

CABINET (LOCAL DEVELOPMENT FRAMEWORK) COMMITTEE

28 September 2011

EVIDENCE UPDATE: REVIEW OF EMPLOYMENT PROSPECTS, EMPLOYMENT  
LAND AND DEMOGRAPHIC PROJECTIONS

REPORT OF HEAD OF STRATEGIC PLANNING

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RECENT REFERENCES:

[CAB2179\(LDF\)](#) – REFRESH OF THE WINCHESTER ECONOMIC EVIDENCE  
BASE – 6 June 2011.

EXECUTIVE SUMMARY:

The Core Strategy requires an up to date and sound evidence base to support its policies. The economic studies and evidence base which have to date assisted in developing the Core Strategy to a large extent pre-dated the recent recession, and the fundamental changes in economic and planning policy introduced by the Coalition Government.

To remedy this, the Council commissioned consultants DTZ to undertake a review of the employment prospects in the District, together with an assessment of the employment land requirements across the three spatial areas. This was then assessed against the likely changes in population and used to verify the Council's housing requirements against the need, to ensure it provided adequate housing to deliver sustainable economic growth. The report critically examines both the employment and demographic projections for the District and the implications of these for policy.

The main findings of the review are that growth in employment is expected to be slower than previously forecast; this means that the employment floorspace requirements have been revised down accordingly. The main generator of employment growth is likely to be the business services sector, which includes knowledge-based and creative industries. The review highlighted the risks to the

local economy if the District and Winchester Town in particular did not capitalise on the potential growth in the business services sector.

As a consequence of this, the Review endorsed the Council's proposed housing provision of an additional 11,000 dwellings during the period 2011-2031.

**RECOMMENDATIONS:**

- 1 That the findings of the Review of Employment Prospect, Employment Land and Demographic Projections be noted and the outcomes are used to inform and develop policies in the next stage of preparing the Winchester District Core Strategy.

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### EVIDENCE UPDATE: REVIEW OF EMPLOYMENT PROSPECTS, EMPLOYMENT LAND AND DEMOGRAPHIC PROJECTIONS

#### REPORT OF HEAD OF STRATEGIC PLANNING

##### DETAIL:

- 1 Background and scope of the review
  - 1.1 The Plans for Places consultation exercise has now been completed and the responses analysed. The next stage will be to develop updated policies for inclusion in the Pre-submission draft of the Core Strategy. It is important therefore that the supporting economic evidence base is up to date and aligned with the priorities and aspirations identified by the different communities and interest groups through the process of engagement.
  - 1.2 This is particularly important given the recent changes to the Government's economic policies as they affect the planning system, together with revised national economic forecasts and the consequent implications for the local economy. It is also important to align the evidence on the future direction of the economy and potential job creation with the District's housing requirements to ensure sustainable economic growth.
  - 1.3 The earlier evidence studies into the future direction of the District's economy, which informed the Preferred Option draft of the Core Strategy, were provided in the Winchester District Economic and Employment Land Study (SQW November 2007) and the Winchester District Economic and Employment Land Study Supplementary Report (SQW November 2008).
  - 1.4 While much of this evidence base is still relevant, the reports were prepared at a time when the full impact of the global recession had yet to be determined. However, amongst the conclusions of those studies was the need to provide additional higher value jobs in Winchester to meet the needs of future residents and to reduce some of the current out-commuting, which is still pertinent today.
  - 1.5 The economic assessment indicated that the Town has 'significant potential for economic growth particularly higher value added and knowledge-based activities' which were thought to be constrained by the lack of suitable sites and premises, and restrictive planning policies. Importantly in the then current economic context, they forecast that the established 'county town economy' would continue to develop slowly, with the focus of growth shifting to the M27 corridor. It was important to determine whether this was still the case in the current economic circumstances.

- 1.6 In order to understand and develop the options for the Core Strategy Preferred Option (2009), a further study was commissioned which focused on Winchester Town (the 2008 Supplementary Report). This assessed the commuting and sustainable development implications of the economic options in the emerging Core Strategy, and tested the validity of the potential step change in economic growth and the concept of a knowledge based business park. The study recognised the global slow down in economic activity apparent in 2008, but considered that the trends and patterns identified in earlier work will re-emerge in broadly similar form in the longer term, which so far has not been the case.
- 1.7 The 'Review of Employment Prospects, Employment Land, Demographic Projections' was therefore commissioned in July 2011 to critically examine the employment and demographic projections for the District, and to consider the implications that this would have for emerging policy. The Study considered employment prospects within the District as a whole but also broke the projections down into three spatial areas: Winchester City; the market towns and rural area; and the PUSH area. It looked at those sectors which might be expected to grow over the next 20 years up until 2031, and also those sectors which might contract.
- 1.8 The study then translated employment prospects on the basis of the type of jobs that might be created into the potential floorspace requirements for the different sectors. One significant difference to earlier studies was that as a result of current working practices, including the increase in flexible and home working, the amount of floorspace per required for each worker has decreased significantly. For example, earlier studies had assumed a worker floorspace ratio of 20 sq m per worker in B1 office uses, whereas more recent studies suggest the requirement is much lower at around 12 sq m per worker. This means that less floorspace is required to meet the projected growth in employment, and that business is becoming much smarter in how it utilises its current and potentially future accommodation.
- 1.9 The Review has been now been completed by consultants DTZ, due to the size of the document only the Executive Summary is appended to this report. However, the full report will be made available and circulated to LDF Cabinet Members in advance of the Committee. The full report can be viewed on the Councils website at <http://www.winchester.gov.uk/EnvironmentAndPlanning/Planning/LocalDevelopmentFramework/EvidenceBase/>

## 2 Changing policy context

- 2.1 The Study took into account both the current economic forecasts and the recent changes in Government economic and planning policy.
- 2.2 Earlier this year in March 2011, the Government published its 'Plan for Growth'. This, together with the Chancellor's budget statement and subsequent Ministerial statements, gives a clear instruction for local authorities to plan for sustainable economic growth. The Plan for Growth states that the Government's top priority is to promote sustainable economic

growth. Local authorities are urged to press ahead without delay in preparing up to date development plans, and to be proactive in driving and supporting the growth that the country needs. They should make every effort to identify and meet the business needs of their area.

- 2.3 The draft National Planning Policy Framework (NPPF) (published in July 2011 for consultation) sets out the Government's economic, environmental and social planning policies for England. Taken together, these policies articulate the Government's vision of sustainable development, which should be interpreted and applied locally to meet local aspirations. In respect of sustainable economic development it requires, 'the planning system to build a strong, responsive and competitive economy, by ensuring that sufficient land of the right type, and in the right places, is available to allow growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure'.
- 2.4 The NPPF reiterates the Government's commitment to securing sustainable economic growth. In particular, it stresses the urgent need to restructure the economy, to build on the country's inherent strengths and to meet the twin challenges of global competition and of a low carbon future. In particular the NPPF sets out the Government's objectives are to help achieve sustainable economic growth which are to:
- plan proactively to meet the development needs of business and support an economy fit for the 21st century
  - promote the vitality and viability of town centres, and meet the needs of consumers for high quality and accessible retail services; and;
  - raise the quality of life and the environment in rural areas by promoting thriving, inclusive and locally distinctive rural economies.
- 2.5 The Winchester District falls within two economic areas. The south of the District is within the Solent Local Economic Partnership (LEP) area, and the remainder of the District is included in the Enterprise M3 LEP. The Solent LEP largely covers the Partnership for Urban South Hampshire (PUSH) area with the addition of the Isle of Wight. PUSH will continue to provide strategic housing and spatial planning advice to the LEP, and will be responsible for the development and implementation of the sub-regional economic strategy. To this end, PUSH commissioned consultants DTZ to undertake a refresh of the South Hampshire Sub-regional Economic Strategy in 2010. This has now been completed and the findings have been taken into account in the current Review.
- 2.6 Winchester Town and the rest of the District are within the area covered by the Enterprise M3 LEP. It will be for the Council, in partnership with the local community and businesses, and in consultation with the two LEPs, to develop the appropriate economic response to address the many economic challenges facing the District.
- 2.7 In order to understand the issues and develop the opportunities for promoting a knowledge-based and creative economy, a Background Paper on the Opportunities within Winchester Town to promote the Knowledge and

Creative Sectors of the Economy was prepared. The Background Paper takes into account the Coalition Government's Comprehensive Spending Review and concurrent policy of re-balancing the economy away from the public to the private sector. The consequences of this could be quite significant, given the proportion of public sector employment in the District, especially in the county town of Winchester which is the administrative centre for Hampshire. Already, job losses in the public sector have been announced locally.

- 2.8 These issues have been captured in the ten year Economic Strategy adopted by the Council in June 2010, and the Economic Prosperity Change Plan seeks to address them through a number of agreed programmes of work. Information used to formulate the strategy was – where not based on the previous LDF evidence base - often derived from stakeholder consultation, published statistics and other sector-based research. The Economic Strategy will be an essential part of the evidence base which will guide policy development in the next stage of preparing the Core Strategy.

### 3 Findings of the Review

- 3.1 The Review forecasts that growth in employment in the District over the next 20 years is projected to be around 9,270 jobs by 2031 (or a 13% increase). This is down on previous forecasts, which projected a growth of around 10,770 new jobs by 2026.
- 3.2 The main generator of employment growth in the Winchester District is expected to be in the business services sector, which includes many knowledge-based and creative industries. Limited growth is also expected in: health; distribution and retail; hotels and catering; and 'other services' which includes arts, entertainment and recreation.
- 3.3 Manufacturing is expected to decline, whereas previous forecasts suggest a modest growth. But the Review emphasises the point that decreases in manufacturing employment have been in part countered by increases in growth in manufacturing productivity, so in terms of its value to the local economy, its importance remains relatively unchanged. Needless to say, the Review highlights the expected decline in public sector employment as the economy is re-balanced towards growth in the private sector.
- 3.4 Importantly at the present time, employment in the business services sector is spread around the three spatial areas, and therefore the projected growth in jobs is likely to be spread evenly around the District.
- 3.5 The Review highlights the risk that employment in Winchester Town will continue to decline as it loses jobs in key sectors, and if it fails to capture its share of the projected growth in the business services sector.
- 3.6 The Review presents a radically different assessment of employment floorspace needs than in previous studies. This is in part due to lower employment projections than previously forecast (25% lower than the SQW Study). The result is that DTZ forecast the need for an additional 15.7

hectares of employment land across the plan period, as opposed to previous forecasts of between 44 - 84 hectares of additional employment land. However, the Review recognises that there could be a case for increasing the floorspace in Winchester Town to avoid the risks to the town's economy outlined above. This is consistent with the work on the emerging Vision for Winchester which is likely to emphasise the importance of providing new, higher quality, employment provision within existing town boundaries to attract private sector business growth in the medium term.

- 3.7 The Review also highlights that one of the growing sectors in the local economy is that of self-employment which currently stands at around 12%. The Core Strategy will need to consider what measures might be needed to nurture and expand this growing sector.
- 3.8 The Review recognises that, due to shifts in the local economy, and potential pressures from changes in government policy which would encourage the change of use of employment land to other uses, the Core Strategy will need to consider its policy response to future applications to remove buildings and land from employment use. The Review recommends that any future policies take into account: the local environment; accessibility; market attractiveness; and the redevelopment potential, including the scope for intensifying the existing use and replacing older stock.
- 3.9 The Review agrees that on balance an increase of 11,000 new dwellings over the next 20 years is a reasonable basis for planning for new housing growth in the District. The Review compared the projections of employment growth against the housing requirement, and concluded that the Council's proposals based on an annual increase in households of 550 is broadly in line with its forecasts of economic growth. It can therefore be concluded that the present requirement of 11,000 new dwellings across the plan period will be sufficient to sustain the predicted economic growth.
- 3.10 It is apparent that rate of new house building, while meeting the wider needs of the District, would not meet all the District's affordable housing needs but suggests a longer term strategy, especially as the current state of the market would not support an increased housing allocation over the next 5 years.

#### 4 Conclusions and policy directions

- 4.1 The Review highlights the need for only a limited increase in employment floorspace over the plan period, but recognises the special circumstances in Winchester town, which is identified as being at risk if the inevitable jobs losses in the public sector are not met by commensurate increases in the private sector. The pre-submission draft of the Core Strategy will therefore need to set out a clear strategy to meet this challenge, which might require the identification of a suitable site/sites to provide the high quality floorspace required to promote growth in the business services sector.
- 4.2 Much of the required growth in the PUSH area is already allocated. However, in the light of the Review's conclusions regarding potentially reduced demand/need, the current allocations (especially at West of Waterlooville) will

need to be reviewed in the context of the wider PUSH Strategy, as part of the next round of preparing the Core Strategy.

- 4.3 The Review highlights the importance of the market towns and rural areas for providing jobs in the business services sector, one of the main areas of the local economy predicted to grow over the next 20 years, and the Core Strategy will need to consider how best to respond to this. This issue was also raised in earlier Blueprint consultations, where some rural communities sought to develop local measures which are in scale and keeping with the locality to improve or diversify their local economy.
- 4.4 The pre-submission draft of the Core Strategy will therefore need to be clear on within which spatial areas the new floorspace should be allocated. It should also set the broad criteria by which the potential loss of employment floorspace should be assessed.

#### OTHER CONSIDERATIONS:

#### 5 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 5.1 The LDF is the spatial planning tool designed to deliver the vision for the District set out in the Sustainable Community Strategy. The evidence base referred to in this report is, in particular, intended to inform planning policy in support of the economy of the District, and so lead to delivery of the Strategy's Prosperous Economy outcome and Economic Prosperity Change Plan.

#### 6 RESOURCE IMPLICATIONS:

- 6.1 The cost of commissioning consultants to undertake the necessary work was under £10,000 and funded from within the current Strategic Planning budget for LDF work, supplemented by the commissioning budget for the Economic Prosperity corporate priority.

#### 7 RISK MANAGEMENT ISSUES

- 7.1 The LDF is a 20 year plan, and as such there will be significant national and local change throughout its lifetime. By building the plan on the most accurate and up to date evidence base, particularly at this time of political, economic and social uncertainty, the Council minimises the risk of adopting the 'wrong' strategies for the future.
- 7.2 In a more immediate sense, the refreshed evidence base will also reduce the risk of the LDF core strategy being found to be 'unsound' by the Government, which would result in an unnecessary delay, and the deployment of additional resources for redrafting.

#### BACKGROUND DOCUMENTS:

1. Report to LDF Cabinet 6.June 2011 seeking authority to commission a refresh of the Economic Strategy.



2. The Winchester District Economic and Employment Land Study, SQW November 2007;
3. The Winchester District Economic and Employment Land Study Supplementary Report, SQW November 2008;
4. The Winchester Economic Strategy 2010 – 2020;
5. PUSH Refresh of the South Hampshire Sub-regional Economic Strategy; DTZ 2010.
6. Background Paper on the Opportunities within Winchester Town; June 2011

APPENDICES:

APPENDIX A; EXECUTIVE SUMMARY REVIEW OF EMPLOYMENT PROSPECTS, EMPLOYMENT LAND AND DEMOGRAPHIC PROJECTIONS 2011

# Review of Employment Prospects, Employment Land and Demographic Projections

Prepared on behalf of Winchester City Council

**Winchester City Council**

August 2011

DTZ  
125 Old Broad Street  
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# Executive Summary

## Employment Prospects

Between 2009 and 2025 total employment in Winchester District is anticipated to grow by 7,580 jobs (11%) from 66,300 in 2009 to 73,890 in 2025. Between 2025 and 2031, total employment could grow by a further 1,690 jobs (2%) if the trend projected to 2025 is extended.

The projections presented in this report reflect the anticipated growth prospects post recession and under a highly constrained public spending environment. Overall, employment growth within the District is expected to be more modest than originally projected. Furthermore, the composition of employment will change if forecasts are borne out.

The main generator of employment growth in Winchester is expected to be the Services sector, which is expected to generate an additional 8,010 jobs in Winchester to 2025 (an increase of 13%) – and potentially a further 1,860 jobs (3% growth) in the years 2025-2031 if the trends projected to 2025 continue. Within the services sector, the main drivers of growth between 2009 and 2025 are projected to be:

- Business Services, which includes many knowledge based and creative industries – 5,860 jobs (39% growth).
- Health – 1,280 jobs (9% growth)
- Distribution and retail – 1,070 jobs (13% growth)
- Hotels and catering – 560 jobs (14%)
- Other services – 320 jobs (11% growth)
- Within 'Other Services', 'Arts, entertainment and recreation' is expected to comprise around 41% (130) of the additional jobs - assuming its current share of employment is maintained.

Future employment growth is expected to be driven by Business Services. This is consistent with the previous forecasts though they expected growth in Financial Services to be a significant component of this. The projections for employment growth in the Business Services sector are higher than those contained in the previous 2007 report. This places a lot of weight on employment growth in Business Services and we would highlight this as a risk, though the Business Services sector contains many elements of the Creative industries sector and this has been identified as an area of opportunity for Winchester City in particular.

Growth is expected in Hotels and Catering and Distribution and Retail and modest growth in Construction. The scale of growth is less than half of what was projected in 2007.

Financial services is expected to remain static, in contrast to previous projections which included Financial Services as a key growth sector.

Manufacturing is expected to continue to decline whereas previous projections anticipated modest growth over the period. This may underestimate the potential of Winchester's manufacturing businesses to buck the national trend. It is also important to point out that declines in manufacturing

employment have proceeded at the same time as *growth* in manufacturing productivity. It is also important to note that manufacturing and production activities are as much about product conception, design, marketing and sales as they are about the physical production of products in factories and some of these activities may be defined under Business and Other Services sectors.

Employment in Public administration and Education – two key public sector activities – is expected to decline. Previous projections expected modest growth in this sector under what was described as Government services.

Given that Business Services is expected to be the key driver of future job growth, the implication is that job growth will be spread relatively evenly across the District. Both the PUSH area and Market towns and rural area have a greater share of the District's Business Service jobs than their share of total employment would suggest.

The sectors that appear to be important to Winchester City – Health, Public Administration and Education - are under pressure as a result of public sector spending constraints. Although the Health sector is projected to grow it is difficult to anticipate growth at rates associated with the past. The merger of the two NHS Trusts presents opportunities to grow this sector along with risks that jobs could move out of the City.

The points above suggest that there is a risk that employment in Winchester City will continue to decline as it loses jobs from key sectors and if it fails to capture its share of new growth in the Business Services sector.

## **Employment Land**

The analysis reveals a net additional floorspace requirement of 82,100 sq m in Winchester District from 2009 – 2025 (and 97,500 sq m from 2009-31). This represents an annualised floorspace requirement over the 2009-2025 period of 5,200 sq m per annum.

This indicates a total new requirement across all use classes to 2025 of 13.3 ha and to 2031 of 15.7ha (this is a gross figure and excludes the re-use of land under B2 that is no longer required over the period). This compares to 44 ha (baseline position) and 84 ha (baseline plus regional growth position) from 2006-2026 in the 2007 study.

The annualised figure for 2009 - 2025 is 0.8ha per annum, which compares to annualised figures for the 2006-2026 period from the 2007 study of 2.2ha per annum (baseline) and 4.2 ha (baseline plus regional growth).

This presents a radically different assessment of employment land requirements to those set out in the Winchester District Economic and Employment Land Review of 2007 for the following reasons:

- Employment projections have been significantly downgraded. Employment projections produced by Oxford Economic Forecasting for 2009 onwards are 25% lower than those included in the ELR 2007. This change in economic prospects explains about one quarter of the difference in floorspace requirements between the ELR 2007 and those contained in this report.

- Employment growth is also expected to be driven almost entirely by the Business Services sector. Whereas in the 2007 report, there was some growth in employment anticipated from Manufacturing and much greater growth from Hotels & Catering and Distribution & Retail, sectors which have more extensive land requirements. Thus, the shift to higher density activities has also contributed to a lower overall requirement for floorspace.
- Employment densities assumed for B1a business space have increased since the 2007 report was produced. This means that more jobs can be accommodated per sq m of floorspace or per hectare of land, reducing the overall land take. For B1a business space, this appears to have effectively halved the requirement for floorspace amongst any given size of workforce.

The implication of the above is that, under 'business as usual' the District as a whole has much more limited need for additional floorspace over the coming years than appeared to be the case in the 2007 ELR.

## **Demographic Projections**

On balance, DTZ support the Council's conclusion that 11,000 dwellings is a reasonable basis for planning new housing provision in Winchester's Local Development Framework. There are downward pressures on household growth which suggest 11,000 dwellings per annum may over estimate household growth in the short term. But there are also potential upward pressures on household growth in the medium to long term which could push household growth and housing demand higher than currently projected.

Furthermore, based on the updated housing need assessment, delivery of 11,000 new homes could enable the City Council to meet around two thirds of housing need within the District over the plan period through new supply and re-lets within the existing stock. This would imply a level of affordable housing delivery through the planning system that far exceeds what has been achieved in Winchester in the past. Whilst this leaves around one third of needs unaddressed, it may be possible to increase the rate of re-lets and find solutions within the private rented sector to ensure all priority needs are addressed.

We would suggest that this figure is not described as a fixed target, given the uncertainties over growth in the medium to long term. The simplest option might be for the plan to say that it is 'making provision for 11,000 new homes' without saying whether this is a target or a ceiling. This would then give the Council flexibility over the figure, depending on the context and on the merits of applications that come in from development.