

Report to:	Cabinet
Date:	16 September 2019
Title:	Affordable Workspace Review
Report of:	Ian Fitzpatrick, Director of Regeneration and Planning
Cabinet member:	Councillor James MacCleary, Cabinet member for regeneration and prosperity
Ward(s):	All
Purpose of report:	To present the findings and recommendations of the Scrutiny Panel Review into the need for affordable workspace across the Lewes District
Decision type:	Key
Officer recommendation(s):	<p>(1) To allocate £10,000 to explore the feasibility of Meanwhile Use Leases for the temporary use of Council assets, subject to statutory, legislative and building constraints.</p> <p>(2) To formally adopt the South East Creative Economy Network's (SECEN) approach to defining affordable workspace.</p> <p>(3) To commit to exploring the potential to facilitate the development of new, affordable 'open workspace within Lewes District.</p> <p>(4) To note that the Council's Regeneration service continues to work closely with Locate East Sussex and other partner agencies to ensure they continue to collaborate effectively with South East Creative Cultural and Digital Support (SECCADS) and the creative sector.</p> <p>(5) That Cabinet adopts a position statement formalising the Council's commitment to supporting the growth of creative industries.</p> <p>(6) To commit all services across the Council to raising awareness of available business support provision across Lewes District.</p>

Reasons for recommendations:	<p>(1) To re-affirm the Council’s commitment to Growth and Prosperity, with specific reference to the local creative sector.</p> <p>(2) To build upon the extensive strategic collaborative work already underway by SECEN and SECCADS within the SELEP area, which the Council is committed to supporting and working with. This is with a view to addressing barriers for creative industries, including the shortage of appropriate workspace, and specialist business support / advice.</p> <p>(3) To recognise that Meanwhile Use Leases can offer benefits to both the Council and the local economy, but that such uses may have an opportunity cost attached should higher value uses come forward.</p> <p>(4) To ensure that existing external agencies and partners are aware of the needs of all aspects of the district’s diverse economy to ensure the Council can support delivery of commercial property solutions for the creative sector.</p>
Contact Officer(s):	<p>Name: Peter Sharp Post title: Head of Regeneration E-mail: peter.sharp@lewes-eastbourne.gov.uk Telephone number: 01273 085044</p>

1 Introduction

- 1.1 In January 2018, a Scrutiny Panel was formed to better understand how the Council could meet the demand for low-cost and affordable workspace for small and medium sized enterprises (SMEs) in the district, with a particular focus on support for creative industries. The Panel comprised Councillors Carter (Chair), Adeniji, Ient and O’Keeffe (later resigned), with support from Officers from the Regeneration service.
- 1.2 The Review was undertaken in response to the large concentration of SME’s – as well as micro¹ businesses – in the local economy, as well as the limited availability of affordable workspace. The Review also assessed Best Practice examples from other areas to consider how the Council could better support the local creative economy.
- 1.3 At outset, the Scrutiny Panel agreed upon three objectives to review:
 1. How can Lewes District Council engage and influence the South East Creative Economy Network (SECEN) and other strategic partnerships to support the development of affordable workspace?
 2. What can Lewes District Council do better to support creative businesses?

¹ A micro business is classed as having 0-9 employees.

3. How effective are the commercial property databases, and the Locate East Sussex service, in searching for affordable and creative workspace.

- 1.4 The Scrutiny Panel had three focused meetings which included key local stakeholders. Officers from the Regeneration service also held discussions with nominated institutions that were unable to attend a Panel meeting. These meetings were supplemented by three anonymous online surveys that were targeted at:
- Creative businesses
 - Affordable, open and creative workspace providers
 - Networks and organisations that support local businesses.
- 1.5 The Affordable Workspace Review concluded with a report to Scrutiny Committee on 21 March 2019, where a number of recommendations were agreed. This is now being presented to Cabinet for approval.

What is meant by 'Affordable Workspace'?

- 1.6 There are a number of different approaches and definitions for affordable workspace. Having reviewed a number of approaches, the Scrutiny Panel agreed to use the South East Creative Economy Network (SECEN) definition.
- 1.7 SECEN use the generic term 'open workspace' in line with the IPPR report². Open workspace includes incubators, accelerators, co-working spaces, managed workspace, makerspaces and artist studios. Most users are micro businesses and a significant proportion are creative businesses; 'open workspaces' also bring together professionals working in other sectors, including biotech, business services and the charity sector.
- 1.8 'Open workspace' is the preferred model for creative businesses because sharing space and resources also reduces costs. Tenants can therefore afford higher-grade workspace which helps to attract staff, customers and additional funding.
- 1.9 SECEN therefore defines affordable workspace as 'open workspace' whereby most tenants are small in scale, with reduced costs achieved through sharing space, equipment and resources. In essence, affordable or open workspace is where rent / charges are below comparable local market rates.

The Local SME and Creative Economy

- 1.10 99.7% of businesses in the Lewes District are classed as SMEs, including micro businesses. This compares to 98.5% across East Sussex and the South East region, and 98.1% across England³.
- 1.11 Including all businesses, the largest sectors represented are professional,

² Start Me Up: The Value of Workspaces for Small Businesses, Entrepreneurs and Artists in London; IPPR 2016

³ Business enterprises by size of business 2018 – Data from ONS/Inter Departmental Business Register (accessed via East Sussex in Figures)

scientific and technical, and construction. The breakdown of business enterprises by industry is shown in Appendix 1.

- 1.12 There is a larger concentration of creative businesses in the district than at county, regional or national levels. In terms of employment, Lewes District has a lower concentration than regionally, but above the East Sussex average. It should be noted that employment levels represent a low percentage of total employment within the district.

Figure 1: Employment in Creative Industries 2017

	Lewes District			East Sussex		South East Region	
	No. of Creative Jobs	% of All Jobs	% of Creative Jobs	% of All Jobs	% of Creative Jobs	% of All Jobs	% of Creative Jobs
All Creative Sectors	1,750	4.8		3.1		5.1	
Advertising	150	0.4	8.0	0.2	7.5	0.5	9.0
Architecture	150	0.4	8.0	0.2	7.9	0.2	3.5
Crafts	50	0.1	2.9	0.1	2.7	0.0	0.3
Design	100	0.2	5.1	0.2	5.4	0.2	3.5
Film, TV, Video, Radio & Photography	100	0.2	5.1	0.2	7.9	0.3	6.5
IT, Software & Computer Services	500	1.5	31.4	1.1	35.4	3.1	60.0
Publishing	200	0.5	12.0	0.4	11.7	0.4	7.9
Museums, Galleries & Libraries	125	0.3	6.3	0.2	7.1	0.2	3.2
Music, Performing & Visual Arts	400	1.2	24.3	0.6	18.8	0.3	6.5
All Industries	37,000						
Source: East Sussex in Figures (calculated by applying a detailed sector definition provided by DCMS)							

- 1.13 It is clear from local surveys⁴ of creative practitioners that much of the sector is small in nature. 14.4% of businesses within the district fall within the creative definition, but together they account for less than 5% of all employment.
- 1.14 The true size of the creative sector is, however, difficult to establish. This is due to a high level of freelancing (many of whom are Sole Traders). Employment estimates should therefore be treated with some degree of caution.

2 Proposal

Objective 1: How can Lewes District Council engage and influence SECEN and other strategic partnerships to support the development of affordable workspace?

- 2.1 SECEN was established in 2013 and works to accelerate growth in the digital, creative and cultural sector across the South East Local Enterprise Partnership area. It is a working partnership between local authorities, creative businesses

⁴ Surveys undertaken by Made in Newhaven and Lewes Phoenix Rising during 2018.

and education bodies.

- 2.2 SECEN identifies barriers to growth and implements practical and scalable initiatives to overcome these barriers. A vision⁵ has been developed and SECEN is also developing a workspace strategy to ensure that fit-for-purpose workspace is available SELEP-wide to enable the scaling up and fostering of creative enterprise zones based on existing creative hubs.
- 2.3 The Council is represented on SECEN by the Strategy and Partnership Lead for Growth and Prosperity. As such, the Council is involved in influencing SECEN priorities. It should be noted that much of this work is at an early stage and it is not currently possible to identify the additional economic benefits of SECEN's activities.
- 2.4 The Council is engaged with all of the relevant strategic bodies and partnerships that operate or have influence in the Lewes District area that relate to the creative industries and economic growth. A list of these bodies and partnerships is provided as Appendix 2.
- 2.5 Lewes District falls within the boundaries of three creative clusters – Brighton, Crawley and Eastbourne. Partnership working is particularly important as creative neighbours appear to grow together, not at each other's expense⁶. To this end, the Council continues to play a key role in partnerships such as the Greater Brighton Economic Board, maximising opportunities for creative sector growth across the district.

Objective 2: What can Lewes District Council do better to support creative businesses?

- 2.6 Working with strategic partners to support the development of affordable workspace is one approach to supporting creative businesses. Other key areas include education and skills; business support and advice; digital connectivity; asset management; and planning policy. These are summarised below.
- 2.7 *Education and Skills:*

SECEN, Skills East Sussex and the Skills East Sussex Task Group for the Creative and Digital sector all champion education and skills for creative industries, including Lewes District. The Council is already engaged with all three of these partnerships to ensure that the local creative and digital sector is able to benefit from emerging initiatives in this area.
- 2.8 *Business Support and Advice:*

There is already a wide choice of business support services available to residents and businesses within the district. A mapping exercise identified 37 different providers and networks, of which 13 are dedicated to supporting the creative industries.

⁵ [https://www.southeastlep.com/app/uploads/SE_Prospectus_Low_Res_\(1\).pdf](https://www.southeastlep.com/app/uploads/SE_Prospectus_Low_Res_(1).pdf)

⁶ The Geography of Creativity in the UK; Nesta, 2016

- 2.9 The Council funds and supports a number of these services. Key projects include the [Local Enterprise and Apprenticeship Platform \(LEAP\) programme](#), as well as support for the Government-funded Growth Hubs operating locally – [Business East Sussex](#) and the [Coast to Capital Growth Hub](#).
- 2.10 It is recognised that there is a low level of awareness of some of these offers within the creative industries, and it is recommended that additional PR work is undertaken to ensure that residents and businesses are more aware of the existing business support and advice services.
- 2.11 *Digital Connectivity:*
- The East Sussex Business Survey has identified that just over half (51%) of district businesses feel that broadband speeds needs improving. A range of work has already been undertaken and by March 2020 it is forecast⁷ that East Sussex will benefit from 99% superfast coverage.
- 2.12 *Asset Management:*
- Some local authorities have used their commercial property assets to assist in delivering affordable / open workspace. The Scrutiny Panel heard from different workspace hubs in East Sussex. Key findings that contribute to successful affordable workspace include:
- A range of unit types and sizes that allow different businesses to grow. Shared facilities, networking and training are all vital. Enabling 'easy in, easy out' leases means that such workspaces are attractive to smaller businesses.
 - There is a reliance on external funding to set-up and underwrite the initial loss until a commercial plan is fully realised – this is likely to take a number of years.
 - A realistic business plan and sound governance procedures need to be in place.
 - Tenants need business support to help them grow and become financially sustainable.
 - The right physical location is important, both in terms of accessing external funding as well as attractiveness to potential tenants.
- 2.13 The Council has experience of setting up and running affordable workspace. It should also be noted that the Council has actively sought to enhance provision of such space, including the extension to the Newhaven Enterprise Centre that was completed in April 2016 with the aid of Coastal Communities Funding.
- 2.14 An increasing number of local authorities have used Meanwhile Use Leases to fill vacant assets and contribute to driving footfall and economic vitality in places. Such assets are typically utilised on a temporary basis ahead of future commercial redevelopment. Delivery approaches vary, but the Review notes that there is a potential opportunity cost for the Council in terms of loss of a higher –

⁷ [eSussex](#) – a project being led by East Sussex County Council

value commercial use.

2.15 *Planning Policy:*

The Lewes District Local Plan Part 1 Joint Core Strategy 2010-2030 (Core Policy 4) and the emerging Local Plan Part 2: Site Allocations and Development Management Policies (particularly policies DM9 and DM10) identify that the Council will take a flexible and supportive approach to economic development to provide a range of employment space to meet current and future needs, including support for sustainable economic growth in rural areas through the conversion of existing buildings.

2.16 The South Downs National Park Authority is equally supportive. The adopted South Downs Local Plan (Strategic Policies SD34 and SD35) supports development proposals which safeguard and grow jobs without compromising the National Park. This incorporates permitting small, flexible, start-up and move-on business units, including incubator uses for small and micro businesses.

2.17 *Summary:*

2.18 The Council is already active in supporting all businesses through a range of measures, as well as support for external partnerships to help deliver local economic prosperity. This includes working with local creative businesses to host a Natural Materials Day⁸, which was successfully held in July 2019.

2.19 Nonetheless, the Council needs to help increase awareness of the existing business support offer, as well as considering opportunities for Meanwhile Use Leases for empty / under-utilised Council assets.

Objective 3: How effective are the commercial property databases, and the Locate East Sussex service, in searching for affordable and creative workspace?

2.20 There are a vast number of online commercial property databases for businesses to search for suitable premises. This includes national providers (eg. Rightmove) and commercial estate agents. Locally, providers include Locate East Sussex, Wired Sussex, Creatives Across Sussex and the Greater Brighton Commercial Property Database. The Council contributes annually to the activities of Locate East Sussex, as well as the Greater Brighton database.

2.21 The Scrutiny Panel noted that commercial property databases are not inclusive of all available properties. For example, there may be some farm out-buildings that could be brought into use but that are not being actively marketed. This is, however, not just a local problem. It is indicative of the nature of much of the creative sector and its workspace needs, as well as how the commercial property sector typically operates. Locally, this issue is mitigated in part through the Locate East Sussex business managers' knowledge and contacts within the local area.

⁸ <https://makinglewes.org/tag/natural-materials/>

- 2.22 Based on the evidence obtained by the Scrutiny Panel, there appears to be a lack of awareness of / engagement with commercial property databases from those local businesses seeking affordable and creative workspace. Levels of success in finding suitable space were low, but this was seen as a reflection on a lack of availability rather than the search mechanisms themselves.
- 2.23 It is worth noting, however, that the Scrutiny Panel received anecdotal evidence that suggested that creative businesses were more successful in securing premises through networking and community links. This reflects Officer findings that the workspace listed on commercial property databases may not be a true reflection of the actual supply.

3 Outcome expected and performance management

- 3.1 That the Council commits to supporting the recommendations of this report, in line with the findings of the Scrutiny Panel.
- 3.2 In addition, that all services across the Council continue to raise awareness and inform residents and enterprises of the business support available to them through their business engagement and marketing methods including casework, meetings involving the business community, the Council's online presence and the District News publication.

4 Consultation

- 4.1 Extensive consultation has already been undertaken as part of the Scrutiny Panel Review. No further consultation is required at this stage.

5 Corporate plan and council policies

- 5.1 The Scrutiny Panel Review undertaken fits strongly within the *Growth and Prosperity* theme within the Corporate Plan. Creative industries are recognised as a key local sector and the Council's role in enabling new and developing businesses is acknowledged.
- 5.2 The recommendations of this report also fit with the Newhaven Enterprise Zone Strategic Framework, which highlights opportunities for enhancing the creative sector. The Council is a key partner in delivering the Enterprise Zone, working closely with South East LEP.

6 Business case and alternative option(s) considered

- 6.1 Not applicable.

7 Financial appraisal

- 7.1 This report seeks to allocate £10,000 to explore the feasibility of Meanwhile Use Leases for the temporary use of Council assets, subject to statutory, legislative and building constraints. Any actions or proposals arising out of this feasibility work would be subject to full business case appraisal in line with the Council's financial and asset management processes.

8 Legal implications

- 8.1 A Meanwhile Use Lease is a temporary lease, which permits the use of a vacant property temporarily, while explicitly recognising that the landlord is looking for a commercial use of the property.

The Meanwhile Scheme was set up as part of the Revitalising Town Centres policy launched by the Ministry of Housing, Communities and Local Government (MHCLG). It is a government-led initiative to encourage the temporary occupation of vacant units for non-commercial purposes, in properties that the temporary tenant might not normally be able to afford.

A meanwhile lease can be used across all commercial property sectors, and can be an attractive mechanism for landlords as it enables them to avoid, or minimise, empty rates liabilities.

Typically, a meanwhile use tenant is:

- Prohibited from using the property for any commercial gain or operating a profit-making business from the property.
- Not liable to pay any rent, service charge or buildings insurance (the landlord will cover the tenant's proportion of the service charge and insurance premium), but the tenant will be responsible for the cost of the supply of utilities to the property.
- Responsible for paying business rates though in the case of charity tenants, liability for business rates can be reduced to zero in certain circumstances.
- Granted a short-term lease. However, if a longer term is granted, the landlord must ensure that the lease contains a suitable rolling break clause and is excluded from security of tenure.
- Subject to a basic repair covenant (this may be limited by reference to a schedule of condition).
- Prohibited from assigning or underletting the property.

The MHCLG has developed specimen leases, which are a helpful starting point for any landlords considering the use of Meanwhile Use Leases. Appendix 7 of the Scrutiny Report is a Meanwhile Use Lease case study and picks up on the following lessons for other local authorities who want to use this type of lease:

- The need to link the project to a broad corporate strategic aim, rather than using it as a convenient way of filling empty spaces.
- The need to have an exit strategy from the outset that outlines what will

- happen when the property ceases to be available.
- The need to be clear from the outset as to what types of businesses/tenants are able to occupy premises.

In conclusion, the drafting of the lease documents should be straightforward provided that action is taken in response to the “lessons” mentioned in the Scrutiny Report.

8 August 2019 Ref: 008478-LDC-MR

9 Risk management implications

- 9.1 The key risks of this report’s recommendations have been considered and are shown in the below table:

Risk	Impact	Likelihood	Mitigation
LDC may not receive best value for its property assets	Low	Med-High	Although the types of meanwhile use considered are likely to generate a lower commercial return, this will be assessed on viability for LDC.
Focus on one economic sector may have detrimental effect on other employment-generating sectors due to limited resource	Low	Low	The interventions proposed in this report are unlikely to be particularly resource-intensive.

- 9.2 It is considered that the risks highlighted are mitigated sufficiently to minimise impact for the Council.

10 Equality analysis

- 10.1 A detailed Equality & Fairness Analysis is not required at this stage – this will become necessary once the recommendations of this report are implemented and will be reported to Cabinet at the appropriate time.

11 Sustainability implications

- 11.1 The recommendations within this report seek to encourage sustainable economic growth. For example, the LEAP programme is highlighted as an example of the type of business support offer already provided within the district. The importance of skills development is noted and reflects current activities being undertaken with a range of skills providers, including the East Sussex College Group.
- 11.2 There are no recommendations in this report that are considered to have a detrimental effect on the Council’s environmental targets.

12 Appendices

- Appendix 1: Economic Statistics
- Appendix 2: Strategic Bodies and Partnerships

13 Background papers

The background papers used in compiling this report were as follows:

- [Report to Scrutiny Committee of the Scrutiny Affordable Workspace Panel \(21 March 2019\)](#)