

# **Northern West Sussex Economic Growth Assessment Focused Update for Horsham**

Horsham District Council

November 2020

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## 1.0 Introduction

- 1.1 Horsham District Council ('HDC') commissioned Lichfields to undertake a focused update of the Northern West Sussex Economic Growth Assessment ('EGA') (dated January 2020), also produced by Lichfields.
- 1.2 The 2020 Northern West Sussex EGA<sup>1</sup> provided a comprehensive evidence base for employment and economic development needs across the Northern West Sussex area during the period to 2036, having regard to the revised National Planning Policy Framework ('NPPF') and Planning Practice Guidance ('PPG').
- 1.3 The purpose of this focused update is to provide supplementary and updated economic evidence specifically to inform the approach to economic growth and employment land policies within the new Horsham District Local Plan which is currently being prepared by HDC. This report partially updates the findings of the 2020 EGA study as they relate to Horsham and should be read alongside it.

### Scope of the Study

- 1.4 HDC is in the process of preparing a review of the Local Plan, for which Regulation 18 consultation was undertaken between February-March 2020. Following this consultation, the Council has identified a number of issues related to the draft Plan's economic growth policies that require further consideration ahead of it being finalised. In addition, it is necessary to consider the impact of the Covid-19 pandemic on the District's economy and how this may affect the growth prospects over the new Local Plan period.
- 1.5 In this context, the scope of this update study consists of the following:
- 1 Re-visit future economic growth forecasts for Horsham set out in the 2020 EGA and update these economic forecasts to reflect Covid-19 and revised macroeconomic assumptions for the UK economy more widely.
  - 2 Prepare updates as required to other demand scenarios considered in the 2020 EGA to reflect additional periods of monitoring data available (past development rates) and the position in respect of the District's housing need and planned housing growth (labour supply) on a supply-led basis.
  - 3 Prepare new estimates of future employment land requirements in terms of floorspace and land areas for all updated growth scenarios.
  - 4 Assess the updated demand/supply balance of employment land in Horsham over the new Local Plan period, to consider the potential need to provide additional capacity through the new Local Plan.
- 1.6 All other aspects of the 2020 EGA remain unchanged.

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<sup>1</sup> [https://www.horsham.gov.uk/data/assets/pdf\\_file/0007/79261/Northern-West-Sussex-Economic-Growth-Assessment-24.01.20.pdf](https://www.horsham.gov.uk/data/assets/pdf_file/0007/79261/Northern-West-Sussex-Economic-Growth-Assessment-24.01.20.pdf)

- 1.7 The scope of this focused EGA update includes consideration of economic development as defined by the NPPF, with a primary focus upon the typologies set out in the business Use Classes as outlined below:
- **B1 Business:** offices (B1a), research & development (B1b) and light industrial (B1c) (subsumed within Use Class E from 1 September 2020).
  - **B2 General Industrial:** typically comprising factory and manufacturing space.
  - **B8 Storage and Distribution:** warehouses, wholesale and distribution.
- 1.8 References to ‘employment space’ refer to all B class elements noted above. In addition, the term ‘industrial space’ is used to refer to both manufacturing (B1c/B2) and warehouse and distribution (B8) uses.
- 1.9 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 in September-November 2020. The accuracy and sources of data derived from third party sources has not been checked or verified by Lichfields.
- 1.10 Due to the timing of the study and its analysis, no specific consideration has been given to the impact of emerging planning reform, although some initial observations on the more immediate changes to the Use Classes Order effective from 1 September 2020 are provided.

## 2.0 Future Requirements for Employment Space

2.1 This section considers an updated assessment of future economic growth needs in Horsham, drawing on updated employment forecasts, latest B class completions data for the District and housing delivery assumptions.

2.2 It follows the same NPPF-compliant approach as the January 2020 EGA to developing a number of potential future economic scenarios to provide an updated framework for considering future economic growth needs and B class employment space requirements in Horsham up to 2037, drawing upon:

- 1 Projections of employment growth in the main B class sectors (**labour demand**) derived from economic forecasts produced by Oxford Economics;
- 2 Consideration of **past trends in completions of employment space** based on the latest monitoring data collected by West Sussex County Council (WSCC); and
- 3 Estimates of future growth of local **labour supply** based on the Council's latest housing delivery trajectory and demographic assumptions consistent with the 2019 Northern West Sussex Strategic Housing Market Assessment (SHMA).

2.3 The outputs from these updated scenarios are presented and discussed in turn below.

2.4 It should be noted that following publication of the 2020 Northern West Sussex EGA, the proposed Plan period for the emerging Horsham District Local Plan has been extended by one year, to 2037. The following analysis is therefore based on this amended time period (i.e. 2019 to 2037).

### 1. Forecasts of Job Growth

#### Oxford Economics Forecasts: Q4 2018

2.5 The 2020 Northern West Sussex EGA considered a 'baseline job growth' scenario that used forecasts of employment growth prepared by Oxford Economics (OE), based on their Q4 2018 release. These took account of regional and national macroeconomic assumptions prevailing at the time.

#### 2019 to 2036

2.6 Over the period from 2019 to 2036, the 2018 OE employment projections indicated for Horsham District:

- **Total workforce job growth:** 5,835, equivalent to 343 jobs per annum on average; and
- **B class job growth:** 1,725, equivalent to 101 jobs per annum.

#### 2019 to 2037

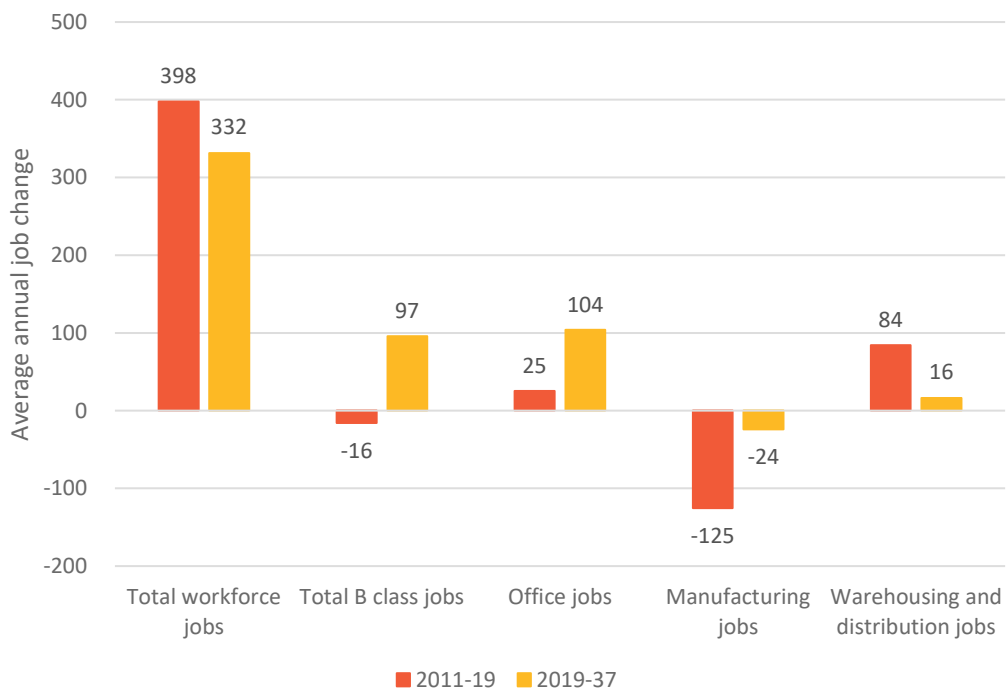
2.7 Over the extended Plan period from 2019 to 2037, the 2018 OE employment projections indicate for Horsham District:

- **Total workforce job growth:** 5,967, equivalent to 332 jobs per annum on average; and
- **B class job growth:** 1,749, equivalent to 97 jobs per annum.

2.8 The majority of B class job growth was shown to be driven by office-based sectors, with B8 activities expected to account for a small share of job growth. Losses in industrial employment was shown to offset some of this growth.

2.9 Compared with trends since 2011, the 2018 OE forecasts expect future job growth to slow down slightly in overall terms over the period to 2037, with recent trends of B class job decline in Horsham (between 2011 and 2019) expected to reverse. The level of increase in office-based jobs was expected to increase, whilst the level of growth in warehousing and distribution jobs was expected to decrease. The scale of decline in industrial jobs was expected to reduce (Figure 2.1).

Figure 2.1 Annual job change anticipated by OE 2018 baseline forecast



Source: Oxford Economics 2018 / Lichfields analysis  
 Note: Figures may not sum due to rounding

2.10 The 2020 EGA also found that the scale of overall employment growth anticipated by the 2018 OE forecasts was lower than projected growth implied by the baseline labour demand scenario presented in the original EGA (in 2014), which used employment forecasts taken from Experian’s 2013 release. This was also the case for B class and office-based jobs. However, the level of expected decline in industrial jobs under the OE 2018 forecast was lower than the equivalent projections from Experian in 2013.

2.11 In this context, the 2020 EGA concluded (at para 8.63/8.75) that the scale of job growth implied by the 2018 OE forecasts does not appear to be particularly optimistic and is unlikely to provide an effective, positive basis for planning for local economic growth in Horsham.



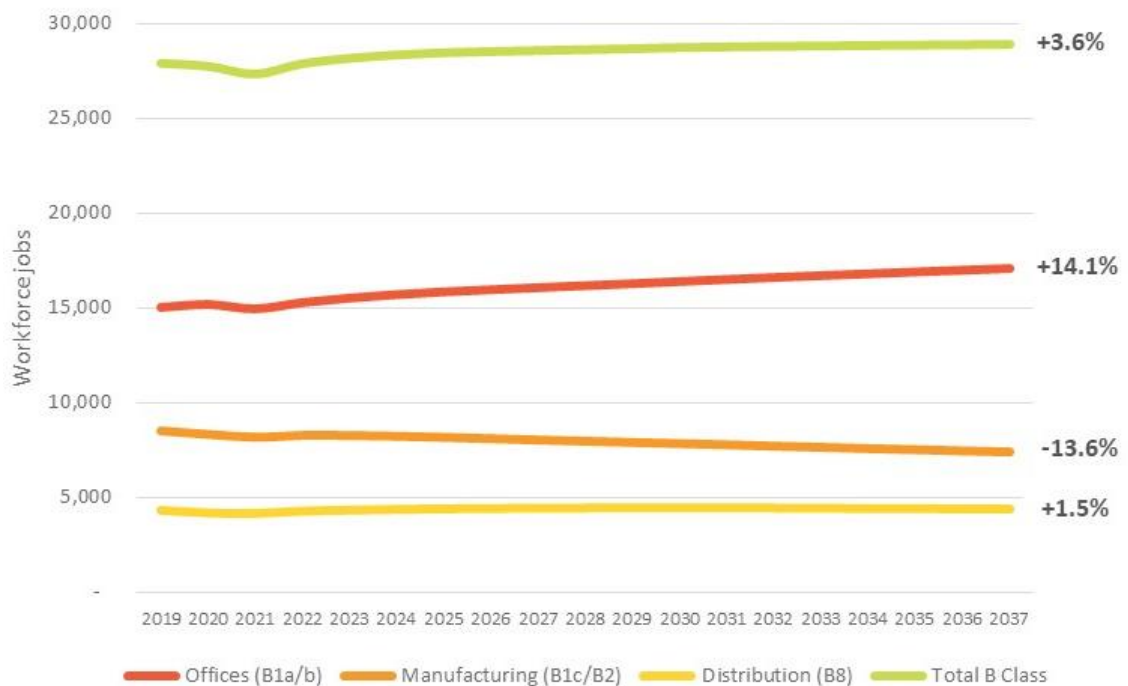
### Oxford Economics Forecasts: Q3 2020

- 2.12 Following the outbreak of Covid-19 in March 2020, more up-to-date forecasts were obtained from OE in order to consider the potential impact of the Covid-19 pandemic on the District’s economy, both in the short term and the effect on its forecast growth over the longer-term Plan period. Forecasts were obtained from OE’s Q3 2020 release which take account of revised macroeconomic assumptions for the UK economy including a recession in the UK economy during 2020 and a ‘delayed V-shape’ recovery.
- 2.13 Notwithstanding the greater than usual degree of uncertainty and variability attached to the most recent forecasts, they are useful to consider and contrast with the 2018 forecasts presented above to provide an initial ‘stress test’ of the moderating effect the pandemic may have on the overall level and rate of job growth in Horsham over the Plan period. However, they may need to be re-considered closer to the Local Plan examination stage depending on how the economic situation changes over the coming months.

### Implied Employment Change

- 2.14 Over the period from 2019 to 2037, the OE 2020 forecasts indicate for Horsham District:
  - **Total workforce job growth:** 5,071, equivalent to 282 jobs per annum on average; and
  - **B class job growth:** 1,012, equivalent to 56 jobs per annum.
- 2.15 The majority of expected B class job growth continues to be driven by office-based sectors, with B8 activities again expected to account for a small share of job growth. However, losses in manufacturing-related employment are anticipated to offset a large proportion of this growth, as summarised in Figure 2.2 and Table 2.1.

Figure 2.2 Q3 2020 OE forecast: B class workforce job growth



Source: Oxford Economics Q3 2020 / Lichfields analysis

Table 2.1 Q3 2020 OE forecast: Workforce job growth

Use	Number of Workforce Jobs		Change 2019-2037	
	2019	2037	No.	%
Offices (B1a/b)	15,003	17,116	2,113	14.1%
Manufacturing (B1c/B2)	8,540	7,375	-1,165	-13.6%
Distribution (B8)	4,338	4,402	63	1.5%
<b>B Class Jobs</b>	<b>27,880</b>	<b>28,892</b>	<b>1,012</b>	<b>3.6%</b>
<b>Total Workforce Jobs</b>	<b>67,476</b>	<b>72,547</b>	<b>5,071</b>	<b>7.5%</b>

Source: Oxford Economics Q3 2020 / Lichfields analysis

Note: Figures may not sum due to rounding

## Comparing the Forecasts

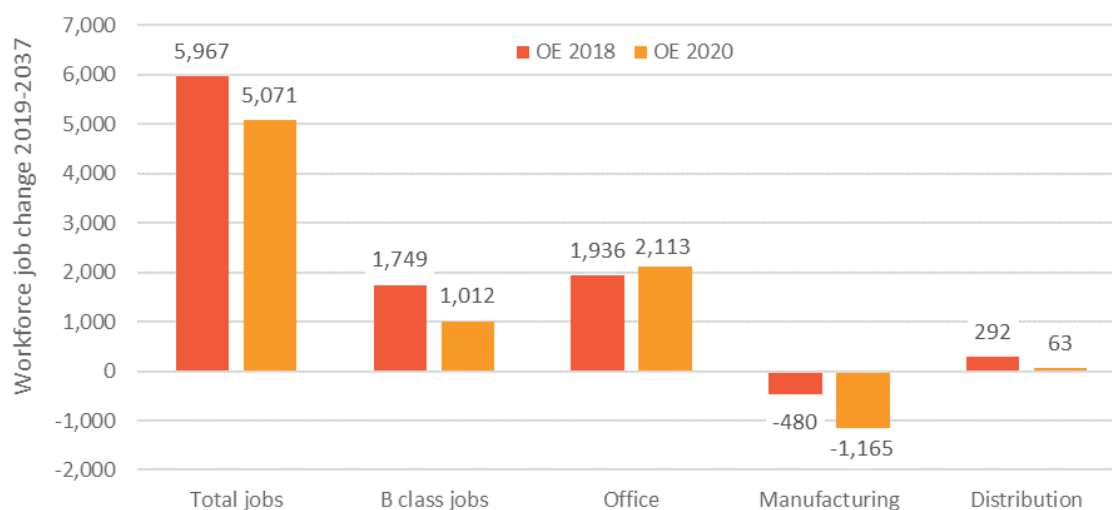
2.16 Compared to the OE 2018 forecasts, the 2020 forecasts:

- 1 Are 'rebased' compared to the 2018 vintage (67,476 vs 65,664 for the year 2019), representing an increase of 2.8%;
- 2 Reduce Horsham's total job growth by 15%, from 5,967 jobs to 5,071 jobs between 2019 and 2037;
- 3 Reduce B class job growth by 42%, from 1,749 to 1,012 between 2019 and 2037; and
- 4 Assume that pre Covid-19 levels of local employment return by 2022.

2.17 The analysis provides the following indications for each of the key B class use categories:

- **Offices (B1a/b):** The OE 2020 forecasts anticipate that office-based sectors will perform more strongly than suggested by the OE 2018 forecasts;
- **Manufacturing (B1c/B2):** The latest forecasts suggest a more pessimistic outlook for manufacturing sectors when compared to the 2018 OE forecasts; and
- **Distribution (B8):** A reduction in future job growth is also expected in the distribution sectors.

Figure 2.3 Comparison of OE 2018 and OE 2020 forecasts: Change in workforce jobs (2019-2037)



Source: Oxford Economics 2018 and 2020 / Lichfields analysis

Note: Figures may not sum due to rounding

- 2.18 As might be expected, the 2020 forecasts, which start to factor in the impacts of Covid-19, imply lower levels of growth for Horsham District over the Plan period to 2037. The scale of difference is greater for B class jobs than for total jobs, although within the B use classes there is significant variation with office-based sectors actually expected to grow at a faster pace than previously implied by OE's 2018 forecasts (Figure 2.3).
- 2.19 The 2020 forecasts provide a necessary sensitivity check at the current time but are, invariably, subject to a high degree of variability given the evolving nature of the pandemic at the time of preparation. Therefore, they would not appear to represent a reliable basis for long-term planning given the uncertainty (and therefore significant caveats) associated with them.
- 2.20 As noted above, the pre Covid-19 (i.e. 2018) forecasts already imply a slower job growth trajectory for the Horsham economy over the Plan period when compared with past employment growth trends. In this context, the more subdued growth trajectory associated with these latest economic forecasts does not provide the Council with a positive basis for economic planning.

### Sector Change

- 2.21 Table 2.2 overleaf shows the fastest growing sectors under the 2020 OE forecast, alongside those that are expected to see the most significant decline in employment, and compares these to the 2018 OE forecasts. A table showing change in all sectors is provided at Appendix 1.
- 2.22 This analysis shows that, under the 2020 OE forecast, total workforce jobs growth within the six best performing sectors is now expected to be 5.7% lower than under the 2018 forecast (5,609 compared to 5,948 additional jobs).
- 2.23 The five worst performing sectors are now expected to contract by a further 26% (a reduction of 1,992 compared to 1,580 jobs in 2018).
- 2.24 For office-based sectors, there is little change in the level of anticipated growth for admin and support services (24% compared to 23.4%) but there is a slight reduction in professional, scientific and technical activities employment (16.3% compared to 18.3%).
- 2.25 There is a significant further reduction anticipated for jobs in the manufacturing sector (a reduction of 35% compared to 24.4%).
- 2.26 For the transport and storage sector, the 2020 OE forecast anticipates a decline of 3.4%, whereas the 2018 OE forecast expected a more modest decline of just 0.2%.

Table 2.2 Sectors with highest levels of anticipated growth and decline: 2018 v. 2020 OE forecasts

2018 OE forecasts (workforce jobs)					2020 OE forecasts (workforce jobs)				
Sector	2019	2037	Change (2019-37)		Sector	2019	2037	Change (2019-37)	
			No.	%				No.	%
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	11,629	12,837	1,208	10.4%	Q. Human health and social work activities	5,784	7,185	1,401	24.2%
F. Construction	5,931	7,120	1,189	20.0%	N. Administrative and support service activities	4,937	6,121	1,184	24.0%
N. Administrative and support service activities	4,564	5,633	1,069	23.4%	M. Professional, scientific and technical activities	6,403	7,448	1,045	16.3%
M. Professional, scientific and technical activities	5,323	6,296	973	18.3%	F. Construction	6,167	7,103	936	15.2%
Q. Human health and social work activities	6,125	6,986	861	14.1%	P. Education	6,248	6,817	569	9.1%
R. Arts, entertainment and recreation	2,271	2,919	648	28.6%	R. Arts, entertainment and recreation	2,560	3,034	474	18.5%
E. Water supply; sewerage, waste management and remediation activities	504	423	-82	-16.2%	H. Transport and storage	1,820	1,758	-62	-3.4%
O. Public administration and defence; compulsory social security	926	838	-88	-9.5%	E. Water supply; sewerage, waste management and remediation activities	469	385	-83	-17.8%
K. Financial and insurance activities	1,528	1,425	-103	-6.8%	K. Financial and insurance activities	1,494	1,405	-89	-6.0%
A. Agriculture, forestry and fishing	1,674	1,381	-293	-17.5%	A. Agriculture, forestry and fishing	1,440	1,226	-214	-14.8%
C. Manufacturing	4,151	3,137	-1,013	-24.4%	C. Manufacturing	4,409	2,865	-1,544	-35.0%

Source: Oxford Economics 2018 and 2020 / Lichfields analysis

Note: Figures may not sum due to rounding

## Change over Time

- 2.27 The difference between the 2018 and 2020 OE forecasts can be attributed to the impact of Covid-19. This is particularly evident through a review of the forecasts over time, as summarised in Tables 2.3 and 2.4 below.
- 2.28 The 2018 OE forecasts anticipate the highest level of job growth (total jobs and B Class) in the initial three-year period, with successively lower levels of growth in each period thereafter. By contrast, the 2020 OE forecasts imply a much lower level of jobs growth in the first three-year period (including a decline in B Class jobs) – reflecting the immediate impact of Covid-19 – before rebounding from 2022 and then experiencing higher levels of growth in each subsequent period.
- 2.29 After a rebound between 2022 and 2025, B class job growth is forecast to fluctuate and slow down over the remainder of the Plan period. The extent to which the 2020 forecasts for total jobs exceed the 2018 forecasts reduces over time. This is a function of the two forecasts converging over the longer term.
- 2.30 Table 2.3 shows the level of growth anticipated by the 2018 OE forecasts for each of the key B class uses by 3-year period.

Table 2.3 2018 OE forecasts by 3-year period (workforce job growth)

Use	2019-22	2022-25	2025-28	2028-31	2031-34	2034-37	2019-37
Offices (B1a/b)	589	417	245	245	229	213	<b>1,936</b>
Manufacturing (B1c/B2)	53	-26	-115	-122	-138	-133	<b>-480</b>
Distribution (B8)	146	101	47	17	-7	-10	<b>292</b>
<b>Total B class jobs</b>	<b>788</b>	<b>491</b>	<b>177</b>	<b>140</b>	<b>84</b>	<b>69</b>	<b>1,749</b>
<b>Total jobs</b>	<b>2,115</b>	<b>1,518</b>	<b>851</b>	<b>672</b>	<b>427</b>	<b>385</b>	<b>5,967</b>

Source: Oxford Economics 2018 / Lichfields analysis

Note: Figures may not sum due to rounding

- 2.31 Table 2.4 shows the equivalent analysis for the 2020 OE forecasts.

Table 2.4 2020 OE forecasts by 3-year period (workforce job growth)

Use	2019-22	2022-25	2025-28	2028-31	2031-34	2034-37	2019-37
Offices (B1a/b)	262	584	335	340	307	286	<b>2,113</b>
Manufacturing (B1c/B2)	-243	-111	-216	-198	-206	-190	<b>-1,165</b>
Distribution (B8)	-35	112	42	6	-30	-31	<b>63</b>
<b>Total B class jobs</b>	<b>-17</b>	<b>584</b>	<b>161</b>	<b>148</b>	<b>71</b>	<b>65</b>	<b>1,012</b>
<b>Total jobs</b>	<b>216</b>	<b>2,068</b>	<b>1,029</b>	<b>826</b>	<b>480</b>	<b>452</b>	<b>5,071</b>

Source: Oxford Economics 2020 / Lichfields analysis

Note: Figures may not sum due to rounding

## Converting to Employment Land Requirements

- 2.32 The B class part of these employment growth forecasts are converted to future employment space requirements by applying the latest published job density figures for employment space, which take account of recent trends in occupancy for the different B class uses. The following average ratios have been applied, consistent with the 2020 EGA:
- **Offices:** 1 workforce job per 11 sqm for general office space;
  - **Manufacturing:** 1 workforce job per 36 sqm as an average across B1c and B2 uses; and
  - **Distribution:** 1 workforce job per 80 sqm for warehousing uses.
- 2.33 An allowance of 10% is added to all positive floorspace requirements to reflect normal levels of market vacancy in employment space. Where a reduction in jobs is forecast (e.g. within manufacturing sectors), the associated negative floorspace was halved. This reflects that while there may be ongoing industrial job losses (as firms use more efficient production approaches), it does not automatically follow that all of the existing employment space will be lost.
- 2.34 These floorspace requirements also include a 10% 'buffer' allowance for such factors as delays in development sites coming forward, replacement of some ongoing losses of employment space during the Local Plan period, and other relevant factors in the local market. Again, this is consistent with the 2020 EGA methodology.
- 2.35 These floorspace figures are then translated into land requirements for both office (B1a/B1b) and industrial (B1c/B2/B8) uses, taking into account the total land/site area typically needed to accommodate these uses, factoring in requirements relating to premises, car parking, space for lorry turning, landscaping etc. The following plot ratio assumptions are applied to the floorspace estimates presented above to reflect the pattern of development in Horsham:
- **Industrial (B1c/B2/B8):** a plot ratio of 0.4 is applied so that a 1.0 ha site would be needed to accommodate a footprint of 4,000 sqm of employment floorspace; and
  - **Offices (B1a/B1b):** 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.
- 2.36 The resulting floorspace and land requirements are set out in Table 2.5 below.

Table 2.5 Gross employment space requirements (2019-37)

Use	2018 OE forecasts (2019 to 2037)		2020 OE forecasts (2019 to 2037)	
	Floorspace (GEA sqm)	Land (ha)	Floorspace (GEA sqm)	Land (ha)
Offices (B1a/b)	25,775	3.4	28,130	3.7
Manufacturing (B1c/B2)	-8,645	-2.2	-20,970	-5.2
Distribution (B8)	28,300	7.1	6,140	1.5
<b>Total B class</b>	<b>45,430</b>	<b>8.3</b>	<b>13,300</b>	<b>0.0</b>

Source: Lichfields analysis (totals rounded)

- 2.37 The employment floorspace requirement indicated by the 2020 OE forecast is substantially (70.7%) lower than that resulting from the 2018 OE forecast. This reflects the worsening outlook for manufacturing and distribution job growth in Horsham District throughout the new Local Plan period, even though the pace of office-based job growth is expected to increase.
- 2.38 In land terms, the 2020 OE forecast implies a need for 3.7ha of office land and 1.5ha of distribution land, but a reduction of 5.2ha manufacturing related land. Therefore, despite

showing a need for 13,300sqm of additional employment floorspace, the employment land requirement is negligible over the Plan period to 2037.

- 2.39 This is explained by typical land use patterns associated with the respective B class activities; the requirement for 13,300sqm floorspace is attributable primarily to offices, which tend to have higher plot densities, therefore requiring less land compared with manufacturing/industrial activity. As a result, the reduction in need for manufacturing land effectively balances out the additional need for land for office (and distribution) uses.

## 2. Past Development Rates

- 2.40 The past take-up scenario from the 2020 EGA (i.e. Scenario 2) has been updated to reflect an additional year of monitoring data now available (the 2018/19 reporting year).
- 2.41 Completions of industrial space were higher in 2019 than in the past, serving to increase the annual average take-up rate for Horsham District (both for industrial and all B class floorspace). When applied across the 18-year plan period to 2037, this results in a higher employment floorspace and land requirement than indicated within the 2020 EGA (see Table 2.6).

Table 2.6 Employment space and land requirement based on past completion trends

Use	2011-2019		2019-2037	
	Net Annual Completions (sqm)	Gross Annual Completions (sqm)	Floorspace Requirement (sqm)	Land Requirement (ha)
Office (B1a/B1b)	-140	250	-2,520	-0.3
Industrial (B1c/B2/B8)	7,780	9,360	154,040	38.5
Mixed B	1,400	1,660	27,720	6.9
<b>Total</b>	<b>9,040</b>	<b>11,270</b>	<b>179,240</b>	<b>45.1</b>

Source: HDC / Lichfields analysis (totals rounded)

Note: Data not available for loss of employment land in 2019

## 3. Future Labour Supply

- 2.42 The three labour supply scenarios for Horsham District considered as part of the 2020 EGA have been updated to cover the emerging Plan period to 2037<sup>2</sup>. These scenarios consider the workplace labour supply implications of:
- 1 Population growth associated with the standard method of calculating local housing need, equivalent to 965 dwellings per annum (dpa) for Horsham. This figure has subsequently fallen to 920 dpa since the publication of the 2020 EGA but this is due to the release of updated affordability data in April 2020. The population projections upon which it is based have remained unchanged; hence, the employment land requirements from this scenario remain unchanged from the EGA (aside from the extension of the Plan period by one year to 2037).
  - 2 A consideration of how different levels of housing delivery may affect the amount of land that is required for employment use in the future. Two alternative housing delivery scenarios were considered, as follows, in order to inform Duty to Cooperate discussions at a Northern West Sussex housing market area level:

<sup>2</sup> The 2020 EGA pro-rated the SHMA outputs on jobs supported by the Standard Method (which covered the 20-year period 2019-39) to cover the study period from 2019 to 2036; this EGA Update extrapolates the number of jobs supported to cover the extra Local Plan year to 2037.

- a Medium growth: 1,200 dpa; and
- b High growth: 1,400 dpa.

2.43 B class job growth associated with these scenarios is shown in Table 2.7 below.

Table 2.7 Job growth based on labour supply scenarios

	Total Change (2019-2037)		
	Baseline (920 dpa)	Medium growth (1,200 dpa)	High growth (1,400 dpa)
Workplace Labour Supply (Total Jobs)	12,111	17,472	22,034
Office Jobs (B1a/B1b)	2,688	3,878	4,890
Manufacturing Jobs (B1c/B2)	1,317	1,900	2,396
Distribution Jobs (B8)	763	1,101	1,388
<b>All B Class Jobs</b>	<b>4,768</b>	<b>6,878</b>	<b>8,674</b>

Source: Icen / Lichfields analysis

2.44 These job numbers can then be translated into estimated requirements for B class employment floorspace and land by applying the same standard employment densities used in the job growth-based approach, adding a 10% vacancy allowance and 10% 'buffer' allowance, and by applying the plot ratio assumptions noted above.

Table 2.8 Employment floorspace requirements based on labour supply scenarios

Use	2019-2037 Floorspace Requirement (GEA sqm)		
	Baseline (920 dpa)	Medium growth (1,200 dpa)	High growth (1,400 dpa)
Office (B1a/B1b)	35,776	51,612	65,090
Manufacturing (B1c/B2)	57,366	82,759	104,370
Distribution (B8)	73,849	106,538	134,359
<b>All B Uses</b>	<b>166,990</b>	<b>240,910</b>	<b>303,820</b>

Source: Icen / Lichfields analysis (totals rounded)

Table 2.9 Employment land requirements based labour supply scenarios

Use	2019-2037 Land Requirement (ha)		
	Baseline (920 dpa)	Medium growth (1,200 dpa)	High growth (1,400 dpa)
Office (B1a/B1b)	4.7	6.7	8.5
Manufacturing (B1c/B2)	14.3	20.7	26.1
Distribution (B8)	18.5	26.6	33.6
<b>All B Uses</b>	<b>37.5</b>	<b>54.0</b>	<b>68.1</b>

Source: Icen / Lichfields analysis (totals rounded)

2.45 The range of employment floorspace and land requirements associated with the three labour supply scenarios for Horsham District are slightly higher than those set out in the 2020 EGA, reflecting an additional year within the Local Plan period (now to 2037).



## Synthesis

- 2.46 This focused EGA update considers a range of updated economic growth scenarios for Horsham District to inform employment land provision within the new District Local Plan.
- 2.47 The starting point is a review of the latest 2020 OE employment forecasts for Horsham and comparison with the 2018 OE forecasts that were applied as part of the 2020 EGA, which implied a fairly modest level of future growth and therefore did not appear to provide a particularly positive basis for future planning.
- 2.48 Unsurprisingly, the latest (Q3 2020) Covid-19 economic forecasts from OE imply much lower levels of employment growth for Horsham District over the emerging Local Plan period to 2037. This primarily reflects the short-term impact caused by this unprecedented period of economic disruption. Whilst these Covid-19 forecasts are a necessary sensitivity check at the current time, they do not appear a sensible basis for long-term planning given the uncertainty (and therefore significant caveats) associated with them.
- 2.49 For completeness, this focused EGA update also considers updated past take-up and labour supply-based scenarios of future growth in Horsham, and these provide useful benchmarks against which to compare the job growth-based approach. These factor in an additional year of relatively strong industrial development within the District and a supply-led view of population and labour supply growth associated with the Council's current housing delivery trajectory for the new Local Plan period.
- 2.50 The updated scenarios generate employment space requirements that range from 13,300 sqm to 303,820 sqm over the period to 2037, as shown in the table below.

Table 2.10 Indicative Planning Requirements by Scenario to 2037 (GEA sqm)

Use	1. Baseline Job Growth (OE 2020)	2. Past Development Rates	3. Baseline Labour Supply	4. Alternative Housing Delivery (med)	4. Alternative Housing Delivery (high)
Offices (B1a/B1b)	28,130	-2,520	35,776	51,612	65,090
Manufacturing (B1c/B2)	-20,970	154,040	57,366	82,759	104,370
Distribution (B8)	6,140		73,849	106,538	134,359
Mixed B	n/a	27,720	n/a	n/a	n/a
<b>All B Uses</b>	<b>13,300</b>	<b>179,240</b>	<b>166,990</b>	<b>240,910</b>	<b>303,820</b>

Source: Lichfields analysis

Note: Totals rounded

- 2.51 In land terms, this is equivalent to a range of between 0ha and 68.1ha. As detailed above, the negligible requirement for additional land under the baseline job growth scenario despite the need for 13,000 sqm of floorspace is due to the higher plot densities for offices (which are forecasted to experience positive growth), compared to manufacturing sectors (which are forecasted to decline).
- 2.52 These updated scenarios widen the 'gap' between those presented in the 2020 EGA by reducing the lowest requirement (previously associated with the OE 2018 forecasts) and increasing the highest requirement (associated with the high labour supply scenario).

## 3.0 Demand/Supply Balance

- 3.1 The updated forecasts of future employment space considered in section 2.0 can be compared with the latest position in terms of identified employment land supply in Horsham, to determine the level of need for employment land over the new Local Plan period to 2037.
- 3.2 The supply of employment space in the development pipeline comes from sites that have been allocated for employment uses as well as extant planning permissions for B use class development on these and other sites within the District.
- 3.3 Based on latest monitoring data from HDC (at October 2020) and West Sussex County Council (at November 2019), this indicates a total of just under 215,300 sqm of B class floorspace in net terms, as summarised in Table 3.1.

Table 3.1 Employment land supply (at October 2020)

	B1a Offices	B1c Light Industry	B2 General Industry	B8 Storage & Distribution	Mixed B	Total
<b>Major Employment Commitments</b>						
Land at North Horsham	46,450	-	-	-	-	<b>46,450</b>
Former Novartis site	25,000	-	-	-	-	<b>25,000</b>
Nowhurst Business Park	-	-	-	-	25,200	<b>25,200</b>
Land at Brinsbury College	-	-	-	-	16,850	<b>16,850</b>
Land north of Hilland Farm	-	-	-	-	19,000	<b>19,000</b>
Land southwest of Platts roundabout	-	-	-	-	4,625	<b>4,625</b>
Broadlands Business Campus	9,080	-	-	-	-	<b>9,080</b>
<i>Sub-Total</i>	<i>80,530</i>	-	-	-	<i>65,675</i>	<b><i>146,205</i></b>
<b>Other Extant Planning Permissions</b>						
Permissions Total	1,837	6,622	29,549	29,751	1,332	<b>69,091</b>
<b>Grand Total</b>	<b>82,367</b>	<b>6,622</b>	<b>29,549</b>	<b>29,751</b>	<b>67,007</b>	<b>215,296</b>

Source: HDC / WSCC / Lichfields analysis

- 3.4 When compared against the employment space requirements for Horsham District developed as part of this EGA Update, Table 3.2 identifies a surplus of employment space to meet needs arising under the baseline job growth, past take-up and baseline labour supply scenarios but a shortfall under the two alternative labour supply scenarios.

Table 3.2 Demand/supply balance to 2037

	1. Baseline Job Growth (OE 2020)	2. Past Development Rates	3. Baseline Labour Supply	4. Alternative Labour Supply (med)	4. Alternative Labour Supply (high)
Requirement for B Class Space (sqm)	13,300	179,240	166,990	240,910	303,820
Available Employment Space (sqm)	215,296				
<b>Surplus / Shortfall (sqm)</b>	<b>+201,996</b>	<b>+36,056</b>	<b>+48,306</b>	<b>-25,614</b>	<b>-88,524</b>

Source: Lichfields analysis

## 4.0 Conclusions and Policy Implications

- 4.1 This focused update of the Northern West Sussex EGA relating to Horsham has been prepared to provide supplementary and updated economic evidence specifically to inform the approach to economic growth and employment land policies within the new Horsham District Local Plan. This report partially updates the findings of the 2020 EGA study as they relate to Horsham and should be read alongside it.

### Future Requirements for Employment Space

- 4.2 This focused update considers a range of scenarios to inform employment land provision within the new Local Plan. In doing so, it revisits the 2018 OE forecasts for Horsham contained in the 2020 EGA and compares these with post Covid-19 forecasts from OE to determine future labour demand; and takes the opportunity of refreshing the past development rates and labour supply scenarios contained in the EGA through the use of later data/assumptions and to reflect a slightly extended Local Plan period to 2037.
- 4.3 These updated scenarios generate employment space requirements that range from 13,300 sqm (under the baseline OE 2020 labour demand scenario) to 303,820 sqm (under the highest labour supply scenario) over the Local Plan period to 2037. In land terms, this is equivalent to a range of between 0ha and 68.1ha. This widens the 'gap' between the scenarios presented in the 2020 EGA by reducing the lowest requirement (previously associated with the OE 2018 forecasts) and increasing the highest requirement (associated with the high labour supply scenario).
- 4.4 The latest (Q3 2020) economic forecasts factor in, to the extent that it is currently fully known, the impact of the Covid-19 pandemic on the Horsham economy. They reduce forecast job growth by the order of 15% in overall terms and 42% in B class terms compared to the earlier 2018 forecasts prepared before the pandemic. Whilst they are a necessary sensitivity check at the current time, they do not appear a sensible basis for long-term planning in the District given the high degree of uncertainty (and therefore significant caveats) associated with them. The 2018 forecasts already showed some slowing of employment growth in Horsham compared to past trends. Furthermore, a planning strategy that assumes a much lower level of future employment growth as implied by these forecasts would risk constraining the District's economy in the future, and potentially be detrimental to helping the recovery of the local area.
- 4.5 Reflecting the relatively conservative job growth requirement relating to the baseline labour demand approach (considering levels of employment space take-up that have occurred in the District in recent years), the 2020 EGA recommended that the scale of requirement implied by the past take-up and baseline labour supply scenarios represented a more robust and aspirational scenario to plan for. This recommendation remains valid in light of the updated analysis presented in this EGA update report. In particular, it aligns well with the Council's ambitions for development and regeneration over the coming years, including across some key regeneration and development sites (such as the former Novartis site and North Horsham).
- 4.6 If the District were to plan for a higher level of housing development (akin to the two alternative (medium and high) labour supply scenarios tested here) then this would increase the amount of employment space required in the District to ensure a sustainable balance of housing and jobs growth over the Plan period. Given that this higher level of housing delivery would in part be meeting housing need that cannot be accommodated elsewhere in the Northern West Sussex housing market area (principally at Crawley), it would be important for HDC to work closely with other local planning authorities in the wider housing market area to ensure appropriate provision of any associated employment land, and to avoid 'double counting' of supply.

## Implications for Demand/Supply Balance

- 4.7 These updated scenarios have been compared with the latest position in terms of identified employment land supply in Horsham to determine the level of need for employment land over the Plan period to 2037.
- 4.8 This identifies a surplus of employment space to meet needs arising under the baseline job growth, past take-up and baseline labour supply scenarios but a shortfall under the two alternative labour supply scenarios. This suggests that the Council will need to consider the extent to which additional land can be brought forward in the District to meet identified employment needs arising from a level of housing delivery (and therefore population growth) associated with 1,200/1,400 dwellings per annum over the Plan period. In this scenario, any needs that could not be accommodated within the District may give rise to employment land requirements elsewhere in the Northern West Sussex area.
- 4.9 It should be noted that the demand/supply balance position noted above is sensitive to the inclusion of a small number of large employment site commitments, some of which are subject to current uncertainties with regards to timing and deliverability (notably Land at Brinsbury College and Land Southwest of Platts Roundabout due to their inclusion in wider strategic site promotions). If the supply position changes from that set out above (e.g. if some of the identified employment space capacity is delayed beyond the end of the Plan period) then this could impact upon the overall balance outlined here.
- 4.10 Also reflecting the flexibility associated with a sizeable share of supply in terms of the mix of B class uses that could come forward, there is a need for the District to identify a realistic delivery trajectory for these employment sites and to understand which sites offer the greatest prospects of accommodating B class development over the period to 2037. This should also give consideration to the relative balance of office and industrial uses (as far as practicable), particularly as the identified pipeline of office space supply (at 82,367 sqm) exceeds identified office needs (in quantitative terms at least) arising under all of the five scenarios considered in this EGA update. Under the baseline job growth, past take-up and baseline labour supply scenarios there would appear to be more than sufficient supply to accommodate quantitative need, so this provides more flexibility with regards to the specific uses that come forward through the identified mixed B class supply, which would effectively be driven by the market.

## Impact of Covid-19

- 4.11 The outbreak of Covid-19 and resulting pandemic has developed rapidly with far reaching impacts on the economy and business across the country. Lockdown measures have led to unprecedented shut downs of large parts of the economy simultaneously, with effects being transmitted rapidly across most sectors.
- 4.12 While restrictions remain in place to varying degrees across the country, and may do so for some time, it is difficult to anticipate the full extent of the economic shock at the time of writing. Various macro scenarios and forecasts have begun to emerge to help understand the potential outcomes and impacts of Covid-19 on the UK economy. This includes local economic forecasts for Horsham District prepared by OE (in Q3 2020) which are analysed as part of this focused EGA update. As noted above, these have the effect of reducing forecast job growth for the District over the new Local Plan period by the order of 15% in overall terms and 42% in B class terms compared to the earlier 2018 forecasts prepared before the pandemic. Those sectors expected to face the most significant employment impacts locally in the short term (i.e. between 2019 and 2020) include accommodation and food services (-350 jobs), wholesale and retail (-320 jobs), recreation (-240 jobs) and construction (-170 jobs). Slightly further afield across the wider Gatwick Diamond, the impact of Covid-19 upon the aviation sector has been substantial

and is likely to make those activities related to Gatwick Airport susceptible to continued economic disruption for some time.

4.13

With regards to planning for economic growth and employment space, it is arguably still too early to understand how the pandemic and resulting structural changes may affect how businesses operate and the resultant demand for employment land. Notwithstanding the ongoing uncertainty, it is likely that the Covid-19 pandemic will induce and accelerate some key structural economic changes that will influence patterns of local economic growth and development, some of which are summarised below:

- **Growth of key sectors:** based on the economic response to Covid-19 over the last few months, there are a number of sectors (summarised in Table 4.1 below) that appear to face particular growth opportunities as the UK embarks on economic recovery and moves forward to a post-Covid-19 economy.
- **A shift from larger cities:** public transport represents one of the key barriers to a full return to the workplace. Allied with increased demands for public and private open space, together with more general issues relating to the affordability of housing, it is possible that an increasing number of people will look to relocate away from London and other large cities to locations that offer other quality of life factors. A shift towards greater levels of home-working may facilitate this. Areas such as Horsham District which balance an attractive environment, strong community, robust economy and strong transport links could be well placed to benefit from these economic drivers.
- **Increased home-working/reduced office demand:** in the short-term, social distancing requirements will mean that far fewer people will be able to work from offices. In the medium to longer term, people might look to the success of home working as a justification to shift to new working arrangements. This may reduce the demand for office space. However, if public transport is the key barrier, demand may increase for office developments in smaller settlements which benefit from easier access on foot or by bicycle.

Table 4.1 Covid-19: Key sector growth opportunities

Sector	Rationale
Health / life-sciences / med-tech	Covid-19 has fundamentally been a health crisis. It has been fought by front-line health workers and its resolution lies in a health solution. Significant investment has been made in life-sciences to find a vaccine and it is likely that there will be a greater focus on this sector in future in terms of both public and private investment.
Logistics	The logistics sector has been instrumental in keeping the country and its economy operational through the pandemic and it is likely that this will also be given a greater emphasis in the future. This may particularly be the case if some decentralisation of population and economic activity does occur.
Energy / Environmental	Building back a green and resilient recovery lies at the heart of the government's Covid-19 policy response, recognising the opportunity the pandemic provides to shift to a greener economy and support wider sustainable development goals. Specific proposals include increased investment in low carbon innovation and industries; focusing on those sectors that can support the environment; and ensuring that companies receiving government support are operating in a manner consistent with climate goals.
IT / Communications	Home working and social restrictions have required us to look to technology to a much greater degree. It is likely that online/teleconferencing platforms will continue to grow after Covid-19 passes. Similarly, increased home working and growth in key sectors such as life-sciences, green energy and logistics will all rely on continued advances in IT.
Tourism / Hospitality	Although this sector has faced some of the most substantial economic disruption so far, there is the potential that it will grow significantly, particularly if people remain cautious about international travel and choose to holiday in Britain instead.

Source: Lichfields analysis

## Implications of Changes to the Use Classes Order

- 4.14 From 1 September 2020, the former A1, A3, B1, D1 and D2 use classes are merged into a new Class E “Commercial, Business and Services” Use Class in England. B2 and B8 Use Classes remain unaffected, but changes affecting other classes have also been introduced.<sup>3</sup>
- 4.15 The government’s stated rationale for the change is to better reflect the diversity of uses found on high streets and within town centres, and to provide the flexibility for businesses to adapt and diversify. Notwithstanding this, the effect of the changes is not limited to town centre locations. This means that Class E will affect any buildings within the relevant uses, including those within the former B1 Use Class in designated employment areas.
- 4.16 The drafting of this report coincides with the introduction of these changes and has been prepared in line with the Planning Practice Guidance (PPG) and the methodology for determining future employment land needs, which at the time of drafting remains unchanged. Therefore, the report refers to “B1 uses”, which under the new Use Classes Order will change as follows:
- Former Class B1(a) to E(g)(i);
  - Former Class B1(b) to E(g)(ii); and
  - Former Class B1(c) to E(g)(iii).
- 4.17 These changes will influence how Horsham District plans for future employment needs and the appropriate policies that need to be put in place. We summarise below some of the potential implications which will need further detailed consideration in due course:
- 1 Existing policies to protect employment space will become less effective where these relate to existing B1(a/b/c) premises, because there will no longer be the same planning mechanism to control these from switching to other forms of retail, leisure and community use. Over time, this could potentially alter the composition of existing employment areas and reduce the supply of existing employment space, particularly in those locations within the District that face acute pressure from other Class E uses.
  - 2 Similarly, former B1 allocations could face delivery challenges. However, local planning authorities may still be able to place restrictions on use at the planning application stage. Conversely, it may also now be easier for developers to be flexible to accommodate supporting on-site facilities such as convenience retail, gyms and other supporting uses as part of industrial estates/business park developments given they are now all contained within the same use class – provided these uses are proportionate, that could be helpful in making these locations more attractive to the market and potential occupiers or supporting viability challenges where they exist.
  - 3 Alongside the changes to the Use Classes Order, it is possible that the continuation and extension of permitted development rights may exert further pressure on B1a/b/c for conversion and potential replacement of older buildings for residential where the criteria can be met. This may be particularly the case when combined with a weaker office market outlook in the near-term at least due to the Covid-19 pandemic. However, the Council could still opt to introduce an Article 4 Direction to withdraw these rights across a defined area if they can demonstrate this is justified.
  - 4 It may be advisable for the Council to prepare an up-to-date assessment of B1 stock in the District to examine the nature, geographical distribution and occupancy levels of these uses.

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<sup>3</sup> See summary of changes at [https://lichfields.uk/media/6020/guide-to-changes-to-the-use-classes-order-in-england\\_july-2020.pdf](https://lichfields.uk/media/6020/guide-to-changes-to-the-use-classes-order-in-england_july-2020.pdf)

This could help inform a risk assessment of how much of the area's existing office, R&D and light industrial space portfolio could potentially be lost to other Class E uses through permitted changes of use, as well as the extent of PDR for conversion/replacement to C3 residential. This exercise would also help develop an understanding of the distinction between ex-B1c and B2, and whether in practice these represent different market segments locally. In turn, this analysis could also help to build an evidence base for conditioning future planning applications and policies in the Local Plan.

- 5 Finally, the Council should consider how the changes might be used to positively contribute to the future supply of office, R&D and light industrial space. For example, the conversion of vacant retail warehousing space to light industrial uses could provide an alternative form of supply to help address business needs in the District over the new Plan period.

## Appendix 1 Oxford Economics Forecasts by Sector

Table A.1 Comparison of 2018 and 2020 OE forecasts by sector

2018 OE forecasts (workforce jobs)				
Sector	2019	2037	Change (2019-37)	
			No.	%
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	11,629	12,837	1,208	10.4%
F. Construction	5,931	7,120	1,189	20.0%
N. Administrative and support service activities	4,564	5,633	1,069	23.4%
M. Professional, scientific and technical activities	5,323	6,296	973	18.3%
Q. Human health and social work activities	6,125	6,986	861	14.1%
R. Arts, entertainment and recreation	2,271	2,919	648	28.6%
I. Accommodation and food service activities	4,037	4,481	444	11.0%
J. Information and communication	3,553	3,900	347	9.8%
L. Real estate activities	1,814	2,147	334	18.4%
S. Other service activities	3,183	3,484	301	9.5%
P. Education	6,245	6,487	242	3.9%
H. Transport and storage	1,960	1,947	-13	-0.6%
B. Mining and quarrying	53	27	-26	-48.7%
D. Electricity, gas, steam and air conditioning supply	192	163	-30	-15.3%
E. Water supply; sewerage, waste management and remediation activities	504	423	-82	-16.2%
O. Public administration and defence; compulsory social security	926	838	-88	-9.5%
K. Financial and insurance activities	1,528	1,425	-103	-6.8%
A. Agriculture, forestry and fishing	1,674	1,381	-293	-17.5%
C. Manufacturing	4,151	3,137	-1,013	-24.4%
<b>ALL SECTORS</b>	<b>65,664</b>	<b>71,631</b>	<b>5,967</b>	<b>9.1%</b>

2020 OE forecasts (workforce jobs)				
Sector	2019	2037	Change (2019-37)	
			No.	%
Q. Human health and social work activities	5,784	7,185	1,401	24.2%
N. Administrative and support service activities	4,937	6,121	1,184	24.0%
M. Professional, scientific and technical activities	6,403	7,448	1,045	16.3%
F. Construction	6,167	7,103	936	15.2%
P. Education	6,248	6,817	569	9.1%
R. Arts, entertainment and recreation	2,560	3,034	474	18.5%
J. Information and communication	3,509	3,964	455	13.0%
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	12,527	12,947	421	3.4%
L. Real estate activities	1,679	1,943	264	15.7%
S. Other service activities	3,011	3,261	250	8.3%
I. Accommodation and food service activities	3,970	4,055	85	2.1%
O. Public administration and defence; compulsory social security	896	907	11	1.2%
B. Mining and quarrying	24	13	-12	-47.4%
D. Electricity, gas, steam and air conditioning supply	129	109	-20	-15.3%
H. Transport and storage	1,820	1,758	-62	-3.4%
E. Water supply; sewerage, waste management and remediation activities	469	385	-83	-17.8%
K. Financial and insurance activities	1,494	1,405	-89	-6.0%
A. Agriculture, forestry and fishing	1,440	1,226	-214	-14.8%
C. Manufacturing	4,409	2,865	-1,544	-35.0%
<b>ALL SECTORS</b>	<b>67,476</b>	<b>72,547</b>	<b>5,071</b>	<b>7.5%</b>

Source: Oxford Economics 2018 and 2020 / Lichfields analysis (Note: figures may not sum due to rounding)





**Birmingham**  
0121 713 1530  
birmingham@lichfields.uk

**Edinburgh**  
0131 285 0670  
edinburgh@lichfields.uk

**Manchester**  
0161 837 6130  
manchester@lichfields.uk

**Bristol**  
0117 403 1980  
bristol@lichfields.uk

**Leeds**  
0113 397 1397  
leeds@lichfields.uk

**Newcastle**  
0191 261 5685  
newcastle@lichfields.uk

**Cardiff**  
029 2043 5880  
cardiff@lichfields.uk

**London**  
020 7837 4477  
london@lichfields.uk

**Thames Valley**  
0118 334 1920  
thamesvalley@lichfields.uk