

Canterbury EDTS Focused Update Final Report

Canterbury City Council

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LICHTFIELDS

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1.0 Introduction

- 1.1 Canterbury City Council ('the Council') commissioned Lichfields to undertake a focused update of the Economic Development and Tourism Study ('EDTS') for Canterbury District, also prepared by Lichfields and published in October 2020.
- 1.2 The 2020 EDTS¹ provided a comprehensive evidence base for employment and economic development needs across Canterbury District during the period to 2040, having regard to the revised National Planning Policy Framework ('NPPF') and Planning Practice Guidance ('PPG'). The integrated study also provided the Council with up-to-date evidence on tourism, farming and food and drink production needs within the authority area to inform the new District Local Plan.
- 1.3 The purpose of this focused EDTS update is to provide supplementary and updated economic evidence specifically to inform the approach to economic growth and employment land policies within the new District Local Plan which is currently being prepared by the Council. This report partially updates the findings of the 2020 EDTS and should be read alongside it.

Scope of the Study

- 1.4 The Council is in the process of producing a new Local Plan that will set out planning policies and proposals for new development in Canterbury District over the period to 2045. As the new Local Plan progresses towards Regulation 18 stage, an update to the District's economic evidence base is now required to reflect the changing economic and policy landscape which has evolved significantly since the EDTS was prepared.
- 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 to 2045;
 - 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 The labour supply implications of the scale of housing growth currently being planned for by the Council within the emerging Local Plan; based on the District's Local Housing Need and including a 10% buffer, this means the draft Local Plan will need to identify an additional 15,500 homes on top of the existing Canterbury District Local Plan;
 - 4 Updated economic growth scenarios and employment land requirements for the District over the new Local Plan period to 2045, drawing on the latest job forecasts, housing and demographic growth assumptions; and
 - 5 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 EDTS remain unchanged.

¹ <https://drive.google.com/file/d/1FFyAXwWNjy1V4vcx1USPXniCTy7FVxsb/view?usp=sharing>

- 1.7 This focused EDTS 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 EDTS 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)**.
- 1.8 References to ‘employment space’ refer to all B class (and former B class) elements noted above.
- 1.9 An important consideration for any work of this type is that it is inevitably a point-in-time assessment. This study has incorporated the latest data and other evidence available at the time of preparation in February-April 2022. The accuracy and sources of data derived from third party sources has not been checked or verified by Lichfields.
- 1.10 Due to the timing of the study and its analysis, no specific consideration has been given to the impact of potential planning reform, although the study does take account of the more immediate changes to the Use Classes Order (UCO) effective from 1 September 2020 and changes to permitted development rights from 1 August 2021.

2.0 Future Requirements for Employment Space

- 2.1 This section considers future employment space requirements in Canterbury District across the new Local Plan period to 2045 drawing on the most up-to-date assumptions and data regarding future economic growth prospects for the District.
- 2.2 In accordance with Planning Practice Guidance and for consistency with the original EDTS, 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 2020 to 2045. These scenarios draw on:
- 1 Projections of employment growth (**labour demand**) produced by Experian (using the latest available December 2021 release) to consider short and longer term effects of the Covid-19 pandemic and other macro-economic trends upon economic growth prospects for the District over the new Local Plan period; and
 - 2 Estimates of future growth of local **labour supply** based on demographic assumptions applied as part of the standard methodology for assessing local housing need.
- 2.3 The original EDTS also considered a ‘past take-up’ based scenario of growth which drew on monitoring data on past trends in completions of employment space in the District. No update is required to this scenario given that no significant change is expected to the underpinning completions data since the EDTS was undertaken.
- 2.4 It should be noted that following publication of the 2020 EDTS, the proposed Plan period for the emerging Canterbury Local Plan has been extended by five years, to 2045. The following analysis is therefore based on this amended time period (i.e. 2020 to 2045).

Scenario 1: Labour Demand

- 2.5 Employment growth forecasts for Canterbury District for the period to 2041² were obtained from Experian’s December 2021 release (the latest available at the time of analysis). These take account of the latest Covid-19 position and revised macroeconomic assumptions more widely, 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.
- 2.6 These local level employment forecasts are consistent with Experian’s December 2021 UK macro forecast, with further detail on key assumptions summarised below.

² As Experian’s local level employment forecasts only extend to 2041, growth over the remaining 4 years of the Local Plan period (i.e. to 2045) has been estimated by Lichfields based on projected growth rates over the 2020 to 2041 forecast period

Experian Scenario Assumptions: December 2021

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 GDP is now 2.1% below pre-pandemic levels in 2019 Q4.

The labour market 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. At the same time, 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.

The latest snapshot for the UK economy suggests that output could stage a full return to pre-pandemic levels by the first half of 2022, which is slightly later than our previous expectation of 2021 Q1. The delay is a result of the third lockdown which took place in January 2021 along with rising Covid-19 cases as the Delta variant spread to the UK in mid-June. Nonetheless, we are optimistic in the bounce-back, which we expect to be driven by business investments and consumer spending.

The 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.

- 2.7 Reflecting the greater than usual degree of uncertainty and variability attached to the most recent forecasts, they may need to be re-considered closer to the Local Plan examination stage depending on how the economic situation changes in the intervening period.

Implied Employment Change

- 2.8 Table 2.1 summarises employment change implied by the latest Experian forecasts for Canterbury District by office, industrial and distribution uses as well as total employment change over the new Local Plan period. This includes an allowance for jobs in other sectors that typically use office, industrial or warehousing space.

Table 2.1 Forecast Employment Change in Canterbury District, 2020-2045

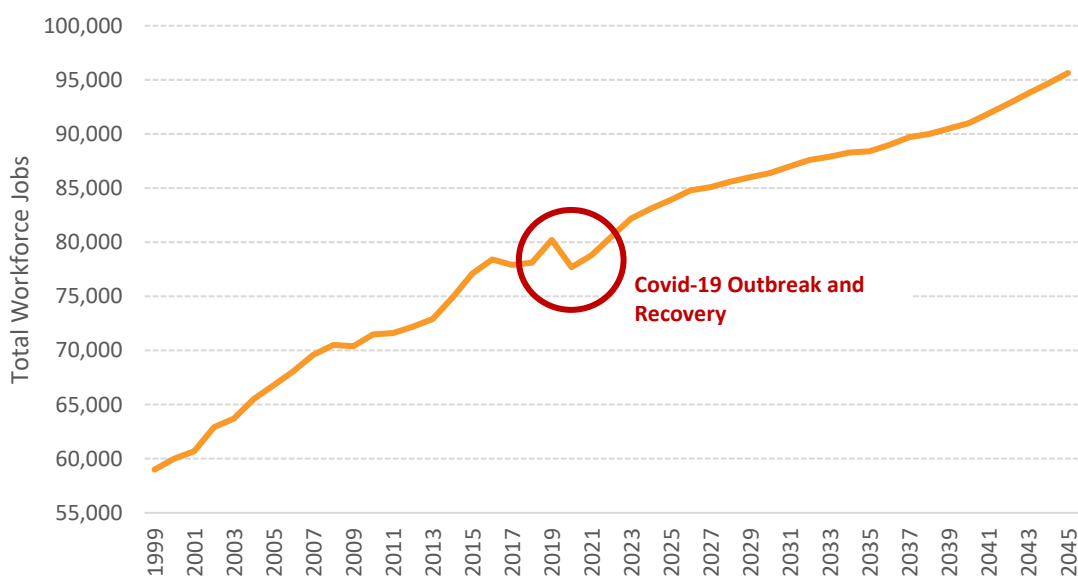
Use	Number of Workforce Jobs		Change (2020-2045)
	2020	2045	
Office E(g)(i)/(ii)	12,090	14,680	+2,590
Light Industrial E(g)(iii)	2,665	3,640	+975
Industrial B2	1,870	2,155	+285
Distribution B8	3,470	4,275	+805
Total Office, Industrial and Distribution Jobs	20,090	24,745	+4,655
Total Workforce Jobs	77,700	95,270	+17,570

Source: Experian (December 2021) / Lichfields analysis (totals rounded)

2.9 Under this scenario, total workforce jobs are expected to increase by 23% within the planning period resulting in an additional 17,570 workforce jobs in Canterbury District by 2045. Just over a quarter (26%) of all job growth is expected to be within office, industrial and distribution sectors (i.e. sectors that typically use this space), with office based sectors driving the largest share of this job growth. Industrial (B2) job growth is forecast to be much lower at just 280 jobs over the period, although in overall terms employment within the District’s industrial sectors is forecast to grow over the Local Plan period.

2.10 Figure 2.1 illustrates the trajectory of total workforce job growth implied by the latest Experian forecasts for Canterbury District. Under this scenario, workforce jobs are expected to grow during the course of 2022 as labour market effects recover from the Covid-19 pandemic. The District’s workforce job base is expected to recover to pre-pandemic levels by 2022, with steady growth then predicted for the remaining years of the Local Plan period to 2045.

Figure 2.1 Forecast Employment Growth in Canterbury District to 2045: Total Workforce Jobs



Source: Experian (December 2021) / Lichfields analysis

2.11 The December 2021 Experian release highlights the short-term impact of Covid-19 upon the District’s economy, estimating that approximately 2,500 workforce jobs were lost during the course of 2020.

2.12 Table 2.2 overleaf identifies the fastest growing and declining sectors in the District in employment terms during the 25-year Local Plan period to 2045. Some of those sectors forecast to see the highest rates of job growth typically fall within office, industrial and distribution use classes, such as professional services and wholesale. The forecasts also suggest that wider sectors of the economy such as education, accommodation & food services and recreation will play a significant role in driving local job growth in future. Meanwhile, job losses are expected within the District’s finance and public admin sectors.

Table 2.2³ Fastest Growing and Declining Employment Sectors in Canterbury District, 2020-2045

Sector	Forecast Change in Workforce Jobs 2020-2045	
	No	%
FASTEST GROWING EMPLOYMENT SECTORS		
Education	3,136	21%
Professional Services	2,297	52%
Health	2,270	33%
Accommodation & Food Services	2,039	33%
Recreation	1,097	50%
Residential Care and Social Work	1,070	23%
Wholesale	848	20%
FASTEST DECLINING EMPLOYMENT SECTORS		
Finance	-355	-19%
Public Administration & Defence	-221	-8%

Source: Experian (December 2021) / Lichfields analysis

- 2.13 Compared with equivalent Experian local level employment forecasts from September 2019 used as part of the original EDTS, the latest (December 2021) forecasts imply a very similar trajectory of job growth for Canterbury District over the Local Plan period. The latest release suggests that the Covid-19 pandemic will have only a relatively minor, short term impact on the District's economy, with medium to longer term growth prospects very similar across the two sets of forecasts⁴.

Converting to Employment Space Requirements

- 2.14 The office, industrial and warehousing component of these employment growth forecasts are converted to future employment space requirements by applying the latest published job density ratios for employment space, which take account of recent trends in occupancy for the different employment uses. The following average ratios have been applied which are consistent with the original EDTS:
- **Offices (E(g)(i)/(ii)):** 1 workforce job per 12.5 sqm;
 - **Light industrial (E(g)(iii)):** 1 workforce job per 45 sqm;
 - **General industrial (B2):** 1 workforce job per 45 sqm; and
 - **Warehousing (B8):** 1 workforce job per 65 sqm for smaller scale warehousing (assumed to account for 70% of warehousing stock in Canterbury District) and 1 workforce job per 80 sqm for large scale, lower density units (assumed to account for 30% of total stock).
- 2.15 These assumptions are based on the latest HCA guidance on job density ratios produced in 2015. This guidance 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. They all relate to Gross External Area (GEA).

³ Table 2.2 updates Table 8.1 found in the Canterbury EDTS October 2020 (pg 92)

⁴ Experian's September 2019 forecasts imply annual job growth of 185 within office, industrial and distribution sectors, compared with 186 p.a. under the December 2021 release. For total workforce jobs, the September 2019 forecasts imply annual growth of 690 compared with 703 under the December 2021 release (albeit covering slightly different Local Plan periods). Employment numbers for the year 2020 have also been slightly 're-based' across the two sets of forecasts.

2.16 An allowance of 8% is added to all positive floorspace requirements to reflect ideal levels of market vacancy in employment space (Table 2.3).

Table 2.3 Net Employment Space Requirements (2020-2045): Labour Demand

Use	Employment Floorspace (GEA sqm)
Office E(g)(i)/(ii)	34,980
Light Industrial E(g)(iii)	47,300
General Industrial B2	13,880
Distribution B8	60,400
Total	156,560

Source: Experian (December 2021) / Lichfields analysis (totals rounded)

2.17 As shown above, the resulting net employment floorspace is positive, driven by increases across all use classes.

Scenario 2: Labour Supply

2.18 This second scenario considers how many jobs, and hence how much employment space, would be necessary to broadly match forecast growth of the resident workforce in Canterbury District. In contrast to the labour demand approach, it focuses on the future supply of labour rather than the demand for labour. It then estimates the amount of new jobs needed to match the future supply of working-age population, and how much employment space would be needed to accommodate the office, industrial and distribution component of future job growth.

2.19 The EDTS presented a labour supply scenario using the ONS 2014-based Sub-National Population Projections (SNPP), which were to be used to inform a Strategic Housing Market Assessment (SHMA) for the District.

2.20 This EDTS focused update uses the same ONS 2014-based SNPP to cover the extended Local Plan period to 2045, given that the ONS 2014-based SNPP underpin the Government’s standard method, used to calculate a minimum annual Local Housing Need (LHN) figure for an area. The emerging Local Plan for Canterbury District is expected to apply the LHN plus a 10% buffer, and as such will likely need to identify an additional 15,500 homes on top of the existing Canterbury District Local Plan.

2.21 These projections imply a total population increase of 31,220 between 2020 and 2045⁵ and suggest that the working-age population is expected to decline from 62.4% to 57.7% of the District’s total population between 2020 and 2045 (reflecting an ageing population).

2.22 The current working-age economic activity rate (78.7%)⁶ for the District is assumed to remain unchanged, and also that in and out-commuting patterns (based on Census Origin and Destination data⁷) do not change over the study period.

⁵ Note that the ONS 2014-Based Sub-National Population Projections extend only to 2039. Therefore, the projections have been projected forward to 2045 by Lichfields using the compound aggregate growth rate for the previous five years to 2039 (consistent with the original EDTS study methodology)

⁶ ONS Annual Population Survey: Year to December 2021

⁷ ONS (2011) Census: Origin and Destination

2.23 Table 2.4 below outlines the additional jobs that could be supported by this projected population growth in the District. The proportion of jobs within office, industrial and distribution sectors assume the same shares as the Experian baseline forecast analysis (as presented in Scenario 1 above).

Table 2.4 Labour Supply Job Requirements (2020-2045)

Indicator	Total Change (2020-2045)
Total population	31,224
Working-age population (16-64)	10,350
Workplace Labour Supply (Total Jobs)	8,300
Office Jobs E(g)(i)/(ii)	1,224
Light Industrial Jobs E(g)(iii)	461
General Industrial Jobs B2	135
Distribution Jobs B8	380
Total Office, Industrial and Distribution Jobs	2,200

Source: ONS / Lichfields analysis

Note: Numbers may not sum due to rounding

2.24 This shows that the supply of labour could support 8,300 workplace jobs between 2020 and 2045, with 2,200 being in sectors associated with office, industrial and distribution floorspace.

2.25 These jobs can be translated into estimated requirements for employment space by applying the same employment densities as used in Scenario 1 and adding an 8% vacancy allowance to positive floorspace (Table 2.5).

Table 2.5 Labour Supply Net Employment Floorspace Requirements (2020-2045)

Use	Employment Floorspace (GEA sqm)
Office E(g)(i)/(ii)	16,525
Light Industrial E(g)(iii)	22,405
General Industrial B2	6,560
Distribution B8	28,520
Total	74,010

Source: Lichfields analysis

Note: Numbers may not sum due to rounding

Land Requirements

2.26 Floorspace figures for both scenarios are finally translated into land (ha) requirements for office, industrial and warehousing uses. This takes account of the total land/site area typically needed to accommodate these uses, factoring in requirements relating to premises, car parking, space for lorry turning, landscaping etc. The following plot ratio assumptions are applied to the floorspace estimates presented above to reflect the pattern of development in Canterbury District, consistent with the original EDTS:

- **Industrial and warehousing:** a plot ratio of 0.4 is applied so that a 1.0 ha site would be needed to accommodate a footprint of 4,000 sqm of employment floorspace; and
- **Offices:** assumed that 30% of new floorspace would be in lower density developments with a plot ratio of 0.4, and 70% in higher density urban/town centre locations at a plot ratio of 2.0.

Planning Requirements

- 2.27 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.
- 2.28 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 high proportion of this space will 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 a loss of high quality, occupied floorspace and vacancy rates continued to be low, 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 or should 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.
- 2.29 The resulting ‘gross’ floorspace and land requirements (or ‘planning requirements’) for Canterbury District are set out in Table 2.6 below. 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 is broadly consistent with the original EDTS methodology.

Table 2.6 Gross Employment Space and Land Requirements (2020-2045)

Use	1. Labour Demand 2020 to 2045		2. Labour Supply 2020 to 2045	
	Floorspace (GEA sqm)	Land (ha)	Floorspace (GEA sqm)	Land (ha)
Office E(g)(i)/(ii)	38,480	4.2	18,180	2.0
Light Industrial E(g)(iii)	52,030	13.0	24,645	6.2
General Industrial (B2)	15,270	3.8	7,215	1.8
Distribution (B8)	66,440	16.6	31,370	7.8
Total	172,220	37.6	81,410	17.8

Source: Lichfields analysis (totals rounded)

Summary

- 2.30 This EDTS focused update considers two updated economic growth scenarios for Canterbury District, based on the latest local level economic forecasts and demographic growth assumptions that underpin proposed housing provision in the emerging Local Plan.
- 2.31 The updated **labour demand growth scenario** draws on Experian's December 2021 economic forecast to consider short and longer term effects of the Covid-19 pandemic upon economic growth prospects for the District over the Local Plan period. Whilst they understandably show some labour market disruption in the short term as the local employment base contracts as a result of the Covid-19 pandemic, the District's job base is expected to recover to pre-pandemic levels by 2022 and then record steady growth for the remaining years of the Local Plan period to 2045. Just over a quarter (26%) of all job growth is expected to be within office, industrial and distribution sectors, with office sectors driving the majority of this growth.
- 2.32 The overall scale of employment growth implied by the latest Experian forecasts is not dissimilar to that implied by equivalent forecasts analysed as part of the original EDTS (taken from Experian's September 2019 release), albeit this update covers an extended Local Plan period to 2045 so the overall quantum of job growth is proportionately higher. This scenario generates a planning requirement for 172,220 sqm or 37.6 ha of employment land over the 25-year period 2020-2045, the majority of which relates to distribution (B8) and light industrial (E(g)(iii)) uses.
- 2.33 The updated **labour supply growth scenario** draws on population projections for the District that are consistent with the proposed scale of housing provision set out in the emerging Local Plan; specifically, the ONS 2014-based Sub-National Population Projections (SNPP) which underpin the Government's standard method that is used to calculate Canterbury District's Local Housing Need. These projections were also used to develop the labour supply scenario within the original EDTS, but now need to cover an extended Local Plan period to 2045.
- 2.34 They imply a total population increase of 31,220 between 2020 and 2045 but also project a declining working-age population in the District, and this acts to constrain the scale of workplace labour supply that could be available to take-up local employment opportunities in future, particularly compared with the labour demand scenario. It generates an employment land requirement equivalent to 81,410 sqm or 17.8 ha over the 25-year Plan period to 2045, again driven mainly by distribution (B8) and light industrial (E(g)(iii)) uses.

3.0 Demand/Supply Balance

3.1 The updated future employment space requirements considered in section 2.0 can be compared with the latest position in terms of identified employment land supply in Canterbury District, to determine the level of need for employment land over the new Local Plan period to 2045.

Pipeline Supply

3.2 The supply of employment space in the development pipeline comes from sites that have been allocated for either employment uses or mixed-use development through the Canterbury District Local Plan as well as extant/unimplemented planning permissions for employment (B class) development.

3.3 The Council's latest monitoring data (at February 2022) provides information on planning permissions and land availability, and the Council has also provided further detail on the assumed supply within each of these categories where relevant. Based on this information, the space available to help meet future needs in Canterbury District is estimated to comprise 146,277 sqm of employment space in net terms, as shown in Table 3.1.

Table 3.1 Pipeline Supply of Employment Floorspace

Use Class	Net Allocated (sqm)	Net Committed (sqm) (planning permissions)	Net Total Supply (sqm)
E(g)(i)/B1a	21,386	-2,137	19,249
E(g)(ii)/B1b	0	0	0
E(g)(iii)/B1c	0	2,083	2,083
Mixed E(g)/B1	99,089	5,701	104,790
B2	6,030	2,710	8,740
B8	9,360	2,055	11,415
Total	135,865	10,412	146,277

Source: Canterbury City Council 2022 / Lichfields analysis

3.4 Compared with the employment land supply position identified in the original EDTS, the quantum of supply available from both site allocations and extant planning permissions has reduced. This is in part due to the updated supply position considering planning permissions already delivered in 2020/21 as shown in Table 3.2, based on the Council's latest monitoring data. This indicates total net completions of 7,826 sqm of employment floorspace within Canterbury District contributing to about 5.4% of the future supply.

Table 3.2 Completions of Employment Floorspace in 2020/21

Use Class	Net Completions (sqm) (planning permissions)
E(g)(i)/B1a	337
E(g)(ii)/B1b	400
E(g)(iii)/B1c	217
Mixed E(g)/B1	7,699
B2	-610
B8	-217
Total	7,826

Source: Canterbury City Council 2022 / Lichfields analysis

Demand/Supply Balance

- 3.5 A broad comparison between estimated demand for employment space arising from each scenario against the currently identified supply is outlined below in Table 3.3 and Table 3.4. This indicates that the District would have enough employment space in overall quantitative terms to accommodate the updated labour supply scenario, but insufficient supply to accommodate the updated labour demand growth scenario.
- 3.6 However, there are some important variations when individual uses are considered:
- For the labour demand scenario, there is a potential surplus for mixed E(g) office and light industrial uses, but a shortfall for general industrial (B2) and distribution (B8) uses.
 - For the labour supply scenario, there is a significant potential surplus for E(g) office and light industrial uses, and a modest surplus for general industrial (B2), but with a shortfall for distribution (B8) uses.
- 3.7 Therefore, under both scenarios, it is B8 uses where available supply appears to be consistently below the level of expected demand, and to a lesser degree for B2 uses also under the labour demand scenario.
- 3.8 It should be noted that the updated supply position takes account of planning permissions for employment space already delivered in the first year of the plan period (i.e. 2020/21). Hence, as highlighted in Table 3.3 and Table 3.4, the employment space requirements for both scenarios have been adjusted accordingly by subtracting the net completions of employment floorspace in the plan's first year to show the requirement for the following 19 years of the local plan period. The individual E(g) (i.e. office and light industrial) uses have been combined into a single 'mixed' E(g) category.

Table 3.3 Demand/Supply Balance to 2045 for Scenario 1: Labour Demand

	Labour Demand	Net completions in 2020/21 (Table 3.2)	Adjusted requirement Employment Space	Available Employment Space (sqm)	Shortfall / Surplus (sqm)
Office E(g)(i)/(ii)	38,480				
Light Industrial E(g)(iii)	52,030				
Mixed E(g)	90,510	8,653	81,857	126,122	+44,265
General Industrial (B2)	15,270	-610	15,880	8,740	-7,140
Distribution (B8)	66,440	-217	66,657	11,415	-55,242
Requirement for Employment Space	172,220	7,826	164,394	146,277	-18,117

Source: Lichfields analysis

Table 3.4 Demand/Supply Balance to 2045 for Scenario 2: Labour Supply

	Labour Demand	Net completions in 2020/21 (Table 3.2)	Adjusted requirement Employment Space	Available Employment Space (sqm)	Shortfall / Surplus (sqm)
Office E(g)(i)/(ii)	18,180				
Light Industrial E(g)(iii)	24,645				
Mixed E(g)	42,825	8,653	34,172	126,122	+91,950
General Industrial (B2)	7,215	-610	7,825	8,740	+915
Distribution (B8)	31,370	-217	31,587	11,415	-20,172
Requirement for Employment Space	81,410	7,826	73,584	146,277	+72,693

Source: Lichfields analysis

Sub-District Balance

- 3.9 The original EDTS also presented a summary of the anticipated demand/supply situation for the District’s main sub-areas/settlements in order to identify where any gaps or mismatches in future provision could occur. This has been refreshed as part of this focused update and is presented in Table 3.5 below.

Table 3.5 Comparison of Employment Floorspace Supply and Demand to 2045 by Sub Area

Sub Area	Available Employment Floorspace Supply (sqm)	Reported Level of Market Demand [¥]		Demand / Supply Balance to 2045
		Office	Industrial	
Canterbury City	64,319	Low	Low/Moderate	↑
Herne Bay	70,571	Low	Moderate/High	↔
Whitstable	3,266	Low	Moderate/High	↓
Rural areas / rest of District	8,121	Low/Moderate	Low/Moderate	↓
District Total	146,277	Low/Moderate	Moderate	↓

KEY ↔ = adequate supply ↑ = over-supply ↓ = under-supply

¥ Based on property market analysis undertaken for the original EDTS

- 3.10 This analysis has been undertaken within the context of a much tighter overall employment land demand/supply balance position for the new Local Plan period 2020-2045, reflecting an extended Plan period and a reduced supply pipeline when compared with the original EDTS.
- 3.11 As noted in the original EDTS, there also remains a risk that a number of strategic employment allocations (as summarised within Table 3.1 above) do not come forward in full for development over the Plan period, which could place further pressure on remaining pipeline supply to

accommodate the District's future economic growth needs, unless alternative capacity can be identified.

4.0 Conclusions and Policy Implications

- 4.1 This focused EDTS update has been prepared to provide supplementary and updated economic evidence specifically to inform the approach to economic growth and employment land policies within the new Canterbury District Local Plan. It partially updates the findings of the original EDTS prepared in 2020 and should be read alongside it.
- 4.2 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.

Planning for Employment Space

- 4.3 In order to reflect the changing economic and policy landscape which has evolved significantly since the original EDTS was prepared, this focused update considers two updated economic growth scenarios for Canterbury District, based on the latest local level economic forecasts and demographic growth assumptions that underpin proposed housing provision in the emerging Local Plan.
- 4.4 The updated labour demand growth scenario expects the District's job base to recover to pre-pandemic levels by 2022 and then record steady growth for the remaining years of the Local Plan period to 2045. The overall scale of employment growth implied by the latest Experian forecasts is similar to that implied by equivalent forecasts analysed as part of the original EDTS, albeit this update covers an extended Local Plan period to 2045 so the overall quantum of job growth is proportionately higher. Just over a quarter (26%) of all job growth is expected to be within office, industrial and distribution sectors, with office sectors driving the majority of this growth. This generates a planning requirement for 172,220 sqm or 37.6 ha of employment land over the 25-year period 2020-2045, the majority of which relates to distribution (B8) and light industrial (E(g)(iii)) uses given the relatively 'land hungry' nature of these activities.
- 4.5 The updated labour supply growth scenario draws on population projections for the District that are consistent with the proposed scale of housing provision set out in the emerging Local Plan. They imply a total population increase of 31,220 between 2020 and 2045 but also project a declining working-age population in the District, which acts to constrain the scale of workplace labour supply that could be available to take-up local employment opportunities in future, particularly compared with the labour demand scenario. It generates a lower employment land requirement equivalent of 81,410 sqm or 17.8 ha over the 25-year Plan period to 2045, again driven mainly by distribution (B8) and light industrial (E(g)(iii)) uses.
- 4.6 Compared with latest Council monitoring data on pipeline employment land supply (comprising site allocations and extant/unimplemented planning permissions), the District would have enough employment space in overall quantitative terms to accommodate the updated labour supply scenario, but a shortfall of just over 18,000 sqm associated with accommodating the updated labour demand growth scenario.
- 4.7 This indicates a much tighter overall employment land demand/supply balance position for the new Local Plan period 2020-2045, reflecting an extended Plan period and a reduced supply pipeline when compared with the original EDTS. More particularly, the demand/supply balance position points to a shortfall in B8 distribution employment floorspace. Therefore, it is recommended that the Council seek to identify additional supply of B8 floorspace that is market viable and suitably located. In addition, whilst the demand/supply position shows that there is likely to be a sufficient supply of E(g) floorspace, it will be important for the Council to consider the extent to which locally-accessible employment opportunities are provided as part of the strategic allocations in order to meet the Council's aim to create sustainable communities i.e.

that allows for future housing delivery to be brought forward in conjunction with new employment opportunities.

- 4.8 The updated analysis also identifies some anticipated gaps and ‘mismatches’ in future provision at a sub-District level, with a relative over-supply of land to accommodate growth needs in Canterbury City and insufficient capacity to accommodate future business needs in Whitstable and more rural areas of the District.

Implications of Use Class Order Changes

- 4.9 From 1 September 2020, the former A1, A3, B1, D1 and D2 use classes are merged into a new Class E “Commercial, Business and Services” Use Class in England. B2 and B8 Use Classes remain unaffected, but changes affecting other classes have also been introduced.⁸
- 4.10 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.
- 4.11 In December 2020, the Government began a consultation on a variety of further changes to permitted development rights, and a new Class MA business and commercial to residential permitted development right (PDR) has 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.
- 4.12 Former use Class B1 (business) now benefits 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 converted, so represents a significant new restriction for office to residential change of use via permitted development.
- 4.13 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.
- 4.14 These changes will influence how Canterbury 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 on-site facilities such as convenience retail, gyms and other supporting uses as part of

⁸ See summary of changes at https://lichfields.uk/media/6020/guide-to-changes-to-the-use-classes-order-in-england_july-2020.pdf

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 District 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 to help address business needs in the District over the new Plan period, 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.