

South Oxfordshire and Vale of White Horse

Employment Land Needs Assessment
Phase 2

South Oxfordshire and Vale of White Horse District Councils

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Prepared for:

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1. Introduction

Study Context

- 1.1 AECOM was commissioned by South Oxfordshire and Vale of White Horse District Councils to undertake an Employment Land Needs Assessment (ELNA). The study sets out a detailed evidence base which forms part of the evidence base to support the Joint Local Plan 2041, and specifically the districts' future approach to the provision, protection, release and enhancement of employment land and premises.
- 1.2 In line with the Councils' requirements the reporting in relation to this study was split into two core phases of activity.
- 1.3 This report covers Phase 2 of the commission, which focuses on providing a more in-depth review of the approach to affordable workspace provision with a view to informing an affordable workspace policy that reflects the needs of start-up businesses and the foundational economy. The report is structured as follows:
 - Section 2 establishes the definition of the foundational economy in South Oxfordshire and Vale of White Horse;
 - Section 3 presents a review of the relative affordability of locations across the districts;
 - Section 4 sets out a review of affordable workspace policy and case studies; and
 - Section 5 provides overall recommendations and conclusions.

2. The Foundational Economy in South Oxfordshire and Vale of White Horse

Introduction

2.1 This section of the report sets out the concept of the foundational economy and its development as a tool to support economic development, before establishing its role and characteristics in South Oxfordshire and Vale of White Horse.

What is the foundational economy?

2.2 The 'foundational economy' was first defined in the Centre for Research on Socio-Cultural Change (CRESC)'s *Manifesto for the Foundational Economy* of 2013¹. The Manifesto argues that within industrial policy the part of the economy that provides the everyday needs of people – i.e. the goods and services which sustain and support the wider economy as well as underpinning the 'mundane' elements of daily life – is often overlooked.

2.3 Part of the challenge of drawing attention to the foundational economy, noting its important contribution to employment, GVA and the functioning of modern society more widely², is about establishing a vocabulary that frames the concept effectively such that policymakers can effectively recognise it. To that end, CRESC defined the foundational economy as:

“that part of the economy that creates and distributes goods and services consumed by all (regardless of income and status) because they support everyday life”³.

2.4 The Manifesto listed the following sectors as constituting the foundational economy:

- the utilities, including piped or cabled services such energy, water and sewerage;
- retail banking; food and petrol retailing; food processing;
- networks and services such as rail or bus for transport and distribution of people and goods;
- telecommunications networks; and
- health, education and welfare/social care.

2.5 Since 2013, the concept of the foundational economy has been further developed by the Foundational Economy Collective, who consider the foundational economy to provide:

- **Material** services through pipes and cables connecting our houses as systems of networks and branches distribute water, electricity, gas, telecoms, banking services and food;
- **Providential** services of primary and secondary education, health and care, as well as income maintenance; and
- **Overlooked** mundane cultural necessities like sofas, haircuts and holidays⁴.

2.6 This broader definition draws attention to those elements of which are not traditionally competitive, or deal with tradeable goods and services relating to high-tech and R&D intensive industries, but provide additional social value to communities.

¹ Centre for Research on Socio-Cultural Change, (2013); CRESC Working Paper No. 131: Manifesto for the Foundational Economy.

² Wahlund, M., and Hansen, T., (2022); Exploring alternative economic pathways: a comparison of foundational economy and Doughnut economics.

³ Centre for Research on Socio-Cultural Change, (2013); CRESC Working Paper No. 131: Manifesto for the Foundational Economy.

⁴ Foundational Economy Collective, (2020); The foundational approach.

- 2.7 The foundational economy's role as a tool to support economic development has been brought into focus due to the ubiquitous nature of its activities. However, it has been noted that jobs in foundational sectors *'are often characterised by low wages, precarious forms of employment, poor working conditions, and often plagued by long-term underinvestment, poor regulation, and inappropriate business models'*^{5,6}. Focusing on the foundational economy can therefore provide a more balanced approach to economic development which offers the chance to reverse the deterioration of conditions across these sectors, thereby making communities stronger and more resilient, and delivering inclusive growth.

Defining the foundational economy in South Oxfordshire and Vale of White Horse

- 2.8 The foundational economy has garnered increasing attention in Oxfordshire, as reflected in Oxfordshire Local Enterprise Partnership (OxLEP)'s *Strategic Economic Plan*⁷ and associated *Deep Dive Report: Oxfordshire's Foundational Economy*⁸. The SEP notes the significant contribution to the national economy of Oxfordshire and its strategic innovation assets, including those within South Oxfordshire and Vale of White Horse such as Harwell Science and Innovation Campus and Milton Park, as drivers of growth. However, the conception of a foundational economy, as recognised in the SEP, forces attention on how there are additional elements of the economy which require attention such that sustainable economic growth can be secured. Indeed it is stated that:
- 2.9 *"Oxfordshire has a world class innovation ecosystem, and its knowledge economy is of international renown... But its overall effectiveness is linked to a wider foundational economy – and this accounts for the majority of jobs across the county. The foundational economy is therefore critical in terms of the extent to which Oxfordshire thrives. It is key to the future prospects of many people and businesses across Oxfordshire"*⁹.
- 2.10 However, the SEP outlined a number of challenges facing the foundational economy locally in Oxfordshire, namely:
- The cost of living reinforcing consequences of low pay and relatively low margins in some sectors (especially personal service-related activities);
 - Staff recruitment and retention;
 - Long term labour shortages, particularly in hospitality, health and social care and logistics; and
 - Adoption of new technologies and the transition to 'net zero'.
- 2.11 More locally in South Oxfordshire and Vale of White Horse, consultation with key stakeholders undertaken as part of the ELNA highlighted affordability challenges experienced by businesses across both districts, and Oxfordshire more widely, whereby smaller businesses in "foundational" sectors are struggling to afford space within the districts, resulting in the potential need to relocate or move to less suitable accommodation (in terms of quality, functionality or location).

⁵ Wahlund, M., and Hansen, T., (2022); Exploring alternative economic pathways: a comparison of foundational economy and Doughnut economics.

⁶ Foundational Economy Collective, (2020); What Comes after the Pandemic?: A Ten-Point Platform for Foundational Renewal. Accessed at: <https://foundationaleconomy.com/wp-content/uploads/2020/03/what-comes-after-the-pandemic-fe-manifesto-005.pdf>

⁷ Oxfordshire Local Enterprise Partnership (OxLEP), (2023); Oxfordshire Strategic Economic Plan.

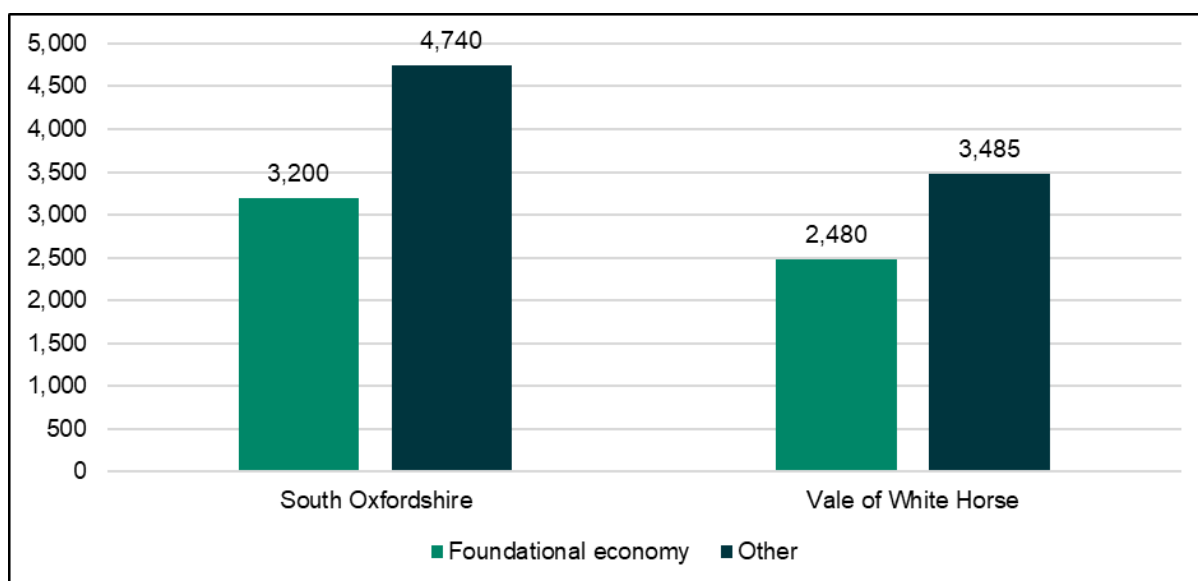
⁸ Oxfordshire Local Enterprise Partnership (OxLEP), (2023); Deep Dive Report: Oxfordshire's Foundational Economy.

⁹ Oxfordshire Local Enterprise Partnership (OxLEP), (2023); Oxfordshire Strategic Economic Plan.

Role and characteristics of the foundational economy in South Oxfordshire and Vale of White Horse

- 2.12 The following analysis establishes the contribution that the foundational economy makes to local employment in South Oxfordshire and Vale of White Horse, as well as the amount and nature (size) of businesses involved. The analysis has adopted the statistical definition of the types of firms within the foundational economy proposed by the Foundational Economy Collective formed of standard industrial classification (SIC) codes¹⁰. Using this established definition provides a platform for future analysis, including against additional geographical areas of interest. The full list of included industries is provided in Appendix A. The foundational economy is considered to comprise a range of industrial activities (material, providential, and overlooked) which complement and interact with the remainder of the economy (here referred to as ‘other’).
- 2.13 In 2023, there were 5,680 businesses in South Oxfordshire and Vale of White Horse within the foundational economy, accounting for 41% of all businesses across the districts. Of these, 3,200 businesses were located in South Oxfordshire and 2,480 businesses in Vale of White Horse¹¹. This is shown in Figure 2-1.

Figure 2-1 Number of businesses in South Oxfordshire and Vale of White Horse, foundational economy and other (2023) (enterprises)



Source: Office for National Statistics, (2024); UK business counts - enterprises by industry and employment size band.

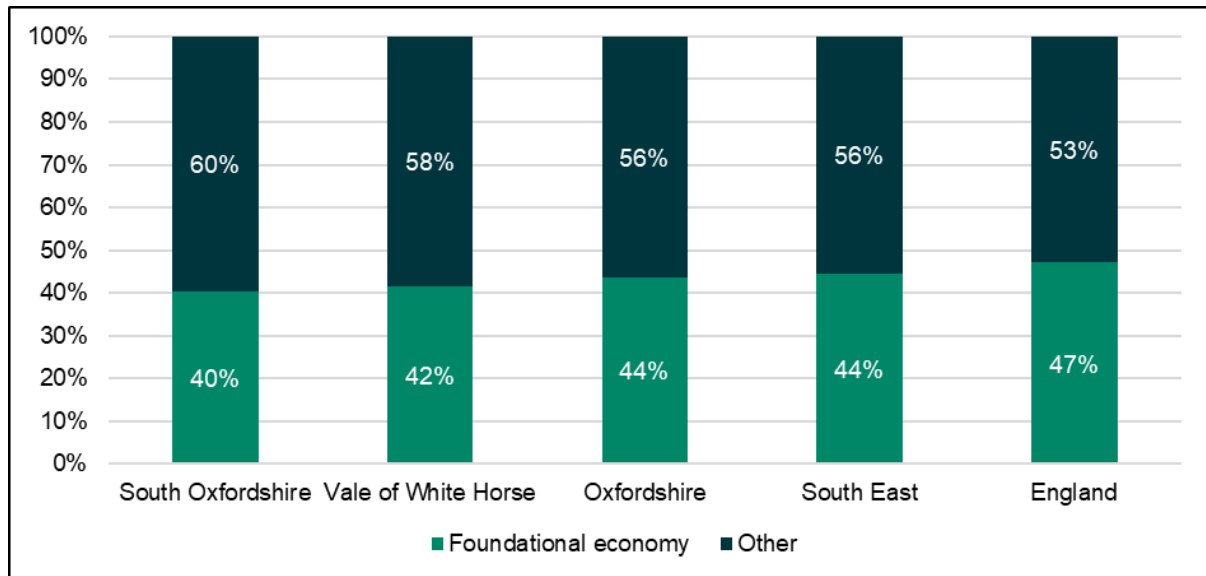
- 2.14 The proportion of businesses attributed to operating within the foundational economy in South Oxfordshire and Vale of White Horse is relatively lower than reflected at wider South East regional level (44%) and across England (47%), as shown in Figure 2-2¹². This reflects the prominence within the local economy of the districts research and development (R&D) and innovative high-tech industries.

¹⁰ Foundational Economy Collective, (2024); Activity Classification. Available at: <https://foundationaleconomy.com/activity-classification/>

¹¹ Office for National Statistics, (2024); UK business counts - enterprises by industry and employment size band.

¹² Office for National Statistics, (2024); UK business counts - enterprises by industry and employment size band.

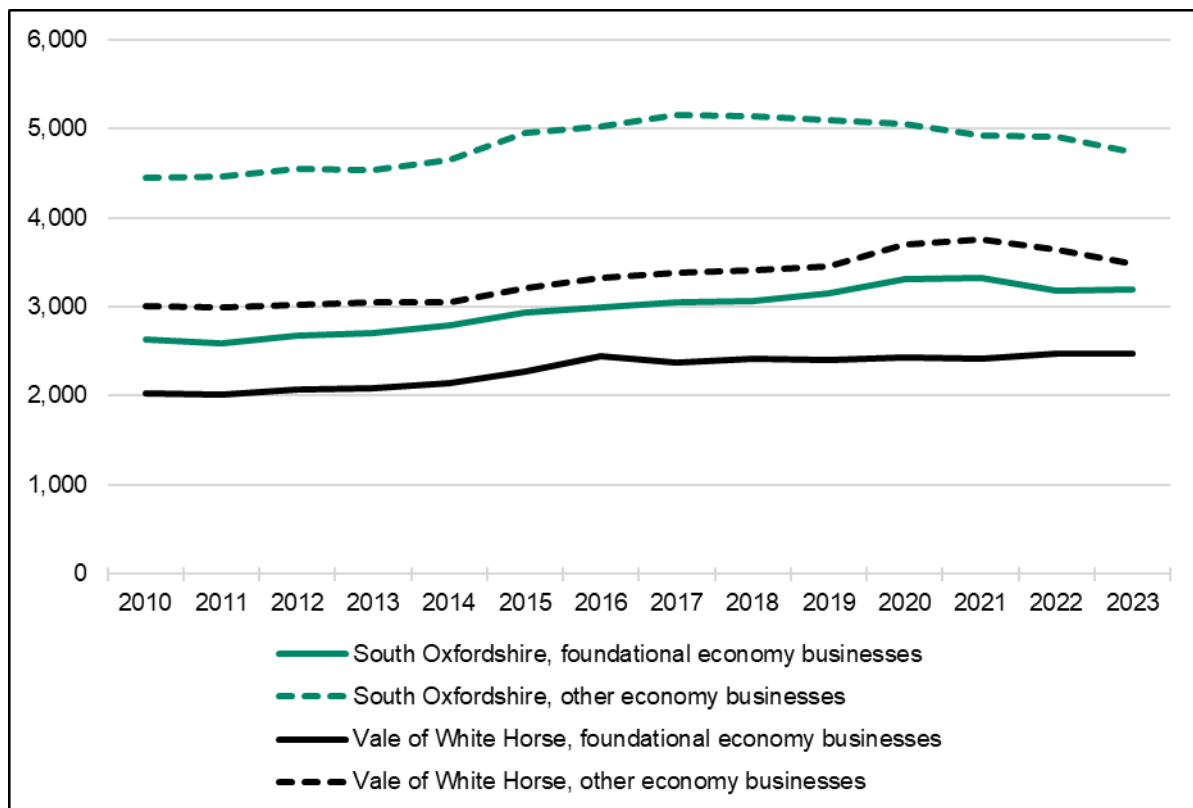
Figure 2-2 Proportion of all businesses within foundational economy (2023) (%)



Source: Office for National Statistics, (2024); UK business counts - enterprises by industry and employment size band.

2.15 The overall total number of businesses within the foundational economy in South Oxfordshire, despite broadly increasing since 2010, has recently exhibited a slight decrease. This trend is also evident within the ‘other’ economy. In Vale of White Horse, the total number of businesses in the foundational economy has plateaued since 2016, despite a reduction in the number of businesses within the ‘other’ economy since 2020. This is shown in Figure 2-3.

Figure 2-3 Change in number of businesses in South Oxfordshire and Vale of White Horse (2010 – 2023) (enterprises)

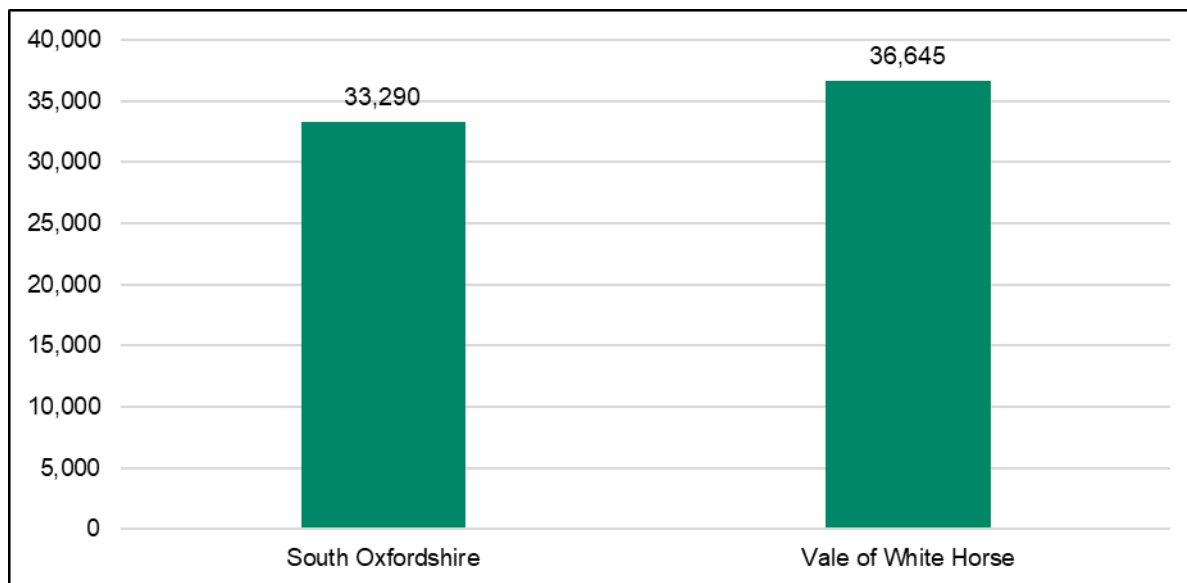


Source: Office for National Statistics, (2024); UK business counts - enterprises by industry and employment size band 2010 - 2023.

2.16 These businesses support a key portion of the workforce in South Oxfordshire and Vale of White Horse through employment opportunities. As shown in Figure 2-4, in total there are

nearly 70,000 employees within the foundational economy, comprising 33,290 employees in South Oxfordshire and 36,645 employees in Vale of White Horse¹³.

Figure 2-4 Employees within the foundational economy in South Oxfordshire and Vale of White Horse (2022) (workplace-based jobs)

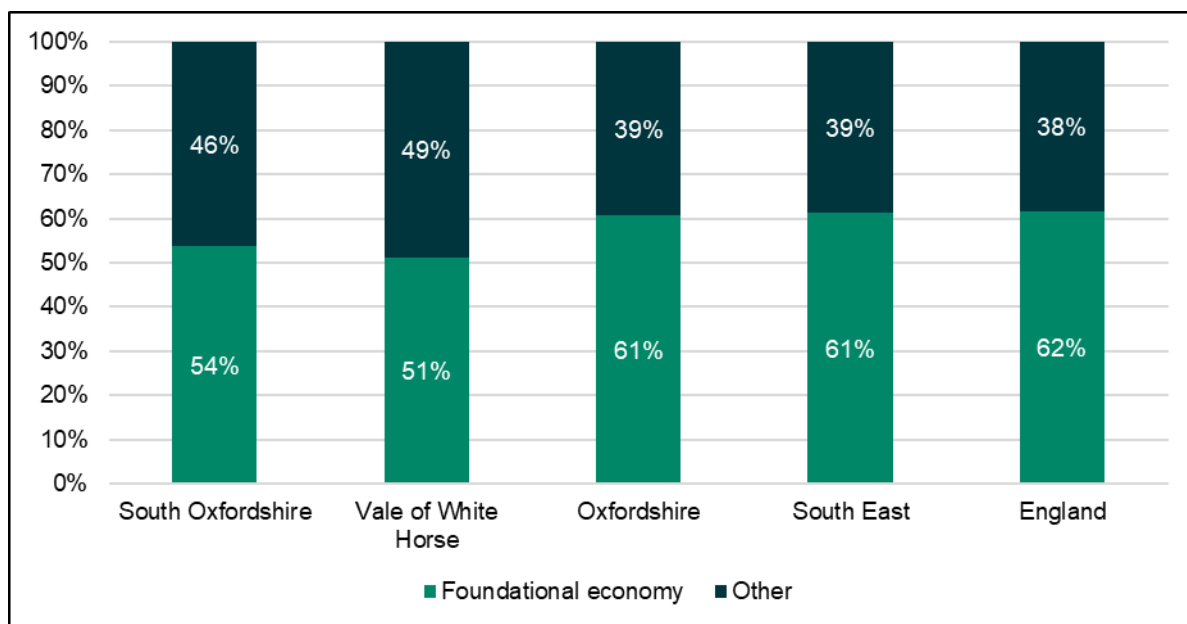


Source: Office for National Statistics, (2023); Business Register and Employment Survey 2022.

2.17 As shown in Figure 2-5, approximately 54% of employees within South Oxfordshire and 51% of employees within Vale of White Horse are employed within the foundational economy¹⁴. These represent significant proportions of the total workforce, albeit lower than in Oxfordshire (61%), South East (61%) and England (62%). This is potentially due to the higher proportion of high value activities in South Oxfordshire and, in particular, Vale of White Horse.

2.18 The importance of the foundational economy to supporting local employment is therefore highlighted by a higher proportion of jobs being within the foundational economy compared to the remainder of the economy, despite the latter being considered to garner more attention in industrial/economic policy.

Figure 2-5 Proportion of total employees within foundational economy (2022) (%)



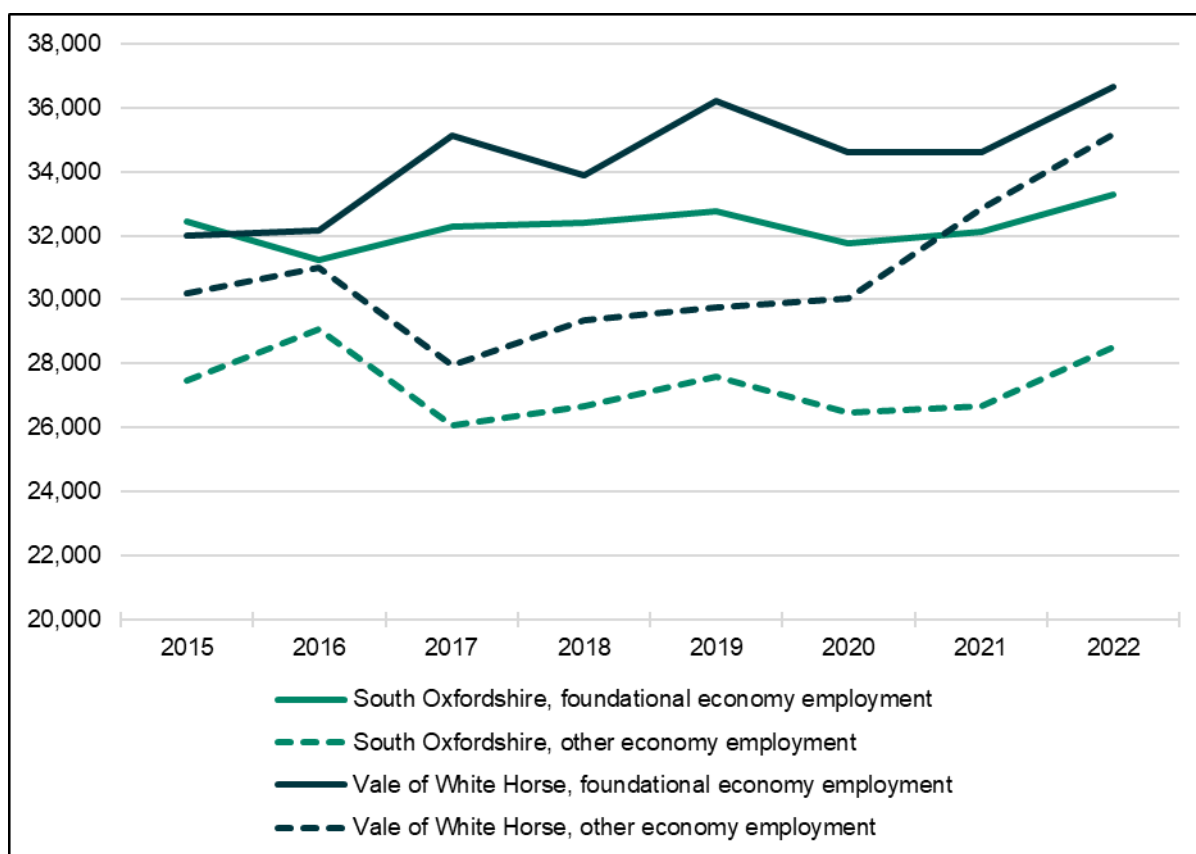
Source: Office for National Statistics, (2023); Business Register and Employment Survey 2022.

¹³ Office for National Statistics, (2023); Business Register and Employment Survey 2022.

¹⁴ Office for National Statistics, (2023); Business Register and Employment Survey 2022.

- 2.19 In both South Oxfordshire and Vale of White Horse, the number of employees in the foundational economy has been consistently above those accounted for by the remainder of the economy between 2015 and 2022¹⁵. This is shown in Figure 2-6. In South Oxfordshire, employment in the foundational economy has grown by 865 employees (+2.7%) over the period between 2015 and 2022, compared to growth of 1,020 employees (+3.7%) within the 'other' economy. There appears to be less variability (and therein potentially vulnerability to macroeconomic drivers) within the foundational economy over this period. However, in Vale of White Horse, a higher degree of variability and change in employment is exhibited across both the foundational economy and the 'other' economy. The number of employees in the foundational economy grew over the period between 2015 and 2022 by 4,650 employees (+14.5%) and in the 'other' economy by 4,980 employees (+16.5%). A notable period of growth in employment in the 'other' economy in Vale of White Horse is exhibited since 2020.
- 2.20 An observation here is that growth in employment in the foundational economy and 'other' economy are synergistic and linked; they display similar trends because the functions of one supports the other, and vice versa. However, as discussed above, the conditions of work within the foundational economy can be characterised by low pay and precarious employment. Increasing employment in the foundational economy is not enough alone to impart wellbeing benefits to its employees, enhancing the performance of the sectors involved is also needed to improve outcomes for workers.

Figure 2-6 Change in number of employees in South Oxfordshire and Vale of White Horse (2015 – 2022) (workplace-based jobs)



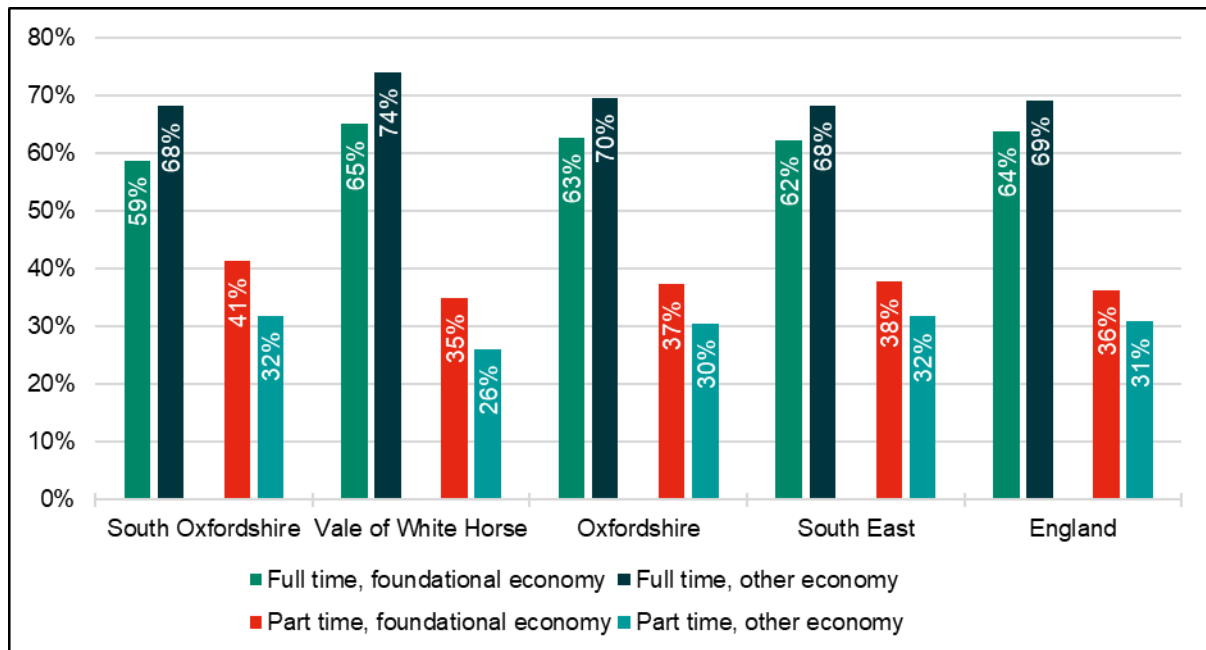
Source: Office for National Statistics, (2023); Business Register and Employment Survey 2015 – 2022.

- 2.21 Figure 2-7 shows the proportion of employees in full time or part time employment in the foundational economy and 'other' economy respectively. On the whole, it is evident that a higher proportion of the workforce are employed on a part time basis within the foundational economy; accordingly full time employment is less prevalent in the foundational economy. In South Oxfordshire this is particularly evident, wherein 41% of foundational economy employees are employed on a part time basis. In Vale of White Horse, a smaller proportion of foundational

¹⁵ Office for National Statistics, (2023); Business Register and Employment Survey 2015 – 2022.

economy employees are employed on a part time basis than is typical for Oxfordshire and the South East, albeit at a higher proportion than the 'other' economy.

Figure 2-7 Proportion of foundational economy and other economy employees, by full time / part time employment (2022) (%)



Source: Office for National Statistics, (2023); Business Register and Employment Survey 2022.

Summary

- 2.22 The services and products within the foundational economy provide those basic goods and services on which every citizen relies. In turn, support for the foundational economy can contribute towards making communities stronger and more resilient, and deliver inclusive growth.
- 2.23 The analysis in this section has demonstrated that the foundational economy plays an important and enduring role in the South Oxfordshire and Vale of White Horse economy, both in terms of the number of businesses and amount of employment contributed. The amount of employment in the foundational economy is steadily increasing, although the conditions of employment can be considered as somewhat precarious given the prevalence of part-time work, particularly in South Oxfordshire, as well as low wages and labour shortages, as set out in the Oxfordshire SEP. Political attention to the foundational economy is therefore important, not least because the goods and services it provides are essential to the everyday lives of households and achieving inclusive growth.

3. Review of the relative affordability of locations across the districts

Introduction

- 3.1 Ensuring that appropriate types of employment space are available and affordable provides opportunities to grow and retain local businesses and employment in the foundational economy. This section of the report provides a review of the affordability of office and industrial floorspace in the main settlements of South Oxfordshire and Vale of White Horse, taking into consideration property age and size.

Affordability and the foundational economy

- 3.2 The foundational economy is important because it supports everyday life and the functioning of the rest of the economy. If a strong foundational basis of the economy exists, it can deliver wellbeing and quality of life benefits for residents and strengthen community resilience. In this way, supporting the foundational economy is seen as necessary to address quality of employment within the foundational economy (recognising its existing challenges) and to support the quality of its outputs in delivering social value.
- 3.3 The sustainability of the foundational economy is intrinsically linked to the places of work which support its functioning. This includes ensuring that appropriate types of employment space are available which are affordable to support quality work, facilitate social value and allow for its businesses to thrive. Stakeholders have expressed that in South Oxfordshire and Vale of White Horse, the types and kinds of affordable workspace accessible and available for foundational economy businesses is increasingly limited. The implication of a lack of affordable workspace is that the ability of existing firms to deliver quality outputs, and develop the goods and services offered, is increasingly challenged. The challenges faced by the foundational economy – such as low pay, cost of living, staff recruitment and retention; long term labour shortages; and adoption of new technologies – can all be directly associated with the commercial property market and the availability of affordable workspace.
- 3.4 There are a number of available definitions of what defines and makes employment space affordable. For example, the Greater London Authority within the London Plan consider affordable workspace to be that which is ‘*provided at rents maintained below the market rate for the space for a specific social, cultural or economic development purpose*’¹⁶. However, beyond a focus solely on discounted rents, affordability of space is affected by a firm’s property needs in relation to their operations. The affordability of commercial property reflects a number of considerations undertaken by firms in the context of their own specific operations, including but not limited to the complex interaction of: labour availability and affordability, property costs and specification, and locational influences on customer base, supply chain and transportation costs. Therefore, the leasing and building characteristics of workspace also impact on achieving more affordable conditions, including: rent free periods, flexible lease terms, all-inclusive rents, turnover rents, fit out support, shared equipment, unit sizing and business rates¹⁷.
- 3.5 Acknowledging that, although market rental value is not the only constituent of affordability but is nonetheless a key component, it is pertinent to consider in further detail how the property market in South Oxfordshire and Vale of White Horse compares with wider geographies, and how the characteristics of properties (age and size) influence this, including how this is spatially variable amongst the key settlements¹⁸ of the districts. The following analysis draws on CoStar data, representing a robust and comprehensive national property market dataset for this purpose.

¹⁶ Greater London Authority, (2021); London Plan 2021.

¹⁷ Avison Young, (unknown); What is ‘affordable’ workspace? Accessed at: <https://www.avisonyoung.co.uk/what-is-affordable-workspace>

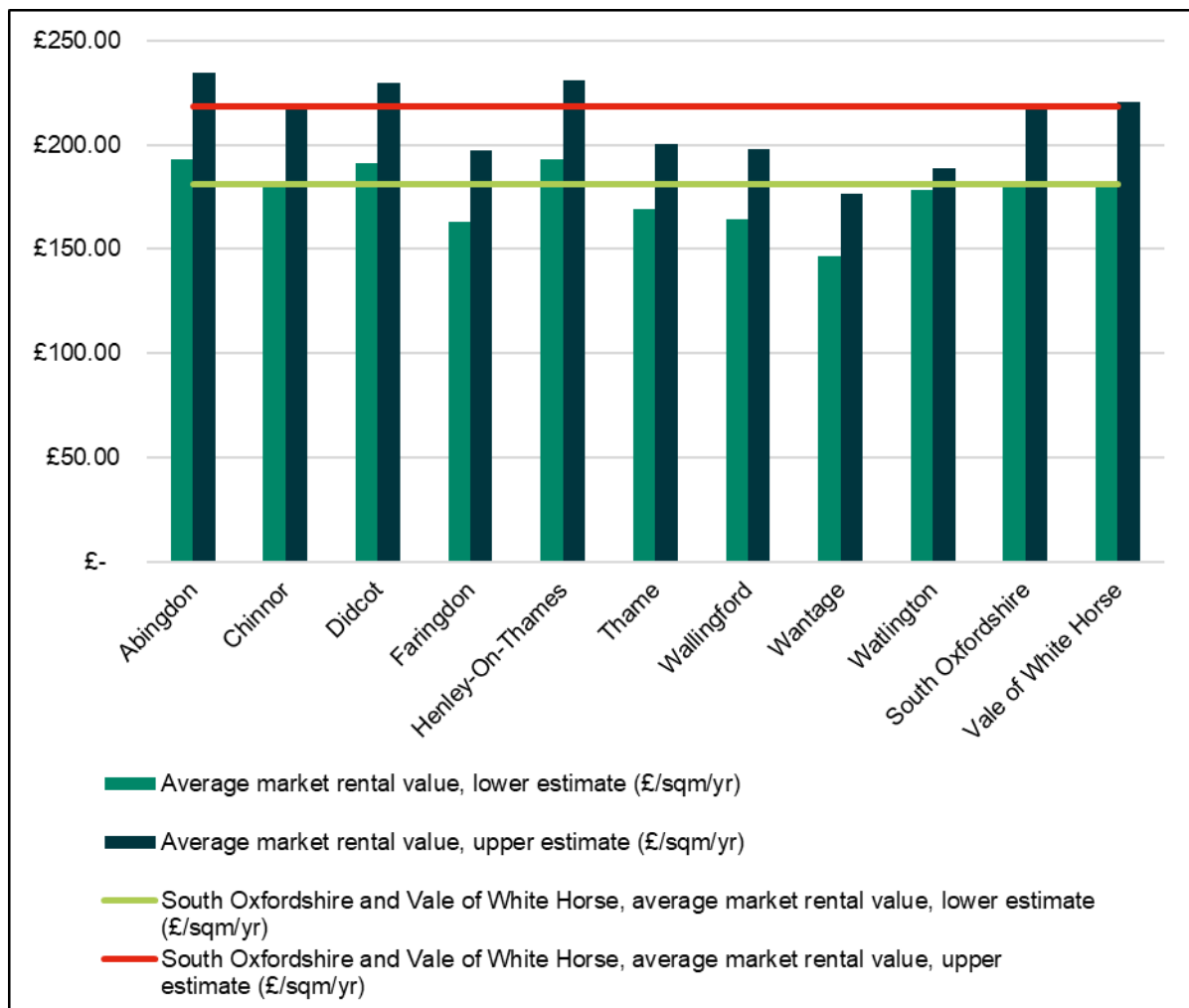
¹⁸ Key settlements for the purposes of this analysis reflects submarket areas as identified and defined by CoStar.

Affordability of office space

- 3.6 Having a sufficient amount and mix of office space typologies in appropriate locations where required is essential to support a diverse range of occupiers necessary for thriving and vibrant local economies which support the needs of the local population. Accessible places to work, and well as live and do relatedly contribute to the health of the health of the local economy. Offices themselves might be considered to feature as part of the 'overlooked' foundational economy given they enable the functioning of enterprises¹⁹.
- 3.7 The South Oxfordshire and Vale of White Horse ELNA Phase 1 report sets out in further detail the general characteristics of the office property market across the districts. In summary:
- The market rental value of office properties is slightly lower in both South Oxfordshire and Vale of White Horse when compared to the Functional Economic Market Area (FEMA) identified; and
 - South Oxfordshire has lower market rental values, whereas Vale of White Horse, slightly higher when compared to the South East region. This observation is taken as an average and there are some very high quality (and high market rental value) office property assets located within the districts.
- 3.8 In light of this, Figure 3-1 considers the average market rental value, as derived from CoStar estimates, of achieved market rental value per property, of office properties in the main settlements of the districts in comparison to the overall average market rental value. The upper and lower average estimates are shown in each instance, with the aggregated average for South Oxfordshire and Vale of White Horse marked as horizontal lines to aid comparison. The relative affordability of locations within the districts is important to consider given goods and services within the foundational economy are often less tradeable and firms are embedded and bound by social contracts in the communities they serve.
- 3.9 In simplistic terms, relatively lower market rental values in relation to another geography might indicate comparatively more affordable workspace, notwithstanding the multiple additional considerations discussed in paragraph 3.4. According to this logic, office properties in Faringdon, Thame, Wallingford and Wantage attract relatively lower market rental values (i.e. below the average for the districts) and might be seen as more affordable locations. Conversely, office properties in Abingdon, Chinnor, Didcot and Henley-on-Thames attract the (relatively) highest market rental values, and might be seen as less affordable when considered at this scale.

¹⁹ Greater Manchester Centre for Voluntary Organisations (GMCVO), (2023); The Foundational Economy and the VSCE Sector. Accessed at: <https://www.gmcvo.org.uk/news/blog-foundational-economy-and-vcse-sector>

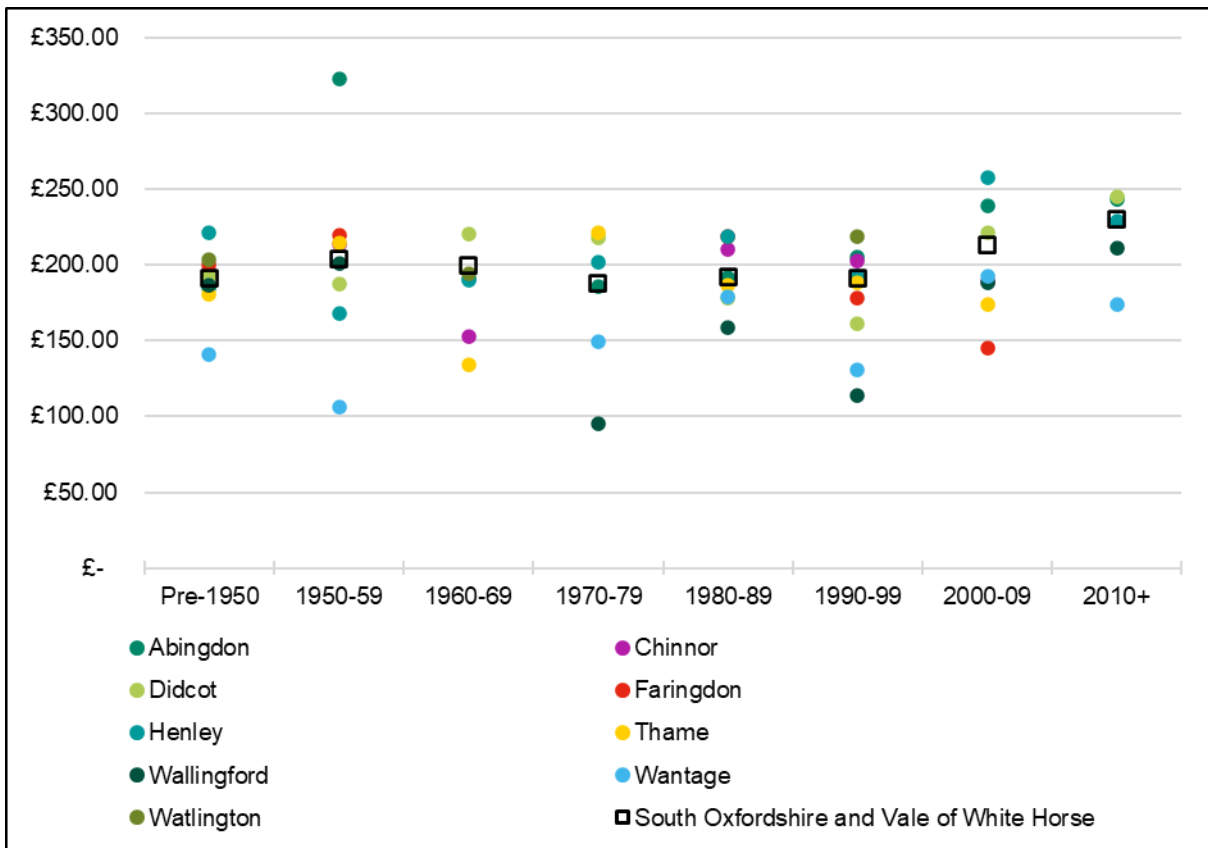
Figure 3-1 Average market rental values of office properties in main settlements of South Oxfordshire and Vale of White Horse (£/m²/yr)



Source: CoStar, (2024).

3.10 As set out previously, the technical specifications of commercial properties contribute to the market rental values achieved. Figure 3-2 illustrates the influence of property age (the year built or most recently renovated) on market rental value. At the South Oxfordshire and Vale of White Horse geographical scale, it is evident that there is a clear trend associated with the age of property and its achieved market rental value, whereby newer properties, specifically those which were built or last renovated since 2000 attract the highest rental values. Office properties built or last renovated between 1970 and 1999 attract, on average, lower market rental values. A number of considerations are relevant to this trend, including demand for modern, attractive and energy efficient buildings. There is a high degree of spatial variability in this trend, however, which is overall broadly reflective of the average market rental values by location set out above. It is evident that location, perhaps more clearly than age of property, is a determining factor in the achieved market rental values of office properties in South Oxfordshire and Vale of White Horse.

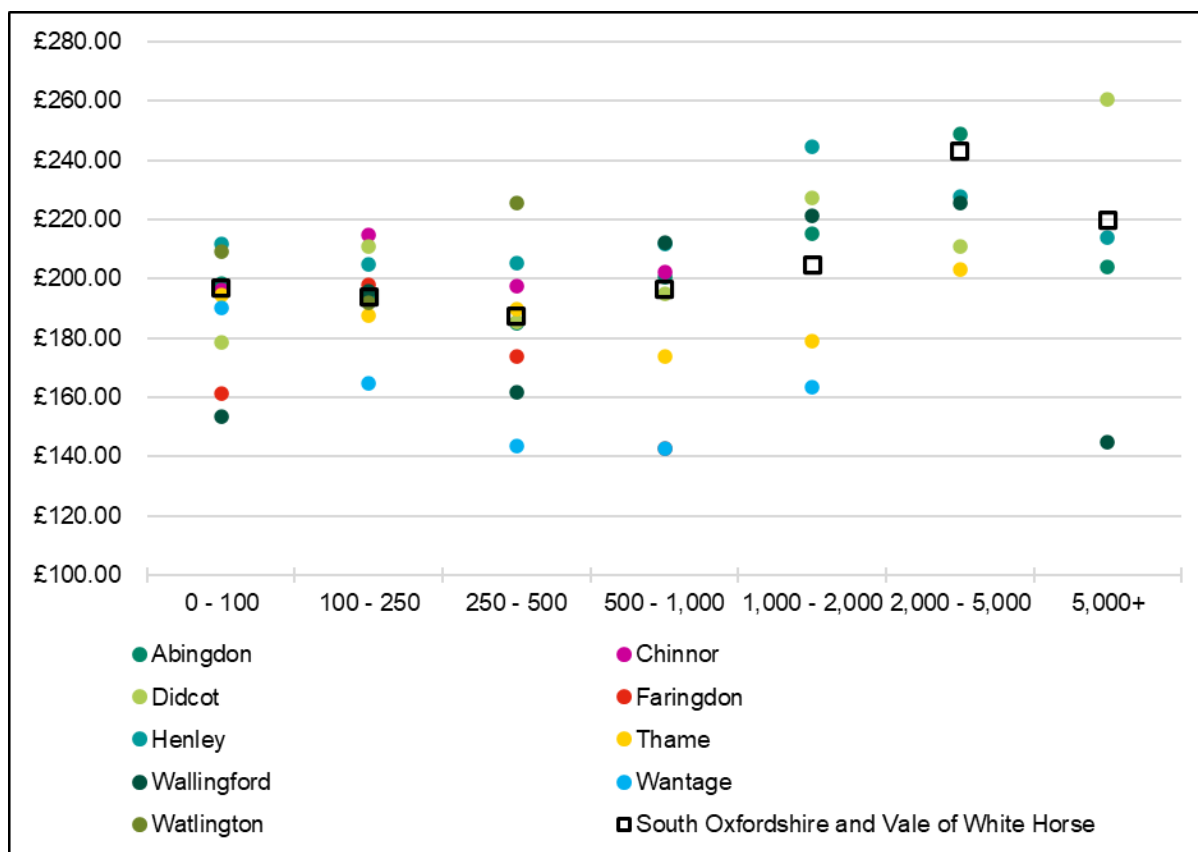
Figure 3-2 Average market rental values of office properties in main settlements of South Oxfordshire and Vale of White Horse, by age (£/m²/yr)



Source: CoStar, (2024).

3.11 Another consideration that influences the affordability of office properties is the floorspace size. On the whole, larger floorspace office properties attract higher market rental values in South Oxfordshire and Vale of White Horse, as shown in Figure 3-3. Office properties between 2,000 and 5,000 m² attract the highest market rents. There is also spatial variability in the relationship between floorspace size and rental value by location, which is reflective of the overall average rental values by location discussed above. Due to the high variation around the mean with regard to rental value and size by location, it is evident that there are likely more important considerations driving market trends than this particular building specification.

Figure 3-3 Average market rental values of office properties in main settlements of South Oxfordshire and Vale of White Horse, by size (£/m²/yr)



Source: CoStar, (2024).

Affordability of industrial space

3.12 Industrial space is essential to the functioning of the foundational economy, not least within the material and providential sectors that provide the networks and utilities that support everyday life. Moreover, the manufacture of those overlooked goods and services require industrial spaces. The requirement of variegated spaces providing production, processing and distribution facilities is in line with the diversity of industrial activities within the foundational economy. The ability of firms to access appropriate space at affordable rents is directly related to the quality of outputs and conditions of employment for workers. There are multiple competing interests when accessing this property market in South Oxfordshire and Vale of White Horse; the types of sites/spaces required by high tech, R&D firms can be similar to those of the foundational economy.

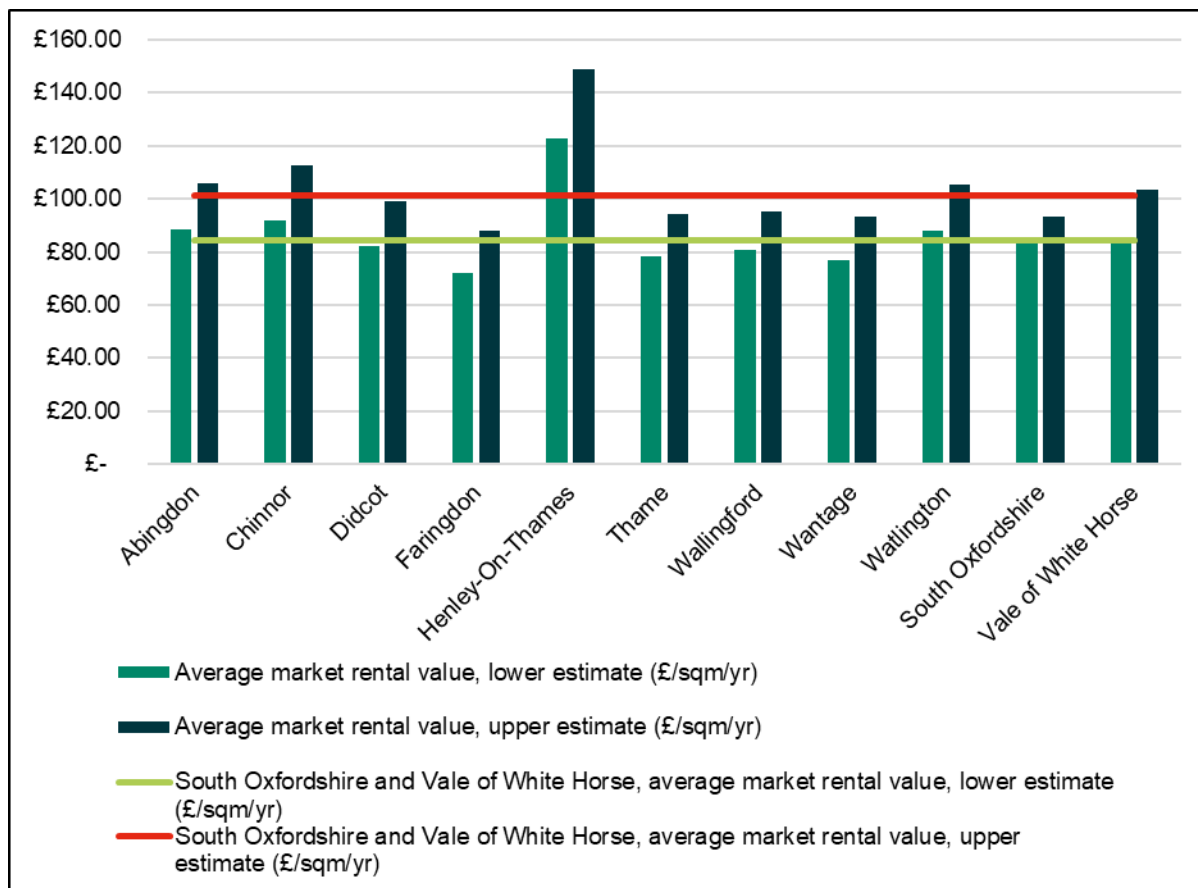
3.13 The South Oxfordshire and Vale of White Horse ELNA Phase 1 report sets out in relation to the industrial property market that:

- Light industrial properties in South Oxfordshire have notably higher market rental values when compared to the FEMA and South East region; whereas conversely light industrial properties in Vale of White Horse attract lower market rental values than these geographies;
- General industrial properties in South Oxfordshire and Vale of White Horse are often at lower market rental values when compared to the FEMA and South East region;
- Storage and distribution properties in South Oxfordshire and Vale of White Horse broadly align in terms of market rental value with the values achieved in the South East region, albeit in both instances below the FEMA equivalent values.

3.14 Adopting the logic that relatively lower market rental values compared to similar geographies may be viewed as indicative of more affordable rent, Figure 3-4 compares the average market

rental values in the main settlements to the overall averages for the districts. Industrial properties in Didcot, Faringdon, Thame, Wallingford and Wantage attract lower than average market rental values, indicating that they may present more locally affordable options for industrial firms. Conversely, industrial properties in Abingdon, Chinnor, Watlington, and especially Henley-on-Thames, exceed the districts average, and might be viewed as less affordable accordingly.

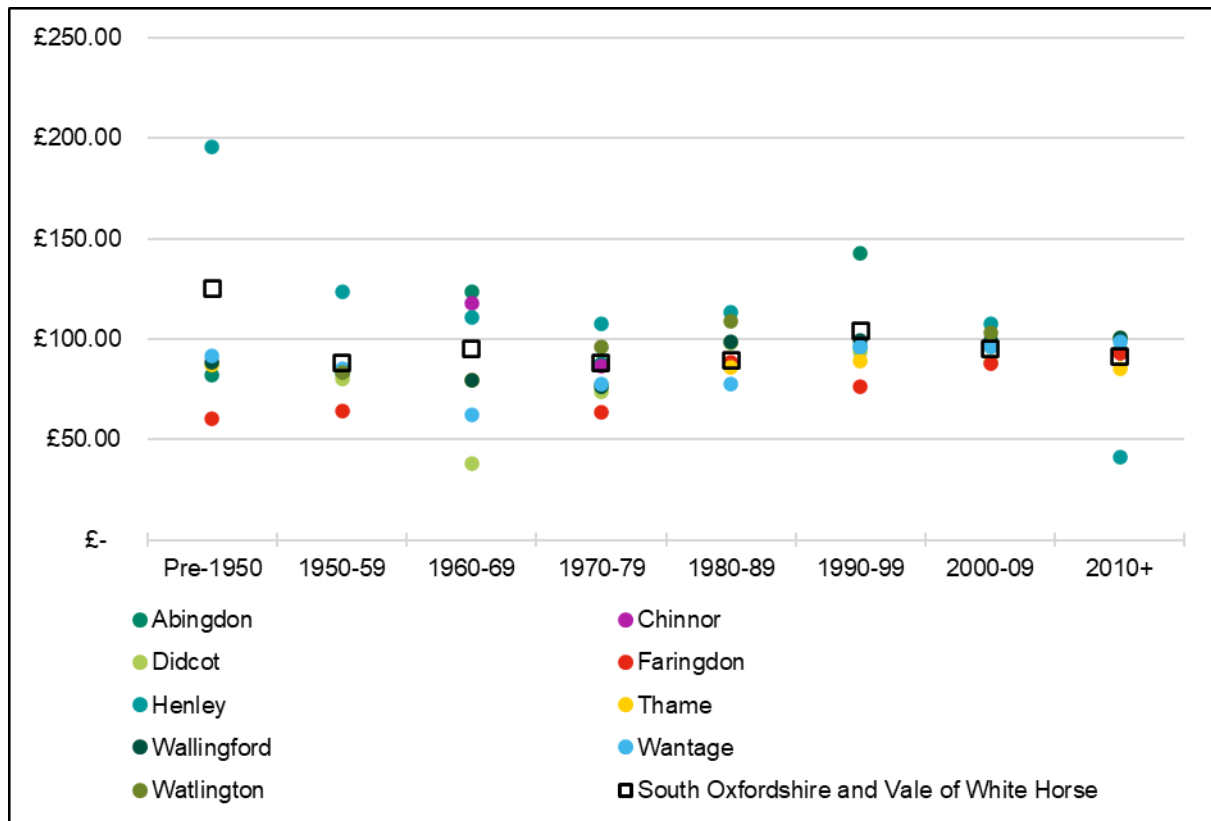
Figure 3-4 Average market rental values of industrial properties in main settlements of South Oxfordshire and Vale of White Horse (£/m²/yr)



Source: CoStar, (2024).

3.15 The relationship between the age of industrial property and market rental value achieved is less distinctive when compared to the clear trend for newer office properties attracting higher rents than older ones. The stock of industrial properties in South Oxfordshire and Vale of White Horse is old in part, whereby a marginally higher proportion of buildings built before 1950 compared to the South East region. This, alongside there being few highly desirable locations, likely influences the observation that the very oldest properties attract on average the highest rental values, rather than being reflective of the favourable technical quality of highly aged buildings.

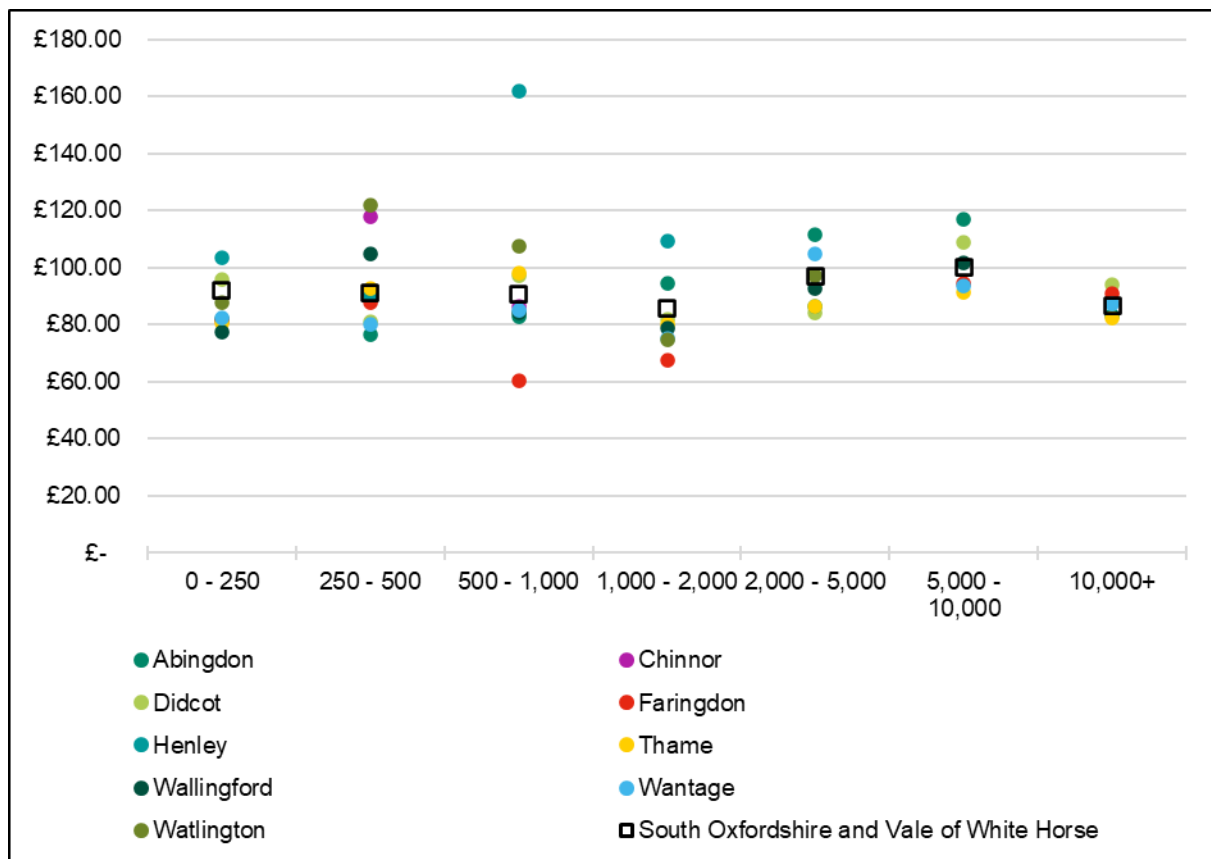
Figure 3-5 Average market rental values of industrial properties in main settlements of South Oxfordshire and Vale of White Horse, by age (£/m²/yr)



Source: CoStar, (2024).

3.16 Broadly speaking, industrial properties with floorspace size between 2,000 – 10,000 m² attract the highest market rental values in South Oxfordshire and Vale of White Horse, which is likely reflective of their relative scarcity compared to smaller floorspace properties. The lack of variability in achieved market rental values by location for the smallest (<250 m²) and largest (>10,000 m²) industrial properties strongly suggests that the demand for these characteristics is as influential as location.

Figure 3-6 Average market rental values of industrial properties in main settlements of South Oxfordshire and Vale of White Horse, by size (£/m²/yr)



Source: CoStar, (2024).

Summary

3.17 In order to support quality of employment and social value more widely, the availability of affordable places of work to grow and retain local businesses and employment in the foundational economy are essential. In this way, challenges relating to pay, cost of living, staff recruitment and retention and labour shortages can begin to be addressed. The analysis has demonstrated that the location of employment space can be a key determinant of affordability, when considering affordability in terms of relative market rental values. For offices, locations like Abingdon, Didcot and Henley on Thames attract the highest market rental values. Newer office properties attract higher rents, although in these towns this relationship is even more pronounced when compared to the districts average. Larger office properties tend to attract higher rents across the districts. The market rental values achieved by industrial properties are also spatially variable, with settlements such as Henley, Chinnor, Watlington and Abingdon attracting higher rents. However, the relationship between the age of industrial property and market rental value achieved does not demonstrate a clear trend when compared to the observation of newer office properties attracting higher rents.

4. Review of affordable workspace policy and case studies

Introduction

- 4.1 This section of the report sets out the rationale for supporting the provision of affordable workspace and examples of where affordable workspace policies have been adopted in England, including the conditions/mechanisms that have been put in place by respective Councils. The analysis then considers the implications of these findings for South Oxfordshire and Vale of White Horse.

Rationale for supporting the provision of affordable workspace

- 4.2 The rationale for supporting the provision of affordable workspace can be framed in terms of economic and social value. From an economic perspective, the availability of affordable workspace is intended to provide accommodation for businesses which would otherwise be prohibited by cost of rent from occupying space. Many of these businesses are likely to be start-ups or early-stage enterprises meaning they already face one or more barriers to entering the market, such as requiring access to specific and costly equipment to undertake their activities, to having high failure rates meaning they require low cost or flexible space to test and innovate new ideas. In that way, affordable workspace can *'generate economic growth by supporting ventures in early stages, regenerate places by bringing activity and identity to neighbourhoods...and address disadvantage by supporting community organisations and offering work and training opportunities'*²⁰. From a social perspective, which aligns more closely with the project of engaging with the foundational economy concept, affordable workspace can generate wellbeing and productivity benefits through fostering co-location²¹. Accommodating occupiers who would otherwise be prohibited by cost from occupying space, such as voluntary organisations, educational organisations, and disadvantaged groups is supportive of social value outputs such as addressing inequality, providing skills and training and community wealth building²², thus further embedding social contracts between firms and local communities.
- 4.3 There are a range of ways affordable workspace can be delivered. Demand-side initiatives such as requiring developers to provide space can be achieved through the planning system. This may take the form of a proportion of space secured at below market rent as part of wider development, or in-lieu contributions for off-site provisions using mechanisms such as Section 106 agreements (S106). There is evidence of differing views arising from using S106 as a mode of delivery however: where the developer is the originator of the proposal, this can be seen or operationalised by developers as an opportunity for enhancing the offer of commercial space; where the local planning authority is the originator, developers may see the offer as a way to secure/negotiate permission despite there being a lack of intrinsic value to them; where prior planning permissions with affordable elements are inherited, developers can see the requirement as a burden²³. Factors impacting viability, such as fixed proportions of affordable space at below market rent may affect viability and developer interest, which may result in lower amounts of space, both at and below market rent, being delivered²⁴.
- 4.4 Affordable space could also be delivered from supply-side. Operators of affordable space, which may include local authorities or social enterprises, may procure space, or repurpose existing assets. This could take the form of incubators, accelerators or co-working spaces²⁵. Repurposing or bringing back into use disused assets can be seen as a potential avenue for expanding affordable provision in conditions of constrained supply, or unviable new

²⁰ Institute for Public Policy Research, (2016); Start Me Up: The Value of Workspaces for Small Businesses, Entrepreneurs and Artists in London.

²¹ Savills, (2021); UK Flex Office Perspectives.

²² London Borough of Islington, (2022); Delivering impact: Social value in Islington's Affordable Workspaces.

²³ Ferm, J., (2014); Delivering affordable workspace: Perspectives of developers and workspace providers in London.

²⁴ British Council of Offices (BCO); July 2021 Briefing Note.

²⁵ Greater London Authority, (2014); Supporting Places of Work: Incubators, Accelerators and Co-working Spaces.

development²⁶. The return on investment may be framed in social value outcomes, or measured in terms of community wealth building, (re)entrants to the labour market, or participation in education²⁷.

Examples of affordable workspace policy

- 4.5 As highlighted in the South Oxfordshire and Vale of White Horse ELNA Phase 1 report, various local councils have begun to think about affordable workspace and what it means for their areas. This is particularly the case in London, with the London Plan setting out guidance on affordable workspace and what it means within the context of London's economic landscape. As a result, 16 of the 32 London Boroughs have adopted policies and 11 have emerging policies or guidance²⁸.
- 4.6 While early affordable workspace policies helped to bring forward a number of innovative spaces, more recent policies have often sought to adopt a more nuanced definition of 'affordability' and to be more responsive to boroughs' economic strategies, for examples by focusing on supporting key sectors /occupiers, overcoming location specific issues, and/or delivering wider social value and economic inclusion²⁹.
- 4.7 Examples of adopted and emerging policies, alongside applicable case studies, which align with the strategic context in the districts, are set out below.
- The London Borough of Islington approaches the provision of affordable workspace via asking developers to provide workspace at a peppercorn rent to the council for at least 10 years using Section 106 agreements³⁰. The council also develops unused spaces in collaboration with partners which it then operates. The rationale for supporting small and medium businesses is on the assumption that money will be re-invested locally. This is true of the foundational economy (and the small and medium sized businesses operating within it) whereby local people tend to be employed, local suppliers and services are used and community wealth is built. The key performance indicator from LB Islington's perspective regarding its affordable workspace strategy is the social value, rather than financial return to the council, generated^{31,32}. This is undertaken using a Themes, Outcomes, and Measures (TOMs) framework which indicates social value as a financial proxy. Social value themes of interest are: local skills and employment, growth of responsible local businesses; healthy, safer and more resilient communities; decarbonising and safeguarding our world; and social innovation. The delivery provider (which might include social enterprises, charities and co-operatives) would be expected to deliver defined social value outputs according to the agreed framework.

Case Study: Better Space at The Ray, Clerkenwell³³

As a result of an award-winning redevelopment of a former British newspaper headquarters Better Space, at The Ray, located on Farringdon Road in Clerkenwell, is one of London's creative hubs. The building provides over 10,000 m² of offices, affordable workspace, hospitality and retail, and features enhanced public spaces that look to re-establish connections to historic streets and spaces. Through its planning policy, Islington Council secured 557 m² of new affordable workspace at The Ray at a peppercorn rent for 20 years. The Council awarded the contract to run the space to City, University of London, in a 10-year collaboration that will provide genuinely affordable workspace to micro and small businesses and deliver a range of skills and employment initiatives for the benefit of residents, businesses and communities.

Better Space acts as a social enterprise hub in the Borough, providing specialist support to social enterprises and strengthening the wider business community through promoting local supply chains, developing business networks and encouraging responsible practices. The

²⁶ Savills, (2021); Global affordable workspaces – a solution, not a problem.

²⁷ London Borough of Islington, (2022); Delivering impact: Social value in Islington's Affordable Workspaces.

²⁸ <https://www.avisonyoung.co.uk/fr/where-is-affordable-workspace>

²⁹ <https://www.avisonyoung.co.uk/fr/what-is-affordable-workspace>

³⁰ LB Islington, (2022); Delivering impact: Social value in Islington's Affordable Workspaces.

³¹ LB Islington, (2018); Affordable Workplace Strategy Summary.

³² LB Islington, (2022); Delivering impact: Social value in Islington's Affordable Workspaces.

³³ <https://pdf.euro.savills.co.uk/uk/office-reports/bco-affordable-workspaces.pdf>

space supports the Council's vision to rebuild the local economy in light of the pandemic – providing local job and training opportunities, business support (including an accelerator programme for social enterprises), networking and events, and wider community engagement activities. The partnership provides a facility for City, University of London, to share its expertise in entrepreneurship and business start-ups with the wider Islington community, developing new opportunities and adding value to the local area. Better Space opened in June 2021, as the council's first affordable workspace secured through the planning process.

- Hackney Council³⁴ indicates that new major employment or mixed-used development in the Borough's designated employment areas and town centres should provide affordable or low-cost workspace, with this targeted towards start-ups, small businesses and local enterprises. Developments in the Shoreditch Priority Office Area (POA)³⁵ should provide at least 10% of the new floorspace (gross) and it should not be at no more than 40% of the locality's market rent in perpetuity, subject to viability³⁶. In the remaining POAs, at least 10% of the new floorspace (gross) should be affordable at no more than 60% of the locality's market rent in perpetuity, subject to viability.

The Local Plan states that only in exceptional circumstances where it can be demonstrated robustly that this is not appropriate in terms of the policies in this Plan, it may be provided off-site. A cash-in-lieu contribution will only be accepted where this would have demonstrable benefits in furthering affordable workspace in the Borough and other policies in the Local Plan.

Case Study: Plough Yard, Hackney³⁷

Plough Yard, part of the wider Principal Place development home to Amazon's UK headquarters, will be leased to the Council at a peppercorn rent until 2045 – with an additional £100,000 developer contribution towards fitting it out.

The space will be available to provide a range of services that could include discounted affordable workspace or business support activities such as access to one-to-one advice sessions for local entrepreneurs, freelancers, and SMEs. The Council has also earmarked the space as an important resource to business recovery in sectors that have been impacted by the coronavirus pandemic, such as the creative and cultural and hospitality and retail sectors.

The agreement is part of the Council's mission to make Hackney's economy open, accessible and inclusive – using the Council to intervene to ensure that new developments benefit the borough's existing residents and businesses and keep Hackney the creative heart of London enabling businesses to start up and set up alongside larger businesses, as set out in its Future Shoreditch area action plan³⁸.

- Brent Council, in adopted Local Plan policy³⁹ states that in mixed-use developments totalling 3,000 m² or more in growth areas, the affordable workspace should total 10% of the total floorspace. The applicable discount should not exceed 50% of open market rents. The preference is that the developer/owner disposes of the Affordable Workspace to an Affordable Workspace operator (on the Council's approved list) by way of a lease of not less than 15 years or the grant of a long leasehold interest of not less than 125 years at no more than 50% of market rates. The criteria for an Affordable Workspace operator to be on

³⁴ Hackney Council, (2020); Local Plan 2033.

³⁵ The borough's local plan redefined its designated sites to comprise of Priority Office Areas (POAs), Priority Industrial Areas (PIAs) and Locally Significant Industrial Sites (LSIS) - tightly drawn clusters representing 6% of the borough's land mass. LP26 notes that "New employment floorspace (B class) in the Borough will be permitted in Locally Significant Industrial Sites (LSISs), Priority Office Areas (POAs), Priority Industrial Areas (PIAs), Central Activities Zone (CAZ), and designated town centres.

³⁶ Note: The Council commissioned Local Plan viability evidence to test the policy within the Local Plan, with developers required to submit financial viability information on individual schemes for the Council to review.

³⁷ <https://news.hackney.gov.uk/rebuilding-a-fairer-hackney--council-secures-affordable-workspace-for-shoreditch/#:~:text=A%20recently%20completed%20building%20in,contribution%20towards%20fitting%20it%20out.>

³⁸ <https://hackney.gov.uk/future-shoreditch>

³⁹ London Borough of Brent Local Plan 2019-2041 Adopted February 2022 Policy BE1

the Council's approved list includes a commitment to enter into an Affordable Workspace Management Plan, which sets out a range of information including the application process for selecting members and confirmation of priority for Brent residents (target minimum 75% of members to be from Brent).

- Off-site provision is only allowed in exceptional circumstances, such as whereby an on-site component is considered unlikely to provide a good outcome (e.g. for smaller schemes where quantum is too small to accommodate workspace), and cash in lieu is possible with case made.

In acknowledgement that exceptional circumstances can exist, the Council in its "Affordable Workspace Supplementary Planning Document"⁴⁰, sets out a financial contribution in lieu of onsite provision.

- "[50% of market rent/ft²/annum * floor area (GIA) of proposed Affordable Workspace as per policies BE1⁴¹ - 4 (sf)] * [1 / yield]"

Case study: Second Floor Studio Arts, Wembley⁴²

Wembley is an Opportunity Area, jointly identified by Brent Council and the Mayor of London, and home of Quintain's major mixed-use regeneration of 85 acres of land around Wembley Stadium. Though preceding the adoption of its Affordable Workspace Strategy, the Council secured up to 2,415 m² affordable workspace through the S106 planning obligations, to be rented to an affordable workspace provider at no more than 50% of market rate. Quintain and Brent jointly selected Second Floor Studios & Arts (SFSA) to manage the space in 2017, with SFSA signing a 15- year lease for the first phase of 695 m² workspace. Brent contributed Greater London Authority New Homes Bonus top-slice funding towards the fit-out of the studios, helping to provide a stable, long-term affordable home for creative entrepreneurs, with priority secured for Brent residents applying for space.

In all 33 visual artists and practitioners work from the studios, almost half of whom are Brent residents. The studios support these small businesses, contribute to the local economy and have added to the vibrancy of the area.

- Lambeth Council requires major developments that include B1 floorspace to provide a proportion of affordable workspace in the following locations:
 - In Waterloo and Vauxhall major developments should provide 10% of B1 floorspace at 50% of market rents for a period of 15 years.
 - In Oval, Kennington and Clapham major developments should provide 10% of B1 floorspace at 80% of market rents for a period of 15 years.
 - In the Brixton Creative Enterprise Zone (CEZ) all developments that include B1 floorspace should provide 10% of this as affordable workspace for a period of 25 years.

Affordable workspace should be provided on-site and be designed to meet a local need. The Affordable Workspace Provider is required to ensure that the affordable workspace is occupied by suitable end users that are local to Lambeth and relate to one or more of the following:

- Start-ups and early-stage businesses across priority growth sectors where there is an identified need for specialist support and / or equipment to develop and grow their enterprise, such as the Creative and Digital Industries (CDI), life sciences and low carbon.

⁴⁰ Brent Council, (2022); Affordable Workspace Supplementary Planning Document.

⁴¹ The policy indicates – "10% of employment floorspace within major developments exceeding 3000m² employment as affordable workspace".

⁴² <https://legacy.brent.gov.uk/media/16419071/affordable-work-space.pdf>

- Businesses focussed on creative production (for example artists, designer makers, performers / musicians and fashion) requiring a larger than average ratio of workspace area to employees or making a special contribution to the character and cultural identity of local areas (for instance rehearsal space).
- Not for profit and / or charitable organisations supporting Lambeth's economy and providing significant social value to local residents (e.g. training or employment opportunities, business support, community events, etc.). This includes education providers and organisations whose primary purpose is to support disadvantaged groups and tackle economic inequality.

A payment in lieu may be accepted in limited circumstances where it can be demonstrated to the satisfaction of the council that a greater economic impact could be secured through off-site provision.

- In Southwark, for major developments proposing more than 500 m² GIA employment floorspace (B uses) the Council requires a proportion of at least 10% of commercial floorspace to be provided as affordable workspace at discounted market rent for a duration of at least 30 years. If it is not feasible to provide affordable workspace on site, an in-lieu payment will be required for off-site affordable workspace. Affordable workspace is prioritised for existing small and independent businesses at risk of displacement or to support occupiers are from a specific sector that has a social, cultural or economic development purpose. These include charities, public health services, voluntary and community organisations or social enterprises, creative and artists' workspace, rehearsal and performance space and maker space, occupiers for disadvantaged groups starting up in any sector, and occupiers in support of educational outcomes through connections to schools, colleges or higher education. This approach aligns with the pressures faced by local small and medium sized enterprises in the foundational economy in South Oxfordshire and Vale of White Horse.

Case Study: 227-255 and 313-349 Ilderton Road

27-255 Ilderton Road is a new development by Barratt London in South Bermondsey, comprising 253 new homes on top of a 30,000 ft² industrial unit, while 313-349 Ilderton Road is a mixed-use development in the Old Kent Road regeneration area that will provide 1,526m² of commercial floor space, 250 student accommodation bed spaces and 58 residential units.

Across these two developments Southwark Council has secured S106 contributions to deliver approximately 7 light industrial affordable workspace units at rents of £12 per ft² over a 15-year period. The level of rent would make the space affordable to creative industries and businesses and ensure businesses that require low rents have the opportunity to lease space within the area⁴³.

- In Camden, a draft affordable workspace policy stands to require all major schemes (including mixed-use developments) providing at least 1,000 m² GIA of offices, research and development uses or light industry (use classes E(g)(i), E(g)(ii), E(g)(iii)) to contribute to the delivery of affordable workspace, seeking 20% of the gross floorspace to be provided at 50% of the market rent for a minimum period of 15 years.

The Council has proposed the following hierarchy when securing affordable workspace:

- on-site provision of affordable workspace that meets locally identified requirements of a type and specification (configuration, fit out, etc.) and addresses the demands of priority sectors and small and medium enterprises;
- off-site provision of affordable workspace on another site in the borough that meets the requirements in (a) above. There should be a clear link between the off-site

⁴³ <https://moderngov.southwark.gov.uk/documents/s92659/Report%20313-349%20Ilderton%20Road.pdf>

location and priorities for affordable workspace provision identified in the Council's Affordable Workspace Strategy;

- a payment in lieu (PIL) of provision that can be invested by the Council, which is equivalent to the cost of on-site delivery, in line with the payment in lieu calculator below. This will be used by the Council to fund affordable workspace elsewhere in the Borough. The PIL calculator is designed to ensure that there is no benefit to the developer in providing a payment in lieu rather than workspace on site, and takes into consideration if the provision of an off-site contribution is not viable for the developer. Should a payment-in-lieu not be provided for viability reasons, the Council may seek a contribution through a later stage viability review.

A	Calculate the equivalent market rate for the affordable workspace expected by the policy, then
B	Calculate the income multiplier for the market investment yield = 1 - market investment yield
C	Work out capital value of the affordable workspace at full market value = market rent (A) x income multiplier (B)
D	Calculate the income multiplier for the affordable workspace yield = 1 - affordable workspace yield
E	Work out capital value of the affordable workspace using the affordable workspace yield = discounted market rent (0.5 of A) x income multiplier (D)
F	The cost of delivering affordable workspace = C - E

Project examples in the pipeline include Tribeca in Pancras Way, a major mixed-use development comprising workspace, homes and supporting retail space, where over 1,800 m² of affordable space will be offered as lab space to support life sciences and 1 Triton Square, a 34,000 m² office redevelopment, where affordable workspace will be available to support businesses with a social or environmental impact.

4.8 Outside of London, while growing in prominence, there are limited examples of affordable workspace policies that have been adopted. However, there are some examples under development, particularly in the South East of England where affordability pressures tend to be greatest:

- In Oxford, as part of the Oxford City Council Local Plan 2040 Submission Draft⁴⁴, a specific policy is proposed to address affordable workspace. 'Policy E3: Affordable Workspace Strategy and Affordable Workspace Provision on Commercial Sites' requires on specified sites – namely ARC Oxford, Oxford Science Park, Oxpens, Osney Mead, Nuffield Sites, Kassam Stadium and Ozone Leisure Park, Unipart and Northern Gateway – that affordable workspace is delivered as part of the masterplan. Moreover, it states the requirement for an affordable workspace strategy which would include 'details of the amount of affordable workspace, its marketing and future management and servicing'. Oxford City Council is currently undertaking a study into affordable workspace to inform the development of this policy⁴⁵.
- In Cambridge, as part of the Greater Cambridge Local Plan 2041⁴⁶, a policy is proposed to require affordable workspace to be delivered as a proportion of larger commercial developments. If on-site provision is not possible, it is proposed to require financial contributions for equivalent off-site provision, with the aim of the policy to help new communities develop. As with South Oxfordshire and Vale of White Horse, this policy is proposed to address common issues experienced by micro-enterprises and SMEs

⁴⁴ Oxford City Council, (2023); Oxford Local Plan 2040: Submission Draft.

⁴⁵ <https://mycouncil.oxford.gov.uk/mgDecisionDetails.aspx?Id=36652>

⁴⁶ <https://consultations.greatercambridgeplanning.org/greater-cambridge-local-plan-first-proposals/explore-theme/jobs/policy-jaw-affordable-workspace-and>

including tenants being priced out of the market, long waiting lists for new space and high rents. However, the policy identifies a need for the provision for creative and artists' workspace, rehearsal and performance space and makerspaces.

- 4.9 As a result, affordable workspace has tended to be provided directly by a public, charitable or other supporting body; through grant and management arrangements (for example through land trusts). This often requires the use of underutilised – frequently Council-owned – assets. Some examples are provided below:

Case Study: Meanwhile in Oxfordshire...

The 'Meanwhile in Oxfordshire...' programme operated by Makespace Oxford was devised as an investment project funded through a £1.9 million capital grant from OxLEP alongside match-funding with the aim of 'fostering a more inclusive economy, above and beyond economic growth: one in which social, environmental and place-based justice are intrinsically married to economic regeneration'⁴⁷. The ongoing initiative focusses on the (re)animation of meanwhile uses at affordable rental values. The programme brought online a number of affordable workspace hubs including 626m² in South Oxfordshire housing 23 organisations, and 889m² in Vale of White Horse housing 32 organisations. These organisations included a range of start-ups, small businesses, creatives and community organisations. In order to secure below market rental values, 'rent support' was provided through grants and rental values scaled as organisations become more self-sufficient. Other measures included revenue sharing arrangements, flexible shared spaces to allow rotation of organisations, and landlord contributions to building refurbishments and fit-out grants.

Case Study: Homebaked Community Land Trust

Community Land Trusts (CLTs) are place-based mechanisms whereby communities take ownership of land with the purposes of safeguarding valuable assets such as workspaces to secure long-term affordability and accessibility for local businesses. Ownership of these assets by community members gives control over the alignment of their use to community needs, including key retail and workspaces. The Homebaked CLT based in Liverpool was established with the purpose of safeguarding a longstanding local bakery by establishing a co-operative business. The council purchased the freehold and ultimately transferred the asset following internal refurbishments. The trust has spawned another community business being a female-led brewery on a reactivated adjacent site. The role of the local authority was critical to supporting the establishment and sustaining of the CLT, both in terms of funding and facilitating transfer of land, which can be catalysed through supportive policies, including those directed at particular sites⁴⁸.

Case Study: Peckham Levels, Southwark

Peckham multi-storey car park, owned by Southwark Council, had been underutilised for many years. A lease for the upper floor was given to an arts organisation to support cultural activities in 2002. In 2015, the further 'levels' of the car park were used for cultural and creative workspace.

It is now home to Hatch Peckham (a not-for-profit enterprise) which offers affordable co-working spaces for business and remote workers. It offers a range of affordable memberships including flexible with fixed desks and pay-as-you-go options. Peckham Levels offers some studios at 20% and 50% of the full market rent to successful applicants. It also provides the use of free community events space to local groups and charities.

⁴⁷ Makespace Oxford, (2024); Meanwhile in Oxfordshire Impact Report.

⁴⁸ National League of Cities, (2021); Community Land Trusts: A Guide for Local Governments.

Southwark Council, along with a range of community representatives, contributes to a steering group to maximise benefits to the community. Approximately 73% of the members are from Southwark and 51% are from Peckham, with 135 jobs created.

Implications for South Oxfordshire and Vale of White Horse

4.10 The review of affordable workspace policies has highlighted the range of policy approaches that have been adopted, which vary in terms of their maturity and evidence of effective application. These policies have been developed to align with economic conditions within the respective areas, however there are a number of implications from the case study review:

- The Councils often stipulate a minimum threshold which triggers a requirement for the provision of affordable workspace. This ranges from developments proposing more than 500 m² GIA employment floorspace in Southwark through to mixed use developments totalling more than 3,000 m² in Brent.
- In general, there is a requirement that affordable workspace should total 10% of the total floorspace in commercial or mixed-use developments that meet the minimum size threshold. However, there are exceptions where this is higher, such as in Camden where there is a requirement for 20%.
- The definition of affordability differs across areas. Discounts to the market rate associated with affordable workspace range from 20% to 60%. Moreover, such discounts can vary by location, as is the case in Lambeth and Hackney.
- The duration of the period over which affordable workspace has to be delivered ranges across the examples from 10 years to in perpetuity, with 15 years being the most common period.
- There is evidence of flexibility in the design of the policy, with many areas allowing off-site provision of affordable workspace on another site or a payment in lieu (PIL) of provision that can be invested by the Council. However, on-site provision is prioritised unless there are exceptional circumstances.
- Many local authorities have developed approved provider lists, based on criteria such as organisations' experience in providing managed workspace, support offered to tenants and the ability to add local value, with affordable workspace policy often stipulating that affordable workspace must be leased or allocated to an approved provider. LB Islington takes this one step further and itself takes a head-lease, then either running the affordable workspace themselves, or sub-letting to an approved operator under an agreement which defines the affordable rents chargeable to end business users and seeks to secure social value, thereby tailoring the approach to local needs.

4.11 Furthermore, there are a number of other considerations with regard to the implementation of affordable workspace policies, as highlighted in a study for the West London Alliance⁴⁹, to ensure that affordable workspace meets the needs of target beneficiaries. These include:

- **Scale and Operational Viability** – For an actively managed affordable workspace to be successful it needs to provide sufficient space, and therefore generate sufficient income, to sustain its operational management structure. Setting general size thresholds for what is operationally viable and therefore an appropriate/inappropriate 'on-site' level of provision is challenging given significant variances in approaches and management structures of operators. This requires detailed and ongoing testing with the operator market paying attention to different operator requirements in different employment space subcategories, which could form part of the intelligence established through an approved provider list.

⁴⁹ Avison Young/West London Alliance, (2021); West London Alliance Affordable Workspace Study.

- Securing Appropriate Levels of Specification – Operational viability and the affordability of the space to both operators and occupiers will also depend on the quality of the workspace and the nature of fit out provided. For operators it is critical that the appropriate fit out is secured at delivery, reducing the capital requirements on the operator and therefore increasing their ability to operate at affordable costs to businesses. For businesses it is critical that they are not paying for a specification of space they do not require.
 - Appropriate Operational Approaches – There are a range of potential operational approaches, from charities and not-for-profit organisations (such as Makespace Oxford) and public sector operators through to owner-operator and commercially driven models. The choice of the operator is important as each one has a different profile when it comes to access to capital, adversity to risk, expertise in operating spaces, capacity, provision of social values for the local communities, minimum space required to consider operating it. Understanding the profile of each single operator particularly if establishing a list of recommended operators, is a very important step for the local authority.
 - Operating Models – Standard industry practice has been to sign a long-term lease, in which the relationship between the workspace operator and the property owner has not had much difference with that of a conventional office lease. However, there are a range of potential operating models that can be adopted to generate sustainable growth ranging from Joint Ventures, Management Models, Franchise Agreements and owner-operator models.
- 4.12 A further consideration relates to the location of affordable workspace. Many existing demand-side affordable workspace policies do not recognise the locational requirements of businesses and take blanket approaches to securing space – often requiring developments to provide a percentage of ‘affordable’ floorspace at a certain discount to market rent irrespective of location. Locational drivers vary from sector to sector, and ‘affordable’ workspaces need to cater to businesses that complement and support existing clusters of economic activity. This is because new ‘affordable’ workspaces in these locations are more likely to survive as demand is likely to be strong from likeminded businesses, and because it can help generate agglomeration effects (e.g. labour market pooling and the transfer of information, knowledge and skills)⁵⁰.
- 4.13 To be effective, affordable workspace policies need to be adapted to the local context (both in terms of condition of the local market and local policy objectives) and may need to be adapted to the particularities of sub-areas within the local authority area. As such, South Oxfordshire and Vale of White Horse District Councils could put in place appropriate policy levers to secure space through new development. This includes maintaining an up to date understanding of business needs with regard to the scale, nature and specification of space – through the monitoring of enquiries and engagement with the provider network on a periodic (e.g. annual) basis – that can be clearly articulated to developers when necessary.

⁵⁰ <https://www.avisonyoung.co.uk/which-locations-are-right-for-affordable-workspace-in-london>

5. Conclusions and recommendations

- 5.1 The foundational economy plays a significant role in the South Oxfordshire and Vale of White Horse economy in terms of jobs and employment and therefore it is appropriate that it is warranted political attention as an emerging approach to economic development.
- 5.2 The sustainability of the foundational economy requires appropriate types of employment space that are available and affordable to support quality work, facilitate social value and allow for its businesses to thrive. Stakeholders have expressed that in South Oxfordshire and Vale of White Horse, the types and kinds of affordable workspace accessible and available for foundational economy businesses is increasingly limited, resulting in the potential need to relocate or move to less suitable accommodation (in terms of quality, functionality or location).
- 5.3 While affordability reflects a number of considerations undertaken by firms in the context of their own specific operations, including but not limited to the complex interaction of: labour availability and affordability, property costs and specification, and locational influences on customer base, supply chain and transportation costs, analysis set out within this report has highlighted variability in terms of market rents across South Oxfordshire and Vale of White Horse, potentially representing locational pinch-points for the foundational economy. For offices, locations like Abingdon, Didcot and Henley on Thames attract the highest average market rental values, particularly when it comes to larger properties. The average market rental values achieved by industrial properties are also spatially variable, with settlements such as Henley, Chinnor, Watlington and Abingdon attracting higher rents.
- 5.4 The rationale for intervening with affordable workspace policies can be summarised as driven by the following objectives: retaining businesses, encouraging start-ups, targeting sectors, targeting groups, pursuing 'good growth', offset space losses, providing certainty, managing speculation, fiscal benefits, and regeneration⁵¹. Many of these objectives are supportive of the foundational economy. This follows the logic that protecting 'lower value' businesses from displacement is essential to prevent higher value, more competitive businesses from displacing the former from appropriate co-located premises in appropriate locations to serve the communities in which they are embedded⁵². Based on the findings of this report, the following recommendations are made with regard to the development of affordable workspace policies which support the foundational economy in South Oxfordshire and Vale of White Horse:
- The review of affordable workspace policies highlighted the need for flexibility within the policy design. While prioritising on-site provision, many areas allow the off-site provision of affordable workspace or a payment in lieu (PIL) of provision that can be invested by the Council in exceptional circumstances (e.g. physical or viability constraints). Furthermore, while there is often a requirement that affordable workspace should total a set percentage (normally 10%) of the total floorspace in commercial or mixed-use developments, in some instances, it may be preferable to allow flexibility (e.g. for the provision of less floorspace at a higher discount) where this can effectively target priority sectors/occupiers.
 - The analysis highlighted the range of discounts to the market rate associated with affordable workspace, which range from 20% to 60% across the examples of adopted affordable workspace policies. Moreover, such discounts can vary by location, as is the case in Lambeth and Hackney. The viability of providing affordable workspace at varying levels of discount, size thresholds and in different locations, could be tested through a Viability Study to understand appropriate levels of discount in the South Oxfordshire and Vale of White Horse context.
 - The councils should consider their appetite for the range of potential operational models for affordable workspace which can allow for varying degrees of control and risk-sharing. On one hand, the councils could operate space which benefits from control over determining the occupiers to maximise alignment with local community needs, and also in determining the outcomes sought such as social value over revenues from rental value; however, this

⁵¹ Avison Young/West London Alliance, (2021); West London Alliance Affordable Workspace Study.

⁵² Ferm, J., (2016); Preventing the displacement of small businesses through commercial gentrification: are affordable workspace policies the solution?.

imparts a degree of risk and demand for resources. Other local authorities have opted for this approach whereby they directly manage shared co-working space versus outsourcing the operation of these spaces, aimed at 'guaranteeing the stability and ultimate sustainability of the workspaces and it serves as a mechanism for community building'⁵³. On the other hand, experienced operators may have additional technical expertise in providing bespoke specifications of space and business support to occupiers.

- To be effective, affordable workspace policies need to reflect the local context (both in terms of condition of the local market and local policy objectives) and may need to be adapted to the particularities of sub-areas within the local authority area. In this regard, the councils should consider undertaking soft market testing with potential operators of affordable workspace to understand appetites in terms of minimum, viable space requirements; fit-out requirements; lease terms/duration; and potential operating models. Furthermore, this will be an important step in understanding potential operator appetite and building the councils' appreciation of the profile of each operator, particularly if establishing a list of recommended operators.
- Building on success of local initiatives such as the 'Meanwhile in Oxfordshire...' programme, there may be opportunities for the councils to explore the (re)animation of disused properties for meanwhile uses, including council-owned assets if these were to become available, to complement the affordable workspace policy and support nascent foundational economy businesses. However, the use of meanwhile spaces for businesses that are definitionally and practically embedded in the communities they serve should be treated with caution given the inherent potential for short lease terms and uncertainty to arise. Lessons learned from previous experiences including engagement with landlords, and maximising local regeneration impacts could be usefully employed⁵⁴.

⁵³ Fiorentino, S., (2023); Public-led shared workspaces and the intangible factors of urban regeneration in UK coastal towns.

⁵⁴ Makespace Oxford, (2024); Meanwhile in Oxfordshire Impact Report.

Appendix A SIC code definition of the Foundational Economy

Table A-1 Foundational Economy Collective SIC code definition of the Foundational Economy

SIC code	Industrial activity definition
01110	Growing of cereals (except rice), leguminous crops and oil seeds
01120	Growing of rice
01130	Growing of vegetables and melons, roots and tubers
01140	Growing of sugar cane
01150	Growing of tobacco
01160	Growing of fibre crops
01190	Growing of other non-perennial crops
01210	Growing of grapes
01220	Growing of tropical and subtropical fruits
01230	Growing of citrus fruits
01240	Growing of pome fruits and stone fruits
01250	Growing of other tree and bush fruits and nuts
01260	Growing of oleaginous fruits
01270	Growing of beverage crops
01280	Growing of spices, aromatic, drug and pharmaceutical crops
01290	Growing of other perennial crops
01300	Plant propagation
01410	Raising of dairy cattle
01420	Raising of other cattle and buffaloes
01430	Raising of horses and other equines
01440	Raising of camels and camelids
01450	Raising of sheep and goats
01460	Raising of swine/pigs
01470	Raising of poultry
01490	Raising of other animals
01500	Mixed farming
01610	Support activities for crop production
01621	Farm animal boarding and care
01629	Support activities for animal production (other than farm animal boarding and care) n.e.c.
01630	Post-harvest crop activities
01640	Seed processing for propagation
02100	Silviculture and other forestry activities
02200	Logging
02300	Gathering of wild growing non-wood products
02400	Support services to forestry
03110	Marine fishing
03120	Freshwater fishing
03210	Marine aquaculture

SIC code	Industrial activity definition
03220	Freshwater aquaculture
05101	Deep coal mines
05102	Open cast coal working
05200	Mining of lignite
06100	Extraction of crude petroleum
06200	Extraction of natural gas
08110	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate
08120	Operation of gravel and sand pits; mining of clays and kaolin
08910	Mining of chemical and fertilizer minerals
08920	Extraction of peat
08930	Extraction of salt
08990	Other mining and quarrying n.e.c.
09100	Support activities for petroleum and natural gas extraction
09900	Support activities for other mining and quarrying
10110	Processing and preserving of meat
10120	Processing and preserving of poultry meat
10130	Production of meat and poultry meat products
10200	Processing and preserving of fish, crustaceans and molluscs
10310	Processing and preserving of potatoes
10320	Manufacture of fruit and vegetable juice
10390	Other processing and preserving of fruit and vegetables
10410	Manufacture of oils and fats
10420	Manufacture of margarine and similar edible fats
10511	Liquid milk and cream production
10512	Butter and cheese production
10519	Manufacture of other milk products
10520	Manufacture of ice cream
10611	Grain milling
10612	Manufacture of breakfast cereals and cereals-based food
10620	Manufacture of starches and starch products
10710	Manufacture of bread; manufacture of fresh pastry goods and cakes
10720	Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes
10730	Manufacture of macaroni, noodles, couscous and similar farinaceous products
10810	Manufacture of sugar
10821	Manufacture of cocoa and chocolate confectionery
10822	Manufacture of sugar confectionery
10831	Tea processing
10832	Production of coffee and coffee substitutes
10840	Manufacture of condiments and seasonings
10850	Manufacture of prepared meals and dishes
10860	Manufacture of homogenized food preparations and dietetic food
10890	Manufacture of other food products n.e.c.
10910	Manufacture of prepared feeds for farm animals

SIC code	Industrial activity definition
10920	Manufacture of prepared pet foods
11010	Distilling, rectifying and blending of spirits
11020	Manufacture of wine from grape
11030	Manufacture of cider and other fruit wines
11040	Manufacture of other non-distilled fermented beverages
11050	Manufacture of beer
11060	Manufacture of malt
11070	Manufacture of soft drinks; production of mineral waters and other bottled waters
13100	Preparation and spinning of textile fibres
13200	Weaving of textiles
13300	Finishing of textiles
13910	Manufacture of knitted and crocheted fabrics
13921	Manufacture of soft furnishings
13922	manufacture of canvas goods, sacks, etc.
13923	manufacture of household textiles
13931	Manufacture of woven or tufted carpets and rugs
13939	Manufacture of other carpets and rugs
13940	Manufacture of cordage, rope, twine and netting
13950	Manufacture of non-wovens and articles made from non-wovens, except apparel
13960	Manufacture of other technical and industrial textiles
13990	Manufacture of other textiles n.e.c.
14110	Manufacture of leather clothes
14120	Manufacture of workwear
14131	Manufacture of other men's outerwear
14132	Manufacture of other women's outerwear
14141	Manufacture of men's underwear
14142	Manufacture of women's underwear
14190	Manufacture of other wearing apparel and accessories n.e.c.
14200	Manufacture of articles of fur
14310	Manufacture of knitted and crocheted hosiery
14390	Manufacture of other knitted and crocheted apparel
15110	Tanning and dressing of leather; dressing and dyeing of fur
15120	Manufacture of luggage, handbags and the like, saddlery and harness
15200	Manufacture of footwear
16100	Sawmilling and planing of wood
16210	Manufacture of veneer sheets and wood-based panels
16220	Manufacture of assembled parquet floors
16230	Manufacture of other builders' carpentry and joinery
16240	Manufacture of wooden containers
16290	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials
17110	Manufacture of pulp
17120	Manufacture of paper and paperboard
17211	Manufacture of corrugated paper and paperboard, sacks and bags

SIC code	Industrial activity definition
17219	Manufacture of other paper and paperboard containers
17220	Manufacture of household and sanitary goods and of toilet requisites
17230	Manufacture of paper stationery
17240	Manufacture of wallpaper
17290	Manufacture of other articles of paper and paperboard n.e.c.
18110	Printing of newspapers
18121	Manufacture of printed labels
18129	Printing n.e.c.
18130	Pre-press and pre-media services
18140	Binding and related services
20150	Manufacture of fertilizers and nitrogen compounds
20411	Manufacture of soap and detergents
20412	Manufacture of cleaning and polishing preparations
20420	Manufacture of perfumes and toilet preparations
23310	Manufacture of ceramic tiles and flags
23320	Manufacture of bricks, tiles and construction products, in baked clay
23410	Manufacture of ceramic household and ornamental articles
23420	Manufacture of ceramic sanitary fixtures
23430	Manufacture of ceramic insulators and insulating fittings
23440	Manufacture of other technical ceramic products
23490	Manufacture of other ceramic products n.e.c.
23510	Manufacture of cement
23520	Manufacture of lime and plaster
23610	Manufacture of concrete products for construction purposes
23620	Manufacture of plaster products for construction purposes
23630	Manufacture of ready-mixed concrete
23640	Manufacture of mortars
23650	Manufacture of fibre cement
23690	Manufacture of other articles of concrete, plaster and cement
25210	Manufacture of central heating radiators and boilers
27120	Manufacture of electricity distribution and control apparatus
27510	Manufacture of electric domestic appliances
27520	Manufacture of non-electric domestic appliances
30200	Manufacture of railway locomotives and rolling stock
31010	Manufacture of office and shop furniture
31020	Manufacture of kitchen furniture
31030	Manufacture of mattresses
31090	Manufacture of other furniture
33140	Repair of electrical equipment
33150	Repair and maintenance of ships and boats
33160	Repair and maintenance of aircraft and spacecraft
33170	Repair and maintenance of other transport equipment n.e.c.
35110	Production of electricity

SIC code	Industrial activity definition
35120	Transmission of electricity
35130	Distribution of electricity
35140	Trade of electricity
35210	Manufacture of gas
35220	Distribution of gaseous fuels through mains
35230	Trade of gas through mains
35300	Steam and air conditioning supply
36000	Water collection, treatment and supply
37000	Sewerage
38110	Collection of non-hazardous waste
38120	Collection of hazardous waste
38210	Treatment and disposal of non-hazardous waste
38220	Treatment and disposal of hazardous waste
41202	Construction of domestic buildings
42110	Construction of roads and motorways
42120	Construction of railways and underground railways
42130	Construction of bridges and tunnels
42210	Construction of utility projects for fluids
42220	Construction of utility projects for electricity and telecommunications
42910	Construction of water projects
42990	Construction of other civil engineering projects n.e.c.
43210	Electrical installation
43220	Plumbing, heat and air-conditioning installation
43290	Other construction installation
43310	Plastering
43320	Joinery installation
43330	Floor and wall covering
43341	Painting
43342	Glazing
43390	Other building completion and finishing
43910	Roofing activities
43991	Scaffold erection
43999	Other specialised construction activities n.e.c.
45111	Sale of new cars and light motor vehicles
45112	Sale of used cars and light motor vehicles
45190	Sale of other motor vehicles
45200	Maintenance and repair of motor vehicles
45310	Wholesale trade of motor vehicle parts and accessories
45320	Retail trade of motor vehicle parts and accessories
45400	Sale, maintenance and repair of motorcycles and related parts and accessories
46210	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds
46220	Wholesale of flowers and plants
46230	Wholesale of live animals

SIC code	Industrial activity definition
46240	Wholesale of hides, skins and leather
46310	Wholesale of fruit and vegetables
46320	Wholesale of meat and meat products
46330	Wholesale of dairy products, eggs and edible oils and fats
46341	Wholesale of fruit and vegetable juices, mineral water and soft drinks
46342	Wholesale of wine, beer, spirits and other alcoholic beverages
46410	Wholesale of textiles
46420	Wholesale of clothing and footwear
46439	Wholesale of radio, television goods & electrical household appliances (other than records, tapes, CD's & video tapes and the equipment used for playing them)
46440	Wholesale of china and glassware and cleaning materials
46470	Wholesale of furniture, carpets and lighting equipment
46499	Wholesale of household goods (other than musical instruments) n.e.c.
46650	Wholesale of office furniture
46730	Wholesale of wood, construction materials and sanitary equipment
46740	Wholesale of hardware, plumbing and heating equipment and supplies
47110	Retail sale in non-specialised stores with food, beverages or tobacco predominating
47210	Retail sale of fruit and vegetables in specialised stores
47220	Retail sale of meat and meat products in specialised stores
47230	Retail sale of fish, crustaceans and molluscs in specialised stores
47240	Retail sale of bread, cakes, flour confectionery and sugar confectionery in specialised stores
47250	Retail sale of beverages in specialised stores
47290	Other retail sale of food in specialised stores
47300	Retail sale of automotive fuel in specialised stores
47421	Retail sale of mobile telephones
47429	Retail sale of telecommunications equipment other than mobile telephones
47510	Retail sale of textiles in specialised stores
47520	Retail sale of hardware, paints and glass in specialised stores
47530	Retail sale of carpets, rugs, wall and floor coverings in specialised stores
47540	Retail sale of electrical household appliances in specialised stores
47599	Retail of furniture, lighting, and similar (not musical instruments or scores) in specialised store
47710	Retail sale of clothing in specialised stores
47721	Retail sale of footwear in specialised stores
47730	Dispensing chemist in specialised stores
47741	Retail sale of hearing aids
47749	Retail sale of medical and orthopaedic goods in specialised stores (not incl. hearing aids) n.e.c.
47760	Retail sale of flowers, plants, seeds, fertilizers, pet animals and pet food in specialised stores
47782	Retail sale by opticians
47810	Retail sale via stalls and markets of food, beverages and tobacco products
47820	Retail sale via stalls and markets of textiles, clothing and footwear
49100	Passenger rail transport, interurban
49200	Freight rail transport
49311	Urban and suburban passenger railway transportation by underground, metro and similar systems

SIC code	Industrial activity definition
49319	Other urban, suburban or metropolitan passenger land transport (not underground, metro or similar)
49320	Taxi operation
49390	Other passenger land transport
49410	Freight transport by road
49420	Removal services
49500	Transport via pipeline
50100	Sea and coastal passenger water transport
50200	Sea and coastal freight water transport
50300	Inland passenger water transport
50400	Inland freight water transport
51101	Scheduled passenger air transport
51102	Non-scheduled passenger air transport
51210	Freight air transport
52101	Operation of warehousing and storage facilities for water transport activities
52102	Operation of warehousing and storage facilities for air transport activities
52103	Operation of warehousing and storage facilities for land transport activities
52211	Operation of rail freight terminals
52212	Operation of rail passenger facilities at railway stations
52213	Operation of bus and coach passenger facilities at bus and coach stations
52219	Other service activities incidental to land transportation, n.e.c.
52220	Service activities incidental to water transportation
52230	Service activities incidental to air transportation
52241	Cargo handling for water transport activities
52242	Cargo handling for air transport activities
52243	Cargo handling for land transport activities
52290	Other transportation support activities
53100	Postal activities under universal service obligation
55100	Hotels and similar accommodation
55201	Holiday centres and villages
55202	Youth hostels
55209	Other holiday and other collective accommodation
55300	Recreational vehicle parks, trailer parks and camping grounds
55900	Other accommodation
56101	Licensed restaurants
56102	Unlicensed restaurants and cafes
56103	Take-away food shops and mobile food stands
56210	Event catering activities
56290	Other food services
56301	Licensed clubs
56302	Public houses and bars
61100	Wired telecommunications activities
61200	Wireless telecommunications activities
61300	Satellite telecommunications activities

SIC code	Industrial activity definition
61900	Other telecommunications activities
64191	Banks
64192	Building societies
68310	Real estate agencies
75000	Veterinary activities
79110	Travel agency activities
79120	Tour operator activities
79901	Activities of tourist guides
84110	General public administration activities
84120	Regulation of health care, education, cultural and other social services, not incl. social security
84130	Regulation of and contribution to more efficient operation of businesses
84210	Foreign affairs
84220	Defence activities
84230	Justice and judicial activities
84240	Public order and safety activities
84250	Fire service activities
84300	Compulsory social security activities
85100	Pre-primary education
85200	Primary education
85310	General secondary education
85320	Technical and vocational secondary education
85410	Post-secondary non-tertiary education
85421	First-degree level higher education
85422	Post-graduate level higher education
85510	Sports and recreation education
85520	Cultural education
85530	Driving school activities
85590	Other education n.e.c.
85600	Educational support services
86101	Hospital activities
86102	Medical nursing home activities
86210	General medical practice activities
86220	Specialists medical practice activities
86230	Dental practice activities
86900	Other human health activities
87100	Residential nursing care facilities
87200	Residential care activities for learning difficulties, mental health and substance abuse
87300	Residential care activities for the elderly and disabled
87900	Other residential care activities n.e.c.
88100	Social work activities without accommodation for the elderly and disabled
88910	Child day-care activities
88990	Other social work activities without accommodation n.e.c.
91011	Library activities

SIC code	Industrial activity definition
91020	Museums activities
91030	Operation of historical sites and buildings and similar visitor attractions
91040	Botanical and zoological gardens and nature reserves activities
93110	Operation of sports facilities
93120	Activities of sport clubs
93130	Fitness facilities
93199	Other sports activities
93210	Activities of amusement parks and theme parks
93290	Other amusement and recreation activities n.e.c.
95210	Repair of consumer electronics
95220	Repair of household appliances and home and garden equipment
95230	Repair of footwear and leather goods
95240	Repair of furniture and home furnishings
95250	Repair of watches, clocks and jewellery
95290	Repair of personal and household goods n.e.c.
96010	Washing and (dry-)cleaning of textile and fur products
96020	Hairdressing and other beauty treatment
96030	Funeral and related activities

Source: Foundational Economy Collective, (2024); Activity Classification. Available at: <https://foundationaleconomy.com/activity-classification/>

