



**Nathaniel Lichfield
& Partners**
Planning. Design. Economics.

**Northern West Sussex Economic
Growth Assessment**

Supplementary Report for Horsham

Horsham District Council

April 2015

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Nathaniel Lichfield & Partners
14 Regent's Wharf
All Saints Street
London N1 9RL

nlplanning.com

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Registered Office:

14 Regent's Wharf

All Saints Street

London N1 9RL

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1.0 Introduction

1.1 Horsham District Council ('HDC', 'the Council') commissioned Nathaniel Lichfield & Partners ('NLP') to provide supplementary economic evidence following the publication of the Inspector's initial findings on the Horsham District Planning Framework (HDPF) Examination. This is in the context of the Northern West Sussex Economic Growth Assessment ('EGA') (dated April 2014) produced by NLP.

1.2 The key requirements of the brief were to:

- 1 Prepare a labour supply-based scenario of future economic growth needs in Horsham over the plan period 2011-2031 associated with an annual target of 750 dwellings derived by HDC from the Inspector's initial findings.¹
- 2 Prepare estimates of future employment land requirements for the range of B class uses (i.e. offices, industrial and warehousing) in terms of floorspace and land areas for the labour-supply based growth scenario. This will effectively outline the employment land implications of the Council's potential position on future housing requirements in the District.

Background

1.3 The purpose of the 2014 EGA was to provide an evidence base to inform the emerging Local Plans for the three authorities of Crawley, Horsham and Mid Sussex, and support the development of a partnership approach to joint working across a range of planning policy and economic development issues in line with the National Planning Policy Framework (NPPF) duty to cooperate.

1.4 The EGA included a 'baseline' scenario of future economic growth in Horsham using Experian quarterly forecasts dated May 2013, alongside 'higher growth' (derived from the baseline) and 'site capacity' scenarios which provide an indication of additional growth potential over and above the baseline scenario. The employment land requirements associated with these three scenarios of future growth were estimated at 36.3ha, 43.4ha and 52.6ha respectively for the period between 2011 and 2031.

1.5 Following submission of the HDPF to the Secretary of State in August 2014 and subsequent Examination-in-Public, the Inspector published initial findings on 19 December 2014 on the duty to cooperate (DTC), general strategy, and housing needs and supply. The findings outlined a number of areas of concern principally relating to the failure of the Council to justify the identified level of housing need over the Plan period. The Examination has been suspended to enable the Council to address this issue by undertaking further work including preparing updated evidence to support a number of proposed modifications to the Plan.

¹ Inspector's initial findings, Horsham District Planning Framework (HDPF) examination, 19 December 2014

- 1.6 The Inspector specifically considered the issue of employment growth and commented as follows:
- “Employment forecasts should be treated with caution and I have some doubts that there is a real need in Horsham District for job growth at the baseline rate predicted in the EGA. Nevertheless, the NPPF requires positive planning to meet employment needs and the forecasts are the most recent available. Some increase on the [housing] figure of 600 dpa to reflect aspirations for an increased rate of job growth appears reasonable. I consider the discrepancy between the Council’s employment and housing projections is a significant flaw in the evidence base and the justification for the housing figure, which in practice appears not to be aligned to any employment forecast.”* (para 10)
- 1.7 In drawing overall conclusions on housing needs, the Inspector stated:
- “I have found it difficult to draw all these points together to arrive at firm conclusions about a definitive level of housing need. However, the broadly consensual baseline figure of 600 dpa incorporates an assumption of job growth at a rate of more than 175 p.a. Assuming a realistic allowance for employment growth of an additional 100 jobs p.a., together with an allowance to meet the needs of Crawley and possibly Brighton and Hove, as proposed in the submitted Plan, would increase the total to at least 750 dpa.”* (para 15)
- 1.8 On this basis, the Council has requested an assessment of the B-class employment land requirements associated with planning for a revised minimum target of 750 dwellings per annum. The labour supply implications of this level of housing growth have been supplied to NLP by GL Hearn consistent with the *Housing Needs in Horsham* technical report published in March 2015.

Scope of Study

- 1.9 This report takes account of the latest national guidance produced by central government (i.e. the Planning Practice Guidance [PPG]), which includes ‘labour supply’ techniques as a basis for assessing future economic development needs (para 033).
- 1.10 The focus of this report is on the employment space needs for the group of B-class sectors outlined below:
- **B1 Business** (offices, research & development, light industry);
 - **B2 General Industrial**; and
 - **B8 Storage or Distribution** (wholesale warehouses, distribution centres).
- 1.11 Demand for B-class employment land and floorspace represents the particular focus of this report. This reflects the approach of the NPPF which states that significant weight should be placed on supporting growth and planning proactively to meet the development needs of businesses, and the need for local planning authorities to plan proactively to meet the development needs of business. In this context, business uses are recognised as a key barometer of economic need, and represents the most appropriate basis on which to plan

positively for economic growth. References to 'employment space' are intended to mean both these elements. Industrial space in this report includes both manufacturing and distribution uses.

- 1.12 An important consideration for any work of this type is that it is inevitably a point-in-time assessment. This study has incorporated the latest data and other evidence available at the time of preparation, which may be subject to future change or revision. The accuracy and sources of data derived from third party sources has not been checked or verified by NLP.
- 1.13 It should be noted that this report relates solely to Horsham District Council, and includes no updated analysis for the other authorities included as part of the 2014 Northern West Sussex EGA (i.e. Crawley Borough Council and Mid Sussex District Council).

2.0 Future Growth Needs

- 2.1 This section presents the employment implications associated with a labour supply scenario of future growth based on an annual target of 750 dwellings drawn from the Inspector's initial findings, and effectively provides a 'fourth' scenario that sits alongside the other three scenarios considered within the 2014 EGA. It then goes on to assess the scale of B Class employment space that would be required to accommodate this growth in Horsham over the Plan period from 2011 to 2031.

Future Labour Supply

- 2.1 Under this scenario, an assessment is made of how many jobs, and hence how much employment space, would be necessary to broadly match forecast growth of the resident workforce in the District based on a given level of housing growth. In contrast to the other three approaches considered for Horsham by the 2014 Northern West Sussex EGA, this approach focuses on the future *supply* of labour rather than the *demand* for labour. It then indicates the amount of new jobs associated with matching the future supply of working-age population, and how much employment space would be needed to accommodate these jobs.

Scenario 4: 750 dwellings per annum (Inspector's initial findings)

- 2.2 The revised minimum housing requirement figure of 750 dwelling p.a. identified by the Inspector has been demographically modelled by GL Hearn in order to derive a working age population and residence-based employment figure associated with this scale of annual housing delivery to 2031. It should be noted that this figure is understood to be based on a number of factors including an upward adjustment to reflect housing market signals such as the need to improve housing affordability and provision for some unmet needs from nearby authorities such as Brighton & Hove and Crawley. It is therefore possible that not all of this identified housing requirement will necessarily directly translate into an associated employment requirement within Horsham given issues surrounding commuting..
- 2.3 Under this scenario, the projections provided by GL Hearn estimate that the District's labour force (defined as the number of residents in employment) will increase from 66,797 in 2011 to 76,815 in 2031, equivalent to an increase of 10,018 employed residents in total over the plan period or 501 per annum.
- 2.4 The workplace labour supply implications of this scenario have been modelled by NLP to take account of current flows of commuters in and out of the District using 2011 Census data. This provides an approximation of the number of people likely to be seeking work within Horsham as it allows for a proportion of the resident population commuting to jobs elsewhere and for some in-commuting. This scenario assumes that 2011-based commuting relationships

are maintained over the plan period and that Horsham continues to be a net exporter of labour.²

- 2.5 Table 2.1 summarises the resident and workplace labour supply resulting from this scenario, equivalent to an increase of 10,018 and 8,522 respectively over the plan period to 2031. From these forecasts, the number of B class jobs required was estimated assuming that one additional job would be required for each additional worker forecast, while also taking account of the existing and forecast proportion of B class jobs to total jobs within the District.³

Table 2.1 Forecast Labour Supply and Job Requirements for Horsham, 2011 - 2031

	Average Per Annum (2011-2031)	Total Change (2011-2031)
Resident Labour Supply	501	10,018
Workplace Labour Supply	426	8,522
Office Jobs (B1a/B1b)	202	4,039
Manufacturing Jobs (B1c/B2)	-48	-965
Distribution Jobs (B8)	19	383
All B Class Jobs	173	3,457

Source: HDC / GL Hearn / NLP analysis

- 2.6 This results in a need for an additional 3,457 B class jobs in Horsham over the plan period to 2031, which is equivalent to 173 B-class jobs per annum.

Future Employment Space Requirements

- 2.7 These job numbers have been converted to future employment space requirements by applying the latest published density figures for employment space which take account of recent trends in occupancy for the different B class uses. To estimate space requirements, the following average ratios have been applied to job forecasts:

- **Offices:** 1 job per 10.5m² for general office space;
- **Industrial:** 1 job per 43m² as an average across B1c and B2 uses; and
- **Warehousing:** 1 job per 65m² for general, smaller scale warehousing.

- 2.8 These assumptions are based on latest HCA/OffPAT guidance on employment densities published in 2010.⁴ The guidance takes into account recent trends in term of the change uses of employment space, with the main change being the more efficient use of office space through flexible working and hot-desking. For consistency, these assumptions are the same as applied in the 2014 EGA.

² Net out-commuting ratio includes workers of no fixed workplace consistent with definition applied by ONS

³ Based on Experian May 2013 baseline employment forecasts

⁴ Based on HCA/OffPAT Employment Densities Guide (2010) and converted to Gross External Area (GEA) and total workforce jobs by NLP

- 2.9 An allowance of 10% is added to all floorspace requirements to reflect normal levels of market vacancy in employment space. Where a reduction in jobs is forecast (e.g. manufacturing), the associated negative floorspace was halved. This reflects that while there may be ongoing manufacturing job losses (e.g. as firms use more efficient production approaches), it doesn't automatically follow that all of the existing employment is lost.
- 2.10 Overall future employment floorspace requirements based on meeting the job needs of local workers would require some 53,300m² of B class employment floorspace in the District by 2031 (Table 2.2).

Table 2.2 Net Employment Floorspace Required from Labour Supply Growth, 2011 - 2031

	Floorspace (sq.m)
Offices (B1a/B1b)	46,650
Manufacturing (B1c/B2)	-20,745
Distribution (B8)	27,395
Total	53,300

Source: NLP analysis

Safety Margin

- 2.11 To estimate the overall requirement of employment space that should be planned for in allocating sites, and to give some flexibility of provision, it is normal to add an allowance as a safety margin for factors such as delays in some sites coming forward for development.
- 2.12 The former South East England Partnership Board (SEEPB) guidance on employment land assessments⁵ recommends an allowance that is equivalent to the average time for a site to gain planning permission and be developed, typically about two years. For Horsham, the margins set out in Table 2.3 were added for B Class use based on two years of average net take-up and are consistent with the safety margin applied in the 2014 EGA. This appears an appropriate level relative to the scale of the original requirement.

Table 2.3 Safety Margin Allowances

Use	Safety Margin Added (m ²)
Offices (B1a/b)	6,500
Industrial (B1c/B2/B8)	22,440

Source: NLP analysis

Loss Replacement

- 2.13 To convert the net requirement of employment space into a gross requirement (the amount of employment space or land to be allocated), an allowance is

⁵ South East England Partnership Board, South East Plan Supplementary Guidance: Employment and Economic Land Assessments, March 2010

also typically made for some replacement of losses of existing employment space that may be developed for other, non B Class uses.

- 2.14 Judgements were made on the suitability and degree of the allowance for future losses which it would be appropriate to apply here based on analysis of supply-side deliverability factors and current trends in the market. Not all losses need to be replaced as some will reflect restructuring in the local economy as less manufacturing space is needed in future. In the past, loss of employment space in Horsham has largely been driven by falling demand for industrial (particularly B2) uses, while manufacturing employment is forecast to decline in the District over the next 20 years. Wider land availability constraints provide a continued challenge for the sub-region with regards to loss replacement.
- 2.15 Therefore, it is considered inappropriate for the District to replace all losses of employment space going forward and it has been assumed that 50% of the average annual loss of industrial and office space over the last 11 years (2002-2011) will be replaced each year, equating to the floorspace figures outlined in Table 2.4 below. These allowances are consistent with the loss replacement applied in the 2014 EGA. This assumption is made on the basis that losses of industrial space in the past to an extent reflect the wider restructuring of the economy away from manufacturing to service based activities, while historically loss of office space has largely involved loss of older, redundant office space.

Table 2.4 Loss Replacement Allowances (over the period 2011-2031)

Use	Total Loss Replacement (m ²)
Offices (B1a/b)	14,800
Industrial (B1c/B2/B8)	88,120

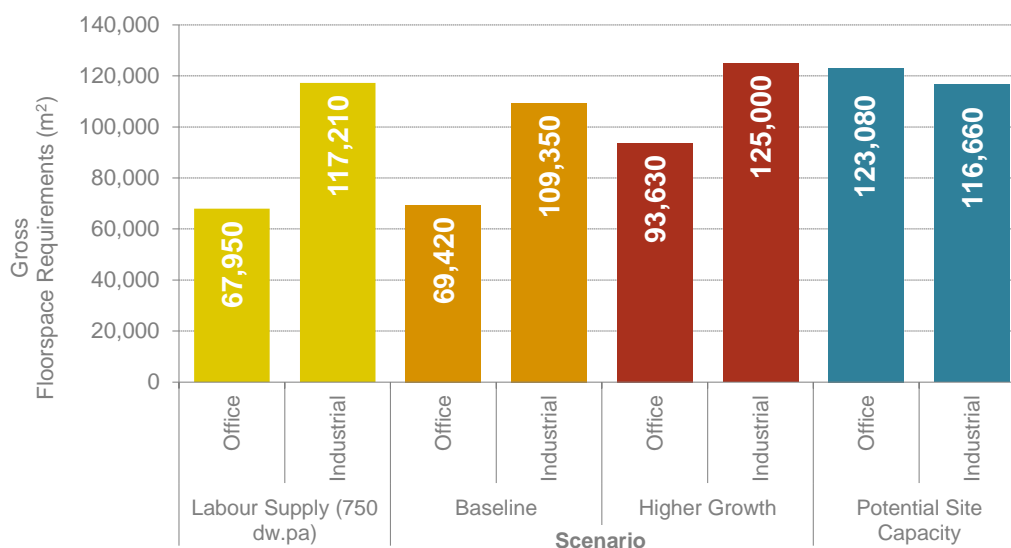
Source: NLP analysis

- 2.16 The resultant gross floorspace requirement incorporating these allowances is set out in Table 2.5 and Figure 2.1, presented alongside the three labour demand based scenarios derived from the 2014 EGA (i.e. baseline, higher growth and potential site capacity scenarios).

Table 2.5 Gross Floorspace Requirement by Scenario to 2031 (m²)

Use	Labour Supply (750 dw.pa)	Baseline	Higher Growth	Potential Site Capacity
Offices (B1a/B1b)	67,950	69,420	93,630	123,080
Industrial (B1c/B2/B8)	117,210	109,350	125,000	116,660
All B uses	185,160	178,770	218,630	239,740

Source: NLP analysis

Figure 2.1 Gross Floorspace Requirements by Scenario (m²)

Source: NLP analysis

- 2.17 The range of floorspace requirements for industrial development land is not particularly wide, between 109,350m² and 125,000m² to 2031 depending on the approach used. Compared with the stock of industrial space in Horsham in 2012⁶ (i.e. the most recent year for which consistent VOA data is available), this range would be equivalent to an increase in the District's stock of between 20% and 23% to 2031.
- 2.18 For office floorspace, the range is slightly wider, between 67,950m² and 123,080m² to 2031. Compared with the stock of office space in Horsham in 2012⁷, this range would be equivalent to an increase in stock of between 40% and 73% to 2031.
- 2.19 The labour supply based approach produces a comparable employment land requirement (equivalent to 67,950m² of gross office space and 117,210m² of industrial space) to the three labour demand based scenarios derived from the 2014 EGA, in particular with the baseline scenario of future growth which is derived from Experian employment forecasts dated May 2013.

Land Requirement

- 2.20 The final step is to translate the floorspace associated with the labour supply based scenario into land requirements for both office and industrial uses. This has been calculated by applying appropriate plot ratio assumptions to the floorspace estimates using the following assumptions and local adjustment factors to reflect the pattern of development in the District:
- **Industrial** – a plot ratio of 0.4 was applied so that a 1 ha site would be needed to accommodate a footprint of 4,000m² of employment floorspace; and

⁶ Based on industrial stock of 547,000m² as recorded by the VOA for 2012

⁷ Based on office stock of 168,000m² as recorded by the VOA for 2012

- **Offices** – it was assumed that 40% of new floorspace would be in lower density developments with a plot ratio of 0.4, with 60% in higher density urban/town centre locations at a plot ratio of 2.0.

2.21

The resulting land requirements are set out in Table 2.6 and Figure 2.2, alongside the 2014 EGA scenarios for comparison purposes.

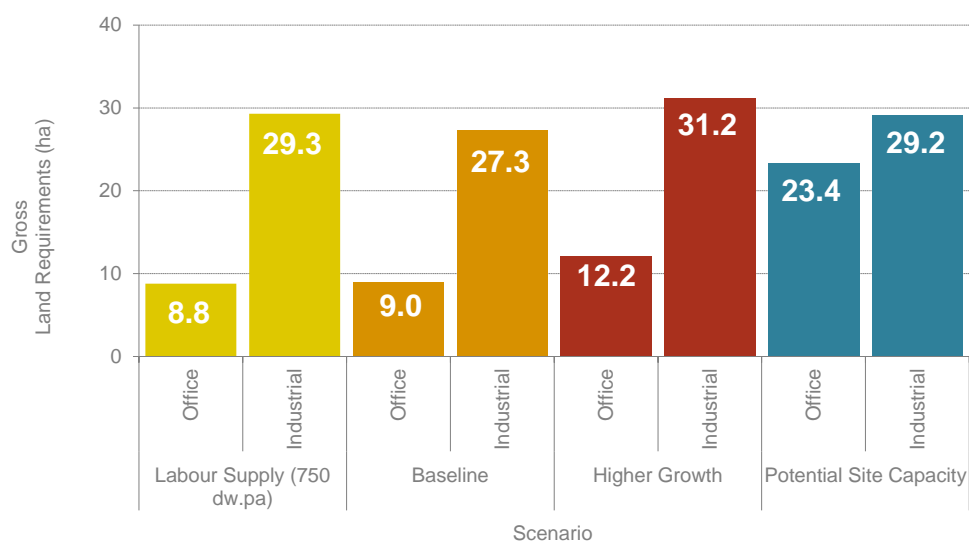
Table 2.6 Gross Land Requirement by Scenario to 2031 (ha)

Use	Labour Supply (750 dw.p.a.)	Baseline	Higher Growth	Potential Site Capacity
Offices (B1a/B1b)	8.8	9.0	12.2	23.4
Industrial (B1c/B2/B8)	29.3	27.3	31.2	29.2
All B uses	38.1	36.3	43.4	52.6

Source: NLP analysis

Note: The requirement for 52.6ha under the potential site capacity alternative scenario has been modelled based on the estimated net deliverable area of the potential strategic sites rather than the full or gross site area. It does not take account of other non-B commercial uses on site (such as retail and recreational activities)

Figure 2.2 Gross Land Requirement by Scenario (ha)



Source: NLP analysis

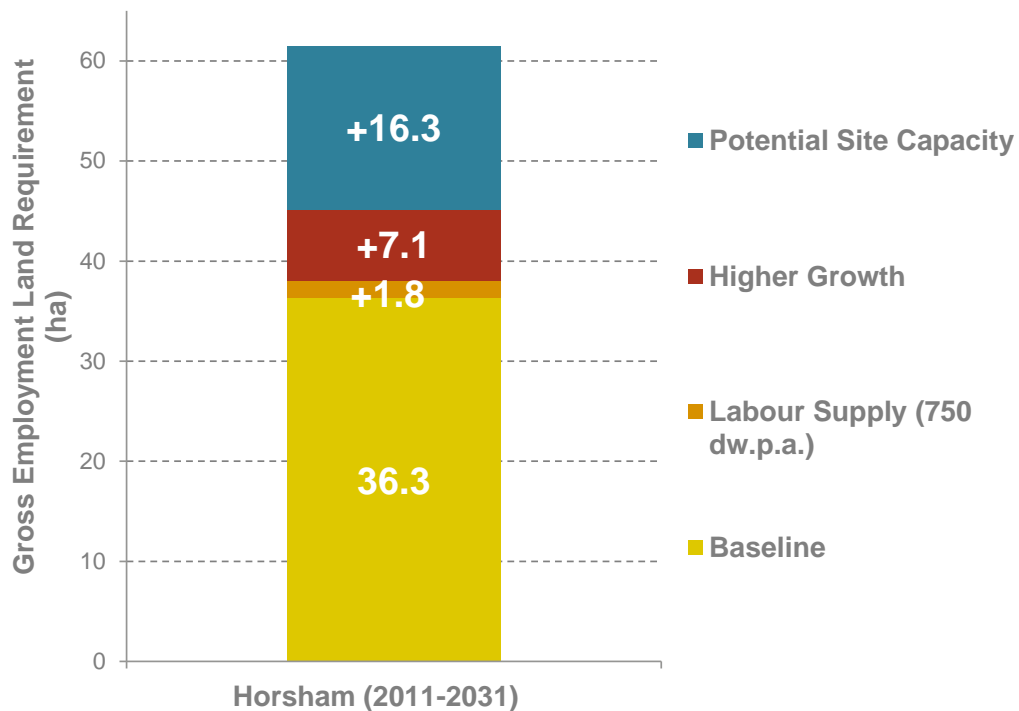
Conclusions

2.22

This assessment considers the employment implications associated with a 'labour supply' scenario of future economic growth based on an assumed annual target of 750 dwellings delivered in Horsham derived by HDC from the Inspector's initial findings. The overall workplace labour supply growth (and by implication job growth) implied by this scenario at 8,522 between 2011 and 2031 or 426 jobs per annum is slightly lower than that implied by the 'baseline' job demand scenario presented in the 2014 EGA.

- 2.23 When assessing the specific employment land requirements for office and industrial space under the labour supply based scenario, it is clear that the estimated requirement for industrial land (at 117,210m² or 29.3ha) is similar to the other three growth scenarios presented in the 2014 EGA, while the requirement for office space is lower than under all three labour demand based approaches outlined in the 2014 EGA, in particular the higher growth and potential site capacity scenarios.
- 2.24 Under the labour supply scenario associated with a target figure of 750 dwellings per annum within the District over the plan period, the overall space requirement equates to 185,160m² or 38.1ha for all types of B class employment space up to 2031.
- 2.25 Alternative higher growth and potential site capacity scenarios were also considered within the 2014 EGA to reflect planned investments or intelligence about future sector or site potential within the District. These alternative scenarios can be used to illustrate the District's additional growth capacity over and above the baseline, and relative position of the labour supply based scenario. The additional employment land requirement arising from the various growth scenarios over and above the baseline position is illustrated in Figure 2.3, including the slightly higher growth implied by the labour supply scenario.

Figure 2.3 Gross Land Requirements by Scenario (ha)



Source: NLP analysis

- 2.26 It should be noted that the alternative growth scenarios should be regarded as illustrations of growth potential of the economy under different circumstances rather than forecasts for demand, or a prescriptive requirement for economic planning purposes.

2.27

As noted above, the minimum target figure of 750 dwellings per annum as identified by the Inspector is based on the Council's assessment of the need for housing in Horsham District and is understood by NLP to include an upward adjustment to reflect housing market signals to improve affordability and to accommodate some of the unmet need for housing provision from nearby authorities such as Crawley and Brighton & Hove. It is therefore unlikely that all of this housing requirement will necessarily translate directly into an associated employment requirement.



Nathaniel Lichfield
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