A report by

For

Devon County Council

LOW CARBON WORKSPACE TO MEET THE NEEDS OF MICRO AND SMALL BUSINESSES

IN DEVON

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1 EXECUTIVE SUMMARY

1.1 CONTEXT

1.1.1 Technology, transport costs and quality of life factors are fundamentally changing the way we work. Whilst the 'traditional' office space, hours of work and commuting continue to dominate our working practices, it is evident that growing numbers of people are pursuing a different approach to work – an approach that provides more freedom, greater choice and potentially greater benefits for communities, the environment and for economic performance.

1.1.2 There is not always a clear relationship between changes in working practices and employment space needs. The concept of spaceless growth, or more accurately landless growth, has featured in employment space assessment work over the last few years. It relates to the potential to create employment or generate greater productivity, without needing to develop land. There are a number of ways of achieving landless growth, including decreasing input (of 'materials') and increasing output and increasing employment densities. However, for market and coastal towns – upon which this report focuses – there is significant merit in re-using existing buildings to achieve landless growth. This approach will be enhanced by smart use of these buildings – by more businesses than they can contain at any one time. We elaborate further on this approach in the main report.

1.1.3 Managed workspace, specifically 'workhubs', continue to evolve and respond to growing demands from those that are taking a different approach to working; to the needs, specifically, of micro businesses and SMEs; and to the needs of home based businesses and the self-employed. That response centres on flexibility, of space and time, and collaboration between businesses.

1.1.4 Devon has the strengths and opportunities to secure successful and sustainable managed workspace / workhubs. These, for example, relate to the high numbers of home based and micro businesses; the high number of self-employed people; Devon's geography – it's dispersed market and coastal towns; it's active business networks, with the opportunity to improve on these; its ambitions for a low carbon economy and low carbon living, reducing commuting for example; its quality of life and the opportunity to attract investment from SMEs and micros on that basis. All these factors underline the strong need for high quality managed workspace.

1.1.5 It is evident that Devon County Council recognises the potential for new / improved managed workspace to facilitate business support and growth. That is not only clear from the commissioning of this study, but from various policy (e.g. Devon Employment Space Strategy), research (e.g. Local Economic Assessment) and delivery (e.g. Cullompton Library) activities.

1.2 COMMISSION

1.2.1 REDC, Vickery Holman and the Live/Work Network were appointed by Devon County Council in January 2010 to undertake a detailed survey to assess demand for managed workspace in Devon.

1.2.2 In essence, DCC require advice on the best locations for potential investment in viable, sustainable managed workspace; the nature of managed workspace, to cater for the needs of businesses and to facilitate business support and growth; and the potential for that workspace to accommodate public sector employees and community facilities.

1.3 DEFINITIONS

1.3.1 A broad definition has been used throughout the study, namely "Office facilities, workshop units and flexible workspace, with some on-site support mechanisms."

1.3.2 This has resulted in a review by us of three broad types of managed workspace:

- Traditional managed workspace, such Basepoint, both in Exeter; Woodlands Enterprise Centre, South Molton or Okehampton Business Centre.
- Innovation Centres, such as at Exeter University and South Devon College, Paignton
- Workhubs, such as Forward Space's hubs in Frome, Somerset, and Holt, Wiltshire.



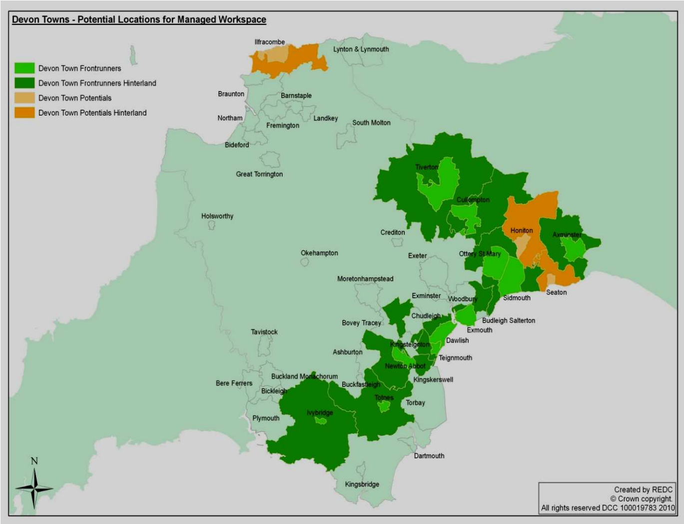
1.4 DRIVERS

1.4.1 There are a number of drivers of demand of managed workspace, which apply across the UK but are arguably more evident in Devon than most other places. These include the growth in home based businesses and freelance workers, but their continued need to interact, network and collaborate; micro businesses and SMEs want space to grow on and expand; people, businesses and organisations seeking greater flexibility in terms of tenancy, use of space and cost; the increasing importance of business interaction and collaboration; the strong desire to reduce or remove the impacts, particularly on time, cost and carbon, of commuting to work; public sector spending cuts, which are driving smarter investment in, and use of, buildings and co-location of private, public and third sectors; the increasing recognition of buildings themselves providing a service, with businesses paying only for the time used - a “pay as you go” approach.

1.5 WHERE IS MANAGED WORKSPACE NEEDED?

1.5.1 We have used a series of measures to determine those locations that need and could support provision of managed workspace. These measures include the concentration of micro, small and medium sized businesses in Devon; concentrations of self-employed people and employees working from home; concentrations of DCC employees and existing managed workspace. As an example of how public sector property assets could be used to help facilitate the development of further managed workspace we have also examined DCC owned property assets.

1.5.2 These measures, when assessed alongside one another, provide a clear indication of demand for managed workspace in fourteen market and coastal towns across Devon.



1. **Ilfracombe**
2. **Tiverton**
3. **Cullompton**
4. **Honiton**
5. **Axminster**
6. **Seaton**
7. **Ottery st Mary**
8. **Sidmouth**
9. **Exmouth**
10. **Dawlish**
11. **Teignmouth**
12. **Newton Abbot**
13. **Totnes**
14. **Ivybridge**

1.5.3 Alongside the use and analysis of existing data sets, we surveyed 100 property and commercial agents across Devon. We received a 20% response rate to the questionnaire, of which 45% were from agents working across Devon wide, 45% from agents advising micro businesses, 60% advising small businesses and 70% advising medium-sized businesses. The responses provided a market facing insight into the locations of demand, business interest in managed workspace, services required of managed workspace and barriers to development / use of managed workspace.

1.5.4 The responses from agents correlated well with our analysis of data. Based on views of agents, we have added two further towns – Tavistock and Barnstaple – to the fourteen identified. Consequently 16 market and coastal towns were taken forward for further assessment.

1. **Ilfracombe**	9. **Exmouth**
2. **Tiverton**	10. **Dawlish**
3. **Cullompton**	11. **Teignmouth**
4. **Honiton**	12. **Newton Abbot**
5. **Axminster**	13. **Totnes**
6. **Seaton**	14. **Ivybridge**
7. **Ottery st Mary**	15. **Tavistock**
8. **Sidmouth**	16. **Barnstaple**

1.6 WHAT TYPE OF WORKSPACE IS NEEDED?

1.6.1 We sought the views of businesses - a business perspective - about their preferences for specific locations of managed workspace, within the framework of the 16 locations previously identified, and the type of managed workspace (services etc) they want to see provided in those places. We have done this via on line, electronic and hard copy versions of two questionnaires and issued these to a significant number of businesses and business networks. We have targeted these specifically at the 16 places identified above, but also utilised wider business networks in the South West and Devon.

1.6.2 There are two versions of this questionnaire, one for home based businesses (commonly referred to as ‘below the radar’ businesses) and one for ‘above the radar’ businesses. Both questionnaires were agreed with DCC, not least to ensure that Local Economic Assessment issues were picked up in the questionnaires.

1.6.3 We also liaised with a number of major businesses in Devon, to assess their need for managed workspace or ability to provide managed workspace. Those businesses did not reveal any need for such space or ability, using their property assets, to provide space.

1.6.4 In the light of a lack of responses to the business questionnaires, for the reasons set out above, we have reviewed the outcomes of other surveys, to identify issues that overlap with this study, and reviewed our assessment of demand and supply in the sixteen identified towns and added to this the outputs of our survey of agents and liaison with EDOs, with a view to identifying priorities for investment. This resulted in a broad prioritisation of places for potential investment, but which will require further assessment, working closely with businesses (especially those ‘under the radar’), business networks and business representatives.

Priority 1 locations:
Ilfracombe
Exmouth
Newton Abbot
Totnes
Priority 2 locations:
Barnstaple
Axminster
Cullompton
Tiverton

Dawlish
Ivybridge
Tavistock
Teignmouth

1.6.5 Working closely with Economic Development Officers, managed workspace providers and managers, we reviewed the nature of existing provision of workspace and sought views – a managed workspace perspective - on what future provision of managed workspace might look like.

1.6.6 Based on our review of a range of different managed workspaces, and the symbiotic relationship between good managed workspace and successful businesses, we believe there are two types of managed workspace that would provide support for, and facilitate growth of, SMEs and micros in Devon.

1.6.7 The first of these is workhubs - located in / close to town centres, re-using existing buildings, and providing very flexible, affordable space / use for businesses, as well as considerable levels of mentoring. These spaces are likely to be privately managed, probably as part of a wider network, but could be public sector owned (but will need a 'light touch' approach from the owner).

1.6.8 The second type is what we've termed 'traditional plus' workspace, which utilises the more traditional model of managed workspace, similar to Woodlands, and adds a greater degree of flexibility, business support and collaboration than we have seen to date in those sorts of spaces. These workspaces are more likely to be new build and, as such, could require considerably more financial resource input than work hubs. These spaces are likely to be public sector owned and managed, probably as part of a network, and may include workshops. They are likely to be provided by a combination of funding streams, potentially including developer contributions.

1.7 ACHIEVING SUCCESSFUL WORKSPACE

1.7.1 Successful managed workspace combines two main revenue streams:

- Core income from renting (studio / office) space, full time, to 'destination' users i.e. those businesses that tend to occupy space on a permanent basis. Core income should equate to at least 70% of total income.

- Additional income from renting space, on very flexible terms, to occasional ‘drop in’ users or members i.e. those businesses that use space infrequently.

- We believe there is the potential for a third main income stream, adding to the core / additional income, namely public sector use or community space / cafe / event space etc.

1.7.2 Through our knowledge of managed workspace and key issues emerging from this study, we are able to signpost the ingredients of successful managed workspaces. These ingredients apply to the two types of workspace (as outlined in paragraph 23) identified in the report. These ingredients relate to ownership, management, collaboration, location, use of space, design, business support and cost.

1.7.3 We have provided some guidance on capital, premises and operational costs, alongside income generation estimates. These will help inform investment decisions. In broad terms managed workspace should / may:

- Provide flexible space for core (destination) users and for less frequent (drop in) users.

- Require some support to ensure they are sustainable over the long term. In the case of public sector owned / managed workspace, 2 – 3 years may be required before breakeven point is reached but it should at least cover its costs or make a profit thereafter. Private sector owned and managed workhubs do not, in themselves, appear to generate large profits.

- Managed workspace is only likely to yield substantial profits, and provide business benefits, when economies of scale are applied and they are run as a network, sharing staff and service costs.

- Managed workspace must support more businesses than can, at any one time, occupy space within the building.

- Managed workspace should not be less than 5,000 sq ft lettable area. The ‘networked’ area should be around 30,000 sq ft or more.Managed workspace should look to achieve a 90% occupancy rate.

1.8 CONCLUSIONS AND RECOMMENDATIONS

1.8.1 There is already some provision of traditional managed workspace in Devon. DCC is seeking to provide more space, for example in Cullompton, to meet the less traditional needs of smaller businesses. There is significant demand for managed workspace, from micro and home based businesses especially and in market and coastal towns. The provision of the two types of workspace, that we've identified in this report, will provide for a range of businesses, business sectors and will add value to businesses in a number of ways – for example through business mentoring and use of high capacity broadband.

1.8.2 Successful and sustainable managed workspace will help deliver the following outcomes, namely business support and growth, reduced CO_2 generation, development of ICT hubs and skills centres, provision of community facilities, potential use of public sector assets and provision of cost-effective workspace for public sector staff.

1.8.3 We provide a number of recommendations to help secure sustainable and successful managed workspace. These include investment options for public sector partners, in terms of location and type of facility, but also reference:

- The need to provide a network of managed workspace, to improve viability and impact;
- The use of managed workspace to 'sell' the benefits of high capacity broadband and speed up delivery of next generation broadband;
- The importance of supporting collaboration between businesses and within managed workspace;
- The need to ensure form follows function in terms of design quality;
- The potential for public sector use of managed workspace to provide substantial core income;
- The opportunity to deliver managed workspace through a challenge-style fund or through Joint Venture arrangements.

2 COMMISSION, AIMS AND OBJECTIVES

2.1 Report Structure

2.1.1 The report structure around the relatively sequential tasks included within the agreed brief, as set out in Section 1.2 below, namely:

- **Introduction: Section 1** provides details of the report structure; the aims and objectives of the commission; the desired outcomes for managed workspace provision; the approach we have taken to delivering this commission and, importantly, definitions of managed workspace.

- **Context: Section 2** provides an overview of the national, regional and local trends leading to the demand for managed workspace and the acknowledgement of / changes to traditional patterns of work. Within this section we reference other studies, in Devon, that help to support the key messages from this commission. We also identify some strengths, opportunities and challenges for the public sector in seeking to satisfy demand from businesses for workspace that meets their needs.

- **Locations: Section 3** takes a view across Devon and identifies demand for, and supply of, managed workspace in the County. It does this in two ways. Firstly it reports on demand and supply by using existing data to assess a number of agreed measures. Secondly it reports on the outcomes of a market facing assessment, namely a survey of 100 property and commercial agents, to assess market demand. These two assessments allow the identification of a small number of towns in which demand for managed workspace is very likely to be strong.

- **Nature: Section 4** considers what sort of space businesses want. We report on the outcome of a business and location specific survey. We review existing managed workspace, in Devon and elsewhere, to learn lessons for future provision of workspace. From a series of meetings with workspace providers and managers, and from discussions with major employers, we identify two types of future workspace in Devon to meet the needs, specifically, of micro and small businesses, self-employed and home based businesses, and freelancers.

- **Ingredients:** On the basis of the outputs from sections 2 – 4, **Section 5** identifies the ingredients of successful managed workspace. We suggest a model approach which partners may wish to pursue and signpost eight critical factors for successful workspace. Based on discussions and research, we outline key / broad capital and revenue issues to consider in providing successful managed workspace.

- **Conclusions: Section 6** provides nine recommendations to help guide successful implementation of new managed workspace in a small number of market and coastal towns in the County.

2.2 Commission

2.2.1 REDC, Vickery Holman and the Live/Work Network were appointed by Devon County Council in January 2010 to undertake a detailed survey to assess demand for managed workspace in Devon.

2.2.2 Key elements of the work included:

- A focus on market and coastal towns; on micros and SMEs; on existing and future workspace provision;
- A look across Devon and, through survey and analysis, a gradual narrowing of view to a small number of key places for potential investment in managed workspace;
- Desk based research to assess trends relating to and demand for managed workspace in Devon;
- Market facing surveys involving property and commercial agents and micro, small and medium sized businesses;
- Engagement with a variety of managed workspace providers and managers, including Economic Development Officers in Devon, in and outside Devon;
- Liaison with DCC Estates on the nature and availability of DCC land and property assets, as an example of how public sector property assets could be used to facilitate managed workspace development.
- Reporting of the ingredients of successful and sustainable managed workspace and ways in which it can provide for greater business support and growth;
- Regular reviews and reporting of progress with DCC.

2.3 Definitions

2.3.1 It's important to be clear about what we mean by managed workspace. In accordance with the brief, a broad definition has been used throughout the study, namely:

- "Office facilities, workshop units and flexible workspace, with some on-site support mechanism."

2.3.2 In reality this has resulted in a review of three broad types of managed workspace, namely:

- **Traditional managed workspace** in urban areas, such as Basepoint, and in more rural or edge of town settings, such as Woodlands Enterprise Centre, South Molton or Okehampton Business Centre.
- **Innovation Centres**, such as at Exeter University and South Devon College, Paignton
- **Workhubs**, such as Forward Space's hubs in Frome, Somerset, and Holt, Wiltshire.

2.4 What's the difference between these workspaces, generally?

2.4.1 It is important to recognise that all three types of workspace are different in themselves and, in many ways, different from the traditional work place.

2.4.2 The **traditional work place**, namely large office buildings, business parks and science parks, is usually rented space, on long term, relatively inflexible tenancies. They are generally used between 9am and 5pm, by daily commuters who work for a large employer and have a fixed space within that building. They include meeting rooms that are generally for use only by those who occupy the floor space.

2.4.3 **Innovation centres** and **traditional managed workspace** are similar to each other in a number of ways. Both are aimed at relatively small businesses and aiming to provide some support to those businesses – although this support tends to be less evident in Regus or Basepoint type space. Innovation (and incubation) centres, as the name suggests, tend to be targeted at 'high growth' businesses and are located close to HE / FE establishments. Space within these buildings is rented and the rented space is used only by one business at a time. There are, however, also significant differences. Managed workspace, in an urban environment, provides a high quantity of office space, tends to be fairly utilitarian and traditional in design, and located on large business parks. Managed workspace located in market and coastal towns provide space for a smaller number of businesses, has an attractive rural setting (often a key factor in business location decisions) and seeks to achieve a high environmental performance rating, certainly if constructed recently (e.g. Woodlands Enterprise Centre and Okehampton Business Centre).

2.4.4 There is a very different look, feel and atmosphere within a **workhub** to that of a more traditional work place, to innovation centres and traditional managed workspace. Workhub's target 'audience' are generally small businesses or 'remote' employees. These are often home based businesses who need space to work from on an ad hoc basis (but not as a replacement for workspace at home), and micro or small businesses who want small office and grow on space. Workhubs tend to operate on a combination of membership and tenancy. Members share space with other users, there is no fixed space for any member. This works on the same basis as gym membership. Tenants tend to occupy small lock up leave offices. Tenants or members use the space in a very flexible way; they can come and go at any time of day, for short or long periods of time, for a few hours a month or a few hours a day. This reflects lifestyle choices. Workhubs provide a significant degree of business mentoring, a very hands-on approach and promote collaboration between businesses.

2.4.5 These differences – and some similarities – are set out in more detail, with illustrations, below and in Section 4. The commentary included with the images provides a general summary. Greater detail is available in Appendix 1.

2.4.6 We report, in Section 4, on the key differences between those types of space and, in Section 5, on the ingredients of success (or 'failure') for managed workspace. The ingredients reflect not only the requirements of successful managed workspace, but also for successful micro businesses and SMEs, for home based businesses and self-employed people. These, taken alongside identification of 'hot spots' of demand and specific business needs (looking forward), allow us to provide a clear guide to public sector partners, on the nature of potential investment in two specific types of managed workspace.

Illustration 1: Woodlands, South Molton (Tradition Managed Workspace – town / rural setting)

Woodlands provides 7 individual office units ranging in size from 1,000 sq ft (5 units) to 2,000 sq ft (2 units). The larger units are currently vacant. Other units are used by creative industries, resource based businesses (e.g. water services), healthcare services and food and drink businesses. It provides secure access 24/7, a fully equipped meeting and training room and a reception area (unstaffed at present). Business support services are provided via Business Link. There are some informal networking activities between tenants. Cost of space varies from £5.30 / sq ft for smaller units to £4 / sq ft for larger units, excluding service charge (£0.4 / sq ft). The building opened in 2008 and has a high environmental performance rating. There is a 3 year time limit on tenancy.

Illustration 2: Okehampton Business Centre (Tradition Managed Workspace – town / rural setting)

The Centre provides 13 offices and 3 workshops, with units ranging from 280 sq ft to 1,120 sq ft. One unit is currently vacant. Cost of space varies between £12 / sq ft for offices and £6/ sq ft for workshops, with service costs adding £6 and £4 per sq ft respectively. Existing tenants include creative industries, environmental and professional services (e.g. Vets). It provides secure access 24/7, training and meeting rooms, a reception area and business support via West Devon BIP. There is a 3 year limit on occupancy. The building opened in 2009. It has a high environmental performance rating.

Illustration 3: Basepoint (Tradition Managed Workspace – urban location)

Basepoint, Marsh Barton, Exeter provides 68 individual units comprising 52 offices and 16 workshops. Units range in size from 124 sq ft to 694 sq ft. There is one unit of 8375 sq ft. Costs are approx. £30 / sq ft for office space. There are virtual office facilities (at £40 pcm) or 'post box' services (at £60 pcm) available. It provides high spec ICT, 24/7 access, conference suites and meeting rooms, reception and on-site staff. Business activity on site includes manufacturing, wholesale, professional services, social enterprises, environmental services and other light industrial uses. Basepoint is a not-for-profit company.

Illustration 4: Paignton Innovation Centre (Innovation / Incubation centre)

The Innovation Centre is located within South Devon College and has resulted from conversion of ground floor space. It provides 11 office units, 26 desk spaces in an open plan office, 2 hot desks and high capacity broadband. Office units are up to 250 sq ft. Costs range from £27 / sq ft (incl service charge) to desk space at £130 pcm. Virtual tenants pay £30 pcm to use the centre as a postal address and occasional meeting space. There are regular networking events and mentoring activities. Existing tenants include tourism businesses, advanced technologies, social care services, social enterprises. There is a 3 year limit on occupancy.

Illustration 5: East Devon Business Centre (Tradition Managed Workspace – town / rural setting)

The business centre, on the edge of town, was built in 1998/99 and provides 20 individual offices, with 16 available for rent. These range in size from 114 – 495 sq ft, in cost from £40 / sq ft for smaller units and £23 – 25 /sq ft for larger units. This cost covers energy and maintenance costs. Businesses have 24/7 access, access to fully equipped meeting rooms (also let out for training purposes). The business centre is fully occupied and has a waiting list of tenants. There are some networking events and some business services (copying etc) are provided by reception staff. There is a 3 year limit on occupancy.

Illustration 6: Forward Space (The Old Church School), Frome (Workhub)

This workhub in the centre of Frome opened in 2007, following conversion of the Grade 2 listed building. It comprises 6,000 sq ft net lettable area, including 6 office units, 28 work stations for co-working and 3 meeting rooms. Office units cost £15 / sq ft, excluding service charges of £7 /sq ft. Co-working space is charged out on very flexible arrangements e.g. 8 hours pcm at £20 pcm, 60 hours pcm at £150 pcm. Users have 24/7 access, high spec ICT and significant networking opportunities. There are good links with HE / FE and the operator provides 'business angel' support. Tenants include creative industries, ICT companies, professional services and environmental consultancies. The offices are 100% occupied, there are 20 registered businesses using the workhub and there have been no business failures.

Illustration 7: Forward Space (Glove Factory Studios), Holt (Workhub)

This rural workhub, in Wiltshire, opened in 2009 following conversion of a former factory. It is on a main bus route with 50 services per day. It provides 6 individual studios, co-working space, a meeting room, project space and outdoor meeting / exhibition space. It has a café. Units range in size from 215 – 2152 sq ft, with a total lettable space of 8,000 sq ft over 3 floors. Studios cost £20 / sq ft plus £5 – 7 / sq ft service charge. Co-working space is charged out as per The Old Church School. It has a 'host' (receptionist), on site business support and high spec ICT.

2.5 Objectives

2.5.1 The brief for the study includes a number of objectives, as follows:

- Assess the known and latent demand for managed workspace in Devon using existing data and trend information augmented by surveying a significant sample of businesses, commercial and property agents and key partners across the county.
- Explore different options through this research for developing managed workspace, including geographic and sectoral targeting.
- Advise on the potential role and investment opportunities for the public sector.
- Explore any linkages with ICT hubs, flexible working options for public sector staff and adult and 14-19 skills centres.

2.6 Outcomes

2.6.1 Following the inception meeting it was agreed that the provision of managed workspace should achieve the following outcomes:

- Facilitate business support and growth, specifically SMEs and micros.
- To reduce commuting time / distance and CO2 emissions from commuting.

- To establish links with ICT hubs, skills centres and other services of value to the community / businesses.
- To explore how public sector property assets could be utilised, using DCC owned property as an example.
- To provide potential workspace for public sector employees.

2.6.2 The first of these outcomes was identified by DCC as being most important. However, the remaining four outcomes will in themselves provide business support and facilitate growth, either directly or indirectly.

2.6.3 Critically, it was also agreed that the focus of the work would be on demand and supply of managed workspace in Devon's market and coastal towns.

2.7 Our Approach and anticipated outputs

2.7.1 Our approach has centred on a series of 'surveys and analyses' to achieve particular outputs, as follows:

1) Review and analysis of data (from Census, Nomis, ABI, LFS etc).
2) Survey of property and commercial agents.

The **output**, anticipated at the outset of the study, was for elements 1 and 2 to enable identification of approximately fifteen market and coastal towns that show a need for managed workspace.

3) Review of different types of workspace provision and liaison with workspace owners / providers
4) Engagement with Economic Development Officers and DCC Estates

The **output**, anticipated at the outset of the study, was for elements 3 and 4 to enable identification of best practice and opportunities, against which potential public sector investment or support can be tested.

5) Survey of businesses in approximately 15 towns, to better define need and opportunities

The **output**, anticipated at the outset of the study, was for element 5, coupled with an understanding of supply issues and broad business need, to help identify between three and five towns in which investment in managed workspace could best deliver on outcomes

6) Review of opportunities for workspace provision in those three to five towns, including headline advice on the nature of that provision, likely costs and impacts.

The **output** of element 6, as identified at the outset of the study, was for it to provide a clear ‘signpost’ for public sector partners on locations for investment and level of investment.

2.7.2 We have liaised with DCC regularly during the course of the study, including verbal and written reports at key stages of the study. We have worked the advice and suggestions provided at those stages into the study and this report.

3 CONTEXT

3.1 Changing our working practices

3.1.1 Technology (mobile phones, e-mail, internet, broadband, video conferencing, virtual file sharing systems etc), transport costs and quality of life factors are fundamentally changing the way we work. Whilst the 'traditional' office space, hours of work and commuting continue to dominate our working practices, it is evident that growing numbers of people are pursuing a different approach to work – an approach that provides more freedom, greater choice and potentially greater benefits for communities, the environment and for economic performance.

3.1.2 Managed workspace, specifically workhubs, continue to evolve and respond to growing demands from those that are taking a different approach to working; to the needs, specifically, of micro businesses and SMEs; and to the needs of home based businesses and the self-employed. That response centres on flexibility, of space and time, and collaboration between businesses – but much more on this later in the report.

3.1.3 The data and comments set out below illustrate the potential for new managed workspace in Devon, not least in providing for the existing and future needs of small businesses, perhaps complimenting more traditional and larger office space, such as Science Parks.

3.2 The Data Picture

3.2.1 We provide below an insight into, and flavour of, general trends leading to demand in workspace for home based businesses, self employed people, freelancers, micro and small businesses. Anecdotal evidence suggests that demand for small, flexible workspace has increased during the recession. For example, Basepoint in Exeter has reported an occupancy rate of 78%, only a few months after opening, against a business plan forecast of around 40% occupancy for the same period. Caddsdown Business Centre has seen a slight reduction in occupancy, with some small businesses reducing their overheads by working from home. These examples illustrate the continuing need for small, flexible office / studio space and shared space for co-workers, hot-desking for those businesses or employees working from home.

3.3 The national picture in a nutshell....

3.3.1 More than 40% businesses are now home based[1]. This is more pronounced in rural areas, with around 12% (750,000) of economically active people in rural districts working from home[2] . We know that home working doubled between 1999 and 2001 and that, between 1999 (2.9 M people) and 2004 (3.3M people) there has been a 12.5% increase in home working across the UK. This trend in home working looks set to continue. Around two thirds of home workers are self-employed and self-employment is high in rural areas, such as Devon, with more than 50% work at/mainly from home[3]. It is also worth noting that around 4% of employees also work from home[4] and we expect this figure to continue, specifically in the South West and Devon with a high reliance on public sector jobs, public sector resource reviews, a move towards modern working practices and, generally, a dispersed settlement pattern.

3.3.2 There are a number of key points to make in relation to this data and this study. Firstly, recent Labour Force Surveys show the trend, of home working, and in self-employment, continuing to grow in rural areas. Market and coastal towns provide a 'hub' for rural areas. Secondly, most businesses in the UK now start at home and, as widely appreciated, start ups and young businesses need support. Support can be provided from managed workspace.

3.4 And in the South West.....

3.4.1 A report (Tomorrow's Property Today) published in 2008[5] showed there were more home based workers (160,000) in rural districts than in urban centres (90,000) in the South West and that all Districts in Devon had above average levels of home based working.

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1 Dti 2005; Tomorrow's Property Today 2008

2 Census 2001

3 Labour Force Survey

4 Labour Force Survey

5 Tomorrow's Property Today 2008

3.4.2 More recent Labour Force Survey figures (2001 – 2009) show the number of all workers rose by 4% in the South West (4% nationally); the number of homeworkers rose by 34% in the South West (26% nationally); and the number of self-employed homeworkers rose by 48% in the South West (31 % nationally).

3.4.3 There were 344,400 self employed people in the South West in the year up to March 2009[6]. This represents 14.3% of those in employment in the region - the second highest rate in the country after London and 1.7 % above the England average. Additionally, the South West region has the highest part-time working rate in the country[7]. Between April 2008 and March 2009, 641,600 people worked part-time in the region, representing 26.7% of all of those in employment, compared to an English average of 23.8%. Women are four times more likely to work part-time than men in the South West - a pattern that is reflected across the country. Many women choose to work flexibly to enable them to balance work with child care responsibilities.

3.4.4 The key points arising from this data, and our understanding of homeworking, are that the South West is a 'hot spot' for home working. We know many freelancers, micro and small businesses based at home need to collaborate to ensure business success. We also know homeworkers need an 'HQ', that itself supports home working and collaboration. There are high levels of self-employment in the South West. This can, on the one hand, represent a strong culture of entrepreneurship and enterprise. On the other, elevated levels of self-employment can be an indicator of economic stress and represent a lack of other employment opportunities.

[6] State of the South West 2010, SWRO

[7] State of the South West 2010, SWRO

3.5 More locally, data for Devon

3.5.1 Devon has a population of approximately 750,000, 58% of which are of working age. There are about 67,000 (14%) self employed people in Devon, which is high in comparison to the South West (11%) and UK (9%). Self-employment rates tend to be higher in rural areas than urban areas due to the types of sectors, business sizes and employment opportunities present[8]. It is also worth noting a distinct gender difference, with the number of self-employed females in Devon being around double the number in the UK. The number of self-employed males in Devon is around 50% higher than in the UK as a whole[9]. A number of reasons for this are suggested above.

3.5.2 In terms of business composition there are approximately 39,000 micro businesses, 5,400 small businesses, 1,150 medium sized businesses and 230 large employers[10]. We know that many micros and small businesses are home based. There are around 38,400 home based businesses (HBB) in Devon and a further 46,500 employees also work from home. This results in a total of around 85,000 people – representing a very significant 20% of the working age population – working from home.

3.5.3 There are 32,600 VAT registered businesses which, given the number of businesses in Devon, indicate a significant number of businesses that are under the 'radar'.

3.5.4 The salient points here, reflecting Devon's geography, economic performance and our knowledge of managed workspace provision are as follows: Market and coastal towns provide great locations for 'HQs' for home-based businesses, SMEs, micro's and self-employed people. These locations 'capture' businesses from a relatively wide rural hinterland. It is also argued that high quality managed workspace, to meet business needs, in towns tends to provide wider regeneration and community benefits. Additionally, managed workspace can help reducing commuting and congestion and, hence, reduce carbon impacts.

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[8] State of the South West 2010, SWRO

[9] ABI data

[10] ABI data

3.6 Specific Drivers of Demand for Managed Workspace

3.6.1 There are a number of specific drivers of demand, which apply across the UK and, as we suggest below, are also reflected in Devon. The issues outlined below are based on our knowledge of managed workspace, business needs and wider socio-economic factors.

3.6.2 It is widely appreciated that home based businesses and freelance workers experience isolation. They need and use managed workspace to interact, network and collaborate. Many micro and small businesses want space to grow on and expand. Managed workspace can provide that space, as well as the opportunity to collaborate and network. Business interaction and collaboration is increasingly important, so that costs, ideas, knowledge can be shared; so that local supply chains can be utilised to best effect, for example.

3.6.3 There is a growing trend of large employers looking to localise their services, to decentralise by encouraging employees to work at home. BT is a good example of this and we're aware of a number of public sector employers, actively seeking to bring about a culture change in working practices in their organisations.

3.6.4 For reasons set out in this report, people, businesses and organisations are seeking greater flexibility in terms of tenancy (e.g. easy in easy out arrangements), use of space (e.g. by month, day, hour) and cost (traditional office spaces can be expensive to maintain). There is an increasing recognition of buildings themselves providing a service, with businesses paying only for the time used - a "pay as you go" approach.

3.6.5 There will continue to be a drive for a low carbon economy. Whilst there will still be some reliance on business parks, industrial estates and innovation centres there is a growing recognition that these tend to rely heavily on new build and commuting. A different approach is needed, as indicated above. This approach should help reduce the impacts, particularly on time, cost and carbon, of commuting to work on a frequent basis.

3.6.6 As suggested above, the economic downturn is also playing a part. Businesses are looking to reduce costs (in staff and premises), but still need an 'HQ' to work from. This is illustrated in two of our case studies.

3.6.7 Finally, Public Sector spending cuts are driving smarter investment in, and use of, public sector assets, including buildings. This has already and will continue to include co-location of public sector services and is likely to witness the greater co-location of private, public and third sectors, such as we saw at the Paignton Innovation Centre.

3.7 A growing recognition and promotion of the need to promote a better range and choice of workspace

3.7.1 The recognition of the need to actively promote a change in work practices, and to provide smaller, more flexible workspace, is reflected in a number of national, regional and local strategies, documents and plans, which themselves reflect a rapidly changing global economy and rapid changes in technology.

3.7.2 At a national level the importance of a low carbon economy and low carbon lifestyles is recognised in a range of Planning Policy Statements for example. Matthew Taylor's report (Living Working Countryside) highlighted that rural areas have higher levels of micro and small businesses and home based working. It raised concerns about the priority being given to development in larger settlements, in preference to and at a cost to rural development. The new PPS 4, Planning for Sustainable Economic Growth, promotes a proactive approach to employment space in rural areas, as a consequence of Matthew Taylor's report.

3.7.3 At a regional level the Regional Economic Strategy and emerging Regional Spatial Strategy provide significant policy support for businesses, for enhanced economic opportunities, for a better balance between jobs and houses, in crude terms, to promote more sustainable communities. The RSS acknowledges the need for employment space to be provided in towns and rural areas.

3.7.4 At a more local level, the Devon Structure Plan promotes Area Centres and the need to reflect, in housing and employment provision for example, the role and needs of towns and rural areas. The Devon Economic Strategy prioritises a number of communities, the importance of community 'asset' development and the need to integrate regeneration activities. The Devon Employment Space Strategy recognises the need to better understand and promote managed workspace.

3.7.5 The findings of the Devon Renaissance Business Survey, undertaken between November 2008 and January 2009, support the provision of managed workspace. For example, it states:

- “There was a positive attitude in general terms to co-operative working, with some evidence that businesses understand that it is beneficial to work together, but less evidence that they put this understanding into practice. For some businesses this may be because they feel there are insufficient structures to support co-operative working.”
- “....businesses now rate ICT as their number one skills need, there is a prime opportunity for intervention to help businesses make full use of ICT.”
- “The other key factor for businesses was finding premises of the right size and quality.”

3.7.6 Similarly, a demand assessment of workspace was undertaken in South Hams in 2005. It too contains a number of findings that support the provision of managed workspace, namely:

- “Easy-in / easy-out (tenure) opportunities are of interest to all.”
- “‘Offices’ and ‘studios / hi tech’ appear to favour short leases more than other uses.”
- “Demand for office space appears to be the most difficult to satisfy.”
- “Broadband connection’ is seen as by far the most significant beneficial feature of premises.”
- “‘On site management’, ‘conference rooms’ and ‘reception & switchboard’ are regarded as the next most attractive features.”
- “We have found a significant move in demand from small workshop use to office and / or high tech office.”
-

3.8 What are the opportunities for Devon?

3.8.1 There are already a number of managed workspace facilities in Devon. We reference a number of them, and use the lessons learnt from those, to inform this study.

3.8.2 It is evident that DCC recognises the potential for new / improved managed workspace to facilitate business support and growth. This is not only clear from the commissioning of this study, but from various policy (e.g. Devon Employment Space Strategy), research (e.g. Local Economic Assessment) and delivery (e.g. Cullompton Library) activities.

3.9 Playing to local strengths and making the most of opportunities in Devon

3.9.1 **Business Demand**: There are high levels of micro business, self employment and home based business, as illustrated above, in sectors that make use of managed workspace. This indicates an extremely good market for managed workspace looking forwards;

3.9.2 **Networks**: There are active business networks, such as Devon & Cornwall Business Council, Chambers of Commerce and the FSB, which already promote business networking and collaboration. There is a good opportunity for managed workspace to improve business support, networking and collaboration.

3.9.3 **Business support**: At a time of economic downturn, and the potential for that to remain the case over an extended period, promotion of investment in managed workspace sends out positive messages to businesses and provides opportunity for enhanced business support.

3.9.4 **Choice and range**: When investment in major projects by the public sector is evident, such as the Science Park, it will be seen as opportune to be promoting and investing in managed workspace that compliments such major projects and provides for the needs of smaller businesses. This approach is sometimes portrayed as a ladder of employment space to meet the needs of businesses as they grow. That 'ladder' approach is relevant in Devon, but, as we indicate, it is also important to provide space for businesses that want to remain small, footloose and flexible.

3.9.5 **Connectivity**: There is potential for next generation broadband and potential to accelerate its delivery. 'Connected' managed workspace, with high capacity broadband, has the potential to show businesses the advantages of such connection and show broadband providers the nature of the market in Devon.

3.9.6 **Green ambition**: Devon is widely seen as a 'green' county and has ambitions to be 'greener'. Good quality managed workspace has the potential to help deliver on this ambition, supporting local supply chains, reducing commuting time and distance for example.

3.9.7 **Flexi working**: There is an aspiration for DCC employees to be 'decentralised', to work from home or more remotely. Managed workspace, in the right locations, provides the potential for DCC and possibly wider public sector partners to 'lead from the front' on this issue.

3.9.8 **Entrepreneurs**: Devon has significant potential, because of quality of life, to secure significant inward investment from 'lifestyle' micros and SMEs, from entrepreneurs. We suggest that high quality managed workspace will provide opportunities to help secure that investment and, potentially, help reduce the loss of young people from the county.

3.9.9 **Dispersed geography**: The dispersed nature of Devon's communities, and its perceived distance from major national and international markets, has often been viewed as a weakness. However, these attributes add to the demand for workhubs in more 'remote' communities and help drive demand for new generation broadband, for example.

3.9.10 **Landless growth**: Finally, a number of communities in Devon need space for businesses, but are perceived not to have the land resources to make this possible. Well designed and centrally located workspace, potentially utilising existing buildings, provides business space without using valuable / valued land.

4 LOCATIONS FOR MANAGED WORKSPACE ACROSS DEVON

4.1.1 This section takes a view across Devon and identifies demand for, and supply of, managed workspace in the County. It does this in two ways.

4.1.2 Firstly it reports on and maps demand for, and to a degree supply of, managed workspace by using existing data to assess a number of agreed measures.

4.1.3 Secondly it reports on the outcomes of a market facing assessment, namely a survey of 100 property and commercial agents, to assess market demand.

4.1.4 These two assessments allow the identification of a small number of towns in which demand for managed workspace is strong.

4.2 Measures to determine locations

4.2.1 We have used a series of measures, or sieves, to determine those locations that need and could support provision of managed workspace. Some of the measures show demand and supply. We have identified those locations where there is strong evidence of demand and / or a lack of supply.

4.2.2 The agreed measures are as follows:

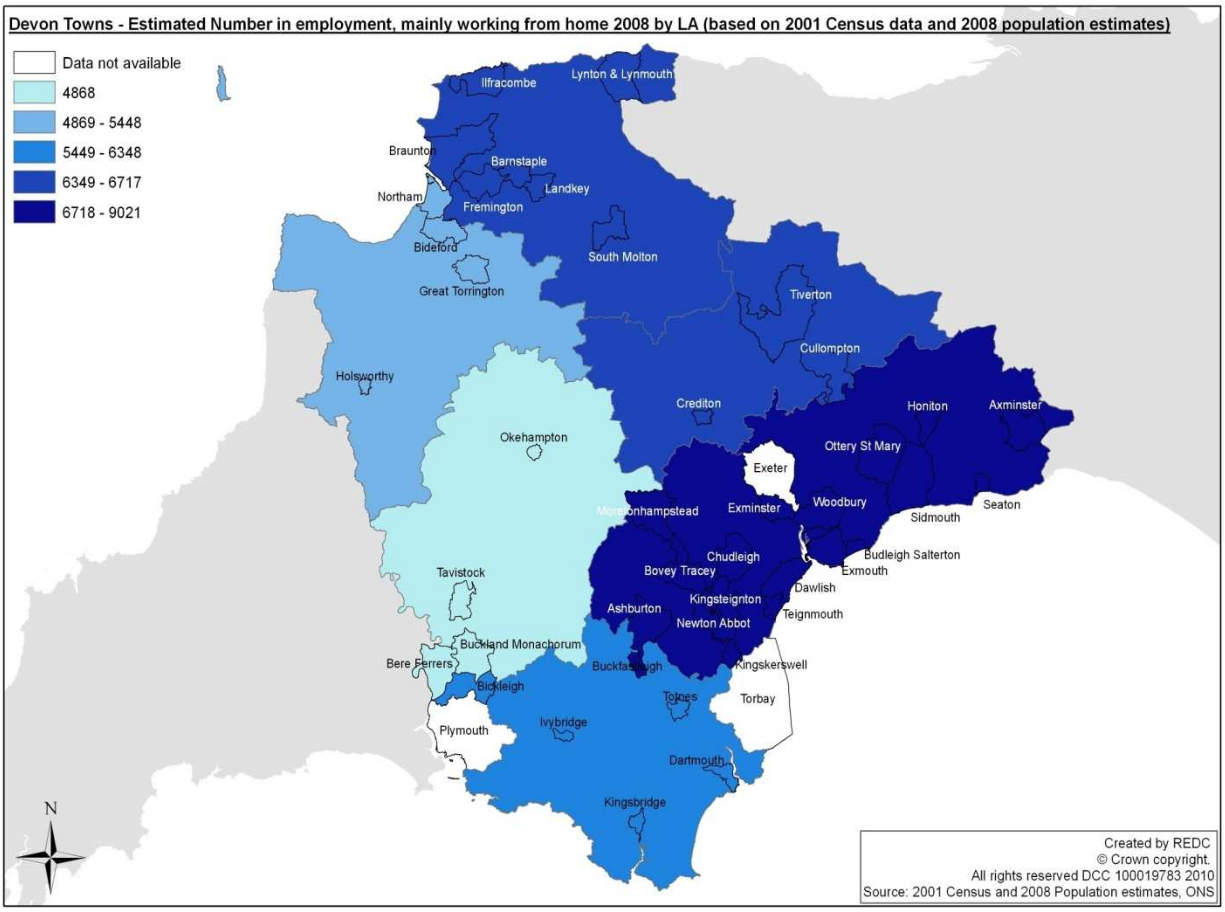
- Employees working mainly from home
- Self-employed working from home
- Micro, small and medium sized business concentrations
- DCC employees
- Self-containment
- Existing Managed Workspace
- DCC Assets – as an example of how public sector assets could be used to support development of managed workspace

4.3 Employees working mainly from home

4.3.1 We have utilised data from the Tomorrow's Property Today report, produced by CRC and Live/Work Network in 2008, which itself used ONS data, for English rural districts, on the coincidence of self-employment and home-based working. We have used the latest Annual Population Survey figures for self-employed and economically active working age people to extrapolate and estimate figures for 2010. The data is only available at Local Authority level and is not available for Unitary Authorities.

4.3.2 High concentrations of home working employees are found in East Devon, Teignbridge and, to a slightly lesser extent, in Mid Devon and North Devon. Map 1 shows the concentrations of employees working mainly from home, with darker blue areas showing high concentrations.

Map 1: Concentrations of people working mainly from home in Devon (by Local Authority)

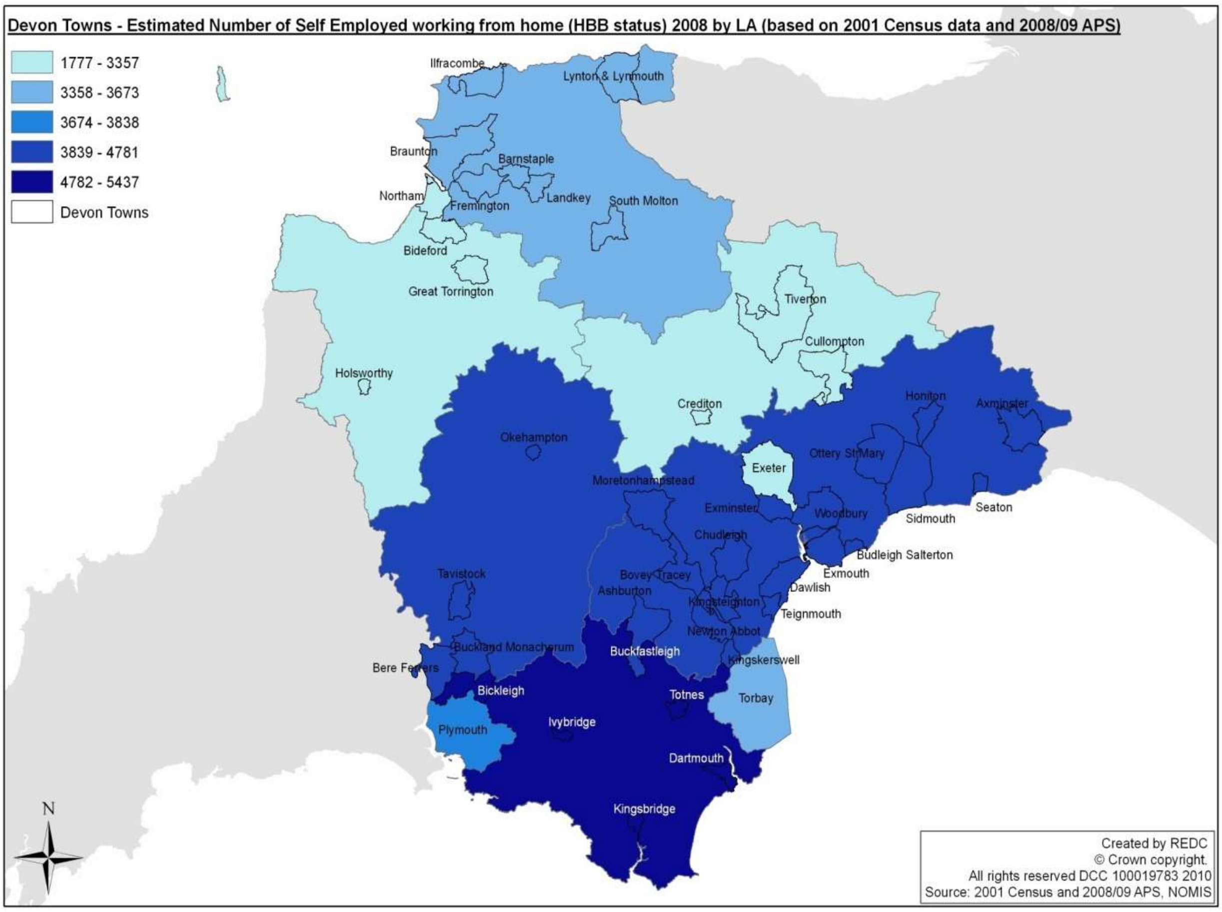


4.4 Self-employed working mainly from home

4.4.1 We have again utilised data from the Tomorrow's Property Today report, produced by CRC and Live/Work Network in 2008, which itself used ONS data, for English rural districts, on the coincidence of self-employment and home-based working. We have used the latest Annual Population Survey figures for self-employed and economically active working age people to extrapolate and estimate figures for 2010. The data is only available at Local Authority level and is not available for Unitary Authorities.

4.4.2 Concentrations of self-employed people working mainly at home are particularly evident in South Hams and, to a slightly lesser extent in East Devon, Teignbridge and West Devon. Map 2 illustrates this issue.

Map 2: Concentrations of self employed working mainly from home in Devon (by Local Authority)

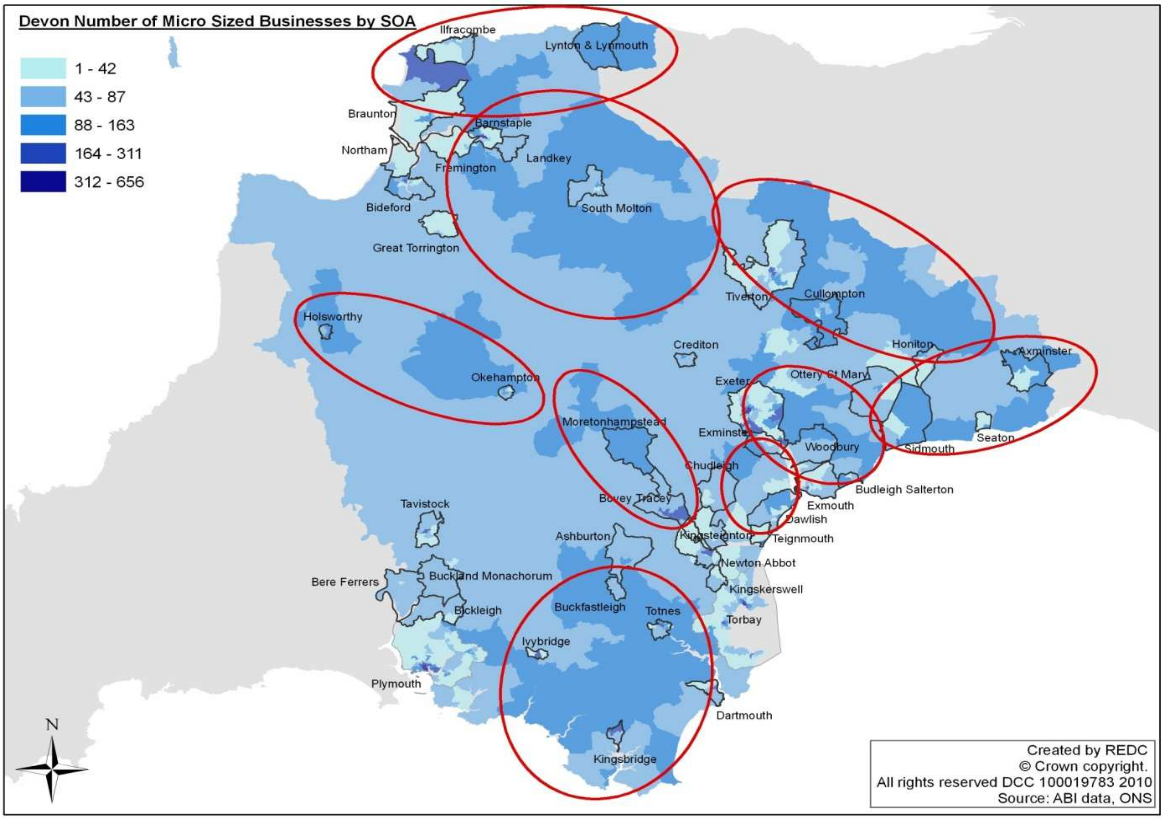


4.5 Micro businesses by Super Output Area

4.5.1 Micro businesses are those defined, under the terms of this study, as employing between 1 and 10 people. We have used data sourced from ABI, and mapped by Super Output Areas, to show concentrations of micro businesses across the County.

4.5.2 Given the number of micro businesses in Devon, it is perhaps not surprising the map shows quite dispersed concentrations. These are centred around Ilfracombe, Lynton and Lynmouth; around South Molton and, to a degree, on Barnstaple; around Holsworthy and Okehampton; in the area covering Tiverton, Cullompton and Honiton, particularly to the north and east of those places; on the coastal area between Sidmouth, Seaton and Axminster and to the east and south of Axminster; the East of Exeter area, including Ottery St Mary, Budleigh Salterton and Woodbury; south west of Exeter, including Exmouth and Dawlish; the area around and between Moretonhampstead and Bovey Tracy and, finally, the South Hams area including Totnes, Ivybridge, Buckfastleigh and Kingsbridge. Map 3 shows those concentrations, outlined in red, and the towns / hinterlands to which those concentrations relate.

Map 3: Concentrations of micro businesses in Devon by SOA

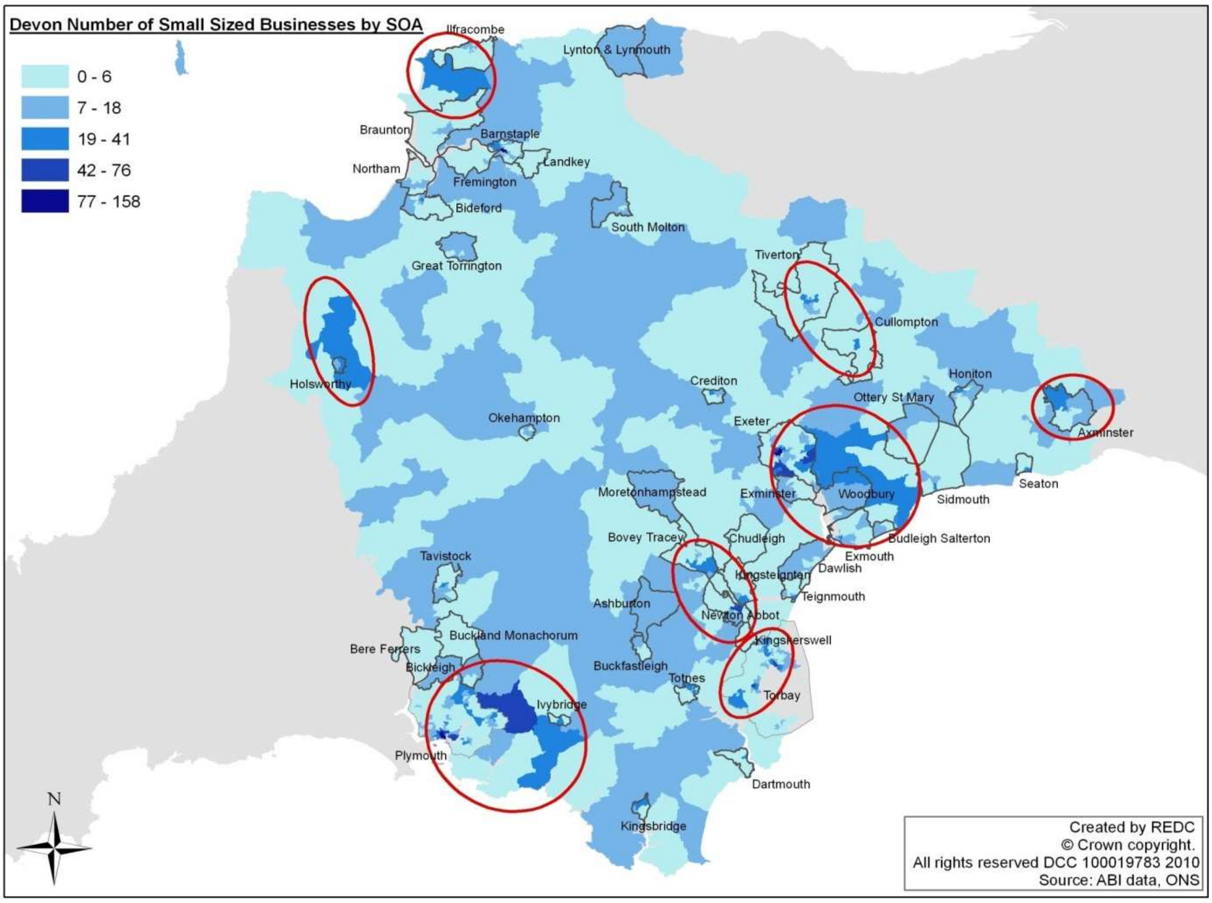


4.6 Small Businesses by Super Output Area

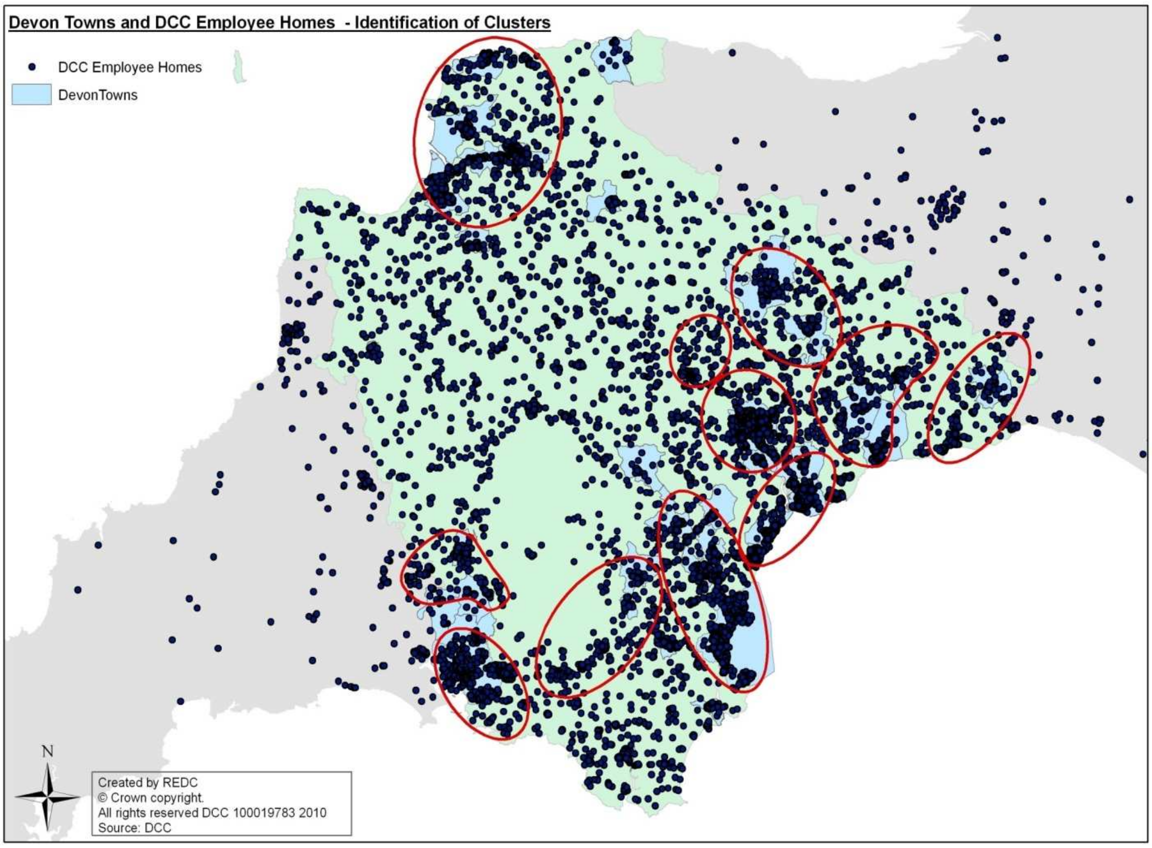
4.6.1 Small businesses are those defined, under the terms of this study, as employing between 11 and 49 people. We have used data sourced from ABI, and mapped by Super Output Areas, to show concentrations of small businesses across the County.

4.6.2 As expected, there are fewer concentrations and fewer small businesses than micros. However, there are concentrations of small businesses located close to major conurbations and county towns, reflecting the need for these businesses to attract employees, utilise services and markets provided in those places and the transport links connecting them. Map 4 shows the concentrations around Ilfracombe, Holsworthy, Cullompton and Tiverton, Axminster, East of Exeter, Newton Abbot, Torbay and Abbotskerswell, and around Ivybridge.

Map 4: Concentrations of Small Businesses in Devon by SOA



Economically active



4.7 Self – containment of places

4.7.1 Self-containment is a measure of the proportion / numbers of people who live and work in same place. Greater self-containment provides, generally speaking, for fewer and/or shorter journeys by car and, as such, contributes towards low carbon objectives.

4.7.2 We have reviewed previous data on self containment, specifically the Roger Tym & Partners (RTP) work on Functional Analysis of Places (2005).

4.7.3 We have taken the average self-containment for Devon towns / cities, namely 55%, as the 'breakpoint' for our analysis, revealing those places where at least 45% of people living there also commute out of that place every day.

4.7.4 Those places are:

- Ivybridge, from which 70% of people commute out every day;
- Ottery St Mary, from which 59% of people commute out every day;
- Teignmouth, from which 56% of people commute out every day;

- Cullompton, from which 55% of people commute out every day;
- Dawlish, from which 49% of people commute out every day;
- Honiton, from which 49% of people commute out every day;
- Newton Abbot, from which 47% of people commute out every day;
- Exmouth, from which 46% of people commute out every day;
- Tavistock, from which 46% of people commute out every day;

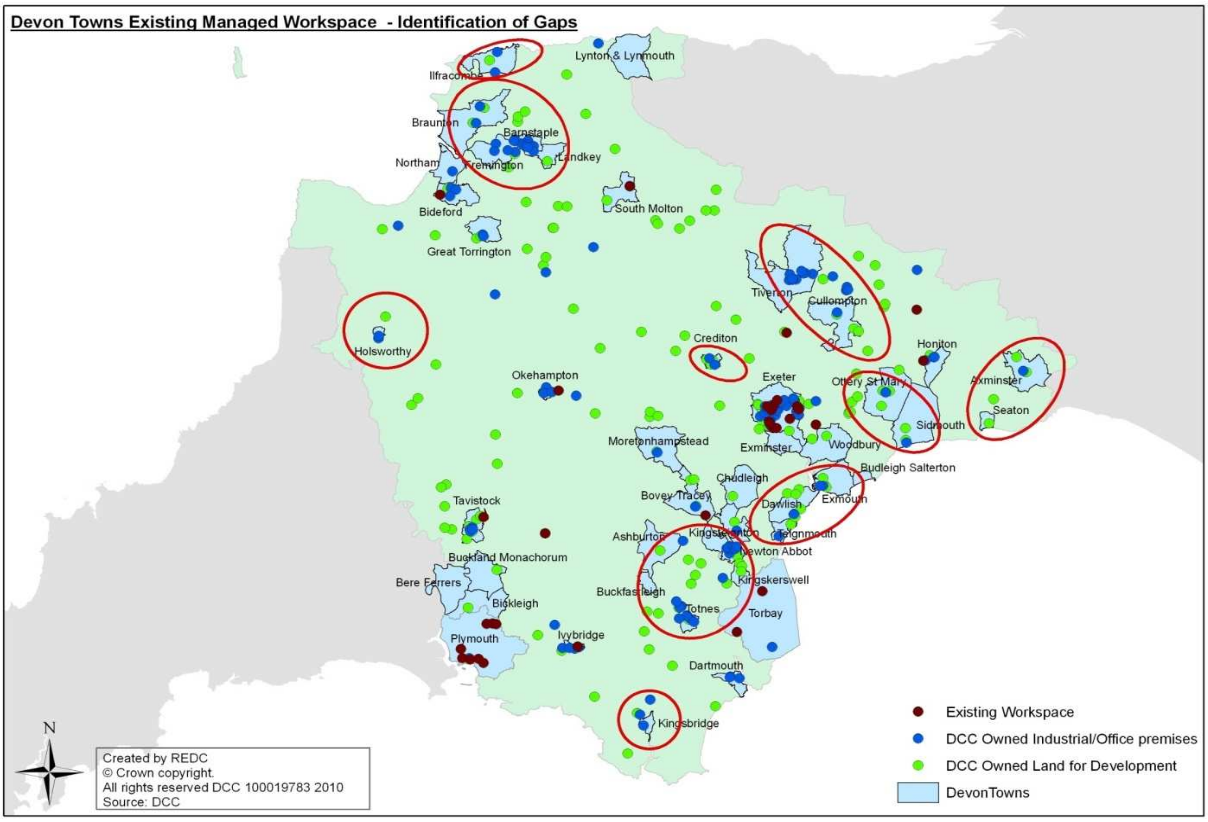
4.8 Supply of Managed Workspace / Locations of DCC property

4.8.1 We have assessed and mapped data from Economic Development Officers, as provided by DCC, showing the locations of existing managed workspace across the County. We have also mapped DCC owned development land and office / industrial premises, based on information supplied to us by DCC, which provides an example of how public sector assets could over the long term provide opportunities for managed workspace provision. Further analysis of this issue would need to be undertaken.

4.8.2 Based on this data we have identified those locations (circled in Map 7) that do not have managed workspace at present, but do have DCC owned assets that could be used for managed workspace. The 'gaps' in workspace provision and possible solutions to those gaps can be seen as being predominantly along the South Devon coast, in Mid Devon, Teignbridge and around Barnstaple and Ilfracombe.

4.8.3 It should be noted that we have not assessed these properties / sites for their suitability for managed workspace and have not explored any property assets held by other public sector partners which could also offer suitable premises for managed workspace.

Map 5: Locations of gaps and opportunities for managed workspace in Devon



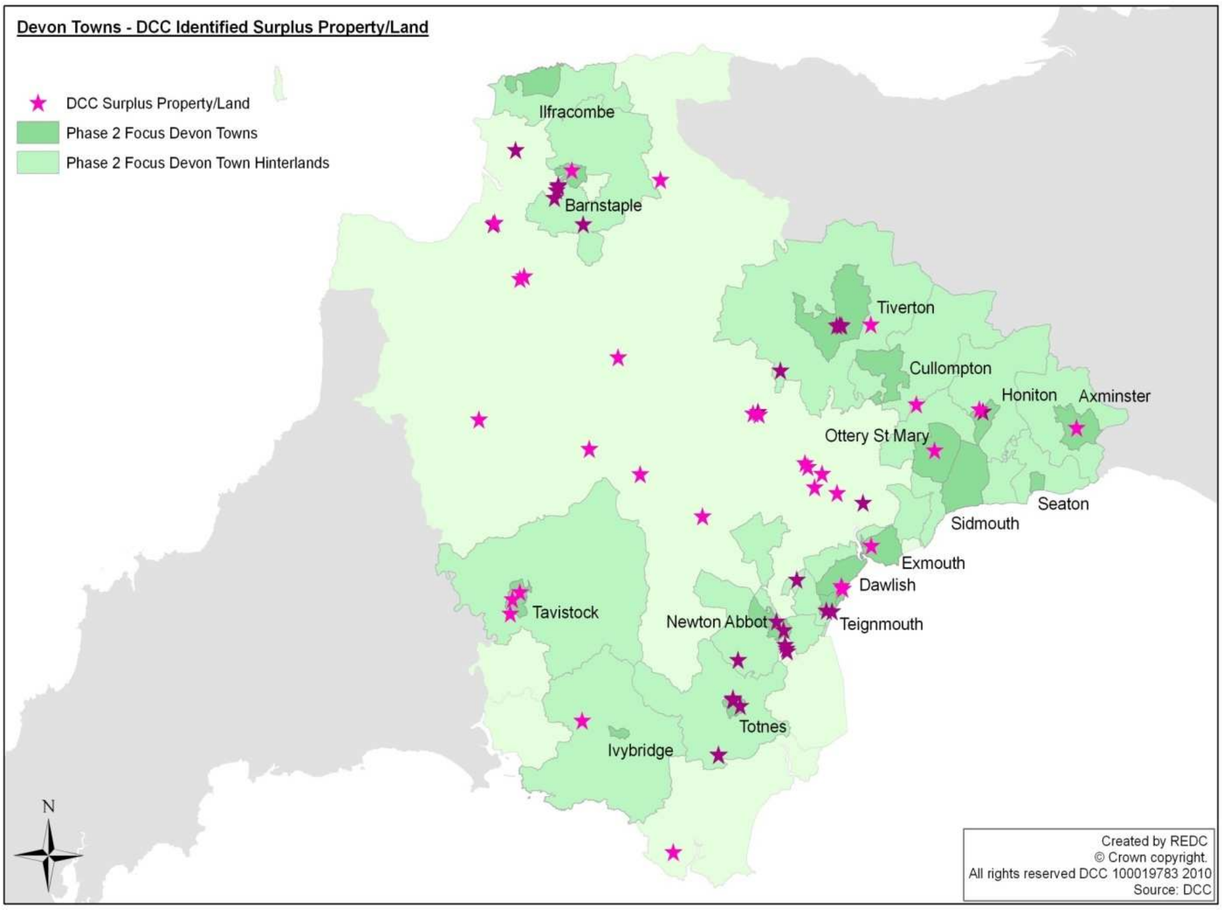
4.9 Available DCC property assets

4.9.1 As advised above, the 'long list' of DCC assets provides only an example of those assets / locations where, subject to further assessment and agreement, managed workspace might be provided.

4.9.2 The map below shows the locations of surplus DCC property, which again has been used as an example of how public sector assets could be used to bring forward managed workspace development.

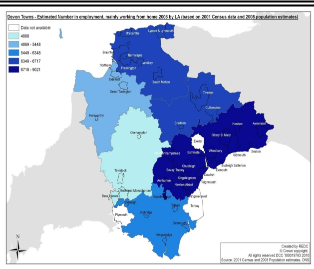
4.9.3 We have not assessed any properties for suitability as managed workspace, but we make the point (later in the report) that it is important to retain in public ownership those premises that could be used for managed workspace and as part of a network of such spaces.

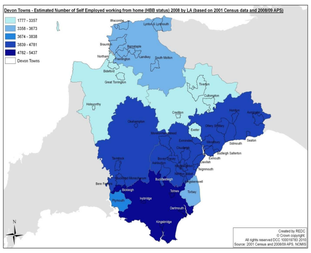
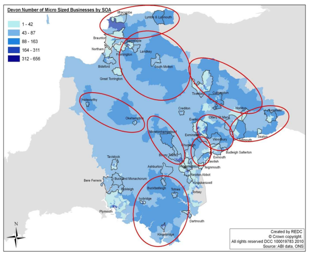
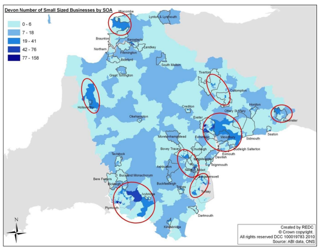
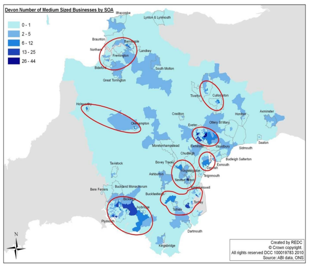
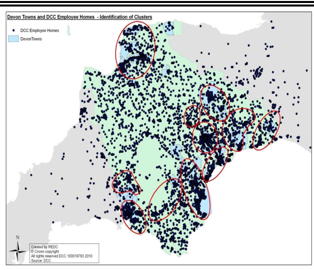
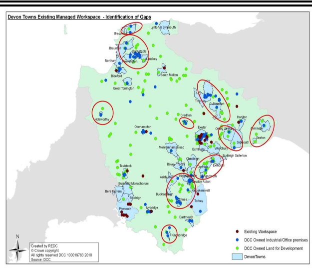
Map 6: Locations of surplus DCC Property

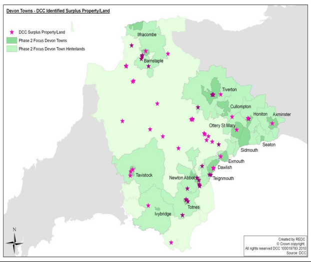


4.10 Locations of Demand for Managed Workspace

4.10.1 We have, in effect, overlaid the maps to identify locations where the data suggests there is likely to be a strong demand for managed workspace. Providing all the data on one map is not possible as the map becomes illegible. However, we have shown the maps, in reduced size, alongside one another, so that assessment outcomes can be compared at a glance, and locations of demand for managed workspace are more evident.

	**Employees working mainly from home** **High concentrations: East Devon and Teignbridge** **Medium concentrations: Mid Devon and North Devon**

	**Self-employed working mainly from home** High concentrations: South Hams Medium concentrations: East Devon, Teignbridge and West Devon
	**Micro businesses** Ilfracombe, Lynton and Lynmouth; South Molton and Barnstaple; Holsworthy and Okehampton; Tiverton, Cullompton and Honiton; Sidmouth, Seaton and Axminster; Ottery St Mary, Budleigh Salterton and Woodbury; Exmouth and Dawlish; Moretonhampstead and Bovey Tracy; Totnes, Ivybridge, Buckfastleigh and Kingsbridge.
	**Small Businesses** Ilfracombe, Holsworthy, Cullompton and Tiverton, Axminster, East of Exeter, Newton Abbot, Torbay and Abbotskerswell, and Ivybridge.
	**Medium sized Businesses** Bideford and Barnstaple; Cullompton and Tiverton; Holsworthy and Okehampton; Exeter; Dawlish; Newton Abbot and Kingsteignton; Totnes and Torbay; and Ivybridge.
	**Economically active** Barnstaple and Ilfracombe; Cullompton and Tiverton; Exeter; Crediton; Axminster and Seaton; Sidmouth, Ottery St Mary and Honiton; Exmouth and Dawlish; Teignbridge area, including Newton Abbot, Teignmouth and Bovey Tracy; the South Dartmoor towns, including Ivybridge; Plymouth and Tavistock.
	**Supply of Managed Workspace / Locations of DCC property – long list** 'Gaps' in workspace provision along the South Devon coast, in Mid Devon, Teignbridge and around Barnstaple and Ilfracombe

	**Available DCC property assets**
Self- Containment	Ivybridge, Ottery St Mary, Teignmouth, Cullompton, Dawlish, Honiton, Newton Abbot, Exmouth, Tavistock,

4.10.2 We have not applied any specific weightings or preferences to these measures, although it could be suggested, for example, that as it is micro and small businesses that are most likely to make use of managed workspace, more weight should be given to these measures than others. However, given the broader outcomes for this work (set out in Section 1) we do not consider it necessary to 'weight' any of these measures.

4.10.3 We have included, as Appendix 6, a table showing the performance of market and coastal towns in Devon against the demand and supply measures. In simple terms, we have shown in green those measures against which a town achieves well and, in amber, those measures against which a town has a medium score.

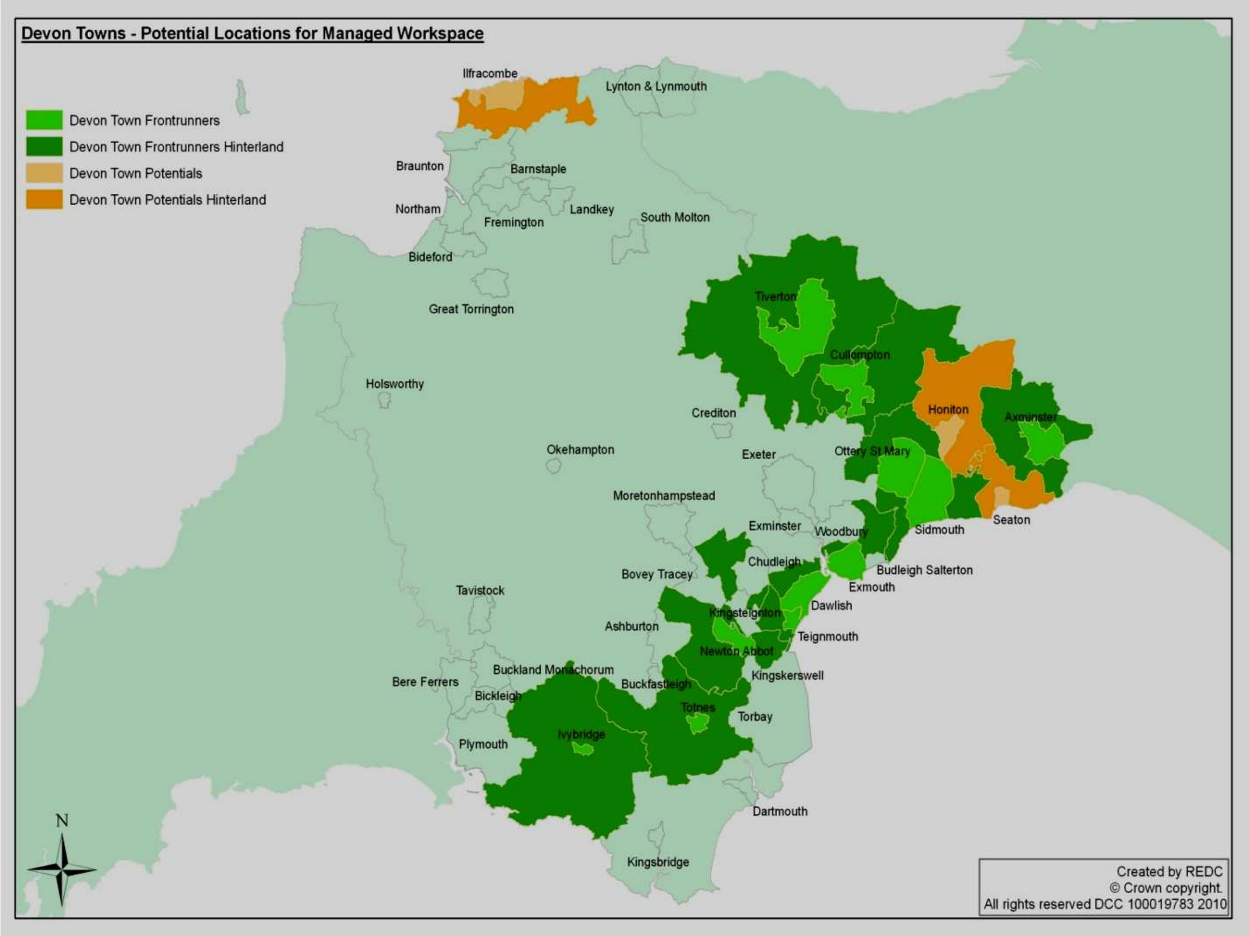
4.10.4 For example, Okehampton contains some micro and medium sized businesses and is as such coded green against these measures. It has relatively few self-employed people and achieves amber against this measure. It does not achieve other measures and is not, therefore, considered suitable for further investment in managed workspace. Exmouth, on the other hand, is shown as having high numbers of people working at home, small and medium sized business, a cluster of DCC employees living there, relatively poor self-containment and a gap in provision of managed workspace. It is coded 'green' against these measures, but has a relatively low number of self-employed people and hence achieves amber on this measure.

4.10.5 The locations shown below in no particular order of priority, and on Map 9, are those for which, based on the measures we've applied, there is likely to be a strong demand for managed workspace.

Table 1: Locations of demand (data assessment)

1. Ilfracombe
2. Tiverton
3. Cullompton
4. Honiton
5. Axminster
6. Seaton
7. Ottery st Mary
8. Sidmouth
9. Exmouth
10. Dawlish
11. Teignmouth
12. Newton Abbot
13. Totnes
14. Ivybridge

Map 7: Locations of need for managed workspace



4.10.6 The locations shown green on Map 9 are those that have a relatively high 'score', e.g. a high proportion of self-employed people, against the majority of measures. Those shown amber are places which do not have large numbers, relative to other places, against some measures or have not met quite as many measures as those shaded green. However, we consider all these locations, whether shaded green or amber, as meriting further investigation in relation to investment in managed workspace.

4.11 Market facing assessment of demand

4.11.1 Alongside the use and analysis of existing data sets, we surveyed 100 property and commercial agents across Devon. The questionnaire, provided by e-mail to agents and followed up by phone calls, asked questions relating to the following issues:

- Levels of demand for managed workspace across Devon;
- Locations of demand and shortfalls in supply;
- Favoured locations for managed workspace
- Demand, by business size and sector
- The sorts of services managed workspace should provide.
- Barriers to success

4.11.2 We received a 20% response rate to the questionnaire, of which 45% were from agents working across Devon wide, 45% from agents advising micro businesses, 60% advising small businesses and 70% advising medium-sized businesses. We believe this provides a statistically valid sample for the survey as a whole, but only provides a steer for individual locations. As such, it has provided us with a good steer on places and demand across Devon.

4.11.3 A copy of the questionnaire, and the results it provided, are included in full in Appendix 2. Below we provide a summary of the key messages from the survey.

4.12 Locations of demand

4.12.1 In general terms, agents considered that demand is low at present but growing. Half the respondents considered supply of managed workspace to be low, which mirrors results from other surveys (e.g. Devon Renaissance and South Hams). A high proportion of respondents (85%) said that market and coastal towns represented the best locations for workspace provision and, with that in mind, respondents identified demand in the following places. The percentages in brackets, alongside places, represent the proportion of respondents: Exmouth (40%); Newton Abbot (35%); Barnstaple (35%); Tavistock (35%); Totnes (30%); Dartmouth / Kingsbridge (25%); Torbay (20%).

4.12.2 Agents also identified a shortfall of supply in the following towns: Exmouth (35%); Tavistock (30%); Barnstaple (25%); Totnes (25%); Newton Abbot (15%); Dartmouth / Kingsbridge (15%).

4.12.3 Consequently, those places where agents feel there is demand for managed workspace but a shortfall in supply are as follows: Exmouth, Tavistock, Barnstaple, Newton Abbot, Totnes and Dartmouth / Kingsbridge.

4.13 Business interest in managed workspace

4.13.1 A large majority (80%) of respondents considered that, over the next 5 years, demand for managed workspace will come from start up and micro businesses. There was also a view, from 20% of respondents, suggesting there is interest in managed workspace from larger employers in Exeter and Plymouth.

4.13.2 Respondents stated that interest in managed workspace would be from the following sectors:

- Professional / Scientific / Technical (70% of respondents)
- Info. and Comms (60% of respondents)
- Finance / Insurance (55% of respondents)
- Business admin & support (40% of respondents)
- Production (25% of respondents)
- Arts / Entertainment (20% of respondents)

4.14 Services required from, and barriers to, managed workspace

4.14.1 Property and commercial agents identified three main drivers of demand for managed workspace. Sixty percent of respondents considered that demand is being driven by cost. Just over half of respondents (55%) said that demand is being driven by the need for better, higher quality space. Just under a third (30%) of respondents considered that the ability to network is a factor in driving demand.

4.14.2 With that in mind, agents suggested a number of key services should be available to businesses, namely

- Easy in/out lease arrangements (from 85% of respondents);
- Meeting rooms (from 85% of respondents);
- A reception service (70% of respondents);
- Car parking (75% of respondents);
- ICT (70% of respondents).

4.14.3 These key services, the need for which is underlined by a high proportion of agents responding to the survey, should feature in future workspace provision. It is also worth noting that 75% of respondents said that high rents / rates were a barrier to use of managed workspace; that construction costs for new workspace is a barrier to provision (a view held by 50% of respondents) and that land / site availability is a key issue – as view held by just under half (45%) of respondents.

4.14.4 Agents also suggested a number of other uses or users that businesses would be prepared to share workspace facilities with, namely:

- An ICT hub (70% of respondents);
- Public sector organisations (65% of respondents);
- Government function, such as Business Link for example (50% of respondents).

4.15 Combining the assessments of demand for managed workspace

4.15.1 We have reviewed the correlation between the assessment of data and the market facing assessment. There is a good correlation, with nine of the fourteen towns identified via data analysis also gaining a degree of support from commercial and property agents. This is shown in table 2 below. The numbers shown in brackets, in table 2, represent the proportion of respondents who also identified that town as needing managed workspace provision.

4.15.2 However, based on views of agents, we have added two further towns – Tavistock and Barnstaple – to the fourteen identified following the data analysis. Given the strength of feeling from agents, as reflected in the figures in brackets in Table 2, of the need for managed workspace provision in Tavistock and Barnstaple we believe this is a sensible approach.

4.15.3 As such, there are sixteen towns in Devon for which evidence suggests there will be strong demand for managed workspace and where, in most instances, provision would be supported and recognised by the market.

Table 2: Combined locations of demand

1. **Ilfracombe (0%)**
2. **Tiverton (5%)**
3. **Cullompton (0%)**
4. **Honiton (5%)**
5. **Axminster (15%)**
6. **Seaton (0%)**
7. **Ottery st Mary (0%)**
8. **Sidmouth (5%)**
9. **Exmouth (40%)**
10. **Dawlish (5%)**
11. **Teignmouth (0%)**
12. **Newton Abbot (35%)**
13. **Totnes (30%)**
14. **Ivybridge (5%)**
15. **Tavistock (35%)**
16. **Barnstaple (35%)**

5 NATURE OF MANAGED WORKSPACE

5.1.1 This section of the report covers two elements of work, undertaken in parallel with each other.

5.1.2 Firstly, **a business perspective**. We sought the views of businesses about their preferences for the location of managed workspace, within the clear framework of the 16 locations previously identified, and the type of managed workspace they want to see provided in those places.

5.1.3 Secondly, **a managed workspace perspective**, working closely with Economic Development Officers, managed workspace providers and managers, we reviewed the nature of existing provision of workspace and sought views on what future provision of managed workspace might look like.

5.1.4 There is clearly a close correlation between successful businesses and high quality managed workspace. This element of work, therefore, provides the basis of an understanding of the detail of that correlation and for the next element of this report – the ingredients of success for new managed workspace.

5.2 A business perspective: What do businesses want and where?

5.2.1 A fundamental element of this work is to ensure that future workspace provision meets business needs. As such, in parallel with review of existing managed workspace provision (as reported below), we have sought the views of businesses. We have done this via on line, electronic and hard copy versions of two questionnaires and issued these to a significant number of businesses and business networks (see Table 3 below). We have targeted these specifically at the locations identified earlier in the study, but have also utilised wider business networks to distribute questionnaires to their members.

5.2.2 There are two versions of this questionnaire, one for home based businesses (commonly referred to as ‘below the radar’ businesses) and one for ‘above the radar’ businesses. Both questionnaires were agreed with DCC, not least to ensure that Local Economic Assessment issues were picked up in the questionnaires. The questionnaires are included as Appendix 3.

5.2.3 The questionnaires have been designed to investigate:

- Nature of the business (e.g. size, turnover, staff numbers, supply chain);
- the key issues associated with SME and micro businesses, including workspace requirements and constraints on growth;
- Preferred locations for managed workspace;
- Nature and type of managed workspace.

Table 3: Business networks and businesses provided with questionnaires

SW / Devon networks Business Link Federation of Small Businesses Devon & Cornwall Business Council The Prince's Trust West Devon Business Information Point Newton Abbot & District Chamber of Commerce Stairway to Devon - Devon Business Directory Devon Rural Network South West Manufacturing Advisory Service Young Enterprise South West Business in the Community Women in Rural Enterprise UK **Place based networks and businesses** Kingsbridge & Salcombe Chamber of Commerce Budleigh Salterton Chamber of Commerce Sidmouth Chamber of Commerce Seaton & District Chamber of Commerce Dawlish Chamber of Trade North Devon Manufacturing Association Mid Devon Business Association North Devon Chamber of Commerce & Industry Honiton Chamber of Commerce Exmouth Chamber of Commerce East Devon Chamber of Commerce, Trade & Industry Barnstaple & District Chamber of Commerce & Trade	Axminster Chamber of Commerce Tavistock & District Chamber of Commerce & Trade Barnstaple - The Layer Barnstaple - Dog Leg Design Tiverton - Freelance Graphics Tiverton - 4 Networking Biz Tiverton Chamber of Commerce Tiverton - Creative Mojo Tiverton - Oxygen Creative Tiverton - Brighter Creative Exmouth - Honeystone Exmouth - Greenland Studio Exmouth - Exmouth People Exmouth - 207 design Ilfracombe - The Olden Group Tavistock - Dartmoor web designs Tavistock - Sensible Web Axminster - Axminster Artisans Seaton - Webheads Media Newton Abbot - Buzz Creative Design Newton Abbot - Creative Photos Newton Abbot - Animation Technologies Totnes - Lion Fish Technologies Totnes - 3 Squared Ivybridge - Logo Design Ivybridge - RCM Creative

5.3 Response to business questionnaires

5.3.1 We have ensured that questionnaires have been distributed via networks such as Business Link and advertised on the home page, and via newsletters, of Devon and Cornwall Business Council for example. A copy of the FSB newsletter (see page 7 of that newsletter) is attached as Appendix 4, by way of example.

5.3.2 We have spoken to a significant number of chambers of commerce, for example, encouraging completion and submission of the questionnaire.

5.3.3 To date the response rate to questionnaires has been poor – both on line and by hard copy. We have spoken to a number of businesses and business network operators about this. The lack of response seems to be due to a number of factors, probably acting in combination with one another. These factors include apathy, as was found to be the case for business networks being established in East Devon and Torquay; Business survival, with businesses being too busy keeping their heads above water to spend time on (yet more) questionnaires; and relevance, with businesses considering (perhaps at first glance) that the survey was not relevant to their needs.

5.3.4 The on line approach, via survey monkey, has yielded seven responses to date. The detail of these responses is included as Appendix 5.

5.3.5 Whilst the response rate is not statistically significant, it is worth noting that the responses have come from micro businesses, with supply chains across the UK and a strong reliance on ICT for communication. Those businesses have retained the same number of staff for the last few years, but are looking to grow staff numbers. The state of the economy is being blamed for lack of growth and the cost of business premises is a key issue for them. Business expansion (in terms of new staff) would require new premises, but these new premises would need to offer collaboration / networking, meeting room space, and professional services (e.g. business support). New premises should also be in a town / village centre location, be accessible and have car parking facilities.

5.3.6 These views, although only from a small number of respondents, largely support those we have come to about the nature and location of managed workspace, as contained in this report.

5.3.7 It has been agreed, with DCC, that the on-line surveys will remain running and any further responses can be used to inform on-going work. However, we believe it would be prudent, as part of any ongoing work, to better establish business interest in new managed workspace, and the 'offer' to businesses that would need to be provided by that workspace, via more direct liaison with businesses and business fora.

5.4 Major Businesses

5.4.1 This study has involved contact with a number of major employers and key businesses in Devon's economy, as set out below. The purpose of this element of work was twofold: firstly to understand whether any of those businesses had space to offer, within their property portfolio, that might be used as managed workspace; secondly to assess whether those businesses are 'decentralising' employees.

Table 4: Major employers / businesses in Devon

Astra Zeneca
Becton Dickinson
Centrax Limited
Babcock Marine
EDF Energy
Flybe
Princess Yachts
TwoFour Group

5.4.2 We have contacted businesses and, once again, the response has not been sufficient to draw clear conclusions. We understand that EDF Energy, for example, had a number of 'remote' employees but has recently centralised all employees. TwoFour Group, for example, relies on having staff in one location for business purposes and would not be interested in workhub facilities. We suspect there is not, as yet, much demand from these sorts of businesses for managed workspace. However, the level of interest may well change over time and with more active marketing of managed workspace to major employers.

5.5 Plan B

5.5.1 In the light of a lack of responses to the business questionnaires, for the reasons set out above, we have reviewed the outcomes of other surveys, to identify issues that overlap with this study. We have also reviewed our assessment of demand and supply in the sixteen identified towns and added to this what we found through the survey of agents and liaison with EDOs, with a view to identifying priorities for investment. For example, a number of EDOs expressed a preference for managed workspace in particular locations, given their knowledge of business need, the needs of towns and availability of existing workspace.

5.5.2 This review has included:

- further analysis of the number of demand and supply measures (outlined in 3.2 above) that each location 'scores' against;
- The views of EDOs and Agents in respect of shortfall of supply, continuing demand for space and the needs of particular places;
- The availability of DCC surplus property / land – as an example of how public sector assets generally could be used - with a focus on re-use of existing buildings (see later recommendations) as these are more likely to provide cost effective means of delivering managed workspace over the next few years.

5.5.3 This has enabled us to prioritise places for investment, as set out in Table 5 below:

Table 5: Priority locations for investment

Priority 1 locations:	Comments
Ilfracombe	It is widely recognised, in various pieces of research, that Ilfracombe and its rural hinterland has a high and growing number of micro and small businesses, home-based businesses and freelancers. A number of strategies, studies and plans have underlined the economic case to provide space and services to meet the needs of these businesses. However, there remains a lack of workspace for these businesses, indicating market failure to provide such space. Previous studies and strategies have recommended public sector intervention and investment

	to support delivery of employment space. Intervention, in the form of planning policy and planning permission, has not resulted in private sector investment. We recommend that public sector investment, or greater efforts to secure private sector investment, is now required - specifically in workhub space in Ilfracombe town centre. Further in-depth analysis is required to identify exactly what that investment might be, how that would meet business needs and how it might link with other regeneration activities, but all indications to date are that Ilfracombe could support a workhub. Aside from need, the work undertaken by various partners shows that Ilfracombe is in a better position than most other Devon towns, in our view, to move forward with delivery of workhub space.
Exmouth	From the study we know that Exmouth has a high number of home-based workers and self-employed people. It also has some micro-businesses, particularly in the wider 'catchment' area, and a number of SMEs. It has a significant cluster of DCC employees. Despite the evidence of demand for workspace to satisfy the needs of these businesses, such space is not being provided other than, perhaps, in some rural locations. These findings are supported by the outcomes of previous work, for example the East Devon Employment Land Review 2006. That Review underlined, in particular, the significant importance of the SME and micro 'market' to East Devon (showing a greater economic importance of this sector in East Devon than elsewhere) and, more specifically, the importance of Exmouth and Honiton in satisfying market demand. To the best of our knowledge that demand has not been satisfied, representing market failure. The regeneration of Exmouth town centre provides an excellent opportunity to satisfy demand for the space and services (see ELR 2006) needs of home based businesses, micros, self-employed etc and link this with wider promotional activity, as recommended in the Employment Land Review report. The importance of regeneration activity in Exmouth, and that of East Devon's property portfolio in facilitating successful economic regeneration, is recognised in EDDC's Asset Management Plan (2009 – 2012) and its Corporate Plan 'promise' to deliver an implementation plan for workhubs in market towns.
Newton Abbot	A number of studies have shown the presence of high (and growing) numbers of home-based workers, self-employed and 'footloose' companies in and around Newton Abbot. It is also recognised that there are a number of 'spin out' companies from the larger businesses, such as Centrax, who utilise small / flexible workspace. This has been recognised by TDC – its

	Corporate Plan (2009) includes an action to build managed workspace in Newton Abbot, Dawlish and Teignmouth. The recently completed (Feb 2010) Employment Land Review (ELR) underlines the importance to the local economy of securing greater self-containment of Newton Abbot. In terms of market failure, the ELR states that the viability of development is poor at present and investment from the private sector is unlikely, unless there are 'market leader' opportunities. The ELR also reports a high amount of small office space on the market. We don't believe the availability of this space undermines the case for workhub space. On the contrary it supports the need for a different approach to conventional small / managed workspace and the need to tailor business services. The ELR suggests intervention by the public sector to identify opportunities and mechanisms to recycle building, to identify business needs (e.g. re relocations, down-sizing etc), and secure space required to meet business needs. There is clearly a good opportunity to work with TDC to meet the needs of micro, home-based and 'freelance' businesses in and around Newton Abbot which the market is not currently meeting.
Totnes	The headline figures from our study show that Totnes is highly likely to be able to support a workhub, with space and services targeted at meeting the needs of local businesses. It is evident (see below) that there are significant numbers of people and businesses working from home, significant numbers of micro businesses in South Hams, many of them sole traders. Business surveys dating back to 2004 show that Totnes is the best place to provide office facilities. The Transition Town Totnes work has underlined the need for a workhub, for networking and to support local supply chains. However, our work has shown that there is a lack of workspace provision in Totnes and, even though this has been recognised for some time, the market has not responded to demand. There are, however, a number of opportunities to quickly address this market failure, including the potential use of public sector assets, to complement other activities (e.g. community broadband). In addition to the clear case for investment in workhub space, the South Hams Prosperity Strategy, and actions set out to deliver the Strategy, in our view shows (alongside other activities) that Totnes is in a better position to move forward on provision of a workhub than most other towns in Devon.
Priority 2 locations:	
Barnstaple	Demand and supply shortfall identified by agents; EDO

	advised private sector likely to satisfy demand; scores relatively poorly against some measures.
Axminster	Scores moderately well against a range of measures, including home based employees, micros, small businesses and self employed.
Cullompton	EDO identified strong demand and limited supply; demand partly satisfied by workspace provision at Library.
Tiverton	Some demand identified by agents; scores well against most measures.
Dawlish	Demand identified by agents; scores well against a high number of measures
Ivybridge	Demand identified by agents; shortfall identified by high proportion of agents, despite existing provision at Watermark; scores highly against a range of measures
Tavistock	Demand identified by a high proportion of agents; shortfall identified by agents.
Teignmouth	Scores well against a large numbers of measures, although no demand or shortfall identified by agents.

5.6 A managed workspace perspective – nature of, and lessons from, existing managed workspace

5.6.1 There is, as indicated above, a number of existing managed workspaces in Devon. Much of it is in a fairly traditional format and location, as outlined later in this section, that does not often provide the full range of services and flexibility that many businesses now need. We have, as such, also reviewed an emerging model of managed workspace – workhubs – which are not yet represented in Devon, but do offer a ‘service’ that we consider will meet local objectives.

5.6.2 We set out, below, the key ‘characteristics’ of the three different types of workspace we’ve reviewed, based on information provided by their owners, managers, or by Economic Development Officers. More detail on these managed workspaces and the meetings with owners, managers and EDO’s is included in Appendix 1, which provides a rich source of information about these buildings and the way they operate.

5.7 Traditional Managed Workspace: Urban

Image 1: Basepoint

5.8 General features:

5.8.1 The image above is for illustrative purposes only and the use of Basepoint, as an example, is simply to provide a broad illustration of the nature of large, urban based, managed workspace.

- They tend to favour edge of city or business park locations
- There is little flexibility in terms of use of space – you occupy the space you rent.
- They are operated as a network, with centralised services such as accounting and standardised procedures for office management.
- There is also a standardised, relatively utilitarian design approach – inside and out.
- The office space tends to be quiet, with little business collaboration and networking being evident.
- Their locations could be considered as 'high carbon' locations, promoting movement by car predominantly.
- They tend to monitoring business activity, rather than providing a mentoring service.
- The cost of renting space tends to be higher, around £30 / sq ft for example, than other types of space considered in this report, but this varies with location and time.

- Generally space is rented on a relatively long term, fixed contract; although we understand that Basepoint operate an 'easy in, easy out' 2 week notice period.

- The churn of businesses moving in and out tends to be around 25% per annum.

5.9 Traditional Managed Workspace – Edge of Town / Rural

Image 2: East Devon Business Centre   Image 3: Okehampton Business Centre   Image 4: Woodlands, South Molton

5.10 General features:

5.10.1 These examples are for illustrative purposes only and the following text provides a general insight into the nature of these sorts of managed workspaces.

- These workspaces generally occupy relatively attractive edge of town and rural settings, which often promotes high levels of occupation in itself;

- Consequently, they are quite dependent on the use of cars and could be considered as promoting a high carbon approach;

- The more modern buildings, provided by the public sector, are built to high design/ BREEAM standards.

- There is little flexibility in the use of space; there is little shared use of space.

- There tends to be limited business support, but this is variable. Managers take quite a hands-on approach with tenants, but provide little formal business support. The emphasis appears to be on monitoring rather than mentoring.

- These building tend to be quiet, with little in the way of business collaboration and networking. If there is networking it tends to be organised by the occupiers themselves.

- There is, particularly in the more modern buildings, a growing emphasis on environmental technology and rural businesses.

- Cost of space is low but variable, usually between £9 - £20/sq ft p.a. This sometimes makes it more difficult for a facility to 'wash its own face' in terms of financial viability.

- There is frequently a 3 year time limit to tenancy by any business.

5.11 Innovation Centres

Image 5: South Devon Innovation Centre Image 6: South Devon Innovation Centre

Image 7: Exeter Innovation Centre

5.12 General features

5.12.1 These examples are for illustrative purposes only and the following text provides a general insight into the nature of these sorts of managed workspaces.

5.12.2 These were described to us as “Traditional managed workspace on steroids”, which tends to reflect the nature and type of businesses occupying the space rather than any significantly different in approach by managers. The following points help underline why innovation centres were described in this way.

- Whilst these buildings are described as innovation centres, it is sometimes the case that they provide more of an incubation facility for businesses.
- There is often a strong physical link to FE/HE, but the business links between workspace users and HE/FE is not always evident.
- They tend to have excellent ICT provision, which is welcomed and needed by businesses.
- They tend to lack grow-on space.
- They provide intensive business support, depending on the needs of each business.
- There is significant business collaboration.
- A ‘host’, on the front desk, is essential.
- Innovation centres, by definition, tend to attract research and development companies as occupiers.
- We understand that something in the region of 30,000 sq ft - in one building or over a number of buildings – is needed for long term viability.
- Occupiers tend to be limited to a 3 year time maximum tenancy.
- Lettable floor space is limited to about 50% in the facilities we saw, making viability in any one building quite difficult to achieve. However, non-lettable floorspace can be used for other purposes than office space, for example as cafe / restaurant space, conference and meeting rooms.

- Cost of renting space is variable, from £17 to £27 / sq ft for example, and desk space is marketed at around £130 pcm.

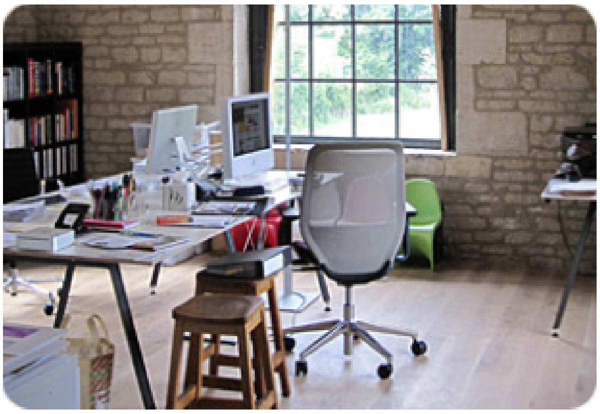
- The churn of occupiers tends to be around 25% p.a.

5.13 Work Hubs

Image 8: Gavin Eddy at The Old Church School, Frome

Image 9: The Hub, Bristol

Image 10: The Old Glove Factory, Holt, Wiltshire



5.14 General features:

5.14.1 These examples are for illustrative purposes only and the following text provides a general insight into the nature of these sorts of managed workspaces.

5.14.2 We heard from Gavin Eddy (see Image 7) that there had been no business failures at The Old Church School, Frome. The following points help show why that is the case and why, in our view, the workhub model could provide a viable solution for public sector partners in Devon seeking to deliver outcomes for managed workspace.

- They tend to have a 'wow' factor in terms of design, particularly internally.
- They offer very flexible use of space, with the building offering a service to businesses who can use it as often or infrequently as they like.
- They tend to utilise town centre sites, close to local services.
- There is lots of business 'buzz', with plenty of collaboration
- They attract specific sectors, often media and design companies – but there is a mix of other businesses.
- They provide an HQ for home-based businesses and more 'footloose' micro's, who like the 'pay as you go' approach to use of space.
- They tend to be owned and run by the private sector.
- They prefer to re-use of buildings, in town centres or on public transport routes. This allows a re-branding of the building and, potentially, a lower carbon approach.
- There is a significant amount of business mentoring, rather than business monitoring.
- A 'host', to welcome businesses and visitors, is essential.
- The cost of space, given the services on offer, appears relatively low at around £15 / sq ft for studio space and £160 pcm for desk space, but the addition of service costs makes renting space in workhubs fairly comparable with that in Innovation / Incubation centres. It should be noted that, given the absence of workhubs in Devon at present, the costs we've quoted reflect market prices around Bristol and Bath.
- There are easy in, easy out tenancy /membership arrangements.
- It is evident that there are significant benefits to operating a network of hubs.

5.15 Future Workspace for Devon

5.15.1 In this third element regarding the nature of managed workspace, having reviewed business needs and existing workspace provision, we set out – in broad terms – our suggestion for managed workspace to be provided in Devon. We believe the two types of space outlined below will provide support for, and facilitate growth of, businesses in Devon, in particular freelancers, home based businesses, micro and small businesses.

5.15.2 We believe that work hubs, as illustrated above, located in or close to town centres, re-using existing buildings, and providing very flexible, affordable space / use for businesses, as well as considerable levels of mentoring, provide excellent support for businesses. They help deliver the changes in working practices that are becoming more prevalent, particularly in rural parts of the UK, and could meet the other outcomes (for managed workspace). These spaces are likely to be privately managed, probably as part of a wider network, but could be public sector owned. These spaces, if they are to be successful will need a 'light touch' approach from a public sector owner.

5.15.3 We have termed the second type of space 'traditional plus'. It utilises the more traditional model of managed workspace, similar to Woodlands or East Devon Business Centre for example, and adds a greater degree of flexibility, business support and collaboration than we have seen to date in those more traditional spaces. These workspaces are more likely to be new build and, as such, could require considerably more financial resource input than work hubs. They are more likely, given land availability, to be on the edge of towns and may not, as such, be considered as effective at reducing carbon impacts, for example, as workhubs might be. These spaces are likely to be public sector owned and managed, probably as part of a network, and may include workshops. They are likely to be provided by a combination of funding streams, potentially including developer contributions.

6 INGREDIENTS OF SUCCESSFUL MANAGED WORKSPACE AND WORKHUBS

6.1.1 In this section we report on what makes for a successful managed workspace and workhubs – as businesses in their own rights and as adding value to a network of work spaces. There is a symbiotic relationship between successful managed workspace and successful businesses – they need each other. The services and space provided by good managed workspace and workhubs support business survival and growth. Those businesses also support good managed workspace and workhubs.

6.2 A model approach

6.2.1 Successful managed workspaces should combine two main revenue streams:

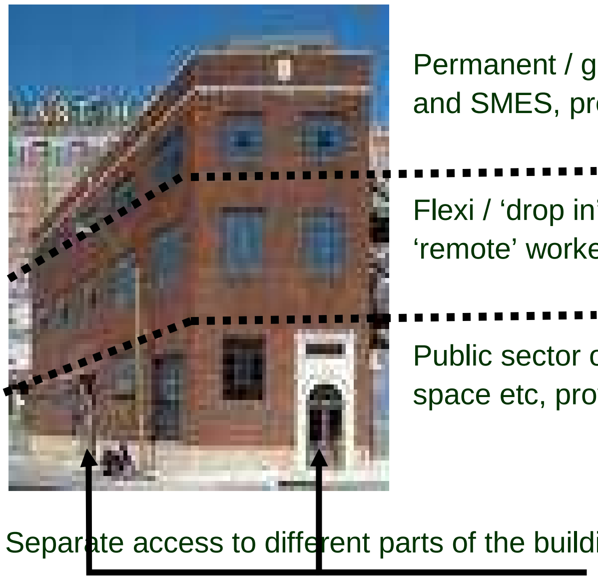
1) Core income from renting (studio / office) space, full time, to 'destination' users i.e. those businesses that tend to occupy space on a permanent basis. Core income should equate to at least 70% of total income.

2) Additional income from renting space, on very flexible terms, to 'drop in' users or members i.e. those businesses that use space less frequently or for generally shorter periods of time than full time users.

6.2.2 Based on our findings in this study, discussions with workspace owners and operators, and using our knowledge of managed workspace, we believe there is the potential for a **third main income stream**, adding to the core / additional income described above. This income stream could come from a range of sources, such as public sector use of space, a cafe / restaurant, event space or community space. These uses will, however, need to add to the viability of the work space as a whole and should not rely on any cross-subsidy over the long term. As we suggest in this report, we believe there will be growing demand from the public sector for such space, which could – if planned and managed carefully – provide significant efficiency savings, community and environmental benefits.

6.2.3 The 'three income stream' model is illustrated below. The illustration simply shows how space may be divided to ensure a separation between different uses, providing for the needs of different users. The illustration does not show the proportion of income that may be derived from each element.

Illustration 4: Model approach to successful managed workspace



Permanent / grow on / ‘destination’ space for micros and SMES, providing core income

Flexi / ‘drop in’ space for HBBs, micro’s, SMEs and ‘remote’ workers, providing additional income

Public sector or community space / cafe / event space etc, providing additional income stream.

Separate access to different parts of the building

6.2.4 The Watermark Centre, Ivybridge, is an example of this - providing a cinema and theatre space, conference facilities, a library, an IT suite, community information resources, a coffee shop and bar, plus business units and business support services. However, we also believe that a combination of uses / income streams of this nature will require careful consideration, design and management. It may not be viable to seek to mix productive, creative, innovative businesses with some wider community uses – businesses may not wish to use the space provided. We are aware, for example, that there is managed workspace available at Somerset College of Arts and Technology, but the close proximity of students and businesses does not seem to be successful in that instance.

6.3 Ingredients of Success

6.3.1 Through our knowledge of managed workspace and key issues emerging from this study, we are able to signpost the ingredients of successful managed workspaces. These ingredients should apply to any of the locations identified in section 3 above or the types of ‘future space’ set out in section 4. The ingredients, set out below, are not in order of merit or preference.

6.3.2 It is evident that successful managed workspaces result as a combination efficient business practices with very effective people / business skills. They require a very hands-on approach from workspace managers, as well as a relaxed, informal, innovative environment to promote productive business activity and partnerships.

- A. Ownership:

Freehold / private ownership tends to work best. Public sector ownership, with a long lease and 'light touch' approach from the owner could also work well we believe.

- B. Management:

We have seen that transparency is crucial, with rents, invoicing, and additional services. Businesses want a simple and transparent charging regime. A 'hands-on' approach, from the workspace manager and/or business mentor, is also essential, not least to understand the needs of each business. For example, cash flow is crucial to small businesses and, with a hands-on approach, it will be possible for a manager to be more flexible about payment of rent by tenants where this is linked to a tenant's cash flow. For similar reasons, we heard that credit checks for tenants are not necessary and are unlikely to be achievable for young businesses and start ups.

A 'host' is also essential, to meet and greet new and existing clients, to provide information and advice, to co-ordinate collaboration and network activities; and to provide an 'inside' view on clients to the manager.

- C. Collaboration:

It is important to create space to collaborate and to provide networking time (e.g. Business clubs), for example through regular network events. It's also important to promote / enable businesses within the workspace to support each other and to use trusted local suppliers.

Workspace managers / operators will also want to create opportunities for collaboration and partnerships to occur, for example through working closely and regularly with the local resident and business communities, through links with local HE or FE provision. It is important to do this during project development and during operation of the workspace.

- D. Location:

Town or rural centres provide the best locations for workhubs, close to local services and amenities, and these locations better help meet, in our view, changing working practices and the 'lifestyle' choices of, for example, micro business owners and self-employed people. It should be possible, in many instances, to link re-use of an existing building with other town centre regeneration or business and resident community activities.

Edge of town centre locations will tend to provide good locations for the 'traditional plus' form of managed workspace.

Clients / tenants / members should be given good opportunity not to use private cars. This might include creation of a car club, community cycle facilities or simply easy access to public transport. However, as the survey of agents and businesses revealed, car parking facilities adjacent to managed workspace is important, especially for 'drop in' users of workspace.

- E. Use of space:

We consider that managed workspace should not be less than about 5,000 sq ft net lettable area. Below this 'threshold' a sustainable, viable workspace could be difficult to achieve. The building should be used by as many businesses as possible, through a combination of membership and core users, and should provide space for different users, for example co-workers, office pods, office studios. Space within the building must be capable of adaptation, to adapt to different uses and users. A good sized cafe or kitchen / breakout area is essential and will encourage informal networking. Good sized meeting rooms (available for hire by non-tenants) are important and can generate significant income.

- F. Design Matters:

The 'wow' factor is important, inside and out, particularly for workhubs. The 'traditional plus' form of workspace may achieve its 'wow' factor through external design and / or through sustainable construction. Space within the building should be comfortable, almost informal, and that space, plus furniture and decor, should help inspire users.

- G. Business support:

Most young / start up businesses require mentoring. This can be provided by a variety of people / organisations, but they must have good business experience. We found that mentoring is often best provided 'in house', where it can respond quickly and effectively to business needs. That said, workhubs have the potential to 'aggregate' business support i.e. provide a one stop shop for services such as Business Link, rather than those organisations having to provide the same service to individual businesses spread over a wide geographic area. We believe this approach should also work well for Business Link and other business advice networks. It's also important to provide 1: 1 'surgeries' as well as group events.

Office support services, such as broadband, telephone answering services and e-filing services, which all provide valuable business support services, can also provide important income streams for owners / operators.

- H. Cost:

It is no surprise that businesses are willing to pay a fair / reasonable rent, but clearly want to see good value for money. The less tangible benefits, such as collaboration and networking opportunities, as well as sharing costs (for photocopiers for example), are valuable to businesses and need to form part of the marketing of managed workspace. Evidence to support the business and economic benefits of collaboration and networking is often anecdotal and, we believe, should become a more important element of showing the value of managed workspace, especially when that space is supported by the public sector.

As a rough guide, rents for occasional users are likely to be around £10-15/sq ft/month or around £130 – 150 pcm for a ‘hot desk’. Again, as a rough guide, rents for core users are likely to be around £20 / sq ft /month for town centre workhubs, but less (around £6 - £12 / sq ft) for more rural / edge of town workspaces. These cost guides do not include service costs and will, clearly, vary depending on location and nature of the workspace.

6.4 Viability

6.4.1 In this section we provide broad advice on issues of viability and more specific advice on likely capital, premises and operational costs and on income. This advice is based in part on discussions with workspace owners and managers.

6.4.2 A crucial message, in relation to viability, is that managed workspace often provides additional space for home based businesses, for micros and SMES and for the self-employed. If those people or businesses do not get real benefit through being a member or tenant of managed workspace, or costs exceed the benefits they receive, they will find alternative space, which can mean reverting to being wholly home based.

6.4.3 In broad terms, therefore, managed workspace should / may:

- Provide flexible space for core (destination) users and for less frequent (drop in) users.
- Core users should deliver at least 70% of total income.

- Require some support to ensure they are sustainable over the long term. In the case of public sector owned managed workspace, 2 – 3 years may be required before breakeven point is reached but it should at least cover its costs or make a profit thereafter. Private sector owned and managed workhubs do not, in themselves, generate large profits.

- Managed workspace is only likely to yield substantial profits, and provide business benefits, when economies of scale are applied and they are run as a network, sharing staff and service costs.

- Managed workspace must support more businesses than can, at any one time, occupy space within the building.

- Managed workspace should ideally not be less than about 5,000 sq ft lettable area. The 'networked' area should look to be around 30,000 sq ft or more.

- Managed workspace should look to achieve a 90% occupancy rate.

6.5 Capital costs

6.5.1 Some headline estimated capital costs include the following:

New build[11]:	£2.0 M+
Conversion / refurb[12]:	£200,000
Broadband (@100 mb)[13]	£70,000

6.5.2 We believe that new build managed workspace is unlikely to be an option unless there is substantial financial support from new development (S106; CIL) or from another funding stream.

[11] Estimated on the basis that Tavistock Business Centre cost £940,000; East Devon Business Centre cost almost £1.1M; Okehampton Business Centre cost about £6M;

[12] Estimated on the basis of conversion costs for the Old Church School, Frome.

[13] Cost for installation at Paignton Innovation Centre

6.5.3 It is also clear that use of public sector assets is often controversial and, although a number of assets are currently available or could become available soon, speed of 'release' of assets for managed workspace will be crucial to successful delivery of managed workspace over the next three years.

6.5.4 The purchase of building from the open market may seem attractive, as an early win, but may be unacceptable given ongoing public sector asset reviews.

6.6 Premises costs

6.6.1 Some headline estimated premises costs[14] include the following:

o Maintenance (property, ground, contract)	£20,000 p.a.
o Utilities	£12,000 p.a.
o Rates	£20,000 p.a.
o Insurance	£1,000 p.a.
o Total:	£53,000 p.a.

6.6.2 These costs are based on the provision of approximately 20 office studios within a managed workspace facility. It is also worth noting that energy costs are becoming an increasingly important factor in decisions by business to use managed workspace. Every effort should be made, therefore, to keep energy costs as low as possible.

6.7 Operational costs

6.7.1 Some of the key operational costs[15] are estimated as follows:

o Business Manager	£25,000
o Host	£17,000

[14] Based on data re East Devon Business Centre, report to EDDC Overview and Scrutiny - Economy Committee, Oct 2009

[15] Based on meetings with workspace operators and on costs included in East Devon Business Centre, report to EDDC Overview and Scrutiny - Economy Committee, Oct 2009

- Broadband £5,000 – 15,000
- Cleaning etc £5,000
- Total: £52,000 – 67,000

6.7.2 The costs of a business manager can be shared between networked hubs. Indeed, a high quality business manager (with a salary of £50,000 for example) could be more effective, and cover his/her salary costs, if shared between two or three managed workspaces.

6.7.3 As indicated above, hosts are essential for good managed workspace. There various options for resourcing this, for example 'free space / time' to businesses that provide the host service.

6.8 Income

6.8.1 Clearly it is difficult to be precise about income, not least because prices will vary depending on quality and location of space for example. However, we provide below some indications of potential income based on £20 / sq ft and an occupancy rate of 90%. We also provide an estimate of potential income for hiring of meeting and conference facilities.

- For 5,000 sq ft (lettable area) @ £20 / sq ft x 90%: £90,000
- For 10,000 sq ft @£20 / sq ft x 90%: £180,000
- Meeting / conference rooms[16]: £10,000 – 25,000

6.8.2 The figures above reflect income from 'core' users. The remaining 20 – 30% of costs can be made up through membership fees and hire of meeting / conference space. It is recommended that very flexible rates should be provided for 'drop in' users / members, with a range of charges based on hours of use (e.g. from 8 to 60 hours per month).

[16] Based on data re East Devon Business Centre, report to EDDC Overview and Scrutiny - Economy Committee, Oct 2009

6.9 Risk

6.9.1 This report sets out, in broad terms, the locations for, types of and success criteria for workhubs and managed workspace. Subject to further work on business needs within priority places and on the suitability of sites / buildings for workhubs or traditional plus workspace, we consider that adherence to the ingredients of success and recommendations of this report will significantly reduce the risk of investment in such workspace.

6.9.2 We also consider that the risk of supporting and/or investing in workhubs and traditional plus workspace is relatively small, given the factors we have covered in this report. We have pointed to strong and growing demand from home based businesses, from self-employed people, from freelancers, from micro and small businesses for small, flexible workspace that meets their needs. This demand, and lack of supply, is reflected in other strategy, policy and research documents, as referenced in this report. The demand is likely to grow if, for example, there's a greater shift towards public sector employees working remotely. We also know, through the survey of land and property agents in Devon, they believe demand for small, flexible workspace – of the type we recommend in this report – from start up and micro businesses over the next five years.

6.9.3 We consider it is less risky to invest in workhubs than it is to invest in traditional plus managed workspace. That is, in part, due to cost of construction of traditional plus managed workspace, but also due to the adaptability and flexibility in use of a workhub located in a town centre. However, we think it will be prudent for public sector partner to seek to 'share' costs of providing such workspace, for example through joint venture arrangements, through use of Section 106 contributions, or through the use of other available funding streams such as RDPE.

6.9.4 During the development stage, it will be important to work with local business representative organisations and community groups, to encourage them to be the 'selling agents' of the space. Similarly, and as suggested above, it will be important to understand more precisely what sort of space and services businesses need, in each location. Where possible, and to reduce risk further, public sector assets should be used. Clearly, a full project viability assessment will be required.

6.9.5 During the operational stage, a skilled and experienced manager will be needed to manage one or more workspaces. A manager should, preferably, be able to offer robust advice to businesses as well as managing the property and financial aspects. We have suggested that costs, and as such risk to viability, can be reduced by sharing a manager across a number of workspaces. The geography of Devon may make that a little difficult, but not impossible, depending on the location of new workspace. However, with the potential for existing managed workspaces to join a network of new workspace facilities, it may well be prudent to consider the use of more than one manager or a small number of assistant managers. A network of workspaces will also help reduce the risk, but we do not recommend that one workspace in a network subsidises any others – each workspace should be viable in its own right. A good workspace manager, working with partners such as EDOs, should be able to quickly achieve the 90% occupancy rate (and above) that we recommend.

7 CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

7.1.1 In this report, and in response to the brief from DCC, we have shown there is already good managed workspace provision in Devon, but there is strong and growing demand for high quality managed workspace. Such demand comes from a large and growing number of home based businesses and 'remote' workers who need an HQ, a place to reduce the impacts of isolated working; from micros and SMEs, of which there are also large and growing numbers; from self-employed people, a large number of who are women.

7.1.2 Demand is strongest in a small number of market and coastal towns across Devon. We have identified four places we consider would provide potentially good investment opportunities for public sector partners, perhaps utilising public sector assets.

7.1.3 That there are two types of managed workspace in which investment could be made and which could certainly be promoted, namely traditional 'plus' workspaces and workhubs. These have different characteristics and, in broad terms, are likely to appeal to slightly different businesses.

7.1.4 Managed workspace, depending on its nature, is likely to be used by a number of different sectors and businesses. Designing workspace with likely tenants (sectors) in mind is important, but there are more important ingredients to successful managed workspace and targeting specific sectors is unlikely to be productive. The key issues include identifying businesses (and business people) with growth potential, providing value adding support to them, facilitating collaboration and networking, and providing flexibility to fit with 'lifestyle' choices.

7.1.5 We have suggested a model approach to managed workspace provision, which relies on core and additional income streams to be viable. We have identified a third potential income stream which, with careful consideration, design and management, could provide managed workspace for public sector staff, for community facilities / services and a number of other activities.

7.1.6 Managed workspace, with high capacity broadband, will themselves be seen and used as ICT hubs and will be capable of, firstly, demonstrating to businesses the benefits of such facilities and, secondly, demonstrating to service providers (such as next generation broadband) the scale of demand in Devon and accelerating delivery of such services.

7.1.7 We believe that the two types of managed workspaces we have recommended, in the right locations, will deliver the outcomes desired by DCC, namely:

- They will, with business mentoring and collaboration, facilitate business support and growth, specifically SMEs and micro businesses.
- They will reduce commuting time and distance and, as a consequence, reduce CO_2 emissions from commuting. They will also reduce CO_2 impacts if existing buildings are utilised.
- They will be ICT hubs in their own rights and can be seen as 'business skills' centres. They can also provide valuable community services and support regeneration / sustainable community activities.
- There is potential to utilise public sector property, but this property will need to be made available soon if new managed workspace is to be delivered in the near future.
- They have the potential to provide cost-effective workspace for public sector employees and promote a culture change within the public sector.

7.2 Recommendations

7.2.1 In order to secure delivery of successful and sustainable managed workspace, and the outcomes set out in this report, we recommend the following:

1) Options for investment

- **Workhubs**: high spec space, located in or close to a town centre, probably managed by the private sector and which is likely to appeal to knowledge based, creative and innovative businesses.

- **Traditional plus** – slightly lower spec space than workhubs, in an edge of town or rural location, probably public sector managed and likely to appeal to a range of sectors.

7.2.2 The focus should be on office space, rather than workshops. These facilities must be seen as more than just an asset, they must be run as businesses looking to break even or make a profit.

7.2.3 Both options could accommodate, with careful design and management, the 'third' income stream from public sector or community based uses. The nature of such uses will depend on location and the type of building being made available. In general terms these facilities should be let with long leases, with a light touch approach from the owners and a 'hands on' approach from managers. There should be 'early years' support for new managed workspace, for example using rent free periods, small business support, geared ground rent linked to rent roll.

2) Network

7.2.4 New managed workspaces must operate as a network, looking to achieve a net lettable area of at least 30,000 sq ft. Existing managed workspaces should be encouraged to join the network. A high quality business manager, or business 'angel', should operate across the network. Business Link and other business support services should provide services from managed workspaces, rather than providing a dispersed service to businesses.

7.2.5 We feel that public sector partners may wish to explore further, working with the private sector in particular, the opportunities to provide an 'escalator' of space for businesses to ensure that necessary grow on space is provided. A lack of 'escalator' space could result in businesses leaving Devon altogether, although we also appreciate that grow on space in one part of Devon could result in businesses leaving another part of Devon. Similarly, we believe there are opportunities for sharing meeting or conference facilities.

7.3 ICT

7.3.1 New managed workspace must include high capacity broadband, preferably up to 100 Mb. These should be used a ‘demonstrators’, showing businesses what is possible and showing broadband providers the level of demand in Devon. It would be advisable to seek to procure ICT support on a network basis, rather than allowing support to be provided to individual tenants. Additionally, consideration should be given to supporting the capital and revenue (for a limited period) costs of installing high capacity broadband.

7.4 Collaboration

7.4.1 Collaboration should be incentivised through a number of possible routes, including:

- Support for micros and SMEs to attend ‘collaboration’ events;
- Support for managed workspace to host ‘collaboration’ events.

7.4.2 With this in mind, new managed workspace must include sufficient space for formal and informal meeting / collaboration. Meeting space should be hired out to non-member businesses, community groups and business representative organisations. Additionally, workspace manager(s) should secure good links with HE / FE, by providing for example a business angel service to students, by providing space (at discounted rates) for post-graduates, and by encouraging use of HE / FE research facilities.

7.5 Design / location

7.5.1 Town centre locations, with good public transport and road links, ample parking and close proximity to services / amenities, are the preferred locations, particularly for work hubs.

7.5.2 Specialist advice should be procured on design of work hubs, specifically, and potentially for traditional plus workspace, acknowledging that many businesses tend not to like ‘institutional’ buildings. It is also crucial that floor space within managed workspace is adaptable and flexible, allowing for ‘grow on’ space, for different types of businesses and for additional meeting / conference facilities.

7.5.3 Given the lack of significant numbers of responses from businesses in potential locations for investment in managed workspace, we suggest that, prior to delivery, more targeted business surveys are undertaken in a small number of places, with a range of businesses / business network and aimed specifically at home based businesses, ‘remote’ workers and micro businesses. This will help ensure a bespoke solution, meeting specific business needs, is delivered in each location.

7.6 Costs

7.6.1 The transparency of costs to businesses is essential. It’s best to keep all charges, other than telephone, additional broadband and copying, under one ‘heading’. There are excellent opportunities to develop on-line booking systems, across a network of managed workspaces, for meeting rooms, ‘hot desk’ spaces etc to improve economies of scale.

7.6.2 The viability of managed workspace could be significantly enhanced from use by the public sector., although this would have to be matched by a reduction in space at any home base such as County Hall if real savings were to be made.

7.7 Delivery

7.7.1 We acknowledge that the public sector in Devon has been actively delivering and promoting new managed workspace, such as Cullompton Library, for some time. In order to make the step change in delivery suggested in this report, public sector partners may consider using two routes:

7.8 A Challenge style fund

7.8.1 This could be set up and managed by public sector partners and / or property assets used to lever in other funds, such as from the HCA, lottery funding or via RDPE. It could be targeted at the establishment of three to five new managed workspaces in Devon. Bids into the fund could be assessed against the 'ingredients of success' provided in this report. Bids would be encouraged from those wishing to establish or be part of a network. Funding would need to assist capital and revenue costs.

7.9 A Joint Venture

7.9.1 As suggested in this report, we believe there is merit in delivering workhubs that are owned by the public sector and managed by the private sector. We have set out in this report, the broad ingredients of success for this type of approach, including the need for a very long lease and a 'light touch' style from the owners. We know that private sector workhub owners / operators would be very interested in this approach and that some organisations, for example North Devon Plus, are constituted to allow for JVs. However, again as suggested in this report, JV arrangements with the private sector are likely to succeed or fail around principles such as:

- **Branding**: buildings could not be branded as Council facilities;
- **Location**: For workhubs, a town centre location is essential;
- **Shared space**: a private investor would not want to share space with HE/FE establishments or other learning institutions;
- **Design**: A private sector operator will want to control the look and feel of a workhub;
- **Stake**: A private sector investor is unlikely to accept a minority stake in a joint venture.