



THE AFFORDABILITY CRISIS: LONDON NEEDS AN ACCREDITATION SCHEME FOR OPEN WORKSPACES

June 2018



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1 | EXECUTIVE SUMMARY



Many small, community focused workspace providers offer significant community benefit but increasing costs mean that they are at risk of being squeezed out of the market by larger, more commercial providers.

A voluntary accreditation scheme which measures, recognises and rewards community and economic value would contribute to addressing this market failure.

EXECUTIVE SUMMARY

London's SMEs account for almost half the jobs in the capital. Open workspaces are rapidly becoming vital to the survival of early-stage SMEs in London. Almost a third of SMEs founded between 2009 and 2011 used an incubator, accelerator, or coworking space. London is home to over 800,000 small and medium sized enterprises (SMEs), including micro-businesses that account for 99.8% of businesses and nearly half the capital's jobs. Such SMEs contain much of London's future innovation, enterprise and growth.

Many small, community focused workspace providers offer significant community benefit but increasing costs mean that they are at risk of being squeezed out of the market by larger, more commercial providers.

A voluntary accreditation scheme which measures, recognises and rewards community and economic value would contribute to addressing this market failure.

Open workspace providers and other stakeholders engaged in driving London's SME community are supportive of a voluntary workspace accreditation scheme which will recognise and reward community impact.

Such a standard would be useful for policy makers, practitioners and grant givers and would contribute to the keeping London's workspace open and affordable for all Londoners.

This document sets out a framework for the accreditation, selection criteria and a scoring system. It recommends that the scheme be piloted in 2018/9, reviewed and rolled out in 2019/20.

2 | BACKGROUND & INTRODUCTION

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This document explores a voluntary accreditation scheme for London's open workspaces and outlines potential criteria. A key part of such a scheme would be the demonstration of a standard of social, economic, and cultural value to the community.

BACKGROUND & INTRODUCTION

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Workspaces such as Incubators, Accelerators, Co-working spaces, Artists' Studios, and Maker spaces, play an important role in the continued success of London. They allow businesses and professionals to share space, facilities, and/or specialist equipment, on flexible terms, managed according to their criteria and purpose.

Capital Enterprise has been commissioned to coordinate some research into the impact of the 2017 business rates revaluation on co working spaces and, linked to this, to explore a voluntary workspace accreditation scheme including suggesting the potential criteria for accreditation. A key part of such a scheme would be the demonstration of a standard of social, economic, and cultural value to the community. Here we take 'community' to include people that live, work or study locally as well as businesses using workspaces.

This work has been commissioned by the London Enterprise Action Partnership (LEAP), overseen by officers at the Greater London Authority (GLA) and backed by the Mayor's Workspace Providers Board (WPB). It has been delivered by a team from Capital Enterprise, Workwild, Nordicity and Original Futures. This report is independent from the Mayor's views.

This paper:

- Presents the findings of the scoping work into a workspace accreditation scheme (Section 3)
- Sets out a framework for selection criteria and an outline scoring system for a workspace accreditation scheme (Section 4)
- Provides a series of recommendations regarding next steps and some outline information on likely resource requirements (Section 4)

3 | FINDINGS



Recent changes to the business rates system is compounding financial challenges. Open workspace providers are faced with increased competition from new workspaces, including large mainstream workspace providers who may have a market penetration pricing approach with low prices as they enter local markets.

Open workspace providers and other stakeholders engaged in driving London's SME community are supportive of a voluntary workspace accreditation scheme which will recognise and reward community impact.

FINDINGS

SUMMARY OF FINDINGS OF SCOPING WORK

a. There is a broad support for a pilot

The main aim of the work has been to explore potential to develop and implement a voluntary workspace accreditation scheme. Opinion is somewhat divided with some people very clear about the need for, and benefits of, such a scheme and others believing that it is not necessary and indeed could even be unhelpful. Those more involved in sector and aware of affordability issues were generally more supportive of a voluntary accreditation. For example, almost every member of the Mayor's Workspace Providers Board was supportive.

b. There are other options

Some said that there were other, simpler ways of achieving similar aims e.g. an advisory scheme with guidance, a set of 'good provider principles', annual awards, a reward programme or competition, sharing of best practice and others. Some providers even suggested it might actually be easier for them to 'donate' vacant desks or a proportion (5%?) of their memberships or desks to underserved communities. Several interviewees commented that it could be more useful to think in terms of a register of providers offering community impact or a set of standards or impact headings where applicants choose their own way of demonstrating that they meet those standards and provide their own evidence.

c. Resources are required to make accreditation meaningful

What is clear is that accreditation can be complex and expensive and needs to be rigorous and well managed in order to be effective and meaningful. An accreditation scheme would require annual reviews – both in terms of criteria and compliance – in the rapidly evolving workspace landscape. Most of the workspace providers interviewed did not think it was practical to expect them to collect detailed data on impact from their members, users or tenants on a regular basis. The only way this would be workable would be to link it to a tangible (financial) return, such as a sizeable reduction in rent or membership costs linked to business rates relief.

d. An accreditation scheme will not self-fund

It is not possible for a scheme of this type to be self-sustaining without external financial support from the public sector or through sponsorship. Supporters of the idea were clear that if an accreditation scheme were to be introduced, it would need substantial support from the Mayor, particularly in the early stages. Whilst it would be technically possible to pilot an accreditation at a borough- or sub-regional- level, the real impact would only be felt if fully rolled out across London with Mayoral support and associated publicity.

e. It must not be a 'box ticking' exercise

Interestingly, many of those interviewed were cautious about regulating this market. Several struggled to see how an accreditation could be sufficiently 'light touch' so as to not be overly burdensome for (often small and poorly resourced) providers but sufficiently robust to be valued and meaningful. Providers would be driven to apply if it helped them to qualify for business rates relief but care would need to be taken that they are not 'going through the motions' for financial reward rather than being genuinely committed to community impact. Clearly this is not easy to manage or monitor but neither is it impossible.

f. A robust standard would be useful for decision makers....

Conversely, there was a strong view from some that it would be useful for economic development and enterprise policy makers, practitioners and grant givers to have a robust and recognised standard against which to benchmark workspace providers with genuine community impact priorities vis a vis those which are driven purely – or predominantly – by profit. A lot of the time operators in this sector may use the same language and look quite similar but the reality can be worlds apart and clearly public sector or philanthropic funds would normally be expected to address market failures and to deliver community impact. As one interviewee put it:

'The status quo is so problematic. Every borough having its own system or list is ludicrous. A London wide definition of what an affordable or community benefit workspace provider is would surely be useful.'

g. And also, for workspace providers

Many providers commented that a central system of this nature would surely help providers to start a conversation with other boroughs and contribute to the development of workspaces in new localities. With appropriate resources and commitment from both the Mayor, GLA officers and the Workspace Providers Group, there is also potential for this to develop into a body; a movement with a purpose-driven sentiment and energy around best practice.

h. Buy in from local authorities is important

It was therefore felt that it would be useful to link any such accreditation to funding / planning decisions at local level so that local authorities understand that any provider with the accreditation is not just a serviced office provider but is providing real added value at local and community level. If London's local authorities would take an accreditation seriously it would be a powerful incentive for workspace providers but in some areas at least there were doubts as to whether this is achievable, even with mayoral backing. That said, it seems that the renewed emphasis on affordable workspace agenda in the draft London plan (November 2017) may create some challenges for local authorities further behind on this agenda. An accreditation scheme with associated central support could be part of the solution.

i. Few would qualify; accreditation would be prestigious with minimal cost to Treasury

There was a sense that, if developed, the focus should be on rigour and quality and that it is therefore likely that only a minority of providers would either apply or qualify. This is of course not necessarily a negative as it would not only mean the accreditation could become very prestigious but also (if linked to business rate relief), minimise cost to the Treasury. We estimate, based on the findings of the interviews and the associated work on business rates and cost benefit that around 5% of open workspaces would qualify for the accreditation. Further, more detailed, information on costs and benefits in terms of potential lost business rates income to Treasury, the GLA and Local Authorities and potential GVA linked to job creation is set out in the accompanying document 'Business rates are not working for London's open workspaces'.

It will be important to have a long-term approach whereby an accreditation is established and it is recognised that a small number of providers will qualify. These organisations will be those prepared to step up and put in the hours to make the accreditation meaningful. They could then support others to understand the benefits of getting involved.

j. Any scheme should be open to all providers *'it's a fair trade stamp'*

There was general consensus that any future accreditation scheme should be open to all providers – public and private – as an ethical, community-driven approach can sit in any type or size of organisation. As 1 person put it:

'This is not about good and bad providers; it's about addressing a market failure and providing benefit in return for community good'... 'it's a fair-trade stamp for workspace providers; a badge of honour if you like'.

However, it would be important to ensure that private sector operators interested in applying met some 'gateway' criteria around both a) the % of profits re-invested back into collective community benefit and b) constitutional obligations about organisational purpose including reference to community impact.

k. There may not be a perfect 'one size fits all' solution but it is not practical to develop different schemes

Some believed that developing an accreditation scheme linked to business rates relief was not entirely compatible with a scheme linked to affordability / community benefit. The former is transactional and linked to quantifiable financial reward; the latter is associated with the ethos of the provider and qualitative in nature. It may therefore be that there is not a 'one size fits all' solution.

Linked to this, the interviews explored whether there should be several different types of accreditation for different types of providers e.g. something different for artists' workspaces. The overriding opinion was that, given the complexities and costs of introducing an accreditation in the first place, it would be prudent to have one accreditation scheme for all open workspaces.

l. Long term it could change behaviour of all operators

Perhaps ironically, the providers, which are most likely to apply and qualify for any such accreditation, are those with a pre-existing ethos in this direction. The longer-term challenge would be to develop an accreditation scheme (and associated awareness raising campaign), which actually changes behaviour of providers that are not currently community minded.



PROPOSED SOLUTIONS



Organisations gaining the accreditation will:

- Support their members or tenants to grow
- Make at least 20% of workspace available at less than 50% of comparable market values
- Promote events, facilities and services to local residents and community
- Facilitate a collaborative culture, peer learning and support amongst its users and members
- Engage with 'harder to reach' groups in the local community
- Support local charities and social enterprises and / or makes a meaningful contribution to the culture of an area
- Operate with good business conduct e.g. pays the London living wage, has terms of trade with suppliers and clients which include 3 months' notice
- Monitor and evaluate their social, economic and / or environmental impact

ACCREDITATION CRITERIA AND SCORING SYSTEM

Below are some suggested criteria based on the interviews and deskwork carried out. 2 'gateway' or 'eligibility' criteria are included. All applications would need to meet these criteria in order to be considered for accreditation.

There follows a set of selection criteria under 3 main headings (Economy, Community and Business Conduct) and a points-based score (from 1 to 3 as outlined below) for each core criterion. An average is calculated for each main heading (Economy, Community and Business Conduct). It is recommended that minimum overall score of 7 is required for an applicant to qualify for the accreditation. This would mean that a provider could score really well against some criteria but allow some flexibility in other areas.

There was a firm view that criteria which are outside the margins of manoeuvre of the workspace provider itself should NOT be included in such a scheme e.g. place making or external environment.

Similarly, it would be important to be a little cautious including too many of what 1 person described as the 'bells & whistles aspects' of a workspace provider. Some of the most affordable spaces with genuine community benefit simply don't do 'the extras'.

**PROPOSED
SOLUTIONS**

	POTENTIAL CRITERIA	EXAMPLES OF SUPPORTING EVIDENCE / TARGETS	SCORE
GATEWAY CRITERIA			
	The organisation is a not-for-profit provider of open workspace?	Yes or no	Pass or Fail
For private sector or for profit organisations	<p>The organisation's policies include a commitment to social or community impact, backed up with evidence. This might include, for example,</p> <ul style="list-style-type: none"> • Provision of affordable workspace • A CSR programme or other evidence demonstrating value to the community • Evidence that the organisation re-invests a meaningful amount of expenditure and other resource back into community good (e.g. 3% of turnover, 10% of staff time or discounted internal services) 	Yes or no	Pass or Fail
SELECTION CRITERIA			
Economy	The organisation actively supports its members or tenants to grow (e.g. through provision of community events, workshops, mentoring, business advice)	40% users taking up business support No. start ups No. jobs created Survival rates GVA	0-3

	POTENTIAL CRITERIA	EXAMPLES OF SUPPORTING EVIDENCE / TARGETS	SCORE
	The organisation makes at least 20% of workspace available at less than 50% of comparable market values	Availability of bursary / subsidy Affordable workspace policy / scheme	0-3
AVERAGE SCORE FOR ECONOMY = Average score from 2 criteria so min 0; max 3			
Community	The organisation actively promotes events, facilities and services to local residents and community	No. local people engaging with events and services provided No. desks / memberships used by local people No. local people employed by the organisation or its users No. local people using space, facilities and equipment	0-3
	The organisation actively facilitates a collaborative culture, peer learning and support amongst its users and members	No. users engaging in peer learning / support 10% users collaborating on contracts / projects	0-3
	The organisation engages with 'harder to reach' groups in the local community, for example: <ul style="list-style-type: none"> • Providing work experience or training opportunities for local unemployed people • Providing employment space for local residents 	50% women, 30% BAME, 5% people with disability using the space 20% users who were unemployed before engaging with the organisation	0-3

PROPOSED SOLUTIONS

	POTENTIAL CRITERIA	EXAMPLES OF SUPPORTING EVIDENCE / TARGETS	SCORE
	The organisation actively supports local charities and social enterprises and / or makes a meaningful contribution to the culture of an area	20% users / members which are charities / social enterprises Quantifiable contribution to the culture of an area	0-3
AVERAGE SCORE FOR ECONOMY = Average score from above 4 criteria so min. 0 and max 3			
Business conduct	The organisation pays the London Living Wage	YES or NO	0 or 1
	The organisation operates with good business conduct e.g. terms of trade with suppliers and clients which include 3 months' notice	Template terms and conditions or contracts	0-3
	The organisation monitors and evaluates their social, economic and / or environmental impact	Internal policies &/or monitoring information	0-3
AVERAGE SCORE FOR BUSINESS CONDUCT = Average score from 2 criteria 0-3 above plus 0 or 1 for London Living Wage			
TOTAL SCORE			MAX = 10 PASS = 7

Scoring system

0. No evidence is provided
1. The applicant fails to provide sufficient evidence to meet the criteria
2. The applicant provides adequate evidence to meet the criteria
3. The applicant provides evidence which shows the organisation fully meets the criteria

RECOMMENDATIONS



There is sufficient appetite – particularly from those ‘in the know’ – for this to be worthwhile. There is also early evidence of potential impact both in terms of affordability and community benefit

The recommendation is to pilot the accreditation with a view to rolling it out pan London in 2020.

NEXT STEPS AND RESOURCE REQUIREMENTS

The recommendation – based on the interviews carried out and subsequent discussions with the Workspace Providers Board, and clearly subject to resources being available – is to proceed with further development of the accreditation with a view to rolling it out pan London in 2020. There is sufficient appetite – particularly from those ‘in the know’ – for this to be worthwhile. This is combined with sufficient early evidence of potential impact both in terms of affordability and community benefit (ins ref to BR paper & cost benefit). As set out above, there are other, lower cost, options, which could also be explored, but these are not considered to be the best option in terms of achieving the Mayor’s affordable workspace goals. There is a sense that high level political backing and associated publicity pan London is a prerequisite of success. The recommended next steps in the short term (June 2018 to March 2020) along with some outline costs are set out in the table below:

TASK

Use the work undertaken here to develop a clear statement of what ‘best practice’ looks like, with some accompanying examples and tools for local authorities and workspace providers to demonstrate what constitutes a provider with ‘community’ benefit – essentially development of a toolkit

Convene a series of 10-15 events / workshops with GLA and local authority staff (regeneration, economic development, education and planning) and workspaces to raise awareness of the purpose of the accreditation and develop knowledge and capacity around benefits

Facilitate a series of more informal ‘meetups’ for workspace providers with a view to creating the necessary momentum to start to develop a ‘movement’

Pilot the criteria above with members of the Workspace Providers Board and others who have expressed an interest during the research:

- Develop a workspace accreditation application process
- Pilot this application process with 10 workspace providers
- Quantify resource requirements for running the application process and ongoing monitoring over a 1,3, and 5-year period
- Provide detailed evidence of potential value to 10 workspaces in terms of discretionary rate relief and any subsequent knock on effects on affordability of workspace
- Provide detailed quantitative information on impact from the 10 workspaces against the criteria set out in the accreditation application (acknowledging that many members of the Workspace Provider Group already prioritise affordability and community benefit) (i.e. evaluate the pilot)
- Consider medium to long-term governance and delivery structures and mechanics

RECOMMENDATIONS

Should the pilot be successful in providing evidence of likely buy-in and impact, it is currently estimated that a Pan London roll out could be delivered on the basis of 1 full time member of staff with a small amount of associated consultancy support in the early stages. The estimated annual cost of managing this would be in the region of £100,000, although clearly this would depend on the final shape, and take-up, of the accreditation scheme.

Further, more detailed, information on costs and benefits in terms of potential lost business rates income to Treasury, the GLA and Local Authorities and potential GVA linked to job creation is set out in the accompanying document 'Business rates are not working for London's open workspaces'.

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