workspace within the borough

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**Objective One - To support local micro and small businesses the council will increase the supply of affordable workspace within the borough.**

3.1 The council will take the following five actions to achieve this objective.

<b>Action 1</b>	Robustly negotiate on-site affordable workspaces within new commercial developments through the planning process and secure these workspaces through Section 106 agreements.
<b>Action 2</b>	Negotiate Section 106 cash contributions (where on-site provision is not achievable) to develop affordable workspace in other locations within the borough.
<b>Action 3</b>	Review the Local Plan to strengthen the council's ability to secure new affordable workspaces through the planning process.
<b>Action 4</b>	Seek opportunities to deliver affordable workspace using council assets.
<b>Action 5</b>	Secure external funding (outside the planning process) to deliver affordable workspace.

**Action One – Robustly negotiate on-site affordable workspaces within new commercial developments through the planning process and secure these workspaces through Section 106 agreements.**

3.2 The council currently secures affordable workspace through its adopted planning policies. These policies are set out in the council's Core Strategy 2011 and Development Management Policies 2013. Further details are set out in the council's Affordable Workspace Guidance (2014)<sup>8</sup>. The council's planning policies require all major proposals for new employment floor space (1,000 square metres or over) within town centres, Employment Growth Areas, and Priority Employment Areas, to incorporate an appropriate amount of affordable workspace for occupation by micro and small businesses<sup>9</sup>.

3.3 The proportion of affordable floor space to be provided within specific schemes is negotiated on a site specific, case-by-case basis, taking into account the viability of the development.

3.4 Through the development management process, the council negotiates with developers to provide affordable workspace at a peppercorn rent for a minimum of 10 years, although in practice the council is increasingly obtaining 20-year lease terms. The provision of these spaces is secured through a legal agreement with the developer known as a Section 106 agreement.

3.5 Table One below lists all the affordable workspaces that have been secured so far for the period up to 2021 (over 4,000 square metres of affordable workspace in total). Table Two shows space secured for small and medium sized enterprises for the same period (over 1,000 square metres so far).

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<sup>8</sup> Affordable Workspace Guidance, 2014.

<sup>9</sup> Islington's Local Plan: Development Management Policies, June 2013

**Table 1 - Affordable Workspaces 2018-21**

Summary of on-site affordable workspace with planning consent					
Development Name	Address	Ward	Size (sqm)	Duration (Years)	Term/rent
White Collar Factory	White Collar Factory 1 Old Street Yard London EC1Y 8AF (Formally Known as 210-218 Old Street, 70-100 City Road, 32-37 Featherstone Street & 13-15 Mallow Street, London EC1)	Bunhill	348.0	15	Peppercorn
160 Old Street (former 148 Old Street)	160 Old Street, EC1 (former Royal Mail House, 148 Old Street, London, EC1V 9BJ)	Bunhill	117.90	10	Peppercorn
119 Farringdon Road	119 Farringdon Road London EC1R 3DA	Clerkenwell	668.0	20	Peppercorn
250 City Rd/City Form	250 City Road London EC1V 2PU	Bunhill	777.81	10	Peppercorn
423-435 Caledonian Rd	423-425, 429-435 [odd] Caledonian Road; 1-11 Balmoral Grove; 4-6 [even] Brewery Road & Grove House 1 Market Road, London, N1	Caledonian	349.0	20	First 2 years 25% of market rent discount (£12.50 per sqm cap) and the rest at 50% (£25 per sqm cap) of market rent discount.
Mount Pleasant	Land north west of the Royal Mail Sorting Office, bounded by Farringdon Road, Calthorpe Street and Phoenix Place, Islington, London EC1A 1BB	Clerkenwell	243.0	10	Peppercorn
Farmiloe Building	Farmiloe site, 28-36 St John Street, London, EC1M 4AY	Bunhill	201.0	10	Peppercorn
Finsbury Tower	Finsbury Tower 103 - 105 Bunhill Row London EC1Y 8LZ	Bunhill	1,000.0	999	Peppercorn
Monmouth House	58-64 City Road EC1	Bunhill	1,430.0	10	Peppercorn
1-9 White Lion Street	1 - 9 White Lion Street London N1 9PD	Barnsbury	200.0	10	Peppercorn
Sycamore House	Sycamore House 5 Sycamore Street London EC1Y 0SR	Bunhill	115.0	10	Peppercorn

**Table 2 - Small and Medium Sized Enterprise (SME) Space with Planning Consent**

Summary of on-site SME space with planning consent				
Development name	Address	Ward	Size (sqm)	Term/rent
Ropemaker Street	Arbutnot House, 15-24 Ropemaker Street; Finsbury Court; 101-117 Finsbury Pavement; 10-12 Finsbury Street, London EC2	Bunhill	955.0	60% discount and the council can influence decision on end-user operator
112-116 Old Street	112-116 Old Street, London EC1V 9BD	Bunhill	75.0	Market rate

3.6 Moving forward, the council will continue to robustly apply its current planning policies in relation to affordable workspace.

**Action Two - Negotiate Section 106 cash contributions (where on site provision is not achievable) to develop affordable workspace in other locations within the borough.**

3.7 Financial contributions will normally be only agreed in exceptional circumstances when it has not been possible to secure appropriate on-site physical space as an obligation on the development. The amount secured will be dependent on the outcome of a viability assessment and negotiations with the council.

**Action Three – Review the Local Plan to strengthen the council’s ability to secure new affordable workspaces through the planning process.**

3.8 The council is updating its Local Plan with a view to adopting a revised plan in 2019. During the preparation of its new Local Plan the council will explore the following options:

- Increasing the proportion of affordable workspace secured from major planning applications (at least 10% of gross floor space);
- Increasing the length of the lease terms based on a peppercorn rent;
- Securing affordable workspace within buildings occupied by universities and other institutions; and
- Requiring workspace to be fitted out to Category A standard to avoid fit-out costs being passed on to workspace operators and/or end occupiers.

3.9 Any options that are explored will be subject to viability testing and assessment against other priorities within the plan and public consultation. Public consultation on the revised policies will take place in late 2018.

**Action Four – Seek opportunities to deliver affordable workspace using council assets.**

3.10 The council is currently planning to convert twelve disused garages on the Andover Estate in Finsbury Park into affordable workspace. The total size of this space is 500 to 600 square metres. The council is also planning to convert an underutilized council building at 48 Seven Sisters Road into an affordable workspace and space for community groups.

3.11 The council will continue to review its property assets and seek opportunities to rationalize the use of these buildings to free up space for conversion to affordable workspace wherever possible and where it is not possible to deliver affordable housing within this space.

3.12 In addition, the council will seek to secure leases on buildings that it does not own in order to deliver affordable workspace within these buildings. At present it is looking to secure at least two leases on privately owned buildings around Font Hill Road in Finsbury Park for use as affordable workspace to support the garment and tech clusters in Finsbury Park.

**Action Five - Secure external funding (outside the planning process) to deliver affordable workspace.**

3.13 In March 2018 the council secured over £1 million from the Mayor of London to deliver a £2 million project to create at least four new affordable workspaces in Finsbury Park. This project will support the growth of the garment and technology sectors in Finsbury Park. The Mayor's funding will part fund the conversion of the garages on the Andover Estate, the purchase of leases on privately owned building, and the conversion of the council owned building at 48 Seven Sisters Road (see above).

3.14 The council is very appreciative of the Mayor's funding, as well as the opportunity to work in close partnership with the Greater London Authority and its stakeholders, together creating and optimizing new opportunities as they arise. The council will continue to seek every possible opportunity to secure further external funding to deliver affordable workspace in the borough.

## 4. Ensuring that the management of Islington’s affordable workspaces delivers real opportunities for local people and supports the council in tackling poverty, disadvantage and social inequality within the borough

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**Objective Two – To ensure that the management of Islington’s affordable workspaces delivers real opportunities for local people to access high quality jobs and training and start their own businesses, and supports the council in tackling poverty, disadvantage and social inequality within the borough.**

4.1 This Section describes the council’s current process for commissioning affordable workspace operators to manage affordable workspaces on its behalf. The commissioning process is designed to ensure that the operation of the council’s affordable workspaces delivers real opportunities for local people and supports the council in tackling poverty, disadvantage and social inequality.

4.2 In order to strengthen and improve the commissioning process, the council will undertake the following actions:

- Action 6** Ensure that its workspace operators deliver meaningful, sustainable social value by contractually embedding and monitoring a range of social value initiatives designed to tackle poverty, disadvantage and social inequality.
- Action 7** Keep the process for commissioning affordable workspace operators under review and will adopt a new commissioning process for the period after April 2019.
- Action 8** Undertake a representative survey of small and micro businesses in the borough to improve its understanding of the challenges that these businesses face. This will be used to inform the council’s future interventions in the local economy including its approach to affordable workspace.

### **Action Six – Contractually embed and monitor a range of social value initiatives.**

4.3 In April 2018, the council’s Executive approved the adoption of a process for commissioning affordable workspace providers. This commissioning process enables the council to transfer affordable workspaces to an operator at a peppercorn rent in exchange for the operator agreeing to deliver a number of well-defined social value outputs.

4.4 As new spaces become available, potential operators will be invited to submit competitive bids specifying how they will deliver social value outputs for local people and micro and small businesses.

4.5 These social value outputs are exemplified in Table Two below although this is not intended to be an exhaustive list. The outputs for each workspace is likely to vary according to its location, its size, and other key characteristics including its proximity to key business clusters and local demographics. Sometimes operators will be encouraged to bid to operate two or more workspaces located in close proximity to one another if it is considered that a single workspace would not be viable on its own.

**Table 3 – Examples of Social Value Outputs to be delivered by Affordable Workspace Operators**

<b>Outputs</b>	<b>Example</b>
Rent affordability	Rents below 80% of the market rate and offering a range of different rental models where concessions and free space to certain types of businesses are considered.
Small and micro businesses	Free support for start-up and growing businesses using the workspace. Mentoring for the wider local area. Networking events. Prioritising the use of small and micro businesses in the workspace supply chain e.g. outside catering providers
Employment	Creating or facilitating job opportunities for Islington residents, with the necessary support and career development advice.
Education and skills	Creating apprenticeships ring-fenced for Islington residents. Delivering career development sessions and other outreach opportunities in local schools.
Equality and diversity	Spaces to be inclusive regardless of ethnic background, gender, sexual orientation, belief, disability and age. Ensuring that beneficiaries of the workspace are representative of the local communities. Direct interventions to enable under-represented groups to participate in affordable workspaces e.g. people with disabilities; women
Supporting existing economic clusters	Offering shared facilities, mentoring and networking opportunities to support local business clusters
Other social value initiatives	Room for providers to propose other initiatives that would bring social value to the local community. For example, sustainability or proactive engagement in the Voluntary and Community Sector.

4.6 At the end of the bidding process, the council will contract with the successful affordable workspace operators, and will secure collaborative opportunities to support the effective delivery of social value, e.g. working with the council's Employability and Skills Team and will agree the Key Performance Indicators (KPIs) that it will expect the operator to deliver. The contract together with the specification document, will be used to monitor the social value outputs that the operator will be required to deliver.

4.7 The council will also enter into a lease agreement with each affordable workspace provider. This lease agreement will be drafted by the council's Property Service who will act as the council's corporate landlord for the space. The contract and lease agreement will contain break clauses to guard against consistent, contractual under-performance.



4.8 Regular monitoring of contract outputs against KPIs will ensure that rent levels are kept at genuinely affordable rates and that these spaces are delivering the agreed social benefits for the local community and micro and small businesses.

4.9 To be eligible to bid to manage the council's affordable workspaces, operators must join the council's approved list of providers. There will be periodic opportunities to join the list. These opportunities will be advertised on the council's Affordable Workspace webpage. Applications from not-for-profit organisations, community trusts, cooperatives or charities limited by guarantee and public education providers are welcomed.

**Action Seven – The council will keep the process for commissioning affordable workspace operators under review and will adopt a new commissioning process for the period after April 2019.**

4.10 The current commissioning process covers the period up to April 2019 and will apply to the first wave of affordable workspaces that have been secured through S106 Agreements. A new process will be in place from April 2019.

4.11 The council's Affordable Workspace Strategy will be updated once the new process for commissioning operators is adopted.

**Action Eight – The council will undertake a representative survey of small and micro businesses in the borough to improve its understanding of the challenges that these businesses face. This will be used to inform the council's future interventions in the local economy including its approach to affordable workspace.**

4.12 The council wishes to obtain a clearer understanding of the challenges faced by micro and small businesses in the borough. This understanding will be used to inform the further development of the council's approach to affordable workspace.

4.13 To ensure that this survey is truly representative it will be necessary to ensure that hard-to-reach groups, for example black and minority ethnic business owners and women, are properly represented in the survey results.

## 5. Encouraging resilience and growth within the local economy by supporting Islington's established and emerging business clusters

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**Objective Three – To encourage resilience and growth within the local economy by supporting Islington's established and emerging business clusters.**

5.1 The council will take the following action to achieve this objective:

**Action 9** The council will commission research to obtain a detailed understanding of Islington's business clusters, and develop closer partnership working with key stakeholders.

5.2 Economic clusters are geographic concentrations of interconnected businesses, suppliers, and associated institutions usually working in a particular sector. Economic clusters typically increase the productivity with which companies can compete, nationally and globally.

5.3 Islington is home to a number of well-established and emerging business clusters. Some of these clusters are nationally, and even internationally significant, for example, the Central Activities Zone (CAZ), Tech City around Old Street, the Knowledge Quarter around Kings Cross, and the Clerkenwell Design cluster. The continued success of these clusters is critically dependent upon the ability of micro and small businesses to co-locate with other businesses within similar or complementary sectors.

5.4 There are concerns that if micro and small businesses are displaced from these areas due to rapid increases in rents and business rates, the overall functioning of these clusters will be adversely impacted as the benefits of co-location are eroded – both for the larger businesses, as well as the smaller ones.

5.5 As noted in Section 4 above, through the affordable workspace commissioning process, the council will require affordable workspace operators to support local business clusters. For example, the first wave of council managed workspaces is designed to support the effective functioning of Tech City and the Clerkenwell Design Cluster. Furthermore, through its process for commissioning operators the council wants to enable local people to access opportunities in the tech and design clusters.

**Action Nine – The council will undertake research to obtain a detailed understanding of Islington's business clusters.**

5.6 The council wants to obtain a more detailed understanding of how local business clusters operate and what it can do to support the resilience and growth of these clusters.

5.7 In so doing, the councils will also seek to develop a partnership approach, underpinned with a shared vision amongst key stakeholders, to support an inclusive, sustainable economy for businesses in the cluster.

## 6. Ensuring that as far as possible wealth and resources remain within Islington for the benefit of local people by supporting the development and implementation of a local wealth-building approach

**Objective Four – To ensure that as far as possible, wealth and resources remain within Islington for the benefit of local people, and micro and small businesses, by supporting the development and implementation of a local wealth-building approach.**

**Action 10** The council will develop a local wealth building approach to support local micro and small businesses, and to ensure that as far as possible, money that is generated in the local area is spent in the local area. This will include exploring alternative models of business ownership such as co-operatives and building the capacity of local residents to participate in these business models.

6.1 The council is developing a “local wealth building approach”. Through this approach the council will seek to ensure that as far as possible any wealth that is generated in the local economy is spent within the local economy.

6.2 The council is committed to supporting micro and small businesses because it believes that the money spent by these businesses is more likely to remain within the local economy. Large national or corporate businesses or multinationals are considered more likely to extract wealth from the local economy, for example by procuring goods and services nationally or even internationally.

6.3 Furthermore, the council also believes that successful business clusters are supportive of a local wealth building approach. This is because micro and small businesses within these clusters are more likely to buy and sell goods and services to one another, than larger-scale, locally-unattached corporates and multinationals. It is hoped that the research that has been referred to above will deepen the council’s understanding of the relationship between the borough’s business clusters and a local wealth building approach.

6.4 The council is therefore concerned that if high property costs mean that micro and small businesses are displaced by large corporate businesses or multinationals, less money will be spent locally and resources will be extracted from the local economy.

6.5 A local wealth building approach seeks to ensure that as far as possible, wealth generated within the Islington economy is spent in local micro and small businesses and recirculates within the local economy. The council’s affordable workspace strategy supports this approach by for example:

- supporting micro and small businesses by providing affordable workspace;
- encouraging the use of local micro and small businesses as suppliers to the workspace e.g. outside catering providers; and
- supporting resilience and growth within Islington’s business clusters.

6.6 In addition to providing a package of support to micro and small businesses and business clusters, the council will also seek to ensure that wherever possible its spending decisions (and those of its partners) support local micro and small businesses.

6.7 The council also wants to explore how alternative business models such as co-operatives can be supported to encourage a local wealth building approach. These models could provide local people

with an effective route into entrepreneurship although this in turn may require capacity building and support within the local community.

## **7. Developing a clear 'brand' and communications strategy that will be applied to all affordable workspaces managed on behalf of the council to communicate the fact that these spaces have been secured and delivered by the council**

**Objective Five - To develop a clear 'brand' and communications strategy that will be applied to all affordable workspaces managed on behalf of the council to communicate and promote that these spaces have been secured and delivered by the council.**

7.1 The council's Communications Team will develop an in-house branding strategy for all affordable workspaces that are managed by or on behalf of the council. The purpose of the branding strategy is to ensure that anyone who uses or visits the workspace clearly understands that it has been secured and delivered by the council. The council has therefore adopted the following action:

**Action 11** The council will develop a clear brand that will be applied to all affordable workspaces managed on behalf of the council, with an associated communications strategy to continue to profile the range of benefits of affordable workspaces in the borough.

## 8: Action Plan and Monitoring Framework

**Objective One - To support local micro and small businesses the council will increase the supply of affordable workspace within the borough.**

Action	Lead Team	Measuring Success
1. Negotiate on-site affordable workspaces within new commercial developments through the planning process and secure these workspaces through Section 106 agreements.	Development Management	Over 5500 square metres of Affordable Workspace secured through the planning process by 2021.
2. Negotiate Section 106 cash contributions (where on site provision is not achievable) to develop affordable workspace in other locations within the borough.	Development Management	Over £1 million of off-site affordable workspace contributions secured through the planning process by 2021.
3. Review the Local Plan to strengthen the council's ability to secure new affordable workspaces.	Planning Policy	Adoption of the new Local Plan with a revised Affordable Workspace Policy by 2021.
4. Seek opportunities to deliver affordable workspace using council assets.	Inclusive Economy	Deliver a minimum of two new locations for affordable workspace using council assets by 2021.
5. Secure external funding (outside the planning process) to deliver affordable workspace.	Inclusive Economy	Submit at least one external funding bid per year to secure funding for affordable workspace

**Objective Two - To ensure that the management of Islington's affordable workspaces delivers real opportunities for local people and supports the council in tackling poverty, disadvantage and social inequality within the borough.**

Action	Lead Team	Measuring Success
6. The Council will ensure that its workspace operators provide meaningful, sustainable social value by contractually embedding and monitoring a range of social value initiatives designed to tackle poverty, disadvantage and social inequality.	Inclusive Economy	Create xxx (TBD) local participation opportunities through skills/employability programmes e.g. apprenticeships, supply chain leverage or direct employment.
7. The council will keep the process for commissioning affordable workspace operators under review and will adopt a new commissioning process for the period after April 2019.	Inclusive Economy	Evaluate efficiency of current process for commissioning Affordable Workspace Providers using the awarding criteria questionnaire implemented in March 2018 and to design a new procurement process by April 2019.

8. The council will undertake a representative survey of small and micro businesses in the borough to improve its understanding of the challenges that these businesses face. This understanding will be used to inform the council's future interventions in the local economy including its approach to affordable workspace.	Economic Development	Undertake the survey in Autumn 2018 and publish the results in Spring 2019.
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**Objective Three - To encourage resilience and growth within the local economy by supporting Islington's established and emerging business clusters.**

Action	Lead Team	Measuring Success
9. The council will undertake research to obtain a detailed understanding of Islington's business clusters. This understanding will be used to inform the council's future interventions in the local economy including its approach to affordable workspace.	Inclusive Economy	Undertake the research in Spring 2019 and report the results in Autumn 2019.

**Objective Four - To ensure that as far as possible wealth and resources remain within Islington for the benefit of local people by supporting the development and implementation of a local wealth-building approach.**

Action	Lead Team	Measuring Success
10. The council will develop a local wealth building approach to support local micro and small businesses, and to ensure that as far as possible, money that is generated in the local area is spent in the local area.	Inclusive Economy	<p>Incorporation of a local wealth building approach within the council's forthcoming Inclusive Economic Development Strategy.</p> <p>Incorporation of a local wealth building approach within the council's new process for commissioning affordable workspace providers.</p>

**Objective Five - To develop a clear 'brand' that will be applied to all affordable workspaces managed on behalf of the council to communicate the fact that these spaces have been secured and delivered by the council.**

Action	Lead Team	Measuring Success
11. The council will develop a clear brand that will be used in all affordable workspaces that are managed on behalf of the council, with associated communications strategy.	Inclusive Economy	Brand to be developed, agreed and implemented prior to the opening of the first wave of council managed affordable workspaces within the borough.

## Appendix One - On-Site affordable workspace (June 2018)

Stage of development	m2	Terms
Affordable workspace in use	400	1 year peppercorn, then incremental increase for 5 years
Planning permission obtained	315	10 years peppercorn
Heads of Terms signed	1,000	In perpetuity
	1,017	20 years peppercorn
	349	20 years 50% of market rate
	348	15 years peppercorn
	2,356	10 years peppercorn
Awaiting planning permission	406	10years peppercorn