

Northern West Sussex Economic Growth Assessment Focused Update for Mid Sussex

Mid Sussex District Council

March 2022

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1.0 Introduction

- 1.1 Mid Sussex District Council (“MSDC”) commissioned Lichfields to undertake a focused update to the 2020 Northern West Sussex Economic Growth Assessment (‘EGA’) for Mid Sussex.
- 1.2 The 2020 EGA, also prepared by Lichfields, provided a comprehensive evidence base for employment and economic development needs across the Northern West Sussex area¹ during the period to 2036, having regard to the 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 emerging Mid Sussex Local Plan for the period between 2021 and 2038. This report partially updates the findings of the 2020 EGA study as they relate to Mid Sussex and should be read alongside it.

Scope of the Study

- 1.4 MSDC is in the process of producing a new Local Plan to 2038 and requires a focused update to the District’s economic evidence base to reflect the changing economic and policy landscape which has evolved significantly since the EGA was prepared in 2020.
- 1.5 In this context, the scope of this update study requires consideration of the following:
- 1 The impact of the Covid-19 pandemic on the District’s economy and how this may affect local growth prospects over the new Local Plan period;
 - 2 Implications of the new Class E and related Permitted Development Rights (PDR) in terms of planning for economic development and employment uses in the District;
 - 3 Updated economic growth scenarios and employment land requirements for the District over the new Local Plan period to 2038, drawing on the latest job forecasts, take-up monitoring data, and the Standard Method housing requirement; and
 - 4 Assessing the updated demand/supply balance position for employment land in the District over the new Local Plan period and providing policy recommendations for the new Local Plan arising from the above.
- 1.6 All other aspects of the 2020 EGA remain unchanged.
- 1.7 This focused EGA update has been prepared in line with the PPG and the methodology for determining future economic development needs, which at the time of drafting remains unchanged despite the introduction of the new Class E in September 2020. It 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:
- **B2 general industrial:** typically comprising factory and manufacturing space.
 - **B8 storage and distribution:** warehouses, wholesale and distribution.
 - The 2020 EGA report refers to “B1 uses”, which under the new Use Classes Order have changed 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)**.

¹ Comprising the local authority areas of Crawley Borough, Horsham District and Mid Sussex District

- 1.8 References to ‘employment space’ refer to all B class (and former B class) elements noted above.
- 1.9 It should be noted that there are a variety of factors and drivers to consider when objectively assessing the business context and needs for a local economy. The study uses a combination of quantitative and qualitative analysis to examine these issues in the context of the District and synthesises this analysis to draw overall conclusions and policy implications for long-term planning across Mid Sussex.
- 1.10 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 October/November 2021. The accuracy and sources of data derived from third party sources has not been checked or verified by Lichfields.

Structure of the Report

- 1.11 This focused EGA update is structured under the following sections:
- **Economic Context and Trends (Section 2.0):** an update on the analysis of the economic context in Mid Sussex District presented in the 2020 EGA that considers recent economic conditions and trends.
 - **Commercial Property Market Signals and Intelligence (Section 3.0):** a review of recent trends in the local commercial property market, including the supply of, and demand for, different types of employment space within Mid Sussex District and the needs of different market segments.
 - **Growth Scenarios and Employment Land Requirements (Section 4.0):** an estimate of future employment space requirements in quantitative terms drawing upon the latest employment forecasts and other factors.
 - **Implications for Demand and Supply Balance (Section 5.0):** an assessment of the balance between existing land supply and future requirements in both quantitative and qualitative terms.
 - **Conclusions and Policy Considerations (Section 6.0):** a consideration of planning policy and other strategic measures that will be needed to support future growth and business needs within the District over the new Local Plan period.

2.0 Economic Context and Trends

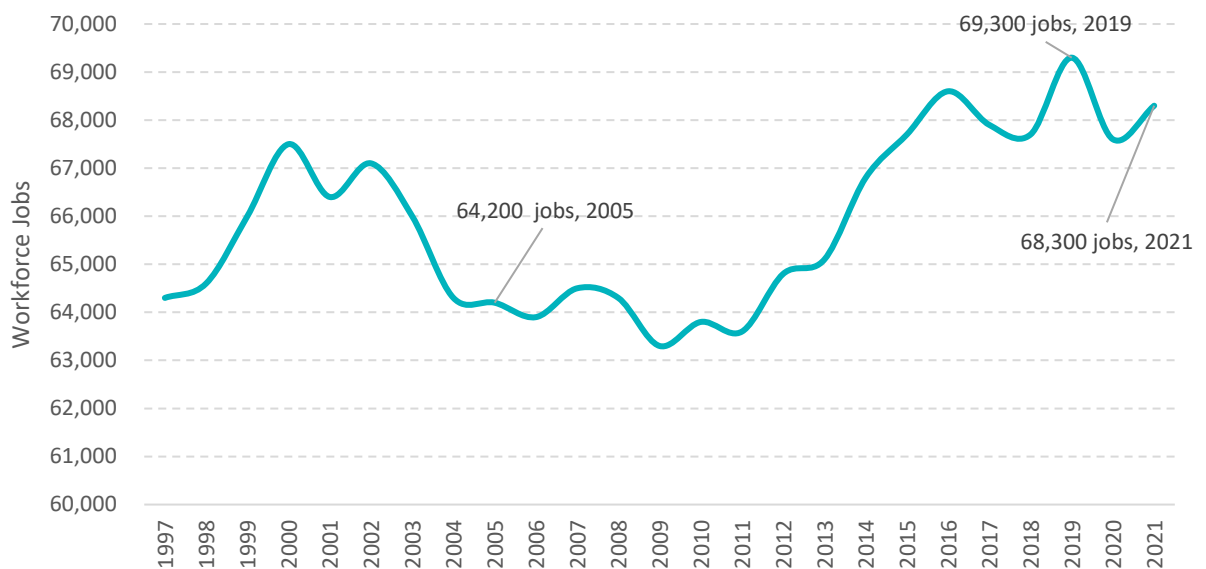
2.1 This section summarises recent economic conditions and trends in Mid Sussex District, focusing on key changes that have occurred since the publication of the 2020 EGA.

Employment

2.2 Based on the latest available Experian data, Mid Sussex District accommodated 68,300 workforce jobs in 2021, representing a small decline of 1.4% (-1,000 jobs) over the period from 2019 (i.e. the baseline year for the 2020 EGA²). This rate of job decline is lower than that recorded in the South East (-2.0%) and the UK (-2.4%) during the same period.

2.3 As shown in Figure 2.1 below, the District's employment base has declined over the last two years (-1.4%); however there has been an increase since 2020 of 1.0% showing that the labour market has started recovering following the Covid-19 pandemic.

Figure 2.1 Mid Sussex Workforce Jobs Experian, 1997 to 2021



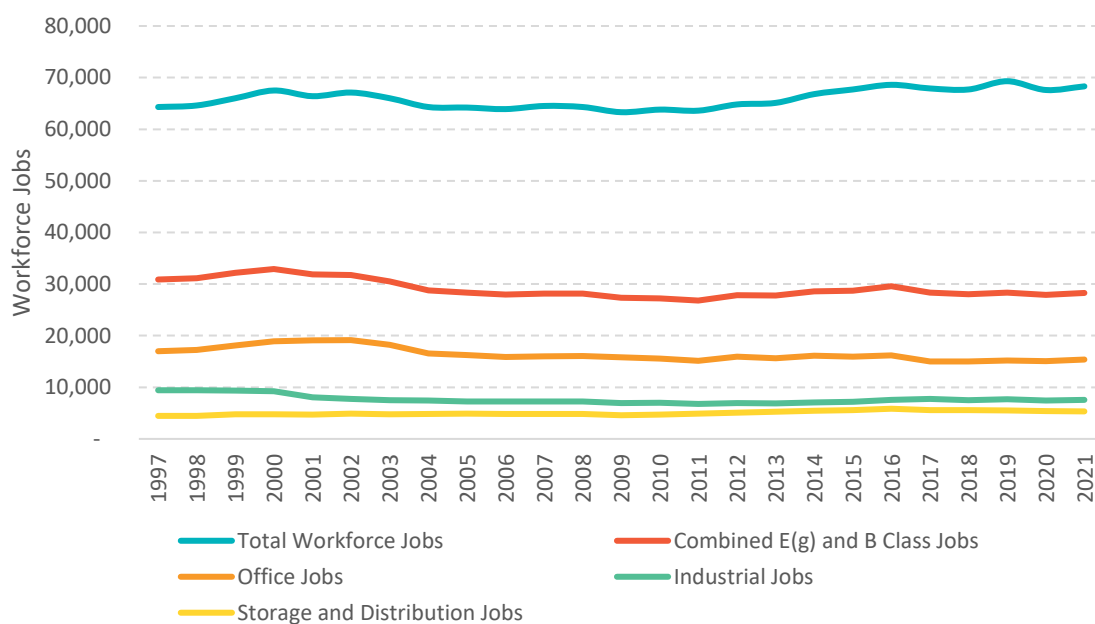
Source: Experian (2021) / Lichfields analysis

2.4 Since 2005, over the last 17-year period (i.e. equivalent to the length of the Plan period), there has been a small increase of 6.4% (+4,100 jobs) in Mid Sussex District. Equivalent analysis in the 2020 EGA also highlighted a long term trend of employment growth in the District over the last 17-year period.

2.5 Overall, total workforce jobs in Mid Sussex have remained relatively stable over the last 17 years and this has also been the case for office, industrial and storage and distribution jobs. Figure 2.2 overleaf shows that office-based sectors have seen a small decline (-5.2%), while industrial and storage and distribution sectors have seen increases in their representation of 3.9% and 9.5%, respectively. The proportion of E (g) and B Class jobs in the District over the last 17 years has remained relatively stable, with approximately 28,260 E(g) and B Class jobs recorded in 2021 (41.4% of the total).

² Of note, 2020 EGA was based on Oxford Economics (2018) forecast.

Figure 2.2 Total Workforce, Office, Industrial and Storage and Distribution Job Change, 1997 to 2021



Source: Experian (2021) / Lichfields analysis

Workforce Productivity

2.6 Mid Sussex District's economy is expected to generate £3.3 billion of gross value added (GVA) over the course of 2021 based on Experian data. This represents a decline of just 1.9% (-£630 million) over the last two years (i.e. since 2019, the base year for 2020 EGA).

2.7 Workforce productivity within Mid Sussex on a per worker basis is lower than the UK and South East averages (see Table 2.1). Compared to 2019, there has been a small decrease of 0.4% which is below the national average. However, productivity per worker in the South East increased by 0.8% across the last two years. In 2021 each workplace job in Mid Sussex is estimated to generate £48,662 GVA over the year.

Table 2.1 GVA per Worker by Location, 2019 to 2021

Location	GVA per Worker (p.a.)		2019-2021 Change
	2019	2021	
Mid Sussex	£48,869	£48,662	-0.4%
South East	£57,382	£57,867	0.8%
United Kingdom	£54,555	£54,237	-0.6%

Source: Experian (2021) / Lichfields analysis

2.8 Mid Sussex has experienced the greatest increase in GVA per worker over the last 17 years (12.5%), when compared to the South East (10.5%) and UK (6.8%).

Table 2.2 GVA per Worker by Location, 2005 to 2021

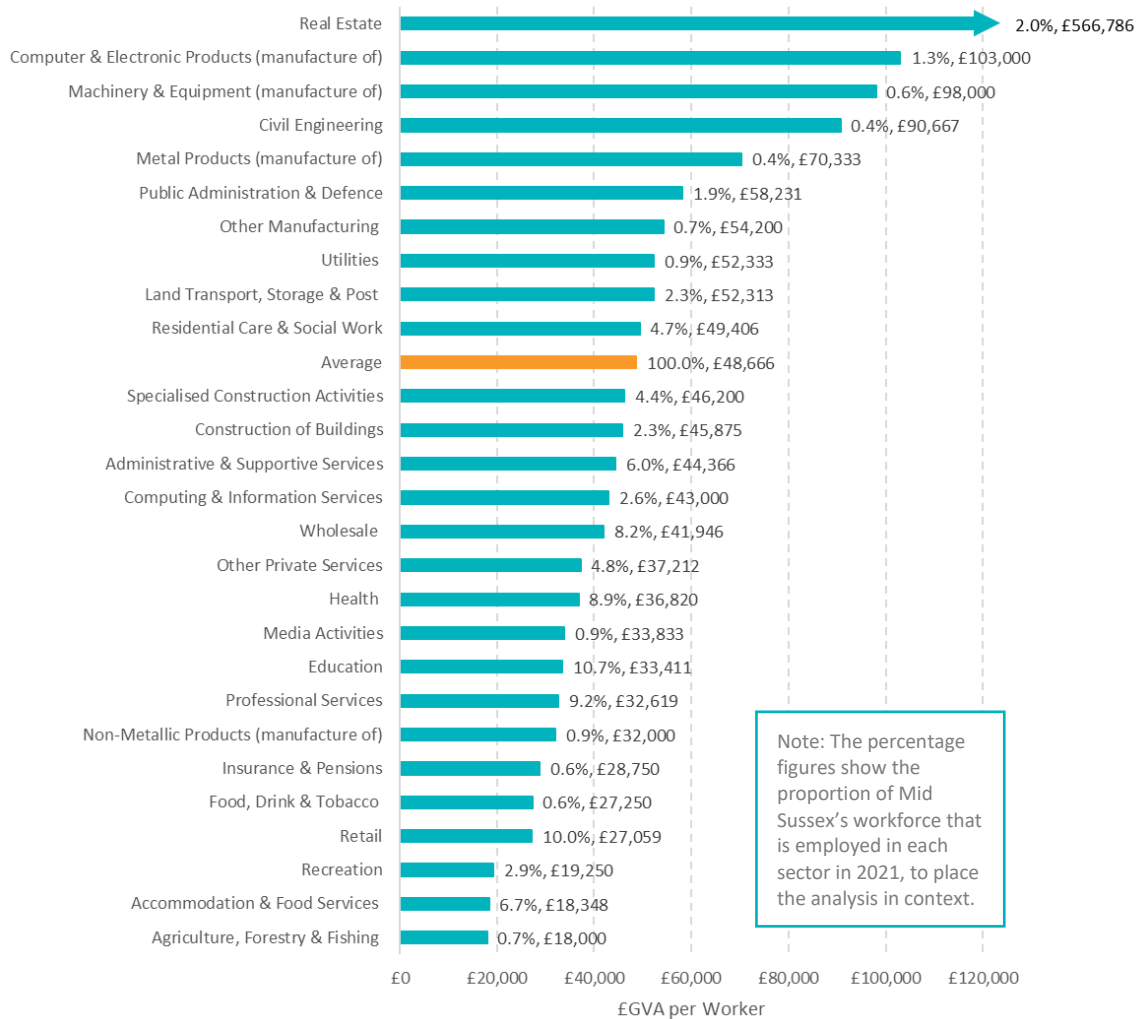
Location	GVA per Worker (p.a.)		2005-2021 Change
	2005	2021	
Mid Sussex	£43,251	£48,662	12.5%
South East	£52,347	£57,867	10.5%
United Kingdom	£50,793	£54,237	6.8%

Source: Experian (2021) / Lichfields analysis

2.9 Workforce productivity within Mid Sussex’s economy inevitably varies by sector, with sectors such as real estate, manufacturing of computer and electronics and machinery generating the highest average levels of GVA per worker based on Experian (see Figure 2.3).

2.10 Comparatively the added economic value supported by sectors such as agriculture, accommodation and food and recreation is much less significant. However, the sectors with lower than the average added value such as human health and social work, education, retail and wholesale employ a significant proportion of the local workforce (each above 10%), which partly explains the below regional average levels of workforce productivity in Mid Sussex.

Figure 2.3 Mid Sussex Sector Productivity 2021



Source: Experian (2021) / Lichfields analysis

Labour Market

- 2.11 Table 2.3 summarises a range of labour market metrics for Mid Sussex, the South East and United Kingdom. This shows that the economic activity rate in Mid Sussex stands at 79.2%, which is slightly higher than the national average (78.2%), and 1.6% below the South East (80.8%). Compared to the 2020 EGA findings, the economic activity has decreased by 5.8% (as in 2018³).

Table 2.3 Key Labour Market Characteristics, 2021

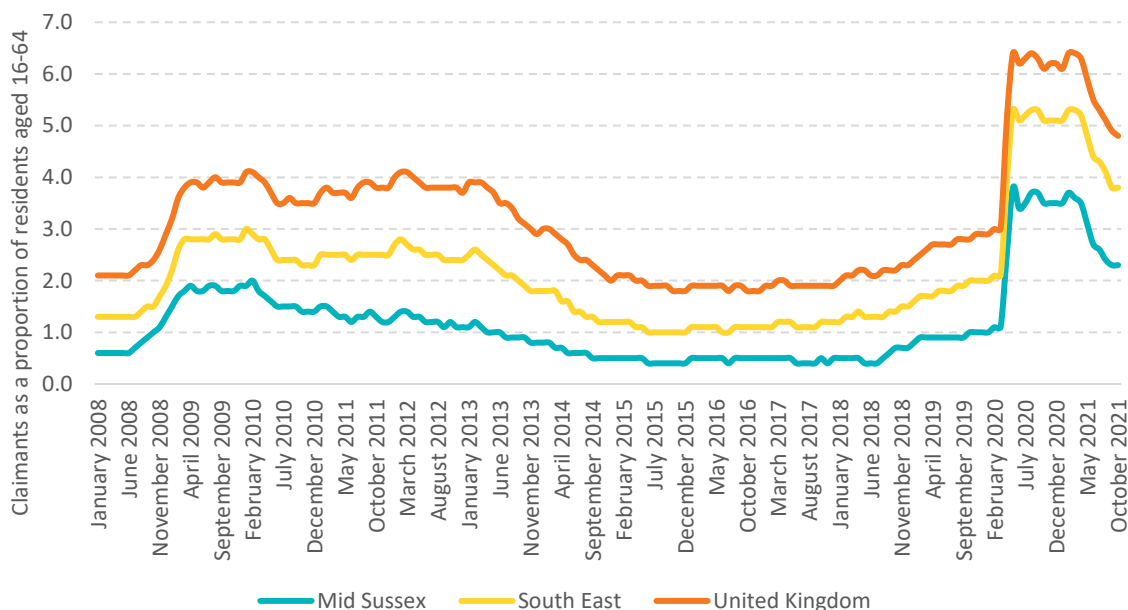
Metric		Mid Sussex	South East	United Kingdom
Economic activity rate age 16 to 64		79.2%	80.8%	78.2%
Out-of-work benefits claimants as a proportion of residents aged 16-64 (October 2021)		2.30%	3.80%	4.80%
Resident occupation group (2021)	SOC Major Group 1 - 3	64.3%	52.9%	49.7%
	SOC Major Group 4 - 5	16.6%	19.3%	19.2%
	SOC Major Group 6 - 7	14.5%	15.5%	16.1%
	SOC Major Group 8 - 9	7.4%	12.0%	14.7%
Median gross weekly earnings by resident		£674.3	£660.1	£610.7
Median gross weekly earnings by workplace		£581.7	£635.0	£610.7

Source: ONS (2021) / Lichfields analysis

- 2.12 The District supports a much lower level of out-of-work benefit claimants than other parts of the South East and the United Kingdom. Moreover, Mid Sussex resident occupations are also generally higher skilled, with a greater percentage of residents employed in SOC Major Group 1-3. Mid Sussex has 64.3% of resident occupations falling within the 3 highest SOC groups, which consist of managers and director jobs, compared to both the South East (50.7%) and the UK (45.6%). Compared to the 2020 EGA (i.e. 2018 data), this portion has increased by 11.9%.
- 2.13 In terms of average earnings in Mid Sussex, the resident weekly earnings are around £92 a week higher than workplace earnings, which suggests that many Mid Sussex residents leave the District to access higher paid employment elsewhere. Compared to 2020 EGA, the gap between resident and workplace earning has increased by £6.60 per week.
- 2.14 Claimants as a proportion of residents aged 16 to 64 stands at 2.3% (at October 2021), which is below the equivalents in the South East (3.8%) and the UK (4.8%). However, in March 2020, before the Covid-19 pandemic the claimants' portion of residents aged 16 to 64 was 1.1% (+109%), while the South East equivalent was 2.1% (+81%) and the UK's was 3.0% (+60%).
- 2.15 Longer terms trend since January 2008 are presented in Figure 2.4. Overall, the trend follows the same pattern across the three geographies however, Mid Sussex has always had a lower claimant unemployment rate.

³ 2020 EGA - Table 5.6, pg. 66

Figure 2.4 Claimants as a Proportion of Residents Aged 16 to 64

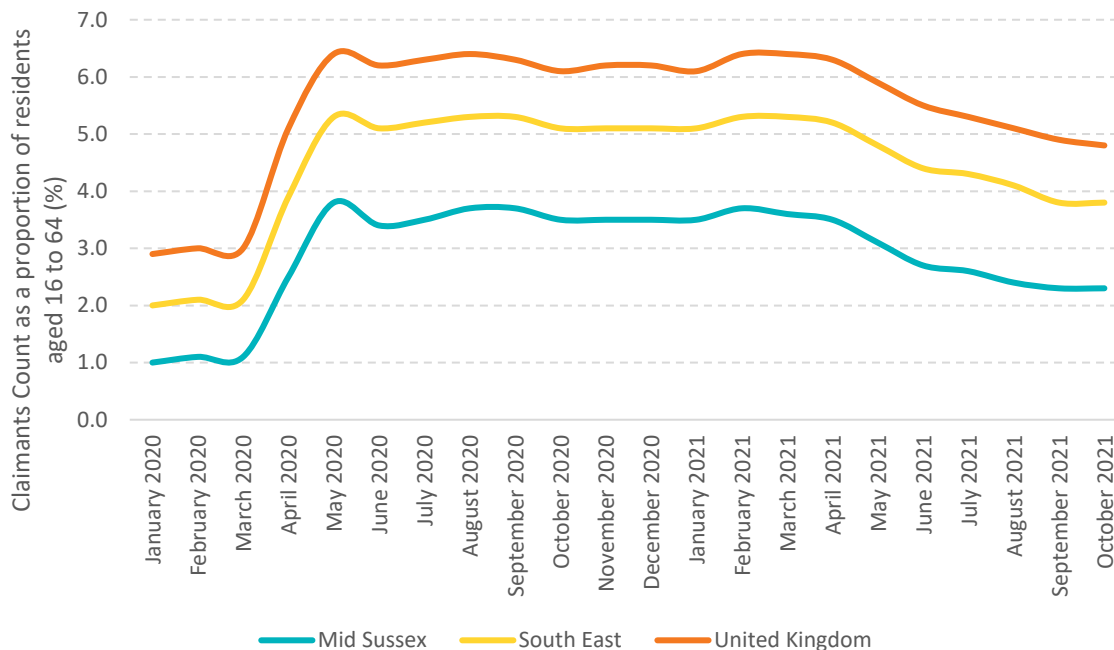


Source: ONS (2021) / Lichfields analysis

Covid-19 Impacts and Implications

- 2.16 The outbreak of Covid-19 and resulting pandemic developed rapidly in 2020 with far reaching impacts on the economy and business across the country. Lockdown measures led to unprecedented shut downs of large parts of the economy simultaneously, with effects being transmitted rapidly across most sectors. While restrictions have since been gradually lifted, at the time of drafting there remain some public health measures in place, and it is therefore difficult to assess the full extent of the economic impact. Various macro scenarios and forecasts continue to emerge to help understand the potential outcomes and impacts of Covid-19 on the UK economy, and the local implications of these for Mid Sussex District are considered as part of this EGA Update (see section 4.0).
- 2.17 Across the local economy, cumulatively 26,400 people have been furloughed since the Covid-19 outbreak according to [HMRC Coronavirus Job Retention Scheme Statistics](#) (as in November 2021). This represents 37.7% of the total residents aged 16 to 64, while the equivalent across the South East is 34.7% and the UK is 29.8%.
- 2.18 Latest ONS data (as in October 2021) shows that the Covid-19 pandemic has had an effect on the District's economy, with impacts easing over the last few months as presented in Figure 2.5. In particular, the claimant count increased throughout the pandemic and spiked in May 2020 when 3.8% of the District's residents aged 16-64 were claiming out-of-work benefits. However, the equivalents in the South East and UK were higher at 5.3% and 6.4%, respectively.
- 2.19 Since April 2021, there has been a decline on those claiming benefits across all the geographies. Mid Sussex has seen a decrease of 34.3% on claimants which is more significant than those recorded in the South East (-26.9%) and the UK (-23.8%). However, the claimant count still remains double that of pre-pandemic (January 2020) figures.

Figure 2.5 Claimant Counts, January 2020 onwards



Source: ONS (2021) / Lichfields analysis

2.20

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 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 18 months, there are a number of sectors (summarised in Table 2.4) that appear to face particular growth opportunities as the UK economy continues to recover and moves 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 Mid Sussex District which balance an attractive rural environment with 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 fewer people will be able to work from formal office spaces. In the medium to longer term, people might look to the success of home working as a justification to shift to new working arrangements on a more permanent basis. This may reduce the overall demand for office space and trigger a shift in occupier requirements for more flexible workspace that enables employees and partners to come together to collaborate and share ideas.

Table 2.4 Covid-19: Key sector growth opportunities

Sector	Rationale
Health / life sciences / medtech	Covid-19 has fundamentally been a health crisis. It has been fought by front-line health workers and its long-term resolution lies in a public health solution. Significant investment has been made in life-sciences to develop vaccines 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 Net Zero 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 regular use of 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/or some level of restrictions exist, and therefore choose to holiday in Britain instead.

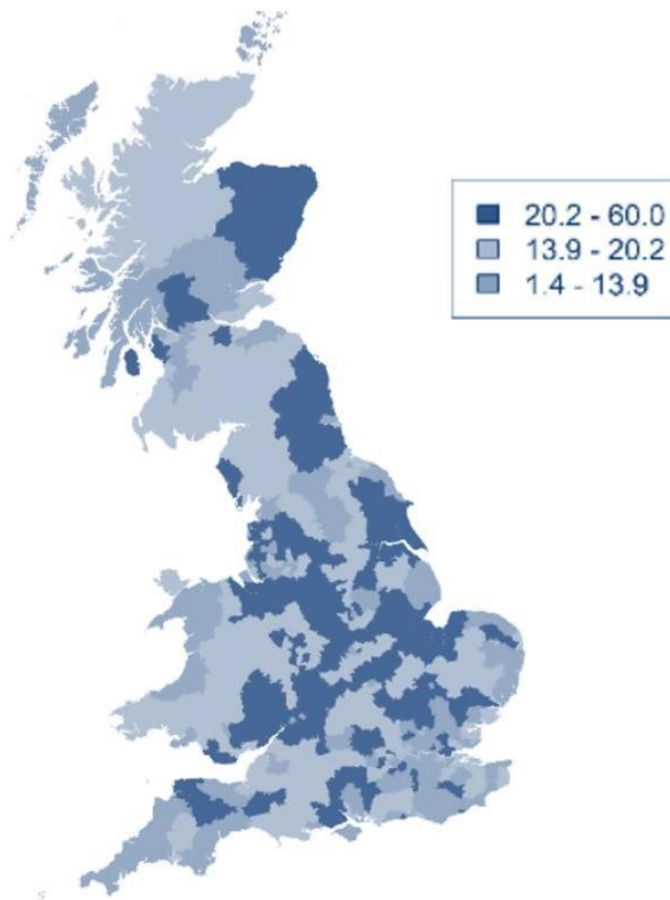
Source: Lichfields analysis

- 2.21 These ongoing structural changes present both challenges and opportunities for locations like Mid Sussex District which has traditionally accommodated a relatively secondary office and industrial market. The District stands to benefit from a shift towards more localised working patterns should home-working and agile working become more prominent. The recent market trends and commercial space developments for logistics means Mid Sussex District may capture future growth opportunities accelerated by the Covid-19 pandemic and the public health response.

Implications of Brexit

- 2.22 The Brexit deal agreed with the EU in December 2020 avoided further economic challenges associated with a 'no-deal' Brexit, however there is evidence of some ongoing friction in trade with Europe as different sectors of the economy work through the practicalities of the new trading arrangements and restrictions. This could pose key challenges to any business that trades with or via Europe, regardless of their location within the country.
- 2.23 Areas with a large presence of 'high Brexit risk sectors' are likely to be most exposed to short term impacts, typically with strong local reliance on sectors such as manufacturing, wholesale, fuel refining, extraction and mining, insurance and air and water transport. Recent analysis by Experian suggests that more than 20% of the District's GVA (economic output) is concentrated within sectors considered to be at the highest Brexit risk (Figure 2.6).

Figure 2.6 Experian Local Area Brexit Risk

% of GVA concentrated in 'high risk' sectors

Source: Experian (2021)

Summary

2.24

Based upon the analysis presented above, the key findings can be summarised below:

- a The District has seen increased productivity rates over the last 17 years, combined with higher than average earnings (workplace and resident-based), and percentage of residents in higher paid occupations compared to the South East and UK averages;
- b Total workforce jobs in Mid Sussex have remained relatively stable over the last 17 years and this has also been the case for office, industrial and storage and distribution jobs. Office-based sectors have registered a small decline (-5.2%), while industrial and storage and distribution sectors have seen increases in their representation of 3.9% and 9.5%, respectively. The proportion of E (g) and B Class jobs in the District has remained relatively stable, with approximately 28,260 E(g) and B Class jobs recorded in 2021 (41.4% of the total);
- c There has been generally strong recovery following the immediate economic shock caused by the Covid-19 pandemic, with the District having a lower rate of out-of-work benefit claimants when compared to the South East and UK (although still above the pre-pandemic position);
- d Although it is expected that there will be business disruption caused by Brexit that could threaten short term productivity and growth within key sectors locally (such as

transport, wholesale, manufacturing etc), the impacts of Covid-19 in sectors such as transport and wholesale has increased their growth in terms of both employment and GVA (economic output). Whilst there remains some uncertainty in the short-term economic outlook, over time the District is likely to see structural changes resulting from the pandemic across a range of sectors.

3.0 Commercial Property Market Signals and Intelligence

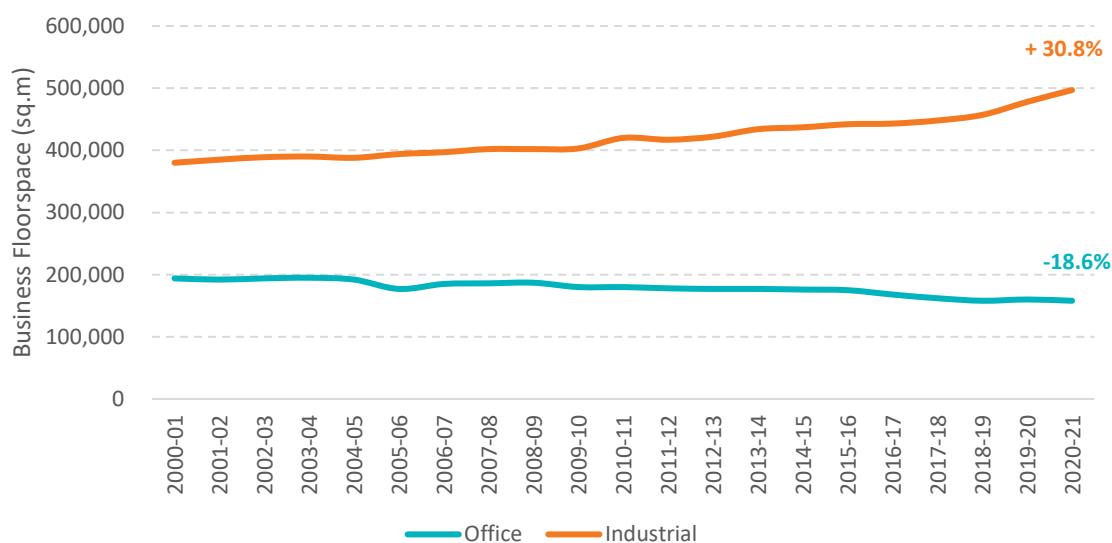
3.1 This section provides an update of recent trends and changes to the stock of employment space in Mid Sussex District, and an overview of the local commercial property market including recent trends in demand and supply. The analysis draws on data recorded by the Valuation Office Agency (VOA), the Council's monitoring database, the CoStar commercial property database, as well as latest published market reports and insights.

Stock of Employment Space

3.2 In 2021, Mid Sussex contained 655,000 sqm of business floorspace comprising 497,000 sq.m of industrial and 158,000 sq.m of office space. Since the 2020 EGA, there has been an increase of 8.3% in the industrial floorspace, while the office equivalent remained unchanged according to the VOA.

3.3 From 2000/01 to 2020/21, the office floorspace in Mid Sussex decreased by 36,000 sq.m (- 18.6%), while the industrial floorspace increased by 117,000 sq.m (+30.8%).

Figure 3.1 Change in Business Floorspace in Mid Sussex (2000/01 to 2020/21)



Source: VOA (2021) / Lichfields analysis

Historic Development Rates

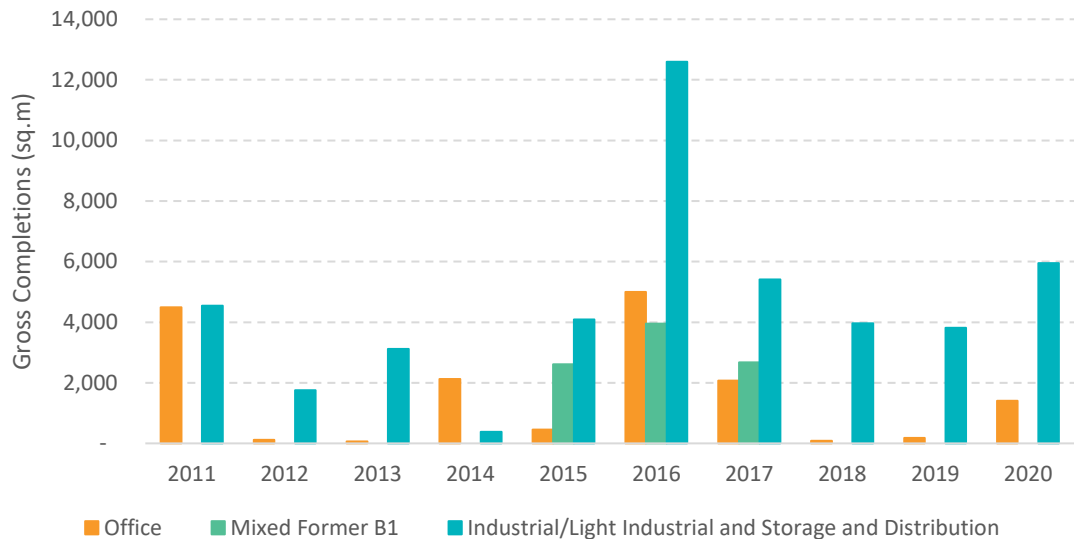
3.4 Monitoring data provided by MSDC (via West Sussex County Council) has been used to analyse the nature of employment floorspace completions in the District between 2011 and 2020. This updates the equivalent 2020 EGA analysis by providing two additional years. Gains and losses refer to actual completions rather than planning permissions (which may or may not be implemented).

Gross Gains

3.5 In overall terms, gross gains of employment floorspace in Mid Sussex totalled 70,860 sq.m between 2011 and 2020, recording an additional 11,350 sq.m over the latest two years. As

presented in Figure 3.2, the main driver of recent development has been industrial, storage and distribution space across the District.

Figure 3.2 Gross Employment Space Completions in Mid Sussex, 2011 to 2020



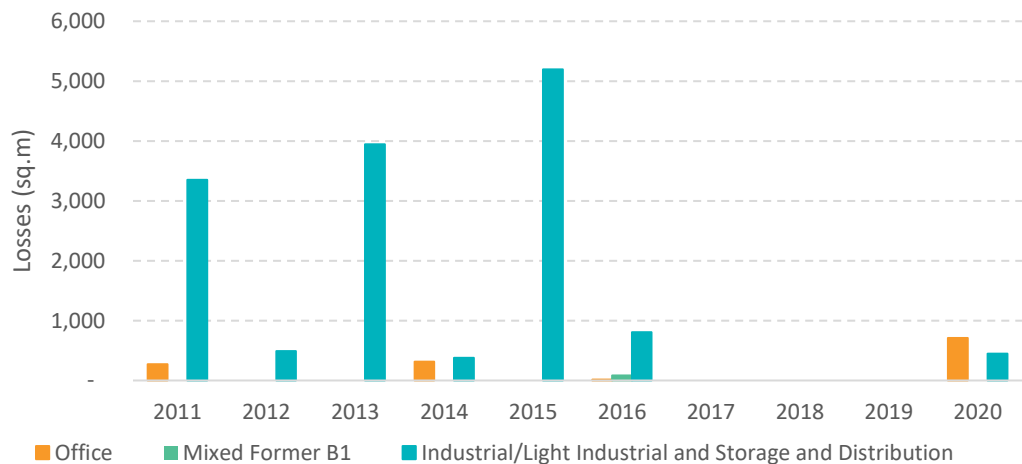
Source: West Sussex County Council 2020 / Lichfields analysis

3.6 As shown above, the greatest gains occurred in 2016, when over 21,000 sq.m of employment space was delivered, of which 58% related to industrial, storage and distribution uses.

Losses

3.7 Between 2011 and 2020, a total of 16,020 sq.m of employment space in the District was lost to other uses. Losses data for the 2019 monitoring year is not available. Data for 2017 and 2018 recorded as part of the EGA 2020 also did not record any floorspace loss. As presented in Figure 3.3 below, the majority of losses over this period related to industrial, storage and distribution uses and have been vary variable year-on-year.

Figure 3.3 Employment Space Losses in Mid Sussex, 2011 to 2020



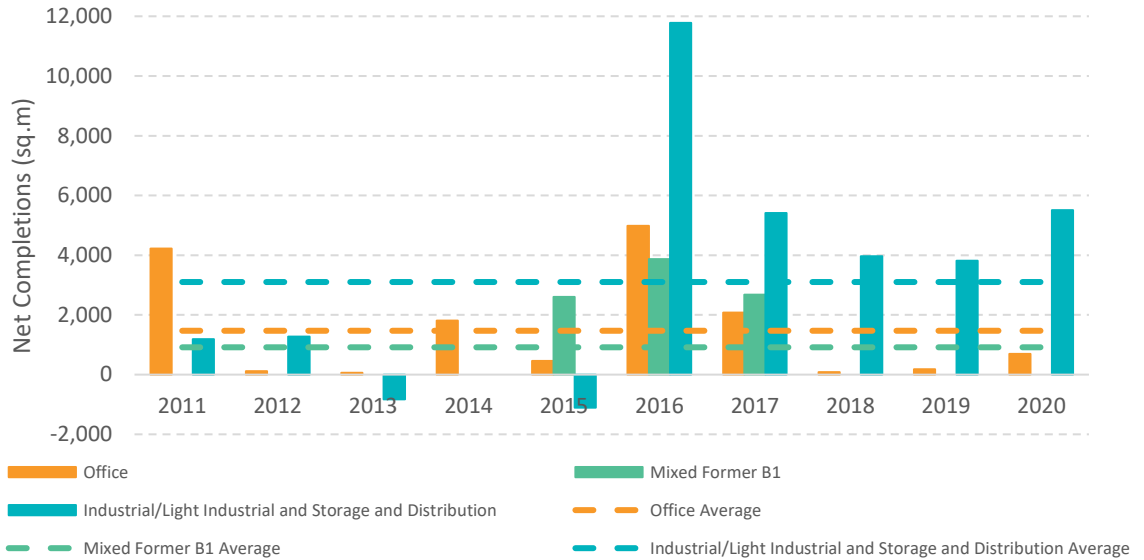
Source: West Sussex County Council 2020 / Lichfields analysis

Note: 2017 - 2019 data is not available

Net Floorspace Change

3.8 Across the monitoring period as a whole, net completions were positive during this period, equivalent to 54,840 sq.m in total, or 5,484 sq.m per annum on average. Some 57% of this net gain related to industrial, storage and distribution space.

Figure 3.4 Net Employment Space Completions in Mid Sussex, 2011 to 2020



Source: West Sussex County Council 2020 / Lichfields analysis

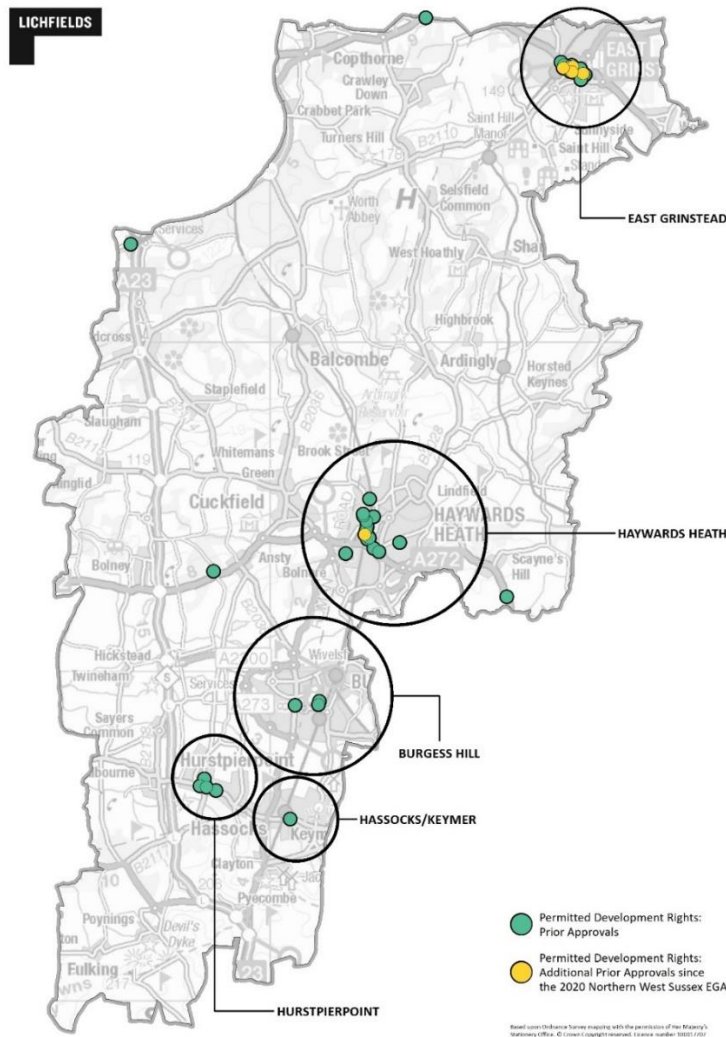
3.9 It should be highlighted that the above net completions data is based on incomplete losses data for the 2017 to 2019 period as noted above. On this basis, the net completions between 2017 to 2019 will potentially be lower. However, the increase in the industrial stock predominantly relates to allocated and previously undeveloped land at Burgess Hill.

Permitted Development Rights

3.10 Analysis of monitoring data provided by Mid Sussex District Council indicates that 82 prior approval applications have been submitted since May 2013 for conversion of office space under the office to residential PDR. This represents 11 more than reported in the 2020 EGA.

3.11 The location of these prior approvals is shown below in Figure 3.5. The majority of prior approvals are located in the town of East Grinstead to the north of the District, and the town of Haywards Heath, the latter of which has historically operated as the main office location within the District. By comparison very few prior approvals have come forward in Burgess Hill and the smaller settlements of Hassocks/Hurstpierpoint.

Figure 3.5 Office to Residential Prior Approvals in MSDC, 2013 to 2020



Source: Mid Sussex District Council 2021 / Lichfields analysis

3.12 Information about the scale of office floorspace associated with these prior approvals and their current status is unavailable for most of the approvals, so it is not possible to quantify the total amount of office floorspace that has been, or could be, lost from the District’s office supply portfolio if they were all to be implemented.

Office Market: National and Regional Trends

3.13 According to the latest RICS UK Commercial Property Survey⁴, the economic outlook has improved compared to previous quarters during the Covid-19 pandemic, due in part to the UK’s successful rollout of the vaccination programme. The pandemic hit the office market especially hard across the country. The latest survey shows that the office market remains weak, with a rise in availability of leasable office space across the UK. Many businesses across the country are expected to scale back their office footprint to some extent over the next two years.

3.14 In Northern West Sussex, vacancy levels in the office market reached a two-year high in 2021 of 6.3%; with the pandemic having a marked impact on leasing activity and coupled with some

⁴ RICS (2021); UK Commercial Property Survey

recent supply additions, the region experienced the highest levels of vacancy over the past five years. Office space vacancy is forecast to continue to rise in the coming quarters.

- 3.15 Investment activity slowed markedly with only a few significant deals taking place in 2020 according to CoStar, with the most significant being the recent sale of one of the market's largest offices, The Office at Manor Royal (148,000 sq ft / 13,750 sq.m) in Crawley Business Quarter, which has been vacant since 2017 and is now understood to be converted for industrial use. This follows the conversion of First Choice House (57,000 sq ft / 5,300 sq.m) to residential use in 2018, following several notable departures such as Virgin Atlantic. These resulted in high vacancies in the Grade A segment of the office portfolio.
- 3.16 Asking rents for offices in Northern West Sussex followed the national trend of decline over the past year or so according to CoStar. Rents currently stand at around £19 per sq ft. At this level, the market is among the most affordable in the South East.

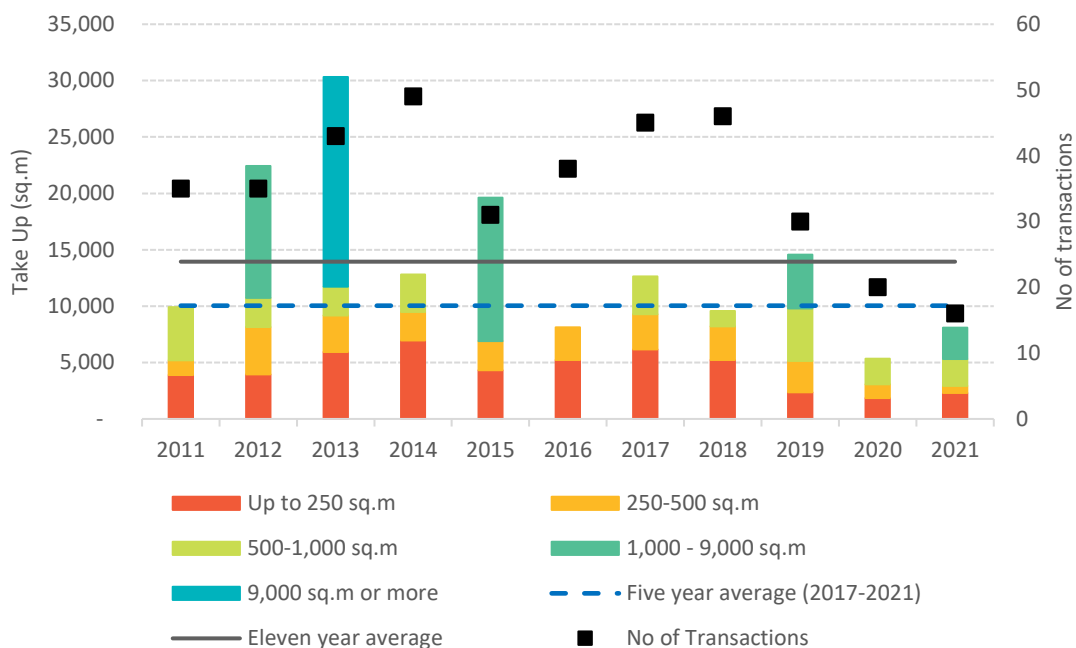
Local Office Market

- 3.17 The office market in Mid Sussex is generally weaker than its industrial market, with Haywards Heath traditionally attracting most demand and accommodating the largest clusters of office space. The 2020 EGA noted that demand did exist in 2020 for high quality Grade A offices and that a lot of the demand could not be satisfied by the existing stock on offer.
- 3.18 The local office market experienced rising vacancy rates over the past 12 months and currently stands at around 4% based on CoStar records. Office rents grew by 2.4% over the past 12 months. However, these currently average £16.8 per sq ft, which is below the sub-regional equivalent of £19.7 per sq ft. The office market in Mid Sussex has been more active in terms of office transactions in recent years, though that momentum has slowed in the past year. Covid-19 remains a major disrupter to the economy and continues to create uncertainty in the market.

Take-Up by Size

- 3.19 According to latest CoStar data, the total office space leased or sold in Mid Sussex District over the past 11 years (i.e. 2011-2021) amounted to 153,400 sq.m. Almost a third (31%) of this was attributed to small offices of up to 250 sq.m in size as shown in Figure 3.6 overleaf.
- 3.20 Take-up declined in 2020 with 5,337 sq.m of office floorspace taken up representing the lowest level of activity over the period. The activity in 2020, which reflects the impacts of Covid-19 across the market, relates to 17 leases of small-sized units and three sales of medium-sized units. Against the 11-year average (relating to an average of 29 leases and six sales), this suggests that although the pandemic has affected the market, there has been resilience in local office activity, and 2021 has so far has seen relatively strong activity.

Figure 3.6 Office Take-up by Size in Mid Sussex, 2011-2021



Source: CoStar (2021) / Lichfields analysis

Note: 2021 activity relates to Q1, Q2 and Q3

Stock Age and Quality

3.21

Across the District, there is a total of 233 office premises relating to a total of 232,825 sq.m of space based on the latest CoStar data. Table 3.1 summarises the age and quality of this existing office stock and shows that nearly half of the floorspace (48%) was built before the 1980's and 77% of the total floorspace was built before 2000. This suggests that the existing office stock in the District comprises mainly older premises compared to its newer post-2000s stock, which makes up just 12% of the total premises or 24% of total office floorspace.

Table 3.1 Age and Quality of Existing Office Space in Mid Sussex District (2021)

	Properties		Floorspace (sq.m)	
	#	% of Total	#	% of Total
Age of Stock				
Pre 1940s	72	31%	22,436	10%
1940s-1980s	73	31%	88,101	38%
1980s-2000s	59	25%	67,305	29%
Post 2000s	29	12%	54,983	24%
Total	233	100%	232,825	100%
CoStar Star Rating				
1-2 Stars	114	62%	57,491	25%
3 Stars	113	37%	145,927	63%
4-5 Stars	6	1%	29,407	13%
Total	233	100%	232,825	100%

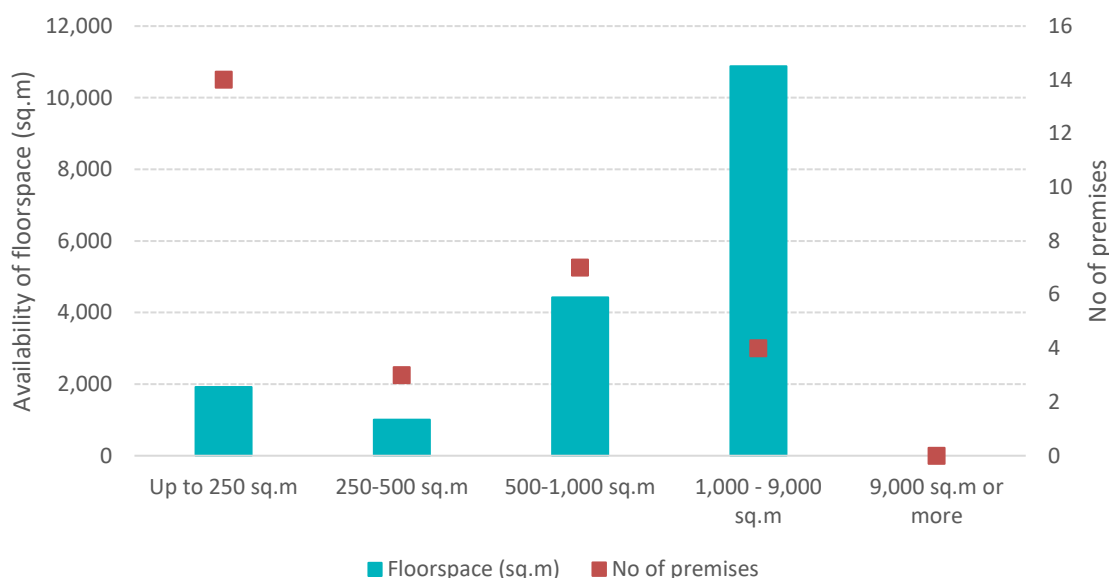
Source: CoStar (2021) / Lichfields analysis

3.22 In terms of quality, CoStar’s star rating system uses market-tested criteria to analyse the quality of existing office and industrial stock. These account for architectural design, structures/systems, amenities, site/landscaping/exterior, and certifications. As shown above, the District’s office stock generally falls within the lower categories, with just six properties (accommodating 13% of total office stock) characterised by 4-5-star rating.

Office Availability

3.23 CoStar data indicates that there are currently 28 office premises advertised as available (in November 2021). These relate to a total of 18,238 sq.m of office space or 7.8% of total office stock. Of this, one unit is currently under construction relating to 6,000 sq.m of office space in Perrymouth Road, Haywards Park. Half (50%) of the available premises are small offices of up to 250 sq.m and 25% are medium-sized offices of 500 to 1,000 sq.m. Figure 3.7 highlights the size bands of the available office floorspace in the District.

Figure 3.7 Availability of Office Floorspace by Size in Mid Sussex District (2021)



Source: CoStar (2021) / Lichfields analysis

3.24 Table 3.2 below shows available office supply set against 11-year and 5-year average take-up. Based on this, for office floorspace there is 1.31 years’ supply taking into account the 11-year take-up average. Compared with the 5-year average take-up, this equates to 1.82 years’ worth of office supply. Both of these figures demonstrate that there is limited supply of available office space across the District.

Table 3.2 Years of Available Office Supply in Mid Sussex District

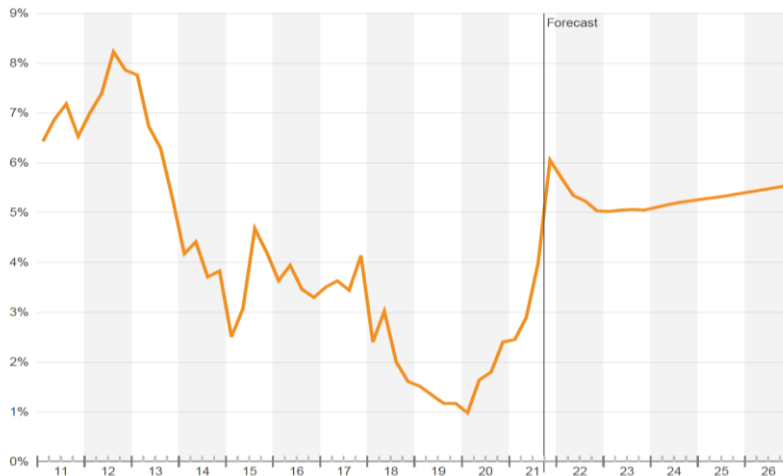
	Office
Annual Average Take-Up 2011-2021	13,945 sq.m
Available Supply	18,238 sq.m
Years of Available Supply	1.31
Annual Average Take-up 2017-2021	10,040 sq.m
Available Supply	18,238 sq.m
Years of Available Supply	1.82

Source: CoStar (2021) / Lichfields analysis

Vacancy Trends

- 3.25 Figure 3.8 below, provided by CoStar, shows the latest office vacancy trends in Mid Sussex District and a forecast for future vacancy levels to 2026. Overall, the trend shows the District as having low levels of vacancy over time. The highest vacancy level recorded in the last 11 years was in 2012 where vacancy levels reached over 8%. In 2021, the vacancy level stands at 5%, at a record high over the past five years, and underlines the impact that the Covid-19 pandemic has had on the District's existing office stock. The forecast expects that this level of vacancy will remain broadly constant over the next five years.

Figure 3.8 Office Vacancy Rates in Mid Sussex District



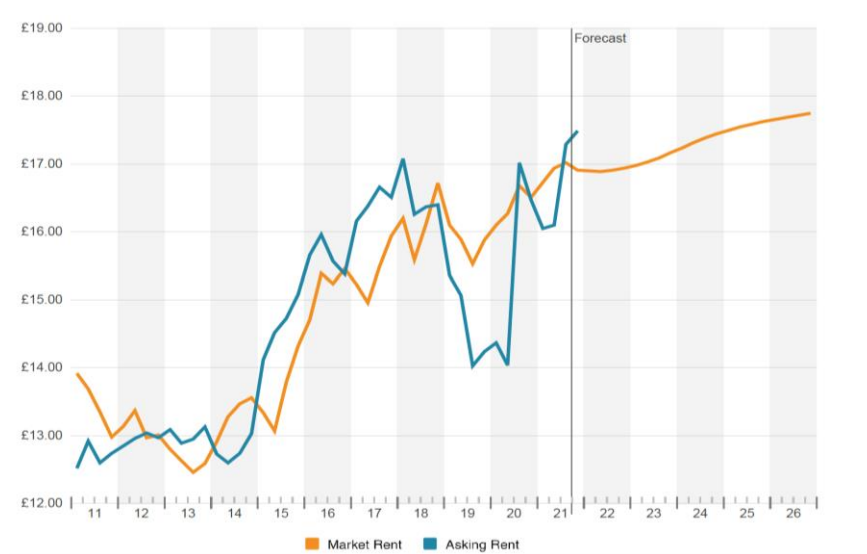
Source: CoStar (2021)

- 3.26 Of note, vacancy levels are lower compared to the availability, which also includes schemes that are under construction (see para 3.23) together with premises that are currently occupied.

Office Rents

- 3.27 Office rents in Mid Sussex District are relatively affordable within the South East context, and this is highlighted in Figure 3.9 which shows that in 2021, the average market rent for offices was £16.8 per sq ft, below the Northern West Sussex rent average of £19.7 per sq ft. The market rent is forecast by CoStar to increase up to £18 per sq ft by 2026.

Figure 3.9 Market Office Rent and Asking Rent Price in Mid Sussex District (per sqft)



Source: CoStar (2021)

- 3.28 The asking rent represents the monetary value the lessor is asking to lease their building/premises; Figure 3.9 shows that from 2015 to 2018, the asking rent was above the market rent value for offices. Then from 2019 onwards to 2021, the asking rent fell below the market rent value reaching £14 per sq ft in 2020.

Industrial Market: National and Regional Trends

- 3.29 The national outlook for the industrial and logistics sectors was positive in Q1 2021, according to the RICS Commercial Property Market Survey. Occupier and investor demand has begun to accelerate across the industrial sector, while activity remains subdued across the retail and office sectors. In the UK, the supply of industrial space continues to tighten with expectations of further industrial rental growth.
- 3.30 In Northern West Sussex, the industrial occupier market has performed strongly in recent years fuelled by robust occupier demand, primarily from third-party logistics operators, online retailers and supermarkets. Fuelled by strong demand for distribution and warehouse space, vacancies in the area's industrial inventory have been tight over the past five years or so, despite a new development pipeline. Average market vacancies have trended well below the national average for much of the past decade as a result, averaging around 3.2% at the time of writing.
- 3.31 Following Covid-19 lockdowns, travel restrictions and social distancing over the past year, leasing activity eased in the market. This slowdown in new leasing activity, coupled with notable departures from the market, meant net absorption⁵ fell strongly negative in 2020, which, combined with new deliveries, applied upward pressure on vacancies. Similarly, net absorption fell negative in early 2021; however, leasing activity has picked up in recent months, which has pulled vacancies down once again.
- 3.32 The most significant deals recently across the wider sub-region (as recorded by CoStar) include bathroom specialist Saneux, which took 31,000 sq ft at the Iain Stewart Centre on City Place in Horley in March 2021, the Wine Box Company's 34,000 sq ft letting at Centron on Crompton

⁵ Net Absorption, CoStar Definition: For existing buildings, the measure of total floorspace occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given period of time. Lease renewals are not factored into net absorption. However, in a lease renewal that includes the leasing of additional space, that additional space is counted in net absorption. Pre-leasing of space in non-existing buildings (Planned, Under Construction or Under Renovation) is not counted in net absorption until actual move in, which (by definition) may not be any earlier than the delivery date.

Way in May 2021, and the 22,000 sq ft letting of HPC Unit on Consort Way in Burgess Hill in August 2021. A number of other notable deals such as Roche Diagnostics' 20,000 sq ft space in Hassocks in February 2021 and around 15,000 sq ft at Billingshurst Trade Park in May 2021 have also given net absorption a boost in recent months.

Local Industrial Market

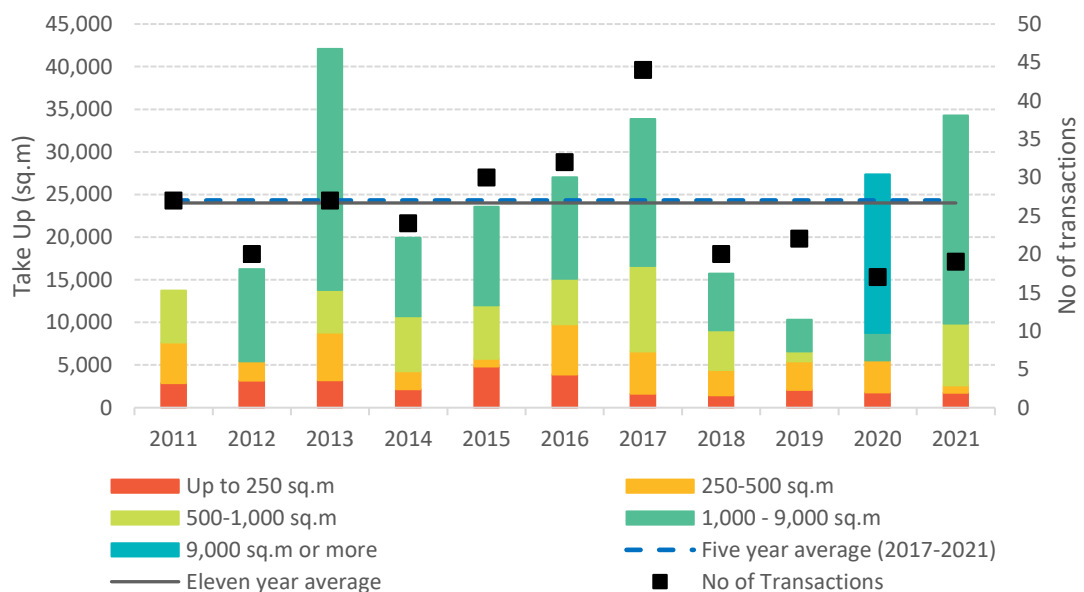
3-33 Within the industrial, storage and distribution sectors, Mid Sussex is perceived as a strong location with mainly distribution uses driving market demand. The area has benefitted from new industrial developments in recent years including Link 23, which delivered 7,710 sq.m warehousing units located on the former Wyevale Garden Centre site on London Road. In 2020, industrial rents were around £10 per sq ft. The market in Mid Sussex, similar to Crawley and Gatwick, is largely leasehold-based, driven by institutional investment across a number of large industrial estates.

3-34 Recent economic uncertainty has had little impact on the District's industrial vacancy rate of 3.9%, which has remained largely unchanged from last year. Rents grew by 5.4% over the past 12 months, exceeding the 4.6% average annual change over the past decade. The District has seen a considerable amount of recent industrial construction. In particular, over the past three years, around 430,000 sq ft (i.e. 39,950 sq.m) of industrial space was delivered in Mid Sussex according to CoStar, representing a 13.2% cumulative expansion of the District's stock. This aligns with VOA records which indicate an increase of 40,000 sq.m across the last three monitoring years (see Figure 3.1).

Take Up by Size

3-35 Total industrial take-up in Mid Sussex over the past 11 years (2011-2021) amounted to 264,105 sq.m, according to latest CoStar data. Just under half (48%) was attributed to large industrial premises of 1,000-9,000 sq.m in size, with a further 20% falling in the medium size bracket (i.e. 500 sq.m to 1,000 sq.m), as shown in Figure 3.10. The total quantum of take-up has fluctuated in recent years following peaks in 2013, 2017 and most recently in 2021.

Figure 3.10 Industrial Take-Up by Size in Mid Sussex District, 2011-2021



Source: CoStar (2021) / Lichfields analysis
 Note: 2021 activity relates to Q1, Q2 and Q3

- 3.36 The above figure also shows the number of transactions by size of industrial premises; in total 218 leases and 64 sales were recorded over the 11-year monitoring period, an average of 26 transactions per annum.

Stock Age and Quality

- 3.37 There is a total of 339,150 sq.m of existing industrial, storage and distribution floorspace recorded by CoStar across 222 premises. Table 3.3 overleaf summarises the age and quality of these premises⁶. This shows that the District's stock of storage and distribution space is comparably newer (46% of floorspace built post 2000) than its industrial stock (28% of floorspace built post 2000).

Table 3.3 Age and Quality of Existing Industrial Space in Mid Sussex District (2021)

	Properties		Floorspace (sq.m)	
	#	% of Total	#	% of Total
Age of Stock- General & Light Industrial				
Pre 1940s	9	8%	2,923	2%
1940s-1980s	35	31%	25,727	18%
1980s-2000s	49	44%	77,020	53%
Post 2000s	19	17%	40,383	28%
Total	112	100%	146,054	100%
Age of Stock- Storage & Distribution				
Pre 1940s	1	1%	228	0%
1940s-1980s	19	22%	32,926	17%
1980s-2000s	41	47%	73,819	37%
Post 2000s	26	30%	92,045	46%
Total	87	100%	199,019	100%
CoStar Star Rating- General & Light Industrial				
1-2 Stars	62	55%	60,476	19%
3 Stars	49	44%	81,576	67%
4-5 Stars	1	1%	4,002	14%
Total	112	100%	146,054	100%
CoStar Rating- Storage & Distribution				
1-2 Stars	31	36%	53,626	27%
3 Stars	51	59%	98,493	49%
4-5 Stars	5	6%	46,900	24%
Total	87	100%	199,019	100%

Source: CoStar (2021) / Lichfields analysis

- 3.38 In terms of quality, the majority of the District's industrial, storage and distribution premises and space are rated by CoStar as average (3 stars), but with storage and distribution stock generally being of higher quality.

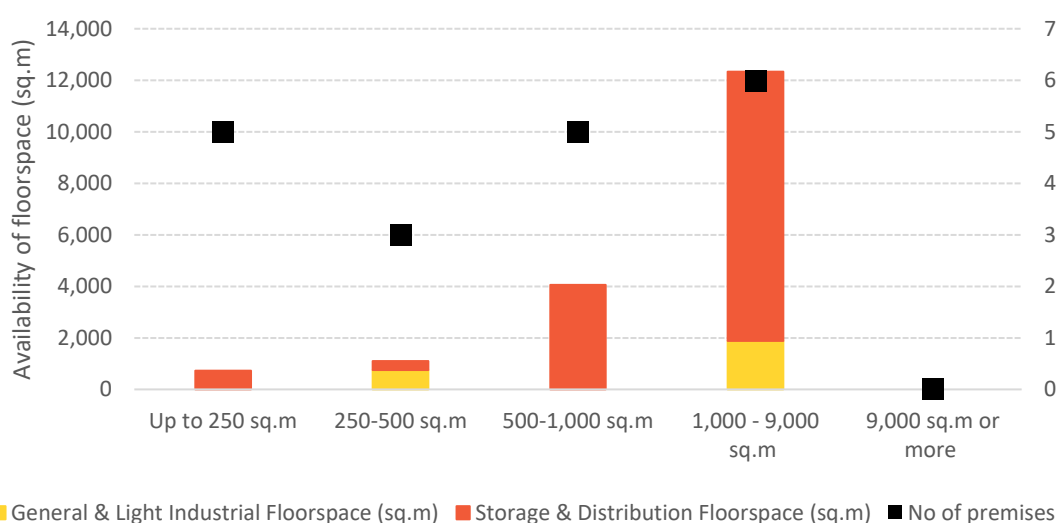
⁶ Of the 222 current industrial and distribution premises recorded by CoStar, 199 properties contain information on the age of the premises

Industrial Availability

3.39 CoStar data indicates that current availability of industrial floorspace equates to a total of 54,553 sq.m across 26 properties. However, seven of these properties, totalling 36,335 sq.m, are 'proposed', which effectively means that they have not been granted permission yet based on CoStar data. Therefore, the actual availability across Mid Sussex is more likely to amount to 18,218 sq.m (across 19 properties), representing 5.3% of the District's stock as recorded by CoStar.

3.40 Figure 3.11 below highlights the size bands of the available industrial floorspace in the District. Across 19 premises, 32% are premises between 1,000 sq.m and 9,000 sq.m in size, with the remainder falling below 1,000 sq.m in size. Of the 19 available industrial premises, three are industrial premises and 16 are for storage and distribution use.

Figure 3.11 Availability of Industrial, Storage and Distribution Floorspace in Mid Sussex District (2021)



Source: CoStar (2021) / Lichfields analysis

3.41 Table 3.4 shows available industrial, storage and distribution supply set against 11-year and 5-year average take-up in the District. Based on this, there is a very limited available supply, equivalent to 0.76 and 0.75 years of take-up, respectively.

Table 3.4 Years of Available Industrial, Storage and Distribution Supply in Mid Sussex District

	Industrial, Storage and Distribution
Annual Average Take-Up 2011-2021	24,009 sq.m
Available Supply	18,218 sq.m
Years of Available Supply	0.76
Annual Average Take-up 2017-2021	24,301 sq.m
Available Supply	18,218 sq.m
Years of Available Supply	0.75

Source: CoStar (2021) / Lichfields analysis

⁷ 'Proposed' refers to land considered for a particular future use or a building that has been announced for future development. The project is not expected to start construction in the next 12 months. Typically, these are subject to planning with permissions not yet granted.

Vacancy Trends

3.42 Figure 3.12 overleaf provided by CoStar shows the latest industrial vacancy trends in Mid Sussex District as well as a forecast for future vacancy levels to 2026. Overall, the trend shows the District as having low levels of industrial vacancy over time. This has reduced significantly following a peak in 2012. In 2021, the vacancy rate stood at 3.9% which is expected to drop over the next year to around 3.0% according to CoStar’s forecast, reflecting the limited current availability.

Figure 3.12 Industrial Vacancy Rates in Mid Sussex District



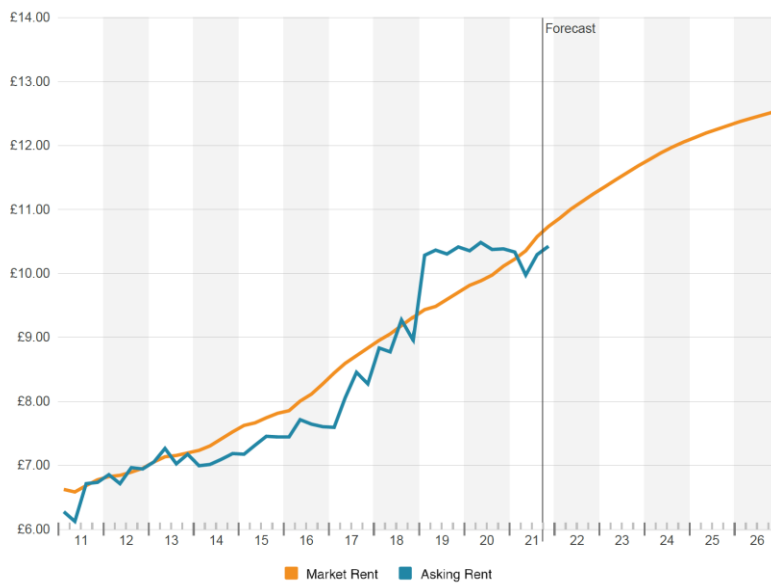
Source: CoStar (2021)

Industrial Rents

3.43 Industrial rents in Mid Sussex, currently averaging £10.60 per sq ft, are more affordable compared to Northern West Sussex’s average of £11.95 per sq ft (driven mainly by higher values in Manor Royal and around Gatwick). As shown in Figure 3.13 below, these rents have been increasing over the last few years, with the forecast suggesting similar growth rates in future.

3.44 The asking rent represents the monetary value the lessor is asking to lease their building/premises. Figure 3.13 shows that the trend follows the market rent growth, but from 2018 to 2020, the asking rent was above the market rent value for industrial floorspace.

Figure 3.13 Market Industrial Rent and Asking Rent Price in Mid Sussex District (per sqft)



Source: CoStar (2021)

Summary

3.45

The key points from the above analysis of employment stock change and commercial property market signals and trends in Mid Sussex District can be summarised as follows:

- The office market in Mid Sussex is smaller in scale and remains weaker than the industrial market, with Haywards Heath representing the main office market with the most notable concentration of office stock. The key challenge in the current market is a reported lack of good quality office accommodation coupled with a lack of recent office development and subdued demand following the Covid-19 pandemic.
- The District is generally perceived as a good industrial location, and throughout the Covid-19 pandemic Mid Sussex continued to record high levels of take-up of industrial floorspace and relatively low vacancy levels. Nevertheless, much of the District's industrial stock is ageing and of an average quality.

4.0 Growth Scenarios and Employment Land Requirements

4.1 This section considers future employment space requirements in Mid Sussex across the new Local Plan period to 2038 drawing on the most up-to-date assumptions and data regarding future economic growth prospects for the District.

4.2 In accordance with Planning Practice Guidance and for consistency with the original EGA, a number of potential future economic growth scenarios have been developed to provide a framework for considering future economic growth needs and employment space requirements over the Local Plan period of 2021 to 2038. These scenarios draw on:

- 1 Projections of employment growth (**labour demand**) produced by Experian (using the latest available September 2021 release) to consider short and longer term effects of the Covid-19 pandemic upon economic growth prospects for the District over the new Local Plan period;
- 2 Consideration of **past development trends** in completion of employment space based on monitoring data provided by the Council; and
- 3 Estimates of future growth in local **labour supply** based on the District's updated housing target (Standard Method) of 1,093 dwellings per annum (dpa) and the estimated jobs supported by this, based on assumptions consistent with the 2021 Mid Sussex Strategic Housing Market Assessment (SHMA).

4.3 All these approaches reflect different factors and careful consideration needs to be given as to how appropriate each is to circumstances in the District. There are also a number of qualitative factors that will influence the future employment space requirements that need to be planned for including the assessment of recent market activity as presented in Section 2.0 above.

Scenario 1: Labour Demand

4.4 Employment growth forecasts for Mid Sussex District for the period to 2041 (i.e. a 20-year forecast) were obtained from Experian (September 2021 release), which is the latest available at the time of analysis. These take account of the latest Covid-19 position and revised macroeconomic assumptions more widely (see Appendix 1), including the Brexit agreement. They are used to consider impacts 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.

4.5 Table 4.1 overleaf summarises employment change implied by these latest Experian forecasts by office, industrial and distribution uses as well as total employment change over the Local Plan period. A total of 5,500 workforce jobs are forecast to be generated in the District across the Plan period of which 678 (or 12% of the total workforce jobs) are expected to relate to office, industrial and distribution sectors. It is expected that jobs in light industrial and office-related sectors will drive employment growth, while jobs in 'traditional' manufacturing/industrial sectors are expected to decline.

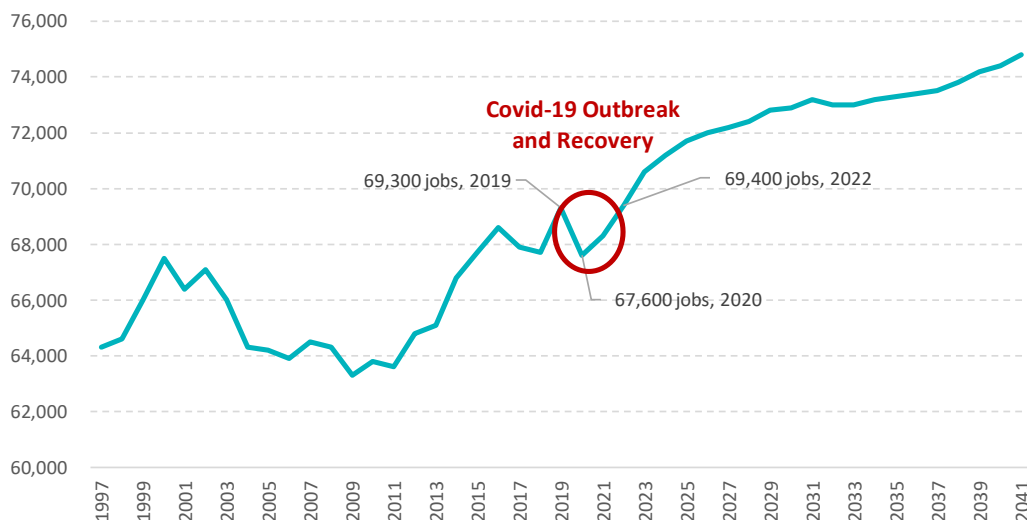
Table 4.1 Forecast Employment Change in Mid Sussex District, 2021 to 2038

Type of Space/Use Class	Number of Workforce Jobs		Change (2021 – 2038)
	2021	2038	
Office E(g)(i)/(ii)	15,378	15,891	+514
Light Industrial E(g)(iii)	3,856	4,571	+715
General Industrial B2	3,683	3,103	-580
Storage and Distribution B8	5,344	5,374	+30
Total Office, Industrial and Distribution Jobs	28,261	28,939	+678
Total Workforce Jobs	68,300	73,800	+5,500

Source: Experian (September 2021) / Lichfields analysis

4.6 Figure 4.1 illustrates the trajectory of total job growth implied by the latest Experian forecasts for Mid Sussex. Under this scenario, local workforce jobs declined during the course of 2020 as the labour market effects of the Covid-19 pandemic were felt across the District, but had started to recover during the course of 2021. Experian expects that the local jobs base will reach pre-pandemic employment levels by 2022. Steady job growth is then forecast for the remaining years of the Local Plan period to 2038.

Figure 4.1 Historic and Forecast Employment Growth in Mid Sussex, 1997 to 2038



Source: Experian (September 2021) / Lichfields analysis

4.7 Table 4.2 overleaf identifies the fastest growing and declining sectors in the District in employment terms during this Plan period. Those sectors forecast to see the highest job growth include accommodation and food, education, health and recreation. However, there are also some office, industrial and distribution-related sectors such as construction and professional services that are expected to grow significantly across the Plan period.

Table 4.2 Fastest Growing and Declining Employment Sectors in Mid Sussex, 2021 to 2038

Sector	Forecast Change in Workforce Jobs 2021 to 2038	
	No.	%
Fastest Growing Employment Sectors		
Accommodation & Food Services	1,400	30%
Specialised Construction Activities	1,000	33%
Health	800	13%
Education	700	10%
Professional Services	600	10%
Recreation	600	30%
Fastest Declining Employment Sectors		
Computer & Electronic Products (manufacture of)	-300	-33%
Non-Metallic Products (manufacture of)	-200	-33%
Land Transport, Storage & Post	-200	-13%

Source: Experian (September 2021) / Lichfields analysis

- 4.8 Those sectors forecast to see the largest employment losses in the District over the period to 2038 include a number of manufacturing sectors and land transport, storage & post. However, these losses are comparatively minor in terms of scale of job change.

Converting Jobs to Employment Floorspace Requirements

- 4.9 The office, industrial and warehousing component of these employment growth forecasts are converted to future employment space and land requirements by applying latest density ratios based on the 2015 HCA guidance and recent development activity. This takes account of recent trends in terms of changing utilisation of employment space, including more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking. Densities all relate to Gross External Area (GEA).

- 4.10 On this basis, the following job density and plot ratios have been applied:

- **Offices (E(g)(i)/(ii)):** 1 workforce job per 12.5 sq.m, and a plot ratio of 2.0 for 50% of future requirements reflecting high density town centre developments and 0.4 for the remaining 50% reflecting developments in lower density business parks;
- **Light industrial (E(g)(iii)):** 1 workforce job per 47 sq.m and an average plot ratio of 0.4;
- **General industrial (B2):** 1 workforce job per 36 sq.m and an average plot ratio of 0.4;
- **Warehousing (B8):** 1 workforce job per 65 sq.m for smaller scale warehousing (i.e. up to 6,500 sq.m, which according to VOA data accounts for 85% of the existing warehousing stock in the District) and 1 workforce job per 87.5 sq.m for large scale (over 9,000 sq.m), lower density units which account for 15% of the existing warehousing stock⁸. The plot ratio applied to estimate storage and distribution land requirements is 0.4.

- 4.11 An allowance of 8% is added to all positive floorspace requirements to reflect ideal levels of market vacancy in employment space. Where a reduction in jobs is forecast (i.e. for B2 industrial), 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 does not automatically follow that all of the existing employment floorspace will be lost.

⁸ According to latest VOA property records, there are no warehouse properties in the District of 'medium scale' (i.e. 6,500 sq.m to 9,000 sq.m)

- 4.12 Considering the above, Table 4.3 presents the net employment space requirements for the Local Plan period derived from the employment growth (labour demand) scenario.

Table 4.3 Net Employment Floorspace Requirements (2021 to 2038): Labour Demand Scenario

Type of Space/Use Class	Net Employment Floorspace Requirements 2021-2038 (GEA sq.m)	Net Employment Land Requirements 2021-2038 (ha)
Office E(g)(i)/(ii)	6,940	1.0
Light Industrial E(g)(iii)	36,300	9.1
General Industrial B2	-10,440	-2.6
Storage and Distribution B8	2,190	0.5
Total	34,980	8.1

Source: Experian (September 2021) / Lichfields analysis (rounded figures)

Scenario 2: Past Development Rates

- 4.13 Monitoring data on past completions of employment space between 2011/12 and 2020/21 has been provided by West Sussex County Council. This shows that during the last ten years, average annual net completions for employment uses in Mid Sussex District amounted to c. 5,480 sq.m, of which 57% related to light industrial, industrial and warehousing development (a more detailed split is not available within the monitoring data).
- 4.14 One view of future growth in Mid Sussex District could assume that these past development trends carry on in the future at this most recent 10-year average. Over the 17-year Local Plan period (2021-2038), this would equate to an overall increase of 93,230 sq.m of employment space, as summarised in Table 4.4 below.

Table 4.4 Net Employment Floorspace Requirements (2021 to 2038): Past Development Rates Scenario

Type of Space/Use Class	Assumed Net Annual Floorspace Change (sq.m)	Net Employment Floorspace Requirements 2021-2038 (sq.m)	Net Employment Land Requirements* 2021-2038 (ha)
Office E(g)(i)/(ii)	1,470	24,960	3.7
Mixed B1**	920	15,560	3.9
Light Industrial E(g)(iii)/General Industrial B2 /Distribution B8	3,100	52,710	13.2
Total	5,480	93,230	20.8

Source: West Sussex County Council (2021) / Lichfields analysis (rounded figures)

*The estimate of land requirements is based on plot ratio assumptions presented in paragraph 4.10

**The 'Mixed B1' category is assessed on a separate basis. The assumed plot ratio for 'Mixed B1' is 0.4

- 4.15 It is important to note a number of limitations associated with this past development rates approach, and in particular the monitoring data assumptions that feed into it. The monitoring data is provided as a combined figure for light industrial, general industrial and storage and distribution uses, so it is not possible to identify the specific contribution that individual industrial and distribution uses would make to the overall requirement. Some monitoring years include incomplete information on take-up and losses and there are records for a 'mixed B1' use for the 2015 to 2017 period, which is not broken down by office/R&D and light industrial uses. For these reasons, the past development rates scenario is not considered to be sufficiently robust to inform future employment space requirements in the District. It is therefore presented for completeness in line with the PPG and considered as a scenario for sensitivity testing purposes.

Scenario 3: Labour Supply

- 4.16 A labour supply scenario has been considered based on population projections and other demographic assumptions that have been used to inform the 2021 Strategic Housing Market Assessment (SHMA) for Mid Sussex. The SHMA provides an assessment of the growth in resident workforce which might be supported by the local housing need in Mid Sussex and what this means for potential total labour supply, after taking account of commuting, unemployment rates and double-jobbing.
- 4.17 It should be noted that this scenario assumes that local housing needs as identified by the SHMA are met in full over the Plan period; any deviation from this assumption may have a knock-on impact in terms of labour supply growth and associated employment space requirements under this scenario.
- 4.18 Based on the SHMA findings, the jobs supported by the demographic projections in relation to the housing need figure of 1,093 dwellings per annum (Standard Method) across the Plan period (2021 to 2038) is equivalent to 16,319 jobs⁹. This level of growth is almost three times higher than the growth implied by Experian forecasts for the same period.
- 4.19 Once this jobs growth is distributed proportionately to the various sectors (in line with the projected patterns of sector-based growth from the Experian forecast, see Scenario 1 above), this suggests that 2,010 of these jobs (12%) could relate to office, industrial and distribution sectors, as follows:
- Office-based sectors (1,520 jobs);
 - Light industrial sectors (2,120 jobs);
 - General industrial sectors (-1,720 jobs); and
 - Distribution-based sectors (90 jobs).
- 4.20 These are further translated to net employment floorspace requirements by applying the same assumptions as presented in paragraph 4.10 above.

Table 4.5 Net Employment Floorspace Requirements (2021 to 2038): Labour Supply Scenario

Type of Space/Use Class	Net Employment Floorspace Requirements 2021-2038 (GEA sq.m)	Net Employment Land Requirements 2021-2038 (ha)
Office E(g)(i)/(ii)	20,580	3.1
Light Industrial E(g)(iii)	107,690	26.9
General Industrial B2	-30,990	-7.7
Storage and Distribution B8	6,510	1.6
Total	103,790	23.9

Source: Icení (2021) / Lichfields analysis (rounded figures)

Planning Requirements

- 4.21 It may be appropriate for the Council to make an allowance for the replacement of future losses of employment space that may be developed for other (non-office/industrial/storage) uses over the plan period. Where such an allowance is factored into future employment space needs, it seeks to ensure that sufficient space is re-provided to account for employment space that could be lost moving forwards. It is intended, therefore, to provide some protection against the erosion of employment space over the plan period.

⁹ Icení (2021) Mid Sussex Strategic Housing Market Assessment, Table 6.19, pg. 67

- 4.22 There are typically four approaches to calculate the level of this allowance, including:
- 1 Forecast the quantity of floorspace that will be lost in future and assume that a proportion of this space may need to be replaced. The issue here is that there is no robust or scientific way of forecasting how much space will be lost, and the future may be very different from the past. If this method is used, the authority needs to look carefully at past losses and use local knowledge to make a judgement on how the future might compare with the past.
 - 2 Make an overall adjustment to the growth scenarios considered to give an allowance for some replacement. This is a simple approach but may be based on a fairly broad assumption.
 - 3 Monitor the loss of employment space through regular reviews in the Local Plan. This would avoid the need to make assumptions about the future loss of employment space and base it on robust data. If these periodic reviews indicate losses of high quality, occupied floorspace and sustained low vacancy rates, the Council could take steps to replace this space by increasing the floorspace requirement accordingly. However, any Local Plan review reflecting the monitoring findings would take some years to come forward.
 - 4 As part of the employment evidence the Council reviews through a qualitative assessment the existing employment sites and areas, to identify those which could be lost to non-employment uses, either because they are no longer suitable or viable for employment, or because they are judged as being needed for an alternative use, such as housing. Based on this assessment, the employment land calculation can develop different scenarios to illustrate possible futures, and plan for new sites accordingly.

4.23 The resulting 'gross' floorspace and land requirements (or 'planning requirements') for Mid Sussex District are set out in Table 4.6 and Table 4.7. These include a 10% 'buffer' allowance for such factors as delays in development sites coming forward, and replacement of some ongoing losses of employment space during the Local Plan period. This approach relates to point 2 in paragraph 4.23 and it is considered the most appropriate approach based on the availability of monitoring data. This is also in line with the approach adopted in the 2020 EGA.

Table 4.6 Gross Employment Floorspace Requirements (2021 to 2038) (sq.m)

Type of Space/Use Class	1. Labour Demand	2. Past Development Rates	3. Labour Supply
Office E(g)(i)/(ii)	7,630	27,450	22,630
Light Industrial E(g)(iii)	39,930	57,990	118,460
General Industrial B2	-10,440		-30,990
Storage and Distribution B8	2,410		7,160
Mixed B1	-	17,110	-
Total	39,520	102,550	117,270

Source: Lichfields analysis (rounded figures)

Table 4.7 Gross Employment Land Requirements (2021 to 2038) (ha)

Type of Space/Use Class	1. Labour Demand	2. Past Development Rates	3. Labour Supply
Office E(g)(i)/(ii)	1.1	4.1	3.4
Light Industrial E(g)(iii)	10.0	14.5	29.6
General Industrial B2	-2.6		-7.7
Storage and Distribution B8	0.6		1.8
Mixed B1	-	4.3	-
Total	9.1	22.9	27.1

Source: Lichfields analysis (rounded figures)

Summary

- 4.24 A range of updated scenarios to inform employment land provision within the new Local Plan to 2038 have been considered. On the basis of these, the District's gross employment space requirements over the period from 2021 to 2038 range between **39,520 sq.m and 117,270 sq.m** or between **9.1 ha and 27.1 ha** in land terms depending on the scenario.
- 4.25 In the context of historic employment growth and recent property market activity, it is important to consider the following:
- **Offices (E(g)(i) and E(g)(ii)):** the identified gross requirements for office space vary between 7,630 sq.m under Scenario 1 and 27,450 sq.m under Scenario 2 (not including Mixed B1). As outlined above, Scenario 2 draws on incomplete monitoring data and does not include office space losses in relation to PDR prior approvals since 2013, and is therefore not considered to be sufficiently robust. The Scenario 1 estimate appears conservative considering recent office property market activity, combined with the aspirations underpinning the Mid Sussex Economic Development Strategy 2018-31¹⁰ to increase the quality and supply of business premises of all scales.
 - **Light Industrial (E(g)(iii)), General Industrial (B2), Storage and Distribution (B8):** the identified gross requirements for the combined light industrial, general industrial and storage and distribution space vary between 31,900 sq.m under Scenario 1 and 94,630 sq.m under Scenario 3. Scenario 2 lies in between, implying a need for c.58,000 sq.m (excl. Mixed B1), but is not considered robust to inform future requirements.
- 4.26 The gap between the various scenarios is important, and the baseline job growth requirement (under Scenario 1) appears to be conservative considering the overall levels of employment space development activity that has occurred in recent years together with the findings of the property market assessment.
- 4.27 The scale of requirements implied by the past trends (Scenario 2) and the baseline labour supply (Scenario 3) scenarios (i.e. at 22.9 ha and 27.1 ha, respectively) represents a more aspirational scenario to plan for, and might be viewed as consistent with the Council's ambitions for development and regeneration over the coming years, including across some key regeneration and development sites such as the Northern Arc Business Park and the Hub. The past trends scenario is not considered to provide a reliable basis upon which to base future requirements for the data availability reasons explained above.

¹⁰ Available at: <https://www.midsussex.gov.uk/media/1835/economic-development-strategy.pdf>

5.0 Implications for Demand/Supply Balance

5.1 The updated future employment land requirements considered in section 4.0 can be compared with the latest position in terms of identified employment land supply in Mid Sussex, to determine the level of need for employment land over the Plan period to 2038.

Employment Supply

5.2 The supply of employment space in the development pipeline comes from sites that have been allocated for office, light/general industrial and storage and distribution uses together with extant planning permissions and schemes under construction for these uses.

5.3 In terms of allocated land for employment uses, Table 5.1 summarises the latest position in Mid Sussex. There is a total of 36.42 ha of employment allocations set out in the District Plan 2014 and the Allocations DPD (Submitted Version 2020), of which 25.36 ha have been subject to planning permissions, as presented below. Therefore, there is a remaining 11.1 ha of employment allocations that have not yet received planning permission.

Table 5.1 Status of Employment Allocations in Mid Sussex, 2021

Allocated Site	Source	Ha	Status
DP1: The Hub	District Plan 2014-31 Policy DP1 and Update in Allocations DPD (Submitted Version 2020), paras 2.7-2.8/ Mid Sussex Council	14.96	Planning Permission - 13/01618/OUT (incl. a series of Reserved Matters)
DP1: Northern Arc		4.00	Planning Permission - DM/18/5114
SA2: Burnside Centre	Allocations DPD (Submitted Version 2020), Table 2.1, pg.20 / Mid Sussex Council	0.96	Not yet permitted
SA3: KDG		1.10	Planning Permission - DM/19/0188, not commenced
SA4: North A264		2.70	Not yet permitted
SA5: Bolney Grange		7.00	Planning Permission in relation to 0.6ha - DM/20/0521 not yet commenced. The rest of the site (6.4ha) is not subject to any planning permission.
SA6: Marylands		2.40	Planning Permission - DM/20/2640, not commenced
SA7: Cedars		2.30	Planning Permission - DM/20/2332, not commenced
SA8: Pease Pottage Nursery		1.00	Not yet permitted
Sub-Total (Remaining Allocations)		11.06	Allocations with no permission attached
Total Allocated Land (ha)		36.42	Including allocated sites that have gained planning permission

Source: Mid Sussex District Council (2021)

5.4 Based on an average plot ratio of 0.4, the remaining 11.06ha could generate around 44,240 sq.m of office and industrial space. Based on the employment policies associated with these allocations, this is further split to c.17,200 sq.m of office space, 11,800 sq.m of industrial and 15,300 sq.m of storage and distribution.

5.5 Combined with extant permissions and schemes under construction, there is a total of 177,290 sq.m (or 44.3 ha) of employment space within the employment supply as presented in

5.6 Table 5.2 and Table 5.3. Most of the supply (i.e. 63%) comprises extant permissions, followed by 25% from the allocations without planning permission, and 12% supply under construction.

Table 5.2 Employment Space Supply by Type of Space in Mid Sussex (2021) – sq.m

Type of Space	Extant Permissions	Under Construction	Allocations without planning permission	Total
Office E(g)(i)/(ii)	3,810	-1,210	17,190	19,790
Light/General Industrial E(g)(iii)/B2	34,450	5,350	11,790	51,590
Storage and Distribution B8	48,355	12,040	15,270	75,660
Mixed B1	25,255	5,000	n/a	30,250
Total	111,880	21,180	44,240	177,290

Source: West Sussex County (2021), Mid Sussex District Council (2021) / Lichfields analysis (rounded figures)

Table 5.3 Employment Land Supply by Type of Space in Mid Sussex (2021) - ha

Type of Space	Extant Permissions	Under Construction	Allocations without planning permission*	Total
Office E(g)(i)/(ii)	1.0	-0.3	4.3	4.9
Light/General Industrial E(g)(iii)/B2	8.6	1.3	2.9	12.9
Storage and Distribution B8	12.1	3.0	3.8	18.9
Mixed B1	6.3	1.2	n/a	7.6
Total	28.0	5.3	11.1	44.3

Source: West Sussex County (2021), Mid Sussex District Council (2021) / Lichfields analysis (rounded figures)

*Based on a plot ratio of 0.4

5.7 There are four extant permissions totalling 69,815 sq.m (39% of the identified supply) that will lapse between 2022 and 2023 based on monitoring data. These relate mainly to the outline permissions in Burgess Hill Northern Arc (DM/18/5114 – 24,000 sq.m), the reserved matters permission for The Hub (DM/19/2641 – 35,695 sq.m) and permission at Land West of Copthorne (DM/19/2197 – 7,700 sq.m) and East Lodge Farm (DM/18/4419 - 2,420 sq.m).

Supply/Demand Balance

5.8 Once the forecasts of future employment need considered in section 4.0 are compared with the identified employment supply, there is a surplus varying between 60,020 sq.m and 137,770 sq.m or 17.2 ha and 35.2 ha, as summarised in Table 5.4 and Table 5.5.

Table 5.4 Demand/Supply Balance of Employment Space to 2038 (sq.m)

	Labour Demand	Past Development Rates	Labour Supply
Employment Space Required (sq.m)	39,520	102,550	117,270
Available Employment Space (sq.m)	177,290		
Surplus/Shortfall	+137,770	+74,740	+60,020

Source: Lichfields analysis (rounded figures)

Table 5.5 Demand/Supply Balance of Employment Land to 2038 (ha)

	Labour Demand	Past Development Rates	Labour Supply
Employment Land Required (ha)	9.1	22.9	27.1
Available Employment Land (ha)	44.3		
Surplus/Shortfall	+35.2	+21.4	+17.2

Source: Lichfields analysis (rounded figures)

5.9

This overall position masks a more nuanced position between the different use classes as presented in Table 5.6 and Table 5.7 below.

Table 5.6 Demand/Supply Balance of Employment Space to 2038 by Type of Space (sq.m)

	Labour Demand	Past Development Rates	Labour Supply
Office E(g)(i)/(ii)			
Employment Space Required (sq.m)	7,630	27,450	22,630
Available Employment Space (sq.m)	19,790		
Surplus/Shortfall	12,160	-7,660	-2,840
Light and General Industrial E(g)(iii)/B2			
Employment Space Required (sq.m)	29,490	n/a	87,470
Available Employment Space (sq.m)	51,590		
Surplus/Shortfall	22,100	n/a	-35,880
Storage and Distribution B8			
Employment Space Required (sq.m)	2,410	n/a	7,160
Available Employment Space (sq.m)	75,660		
Surplus/Shortfall	73,250	n/a	68,500
Mixed B1			
Employment Space Required (sq.m)	n/a	17,110	n/a
Available Employment Space (sq.m)	30,250		
Surplus/Shortfall	n/a	13,140	n/a
Combined Light/General Industrial and Storage and Distribution E(g)(iii)/B2/B8			
Employment Space Required (sq.m)	31,900	57,990	94,630
Available Employment Space (sq.m)	127,250		
Surplus/Shortfall	95,350	69,260	32,620

Source: Lichfields analysis (rounded figures)

Table 5.7 Demand/Supply Balance of Employment Land to 2038 by Type of Space (ha)

	Labour Demand	Past Development Rates	Labour Supply
Office E(g)(i)/(ii)			
Employment Land Required (ha)	1.1	4.1	3.4
Available Employment Land (ha)	4.9		
Surplus/Shortfall	3.8	0.8	1.5
Light and General Industrial E(g)(iii)/B2			
Employment Land Required (ha)	7.4	n/a	21.9
Available Employment Land (ha)	12.9		
Surplus/Shortfall	5.5	n/a	-9.0
Storage and Distribution B8			
Employment Land Required (ha)	0.6		1.8
Available Employment Land (ha)	18.9		
Surplus/Shortfall	18.3	n/a	17.1
Mixed B1			
Employment Land Required (ha)	n/a	4.3	n/a
Available Employment Land (ha)	7.6		
Surplus/Shortfall	n/a	3.3	n/a
Combined Light/General Industrial and Storage and Distribution E(g)(iii)/B2/B8			
Employment Land Required (ha)	8.0	14.5	23.7
Available Employment Land (ha)	31.8		
Surplus/Shortfall	23.8	17.3	8.1

Source: Lichfields analysis (rounded figures)

- 5.10 As presented above, there is sufficient capacity identified to accommodate future light and general industrial and storage and distribution needs against all scenarios apart from a shortfall identified for light and general industrial space (or land) against the labour supply scenario equating to 35,880 sq.m or 9.0 ha.
- 5.11 In terms of offices, there is a shortfall identified against the past development trends and labour supply scenarios of 7,660 sq.m and 2,840 sq.m, respectively. However, there is a surplus identified for mixed B1, which could help to accommodate some of the office and light industrial shortfall (subject to the location and the proposals of each Mix B1 developments¹¹).
- 5.12 In summary, the updated analysis presented above points to a surplus of between 60,020 sq.m and 137,770 sq.m or 17.2 ha and 35.2 ha.

¹¹ No detailed data is available.

6.0 Conclusions and Policy Considerations

- 6.1 This focused update of the Northern West Sussex EGA relating to Mid Sussex has been prepared to provide supplementary and updated economic evidence to inform the approach to economic growth and employment land policies within the new Local Plan to 2038. It partially updates the findings of the 2020 EGA study as they relate to Mid Sussex and should be read alongside it.
- 6.2 This final section summarises the key implications of the preceding analysis to inform the Council's emerging Local Plan strategy with regard to employment uses.

Economic Context

- 6.3 Over the last two years, the pandemic has impacted employment in Mid Sussex with an employment decline between 2019 and 2021 of 1,000 jobs. However, since 2020 there has been an increase (+700 jobs) and, based on Experian forecast, and total employment levels are forecast to recover to pre-pandemic levels by 2022.
- 6.4 Compared to other areas in the South East and the UK, Mid Sussex appears relatively resilient, for example with relatively lower levels of claimant unemployed arising since the Covid-19 outbreak. More importantly, there has been a significant decline in job support claims since April 2021, with claimant counts being reduced and currently representing 2.3% of the total population aged 16 to 64. This is much lower compared to the region and the UK; however, it still stands above the pre-pandemic levels for the District.
- 6.5 The overall analysis of recent economic trends within Mid Sussex shows that there has been moderate employment growth over the last 17 years. In addition, the productivity per worker is lower compared to other areas in the South East. At the same time, parts of the District's economy are resilient with a comparatively high proportion of high-paid occupations.

Employment Stock and Market Signals

- 6.6 The pattern of employment space delivery identified in the 2020 EGA has remained largely unchanged over the last few years. This is mainly due to the increased provision of industrial and storage and distribution space associated with delivery of the District Plan's site allocations and the emerging Site Allocations DPD.
- 6.7 Based on the Council's available data, the stock of employment space has increased by 54,840 sq.m (net gain) over the last 10 years mainly due to growth of industrial/storage and distribution activity. In terms of office uses, completions of new space have been limited and, while the data is incomplete, it is known that there have been significant losses of office space associated with office to residential prior approval developments.
- 6.8 From a broader commercial property market perspective, the pace of employment development has accelerated recently, driven in particular by industrial and storage and distribution sectors, with Mid Sussex District becoming increasingly popular with occupiers seeking locations close to the A23 and potentially that could not be accommodated in areas such as Manor Royal in Crawley and locations closer to Gatwick. As a result, throughout the Covid-19 pandemic, the District continued to see high levels of transacted industrial floorspace and relatively low vacancy levels. The available supply pipeline appears limited reflected recent levels of high take-up. Notwithstanding new stock that has been delivered, overall much of the District's industrial stock is ageing and only of average quality.
- 6.9 In terms of office market activity, Mid Sussex is considered a secondary, smaller market in scale. Haywards Heath now represents the main concentration of main office market activity, and

other locations such as East Grinstead have seen their office role diminish as stock has been converted to other uses. The key challenge in the current market is a reported lack of good quality office accommodation coupled with a lack of recent office development and the impact of PDRs. Vacancy levels have increased post pandemic with less offices remaining occupied in the District. However, a comparison between past take-up and current availability suggests that there is a limited supply adequate to cover the need in future years assuming the market gradually recovers.

Future Requirements for Employment Space

- 6.10 A range of updated scenarios have been considered to inform employment land provision within the new Local Plan. In doing so, these have regard to the latest post Covid-19 forecasts from Experian (September 2021 release); data on past development rates as recorded by West Sussex County and MSDC, and a labour supply scenario based on the updated housing target (Standard Method) of 1,093 dpa.
- 6.11 The September 2021 Experian forecast suggests growth of 5,500 workforce jobs in the District across the Plan period, of which 678 (or 12% of the total) will relate to office, industrial and distribution sectors. It is expected that jobs in light industrial and office-related sectors will drive employment growth, while jobs in 'traditional' manufacturing/industrial sectors will decline. These trends feed in the labour demand (Scenario 1), which after considering the appropriate density and plot ratios implies to a net employment requirement of 34,980 sq.m or 8.1 ha.
- 6.12 Monitoring data on past completions shows that during the last ten years the average annual net completions for employment uses in Mid Sussex District amounted to c. 5,480 sq.m, of which 57% related to a combined figure for light industrial, industrial and warehousing development. Apart from the fact that this data is provided in a combined figure, there are also some limitations relating to the office losses as a result of PDR since 2013. In addition, there are recorded completions for mixed B1 uses for the 2015 to 2017 period, which it is not possible to apportion between office, R&D and light industrial uses. For these reasons, the past development rates (Scenario 2) which implies to a net need of 93,230 sq.m or 20.8 ha, is not considered a robust basis upon which to inform future employment requirements.
- 6.13 The labour supply scenario aligns with the findings of the 2021 Strategic Housing Market Assessment regarding the jobs that could be supported by the demographic projections in relation to the housing need figure of 1,093 dpa to 2038. This implies a net need of 103,790 sq.m or 23.9 ha. The implied growth per type of space is distributed proportionately based on the sectoral representation included within the Experian forecast (i.e. in line with Scenario 1).
- 6.14 An allowance for flexibility and losses is also included to inform gross employment requirements, which is in line with the allowances applied in the 2020 EGA. Due to the limitations of available monitoring data, a more precise allowance for churn is not possible. In the context of the Council's policy position to retain all the adopted employment allocations, this has supported a combined allowance translated to a 10% buffer over and above the net requirements. This results in a gross employment requirement ranging between 39,520 sq.m and 117,270 sq.m, or 9.1 ha and 27.1 ha as presented below.

Table 6.1 Gross Employment Requirements (2021 to 2038) (sq.m/ha)

Type of Space/Use Class	Scenario 1: Labour Demand		Scenario 2: Past Development Rates		Scenario 3: Labour Supply	
	Space (sq.m)	Land (ha)	Space (sq.m)	Land (ha)	Space (sq.m)	Land (ha)
Office E(g)(i)/(ii)	7,630	1.1	27,450	4.1	22,630	3.4
Light Industrial E(g)(iii)	39,930	10.0	57,990	14.5	118,460	29.6
General Industrial B2	-10,440	-2.6			-30,990	-7.7
Storage and Distribution B8	2,410	0.6			7,160	1.8
Mixed B1	-	-	17,110	4.3	-	-
Total	39,520	9.1	102,550	22.9	117,270	27.1

Source: Lichfields analysis (rounded figures)

Implications for Demand/Supply Balance

- 6.15 These updated scenarios have been compared with the latest position in terms of identified employment land supply in Mid Sussex, to determine the level of need for employment land over the Plan period to 2038.
- 6.16 There is a total of 177,290 sq.m (or 44.3 ha) of employment space within the employment supply comprising mainly permitted developments (63%), while 12% relates to developments that are currently under construction and 25% comprises allocated sites not subject to an extant planning permission.
- 6.17 These levels of supply result in a surplus of 60,020 sq.m to 137,770 sq.m or 17.2 ha to 35.2 ha against the gross employment requirements identified above. Considering the different employment uses, the analysis suggests that there is adequate land to accommodate the need arising for all the different type of employment use across all scenarios apart from a shortfall of 9ha for industrial and light industrial need identified against the Labour Supply (Scenario 3), as presented in Table 6.2 below.
- 6.18 This analysis implies that there is no further land needs to be identified to accommodate the indigenous employment need requirements arising in Mid Sussex for the Local Plan period between 2021 and 2038.
- 6.19 However, it should be noted there is a total of 69,815 sq.m within the employment supply that will lapse in 2022 and 2023 based on the monitoring data. On this basis, the Council will need to monitor the supply position and revisit the supply assessment post 2023 to ensure that an adequate pipeline supply is maintained.

Table 6.2 Demand/Supply Balance per type of Employment Space (ha)

	Scenario 1: Labour Demand	Scenario 2: Past Development Rates	Scenario 3: Labour Supply
Office E(g)(i)/(ii)			
Employment Land Required (ha)	1.1	4.1	3.4
Available Employment Land (ha)	4.9		
Surplus/Shortfall	3.8	0.8	1.5
Light and General Industrial E(g)(iii)/B2			
Employment Land Required (ha)	7.4	n/a	21.9
Available Employment Land (ha)	12.9		
Surplus/Shortfall	5.5	n/a	-9.0
Storage and Distribution B8			
Employment Land Required (ha)	0.6		1.8
Available Employment Land (ha)	18.9		
Surplus/Shortfall	18.3	n/a	17.1
Mixed B1			
Employment Land Required (ha)	n/a	4.3	n/a
Available Employment Land (ha)	7.6		
Surplus/Shortfall	n/a	3.3	n/a
Combined Light/General Industrial and Storage and Distribution E(g)(iii)/B2/B8			
Employment Land Required (ha)	8.0	14.5	23.7
Available Employment Land (ha)	31.8		
Surplus/Shortfall	23.8	17.3	8.1

Source: Lichfields analysis (rounded figures)

Implications of Changes to the Use Classes Order

- 6.20 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 introduced¹².
- 6.21 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 affects any buildings within the relevant uses, including those within the former B1 Use Class in designated (including out-of-town) employment areas.
- 6.22 In December 2020, the Government consulted on a variety of further changes to permitted development rights, and a new Class MA business and commercial to residential permitted development right (PDR) replaced and introduced certain commercial to residential PDRs from 1 August 2021. The new class MA is different to the previous office to residential PDR, with several different limitations and conditions. Delivering housing is the Government’s priority and the Class MA PDR emphasises this.
- 6.23 Former use Class B1 (business) will benefit from the Class MA PDR which effectively reduces the scope of office to residential permitted development and is subject to floorspace, vacancy and location limitations. It does not apply if more than 1,500 sq.m of cumulative floorspace is to be

¹² See summary of changes at https://lichfields.uk/media/6020/guide-to-changes-to-the-use-classes-order-in-england_july-2020.pdf

converted, so represents a significant new restriction for office to residential change of use via permitted development.

6.24 To benefit from Class MA, the use of the building must have fallen within Class E or one or more of the uses that it replaced for at least two years continuously prior to the date the prior approval application is made. The building must have been vacant for a continuous period of at least 3 months immediately prior to the date of the application for prior approval, but periods of closure as a result of Government Covid-19 restrictions will not count towards the vacancy period where the building continues to be occupied by the owner or tenant.

6.25 These changes will influence how the District plans for future employment needs and the appropriate policies that need to be put in place. Some of the potential implications are summarised below which will need further detailed consideration in due course:

- 1 Policies to protect employment space will need to reflect that there is no longer the same planning mechanism to control these from switching to other forms of retail, leisure, community and potentially residential use. Over time, this flexibility 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 pressure from other Class E uses.
- 2 Conversely, there is now greater flexibility for developers to accommodate supporting onsite 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, the new Class MA permitted development right which came into force in August 2021 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 following the Covid-19 pandemic. 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 in line with the tests set out at para 53 of the NPPF.
- 4 It may be advisable for the Council to prepare an up-to-date assessment of former B1 stock in the Borough to examine the nature, geographical distribution and occupancy levels of these uses. 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 former B1c and B2 (i.e. light and general industrial), 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, and in particular within those areas of the District that do not currently benefit from any substantive employment land supply, subject to the extent to which such space is required to help meet identified retail and leisure needs.

Appendix 1 Experian Data Guide, September 2021

Data Guide

UK Regional Planning Service
December 2021



Our main subscription website:

<https://www.experian.co.uk/business/business-information/market-intelligence/economic-services/>



Data Guide

UK Regional Planning Service
December 2021

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Executive summary

This document outlines the current variable coverage in the December 2021 version of the UK Regional Planning Service, and the methodology behind the history and forecast.

[Appendix A](#) includes a glossary of terms.

[Appendix B](#) includes our definitions of the sectors.

[Appendix C](#) has the geography definitions.

[Appendix D](#) contains the most common Frequently Asked Questions

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1 Variable Coverage

To avoid implying spurious accuracy, we now round all county and local series to the nearest tenth of a unit. This means that people or job counts are now to the nearest 100 people or jobs and money counts are to the nearest £100,000, and rates are now to the nearest 0.1 percentage points. Forecasts for series with very small levels may appear to be volatile when growth rates are considered. We therefore recommend viewing series with small values in levels not growth rates or considering growth rates over longer intervals than annually. Very small levels have been set to zero as they are essentially statistical artefacts.

Figure 1.1: Variable coverage in the RPS

- ✓ indicates that the variable is available in both the search query tool and the xls files.
- Xls indicates that the variable is available in the xls but not the search query tool.
- UK monthly forecast indicates that the variable is not produced as part of the RPS but can be found in the monthly UK macro forecast on our website.

Variable	UK	Region	County & Local Authority
PRODUCTION			
GDP	UK monthly forecast		
GDP by component of demand	UK monthly forecast		
Gross Value Added	✓	✓	✓
GVA by sectors	✓	✓	✓
LABOUR MARKET			
Employees by sector	✓	✓	✓
Self-employed by sector	✓	✓	✓
Government Trainees by sector	xls	xls	Upon request
Her Majesties Forces Total	xls	xls	Upon request
FTE Employment by sector	✓	✓	✓
Total ILO Employment – Residence based & Workplace based	✓	✓	✓
ILO Unemployment	✓	✓	✓
Unemployment rate	✓	✓	✓
Labour Force	xls	xls	Upon request
Activity Rate	xls	xls	Upon request
Inactivity Rate	xls	xls	Upon request
DEMOGRAPHICS			
Population: Total, Adult (16+)	✓	✓	✓
Age bands: 0-15, State Working age, State retirement 16-64, 65+	✓	✓	✓
Population by single or 5 year age band	Upon request	Upon request	Upon request
HOUSEHOLDS			
Nominal disposable Income	✓	✓	✓
Real disposable income	✓	✓	✓
Nominal income by component	xls	xls	Upon request
Nominal consumer spending	✓	✓	✓
Real consumer spending	✓	✓	✓
Consumer spending by COICOP category	Upon request	Upon request	
Cost of Living Index	✓	✓	
House price Index	✓	✓	Upon request
Hours worked	Upon request	Upon request	Upon request

Please note we are no longer publishing Claimant Count for Regional and Local Areas. This is due to the fact that complete data are no longer available due to the shift to Universal Credit.

2 Historical Endpoints

Figure 1.2: Last historic data point

Variable	UK*	Region	County & Local Authority
Gross Value Added	2021q2	2019q4	2019q4
GVA by sectors	2021q2	2019q4	2019q4
Labour market variables	2021q2	2021q2	All 2019q4 except ILO 2021q2
Income	2020q4	2018q4	2018q4
Consumer spending	2020q4	2020q4	2018q4

The historical endpoint represents the last time-period for which we apply our processes to collect, calculate or derive data, details of which can be found in Chapter 3: Methodology. All time-periods that are in the past but follow the historical endpoint are Experian Economics' estimates.

We have not used any regional data published after November 2021 in producing this update of the RPS. It is possible that between this date and the release of the RPS some new history may have been released and/or revised.

Population

The population data provided are the Office for National Statistics (ONS) 2019 mid-year estimates for 1997-2019. For England, Scotland, and Wales, the 2018-based national and sub-national population projections are used. Further information on population changes is available in [section 4](#).

UK forecast

This forecast is consistent with an Experian Economics' November 2021 macroeconomic forecast which includes the second estimate of GDP for 2021Q2. We explore this further in [section 4](#).

Geographic boundaries

As of December 2021, data is published in accordance with Local Authority District Boundaries (April 2020). With the ONS gradually phasing out the publication of data on the pre-2020 local authority boundaries, it has become increasingly less credible for Experian to publish up-to-date historical data on these definitions. The table below shows those local authorities which no longer exist as individual entities (2nd column) and the name of the new local authority that has been created by their merger.

Region	Disbanded local authorities	Merged to form:
<i>South East:</i>	Aylesbury Vale, Chiltern, South Bucks, Wycombe	Buckinghamshire

3 Methodology

3.1 UK Methodology

The approach for the regional planning service takes the UK variables as exogenous, imposed from the monthly UK forecast.

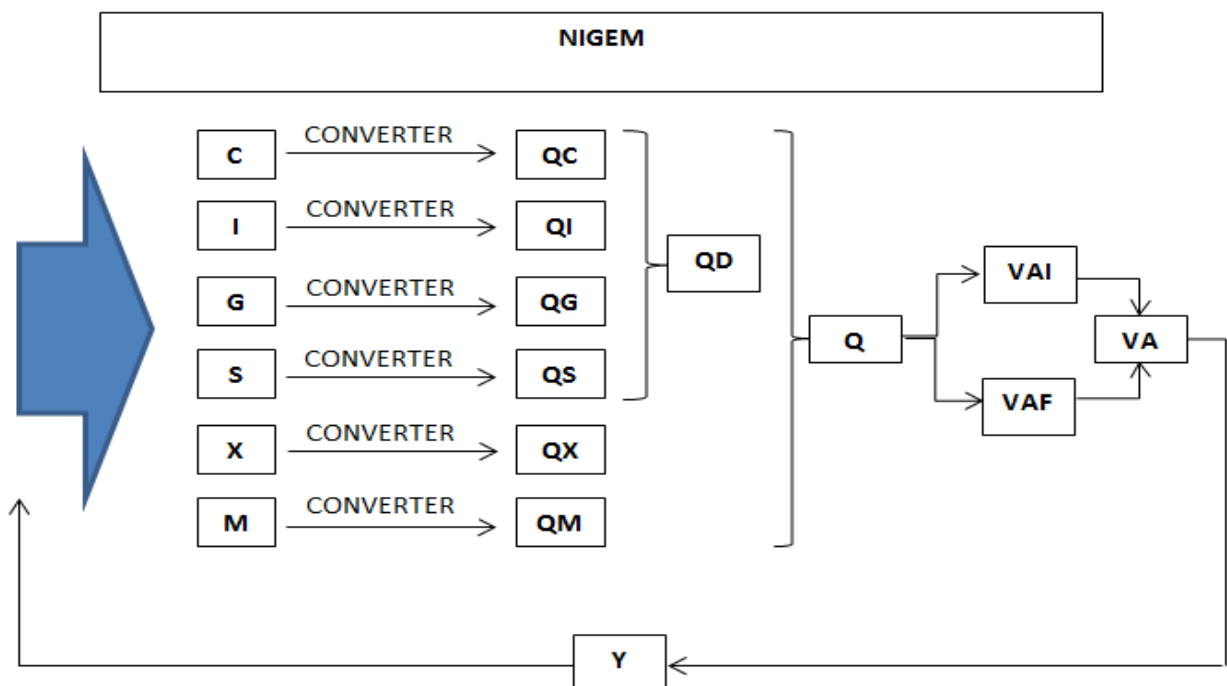
To produce the UK forecast we use a heavily customised version of the National Institute of Social & Economic Research's (NISER) model called NIGEM to provide our core macroeconomic forecast.

NIGEM is a general equilibrium model of the UK and World economy which forecasts, amongst other variables, aggregate GVA, expenditure, income and employment based on the UK National Accounts published by the Office of National Statistics.

To split this core forecast out into industries and sub-sectors we have a Sectoral Model which expands on the forecasts from the core NIGEM model.

We disaggregate total consumption (C), investment (I), government spending (G), stocks (S), exports (X) and imports (M) from NiGEM to a finer level of detail. This provides a highly detailed model of demand (Q) for industry GVA in the UK economy. Using converters derived from the ONS Supply and Use Tables, we convert demand into intermediate (VAI), and final (VAF) value added for each sector. This provides a comprehensive view of how value added is distributed across sectors. The growth rate of total value added (VA) for each industry determines its GVA (Y) growth rate. GVA is constrained in order to forecast total GVA from NiGEM. This Input-Output based model is iterative and captures intra-industry demand.

The industry GVA forecast is used together with wage forecasts to forecast employment by sector (E).



3.2 Regional methodology

3.2.1 History

All economic history used in the RPS is derived from official statistics published by the UK's Office for National Statistics (ONS). Our approach is to use existing statistics in the form they are published to the greatest extent possible. However, this is subject to the following exceptions:

- where there is a lag between an update of aggregate data and the corresponding disaggregation, the disaggregate data is constrained to match the latest aggregates;
- where ONS data is not published at quarterly frequency (for instance it is only annual data), we use a consistent methodology (described below) to construct quarterly data;
- where ONS data is not published at the geography required or in the detail required, we use a consistent methodology to add the necessary data, ensuring that it constrains to published data at a higher level of geography or detail;
- on occasion, where ONS data is internally inconsistent we apply techniques to remove these inconsistencies.

The most timely and reliable data at the regional level is the workforce jobs series, published on a quarterly frequency by the ONS. There have been revisions to estimates of Workforce Jobs going back several years caused by benchmarking to the latest estimates from the annual Business Register and Employment Survey (BRES), updating seasonal factors and taking on board late information.

Employee jobs, self-employed jobs and government trainees are published at the level of the SIC 2007 Section providing us with 22 sectors.¹ In order to disaggregate this Section-level data to 2-digit sectors from which we can construct the Experian 38 sectors we use official survey data:

- In the case of employee jobs, we use the Annual Business Inquiry (ABI) and Business Register & Employment Survey (BRES). These are annual surveys which are not updated after being published – further the methodology has changed over the lifetime of these surveys. We apply a principled set of rules to derive consistent employee job shares within the sections from the surveys.
- The December 2021 RPS saw the inclusion of the November 2020 BRES, which provides data up to 2019. Pre-2010 we have made a working-owners adjustment, based on an overlapping year published by NOMIS in February 2013, in line with their recommended techniques for dealing with discontinuities.
- In the case of self-employed jobs, we use data from the Labour Force Survey (LFS).

Workforce jobs is the sum of employee jobs, self-employed jobs, government trainees and Her Majesty's Forces (who are assigned at the sector level to Public Administration and Defence).

To estimate full-time equivalent employment (FTE), we use data on hours worked in each sector and region derived from the Annual Survey of Hours and Earnings (ASHE). ASHE is also used to derive wage data for each region and sector.² We also use, for this purpose, compensation of employee data from the regional accounts.

Previously, regional gross value-added data (GVA), was only measured on an income basis and published annually in current prices. As of March 2020, we included the ONS balanced estimate of

¹ The ONS has ceased publishing official 2-digit employee jobs data for the regions. The approach we have taken is consistent with the approach recommended by the ONS to derive 2-digit estimates.

² We do not routinely publish sector level wage forecasts; however, it is available on request.

GVA, a new measure derived by balancing the income and production approaches to calculating GVA. The data is published in greater detail than the previous income-based estimates - which were only published at a section level - and so map more directly to Experian's 38 sectors.

The latest regional level GVA data available by the ONS is from May 2021, which has been used for the December 2021 run. This dataset includes data up to 2019 and revisions to the historical values. Same as the previous run in September 2021, data is based on 2018 prices which comes from the official ONS statistics rather than our internal rebasing which we applied in the April 2021 run to ensure consistency with the UK level data. Therefore, as there has been no new releases of regional GVA data, there will be minimal differences in the history between the December and September 2021 run.

The data is then made quarterly using workforce jobs data, before being aggregated to produce a regional total.

Income is published in the regional accounts on an annual basis with a full breakdown of income sources and deductions. Previously official sources included income from Non-Profit Institutions Serving Households (NPISH) in the household income data due to lack of credible information to split these. But more recently, the ONS has improved their data accuracy by providing income data that is 'households' only, which we have used, thereby excluding NPISH from our income estimates, in the March 2019 vintage.

Income sources are:

- compensation of employees: wages and salaries *plus* employers' social contributions
- self-employment income
- Net Property Income: made up of property income received *less* income paid
- transfers from the State (i.e. benefits and pensions)
- other Transfers

Income deductions are:

- taxes
- social contributions
- transfers to others

The sum of income sources *less* income deductions constitute disposable income. To convert this annual data to quarterly jobs we use (depending on the component) employee jobs, self-employee jobs or the UK quarterly pattern. We constrain these quarterly series to the official UK published data. Real disposable income is obtained by deflating disposable income by the consumer price deflator.

Household spending is derived by sharing out UK nominal expenditure using regional shares of expenditure reported in the Living Costs and Food Survey by type of expenditure. Nominal regional spending is deflated by published UK deflators and then aggregated to produce a regional total. This again implicitly creates a regional cost of living measure which we also publish.

Sub-national population projections are obtained from the ONS, based on the 2018 sub-national projections for England, Scotland and Wales. These are spliced onto the 2019 mid-year estimates and constrained to the latest national 2018-based projections.

Our working-age definition incorporates all announced future changes in the state pension age:

- The state pension age for women is rising from 60 to 65, equal with males. Both will then rise, in step, to 67 in our current forecast period.
- Female state retirement age began to increase from 60 in April 2012, reaching 65 by 2018q4.

- From April 2019, both men and women will see their state retirement age rise from 65 to 66, with men reaching 66 by April 2020, and women a few months later in October 2020.
- The move from 66 to 67 is scheduled from April 2026 until April 2028 for both men and women.

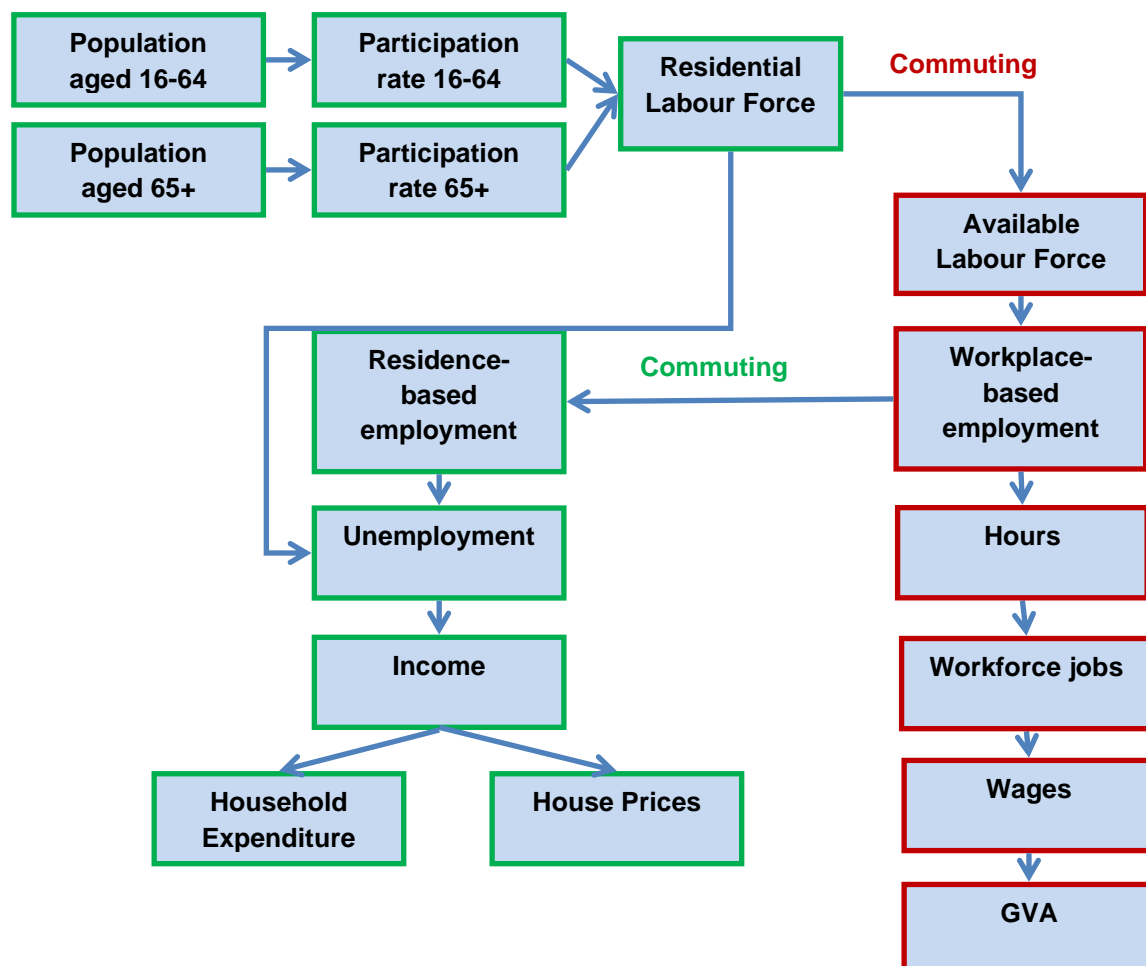
The 2013 Autumn Statement stated that the rise in state pension age to 68 would be moved forward from 2046 to the mid-2030's. However, with no firm date, we have not yet incorporated this into our working age and state retirement age definitions.

Under the current law, the State Pension age is due to increase to 68 between 2044 and 2046. Following a recent review, however, the government announced plans to bring this timetable forward. The State Pension age is now set to increase to 68 between 2037 and 2039. The policy change was announced as of July 2017.

We publish the following breakdown of population: school age (ages 0-15), state working age, state retirement age, adult population (16 and over) and total. Beginning in the March 2015 RPS, we also publish both the population aged 16-64 and 65 and over. Although their respective participation rates are not published, they can be derived. Our overall participation rate is based on a ratio of the total labour force to the entire adult population (not only the working age population).

3.2.2 Forecast

The regional model is sequential. Each variable is dependent only on variables earlier in the sequence and not variables later in the sequence. Variables are either workplace-based (red outlined boxes) or residence-based (green-outlined boxes.) Workplace-based and residence-based variables are linked by commuting relationships derived from the 2011 Census.



The population – split into two age ranges – is taken from the National and Sub-National Population Projections. We forecast participation rates for these age bands separately as they are subject to different trends. The total residential labour force is the sum of the labour force aged 16-64 and 65-plus. The aggregate participation rate is determined by two factors:

- The participation rate of the two age bands; and
- The share of each of the two age bands in the adult population.

The participation rate for those aged 16-64 is expected to remain relatively stable throughout the forecasting period. However, the rate for those aged 65 and over will grow strongly due to factors such as increasing life expectancy and rising state pension ages.

At the UK level, the share of the adult population aged 65 and over is projected to rise sharply over the next twenty years. There is, however, considerable variation at the regional level. Greater London – the youngest region in the UK – is projected to have a stable share. These factors combine to produce substantial variation in the labour force forecasts for different regions.

Commuting flows are used to derive the available labour force for a region. This is:

Workers Resident in the Region – Workers Commuting Out + Workers Commuting In

In the case of Greater London, the South East and the East of England, these flows lead to a substantial difference between the residential labour force and the available labour force. The effect is still present but less pronounced in other regions.

The available labour force is one of the drivers in forecasting workplace-based employment. The other drivers include the industry mix and the performance of industries at the UK level. If industries with a high share in the region are performing well at the UK level, this will benefit the region.

The workplace-based employment is converted back into residence-based employment. This is:

Workplace-based Employment – Workers Living Elsewhere + Residents Working Elsewhere

From this point, residence and workplace-based variables are solved in parallel with residence-based variables dependent on residence-based employment and workplace-based variables dependent on workplace-based employment.

The residential labour force and residence-based employment are used to calculate unemployment. Residential income is driven by employment; and itself drives house price and household expenditure forecasts.

Workplace-based employment drives aggregate hours worked, wages and GVA. These aggregate variables feed into the detailed part of the model, which produces forecasts for each industry:



In each case, we forecast shares of the region within the UK industry. We then share out the UK industry data subject to the constraint of the total that has already been determined and the UK total.

3.3 Local methodology

3.3.1 History

As at the regional level, all local economic history used in the RPS is derived from official statistics published by the ONS. Our approach to using this data is identical to that given above at 3.2.1. However, data at the local level is more likely to be incomplete¹ or inconsistent² than is the case at the regional level. For this reason, there is greater call for the application of techniques to construct missing data and to remove inconsistencies than is the case at the regional level.

In all cases, local area data in a particular region is constrained to match the regional total for the same variable. This has two advantages:

- Local data is made consistent with regional data of the same vintage.
- Where local data has been estimated or constructed, the regional data ensure that the estimates together are consistent with more reliable data.

The ONS do not publish a workforce jobs series at the local level. Accordingly, we construct workforce jobs series for each local area using BRES/ABI in the same way that BRES is used at the regional level to disaggregate section estimates. The BRES share for a particular industry of a local area in its parent region is used to disaggregate the regional workforce jobs series for that industry. As BRES is a survey, the figures over time for a particular local area industry combination can be volatile³. Further, certain years' results may be withheld to prevent disclosure of confidential data. Accordingly, to obtain sensible data it is necessary for us to smooth out this volatility and to interpolate over the gaps.

At the local level, the most timely and comprehensive data are Annual Population Survey (APS) for residence and workplace-based employment and unemployment data⁴. These data are obtained directly from NOMIS and then constrained to the national numbers.

In September 2015, we re-visited the relationship between local workforce jobs and workplace-based employment. The local workforce jobs (which make use of BRES shares) was benchmarked to the ILO workplace-based employment which itself has first been benchmarked to the Census 2011 point with the pattern in years either side preserved.

As with regional gross value added, the availability of data at the local authority level has been improved with the move to a balanced estimate of GVA. Sub-regional measures of GVA were previously only produced in current prices, at a NUTS2 and NUTS3 level. As of March 2020, the balanced estimate of GVA has been incorporated into the RPS which is now provided at a local authority level, in both current and constant prices.

As with the regional level, we have used the GVA data at the local level that was released in May 2021 for the December 2021 run. Noticeable differences from the previous run in September are not to be expected.

The level of industrial detail of the data varies across sub-regional geographical levels. NUTS2 data has the greatest level of industry disaggregation with a full breakdown of SIC sections. With each

¹ For some local areas, publication of certain data by the ONS is restricted because to do so would effectively disclose individual responses to ONS data-collection surveys (e.g. if there are only one or two firms in a certain industry in a particular locality.)

² In some cases, sample sizes in ONS data-collection surveys at the local level are very small. This leads to data of comparatively poor quality and relatively high volatility.

³ The volatility represents sampling variability rather than actual volatility in the population data.

⁴ In line with ONS guidelines, we use the official model-based estimates of local unemployment that are more accurate than survey data which suffers from volatility.

subsequent geographic level, the degree of disaggregation in the official data decreases. In order to provide local area forecasts at the 38-sector level, the data had to be fully disaggregated at each geographical level.

In the case of NUTS3 current prices, the data is disaggregated using the industry shares in the corresponding NUTS2 and then constrained to that parent region. For local authorities that do not constitute fully a NUTS3, disaggregation takes place using local authority workforce jobs data at the industry level. These estimates are then made quarterly using workforce jobs data and aggregated to produce a nominal local authority total.

In the case of Chain Volume Measure GVA; where data is needed to be further disaggregated, implied deflators of the parent geography - NUTS2 in the case of a NUTS3 and NUTS3 in the case of a local authority - are used to deflate the nominal estimates. Due to excessive volatility in the raw GVA data, it is necessary to smooth the local authority estimates and constrain to the parent region. In some cases, this led to some magnitude of difference from the published ONS figures.

The inclusion of these new official statistics has led to noticeable historical revisions across the 38 sector forecasts, however, as is the case at the regional level, the data now provides a more accurate measure of historical activity in each local authority.

In the case of Income (which is households only¹), official data is also now produced at a local authority level. This data has been incorporated in the RPS as of March 2020 and, as is the case with regional level data, a full breakdown of income is provided. Prior to this, the lowest level of geography for which the data was available was NUTS3 and this supersedes the need to disaggregate the NUTS3 data to a local level.

No estimates of household spending are provided at the local level. Household spending is, therefore, derived by using the share of local disposable income in regional disposable income.

Since June 2016, we have applied a moving average procedure to smooth the Annual Population Survey data which has resulted in revisions to our historical data.

We have not used any local data published after November 2021 in producing this update of the RPS. It is possible that between this date and the release of the RPS some new history may have been released and/or revised.

3.3.2 Forecast

The local authority model is run separately for the local authorities in each region and takes the regional forecast as given. Accordingly, as with local history, local forecasts are constrained to the regional forecasts of the parent region.

Our local model is based on the resolution of demand and supply for labour and it takes into account commuting between local areas within a region and across the regional boundary. The properties of the model are these:

- When unemployment is low, labour supply growth is the key determinant of growth.
- When unemployment is high, growth in demand for labour is the key determinant of growth.
- As unemployment decreases,
 - Labour supply growth becomes relatively more important

¹ i.e. excludes NPISH as of the March 2019 vintage as ONS now provides more accurate income data by 'households' only at regional and local level

- Growth in demand for labour becomes relatively less important
- An area's workplace employment growth depends on labour supply not only in the area but also
 - Labour supply growth in other local areas in the region from which it has historically drawn inward commuters.
 - Its historic share of incoming workers across the regional boundary.
- An area's residence based employment growth depends on demand for labour not only in the area but also
 - Growth in demand for labour in other local areas in the region to which it has historically supplied commuters.
 - Its historic share of outgoing workers commuting across the regional boundary.
- Workplace based employment drives GVA growth.
- Residence based employment drives Income and, accordingly, spending growth.

The starting point is an estimate of the growth in the participation rate of those aged 16-64 and 65-plus in a local area. These are used to derive labour force growth.

In parallel, demand for labour is estimated. This is done at the industry level by linking job growth¹ in a local area to growth in the same industry at the regional level and then constraining demand for jobs by industry to demand for jobs for the same industry at the regional level. The effect of this is:

- Demand for jobs at the local level is fastest in those industries which are performing best at the regional level.
- Total demand for jobs at the local level depends on its industrial structure. Those local areas which have a more than proportionate share of the best performing industries will perform best overall.

The supply and demand for labour is then resolved in the following way:

- Total demand² for jobs for each local area is converted into demand for workers according to the historic ratio between jobs and workers into that local area.
- The inflow and outflow of workers across the regional boundary is shared out between local areas according to their historic commuting patterns leading to an adjustment in
 - The remaining demand for labour for a local area (*inflow*)
 - The remaining available labour for a local area (*outflow*)
- Workplace demands for workers are converted into residence-based demands according to historic commuting patterns.
 - If unemployment is sufficiently high, these demands are satisfied out of the growth in the labour supply and the pool of available (unemployed) workers.
 - If unemployment is sufficiently low, these demands can only be satisfied out of the growth in the labour supply.
 - If unemployment is above its lower bound but not too high, a proportion of demands are satisfied out of the pool of available workers and the rest are satisfied out of the growth in the labour supply.
 - The model makes short-term adjustments in the labour supply in response to demand conditions to reflect the economic reality that
 - When demand is high, the participation rate rises as potential workers are drawn into the labour force by the relatively buoyant conditions;
 - When demand is low, the participation rate declines as disillusioned workers leave the labour force because of the poor job market conditions;
 - The unemployment rate, accordingly, behaves as expected.

¹ Separately for employee jobs, self-employee jobs, government trainee jobs and Her Majesty's Forces.

² i.e. all industries and job types aggregated.

- The satisfied residence supply for labour is converted back into workplace demands and workplace-based employment is calculated for each local area. This is then converted back into jobs and used to produce final workforce jobs estimates for each local area.

The consequence of this is that:

- Local areas with high demand may not see all demand satisfied if there is insufficient labour supply available to meet those needs. Job growth will, accordingly, be slower.
- Local areas with high labour supply may not see higher growth in residence employment if there is insufficient demand for labour to use it up.

GVA growth is then forecast based on growth in workplace-based employment according to equations, which link GVA growth to workplace-based employment. Income is forecast by component based on residence-based employment (in the case of compensation for employees or self-employment), unemployment (in the case of benefits) and population in any other case. Spending depends on income by component.

4 Key changes since September 2021 RPS

4.1 UK Economy

The December 2021 RPS forecast is consistent with the Experian November 2021 UK macro forecast, which itself is broadly in line with the September 2021 UK macro forecast. These projections reflect our baseline view. Given the uncertainty surrounding the pandemic and its impact on the economy we also provide a number of scenarios which help illustrate the different channels of impact. For more details on our other scenarios please contact us.

4.1.1 UK outlook

The latest quarterly national accounts (published 11th November 2021) showed that, since the pandemic struck causing the UK economy to suffer a fall of 9.9% in GDP over 2020, the economy has bounced-back modestly throughout 2021. This is despite the spread of new variants and re-introduction of restrictions weighing down on economic recovery. The level of quarterly GDP now at 2.1% below pre-pandemic levels (2019Q4). The release showed that UK GDP increased by 1.3% in 2021Q3, following a 5.5% increase in the second quarter. The third quarter gain was attributable almost entirely to a 2.0% rise in consumer spending as Covid-19 restrictions were eased. The hospitality, arts and recreation sectors were amongst the main beneficiaries of the reopening, along with health, as in-person doctor's appointments recommenced. While GDP growth strengthened through the third quarter, growing by 0.6% in September, this represents a marked slowdown from the early stages of the recovery in March, when the economy grew by 2.4%. Looking forward, the final 0.6% shortfall in output relative to the February 2020 level will likely be the most difficult to recapture. In addition, the upward momentum from the post-Covid bounce in consumer spending is expected to fade, and goods and labour shortages will continue to weigh on activity.

Elsewhere, declines in output in the production and construction sectors (by 0.8% and 1.5%, respectively) underline the difficulties that supply chain disruption is causing for industry, and this is feeding through to higher consumer prices. Inflation jumped to 4.2% in October underpinned by a continued rise in energy prices. Inflationary pressures are also being exacerbated by a struggle to fill staff vacancies, in many sectors, given skills mismatches, and a reduced number of job candidates from the EU. Business investment also disappointed, rising by 0.4%, but remaining well below pre-pandemic levels.

The labour market by contrast has been quite resilient. Following an end to the furlough scheme, unemployment rates remained low, falling by 0.4 percentage points to 4.2% over August to October 2021, and at the same time the UK employment rate rose to 75.5%. The number of job vacancies in September to November 2021 continued to rise to a new record of 1.2 million, an increase of 434,500 from the January to March 2020 level. Nonetheless, on the quarter, the rate of growth in vacancies continued to slow down, with experimental single month vacancy estimates showing their first reduction in vacancy numbers since February 2021. Moreover, early estimates for November 2021 showed that the number of payrolled employees rose by 4.8% compared with November 2020, a rise of 1,353,000 employees, and there were 257,000 more people in payrolled employment in November 2021 compared to the previous month. Estimates for August to October's pay growth have been able to remove upwards base and compositional effects, and continues to look strong, with growth in average total pay sitting at 4.9%. When adjusted for inflation, total and regular pay remained positive at 1.7% and 1%, respectively.

The latest snapshot for the UK economy suggests that output could stage a full return to pre-pandemic levels by the first half 2022, which is slightly later than our previous expectation of 2021Q1. The delay is a result of the third lockdown which took place in January 2021, rising Covid-19 cases as the Delta variant spread to the UK in mid-June, and now the rising uncertainty of the Omicron variant. Despite the UK economy entering a tougher phase of growth, with some of the easy wins from easing of restrictions behind us, we are optimistic in a continued, albeit slower, growth momentum until the booster is rolled out to stop the rise in cases. This will be driven by business investment and consumer spending. The GfK consumer confidence index edged lower to -15 in December 2021 from -14 in the previous month. This is largely due to concerns consumers have over the Omicron variant, the increase in the cost of living from energy price hikes, and the imminent prospect of interest rate rises. Despite a potential slight set back to the economic recovery, we expect a modest growth in the final quarter of 2021 (+1.13%) and in the first quarter of 2022 (+1.01%), with overall growth in 2022 sitting at 5%. In the longer term, we expect the pandemic to cause a small degree of lasting damage to GDP levels as a portion of jobs in some of the most severely impacted sectors are permanently lost.

4.1.2 UK forecast

Our UK macro view is updated monthly and can be found on our website:

<https://analyticsondemand.experian.co.uk/discover/economics/uk-economic-forecasts/>

The following UK forecasts are from November 2021, consistent with the regional forecast.

December 2021 RPS forecast (2018 prices). Previous forecast, September 2021 RPS (2018 prices) in brackets.

UK	2018	2019	2020	2021	2021-2027	2028-2040
GDP growth	1.3% (1.3%)	1.4% (1.4%)	-9.8% (-9.8%)	6.9% (7.6%)	2.1% (2.3%)	1.8% (1.8%)
Workforce Jobs growth	0.5% (0.5%)	1.5% (1.5%)	-1.8% (-1.7%)	-0.3% (-0.6%)	0.9% (0.9%)	0.5% (0.5%)
Unemployment rate	4.1% (4.1%)	3.8% (3.8%)	4.6% (4.6%)	4.6% (4.9%)	4.2% (4.2%)	4.0% (4%)
Real Income growth	2.4% (2.4%)	1.9% (1.9%)	0.1% (0.1%)	1.1% (2%)	1.9% (2%)	1.9% (1.9%)
Spending Volumes growth	1.4% (1.4%)	1.1% (1.1%)	-10.9% (-10.9%)	3.7% (5.5%)	2.5% (2.7%)	1.8% (1.8%)
House price growth	3.3% (3.3%)	0.9% (0.9%)	3.2% (3.2%)	9.1% (8.7%)	3.4% (3.3%)	4.0% (4%)

While GDP growth strengthened through the third quarter, growing by 0.6% in September 2021, it represented a marked slowdown from the early stages of the recovery in March 2021, when the economy grew by 2.4%. Looking forward, the final 0.6% shortfall in output relative to the February 2020 level will likely be the most difficult to recapture. The upward momentum from the post-Covid bounce in consumer spending is expected to fade, and goods and labour shortages will continue to weigh on activity. Declines in output in the production and construction sectors underline the difficulties that supply chain disruption is causing for industry, and this is feeding through to higher consumer prices. Inflation jumped to 4.2% in October underpinned by a continued rise in energy prices. Inflationary pressures are also being exacerbated by a struggle to fill staff vacancies, in many sectors, given skills mismatches, and a reduced number of job candidates from the EU.

According to the Purchasing Manager's Index (PMI) for the UK, all the major sectors (construction, manufacturing, and services) grew in October 2021, when compared to the previous month. This was a result of stronger global and domestic economic conditions as well as reduced disruption from Brexit, Covid-19, and supply-chain issues. Additionally, looser international travel restrictions helped to increase exports in the services industry. In terms of the PMI index (where >50.0 represents growth), the services sector posted 59.1, the construction sector 54.6, and manufacturing sector 57.8. Despite these positive values, the manufacturing and construction sectors remained constrained by supply chain issues and high material costs. A common thread in all three sectors was a reported shortage of workers, causing rapid increases in operating costs or reductions in output.

Despite concerns around surging inflation and supply chain disruptions, it seems that consumer optimism is proving resilient, which boded well for spending in the Black Friday sales and the Christmas period. For the first time in six months, retail sales increased month-on-month in October 2021, by 0.8%, driven entirely by a 4.2% rise in non-food stores sales. Figures for October are slightly higher than expected, with sale volumes now 5.8% higher than their pre-Covid (February 2020) levels. This was likely the result of early Christmas shopping amidst concerns around shortages, with – for example – clothing stores reporting an increase in sales of 6.2% over the month. Positive retail sales data comes on the back of a rise in the GfK UK consumer confidence index which was up by three points to -14 in November, after three consecutive months of declines. Although this signals an improvement in consumer optimism regarding personal finances, it may only be temporary throughout the holiday season, as rising living costs still linger. With the shadow of Omicron looming in December, it is possible that - despite December being a traditionally strong month for retail sales – this positive momentum will be reversed. Indeed, the GfK Consumer Confidence Index dipped to -15 in December, perhaps indicating that consumers are cutting back on spending in light of the new variant.

The latest Labour Force Survey (LFS) data from the ONS provides us with a promising glimpse into the state of the labour market since the end of the furlough scheme on the 30th September 2021. In the three months to October 2021, the UK employment rate rose to 75.5%, with part-time workers driving this increase following a sharp fall during the pandemic. At the same time, the UK unemployment rate fell to 4.2% - although this hides an increase from 4.0% to 4.3% between September and October - meanwhile inactivity rate increased to 21.1%. More timely data from the ONS showed that the number of payrolled employees increased by 257,000 month-on-month in November, to a total of 29.4 million employees in the UK, and vacancies reached a record high at more than 1.2 million in the three months to November. This reflects the re-opening of the economy and is ahead of the festive season where December is one of the busiest months of the year in terms of consumption. Despite this positivity, data on redundancies could perhaps be artificially low as businesses restructure, struggle to stay afloat and/or take time to work out the notice periods of employees to be made redundant. A second concerning attribute is that economic inactivity has risen among the working age population, which is driven by more long-term sickness.

Over the coming months, our central forecast sees the unemployment rate rise slightly, as a small portion of those that will still on furlough in September begin to show up in the unemployment Data. We

expect a delayed peak in the unemployment rate at around 5% in 2022 Q2. Inflation is projected to jump to around 5% in the spring, with rising petrol and gas prices making particularly large upward contributions. Combined with a cut to the Universal Credit uplift from April next year, this underpins a lacklustre outlook for real income growth, despite the announced end to the public sector pay freeze and a rise in the minimum wage. Against this backdrop it is expected to take until 2022H1 for GDP to return to pre-pandemic levels

Risks

Since our last publication, the furlough scheme has come to an end, the £20 uplift to Universal Credit has been withdrawn, inflation has been ramping up, we've had the Autumn Budget and now an interest rate increase. Meanwhile, labour shortages, supply-chain disruptions continue to rumble on. The UK economy has entered a tougher phase of growth, with some of the easy wins from easing of restrictions behind us. In addition, the uncertainty of the Omicron variant overhangs the UK's economic recovery.

4.2 Regional Forecast

In addition to changes in the UK history which our regional data is constrained to, changes in the regional history can be traced back to the latest quarterly data (September 2021 RPS endpoint in brackets):

- Regional Workforce Jobs 2021 Q2 (2021 Q1)
- ILO Data for 2021 Q2 (2021 Q1)
- Business Register and Employment Survey (BRES) 2019 (2019)
- Annual Survey of Hours and Earnings (ASHE) 2020 (2020)

Also note that the historical processing and forecasting has been reviewed from the ground up and certain parts have been streamlined or automated where appropriate, resulting in minor changes to history for some series – e.g. where a different smoothing or seasonal adjustment technique has been applied, or an outdated fix to the data has been removed.

December 2021 RPS forecast. Previous forecast (September 2021 RPS) in brackets.

Regional forecast 2020-41 average growth	SW	SE	GL	ET	EM	WM	NW	NE	YH	SC	WA	NI
GVA growth	1.5% (1.6%)	1.8% (1.9%)	2.0% (2.1%)	1.8% (1.8%)	1.4% (1.4%)	1.4% (1.4%)	1.3% (1.5%)	1.1% (1.2%)	1.3% (1.4%)	1.2% (1.3%)	1.3% (1.4%)	1.2% (1.3%)
Workforce Jobs growth	0.5% (0.6%)	0.6% (0.6%)	0.8% (0.8%)	0.6% (0.6%)	0.4% (0.4%)	0.3% (0.3%)	0.3% (0.2%)	0.4% (0.4%)	0.4% (0.4%)	0.2% (0.2%)	0.4% (0.3%)	0.2% (0.2%)
Unemployment rate	3.3% (3.4%)	3.0% (3.1%)	5.3% (5.3%)	3.4% (3.4%)	4.1% (4.1%)	4.7% (4.6%)	4.5% (4.5%)	5.2% (5.2%)	4.4% (4.5%)	3.8% (3.8%)	3.9% (3.9%)	3.8% (3.8%)
Real income growth	1.9% (2%)	2.1% (2.3%)	1.9% (2%)	2.1% (2.2%)	1.6% (1.7%)	1.6% (1.6%)	1.6% (1.6%)	1.3% (1.4%)	1.6% (1.7%)	1.5% (1.6%)	1.5% (1.6%)	1.6% (1.6%)
Spending volumes growth	1.4% (1.5%)	1.8% (1.9%)	2.2% (2.3%)	1.6% (1.7%)	1.4% (1.5%)	1.3% (1.4%)	1.3% (1.5%)	1.0% (1.1%)	1.3% (1.4%)	1.1% (1.3%)	1.0% (1.1%)	1.2% (1.3%)
House price growth	4.0% (4%)	4.5% (4.3%)	4.0% (4%)	4.0% (4%)	3.9% (3.9%)	3.8% (3.8%)	4.2% (4.2%)	3.5% (3.6%)	3.3% (3.4%)	3.8% (3.7%)	3.8% (3.9%)	3.7% (3.7%)

4.3 Local Forecast

In addition to revisions at the regional and the UK level to which our local data is constrained, changes to the local history can be traced back to the following new quarterly data (September 2021 RPS endpoint in brackets):

- APS data for 2020 Q4 (2020 Q4)
- Business Register and Employment Survey (BRES) 2019 (2019)
- Annual Survey of Hours and Earnings (ASHE) 2020 (2020)

Same as the September, June and April 2021 run, there have been local boundary changes consistent with the ONS April 2020 boundary changes. Aylesbury Vale, Chiltern, South Bucks and Wycombe have been combined into Buckinghamshire, reducing the number of local authorities from 371 to 368.

Also note that the historical processing and forecasting has been reviewed from the ground up and certain parts have been streamlined or automated where appropriate, resulting in minor changes to history for some series – e.g. where a different smoothing or seasonal adjustment technique has been applied, or an outdated fix to the data has been removed.

For more information about how the history is constructed refer to [section 3.2.1](#) for regions and [section 3.3.1](#) for local authorities.

4.4 Population

Population forecasts for all locals, regions and nations have been updated to include published mid-year estimates between 2017-19, onto which the latest 2018-based population projections are spliced. The ONS have revised population projections downward in the mid-to-long run for all nations. Compared to 2016, the ONS now expects higher net international migration, women to have fewer children due to a fall in total fertility rates, and life expectancy not to increase as much as previously expected.

- The populations of all regions in England are projected to grow by mid-2029; regions in the north of England are projected to grow at a slower rate than those in the south.
- East Midlands is projected to be the fastest growing region; the North East is projected to have the slowest rate of growth.
- Nearly all local authorities are projected to grow by mid-2029; the populations of 43 local authorities are projected to fall.
- North West Leicestershire is projected to be the fastest growing local authority in England; its population is projected to grow by 15.1% between mid-2019 and mid-2029.
- The number of people in older age groups is projected to grow faster than those in younger age groups in all but one local authority, Coventry. By mid-2029, a total of 122 local authorities are projected to have a population where at least one-quarter of the population is aged 65 and over.
- Over the 10 years to mid-2029, London is the region with the fastest increase in population of those aged 65 and over; however, it remains the region with the lowest old age dependency ratio. The South West is projected to have the highest old age dependency ratio by mid-2029.

5 A note from the ONS on volatility

A change in methodology behind the Office for National Statistics (ONS) employment surveys has produced widespread volatility in the historical data, particularly from 2010.

The following is an explanation directly from the ONS, please see [section 3](#) for more information on how we deal with volatility in the official data:

“A fundamental redevelopment of Workforce Jobs sources, classifications, methods and systems was recently undertaken and is explained clearly in the article ‘Revisions to Workforce Jobs’ (Barford 2010). One of the key changes highlighted in this article was the replacement of a matched-pairs estimator with a point-in-time ratio estimator, ONS’s standard method. This change was aimed at removing the bias caused by the matched-pairs method. A matched-pairs method tends to underestimate change over time, as it excludes the births and deaths of businesses in the sample. In essence, only those businesses sampled in two consecutive periods are used to produce estimates of change. This bias used to cause large revisions when the short-term employment surveys series were benchmarked retrospectively to Business Register Employment Survey (BRES) estimates. BRES is an annual survey which selects a larger sample and also uses a point-in-time ratio estimator. The point-in-time estimator includes all sampled businesses in each and every period, which reduces the bias over-time. The trade-off is an increase in volatility caused by the inclusion of the rotated part of the sample for small and medium sized businesses. Sample rotation spreads the administrative burden; ensuring businesses are selected for a limited number of periods.

Unfortunately, the volatility of regional estimates at an industry level has been far greater than anyone anticipated and in general has been met unfavourably by users, particularly those that are interested in regional data. There are a number of instances, for example, whereby businesses have been ‘rotated in’ to a particular region and served to distort the level of jobs for a particular industry, usually for a period of 5 quarters, which is the time a rotated business remains in the sample of the STES.”

Regional employment is the most timely and only source of quarterly data at this level of geography and is used to derive the quarterly profile of other variables in our regional models. Therefore, this volatility is reflected in output as well as employment. Please see [section 3](#) for more information on how we deal with volatility in the official data.

Appendix A.... Glossary of terms

Glossary of terms

Gross Domestic Product (GDP) Total work done in an economy in a period measured in one of three ways:

- Output Measure: Output of all goods and services less inputs
- Income Measure: Income earned by all parts of the economy
- Demand Measure: Demand for goods and services comprised of
 - Expenditure by Households, NPISH and Government
 - Investment (Gross Fixed Capital Formation) by business and Government
 - Changes in Inventories and Acquisitions less disposals of valuables
 - Exports less imports

GDP is measured in market prices: this means that the prices used to convert output of goods and services into money include taxes and subsidies by the government. Distributors' margins are credited to the industry producing the goods and services not to the distribution industry.

Gross Value Added (GVA) GVA is identical to GDP except that it is measured in basic prices. These prices do not include taxes and subsidies imposed by the government. Distributors' margins are credited to the distribution industry. GVA for an industry is described by either of the following identities:

- GVA is identical to output of the industry less inputs of the industry
- GVA is identical to the sum of
 - Compensation of Employees in the industry
 - Gross Operating Surplus (i.e. profit) earned by capital in the industry

When looking at GVA for an industry, it is important to realise that it only includes the output of that industry (i.e. the value added by that industry.) For example, retailing GVA only includes the value added by retailers (e.g. customer service etc).

GVA in the RPS is measured by the place where the work is done (workplace based) and not where the worker resides.

Current Price / Chain Volume Measure (CVM) Data where the unit of measurement is money are available either in Current Price (or Nominal) terms or CVM (or Real) terms. The distinction is important because the buying power of money changes over time. For current price data, no adjustment is made for this fact. CVM data adjusts all figures in a time series to be consistent with the buying power of money in a given year (the reference year). Current Price data, thus, measures values while CVM data measures volumes. For example, Current Price GDP is the money value of production in a given period while CVM GDP is the amount of production. For years before the reference year, CVM data is not additive (thus the sum of GVA for all sectors will not equal total GVA.) In all other years, CVM data is additive.

Productivity A measure of efficiency calculated by estimating output per unit of input

Workforce Jobs A count of the total number of jobs in the UK, a region or industry. It is comprised of

- Employee Jobs: The number of jobs where the occupant is an employee.
- Self-employee Jobs: The number of jobs where the occupant is self-employed
- Government-Sponsored Trainees: The number of jobs where the occupant is on a government training scheme.
- Her Majesty's Forces: The number of jobs in the armed forces (part of Public Administration & Defence).

Workforce jobs and all its components count jobs and not people. This means that where a person has two or more jobs they are counted once for each job that they have. This can be contrasted with the ILO employment measures. Another consequence of counting jobs is that Workforce Jobs is based on the place of work not the residence of the worker

Full Time Equivalent Employment: Our definition is based on total hours worked and is as follows:

FTE = (HOURS) divided by (37.8*13)

Here a constant yardstick of full-time employment for all industries, regions and industry-region based on thirteen working weeks in a quarter at 37.8 hours a week. 37.8 hours is the average hours worked by a full-time worker in the UK between 1990 and 2009.

ILO Employment The International Labour Organisation (ILO) provides an international standard method of measuring employment. In the UK this is implemented by means of a survey known as the Labour Force Survey (LFS) or Annual Population Survey (APS). It is a people count based on the main job that a person has. Employment comprises:

- Employees: People whose main job is as an employee.
- Self-employed: People whose main job is as a self-employed person.
- Government-Sponsored Trainees: People whose main job is on a government training scheme.
- Unpaid Family Workers: People whose main job is as an unpaid worker in a business owned by their own family.

There are two measures:

- Residence based, which depends on the place of residence of the worker (irrespective of where they work.)
- Workplace based, which depends on the place of work of the worker (irrespective of where they reside.)

The ILO Employment reported is based on the entire population in work ages 16+.

ILO Unemployment The International Labour Organisation (ILO) definition of unemployment covers people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or out of work and have accepted a job that they are waiting to start in the next fortnight.

ILO unemployment is only available on a place of residence basis and is based on the entire unemployed population ages 16+.

Labour Force / Economically Active The sum of ILO Unemployment and ILO Employment. That is all people who are in work or who are looking for a work. A person who is in the labour force is said to be Economically Active.

The Labour Force includes the entire Economically Active population ages 16+.

Economically Inactive A person who is not economically active. The principle categories are retirees, students, children, long-term sick or disabled, homemakers and carers. This does not include school-aged people.

Claimant Count Unemployment Measures the number of people who are claiming Jobseekers' Allowance (JSA). This is always less than ILO Unemployment because not everyone who is ILO unemployed is eligible to claim JSA and not all who are eligible claim. Particular important cases are:

- People whose partners work more than 16 hours a week – they cannot claim JSA but may be ILO unemployed.
- People who are past state retirement age – they cannot claim JSA but may be ILO unemployed.

Extra Region In addition to the 9 English regions and the nations of Scotland, Wales and Northern Ireland, the UK's economic boundary includes the continental shelf and UK government operations abroad (i.e. embassies and HMF abroad). The ONS does not assign income or GVA attributable to these sources to any region or nation. Therefore, the sum of regional Income or GVA does not equal the UK. This also impacts on two industries Extraction & Mining and Public Administration & Defence.

School Age Population Population aged 0-15.

Working Age Population Population above the age of 15 but below the current state retirement age for their gender.

Retirement Age Population The population above state retirement age. The precise retirement date depends on date of birth and, for those born before 6th November 1953, on gender. At present, there is a phased equalisation in progress. After 6th November 2018, both men and women will retire at 65. This will rise to 66 between 6th March 2019 and 6th September 2020 and 67 between 6th April 2026 and 6th March 2027. Our forecasts take account of these changes to retirement legislation.

Adult (16+) Population Number of all people aged 16 and above.

Household Consumer Spending The accounts relate to consumption expenditure by UK resident households, either in the UK or the rest of the world. Spending by non-residents in the UK is excluded from the total

Household consumption includes goods and services received by households as income in kind, in lieu of cash, imputed rent for the provision of owner-occupied housing services and consumption of own production

For national accounting purposes, households are individuals or groups of people sharing living accommodation

Household Disposable Income Household disposable income is the total payment to households (from wages, interest, property income and dividends) less taxes, social security, council payments and interest

Cost of living index Regional consumer spending deflator. Gives an indication of how the value of consumer spending has grown in comparison to the volume.

NUTS (Nomenclature des Unités Territoriales Statistiques – Nomenclature of Territorial Units for Statistics) A European Union standard for classifying the subdivisions of member states. In the case of the UK, the English regions and the three nations are classified as NUTS1. The next level – NUTS2 – typically consists of aggregations of local authorities in the same region. The level below that, NUTS3 consists either of single local authorities or a small aggregation of local authorities in the same NUTS2. In Scotland, some local authorities are divided between NUTS3. NUTS4 and NUTS5 also exist but are not used in the RPS.

Appendix B...Sector definitions

Sector definitions

Experian 38-sector	SIC-2007 division	Falls within Experian 12-sector
Agriculture, Forestry & Fishing	01 Crop and animal production, hunting and related service activities	Agriculture, Forestry & Fishing
	02 Forestry and logging	
	03 Fishing and aquaculture	
Extraction & Mining	06 Extraction of crude petroleum and natural gas	Extraction & Mining
	05 Mining of coal and lignite	
	07 Mining of metal ores	
	08 Other mining and quarrying	
	09 Mining support service activities	
Food, Drink & Tobacco	10 Manufacture of food products	Manufacturing
	11 Manufacture of beverages	
	12 Manufacture of tobacco products	
Textiles & Clothing	13 Manufacture of textiles	
	14 Manufacture of wearing apparel	
	15 Manufacture of leather and related products	
Wood & Paper	16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
	17 Manufacture of paper and paper products	
Printing and Reproduction of Recorded Media	18 Printing and reproduction of recorded media	
Fuel Refining	19 Manufacture of coke and refined petroleum products	
Chemicals	20 Manufacture of chemicals and chemical products	
Pharmaceuticals	21 Manufacture of basic pharmaceutical products and pharmaceutical preparations	
Rubber, Plastic and Other Non-Metallic Mineral Products	22 Manufacture of rubber and plastic products	
	23 Manufacture of other non-metallic mineral products	
Metal Products	24 Manufacture of basic metals	
	25 Manufacture of fabricated metal products, except machinery and equipment	
Computer & Electronic Products	26 Manufacture of computer, electronic and optical products	

	27 Manufacture of electrical equipment	
Machinery & Equipment	28 Manufacture of machinery and equipment n.e.c.	
Transport Equipment	29 Manufacture of motor vehicles, trailers and semi-trailers	
	30 Manufacture of other transport equipment	
Other Manufacturing	31 Manufacture of furniture	
	32 Other manufacturing	
	33 Repair and installation of machinery and equipment	
Utilities	35 Electricity, gas, steam and air conditioning supply	Utilities
	36 Water collection, treatment and supply	
	37 Sewerage	
	38 Waste collection, treatment and disposal activities; materials recovery	
	39 Remediation activities and other waste management services. This division includes the provision of remediation services, i.e. the cleanup of contaminated buildings and sites, soil, surface or ground water.	
Construction of Buildings	41 Construction of buildings	Construction
Civil Engineering	42 Civil engineering	
Specialised Construction Activities	43 Specialised construction activities	
Wholesale	45 Wholesale and retail trade and repair of motor vehicles and motorcycles	Wholesale & Retail
	46 Wholesale trade, except of motor vehicles and motorcycles	
Retail	47 Retail trade, except of motor vehicles and motorcycles	
Land Transport, Storage & Post	49 Land transport and transport via pipelines	Transport & Storage
	52 Warehousing and support activities for transportation	
	53 Postal and courier activities	
Air & Water Transport	50 Water transport	
	51 Air transport	
Accommodation & Food Services	55 Accommodation	Accommodation, Food Services & Recreation
	56 Food and beverage service activities	
Recreation	90 Creative, arts and entertainment activities	
	91 Libraries, archives, museums and other cultural activities	
	92 Gambling and betting activities	
	93 Sports activities and amusement and	

	recreation activities	
Media Activities	58 Publishing activities	Information & communication
	59 Motion picture, video and television programme production, sound recording and music publishing activities	
	60 Programming and broadcasting activities	
Telecoms	61 Telecommunications	
Computing & Information Services	62 Computer programming, consultancy and related activities	
	63 Information service activities	
Finance	64 Financial service activities, except insurance and pension funding	Finance & Insurance
	66 Activities auxiliary to financial services and insurance activities	
Insurance & Pensions	65 Insurance, reinsurance and pension funding, except compulsory social security	
Real Estate	68 Real estate activities	Professional & Other Private Services
Professional Services	69 Legal and accounting activities	
	70 Activities of head offices; management consultancy activities	
	71 Architectural and engineering activities; technical testing and analysis	
	72 Scientific research and development	
	73 Advertising and market research	
	74 Other professional, scientific and technical activities	
	75 Veterinary activities	
Administrative & Supportive Activities	77 Rental and leasing activities	
	78 Employment activities	
	79 Travel agency, tour operator and other reservation service and related activities	
	80 Security and investigation activities	
	81 Services to buildings and landscape activities	
	82 Office administrative, office support and other business support activities	
Other Private Services	94 Activities of membership organisations	
	95 Repair of computers and personal and household goods	
	96 Other personal service activities	
	97 Activities of households as employers of domestic personnel	
	98 Undifferentiated goods- and services-producing activities of private households for	

own use	
Public Administration & Defence	84 Public administration and defence; compulsory social security
	99 Activities of extraterritorial organisations and bodies
Education	85 Education
Health	86 Human health activities
Residential Care & Social Work	87 Residential care activities
	88 Social work activities without accommodation

Appendix C...Geography definitions

We forecast at the following geographic breakdowns:

- UK
- Regions (12)
- Counties (64)
- Local authorities...post-2020 boundaries (335+33 London boroughs)

Appendix D...FAQ's

- Why does Experian's history for variable x differ from another source / raw survey data?

There are several possible reasons.

- The first is a vintage mismatch. The ONS frequently revises its economic data in order to take account of new information or improved methodology. The date at which Experian has taken data for the current RPS is given in the body of this guide. Another source may have used earlier or later data.
 - The second relates to data processing. As explained in the body of this guide, it is sometimes necessary at the regional level and (particularly) at the local level to process or construct data. Our approach to doing this is explained in the body of this guide. We apply consistent methodologies to process the data. Other sources may carry this out in different ways. When compared against the raw source, our data may differ because, for example:
 - It has been constrained to other sources.
 - It has been converted into CVM data or quarterly data.
 - It has been made consistent with other data or a later vintage of data.
 - The third relates to raw survey data. Raw survey data is often volatile and does not take into account information outside the survey. Official statistics and our data are constructed from the raw survey data to take into account volatility, sampling issues and all available data sources.
- Why does Experian's job history differ from the *ABI* or *BRES*?
 - The ABI/BRES are surveys taken from a particular year; they are not updated.
 - ABI/BRES is a source for ONS' workforce jobs but it is not the only source.
 - BRES does not include government supported trainees, HM forces jobs and every self-employed small business. As a result, BRES's employment numbers (mainly consisting of total employees and working owners e.g sole traders) would be lower than the ONS's workforce jobs.
 - Experian's workforce job history is designed to be consistent with the latest available ONS workforce jobs estimates, which includes a broad range of jobs (i.e. employee jobs, self-employment jobs, government supported trainees and HM forces).
 - Raw survey is often incomplete and suffers from sampling variability, which does not represent true volatility in the underlying population data. This must be removed to ensure high quality data.
 - How often are data updated?
 - We always use the latest available data at the cut-off date for history.
 - New GVA data is available from the ONS
 - At the UK Level, three times a quarter.
 - At the Regional and Local level, annually (normally in December.)
 - New Expenditure data is available from the ONS at the UK level twice a quarter.
 - New LFS Employment data is available from the ONS once a quarter.
 - New Workforce Jobs data is available from the ONS once a quarter.
 - New BRES is published once a year (normally in December.)
 - New Income data is available from the ONS
 - At the UK level, once a quarter.
 - At the Regional and Local level, once a year (normally in April.)
 - Population projections are published once every two years.
 - New mid-year population estimates are published annually.
 - New LCFS is published annually.
 - How do revisions to historical data affect your history and forecasts?
 - As explained above, we always take into account the latest historical data.
 - The monthly UK macro forecast is updated after each ONS revision of GDP for a quarter.
 - The RPS is based on a particular UK macro forecast and includes the latest available regional and local data.

- Forecasts are updated to be consistent with the latest historical data. While this will typically only affect the short-to-medium term, there are times when the long-run is necessarily affected. This will usually be when there has been a substantial revision to history.
- How are past growth trends captured in the forecasts?
 - All our models are econometric models.
 - An econometric model is a model estimated on historical data.
 - The coefficients (i.e. interactions) in the model embed historical relationships between variables and historical growth rates in a variable.
 - Where we believe that the forecast relationships may differ from history, we make appropriate adjustments to the forecast. This may be the case, for example, where an area has been substantially redeveloped in recent years.
- How are industry/regional/local developments and policies reflected in forecasts?
 - If past developments and policies are reflected in model inputs (for example population) or in history then they will be automatically captured by the model.
 - Our forecasts are policy-neutral in the sense that in our baseline assumes that sufficient projects, infrastructure, jobs etc. will be provided in order to meet the needs of the population in the long term. Thus although the project may not be explicitly included, an assumption that a project of its nature may have been included in the baseline.
 - It is important to realise that many developments or policies may not be sufficiently large enough to affect growth rates or may be implicitly included in the forecast from a higher level of aggregation.
 - We are able to make appropriate adjustments to the forecast to take into account certain large projects.
 - At the industry level we can take into account announced developments in that industry which are large enough to affect the growth in the industry at the national, regional or local level (as the case may be).
 - At the regional and local, we taken into account announced developments or policies which are large enough to affect growth at the regional or local level. The local model, in particular, has the facility to take into account the impact of additional population or jobs in a particular area.
 - The final forecast will show the net effect of the adjustment, after the effects of population constraints, job cannibalisation, commuting patterns etc.
- How does population relate to the employment forecasts?
 - This is discussed in detail in the methodology section above for the regions and the locals.
 - It is important to remember that employment is forecast on both a residence and workplace basis.
 - Residence based employment depends on local population (labour supply) growth but also on demand for work throughout the region and across the regional boundary.
 - Workplace based employment depends on labour supply throughout the region and across the regional boundary.
- What is working age?
 - The definition of working age used based on the state pension age.
 - As the state pension age for men and women changes in line with announced policy, the working age population will change to take this into account.
 - The key changes to the state pension age that have been announced are:
 - A gradual equality in state pension age for men and women.
 - A gradual rise in state pension age for both men and women to 67 (and 68 after the forecast horizon.)
- What is the participation rate / economic activity rate?
 - The participation rate or economic activity rate is the proportion of the population who are either employed or seeking employment (i.e. unemployed.)

- The participation rate used in our models is based on the entire adult population (16+). This differs from earlier versions of our models which used only the working age population.
- The participation rate is an endogenous variable in all our models. It is not a fixed assumption.
- What assumptions have been made regarding commuting in the local model?
 - Commuting in the local model is based on estimates given by the ONS.
 - These are based on the Census 2011.
 - Commuting assumptions are fixed over the forecast.
 - However, the outcome for commuting may differ from the assumption because (for example) there is insufficient demand or supply for labour to provide as many workers across a particular commuting relationship.
- How is Full-Time Equivalent employment derived?
 - This is based on the total hours worked (please see the glossary.)
 - The relationship between FTEs and hours is fixed by definition.
 - In different industries, the hours worked per job will differ.
 - Historical data for this is taken from ASHE (please see the body of the guide.)
 - The forecast takes into account changing trends in hours per job. This will necessarily alter the relationship between Full-Time Equivalent employment and jobs.
- How does the weighting of different factors change over the forecast period?
 - There is no fixed rule about the changes in this time.
 - The coefficients of the econometric equations are fixed over time
 - However, at the local level population growth becomes more important as unemployment decreases.

Appendix E...About us



Our economic forecasting expertise

Experian's team of 18 economists is a leading provider of global, national, regional, and local economic forecasts and analysis to the commercial and public sectors. Our foresight helps organisations predict the future of their markets, identify new business opportunities, quantify risk, and make informed decisions.

Experian's economics team is part of a 140-strong analytics division, which provides an understanding of consumers, markets, and economies in the UK and around the world, past, present, and future. As part of the Experian group, the analytics division has access to a wealth of research data and innovative software solutions. Its statisticians, econometricians, sociologists, geographers, market researchers and economists carry out extensive research into the underlying drivers of social, economic and market change.

For more information, visit www.experian.co.uk/economics

Experian

Experian is a global leader in providing information, analytical and marketing services to organisations and consumers to help manage the risk and reward of commercial and financial decisions.

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