



23 March 2020

Response by the Flexible Space Association to the Treasury Committee's call for evidence on the Government's coronavirus financial package

The [Flexible Space Association](#) is the trade association representing the flexible workspace industry. Our members comprise the operators of serviced and managed offices, coworking space, business centres, workshop units and virtual office providers.

The sector does not feel it is being adequately supported by the measures that have been put in place to support businesses through the Coronavirus crisis.

This has been a rapidly growing industry in recent years. [A report by Instant Group](#) in September 2019 stated:

'There are now 6,075 flex space centres across the UK, having grown 7% over the last six months alone. In total, flex space (coworking, serviced offices and hybrid centres that offer both private offices and shared working) amounts to more than 85 million square feet of the UK office market.'

There are hundreds of companies right across the UK providing these services. Many comprise a single business centre, providing space to sole-traders, or small companies. It is also not uncommon to have a group of premises across the UK, maybe 10 to 20 locations. Much larger flexible workspace providers also serve the SME community, with thousands of these businesses based in their premises across the UK.

Many provide additional services to just office or other workspace, supporting their customers through networking to create new business opportunities between them, or access to other means of advice and support. This is a sector which has been quietly driving the growth of new and established businesses for many years. It is now at serious risk of not surviving because running costs are high and income is grinding to a halt.

In the last week, the sector has found itself hit very hard by Coronavirus outbreak. Many businesses have vacated their workspace to work from home, and flexible workspace operators of all sizes are seeing large numbers of their customers requesting a holiday from their rent for the duration of the crisis, or immediate termination of their licence agreements for their space. It could help if the Government reiterated that contractual obligations should be met, and that occupiers first port of call is the Government's support schemes, but that would not help everyone due to the short notice period often required.

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In some cases, the flexible terms the industry offers mean that some customers can exit agreements quickly, leaving the operators of flexible workspace with no income for that space, but with fixed costs of staff, utilities, and more often than not rent themselves. There is a mix in the sector of those who own their own buildings, and those who lease the space from landlords themselves.

A number of additional problems flow from what is happening, including insurance issues when rent-free periods are offered which may affect loss of rent claims.

Whilst a smaller element of the business, most flexible workspace providers offer meeting rooms to their own customers and externally, and have of course seen a total loss of this business for at least the next 3 months; it is likely to take some time to recover.

The Coronavirus Job Retention Scheme is welcomed by the industry, but many business centres and similar provision is run by small teams, so losing staff and maintaining the day-to-day running of the workspace is difficult. Losing staff may mean closing flexible workspaces until such time as there is enough business coming back into it, which may be hard to re-build.

The small business grant funding of £10,000 for all business in receipt of small business rate relief is also welcomed, but Small Business Rates Relief can be applied in different ways in the sector, and confirmation of how the grant funding is going to be implemented is still awaited. Many operators of flexible workspace apply for Small Business Rate Relief on behalf of their clients, and if the clients vacate the premises this would no longer be relevant. Urgent clarity on this scheme is needed.

The flexible workspace industry believes that it should be included in the Business Rates holiday currently offered to the retail, hospitality and other sectors. Indeed, it has increasingly been discussed within the industry how its services align with the hospitality sector in terms of its service to other individuals and businesses.

An alternative measure could be to change and extend the provision of Empty Rates Relief, to allow it to apply for up to 12 months on all workspace which is not in use and for which no income is being received. Councils administer this in different ways, and making it universally easier to claim and not requiring the workspace to be completely emptied of all furniture and other belongings would assist greatly (some Councils require claims to be accompanied by photographic and dated evidence that a space is completely empty).

In ordinary times, thousands of businesses are supported by the flexible workspace industry. We want to be ready and waiting for the day they can resume their normal operations and need workspace to operate from. When we are finally out of this dark period, SME businesses will play a huge part in the re-building of our economy, and we want to be there to support them.

The industry needs greater financial support from the Government to ensure this happens.

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