

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2422

Title: Workspace Training Programme phase 2

Executive Summary:

This DD requests approval of £75,000 to deliver phase 2 of a project that will provide capacity building and training to London workspaces on the topic of business rates. Phase 1 of this programme was approved via ADD2268 for £25,000 and was successfully completed in July 2019. Recommendations and lessons learned from the first phase have been embedded into phase 2.

A business case for phase 2 of the programme was agreed by the London Economic Action Partnership (LEAP) Programme Board on 30th July 2019.

Decision:

That the Executive Director of Development, Enterprise and Environment approves:

1. Expenditure of £75,000 of London Growth Hub for 2019 to 2021 to procure the delivery of a partner to deliver Phase 2 of the Workspace training Programme.

AUTHORISING DIRECTOR

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

It has my approval.

Name: Debbie Jackson

Position: Interim Executive Director –
Development, Enterprise and
Environment

Signature:

Date:

19/11/19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Workspaces including incubators, accelerators, co-working spaces, artists' studios, and maker spaces, play an important role in the continued success of London's economy.
- 1.2. In 2016 the Institute for Public Policy Research launched a report that concluded that a third of all businesses founded in the capital between 2009 and 2011 used an incubation, accelerator or a co-working space.
- 1.3. Early in 2017 the London Economic Action Partnership (LEAP) commissioned the Workspace Affordability Crisis Reports that explored the impact of the 2016/17 business rate evaluation on London's open workspaces and how individual local authorities apply discretionary rate reliefs.
- 1.4. Findings from the report showed that business rates are implemented in a way that is neither simple or uniform across London or even within individual boroughs. There is a great deal of misunderstanding over their operation and a need for clarity and transparency.
- 1.5. This potentially can impact on business creation and employment, given that open working spaces are rapidly become a vital part of the business ecosystem, particularly for start-ups and micro and small businesses.
- 1.6. The report commissioned by the LEAP also found that:
 - There is very little understanding of how business rates work in general and in particular open workspace providers and their tenants and members are struggling to understand and grapple with the complexities of the system; and
 - Significant increases in the cost of business rates and increases on rent will have an impact on workspace provision, which has a knock on impact on affordability, diversity and inclusion for Londoners.
- 1.7. Since the report was published, rises in rents and rates have significantly affected both open workspace provision as well as micros and small businesses in the capital. Collectively London's open workspaces' business rates liability has almost doubled since the 2016/7 revaluation. The London Growth Hub workspace map review that was undertaken during the summer indicates that approximately 30% of small open workspace providers have closed down since August 2016. Although we cannot identify the reasons for the closures, anecdotal evidence and conversations with workspaces, particularly small and independent ones, indicate that business rates revaluation has posed a significant challenge for their survival.
- 1.8. As an example, to highlight that:
 - after the 2017 business rates revaluation, the overall business rates bill for the 340 open workspaces in the GLA database has almost doubled from £5.58 m to £10.59 million
 - the average increase at Pop Brixton was 255%, with the highest increase at 504%
 - many smaller community-based providers are struggling to survive in the face of increased costs & competition
- 1.9. The rise in the number of open workspaces has provided Small and Medium Enterprises (SMEs) with much needed flexibility and appropriate styles of space, but this is not reflected in the way business rates work across the capital which has a direct impact on affordability.

- 1.10. Given that the increase in rates has a direct knock-on effect on affordability, it is vital that workspaces are trained to: a) resolve inconsistent interpretation and application of Valuation Office and Government valuation arrangements b) provided with guidance and legislation on the granting of business rates relief for open workspaces.
- 1.11. The expenditure that is being requested under this decision form will pay for capacity building and training of Workspace providers to enable them to get more consistent and accessible information on business rates and ensure their spaces remain affordable and accessible to micro businesses and SMEs.
- 1.12. Following the recommendation of the Workspaces Affordability Crisis report, in December 2018, and following an open procurement process, the GLA appointed London Business Partnership (LBP) to deliver a pilot project that provided free workshops to workspaces on:
- Business rates and how they are calculated;
 - Business rate relief and the eligibility criteria; and
 - Best practice when applying for business rate relief.
- 1.13. The project was delivered over an eight-month period and during this time, a range of pilot sessions were tested in some of London boroughs and attended by both workspace providers and officers from local authorities.
- 1.14. The final achieved outputs included eight workshops delivered in eight local authorities which were attended by 103 participants representing 159 workspaces and 17 local authorities.
- 1.15. The key outcome of the pilot project was a better shared understanding between local authorities and workspace providers on the application of rates relief within the sector. Specifically, a significant number of participant workspaces after attending the workshops understood that they have had been paying higher rate of business rates than they should have been.
- 1.16. Delivery of the first phase of the pilot project identified that:
- More outreach is needed so that more workspace providers can attend.
 - A number of Local Authorities where workshops were not delivered subsequently requested a session within their boundaries;
 - One-to-one or small group support is needed amongst small operators;
 - Working with Local Authorities to deliver tailored sessions together with business rates experts is the most effective delivery model.
- 1.17. During the life of the pilot project it became clear that there is a need to continue and expand the project. This decision form is seeking approval for the expenditure of up to £75,000 to procure a delivery organisation to expand on the first phase of the project and provide further training advice and guidance to workspaces in all London boroughs and to a wider range of spaces.
- 1.18. The project will continue providing capacity building and training by unlocking the ways in which open workspace providers can reduce their business rates. The project will be funded by the LEAP budget and delivered as part of its London Growth Hub business support initiative.

2. Objectives and expected outcomes

- 2.1. The new phase of the project will continue advising and informing workspaces on the topic of business rates. However, this version will have some new elements which are based on lessons learned from the previous programme.

- 2.2. Phase two of the Business Rates Workspace project will last 18 months and will expand and increase on the previous activities. The project will be delivered in those local authority areas where so far, no workshops have taken place. Expected attendees will be those workspace providers that are affected by the increase of business rates. The project will be delivered in premises secured at no cost to the project and will be sourced from local authorities or from relevant stakeholders.
- 2.3. The delivery partner for the new project will be selected following an open and transparent procurement process in line with the GLA's Contracts and Funding Code with support from TfL Procurement.
- 2.4. Phase two of the project will implement some lessons learned from the pilot phase and make some improvements which are reflected in the outcomes section.

Expected Outcomes

- 2.5. The project will:
 - Deliver 20 workshops, with specific emphasis on those Local Authorities that so far have not had a session. The size of the workshop will vary depending on the type of spaces. When possible, the sessions will group spaces with similar issues. These will be identified during the registration process;
 - Test, in partnership with some local authorities, the delivery of joint sessions with the business rates consultants. The input from the Local Authority officers will allow responding to specific questions related to that geographical area;
 - Ensure a minimum of 180 workspaces providers attending the workshops;
 - Update, every three months, the Q&A document which will be uploaded to the London Growth Hub website;
 - Film one of the workshops to be uploaded to the London Growth Hub website;
 - Have an on-going external evaluation that will:
 - Provide an analysis of the project
 - Provide recommendations on how the business rates training can be cascaded to non-attendees as well as new spaces that cannot attend the sessions.
 - Contact participant workspaces from phase 1 and quantify the impact that attending the workshop had in their business rates.
- 2.6. The main outcomes expected to be delivered in phase 2 of the project are:
 - Increase capacity of London's open workspace to understand business rates and relief options;
 - Improve consistency of approach to business rates and open workspaces across London;
 - Reduce cost burden on SMEs as far as possible within existing rates regime.
 - Ensure links with the Workspaces Accreditation project that was launched 1st October 2019

3. Equality comments

- 3.1 Under section 149 of the Equality Act 2010, in making decisions "due regard" must be had to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a relevant protected characteristic and those who do not. Protected characteristics include age, disability, gender

reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation (and marriage or civil partnership status for the purpose of the duty to eliminate unlawful discrimination only).

- 3.2 The proposal outlined in this DD does not pose any impact on individuals with protected characteristics (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation). We have considered the GLA's duties in this area and will ensure that delivery of the training is done in a way that proactively supports those groups with protected characteristics.
- 3.3 This project will directly deliver against targets being developed to support the Mayor's Diversity and Inclusion Strategy. Many small, community focused workspace providers offer significant community benefit but increasing costs (including business rates) mean that they are at risk of being squeezed out of the market by larger, more commercial providers (who charge higher rates). Consequently, this could exclude a range of SMEs, social enterprises or those businesses with a greater social focus.
- 3.4 This project forms part of action plan designed by the Mayor's Workspace Advisory Group (WAG) established in October 2019.

4 Other considerations

4.1 Key risks

Risk	Level	Mitigation
Delays in launching the tendering process	Low	Work closely with TfL procurement team
Delays in signing the contract	Low	Work closely with TfL
Insufficient marketing and promotion of the training sessions/workshops	Medium	The GLA will ensure that sufficient marketing and promotion is achieved through its own contacts and business networks.
Expected outputs not achieved	Medium	Monthly review monitoring meetings with the delivery organisation to ensure outputs are on track.

Links to Mayoral strategies

The Economic Development Strategy (EDS) - Affordable workspace and low cost business space

- 4.2 London has some of the most expensive office rents in the world. In the coming years, the city will need a substantial amount of new office space to accommodate the growth of the services sector. The London Office Policy Review 2017 identifies a need for between 4.7 million sq.m and 6.1 million sq.m by 2041.
- 4.3 A range of different types of workspace will be needed to accommodate the growth in London's businesses from those just starting up to those that are growing and in need of new premises. This

mix will include affordable workspace - which maintains rent below market rate for specific socio-economic purposes - low-cost workspace, and secondary and tertiary business space available at low rent levels. The Mayor wants to ensure there is adequate business space at competitive rents across the capital, recognising the competing demands for space. He will therefore work with partners to identify innovative models that deliver genuinely affordable workspace through permanent and meanwhile spaces.

4.4 Reduction of affordable workspace combined with increase of business rates could be a significant problem. In the EDS the Mayor is committed to working with boroughs to prevent the loss of viable office space and other low-cost business space which is under threat from housing development.

4.5 The specific actions identified in the EDS relevant to this project are:

- encouraging the emerging workspace provider sector to adopt more consistent monitoring of economic and social value;
- exploring new models for the delivery of sustainable and affordable workspace;
- promoting opportunities suitable for the workspace provider sector

London Economic Action Partnership – Support to enterprise and entrepreneurship

4.6 This project forms part of one of the activities that will deliver the LEAP core commitments to support enterprise and entrepreneurship. This includes a series of actions to support the availability, affordability and flexibility of workspace which names the provision of affordable workspace of which business rates relief is a significant component.

5 Financial comments

5.1 Approval is sought for the expenditure of £75,000 to support the delivery phase 2 of the Workspace Training Programme.

5.2 The expenditure will be funded from the LEAP Core budget.

6 Legal comments

6.1 Sections 1 to 5 of this report indicate that the decisions requested of the Director (in accordance with the GLA's Contracts and Funding Code) concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- consult with appropriate bodies.

6.2 In taking the decisions requested, the Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010 and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, sex, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do

not share it (section 149 of the Equality Act 2010). To this end, the Director should have particular regard to section 3 (above) of this report.

- 6.3 The training services required must be procured by Transport for London Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the GLA's Contracts and Funding Code.
- 6.4 Officers must ensure that appropriate contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the training services.

7 Planned delivery approach and next steps

Activity	Timeline
Launch Tender	December 2019
Select Delivery Organisation	December/January 2019/2020
Sign Contract	January 2020
Identify workspaces to deliver the training	February 2020
Training Starts	March 2020
On-going training	March 2020 – May 2021
Update reports to GLA	Quarterly from May 2020
Project completion	August 2021

Appendices and supporting papers:

None.

Public access to information

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

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

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: For procurement purposes no publication until tender has been published

Until what date: January 2020

Part 2 – Sensitive information

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

Is there a part 2 form –NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Richard Cumbers has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Debbie Jackson, Interim Executive Director has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

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

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 18 November

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

18.11.19