

Worthing Employment Land Review Focused Update Final Report

Worthing Borough Council

September 2020

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1.0 Introduction

1.1 Worthing Borough Council ('the Council') commissioned Lichfields to prepare a focused update to the 2016 Economic Research and Employment Land Review ('ERELR') to inform the evidence base for the Council's emerging Local Plan which will cover the period between 2020 and 2036.

1.2 The 2016 ERELR study, also prepared by Lichfields, provided an assessment of potential employment growth in Worthing Borough at that time to help inform employment targets in the Local Plan, as well as an assessment and review of existing employment land and premises. This report partially updates the 2016 study and should be read alongside it.

1.3 Due to the timing of this update study and its analysis, no specific consideration has been given to the impact of emerging planning reform, including the more immediate changes to the Use Classes Order which came into force from 1st September 2020.

Scope of Study

1.4 The purpose of this focused update is to provide updated evidence on the future growth potential of the Borough's economy to support the new Local Plan and to review the 2016 ERELR study findings to confirm that the approach being taken by the Council is justified. The update therefore reviews the emerging policy approach to the local economy in light of changes to national planning policy that have occurred since the previous study.

1.5 The key requirements of the brief were to:

- 1 **Prepare an updated employment land demand/supply balance** to cover the new Local Plan period. This should take account of future economic growth scenarios using the latest 'baseline' economic forecasts, Local Plan housing delivery assumptions and evidence and recent demand for employment land in the Borough. Using assumptions consistent with the 2016 ERELR, this should provide future employment land requirements, for different types of employment uses, for the new Local Plan period.
- 2 **Review the commercial property market** in and around Worthing to examine recent market trends, signals and changes since 2016. This should include an assessment of the impact that office to residential Permitted Development Rights have had on the office market. The role of a number of key employment sites and the Key Office Areas should also be assessed with guidance provided on an appropriate future strategy for each location.
- 3 **Review the emerging policy approach for employment (B class) uses** and provide recommendations on potential changes to reflect the updated analysis and changing national policy context. This should include specific advice on accommodating D2 uses and responding to applications for D2 uses within designated employment areas.

1.6 Consideration has been given to the fact that the Borough is highly constrained in terms of land supply to accommodate growth across all land uses. The pressure to meet housing needs places particular constraints upon the availability of employment land in Worthing.

1.7 This focused update assesses the economic development needs of the Borough objectively in line with the [National Planning Policy Framework](#) (NPPF, February 2019) and latest Planning Practice Guidance (PPG) with regards to [Economic Needs Assessment](#).

1.8 Demand for B-class employment land and floorspace is considered in this report, and references to 'employment space' are intended to mean office, industrial and distribution uses. The study also considers future projections for growth in non-B class sectors to set out how the overall

economy of the area could change in the future, although does not specifically assess the space implications of these other sectors because they are planned for using different methodologies and considered by other forms of technical evidence (e.g. retail assessment).

- 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 between May and July 2020 (before the introduction of Planning Reforms in the end of July). The accuracy and sources of data derived from third party sources has not been checked or verified by Lichfields.

The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020

- 1.10 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 been also introduced.¹
- 1.11 The government’s stated rationale for the change is to better reflect the diversity of uses found on high streets and town centres, and to provide the flexibility for businesses to adapt and diversify. Notwithstanding this, the effect of the changes is not limited to town centre locations. This means that Class E will affect any buildings within the relevant uses, including those within the former B1 Use Class in designated employment areas.
- 1.12 The drafting of this report pre-dates the introduction of these changes, but which has been prepared in line with the Planning Practice Guidance (PPG) and the methodology for determining future employment land needs, which at the time of drafting is unchanged. Therefore, the report refers to “B1 uses”, which under the new Use Classes Order will change as set out below:
- 1 Former Class B1(a) to E(g)(i);
 - 2 Former Class B1(b) to E(g)(ii);
 - 3 Former Class B1(c) to E(g)(iii);
- 1.13 These changes will, however, influence how Worthing plans for future employment needs and the appropriate policies that need to be put in place. We summarise below some of the potential implications which will need further detailed consideration in due course:
- 1 Existing policies to protect employment space will become less effective where these relate to existing B1(a/b/c) premises, because there will no longer be the same planning mechanism to control these from switching to other forms of retail, leisure and community use. Over time, this could potentially alter the composition of existing employment areas and reduce the supply of existing employment space, particularly in locations such as Worthing where there is pressure from other Class E uses and there is a constrained land supply in general.
 - 2 Similarly, former B1 allocations could face delivery challenges. However, local planning authorities may still be able to place restrictions on use at the planning application stage. Conversely, it may also now be easier for developers to be flexible to accommodate supporting on-site facilities such as convenience retail, gyms and other supporting uses as part of industrial estates/business park developments given they are now all contained within the same use class – provided these uses are proportionate, that could be helpful in

¹ See summary of changes at https://lichfields.uk/media/6020/guide-to-changes-to-the-use-classes-order-in-england_july-2020.pdf

making these locations more attractive to the market and potential occupiers or supporting viability challenges where they exist.

- 3 Alongside the changes to the Use Classes Order, it is possible that the continuation and extension of permitted development rights may exert further pressure on B1a/b/c for conversion and potential replacement of older buildings for residential where the criteria can be met. This may be particularly the case when combined with a weaker office market outlook in the near-term at least due to the pandemic. However, the Council could still opt to introduce an Article 4 Direction to withdraw these rights across a defined area if they can demonstrate this is justified.
- 4 It may be advisable for the Council to prepare an up-to-date assessment of B1 stock in Worthing 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 ex-B1c and B2, and whether in practice these represent different market segments locally. In turn, this analysis could help building 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 help overcome the challenges faced locally in delivering new light industrial space.

Covid-19

- 1.14 The outbreak of Covid-19 and resulting pandemic has developed rapidly with far reaching impacts on the economy and business across the country. Lockdown measures have led to unprecedented shut downs of large parts of the economy simultaneously, with effects being transmitted rapidly across all sectors.
- 1.15 It remains difficult to anticipate the future course of the pandemic and the full extent of the economic shock at the time of writing. With regards to planning for economic growth and employment space, it is still too early to understand how the pandemic and resulting structural changes may affect how businesses operate and the resultant demand for employment land.
- 1.16 This focused update to the 2016 ERELRL has been undertaken during a period of significant economic uncertainty associated with the Covid-19 pandemic, and whilst some emerging implications from this feature as part of the updated property market review, due to the timing of the analysis the updated economic growth scenarios do not specifically reflect the outbreak of Covid-19 and associated short, medium, or longer-term implications for growth within the Borough. It is recommended that the Borough Council continue to monitor local Covid-19 related impacts and review local economic growth prospects as the Local Plan evidence base develops.

'And Then: Bouncing Back in Post-Pandemic Adur and Worthing'

- 1.17 In response to the economic disruption caused by Covid-19 and associated lockdown, Adur and Worthing Councils has recently published a positioning paper titled "[And Then...](#)" to present the interventions that the Councils will take to enable communities to thrive and be resilient following the pandemic. Five 'platforms' have been identified, namely: Prosperous Places; Thriving People and Communities; Tackling Climate Change and Supporting our Natural Environment; Good Services and New Solutions; and Leadership of Place. Each platform is

accompanied by a number of activities over the next three to six months to guide local economic recovery and subject to monitoring and review these will be reset accordingly. Under the first platform (Prosperous Places) the Councils have identified eight key activities in relation to enhancing the local economy. These include:

- 1 *Partnership and support to local businesses*, including signposting access to funding opportunities;
- 2 *Access to employment and skills*, including support to help people find new jobs and start business in cooperation with local Universities and the LEP;
- 3 *Safe spaces and visitor confidence*, including a programme of works designed to enhance the safety sense of visitors and traders across the various town centres including Worthing;
- 4 *Maintain and enhance the public spaces*, cycling routes and digital infrastructure to support hospitality, leisure and tourism sectors;
- 5 *Major development and investment projects* that aim to deliver homes and jobs will be subject to an accelerated programme for delivery prioritising those currently under development and use regulatory powers to enable new development;
- 6 *New rental model for council-owned commercial properties* that will include an ‘easy in easy out’ rental mode in designated properties and re-purposing existing buildings to provide flexible space for start-ups and small businesses;
- 7 *Growing the local micro-entrepreneurs*, including re-purposing the small business grant scheme and act as a short-term guarantor to support loans for funding start-ups; and
- 8 *Support creative industries* with access to funding and developing a tailored growth programme to enhance investment and create opportunities for creative digital entrepreneurs to enter new sectors such as health and well-being.

Structure of Report

1.18 The remainder of this report is structured as follows:

- **Employment Space Requirements** (Section 2.0) – estimates future employment space requirements for B Class sectors in quantitative terms, drawing on employment forecasts, past trends and labour supply scenarios;
- **Demand/Supply Balance** (Section 3.0) – assesses the balance between current land supply and future needs, in quantitative terms, by comparing forecast requirements with availability of emerging supply;
- **Property Market Signals and Intelligence** (Section 4.0) – describes current property market conditions, recent trends in the demand for and supply of B class employment premises and provides an update in the assessment of six employment areas; and
- **Conclusions and Policy Considerations** (Section 5.0) – considers the implications of the updated future employment space requirements and demand/supply balance.

2.0 Employment Space Requirements

2.1 This section considers future economic growth needs in Worthing drawing on a number of scenarios for the local authority. These scenarios are used to inform an updated analysis of the potential economic growth drivers within the Borough and the employment land and planning policy implications that flow from these.

Approach

2.2 The National Planning Policy Framework (February 2019) requires “*planning policies to set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth*” (paragraph 81a).

2.3 In this context, and in compliance with Planning Practice Guidance on economic development needs assessment, a number of potential future economic scenarios which were included in the 2016 ERELRL have been updated in this study to provide a framework for considering future economic growth needs and B Class employment space requirements in Worthing over the period to 2036. These scenarios draw on:

- 1 Projections of employment growth in the main B class sectors (**labour demand**) derived from economic forecasts produced by Experian (March 2020 release);
- 2 Consideration of **past trends in completions of employment space** based on monitoring data supplied by Worthing Borough and West Sussex County Council, and how these might change in the future; and
- 3 Estimates of future growth of local **labour supply** based on both the demographic and housing assumptions applied in the Adur and Worthing SHMA; and the emerging housing target as consulted in the Draft Worthing Local Plan Spatial Strategy 2018.

2.4 All these approaches have some limitations and careful thought needs to be given as to how appropriate each is to circumstances in Worthing. In addition, to be robust, the economic growth potential and likely demand for employment space in Worthing needs to be assessed under different future scenarios, to reflect lower or higher economic growth conditions arising in future. There are also a number of qualitative factors that will influence the future employment space requirements that need to be planned for.

a) Forecasts of Job Growth

2.5 Forecasts of employment growth in Worthing over the period to 2036 were sourced from the March 2020 release of Experian’s UK Local Market Forecasts, which take into account recent regional and national macroeconomic patterns to predict future economic growth at the local authority level. Such forecasts tend to be most reliable at national and regional scales and consequently less so at the local economy level, but they are widely recognised as a valuable input and can indicate the broad scale and direction of economic growth in different sectors to help assess future employment space requirements.

2.6 It should be noted that the March 2020 release precedes the outbreak of Covid-19 and resulting global pandemic and does not therefore factor in economic implications associated with the short-term economic shock and unfolding recession. As a result, they should be viewed in the context of significant ongoing uncertainty surrounding future economic growth prospects at both macro and local level.

Scenario 1: Baseline Labour Demand

- 2.7 The forecasts of job growth by sector used herein reflect recent trends and are based on projections at national and regional level, and how economic sectors in Worthing have performed relative to these wider comparators in the past. For example, where particular sectors have performed well compared with the regional average (i.e. South East England) the forecasts generally assume that these sectors will continue to drive growth within the Borough in the future. Further details about Experian’s methodology are provided in Appendix 3.
- 2.8 The Experian forecast indicates overall growth of 7,500 jobs for the Borough over the 16-year Local Plan period, equivalent to 469 jobs per annum. Table 2.1 shows forecast change between 2020 and 2036. A detailed breakdown of the Experian baseline forecast by sector is included at Appendix 10.

Table 2.1 Forecast Employment Change in Worthing, 2020-2036

	Number of Jobs		Change
	2020	2036	2020-2036
Offices (B1a/b)	8,031	8,703	671
Manufacturing (B1c/B2)	4,637	4,568	-68
Distribution (B8)	2,389	2,681	292
Total B-Class Jobs	15,057	15,952	895
Jobs in All Sectors	55,900	63,400	7,500

Source: Experian March 2020 / Lichfields analysis

- 2.9 As shown above, employment in B class uses is expected to grow by 895 jobs in the period to 2036 or by an average of 56 jobs per annum. In particular, employment in office-based sectors is expected to increase by 671 jobs from 2020 to 2036. Moreover, there is expected to be an increase in warehousing and distribution jobs of 292 over the period to 2036. Employment in manufacturing is forecast to decrease slightly by 68 jobs over the 16-year period, which is equivalent to a loss of 4 jobs per annum.
- 2.10 Table 2.2 presents the fastest growing sectors under this scenario, alongside those sectors expected to see a decline in employment. Health and residential care and social work are expected to drive the majority (72%) of employment growth in the Borough up to 2036. Manufacturing of computer and electronic products, together with finance are forecast to see the most significant decreases in employment, equivalent to a loss of 200 jobs in each sector across the plan period. This suggests that non-B use class sectors are expected to drive the majority of job growth over the study period, with B class sectors playing a much less significant role in job growth terms.

Table 2.2 Employment Change by Sector, 2020-2036

Sector	Use Class	Change in Jobs (2020-2036)	% Change (2020-2036)
Health		2,800	28%
Residential Care & Social Work		2,600	43%
Professional Services		700	21%
Land Transport, Storage & Post		400	25%
Education		400	10%
Pharmaceuticals (manufacture of)		200	22%
Real Estate		200	20%
Utilities		200	15%
Public Administration & Defence		-100	-3%
Accommodation & Food Services		-100	-4%
Metal Products (manufacture of)		-100	-25%
Finance		-200	-11%
Computer & Electronic Products (manufacture of)		-200	-22%

Source: Experian March 2020 / Lichfields analysis

Key: **GREEN** = B class sector **ORANGE** = Part B class sector **RED** = Non-B class sector

2.11 These jobs forecasts can then be converted to future employment space requirements assuming typical ratios of jobs to floorspace for the different B uses. To estimate space needs, the following average ratios have been applied:

- **Offices:** 1 job per 12.5 sqm;
- **Industry:** 1 job per 45 sqm;
- **Warehousing and Distribution:** 1 job per 65 sqm for small scale warehousing (estimated to account for approximately 80% of new warehousing space in Worthing) and 1 job per 80 sqm for larger scale warehousing (accounting for 20% of new warehousing space).

2.12 These assumptions are based on the latest Homes & Communities Agency (HCA) guidance on employment densities published in 2015.² In some cases, these have been updated from those used in the 2016 ERELRL which were based on earlier guidance, to ensure that current assumptions reflect the latest industry trends in terms of how space is planned, developed and utilised. Where the floorspace densities have increased, this represents businesses requiring less floorspace to accommodate employees.

2.13 An allowance of 10% is added to all positive floorspace requirements to reflect a normal level of market vacancy in employment space. Where a reduction in jobs is forecast (i.e. for manufacturing employment), the associated negative floorspace is halved, to reflect the fact that not all of this employment space is likely to be lost at the same pace as employment decline. From this assessment, the net employment floorspace requirements in Worthing up to 2036 based on the baseline job forecast are set out in Table 2.3 overleaf.

² HCA Employment Density Guide, 3rd edition, 2015.

Table 2.3 Net Employment Space Requirements based on Baseline Labour Demand, 2020-2036

Use Class	Net Floorspace Requirement (sqm)
Offices (B1a/b)	9,230
Manufacturing (B1c/B2)	- 1,530
Distribution (B8)	21,820
All B Class Uses	29,520

Source: Experian March 2020 / Lichfields analysis

- 2.14 The forecast net increase of 895 B class jobs over the period to 2036, which underpins this estimate of future employment space needs, is equivalent to an average increase of 56 jobs per annum. This compares with a decrease of 162 B class jobs on average per annum recorded within Worthing over the last 16-year period (i.e. 2004-2020), based on Experian data. The March 2020 Experian forecast therefore suggests that B class sectors are expected to perform much more strongly in the Borough over the plan period than historically.

b) Past Development Rates

- 2.15 Because they reflect market demand and actual development patterns on the ground, in some situations long term completion rates of employment floorspace can provide a reasonable basis for informing future land needs, particularly where land supply or demand has not been unduly constrained historically.

Scenario 2: Past Development Rates

- 2.16 Data on past completions by B class sector between 2011 and 2019 were provided by West Sussex County Council. It should be noted that WSCC monitoring data excludes developments that involve change of use from B class to non B class uses; it is therefore likely to underestimate the scale of B class floorspace loss in the Borough so should be treated with caution. During the 2011-2019 period, average annual net completions of B class employment space in Worthing equated to around 3,420 sqm. Nearly half of these net completions (46%) were for B1c and B2 industrial space, with 14% being for B1a/b office and 36% for B8 distribution space. Gross completions were much higher in the Borough at an average of 6,350 sqm per annum, although this masks losses of floorspace that occurred during this period (Table 2.4).

Table 2.4 Average Annual Completion Rates in Worthing, 2011-19

Sector (Use Class)	Gross Annual Completions (sqm)	Net Annual Completions (sqm)
Office (B1a/B1b)	910	280
Industrial (B1c/B2)	2,930	1,900
Distribution (B8)	2,510	1,240
All B Class Uses	6,350	3,420

Source: West Sussex County Council 2020 / Lichfields analysis

- 2.17 It should be noted that past completions monitoring data for Worthing monitored by West Sussex County Council includes 2,530 sqm of gross mixed B1 use class space developed in the Borough between 2011 and 2019. This space has been split by Lichfields between office (B1a/b) and light industrial (B1c) based upon the proportion of the total gross employment space that has been developed within the Borough for each type of B1 use class (i.e. 56% of B1 was office and 44% light industrial, so these proportions were attributed, respectively).

- 2.18 Compared to the past completion figures reported in the 2016 EREL, there has been an uplift in both gross and net annual completion rates. In particular, annual average gross completions have increased from 4,180 sqm to 6,350 sqm (+2,170 sqm), while net annual completions have increased from 1,690 sqm to 3,420 sqm (+ 1,730 sqm). This implies that gross development rates of B class space have accelerated slightly since 2015 to drive the creation of B class jobs, however losses of employment space have offset this to lead to a more modest increase in the annual average rate of net completions.
- 2.19 One view of future growth in Worthing could, therefore, simply assume that past development rates carry on in the future at the long-term average. If it were assumed that past net completion rates were to continue over the next 16 years, this would equate to an increase of 4,480 sqm of office space, 30,400 sqm of industrial, and 19,840 sqm of distribution space by 2036 (see Table 2.5). The overall B class employment space requirement would total 54,720 sqm over the plan period to 2036.

Table 2.5 Net Employment Space Requirements based on Past Completion Rates, 2020-2036

Sector (Use Class)	Assumed Net Annual Completions (sqm)	Floorspace Requirement (sqm)
Office (B1a/B1b)	280	4,480
Industrial (B1c/B2)	1,900	30,400
Distribution (B8)	1,240	19,840
All B Class Uses	3,420	54,720

Source: West Sussex County Council 2020 / Lichfields analysis

- 2.20 Using typical ratios of jobs to floorspace for the different types of B class floorspace (as set out above), it is possible to estimate that around 1,330 B class jobs would be created in Worthing by 2036 under the past development rates scenario. This is equivalent to growth of about 83 B class jobs per year on average over the course of the plan period.
- 2.21 However, it is important to emphasise that there are limitations within the monitoring data which does not fully include losses of B-class to non B-class uses such as residential. This means that this scenario is likely to overstate the potential level of requirements.
- Office to Residential Permitted Development Rights**
- 2.22 Prior approvals monitoring data on office to residential conversions through PDR between 2015 and 2019 has been provided by Worthing Borough Council. During this period, the net loss of B1a/b class employment space through PDR in Worthing equated to around 12,960 sqm. This equates to an annual average decrease of B1 office space of 2,590 sqm over this period.
- 2.23 These office space losses are not included within the main B class monitoring data provided by West Sussex County Council, but when combined, point to a gradual erosion of the Borough’s office supply over the last four years.
- 2.24 By way of illustration, if it was assumed that past net development rates incorporating PDR office space losses recorded since 2015 carry on in the future at the same rate, this could result in a decrease of 36,960 sqm of office space between 2020 and 2036. The effect would be to reduce the overall B Class employment space requirement (under scenario 2) to 13,280 sqm over the Local Plan period to 2036.
- 2.25 In reality, it is unlikely that the scale of office floorspace losses that have occurred within the Borough over the last few years as a result of PDR will continue at the same pace in future given that these initial conversions generally related to redundant and underused office stock that has gradually been removed from the local market. It should be noted, however, that there have

been examples of more modern stock being converted. In any case, those premises that were initially identified as candidates for PDR conversions have now been converted. Therefore, it is not expected that past rates of PDR office losses will continue at the same pace through the new Plan period. For this reason, the analysis is presented here as a sensitivity test to the past development rates scenario, rather than as a scenario in itself.

c) Future Labour Supply

2.26 It is also important to consider how many jobs, and hence how much employment space, would be needed to broadly match forecast growth of the Borough’s resident workforce. In contrast to the two preceding approaches, this forecasts the supply of labour rather than labour demand. It then indicates the amount of new jobs needed to take-up this future supply of workers and minimise local unemployment, and how much employment space would be needed to accommodate these jobs.

Scenario 3: Labour Supply (SHMA 2020, Standard Method)

2.27 There is an estimated local housing need of 885 dwellings per annum (dpa) for Worthing based on the [Adur and Worthing Strategic Housing Market Assessment](#) (SHMA) (May 2020) and the updated Standard Method figure prepared by IcenI (the SHMA consultants). The increase in local labour supply associated with this 885 dpa has been provided by IcenI and the B class job requirements arising from this labour supply growth have been estimated by Lichfields as set out in Table 2.6. These figures take account of economic activity rates and commuting ratios provided by the SHMA consultants for the 2020 to 2036 plan period.

Table 2.6 Forecast Labour Supply / Job Requirement in Worthing – 885 dpa, 2020-2036

	Average per year (2020-2036)	Total Change 2020-2036
Dwellings	885	14,160
Resident Working-Age Population	640	10,049
Workplace Labour supply	613	9,812
B Class Job Requirement	91	1,453

Source: IcenI (2020) / Lichfields analysis

2.28 The number of workplace jobs required to support the increase in employed persons in the Borough assumes that one additional job would be required for each additional worker, whilst the proportion employed in B class sectors takes into account the existing and forecast share of B class jobs to total jobs in the Borough from the Experian baseline employment forecast data (presented in Scenario 1).

2.29 The resulting job numbers were then translated into estimated requirements for B class employment floorspace by applying the same standard employment densities used in the job growth-based approach (paragraph 2.11) and adding a 10% vacancy allowance to positive floorspace figures.

2.30 Overall, future employment space requirements based on meeting the job needs of local residents would imply a B class employment floorspace requirement of 42,455 sqm by 2036 (as summarised in Table 2.7). This labour supply-based estimate provides a useful benchmark for comparison with labour demand approaches.

Table 2.7 Net B Class Floorspace Required from Labour Supply Growth – 885 dpa, 2020-2036

Use	Floorspace (sqm) 2020-2036
Offices (B1a/B1b)	12,255
Industrial (B1c/B2)	3,760
Distribution (B8)	26,440
All B Class Uses	42,455

Source: Lichfields analysis

Scenario 4: Labour Supply (Emerging Housing Target)

- 2.31 In light of recent patterns of housing delivery in the Borough, the Council has requested that the study also considers the implications of an alternative scenario whereby a lower level of housing delivery is achieved within Worthing over the plan period than the projected OAN figure for the Borough of 885 dpa. On this basis, an alternative labour supply-based scenario considers the future B class floorspace requirements associated with 246 new dwellings per year over the period up to 2036 (as consulted in the [Draft Worthing Local Plan Spatial Strategy 2018](#)).
- 2.32 An estimate of expected growth in the local labour supply over the plan period related to the emerging housing target has been provided by the SHMA consultants for the 246 dpa scenario. Table 2.8 presents the B class job requirements arising from this labour supply growth, implying a decrease of 1,510 B class jobs over the Local Plan period to 2036.

Table 2.8 Forecast Labour Supply / Job Requirement in Worthing – 246 dpa, 2020-2036

	Average per year (2020-2036)	Total Change 2020-2036
Dwellings	246	3,936
Resident Working-Age Population	-130	-2,072
Workplace Labour supply	-126	-2,023
B Class Job Requirement	-94	-1,510

Source: Icen (2020) / Lichfields analysis

- 2.33 The projected changes to population and economic activity rates for the plan period are analysed and presented within the SHMA 2020³. This analysis shows that there would be a decrease of -2,072 persons in the economically active population associated with the dwelling-led scenario of 246 dpa. This decrease is driven by the fact that migration within the population projections is heavily concentrated in younger age groups and particularly those of working age. This means when migration is constrained due to a lower level of housing delivery (through the 246 dpa scenario) the projected number of family households will also be constrained, limiting the availability of working age residents to contribute to local labour supply. Further details are provided within the SHMA 2020.
- 2.34 The resulting job numbers were then translated into estimated requirements for B class employment floorspace by applying the same typical employment densities (paragraph 2.11) and the same vacancy allowance (i.e. 10%) as described above.
- 2.35 Overall, future employment space requirements based on meeting the job needs of local residents in relation to the 246 dpa would imply a negative B class employment floorspace requirement of 49,540 sqm by 2036 (as summarised in Table 2.9). This requirement includes a decrease of 7,985 sqm of office, 33,995 sqm of industrial and 7,560 sqm of warehousing and distribution floorspace.

³ [Adur and Worthing SHMA 2020](#), Paragraphs 4.51 to 4.61

Table 2.9 Net B Class Floorspace Required from Labour Supply Growth – 246 dpa, 2020-2036

Use	Floorspace (sqm) 2020-2036
Offices (B1a/B1b)	-7,985
Industrial (B1c/B2)	-33,995
Distribution (B8)	-7,560
All B Class Uses	-49,540

Source: Lichfields analysis

Net Employment Space Requirements

- 2.36 Drawing together the results from these different approaches and growth scenarios for Worthing, Table 2.10 summarises the net floorspace requirement up to 2036 arising from each.

Table 2.10 Net Floorspace Requirement to 2036 by Growth Scenario (sqm)

Use	1. Job Growth (Baseline)	2. Past Take-up	3. Labour Supply (885 dpa)	4. Labour Supply (246 dpa)
Office (B1a/B1b)	9,230	4,480	12,255	-7,985
Industrial (B1c/B2)	-1,530	30,400	3,760	-33,995
Distribution (B8)	21,820	19,840	26,440	-7,560
All B uses	29,520	54,720	42,455	-49,540

Source: Lichfields analysis

Planning Requirements

- 2.37 While the net employment space requirements presented above represent the minimum recommended quantum of employment space to plan for in Worthing over the plan period, the Council will need to take a view on the extent to which additional space should be planned for over and above the net requirements, in order to allow for such factors as delays in development sites coming forward, an allowance for replacement of ongoing losses of employment space during the Local Plan period, and other relevant factors in the local market.
- 2.38 In a location such as Worthing that is characterised by a constrained land supply, and strong development pressure from other higher value uses, there is a need to ensure a reasonable allowance that provides for some flexibility but avoids over-provision of land. This also needs to reflect that there may be potential delays in some of the strategic employment sites coming forward for development in the Borough.
- 2.39 Whilst no specific guidance or recommendations are provided by the PPG, the former South East England Partnership Board (SEEPB) guidance on employment land assessments recommended an allowance that is equivalent to the average time for a site to gain planning permission and be developed, typically up to about two years. This is consistent with the application of a ‘safety margin’ (equivalent to two years of average net take-up) within the 2016 EREL. An equivalent allowance has been added to scenarios as part of this update (Table 2.11).

Table 2.11 Safety Margin Allowance

Sector (Use Class)	Assumed Net Annual Completions (sqm)	Safety Margin Added (sqm)
Office (B1a/B1b)	280	560
Industrial (B1c/B2)	1,900	3,800
Distribution (B8)	1,240	2,480

Source: Lichfields analysis

2.40 Table 2.12 presents the resulting ‘planning requirements’ for B class employment floorspace by scenario once the safety margin is applied to positive net space requirements.

Table 2.12 Gross Floorspace Requirement to 2036 by Growth Scenario (sqm)

Use	1. Job Growth (Baseline)	2. Past Take-up	3. Labour Supply (885 dpa)	4. Labour Supply (246 dpa)
Office (B1a/B1b)	9,790	5,040	12,815	-7,985
Industrial (B1c/B2)	-1,530	34,200	7,560	-33,995
Distribution (B8)	24,300	22,320	28,920	-7,560
All B uses	32,560	61,560	49,295	-49,540

Source: Lichfields analysis

2.41 The range of gross floorspace requirements for B class uses in Worthing over the plan period to 2036 is relatively wide across the four growth scenarios with the requirements ranging from a decrease of 49,540 sqm under the lower labour supply (246 dpa) scenario to 61,560 sqm for the past take-up scenario. Set against the combined stock of office and industrial floorspace in the Borough in 2019 (as recorded by the Valuation Office Agency [VOA]), this range of requirements would be equivalent to a decrease in existing commercial stock of 12% up to an increase of 15% for the plan period to 2036.

2.42 For office uses, the range is slightly narrower compared to industrial floorspace, with the requirements ranging from a decrease of 7,985 sqm under the labour supply 246 dpa scenario to an increase of 12,815 sqm under the labour supply 885 dpa scenario. These requirements are equivalent to a loss of 7% in existing office stock up to a growth of 11% in the Borough in 2019 (based on VOA data).

2.43 The industrial and distribution combined floorspace requirements range between a decrease of 41,555 sqm under the labour supply 246 dpa scenario and an increase of 56,520 sqm under the past take-up scenario. These requirements are equivalent to a change of between -14% and +19% of the total stock of industrial and distribution floorspace in the Borough in 2019, as recorded by VOA.

Land Requirements

2.44 The gross employment floorspace requirements for office, industrial and distribution space across the four scenarios can then be translated into land requirements by applying appropriate plot ratio assumptions to reflect recent development patterns in Worthing:

- **Industrial (B1c/B2/B8):** a plot ratio of 0.4 is applied so that a 1.0 ha site would be needed to accommodate a footprint of 4,000sq.m of employment floorspace; and
- **Offices (B1a/B1b):** assumed that 30% of new floorspace would be in lower density developments with a plot ratio of 0.4, with 70% in higher density urban/town centre locations at a plot ratio of 2.0.

2.45 These plot ratios are consistent with the 2016 EREL.

2.46 Based on the application of plot ratios to the estimated gross requirements for office and industrial floorspace in the Borough over the plan period to 2036, the resulting land requirements for office and industrial developments are set out in Table 2.13.

Table 2.13 Gross Employment Land Requirements to 2036 by Growth Scenario (ha)

Use	1. Job Growth (Baseline)	2. Past Take-up	3. Labour Supply (885 dpa)	4. Labour Supply (246 dpa)
Office (B1a/B1b)	1.1	0.6	1.4	-0.9
Industrial (B1c/B2)	-0.4	8.6	1.9	-8.5
Distribution (B8)	6.1	5.6	7.2	-1.9
All B uses	6.8	14.7	10.5	-11.3

Source: Lichfields analysis

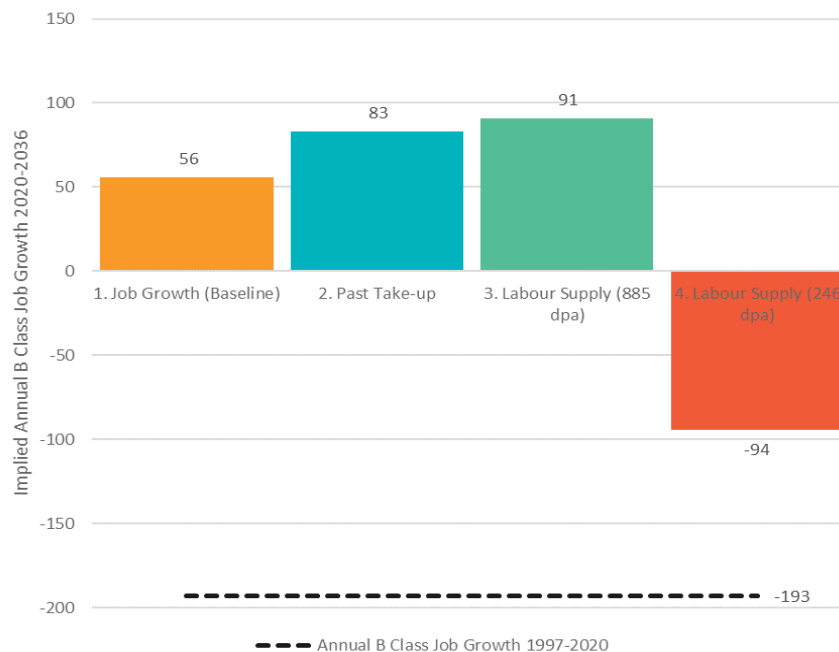
Sensitivity Testing

2.47 Given the range of potential requirements implied by these different estimates of future requirements, it is important to test how reasonable each appears against other factors and how sensitive they are to different assumptions.

2.48 It is useful to compare the employment growth implied by the identified employment space requirements against historic employment growth within the Borough over recent years (Figure 2.1). The lowest requirement is based on the lower labour supply (246 dpa) scenario, which implies a decrease of 94 B class jobs per annum during the period to 2036, across all B use classes. The highest estimate is based on the labour supply of 885 dpa, which implies an increase of approximately 91 B class jobs per year during the plan period.

2.49 This compares with an average annual decrease of about 193 B class jobs within Worthing between 1997 and 2020 (according to Experian data). This means that all four scenarios presented above estimate much higher B class employment growth than historic levels.

Figure 2.1 Annual B Class Job Growth Implied by Scenarios



Source: Lichfields analysis

Note: Estimated B class jobs for each scenario based upon net employment floorspace requirements and do not account for additional floorspace allowance in the safety margin which is identified for planning purposes and may not actually be developed.

Conclusions

- 2.50 In interpreting the outputs of this section, regard should be had to guidance from the PPG, which states that local authorities should develop an idea of the future economic needs of their area based on a range of data and forecasts of quantitative and qualitative requirements. In this respect, planning for growth should avoid relying upon using single sources of data or forecasts which tend to rely on a number of different variables that are inevitably subject to change.
- 2.51 It is also important to recognise that there are inevitable uncertainties and limitations related to modelling assumptions under any of the future scenarios of growth considered in this study. For example, there are some inherent limitations to the use of local level economic projections, particularly within the context of significant economic uncertainty at both macro and local level. Employment forecasts are regularly updated, and the resulting employment outputs will change over the plan period for Worthing.
- 2.52 This assessment considers four different scenarios of future employment space requirements in Worthing based on a number of approaches that reflect economic growth, past development patterns, and potential housing supply factors. The overall gross B class employment floorspace requirements related to these different scenarios range from **-49,540 sqm to 61,560 sqm** during the period to 2036, which implies in broad terms a need for between **-11.3 ha and 14.7 ha** of employment land.
- 2.53 The growth scenarios implied by the Experian job growth forecasts and the local housing need figure of 885 dpa are based on the most up-to-date (albeit pre Covid-19) demographic and macroeconomic assumptions and therefore provide the most up-to-date objective assessment of needs. The dwelling-led scenario (labour supply of 246 dpa), in contrast to the rest of the scenarios, results to negative employment requirements. This is not considered to support positive and proactive plan-making for future economic development in accordance with NPPF paragraphs 80 to 82.
- 2.54 Given the limitations associated with past completions monitoring data for Worthing, which means it is likely to potentially overstate completions to some degree, the growth scenario based on past take-up of B class employment space is considered to provide a less robust basis for objectively assessing the employment space requirements for supporting economic growth.
- 2.55 In the context of the NPPF requirement to plan positively for growth, it is recommended that the Council consider planning to accommodate at least the labour demand (job growth) based requirement (scenario 1) to ensure that business growth potential is not constrained by lack of spatial capacity in future. The requirements derived from this scenario reflect recent trends (up to March 2020) in both economic and property market terms, and appear to provide the most appropriate balance between positive planning and significant capacity constraints that exist in Worthing.

3.0 Demand/Supply Balance

3.1 This section draws together the forecasts of future employment land needs in Section 2.0 and estimates of land available on the Borough’s existing and allocated employment sites to identify any need for more provision of employment space, or surpluses of it, in quantitative terms.

Quantitative Balance

3.2 The previous section identified a need for between -49,540 sqm and 61,560 sqm of employment space up to 2036, including a safety margin to allow for delays in sites coming forward for development. The land requirements associated with these amounts of employment floorspace were estimated at between -11.3 ha and 14.7 ha.

Pipeline Supply

3.3 The pipeline supply of employment space in the Borough comprises sites allocated for employment development as listed in the [Draft Worthing Local Plan Consultation - Part 3 - Sites](#), together with updates on their capacities provided by the Council, and other sites with extant planning permission for B class floorspace. Further details for each allocated site are provided in Appendix 2.

3.4 Based on Council monitoring data, Table 3.1 indicates a total pipeline supply of 39,755 sqm employment floorspace in Worthing. This is lower than the 63,475 sqm identified in the 2016 EREL⁴.

Table 3.1 Employment Supply in Worthing

Source of Supply	Net Employment Space				
	ha/sqm	B1a/b	B1c/B2	B8	Total
Extant Planning Permissions*	ha	0.08	0.25	0.04	0.37
	sqm	710	985	170	1,865
Extant Allocations	ha	3.72	5.10	3.85	12.67
	sqm	14,890	14,000	9,000	37,890
Potential Allocations	ha	1.68	0.84	0.84	3.36
	sqm	5,040	2,520	2,520	10,080
Supply Position	ha	3.80	5.35	3.89	13.04
	sqm	15,600	14,985	9,170	39,755

Source: Worthing Borough Council and West Sussex County Council Monitoring Data (2020) / Lichfields analysis

*Monitoring data for extant planning permissions up to November 2018

3.5 The potential of accommodating additional employment land in the three omission sites that were consulted in [Draft Local Plan Part 3](#) (Appendix 2) has also been examined. These would increase cumulatively the supply position to 49,835 sqm. However, it is not considered realistic to factor it further in this analysis as these sites have been promoted for residential use only. In addition, it is not considered viable to allocate employment uses even in most suitable sites such as the Worthing United FC site (Local Plan reference: OS3) due to need to mitigate the loss of the football club to an enhanced facility somewhere else in the borough. Moreover, the Borough’s increased housing need of 885 dpa may indicate any potential available land will be prioritised for housing uses. For these reasons, the assessment does not consider any additional supply beyond that identified in Table 3.1.

⁴ 2016 EREL Table 7.2, p74

3.6 A broad comparison of estimated demand for B class space against all currently identified supply, as shown in Table 3.2, implies that there would be sufficient employment space in quantitative terms to accommodate the baseline labour demand and lower labour supply (246 dpa) scenarios.

3.7 In contrast, there would be insufficient supply to meet the employment space requirements arising under the past take-up scenario and the 885 dpa labour supply scenario.

Table 3.2 Demand/Supply Balance of B Class Employment Space in to 2036 by Scenario (sqm)

	1. Job Growth (Baseline)	2. Past Take-up	3. Labour Supply (885 dpa)	4. Labour Supply (246 dpa)
Requirement for B Class Space	32,560	61,560	49,295	-49,540
Available Employment Space	39,755			
Surplus (+)/Shortfall (-)	7,195	-21,805	-9,540	89,295

Source: Lichfields analysis

Needs of Different Employment Uses

3.8 The availability of a choice of sites in the market is also important for meeting the needs of different employment sectors within the Borough, particularly in terms of accommodating a diversity of employment opportunities across a wide range of different skill sets. The potential supply of employment space for office, industrial and distribution uses has been compared with the estimated need arising for these uses under each scenario.

3.9 In this context, the demand/supply balance for all B class uses is set out separately in Table 3.3.

Table 3.3 Demand/Supply Balance of Office, Industrial and Distribution Floorspace to 2036 by Scenario (sqm)

	1. Job Growth (Baseline)	2. Past Take-up	3. Labour Supply (885 dpa)	4. Labour Supply (246 dpa)
Office (B1a/b)				
Requirement for Office Space	9,790	5,040	12,815	-7,985
Available Office Space	15,600			
Surplus (+)/Shortfall (-)	5,810	10,560	2,785	23,585
Industrial (B1c/B2)				
Requirement for Industrial Space	-1,530	34,200	7,560	-33,995
Available Industrial Space	14,985			
Surplus (+)/Shortfall (-)	16,515	-19,215	7,425	48,980
Distribution (B8)				
Requirement for Distribution Space	24,300	22,320	28,920	-7,560
Available Distribution Space	9,170			
Surplus (+)/Shortfall (-)	-15,130	-13,150	-19,750	16,730

Source: Worthing Borough Monitoring Data - Lichfields analysis

3.10 This analysis indicates that:

- **Office (B1a/b):** there would be sufficient supply available, purely in quantitative terms, to meet office needs arising from all four growth scenarios.

- **Industrial (B1c/B2):** a surplus of supply is identified for manufacturing uses under all scenarios apart from the past take-up where a shortfall of up to 19,215 sqm has been identified.
- **Distribution (B8):** there would be insufficient capacity within the currently identified supply pipeline to accommodate three of the four scenarios, with shortfall ranging between 13,150 sqm and 19,750 sqm.

3.11 This demand/supply balance analysis assumes that all outstanding planning permissions and allocations will come forward in full during the plan period. Any deviation from this assumption could potentially have an effect on the balance of space within Worthing up to 2036, particularly in regard to compounding the shortfall of employment space under some of the growth scenarios.

Conclusions

3.12 Based on the latest available monitoring data provided by the Council, there would appear to be sufficient employment land supply in quantitative terms to accommodate the baseline labour demand scenario of future growth in Worthing Borough to 2036 (i.e. the minimum recommended quantum of employment space to plan for). There could, however, be a shortfall of distribution (B8) supply, with existing allocations and planning permissions insufficient to accommodate expected growth within this B use class.

3.13 There would also be sufficient capacity to accommodate the lower labour supply scenario (246 dpa), although this generates a negative requirement for B class space over the plan period so does not represent a positive basis for planning.

3.14 By comparison, the latest supply position would be insufficient to accommodate employment space requirements arising under the past take-up scenario and the 885 dpa labour supply scenario.

4.0 Property Market Signals and Intelligence

4.1 This section describes recent employment space trends together with current property market conditions in Worthing and its relationship with surrounding areas, including recent trends in the demand for and supply of office and industrial premises. These findings are based on various market data sources and an analysis of monitoring data from the Valuation Office Agency (VOA), Worthing Borough Council and West Sussex County Council.

Employment Space Overview

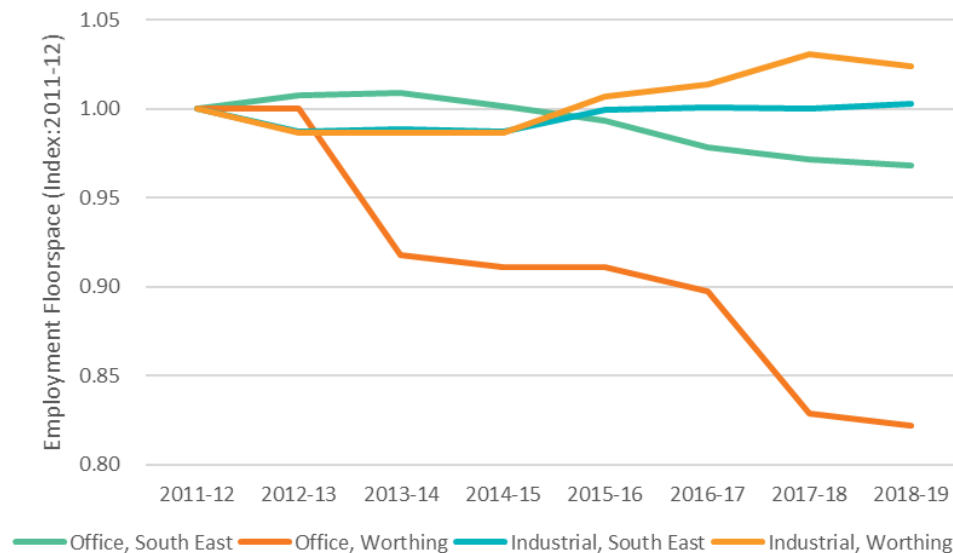
B Class Development Rates

4.2 In 2019, Worthing contained around 421,000 sqm of B class floorspace, according to the VOA. The majority of this floorspace was industrial in nature (71.5%) and 28.5% in office use. The total stock of employment space in the Borough declined by 4.3% between 2011 and 2019, exceeding the regional trend (-0.6%). In contrast, employment space grew by 0.7% nationally over the same period.

4.3 Office floorspace in the Borough fell much more substantially during the period (17.8%), significantly exceeding reductions recorded at the regional and national level (3.2% and 0.7% respectively).

4.4 At the same time, industrial floorspace has increased in Worthing by 2.4% since 2011. This rate of growth exceeded both regional and national equivalents (0.3% and 1.1% respectively).

Figure 4.1 Change in Office and Industrial Floorspace in Worthing and South East, 2011 - 2019



Source: VOA 2019 / Lichfields analysis

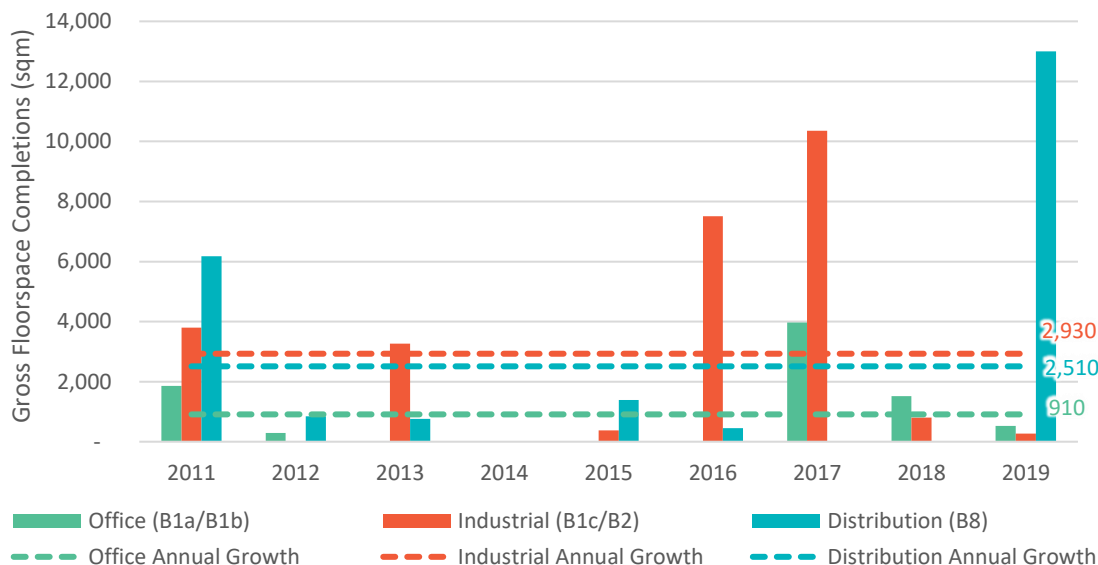
Gross Completions

4.5 Monitoring data provided by West Sussex County Council shows that the gross amount of floorspace developed for employment uses in Worthing during the period from 2011 to 2019 equates to around 57,155 sqm, equivalent to an average of 6,350 sqm B class floorspace each year. The equivalent during the 2003 to 2015 period was 4,180 sqm, as identified in the 2016 EREL R Study, indicating an increase in levels of development activity over recent years. The

majority of new B class floorspace developed during this period was for industrial uses (79.8%), including 50.7% in factory use and 29.1% in warehouse use.

4.6 As illustrated in Figure 4.2, the level of new development in the Borough was relatively uneven during this period with the reporting years of 2011, 2016, 2017, and 2019 standing out as recording higher levels of gross B class employment space development. Together, these four years made-up around 84% of the total employment space developed in Worthing during the nine-year period.

Figure 4.2 Gross B Class Employment Floorspace Completions, 2011 - 2019



Source: West Sussex County Council / Lichfields analysis

4.7 Gross completions of employment space were driven by a small number of large developments including those summarised below. These five individual schemes represent approximately 63% of the total gross industrial floorspace developed in the Borough over this period:

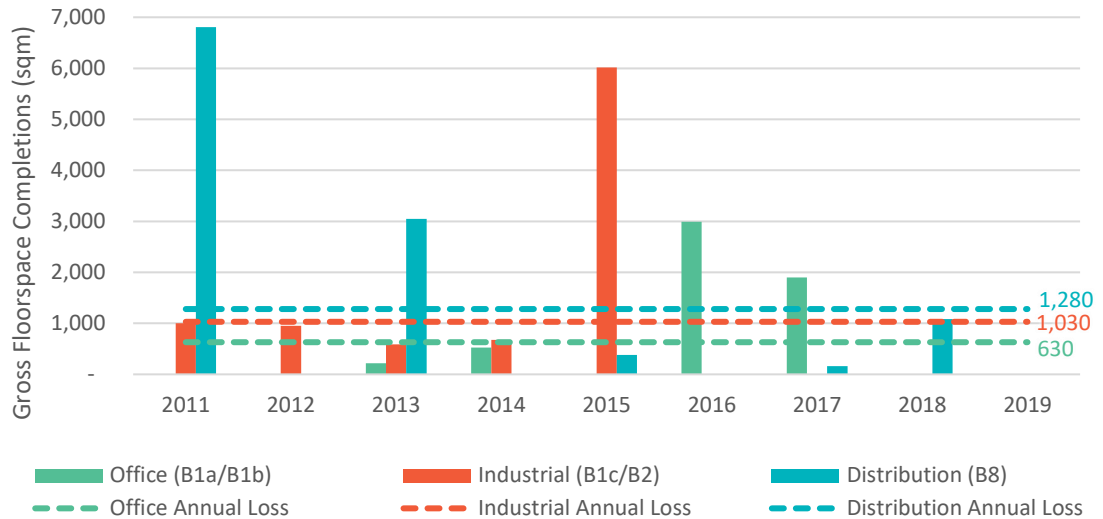
- 5,980 sqm of distribution and warehousing floorspace gained at Holm Business Park in Woods Way in 2011 through the conversion and extension of existing distribution floorspace.
- 6,000 sqm of distribution and warehousing floorspace gained at land north of Hazelwood Trading Estate in Dominion Way in 2018 through the construction of the Rabbit Waste Management premises.
- 7,000 sqm of distribution and warehousing floorspace gained at land north of Juno Close in 2019 through the construction of the Rabbit Waste Management premises.
- 7,500 sqm of new headquarters and production plant (within B2 Use Class) of Rayner Intraocular Lens at land at Former Eurotherm Site in Dominion Way completed in 2016.
- 9,380 sqm of industrial floorspace gained at Southdown View Way in 2017 occupied by GlaxoSmithKline (branded as gsk).

Losses of Employment Space

4.8 Monitoring data also indicates that losses of employment floorspace to other uses has been relatively significant and variable by year in Worthing. As shown in Figure 4.3, the most notable years for losses of B class floorspace are in 2011 and 2013, 2015 and 2016 which together

represent about 79.9% of total losses of employment floorspace during the monitoring period from 2011 to 2019.

Figure 4.3 Losses of B Class Employment Floorspace, 2011 - 2019



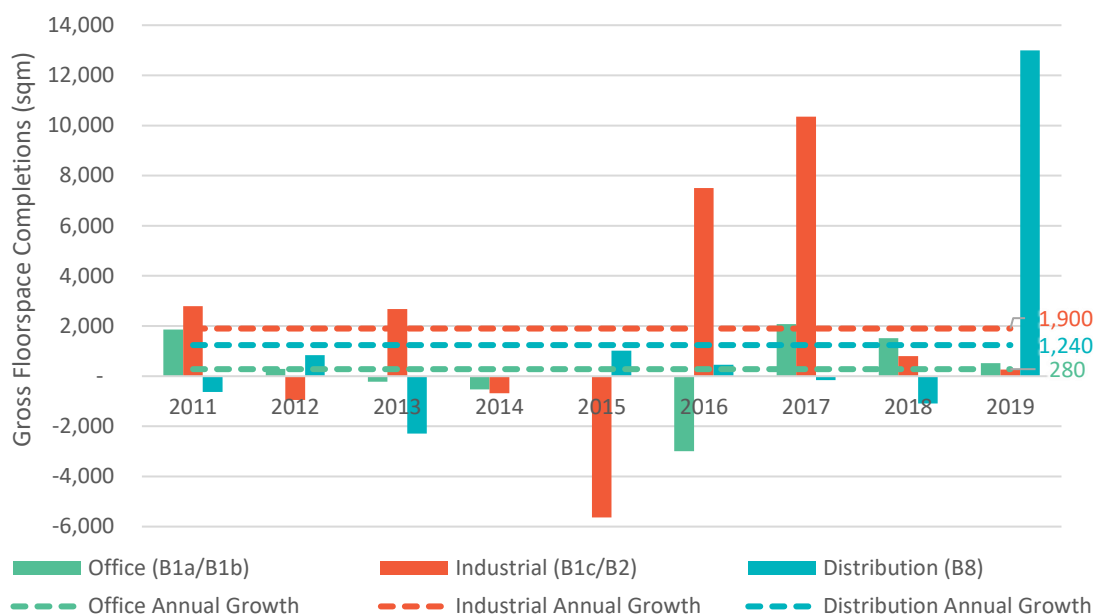
Source: West Sussex County Council / Lichfields analysis

- 4.9 Overall, the Borough registered an annual average loss of B class employment floorspace during the period from 2011 to 2019 of around 2,930 sqm, with this loss of employment floorspace distributed across warehousing (35.2%), office (21.5%) and industrial (43.7%) uses.
- 4.10 The majority of floorspace lost was to other B class uses, with about 93% of the lost floorspace relating to changes of use from one B class use to another. It should be noted that past completions monitoring data provided by West Sussex County Council does not take into account the loss of employment floorspace to residential uses, and this represents a key limitation of the data. Indeed, VOA data (summarised above) indicates that the Borough’s total stock of employment space has been gradually declining over the last 8 years, once losses of floorspace to all other uses are taken into account.

Net Completions

- 4.11 Net completions of B class employment floorspace in Worthing during the monitoring period remains positive after taking account the losses of space, as analysed above. Between 2011 and 2019, the Borough registered net completions of around 30,800 sqm of employment floorspace, which is equivalent to 3,420 sqm each year during this period. This means that across all B class employment space, gross completions of floorspace have exceeded losses, resulting in an increase in the amount of B class floorspace in Worthing. As noted above, this is unlikely to reflect the true position, given that losses of B class space to residential are excluded.
- 4.12 As shown in Figure 4.4, the majority of net completions in Worthing over this period were in industrial uses, representing 55.6%. The average annual net completion of industrial floorspace during this period equated to 1,900 sqm, while the annual net completion of office floorspace amounted to 280 sqm and for warehousing and distribution equated to 1,240 sqm.

Figure 4.4 Net B Class Employment Floorspace Completions, 2011 - 2019



Source: West Sussex County Council / Lichfields analysis

Permitted Development Rights

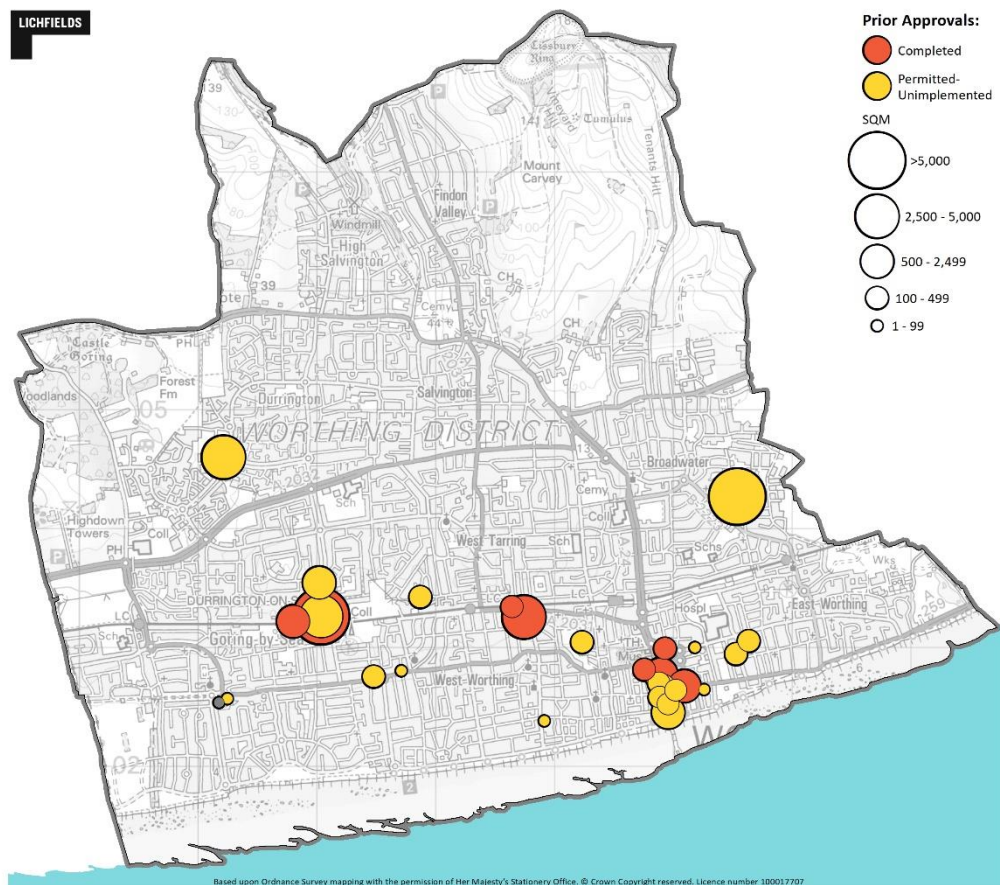
- 4.13 In 2013, the Government announced the introduction of Permitted Development Rights (PDR) to allow for the change of use from B1(a) offices to residential uses without the need to acquire planning permission from the local planning authority. In October 2015, the Government confirmed that temporary PDR were to be made permanent. In many parts of the country, the introduction of these PDR have acted to accelerate office floorspace losses over and above past trends, particularly in locations accommodating older office stock no longer suited to modern business requirements, and where housing market pressures provide significant financial incentives for conversion.
- 4.14 An analysis of monitoring data from Worthing Borough Council indicates that 13 prior approval applications have been completed for a change of use from office to residential in the Borough under the PDR since 2015, resulting in the loss of 12,960 sqm of office space; this represents a decline of 11% compared with current stock in 2019 (based on VOA data). This relates mainly to two large schemes; the Lloyds TSB Building (5,850 sqm) and MGM House (3,620 sqm).
- 4.15 A further 21 prior approvals have been permitted (or did not require permission) but have yet to be implemented, with the potential to remove a further 17,060 sqm⁵ of office floorspace, equivalent to 14% of the Borough's current office stock (VOA data). The majority (74.2%) of these prior approvals relate to three individual premises, namely:
- The conversion of the EDF Energy offices of c 6,160 sqm floorspace to 78 residential units at Southdownview Road;
 - The conversion of 3,230 sqm of NHS West Sussex office space to 48 residential units at The Causeway; and

⁵ Worthing Borough Monitoring Data and Lichfield's research on individual schemes

- The conversion of 3,260 sqm of office space at Columbia House in Columbia Drive to 104 residential units.

4.16 As shown in Figure 4.5 below, the majority of the prior approval applications, both completed and unimplemented, in the Borough relate to smaller office premises located in and around Worthing town centre. There are five larger premises (as identified above) with prior approval applications located mainly in the western part of the Borough close to Durrington-on-Sea train station, at Heene Road (MGM House), and north west of the Borough in Columbia Drive (Columbia House). The EDF Energy offices at the eastern side of the Borough in Southdownview Road is the only large scheme east of the town centre.

Figure 4.5 Spatial Distribution of Completed and Permitted Office to Residential Prior Approvals in Worthing (at 2020)



Source: Worthing Borough Council / Lichfields analysis

4.17 The introduction of PDR has had a significant effect on the supply of office floorspace in local authorities across the UK, but particularly in those local authorities with the highest residential land values and pressure on lower value uses such as office floorspace. The effect of the PDR in Worthing could be to remove around 25% of the Borough’s office floorspace (if unimplemented prior approvals were to all take place in full). As such, the Council will need to continue to carefully monitor future losses of office space to determine whether additional provision becomes necessary over and above the requirements identified in Section 2.0. The following section provides local market commentary with regards to recent market trends in Worthing, including the market’s perception of the impact of PDR upon the local office market.

Commercial Market Review

National Outlook

- 4.18 After the global financial crisis in 2008, the UK experienced almost a decade of economic growth. The national commercial real estate market had been flourishing across that period with significant capital investment across all property sectors and values in many markets having reached all-time highs in March 2020 based on various market outlooks for Q1 2020⁶.
- 4.19 Since the 2016 ERELRL study was completed, there have been developments worldwide and nationally that impact upon the property market, including the Brexit referendum in June 2016 and its current transition period to 2021. The national elections in December 2019 also created political and economic uncertainty across the national and the South East office and industrial/distribution markets. However, the market proved to be resilient and there had been an increase in activity following the elections.
- 4.20 The outbreak of Covid-19 in March 2020 and resulting pandemic has had a significant impact upon the global economic outlook. Ongoing uncertainty regarding the timing and pace of economic recovery makes it difficult to accurately forecast impacts, although a period of national and global recession is inevitable and initial assessments suggest that it may take a number of years to return to pre Covid-19 levels of economic activity and growth.
- 4.21 As a result, property market activity has declined over the last few months reflecting developer and occupier caution, although impacts have not been uniform across the different segments of the market. Office and retail sectors have been being significantly affected due to lockdown restrictions, while logistics sectors have continued to see strong demand due to an e-commerce boom. It is still too early to understand what the future might look like in terms of how businesses might operate and the resultant demand for employment space and commercial property. Whilst some sectors of the economy are reopening at the time of writing, it will be some time before we get “back to normal”. Indeed, if the measure of “normality” is how things were prior to the outbreak of Covid-19, we may never see a full return.
- 4.22 In the short-term, ongoing social distancing requirements will mean that fewer people will be able to work from offices. In the medium to longer term, people might look to the success of home working as a justification to move to new working arrangements. This may reduce the demand for office space. However, if public transport is the key barrier, demand may increase for office developments in smaller settlements which benefit from easier access on foot or by bicycle.
- 4.23 With regards to rental values, secondary office rents are anticipated to decline by around -4% over the next 12 months. Sentiment has proved relatively firmer for the industrial sector with prime rents still expected to remain similar to those recorded in Q1 2020.
- 4.24 On the investment side of the market, overall enquires continue to decrease and overseas investment demand declined in each segment of the market over the second quarter of 2020. Alongside this, the supply of property available on the sales market was more or less unchanged at the level in Q1 2020. Capital value expectations for the coming three months fell from a net balance of -3% in Q4 to -35% in April 2020. When broken down, expectations are negative across all segments, with the net balance standing at -32% for offices and -8% for industrial. When considered at the twelve-month horizon however, prime industrial values are still

⁶ [RICS Commercial market outlook 2020](#), [Cushman & Wakefield 2020 Outlook](#), [Savills Market in Minutes: Greater London & South East Offices](#)

expected to reach higher than modest capital value growth. Meanwhile, the outlook for secondary office values is noticeably weaker than for prime.

Local Market Review

Industrial

- 4.25 The South Coast industrial market, within which Worthing Borough operates, was reported to be in urgent need of additional stock in Q1 2020⁷. The scarcity of both new and second-hand industrial buildings across the sub-region impacted on demand with take-up falling to its lowest level for five years and relocating companies struggling to find anything suitable across the market.
- 4.26 Demand for industrial space in Worthing is mainly localised and comes from a mix of industrial sectors (i.e. particularly warehousing and small-scale logistics), with premise requirements mostly ranging up to 10,000 sqft (930 sqm), however there are occasionally larger enquiries up to 50,000 sqft, indicating some demand for larger industrial units. Market intelligence reports strong occupier demand across the market during 2019 and the first quarter of 2020. Post March 2020, agents confirmed that there has been a significant decrease in demand, however, they are expecting some rebound in the market later in 2020.
- 4.27 Development of new industrial space in Worthing has been very limited in recent years, with much of the Borough's existing stock relatively dated and in need of refurbishment. This level of development activity coupled with the shortage of availability means that existing firms within Worthing struggle to accommodate any expansion and relocation plans in the Borough, particularly those with medium to large spatial requirements. In addition, limited availability of industrial supply locally makes it difficult to encourage new businesses to relocate in the Borough.
- 4.28 This position is not unique to Worthing and is reflected across the majority of the South Coast sub-region which is characterised by a shortage of industrial supply. Requirements have been pushed along the coast from Brighton to Worthing and Littlehampton, although vacancy rates in those areas have been at even lower levels at 1-1.5%. A few major new developments such as the consented 269,000 sqft (c 25,000 sqm) industrial scheme at Shoreham Airport is expected to relieve some of the industrial pressure for medium to large logistics and industrial units (over 25,000 sqft) across the sub-region.
- 4.29 There are a couple of schemes within the pipeline that have recently been granted permission. These relate to small units that will be provided through the regeneration and intensification of existing employment sites in Dominion Way (also known as Decoy Farm) or scattered employment sites in Highfield Road and Lambleys Lane.
- 4.30 The shortage of industrial supply has impacted on rental values which have peaked recently. Since 2016 ERELRL was undertaken, average rental values have increased by more than £5/sqft per annum. The current available secondary units have an average asking price of between £8 to £10 per sqft per annum. Industrial values are not expected to change significantly over the next 18 months.
- 4.31 There is scope for speculative industrial development within the sub-regional market, and recent speculative schemes within the wider market (such as Rock Business Park Phase 1 and Phase 2) are reported to have been very successful and attracted a lot of interest according to

⁷ [Stiles Harold Williams](#)

agents. Overall, the market is in need of new, modern stock across new developments that offer a good range of small to medium industrial and warehousing units.

Offices

- 4.32 Across the South East region, there has been a strong increase in enquiries and availability of new office space in some areas has started to improve with new developments coming forward in prime commercial locations such as Brighton⁸. Brighton's office market continues to dominate the sub-regional market and is characterised by demand that outweighs availability. Covid-19 lockdown restrictions have inevitably impacted on the market over the short term, and there is longer term uncertainty regarding structural shifts in office occupier requirements that may result as business and employee behaviour changes in response to the pandemic.
- 4.33 Worthing is not viewed as a particularly strong office location, with limited levels of demand and take-up. The office market is relatively localised, and its limited demand generally comes from local SMEs (operating across a range of business service sectors) for good quality, small modern premises, typically falling within a size range of up to 5,000 sqft (465 sqm).
- 4.34 The market is not generally attractive to larger office occupiers due to the lack of modern stock of necessary critical mass. The demand that has been seen recently for large occupiers has mainly related to public administration sectors, with the recent letting of Wicker House and Eagle House by NHS Clinical Commissioning Group (in November 2019), totalling 21,000 sqft and relating to a gain of over 200 jobs within the Borough. The site was released when the lease of the biopharmaceutical firm Parexel expired in summer 2019 and the firm relocated to Littlehampton as there was no other suitable location in Worthing.
- 4.35 Very limited amounts of office development have occurred in Worthing in recent years with most of the remaining stock comprising 1970s to 1980s premises. The Borough's stock of office premises has continued to erode over recent years, driven in large part by Permitted Development Rights for change of use to residential. Almost all of the Borough's stock of redundant large office premises have permission for conversion or are in the planning process. However, it should be noted that not all of the PDR conversions relate to redundant stock such as the case of Columbia House. Agents confirmed that with more offices being converted to residential accommodation under permitted development rights, the opportunities for larger business spaces are particularly limited across the area and the wider sub-region. However, agents suggest that these conversions relate to redundant old premises with no market appeal.
- 4.36 Overall, local market intelligence points to some scope for new office developments across the market, but mainly related to small, modern and flexible units that can meet the needs of local SMEs of around 1,000 sqft (93 sqm). Good parking provision is likely to become an increasingly important consideration during the short term in the wake of Covid-19 as employees remain cautious about using public transport. Under the current economic circumstances, it is likely that there is not strong case, with uncertain viability, for speculative office developments.

⁸ [Stiles Harold Williams](#)

Role of Key Employment Sites

- 4.37 This section presents the findings of a desktop assessment, drawing on market intelligence, of the quality, characteristics and recent changes that have occurred across six key employment areas in Worthing Borough that were considered by the 2016 EREL, and for which the Council requires updated advice.

Ivy Arch Road Industrial Estate

- 4.38 The Ivy Arch Road estate is centrally situated on the northern edge of Worthing town centre, about 10 minutes' walk from Worthing train station and 2.2 km from a junction with the A27, which is easily accessible from the estate via the A24. This small industrial and trading estate comprises a range of smaller units of older stock and lower grade, with the area accessed off the residential King Edward Avenue. The estate is bordered by railway lines and the A24 to the south and west respectively, and residential areas to the north and east, which reduces the compatibility of some industrial activities undertaken at the site, as well as the traffic accessing the industrial estate. Local road access to the site is only available from Ivy Arch Road, a no-through road that offers reasonable access but requires upgrading.
- 4.39 The current mix of industrial, office, trade and community premises supported at the estate can mostly be characterised as being in poor to fair condition, while the upkeep and amenity of the site is relatively low. The community uses include a Mosque and Islamic Society, the Worthing Boys' Club and the music and dance studios. There is an outstanding decision for the conversion of one more unit, namely Unit 9A, to change from B1c to D2, associated with a potential loss of 170 sqm for the purposes of expanding the previously mentioned music and dance studios. These uses have an impact on the already poor accessibility and the compatibility of the industrial uses.
- 4.40 Overall, the site supports a range of small premises of ageing stock and lower grade with activity evident across the estate. There is, however, one comparatively large redundant unit opposite the performance studios that should ideally be redeveloped to smaller flexible units to match local requirements. It is recommended that the Council should continue protecting the active industrial units across this area. However, this site could be an example of applying different levels of protection of employment land to different parts of the site subject to compatibility with the existing well-established employment uses. In any case, the Council should continue monitoring the non-B class use applications.

Chatsworth Road Office Area

- 4.41 The Chatsworth Road Office Area supports two large office premises, both occupied by public sector bodies (Jobcentre and Environment Agency) of older stock and a number of small to medium-sized premises that are in fair to good condition. A large multi-storey car park is also located at the heart of the site that dominates the environment.
- 4.42 The office area is situated just off the A259, which allows good strategic access to the A27 about 2.5 km to the north of the site, while Worthing train station is located in close proximity. The town centre office area benefits from excellent access to a range of shops and services as well as a number of proximate bus routes.
- 4.43 The office accommodation is fully occupied with no identified vacancies, although the large seven-storey brick building currently accommodating the Environment Agency, and the three-storey steel clad building accommodating Jobcentre, could both require future upgrading.

- 4.44 The surrounding area has attracted a significant number of prior approvals for conversion of office floorspace to residential indicating that similar pressures might occur within the designated area.
- 4.45 Overall, the office area supports a range of premises in fair to good condition that are presently in use, although the larger offices are of older stock and lower quality. In this context, the site should be maintained and protected and together with Liverpool Terrace/Liverpool Gardens, are key candidates for an Article 4 Direction to prevent any further office loss within their boundaries.

Crescent Road (Northern End) Office Area

- 4.46 The Crescent Road (Northern End) Office Area is a relatively small office site located within the western part of Worthing town centre, consisting of only a few small- to medium-sized office premises.
- 4.47 The site is located within the western edge of the town centre area accessed off relatively narrow roads, although the office area is in close proximity to the A259, which provides access to the A27 within 3.0 km from the site. Worthing train station is also located within walking distance. The town centre location offers good access to a range of shops and services, as well as a number of bus routes, while each of the sites has a reasonable amount of on-site car parking.
- 4.48 The small numbers of offices at the site are generally in good condition with low levels of vacancy. Overall, the small office area supports a limited number of premises in good condition and use, with the town centre location of the site enhancing its attractiveness. In this context, Crescent Road Office Area should continue to be protected for office uses.

Farncombe Road Office Area

- 4.49 The Farncombe Road Office Area is the largest designated office site in the Borough in terms of land, supporting a number of small to medium-sized offices in converted two-storey residential dwellings, as well as a large five-storey office building of older stock but good condition occupied by HSBC.
- 4.50 The office area is located in the eastern part of Worthing town centre, about 3.0 km from the A27 and at most a 20-minute walk from Worthing train station. While the site is located slightly outside the town centre area in a highly suburban neighbourhood, the office area does still benefit from good access to the shops and services within the town centre.
- 4.51 Individual office sites within the office area provide reasonable amounts of parking, while other uses within the office area includes housing and community facilities (e.g. dental practice, care home nursery and school). With the exception of Worthing Probation, the offices seem to agglomerate at the northern half of the designated area, with the southern are servicing mainly community uses.
- 4.52 The premises are generally in good condition, with the residential, tree-lined setting of the site providing significant amenity value to local occupiers. One site has been permitted for change of use to residential, resulting in the potential loss of around 200 sqm of office space in 19 Farmcombe Road⁹ (next to HSBC premises). Another recent prior approval conversion was completed in 2019 in the redundant two-storey office building in 39 Selden Road, just outside the designated area. It is, therefore, evident that the area could be subject to further PDR developments due to suburban environment, residential townscape and the established residential and community uses within the area.

⁹ Reference: Notice/0013/16

- 4.53 Overall, the site supports a mix of office premises mostly in converted residential dwellings, with good levels of occupancy. However, the suburban nature and the townscape increases the scope of further PDR opportunities across the area. In this context and considering that the southern part of the designated area is mainly occupied by non-B Class uses, it is recommended that the Council should continue monitoring the change of uses and consider applying different level of protection to various parts of the area or amending the site boundary.

Liverpool Terrace / Liverpool Gardens Office Area

- 4.54 The Liverpool Terrace/Liverpool Gardens Office Area is the second largest office area in the Borough, comprising a significant mix of premises that range from large multi-storey premises to smaller offices in converted residential buildings.
- 4.55 The site is situated at the centre of Worthing town centre, primarily accessed off several narrow, one-way roads in the east, and Shelley Road in the west. The town centre location offers excellent access to a range of shops, services, and bus routes, while the A27 is within 2.8 km to the north of the site. Worthing train station is also within walking distance.
- 4.56 The majority of the individual office sites in the area provide reasonable on-site parking, while a large surface car park within the area also offers good provision.
- 4.57 Generally, the area represents a high-quality office environment with a rich mix of premises that are predominately in good condition, despite their older age. The site supports needs of both small and large office occupiers, although some vacancies have been identified across the office area with five office spaces (up to 100 sqm) being actively advertised.
- 4.58 There has been pressure to convert the Liverpool terrace properties to residential based on arguments that these premises were original built as residential, and that their classification as listed buildings make it difficult and unviable to provide office space to modern standards. In addition, the surrounding area, and in particular Chapel Road, has accommodated a significant number of prior approvals for conversion of office floorspace to residential associated with the loss of 1,500 sqm and the potential further loss of 1,000 sqm (unimplemented permissions), indicating that further pressures could occur in the designated area.
- 4.59 Overall, the large town centre office area consists of a wide variety of office buildings in mostly good condition, with several vacancies also characterising the area. In this context, it is recommended that this area continues to be protected and would provide an ideal candidate for an Article 4 Direction to prevent future office losses at least in parts of the designated area (excluding the Liverpool Terrace parade of listed buildings).

Railway Approach Office Area

- 4.60 The Railway Approach Office Area is located alongside Worthing train station within the north of Worthing town centre, supporting a large three-storey office block that is unoccupied and in poor condition (Former Teville Gate House), two medium-sized offices in excellent condition, and a mix of small first floor offices located above ground floor uses.
- 4.61 The office area is located about 2.0 km from a junction with the A27 to the north. Although the site is somewhat detached from the rest of the town centre, it is still in close proximity to a range of shops, services and bus stops. A good amount of off-street parking is also supported within the area although some on-street car parking does congest the internal roads.

- 4.62 Teville Gate House is currently subject to redevelopment with an extant permission (since March 2019¹⁰) associated with the construction of a five-storey office building with parking. If implemented, this would result in the net gain of over 5,100 sqm of office space.
- 4.63 One of the small offices in Victoria Road has recently gained permission to be converted to D2 that will result in a loss of 100 sqm. It is evident that there is an increasing pressure from non-B Class Uses, and particularly leisure and community, in this area.
- 4.64 The area is currently experiencing a significant transformation as the largest residential-led development, namely Teville Gate, is under construction. This will create 380 residential units together with 1,800 sqm of retail space (with A1 and A3 class uses) and 1,400 sqm of D2 uses.
- 4.65 These developments would result in an overall upgrading of this office area. The redevelopment of the Teville Gate House would provide a catalyst in changing the perception of the area and in combination with the good quality offices opposite Railway Approach could reinforce the continued office role of the area.
- 4.66 Although the new residential provision might add further pressures for community uses, the fact that a significant amount of D2 floorspace will be provided by the development is expected to moderate these upcoming pressures across the area.
- 4.67 In this context, it is recommended to maintain and protect this area. The Council should monitor the developments within this area together with the pressures from non-B uses. If Teville Gate House development would not proceed in the near future, the Council should ensure sufficient levels of commercial provision on site to protect the office role of this area.

Summary

- 4.68 Employment space in Worthing is dominated by industrial and distribution uses, reflecting the nature of occupier demand in the local market. Although the Borough's stock of industrial floorspace has increased slightly over recent years, office floorspace has declined quite significantly, driven in part by office to residential PDR which has removed a number of sizeable office premises from the supply in recent years. The most obvious candidates for conversion through this PDR have either already been converted or have prior approval in place, so it is unlikely that the pace of office floorspace loss recorded over the last few years continues to the same extent in future (once current approvals are implemented).
- 4.69 Worthing accommodates a relatively self-contained commercial property market, which is reliant on a relatively large base of SMEs with few sizable occupiers and market transactions. Overall, the demand for industrial space remains strong and very low levels of vacancy reflect a limited supply of industrial space. There is currently limited reported demand for office accommodation, and where there is demand this generally comes from local SMEs with requirements up to 5,000 sq ft (465 sqm).
- 4.70 The Borough's existing employment sites offer a mixed portfolio and we have revisited the assessments undertaken in the 2016 ERELRL of six designated employment areas to provide an update of performance and condition reflecting recent developments that have taken place. Each of these areas appear to be performing relatively well and should continue to be protected for employment use through the Local Plan. However, the pressures evident from non-B class uses in some of these locations such as Ivy Arch Road Industrial Estate and Farncombe Road Office Area highlight the importance of ongoing monitoring of these developments and potentially adopting a more targeted approach to protecting existing employment space. These

¹⁰ Reference AWDM/0393/19 – It should be noted that this permission does not form part of the analysis in Section 3.0, as the available monitoring data for extant permissions cover the period to November 2018.

two sites could be candidates for applying different levels of protection to different parts of the site subject to compatibility with the existing well-established employment uses. In addition, it is recommended to consider even stronger protection of some of the office locations such as Liverpool Terrace / Liverpool Gardens Office Area and Chatsworth Road Office Area in order to safeguard the Borough's most attractive office accommodation from future losses through PDR.

5.0 Conclusions and Policy Recommendations

5.1 This section draws together the overall conclusions of the focused update study and considers potential policy approaches to delivering appropriate levels of employment space in Worthing for the emerging Local Plan.

Meeting Future Needs

5.2 The scenarios considered in Section 2.0 indicate the broad scale and type of growth arising from different approaches to modelling the Borough's future employment space needs. In the context of the NPPF and PPG, the Council's policy approach should aim to plan positively to meet Worthing's employment space needs, so the Borough's economy is not constrained, but recognising the Borough has constraints in terms of land supply and competing pressures on the limited number of development sites that are available.

5.3 In this context, we recommend that the Council considers planning to accommodate as a minimum the employment space requirements associated with the labour demand scenario (Scenario 1), equivalent to 32,560 sqm or 6.8 ha over the Local Plan period. This relates to a need for at least 9,790 sqm office space, 24,300 sqm of warehousing/distribution space and a decline of 1,530 sqm industrial space. The requirements derived from this scenario reflect recent trends (up to March 2020) in both economic and property market terms, and appear to provide the most appropriate balance between positive planning and significant capacity constraints that exist in Worthing.

5.4 Once these requirements are compared against the latest employment land supply position, there is an identified surplus of around 7,195 sqm (Table 3.2). This is further translated to a surplus of 5,810 sqm office space; a surplus of 16,515 sqm industrial space and a shortfall of 15,130 sqm warehousing/distribution space (Table 3.3). These estimations are based on the assumption that all the allocated sites and extant planning permissions will be delivered within the plan period. Any deviation from this assumption could potentially have an effect on the balance of space within Worthing up to 2036.

5.5 To ensure a flexible and responsive policy framework, it will be necessary not just to focus on meeting forecast quantitative requirements, but to consider the opportunities and risks that flow from particular policy approaches and the newly introduced Class E that enables change of employment uses to retail and community uses without the need for planning permission. This might concern how delivery can be prioritised in some locations or for some types of employment uses, or how the scope can be created for meeting inward investment opportunities, but also not protecting 'legacy' employment sites for which there is no longer a productive employment use.

5.6 Planning for employment will need to be balanced against pressures from other land uses, as well as other Local Plan objectives such as planned housing and leisure growth. The employment space competes with housing, community and retail uses, which may also generate local economic benefits or have identified needs that the NPPF indicates should be supported.

5.7 In this context, the Council through the emerging Local Plan should choose which sites to protect or allocate for employment development, or which to consider for mixed use development. That judgement must ultimately take account of:

- the need to maintain a diversified and resilient economy that is open to growth and new economic opportunities as they arise;

- the trade-off between seeking more intensive use of sites and thereby yielding higher net job creation over time, and identified business needs which may for some activities or sectors imply a less efficient use of land in order to function effectively; and
- setting targets for delivery of new employment space on sites to provide clarity and certainty for investors and making a practical assessment of what the market can deliver at any point in time.

- 5.8 The future employment potential of Worthing will be influenced by a number of factors. In particular, there is currently reported to be a shortage of available industrial land and floorspace in the Borough to meet the indigenous growth requirements of the commercial market, as well as enable the necessary level of churn and upgrading of existing sites required to sustain a functioning commercial property market. In addition, there are currently viability barriers to bringing forward new office space as a combination of the limited demand and the changing working practices. The lack of recent office development means that the Borough’s stock of office space is ageing and is in need of renewal, albeit some older space has been lost through office to residential PDR.
- 5.9 This update study has been prepared within the context of significant economic uncertainty associated with the Covid-19 pandemic, and at the time of writing, it is still too early to understand how the pandemic and resulting structural changes may affect how businesses operate and the resultant demand for employment land. The conclusions and policy recommendations presented here should therefore be treated with caution and revisited in due course as the Local Plan evidence base develops.

Office Uses

- 5.10 The office market in Worthing is perceived to be relatively weak and more localised compared to other well-established office markets in the South Coast sub-region and in particular Brighton. The demand for office space within the Borough is largely related to smaller occupiers that operate across a range of business sectors and require good quality, modern premises.
- 5.11 Although the Borough was historically successful at attracting a number of larger office occupiers, with various single occupier sites found across the Borough, many of these sizeable office floorspaces have become redundant as corporate occupiers have downsized and consolidated. A number of these premises have been redeveloped in recent years mainly through PDR, or are currently in the process of being redeveloped, including sites such as Lloyds TSB Building, MGM House, the EDF Energy offices at Southdownview Road, NHS West Sussex office and Columbia House. While these redevelopments have mainly involved the loss of lower quality, functionally obsolete office space, this trend has constrained the stock of office floorspace within the local market.
- 5.12 The level of new office development in Worthing has been very limited over recent years, including since the ERELRL was undertaken in 2016, which has further suppressed market interest and viability for bringing forward new office space. Market intelligence suggests this trend will continue resulting in the inability of the local market to compete with other locations in the region and attract larger office occupiers.
- 5.13 For this reason, it is recommended that the Council focus the policy approach in the emerging Local Plan on supporting the growth requirements of local businesses, start-ups and small-medium enterprises (SMEs) requiring small-scale, high quality space where demand exists. Development of new office space is most likely to come forward through mixed use schemes that offer the opportunity to overcome known viability issues through the financial return from higher value uses such as residential.

- 5.14 Going forward, there is expected to be some demand for office floorspace in Worthing over the plan period, with Experian forecasts implying a reversal in the trend of office-based job losses recorded over recent years, with growth of sectors such as professional services creating new job opportunities locally. In quantitative terms, it would appear that the Borough has enough office space in the development pipeline to meet future needs associated with all four growth scenarios considered by this study.
- 5.15 The identified emerging supply of office space in Worthing to meet the future needs of local businesses in the Borough comprises approximately 15,600 sqm of floorspace. This supply comprises an estimated 14,890 sqm that could come forward as part of mixed use schemes on the allocated sites referred in the [Draft Local Plan - Part 3](#) as AOC5, AOC6, A6, and A7. However, the emerging policy for most of these sites refer to a flexible mixed-use development and, therefore, there is no certainty with regards to the quantum of office floorspace that could be provided on these sites. The Council will need to work closely with these site developers to establish a more realistic trajectory of office supply as respective masterplans are prepared. In addition, the Council need to examine re-phrasing the allocation to give emphasis on the need to provide a mix of employment ‘within Eg(i)(ii)(iii)/B2/B8 Uses’ and residential uses, as there is risk as it is currently stated that non employment space will be provided and instead retail uses will be delivered as part of the current more general ‘employment’ spectrum.
- 5.16 As noted above the need for office space in Worthing in the future is primarily related to better quality, modern space that caters for start-up and SME firms. The provision of higher quality office accommodation could help to develop the Borough’s base of higher value occupiers and employers; this could contribute to the ‘claw back’ of some of the highly skilled residents that currently travel outside Worthing for their employment. In doing so, this could have important implications for the types of jobs that are available to local residents in future and generate a range of positive economic impacts to the Borough more generally (e.g. growth in productivity and enterprise levels), particularly if measures are put in place to support local residents to start-up and grow businesses.
- 5.17 The emerging Local Plan Policy *CP11 Economic Growth and Skills* seeks to deal with these issues by proposing, in particular, at point (i) to identify “sufficient sites and premises in sustainable locations to meet identified needs of business”, at point (ii) to ensure “*the availability of sufficient and suitable workspaces in terms of type, size and cost, to meet the needs of current and future businesses, including start-up / serviced and incubator space;*”, and at point (x) to ensure “*major development proposals demonstrate how they will contribute to addressing identified local skills shortage. Opportunities should be taken to support local employment, skills development and training. The Council will negotiate on a case by case basis and where appropriate, secure such opportunities by use of a S106 legal agreement.*”
- 5.18 The emerging allocated supply of office space in the Borough is concentrated on out-of-centre sites which runs counter to the emerging strategic objective SO9 to “*Strengthen Worthing’s town centre as a location for shopping and business and enhance its role as a sub-regional centre*”, at least in terms of strengthening further the office-based sector in the town centre, and Policy CP11 (iv) “*promoting a ‘town centre’ first approach to new office space*”.
- 5.19 In addition, the prior approval permitted developments that have been completed recently have seen a reduction of 3,060 sqm of office provision in the town centre with a further loss of 1,660 sqm anticipated as a result of extant PDRs. Meanwhile, there has been very limited office development in the town centre recently with the emerging supply comprising of 140 sqm of office floorspace gain in the town centre through two permitted schemes of change of use from retail (i.e. A1 Use Class).

- 5.20 With office premises in the town centre primarily characterised as older and outdated spaces, the main challenge for the Council is to seek to manage a shift to providing new space in the town centre that meets a range of modern business needs. Providing new office space should be combined with wider regeneration activity, the investment strategy and prospectus for the town centre. The flexibility introduced as a function of the new Use Classes Order may offer some potential, for example vacant retail units switching to become co-working or flexible office spaces, which now fall within the same E use class.
- 5.21 It is also recommended that the Council undertakes a more comprehensive assessment of the current office stock within the town centre to consider whether an Article 4 Direction should be implemented in particular within Liverpool Terrace/Liverpool Garden and Chatsworth Road office areas to prevent conversions to residential uses.
- 5.22 There are five office areas within the Borough, namely Chatsworth Road, Crescent Road (Northern End), Farncombe Road, Liverpool Terrace / Liverpool Gardens, and Railway Approach that are proposed to be protected in the emerging Local Plan. In particular, the emerging Policy CP12 *Protecting and Enhancing Existing Employment Sites* highlights the importance to maintain high value business activity (within E(g), B2 and B8 use class) in these areas in accordance with economic strategy objectives and the emerging strategic objectives SO8¹¹, SO9¹² and SO14¹³.
- 5.23 Our updated desktop assessment of these sites highlights the need to retain the majority in office use, whilst considering stronger protection of office locations such as Liverpool Terrace / Liverpool Gardens Office Area and Chatsworth Road Office Area in order to maintain a critical mass of office accommodation within the town centre. It is recognised that the Article 4 directions will only limit conversions to residential use, while change to community or retail uses will be possible as they now fall within the same use class.
- 5.24 However, proposals that support new economic uses on these sites that would not undermine their existing activity should also be encouraged particularly in sites such as Farncombe Road Office Area. The Council should continue monitoring the changes across this area and potentially revisit the approach to protect this site, for instance by amending the boundary and releasing the part south of Church Walk (southern part) which has been changed with an increasing element of community facilities.
- 5.25 It is envisaged that Worthing's office areas and particularly those of Liverpool Terrace / Liverpool Gardens Office Area and Chatsworth Road Office Area might experience changes to residential in advance of the local plan adoption or the introduction of any Article 4 Direction. These town centre office areas suffer mainly from pressures to residential uses rather than other retail and community uses and based on current evidence and the shrinkage of office floorspace in Worthing an Article 4 Direction to prevent PDRs to C3 would appear be justified.
- 5.26 It is noted that the Council proposes to update the Sustainable Economy Supplementary Planning Document (February 2012) to reflect emerging policies and to provide guidance to planning applications proposing a departure from Policy CP11. This update should be used as an opportunity to underpin the protection of higher value office-based activity and enhance the scope for business activity to take place in underused or redundant premises.

¹¹ SO8 Retain and enhance key employment areas and provide a choice of employment sites to meet the needs of existing and future businesses.

¹² SO9 Strengthen Worthing's town centre as a location for shopping and business and enhance its role as a sub-regional centre.

¹³ SO14 Seek to improve the skills of the workforce and quality of the environment to encourage the creation of high value jobs by existing and new businesses.

Industrial and Distribution Uses

- 5.27 The industrial and distribution market in Worthing is not characterised as being particularly sizeable or strategic in nature when compared with other locations across the South Coast property market area but is characterised by strong levels of demand and low levels of vacancy, reflecting the limited supply of industrial space in the Borough, particularly good quality, modern space.
- 5.28 The development of new industrial space in Worthing has been relatively limited in recent years, with the exception of two schemes at the Former Eurotherm Site in Dominion Way and GlaxoSmithKline’s new premises in Southdownview Road. Much of the current stock comprises older, dated premises that are in need of refurbishment and modernisation. The strong demand for industrial space coupled with a severe shortage of units in the Borough mean that existing local businesses struggle to find suitable space to accommodate their expansion or relocation plans in the local market, while enquiries from businesses outside the Borough can rarely be met. The limited supply of industrial floorspace in Worthing is constraining industrial activity and has likely resulted in potential economic opportunities being diverted from the Borough as businesses are unable to find suitable industrial space within its boundaries.
- 5.29 Despite limited levels of new development and the dated stock, the employment areas in Worthing are well-occupied and provide a mix of industrial locations that appear to be serving a range of local business needs. The 2016 ERELRL provided a detailed analysis of each of the sites that the emerging Policy CP12 aims to protect. The Study concluded that the majority of these sites should continue being protected. However, it suggested that if any estates were to be consolidated during the plan period, this is most likely to include Ivy Arch Road.
- 5.30 We have revisited the assessment of Ivy Arch Road Industrial Estate, to include recent developments around the site. Pressures from community and leisure uses is evident and suggests that further pressures could occur in the future. It is recommended that the Council should continue protecting the active industrial units across this area. However, this site could be an example of applying different levels of protection to different parts of the site subject to compatibility with the existing well-established employment uses.
- 5.31 In terms of quantitative requirements, this update identifies a positive need for industrial and distribution space under most of the growth scenarios considered. In the context of the NPPF requirement to plan positively for growth, it is recommended that the Council consider planning to accommodate at least the labour demand (job growth) based requirement (scenario 1). This scenario appears to reflect local market signals in Worthing, and points towards the relative demand for space in the local industrial and distribution markets, as well as the tightening of existing stock.
- 5.32 A comparison with the emerging supply of industrial and distribution space in Worthing shows that, in quantitative terms, the Borough has sufficient industrial (B1c/B2) supply to accommodate future needs arising under scenario 1, but with a significant shortfall of distribution (B8) related supply to accommodate future needs to 2036.
- 5.33 The identified emerging supply of industrial and distribution space within Worthing to meet the needs of local businesses in the Borough over the plan period comprises about 14,985 sqm of industrial floorspace and 9,170 sqm of distribution. These are mainly based on the extant allocations, namely Decoy Farm (A4) and Land adjacent to Martlets Way and Inland Revenue (AOC6), including an estimated 14,000 sqm for industrial and 9,000 sqm for distribution floorspace. On this basis, the delivery of these sites for employment development uses and particularly B8 over the plan period should be a key objective for the Council given the shortages

of distribution related space noted above and the lack of supply opportunities elsewhere in the Borough.

Managing pressures from other non-employment uses

- 5.34 The site assessment process conducted as part of the 2016 ERELRL indicated that the Borough has a portfolio of employment sites that are generally performing well and appear to be occupied and meeting local business needs. The study did not identify any specific evidence to suggest that existing employment sites have no reasonable prospect of continuing to be used for employment uses over the Local Plan period, although it was suggested that this should be reviewed on a regular basis to take into account any changing factors over the plan period.
- 5.35 In this context, this update considers the increasing demand from non-employment uses within the Borough’s employment designations, based on a desktop analysis and drawing on latest market intelligence.
- 5.36 It is evident that over the last three to four years there have been an increasing number of planning applications received in relation to change of employment use class to former D2 uses. It should be noted, however, that there is a higher number of applications received for change of use from retail (former A1 use class) to former D2 across the same period. This identifies a growing need for community and leisure activities in the Borough that is clearly placing pressure on designated commercial land. This pressure may increase due to the introduction of class E.
- 5.37 The monitoring data provided by West Sussex County Council includes two schemes related to a loss of 700 sqm of former B1 employment space to former D2 in Victoria Road (within the Railway Approach Office Area) and in Southcourt Road (non-designated area). In addition, there are two more applications permitted post 2019, when monitoring data is not available, relating to a loss of 100 sqm of B1 floorspace in Ashacre Lane (non-designated area) and 350 sqm of Sui Generis space in Worthing Town Centre. There is, finally, one outstanding decision for the conversion of Unit 9A Ivy Arch Road Industrial Estate from B1c to D2, associated with a potential loss of 170 sqm¹⁴.
- 5.38 In the context of the NPPF requirement that “*planning policies should as part of plan updates, reallocate the land for a more deliverable use that can help to address identified needs (or, if appropriate, deallocate a site which is undeveloped)*” [Paragraph 120, point (a)], the Council should consider re-visiting and potentially changing existing boundaries of some of these employment areas such as Farncombe Road Office Area subject to further monitoring on the change of uses. However, monitoring such changes will be more difficult in future as such changes will no longer require planning permission where they fall within the same use class.
- 5.39 An alternative approach could include defining a core business area within some employment areas where only E(g)/B2/B8 class uses will be permitted, taking account of the current pattern of development, key frontages and where scope for improvements (e.g. public realm, linkages) have been identified. A more flexible approach could remain for other parts of the site where a wider range of uses (within E Class) are permitted subject to criteria, so the overall employment functioning of the area is not undermined.
- 5.40 In general, there would appear to be a reasonable basis for maintaining an employment land protection policy for key sites in the emerging Worthing Local Plan in line with the designations already set out in Policy CP12, which ensure that Worthing can retain its business base and sector strengths, particularly in view of the overall constraints to bringing forward additional employment land.

¹⁴ This unit is bounded by D2 use classes from the same applicant in Units 9 and 9C.

- 5.41 However, sites such as the Ivy Arch Road Industrial Estate, which has good levels of employment activity in some parts of the designated site, with other parts being occupied by community uses, including the Mosque and Islamic Society, the Worthing Boys' Club and Ivy Arch Sound and Dance Studios, or being vacant and under-used for a long period (i.e. premises opposite Unit 9), could be good candidates to apply differing levels of protection subject to compatibility with the existing well-established employment uses. The Council should continue monitoring the changes to community and other non-employment uses and decide if any other designated employment site should also be subject to a similar approach.
- 5.42 The guidance and support set out within the Sustainable Economy SPD (2012), which is proposed to be updated to reflect the emerging policies, should continue to provide appropriate guidance on protecting employment sites in the Borough, particularly in terms of criteria that should be met when assessing planning applications involving the loss of former B class employment floorspace. This SPD should remain a core consideration document of the decision-making process for employment sites in Worthing as the new Local Plan progresses.
- 5.43 It is evident herein that there has been a significant loss of employment space mainly through the prior approvals from office to residential uses. There could, therefore, be scope for the Council to also consider applying an Article 4 Direction to increase its ability to protect key office sites in the Borough, in particular office clusters in and around Worthing town centre which provides a key focus for regeneration and economic renewal over the coming years.

Other Policy Issues

- 5.44 The upgrading and refurbishment of existing employment areas, and where possible, redevelopment so that they can be used more efficiently provides an option for accommodating future requirements aside from allocating new areas/sites. Better utilisation of the existing office and industrial stock could be achieved through gradual redevelopment of individual plots, for example replacing a larger old unit with the development of modern smaller units for which there is reasonable demand in Worthing. However, any redevelopment or intensification of employment sites in the Borough will need to have credence to the existing businesses operating at these sites.
- 5.45 In delivering new allocations and potential allocations, the Council should consider their deliverability, including development constraints, landowners/promoters' aspirations, and market viability factors. An early stage assessment would allow the Council to more carefully consider the role of each site in meeting local employment needs and to encourage the appropriate distribution of employment use classes for each site.
- 5.46 It is recommended that the Council continues to monitor on an annual basis changes to employment space to identify evolving occupier/developer patterns in the Borough and inform any policy responses that will be required. This is particularly significant given the scale of B class floorspace losses in Worthing in recent years, in particular through conversions to residential use and growing pressure from community and leisure uses.
- 5.47 Existing policies to protect employment space will become less effective where these relate to existing B1(a/b/c) premises, because there will no longer be the same planning mechanism to control these from switching to other forms of retail, leisure and community use. There is an opportunity for the emerging local plan to state clearly the protection of office – E(g)(i)/(ii), light industrial – E(g)(iii), industrial – B2 and warehousing - B8 uses by labelling as appropriate within the emerging policies. This will be justified in Worthing where there is pressure from other Class E uses and there is also a constrained land supply in general.

5.48

Given the changes to the Use Classes Order, it may be advisable for the Council to prepare an up-to-date assessment of B1 stock in Worthing 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 ex-B1c and B2, and whether in practice these represent different market segments locally. In addition, the Council should need to have an up-to-date monitoring list of PDR conversions/ to C3 residential. These monitoring databases will support the sound justification for conditioning future planning applications and policies in the local plan.

Appendix 1 Baseline Employment Forecasts

Workforce job growth by industry associated with the baseline labour demand scenario is summarised below, which uses economic projections produced by Experian (March 2020).

Experian Sector	Workforce Jobs		
	2020	2036	Change (2020-2036)
Accommodation & Food Services	2,800	2,700	- 100
Administrative & Supportive Services	3,800	4,000	200
Agriculture, Forestry & Fishing	-	-	-
Air & Water Transport	-	-	-
Chemicals (manufacture of)	-	-	-
Civil Engineering	-	-	-
Computer & Electronic Products (manufacture of)	900	700	-200
Computing & Information Services	900	900	-
Construction of Buildings	600	600	-
Education	4,200	4,600	400
Extraction & Mining	-	-	-
Finance	1,800	1,600	-200
Food, Drink & Tobacco (manufacture of)	-	-	-
Fuel Refining	-	-	-
Health	10,000	12,800	2,800
Insurance & Pensions	-	-	-
Land Transport, Storage & Post	1,600	2,000	400
Machinery & Equipment (manufacture of)	-	-	-
Media Activities	500	500	-
Metal Products (manufacture of)	400	300	-100
Non-Metallic Products (manufacture of)	-	-	-
Other Manufacturing	400	400	-
Other Private Services	1,400	1,400	-
Pharmaceuticals (manufacture of)	900	1,100	200
Printing and Recorded Media (manufacture of)	-	-	-
Professional Services	3,300	4,000	700
Public Administration & Defence	3,200	3,100	-100
Real Estate	1,000	1,200	200
Recreation	1,500	1,500	-
Residential Care & Social Work	6,000	8,600	2,600
Retail	5,900	6,300	400
Specialised Construction Activities	1,600	1,600	-
Telecoms	-	-	-
Textiles & Clothing (manufacture of)	-	-	-
Transport Equipment (manufacture of)	-	-	-
Utilities	1,300	1,500	200
Wholesale	1,900	2,000	100
Wood & Paper (manufacture of)	-	-	-
Total Employment	55,900	63,400	7,500

Appendix 2 Site Allocations and Assumptions

The table below summarises site-by-site assumptions applied for the purposes of quantifying the latest employment land supply position in the Borough (at July 2020).

Proposed Designation	Site Name	Total Area (ha)	Estimated Commercial Gross Capacity (sqm) (WBC)	Commercial Net Capacity (sqm)	Assumed Distribution of Employment Use Classes	Notes
Allocation (A4)	Decoy Farm	7.7	18,000	18,000	B1c/B2 - 50% B8 - 50%	
Area of Change (AOC 5)	HMRC Offices, Barrington Road	7.5	2,500	2,500	B1a/b - 100%	Current Capacity: 20,830 sqm HMRC's lease on the site comes to an end in 2021 at which point the site will become available for a mixed-use development. It is expected that HMRC will then reorganise their operations at the Durrington area and retain a presence on the Durrington Bridge House located to the east of the site. Therefore, it is assumed that all the on-site jobs will be re-provided within Worthing.
Area of Change (AOC 6)	Land adj to Martlets Way and Inland Revenue	4.2	10,000	10,000	B1a/b - 50% B1c/B2 - 50%	Proposed mixed use scheme
Allocation (A6)	Union Place	0.6	2,390	2,390	B1a/b - 100%	Proposed mixed use scheme
Allocation (A7)	Grafton Site, Marine Parade	0.76	n/a	n/a	Retail only	Mixed use scheme residential and retail
Area of Change (AOC 1)	Centenary House	3.88	10,000	5,000	B1a/b - 100%	Mixed Use Scheme residential and commercial Current Capacity: 11,000 sqm - Office use and Police Custody Suite. It is proposed to re-provide the facilities for Sussex Police and WSCC (approx. 5,000 sqm) and additional employment space (approx. 5,000 sqm).
Potential Allocations OS1	Titnore Lane	6.9	6,210	6,210	B1a/b - 50% B1c/B2 - 25% B8 - 25%	Assumed land use split 30% commercial and 70% residential as the site was a residential promotion originally. Applied plot ratio:0.4
Potential Allocations OS2	Beeches Avenue	2.8	2,520	2,520	B1a/b - 50% B1c/B2 - 25% B8 - 25%	Assumed land use split 30% commercial and 70% residential as the site was a residential promotion originally. Applied plot ratio:0.4
Potential Allocations OS3	Worthing United Football Club	1.5	1,350	1,350	B1a/b - 50% B1c/B2 - 25% B8 - 25%	Assumed land use split 30% commercial and 70% residential as the site was a residential promotion originally. Applied plot ratio:0.4

Appendix 3 Experian Data Guide

Data Guide

UK Regional Planning Service
March 2020



Our main subscription website:

<https://analyticsondemand.experian.co.uk/>



Data Guide

UK Regional Planning Service
March 2020

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Executive summary

This document outlines the current variable coverage in the September 2019 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 very 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 End-points

Figure 1.2: Last historic data point

Variable	UK*	Region	County & Local Authority
Gross Value Added	2019q3	2018q4	2018q4
GVA by sectors	2019q3	2018q4	2018q4
Labour market variables	2019q3	2019q3	All 2018q4 except ILO 2019q3
Income	2019q3	2018q4	2017q4
Consumer spending	2019q3	2018q4	2017q4

The historical end-point represents the last period in time 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 end-point are Experian Economics' estimates.

We have not used any regional data published after January 2020 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) 2016 mid-year estimates for 1997-2016. For England, Scotland and Wales, the 2016-based national population projections are used while 2016-based sub-national population projections for England and Scotland have been used for the first time. Sub-national projections for Wales remain 2014-based. Further information on population changes is available in [section 4](#).

UK forecast

This forecast is consistent with an Experian Economics' January 2020 macroeconomic forecast which includes GVA for 2019q3. We explore this further in [section 4](#).

Geographic boundaries

As of March 2020, data is published in accordance with Local Authority District Boundaries (April 2019).

With the ONS gradually phasing out the publication of data on the pre-2019 local authority boundaries, it had 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>East of England:</i>	Suffolk Coastal, Waveney	East Suffolk
	<i>Forest Heath, St Edmundsbury</i>	West Suffolk
<i>South West:</i>	Bournemouth, Christchurch, Poole	Bournemouth, Christchurch and Poole
	East Dorset, West Dorset, North Dorset, Purbeck, Weymouth and Portland	Dorset
	West Somerset, Taunton Deane	Somerset West and Taunton

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.

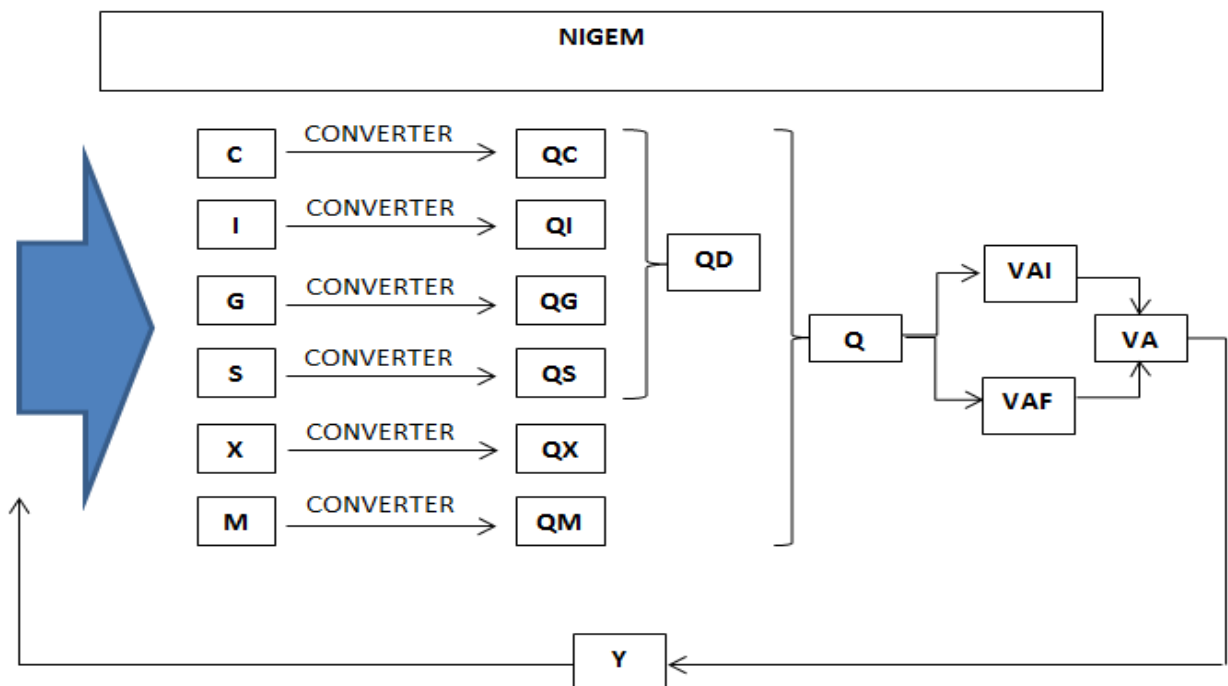
To produce the UK forecast we use a heavily customised version of the National Institute of Social & Economic Research's (NISER) model called NIGEM to provide our core macroeconomic forecast.

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 March 2020 RPS saw the inclusion of the 2019 BRES, which provides data up to 2018. 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 have included the ONS balanced estimate

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.

of 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.

Estimates of Chain Volume Measure GVA previously had to be constructed using UK industry deflators, however, official CVM estimates are now produced at a regional level. The data is produced at the same level of disaggregation as the current price data and is made quarterly using workforce jobs data, before being aggregated to produce a regional total.

While these fundamental changes to the underlying data have led to noticeable historical revisions across the 38 sectors, the inclusion of more detailed official data provides a more accurate measure of regional GVA across industries.

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 constitutes 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 2016 sub-national projections for England and Scotland while Wales remains 2014-based. These are spliced onto the 2016 mid-year estimates and constrained to the latest national 2016-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.

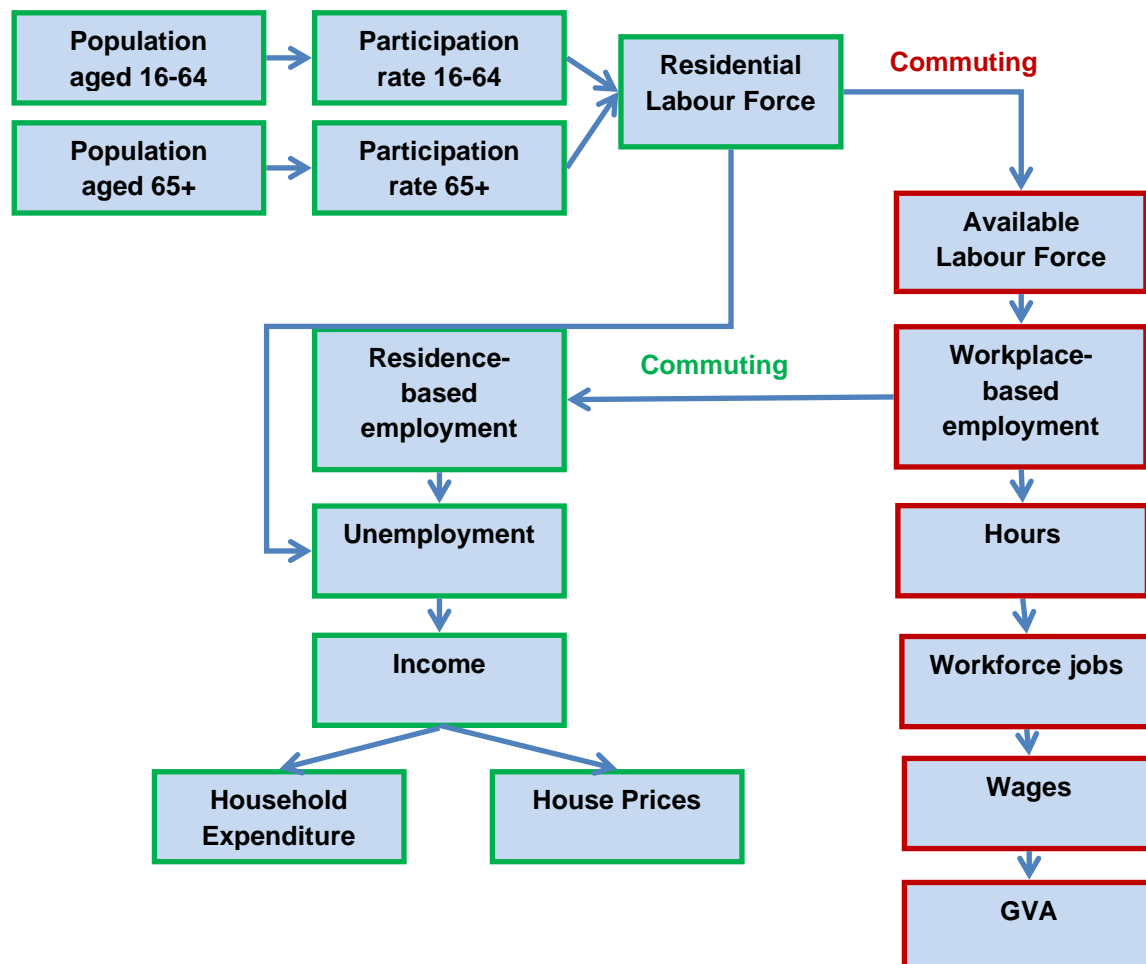
The 2013 Autumn Statement stated that the rise in state pension age to 68 would be moved forward from 2046 to the mid-2030's. However, with no firm date, we have not yet incorporated this into our working age and state retirement age definitions.

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 particular 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

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.

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.

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 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 January 2020 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.

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

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
 - 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.

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.

- 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.
- 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 of that demand satisfied if there is insufficient available labour supply to meet those needs. Jobs 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 2019 RPS

4.1 UK forecast

The March RPS forecast is consistent with the January 2020 UK macro forecast.

The January macro forecasts were locked before the spread of the Coronavirus was expected to have a major impact on economic activity outside of China. The outlook is likely to be considerably weaker than this forecast, while the extent of the downgrade remains highly uncertain due to the unprecedented nature of the global pandemic.

Latest GDP data confirm that growth stalled at the end of the year amid the political impasse over Brexit. Since then, a decisive general election result has reduced domestic political uncertainty and the near-term risk of a no deal Brexit, empowering the government to push forward with spending pledges and EU withdrawal plans. This triggered some improvement in business confidence, investment intentions and consumer sentiment in January.

Alongside this, the global backdrop had been helped by a partial easing in trade disputes and a loosening in monetary policy, although the spread of the Coronavirus presents significant new challenges. Given these developments, there are now considerable downside risks around our baseline forecasts for GDP growth close to 1% in 2020.

The EU formally left the EU at the end of January 2020 and entered the transition period. At the time of writing, with government in the UK and EU focused on addressing the challenges of containing the virus pandemic, there is a growing likelihood that the Brexit negotiations will need to be delayed. Alongside this, the existing deadline of December 2020 for the transition period may also need to be reviewed.

Meanwhile, lingering uncertainty over the outcome of the next phase of the Brexit negotiations is expected to curb the pace of any investment recovery. The transition period ends in December 2020, leaving a tight timetable for negotiating, amongst other things, a new trading relationship with the EU. Given this, there is still a risk of another 'no deal' cliff edge as the transition deadline approaches. There remains much uncertainty over the final trade deal and what balance is eventually struck on the trade off between an agreement which minimises trade friction and the right to diverge from EU rules. The baseline projections assume the outcome is a deep trade deal that allows continued access to EU markets. We continue to monitor developments and as the nature of the agreements become clearer will adjust the baseline accordingly.

Our central case sees GDP grow by close to 1% this year, which is little changed from the outlook in the December RPS forecast. Modest rises in consumer spending are expected, reflecting a lacklustre year ahead for household incomes as pace of job creation eases markedly and wage growth plateaus. Investment growth will prove modest reflecting ongoing uncertainty over the final trade deal with the EU. Government spending and investment should also contribute to growth, although these results were locked ahead of the March Budget, which revealed a significant loosening of fiscal policy.

March 2020 RPS forecast. Previous forecast (August 2019 macro = September 2019 RPS) in brackets.

UK		2017	2018	2019	2020	2021-2027	2028-2040
GDP growth		1.9% (1.8%)	1.3% (1.4%)	1.3% (1.1%)	1.0% (1.2%)	1.8% (1.8%)	1.7% (1.7%)
Workforce growth	Jobs	1.0% (1%)	0.6% (0.6%)	1.7% (1.3%)	0.7% (0.5%)	0.6% (0.6%)	0.5% (0.5%)
Unemployment rate		4.4% (4.4%)	4.1% (4.1%)	3.8% (3.9%)	3.9% (4%)	3.8% (3.8%)	3.9% (3.9%)
Real Income growth		1.4% (0.5%)	2.5% (2.2%)	1.0% (1.9%)	1.2% (0.6%)	1.8% (1.6%)	1.9% (1.9%)
Spending growth	Volumes	2.2% (2.1%)	1.6% (1.7%)	1.1% (1.7%)	1.1% (1.4%)	1.8% (1.8%)	1.8% (1.8%)
House price growth		4.5% (4.6%)	3.2% (3.5%)	1.4% (2.2%)	2.3% (3%)	3.7% (3.8%)	4.0% (4%)

UK Outlook

The following was the outlook in January, consistent with the regional forecast. **Please note that these forecasts were locked before the spread of the Coronavirus was expected to have a major impact on economic activity outside of China. The outlook is likely to be considerably weaker than this forecast, while the extent of the downgrade remains highly uncertain due to the unprecedented nature of the global pandemic.**

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 first estimate for 2019q4 GDP confirmed that the economy stagnated at the end of the year. In year on year terms, growth slowed to 1.1%, the weakest since 2018q1. Growth for 2019 overall came in at 1.4%, a similar outturn to 2018.

The details confirm a lacklustre domestic picture. Investment contracted by 1.6%, while consumer spending growth slowed to just 0.1%. Offsetting this was an improvement in net trade. On the sectoral front, services grew at the weakest pace since 2016, while manufacturing fell for the third consecutive quarter.

Very early indications for 2020 were encouraging. The outcome of the December general election removed domestic political uncertainty and the near term risk of a no deal Brexit, empowering the government to push forward with spending pledges and EU withdrawal plans. This in turn triggered a rebound in business confidence and improved investment intentions in January. Housing market surveys suggest activity was rebounding and consumer sentiment also tracked higher. On the global front, a partial easing in trade disputes and a loosening in monetary policy was also positive.

While near term uncertainty related to the Brexit Withdrawal Bill has certainly cleared, uncertainty persists over what type of deal will eventually be agreed. Hence, business sentiment remains vulnerable until significant progress has been made on the next phase of negotiations.

Key risks

The challenges posed by the spread of the Coronavirus represents the key downside risk to growth. At the time of writing it is clear that there will be a substantial impact on the global economy. EU and global growth faltered in recent quarters and looks set to fall in recession during 2020. Given this backdrop, exporters face a double whammy hit to prospects from supply chain disruptions and declines in demand from external markets.

In the mid to long term, the UK's economic fortunes will largely be shaped by the final terms of the Brexit deal. The impact on external trade, foreign direct investment and migration flows are of particular importance as these influence the UK's long term economic growth potential via labour supply and productivity. There will be a trade off between market access and control over EU migration, so there is a real risk that the UK will have to accept significantly less favourable terms of access, which could undermine prospects for trade and investment. No adjustments have been made to the underlying population projections in our base case, but downside risks clearly exist on this front from a potential slowdown in EU migration.

4.2 Regional Forecast

We have not used any regional data published after January 2020 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. In addition to changes to the UK history to which our regional data is constrained, changes to the regional history can be traced back to the following new quarterly data (September 2019 RPS endpoint in brackets):

- Regional Accounts 2018 (previously 2017)
- Regional Workforce Jobs 2019q3 (previously 2019q1)
- ILO data for 2019q3 (previously 2019q1)
- Business Register and Employment Survey (BRES) 2018 (previously 2017)
- Annual Survey of Hours and Earnings (ASHE) 2019 (previously 2018)

March 2020 RPS forecast. Previous forecast (September 2019 RPS) in brackets.

Regional forecast 2019-40	SW	SE	GL	ET	EM	WM	NW	NE	YH	SC	WA	NI
ave. growth												
GVA growth	1.6% (1.6%)	1.9% (1.9%)	2.1% (2.1%)	1.8% (1.8%)	1.5% (1.5%)	1.4% (1.4%)	1.4% (1.4%)	1.2% (1.2%)	1.4% (1.4%)	1.3% (1.3%)	1.3% (1.3%)	1.2% (1.2%)
Workforce Jobs growth	0.6% (0.6%)	0.7% (0.7%)	0.8% (0.8%)	0.6% (0.6%)	0.6% (0.5%)	0.5% (0.4%)	0.5% (0.5%)	0.3% (0.1%)	0.4% (0.4%)	0.3% (0.2%)	0.3% (0.3%)	0.4% (0.3%)
Unemployment rate	3.1% (3.2%)	2.9% (2.8%)	5.0% (5%)	3.4% (3.4%)	3.9% (3.9%)	4.6% (4.7%)	4.1% (4.1%)	5.2% (4.9%)	4.3% (4.2%)	3.5% (3.6%)	3.8% (3.8%)	3.4% (3.6%)
Real income growth	1.8% (1.7%)	2.1% (2%)	2.1% (1.9%)	2.0% (1.9%)	1.7% (1.7%)	1.6% (1.5%)	1.6% (1.6%)	1.4% (1.4%)	1.6% (1.6%)	1.5% (1.4%)	1.4% (1.4%)	1.6% (1.5%)
Spending volumes growth	1.6% (1.7%)	2.0% (2%)	2.3% (2.3%)	1.7% (1.8%)	1.6% (1.6%)	1.5% (1.6%)	1.6% (1.6%)	1.3% (1.4%)	1.5% (1.6%)	1.4% (1.4%)	1.3% (1.4%)	1.5% (1.6%)
House price growth	3.6% (3.7%)	4.1% (4.1%)	4.0% (4%)	3.7% (3.8%)	3.5% (3.6%)	3.7% (3.7%)	3.8% (3.8%)	3.3% (3.3%)	2.9% (3%)	3.5% (3.6%)	3.5% (3.4%)	3.4% (3.4%)

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 2019 RPS endpoint in brackets):

- Regional Accounts 2018 (previously 2017)
- APS data for 2019q3 (previously 2018q3)
- Business Register and Employment Survey (BRES) 2018 (previously 2017)
- Annual Survey of Hours and Earnings (ASHE) 2019 (previously 2018)

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

There have been historical revisions for areas within England and Wales for mid-2012 to mid-2016 due to “improved methods for international emigration at the local authority, previously unavailable data for international immigration at the local authority level and improvements to accounting of the dependents of foreign armed forces personnel”.

We continue to include the 2016-based sub-national population projections for England and Scotland and as of the March 2019 RPS, we have accounted for revisions to the population projections. The key points highlighted in the release are:

- The populations of all regions in England are projected to grow by mid-2026; regions in the north of England are projected to grow at a slower rate than those in the south.
- London 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-2026; the populations of just 15 local authorities are projected to fall.
- Tower Hamlets is projected to be the fastest growing local authority in England; its population is projected to grow by 17.8% between mid-2016 and mid-2026.
- The number of people in older age groups is projected to grow faster than those in younger age groups in all but five local authorities; by mid-2026, a total of 97 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-2026, 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.

5 A note from the ONS on volatility

A change in methodology behind 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 yard-stick 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 Regio 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.	
Machinery & 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-2019 boundaries (338+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.

Combining its unique information tools and deep understanding of individuals, markets and economies, Experian partners with organisations around the world to establish and strengthen customer relationships and provide their businesses with competitive advantage.

For consumers, Experian delivers critical information that enables them to make financial and purchasing decisions with greater control and confidence.

Clients include organisations from financial services, retail and catalogue, telecommunications, utilities, media, insurance, automotive, leisure, e-commerce, manufacturing, property and government sectors.

Experian Group Limited is listed on the London Stock Exchange (EXPN) and is a constituent of the FTSE 100 index. It has corporate headquarters in Dublin, Ireland, and operational headquarters in Costa Mesa, California and Nottingham, UK. Experian employs around 15,500 people in 36 countries worldwide, supporting clients in more than 65 countries. Annual sales are in excess of \$3.8 billion (£1.9 billion/€2.8 billion).

For more information, visit the Group's website on www.experiangroup.com

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