

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 07/03/2022

**Subject:** Affordable Workspace Supplementary Planning Document

**Report of:** Councillor Andrew Jones, Cabinet Member for the Economy

**Report author:** David Gawthorpe, Team Leader, Policy and Spatial Planning

**Responsible Director:** Jonathan Pickstone, Strategic Director for the Economy

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## SUMMARY

This report seeks approval from Cabinet to adopt the Affordable Workspace Supplementary Planning Document (SPD). The SPD includes further information, evidence and guidance on local plan policies which seek affordable workspace particularly for small local businesses, start-ups and not-for-profit sector. The SPD takes forward the evidence reports' recommendations of focussing new provision on the 4 priority sectors identified in the Industrial Strategy and Local Plan: Creative and Digital; Financial and Professional; Life Sciences; and Manufacturing sectors. The guidance and evidence base will steer pre-application discussion, negotiations and support detailed planning obligations.

The SPD and accompanying evidence should improve implementation and delivery of policy objectives which reflect the Council's vision to see a stronger local economy that provides training and job opportunities for local people; and securing and promoting employment. The SPD also supports delivery of objectives of the Industrial Strategy and meets several of the Council's Business Plan commitments. The SPD and up to date evidence base will provide a stronger basis to negotiate developments and planning agreements with developers, to provide affordable space to support entrepreneurs and small businesses.

Loss of business premises through permitted development have increased land values which are unaffordable to small SMEs and start-ups, many of which serve our local residents. The SPD establishes more detailed guidance on the application of, and implementation of policies that seek affordable space in larger schemes, and more flexible space in a range of sizes and typologies to meet a clear borough need. This SPD can address social value as local charities and voluntary organisations can benefit from discounted rates. The SPD is accompanied by an evidence base report on viability of seeking discounted market rents and alternative affordable options. The SPD does not conflict with the adopted Local Plan and is also in conformity with London Plan policy objectives.

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## RECOMMENDATIONS

1. That Cabinet carefully considers the public consultation responses in Appendix 4.

2. That Cabinet approves the SPD for adoption incorporating amendments following the public consultation.
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**Wards Affected:** All

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The SPD seeks to address the mismatch between high rents and large floorplate office premises by requiring a proportion of small and flexible space at discounted rents and/or preferential terms. This ensures the significant SME, start up and not-for-profit sector can remain and thrive in the borough.
Creating a compassionate council	The council will be providing guiding principles for development which may be accessible to local charity and voluntary organisation. Local employment and apprenticeships are also required by Local Plan employment policies.
Doing things with local residents, not to them	Planning together for growth and well-being. Lists of local businesses, charities and residents looking for premises and/or apprenticeships will be maintained.
Being ruthlessly financially efficient	See financial impacts below.
Taking pride in H&F	Giving local businesses, start-ups and residents an opportunity to contribute towards the growth of the borough. Many local SMEs and the not for-profit-sector serve local residents too.
Rising to the challenge of the climate and ecological emergency	The council helping support local businesses and residents to remain locally, avoiding the need to travel out of the borough.

**Financial Impact**

The costs of adopting the Affordable Workspace SPD will be charged against existing revenue budgets, mainly those relating to staffing and minor printing costs within the Policy and Spatial Planning budget.

Comments and verification by Andrew Lord, Head of Strategic Planning and Monitoring – Corporate, January 2022

## **Legal Implications**

The preparation and adoption of the SPD is governed primarily by the Planning and Compulsory Purchase Act 2004 and the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended). They require that the SPD be in conformity with the London Plan and not conflict with the adopted development plan. This report confirms that the proposed SPD is not in conflict with the adopted development plan and conforms with the London Plan.

Once adopted, the SPD will supplement other planning documents such as the Local Plan and the London Plan. It does not provide new policy but provides more detailed guidance to the Local Plan policies. It will be a material consideration to which regard will have to be had when considering any planning application.

Poonam Rajput, Senior Planning Licensing Solicitor, 31<sup>st</sup> January 2022

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## **Background Papers Used in Preparing This Report**

None

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## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

1. The SPD provides guidance for development associated with Affordable Workspace. It contains a brief identification of the overarching policy context, including national and London wide policy relevant to the meeting local economic and business needs.
2. The SPD is informed by a comprehensive study into local demand, supply and viability of providing affordable workspace on major applications for new business floorspace. The evidence reports provide recommended approaches, and justify discounted rent levels. A flexible approach, taking into account site specific circumstances is recommended and reflected in the SPD. Support through other measures may be preferential in achieving the optimum outcome for the Council, such as discounted desks, flexible leases and managed workspace hubs including on smaller schemes below 1000 sqms. The SPD will set out a suggested workspace management plan to include management, reporting and monitoring measures through an approved provider, which will also be secured through planning obligations. As the document focusses on evidenced requirements and implementation, it provides an important resource for identifying and maximising the opportunity to meet the needs of a range of small SMEs, local start-ups, and non-profit organisations which otherwise could not afford to locate in the borough. This should help retain a more diverse local

economy, provide local residents opportunities to work close to home, retaining expenditure in the borough, and to go some way in offsetting losses of business space through permitted development.

3. The SPD provides guidance for applicants, planners and other stakeholders on the provision of affordable workspace in the borough. The SPD covers topics that frequently need to be addressed at pre-application stage, as well as post-decision such as drafting the planning obligations, when considering proposals and applications for development of affordable workspace. It is intended that this will better achieve delivery of policy objectives going forward.
4. The SPD sets out a range of requirements to be delivered through the planning application process, as well as more detail on implementation to ensure policy objectives are delivered:
  - Areas-based discounted market rents on a proportion of floorspace on large commercial schemes above 1000 sq. m gross;
  - Alternatives to discounted market rents which may be applicable to smaller schemes too – such as flexible leases; discounted desks; flexible workspace/cafe hubs;
  - Ensuring that existing affordable workspace/ SME occupiers are re-provided for in regeneration/redevelopment schemes;
  - Improving implementation and promoting early negotiations by setting out model Workspace Management Plans and links to Affordable Workspace Providers and local small businesses looking for premises;
  - Information on Payments in Lieu and End of Scheme reviews;
  - A flexible approach is promoted, focussing on key policy objectives, social value and optimal outcomes for the council.

The above requirements are justified as viable and recommended by the evidence base reports.

5. The Options available to the Council are as follows:
  - 5.1 To adopt the Affordable Workspace SPD incorporating amendments, as appropriate, following public consultation
  - 5.2 To withdraw the proposed SPD.
6. The recommendation is option one above, that the Council adopt the Affordable Workspace SPD incorporating the amendments following the public consultation. Option two would leave a gap in planning guidance for the borough which may preclude deliverability of local plan policy objectives and the key aims of the Industrial Strategy.

### **Post adoption requirements**

7. After adoption, it will be necessary under the Town and Country Planning (Local Planning) (England) Regulations 2012 to make the SPD available for inspection and to publish on the Council's website. The Council must also make an adoption statement available and notify any person who requested to be notified of the publication of the SPD. The Equalities Impact Assessment report (EqIA),

and summary of any comments made as a result of public consultation, will also be published on the website (see appendix 3). The adoption statement must be sent to the Secretary of State.

8. The Council are not required to carry out a sustainability appraisal for the SPD (this now only applying to development plan documents) pursuant to the Planning and Compulsory Purchase Act 2004. However, the SPD must be considered against the requirements of the Environmental Assessment of Plans and Programmes Regulations 2004 and a draft screening statement made available.
9. There were no objections to the council's view that the SPD was not likely to have significant environmental effects. As a consequence, the decision was taken that a Strategic Environmental Assessment (SEA) was not required because, amongst other things, the SPD is a lower tier planning policy document among the suite of council planning policy documents; it supplements existing adopted policy and does not introduce new policy; and it supplements adopted planning policies that have been subjected to Sustainability Appraisals.

## **Reasons for Decision**

10. To progress the Affordable Workspace SPD to adoption to ensure that up-to-date guidance is in place to support the adopted Local Plan and to comply with regulatory requirements
11. The adoption of the Affordable Workspace SPD will provide more detail on the application of the strategic and boroughwide policies in the Local Plan. The SPD will be a material consideration in planning decisions although it will not be part of the development plan.

## **Equality Implications**

12. An Equalities Impact Assessment (EQIA) has been carried out, in relation to the SPD (see appendix 3), and it shows only neutral or positive impacts of the planning guidance on protected groups.
13. The EQIA assists the Council in demonstrating compliance with its public sector equality duty under Section 149 of the Equality Act 2010.

## **Risk Management Implications**

14. The report sets out a clear rationale for adopting the Affordable Workspace Supplementary Planning Document (SPD). The SPD is intended to support, through information, evidence and guidance on local plan policies, the identification and introduction of affordable workspace, particularly for small local businesses, start-ups and not-for-profit sector. This is in line with the council priority of building shared prosperity to address the mismatch between high rents and large floorplate office premises by requiring a proportion of small and flexible space at discounted rents and/or preferential terms which will be available/accessible to SMEs and third sector organisations. The report also

demonstrates how the council priority of doing things with and not to residents through the consultation process has been addressed.

*Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel: 07817 507 695 – 28<sup>th</sup> January 2022*

## **Climate and Ecological Emergency Implications**

15. The public consultation and adoption of an SPD for Affordable Workspace enables the council to generate more affordable commercial floorspace in the borough. This is a topic-based SPD which does not contain any measures for mitigating climate change.
16. As the primary method of providing affordable office space is by securing discounts on commercial development, this is not expected to have a direct effect on emissions. However, as requirements for discounts will impact the profit margins of schemes, care should be taken to ensure at the application stage that costs are not recovered by reducing standards for energy efficiency, low-carbon or biodiversity. However, by providing affordable workspace in the borough there may be indirect benefits, such as reducing the need to travel outside of the borough to access affordable premises. Whilst the positive impacts of this SPD on climate change may be minimal, it will contribute towards strengthening the local economy and this in turn may be a driver for change and investment in green infrastructure.

*Implications verified by: Hinesh Mehta (Strategic Lead Highways, Parks and Waste tel: 0208 753 6703) – 31<sup>st</sup> January 2022*

## **Local Economy and Social Value**

17. Loss of office space through permitted development has driven up commercial rents to prohibitively high levels, meaning there is need to increase the amount of affordable workspace developed within the borough to reduce the burden on local SMEs. By adopting the SPD, the Council will offer clear guidance on the requirements to fulfil this need by providing details on best practice on the implementation of affordable and flexible workspace. This added clarity will help to meet local demand and support local enterprise.

*Implications verified/completed by: Sam Ridley, Economic Development Officer, 07766 720080 – 31<sup>st</sup> January 2022*

## **Section 106**

17. The Council has previously secured obligations for affordable workspace but on an ad hoc and case-by-case basis. The SPD relies on up-to-date evidence on the viability of new development to provide affordable workspace and will improve the overall quantum of affordable workspace to be secured on-site or through a payment in lieu. Further, it provides clarity, previously absent, on how the affordable workspace will be managed, ensuring the floorspace secured is used effectively.

*Implications verified/completed by: Matthew Paterson, Head of Spatial Planning tel: 07776672447 – 31<sup>st</sup> January 2022*

## **Consultation**

18. Public consultation on the draft SPD began on 19<sup>th</sup> November for 4 weeks until 17<sup>th</sup> December 2021 (see appendix 4). The SPD was made available at the borough reference libraries and on the Council's website, as set out in the Council's Statement of Community Involvement. Additional targeted consultation was carried out, including hosting a seminar on Teams and publicity via the Council's Twitter account. The Council wrote to specific consultation bodies outlined in the Regulations and to general consultation bodies, such as amenity groups, resident associations, businesses and others.
19. The Council received representations from 13 organisations and individuals. A brief summary of the consultation responses is set out below. Full details of the representations and how these have been addressed will be appended to the Cabinet Report (see appendix 4).
20. Detailed representations to the consultation were received from landowners and developers on key sites: Westfield Europe Limited (White City, specifically the Westfield London Shopping Centre); Patrizia, Romulus construction (major investors /developers in Hammersmith Town Centre), Yoo Capital (Kensington Olympia; Shepherd's Bush Market Site); and Stanhope plc. These were in the main, duplicate responses provided one agent. Deloitte; Earls Court Development Company (ECDC) and TfL Commercial also submitted comments representing major sites or landholdings.
21. Responses to the consultation were also received from the key stakeholders Natural England, and the H&F Disability Forum.
22. Overall, the majority of representations supported the principle of seeking affordable workspace in the borough.
23. Responses from landowners and developers criticised the evidence base reports, primarily on methodology and datasets used. This is not accepted, as the approach reflects locally commissioned evidence based on latest data and the methodology used in assessing viability is an 'industry standard'. It is therefore considered robust and reflects strategic and local context. A common thread between alternative methodologies is the application of site-specific considerations to viability on any particular scheme.
24. Objections that the SPD has not been legally prepared/consulted on were made by Westfield Europe Limited; Patrizia, Romulus Construction; Yoo Capital; and Stanhope plc. The objections are based on the belief that the proposed SPD is a Development Plan Document. This is not the case: the SPD production has been followed in line with legislation, including the consultation requirements. This Affordable Workspace SPD is a guidance document and not a statement to support the adopted development plan policies, and while being a material

planning consideration, it does not include new policy requirements. It is considered that the SPD clearly states that the Council will take into account viability on a case-by-case basis and that the Council will take a flexible approach taking into account site specific considerations in achieving the best outcome.

25. These representors, along with Deloitte, ECDC and TfL Commercial all objected to the lack of flexibility in the SPD, that it sets policy, and that the H&F requirements were more onerous in comparison with other boroughs. Officers consider that the former are a matter of misinterpretation. The responses in Appendix 4 consistently refer to the various points in the SPD where it is made clear the approach in the SPD will be applied flexibly and on a site by site basis. Planning regulations are clear that SPDs are guidance documents only, are a material consideration in planning decisions, but do not set policy.
26. All the major landowners/developers above made representations on viability of providing affordable workspaces on major sites, for example sites having competing priorities, the need to deliver major infrastructure, affordable housing, and costs in meeting new environmental policy requirements. It is noted that recent local plan work in London boroughs, backed up by viability evidence are justifying policies and SPDs requiring affordable workspace much lower thresholds, discounted rents higher above 25% in some locations; and with provision in perpetuity.
27. As recommended in the evidence reports, the SPD clarifies that a flexible, site-specific by site approach will be taken, with the overall aim to achieve the optimal outcome rather than stifle development and as such a range of measure included to promote affordable workspace delivery, such as discounted deskspace, flexibility and site-by site considerations are explicitly referred to.
28. A number of changes were suggested: ECDC sought to exclude Earls Court from the discounted market rents and floorspace requirements in Table 5.10, and the majority of the above developers sought similar changes and more wording on flexibility, to limit the requirement to uplift/net internal area. A number of more detailed changes, such as delivery timescales and phasing were made, however these are considered to be matters more appropriate to site-by-site discussions rather than a blanket inclusion in the SPD.
29. A small number of comments were received on matters not covered by the SPD. Natural England suggested the SPD seeks a range of urban greening measures alongside affordable workspace; the H&F Disability Forum sought more detail on promoting access for people with disabilities. It is important that a single-topic planning guidance document does not duplicate requirements set out elsewhere; however it is considered helpful and good practice to add an additional criterion within the template Workspace Management Plan (WMP) on meeting the needs of disabled people. Comments on implementation matters, such as working with affordable workspace providers, management, types of workspace, and skills

training and are noted as will be taken forward with the Council's Economic Development team.

30. Local residents raised some useful comments on local areas of availability, demand, supply and affordable workspace typologies, which have been noted, support for affordable workspace being made available to third sector organisations, and a suggestion that the Council provide working from home hubs with desks and Wi-Fi.

## **Summary of Post Consultation Changes**

31. As a result of the consultation, only minor changes are considered necessary to the SPD prior to adoption.
32. The proposed minor changes to the SPD resulting from the consultation responses are summarised below:

<b>Section of SPD/Topic</b>	<b>How the SPD will be amended</b>	<b>Reason</b>
Minor changes: formatting Chapter 4, p10 Image 1	<ul style="list-style-type: none"> <li>• <u>Insert a Key to Image 1 to explain the colour of each sub-area</u></li> </ul>	<i>In response to comments from TfL Commercial it is agreed that including a Key to Image 1, can improve clarification.</i>
Minor formatting change Paragraph 5.8	<p>Reformat bulleted list to make a sentence:</p> <ul style="list-style-type: none"> <li>• <u>Testing included a range of locations and floorspace/benchmark turnover rates, the current and 'normal' economic climate; and testing different levels of discounts.</u></li> </ul>	<i>There were many related comments on the evidence base and about the need to take a flexible, site by site approach to viability. Officers consider these matters are covered in both the Local Plan policy and in the SPD, nevertheless minor wording and formatting changes have been made to provide further clarity by separating out the description of evidence from the SPD requirements.</i>
Clarification: Formatting Paragraph 5.11	<p>Change last sentence in paragraph 5.11 to start new paragraph:</p> <p><u>Within the areas listed above...</u></p>	<i>Comments from Westfield Europe Limited sought clarification that the affordable workspace measures on Table 5.19 are not an exhaustive list and may also be applicable to schemes over 1,000 sqms. Officers agree that formatting changes to separate out the evidence base matters for SPD requirements can improve clarification.</i>
Clarification Paragraph 5.12	<p>Add text to 3rd bullet point:</p> <p><i>A mix of discounted rents and other</i></p>	<i>Comments from Westfield Europe Limited sought clarification that the affordable workspace measures on Table 5.19 are not an exhaustive list</i>

	<i>affordable /supportive measures <u>as suggested in Table 5.19</u> to meet needs of the start-ups/SMEs and priority sectors may be appropriate depending on site circumstances.</i>	<i>and may also be applicable to schemes over 1,000 sqms. Officers agree that minor wording and formatting changes can improve clarification.</i>
Clarification Table heading 5.19	Change to read <i>'<u>Examples of Alternative Measures to Support Affordable and Flexible Accommodation</u>'</i>	<i>Comments from Westfield Europe Limited sought clarification that the affordable workspace measures on Table 5.19 are not an exhaustive list and may also be applicable to schemes over 1,000 sqms. Officers agree that minor wording and formatting changes can improve clarification.</i>
Accessibility  Appendix A, paragraph 8.1.4	A new bullet point on accessible and inclusive design will be inserted into 'Points to Consider' <i><u>Ensure that Inclusive Design is integral to the build, fit out and management to ensure inclusive workspaces.</u></i>	<i>In response to the Disability Forum's comments to the SPD it is agreed that the SPD could be amended to clarify that new development of affordable workspace should be accessible and inclusive in terms of design and access, including access to new employment opportunities.</i>
Urban greening/climate change  Appendix A, paragraph 8.1.4	A new bullet point promoting urban greening measures will be inserted into 'Points to Consider' <i><u>That opportunities for urban greening measures and sustainable design are maximised.</u></i>	<i>Natural England sought additional wording to promote urban greening, biodiversity and tree planting. It is agreed that the SPD should be amended to clarify that these considerations are relevant to the development of affordable workplaces</i>
Minor changes: correction  Appendix B Table 8.2.3B	Payments in Lieu calculator: correction <ul style="list-style-type: none"><li>• Step 5 from J=(1xI) to J= (1/<u>I</u>)</li></ul>	<i>Officers are grateful that representations from Stanhope plc highlighted a minor typographical error which has been corrected.</i>
Minor changes: formatting  Chapter 4, p10 Image 1	<ul style="list-style-type: none"><li>• <u>Insert a Key to Image 1</u> to explain the colour of each sub-area</li></ul>	<i>In response to comments from TfL Commercial it is agreed that including a Key to Image 1, can improve clarification.</i>

33. Full details of the representations and how these have been addressed are appended to the Cabinet Report (see appendix 4). The minor text changes have been inserted into the SPD (Appendix 1).

## **LIST OF APPENDICES**

Appendix 1 - Affordable Workspace SPD

Appendix 2 - Affordable Workspace Viability Reports; Hatch/Turley 2020-2021

Appendix 3 – Equalities Impact Assessment

Appendix 4 – Affordable Workspace SPD Representations Schedule