Strategic Planning Research Unit
A specialist team within DLP Planning Ltd

For and on behalf of
Test Valley Borough Council

Test Valley Employment Needs Further Analysis Study

Prepared by
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CONTENTS **PAGE**

APPENDICES

0.0 EXECUTIVE SUMMARY

0.1 The Test Valley Employment Needs Further Analysis Study (FAS) has been undertaken to identify future employment needs across the Test Valley area for the period 2020 to 2040. This FAS will provide a robust and up to date evidence base to inform the emerging Local Plan.

a) Policy Context

0.2 The FAS has been undertaken in accordance with relevant policy and guidance set out in the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG).

0.3 The government's overarching economic growth objectives are set out across several strategies and legislative documents, including the Levelling Up and Regeneration Bill, Building a Britain Fit for the Future, and Building Back Better. Recent reorganisation of LEP boundaries means that Test Valley is now wholly contained within the Enterprise M3 (EM3) LEP area.

0.4 Previous evidence on employment land availability and needs in Test Valley is set out in the Employment Land Study (LSH, 2016) and the Economic, Employment and Commercial Needs Study (Stantec, 2021). Employment Land Reviews were also undertaken in 2008 and 2012 to inform the previously adopted Local Plan. These studies identified high levels of B1 office delivery associated with a number of 'one off' developments, including the Ordnance Survey offices at Adanac Park.

0.5 Past delivery of sites has not been evenly distributed across the plan period of the currently adopted Local Plan which has significant implications when considering recent take-up trends as a method to calculate future requirements for land and floorspace.

0.6 Planning Practice Guidance supports the methodology adopted in this Further Analysis Study to triangulate projections of past take-up alongside evidence from demographic ('labour supply') and employment forecasts ('labour demand'), as well as engagement with relevant local and regional stakeholders as part of an assessment of wider market signals. As also noted in PPG, it is important to take account of longer term economic cycles and consider alternative scenarios which may inform evidence of future needs.

0.7 The approach within the FAS acknowledges the implications of previous plan-making within Test Valley. This reflects where longer timeframes for the allocation and bringing forward of land and floorspace for economic development may not necessarily be captured as part of the reasons for high levels of take-up in the short term when sites are actually delivered.

b) Defining the Functional Economic Market Area (FEMA)

0.8 The Test Valley FEMA was assessed in accordance with Planning Practice Guidance. The evidence presented in this report suggests that Test Valley is not a self-contained FEMA. It is instead recommended that the borough's economic market area is best represented by two broadly defined FEMAs covering North Test Valley and South Test Valley.

c) Test Valley's Economic Baseline

0.9 The FAS investigates the economic baseline within the Test Valley area, including the sectors which contribute most towards the growth of the economy and employment in the area.

0.10 Test Valley has an estimated GVA of £3,339 million, which has, generally, grown steadily between 1998 and 2020, only decreasing in 2009 and 2020 (which correlate to the 2008/09 financial crisis and the COVID-19 pandemic). There are approximately 60,000 jobs in Test Valley and circa 50% of businesses survive their initial five year period (BRES, 2020).

0.11 Approximately 9.4% of the working population (those aged 16-64) are self employed in Test

Valley, which is slightly lower than the rate of self employment in Hampshire and England. 84.4% of businesses in Test Valley are micro-companies, which are those with 0-9 employees. 12.8% are small companies (10-49 employees), 2.6% are medium (50-249 employees), and 0.2% are large (250+ employees)

0.12 Test Valley is located within the Central Hampshire area (International Territorial Level) for the purposes of measuring GVA, and saw a growth of 2.5% in GVA per head between 1998 and 2020. On average, Central Hampshire has a lower GVA per head than North Hampshire and a higher GVA per head than that of South Hampshire, which had average growths of 3.4% and 2.4% in this time period respectively.

0.13 The main sectors in Test Valley are wholesale and retail trade (repair of motor vehicles); real estate activities; and manufacturing. These three sectors together account for circa 46.8% of the overall GVA in Test Valley.

d) Commercial Market Signals and Completion Trends

0.14 The commercial property market and completion trend forecasts are evaluated based on the qualitative and quantitative data available. This included a series of stakeholder interviews and analysis of the Council's completions data. Interviews with stakeholders revealed a significant requirement for all floorspace types, particularly large industrial units (Use Class B8).

0.15 Completions data denote that Test Valley has provided no clear trends in the quantum of employment floorspace delivered year-on-year. As such, any analysis into the prospective future requirement should take this into consideration and review the average completions over time.

0.16 The completion trends forecasts, once adjusted to more accurately split the uses across the borough, demonstrate a significant demand for floorspace.

0.17 The delivery of one strategic warehouse facility at Nursling (within Southern Test Valley) of c.43,000sqm within the five-year trend first adopted for this Study (2016/17 to 2020/21) substantially distorts forecast take-up analysis when considered alongside the overall characteristics for delivery.

0.18 The scale of strategic warehousing distorting this trend, at c.40,000sqm floorspace, is consistent with two other instances of delivery in Test Valley contributing towards sub-regional trends for storage and distribution and consistent with earlier analysis of alternative five-year and ten-year trends. The nature of strategic warehousing delivered in Test Valley is broadly consistent with providing logistics floorspace for wider regional and some national markets but would increasingly be viewed at the lower end of facilities providing for national and international distribution networks (40,000sqm – 100,000sqm+).

0.19 The brief was subsequently amended to incorporate consideration of the 2021/22 monitoring data and a 2017-2022 take-up trend. This FAS provides an opportunity to explore in more detail five-year average annual completions with and without the effect of strategic warehousing and also how these trends impact upon future assumptions for providing a flexibility allowance. The outputs illustrate that average take-up, excluding strategic warehouses, of c.11,000sqm per annum exceeds previous five-year and ten-year trends.

0.20 While strategic warehousing forms part of overall take-up trends and may be indicative of further future demand, subject to the availability of supply, the broader characteristics of delivery are more diverse and represent a range of user requirements including for take-up on the existing stock of allocations and permissions.

0.21 The majority of take-up is for B1c/B2 industrial and other storage/distribution (B8) functions excluding strategic warehouses (c.53,000sqm of 96,000sqm total for these uses). This

includes a substantial proportion (c.33,000sqm) take-up for schemes averaging around 2,500sqm and illustrating a range of local and sub-regional demand for small and medium-sized industrial units.

0.22 Demand for office (B1a/B1b) floorspace in Test Valley is significantly lower than other employment floorspace types and it is likely that these should be focused around town centre locations and, where possible, areas with good transport links. Additionally, any office space provided would be more effective if it is high quality (Grade A) and offers flexible working arrangements to meet the evolving needs of businesses.

e) Future Economic Growth

0.23 The three economic forecasts project a total jobs growth in Test Valley between 2020 and 2040 of 5,670 jobs (CE), 5,500 jobs (Experian) and 5,090 jobs (OE). The main differences between the forecasts include:

- The strength and extent of the post-COVID-19 bounce.
- Performance between 2011 and 2020 and the period immediately prior to the onset of COVID-19.
- Longer-term trends and relationship with pre-COVID employment levels.

0.24 Despite their overall comparability a more explicit relationship between labour supply and demand strengthens the methodology of the Experian forecast. For the purposes of this Study the Experian forecast indicates further comparability with the outputs of the Council's SHMA based on the expected number of jobs supported against the official 2018-based subnational population projections.

0.25 There are also differences between the projections for different sectors across the three forecasts. We have utilized the Experian forecast during the further analysis based on its reasonableness in the context of all three forecasts which allows for a fair evaluation of the prospective economic growth in Test Valley. This is further evaluated in the relevant chapters of this study.

0.26 The evidence base for the emerging Local Industrial Strategies in the Solent and EM3 LEPs supports the following Growth Sectors in Test Valley:

- Advanced Manufacturing (specifically Auto-aero, Computer and Electronic Equipment and Transport);
- Information and Communication;
- Transportation and Storage;
- Professional, scientific and technical activities.

f) Employment Prospects for Key Growth Sectors

0.27 The FAS considers appropriate adjustments to the baseline economic forecasts to develop a growth scenario that is reflective of the growth sectors identified in the emerging LEP Local Industrial Strategies. The Experian forecast is used as the preferred basis for this scenario, having further regard its baseline position showing the strongest overall net change in the sectors assessed and its scope for closer analysis of detailed categories.

0.28 The Growth Scenario has been evaluated based on the economic and employment context of the relevant sectors within Test Valley, summarised as follows:

0.29 Advanced Manufacturing – The Test Valley area has out-performed the two LEP areas in terms of its performance in advanced manufacturing over the period 2009-2020. The Experian manufacturing forecast has been adjusted to account for these past growth trends.

0.30 Information and Communication – Existing employment levels in this sector in Test Valley

are relatively low but have grown at faster rates than elsewhere in the EM3 LEP area. The Experian baseline forecast is considered to be reflective of the potential for employment growth in this sector to 2040.

0.31 Transportation and Storage – The forecasts show negative to low growth in this sector of between -0.9% and 0.4% over the period 2020 to 2040. These forecasts do not reflect past trends which show Test Valley has significantly out-performed the wider EM3 LEP and neighbouring Solent LEP in these sectors. A Growth Scenario for this sector has been established based on the assumption that labour demand in Test Valley reflects the trend in employment growth in the Solent LEP area sub-region (adjusted to exclude the contribution of Air and Water Transport trends, which are not relevant to Test Valley, and to adjust for the effects of the Coronavirus pandemic).

0.32 Professional, Financial and Business Services – Past trends data show extremely strong performance in this sector in Test Valley compared with the wider South East region, but weaker performance compared with the EM3 LEP area. The Experian baseline forecast has been adjusted to reflect the higher sub-regional growth trend for these sectors.

0.33 The Growth Forecast that is derived from these adjustments projects a total growth of 8,650 jobs and 0.60% annual growth rate over the period 2020 to 2040. This is compared with a jobs growth of 5,420 and annual growth rate of 0.38% averaged across all three baseline forecasts.

0.34 Given the findings of the Council's evidence for labour supply generated by planning to meet housing need in accordance with the Government's standard method the Growth Scenario indicates the potential for this to be more closely aligned with changes to workforce jobs in Test Valley.

g) Risks Due to Covid-19 and Brexit

0.35 The report considers the risks that COVID-19 / Brexit impact in terms of jobs retention and growth, which affects future job levels; and changing working patterns, which affects the quantum of employment floorspace needed in future.

0.36 All of the forecasts take account of both Brexit and COVID-19 but make a range of different modelling assumptions which result in the range of different outputs.

0.37 In terms of Brexit risks, the analysis suggests that the majority of existing jobs and forecast total growth within the Test Valley economy derived from the Experian-based forecasts are not considered to be at high risk of negative consequences of Brexit.

0.38 In terms of COVID-19 risks, the Experian forecast illustrates the highest growth in 'moderate risk' COVID-19 sectors and a comparatively smaller increase in 'low risk' COVID-19 sectors over the period 2020-2040, whereas the CE forecast shows higher levels of growth in the 'low risk' COVID-19 sectors compared to the Experian forecast.

0.39 In respect of COVID-19 impacts, the CE and OE forecasts for Test Valley show strong recovery in the short-term in terms of total employment levels. The Experian baseline forecast indicates very limited evidence for a post-Coronavirus 'bounce' and a return to pre-pandemic levels of total employment not occurring before 2027.

0.40 The analysis shows that the COVID-19 lockdown restrictions necessitated an increase in home working and this means a number of the barriers to home working have been overcome. Going forward, following the removal of restrictions, the 'new normal' is unlikely to see a continuation of the level of home working that was seen during the lockdowns but equally it is unlikely to drop back to pre-COVID levels. This suggests that calculations of future employment land should take account of the changing working from home patterns. We have taken account of this by estimating increasing rates of home working throughout

the plan period. Homeworkers are then discounted from the calculations of future employment land requirements.

h) Future Employment Land Needs by Sub-Area

0.41 A 'labour demand' approach identifies the level of employment land needed to support the employment growth shown in each of the econometric forecasts, including the Growth Scenario.

0.42 In calculating the employment land requirement, a number of assumptions are applied including:

- Full time equivalent jobs
- Sectoral jobs by use class
- Employment densities
- Plot ratios
- Net to gross adjustments (loss replacement)
- Working from home adjustments
- Flexibility margins

0.43 Flexibility margins have been evaluated to ensure the prospective targets for employment land are reasonable and realistic.

0.44 The Growth Scenario identifies a total employment land need of 71.7 hectares during the period 2020 to 2040.

0.45 This is split across the different use classes as follows:

- B1a/b – 14.9 ha
- B1c/B2 – 17.0 ha
- B8 – 39.8 ha

0.46 The analysis by sub-area identifies a total distribution of employment land need under the Growth Scenario as set out in the table below. This distribution has also been adjusted to reflect the recent higher concentrations of jobs growth in manufacturing and service activities within Southern Test Valley. This is illustrated as follows:

(2020-2040)	B1a/b		B1c/B2		B8		Total	
	(ha)	Sqm	(ha)	Sqm	(ha)	Sqm	(ha)	Sqm
Northern Test Valley (NTV)	**6.9**	27,665	**10.5**	41,999	**13.9**	55,515	**31.3**	125,180
Southern Test Valley (STV)	**7.9**	31,778	**6.5**	26,099	**25.9**	103,596	**40.4**	161,473
Test Valley Borough Total	**14.9**	59,443	**17.0**	68,099	**39.8**	159,111	**71.7**	286,653

Source: SPRU Analysis

0.47 The components of the total employment land needs calculation by sub-area are broken down as follows:

(2020-2040)		B1 a/b	B1c/B2	B8	Total
Northern Test Valley (NTV)	***Baseline (Net ha)***	2.7	-0.2	-8.1	-5.6
	Growth Scenario - Difference versus Baseline	+0.6	+3.8	+18.7	+23.2
	Alternative Distribution - Difference versus Growth Scenario	-0.4	-1.1	-1.1	-2.6
	Plus Allowance for Loss Replacement	+3.2	+2.8	+1.9	+7.9
	Plus Flexibility Margin	+0.7	+5.2	+2.5	+8.5
	Total - Recommended Scenario (Gross ha)	**6.9**	**10.5**	**13.9**	**31.3**
Southern Test Valley (STV)	***Baseline (Net ha)***	4.3	0.7	-6.1	-1.1
	Growth Scenario - Difference versus Baseline	+1.0	+1.5	+16.2	18.7
	Alternative Distribution - Difference versus Growth Scenario	+0.4	+1.1	+1.1	+2.6
	Plus Allowance for Loss Replacement	+1.1	+2.6	+0.4	+4.1
	Plus Flexibility Margin	+1.2	+0.6	+14.4	+16.1
	Total - Recommended Scenario (Gross ha)	**7.9**	**6.5**	**25.9**	**40.4**
Test Valley Borough Total	***Baseline (Net ha)***	7.0	0.5	-14.2	-6.7
	Growth Scenario - Difference versus Baseline	1.6	5.3	34.9	41.8
	Alternative Distribution - Difference versus Growth Scenario	0.0	0.0	0.0	0.0
	Plus Allowance for Loss Replacement	4.3	5.4	2.2	12.0
	Plus Flexibility Margin	1.9	5.8	16.9	24.6
	Total - Recommended Scenario (Gross ha)	**14.9**	**17.0**	**39.8**	**71.7**

Source: SPRU Analysis

0.48 In implementing the recommendations of this FAS management of the supply/demand balance on the basis of sub-area geographies should be treated indicatively rather than a strict guide as to where additional provision might most suitably be located.

0.49 The main outputs and recommendations of the FAS are based on the total flexibility margin of **24.6 hectares** for all uses based on five years of take-up data and considered to accord most closely with national policy and guidance including an ability to respond quickly to changing demand. The FAS also calculates a separate, lower, flexibility margin excluding strategic warehouses based on 2017-22 trends and producing a lower total of 14.3 hectares (inclusive of a 5.7 hectare margin for B8 Uses excluding strategic warehouses).

0.50 Basing the margin for B8 uses on the details of known floorspace within schemes delivered recently (i.e., the evaluated total take-up trend of **16.9 hectares** including strategic warehousing) is considered a more appropriate response to reflect the nature of land required to provide for specific needs for this sector that may nonetheless include a degree of ancillary office or industrial floorspace within the overall scheme.

0.51 Based on this analysis the FAS indicates that there is scope to justify provision for some of the difference between the upper (16.9 hectare) and lower (5.7 hectare) flexibility margins for B8 Uses through support for a potential criteria-based policy to support additional provision for storage and distribution, if considered needed by the Council. An appropriate threshold for operation of a potential criteria-based policy would be sites in the region of 10 hectares, reflective of examples of past take-up for large strategic warehouses.

i) Supply/Demand Balance Including Sub-Area Analysis

0.52 An assessment of the current pipeline supply (existing permissions and allocations as of 1 April 2022) against the employment land needs identified in the Growth Scenario indicates an **overall deficit of 9.8 hectares**. This includes a deficit of 25.4 hectares for B8 uses, which is partly offset by surpluses in other employment uses.

0.53 The reasoned justification provided by the FAS in terms of recommendations on the minimum additional land to be identified reflects of the operation of the flexibility margin and relationship with past take-up of strategic warehousing. This indicates that specific provision for the deficit equivalent to **14.2 hectares**[1] and suitable to accommodate Use Class B8 would address the requirements for labour demand within relevant sectors based on labour demand within the Growth Scenario. This level of additional provision is recommended.

0.54 The recommendations of the FAS are based on not anticipating a potential surplus in B1c/B2 industrial uses offsetting the identified deficit in demand for B8 Storage and Distribution uses, notwithstanding that future patterns of deliverability may result in some interchangeability of the pipeline.

0.55 The characteristics of industrial land within the Council's pipeline are, however, unlikely to be able to accommodate the full range of demand for Storage and Distribution activities incorporated within the outputs for the B8 Use Class, including those attributable to any margin for flexibility based on past trends or sub-regional demand within the Transport & Storage Sector reflected within the Growth Scenario assumptions. Treating the supply/demand balance in this way also reflects the fairly limited potential surplus in B1c/B2 industrial uses.

0.56 A small identified surplus in office floorspace measured against labour demand under the Growth Scenario is relatively marginal (5.8ha) and on a sub-area basis is likely to be more limited in Northern Test Valley. The Growth Scenario forecast for labour demand indicates a much greater potential net requirement for these uses than recent net trends in take-up. Monitoring of the pipeline is likely to be required where the pipeline on greenfield sites may be delivered for other non-office employment uses to reflect changing patterns of demand following the Coronavirus pandemic. On a qualitative basis the Council should look to consider opportunities to complement this pipeline particularly in terms of opportunities for delivery in main urban centres.

0.57 Calculation of the supply/demand balance against total gross needs for the period 2020 to 2040 as of 1 April 2022 is undertaken net of completions recorded in 2020/21 and 2021/22 including analysis by sub-area. A summary of the components of the supply/demand balance is shown below:

[1] 25.4 hectares *minus* 11.2 hectares produced as part of the flexibility margin = 13.6 hectares

(at 1 April 2022)		B1 a/b	B1c/B2	B8	Total
Northern Test Valley (NTV)	**Total Demand (sqm) (Gross)**	27,665	41,999	55,515	125,180
	Completions 2020/21 and 2021/22	1,518	3,351	2,050	6,919
	Stock of Allocations, Permissions 1 April 2022	28,004	45,642	53,482	127,128
	Net Surplus/Deficit	1,856	6,994	17	8,867
	Supply/Demand Balance (Equivalent ha)	**0.5**	**1.7**	**0.0**	**2.2**
Southern Test Valley (STV)	**Total Demand (sqm) (Gross)**	31,778	26,099	103,596	161,473
	Completions 2020/21 and 2021/22	7,717	7,706	1,569	16,992
	Stock of Allocations, Permissions 1 April 2022	45,417	50,673	436	96,525
	Net Surplus/Deficit	21,356	32,279	(101,591)	(47,956)
	Supply/Demand Balance (Equivalent ha)	**5.3**	**8.1**	**(25.4)**	**(12.0)**
Test Valley Borough Total	**Total Demand (sqm) (Gross)**	59,443	68,099	159,111	286,653
	Completions 2020/21 and 2021/22	9,235	11,057	3,619	23,911
	Stock of Allocations, Permissions 1 April 2022	73,420	96,314	53,918	223,653
	Net Surplus/Deficit	23,212	39,273	(101,574)	(39,089)
	Supply/Demand Balance (Equivalent ha)	**5.8**	**9.8**	**(25.4)**	**(9.8)**

Source: SPRU Analysis

j) Labour Supply versus Labour Demand

0.58 A labour supply scenario has been developed using the Strategic Housing Market Assessment (2022) to assess the link between demographic change associated with the provision of housing and its potential to support economic growth.

0.59 This analysis indicates that the number of jobs supported by projected population and household change would not appear to act as an impediment to supporting market signals and evidence of labour demand.

0.60 Labour supply scenarios considered by this study indicate no likely significant adverse effect on commuting trends and the relationship between jobs and homes. All of the scenario outputs from the Council's SHMA substantially exceed baseline forecasts for total net change in employment.

0.61 Housing provision in accordance with the Government's Standard Method would support

additional jobs within growing sectors broadly consistent with evidence for labour demand within the Growth Scenario for this study.

1.0 INTRODUCTION

a) Background

1.1 DLP Planning were appointed by Test Valley Borough Council (TVBC) to prepare an Employment Needs Further Analysis Study (FAS). The objective of the study is to identify future employment needs across the Test Valley area for the period 2020 to 2040. This FAS will provide a robust and up to date evidence base to inform the emerging Local Plan.

1.2 This planned approach to delivering future employment requirements will ensure communities in the Borough have access to jobs. The employment scenarios in this study have considered local needs and growth requirements.

1.3 It is noted that B1 Business uses are now incorporated within the new Class E (Commercial, Business and Services) of the Town and Country Planning (Use Classes) Order 1987 (as amended). However, for the purposes of undertaking this FAS and for identifying and planning for employment land needs going forwards, it makes sense to continue to refer to B1a/b (offices and research) uses and B1c/B2/B8 (industrial) uses separately. This is the approach that has been taken in preparing this FAS.

b) Study Scope

1.4 This report is focused upon setting out the overall employment needs of Test Valley. The scope of the whole study is as follows:

i) Economic Needs Assessment

- Identify and justify the functional economic market area for Test Valley Borough;
- Identify the main business sectors;
- Take account of future business function and emerging sectors, acknowledging any longer-term effect on working patterns following events such as the Coronavirus pandemic and Brexit and taking account of potential implications from the transition to a Low Carbon Economy
- Identify the business growth sectors over the proposed Plan period 2020-2040;
- Forecast new jobs by sector and type, based on evidence of business needs and market demand and signals – providing a review of evidence of labour demand;
- Address the relationship between changes to the working age population and expected jobs growth based on local housing need calculated using the Government's standard method – providing evidence using a 'labour supply' approach;
- Assess the level of commercial demand and market attractiveness for development in the Borough, from the perspective of the local economy and taking account of the area's wider geography, to consider current and future scenario(s) to provide a 'reality check' of recent trends in past take-up – providing a 'bottom-up' approach;
- Consider the Borough's relationship with its neighbours to inform engagement under the Duty to Cooperate and the extent to which individual Test Valley scenarios for economic development should be seen in a wider context as part of a sub-regional need, including any implications for provision within North Test Valley or South Test Valley;
- The job growth scenarios should be converted into floorspace (square metres) and land area (hectare) requirements for each scenario;
- Provide an assessment of market suitability and attractiveness of sites submitted for

employment and mixed-use doe the Strategic Housing and Employment Land Availability Assessment (SHELAA) and existing strategic employment sites.

c) Stakeholder Engagement

1.5 A key part of the research to inform this study involved engaging directly with stakeholders across the commercial property and employment sectors. A total of 14 interviews were undertaken with senior individuals from a wide range of organisations and sectors including those listed below. In each interview the discussion was framed around a series of open questions to draw upon the expertise and locally-specific knowledge of each stakeholder. We also issued questionnaires to local commercial agents and developers to which we received 2 responses.

d) Structure of the Study

1.6 The FAS is split into main sections covering Economic Needs. The study is structured as follows:

- Section 2 – Context for Undertaking the Further Analysis Study
- Section 3 – Literature Review
- Section 4 – Defining the Functional Economic Market Area (FEMA)
- Section 5 – Test Valley's Economic Baseline
- Section 6 – Commercial Market Signals and Completions Trends
- Section 7 – Future Economic Growth
- Section 8 – Analysis of Forecast Employment Prospects for Key sectors
- Section 9 – Risks Due to Brexit and COVID-19
- Section 10 – Future Employment Land Needs
- Section 11 – Supply/Demand Balance - Labour Demand and Past Take-Up
- Section 12 – Sub-Area Assessment of Labour Demand and Past Take-Up Scenarios
- Section 13 – Labour Supply versus Labour Demand
- Section 14 – Conclusions

2.0 CONTEXT FOR UNDERTAKING ECONOMIC DEVELOPMENT NEEDS ASSESSMENT

2.1 This section introduces the overall structure and approach adopted to inform the assessment of economic growth and employment land needs within Test Valley to 2040.

a) National Planning Policy Framework

2.2 The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England and how these are expected to be applied. The original NPPF was published in 2012 and has been most recently revised in July 2021.

2.3 The overarching purpose of the NPPF and the planning system itself is to encourage sustainable development. The policies set out in the NPPF set out the Government's position on what sustainable development means in practice including the three core dimensions to achieve this. These core dimensions are considered interdependent and should therefore be pursued in mutually supportive ways:

a) An economic objective – to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure;

b) A social objective – to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations; and by fostering a well-designed and safe built environment, with accessible services and open spaces that reflect current and future needs and support communities' health, social and cultural well-being; and

c) An environmental objective – to contribute to protecting and enhancing our natural, built and historic environment; including making effective use of land, helping to improve biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.

2.4 Paragraphs 81 to 85 of the NPPF set out how the Government is committed to supporting the economy stating that "*significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development*".

2.5 Policies set out within Local Plans should:

a) "set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;

b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;

c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and

d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances".

2.6 Paragraph 122 of the NPPF sets out how planning policies and decisions should reflect changes in the demand for land. This requires regular reviews of both the land allocated for development and of land availability. When Local Planning Authorities (LPA's) consider there is no reasonable prospect of an application coming forward for the use allocated in a plan, the NPPF advises that they should:

a) "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); and

b) in the interim, prior to updating the plan, applications for alternative uses on the land should be supported, where the proposed use would contribute to meeting an unmet need for development in the area".

b) Planning Practice Guidance

2.7 Planning Practice Guidance (PPG) regarding 'Housing and economic needs assessment' was published by the government in March 2015 and last updated in July 2019.

2.8 The guidance explains how LPAs can determine the type of employment land needed in their area by producing a robust assessment of the needs of existing businesses. National economic trends will be used to understand future needs, however the PPG notes that these national trends may not translate to all areas, due to local distinctions in the employment base. To understand, prepare, and maintain evidence around both current and future business requirements, the PPG[2] emphasises the importance of close liaison with the business community to understand current and potential future business use requirements, stating that LPAs will need to assess:

- The best fit functional economic market area
- The existing stock of land for employment uses within the area;
- The recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
- Evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;
- Wider market signals relating to economic growth, diversification and innovation; and
- Any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.

2.9 The PPG[3] also states that policy makers should use a range of data when considering employment need including:

- Sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)
- Demographically derived assessments of current and future local labour supply (labour supply techniques)
- Analysis based on the past take-up of employment land and property and/or future property market requirements
- Consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.

2.10 The PPG supports the analysis of past trends (take-up) as one form of evidence to inform 'projected' trends in future market demand. Past take-up may inform the assessment of undersupply (or oversupply) in provision for economic development but recommends that this is considered alongside forecast scenarios of future expected changes.

2.11 The PPG therefore supports the methodology adopted in this Further Analysis Study to triangulate projections of past take-up alongside evidence from demographic ('labour

[2] PPG Ref. ID: 2a-026-20190220
[3] PPG Ref. ID: 2a-027-20190220

supply') and employment forecasts ('labour demand'), as well as engagement with relevant local and regional stakeholders as part of an assessment of wider market signals. As also noted in PPG, it is important to take account of longer term economic cycles and consider alternative scenarios which may inform evidence of future needs.

2.12 This may include identifying instances where sites have been developed or sought for specialist economic uses[4]. Logically this extends into acknowledging the influence of the plan-making process. This reflects where longer timeframes for the allocation and bringing forward of land and floorspace for economic development may not necessarily be captured as part of the reasons for high levels of take-up in the short term when sites are actually delivered.

2.13 As also highlighted in the PPG[5] it is important to consider whether there are specific requirements in the local market which affect the types of land or premises needed. Analysis of the available stock of land (such as that presented in Appendix 2 of this report) and local take-up rates can allow policy makers to identify whether there is a mismatch between quantitative and qualitative supply of land and floorspace to meet future demand for economic development.

2.14 Consideration of clustering certain industries can be beneficial to encourage collaboration, productivity and innovation as well as in driving the economic prospects of that area particularly in relation to supporting new or specialist sectors[6].

2.15 The requirements of the logistics industry may specifically require collaboration between neighbouring authorities, infrastructure providers and other interests to reflect access to labour supply and strategic transport networks[7]. The contribution of facilities providing a sustainable supply of goods to national and regional markets should also be considered in the context of their contribution to local employment opportunities and alongside appropriate support for other forms of logistics requirements serving local markets.

[4] PPG Ref. ID:2a-209-20190220
[5] PPG Ref. ID:2a-209-20190220
[6] PPG Ref. ID:2a-032-20190722
[7] PPG Ref. ID:2a-031-20190722

3.0 LITERATURE REVIEW

a) National Strategy

i) *Levelling Up and Regeneration Bill*

3.1 The Levelling Up and Regeneration Bill, which was issued on 11 May 2022 together with an accompanying policy statement, aims to promote local growth, empower local leaders to regenerate their communities, and ensure that everyone in the UK benefits from the country's prosperity. The purpose of the Levelling Up agenda and the associated Bill is to reduce geographical differences in respect of economic and social prosperity and in particular, to focus on economic drivers supporting growth outside of the South-East.

3.2 The Policy Paper explains the changes to planning procedures will begin to take place from 2024, once the Bill has Royal Assent and associated regulations and changes to national policy are in place. Amongst the proposed changes are the simplification and digitisation of the Local Plan system, the introduction of a new infrastructure levy, a new approach to environmental assessments and new powers for Councils to bring vacant properties back into use.

3.3 As outlined any specific implications remain pending the outcome of the legislative process and changes to the planning system more widely. However, publication of the Bill is noted specifically in relation to its likely future role to reinforce support economic development, consistent with the aims and overarching context of national policy and guidance.

3.4 The Government's £4.8 billion Levelling Up Fund contributes to the levelling up agenda with a focus on infrastructure investment to support regenerating town centre and high streets, upgrading local transport, and investing in cultural and heritage assets. The first round of successful projects was announced in October 2021. Further detail relating to Government policy (including the spatial distribution of initiatives and support for growth) were outlined as part of the delayed 'Levelling Up' White Paper released in early 2022.

3.5 The Bill will support the ambition to increase investment in R&D outside of the south-east by at least 40% by 2030. The Government's clear intention is to stimulate innovation and to see meaningful levels of productivity growth.

3.6 It is also noted that there is scope for changes to national policies supporting planning's role in mitigating and adapting to climate change. The Government considers an important aim of the Bill (and subsequent changes to the planning system) being to address the commitments in the British Energy Security Strategy (published April 2022). Within Test Valley this may further reinforce support for green technology together with low carbon and renewable sources of energy.

ii) *Building a Britain Fit for the Future*

3.7 In November 2017 the government published Building a Britain fit for the future which sets out the overarching industrial strategy for the UK. The first part of the strategy includes a series of policies which impact on all sectors of the economy titled the 'Five Foundations'. These are considered the "essential attributes" for a successful economy and include:

- Ideas (R&D, innovation)
- People (skills and education)
- Infrastructure (broadband, energy, transport)
- Business environment (support for specific sectors and SMEs)
- Places (Local Industrial Strategies)

3.8 One of the key commitments made through the industrial strategy is for the total R&D

expenditure to increase. The Industrial Strategy Challenge Fund is a "core pillar" of this commitment and includes a £4.7 billion commitment to businesses seeking funds to research and develop technology or processes related to the aims of the industrial strategy.

3.9 The second part of the report includes details of a series of partnerships with individual sectors and the government including the 'Sector Deals'. These Sector Deals include a bespoke arrangement between the government and industry with each involving three main elements:

1. An industry council to facilitate discussions between industry leaders, government officials and Ministers, and leading academics.
2. Access to a competitively awarded fund for R&D in the sector.
3. Policies to support the development of the skills needed in the sector

3.10 To date a range of Sector Deals have been announced covering the follow key areas:

- Aerospace
- Artificial Intelligence
- Automotive
- Construction
- Creative industries
- Life sciences
- Nuclear
- Offshore wind
- Rail
- Tourism

3.11 The third aspect of the strategy involves a series of challenges facing the economy. Highlighting how solving these challenges will help the whole economy to strengthen and develop. The 'Grand Challenges' identified include:

- AI and the data revolution (how to embed and maximise the advantages of AI and data)
- Clean growth (low carbon technologies across the economy)
- Mobility (low carbon transport, automation, infrastructure)
- Aging society (healthcare and labour market challenges)

iii) *Building Back Better*

3.12 Following the onset of the Coronavirus pandemic the Government first announced details of the Getting Building Fund to deliver jobs, skills and infrastructure across the country.

3.13 In March 2021 HM Treasury presented to Parliament its publication 'Build Back Better: our plan for growth'. This sets out the Government's plans to support growth through significant investment in infrastructure, skills and innovation, and to pursue growth that levels up every part of the UK, supports the transition to net zero, and supports a vision for Global Britain.

3.14 The aims of the Building Back Better programme substantially echo the key themes in previous publications including Building a Britain fit for the future (see above). The programme seeks to re-focus attention and significant investment in road and rail infrastructure together with supporting a Ten Point Plan for a Green Industrial Revolution and seeking to plug skills gaps through lifelong learning, apprenticeships and high quality training.

3.15 The Building Back Better programme also looks to develop a new export strategy to align support for exporters with the Government's plan for growth and sectoral priorities, including

increasing UK Export Finance lending capacity.

3.16 The Government's £4.8 billion Levelling Up Fund contributes to the levelling up agenda with a focus on infrastructure investment to support regenerating town centre and high streets, upgrading local transport, and investing in cultural and heritage assets. The first round of successful projects was announced in October 2021. Further detail relating to Government policy (including the spatial distribution of initiatives and support for growth) were outlined as part of the delayed 'Levelling Up' White Paper released in early 2022.

b) Regional Policy

i) *Regional Economic Landscape*

3.17 Test Valley extends to circa 250 sq miles and is located in western Hampshire. The authority has many neighbouring authorities at its borders, including Southampton, Basingstoke and Deane and Winchester. Test Valley is a predominantly rural borough, encompassing a portion of the North Wessex Downs Area of Outstanding Natural Beauty.

3.18 Test Valley covers a large geographical area and has two primary town centres – Andover and Romsey. The town centres have been resilient and sustainable in recent times however the draft Local Plan 2040 recognises the importance to preserve these spaces to meet the needs of the community, particularly in the wake of changing retail habits which was exacerbated by the coronavirus pandemic.

3.19 Test Valley Borough Council is currently in the process of preparing its next Local Plan, to replace the currently adopted Local Plan, which covers the period between 2011 and 2029. The emerging Local Plan shall review all strategic issues affecting the local authority area and is proposed to cover the period 2020 to 2040.

3.20 Historically, the south of Test Valley fell within the Solent Local Enterprise Partnership (LEP) area. However, as noted within the LEP's New Geography Baseline Forecasts, conducted by Oxford Economics, the LEP transitioned to a new geographic area which included the removal of Test Valley, together East Hampshire and Winchester, from the LEP area.

3.21 This was informed by guidance at the national level from the Government would have sought to restructure the distribution of local authorities to ensure, where possible, that local authorities to not fall within more than one LEP. This allows each LEP to better establish their FEMAs and gives clarity to the position of each authority within the economic geography.

3.22 Test Valley now falls within the Enterprise M3 (EM3) area whose economic geography covers west Surrey and the majority of Hampshire. Due to the recent reorganisation of LEP boundaries affecting Test Valley the strategies and evidence base for economic development across both the Solent and EM3 LEP groupings of authorities are considered as part of this Study.

ii) *Employment and Economic Surveys and Studies*

Lambert Smith Hampton Employment Land Study (2016)

3.23 In June 2016, Lambert Smith Hampton (LSH) published an Employment Land Study which had been commissioned by Eastleigh Borough Council to investigate the existing employment sites within the boroughs of Eastleigh, Southampton, Test Valley and Winchester, to establish the quality and amount of the existing provision and the future business requirements of these areas.

3.24 This study investigated the scoring and quality (Grades A-E) of the existing employment sites within the Test Valley area. Half of the units in Test Valley fall in Grades D and E, which are below average and low. Many of the units which score poorly are those in rural locations. LSH comment that the lower graded buildings lack profile and prominence however it does

not mandate that there is no demand for these properties. Many lower graded spaces occupy an important place in the market for businesses which cannot afford or do not require higher quality spaces.

3.25 Many of the sites which score Average or below (Grades C-E) are located in close proximity to residential areas and, therefore, have a multitude of constraints which may limit the growth of these economic assets, such as noise and restricted potential to operate 24 hours a day. A comprehensive evaluation of specific sites has been conducted at Section 6 of this report.

3.26 It is recognised that the LSH survey was conducted in 2016 and, therefore, does not consider the more recent implications of the coronavirus pandemic on the employment and economic needs of Test Valley, or indeed the surrounding authorities.

Stantec Economic, Employment and Commercial Needs (including logistics) Study (2021)

3.27 In March 2021, Stantec produced an Economic, Employment and Commercial Needs (including logistics) Study for Partnership for South Hampshire (PfSH). This separates Test Valley into two portions, Southern Test Valley and Northern Test Valley. It is prefaced that the boundary between the Southern and Northern portions of the borough is due to be revised as part of this process. SPRU has set out a comparison between the amended boundary and positioning of significant employment sites within this at Section 6 of this Study.

3.28 The report sets out, at Table 3.1, that the majority of the people who work in Southern Test Valley commute into the area. The principal authorities from which these people commute are Southampton, New Forest, Eastleigh as well as other portions of the Test Valley area.

3.29 The study concludes that the south of Test Valley could include a large share of the PfSH area's needs, particularly for industrial uses. The starting point for this conclusion has limited regard to the current position for supply and assumes that the need the borough has already successfully delivered has focused new space within this area and that the same distribution could be maintained sustainably going forward. As such this may not be the case in reality for the future relationship between need and supply.

3.30 Although the PfSH study accords with the NPPF's policies and correctly follows the national PPG's methodology for assessing future employment needs, it considers there are limitations to this methodology which result from potential fluctuation in completions over time, which are not always reflected in completion trends forecasts. As such, it may not provide robust conclusions for the appropriate levels of future employment needs which shall be required and should be planned for.

3.31 The PPG gives weight to the recent past level of completions, with significant weight being attributed to the last five years. As such, this can result in a skewed assessment of the need which must be planned for. There are multiple factors which can contribute towards this; for example, employment delivery data evaluation may be erroneous, as a factory or warehouse can often be completed in a single year. Moreover, given the recent impacts of the coronavirus pandemic, this has the potential to significantly skew the recent data and, therefore, muddle the evaluation of the future employment needs to be planned for. This is well acknowledged within the PfSH study which concludes that the forecast for Test Valley may not be realistic. Accordingly, this study shall seek to undertake a comprehensive evaluation of the employment landscape within Test Valley to assess the prospective future needs.

iii) *Building Better Opportunities (Enterprise M3 Project Outline)*

3.32 Aimed in part at driving local jobs growth, the 'Building Better Opportunities' Programme is a jointly funded project by The National Lottery Community Fund and European Social Fund.

3.33 The Building Better Opportunities Programme was developed using a decentralised approach, with the intention being that the funding shall be delivered in 38 LEP areas to inform the development and delivery of the funding at the local level.

3.34 The Enterprise M3 LEP, which incorporates Test Valley, has invested £2m in this area. The LEP has two projects which seek to overcome the key persistent social needs in the LEP area, including areas of deprivation, an aging workforce, youth disengagement from the labour market as well as socioeconomical changes to the workforce.

3.35 The Thematic Objective for both projects is to promote social inclusion and combat poverty. Some of the main minimum targets are:

- *"At least 13 per cent of the people enrolled on the project move into education or training on leaving.*
- *At least 13 per cent of people move into employment, including self-employment, on leaving. Of these, 50 per cent must have been unemployed when joining the project and 50 per cent must have been economically inactive.*
- *At least 27 per cent of people who were economically inactive when joining the project move into job-search on leaving."*

c) Local Policy

i) *Test Valley Local Plan 2011 – 2029 (2016)*

3.36 The Test Valley Adopted Local Plan 2011 – 2029 ('adopted Local Plan'), supported by extensive background reports that consider in detail economic growth, recognises that Test Valley has an important role to play in achieving economic growth in the South East. This sub-regional role, and the ability of Test Valley to meet not only its own employment needs but that of surrounding areas, has been considered in detail within the Adopted Local Plan and the supporting reports related to this.

3.37 The adopted Local Plan recognises the industry strengths of the Local Authority, including the manufacturing sector, and seeks to facilitate its growth.

3.38 The adopted Local Plan recognises, within Section 6 – Local Economy, that Andover, despite being an employment hub within the local authority area, lacks many of the qualities associated with competitive economy, including high value jobs and strong links to higher education institutions. Nonetheless, Andover does host a number of large companies including the following:

- Simply Health
- Stannah
- Twinings

3.39 Some of the key strategic statements and objectives in the adopted Local Plan relevant to the Local Economy are:

- *"The Council will help to provide additional employment land to support the local and sub regional economy*
- *The Council shall protect existing strategic employment sites*
- *The Council shall seek to maintain the vitality and viability of the main town centres, Andover and Romsey and Stockbridge*
- *The Council will allow rural employment sites to expand and promote the re-use of existing buildings to help support the rural economy"* (Adopted Local Plan, Table 3)

3.40 The adopted Local Plan separates the Council's area between the Southern Test Valley and

Northern Test Valley. At the time of the adoption of the Development Plan, the Southern Test Valley area was covered by Partnership for Urban South Hampshire (PUSH) and the Solent Local Enterprise Partnership. It is noted that the boundary between the Southern and Northern portions of Test Valley has been updated and shall be addressed accordingly later within this report.

3.41 Within the adopted Development Plan policies, the following sites are allocated to facilitate the economic growth of Test Valley:

- University of Southampton Science Park (LE1)
- South of Benham Campus, University of Southampton Science Park (LE2)
- Land at Whitenap, Romsey (LE3)
- Land south of Brownhill Way, Nursling (LE4)
- Land at Bargain Nursling (LE5)
- Land at Adanac Park, Nursling (LE5)
- Nursling Estate (LE7)
- Extension to Walworth Business Park (LE8)
- Andover Airfield Business Park (LE9)

3.42 Moreover, it is recognised that the previous Local Plan was adopted in January 2016. As a substantial amount of time has passed, the economic landscape of Test Valley and the South East is likely to have changed since its publication. This is particularly prevalent when looking at the existing supply and pipeline of employment floorspace, as multiple larger units may have been delivered since 2016.

3.43 In addition, in the period since the publication of the previous Local Plan, the impacts of the coronavirus pandemic are also likely to have caused significant changes within the economics of Test Valley and the South East, as it has the country.

ii) ***Review of the Evidence Base for the Adopted Local Plan and Requirements for Economic Development***

Southern Test Valley

3.44 STV had a total floorspace requirement of 59,500 sqm within the adopted Local Plan. However, it is recognised that this is reflective of the historic local need, as opposed to the employment needs at the time of this FAS. Additionally, this was ascertained using a historic evidence base.

3.45 The aforementioned requirement for land and floorspace for economic development within STV was a function of the apportionment of an overall figure for South Hampshire provided under Policy SH3 of the former South East Plan. The apportionment of floorspace needs for the period 2006-2026 is set out within an Employment Floorspace Policy Framework (December 2008) with Test Valley identified as part of the South West sub-area. The Policy Framework subsequently informed the framework to guide sustainable development as part of the South Hampshire Strategy (October 2012) although this subsequently addressed recommendations for the provision of net floorspace for 2011-2026.

3.46 The characteristics of the evidence base prepared in the sub-regional context of the South Hampshire Strategy and locally as part of the adopted Local Plan in Test Valley have therefore dealt extensively with the potential distribution and phasing of the requirements originally identified as part of the South East Plan, together with further assessing their continued appropriateness, without providing any alternative figure in adopted policy. This process at least in-part also explains the absence of any requirement figure for land and floorspace in North Test Valley.

3.47 At the sub-regional level the South Hampshire Economic Drivers and Growth Study (DTZ Consulting and Research, January 2007) informed the phasing within the PUSH Strategy noting the expected delivery of floorspace to support jobs growth in the earlier part of the plan period and noting the identification of existing sites contributing a high proportion of supply within this part of the 2006-2026 period. This formed part of the evidence base submitted to the Examination in Public of the South East Plan and was central to the development of the South Hampshire sub-regional strategy within the SE Plan. While the 2012 South Hampshire Strategy was subsequently informed by a review of the PUSH Economic Development Strategy and preparation of the PUSH Employment Sites & Premises Demand and Supply Analysis (DTZ, 2010) considering the outlook for different sectors and matters such as losses and replacement of stock these sources did not affect the overall requirement for STV as set out within the 2008 Policy Framework Document.

3.48 The 59,500sqm net requirement comprises the remainder of a total gross requirement of 128,00sqm and 41,500sqm for B1 and B2/B8 uses respectively.

3.49 While broadly speaking this approach to phasing and distribution supported a 'Cities first' approach to meeting future needs around 19% of total requirement for B1 floorspace was proposed for Test Valley with the implications of this largely addressed by existing supply at Adanac Park. The identified requirements for warehousing and manufacturing were intended to be phased more evenly across the plan period, noting the lack of existing sites. The Policy Framework summarised the following plan-making considerations for South Test Valley:

"The target figure for offices will require the identification of several new sites. The existing sites include a very large contribution of floorspace at Adanac Business Park together with some remaining space at Chilworth Science Park. The target figures for manufacturing and warehousing and distribution will also require the Borough's LDF to identify new sites for these uses. Although the manufacturing target is relatively modest, the Borough does not currently have any manufacturing sites identified. Similarly for warehousing and distribution, there are currently very few identified sites. It is possible that new sites for these uses will be found along the southern boundary of the Borough in the M27 corridor"

North Test Valley and Andover

3.50 The evidence base for the adopted Local Plan complements the sub-regional background to plan-making that informed specific land and floorspace requirements for South Test Valley (and also reflecting the expectations of the South Hampshire Strategy). In order to support the specific allocation of sites to meet the requirement, and to provide a strategy for economic development across the district as a whole, previous relevant evidence includes preparation of:

- Test Valley Employment Land Review and Andover Employment Floorspace Demand Study, DTZ, 2008 & 2012 update
- A Long Term Economic Strategy, Experian, 2007, 2009 and 2012 Update

3.51 In summary, the outcome of these sources did not generate outstanding requirements for land and floorspace beyond those identified for the PUSH area. However, policy initiatives supported by the evidence base include support the development of skills and training, enhancing links with the Enterprise M3 LEP area (noting scope to enhance the characteristics for a competitive economy at Andover) and encouraging the redevelopment and regeneration of existing employment sites at the Walworth and Portway business parks. Paragraph 135 of the Test Valley Borough Council Revised Local Plan Inspector's Report (December 2015) provides reference to the above evidence base and the conclusions that this addressed the current economy and forecast future changes in Test Valley for the relevant plan period and would support sustainable economic development needs broadly in accordance with national policy.

3.52 In relation to quantitative requirements for the remainder of the district including Andover paragraph 6.37 of the adopted Local Plan states *"the ELR assessed the comparison between the future requirements for employment land with the quantitative and qualitative suitability of existing sites. The ELR and the 2011 update concluded that when taking account of the current supply of sites and existing commitments and allocations within the Borough Local Plan (2006), there was no requirement for further employment sites."*

3.53 The adopted Local Plan nonetheless supports allocations at Andover including reaffirming the development of the Andover Business Park; its allocation at Walworth Business Park; and identifies a site for the expansion of the town centre as part of a response to the Long-Term Economic Strategy reflecting the opportunity to provide contingency in future supply and as part of qualitative reasons to support economic development in these locations.

d) Past Take-Up Trends

3.54 It is relevant to note that in purely quantitative terms the conclusions of both the 2008 and 2012 Employment Land Reviews identify that identified supply at that time would be sufficient to accommodate forecast trends in employment growth. For Andover (and NTV) the conclusion within the 2008 Study is reached as part of an adjusted labour forecast for the area taking account of the specific profile of employment in this part of the district together with allowances for flexibility and churn/replacement of losses. Anticipated trends in labour supply were modelled as being generally consistent with forecast employment growth.

3.55 Both the 2008 and 2012 studies present relevant conclusions on the uneven trends in past take-up of employment floorspace across Test Valley and with reference to its constituent sub-areas and location of major employment estates at different time periods. For example, total gross annual completions across relevant periods are given as follows:

- 30,726sqm per annum 1998 – 2003/04 (2008 ELR Table 5.11)
- 5,957sqm per annum 2001 – 2007 (2008 ELR Para 5.68)
- 28,000sqm per annum 2006/7 – 2011/12 (2012 ELR Para 4.15)

3.56 Both studies note the potential reasons for the uneven profile of delivery across the different time periods and as a result of atypical and potential 'one-off' developments recorded in individual years. The greatest proportion and most significant contribution to the uneven profiles relates to the delivery of B1 Office floorspace within the authority's major business parks although spikes in completions are also identified as relating specifically to the growth in logistics and warehousing at locations within NTV and STV.

3.57 In relation to the 2006-2012 trend the ELR Update notes that this will substantially reflect development completed or committed prior to the 2008/9 financial crisis with these levels of development unlikely to be maintained. Paragraph 4.16 of the Study also states:

> *"It is distinctly possible that the level of net employment floorspace completed in Test Valley over the period 2006/7 to 2011/12 is due in part to exceptional circumstances. DTZ note in particular the very high levels of completed development recorded in 2010/11, which represents well 42% of all floorspace developed in the five year period. A significant element of this is probably associated with the completion of floorspace at Andanac Park for the Ordnance Survey which might be regarded as a one off development opportunity."*

3.58 The highest two annual figures within the range of examples presented significantly exceeded forecast requirements for land and floorspace based on labour demand and expected trends in employment growth. The qualitative findings of the 2012 ELR Update do note, however, where trends in take-up may reflect Test Valley becoming a more favoured location to support demand for economic growth both in respect of modern office floorspace and growth in the logistics and warehousing sector.

3.59 These same areas form relevant considerations for this FAS in terms of whether they have continued to influence trends in take-up as well as being increasingly reflected in forecasts of future demand. The key requirements identified in the 2012 Study in terms of a portfolio of sites and locations considered as necessary to attract large scale employers or businesses with large scale property requirements are given as follows:

- Business park space in the M27 Corridor: remaining development land at Adanac Park may fulfil this requirement;
- The requirements for science and technology based businesses linked to the University of Southampton or other businesses located at the Science Park;
- Warehousing requirements in the M27 corridor, to the south of Junction 3 on the M27, accessed via the M271;
- Warehousing requirements in Andover;
- Business Park office requirements in Andover.

3.60 The 2012 Study also notes the requirement to balance the extent to which occupier requirements can be accommodated through the redevelopment of existing sites as opposed to the provision of new land and floorspace.

3.61 The final conclusions of the 2012 ELR Update sought not to base recommendations on the future supply of land and floorspace upon these past take-up trends and instead suggested it would be prudent to plan for general day to day employment floorspace take up of 10,000 sq m pa for mainstream employment development, but to ensure that strategic sites are available for major investments on top of this base requirement. These quantitative requirements were considered to be largely addressed by existing commitments at that time (based on consents of 212,000sqm) together with the allocation of sites identified or carried forward within the adopted Local Plan (an additional 19 hectares).

3.62 Notwithstanding the absence of quantitative requirements within the adopted Local Plan the recommendations of the 2012 ELR Update, together with the proposed plan-making implications identified in the South Hampshire Strategy, are broadly reflected in the policies and allocations it provides.

3.63 Finally, it is relevant to note that notwithstanding the uneven profile of past delivery and overall recommendations for provision at levels below past 'peaks' the strategy within the adopted Local Plan does not preclude the potential for continued high rates of take-up within the early years of the plan period. Inevitably this could have the same effect as developments within the time periods summarised above in terms of generating atypically high longer-term expectations for take-up trends relative to forecast labour demand and employment growth. To some extent this is a matter addressed by the Inspector undertaking the Examination of the Revised Local Plan, including the delivery prospects for the sites allocated within the Plan. Paragraph 136 of the Inspector's Report explains:

> *"A number of the employment allocations were also identified, in various forms, in the Borough Local Plan 2006 (University of Southampton Science Park, Adanac, Nursling Estate, the extension to the Walworth Business Park, and the Andover Airfield Business Park). I needed to understand why these proposed allocations are now likely to go ahead, when they had not done so since 2006 (and before in some cases). I will deal with individual sites below as appropriate, but I note that some of these could be characterised as safeguarding and restriction rather than allocations at that time."*

3.64 Where previous constraints to development have in effect been overcome it stands to reason that the potential delivery of sites may have been front-loaded within the plan period of the current strategy. This is a relevant consideration for this study when considering the most

recent trends in take-up, together with reviewing trends in the delivery of consented floorspace and its potential relationship with changing drivers of demand for economic development in Test Valley.

iii) ***Emerging Local Plan***

3.65 The emerging Local Plan which is, at present, still within the consultation stage and is in an early stage of development. A draft Local Plan 2040 Regulation 18 Stage 1 consultation was conducted early 2022, which covers strategic matters pertinent to the local authority. A full Local plan 2040 Regulation 18 Stage 2 is due to occur in 2023 and shall encompass proposed allocations to meet the local development needs of the borough, including the future employment demands, in accordance with the Duty to Cooperate.

3.66 While the Regulation 18 Stage 2 draft shall encompass a comprehensive set of development management policies to determine planning applications, Chapter 5: Meeting out Needs of the latest draft Local Plan 2040 sets out the Council's current position on future economic growth. This takes into account the aforementioned Economic, Employment and Commercial Needs (including logistics) Study prepared by Stantec for Partnership for South Hampshire and sets out proposed next steps.

3.67 The current draft of the emerging Local Plan does not set out specific policies regarding the future employment space needs and requirements with which planning applications shall need to accord.

CHAPTER 3: KEY POINTS

- The government's overarching economic growth objectives are set out across several strategies and legislative documents, including the Levelling Up and Regeneration Bill, Building a Britain Fit for the Future, and Building Back Better.
- Recent reorganisation of LEP boundaries means that Test Valley is now wholly contained within the Enterprise M3 (EM3) LEP area.
- Previous evidence on employment land availability and needs in Test Valley is set out in the Employment Land Study (LSH, 2016) and the Economic, Employment and Commercial Needs Study (Stantec, 2021). This report provides a useful starting point which this study shall consider; however, any limitations shall be sought to be overcome to ensure an accurate and realistic employment needs forecast is established
- Employment Land Reviews were also undertaken in 2008 and 2012 to inform the previously adopted Local Plan. These studies identified high levels of B1 office delivery associated with a number of 'one off' developments, including the Ordnance Survey offices at Adanac Park.
- Past delivery of sites has not been evenly distributed across the plan period of the currently adopted Local Plan which as implications when considering recent take-up trends.

4.0 DEFINING THE FUNCTIONAL ECONOMIC MARKET AREA (FEMA)

a) National Planning Practice Guidance

4.1 The PPG sets out that authorities should identify the FEMA and provides the following guidance on how this should be undertaken:

> *"Since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area, however, it is possible to define them taking account of factors including:*
>
> - *extent of any Local Enterprise Partnership within the area;*
> - *travel to work areas;*
> - *housing market area;*
> - *flow of goods, services and information within the local economy;*
> - *service market for consumers;*
> - *administrative area;*
> - *catchment areas of facilities providing cultural and social well-being; and*
> - *transport network."*
>
> Paragraph: 019 Reference ID: 61-019-20190315

4.2 It should be noted that a FEMA is defined relative to each respective authority, and as such the Test Valley FEMA that is defined below should not prejudice the FEMAs that have previously or may subsequently be defined by Test Valley's neighbouring authorities, nor any other authority with which Test Valley has an economic relationship, as part of their respective plan-making processes.

b) North Test Valley and South Test Valley Boundary

4.3 Before undertaking the assessment of the FEMA, it should be noted that Test Valley Borough has previously been separated into the two distinct geographic areas of North Test Valley (NTV) and South Test Valley (STV) for the purposes of plan-making and economic assessment.

4.4 The previous boundary is shown overleaf in Figure 1 and the local authority's proposed revised boundary is shown in Figure 2.

4.5 The previously defined Southern Test Valley area (shown in Figure 1) formed part of the wider South Hampshire FEMA, as defined in the Economic, Employment and Commercial Needs (including Logistics) Study (Stantec, 2021) which was commissioned by the Partnership for South Hampshire (PfSH). The previously defined Northern Test Valley area (also shown in Figure 1)) was identified as forming part of a wider Hampshire FEMA, with Andover notably forming part of the A303/M3 corridor (see Table 1). It is this sub-area definition that forms the basis of any sub-area analysis described later in this report.

Figure 1. North and South Test Valley Boundary (used for purposes of sub-area analysis later in this report)

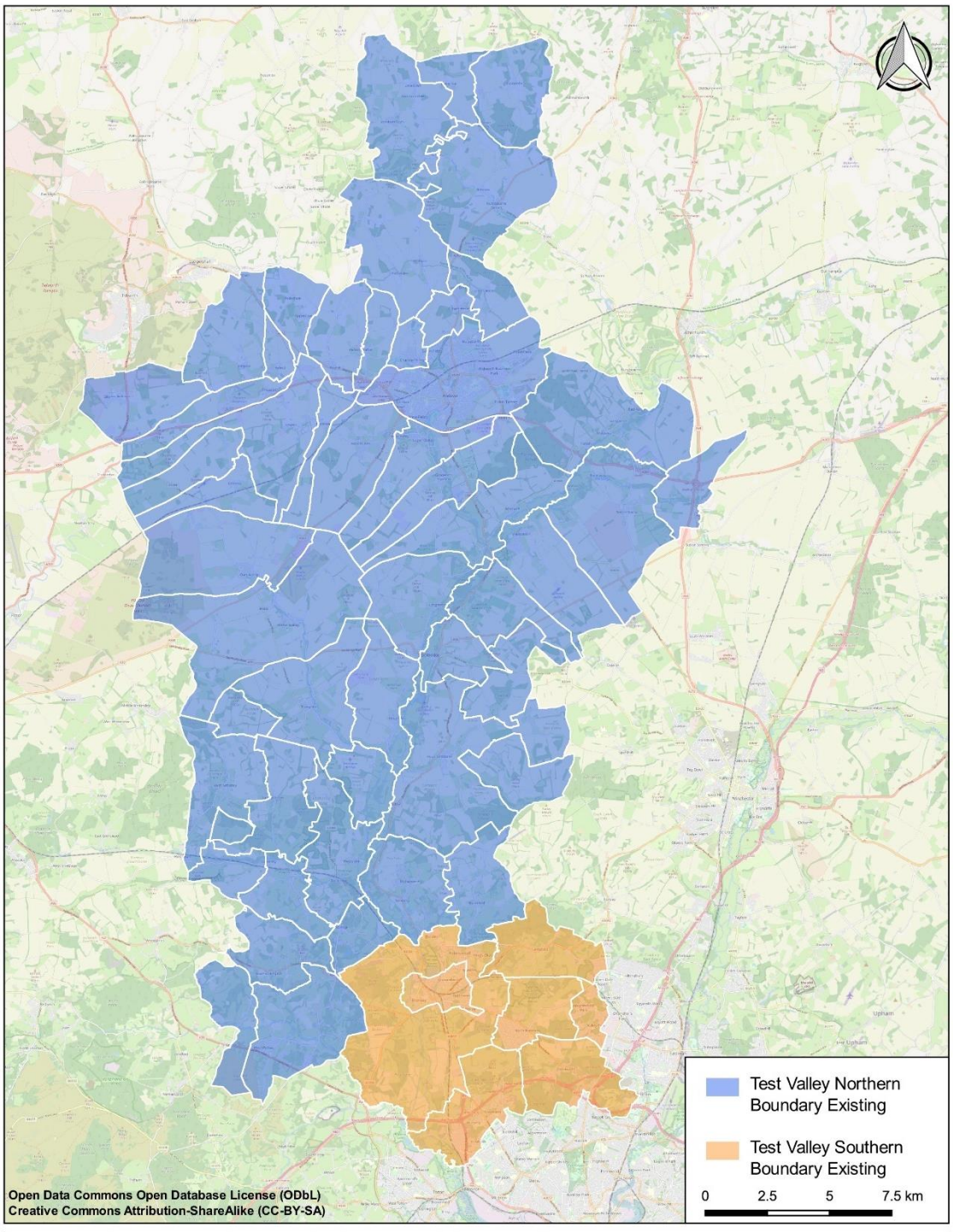
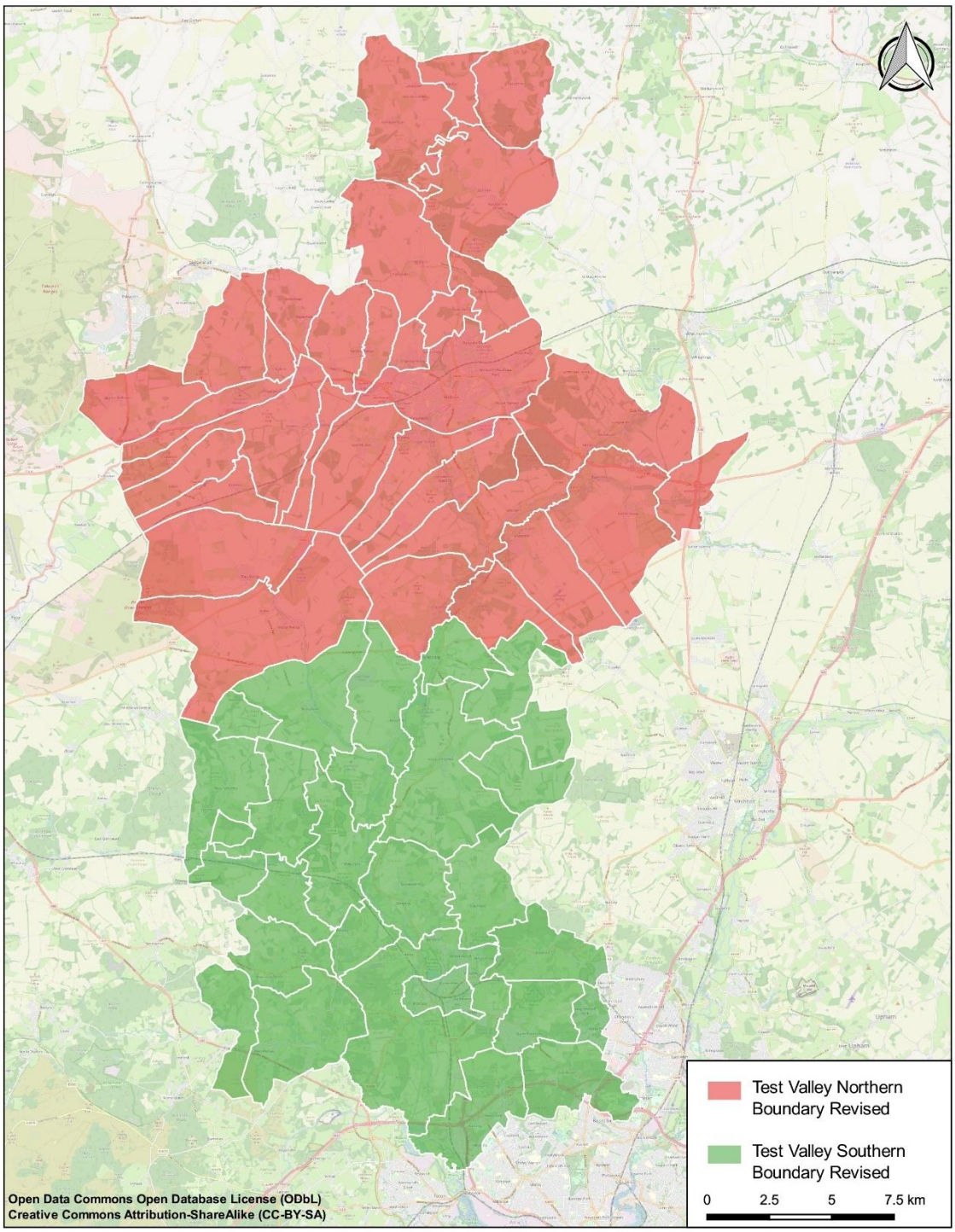


Figure 2. Emerging Revised North and South Test Valley Boundary



c) Existing Evidence and Previous Studies

4.6 As the starting point for defining the FEMA, we have undertaken a review of the existing economic evidence base for Test Valley and the surrounding authorities to identify the existing functional economic links to Test Valley. A summary of which is set out at Table 1.

4.7 These identify a number of economic linkages between Test Valley and surrounding authorities; however, none provide a definitive view or definition of the FEMA that covers the authority.

4.8 It should be noted that New Forest, Winchester and Eastleigh Councils have not defined a FEMA in any of their recent evidence documents.

Table 1. Summary of Previous FEMA Definitions

Authority	Document	FEMA Definition
Test Valley Borough Council	Test Valley Economic Assessment (PBA, 2016)	Test Valley Economic Assessment (PBA, 2016) does not specifically define a FEMA, but identifies three *"distinct but interlinked"* sub-areas including: • Andover and the north • Romsey and Southern Test Valley • Rural
Enterprise M3 LEP	Enterprise M3 Towns Analysis Final Report Part 1: Data Analysis and Town Classification (HJA, December 2019)	HJA has defined the following FEMAs in the Enterprise M3 LEP area: • Southern Surrey/Eastern Hampshire: *Basingstoke; Tadley; Blackwater/Yateley; Fleet; Farnborough; Aldershot; Guildford; Frimley; Camberley; Farnham; Godalming; Haslemere; Cranleigh; Woking* • Northern Hampshire: *Andover* • Mid Hampshire: *Borden/Lindford/Headley; Petersfield; Alton; Winchester* • Southern Hampshire: *Romsey; Whiteley* • Outer London / Northern Surrey Test Valley is identified as being split between the Northern Hampshire, Mid Hampshire and Southern Hampshire FEMAs. The rationale for the Mid Hampshire FEMA is however slightly unclear from the report.
Solent LEP	Solent Economic Profile (Lichfields, 2019)	The Solent Economic Profile prepared on behalf of the Solent LEP identifies a main South Hampshire FEMA including parts of New Forest, but also strong linkages between Solent LEP and southern parts of Test Valley, Winchester and East Hampshire.

Authority	Document	FEMA Definition
Partnership for South Hampshire	Economic, Employment and Commercial Needs (including logistics) Study (Stantec, March 2021)	The mainland Solent LEP areas are within a South Hampshire FEMA. There are no strong linkages identified between the Solent LEP area and the areas to the north in Test Valley, Winchester and East Hampshire (para 3.6, p14). The EM3 Towns Analysis suggests Test Valley is in a South Hampshire FEMA, however Stantec argue that the analysis for this is not clear. Commuting out and in Test Valley are equally as strong. 78% containment links with Southampton, New Forest and Eastleigh and internally to southern Test Valley. (para 3.20, p17) Table 3.2 of the report shows that if you live in the North of Test Valley you are unlikely to commute to the south for work. The level of commuters from the south to the north is also low. Therefore, Stantec have concluded that Test Valley district falls into two FEMAs. The Stantec report puts the south of Test Valley in the South Hampshire FEMA, whilst the north lies in the EM3 LEP FEMA.
East Hampshire	Functional Economic and Housing Market Areas in East Hampshire Analysis Paper April 2018	East Hampshire has a relationship with Waverley and Chichester to the east, Havant and Portsmouth to the south and some links with Winchester to the west. The most distinctive relationships are with Chichester, Waverley and Havant. The following economic areas have been defined: • An East Hampshire FEA (2013) corresponding to the administrative boundaries of East Hampshire District Council, whilst acknowledging distinct property markets in the north and south. • A Central Hampshire sub-market of the Enterprise M3 LEP area, subsequently amended to identify East Hampshire (except the southernmost parishes) as a distinct commercial property market to Winchester district. • An economic area focused on the south coast cities of Portsmouth and Southampton, the M27 corridor and the Isle of Wight, which influences the southern parishes of East Hampshire. An economic area including Chichester district but having a far wider coverage including Brighton & Hove, Gatwick and Croydon – areas that themselves have little functional relationship with East Hampshire.

Authority	Document	FEMA Definition
Swindon Borough Council and Wiltshire Council	Swindon and Wiltshire Functional Economic Market Area Assessment Final Draft Report (HJA, December 2016)	FEMA Assessment identifies three distinct FEMAs covering Swindon and Wiltshire, including: • A Swindon/M4 Corridor FEMA in the north of the area • An A350 Corridor and West/Central Wiltshire Towns FEMA • A Salisbury/Amesbury/A303 Corridor FEMA in the south and east of the area. The core of this FEMA in travel to work terms is within the Wiltshire administrative boundary, although there are links to Andover within Test Valley and into North Dorset and the New Forest.
East Hampshire District Council	Employment Land Review Update Final Report May 2013	The majority of East Hampshire lies within Enterprise M3 LEP, with the southern parishes falling in the Solent LEP Functional Economic Area. (para 2.4, p16) Residents who commuted out of the area predominantly worked in Waverley, Portsmouth and Havant. Commuters also work in London which is beyond the immediate FEMA. Commuters in from Havant, Waverley, Chichester, Winchester and Portsmouth. (para 2.28 - 2.30, p24)
West Berkshire Council	Berkshire Functional Economic Market Area Study (NLP, 2016)	West Berkshire is identified as self-contained FEMA as 'best fit' to LPA boundary. There are no significant economic links identified between West Berkshire and Test Valley.
Basingstoke & Deane Borough Council	Basingstoke & Deane Economic Needs Assessment (2021)	Basingstoke & Deane ENA (2021) disagrees with EM3 FEMA definitions including links to Surrey in East. Identifies connections with Andover but states that these are not strong enough to support an Andover/Basingstoke FEMA. The ENA study concludes the Basingstoke & Deane FEMA is self-contained.

d) Wider Economic Geography – Local Enterprise Partnerships

4.9 Test Valley forms the westernmost part of the Enterprise M3 (EM3) LEP area, which extends to the east of Test Valley, covering most of the county of Hampshire and western parts of Surrey. The southern part of Test Valley was also previously included in the Solent LEP area, however following research undertaken by Oxford Economics on the LEP's baseline forecasts, Test Valley was removed from the Solent LEP together with East Hampshire and Winchester due to its weaker economic linkages. Since 2018, the whole of Test Valley borough has been included in the EM3 LEP area.

4.10 The EM3 LEP has previously published a Strategic Economic Plan (SEP) 2018-2030 and is currently preparing a Local Industrial Strategy (LIS). The LIS Evidence Base (November 2019) describes the EM3 region as a *"peri-urban polycentric place within London's*

gravitational pull" (p.4). It is described as a region without a single dominant settlement, however Andover, together with Basingstoke, Guildford, Working and Farnborough, are identified as its largest towns, forming a network with links to London to the north east and Southampton (and its ports) to the south. Andover is also identified in the SEP as a 'step-up' town, together with Staines-upon-Thames, Camberley, Whitehall and Bordon, and Aldershot. These are towns which have not performed to their full potential and can play a stronger role in the LEP's economy.

4.11 Infrastructure connections within the wider EM3 LEP area, in particular east-west road travel and strategic rail links, are limited. However, EM3 is identified as being served by some key strategic transport links, including the M3, M25 and A3. In terms of its labour supply, EM3 LEP is a net importer of labour (+20,000), with 180,000 workers living outside EM3 (LIS Evidence Base, 2019). Areas of congestion are identified in the south west of EM3 to Southampton. As part of its emerging LIS, the EM3 LEP identifies a need to improve connectivity between major economic hubs and international gateways (including ports, airports and rail terminals) and to make journeys more reliable.

4.12 Test Valley has one of the most balanced migration patterns of all authorities within EM3 LEP, with almost even numbers moving into Test Valley (6,486) as moved out (6,428) in 2018 (LIS Evidence Base, November 2019).

e) Transport and Infrastructure Connections

4.13 There are good strategic east-west connections in northern parts of Test Valley, including the A303 corridor linking Test Valley with Wiltshire to the west and Basingstoke and the M3 motorway to the east.

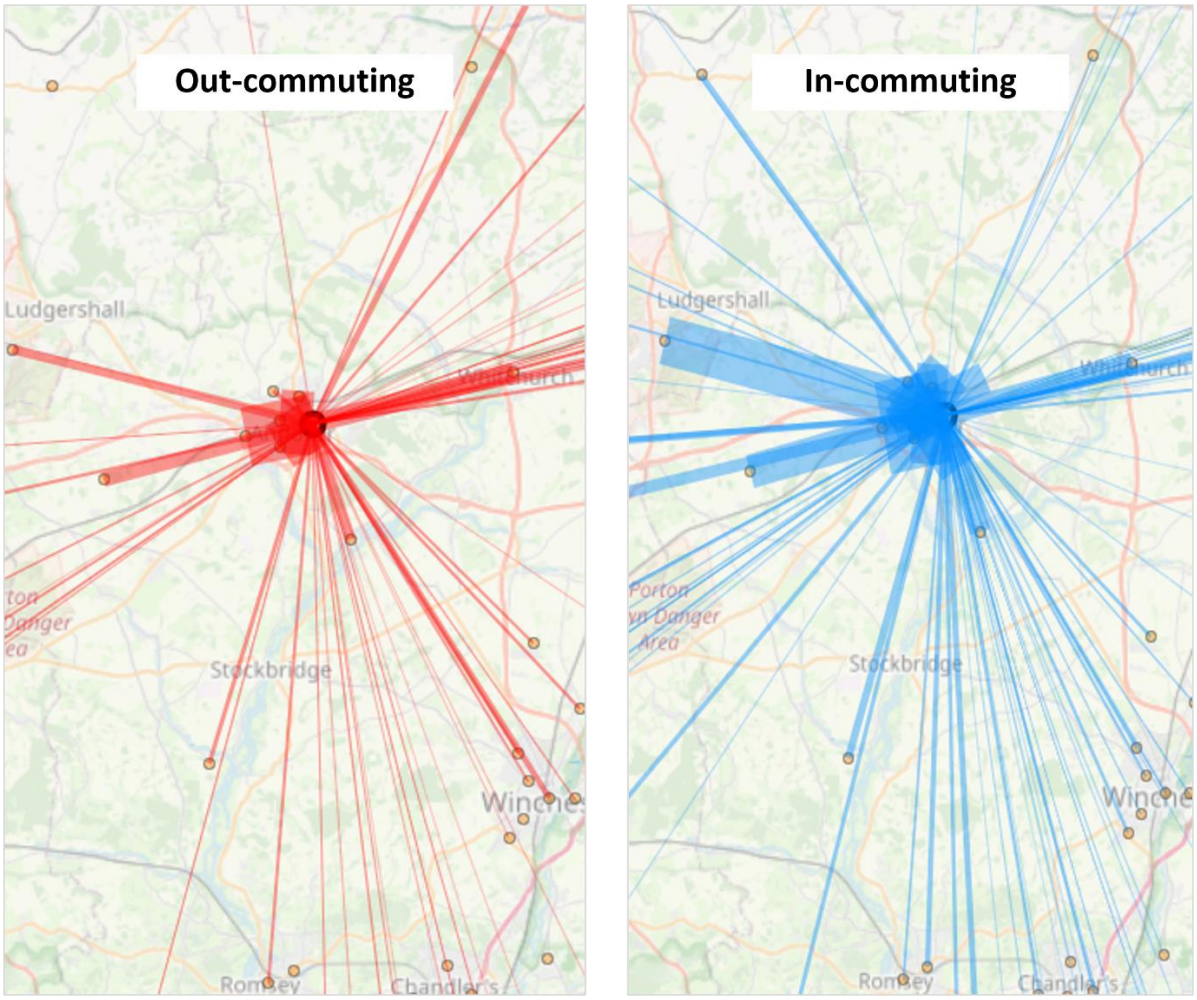
4.14 The M27 motorway cuts east-west across the southernmost part of Test Valley, providing strategic connections to Portsmouth in the east, Bournemouth in the west, and Southampton to the south (via the M271).

4.15 There are direct train links between Andover and Basingstoke, Yeovil Junction, Salisbury, Exeter St David's and London Waterloo. From Romsey railway station there are direct connections to Salisbury, Portsmouth Harbour, Redbridge, Chandlers Ford and Cardiff Central.

4.16 Whilst there are generally good east-west connections between Test Valley and other areas beyond its borders, including London and the south west, there are generally poor transport linkages within Test Valley, particularly between northern and southern parts of the borough.

4.17 These constrained north-south connections are further illustrated in Figure 3 and Figure 4 below which show commuting flows into and out of Test Valley's two main settlements of Andover (north of the borough) and Romsey (south of the borough), based on Census 2011 data. The thickness of the lines represents the number of journeys. The commuter flows into and out of Andover are strongest in an east-west direction, rather than towards southern parts of the borough. Commuter flows into and out of Romsey are strongest in both an east-west direction and also south towards Southampton, with comparatively few commuters flows between Romsey and northern parts of the borough.

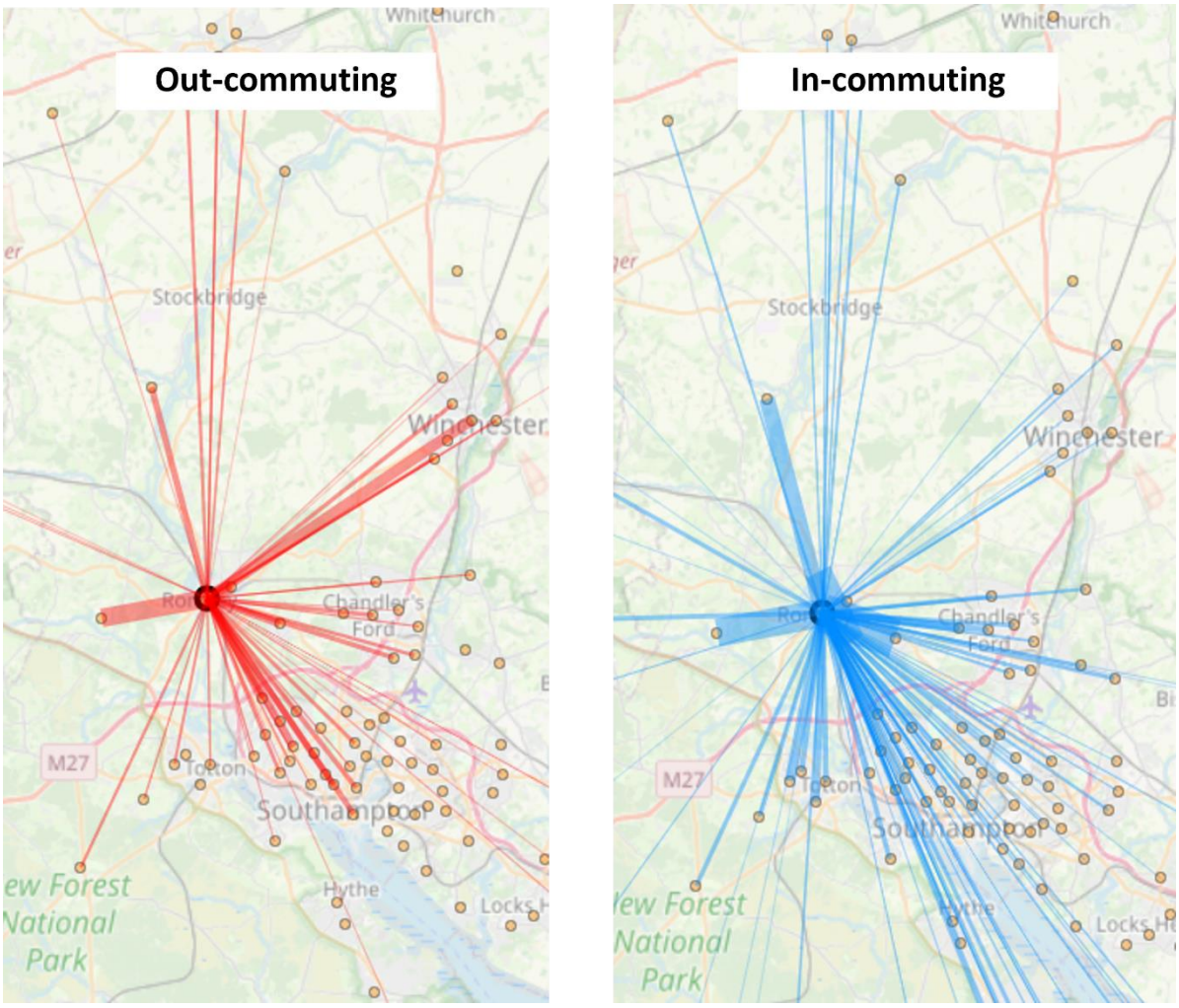
Figure 3. Commuter flows into and out of Andover



Source: Data Shine Commute[8] based on ONS Census 2011 data.

[8] www.commute.datashine.org.uk

Figure 4. Commuter flows into and out of Romsey



Source: Data Shine Commute (as above) based on ONS Census 2011 data

4.18 Recent improvements have been made by National Highways to the M27 motorway, including the introduction of a four-lane 'smart motorway' between junction 4 (M3 interchange) in the south-east of Test Valley and junction 11 (Fareham), which should improve journey times between southern parts of Test Valley and Portsmouth.

4.19 In terms of proposed or ongoing strategic infrastructure projects that may alter connectivity within Test Valley or between Test Valley and surrounding authorities, are no ongoing or proposed projects being delivered by the EM3 LEP or Solent LEP that are likely to effect strategic connectivity with Test Valley. Hampshire County Council is delivering a number of local transport improvement schemes within and around Test Valley, such as public realm improvements at Andover Railway Station, but none of these is likely to significantly impact Test Valley's strategic connectivity.

f) Travel to Work Areas and Commuting Patterns

4.20 The Office of National Statistics (ONS) publishes Travel to Work Areas (TTWAs), the latest TTWAs were published in 2015 and are based on commuting data from the 2011 Census[9]. The TTWAs aim to identify self-contained labour market areas in which the majority of commuting occurs within the boundary of the area.

[9] Origin-destination data from the 2021 Census is not expected to be published until 2023.

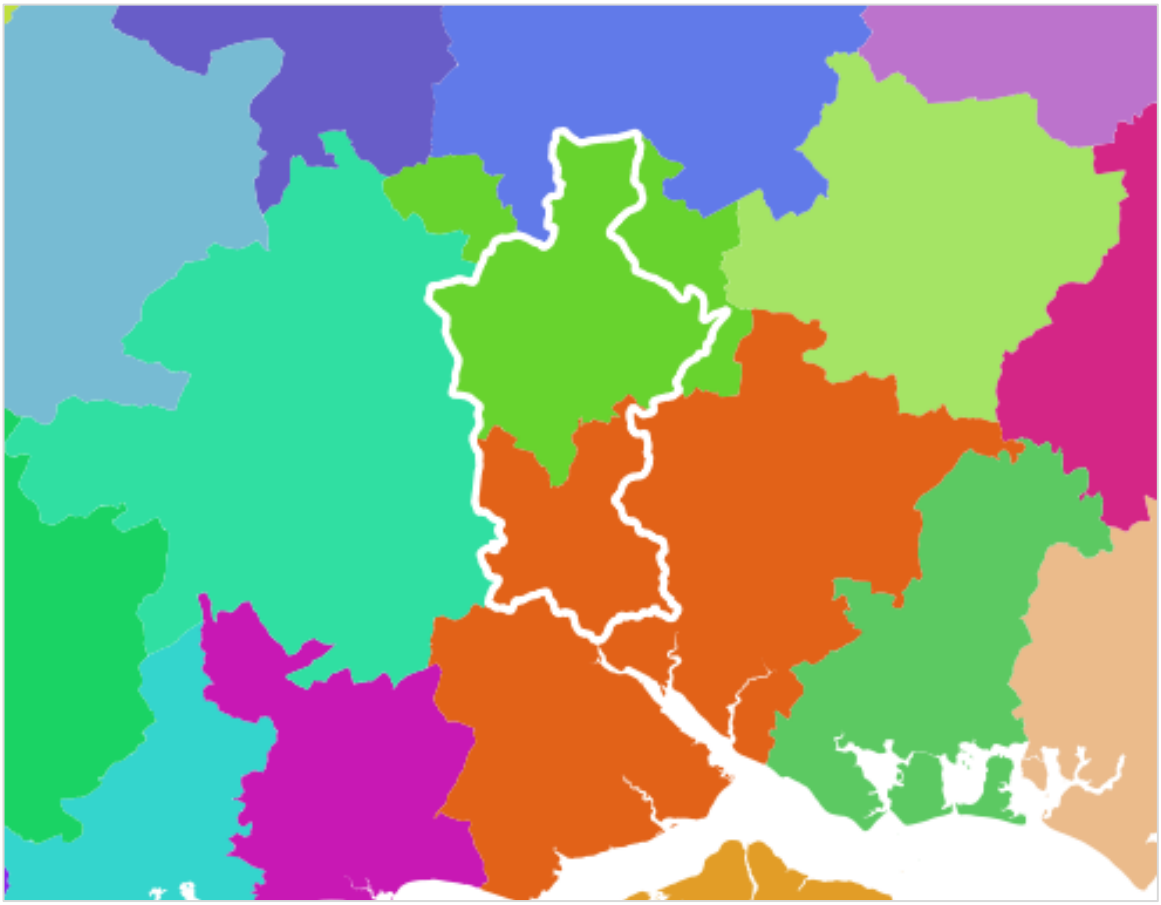
4.21 The TTWAs were developed as approximations to self-contained labour markets, i.e., areas where most people both live and work. As such they are based on a statistical analysis rather than administrative boundaries.

4.22 In terms of self-containment rates ONS's notional target for a Travel to Work Area is for at least 75% of an area's resident workforce to work in the area and at least 75% of the people who work in the area to also live in the area. However, for areas where the working population is in excess of 25,000, self-containment rates as low as 66.7% were accepted.

4.23 Using this approach ONS have identified a network of 228 TTWAs covering the country. However, it should be recognised that in practice it is not possible to divide the UK into entirely separate labour market areas as commuting patterns between areas are too diffuse.

4.24 The TTWAs covering Test Valley and the surrounding areas are shown in Figure 5. This identifies two TTWAs that overlap Test Valley, including the Andover TTWA which covers the north of the borough (shown in green) and the Southampton TTWA which covers the south of the borough (shown in orange).

Figure 5. Test Valley Travel to Work Areas



Source: ONS Census 2011

4.25 The TTWAs are based on commuting flow data from the 2011 Census. SPRU have used this data in order to assess commuting patterns in greater detail. This allows a range of more detailed analysis by showing the extent to which TTWAs overlap, as well as the strength of flows within a TTWA.

4.26 Table 2 below identifies that the main commuter catchment into Test Valley is from Wiltshire to the west and Southampton to the south, with slightly weaker connections with New Forest

to the south west and Eastleigh to the south east. In terms of out-commuting, Test Valley's strongest commuter links are with Southampton and Winchester, followed by Eastleigh and Wiltshire, as shown in Table 3.

Table 2. Test Valley Commuting Flows – In-commuting (top ten authorities)

Place of residence	Working in Test Valley	Total Movements: 45,998
Test Valley	23,013	50%
Wiltshire	5,394	12%
Southampton	4,674	10%
New Forest	2,463	5%
Eastleigh	2,445	5%
Winchester	1,556	3%
Basingstoke and Deane	1,302	3%
Fareham	551	1%
Isle of Wight	366	1%
Portsmouth	292	1%
Bournemouth	233	1%

Table 3. Test Valley Commuting Flows – Out-commuting (top ten authorities)

Place of work	Living in Test Valley	Total Movements: 47,836
Test Valley	23,013	50%
Southampton	4,827	10%
Winchester	4,021	9%
Eastleigh	3,253	7%
Wiltshire	2,539	6%
Basingstoke and Deane	2,359	5%
New Forest	1,504	3%
West Berkshire	764	2%
Westminster, City of London	692	2%
Fareham	416	1%
Portsmouth	348	1%

g) Self-Containment Rates

4.27 The commuting self-containment rates are shown in the table below. Self-containment can be calculated in two ways:

- Resident self-containment – the proportion of working residents in an area who also work within that area;
- Workplace self-containment – the proportion of workers in an area who also live within that area.

4.28 Table 4 below sets out the commuting self-containment rates for Test Valley and its surrounding authorities.

Table 4. Commuting Self-Containment Rates

Local Authority	Resident Self-Containment	Workplace Self-Containment
Test Valley	48%	50%
Southampton	56%	56%
Wiltshire	70%	77%
Basingstoke & Deane	58%	63%
New Forest	54%	60%
West Berkshire	56%	52%
Winchester	47%	33%
Eastleigh	37%	38%

Source: SPRU analysis of 2011 Census data

4.29 The above table indicates that Test Valley has a relatively low workplace self-containment rate (50%) and an even lower resident self-containment rate (48%), both of which are significantly below the ONS threshold for forming a self-contained TTWA (66.7% for areas with a working population in excess of 25,000). This indicates that the FEMA is unlikely to be contained within the borough boundary. All of the authorities listed in the above table have working populations in excess of 25,000 (according to the Census 2011). Therefore, all of Test Valley's neighbouring authorities (when considered individually), with the exception of Wiltshire, have self-containment rates that fall below the 66.7% threshold. This indicates that the FEMAs of Test Valley and its neighbouring authorities are likely to overlap to some degree.

4.30 When considering the combined self-containment rates of Test Valley and each of its individual neighbouring authorities, the following Table 5 shows that the combined resident and workplace self-containment rates are highest within Test Valley and Wiltshire at 69% and 75% respectively. However, these figures represent a decrease on the self-containment rates within Wiltshire on its own. When Test Valley is combined with Basingstoke & Deane and West Berkshire the self-containment rates also decrease, indicating weaker commuter linkages between Test Valley and these authorities.

4.31 The resident and workplace self-containment rates increase by the greatest amount between Test Valley and Eastleigh (+11% and +12% respectively), indicating a strong commuter link. This is followed by Winchester (+7% and +12%), Southampton (+4% and +5%) and New Forest (+1% and 0%).

4.32 None of these groupings (with the exception of Test Valley and Wiltshire) exceed the ONS threshold (66.7%) for representing a self-contained TTWA. The addition of Test Valley actually decreases Wiltshire's self-containment rate, indicating that commuter linkages between Test Valley and Wiltshire and weaker than those within Wiltshire itself.

Table 5. Commuting Self-Containment Rates between Test Valley and Neighbouring Authorities

	Local Authorities	Excluding Test Valley		Including Test Valley	
		Resident Self-Containment	Workplace Self-Containment	Resident Self-Containment	Workplace Self-Containment
1	Test Valley	N/A	N/A	48%	50%
2	Wiltshire	70%	77%	69%	75%
3	Southampton	56%	56%	60%	61%
4	Basingstoke & Deane	58%	63%	57%	61%
5	New Forest	54%	60%	55%	60%
6	West Berkshire	56%	52%	54%	52%
7	Winchester	47%	33%	54%	45%
8	Eastleigh	37%	38%	48%	50%

Source: SPRU analysis of 2011 Census data

4.33 The effect of combining multiple authorities is shown in the table below. The combinations of authorities shown in rows 3 to 6 of the table, including Test Valley, all result in a commuting self-containment rate that exceeds the ONS TTWA threshold of 66.7%. The commuting self-containment rates for these groupings of authorities all increase when Test Valley is added. The greatest increase in self-containment is reflected in the addition of Test Valley to Southampton, Eastleigh, Winchester, New Forest, Wiltshire and Basingstoke & Deane (row 6). Whilst this grouping of authorities could justifiably be considered a TTWA, based on the ONS definition, it is important to note that this analysis does not take account of the variations in commuter linkages between different areas *within* each local authority, i.e. at a smaller geographic scale, as is further considered below.

Table 6. Commuting Self-Containment Rates – combining multiple local authority areas

	Local Authorities	Excluding Test Valley		Including Test Valley	
		Resident Self-Containment	Workplace Self-Containment	Resident Self-Containment	Workplace Self-Containment
1	Test Valley	N/A	N/A	48%	50%
2	EM3 LEP authorities	65%	68%	66%	68%
3	Solent LEP authorities	80%	85%	81%	86%
4	Southampton + Eastleigh + Winchester + New Forest	76%	73%	79%	77%
5	Wiltshire + Basingstoke & Deane	67%	73%	68%	74%
6	Southampton + Eastleigh + Winchester + New Forest + Wiltshire + Basingstoke & Deane	74%	75%	78%	80%

Source: SPRU analysis of ONS data

4.34 Table 7 below shows the in-commuting flows to each middle layer super output area (MSOA) and sub-area within Test Valley from surrounding authorities. Note that the 'North/South Test Valley' MSOAs are those situated in the centre of the borough which have been redefined from 'North' to 'South' Test Valley as part of the new sub-area definitions set out in Figure 2.

4.35 Table 7 shows particularly strong inward commuting into North Test Valley from Wiltshire. There is also relatively strong inward commuting into South Test Valley from Southampton, and to a lesser extent from New Forest and Eastleigh. This analysis also shows that rates of in-commuting into North Test Valley from New Forest and Eastleigh are significantly lower. Rates of in-commuting into South Test Valley from Wiltshire are also lower than the rates of in-commuting from Wiltshire into North Test Valley. This analysis demonstrates a clear north-south distinction in patterns of in-commuting to Test Valley.

Table 7. In-commuting to Test Valley by MSOA and Locality Area

	Test Valley Place of Work by MSOA															
Place of residence	**North Test Valley**							**North/South Test Valley**				**South Test Valley**			
Test Valley	322	598	4871	3070	3417	2189	1460	877	1051	679	1242	571	1834	148	684
Wiltshire	64	104	841	445	1554	352	1049	142	302	35	204	57	118	5	122
Southampton	23	16	106	43	124	50	39	72	144	281	619	236	485	58	2378
New Forest	2	8	44	15	45	41	19	29	116	161	419	146	446	9	963
Eastleigh	3	13	110	41	68	52	30	55	99	265	365	109	325	165	745
Winchester	5	28	178	83	107	60	53	191	123	108	137	59	156	35	233
Basingstoke and Deane	37	42	408	164	268	95	62	79	48	13	22	5	11	1	47
Fareham	0	5	34	10	21	4	15	13	23	43	82	16	47	13	225
Isle of Wight	0	0	2	1	1	0	2	2	5	15	6	3	316	0	13
Portsmouth	0	0	12	13	11	9	4	4	11	11	31	15	27	0	144

Source: SPRU analysis of ONS data

4.36 Table 8 below shows significant levels of out-commuting from South Test Valley to Southampton, Winchester, Eastleigh, and to a lesser extent, New Forest. Rates of out-commuting from North Test Valley to these same authorities is significantly lower. The highest levels of out-commuting from MSOAs in North Test Valley are to Basingstoke & Deane, Wiltshire and to a lesser extent, West Berkshire.

Table 8. Out-commuting from Test Valley by MSOA and Locality Area

	Place of Residence in Test Valley by MSOA															
Place of Work	**North Test Valley**							**North/South Test Valley**				**South Test Valley**			
Test Valley	1762	2331	2492	2355	2724	2341	1589	837	1100	1191	851	1539	863	456	582
Southampton	53	46	64	48	71	59	79	69	258	930	448	613	348	724	1017
Winchester	138	103	162	134	176	162	141	282	385	582	214	479	213	653	197
Eastleigh	48	49	59	30	48	61	46	54	137	652	189	419	164	972	325
Wiltshire	172	132	213	181	360	208	540	83	174	91	140	115	51	48	31
Basingstoke and Deane	259	268	356	237	318	296	139	144	63	53	33	46	23	96	28
New Forest	23	10	18	22	28	18	25	12	95	288	224	255	120	142	224
West Berkshire	168	62	118	66	82	74	52	26	30	31	11	10	5	18	11
Westminster,City of London	66	9	35	42	96	38	80	60	98	32	29	25	14	47	21
Fareham	9	10	8	9	20	11	16	7	17	69	34	62	26	78	40

Source: SPRU analysis of ONS data

4.37 The above analysis by MSOA and sub-area indicates that there is a strong distinction between commuter flows in northern and southern parts of Test Valley, with North Test Valley having stronger commuter linkages with Wiltshire, Basingstoke & Deane and West Berkshire and South Test Valley having stronger commuter linkages with Southampton, Winchester,

Eastleigh and New Forest.

h) Conclusion

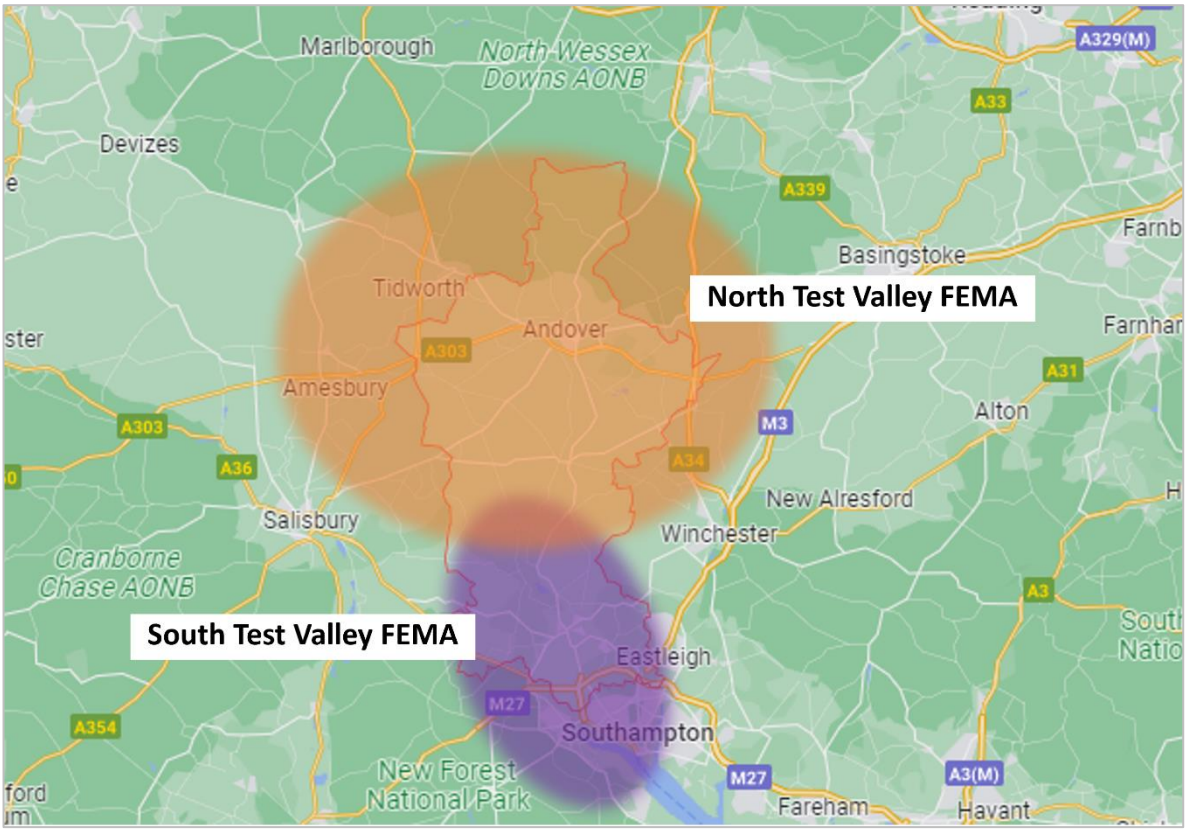
4.38 This assessment to define the FEMA has considered a wide range of existing reports and data. The key findings for each element considered are summarised below:

- **Commuting –** Test Valley has a level of commuting self-containment below the threshold for justifying a standalone TTWA. The commuting self-containment rates of Test Valley and its neighbouring authorities increases by the greatest amount above the 66.7% threshold when Test Valley is combined with Southampton, Eastleigh, Winchester, New Forest, Wiltshire and Basingstoke & Deane. The analysis of commuter flows into and out of Test Valley are best assessed at a sub-area level, with the strongest commuter links in North Test Valley being with Wiltshire, Basingstoke & Deane and to some degree West Berkshire, and the strongest links in South Test Valley being with Southampton, New Forest, Eastleigh and Winchester.
- **Transport Links** – North Test Valley has stronger east-west connections to Wiltshire and London via rail links and A303 corridor. South Test Valley has stronger transport links to the south-west and Southampton. Whilst there are generally good east-west connections between Test Valley and other areas beyond its borders by road and rail, including London and the south west, there are generally poor transport linkages within Test Valley, particularly between northern and southern parts of the borough.
- **Evidence from other areas –** Previous studies have failed to identify Test Valley as a self-contained FEMA, instead identifying Test Valley as falling within more than one FEMA with the borough being divided mostly along north-south lines.

4.39 The evidence presented in this section suggests that Test Valley is not a self-contained FEMA. It is recommended that the borough's economic market area is best represented by two broadly defined FEMAs covering North Test Valley and South Test Valley, as illustrated in Figure 6 overleaf.

4.40 The fact that Test Valley has historically been divided into sub-areas reflecting the north and south of the borough for both economic assessment and plan-making purposes further emphasises the distinctions between these two geographies and supports the justification for the borough being split between two different functional economic geographies.

Figure 6. Recommended Test Valley FEMA Definition



Source: Google Maps / SPRU Analysis

CHAPTER 4: KEY POINTS

- The Test Valley FEMA has been assessed in accordance with Planning Practice Guidance.
- The evidence presented in this section suggests that Test Valley is not a self-contained FEMA.
- It is recommended that the borough's economic market area is best represented by two broadly defined FEMAs covering North Test Valley and South Test Valley.

5.0 TEST VALLEY'S ECONOMIC BASELINE

5.1 This section provides a baseline assessment of the local and regional economic dynamics and characteristics of Test Valley's economic and labour market.

5.2 Test Valley has a diverse economy with sectoral strengths in the professional, scientific and technical administrative and manufacturing sectors.

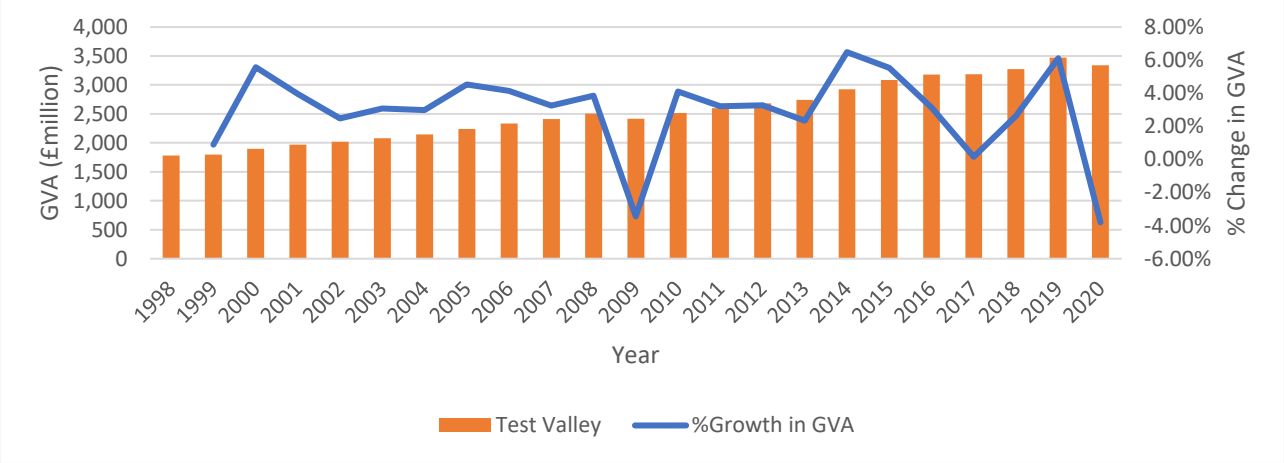
5.3 Test Valley has a current estimated population of 127,163 (ONS, Mid-Year Data [MYD], 2020) and an economy that supports circa 60,000 jobs (BRES, 2020[10]). 59% of Test Valley's residents are aged between 16-64 (ONS, MYD, 2020), which represents a slightly lower portion in comparison to the working age population levels across the wider South East as well as nationally.

a) Productivity (GVA)

5.4 The Gross Value Added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services. In 2020, the GVA of Test Valley was valued to be £3,339 million, which accounts for 1.18% of the South East total GVA.

5.5 As shown in Figure 7 below, Test Valley's GVA increased steadily between 1998 and 2008 and has, generally increased over time. With the exception of 2009 and 2020, which are considered to be reasonably attributed to the financial implications of the 2008 Financial Crisis and the coronavirus pandemic, the GVA has increased each year since 1998.

Figure 7. Historical Trends of GVA – Test Valley (1998-2020)



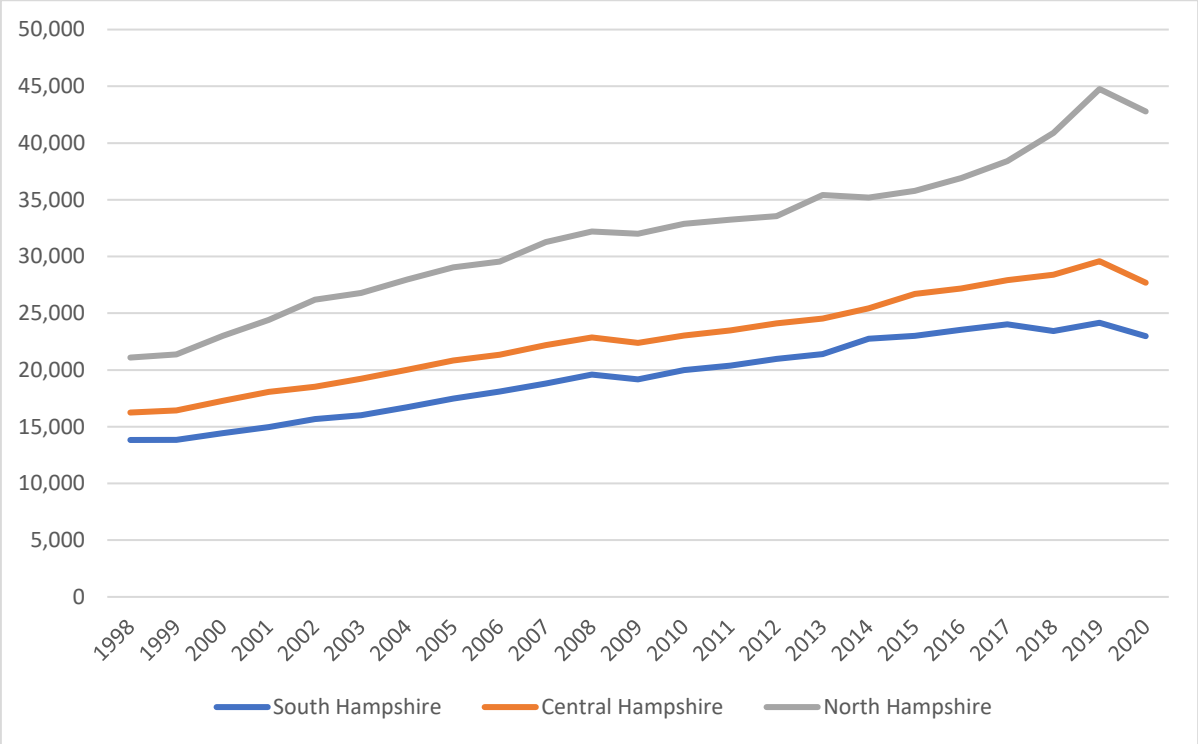
Source: SPRU analysis of ONS Data

5.6 Figure 7 reflects the most recent data that report local authorities by International Territorial Level (ITL). Test Valley is grouped within the Central Hampshire area. Figure 8 sets out the GVA per head of South Hampshire, Central Hampshire and North Hampshire to compare Test Valley with the performance of neighbouring economies. As this measure is calculated against total resident population estimates, the output is sensitive to the impact of the total non-working population (i.e., retired, unemployed and school-age persons) relative to the size of the population contributing to economic output.

5.7 Central Hampshire has been the middling performer, with a higher GVA per head than South Hampshire and a lower GVA per head than North Hampshire.

[10] BRES (2019) pre-COVID estimate of circa 62,000 jobs total employment

Figure 8. GVA per head of the population (£ per head) (1998-2020)



Source: SPRU analysis of ONS Data

5.8 Figure 8, above, sets out the percentage change in GVA per head over time for the aforementioned three divisions of Hampshire. This demonstrates that while there has been flux within the GVA of the three ITL areas.

5.9 Additionally, as indicated by the trendline for Central Hampshire's GVA per head has generally increased over time and no period between 1998 and 2019 has caused the GVA of the economy to decrease for a substantial period. The downturn in GVA per head in 2020 may be attributed to the economic consequences of the COVID-19 pandemic and, should be prefaced with the fact that the data for 2021 – 2022 has not yet been published and, therefore, should be considered with a degree of uncertainty.

5.10 Table 9, below, sets out the average percentage change in the GVA per head over time for the three ITL areas. As denoted here, Central Hampshire has a highly comparable growth to that of South Hampshire, with average increases of 2.5% and 2.4% respectively. North Hampshire has seen a greater degree of increase within the GVA per head within the period between 1998 and 2020, with an increase of 3.3%.

5.11 Notwithstanding the above, excluding the downturns in 2009, which was caused by the time's Financial Crisis and 2020, which was caused by the impacts of the COVID-19 pandemic, the three ITL areas have extremely comparable average change in percentages.

Table 9. Average % change in GVA per head, 1998 – 2020

International Territorial Level	% change 1998 - 2020	% change 1998 – 2020, excluding 2009 and 2020
South Hampshire	2.4%	3.3%
Central Hampshire	2.5%	3.2%
North Hampshire	3.3%	3.4%

Source: SPRU analysis of ONS Data

5.12 Considering the sectoral breakdown of GVA, Table 10 shows that the following sectors are the largest contributors towards Test Valley's overall GVA:

1. Wholesale and retail trade; repair of motor vehicles – which accounts for 18.5% of GVA
2. Real estate activities – which accounts for 15.0% of GVA
3. Manufacturing – which accounts for 13.3% of GVA

5.13 These three collectively account for almost half of the total GVA within the Test Valley area and, therefore, are considered to have significantly contributed to the local economy in recent history.

Table 10. Sectoral breakdown of GVA, Test Valley

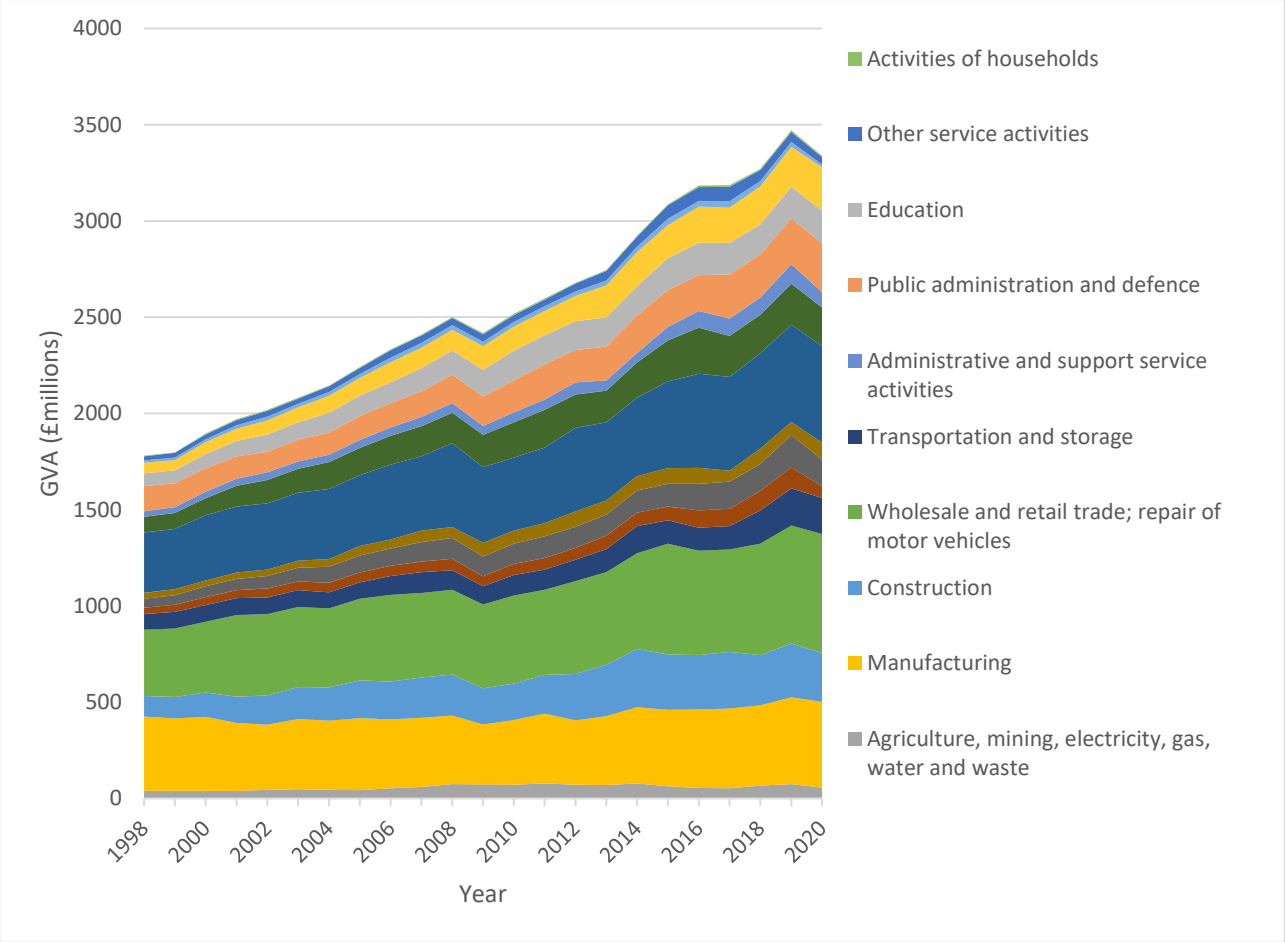
Sector	GVA 2020 (£million)	% of Total
Agriculture, mining, electricity, gas, water and waste	57	1.7%
Manufacturing	445	13.3%
Construction	254	7.6%
Wholesale and retail trade; repair of motor vehicles	618	18.5%
Transportation and storage	187	5.6%
Accommodation and food service activities	62	1.9%
Information and communication	137	4.1%
Financial and insurance activities	89	2.7%
Real estate activities	501	15.0%
Professional, scientific and technical activities	200	6.0%
Administrative and support service activities	81	2.4%
Public administration and defence	253	7.6%
Education	171	5.1%
Human health and social work activities	224	6.7%
Arts, entertainment and recreation	15	0.4%
Other service activities	38	1.1%
All Industries	**3,339**	**100.0%**

Source: SPRU analysis of ONS Data

5.14 It is noted that Manufacturing was one of the most impacted sectors by the 2008/9 Financial Crisis and COVID-19 pandemic in terms of the decrease in GVA across the entirety of England. As one of the principal sectors contributing towards the economy of Central Hampshire and Test Valley, this may facilitate explaining why the ITL has a lower average percentage increase of GVA per head than that of North Hampshire, across the entire period between 1998 to 2020.

5.15 The sectoral trends in GVA over the period between 1998 and 2020 are shown in Figure 9 overleaf.

Figure 9. GVA by sector (balanced approach) 1998 – 2020 (£millions)

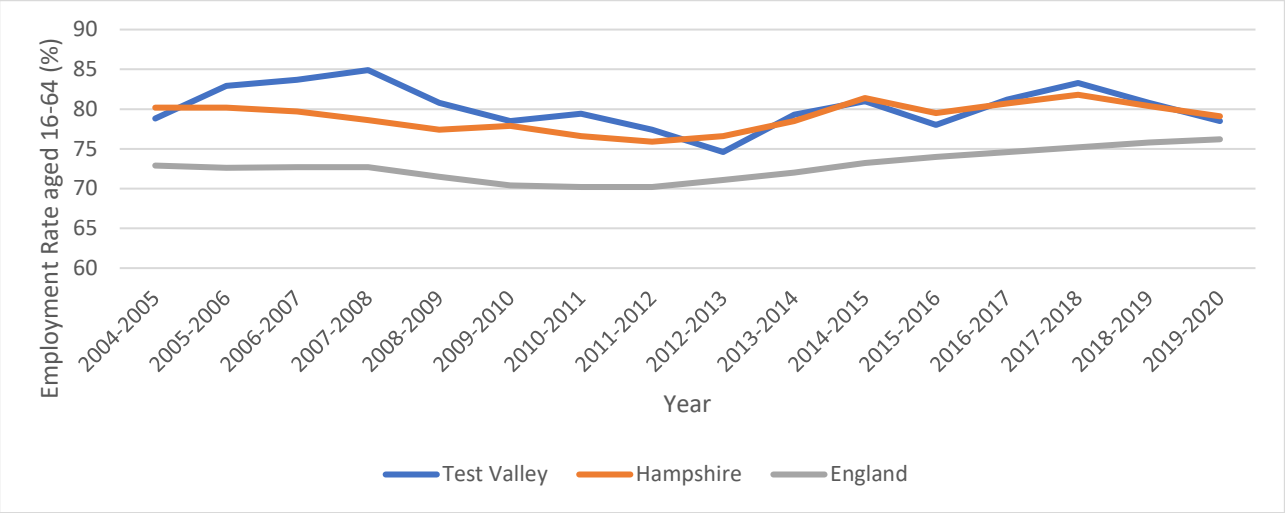


Source: ONS. GVA (balanced) current prices

b) Employment Rates

5.16 Figure 10 shows the trend in total employment since 2004. For Test Valley this demonstrates that the employment rate has, with a limited number of exemptions, stayed above Hampshire's level and has consistently remained above the national level.

Figure 10. Employment Rate aged 16-64 (%) (2004-2020)

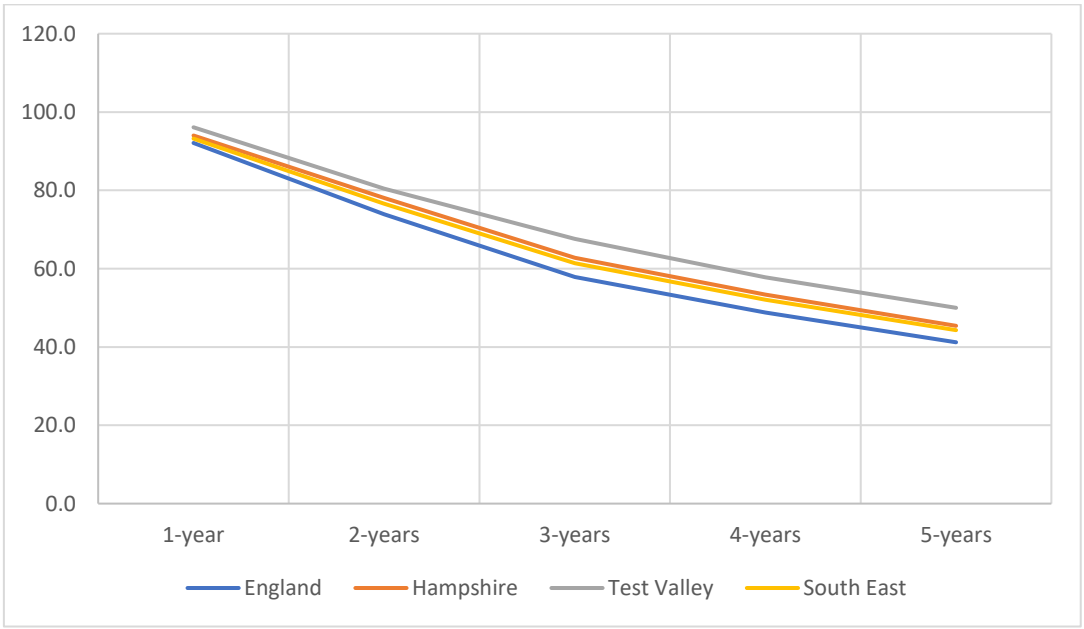


Source: Annual Population Survey

5.17 The most recent reported fall in the employment rate can be most closely associated with the impact of the coronavirus pandemic.

5.18 This echoes the fall in employment rate in 2009/10 around the timing of the global financial crisis. In the years which followed, up to circa 2013, the employment rate continued to decrease, however this can likely be attributed to the survival rate of new businesses. Figure 11, below, demonstrates the survival rate of new businesses in the five-year period following the financial crisis between 2008 and 2013. As demonstrated here, Test Valley has a higher survival rate than Hampshire, the South East and England, however, there remains a decline in businesses which survive this period.

Figure 11. Business Survival Rates (2008 – 2013)



Source: ONS Data

5.19 In the years which followed, Test Valley returned to demonstrate a higher employment rate than that of the country, echoing the performance of Hampshire as a county.

5.20 Table 11 below denotes the levels of self employment as a percentage of total employment for Test Valley compared to the county and national levels as of 2020. In Test Valley, 9.4% of the workers are self-employed, which is lower than the county and national levels of 10.1% and 10.0% respectively.

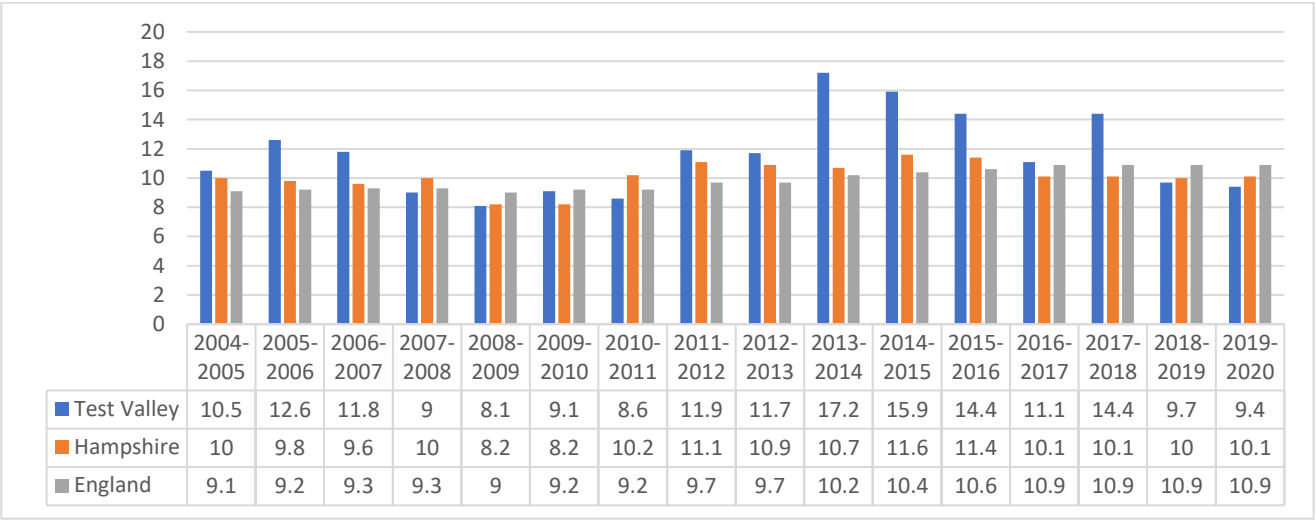
Table 11. Self Employment (2020)

	% Aged 16-64 who are self employed
Test Valley	9.4%
Hampshire	10.1%
England	10.9%

Source: Annual Population Survey

5.21 For the majority of the years since 2004, Test Valley has had a comparable level of self-employment, as demonstrated by Figure 12, below. During the period between 2013 and 2017, Test Valley had a notably greater level of self-employment compared to Hampshire and England. However, since circa 2018, this percentage as reduced and is, once again, more analogous to that of the county and country.

Figure 12. Self-Employment Rate 2004-2020



	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Test Valley	10.5	12.6	11.8	9	8.1	9.1	8.6	11.9	11.7	17.2	15.9	14.4	11.1	14.4	9.7	9.4
Hampshire	10	9.8	9.6	10	8.2	8.2	10.2	11.1	10.9	10.7	11.6	11.4	10.1	10.1	10	10.1
England	9.1	9.2	9.3	9.3	9	9.2	9.2	9.7	9.7	10.2	10.4	10.6	10.9	10.9	10.9	10.9

Source: Annual Population Survey

c) Business Demography

5.22 Table 12 below demonstrates the proportion of micro (0-9 employees), small (10-49 employees), medium (50-249 employees) and large businesses (250+ employees) within Test Valley, Hampshire, South East and England.

5.23 As denoted below, Test Valley's enterprises are reflected by 84.4% micro 12.8% small, 2.6% medium and 0.2% large businesses. As demonstrated by the below table, this is highly reflective of the county, regional and national business demography.

5.24 Approximately 17.4% of businesses in Test Valley are classified as 'Wholesale and retail repair, repair of motor vehicles and motorcycles' and 16.2% are within the 'Professional, scientific and technical activities' industry. These have remained the top two industries in Test Valley since 2010 (based on the UK Business counts by industry for 2010, 2020 and 2021).

Table 12. Business Composition (2021)

% of Area	Micro	Small	Medium	Large
Test Valley	84.4%	12.8%	2.6%	0.2%
Hampshire	84.8%	12.5%	2.4%	0.3%
England	85.1%	12.0%	2.5%	0.4%
South East	85.9%	11.5%	2.3%	0.3%

Source: ONS Business Demographic Statistics

5.25 There are a number of measures available to calc total number of enterprises in an area and thus change over time. Based on the UK Business Counts of all local units Test Valley is currently (as of 2021) home to 7,230 businesses. Since 2010, growth in the number of businesses in Test Valley has grown by 22.6% (from 5895 in 2010). This is a reflective of the growth in the number of businesses in the South East region, which is circa 22.1%, and is greater than the growth in the number of businesses in Hampshire, which is approximately 19.1%.

5.26 Notwithstanding the above, both Test Valley and the region have fallen behind the growth in England, which is circa 27.3% in the same time period.

5.27 Annual data on births, deaths and survival of businesses in the UK represent the most detailed information provided by the ONS as part of its business demography series.

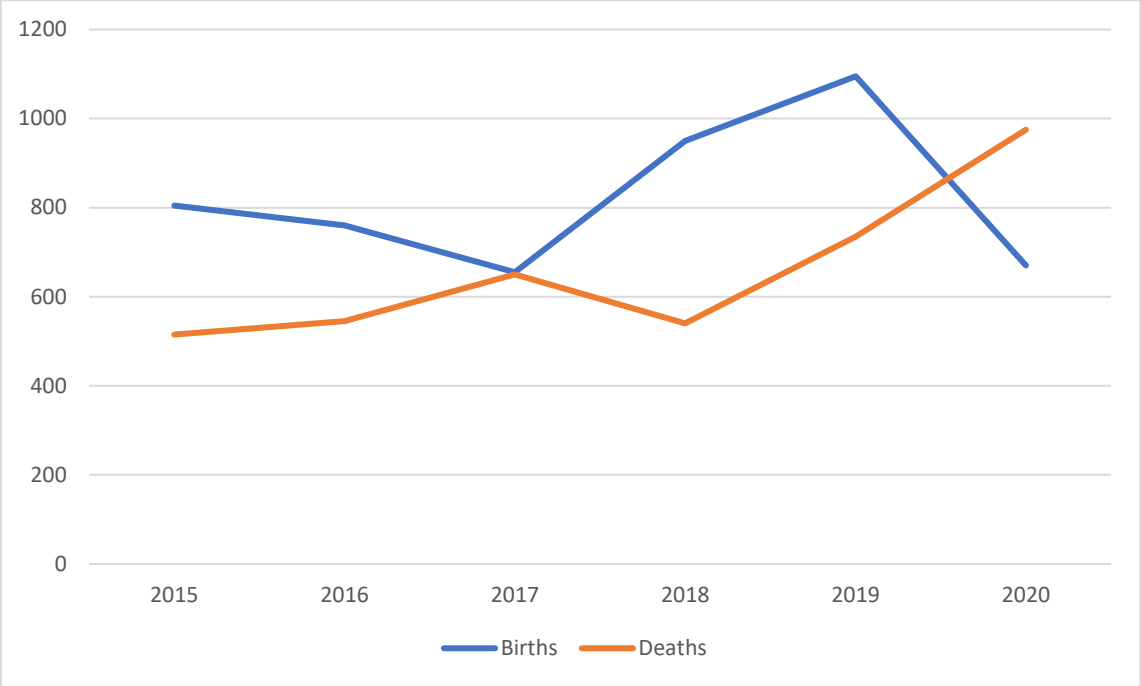
5.28 Table 13 and Figure 13 set out the Business births and deaths in the period between 2015 and 2020 in Test Valley. As denoted here, through the majority of this period, there were a greater number of births than deaths in Test Valley up to 2020. This downturn in the number of births may be attributed to the implications of the coronavirus pandemic.

Table 13. Business Births and Deaths 2015-2020

Year	2015	2016	2017	2018	2019	2020
Births	805	760	655	950	1095	670
Deaths	515	545	650	540	735	975

Source: ONS Business Demographic Statistics

Figure 13. Business Births and Deaths 2015-2020



Source: ONS Business Demographic Statistics

d) Sectoral Breakdown

5.29 Analysis of Business Registration and Employment Survey (BRES) data has been undertaken to identify the sectoral breakdown of businesses in Test Valley. Table 14, below, denotes that the top sectors for Test Valley by proportion of employees are Manufacturing and Professional, Scientific and Technical – both of which comprise 10% of the total demographic.

Table 14. Composition of Employment 2020

Sector	Number	Percentage
1: Agriculture, forestry & fishing (A)	1500	2.5%
2: Mining, quarrying & utilities (B,D and E)	450	0.8%
3: Manufacturing (C)	6000	10.0%
4: Construction (F)	4000	6.7%
5: Motor trades (Part G)	1250	2.1%
6: Wholesale (Part G)	3500	5.8%
7: Retail (Part G)	5000	8.3%
8: Transport & storage (inc postal) (H)	4000	6.7%
9: Accommodation & food services (I)	4000	6.7%
10: Information & communication (J)	2250	3.8%
11: Financial & insurance (K)	2500	4.2%
12: Property (L)	900	1.5%
13: Professional, scientific & technical (M)	6000	10.0%
14: Business administration & support services (N)	4000	6.7%
15: Public administration & defence (O)	2500	4.2%
16: Education (P)	4000	6.7%
17: Health (Q)	5000	8.3%
18: Arts, entertainment, recreation & other services (R,S,T and U)	2500	4.2%
Column Total	**60,000**	

Source: BRES Data

5.30 A Location Quotient (LQ) analysis has been used to further analyse the composition of employment within Test Valley and to identify specialism within the local economy. A LQ describes the proportion of employment in a sector relative to a wider area. In this case, comparisons have been assessed geographically, within the South East and England, as well as against the adjacent Local Enterprise Partnerships (LEPs) – Enterprise M3 and Solent.

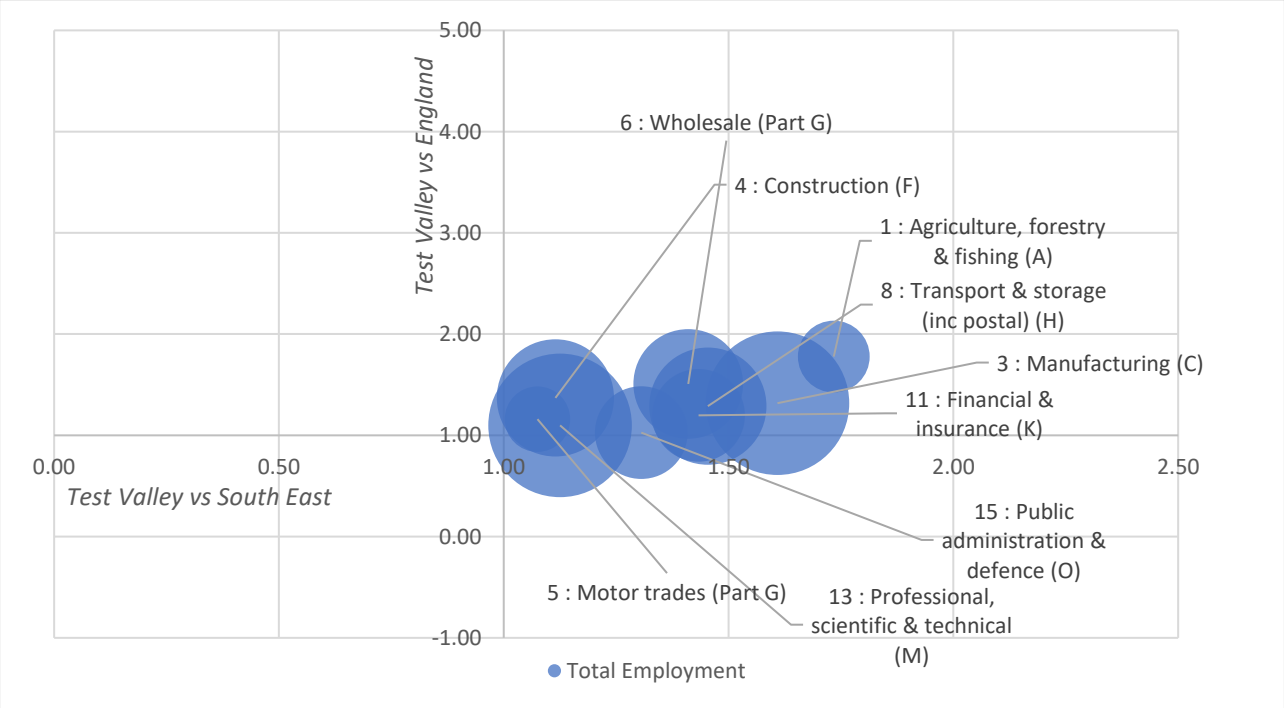
5.31 Both the Solent and Enterprise M3 LEPs represent an important factor within the evaluation of the economic landscape in the South East and Test Valley's position within it. Therefore, this analysis shall allow DLP Consulting Group to fully evaluate the economic demand within Test Valley.

5.32 A LQ of 1 means there is the same proportion of employment in this sector in Test Valley as is the case across the comparator area. An LQ above 1 means there is a higher concentration of employment in that sector in the local economy; for example, a LQ of 2.0 equates to twice the proportion of employment in the sector compared to England as a whole. Conversely, an LQ of less than 1 means a relatively lower concentration of employment.

5.33 Figure 14 below shows the LQ for Test Valley when compared with the South East (x-axis) and England (y-axis). The size of the circle represents the level of employment in that sector in Test Valley.

5.34 Figure 14 has been prepared to isolate those sectors where at least one of the vertical or horizontal axes record a LQ greater than 1.0, to ascertain those sectors with a higher concentration within Test Valley and, thus, ascertain the local employment demographic.

Figure 14. Location Quotient: Test Valley vs South East and England (Sectors with one LQ exceeding 1.0)



Source: SPRU analysis of BRES data, 2020 (see Table 14 for corresponding employment totals)

5.35 In both cases, Agriculture, forestry and fishing are the factor with the largest LQ compared with the South East and England. While this only represents 2.5% of the local employment, this is notably higher than that of the region and country, for which the sector represents only 1.4% each.

5.36 As evidenced by Figure 14, above, it is clear that the South East and England are represented by relatively comparable employment trends. Table 15, below, sets out the LQ data which informed Figure 15. As highlighted here, the South East and England are occupied by a similar demographic of businesses and, therefore, the sectors which are ascertained are the same for both areas.

Table 15. Location Quotient: Test Valley vs South East and England

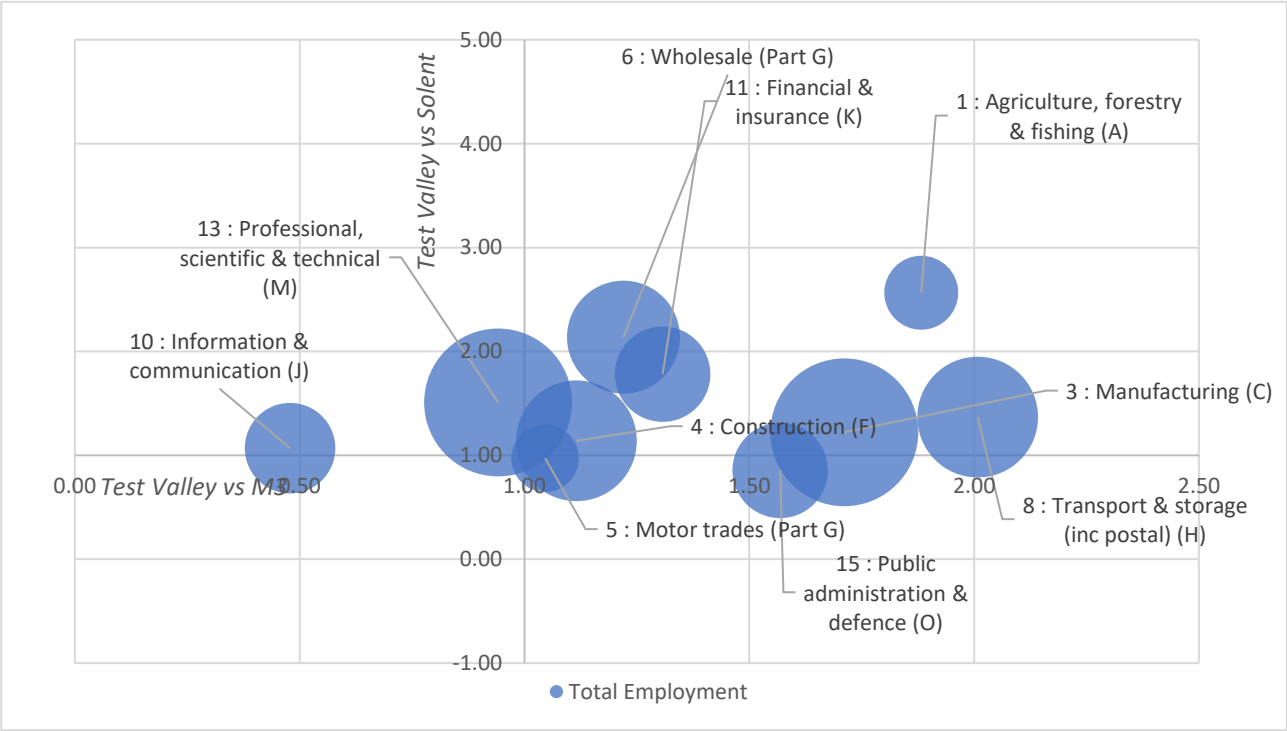
Sector	Test Valley vs South East	Test Valley vs England	South East vs England
1: Agriculture, forestry & fishing (A)	1.73	1.78	1.03
2: Mining, quarrying & utilities (B,D and E)	0.63	0.66	1.04
3: Manufacturing (C)	1.61	1.32	0.82
4: Construction (F)	1.11	1.37	1.23
5: Motor trades (Part G)	1.07	1.16	1.08
6: Wholesale (Part G)	1.41	1.51	1.07
7: Retail (Part G)	0.90	0.90	0.99
8: Transport & storage (inc postal) (H)	1.45	1.29	0.89
9: Accommodation & food services (I)	0.93	0.94	1.01
10: Information & communication (J)	0.63	0.83	1.32
11: Financial & insurance (K)	1.43	1.20	0.84
12: Property (L)	0.82	0.75	0.91
13: Professional, scientific & technical (M)	1.13	1.10	0.98
14: Business administration & support services (N)	0.85	0.76	0.90
15: Public administration & defence (O)	1.31	1.03	0.79
16: Education (P)	0.67	0.77	1.15
17: Health (Q)	0.66	0.65	0.98
18: Arts, entertainment, recreation & other services (R, S,T and U)	0.84	0.97	1.14

Source: SPRU analysis of BRES data, 2020

5.37 The employment landscape of both the Enterprise M3 and Solent LEPs denote important information regarding Test Valley's the characteristics of Test Valley's economy in the locality and the South East. Therefore, further LQ analysis has been conducted in order to establish the LQ of Test Valley when compared to the employment within both the Enterprise M3 and Solent LEPs.

5.38 Figure 15 has, similarly to the above, been prepared to isolate those with at least one LQ factor greater than 1.0. It denotes the LQ for Test Valley when compared to the Enterprise M3 LEP on the x-axis and the Solent LEP on the y-axis.

Figure 15. Location Quotient: Test Valley vs Enterprise M3 and Solent (Sectors with one LQ exceeding 1.0)



Source: SPRU analysis of BRES data, 2020 (see Table 14 for corresponding employment totals)

5.39 With regard to the LEP's key sectors, the data reveals the following:

- Health is the largest sector within both the Enterprise M3 and Solent LEPs, accounting for 12% and 14.4% of their employment demographics respectively. This is reflective of the region and country for which the health sector represents a 12.6% and 12.9% segment respectively.
- The smallest sector in the Enterprise M3 LEP is Mining, quarrying and utilities. The same is true of the region and country. Conversely, the smallest industry in the Solent LEP is Agriculture, forestry and fishing, which is the largest sector in Test Valley. It is likely that the demand for such business was met by Test Valley, which formally fell within the Solent LEP.

5.40 Table 16 below shows the LQ for Test Valley compared with the Enterprise M3 and Solent LEPs. It sets out the top 10 LQ factors when making these two comparisons. It also denotes the LQ when comparing the two LEPs with one another.

5.41 The LQ analysis emphasises Test Valley's strengths in Fishing and Aquaculture and Manufacturing, when compared with the LEP's. This reaffirms the data set out within Table 15, above, which demonstrates that Agriculture, forestry & fishing and Manufacturing are two of the key sectors which are a strength within Test Valley when compared to the region and country.

5.42 Notable exceptions include some forms of manufacturing, indicating that some parts of the LEP are subject to higher degrees of specification. Some forms of Agricultural work were also missing, including Crop and animal production, hunting and related service activities, which account for 2.1% of the Test Valley employment demographic.

Table 16. Location Quotient Sub-Sector Specialisms – Test Valley vs Enterprise M3 and Solent

Industry	Test Valley vs M3 LEP	Test Valley vs Solent LEP	M3 LEP vs Solent LEP
03: Fishing and aquaculture	5.38	6.41	1.19
10: Manufacture of food products	4.02	8.55	2.13
11: Manufacture of beverages	3.14	3.80	1.21
14: Manufacture of wearing apparel	4.48	4.28	0.95
16: Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	3.92	5.34	1.36
24: Manufacture of basic metals	7.53	10.26	1.36
30: Manufacture of other transport equipment	2.51	0.43	0.17
31: Manufacture of furniture	2.09	2.67	1.28
37: Sewerage	1.00	2.74	2.73
39: Remediation activities and other waste management services.	5.58	3.42	0.61
52: Warehousing and support activities for transportation	2.61	2.14	0.82
71: Architectural and engineering activities; technical testing and analysis	2.09	3.21	1.53

Source: SPRU analysis of BRES data (2020)

CHAPTER 5: KEY POINTS

- This chapter has investigated the economic baseline within the Test Valley area, including the sectors which contribute most towards the growth of the economy and employment in the area.
- Test Valley has an estimated GVA of £3,339 million, which has, generally, grown steadily between 1998 and 2020, only decreasing in 2009 and 2020 (which correlate to the 2008/09 financial crisis and the COVID-19 pandemic).
- There are approximately 60,000 jobs in Test Valley and circa 50% of businesses survive their initial five year period (BRES, 2020).
- Approximately 9.4% of the working population (those aged 16-64) are self employed in Test Valley, which is slightly lower than the rate of self employment in Hampshire and England.
- 84.4% of businesses in Test Valley are micro-companies, which are those with 0-9 employees. 12.8% are small companies (10-49 employees), 2.6% are medium (50-249 employees), and 0.2% are large (250+ employees)
- Test Valley is located within the Central Hampshire area (International Territorial Level) for the purposes of measuring GVA, and saw a growth of 2.5% in GVA per head between 1998 and 2020.
- On average, Central Hampshire has a lower GVA per head than North Hampshire and a higher GVA per head than that of South Hampshire, which had average growths of 3.4% and 2.4% in this time period respectively.
- The main sectors in Test Valley are wholesale and retail trade (repair of motor vehicles); real estate activities; and manufacturing. These three sectors together account for circa 46.8% of the overall GVA in Test Valley.

6.0 COMMERCIAL MARKET SIGNALS AND COMPLETION TRENDS

a) Qualitative Assessment of the Commercial Property Market

6.1 The analysis has been informed by stakeholder engagement with the neighbouring Local Authorities, Local Enterprise Partnerships, business owners, commercial property agents and educational providers.

6.2 Informal interviews were undertaken via videocall with this wide range of stakeholder. These interviews were semi-structured around a number of themes, with the summary of feedback received, organised by theme, set out in the table below.

Table 17. Summary of Stakeholder Responses

Theme	Stakeholder Response Summary
Recent Performance in commercial property market	While some stakeholders have not noticed an uncharacteristic change in recent performance, others have noted that the commercial market performance in Test Valley has been mixed in recent years, and that this has been exacerbated due to the impacts of COVID-19. This is in addition to the downturn of some sectors which came as a result of Brexit. There has been a maintained demand for manufacturing space in the Local Authority area. Office space has recently had a resurgence of demand following the epilogue of the pandemic. Many businesses are looking to reshape their portfolio, oftentimes seeking smaller units which may be utilised for hybrid working. Mostly, offices in town centre locations have been performing better in recent times than those located at business parks. The adjacent areas have seen a higher demand in offices in town centre locations however this is juxtaposed against the increasing number of employees choosing to work from home. Additionally, in adjoining authorities logistics and warehousing have performed particularly well in recent years. These together with industrial space are all noted to be well occupied throughout Test Valley and the South East. Some adjoining authorities are in the process of allocating space for employment use, including industrial space, however this is yet to be confirmed. Moreover, it is possible that some authorities do not have the space available to meet their own needs and, as such, Test Valley and other South Eastern authorities may be requested to meet this demand.
Types and size of premises most in	Many companies seeking office space shall look to get their own spaces rather than have shared facilities; often with a town centre location. This allows many staff to work from

Theme	Stakeholder Response Summary
demand by businesses by sector / location	home when it is suitable and come into a prime employment area when required to attend their normal place of work. High quality office space is in high demand, within Test Valley and around the South East. The main demand for these units is for small to medium sized businesses, primarily between 10 and 50 employees. However, many office buildings are currently empty as they do not meet the modern requirements of the market, including prime location and amenities. In neighbouring authorities, transport and logistics are in high demand however this is not noted as an area of growth in Test Valley in recent years. Green economy is a gradually growing industry in response to the Government's net zero carbon initiative however this is currently not a major proportion of local business sectors. Many of these trends pre-date the coronavirus pandemic however they are now the norm and more businesses are requiring different types of spaces, such as smaller offices in attractive locations with amenities, following trust built in employees through the pandemic.
Gaps in provision of suitable premises	One key area of demand which is yet to be met is large office and industrial units. Anything over 100,000 square feet has been difficult to anticipate and as such the companies who require such an area have reached the capacity of the space they are in. High quality office space in general is lacking in the Test Valley borough and surrounding areas and LEPs have sought to recommend that current owners/occupiers strive to improve and or renovate existing facilities to meet their needs.
Access to workforce and any skills gaps	The South East generally has a highly skilled workforce however the area does have a need for workers to conduct low-and-medium skilled jobs in the area. Additionally, many university graduates will seek to leave the area to live in a larger city. There has been a noticeable skills gap within the Software Engineering industry both within Test Valley and the South East, which has been as a result of Brexit.

Theme	Stakeholder Response Summary
	Neighbouring authorities and LEPs are seeking to engage with local educational providers, including colleges and universities, with the intention to meet the future demands of local employers through the upcoming workforce.
Location of supply chain links	The supply chain for manufacturing firms in Test Valley extend to the local area (including the adjacent local authorities and South East conurbation) as well as the remainder of the UK and internationally. In the case of manufacturing and other industrial supply chain firms would prefer to be located closer to the companies they are supplying. Notably, many adjacent authorities rely on the provision of industrial floorspace provided by Test Valley and expect them to continue to meet this requirement, based on the historic performance of the borough and its previous position within the Solent LEP. However, the recent change to economic geography and Test Valley's new position within the Enterprise M3 LEP present the opportunity to review this matter.
Future prospects for employment growth in commercial property market	Demand for industrial floorspace (especially manufacturing) is expected to continue to increase in the coming years, now that the local and national economy has begun to settle following the impacts of Brexit and COVID-19 pandemic. Notably, larger warehouses are in a greater demand due to changes in the way businesses operate, Vehicles, such as lorries, can no longer be utilised as temporary storage for goods, particularly following Brexit and the impact this has had on the availability of workers for the national and international transportation of goods. As such, companies require different, often larger, spaces to facilitate the storage. There is a mixed demand for offices, both large spaces are required as well as smaller-to-medium, high quality spaces in prime town centre locations, with good transport links to the neighbouring and national settlements. It is expected that, following the lockdown arrangements established during the pandemic, that employees shall wish to continue to have a flexible working arrangement. Some companies with space outside town centres consider moving to these more convenient locations to attract prospective staff.
Potential strengths / opportunities for	Manufacturing remains a strength and potential area for development. In addition, large industrial and warehouse

Theme	Stakeholder Response Summary
business growth in Test Valley	buildings, under Use Class B, are in high demand within Test Valley and the wider South East. Therefore, these units could be an area to develop. Multiple stakeholders believe that logistics and warehousing present the greatest chance for growth within the Test Valley area. There is also an opportunity to meet the demand for high quality office space however this would require sensitive design and consideration of business needs in terms of space, amenities, location among other factors. Some owners of office buildings, particularly those built in the 20th century in town centre locations, are refurbishing them to high standards to meet the current requirements for this space. City growth is expected to be significant in the next 5-10 years. There is future growth opportunity in the further development of Andover, which has an opportunity to develop into a grow into more of a centre within Test Valley. This could be particularly facilitated by the encouragement of self-made entrepreneurship and investment in Test Valley by new and smaller businesses in the borough.
Potential barriers / threats for business growth in Test Valley	Some neighbouring authorities struggle to have enough suitable employment land and, therefore, some business need in the locality may spill into the Test Valley area. A threat to business growth may be the move to the office centre locations, where there is not enough space for larger staff numbers and limited parking availability at these locations. Conversely, the existing lower-standard office buildings shall likely remain under-utilised, which is an inefficient use of the limited available space. Additionally, increased cost to new businesses, both in terms of materials and staff salaries (which has increased following Brexit), new businesses may not be able to survive. Regional and National Transport links to Test Valley generally are lacking, and particularly to the Science Park, which is one of the pivotal employment locations in the Local Authority area. Test Valley does not have a national city and therefore may not be as attractive to prospective employees as some neighbouring areas. Additionally, there is a noted shortage of Grade A office space within the borough.

Theme	Stakeholder Response Summary
	Many large employers located outside the borough attract many employees to commute out of the Test Valley area to more attractive business locations, including the town centre office spaces. Brexit has also caused a lack of skills within certain businesses, including manufacturing and other industrial uses, which may limit the number of employees which could accommodate the positions created by further employment sites.

b) Qualitative Assessment of Existing Employment Sites

6.3 SPRU has conducted a review of the key employment sites in the Test Valley Council area. A comprehensive assessment of the sites is included as i), which accompanies this study. The key sites were ascertained with the Council and included a number of existing employment sites as well as those which seek to come forward for employment and are considered within the Council's 2021 Strategic Housing and Economic Land Availability Assessment (SHELAA).

6.4 i) considers all of the sites which were historically evaluated within the aforementioned Lambert Smith Hampton 2016 report and its 2018 revision. The existing employment assessment also considers the majority of the existing employment sites which make up the Council's 2020-2021 employment floorspace pipeline. The site assessments review the major sites which account for circa 95% of the pipeline of employment floorspace in the council area. This is in addition to sites identified within the SHELAA which are yet to come forward into the Council's pipeline of sites, subject to planning permission since, as denoted within the SHELAA Disclaimer (at ii c), "the inclusion of a site within this document does not imply that the Council would necessarily grant planning permission for residential or employment use".

6.5 i) sets out the comprehensive site assessments and, as part of this process, reviews the following matters:

- Site description
- Market Attractiveness Criterial (including identification period, recent development, developer interest and availability)
- Market Appraisal
- Adjacent land uses
- Planning designations/constraints
- Strategic planning factors (including funding, proposed use and access)
- Recommendations (subject to planning permission)

c) Quantitative Indicators of Commercial Market

6.6 Table 18 below denotes the overall quantum of office and industrial floorspace in Test Valley as shown by data from the Valuation Office Agency (VOA). The VOA data is divided into Office and Industrial uses which includes both B2 and B8 use classes as well as some units which fall under the more recently defined Use Class E under The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020.

6.7 The data shows there was a total of 1,218,000 sqm of industrial floorspace in Test Valley as of 2021, and 173,000 sqm of office floorspace. The VOA data shows that since 2001 there has been a net growth of 202,000 sqm (20%) of industrial floorspace and 57,000 sqm (49%) of office floorspace.

Table 18. Total Commercial Floorspace (sqm), Test Valley

	Floorspace 2021 (sqm)	% Increase 2000/01-2020/21	Net Increase (sqm) 2000/01-2020/21	Average Annual Increase (sqm) 2000/01-2020/21
Industrial	1,218,000	19.88%	202,000	10,100
Office	173,000	49.14%	57,000	2,850

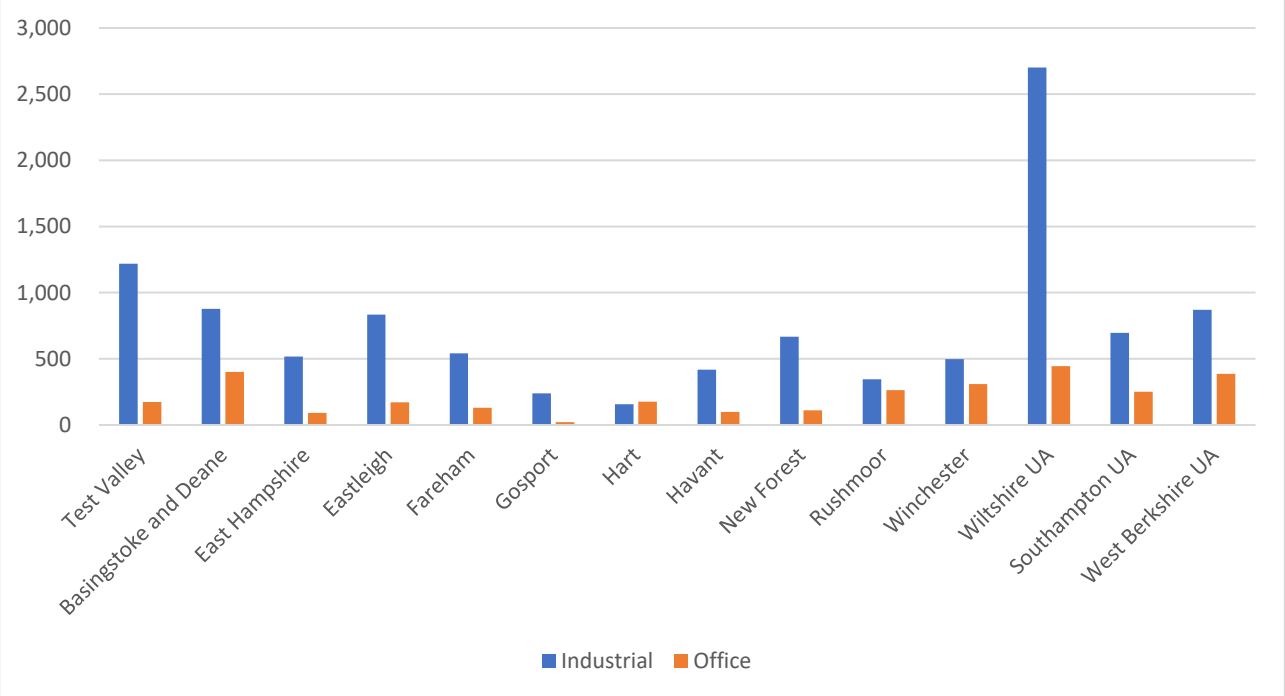
Source: VOA

6.8 Figure 16 provides a comparison of the scale of new employment floorspace between Test Valley and neighbouring areas. The areas selected are those authorities which are either directly adjacent to Test Valley and or are located within Hampshire.

6.9 The data shows that Test Valley has a higher level of industrial space than all other authorities except Wiltshire which is, geographically, a much larger authority.

6.10 The data also indicates that Test Valley has a higher level of office space than East Hampshire, Eastleigh, Fareham, Gosport, Havant, and New Forest however a lower level than Basingstoke and Deane, Hart, Rushmoor, Winchester, Wiltshire, Southampton and West Berkshire.

Figure 16. Commercial Floorspace (sqm) 2021 – Test Valley and Neighbouring Authority Areas



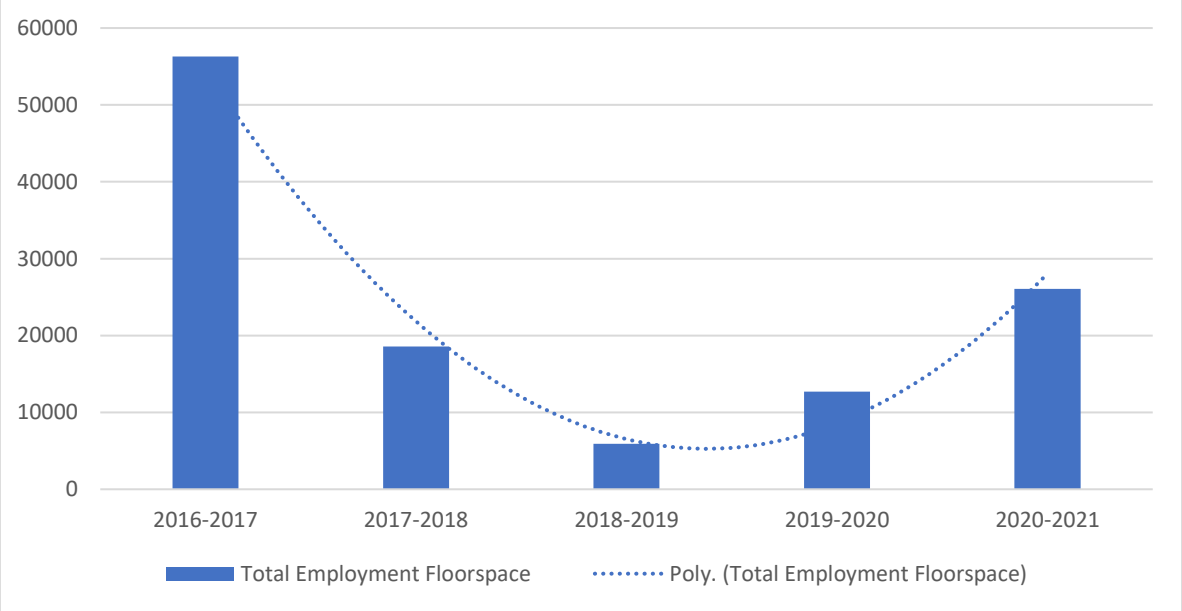
Source: VOA

6.11 Test Valley Council's monitoring data in the period between 2016 and 2021 ascertains that there has been a gross total of 119,567 sqm of employment floorspace completed in this period.

6.12 Figure 17, below, demonstrates the gross total provision of completed floorspace in the Test Valley area in this period. As demonstrated by the polynomial trendline of this data included in the graph, the floorspace provided in the last 5 years is quite 'lumpy'. The individual years of any short-term trend period provide an unreliable basis for any predictions of an overall 'average' or to indicate specific levels of output for individual years of a future forecast period based on the past characteristics of development locally. This is reflected within the fact that Test Valley intermittently provides moderately sized industrial floorspace, generally upon allocated strategic sites (units of c.10,000 – 50,000 sqm), that disproportionately impact upon the trend.

6.13 The reasons for high levels of take-up for any given year in the short term series, such as 2016/17 illustrated below, are likely to require an understanding of longer timeframes for the allocation and bringing forward of land and the specific nature of demand from potential end-users or for speculative development at a given point in time. Equally the details of individual years with very low levels of take-up (such as 2018/19) have the potential to disproportionately affect short-term trends and precludes a longer-term view that 'average' take-up is typically incorporates other development on allocated sites (for example mixed-use schemes or provision to meet local needs through expansion, relocation or replacement) that is not dependent on specific timeframes for large one-off schemes but are not necessarily delivered evenly.

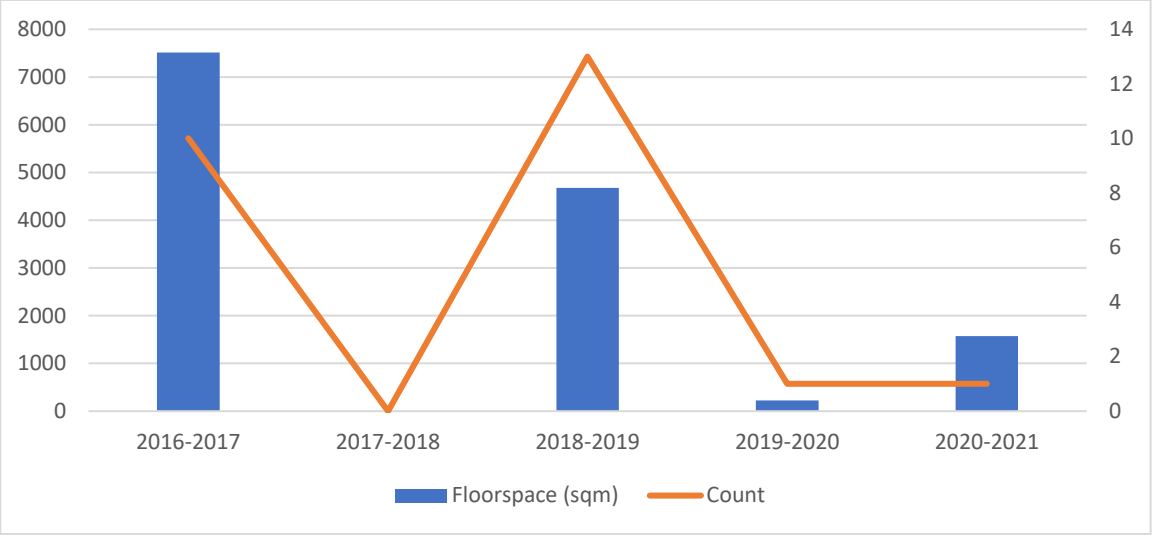
Figure 17. Completed Employment Floorspace (sqm) and Quantum of Units 2016-2021



Source: SPRU analysis of Local Authority Monitoring Data

6.14 Additionally, in the period between 2016-2021, there has been a total loss of circa 11,968 sqm of employment floorspace in the Test Valley area. This is denoted in Figure 18, below. It is noted that this data utilised the Council's monitoring data of losses at separate sites where employment floorspace has been lost to another Use Class and, consequently, would not be considered within the net completions data.

Figure 18. Losses of Employment Floorspace (sqm) and Quantum of Units 2016-2021



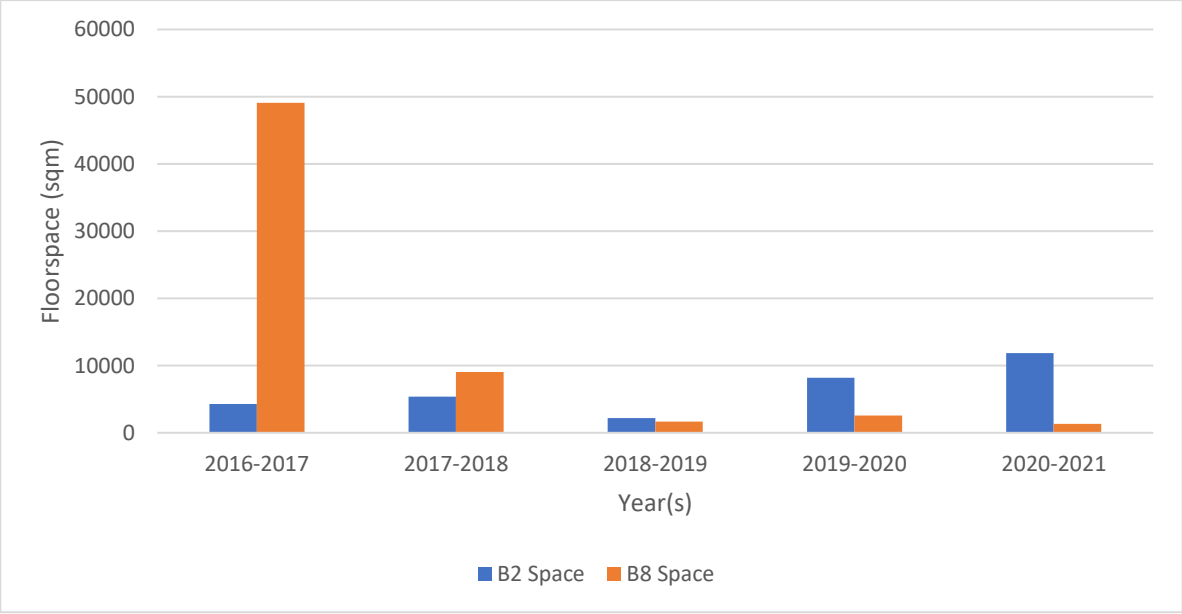
Source: SPRU analysis of Local Authority Monitoring Data

d) Industrial Floorspace

6.15 As of 2020/2021 monitoring data, Test Valley has approximately 1,218,000 sqm of industrial floorspace. This has a net average increase of circa 202,000 sqm. The provision has increased by 19.88% in the period since 2000/01.

6.16 In the period since 2016-2021, there has been a total of circa 95,636 sqm of industrial floorspace completed in the Test Valley area; of which, 31,957 sqm falls within Use Classes B1c and B2 and 63,679 sqm falls within Use Class B8. We preface that this utilised the net completions data for sites in Test Valley based on the Council's monitoring data. Figure 19, below, demonstrates the cumulative increase in industrial space during this period.

Figure 19. Industrial Completions 2016 – 2021

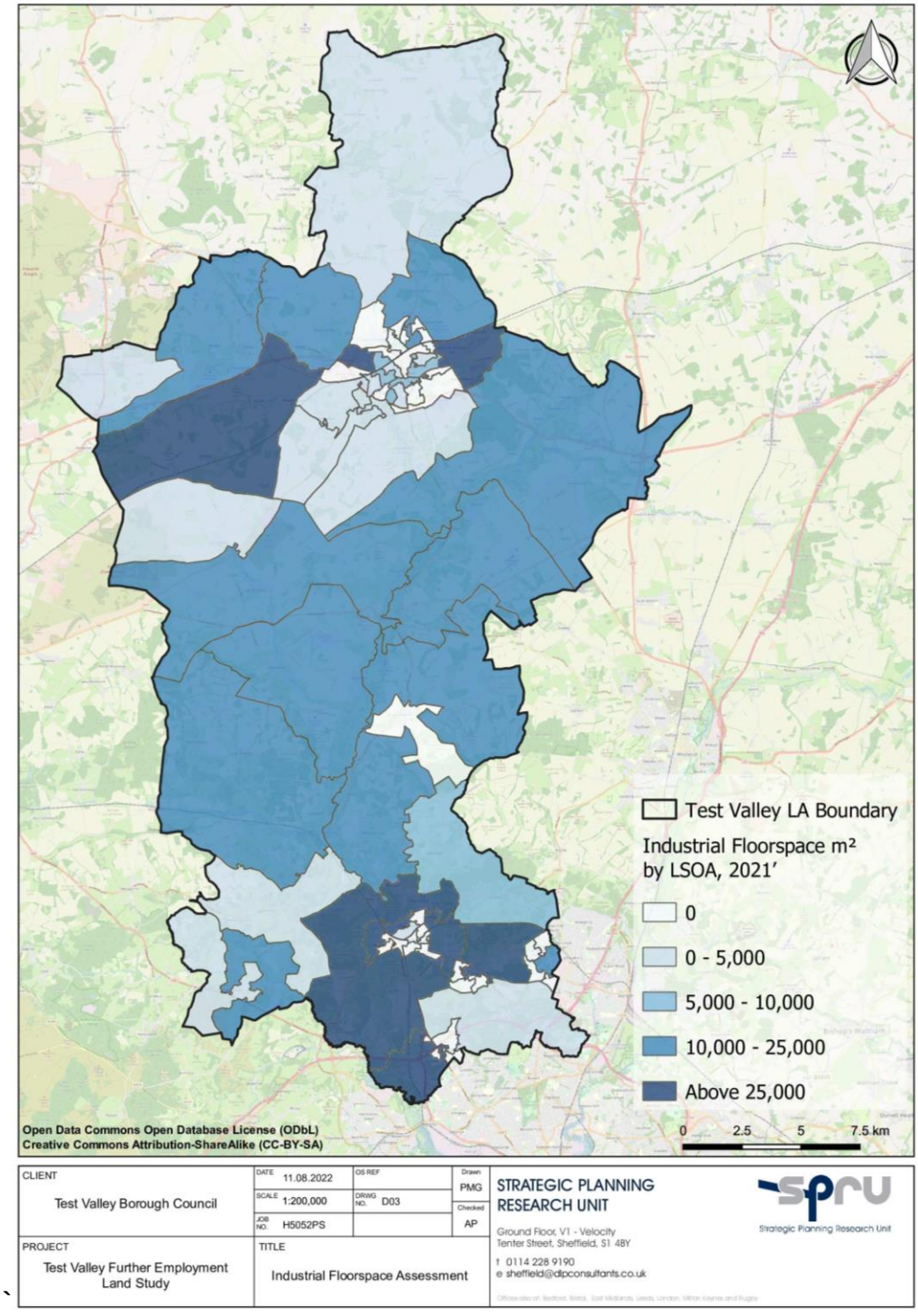


Source: SPRU analysis of Local Authority Monitoring Data

6.17 The abovementioned completions data would suggest that there has been an exponential increase in the provision of this floorspace in the wider period since the turn of the 21st Century.

6.18 Figure 20 shows the location of Test Valley's industrial floorspace in greater detail. The data for each area is clustered by Lower Super Output Area (LSOA) and therefore represents the provision of industrial floorspace in local areas as opposed to individual units.

Figure 20. Industrial Floorspace by Location



Source: SPRU analysis VOA data

6.19 As stated, there is currently circa 1,218,000 sqm of industrial floorspace in Test Valley. Table 19, below, sets out the approximate vacancy rate of these industrial units.

Table 19. Industrial Vacancy Rate, August 2022

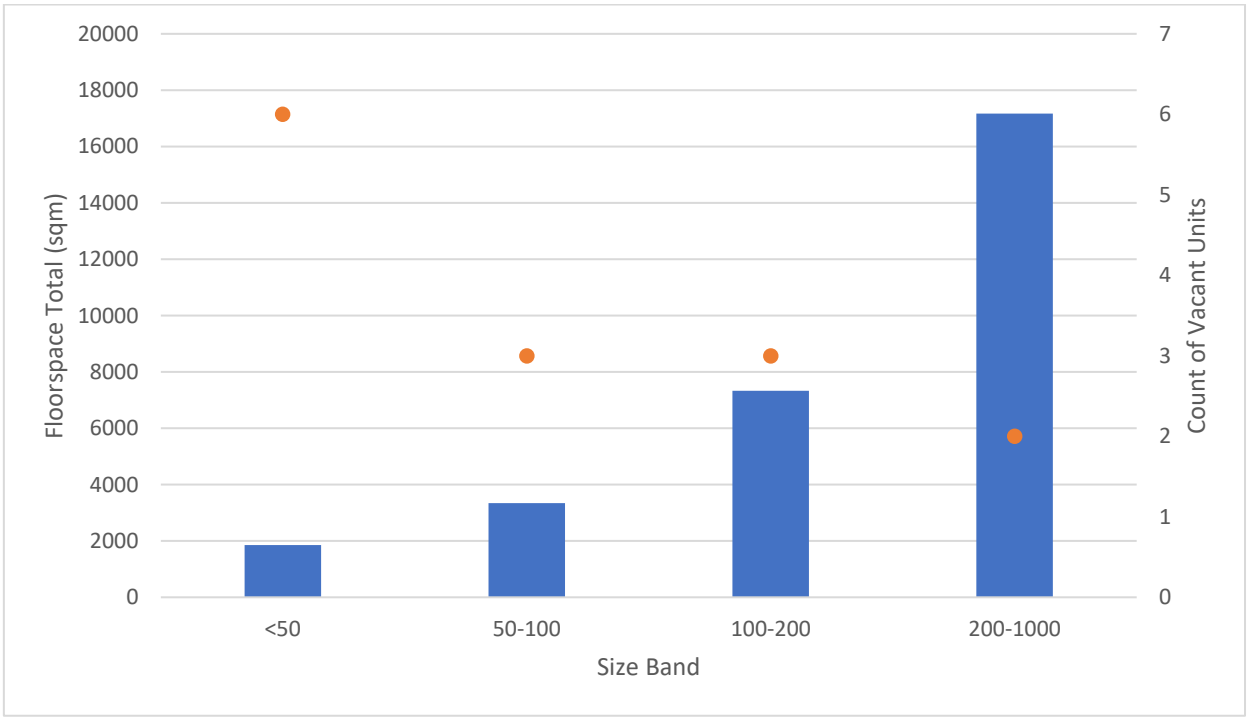
	Floorspace (sqm)
Total Industrial Vacancies	29,697
Total Industrial Stock	1,218,000
Industrial Vacancy Rate	2.4%

Source: SPRU analysis of VOA and vacancy data

6.20 The advertised available space in Test Valley equates to around 2.4% of the existing stock, as shown above in Table 19. This provides a 'snapshot' of availability at a single point in time which, along with other data sources, provides an indication of the current state of the industrial market in Test Valley. A guideline for vacancy rate is generally considered to be around 7.5%[11], therefore, the lower rate of vacancy in Test Valley demonstrates a relatively tight supply of premises to meet the high demand for industrial floorspace.

6.21 Figure 21 shows the industrial vacancies by size. This highlights that over a third of all currently available industrial units (6 units) are under 500m2, however this accounts for only c. 6% of the available floorspace. The majority of the provision is located within two units which are over 2000m2 and which account for approximately 58% of the total available floorspace.

Figure 21. Industrial Vacancies, August 2022



Source: SPRU analysis of property listing data

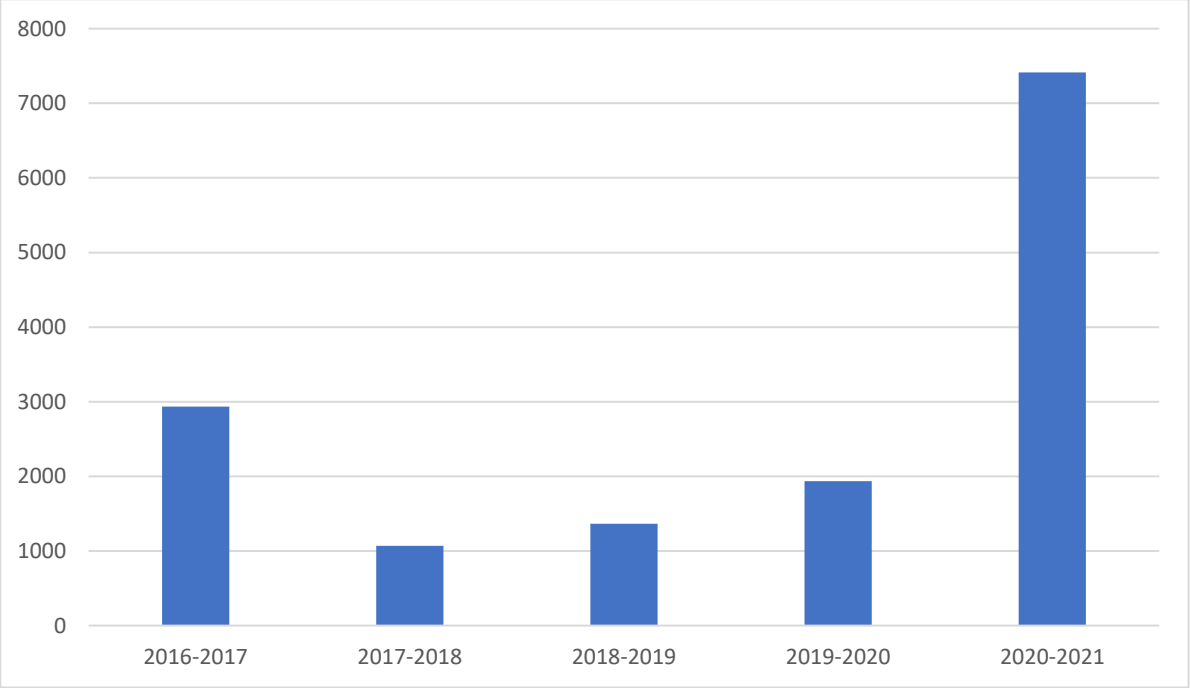
[11] Planning Advisory Service, Housing & Economic Development Needs Assessment Technical Advice Note Volume 3 Economic Development, April 2016

e) Office Floorspace

6.22 As of 2020/21 monitoring year, Test Valley has approximately 173,000 sqm of office floorspace. This has an average net increase of 2,850 sqm per annum since 2000/01, however it is prefaced that the current supply has not increased, in real terms, since 2010/11, when the supply was also 173,000 sqm. The supply has been in flux throughout the subsequent decade.

6.23 In the period since 2016-2021, there has been a total of circa 14,721 sqm of office floorspace completed in the Test Valley area. This is an increase in the Council's supply however it does not supersede the aforementioned observation of the general flux in provision. We do recognise that certain assumptions have been required to be made regarding the Use Class of a number of the properties included within the Council's monitoring data. Figure 22, below, demonstrates the cumulative increase in industrial space during this period. For the purposes of the above indicative completion and the below graph, SPRU have assumed an even distribution of floorspace between uses when the information available is indefinite. This is investigated further within the Completion Trends Forecast section of this report.

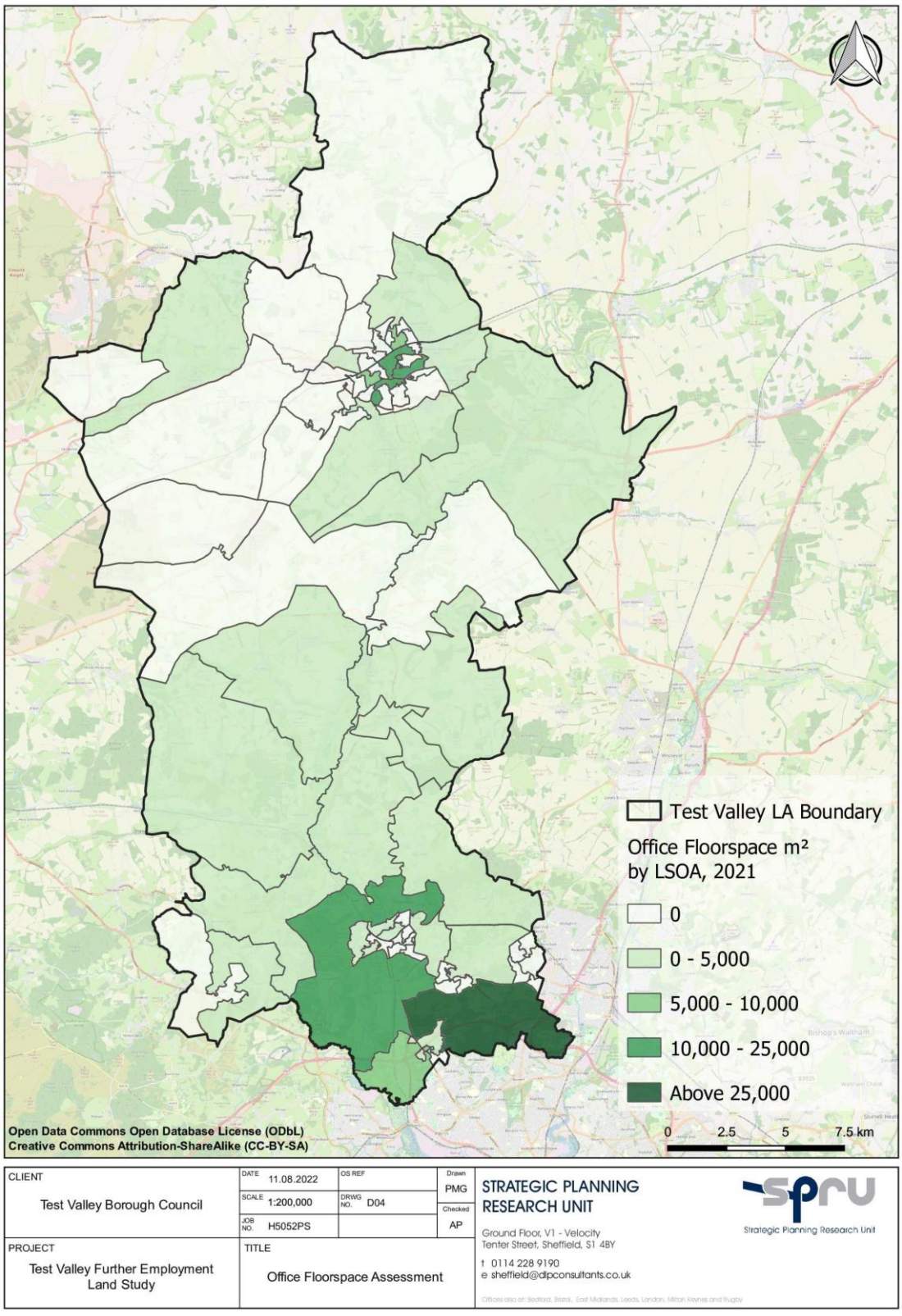
Figure 22. Office Completions 2016 – 2021



Source: SPRU analysis of Local Authority Monitoring Data

6.24 Figure 23 below shows the location of Test Valley's office floorspace in greater detail. The data for each area is clustered by LSOA and therefore represents the provision of office floorspace in local areas as opposed to individual units.

Figure 23. Office Floorspace by Location



Source: SPRU analysis VOA data

6.25 The above vacancy data can be combined with the overall floorspace data to identify a vacancy rate across the authority. This simply represents a snapshot at the time the assessment was taken and therefore should be treated as such,

6.26 This notwithstanding the data does provide a useful market indicator which shows a vacancy rate of around 4.1%. This suggests a reasonably constrained office market without a significant surplus of office space. However, as previously considered around the risk due to COVID-19 as shown in Section 9.0, potential changes to working practices could well have an impact on the demand for office space in the future.

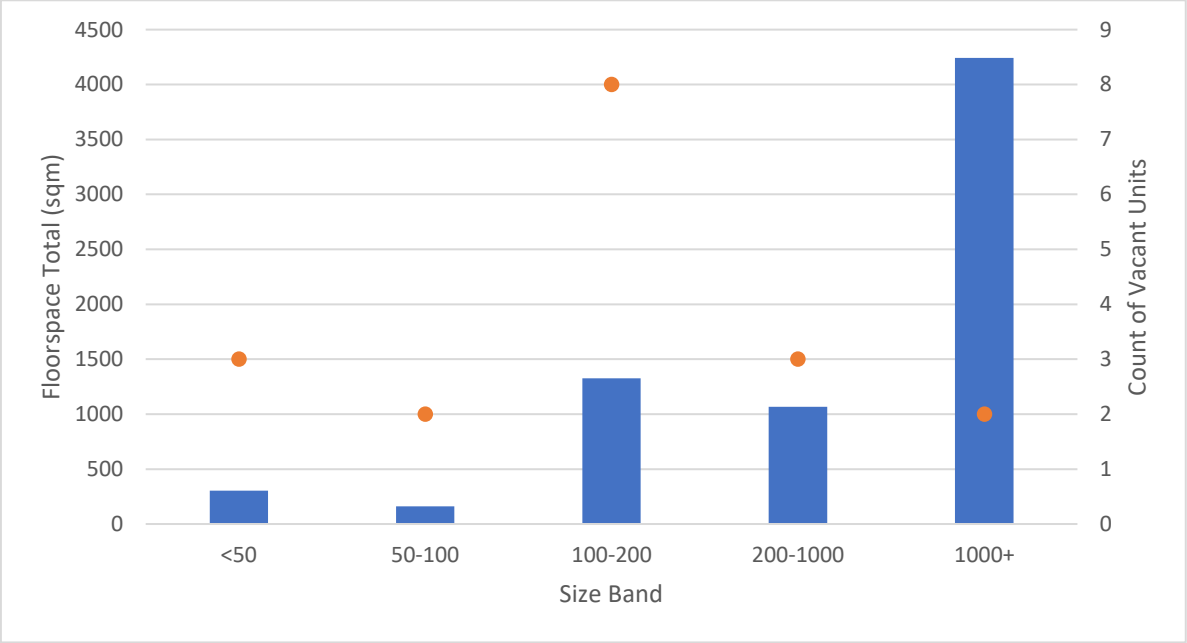
Table 20. Office Vacancy Rates, August 2022

	Floorspace (sqm)
Total Office Vacancies	7,079
Total Office Stock	173,000
Office Vacancy Rate	4.1%

Source: SPRU analysis of VOA and vacancy data

6.27 Additionally, Figure 24, below, shows that the majority of units which are vacant in Test Valley are those which constitute 100-200 sqm in floorspace.

Figure 24. Vacant Units in Test Valley by size



Source: SPRU analysis of property listing data

f) Outstanding Floorspace and Allocations

6.28 SPRU has been provided with data on the total outstanding employment floorspace provision in Test Valley, separated between NTV and STV. This collates the outstanding employment floorspace in extant planning permissions together with any additional allocations. This data has been set out overleaf in Table 21. Details within the pipeline provide a measure of the total resulting change within B-Use class floorspace from developments at least in-part proposing these uses. This measurement compares more closely with how the future pipeline of land and floorspace should be measured against future requirements for land and floorspace derived from other methodologies including labour demand and labour supply i.e.,

as a measure of total net change within B-Use categories. The pipeline records new build employment floorspace (less any demolitions affected by redevelopment) *plus* gains through swaps with other employment Use Classes *minus* change of use of floorspace to alternative (former) B-Use Class activities. The pipeline does not record details of proposals where development sites reflect a complete loss from B-Use Class activities, which is dealt with separately as a component of calculating future needs ('loss replacement').

6.29 The Council's data for the 'pipeline' (stock of permission and allocations) was updated from 1 April 2021 to 1 April 2022 during the final stages of timescales for preparation of the FAS. The pipeline for total change within B-Use Classes demonstrates a high degree of stability between the two years. Notwithstanding the deductions of net completions within 2021/22 (assessed further in sub-section (g) below) there has been a small increase in the total at 1 April 2022, at least in-part reflecting 'windfall' permissions identifying additional employment floorspace.

6.30 The base-date for the outstanding stock of permissions and allocations has been updated to **1 April 2022** meaning that all assessments of the supply/demand balance in this FAS are undertake with reference to net requirements against the pipeline at this date.

Table 21. Outstanding Floorspace – 1 April 2021 and 1 April 2022

		1 April 2021	1 April 2022
Area	Use	Area (sqm)	
STV	Office (B1a/B1b)	45,006	45,417
	Industrial (B1c/B2)	49,438	50,673
	Industrial (B8)	895	436
NTV	Office (B1a/B1b)	26,131	28,004
	Industrial (B1c/B2)	47,237	45,642
	Industrial (B8)	50,628	53,482
	Total	**219,334**	**223,654**

Source: Local Authority Monitoring Data

6.31 As denoted above, Test Valley has an existing pipeline of circa 73,421sqm of office space within the entire Council area and circa 150,233 sqm of industrial floorspace (B1c/B2/B8).

g) Future Employment Land Requirement Based on Past Completion Trends

6.32 In accordance with Planning Practice Guidance, the trend of past completions can be considered as a means to forecasting future employment land needs. Extrapolating the past completions forward over a twenty-year period provides a basic way to estimate the future requirements in Test Valley for the plan period.

6.33 Estimating future employment land needs based on a simple extrapolation of past completion trend data has the benefit of being straightforward and transparent. It is easy to understand the implications in terms of delivery rates being a continuation of existing patterns.

6.34 However, there are disbenefits of this approach: It potentially models forward historic or existing supply-side constraints; and it reflects the market context of the time period considered which may not be representative of the forecasting period. Additionally, Test Valley has a historically sporadic completions trend, as identified in the previous sub-sections of this assessment. This must therefore be considered with a degree of awareness for this

fact.

6.35 In accordance with national guidance, the past completion trends should be considered in conjunction with the alternative approaches to considering future needs, in the context of the latest contextual data on commercial market and economic trends. A comparison of the different scenarios is set out in the conclusions of this report at Section 11.

6.36 Completions trend forecasts should therefore be considered with these caveats in mind.

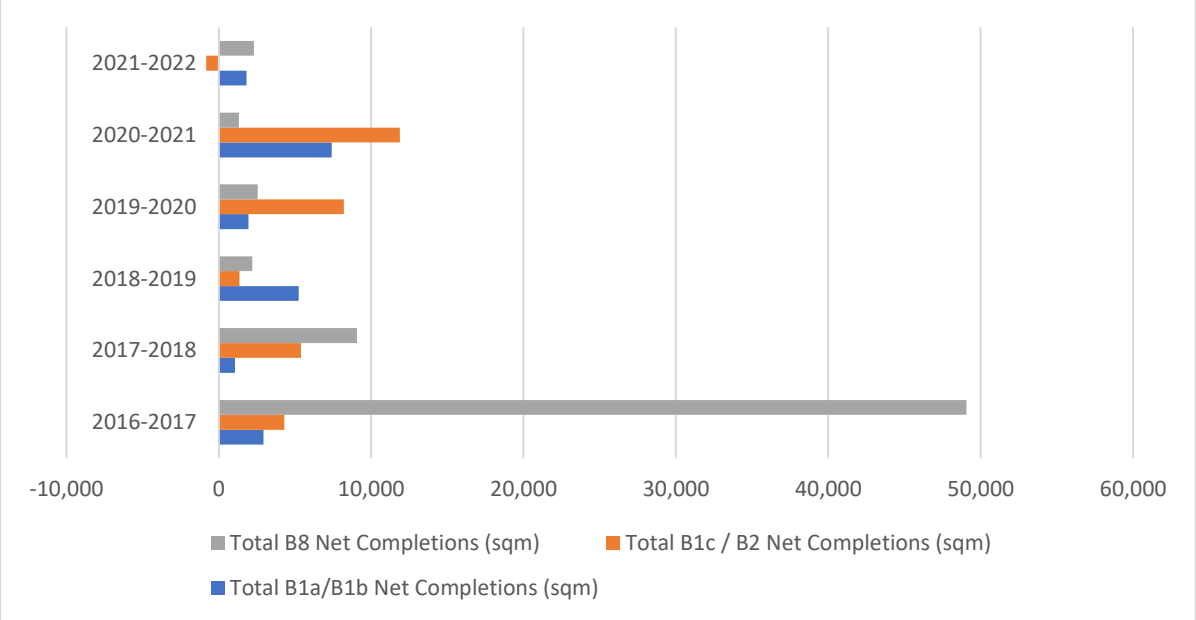
6.37 Two five year periods for recorded completions have been analysed within this Report: 2016/17 to 2020/21 and 2017/18 to 2021/22. The earlier period corresponds to the availability of information at the outset of preparation of the FAS and the production of the first full version of the Report. The 2016-2021 period is also provides a closer comparison to the existing evidence base in terms of the time period for inputs to assessing take-up trends.

6.38 While outside the original brief and time period for preparation of this Further Analysis Study DLP has also been provided draft monitoring outputs for net additional floorspace in the monitoring year 2021/22. The brief was subsequently amended to incorporate consideration of the 2021/22 monitoring data. This reflects that the FAS provides an opportunity to outline the reasons for how this produces markedly different five-year average annual completions.

6.39 While the 2016-2021 period originally assessed remains the focus for analysis the amended take-up forecast for the 2017-2022 period is also used for comparison of the supply/demand balance later in this FAS at Section 11.

6.40 Initially, in order to demonstrate the change in annual averages, which further reinforces the historically 'lumpy' delivery within Test Valley, we have included Figure 25 below which denotes the average annual completions across all 6 years of recent monitoring data.

Figure 25. Annual Net Completions 2016/17 to 2021/22



Source: SPRU Analysis of Council Monitoring Data

i) 2016/17 to 2020/21 Five Year Period

6.41 Table 22 sets out the completions trend forecast for office and industrial employment floorspace for the period 2021 to 2040. This forecast is based on the average annual completions rate for each land use type (as calculated over the period 2016/17-2020/21) multiplied by the remainder of the proposed plan period. This ensures that completions in

2020/21 forming part of the trend period are not 'double-counted'.

6.42 The average annual completions utilise monitoring data provided by the Council for the purposes of this assessment. This net completion trend forecast should be considered with the aforementioned caveats in mind as well as noting that the available monitoring data do not provide a comprehensive breakdown by Use Class. (N.b. – for all tables overleaf, the values have been rounded to 2 decimal places, however, the sums have been calculated using the precise values so as to remove rounding errors.)

6.43 The 19-year trend forecast scenario is presented as an average figure, which takes into consideration recent past take-up in Test Valley notwithstanding the previously established sporadic nature of completions data and implications of infrequent years delivering units which provide a large volume of employment floorspace. While adopting an average seeks to avoid specific predictions across the forecast based on potentially skewed data it cannot be said with certainty that expectations for achieving the take-up forecast for a longer 19-year period would necessarily support successive cycles of uneven delivery and take-up on large strategic sites (i.e., whether recent patterns are capable of being repeated). Equally, an average take-up scenario makes no prediction of whether different characteristics of delivery (for example, comprising a broader mix of sites and locations than recent trends) could reasonably generate average levels of net additional floorspace over longer-term cycles compared to recent past trends that include the delivery of large strategic sites.

6.44 The table, below, utilises the average annual completions between 2016/17 and, therefore, takes account of the large, strategic employment sites historically delivered. This, expectantly, cannot be delivered every year and, consequently, the completions trend forecast takes an average to avoid skewed data.

Table 22. Completions Trend Forecast / Past Take-up Scenario, 2021-2040

Floorspace Type	Average annual completions, sqm (2016/17-2020/21)	Forecast Completions 2021-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)
Office (B1a/B1b)	2,078	39,473	9.9
Industrial (B1c/B2)	5,314	100,957	25.2
Industrial (B8)	12,287	233,448	58.4
Total	**19,678**	**373,878**	**93.5**

Source: SPRU Analysis

6.45 SPRU have also conducted analysis into the Completion Trend Forecast for North Test Valley (NTV) and South Test Valley (STV), utilising the currently identified sub-area boundaries at section 4 of this report. Application of the current boundaries more closely reflects recent and current circumstances for plan-making and decision-taking relating to economic development.

6.46 Table 23 and Table 24, below, denote the net completions trend forecast for NTV and STV respectively. This should be read and considered with the aforementioned caveats in mind.

Table 23. Completions Trend Forecast – North Test Valley, 2021-2040

Floorspace Type	Average annual completions, sqm (2016/17-2020/21)	Forecast Completions 2021-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)
Office (B1a/B1b)	-236	-4,489	-1.1
Industrial (B1c/B2)	3,651	69,360	17.3
Industrial (B8)	3,346	63,580	15.9
Total	6,761	128,451	32.1

Source: SPRU Analysis

Table 24. Completions Trend Forecast – South Test Valley, 2021-2040

Floorspace Type	Average annual completions, sqm (2016/17-2020/21)	Forecast Completions 2021-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)
Office (B1a/B1b)	2,314	43,962	11.0
Industrial (B1c/B2)	1,663	31,597	7.9
Industrial (B8)	8,940	169,868	42.5
Total	12,917	245,427	61.4

Source: SPRU Analysis

6.47 Assumptions regarding the degree of completed floorspace for certain Use Classes have been required in order to ascertain the above forecasts. Therefore, in the interest of completeness and transparency further analysis has been undertaken in the table below, which evaluates the net forecasts for the NTV and STV sub-areas individually utilising a ratio basis once those sites which have required assumptions are removed. I.e. – These forecasts establish the ratio of B1a/B1b : B1c/B2 : B8 space, and apply this to the total completions trend forecast established for each sub-area. The outputs based on the further analysis for each sub-area are combined to provide a sum total for Test Valley that is consistent with the forecast based on unadjusted totals.

6.48 The main effect of the further analysis is to slightly reduce the expected proportion of development for office and general industrial uses based on the total past trend. This reflects that where development in these Use Classes has been recorded as part of mixed-use schemes where assumptions have needed to be applied based on the mix of floorspace some components such as ancillary offices and light industrial uses may have been overestimated.

6.49 In contrast, the proportion of records (and total floorspace) where assumptions were required in relation to storage and distribution uses was lower, meaning that they comprise a slightly high proportion of the adjusted trend. This partly relates to details of the floorspace at the LIDL distribution facility at Nursling being confirmed as part of the past trend forecast but also includes 16 records for known completions for small-scale distribution or extensions to existing warehouses (comprising on average +700sqm supply per record). This is illustrative of greater certainty for a range of demand for storage and distribution uses.

6.50 While a lower proportion of take-up incorporating storage and distribution functions has required assumptions to be applied in terms of the specific use classes provided there are nonetheless five records for provision exceeding 1,000sqm B8 floorspace in NTV where this is the case (average 2,400sqm). These elements comprise new or replacement mixed-use development and are an important component of total demand based on past take-up. The marginally increased proportion of take-up for storage and distribution (B8) uses based on

past trends under the further analysis scenario (i.e., where Use Class was confirmed) would reasonably continue to include smaller and medium-scale provision more likely to meet local and sub-regional demand and indicative of recent patterns of overall delivery. This includes development upon mixed-use sites where assumptions have needed to be made in relation to the monitoring data.

6.51 The further analysis has been utilised to produce an alternative 19-year forecast. A total for the 2020 to 2040 period has been provided, inclusive of Council monitoring data for completions in 2020/21. Future land requirements should be monitored net of completions already recorded (i.e., based on the 19-year total).

6.52 This, therefore, incorporates the Council's completions data from 2020-21 into the below tables and results in a more accurate assessment of the employment floorspace and land requirements in Test Valley.

Table 25. Completions Trend Forecast – Further Analysis, 2021-2040

Floorspace Type	Average annual completions, sqm (2016/17-2020/21)	Forecast Completions 2021-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)	2020/21 Completed Floorspace	20-Year Total (sqm)
Office (B1a/B1b)	1,523	28,939	**7.2**	7,414	36,353
Industrial (B1c/B2)	4,651	88,360	**22.1**	11,878	100,238
Industrial (B8)	13,504	256,579	**64.1**	1,315	257,894
Total	19,678	373,878	**93.5**	20,607	394,485

Source: SPRU Analysis

Table 26. Completions Trend Forecast – NTV Further Analysis, 2021-2040

Floorspace Type	Average annual completions, sqm (2016/17-2020/21)	Forecast Completions 2021-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)	2020/21 Completed Floorspace	20-Year Total (sqm)
Office (B1a/B1b)	582	11,063	**2.8**	0	11,063
Industrial (B1c/B2)	4,160	79,032	**19.8**	2,976	82,008
Industrial (B8)	2,019	38,357	**9.6**	305	38,662
Total	6,761	128,451	**32.1**	3,281	131,732

Source: SPRU Analysis

Table 27. Completions Trend Forecast – STV Further Analysis, 2021-2040

Floorspace Type	Average annual completions, sqm (2016/17-2020/21)	Forecast Completions 2021-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)	2020/21 Completed Floorspace	20-Year Total (sqm)
Office (B1a/B1b)	941	17,876	**4.5**	7,414	25,290
Industrial (B1c/B2)	491	9,328	**2.3**	8,902	18,230
Industrial (B8)	11,485	218,222	**54.6**	1,010	219,232
Total	12,917	245,427	**61.4**	17,326	262,753

Source: SPRU Analysis

ii) 2017/18 to 2021/22 Analysis Period

6.53 The following completions trends forecasts exclude 2016/17 and evaluate the five year forecast for 2017/18 – 2021/22.

6.54 This analysis is included in order to create a full and detailed picture of the average annual completions and their impact on the future forecasts of needs for economic development based on take-up trends.

6.55 The relationship of this more recent five year period with the delivery of large footprint strategic distribution floorspace is evaluated in sub-section (h) below. These forecasts have utilised the 2017-2022 completions data to provide an 18 year forecast. To provide a consistent picture the same corrections have been applied to take account of sites where assumptions would be required for the monitoring of net completions by Use Class. The 2017-2022 series is therefore prepared in-line with the 'Further Analysis' of evaluated trends in Table 25 to Table 27. These have been amalgamated with the completions from 2020 – 2022 to provide comparable totals to the 2020-2040 period for labour demand scenarios.

Table 28. 2017/18-2021/22 Completions Trend Forecast – 2020-2040

Floorspace Type	Average annual completions, sqm (2017/18-2021/22)	18 Year Forecast (sqm)	Land Requirement, Ha (based on 40% plot ratio)	2020/21 – 2021/22 Completions (sqm)	Total 2020-2040 forecast (sqm)
Office (B1a/B1b)	2,191	39,435	10	9,235	48,670
Industrial (B1c/B2)	4,709	84,760	21	11,057	95,817
Industrial (B8)	4,574	82,334	21	3,619	85,953
Total	**11,474**	**206,528**	**52**	**23,911**	**230,439**

Source: SPRU Analysis

Table 29. 2017/18-2021/22 NTV Completions Trend Forecast – 2020-2040

Floorspace Type	Average annual completions, sqm (2017/18-2021/22)	18 Year Forecast (sqm)	Land Requirement, Ha (based on 40% plot ratio)	2020/21 – 2021/22 Completions (sqm)	Total 2020-2040 forecast (sqm)
Office (B1a/B1b)	1,075	19,355	5	1,518	20,873
Industrial (B1c/B2)	4,001	72,013	18	3,351	75,364
Industrial (B8)	1,862	33,513	8	3,060	36,573
Total	**6,938**	**124,880**	**31**	**7,929**	**132,809**

Source: SPRU Analysis

Table 30. 2017/18-2021/22 STV Completions Trend Forecast – 2020-2040

Floorspace Type	Average annual completions, sqm (2017/18-2021/22)	18 Year Forecast (sqm)	Land Requirement, Ha (based on 40% plot ratio)	2020/21 – 2021/22 Completions (sqm)	Total 2020-2040 forecast (sqm)
Office (B1a/B1b)	1,116	20,080	5	7,717	27,797
Industrial (B1c/B2)	708	12,747	3	7,706	20,453
Industrial (B8)	2,712	48,821	12	559	49,380
Total	**4,536**	**81,648**	**20**	**15,982**	**97,630**

Source: SPRU Analysis

h) Synthesis – Comparison with Previous Trend-Based Findings

6.56 This Further Analysis Study has utilised a marginally different time period for past take-up analysis to the assessment most recently undertaken in the 'Economic, Employment and Commercial Needs (including logistics) Study - Final report' For Partnership for South Hampshire (Stantec, March 2021), which considered a five-year period 2015/16 to 2020/21 and ten-year period 2010/11 to 2019/20. The source for monitoring data provided to that Report (Hampshire County Council) was the same as this Study, but the analysed data in terms of annual completions or breakdown by Use Class differs between the two reports.

6.57 This Study has gone further in providing a specific breakdown for take-up trends by Use Class B8 and separately combined Use Classes (former) B1c and B2. These are collectively grouped as an 'Industrial' classification within the Stantec Report. Analysis of the monitoring data undertaken for this Study, together with the commentary provided by the Stantec Report, indicates that even when grouping data within an 'Industrial' Classification it would be necessary to draw assumptions regarding the categorisation of 'mixed' Use Class developments (i.e., B1-B8) as recorded in County Council data. As such the outputs of the Stantec Report cannot be replicated on a like-for-like basis without scope for judgement.

6.58 The Stantec Report provides further adjustments to the forecast take-up scenario based on a 'vacancy factor' to ensure that the total growth in the stock of floorspace to meet occupier demand also retains an allowance for 7.5% market vacancy; and a 'vacant stock adjustment' to return the level of existing vacant stock to 7.5% and address perceived market 'imbalance'. For 'Industrial' take-up trends in Test Valley specifically these adjustments make a fairly modest difference (+10% in the floorspace required based on past delivery of net additional floorspace).

6.59 The same assumptions are not adopted in this Study, which adopts a broader view on necessary margins for flexibility and net-to-gross adjustments in calculating requirements for land and floorspace based on scenarios for labour demand (see Chapter 10). In relation to past take-up scenarios it should be noted that within the Stantec Report the adjustments for vacancy reflect analysis across the wider South Hampshire area.

6.60 The utility of these adjustments at an individual authority level can be considered relatively crude, particularly where outputs are not separated across Use Classes B8 and B1c/B2. Specifically, these adjustments have no regard to changing patterns of demand within individual sectors; where existing floorspace might be used more intensively (effectively further optimising the market); and where Change of Use within the Use Classes for economic development (i.e., B1c/B2 to B8) effectively increase the available stock of floorspace (and potentially vacancy) for uses with relatively higher take-up. For all these reasons the presentation of take-up trends between different reports should be considered broadly but not exactly comparable.

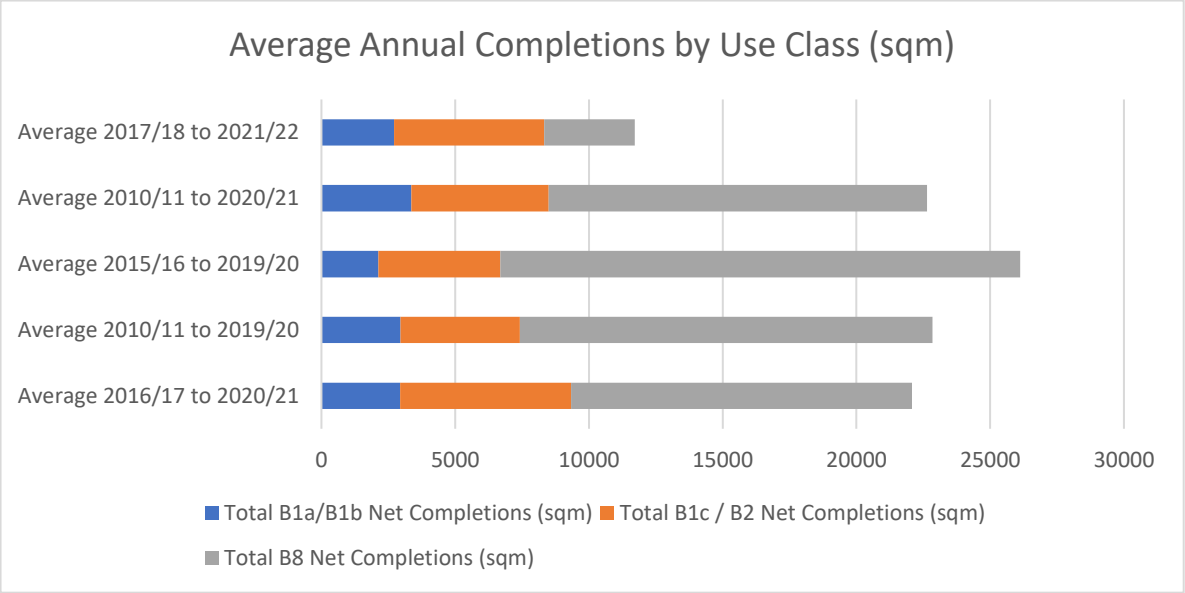
6.61 The Literature Review for this Further Analysis Study has noted that 'lumpy' or uneven delivery of floorspace in Test Valley, and by extension differences in the geographic distribution of completions by sub-area over different time periods, is not a new phenomenon. Paragraph 3.55 of this Study summarises findings from the Council's 2008 and 2012 Employment Land Review Evidence base. Based on the further analysis in this Chapter the comparison of sources has been extended to incorporate annual average completions for the periods 2015/16 to 2019/20; and 2016/17 to 2020/21 as shown below as well as a 10-year trend 2010/11 to 2019/20:

- 30,726sqm per annum 1998 – 2003/04 (2008 ELR Table 5.11)
- 5,957sqm per annum 2001 – 2007 (2008 ELR Para 5.68)
- 28,000sqm per annum 2006/7 – 2011/12 (2012 ELR Para 4.15)
- 17,951sqm[12] per annum 2010/11 to 2019/20 (Stantec for PfSH, March 2021 (Tables 7.2 and 7.4))
- 22,148sqm[13] per annum 2015/16 – 2019/20 (Stantec for PfSH, March 2021 (Tables 7.1 and 7.3))
- 19,678sqm[14] per annum 2016/17 – 2020/21 (This Study)
- 11,474sqm[15] per annum 2017/18 – 2021/22 (This Study)

[12] Net change (sqm) only comprising 16,636sqm p.a B1c/B2 and 1314sqm p.a B1a/B1b completions. Of average B1c/B2/B8 completions this comprises 4,558sqm in STV and 12,078sqm in NTV.
[13] Net change (sqm) only comprising 22,137sqm p.a B1c/B2 and 12sqm p.a B1a/B1b completions. Of average B1c/B2/B8 completions this comprises 9,137sqm in STV and 13,000sqm in NTV.
[14] Comprising net changes of +2,078sqm per annum B1a/B1b; +5,314sqm per annum B1c/B2; and +12,287sqm per annum B8. Of average B8 completions this comprises +3,346sqm in NTV and +8,940sqm in STV; and for average B1c/B2 completions +3,650sqm in NTV and +1,663sqm in STV.
[15] Comprising net changes of +2,721sqm per annum B1a/B1b; +5,369sqm per annum B1c/B2; and +3,383sqm per annum B8.

6.62 In the absence of directly comparable data analysed annually by Use Class from previous evidence base documents the overall net square metres additional floorspace reported in the Council's Authority Monitoring Reports has been used to provide an illustration of different time series from 2010. Where mixed-use data has been reported this has been apportioned evenly across Use Classes former B1a/B1b; B1c/B2; and B8 except for details of large-scale storage and distribution schemes discussed further below. The overall net average by Use Class is shown in Figure 26 below:

Figure 26. Average Annual Completions by Use Class and Time Period



Source: Hampshire County Council; Test Valley AMRs; SPRU Analysis

6.63 It is apparent from these comparisons that the 2015/16 to 2019/20 five-year series considered by the 2021 Stantec Report produces the highest average annual completions.

6.64 The 2016/17 to 2020/21 five-year trend considered for this Further Analysis Study sits within the context of two similar longer-term averages based on 10-year trends. It is highlighted that the strategic sites which were completed within 2016/17, predominantly warehouses and B8 uses, produce very high annual totals of floorspace delivery for this year and, consequently, have a residual impact on the forecasting scenarios.

6.65 Notwithstanding, a view of the supply in Test Valley, in a policy context, must take consideration of the role historic strategic sites play within the employment landscape of Test Valley and sub-regional planning for economic development. As earlier established within this FAS, recent patterns of delivery (including larger scale development) cannot easily be distinguished in terms of their contribution to the borough's economic baseline, economic geography and future outlook.

6.66 The findings from the later 2017/18 to 2021/22 trend would produce a markedly lower annual average, but still represent almost double the delivery in the lowest reported trend from the 2008 ELR of 5,597sqm per annum.

6.67 The comparison of these data indicate that the 2015/16 to 2019/20 five-year period should be treated with particular caution. This produces amongst the lowest annual average completions for Use Classes B1a/B1b and B1c/B2 but the highest total for storage and distribution uses.

6.68 This must be understood with reference to the 'lumpy' and unpredictable nature of

completions of large footprint storage and distribution facilities upon strategic sites. A similar overview is provided in Chapter 10 ('Strategic Warehouses') of the Economic, Employment and Commercial Needs (including logistics) Study (Stantec, 2021 see paragraphs 10.11 and 10.14). This notes three relevant instances in Test Valley for the time periods considered since 2010/11 comprising examples that are atypical in terms of the sub-regional profile of delivery for storage and distribution functions:

- Lidl, Nursling (2017) – 450,000 sq. ft (2016/17; STV and included within this Study)
- West Coast (2016) – 341,000 sq. ft (also known as Angle 340 or Plot 2 at Andover Business Park) (2015/16; NTV but outside of the five-year trend for this Study)
- Cooperative Group (2011) – 467,000 sq. ft (Plot 1 Andover Business Park') (2010/11; NTV but outside of the five-year trend for this Study)

6.69 The 2015/16 to 2019/20 five-year trend therefore includes what may be considered 'atypical' large footprint storage and distribution uses in both NTV and STV. That is not the case for a five-year trend using the starting point of 2016/17 adopted in this Study.

6.70 The implications of these 'atypical' storage and distribution schemes for average annual floorspace delivery appears unique to trend-based series from 2010/11 onwards.

6.71 Details of specific schemes making up averages from earlier time series reported in the older 2008[16] and 2012[17] Employment Land Reviews indicate lower average annual floorspace delivery for Use Class B8 and a more even distribution by sub-area that is not distorted by individual schemes. While it may be the case that the classification of 'mixed-use' records would alter this view somewhat when comparing older series this does not alter the view that more recent trends need to be treated particularly cautiously with regards delivery of large storage and distribution functions.

6.72 The overall pattern of delivery within more recent years (for example 2015/16 onwards) itself compounds the potentially disproportionate impact of the number of large footprint schemes included in the trend period, when compared with other series commencing from 2010/11. As such, the 2016/17 to 2020/21 period covered in this Study exceeds the average for the ten year trend 2010/11 to 2019/10 that includes all three atypical warehousing schemes.

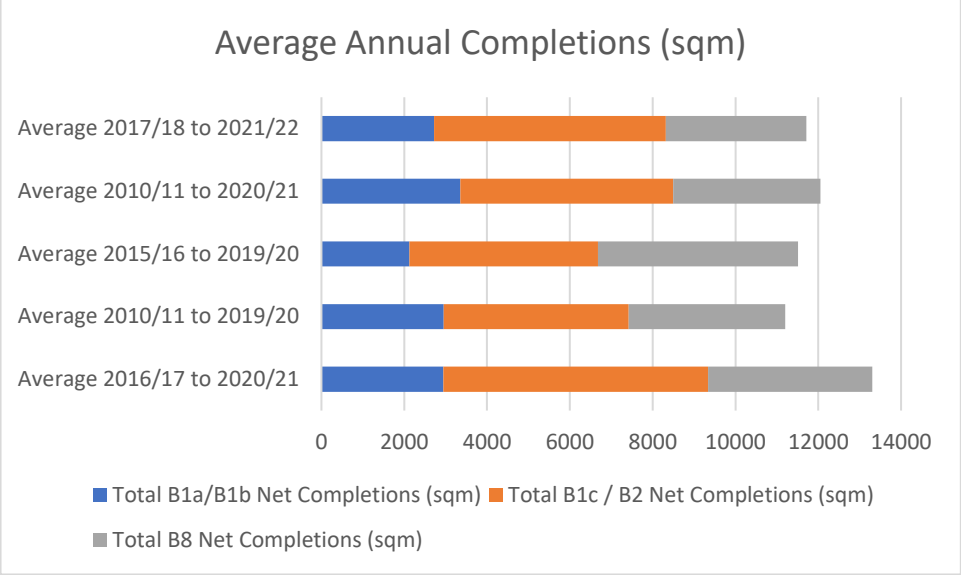
6.73 This is principally a function of relatively strong take-up of other mixed office and industrial floorspace on allocated strategic sites in 2020/21 (including land at Adanac Park in STV) in-part offsetting the fewer instances of large-scale distribution floorspace in the trend period. In contrast for years 2015/16 and earlier (with the exception of 2010/11) the volume of other industrial and office floorspace delivered was generally lower. This provides some evidence that more recent trends therefore reflect potentially more diverse patterns of demand and take-up upon allocated sites.

6.74 To take account of the disproportionate effect of the scale, timing and location of delivery of three instances of strategic warehousing in Test Valley since 2010/11 an amended comparison of time-series for average delivery has been produced excluding these records only. This more recent 2017/18 to 2021/22 series can be presented alongside is presented alongside this comparison but does include any adjustment for atypical sites as none were completed in this five-year period. The results are shown in Figure 27 below:

[16] 2008 ELR Table 5.11 average annual B8 floorspace delivery 1998-2003/04 comprising 8,994sqm per annum (3,153sqm Andover Estates; 4,578sqm Test Valley Southern Estates and 1,264sqm Rural Estates/Other)

[17] 2012 ELR Figure 16 average annual B8 floorspace delivery 2006/7 to 2011/12 comprising 813sqm per annum (highest average annual totals comprising B1 (11,820sqm per annum) and B8 (13,448sqm per annum) although it is acknowledged that the delivery of the Co-Operative Distribution Facility at Andover Business Park is likely to be amongst the total for records subsequently reclassified)

Figure 27. Average Annual Completions by Use Class and Time Period (Excluding Strategic Warehouses)*



*Source: Hampshire County Council; Test Valley AMRs; SPRU Analysis (*Actual data for 2017-2022 without any modification for strategic warehousing)*

6.75 Data within the range of amended series, excluding strategic warehousing, has been presented based on unadjusted Use Classes from the Council's monitoring data and includes instances where assumptions were required to apportion mixed-use floorspace. This is with the exception of the 2016-2021 and 2017-2022 periods where full data were available for analysis within the FAS. This means that for series considering the 2015/16 and earlier monitoring years the proportion of development based on 'confirmed' Use Classes is likely to be greater across Industrial and Storage/Distribution Uses. The differences are likely to be minor (particularly given that a high proportion of confirmed Storage and Distribution use was derived from the LIDL scheme at Nursling providing strategic warehousing).

6.76 With this caveat in-mind it is nevertheless the case that the 2016/17 to 2020/21 series, excluding strategic warehousing, provides the highest average annual take-up and principally due to stronger take-up for B1c/B2 and former B1a/B1b ('office') floorspace. Conversely the five-year and ten-year trends considered in the previous Stantec (2021) Report provide lower average annual totals. The most recent five-year trend (2017/18 to 2021/22) that does not require any adjustment for strategic warehousing provides consistent results and sits within the middle of the range.

6.77 Looking at the 2017/18 to 2021/22 period specifically this Study cautions the use of the most recent five-year trend to assess future need for two main reasons. Firstly, the time series excluding delivery of any strategic warehousing facilities or large footprint floorspace is not necessarily appropriate in terms of the circumstances for economic development in Test Valley. This is arguably not necessarily representative of demand for economic development and take-up upon a pipeline of strategic allocated land and floorspace reflecting longer plan-making cycles even where this pattern of development reflects wider sub-regional trends.

6.78 Secondly, the indicative completions data for 2021/22 (4,500sqm) are themselves atypically low and may reflect short-term impacts on the circumstances for development not least the residual effects of Coronavirus on delivery. Conversely the period 2016/17 to 2020/21 included a shorter horizon for effects of the pandemic and represents at least one year of development of other schemes alongside delivery of strategic warehousing.

6.79 Drawing this analysis together reinforces the imperative to treat the past take-up approach to identify future needs for land and floorspace with caution. In terms of supporting the recommendations based on a range of scenarios within this Study past take-up trends including and excluding strategic warehousing should both be considered without viewing one scenario as preferable to another.

6.80 It is at least relevant to consider patterns of delivery excluding strategic warehousing as broadly consistent and reflective of longer-term average take-up trends across the entire portfolio of land and floorspace for economic development in Test Valley. These trends are likely to affect the current stock of permissions and allocations to meet future needs that may at least in-part be expected to accommodate similar patterns of development.

6.81 This enables the pattern of past take-up influenced by atypical schemes (most notably strategic warehousing from 2010/11) and any provision for margins for flexibility to reflect these trends to be viewed in context. Conclusions regarding whether it may be possible or appropriate to repeat these trends consistently over a longer-term plan period can therefore be better understood with reference to the specific characteristics of the additional requirements for land and floorspace more closely associated with this element of delivery.

CHAPTER 6: KEY POINTS

- This chapter has investigated the commercial property market and completion trend forecasts through an evaluation of the qualitative and quantitative data available. This included a series of stakeholder interviews and analysis of the Council's completions data.
- Interviews with stakeholders revealed a significant requirement for all floorspace types, particularly large industrial units (Use Class B2/B8).
- Completions data denote that Test Valley has provided no clear trends in the quantum of employment floorspace delivered year-on-year. As such, any analysis into the prospective future requirement using take-up trends requires caution and should consider and review the average completions over time.
- The completion trends forecasts, once adjusted to more accurately split the uses across the borough, demonstrate a significant demand for floorspace based on forecast take-up scenarios.
- The delivery of one strategic warehouse facility at Nursling (within Southern Test Valley) of c.43,000sqm within the five-year trend adopted for this Study substantially distorts forecast take-up analysis when considered alongside the overall characteristics for delivery.
- The scale of strategic warehousing distorting this trend, at c.40,000sqm floorspace, is consistent with two other instances of delivery in Test Valley contributing towards sub-regional trends for storage and distribution and consistent with earlier analysis of alternative five-year and ten-year trends. The nature of strategic warehousing delivered in Test Valley is broadly consistent with providing logistics floorspace for wider regional and some national markets but would increasingly be viewed at the lower end of facilities providing for national and international distribution networks (40,000sqm – 100,000sqm+).
- Average take-up, reflecting 2017-2022 trends excluding strategic warehouses, of c.11,000sqm per annum, exceeds previous five-year and ten-year trends.
- Demand for office (B1a/B1b) floorspace in Test Valley is significantly lower than other employment floorspace types and it is likely that these should be focussed around town centre locations and, where possible, areas with good transport links.
- While strategic warehousing forms part of overall take-up trends and may be indicative of further future demand, subject to the availability of supply, the broader characteristics of delivery are more diverse and represent a range of user requirements including for take-up on the existing stock of allocations and permissions.
- The majority of take-up is for B1c/B2 industrial and other storage/distribution (B8) functions excluding strategic warehouses (c.53,000sqm of 96,000sqm total for these uses). This includes a substantial proportion (c.33,000sqm) take-up for schemes averaging around 2,500sqm and illustrating a range of local and sub-regional demand for small and medium-sized industrial units.
- Additionally, any office space provided would be more effective if it is high quality (Grade A) and offers flexible working arrangements to meet the evolving needs of businesses.

7.0 FUTURE ECONOMIC GROWTH

7.1 This section provides an assessment of the future economic growth forecasts for Test Valley to 2040. The forecasts are assessed on an overall and sectoral basis to consider their suitability and robustness for planning purposes.

a) Economic Growth Forecasts

7.2 This section sets out the future employment growth identified by the econometric forecasts. Three econometric forecasts have been assessed:

- Cambridge Economics (CE)
- Oxford Economics (OE)
- Experian

7.3 These forecasts were produced between March 2022 (CE) and June 2022 (OE and Experian) and run to 2040 (OE and Experian) or 2050 (CE). The base year for estimates of employment in all three forecasts is provided as of 2020 and therefore provide a starting point that reflects the initial impacts of the Coronavirus (COVID-19) pandemic as recorded within official statistics. All forecasts take account of the impacts of Brexit and COVID-19 in their modelling and future forecasting assumptions.

7.4 The forecasts provide different conclusions on future jobs growth in Test Valley due to their different modelling methodologies and assumptions. These are described in Appendix 1 of this report.

b) Overall Comparison of Forecasts for Test Valley

7.5 Due to the differing methodologies and input assumptions, there is some resulting difference between the forecast outputs for Test Valley. These are set out below. This sectoral analysis from here on will primarily focus on sectors which will impact on the quantum of employment floorspace, and land required. In terms of overall forecast change in levels of employment all three forecasts show broad consistency. This consistency is also relatively applicable in terms of the relationship between labour demand for potential office-based requirements for land and floorspace. The forecasts differ more substantially in terms of the suggested evidence for labour demand relevant to identifying land and floorspace requirements for economic development other than offices (i.e., manufacturing, warehousing and light industry).

7.6 The total level of employment in Test Valley, as shown in the three forecasts, is shown below:

- CE shows a job growth for the period 2020-2040 of 5,670 jobs;
- Experian shows a growth of 5,500 jobs; and
- OE shows a growth of 5,090 jobs over this period.

7.7 Two of the three forecasts reflect a decrease in total estimated and forecast levels of employment between 2019 and 2021, with total employment remaining below pre-COVID levels. The Cambridge Econometrics forecast provides an alternative estimate of employment growth between 2019 and 2020 but a small decrease in the total between 2020 and 2021 thus reflecting potentially greater second-year effects of the pandemic upon relevant sectors within the forecasting assumptions:

- CE shows an increase of 2340 jobs (3.47%) between 2019 and 2021, comprising growth of 3,250 jobs between 2019 and 2020. The net difference between the totals reflects a forecast loss of 910 jobs between 2020 and 2021.
- Experian shows a decrease of 1,600 jobs (-2.3%) between 2019 and 2021, with total levels of employment not expected to return to pre-COVID levels until 2027. The

forecast indicates a return to modest employment growth between 2020 and 2021 (300 jobs) but this forms part of a modest profile for the overall recovery of jobs following the pandemic.

- OE shows a decrease of 2,700 jobs (-3.7%) between 2019 and 2021 including a modest further loss of 330 jobs between 2020 and 2021. The return to pre-COVID levels is however expected to be fairly rapid and follow national trends, with total employment expected to exceed 2019 levels in 2024.

7.8 Table 31 below provides an initial summary of the impact of COVID-19 as reported in the respective forecasts.

Table 31. Forecast Employment Totals (000s) and Percentage Change Relative to 2019 Levels

	2019/20 Change	%	2020/21 Change	%	2019-2021 Change	%	Return to 2019
OE	-2.37	-3.33%	-0.33	-0.48%	-2.70	-3.79%	2024
Experian	-1.90	-2.73%	0.30	0.44%	-1.60	-2.30%	2027
CE	3.25	4.82%	-0.91	-1.29%	2.34	3.47%	N/A

Source: SPRU Analysis of various forecasts

7.9 The forecast for a post-COVID 'bounce' is strongest within the CE and OE forecasts. Within these sources a greater proportion of total employment growth within the forecasts may reflect the immediate recovery of losses resulting from the pandemic on a like-for-like basis by sector. The shallower 'bounce' of the Experian forecast is indicative that some sectors may take several years to return to pre-pandemic levels and the total change over the forecast period resulting from a combination of factors will be less strongly influenced by the impact and recovery phases following the Coronavirus pandemic.

7.10 The three forecasts draw upon the BRES data as the major source data to inform their employee jobs, but also include self-employed jobs drawn from the Labour Force Survey (LFS) which means the historic job figures shown in the three forecasts are slightly higher than the BRES figures.

7.11 The most recent estimates and future jobs growth shown in the forecasts can be analysed over three periods:

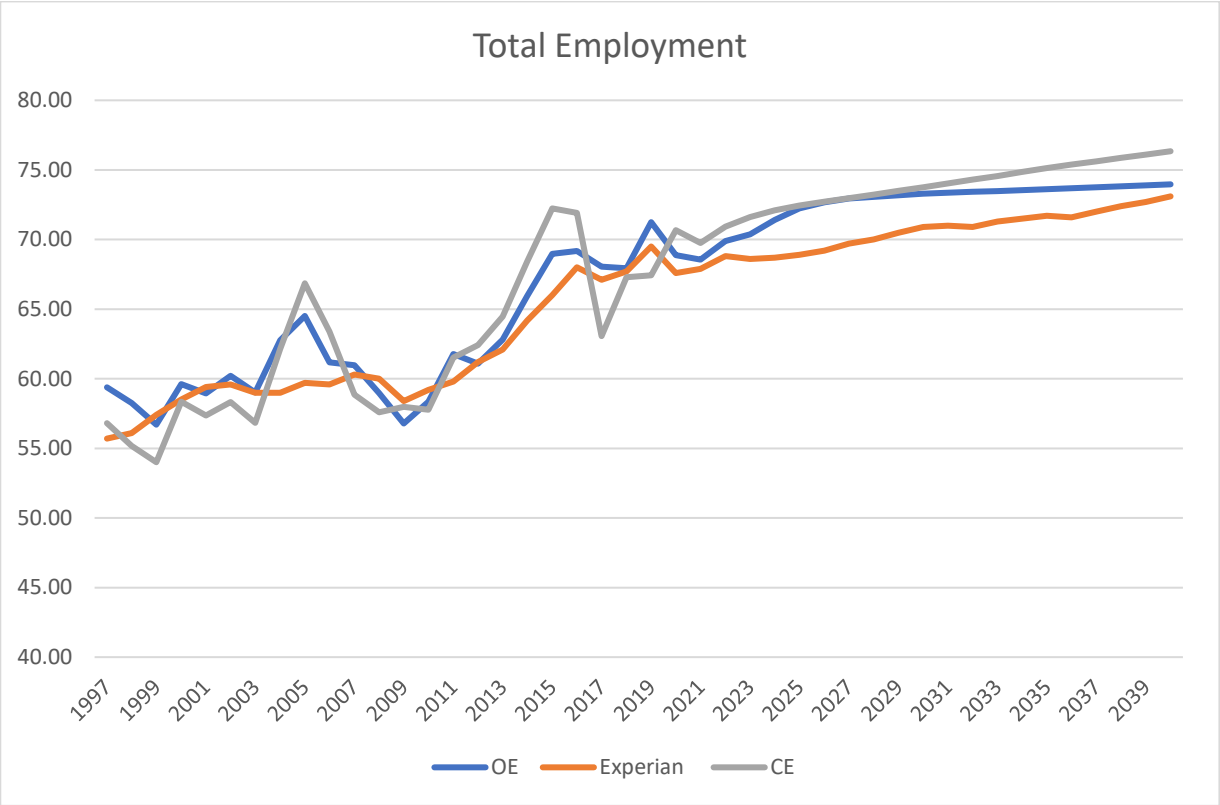
- **The short-term (2020-2025)** – a five-year period aligned with the most recent economic conditions that also allows consideration of pre-COVID employment levels and how Test Valley's economy can be expected to perform in the immediate period of recovery from COVID-19, lockdown, and the subsequent recessionary period.
- **The medium-term (2025-2030)** – indicating performance in the years immediately following the COVID-19 pandemic and in all cases the period within which the forecasts achieve the main rate of return towards pre-COVID employment levels.
- **The longer-term (2030-40)** – the forecasts show longer term prospects which can be quite different than the short-term post-COVID recovery period. Although the longer-term trends are generally more consistent across a 10-year period there is scope to look at potential reasons for differences between the final two five-year tranches of 2030-2035 and 2035-2040, which may be relevant is looking beyond the end of the plan period in 2040.

7.12 Generally, the three forecasts are fairly consistent with regards to past trends in employment numbers, with the main discrepancies being due to the Experian forecast smoothing the data. This is illustrated in Figure 28 below. All three forecasts reflect a strong trend in employment growth to the middle of the previous decade but with a significantly shallower average profile

between 2015 and 2020 even without taking account of any Coronavirus-related effects following the onset of the pandemic.

7.13 This has implications for net change over the 2020 to 2025 short-term period in terms of the impact of the Coronavirus pandemic and whether any upturn in economic performance following the pandemic in fact represents a departure from pre-pandemic trends that may be a result of changing future prospects for employment growth either within individual sectors or changes in the outlook between sectors.

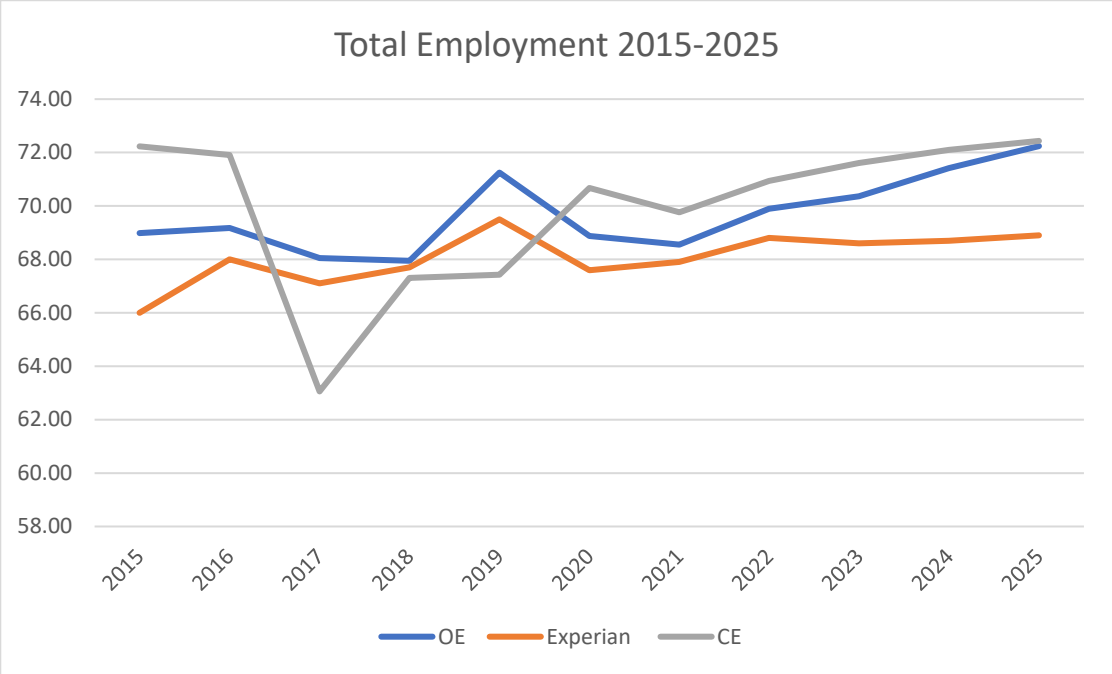
Figure 28. Total Employment Jobs, 1997-2040



Source: SPRU Analysis of various forecasts

7.14 The short-term trends are shown in Figure 29 overleaf. This shows a generally shallow overall profile of employment growth between 2015 and 2020 although this is to some extent masked by annual fluctuations within the data. Prior to any downward effects associated with COVID-19 the short-term trend indicates a consistent view of a return to higher annual increases in employment from 2018 in the Experian and OE forecasts.

Figure 29. Total Employment Jobs (000s), 2015-2025



Source: SPRU Analysis of various forecasts

7.15 The main differences between the forecasts include:

- The strength and extent of the post-COVID-19 bounce.
- Performance between 2011 and 2020 and the period immediately prior to the onset of COVID-19.
- Longer-term trends and relationship with pre-COVID employment levels.

7.16 This is most clearly illustrated by setting out forecast trends within five-year periods and past estimates of 2015-2020 performance, as shown in Table 32 below.

Table 32. Forecast Growth by Five-Year Periods

	2015-2020		2020-2025		2025-2030		2030-2035		2035-2040	
	Growth	**CAGR[18]**	**Growth**	**CAGR**	**Growth**	**CAGR**	**Growth**	**CAGR**	**Growth**	**CAGR**
OE	-0.10	-0.03%	3.36	0.96%	1.05	0.26%	0.32	0.09%	0.35	0.10%
Experian	1.60	0.48%	1.3	0.38%	2.00	0.57%	0.80	0.22%	1.40	0.39%
CE	-1.56	-0.44%	1.76	0.49%	1.32	0.36%	1.36	0.37%	1.22	0.32%

Source: SPRU Analysis of various forecasts

7.17 For comparison Table 33 below shows the same comparison with forecast five-year trends relative to the 2011-2020 period incorporating stronger estimated employment growth in the early part of the last decade:

[18] Compound Annual Growth Rate

Table 33. Forecast Growth by Five-Year Periods Relative to 2011-2020 Compound Rates

	2011-2020		2020-2025		2025-2030		2030-2035		2035-2040	
	Growth	CAGR	Growth	CAGR	Growth	CAGR	Growth	CAGR	Growth	CAGR
OE	7.10	1.22%	3.36	0.96%	1.05	0.26%	0.32	0.09%	0.35	0.10%
Experian	7.80	1.37%	1.3	0.38%	2.00	0.57%	0.80	0.22%	1.40	0.39%
CE	9.15	1.55%	1.76	0.49%	1.32	0.36%	1.36	0.37%	1.22	0.32%

Source: SPRU Analysis of various forecasts

7.18 In relation to the 2015-2020 period it is relevant to note that it is only the OE forecast where the effects of Coronavirus can be most closely attributed to the negative overall change in employment. In the case of the CE forecast a net loss of employment is recorded between 2015 and 2020 irrespective of employment growth between 2019 and 2020. The Experian forecast indicates the relatively least level of fluctuation across the whole 2011-2020 period. If the specific effects of losses between 2019 and 2020 are isolated levels of growth would have been a change of +3,500 between 2015 and 2019 and +6,200 workforce jobs between 2011 and 2015. This reflects a smoother profile but still one where levels of estimated growth in workforce jobs were notably higher in the first half of the decade to 2020.

7.19 Strong growth at the start of the last decade may reflect a delayed response to the global financial crash between 2008 and 2010. Estimated jobs growth in all three forecasts was substantially lower between 2001 and 2011 (range from 400 jobs in Experian to 4,160 jobs in CE but in all three cases this net change masks a strong period of growth in the middle of that decade preceding the recession. In this decade the impact of job losses exceeded or significantly tempered gains in earlier years notably for Manufacturing and Transport & Storage. In the most recent period 2011-2020 a reduction in the rate of growth between 2015 and 2020, including that partly attributable to the immediate effects of Coronavirus should be viewed within the context of a stronger medium-term profile of overall employment growth.

7.20 The medium and long-term outlook within the OE forecast is weaker predominantly due to more sharply reflecting a profile for job losses in Manufacturing and to a lesser extent Transport & Storage. A more negative outlook for the Transport & Storage sector in the medium-term also affects the Experian forecast. The medium and long-term outlook for other sectors is generally more consistent, with all three sources providing a more consistent trend for employment growth in Financial and Business Services and Information & Communication.

7.21 Table 34 sets out the jobs growth in each broad sector shown in each forecast. As a general observation, for the majority of sectors the OE forecast is more negative than the other forecasts, with Manufacturing in particular being considerably more negative. A further observation from the summary analysis conducted in this chapter is that despite the highest total forecast employment growth the CE forecast shows significant volatility in the fewest sectors (only three sectors with +/- 500 jobs). This compares with Experian (4 sectors +/- 500) and OE 5 sectors +/- 500 jobs.

7.22 There are some sectors where the differences between the forecasts are large enough to warrant further analysis to consider the reasons for the discrepancies. These are set out in Table 34.

Table 34. Jobs Growth by Broad Sector, 2020-2040

	OE	Experian	CE
Agriculture, Forestry & Fishing	-220	-300	40
Extraction & Mining	0	0	0
Manufacturing	-2600	-100	-1150
Utilities	-70	100	250
Construction	920	1400	1170
Wholesale & Retail	700	-700	140
Transport & storage	-50	-700	360
Accommodation, Food Services	640	1800	1220
Information & communication	430	800	340
Financial, Professional & Business Services	3200	2400	2450
Public Services	1660	800	570
Recreation and Other Private Services	490	0	270
Total	**5090**	**5500**	**5670**

Source: SPRU Analysis of various forecasts

c) Comparison of Forecast Outputs by Sector

7.23 **Manufacturing** – All three forecasts show a decline in employment between 2020 and 2040. Within the Experian forecast losses are very modest with modest growth between 2025 and 2030. The CE and OE forecasts reflect a much stronger departure from trends since 2011 where an estimated growth of between 500 and 600 jobs was recorded.

7.24 **Financial, professional & business services** – All three forecasts show very similar profiles for employment growth over the 20 year period. This broad sector accounts for between 63% (OE) and 43% of all net additional employment across the 20 year period. These are broadly similar proportions to the proportion of total estimated change between 2011 and 2020 reflected in each forecast (42% - 47%). Where additional details are available in the OE and Experian forecasts for detailed categories the difference principally relates to OE showing a higher total for administrative rather than a marginally higher proportion of Professional/Financial services activities within Experian.

7.25 **Information & Communication** provides employment growth across all three forecasts although the compound rate of change in the Experian forecast (1.4% 2020-2040) is broadly double the two other sources. This is predominantly a function of a stronger medium and long-term outlook

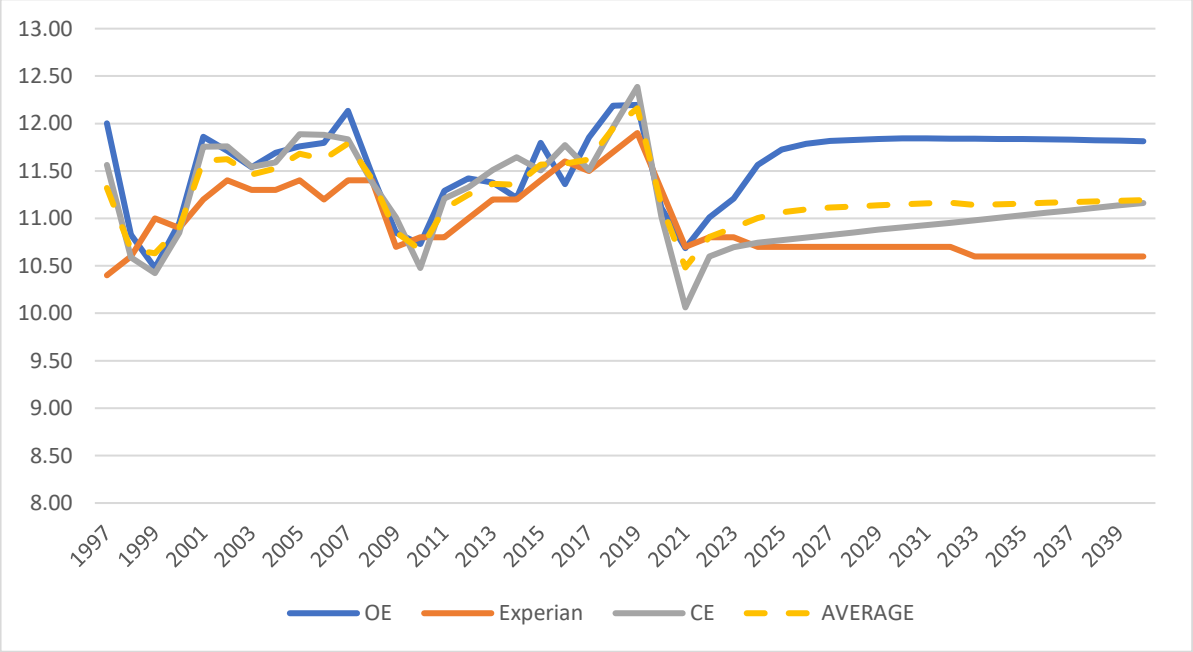
7.26 **Construction** – The forecast for construction jobs demonstrates a high degree of consistency across all three sources with levels of employment recent growth expected to exceed the most recent two decades. The higher total within the Experian forecast is principally a result of a stronger expected recovery in employment between 2020 and 2025. In comparing with the CE forecast this should be viewed in the context that CE shows an employment change of over +1,000 jobs between 2019 and 2020. While longer-term outlooks are similar in all cases for OE the weaker position is consistent with estimating lowest total net change between 2001 and 2020 (-100 jobs) whereas Experian records the strongest previous change between 2001 and 2011 (+400 jobs) which is likely to affect its application of long-term trends.

7.27 **Transport & Storage** – The three forecasts provide conflicting outputs with only CE indicating employment growth over the 20 year period. All three forecasts indicate negative change between 2001 and 2011 but the forecast output indicates a much more negative outlook compared to 2011-2020 trends (CAGR between 4% and 5.5%). All three forecasts suggest a stronger influence of longer-term trends coupled with relatively low existing levels

and location quotients for employment in Test Valley and, in the case of the Experian forecast, lower expectations for growth in population and expenditure. Noting recent delivery patterns and the findings of stakeholder engagement none of the three baseline forecasts would appear to provide a wholly reasonable outlook on future prospects.

7.28 **Wholesale & Retail –** The three forecasts provide a range of conflicting outputs ranging from +700 to -700 jobs over the 2020 to 2040 period. The negative employment change in the Experian forecast is a result of a weaker 'bounce' in this sector forecast following the immediate effects of the Coronavirus pandemic and is generally consistent with a weaker outlook for the Transport & Storage sector. The longer-tern trends in all three forecasts show effectively zero net change. Taking account of the generally stable levels of employment since 2011, and taking account of variance in assumptions for spending in the short-term the 'average' position of all three forecasts showing effectively no net change in jobs appears to provide a reasonable outlook. This is illustrated in Figure 30 below. This is also the finding of the CE forecast. This is also a sector where the potential effects of Coronavirus and Brexit are considered in greater detail later in the Report.

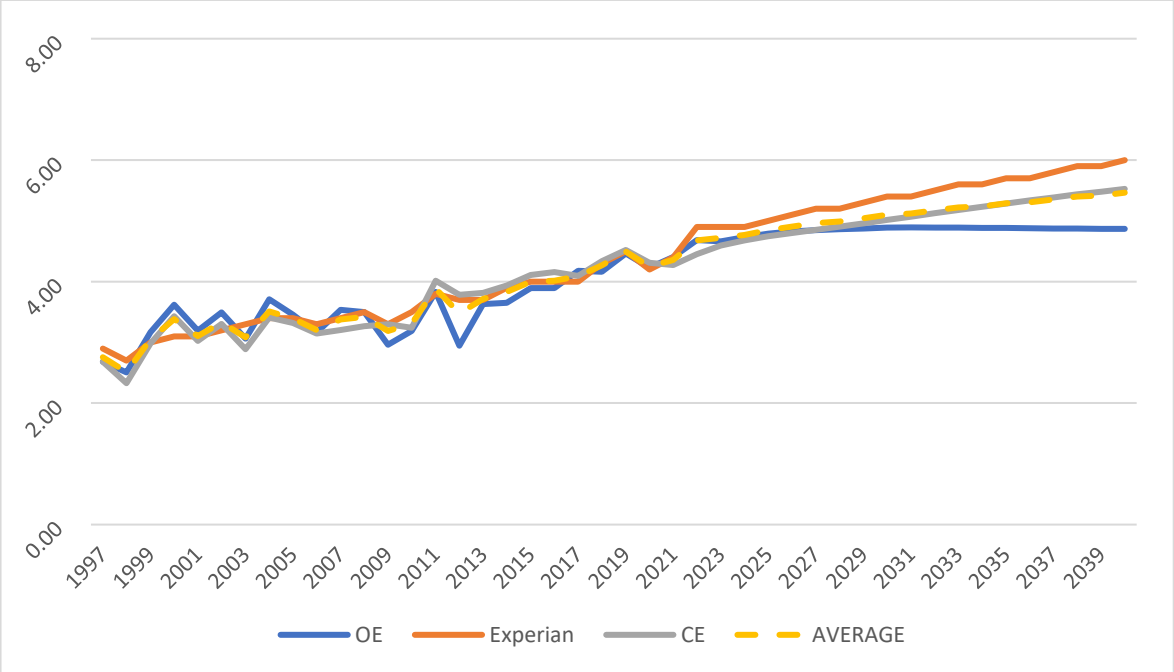
Figure 30. Forecast Change in Wholesale & Retail Broad Sector 2020-2040 (000s)



Source: SPRU Analysis of Various Forecasts

7.29 **Accommodation & Food Services** Positive employment change is shown in all three forecasts but indicates a wider range of findings between +640 and +1,800 jobs. The strongest growth shown in the Experian forecast is consistently higher than the two alternative sources across all time periods but with highest absolute change between 2020 and 2025. The CE forecast, which sits within the middle of the range, provides for a compound rate of change (1.2% 2020 to 2040) that is broadly similar to the 2011-2020 trend. The sector has shown fairly consistent levels of change since 2001, albeit rates were slightly higher in the earlier decade. Taking account of variance in assumptions for spending in the short-term the 'average' position of all three forecasts appears to provide a reasonable outlook. This is also the finding of the CE forecast. This is also a sector where the potential effects of Coronavirus and Brexit are considered in greater detail later in the Report. Figure 31 below illustrates the profile of an 'average' of the three forecasts for this sector:

Figure 31. Forecast Change in Accommodation & Food Services Broad Sector 2020-2040 (000s)



Source: SPRU Analysis of Various Forecasts

7.30 **Public Services** – The OE forecast provides a notably higher total for change between 2020 and 2040 (+1,700 jobs) comprising around 33% of all net change. This partly offsets higher losses in other sectors. This reflects a longer-term trend of higher growth in this sector between 2001 and 2011. Compound rates of change and the total of proportion growth within CE and Experian more closely reflect the trend between 2011 and 2020 (around 10-15% of total change) and in the absence of substantial evidence for further investment within Government services locally would appear to reflect a more reasonable outlook.

d) Baseline Sectoral Forecasts – Summary of Findings and Initial Preferred Forecast

7.31 Overall, the analysis suggests that none of the individual forecasts provides a fully consistent 'off-the-shelf' basis to estimate the reasonable prospects for growth in all sectors in Test Valley to 2040.

7.32 In terms of the impacts of Coronavirus national economic indicators show signs of a significant bounce over the months following the initial pandemic (from April-July 2020) with the strongest compound growth within short-term period 2020 to 2025. The CE forecast in-particularly indicates very modest effects of the pandemic within the district.

7.33 The impact of planning for a post-Coronavirus bounce is effectively indistinguishable across the three baseline forecasts given similar forecast totals for the 2020-2040, irrespective of whether a loss of jobs was recorded between 2019 and 2020 (Experian and OE) or not (CE).

7.34 The ongoing evidence therefore supports an economic bounce, however the scale of this is largely unknown at this point in time and could, for example, be dampened by other impacts upon the economy. However, in this context planning for a bounce would ensure that economic recovery will not be limited by planning policies and should therefore be the recommended approach.

7.35 This economic bounce is quite distinct from performance within the forecast over the medium and longer-term periods.

7.36 Application of an 'average' for total net change in employment within Wholesale & Retail together with Accommodation & Food Services results in very little difference between the Experian and CE forecasts and both would be considered marginally more robust than OE due to less variance in their outlook for Public Services and Manufacturing.

7.37 Several considerations apply when assessing the use of baseline forecasts to assess labour demand. The circumstances under which it may be appropriate to select the outputs from one forecasting house over others for the purposes of more detailed analysis may also be dependent on the study area.

7.38 This text should be read alongside the more detailed explanation of forecasting methodologies at Appendix 1. This text also provides considerations that inform the analysis of Key Sectors (following Chapter 8) and implications for labour demand versus Labour Supply (see Chapter 13).

7.39 The preceding analysis illustrates the benefit of calibrating outputs from the three forecasting houses, but also in the case of this Study a close comparison in total baseline forecasts for labour demand. This is not always the case and in this instance the calibration obviates some of the potential justifications for selecting a particular forecast.

7.40 The treatment of effects of the Covid-19 pandemic within the forecasting methodologies of the three outputs (together with the extent to which they reflect official estimates of employment change in between 2019 and 2020) does not strongly influence the selection of any one baseline forecast in this Study.

7.41 In summary we would ordinarily recommend use of the Experian forecast based on the following main observations from its methodology:

- Experian typically produces the most positive outlook for jobs growth, which is important when satisfying national policy for economic development, but in this case the baseline is virtually indistinguishable from CE.
- Experian also provides the most explicit link between labour supply and labour demand assumptions, which in reality are linked. While it remains the case the Experian links directly to official subnational population projections, meaning that the outputs are more directly related to assumptions for economic activity and commuting than the other forecasting houses, the three baseline positions all compare very closely with the number of jobs supported in modelling in the Council's latest SHMA based of the 2018-SNPPs[19]. For Test Valley the outputs of the 2014-based SNPPs and 2018-based SNPPs underpinning the standard method are also relatively similar, indicating consistency over time in terms of demographic assumptions underpinning the Experian outputs[20].
- We have confirmed with Experian that the relationship between the official projections and the two-way adjustments applied to the forecasting methodology in relation to commuting and economic activity rates result in only a very small number of 'unfilled' jobs towards the end of the forecast period – in other words it is likely to full express labour demand in the locality taking account of projected local labour supply.

7.42 These strengths of the Experian methodology and stronger links with the Council's evidence base nonetheless provide some further support for use of the Experian forecast as a baseline.

[19] See Table 88 of this FAS and for additional detail for calculation of the number of jobs supported Figure 4.25 of the Strategic Housing Market Assessment (SHMA) Final Report prepared by JG Consulting in January 2022

[20] See Figure 4.12 of the Council's Strategic Housing Market Assessment (SHMA) Final Report prepared by JG Consulting in January 2022

7.43 This particularly applies in the context of the preceding analysis, and following Section 8, which identify that prospects for labour demand in certain sectors have reasonable prospects of departing from (and largely being greater) than the net position for those sectors across all the baseline forecasts.

e) Assessment of Growth Sectors

7.44 This section provides a detailed assessment of the growth sectors identified within strategies for economic development considered relevant to establishing reasonable prospects for employment growth within Test Valley. For the reasons outlined in the literature review for this Study, and explored further below, initiatives and opportunities for investment (together with associated evidence) relating to both the Solent and EM3 LEP economic geographies are considered relevant for the purposes of this exercise.

7.45 In accordance with PPG, assessments of future economic growth should take account of LEP Local Industrial Strategies (LIS). No adopted Local Industrial Strategy is in place to cover Test Valley (either as part of its current inclusion within the EM3 LEP or the Solent LEP within which it was previously included).

7.46 However, evidence prepared by both LEPs provides an assessment of recent trends in various key sectors and the extent to which the growth sectors are accounted for within relevant sectoral forecasts for labour demand in Test Valley (all of which show broad consistency and are potential suitable for closer analysis). The approach to production of sectoral forecasts for labour demand will not necessarily capture reasonable prospects for future growth based on the characteristics of key sectors at the local or sub-regional LEP level.

7.47 For example, the Experian forecast estimates local jobs in each sector by linking local and regional jobs growth by sector and then constraining demand for jobs by sector to demand for jobs for the same sector at the regional level. This top-down approach has the potential to constrain forecast local growth in a district based on the forecast growth in that sector at a regional scale.

7.48 This could potentially override local growth drivers in a local economy and does not take account of sub-regional drivers such as those set out in the evidence base for emerging Local Industrial Strategies (LIS). Conversely, sub-regional drivers may provide a more balanced assessment of the prospects for individual sectors in circumstances where the past trends for job growth in the local area have been disproportionately affected by one-off developments or individual employers. This section therefore provides an assessment of the growth sectors identified in each emerging LIS.

7.49 The evidence base of each relevant LEP geography is considered further below.

i) *Solent Local Enterprise Partnership*

7.50 There is no finalised and published LIS covering the relevant Solent LEP geography. The evidence base for preparation of the LIS has, however, been subject to extensive development and seeks to build upon existing strategies and investment relevant to the LEP area, including priorities identified in the Solent Strategic Economic Plan 2014.

7.51 The most recent activities of the LEP in terms of pursuing its objectives for economic development, and the evidence base for the emerging LIS which future initiatives may build upon, reflect the boundaries of the LEP following reorganisation (i.e., excluding Test Valley). Key recent sources referring to relevant evidence of Growth Sectors within the new LEP geography include the Solent 2050 Economic Strategy, Solent Economic Recovery Plan (September 2020) and Solent Economic Profile (July 2019).

7.52 Notwithstanding the geography covered by these most recent sources it remains the case

that the background to evidence prepared by the Solent LEP over its lifetime recognises the functional economic relationships with Test Valley and remains relevant to an understanding of potential growth sectors.

Solent Local Enterprise Partnership Strategic Economic Plan 2014-2020

7.53 The Solent Strategic Economic Plan was published in March 2014 and set out measures to support creation of an additional 15,500 new jobs to 2020 in addition to current forecasts at that time.

7.54 The LEP's ambitions for *Transforming Solent* as set out within the SEP seek to capitalise upon the Portsmouth – Southampton City Deal and extensive opportunities for Local Growth Fund and EU investment. Preparation of the evidence base for the SEP was, however, strongly related to the PUSH noting the input from all 12 local authorities within the LEP area at that time particularly on matters relating to housing growth. In relation to opportunities to support the economic ambitions of the SEP more widely the strategy notes that the relationship with the supply of land for development expected to be provided by the PUSH authorities as part of the South Hampshire Strategy[21] and its relationship with past plan-making and the ongoing preparation of planning policy at the time the SEP was prepared. The SEP sets out:

"There is a reasonable supply of land to unlock for employment and housing sites. The South Hampshire Strategy states that PUSH[22] authorities will provide for around 1.1 million square metres of net additional employment floorspace during 2011- 2026, split approximately equally between offices and manufacturing/distribution. That figure exceeds what is likely to be built, even if/when the economy improves, in order to ensure that land supply is not a constraint on employment development."

7.55 The South Hampshire Strategy was recognised as supporting in principle the focus of the SEP's priorities for growth within the Solent's main cities and urban areas but it should be noted that the availability and past delivery of land across South Hampshire will also have directly and indirectly influenced the performance of sectors identified within the SEP's evidence base, including their relationship with Test Valley.

7.56 There are also acknowledged relationships with neighbouring LEP geographies identified as relevant to delivery to the SEP's priorities, particularly relating to skills and connectivity improvements where joint interests with the EM3 LEP are highlighted. Capitalising upon the LEP's local concentrations of marine and maritime activities underpins a key element of the SEP's wider ambitions relating to skills, investment and support for education and training. In terms of future prospects to support its growth ambitions the SEP nevertheless sets a broader framework to identify *Strategic Sectors* where priorities for economic development could be developed further. The SEP identifies the following sectors and clusters, as broadly defined:

- Marine;

[21] The South Hampshire Strategy: A framework to guide sustainable development and change to 2026, PUSH, October 2012

[22] The definition of the PUSH geography and its relationship with the strategy for economic development in the LEP areas is summarised in footnote 83 of the SEP as follows: *"PUSH is the Partnership for Urban South Hampshire. PUSH is a partnership of the unitary authorities of Portsmouth, Southampton and Isle of Wight; Hampshire County Council and district authorities of Eastleigh, East Hampshire, Fareham, Gosport, Havant, Test Valley, New Forest and Winchester. PUSH authorities recognise the benefits of working together to support the sustainable economic growth of the sub region and to facilitate the strategic planning functions necessary to support that growth. PUSH has no statutory powers or functions but works collaboratively with the Solent Local Enterprise Partnership to deliver its distinct but complementary roles and objectives."*

- Aerospace and defence;
- Advanced manufacturing and engineering;
- Transport and logistics businesses;
- Low carbon green economy; and
- The visitor economy.

7.57 More detailed assessment of the *Transport and Logistics* and *Advanced Manufacturing* sectors is provided within Section 8 of the SEP. These strategic sectors are also viewed as being of greatest relevance to this Study. Both strategic sectors record higher proportions of employment than the national average.

7.58 In respect of the transport and logistics sector the role of the port of Southampton was identified as a primary driver for future growth and increased demand although the SEP does note that notwithstanding these functions the concentration of employment in the sector as a whole sits below the average in the wider South East and comparator LEP areas.

The Solent Local Industrial Strategy: Emerging Evidence Base

7.59 While this resource does not assess economic indicators specific to Test Valley and excludes the district from its evidence for performance and growth prospects within the reorganised LEP boundary findings present an evolution of the LEP's understanding of strategic sectors.

7.60 The evidence base for the LIS notes relatively low concentrations of employment within service sectors overall and particularly those associated with higher productivity. In contrast, the highest concentrations of employment and differences in the share of productivity (measured by Gross Value Added) remain identified in the *Transport and Logistics* and *Manufacturing* sectors (see Figure 3).

7.61 The evidence base for the emerging LIS provides further analysis of the scope to support advanced manufacturing and the prospects for increasing the proportion of employment within Research and Development functions as supporting the continued growth of these sectors and narrowing gaps in productivity with the wider South East. The evidence base also notes higher than average concentrations in manufacturing in locations including Gosport and Eastleigh outside of the Solent's main cities.

7.62 The characteristics of these strategic sectors, as reflected in the evidence base for the LIS, indicates that their reasonable prospects for growth in Test Valley should be explored in greater detail as part of this Study given the functional links with the Solent LEP area.

Solent 2020: An Economic Strategy for the Solent (April 2022)

7.63 Generally, this shows some move away from logistics and a greater emphasis on the marine/maritime and low carbon sectors. Generally, this is what one would expect in terms of a focus on the smaller reorganised Solent LEP area but does not mean that functional linkages don't remain with Test Valley where it has likely played a disproportionate role in supporting previous strategic sector priorities (i.e., logistics and advanced manufacturing). The strategy also identifies skills shortages within logistics:

Through our local networks and partnerships, deliver targeted support to those sectors experiencing chronic skills shortages (such as logistics, health care, hospitality) in order to boost the supply of suitably qualified local labour.

ii) *Enterprise M3 (EM3) Local Enterprise Partnership*

7.64 The Local Industrial Strategy for the EM3 LEP remains under preparation and development of the strategy to-date has included commissioning of a detailed evidence base assessing overall growth prospects and closer analysis of several sectors and factors influencing economic development across the area.

7.65 The new evidence throws fresh light on many aspects of the area's economic prospects including recent changes in employment patterns; differences in the performance and characteristics of our towns; the outstanding performance on exports, especially of services; and new understanding of how EM3 businesses in the low carbon sector can help the UK respond to climate change.

7.66 The Strategic Economic Plan (SEP) for the EM3[23] area was produced relatively recently and takes account of the *Grand Challenges* for the economy identified within the Government's National Industrial Strategy.

7.67 Given the recent work on the SEP, which sets out the general ambitions for the area in the medium term, for the LIS the LEP has adopted a modular approach focused on nine long-term strategic priorities each of which will improve productivity but also support the viability and vitality of the area. The LIS and SEP are intended to work together, with the emerging LIS focusing on nine long-term strategic priorities[24] each of which will improve productivity but also support the viability and vitality of the area. The evidence base being prepared by the LEP to support these priorities provides the foundations for the growth prospects in key sectors that the LIS will ultimately support.

A Strategic Economic Plan for the Enterprise M3 area 2018 – 2030' (2019)

7.68 The SEP reflects the characteristics of the LEP area as a location with a recent record of strong growth and identifies opportunities for continued above average growth in the future subject to ongoing support and investment to support skills development, connectivity (digital and physical) and housing/population growth. The SEP generally reflects the LEP area's concentration of employment and productivity within high-growth digital technology sectors. This provides the foundations to identify strong links with the emerging Local Industrial Strategy.

7.69 The Strategic Economic Plan for the EM3 LEP area reflects the current governance arrangements and includes Test Valley within the scope of its priorities for investment. The SEP reflects the uneven economic activity within the LEP area with employment concentrated within its main towns, but especially in the north east of the area around the M25 and closer to London.

7.70 Within the context of the SEP's overarching priorities the western extent of the LEP area demonstrates a notably lower jobs density, concentrations of key employers and relatively low net jobs growth over the period 2010 to 2015. Andover stands out as an exception to these trends and is identified as having the strongest jobs growth (21.9%) amongst all main centres within the LEP area and strong population growth over the same period.

7.71 Andover is identified as a 'Step-Up Town' for the purposes of the SEP's ambitions with the aim that concentrating intervention in these centres as part of growth corridors that may also capture enhancement to transport and mobility solutions and improve productivity across the wider LEP area notwithstanding the relatively longer journey times to major centres of population including London. The SEP therefore establishes an expectation that the economic strengths associated with the LEP area are capable of extending across and beyond its immediate boundaries.

7.72 The SEP reflects that Enterprise M3 has been recognised by Government as a high performing LEP and this informs the intention with strong links to the Local Industrial Strategy in terms of supporting ambitions for even higher rates of future growth. The SEP therefore establishes an intention that the area's strengths in terms of digital and low carbon

[23] A Strategic Economic Plan for the Enterprise M3 area 2018 – 2030' (2019)
[24] Science, Innovation and Enterprise; People and Skills; Towns; Housing; A Gateway Region; Clean Growth; Digital Connectivity; Smart Mobility; Exporting

technology will provide the basis for specific policy intervention and investment proposals aligned to the requirements of these key sectors as part of the LIS currently under development.

EM3 Local Industrial Strategy: Developing Our Approach

7.73 This Report builds upon the 9 long-term priorities for the LIS and linkages with the Strategic Economic Plan. While this stage of work represents a relatively early stage in terms of targeting interventions within key sectors or industries it does seek to identify where specific improvements to productivity might be achieved and where specific investment in digital connectivity may be required.

7.74 The summary recognises that the area has achieved recent sustained improvements in productivity and has out-performed neighbouring comparator areas including Solent and Thames Valley Berkshire LEP areas as well as the capital when comparing GVA growth with hours worked. Within this context, amongst other authorities within the LEP grouping Test Valley has shown consistent compound growth in productivity (GVA) between 2007-12 and 2012-17 but generates Gross Value Added (per job) totals at the lower end of the LEP range.

7.75 A key role for the LIS will be to support the area's ongoing economic resilience and ability to support continued levels of growth. Historically this has been strong and reflects the locational advantages of a gateway region (London and the airports and ports); a significant presence of advanced knowledge driven sectors; a buoyant business base both in terms of head quarter operations and SMEs; a highly skilled workforce and a high level of prosperity (partly from income earned outside the area). Supporting these characteristics is likely to require continuing to strengthen the breadth and depth of knowledge embedded in the area and some degree of further diversification within the economy - particularly building out from existing strengths either within the same sector or between sectors. Innovation and the commercialisation of knowledge within the LEP area's leading sectors and most productive businesses is identified as a key priority to sustain these ambitions.

EM3 Local Industrial Strategy: Sectors and Innovation

7.76 This data comprises one of the most detailed component of the evidence base from the EM3 LEP's emerging LIS and is considered to provide the most relevant information from which to identify reasonable prospects for future growth in key sectors. The analysis provides a 'deep-dive' beyond the area's overall highest concentration of jobs in broad sectors including Science, Professional and Technical activities and Health together with Information and Communication.

7.77 The analysis considers various domains of the area's relative economic strengths including high concentrations of employment (notwithstanding potential losses in recent years in absolute terms from activities such as Information and Communication) and the highest rates of employment growth over the period assessed (2013 to 2018). The evidence base for the LIS also considers those industries that are most highly specialised within the LEP area relative to national and regional levels of employment and looks at those sub-sectors where the concentration of jobs has increased most quickly.

7.78 More detailed analysis Standard Industrial Classification SIC4-digit coding has enabled industries to be grouped into specific clusters that correlate to the area's main strengths in within the digital economy. The evidence base considers the following categories:

- Aerospace/Space/Defence;
- Digital;
- Games Industry;
- Telecoms.

7.79 While it should be acknowledged that these groupings in some cases cut across a range of broad sector and SIC 2-digit classifications (therefore not translating easily into 'growth sectors' that can be compared to sectoral forecasts for labour demand) there is generally a strong representation amongst the Information and Communication and Professional Services broad sector in each grouping. There is also a high representation amongst industries that can broadly be categorised under Advanced Manufacturing activities and already identified within this Study as relevant for further analysis. This is supported by the overall sector conclusions within the LEP's evidence base:

- Primary broad sectors are Professional, Scientific and Technical Activities, Information & Communication, Retail & Health.
- With scientific R&D, computer programming & consultancy and the manufacture and installation of machinery as the most specialised sub sectors.
- Business concentration analysis brings out more niche strengths in Space (aircraft and spacecraft), the success in Gaming, Digital (computer programming and computer consultancy) and Telecommunications (wired and wireless telecommunication activities and the manufacture of fibre optic cables).

7.80 This analysis also provides a basis to potentially explore the changing profile of employment within relevant industries and broadly defined key sectors amongst the constituent LPAs within the LEP area, including Test Valley. While the LEP's emerging LIS evidence base further identifies a clear West to East divide within the LEP geography in terms of its economic complexity, driven by the draw of London, supported by the distribution of top companies, this is not necessarily reflective of future prospects for employment growth.

CHAPTER 7: KEY POINTS

- The three economic forecasts project a total jobs growth in Test Valley between 2020 and 2040 of 5,670 jobs (CE), 5,500 jobs (Experian) and 5,090 jobs (OE).
- The main differences between the forecasts include:
  - The strength and extent of the post-COVID-19 bounce.
  - Performance between 2011 and 2020 and the period immediately prior to the onset of COVID-19.
  - Longer-term trends and relationship with pre-COVID employment levels.
- There are also differences between the projections for different sectors across the three forecasts.
- Despite their overall comparability a more explicit relationship between labour supply and demand strengthens the methodology of the Experian forecast and for the purposes of this Study indicates further comparability with the outputs of the Council's SHMA based on the expected number of jobs supported against the official 2018-based subnational population projections.
- The evidence base for the emerging Local Industrial Strategies in the Solent and EM3 LEPs supports the following Growth Sectors in Test Valley:
  - Advanced Manufacturing (specifically Auto-aero, Computer and Electronic Equipment and Transport);
  - Information and Communication;
  - Transportation and Storage;
  - Professional, scientific and technical activities.

8.0 ANALYSIS OF FORECAST EMPLOYMENT PROSPECTS FOR KEY SECTORS

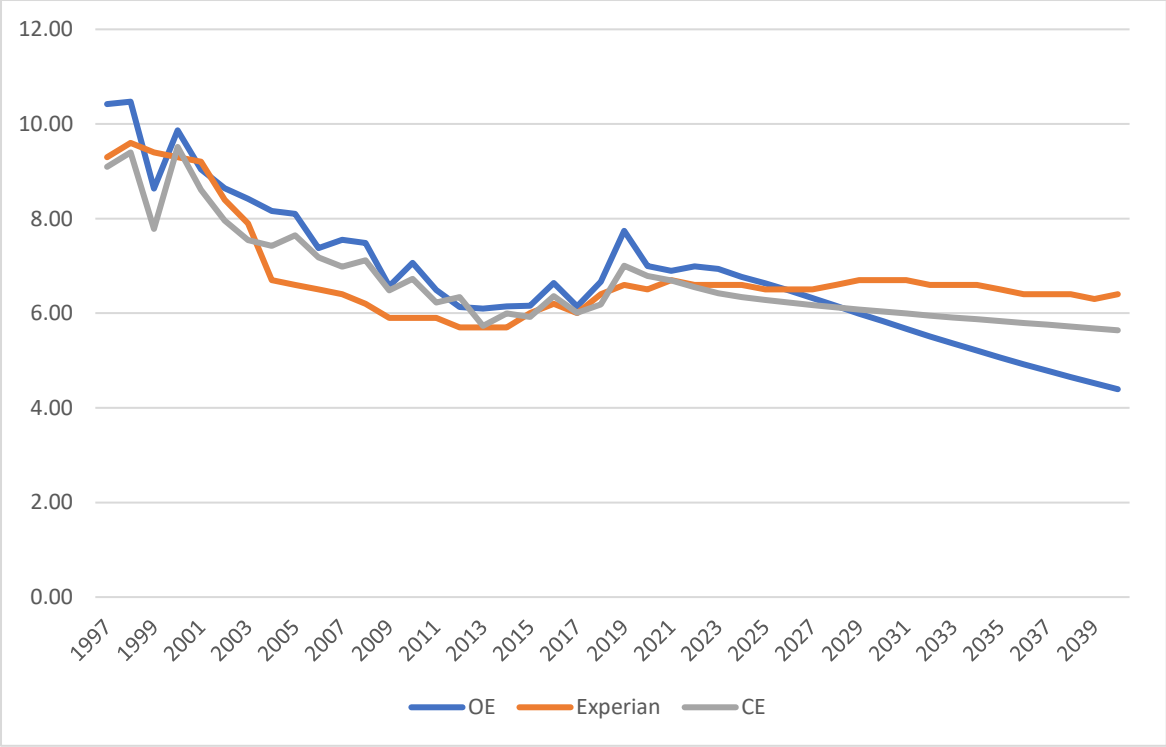
8.1 This chapter provides detailed analysis of the relevant baseline forecasts alongside the evidence base for key sectors relevant to Test Valley. The outputs of the chapter seek to demonstrate whether the baseline forecasts represent reasonable prospects for future employment growth, taking account of the known support for relevant industries in these sectors and potential existing local advantages in terms of the concentration of employment, skills and supply chains likely to support future growth.

a) Advanced Manufacturing

8.2 For the manufacturing broad sector all three forecasts indicate a trend in job losses up to the beginning of the last decade beyond which levels of employment have stabilised with some increase in total employment towards the end of the 2011-2020 period.

8.3 The three baseline forecasts reflect to varying degrees the longer-term trend and show total losses ranging from -100 to -2600 jobs.

Figure 32. Forecast Change in Manufacturing Broad Sector 2020-2040 (000s)



Source: SPRU Analysis of Various Forecasts

8.4 This does not appear reflective of the sectoral strengths in advanced manufacturing that are relevant to both LEP areas. While specifically identified as a growth sector for the Solent LEP the main sub-sectors contributing to this grouping are not set out. For the EM3 LEP area advanced manufacturing activities contribute to several of the key clusters identified within the evidence base for the LIS (in-particular digital together with aerospace and defence. The Manufacture of computer, electronic and optical products (SIC26) and Manufacture of motor vehicles, trailers and semi-trailers (SIC29) are amongst sub-sectors where the EM3 LEP area was either already highly specialised or has provided the strongest rate of increase in local concentrations of employment.

8.5 Noting the diversity of activities within advanced manufacturing a bespoke grouping has been adopted for this study and considered against 2009-2020 trends in total employment

recorded by the Business Register Employment Survey[25]. These data have been used to provide a measure of growth within the key sector as well as a comparison with performance in surrounding areas.

8.6 Table 35 below illustrates that the Test Valley area has delivered an increase in employment within these key sectors between 2009 and 2020, outperforming the two relevant LEP areas and slightly increasing concentrations of employment relative to the South East. This is within the overall context of growth in the broad manufacturing sector.

Table 35. Comparison of Performance of Advanced Manufacturing Categories 2009-20

Advanced Manufacturing	Test Valley	EM3	Solent	SE Region
Employment Change	255	-4800	-2450	-3690
LQ Change vs South East	0.08	-0.16	-0.02	0.00
CAGR	0.8%	-1.8%	-1.1%	-0.3%

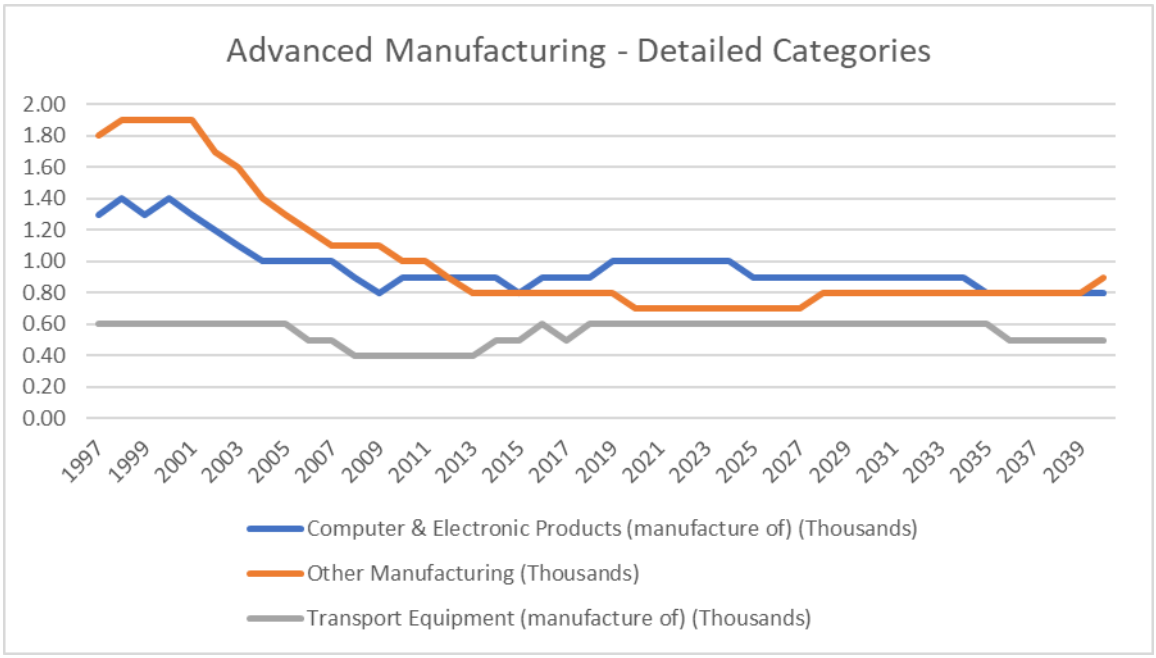
Source: BRES; SPRU Analysis

8.7 Taking this background into account the Experian baseline forecast provides the appropriate starting point for further analysis because it forecasts the lowest continued losses of workforce jobs in manufacturing. It is also the case that the detailed categories provided by the Experian forecast allow closer analysis of advanced manufacturing activities unlike the position for the broad sector only contained within CE and OE. This means that adjustments can be focused more closely within advanced manufacturing as a key sector.

8.8 The three most relevant detailed categories from the Experian baseline forecast are shown in Figure 33 below and cumulatively represent a net loss of 100 workforce jobs between 2020 and 2040 (with CAGRs ranging from 1.26% for other manufacturing to -1.11% for manufacture of Computer and Electronic Products. The combined total does not appear to reflect the reasonable prospects for growth based on recent trends, local concentrations of employment or anticipated support for these sectors within the emerging Local Industrial Strategies for both LEP areas.

[25] 254 : Manufacture of weapons and ammunition; 302 : Manufacture of railway locomotives and rolling stock; 303 : Manufacture of air and spacecraft and related machinery; 304 : Manufacture of military fighting vehicles; 309 : Manufacture of transport equipment n.e.c.; 325 : Manufacture of medical and dental instruments and supplies; 20 : Manufacture of chemicals and chemical products; 21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations; 26 : Manufacture of computer, electronic and optical products
27 : Manufacture of electrical equipment; 28 : Manufacture of machinery and equipment n.e.c.; 29 : Manufacture of motor vehicles, trailers and semi-trailers

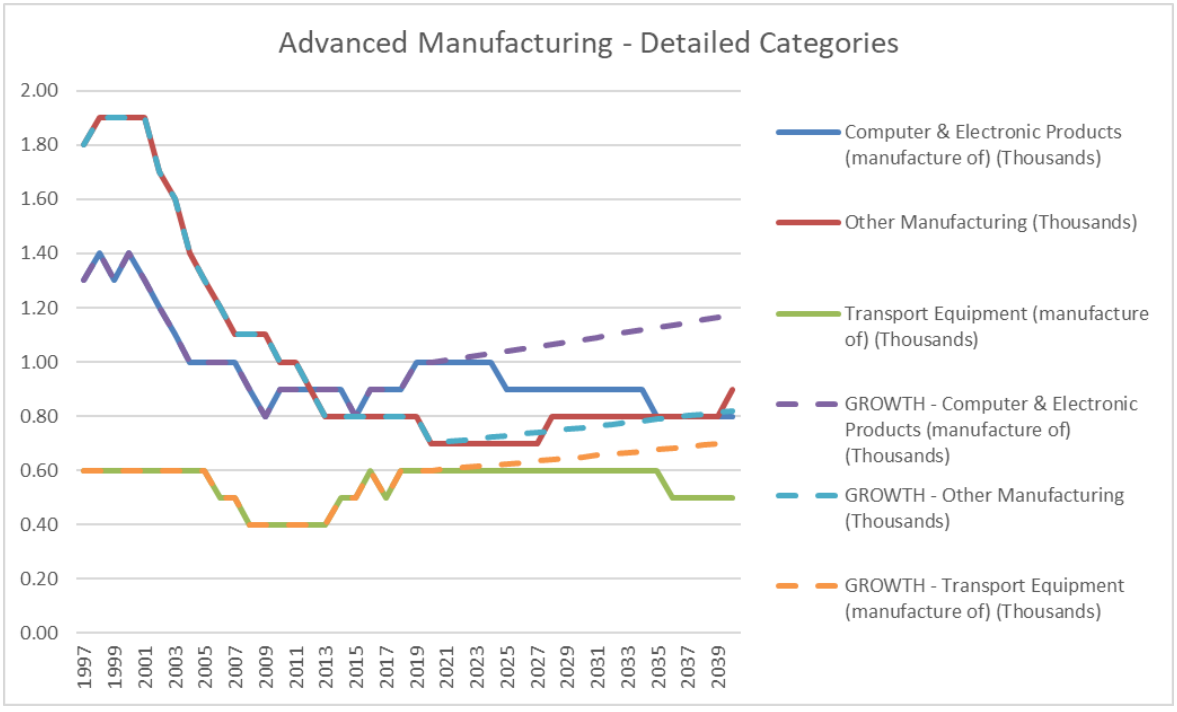
Figure 33. Workforce Jobs – Advanced Manufacturing Detailed Categories (000s)



Source: SPRU Analysis of Experian Forecast

8.9 Taking account of the more detailed analysis of BRES data it appears reasonable to apply the overall compound annual growth rate of 0.8% per annum for the advanced manufacturing key sector to these detailed categories. The remainder of the forecast employment change for the detailed manufacturing categories within the Experian forecast are not affected. These changes are illustrated in Figure 34 below:

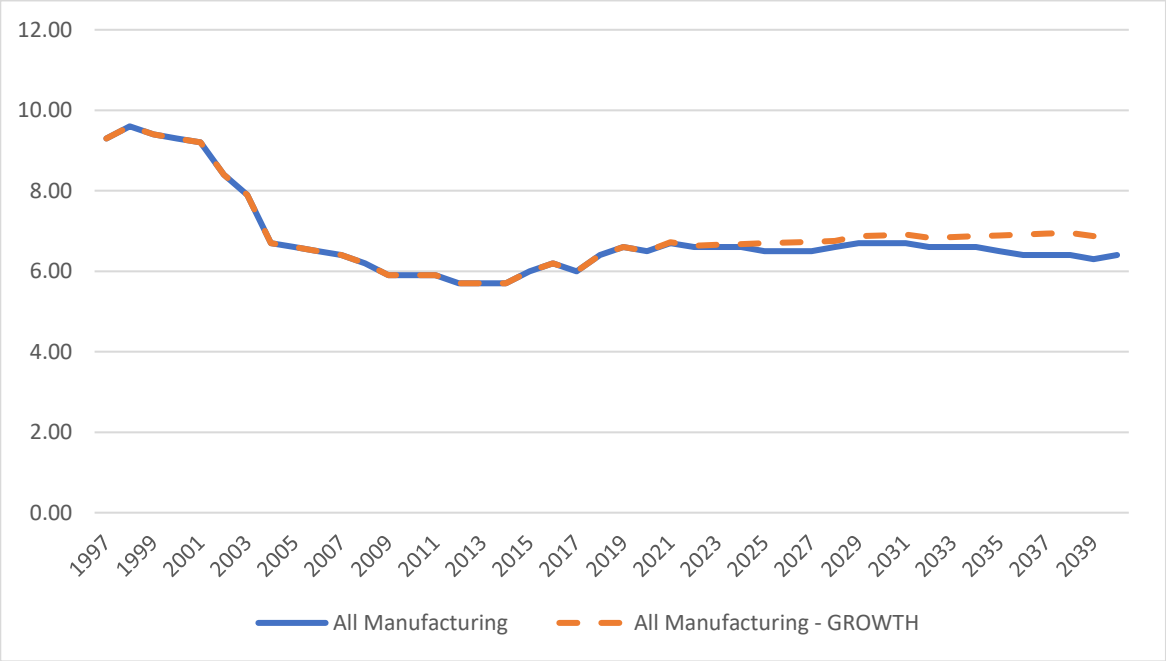
Figure 34. Manufacturing Growth Scenario Adjustments 2020-2040 (000s)



Source: BRES; SPRU Analysis of Experian Forecast

8.10 Figure 35 demonstrates the cumulative effect on the Manufacturing broad sector, which translates to forecast growth of around 400 workforce jobs for the 2020 to 2040 period (CAGR 0.30%) compared to a loss of 100 workforce jobs within the baseline forecast.

Figure 35. Manufacturing Broad Sector 2020-2040 (000s) – Growth Scenario



Source: BRES; SPRU Analysis of Experian Forecast

b) Information and Communication

8.11 While there is some overlap with other broad sectors and industries the contribution of Information and Communication towards the Test Valley economy and specifically its potential role as a key sector associated with the digital economy in the wider EM3 LEP area can broadly be assessed with reference to groupings of industries defined by the LEP for the Digital, Gaming and Telecoms Clusters.

8.12 The performance of these clusters in Test Valley relative to the surrounding LEP geographies and wider South East is set out in Table 36 below. In broad terms the conclusions from BRES data for the 2009-2020 period reflect that existing employment levels within the industries comprising these clusters are relatively low in Test Valley but have demonstrated compound growth that has outstripped the EM3 LEP area and sustained or slightly increased concentrations of employment.

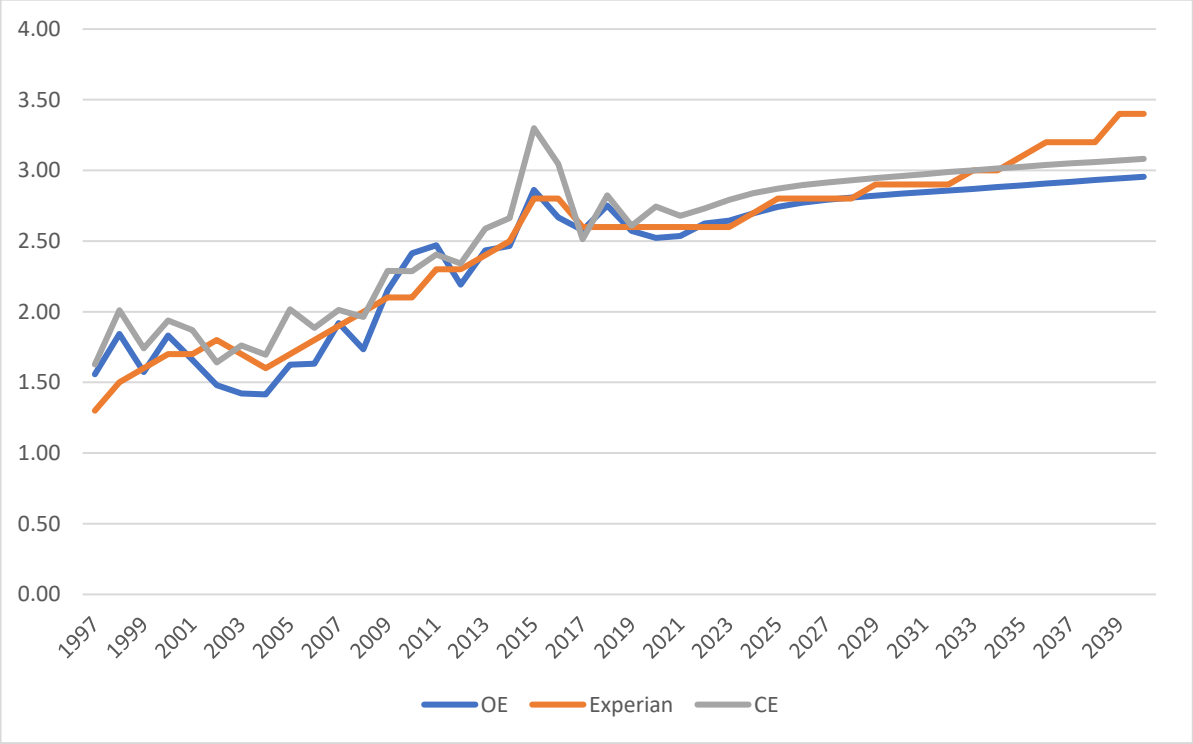
Table 36. Performance of Information & Communication Growth Sectors 2009-20

Digital	Test Valley	EM3	Solent	SE Region
Employment Change	315.00	6150.00	-1585.00	31825.00
LQ Change	-0.04	-0.02	-0.13	0.00
CAGR	1.8%	1.2%	-1.0%	1.6%
Gaming	**Test Valley**	**EM3**	**Solent**	**SE Region**
Employment Change	30.00	565.00	60.00	1950.00
LQ Change	0.33	-0.34	0.07	0.00
CAGR	13.4%	5.0%	10.5%	6.8%
Telecoms	**Test Valley**	**EM3**	**Solent**	**SE Region**
Employment Change	20.00	-1745.00	825.00	-1575.00
LQ Change	-0.02	-0.09	0.18	0.00
CAGR	0.3%	-1.2%	1.3%	-0.2%

Source: BRES; SPRU Analysis

8.13 Given the diverse nature of Information & Communications and definition of its role as a key sector it is relevant to consider this specific local evidence against the three baseline forecasts for the broad sector. These are shown in Figure 36 below:

Figure 36. Information & Communications Broad Sector 2020-2040 (000s)

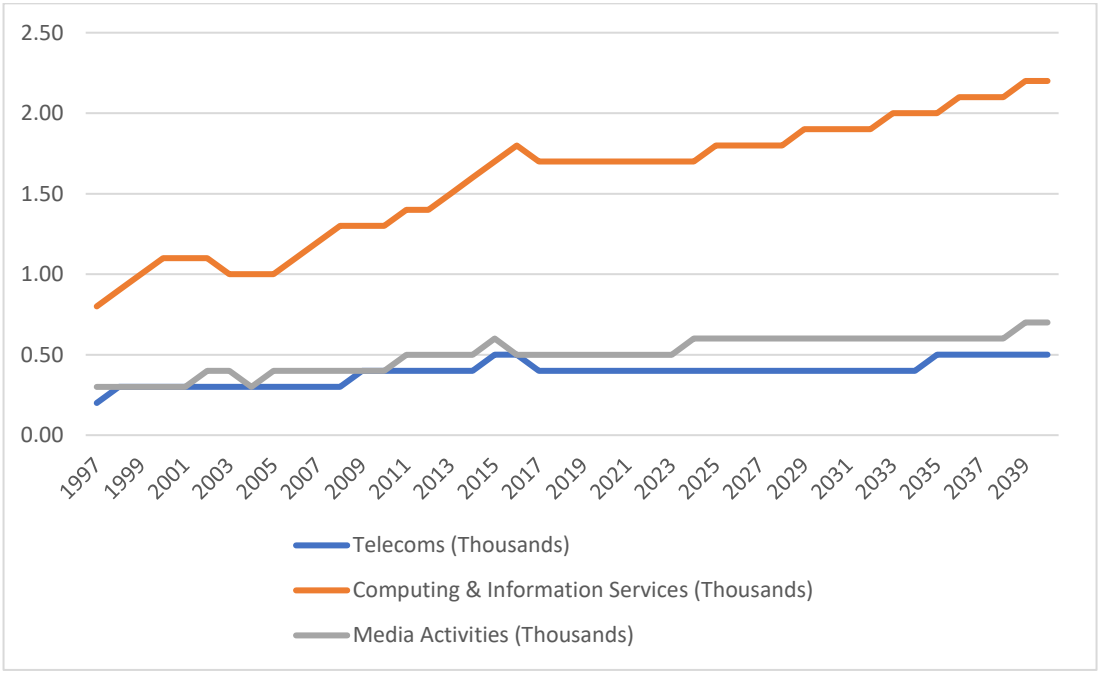


Source: SPRU Analysis of Various Forecasts

8.14 All three forecasts reflect sustained growth across the last two decades with compound rates of employment change ranging from between 2.54% to 4.06% 2001-2011 and 0.23% - 1.46% 2011-2020. All three forecasts show continued growth from 2020 to 2040 ranging from 0.6% to 1.4% per annum with the Experian forecast generating the greatest total increase in workforce jobs (+800).

8.15 One advantage of the Experian forecast for the purposes of assessing Information & Communications as a key sector is the breakdown provided by detailed categories relating to Telecoms, Computing & Information and Media Activities. All three categories are forecast to provide a growth in employment of 100, 500 and 200 workforce jobs respectively (CAGRs of 1.12% to 1.80%). These specific trends are shown in Figure 37 below:

Figure 37. Workforce Jobs – Information & Communication Detailed Categories (000s)



Source: SPRU Analysis of Experian Forecast

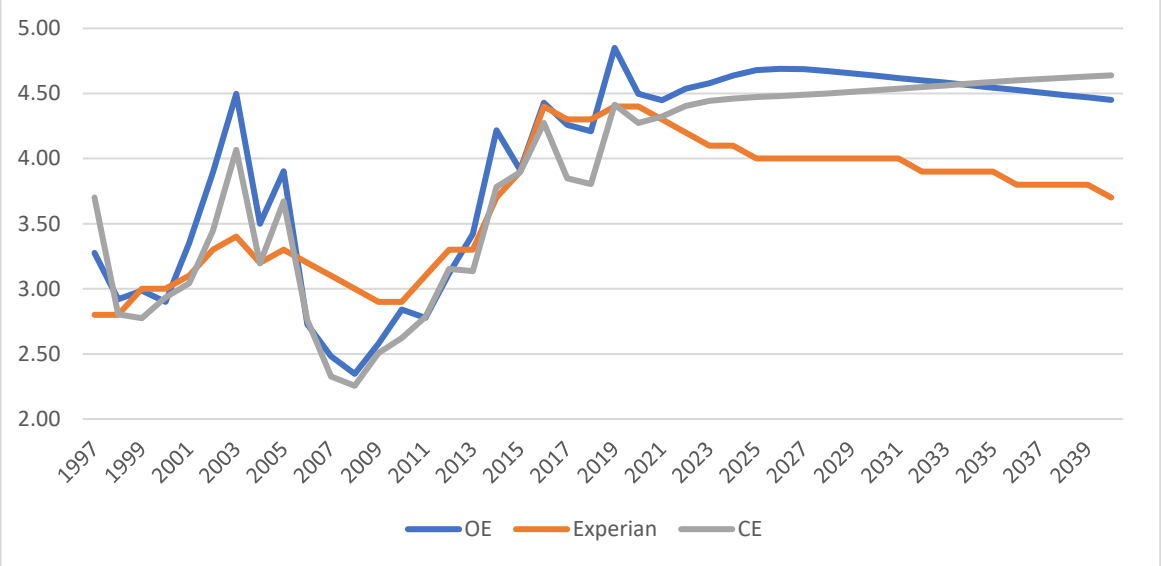
8.16 In summary, this assessment has concluded that while the OE and CE forecasts do not reflect the reasonable prospects for continued support for Information & Communications as a key sector no further adjustment to the Experian forecast is necessary to reflect an increased potential for employment growth in the period to 2040. A compound rate of growth at 1.4% per annum would appear to continue to reflect overall past trends and the performance of specific clusters within this sector in the local Test Valley economy. This being said, given the relatively low levels of baseline employment it is the case that any sustained investment in the sector and provision of further jobs could rapidly increase both concentrations of industry and the rate of growth in this sector within Test Valley.

c) Transportation and Storage

8.17 Details of the three baseline forecasts covering this broad sector are shown in Figure 38 below. This is a sector where all three forecasts, to differing degrees, indicate a marked departure in terms of forecast future prospects and the most recent past trends. All three forecasts reflect that the sector achieved only modest negative changes in employment between 2001 and 2011 (CAGRs of 0% to -1.86%) but a rapid growth of around 1,500 jobs between 2011 and 2020 (CAGRs of 3.97% to 5.50%). In contrast forecast compound growth

ranges from -0.9% to 0.4% between 2020 and 2040, with the Experian forecast indicating a net loss of 700 workforce jobs.

Figure 38. Transport & Storage Broad Sector 1997-2040 (000s)



Source: SPRU Analysis of Experian Forecast

8.18 Logistics as a key sector is clearly identified within the evidence base for the Solent LEP Local Industrial Strategy but the specific industries and sub-sectors within this group are not defined. Sensibly, however, for the wider Solent LEP area this will include a specific contribution from air and water transport likely to be less clearly associated with Test Valley. However, in the remainder of the authority area there is a clear audit trail of increasing demand from within the broad sector, including references within the evidence base for the adopted Local Plan. This background may also at least in-part explain the trends for 2001-2011 and 2011-2020 in all baseline forecasts, noting the uneven delivery profile of land and floorspace and peaks in supply noted around the turn of the decade together with a degree of front-loading of committed and allocated sites partly contributing to delivery trends following adoption.

8.19 For the purposes of defining Storage and Transport as a key sector and comparing Test Valley with its surroundings a broad definition has been adopted comprising 2-digiti Standard Industrial Classifications 49-53. The outputs, based on detailed analysis of BRES data for the 2009 to 2020 period are shown in Table 37 below. Even accounting for the very limited representation of Air and Water Transport in Test Valley relative to the neighbouring Solent LEP it is clear that the authority has significantly out-performed neighbouring areas. It therefore does not appear that any of the baseline forecasts represent reasonable prospects for future growth in this sector relative to either recent past trends or local evidence.

Table 37. Performance of Transport & Storage Growth Sectors 2009-20

Warehousing & Logistics	Test Valley	EM3	Solent	SE Region
Employment Change	1745.00	1950.00	2450.00	32500.00
LQ Change	0.39	-0.05	0.00	0.00
CAGR	5.4%	0.8%	1.0%	1.7%

Source: BRES; SPRU Analysis

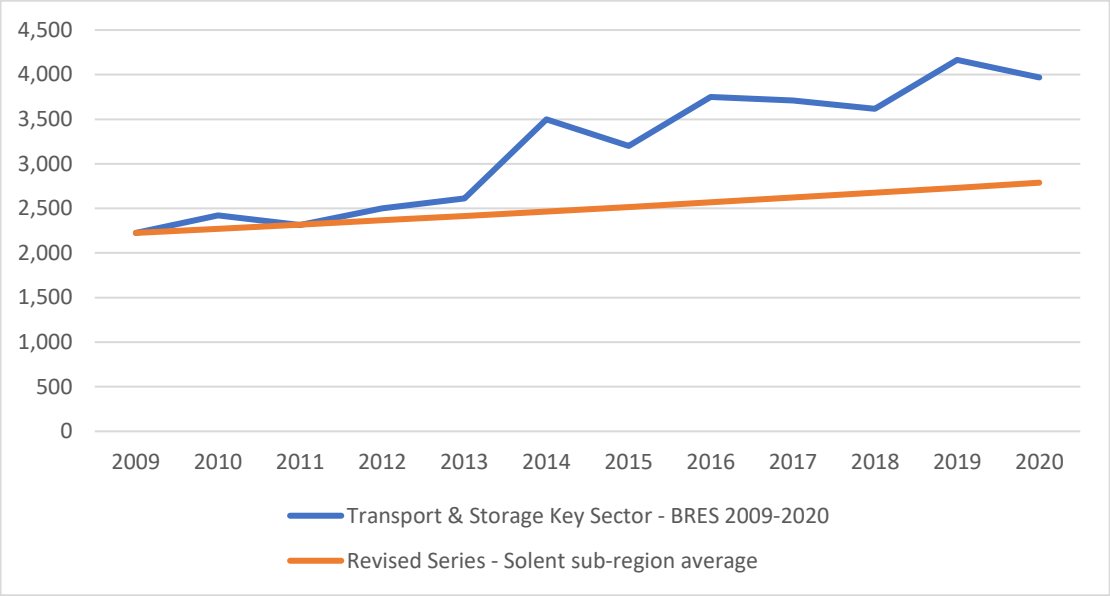
8.20 The Experian baseline forecast provides the relative advantage that the Land and Transport Storage detailed category can be isolated for further analysis. The fact that the baseline forecasts indicate the greatest net loss of workforce jobs is not significant in the context of the exercise being undertaken in this Chapter to consider a potential substitute for the forecast rate of employment change.

8.21 It appears generally accepted within the Council's existing evidence base that the performance of logistics as a key sector within Test Valley represents capturing sub-regional demand for land and floorspace for these uses. This is not yet reflected in the modelling assumptions of the forecasting houses in terms of their baseline forecasts. However, subject to an assessment of the desirability of persisting with the continued distribution of growth to Test Valley, there is an established trend that the reasonable prospects for future growth of this key sector would encompass continuing to support a higher proportion of sub-regional labour demand being accommodated in this area. Based on the performance of the neighbouring LEP areas any departure from these recent trends without a substitute for provision to meet demand elsewhere may ultimately affect the wider growth of Transport & Storage as a key sector. This being said, it is clear that compound growth within the broad sector is being achieved in both LEP areas. It is therefore not necessarily realistic to assume that the recent local trends in delivery in Test Valley would be expected to persist over a longer period.

8.22 The Growth Scenario has been determined based on the assumption that labour demand in Test Valley reflects the trend in employment growth in the Solent LEP area sub-region. Adjustments to the most appropriate sub-regional compound growth rate to apply for comparison have been applied to (a) exclude the contribution of Air and Water Transport to net employment trends and (b) use a shorter 2009-2018 trend period so that the short-term effects of the Coronavirus pandemic do not offset the longer-term growth trend. The Solent LEP area, with these adjustments applied, has achieved a compound rate of employment growth of 2.1% per annum, compared to 5.4% per annum in Test Valley over the full 2009-2020 period.

8.23 Had Test Valley observed the 2.1% per annum rate of growth it would still have resulted in a total increase in employment of 51 job per annum between 2009 and 2020, as opposed to 159 jobs per annum recorded in local BRES data. This is still significantly greater than the annual change for the 2020 to 2040 period derived from the baseline forecast. Details of the local BRES trend and adjusted sub-regional series are shown in Figure 39 below:

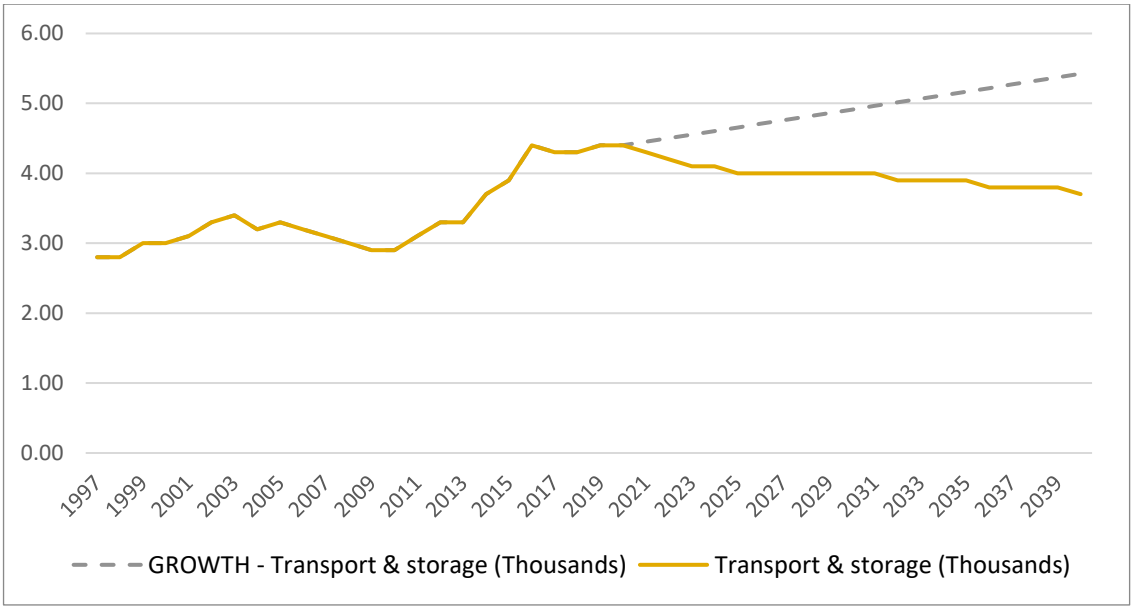
Figure 39. Local and Sub-Regional Trends in Employment Growth - Transport & Storage



Source: BRES; SPRU Analysis

8.24 To generate the Growth Scenario the average annual employment change based on the sub-regional past trend has been applied in place of the baseline forecast on a linear basis. Using the details of the Experian detailed category for Land and Transport Storage this results in compound growth of 1.05% per annum, as opposed to -0.86% in the baseline. This would generate an increase of around 1,024 workforce jobs over the plan period (as opposed to a net loss of 700 jobs within the baseline) and is considering to represent reasonable prospects for capturing labour demand in-line with sub-regional trends in employment growth. This is shown in Figure 40 below.

Figure 40. Transport & Storage Growth Scenario Adjustments 2020-2040 (000s)

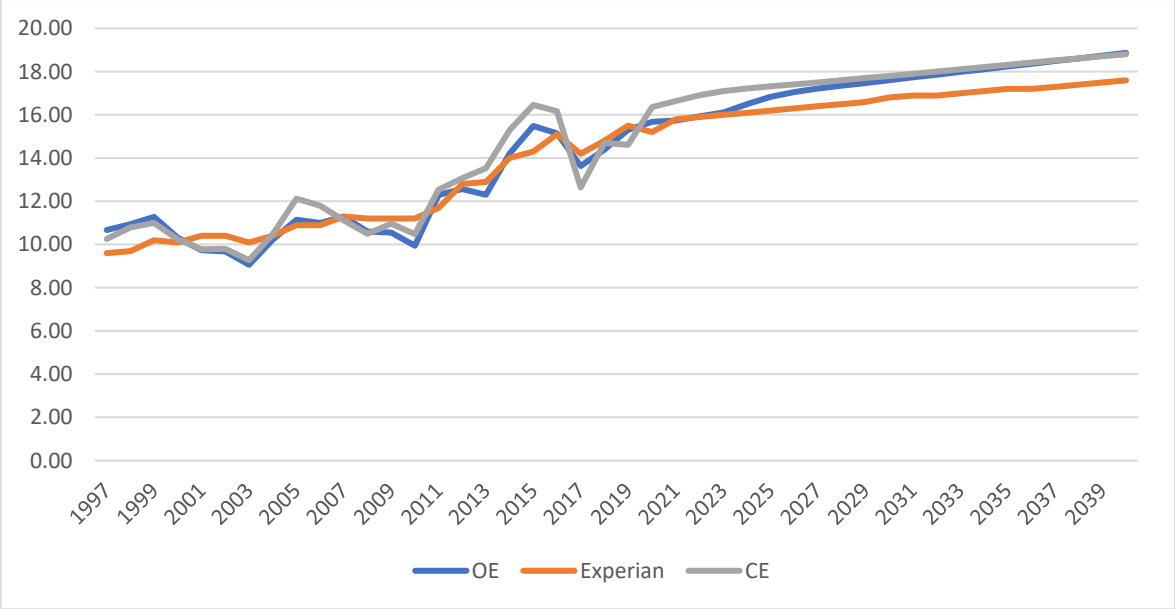


Source: BRES; Experian; SPRU Analysis

d) Professional, Scientific and Technical Activities

8.25 This key sector falls with the broad sector for financial, professional and business services which contributes towards the highest proportions of total employment in Test Valley. Analysis of the key sector therefore requires a more detailed interpretation of the key industries and activities where reasonable prospects for future growth may be less likely to be captured within the baseline assumptions of each forecast. Forecast trends by broad sector are shown in Figure 41 below:

Figure 41. Professional, Financial and Business Services Broad Sector 1997-2040 (000s)

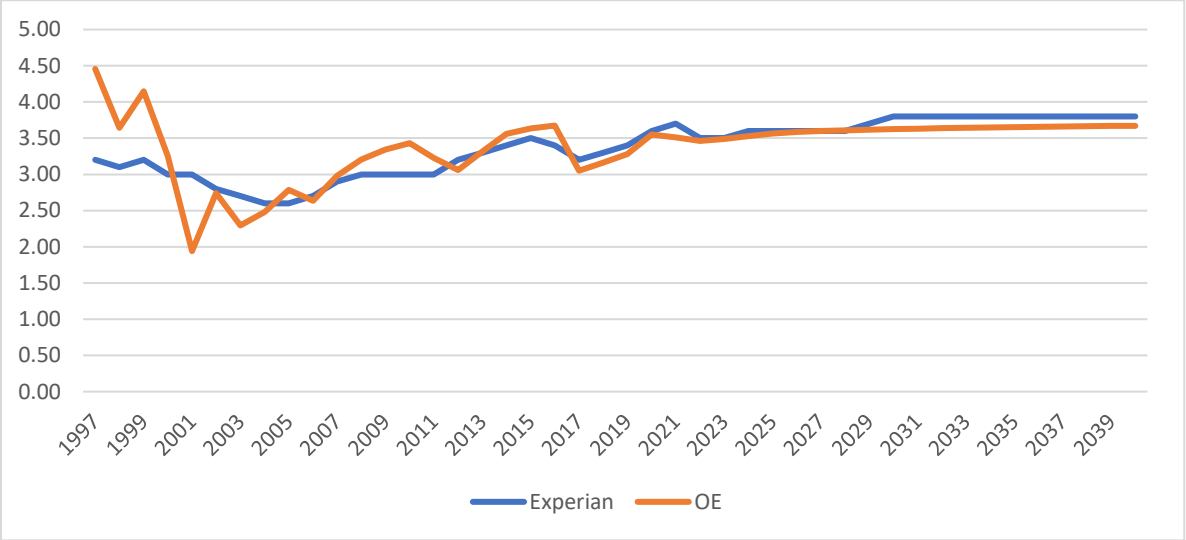


Source: SPRU Analysis of Various Forecasts

8.26 As well as being the broad sector making a relatively greater contribution to forecast labour demand this is also associated with a high degree of consistency between the forecasts, with compound growth rates ranging between 0.7% and 0.9%. The forecasts also generally agree in relation to strong rates of growth between both 2001 and 2011 and from 2011 to 2020, with the lowest compound rates of change being between 2015 and 2020.

8.27 Only the Experian and OE forecasts allow for a finer breakdown of growth prospects by industry group. Isolating those activities relating to finance, insurance, pensions and real estate demonstrate that while there are significant established levels of employment in these industries in Test Valley the baseline forecasts reflect a relatively smoother and more modest trend in past growth. This is translated into the future forecast assumptions whereby collectively these groupings contribute only a net 200 growth in workforce jobs out of a total gain of 2,400 for the broad sector within the Experian forecast and 120 of 3,200 growth in jobs under OE. This is illustrated in Figure 42 below.

Figure 42. Financial Services and Real Estate Detailed Categories 1997-2040 (000s)



Source: SPRU Analysis of OE and Experian Forecasts

8.28 These forecast trends, while local to Test Valley, are generally consistent with the evidence base used to define the professional services key sector within the EM3 LEP area which generally excludes a significant contribution from financial activities. These detailed categories have therefore not been adjusted as part of the growth scenario assumptions.

8.29 The evidence base for the EM3 LEP does not define a specific grouping of industrial codes to identify those professional services activities comprising a key sector. For the purposes of this analysis we have accepted a common grouping of activities that in broad terms comprise a combination of Professional, Scientific and Technical functions and Administrative and Support services[26]. This is generally consistent with the EM3 LEP's evidence base for the emerging LIS. Within this, scientific and technical activities comprise entries for industries that are already or increasingly becoming specialised within the area whereas activities of head offices and administrative functions are identified amongst the top 10 SIC 2-digit classifications for generating overall jobs growth.

8.30 When the overall grouping of professional services considered in this Study is compared for Test Valley and neighbouring areas using 2009-2020 BRES data the results demonstrate extremely strong performance within the authority area in terms of the rate of employment growth and increasing concentrations of employment relative to the South East. This is in contrast to the slight decrease in concentration within the wider EM3 LEP area, suggesting at least to some extent a greater distribution of demand for these functions within Test Valley itself. Table 38 below illustrates these findings.

Table 38. Performance of Professional Services Growth Sectors 2009-20

Professional Services	Test Valley	EM3	Solent	SE Region
Employment Change	3555	4250	3450	60500
LQ Change	0.33	-0.06	0.02	0.00

[26] 7010 : Activities of head offices; 7022 : Business and other management consultancy activities; 7112 : Engineering activities and related technical consultancy; 7120 : Technical testing and analysis; 7320 : Market research and public opinion polling; 7490 : Other professional, scientific and technical activities n.e.c.; 69 : Legal and accounting activities
72 : Scientific research and development; 77 : Rental and leasing activities; 78 : Employment activities; 82 : Office administrative, office support and other business support activities

CAGR	5.1%	0.4%	0.6%	1.1%

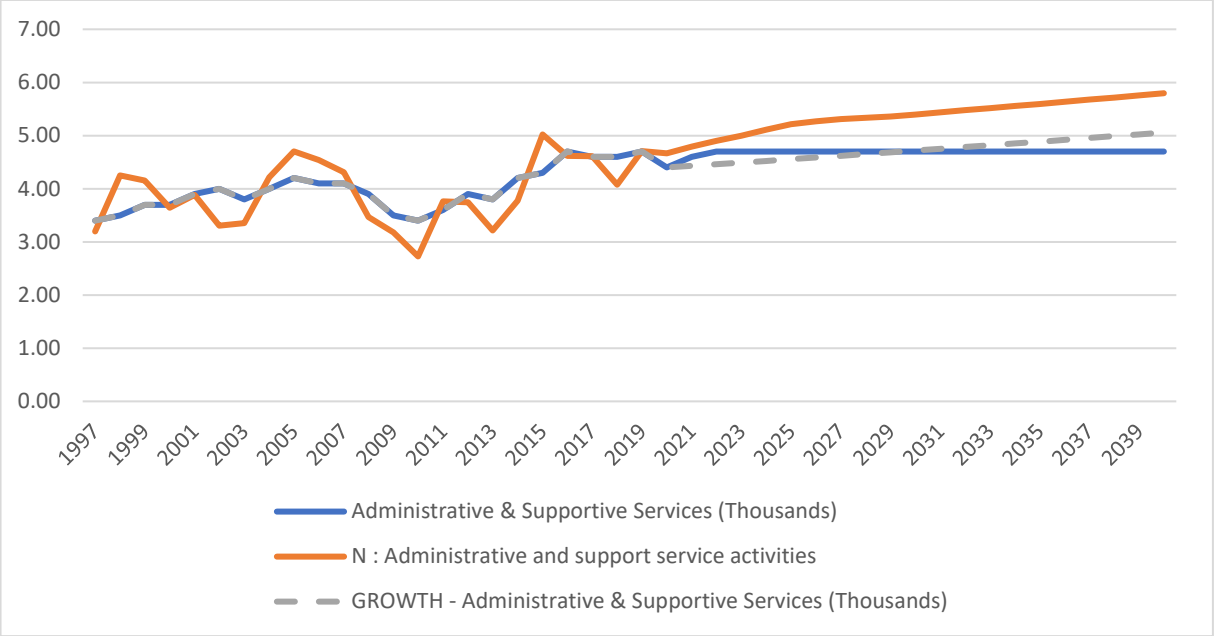
Source: BRES; SPRU Analysis

8.31 These data do not provide the required finer-grained understanding of any difference in the profile of administrative services as opposed to scientific and technical activities in terms of their relative contribution to the profile of this key sector in Test Valley and therefore its relationship with the baseline forecasts for growth prospects.

8.32 For administrative and business service functions it is generally recognised that Test Valley has lower concentrations of employment than the regional average and relatively weaker growth prospects. Nevertheless, these functions (defined by SIC 2-digit classification 82) have out-performed the wider EM3 LEP area with a compound growth rate of 4.8% compared to 0.7%. However, due to the relatively small totals of employment in Test Valley the local growth rate for SIC82 specifically only translates to jobs growth of around 36 persons per annum.

8.33 It is considered more appropriate that the sub-regional growth trend would reflect reasonable prospects for future growth within the overall detailed category for administrative and support services, equating to net employment growth of around 660 persons for the 2020 to 2040 period. Using the sub-regional trend it is noted that reasonable prospects for employment growth therefore exceed the Experian-based starting point for this detailed category over the same period (showing a net change of 300 workforce jobs) but are substantially below the OE forecast for the same category (1,130 jobs). This suggests that the Experian baseline forecast comprises an appropriate starting point for application of the modest uplift for sub-regional trends based on assumptions for the growth scenario. This is shown Figure 43 below:

Figure 43. Administrative & Support Services Detailed Category Growth Scenario Adjustments 2020-2040 (000s)

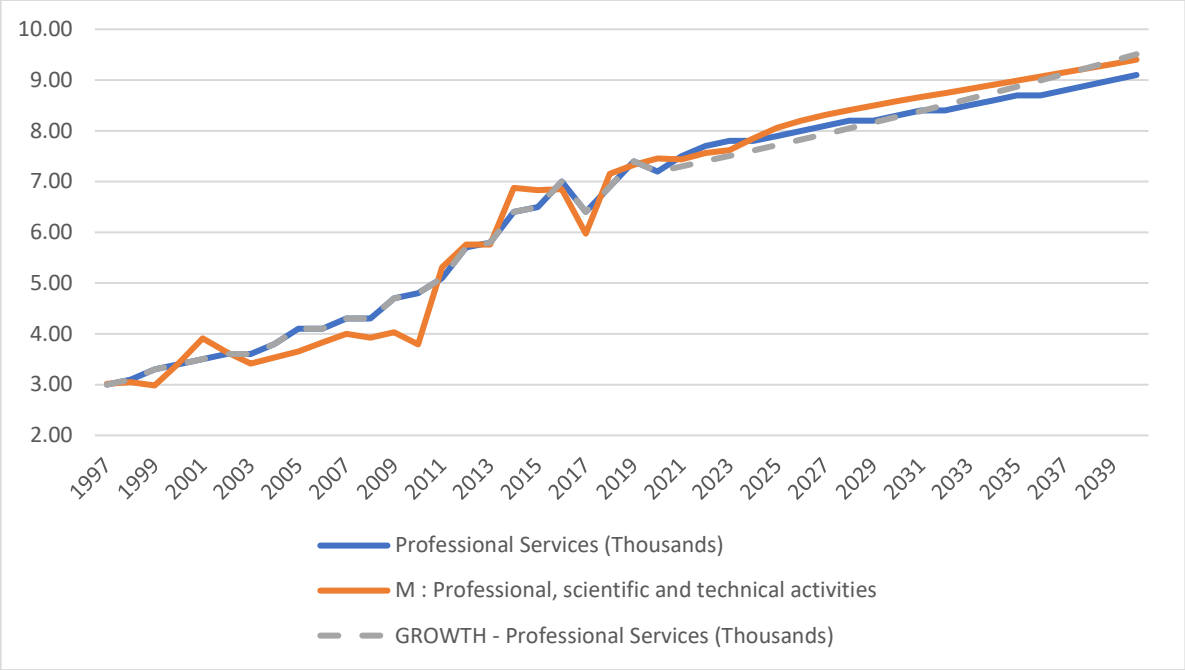


Source: BRES; OE; SPRU Analysis of Experian Forecast

8.34 The same exercise was repeated in relation to Professional, Scientific and Technical activities. For these categories the OE and Experian baseline forecasts are almost identical in terms of prospects for employment change and compound growth for the period 2020 to 2040 (both around 1,900 workforce jobs at a rate of around 1.2% per annum). This represents a significant departure from recent trends based on BRES data for SIC 2-digit classifications 70-74 correlating most closely with these activities and reflected in the LEP's evidence base.

8.35 The evidence for employment growth would suggest that Test Valley has captured a disproportionate total of sub-regional labour demand for these activities (6.5% versus 1.4% per annum). The sub-regional trend would have equated to growth of around 450 jobs in these industrial classifications over the 2009-2020 trend period, compared to employment growth of around 2,700 jobs actually estimated within the BRES data for Test Valley. The sub-regional growth trend of 1.4% per annum would therefore appear to be a more appropriate starting point for reasonable future growth prospects that are not fully captured within the baseline forecasts for labour demand. Using the Experian forecast as a starting point this would indicate a modest increase in growth in workforce jobs from 1,900 in the baseline forecast to 2,310 under the growth scenario trend. This is shown in Figure 44:

Figure 44. Professional, Scientific and Technical Activities Growth Scenario Adjustments 2020-2040 (000s)



Source: BRES; OE; SPRU Analysis of Experian Forecast

e) Growth Scenario – Preferred Baseline Forecast and Summary

8.36 This section provides an assessment of the future economic growth forecasts for Test Valley to 2040. The forecasts are assessed on an overall and sectoral basis to consider their suitability and robustness for planning purposes.

8.37 This section sets out the future employment growth identified by the econometric forecasts. Three econometric forecasts have been assessed:

- Cambridge Economics (CE) which shows a job growth of 5,670 jobs for the period 2020-40;
- Experian which shows a net growth of 5,500 jobs over this period; and
- Oxford Economics (OE) which shows a growth of 5,090 jobs.

8.38 The three baseline forecasts provide a generally consistent outlook on future employment prospects and indicate and a reasonably strong relationship between known trends in delivery and local economic strengths.

8.39 In accordance with PPG, assessments of future economic growth should take account of LEP Local Industrial Strategies (LIS). The growth sectors are identified by the Solent and EM3 LEPs as being of particular importance to the Test Valley economy and are sectors which have performed strongly in recent years, are expected to continue to deliver jobs and productivity growth and are supported by a range of business development and support initiatives.

8.40 Preparation of a Growth Scenario for the purposes of this Study introduces a further consideration of comparability between net changes in the baseline position and the Growth Scenario assumptions where increased growth prospects are assessed across relevant sectors. This Study identifies evidence to suggest reasonable prospects for an increase in the concentration of jobs relative to the regional and national position in several key sectors including evidence of where this more closely reflects recent trends in employment. Should

these prospects be realised this has scope to influence commuting trends in Test Valley and the sub-region (for example reduced out-commuting or potentially reducing long-distance commuting flows out of the sub-region, for example).

8.41 Preparation of the Growth Scenario for this Study provides the strongest justification for use of the baseline Experian forecast. The Experian baseline forecast includes net growth of 3,500 jobs relative to the Growth Scenario total of 6,650 jobs. This compares with 2,320 jobs in OE and 3,360 jobs in CE (see outputs in Table 39 below (shaded rows *plus* unadjusted Information & Communications sector). The Experian baseline forecast also suggests the strongest compound growth rate previously recorded between 2015 and 2020. This in-part corresponds to where the Growth Scenario takes account of the most recent evidence for reasonable prospects for stronger net gains in employment.

8.42 This stronger representation of key sectors within the baseline is principally a function of showing the lowest forecast trend in continued job losses in Manufacturing and the highest baseline prospects for Information and Communications. Only Wholesale & Retail and Transport & Storage appear as potential outliers within the Experian baseline, and this is most likely to reflect the forecasting methodology's assumptions for relatively low consumer spending based on the dispersed population pattern in Test Valley. Coupled with this the Experian forecast has been identified as the most appropriate source for more detailed analysis because it provides greater detail by sub-categories particularly for Manufacturing and Professional Services where the overview above indicates this is likely to be beneficial to assess future prospects.

8.43 A Growth forecast has therefore been developed based primarily on the Experian forecast but with upward adjustments to the following LIS growth sectors:

- Advanced Manufacturing (specifically Auto-aero, Computer and Electronic Equipment and Transport);
- Information and Communication;
- Transportation and Storage;
- Professional, scientific and technical activities.

8.44 This results in a Growth forecast which aligns with, and takes account of, the emerging Local Industrial Strategies for the wider sub-region. The Growth forecast shows a growth of 8650 net additional workforce jobs over the period 2020-40. A summary by sector is provided in Table 39 below. The cells highlighted in the final column are those sectors in which adjustments have been applied.

Table 39. Comparison of Experian LEP Growth Scenario and Baseline Forecasts

2020-2040	OE	Experian	CE	Experian-based Growth
Agriculture, Forestry & Fishing	-220	-300	40	-300
Extraction & Mining	0	0	0	0
Manufacturing	-2600	-100	-1150	397
Utilities	-70	100	250	100
Construction	920	1400	1170	1400
Wholesale & Retail	700	-700	140	45
Transport & Storage	-50	-700	360	1024
Accommodation & Food Services	640	1800	1220	1217
Information & Communication	430	800	340	800
Professional, Financial and Business Services	3200	2400	2450	3167
Public Services	1660	800	570	800
Recreation and Other Private Services	490	0	270	0
Total	**5090**	**5500**	**5670**	**8650**

Source: SPRU analysis of OE, CE and Experian data, with growth scenario

8.45 Taking account of the evidence base for two emerging Local Industrial Strategy and reflecting strong recent performance within Test Valley in relevant sectors generates an increase in the assessment of reasonable prospects for growth that more closely aligns with recent trends in employment growth and floorspace delivery. Adopting an average forecast for Wholesale & Retail and Accommodation & Food Services activities provides a more stable outlook for these sectors sitting alongside the Growth Scenario.

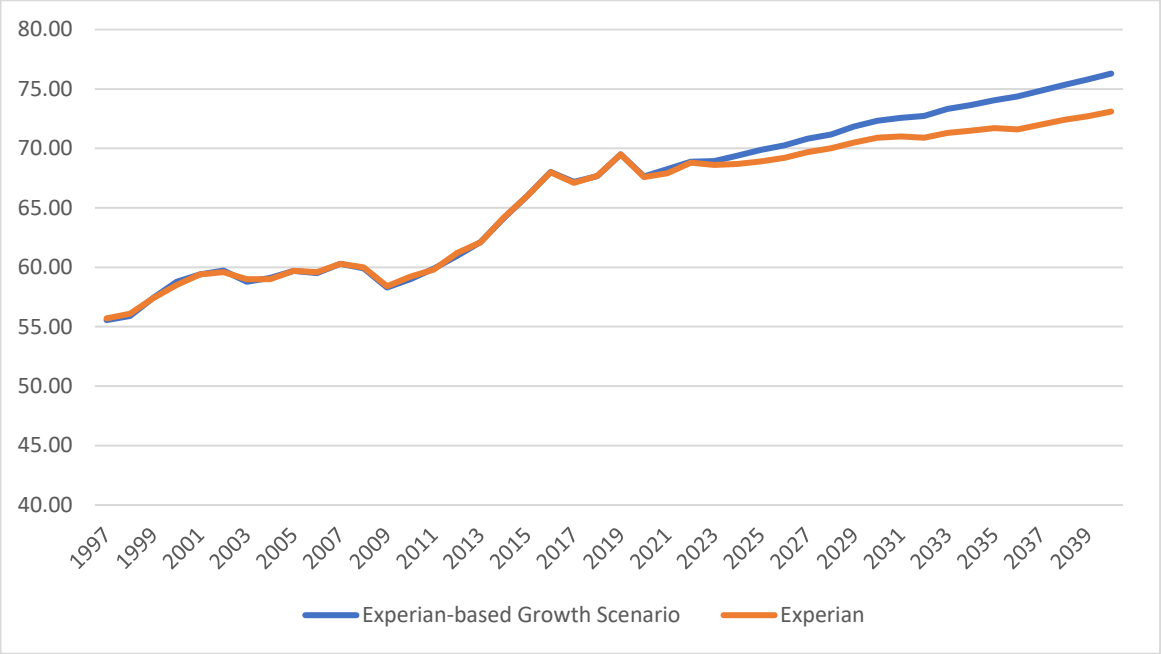
8.46 The Growth forecast shows an annual growth rate of 0.60% per annum compared to 0.38% in the Experian forecast. For comparison, the growth rate seen in Test Valley between 2011 and 2020 (inclusive of the initial effects of the Coronavirus pandemic) is between 1.22% (OE) and 1.55% (CE) per annum dependent on the assumptions between the forecasting houses.

Table 40. Comparison of Forecasts for Test Valley (2020-2040)

	Jobs Growth 2020-2040	Annual Growth Rate 2020-40
OE	5,090	0.36%
Experian	5,500	0.38%
CE	5,670	0.39%
Experian Growth Forecast	8,650	0.60%

Source: SPRU analysis of OE, CE and Experian data, with growth scenario

Figure 45. Comparison of Jobs Growth Forecasts



Source: SPRU analysis of OE, CE and Experian data, with growth scenario

8.47 In Chapter 13 this Study identifies that the prospects for additional job growth are more closely aligned (albeit slightly below) increased levels of labour supply that the SHMA expects to be generated as a result of providing housing in accordance with the Government's standard method.

8.48 None of the forecasts directly support that the provision of additional labour will necessarily un-constrain jobs growth. For the purposes of the Experian forecast, however, due to the explicit links with the official projections this as a minimum indicates the provision of labour market flexibility and allow economic activity rates to fall to at least support the baseline forecast.

8.49 Given the findings of the Council's evidence for labour supply generated by planning to meet housing need in accordance with the Government's standard method the Growth Scenario indicates the potential for this to be more closely aligned with changes to workforce jobs in Test Valley, over-and-above providing labour market flexibility and to some extent reflecting an increase in jobs related to serving increased population growth.

CHAPTER 8: KEY POINTS

- This chapter considers appropriate adjustments to develop a growth scenario that reflects growth sectors identified in the emerging LEP Local Industrial Strategies.
- The Experian forecast is used as the preferred basis for this scenario, having further regard its baseline position showing the strongest overall net change in the sectors assessed and its scope for closer analysis of detailed categories.
- Advanced Manufacturing – The Test Valley area has out-performed the two LEP areas in terms of its performance in advanced manufacturing over the period 2009-2020. The Experian manufacturing forecast has been adjusted to account for these past growth trends.
- Information and Communication – Existing employment levels in this sector in Test Valley are relatively low but have grown at faster rates than elsewhere in the EM3 LEP area. The Experian baseline forecast is considered to be reflective of the potential for employment growth in this sector to 2040.
- Transportation and Storage – The forecasts show negative to low growth in this sector of between -0.9% and 0.4% over the period 2020 to 2040. These forecasts do not reflect past trends which show Test Valley has significantly out-performed the wider EM3 LEP and neighbouring Solent LEP in these sectors. A Growth Scenario for this sector has been established based on the assumption that labour demand in Test Valley reflects the trend in employment growth in the Solent LEP area sub-region (adjusted to exclude the contribution of Air and Water Transport trends, which are not relevant to Test Valley, and to adjust for the effects of the Coronavirus pandemic).
- Professional, Financial and Business Services – Past trends data show extremely strong performance in this sector in Test Valley compared with the wider South East region, but weaker performance compared with the EM3 LEP area. The Experian baseline forecast has been adjusted to reflect the higher sub-regional growth trend for these sectors.
- The Growth Forecast that is derived from these adjustments projects a total growth of 8,650 jobs and 0.60% annual growth rate over the period 2020 to 2040. This is compared with a jobs growth of 5,420 and annual growth rate of 0.38% averaged across all three baseline forecasts.

9.0 RISKS DUE TO BREXIT AND COVID 19

a) Risks Due to Brexit

9.1 The UK voted to leave the EU in a referendum vote in June 2016 with the UK eventually leaving in January 2020. A year-long 'transition period' followed which lasted until the end of 2020. Replacement arrangements for travel, trade, immigration, and security co-operation came into force on 31 December 2020 as set out in the UK/EU and EAEC: Trade and Cooperation Agreement (TCA) and reflected in UK Legislation under the European Union (Future Relationship) Act 2020.

9.2 Implementation of the full details and arrangements within the TCA extended beyond 31 December 2020. This included provisions relating to additional paperwork and checks relating to goods entering the EU from this date and checks for controlled substances on goods entering the UK from 1st July 2021, and has been further delayed by the UK Government in some areas. The potential effects of disruption in relation to the flow of goods and labour associated with levels of additional bureaucracy are unlikely to have been full realised in terms of longer-term macroeconomic consequences.

9.3 At the time of the preparation of this Further Analysis Study the potential renegotiation of the Northern Ireland Protocol incorporated within the EU-UK Withdrawal Agreement of December 2020 remained a potential barrier to predicting any definitive outcome of the future trading relationship. At the macroeconomic level, Brexit will inevitably have numerous implications for the UK's economy. Forecasting the economic implications of Brexit is therefore an indefinite process.

9.4 This notwithstanding, all three forecasting houses have incorporated the implications of Brexit into their forecasting approaches and have reflected emerging details of the now current and implications of potential future arrangements as these were clarified. This includes assumptions adopted in current and previous iterations of forecasts in relation to potential reductions in EU migration (and consequentially how assumptions are derived in terms of migration flows from outside the EU) and the end of passporting for financial services.

9.5 The various models estimate the impacts of Brexit based on what they consider to be the most likely outcomes, given announcements and published reports by think-tanks, non-profit organisations and the UK Government.

9.6 These assumptions have been converted into economic modelling assumptions, which provide inputs for the model used in the forecasting process.

9.7 There has inevitably been a requirement for incremental adjustment to forecasting assumptions relating to implementation of post-Brexit trading arrangements. The overall predictions of forecasters that GDP has been around 1-3% lower than it otherwise would have been under pre-Brexit expectations have been demonstrated to be relatively accurate[27]. Impacts on productivity have, however, been generally more modest than predicted. The loss of output observed to-date has been mostly demand driven, through continuing weak business investment, leading to reductions in employment and further impacts on aggregate demand. At least up to mid-2022 this was partly offset by higher rates of government spending, which have since increased further.

9.8 A gradual lowering of the trajectory for GDP caused primarily by reductions in business investment, and lower consumer spending in line with reduced immigration and population levels representing the primary effect of CE's Brexit forecasts would appear to provide a reasonable set of longer-term assumptions. Over time there are some productivity effects,

[27] Brexit: the economists were broadly right - Cambridge Econometrics (camecon.com)

but these are relatively modest in comparison. The impacts of changes in trade volumes are also modest in comparison. A reduction in long-run productivity of around 4%, together with reduced net immigration and imports and exports both being around 15% lower are also reflected in the Office for Budget Responsibility's own fiscal forecasts[28].

9.9 For the purposes of forecasting, the macroeconomic impacts of Brexit are considered in terms of three main factors: exports, workforce, and investment.

9.10 Table 41 presents CE's overview[29] of the specific long-term economic assumptions of the impacts of Brexit by broad sector:

Table 41. Sectoral Brexit Risk Rating

Sector	Export Impact	Workforce Impact	Investment Impact
Agriculture	Mild slowdown in EU demand	Strong employment constraints	Mild slowdown in investment
Mining and Quarrying	No specific impact	Moderate employment constraints	Moderate to pronounced slowdown in investment
Low and medium-low tech manufacturing	Mild slowdown in EU demand	Moderate employment constraints	Moderate to pronounced slowdown in investment
High and medium-high tech manufacturing	Mild to moderate slowdown in EU demand	Moderate employment constraints	Moderate to pronounced slowdown in investment
Construction	Mild slowdown in EU demand	Moderate employment constraints	Moderate to pronounced slowdown in investment
Utilities and energy	Mild slowdown in EU demand	Moderate employment constraints	No specific impact
Transport, distribution, retail and wholesale trade	Moderate to pronounced slowdown in EU demand	Strong employment constraints	Moderate to pronounced slowdown in investment
Accommodation and food service	Moderate to pronounced slowdown in EU demand	Strong employment constraints	Moderate to pronounced slowdown in investment
Administrative and support services	Moderate to pronounced slowdown in EU demand	Strong employment constraints	Moderate to pronounced slowdown in investment
Information and communication	Pronounced slowdown in EU	No specific impact	Moderate to pronounced

[28] Brexit: the economists were broadly right - Cambridge Econometrics (camecon.com)
[29] https://cambridgeshireinsight.org.uk/wp-content/uploads/2020/07/EEFM_2017_UK_forecast_assumptions_August2017.pdf

Sector	Export Impact	Workforce Impact	Investment Impact
	demand		slowdown in investment
Financial and insurance	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown in investment
Real estate	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown in investment
Professional, scientific and technical	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown in investment
Government services	Mild slowdown in EU demand	Moderate employment constraints	Mild slowdown in investment
Arts, recreation, and other services	Mild slowdown in EU demand	Moderate employment constraints	Mild slowdown in investment

Source: CE

9.11 Aggregating the results for each of the three impacts shows the following sectors are the most at risk sectors due to Brexit:

- Transport, distribution, retail and wholesale trade;
- Accommodation and food service;
- Administrative and support services.

9.12 The following sectors are at moderate risk due to Brexit:

- Agriculture;
- Mining and quarrying;
- Low and medium-low tech manufacturing;
- High and medium-high tech manufacturing;
- Construction;
- Information and communication;
- Financial and insurance;
- Real estate;
- Professional, scientific and technical.

9.13 The following sectors are at low risk due to Brexit:

- Utilities and energy
- Government services
- Arts, recreation, and other services

9.14 This analysis has been used to identify the scale of risk in the sectoral jobs growth forecasts for Test Valley over the period 2020-2040. The scale of jobs growth in each sector is set out in Table 42 along with the risk rating identified above.

Table 42. Sectoral Brexit Risk Rating, Test Valley

Sector	Total Jobs 2020	Forecast Jobs Growth 2020-40				Risk Rating
		CE	OE	Experian	Experian LEP-Based Growth	
Agriculture and mining	1500	40	-220	-300	-300	Med
Manufacturing	6000	-1150	-2600	-100	397	Med
Electricity, gas & water	430	250	-70	100	100	Low
Construction	4000	1170	920	1400	1400	Med
Wholesale and retail trade	10000	140	700	-700	45	High
Transport & storage	4000	360	-50	-700	1024	High
Accommodation & food services	4000	1220	640	1800	1217	High
Information & communications	2250	340	430	800	800	Med
Financial & business services	13400	2450	3200	2400	3167	Med
Government services	11500	570	1660	800	800	Low
Other services	2500	270	490	0	0	Low
Total	**59,580**	**5670**	**5090**	**5500**	**8650**	

Source: SPRU Analysis of various forecasts

9.15 Table 43 and Table 44 sum the total number of jobs growth forecast in Test Valley categorised by the identified risk rating due to Brexit. This is shown in the tables by total jobs growth and the proportion of jobs in each risk rating. The impact of Coronavirus and the assumptions regarding a post-COVID bounce cannot, however, be divorced from how these assumptions affect the 2020 to 2040 period.

9.16 The tables show that as of the 2020-base date 46% of jobs in Test Valley were in the moderate risk category, with 24% low risk, and 30% high risk. It is relevant to note that of the high-risk sectors identified by CE the most recent estimates of employment locally indicate that these have continued to contribute to jobs growth (or in the case of Wholesale and Retail provide relatively stable levels of jobs) since the UK voted to leave the European Union.

9.17 With the exception of the Experian baseline forecast the level of net jobs growth in the forecasts, including the Growth Scenario broadly reflects the same proportions of employment at the 2020 base-date. None of the forecasts exceed the baseline for the proportion of jobs in high-risk sectors with the highest being CE (30% of net employment growth). While the Growth scenario provides for the highest absolute total net growth in higher-risk sectors (2,286) this is principally due the increased prospects for the Transport and Storage sector (1,024) which has continued to show strong performance in the years following the Brexit referendum. The Growth Scenario produces lower absolute change across the other combined higher-risk sectors than the equivalent position in all three baseline forecasts.

9.18 The Experian baseline and Growth scenario forecasts both provide for a higher proportion of growth in moderate risk sectors. This is principally because of a more positive outlook for the Manufacturing sector than the net losses of jobs shown both the CE and OE forecasts.

9.19 A lower proportion of net additional forecast jobs growth is contained within comparatively low risk sectors. Both the CE and Experian baseline forecasts show very similar (and in

absolute terms limited) net gains in employment within the Other Services and Government Services sectors. This is broadly consistent with the relatively low proportion of baseline employment. The relative proportion of lower-risk net employment change within the Growth scenario is simply a function of uplifts being concentrated in moderate risk sectors that have nonetheless performed more strongly since the referendum.

9.20 The difference between OE and the other forecasts only arises due to its very positive assumptions for continued employment growth in Government Services (i.e., health, education and public administration) that together have only limited implications for this Study's method to derive requirements for new land and floorspace for economic development. It should be noted that while specific Brexit-related effects upon are considered to be reduced in 'low-risk' sectors the prospects for employment growth may nonetheless be sensitive to other assumptions for example levels of Government spending and investment.

Table 43. Jobs by Brexit Risk Rating, Test Valley

	Total Jobs 2020	Forecast Jobs Growth 2020-40			
		CE	OE	Experian	Experian LEP-Based Growth
High	18,000	1,720	1,290	400	2,286
Moderate	27,150	2,850	1,730	4,200	5,464
Low	14,430	1,090	2,080	900	900

Source: SPRU Analysis of various forecasts

Table 44. Proportion of Jobs by Brexit Risk Rating, Test Valley

	Total Jobs 2020	Forecast Jobs Growth 2020-40			
		CE	OE	Experian	Experian LEP-Based Growth
High	30%	30%	25%	7%	26%
Moderate	46%	50%	34%	76%	63%
Low	24%	19%	41%	16%	10%

Source: SPRU Analysis of various forecasts

9.21 This analysis suggests that the majority of existing jobs and forecast total growth within the Test Valley economy derived from the Experian-based forecasts are not considered to be at high risk of negative consequences of Brexit.

9.22 The broad consistency between all three baseline forecasts and analysis of performance within relevant sectors since the Brexit Referendum supports the broad conclusion that the prospects for employment growth is absolute and relative terms are unlikely to justify a reduction due to Brexit-related risks.

9.23 In practice this means the effects of Brexit itself are increasingly well-established within forecasting assumptions with a relatively lower likelihood of pronounced effects on demand and productivity related to departure from the EU. While a more detailed understanding of the correlation of Brexit risks factors with the local economy will remain helpful it is less appropriate over time to suggest that these would in isolation justify a further reduction in the assumed growth prospects.

9.24 The passage of time and indefinite nature of the Brexit process also mean it will be impossible to discern whether wider macroeconomic risks can be fundamentally related to the departure

from the European Union. This includes, for example, the macroeconomic effects of the Ukrainian-Russian War including food and energy costs, inflationary pressure and any resultant effects on Government investment that may have thus far ameliorated the impacts of Brexit. A higher correlation of Brexit-related risk factors does not necessarily provide a reason to specifically adjust the growth prospects for certain sectors based on wider macroeconomic factors before these are reflected in the specific assumptions of the individual forecasting houses.

9.25 The outputs for individual sectors from within the Growth Scenario generally within the range provided by the baseline forecasts. The Growth Scenario forecast for the Transport & Storage sector is an exception to this. This must be viewed in the context of the methodologies for each of the three forecasting houses failing to reflect more recent drivers for growth in the sector including strong compound rates of employment change throughout the last decade including the 2015 to 2020 period following the Referendum.

9.26 Specific assumptions that support the uplifts to reasonable prospects for future growth in each sector within the Growth Scenario reflect a number of factors including increases in the employment quotient locally and strong recent performance. The Growth Scenario would therefore also not appear to reflect an overall exposure to substantially higher-risk sectors or an over-concentration of employment in certain sectors that would justify a reduction in the outlook for future changes in employment.

b) Stakeholder Views on Brexit

9.27 Stakeholders expressed their concern regarding the potential growth of Test Valley's economy as a result of the impacts of Brexit. It was highlighted numerously that a number of sectors experienced a downturn as a result of Brexit and that these effects were exacerbated by the subsequent COVID-19 pandemic. Notwithstanding, it was recognised that many sectors have experienced an upturn in growth as the uncertainty diminishes and businesses become more confident to thrive.

9.28 Stakeholders identified that European companies which previously brought employment and economic growth to Test Valley were now choosing to relocate to other areas within the UK to establish bases, which had greater transport links (including public transport) and more desirable amenities. This was especially impacting the office-based administrative sectors. Conversely, the impacts on industrial floorspace, especially manufacturing, were beginning to subside and the demand for large industrial units was increasing once more as the national and local economy settles following the impacts of Brexit.

9.29 Most notably, large industrial units of over 100,000 sqm were required to facilitate this demand; however, it was acknowledged that smaller businesses would also need to prosper to accommodate the medium sized units which could become available as a result of churn and turnover in stock. Attention was consequently being directed towards local businesses, which were less impacted by international politics, to meet this demand and prospective gap in the market.

9.30 However, it was noted by stakeholders that Brexit has caused a skills gap in many sectors, including software engineering and manufacturing, which has stalled the growth of the industrial industry in Test Valley. The constraint on growth is caused by the diminished ability to attract prospective workers from overseas as a result of Brexit and the restricts on free movement of labour. This has had an impact upon employment locally and stakeholders noted that 'blue collar' businesses in particular are now having to work harder to attract employees from within the local labour market. This remains a concern for how the area can facilitate growth given that the area continues to not attract employees to meet this demand and the fact Test Valley has, historically, performed well in these sectors.

c) Risks Due to COVID-19

9.31 In the first half of 2020 the UK was hit by the Coronavirus (COVID-19) pandemic which has had a significant impact on the global, national, and local economy. The forecasts used in this assessment take account of the impact of COVID-19. However, the full scale of the impact is likely to continue to evolve over future years. Due to the unprecedented nature of the initial event, and subsequent uncertainty regarding the pace and extent to which associated restrictions have been removed and re-imposed together with the success of measures to prevent future 'waves', the ongoing and future effects of the pandemic remain a relevant consideration.

9.32 This section considers the impact that COVID-19 might have on Test Valley's economy, including:

- The risk to existing jobs and job creation in different sectors of the economy; and
- The impact on employment land requirements, to support growth sectors, due to changes in working patterns and increased home working.

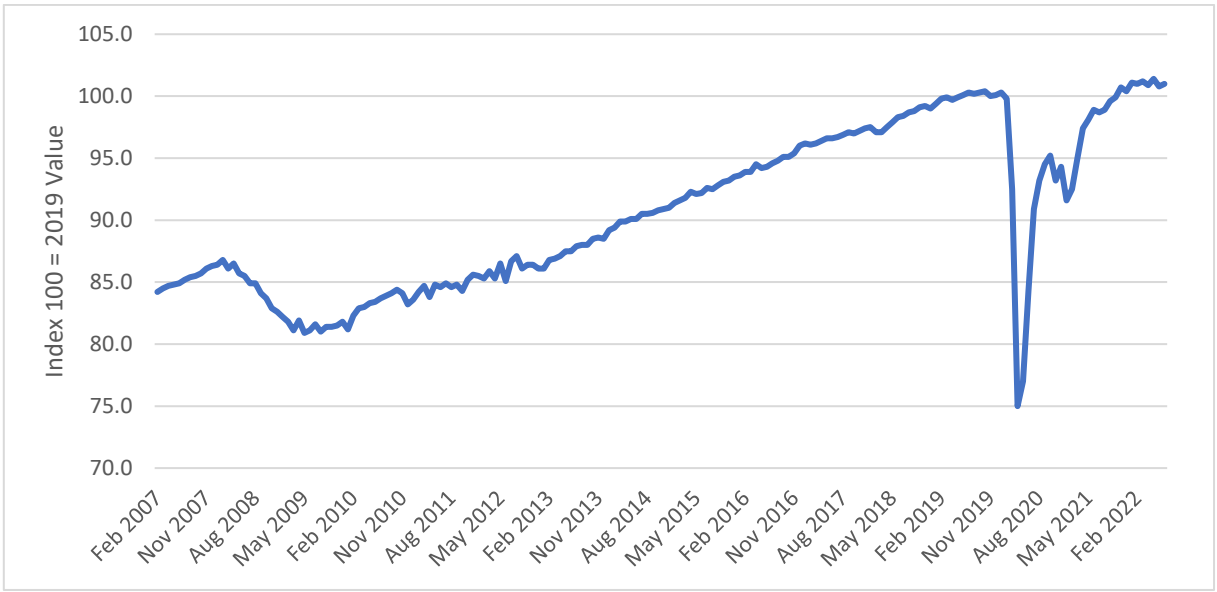
9.33 The data and analysis in this section is correct at the time of writing. Given the substantial improvements in treatment the residual effects of 'living with' the pandemic are clearly much reduced.

d) Impact on Employment - Overview

9.34 Monthly national GDP figures published by ONS show the impact of COVID-19 and the ensuing lockdown had on the national economy. This shows a drop of around 25% between January and April 2020. However, this was followed by 6 months of continuous growth, with GDP recovering to around 94.8% of January 2020 levels by October 2020 and the re-imposition of more significant restrictions. The 'second wave' during the winter of 2020/21 had a less pronounced impact on GDP, falling back to around 91.3% of January 2020 levels by January 2021, still significantly ahead of performance at the end of the first lockdown.

9.35 The latest data as of July 2022 now indicate that GDP has shown further increases to sit around 1.1% above pre-pandemic levels, with the profile of growth slowing since June 2021 and averaging only around +0.16% per month.

Figure 46. Monthly GDP, Jan 2007- July 2022, UK



Source: ONS

9.36 Notwithstanding wider macroeconomic factors the monthly GDP series for the previous 12 months reflects the first cycle since the onset of the pandemic where total economic output is unlikely to have been further affected by imposing or lifting restrictions to any significant effect or with differential effects on any particular sectors of the economy. This is a marked departure from previous impacts - for example the Accommodation and Food Service sector was experiencing a GDP contraction of -70% through March to May 2020 reflecting the fact that the majority of businesses in the sector have been closed throughout this time.

9.37 As such the immediate effects of the pandemic by sector are considered less relevant for detailed assessment in this FAS.

9.38 There are a number of characteristics of an economy which will be more or less susceptible to the impacts of COVID-19. Data from the Business Impact of Coronavirus Survey (BICS) was produced by ONS during the peak of the COVID pandemic to assess the impact COVID-19 has had on different sectors of the economy. The BICS provides data on a range of economic performance indicators but should not be treated as providing an indication of long-term economic performance or employment trends. The data do show which sectors have been hardest hit by COVID-19.

9.39 The BICS was produced by ONS and the indicators based on responses from the voluntary fortnightly business survey, which captures businesses' responses on how their turnover, workforce costs, trade and business resilience have been affected in the two week reference period. Data collection has since ceased on specific Coronavirus-related effects and replaced by the Business Insights and Conditions Survey (BICS) which is reported as part of 'Business Insights and Impact on the UK economy' bulletins by the ONS30. This increasingly addresses macroeconomic factors such as the effect of inflation on the costs of goods and services.

9.40 This may represent a potential extension of Coronavirus-related effects. One of the key factors affecting businesses who continued to trade during the pandemic was the decreasing availability and increasing cost of importing and exporting goods. This has particularly impacted businesses who trade overseas due to differing restrictions of trade and movement in different jurisdictions, and different countries enforcing and relaxing lockdown restrictions at different times.

9.41 Overall, nearly half (44.6%) of businesses reported having challenges relating to exporting. The sectors most widely hit have been Transportation and Storage, Wholesale and Retail trade, and Manufacturing (ONS, BICS, June 2020). Restrictions on imports have had a similar impact to a wide range of sectors with Transportation and Storage, Administration and Support, Wholesale and Retail trade, and Manufacturing most affected.

9.42 Changes to the BICS questionnaire and other datasets compiled as part of the indicators means that impacts directly attributable to Coronavirus are less readily discernible within the most recent information. Comparing datasets and survey findings over different time periods is unlikely to be a reliable indicator of changing trends in terms of identifying and charting the specific impacts of the pandemic. The range of factors affecting different sectors in alternate ways is also likely to have broadened over the 2019 to 2021 horizon – most significantly the combined effects of Brexit and COVID-19.

9.43 The trend from BICS survey responses from January 2021 to October 2021 indicates those businesses reporting continued effects on turnover. A finding of these data is a narrowing between the sectors in terms of those citing Coronavirus as a reason for the effects on turnover. This was particularly pronounced during the Spring and Summer of 2021, likely

30 https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheukeconomy/22september2022

corresponding with a further recovery in the hospitality sector. Conversely, the number of businesses reporting impacts in the administrative service sector and to a lesser extent construction and manufacturing showed a slower rate of decrease. This suggests that the potential effects of Coronavirus may have become more established upon these sectors around factors such as supply chains and impact upon labour supply or working patterns.

9.44 Further evidence for this within the BICS illustrates a significant and steadily growing number of businesses reporting the combined effects of Coronavirus and the end of the EU transition period as the reason for effects on turnover. These combined effects are less commonly cited within the services (and particularly hospitality sector) resulting in a further narrowing of overall impacts of Coronavirus across different sectors of the economy.

9.45 The characteristics of the post-COVID recovery can be assessed through a review of the more recent data for GDP growth and the relative performance of different sectors of the economy. As of October 2021, the ONS reported that only the services sector had returned to its pre-pandemic levels in terms of overall GDP (output measure). This is primarily a result of the monthly contribution to GDP growth from the Construction and Production components of the economy failing to match pre-pandemic levels. As of July 2022 the contribution of Construction to GDP growth had returned output to pre-pandemic levels.

9.46 This means that as of October 2021 the year-on-year contribution to growth in the whole economy is less than the equivalent contraction observed in data throughout 2020, reflecting that recent losses in terms of negative contributions to growth between 2020 and 2021 were not being fully offset, or were being offset and balanced out by different sectors of the economy.

9.47 Figure 47 below compares the contribution to growth by sector in the 12 months to October 2020 (negative change) and 12 months to October 2021 (positive change). The difference between the two series in terms of the total difference in contribution to GDP over the 24-month period is -0.5 – corresponding to the overall change in output remaining slightly below pre-Coronavirus levels. The monthly contribution to GDP growth from November 2021 to July 2022 is also shown. The addition of this growth broadly corresponds to total GDP exceeding pre-Coronavirus levels by around 1.1%.

9.48 The October 2020 data in comparison show the contribution of sectors at that time to output 6% below pre-Coronavirus levels. These data helpfully illustrate that over a 12-month horizon some sectors bearing the brunt of the initial lockdown including arts, entertainment, accommodation and food services, all show only relatively modest contributions to the fall in output. This is indicative of sectors likely to drive the recovery as part of the post-Coronavirus bounce.

9.49 The Wholesale and Retail sector is notable in delivering a net contribution to growth in the 12-months to October 2020, reflecting that pent-up demand for increased consumer spending was realised very sharply following the lifting of restrictions.

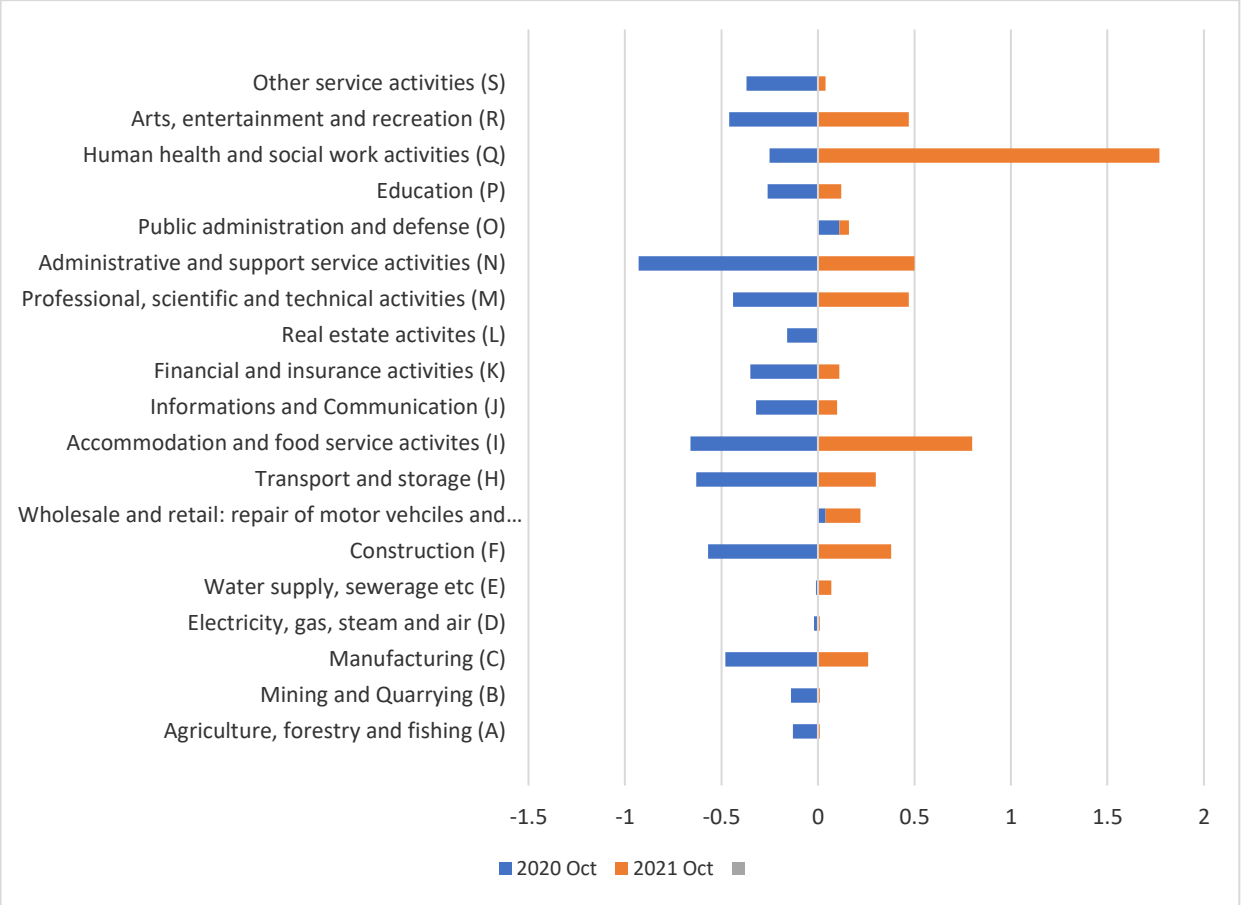
9.50 Data for the 12-months to October 2021 provide an illustration of sectors that have failed to keep pace with recovering the equivalent losses in the contribution to growth that remained visible as of October 2020. This particularly includes the Manufacturing, Construction and Transport & Storage sectors.

9.51 Within the services sector as a whole there has been a re-profiling in the distribution of contributions to growth that has enabled this component of the economy as a whole to return to pre-Coronavirus levels. This has been particularly driven by the Human Health sector. It is, however, notable that accommodation together with arts and recreation have continued to contribute to growth sufficient to offset past losses.

9.52 Within the services component of the economy there remain sectors including administration

and finance that have made a more limited contribution to growth. Noting the relative performance in October 2020 these sectors act to limit the overall profile of the service economy compared to pre-Coronavirus levels and remain relevant to understanding the reasons GDP remains lower than at October 2019.

Figure 47. Rolling 12-month Performance of Contribution to GDP Growth by Sector



Source: ONS BICS

9.53 The slower recovery of some sectors may not be directly attributable to the impact of Coronavirus and may instead represent a multitude of factors impacting upon these areas of the economy. However, due to the successive 'waves' of the pandemic across winter 2020/21 and the ongoing nature of restrictions into 2021 it is reasonable to conclude the 12-month period to October 2021 reflects effects associated with Coronavirus to some extent. This enables a slightly longer-term view to be taken in terms of whether reasonable future prospects for economic growth should be moderated further. This is reinforced by details of the monthly contributions to growth from October 2021 onwards where sectors including Manufacturing, Transport & Storage and Administration have made stronger gains than in the second year of the pandemic. Performance has been relatively more mixed for sectors such as Wholesale & Retail which may reflecting changes in spending patterns or a stabilisation of post-pandemic trends (for example in Healthcare).

9.54 The contribution to overall GDP growth recorded in Figure 47 is dependent on the overall percentage change in each sector. In practice this means that if any individual sector fails to maintain percentage growth of the levels observed over the preceding 12-month period this will affect the overall contribution to growth. This is particularly significant for larger individual sectors such as Manufacturing, where levels of growth in percentage terms will disproportionately affect the overall economy (with the converse being true where levels of

growth are lower).

9.55 Predicting the longer-term impacts that COVID-19 might have on the economy will be an important exercise to inform a wide range of disciplines, including land use planning. However, given the lack of precedent for a pandemic of this scale in modern times, forecasting future economic performance remains highly uncertain. This high level of uncertainty is due to a range of factors, the majority of which pose significant downside risks:

- **Long-term changes to market confidence and consumer attitudes to spending.** The current crisis results in less confidence in spending and risk-taking behaviour resulting in a long-running adverse effect on investment, entrepreneurship and innovation, weighing on the productive capacity of the economy. This could mean the long-term damage to the UK economy proves more significant than expected.
- **Economic recovery is heavily reliant on intervention of government policy.** Any changes to government policy or spending would have significant impacts, more so than usual.
- **Impact on negotiating post-Brexit deals.** The UK continues to negotiate its future trade deals with the EU and many other countries worldwide. However, the disruption caused by COVID-19 has meant a necessary switch of political priorities delaying this process.

9.56 The economic downturn related to COVID-19 resulted from a series of planned partial shutdowns of the economy rather than due to imbalances in the private sector or public sector policy mistakes, which are more usual causes for entering a recession. Similarly, unlike a natural disaster there is no damage to the country's physical capital, such as buildings and infrastructure. This means the fundamentals of the economy can be regarded as stronger than is typical for an economy entering recession.

9.57 This provides optimism that there could be a strong 'bounce back' once restrictions are lifted and consumer spending and confidence returns. The size and duration of this bounce depends on consumer confidence and mindset, as well as retaining the means to spend.

9.58 The most recent evidence of monthly GDP growth reflects further confidence in the overall effectiveness of policies to maintain existing companies and jobs. Further potential downside risks associated with subsequent 'waves' of the virus and associated restrictions were realised by the fall in GDP reflected in the second lockdown of Winter 2020/21. This appears to have had a limited effect in terms of increasing uncertainty or introducing greater risks of long-term behavioural change (see above) which could lead to a dampened bounce and slower recovery. GDP growth following these second and third lockdowns retained a similar profile to the initial recovery phase.

9.59 Production of relevant sectoral forecasts for Test Valley at the district level predominantly reflect inputs relating to changes in level of employment and output that pre-date the most recent UK-wide position in terms of GDP. However, the level of employment at the 2020 base-date of each forecast, which draws partly on official estimates reflecting Coronavirus-related job losses in that year, had in our experience been forecast reasonably accurately by each of the forecasting houses in earlier iterations of each forecast.

9.60 Each of the forecasts also partly reflects the characteristics of a post-COVID 'bounce' beyond 2020. The scale of the bounce differs between the forecasts, which takes account of variations in outlook by sector and total employment levels.

9.61 Some sectors will be affected much more than others. For many service sectors, GDP has been lost permanently. For example, accommodation and food services not purchased during lockdown have been lost for ever. Conversely, spending on durable goods, such as cars, may have simply been deferred, which would lead to a post-lockdown bounce in demand and production. The size and duration of this bounce depends on consumer

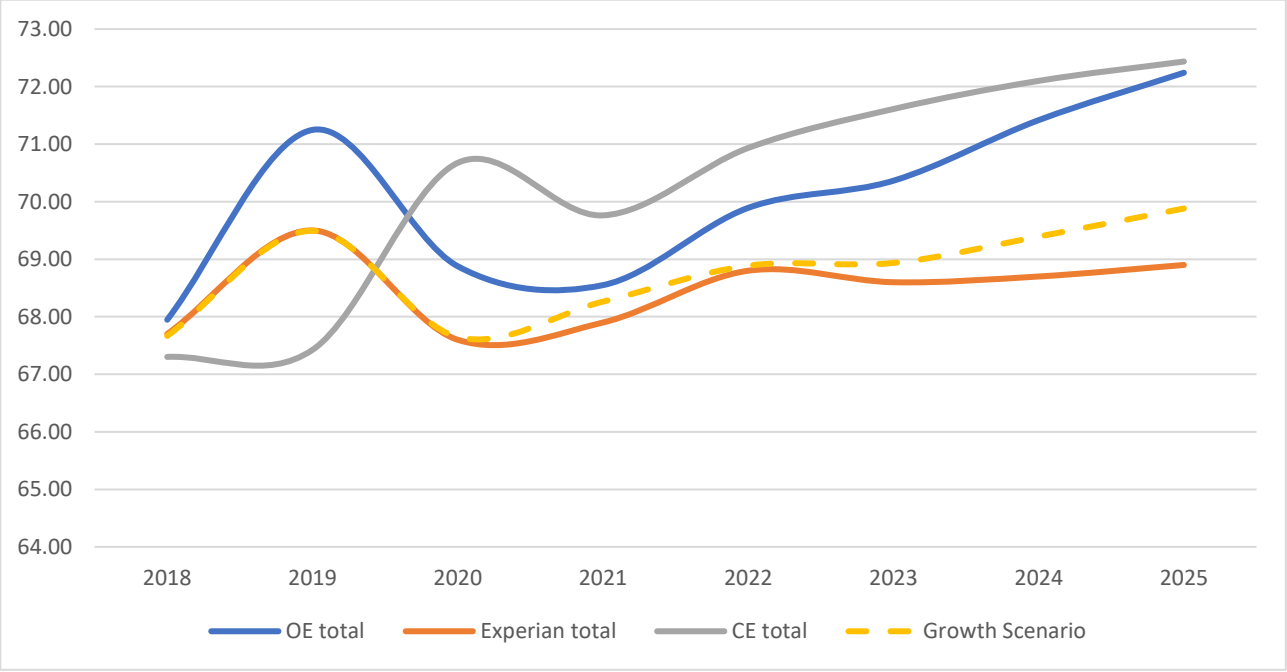
confidence and mindset, as well as retaining the means to spend.

9.62 In keeping with the most recent national picture for GDP the CE and OE forecasts for Test Valley also show strong recovery in terms of total employment levels. The OE forecast shows the strongest 'bounce' preceded by the most substantial fall in employment between 2019 and 2021. The CE forecast shows some impact on employment levels between 2020 and 2021 but does not at any stage indicate a fall in employment below 2019 levels during the main period for the pandemic. In both forecasts the compound growth rates between 2020 and 2025 (0.96% OE and 0.49% CE) are the highest for five-year periods across the 20-year forecast.

9.63 The Experian baseline forecast indicates very limited evidence for a post-Coronavirus bounce and a return to pre-pandemic levels of total employment not occurring before 2027. The compound rate of jobs growth is greater in later five-year periods than between 2020 and 2025. This is notwithstanding a slightly steeper profile between 2020 and 2022. The main reason for this would appear to be that unlike the two other baseline forecasts Experian shows a more limited recovery amongst Wholesale and Retail or Recreation and Other Services between 2020 and 2025. This offsets a strong recovery in Accommodation and Food Services common to all forecasts.

9.64 The Growth Scenario, which includes an average of the three forecasts in respect of Accommodation and Food Services together with Wholesale and Retail, reduces the differences between the profile of the bounce between all three forecasts and would appear to reflect a reasonable outlook rather than exaggerated expectations for recovery.

Figure 48. Short-Term Employment Forecast, Test Valley 2018-2025



Source: Analysis of CE, OE, and Experian

e) Impact on Employment – Relevant Local Context

9.65 The evidence considers in this section demonstrates that there are significant challenges to forecasting the economic impacts that COVID-19 might have on the economy. Following the pandemic, most of the immediate effects are now recorded in official estimates and employment estimates with the characteristics of individual sectors affecting the assessment of future prospects for continued recovery and long-term effects. More generally, it is helpful

to isolate features of an economy which will be more or less susceptible to the impacts of COVID-19 and the ongoing effect these characteristics may have.

9.66 A useful range of indicators was identified by Oxford Economics in their Regional Scorecards for UK Regions (ICAEW UK Economic Report, May 2020). This identifies the following characteristics of a local economy which determine how severely an area's economy is impacted by COVID-19:

- **Exposure to hospitality & tourism:** reflecting the susceptibility of these services to cancellation and closure as people suspend their travel plans and social activities, subsequently reflected in GVA trends for these sectors during the immediate impact of the pandemic.
- **Exposure to retail:** reflecting the closure of non-essential shops across Europe during the initial impact of the pandemic, with OE also applying the rationale that consumers may defer or delay long-term purchases, such as of cars.
- **Exposure to manufacturing:** reflecting the rationale of the most significant impact by supply-chain disruptions affecting this sector.
- **Trade intensity:** regions with high exposure to supply chains will take larger hit from their disruptions due to the outbreak, with vulnerability measured by the sum of freight (un)loaded by road, air and sea relative to GDP.
- **Share of self-employed:** self-employed workers do not earn wages when they self-isolate or contract the virus, leading to an immediate consumption hit
- **Share of small firms (with 0-9 employees):** small firms are at a higher risk of bankruptcy due to lower cash buffers and more restricted access to credit.
- **Working from home capabilities:** the speed at which firms can adapt to remote working will depend on previous experience and whether tasks can realistically be performed remotely.
- **Internet access:** as containment measures such as lockdowns are imposed, many people (especially in services) will have to work from home
- **Share of population 65+:** reflecting mortality rates of COVID-19 being significantly higher for older people.
- **Hospital beds per 100,000 population:** proxy for the capacity of the healthcare system to deal with a large-scale outbreak.
- **Population density (number of people per square kilometre):** regions with higher density may have increased transmission rates, increasing the likelihood of longer/more extensive lockdowns.

9.67 For the South East Region, OE makes the following conclusions:

- GVA and employment are falling massively in 2020, although by slightly less than the UK. 2021 should see a strong rebound, and over the period 2020-25 the region may out-perform the UK as a whole.
- During 2021 the job market will probably recover, but not fully. Employment in 2021 is forecast to be 4.95m, compared with 4.97m in 2019.
- The region has a very similar sectoral structure to the UK, but has some advantages including better than average internet connectivity and more people who are able to work from home.

9.68 However, the South East is a diverse region and it is therefore worth considering how these factors shall effect Test Valley specifically compared with other areas before considering their relationship with findings on the subsequent recovery.

9.69 Table 45, below, sets out the key characteristics of the local economy, which provides an indication of the potential susceptibility of Test Valley's economy to the impacts of COVID-19 as indicated by OE's assumptions relatively close to the onset of the pandemic.

Table 45. Characteristics of Test Valley's economy which increase risks of COVID-19

Characteristic	Test Valley Context
Exposure to hospitality & tourism	Test Valley has a moderate proportion of jobs in the Accommodation and food services sector with 6.7% of all jobs. This ranks 151st out of the 309 local authorities in England. Levels of employment in the arts, entertainment, recreation and other services are moderately-to-low as a proportion of total jobs (4.2% or 143rd) indicating limited wider exposure to these activities.
Exposure to retail	Test Valley has a relatively low relative proportion of jobs in the Retail sector with 8.3% of all jobs. This ranks 226th out of the local authorities in England.
Exposure to manufacturing	Test Valley has a modest high proportion of jobs in the Manufacturing sector with 10% of total jobs. This ranks 116th out of the local authorities in England.
Trade intensity	The Business Impact of Coronavirus (COVID-19) Survey (BICS) data shows that, at a national level, the sectors which have been most affected by import/export restrictions due to COVID are Transport and Storage, Wholesale and Retail, and Manufacturing. Employment rates in Test Valley in Retail and Manufacturing are set out above. For Transport and Storage, 6.7% of jobs in Test Valley are in this sector ranking 70th out of the local authorities in England but with evidence of continued strong performance in the first year of the pandemic.
Share of self-employed	Levels of self-employment in Test Valley have fluctuated historically. In the 12 months to December 2019 (i.e., prior to the onset of Coronavirus) the self-employment rate was 8.9%. This is below the England average of 11.1%.
Share of small firms (with 0-9 employees)	In Test Valley 85.2% of firms have between 0 and 9 employees as of 2020. This is above the national average of 84.8% and ranks 142nd of the local authorities in England.
Working from home capabilities	The BICS data establishes that, at a national level, the sectors which have seen the lowest changes in home working are Human Health and Social Work, Manufacturing, Construction, Accommodation and Food Service, and Utilities. For Human Health and Social Work this most likely represents the higher demand for services rather than the capability to work from home. For the other sectors this likely reflects lower capabilities. Manufacturing and Accommodation and Food Services have been considered above. Employment in the Utilities sector in Test Valley represents

Characteristic	Test Valley Context
	0.7% of total jobs. This means Test Valley ranks 114th of the local authorities in England. For Construction, the figure in Test Valley is 6.7% which ranks 70th of all local authorities in England and reflects high exposure to this sector.
Internet access	The latest data from ONS shows that within Hampshire 8.7% of the population have not used the internet within the last 3 months or have never used it.
Share of population aged 65+	ONS's 2019 Mid-Year Estimates (MYE) of population show that 21.7% of Test Valley's population is aged 65 and above. (ranking 101st).
Hospital beds per 100,000 population	The latest data from the NHS provides the total hospital bed numbers and results in an average of 228 beds per 100,000 people in the UK (as of 2020 relative to official Mid-Year Population Estimates. The South-East has the relatively lowest concentration of beds by head of population (187) which can partly be attributed to a younger age structure and longer life-expectancy within the region as a whole. The relatively older population of Test Valley means pressure for acute hospital care in Test Valley may have been marginally greater during the main stage of the pandemic although Hampshire as a whole registered a relatively low ratio of excess deaths compared to the wider region suggesting no significant effect.
Population density	Based on the 2020 MYE data, Test Valley has a population density of 203 people per sq km. This ranks 308th of the local authorities in England and is well below the England average of 434 people per sq km.

9.70 Overall, this analysis suggests that Test Valley's economy has some characteristics which are identified as vulnerable to COVID-19. These notably include the exposure to the Manufacturing and Transport & Storage sector coupled with the area's demographic and business profile comprising a higher than average proportion of smaller businesses within a relatively small local economy. However, the overall susceptibility to the immediate impacts of the pandemic is likely to have been significantly moderated by the area's relatively low exposure to the retail and hospitality sector, lower population density and lower levels of self-employment at the time of the pandemic.

9.71 This indicates that Test Valley is unlikely to be at particularly greater risk due to the effects of COVID-19 specifically, compared to other areas of the country with higher risk characteristics, subject to the outlook for more susceptible sectors which may depend on a number of non-COVID-19 related factors and where impacts may be further moderated by the particular profile of these sectors locally.

f) Impact on Employment – Summary of COVID-19 Risks

9.72 The range of evidence set out above has been collated in Table 46 in terms of low, medium, and high risk for each element and sector. This is then aggregated to identify an overall level of risk for each sector.

Table 46. Sectoral Risk of COVID-19

	Trading Status	Turnover	Import/ Export	Employee Status	Overall Risk
Manufacturing	Low	Med	High	Low	Med
Water Supply, Sewerage, Waste	Low	Low	Low	Low	Low
Construction	Low	High	Med	Med	Med
Wholesale and Retail	Low	Med	High	Low	Med
Transportation and Storage	Low	Med	High	Med	Med
Accommodation and Food Service	High	High	Low	High	High
Information and Communication	Low	Low	Med	Low	Low
Real Estate	Low	Low	Low	Med	Low
Professional, Scientific and Technical	Low	Med	Med	Low	Med
Administrative and Support	Med	High	Med	Med	High
Education	Low	High	Med	Low	Med
Human Health and Social Work	Low	Low	Low	Low	Low
Arts, Entertainment and Recreation	High	High	Low	High	High

Source: SPRU Analysis

9.73 This analysis has been used to identify the scale of risk in the sectoral jobs growth forecasts for Test Valley. The scale of jobs growth in each sector is set out in Table 47 along with the risk rating identified above.

Table 47. Sectoral COVID-19 Risk Rating, Test Valley

	Total Jobs 2020	Forecast jobs growth 2020-40				COVID Risk
		CE	OE	Experian	Experian LEP-Based Growth	
Agriculture and mining	1500	40	-220	-300	-300	Low
Manufacturing	6000	-1150	-2600	-100	397	Med
Electricity, gas & water	430	250	-70	100	100	Low
Construction	4000	1170	920	1400	1400	Med
Wholesale and retail trade	10000	140	700	-700	45	Med
Transport & storage	4000	360	-50	-700	1024	Med
Accommodation & food services	4000	1220	640	1800	1217	High
Information & communications	2250	340	430	800	800	Low
Financial & business services	13400	2450	3200	2400	3167	Med
Government services	11500	570	1660	800	800	Med
Other services	2500	270	490	0	0	High
Total	**59,580**	**5670**	**5090**	**5500**	**8650**	

Source: SPRU Analysis of various forecasts

9.74 Table 48 and Table 49 sum the total number of jobs growth forecast in Test Valley categorised by the identified risk rating due to COVID-19. This is shown in the tables by total jobs in 2020 and forecast jobs growth, and then shows the proportion of jobs in each risk rating.

9.75 The Financial and Business Services Sector has been classified as 'Medium' risk due to the specific findings for the relevant sub-sectors in Test Valley. The Administrative and Support sub-sector comprised a relatively low proportion of the total (30% of the overall broad sector based on 2020 BRES estimates) and indicates relatively lower exposure to higher-risk activities within the services sector. Conversely Government Services have been rated 'Medium' due to the relatively high proportion of public administration and education functions relative to 'low-risk' healthcare functions (43% of the total).

9.76 Estimates of 2020 levels of employment within the Test Valley economy demonstrate a relatively low concentration of jobs in high-risk sectors (11%). This is generally consistent with a more limited profile of activities within leisure and recreation and suggests the local economy as a whole is less susceptible to potential longer-term effects of the pandemic. All three baseline forecasts indicate a higher proportion of employment growth within higher-risk sectors than the baseline position (26-33%). This may partly result from recovery of jobs lost during the pandemic. Although absolute levels of forecast employment change in the Growth Scenario are similar to the baseline forecasts the proportion of growth in these sectors is better aligned to baseline levels of employment.

9.77 The extent of exposure to low-risk sectors is relatively minor in both the existing baseline and all forecast positions (around 10%). This means a high proportion of forecast change in all cases is concentrated in moderate risk sectors (around 70-80%) and similar to the baseline position. There is likely to be some overlap with other risk factors – for example where longer-term effects cannot be readily discerned from Brexit impacts and wider macroeconomic trends affecting costs and disposable income.

9.78 As a general observation growth across all moderate risk sectors is generally spread relatively evenly within all three baseline forecasts and the Growth Scenario. The baseline forecasts (particularly OE and CE) show growth in moderate risk sectors such as Wholesale and Retail that experienced less positive pre-pandemic performance and might arguably be more exposed to post-Coronavirus changes in spending patterns than other 'moderate risk' sectors. Conversely these forecasts show negative growth in Manufacturing where the evidence suggests Coronavirus-related effects will further reduce over time.

9.79 The Growth scenario assumptions also demonstrate increased prospects within the services sector to Professional and Scientific activities that are relatively less exposed to Coronavirus-related risks and resultant potential longer-term effects on outlook. As such although the Growth Scenario contains a substantially higher forecast for absolute changes in employment within 'moderate' risk sectors there is no justification to ameliorate these prospects further due to Coronavirus-related factors.

9.80 Several indicators suggest that the Growth forecast represents a moderated exposure to overall risks related to COVID-19. This includes the moderated growth forecast for the Manufacturing sector and relatively modest overall growth in the Transport & Storage sector. Given the local evidence for the strong performance across a range of medium-risk sectors, taking account of the evidence base within the wider sub-region, this indicates that the Growth forecast is not overly-susceptible to COVID-19 related risks.

9.81 The characteristics of the economy in terms of high-risk sectors is expected to remain similar to the position of total jobs in 2020, which indicates that these components of the forecast are not overly susceptible to any future or ongoing impacts resulting from Coronavirus.

Table 48. Jobs by COVID Risk Rating, Test Valley

	Total Jobs 2020	Forecast jobs growth 2020-40			
		CE	OE	Experian	Growth
High	6,500	1,490	1,130	1,800	1,217
Moderate	48,900	3,540	3,830	3,100	6,833
Low	4,180	630	140	600	600

Source: SPRU Analysis of various forecasts

Table 49. Proportion of Jobs by COVID Risk Rating, Test Valley

	Total Jobs 2020	Forecast jobs growth 2020-2040			
		CE	OE	Experian	Growth
High	11%	26%	22%	33%	14%
Moderate	82%	63%	75%	56%	79%
Low	7%	11%	3%	11%	7%

Source: SPRU Analysis of various forecasts

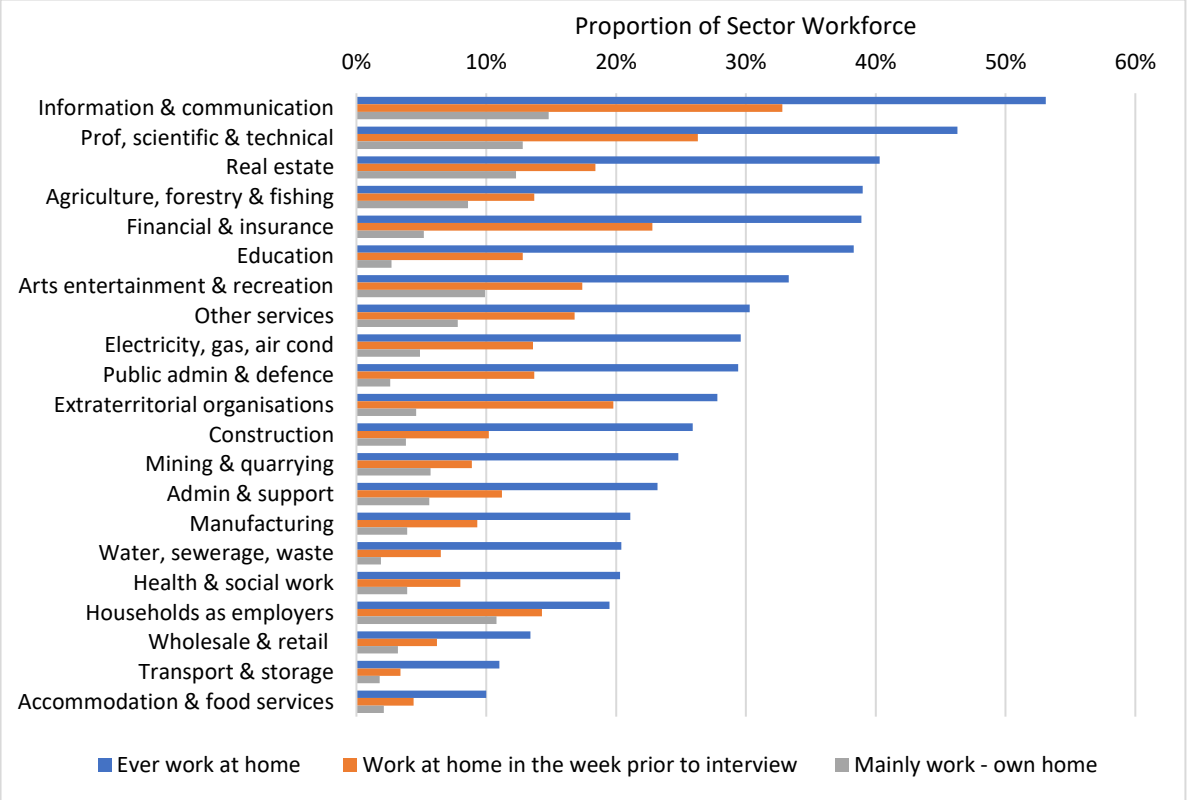
g) Changes to working practices

9.82 It is clear that COVID-19 has necessitated a large shift in the amount of home working. This change in working practices could have a significant impact on the quantum of employment space required to support existing and future jobs growth.

9.83 Figure 49 shows the proportion of home working in different sectors in 2019 and provides a useful baseline position pre-COVID. This shows that pre-COVID working from home was still relatively rare. This shows working from home is most prevalent in the Information and Communications sector, and this sector was the only one where more than half of the workforce (53%) had ever worked from home. Conversely, in the Accommodation and Food Service sector 90% had never worked from home.

9.84 There is a clear distinction between 'ever worked from home' and 'mainly work from home'. Even in the Information and Communications sector where 53% had ever worked from home, only 14.8% said that was their main working location. This was the highest of any sector. For the majority of sectors less than 5% of workers mainly worked from home.

Figure 49. Percentage of UK workforce homeworking by sector, 2019



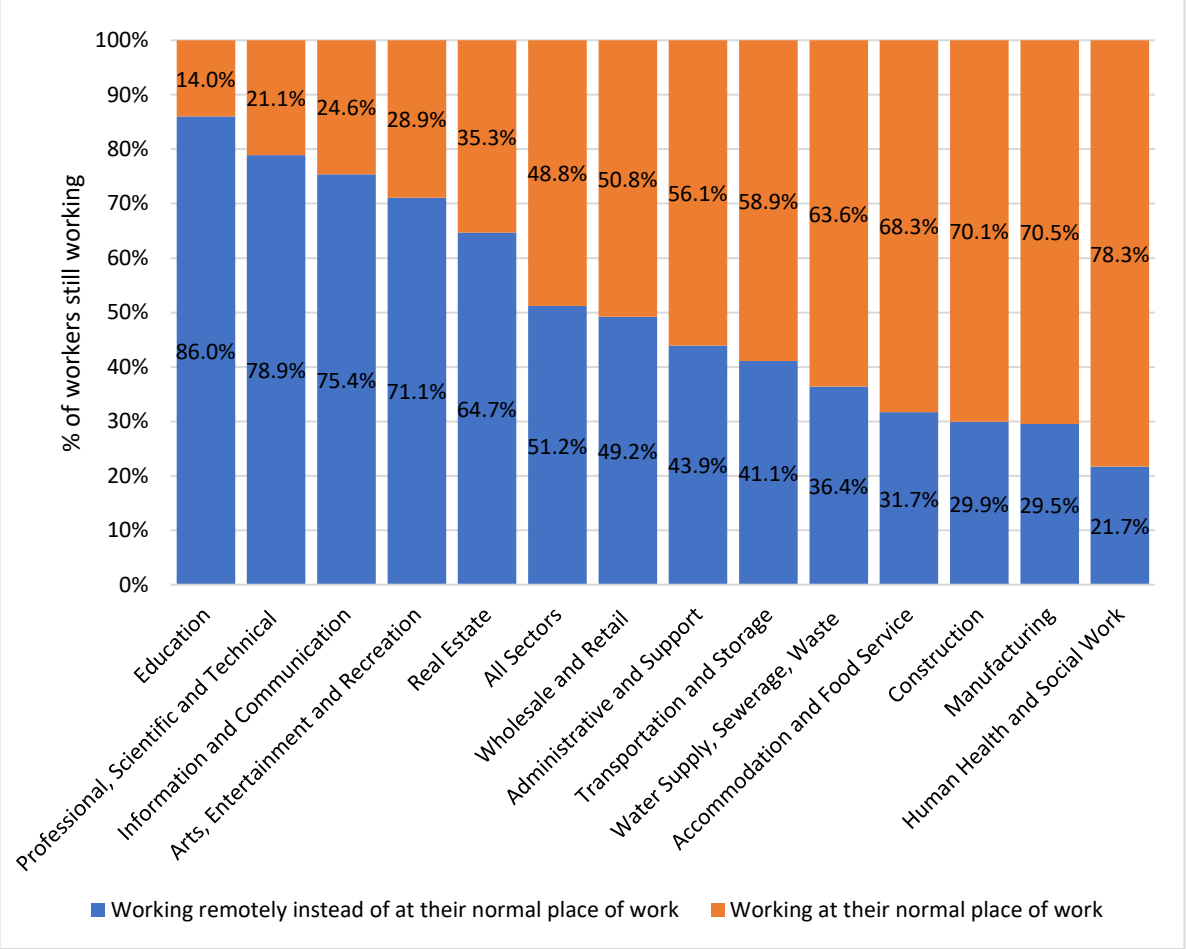
Source: ONS

9.85 The lockdown restrictions due to COVID-19 have affected different sectors to different degrees, depending largely on the nature of work and whether it is possible for normal work tasks to be completed whilst working from home. This has driven many companies to update their operating practices and computer hardware/software in order to facilitate longer-term home working. This has no doubt increased the capacity for homeworking for a number of businesses. The lockdown has also necessitated a change in business culture with regards to home working, for example a greater number of business meetings taking place online rather than face to face.

9.86 The BICS data from ONS provides an indication of how this situation has changed since

lockdown restrictions came into place. Figure 50 shows the level of home working achieved for each sector during lockdown.

Figure 50. Work location of workers by sector, June 2020

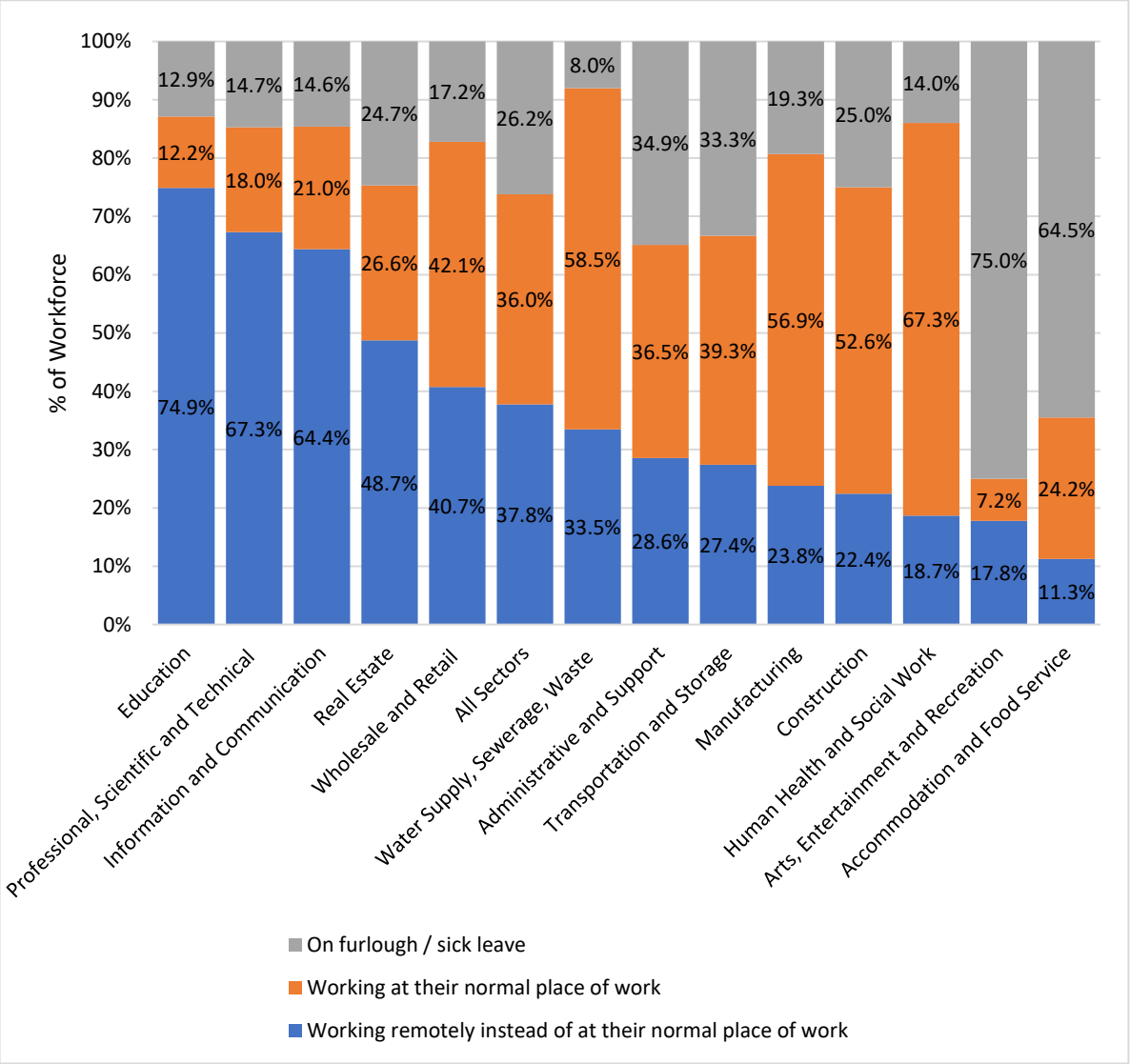


Source: ONS BICS (Wave 8) June 2020

9.87 The data in Figure 50 includes data for workers who were still in work and does not include workers who have been placed on furlough or off sick due to COVID-19. In many cases, workers who could not work from home and were not identified as key workers were placed on furlough leave.

9.88 Figure 51 cross references the data in Figure 50 with data on Employee Status in order to identify the proportion of all workers – including those on furlough or sick leave – who are working from home. This provides an indication of sectors where more limited opportunities or requirements to carry out work remotely may lead to those contributions to the economy ceasing temporarily (as during the pandemic) or permanently.

Figure 51. Work location of workforce by sector, June 2020



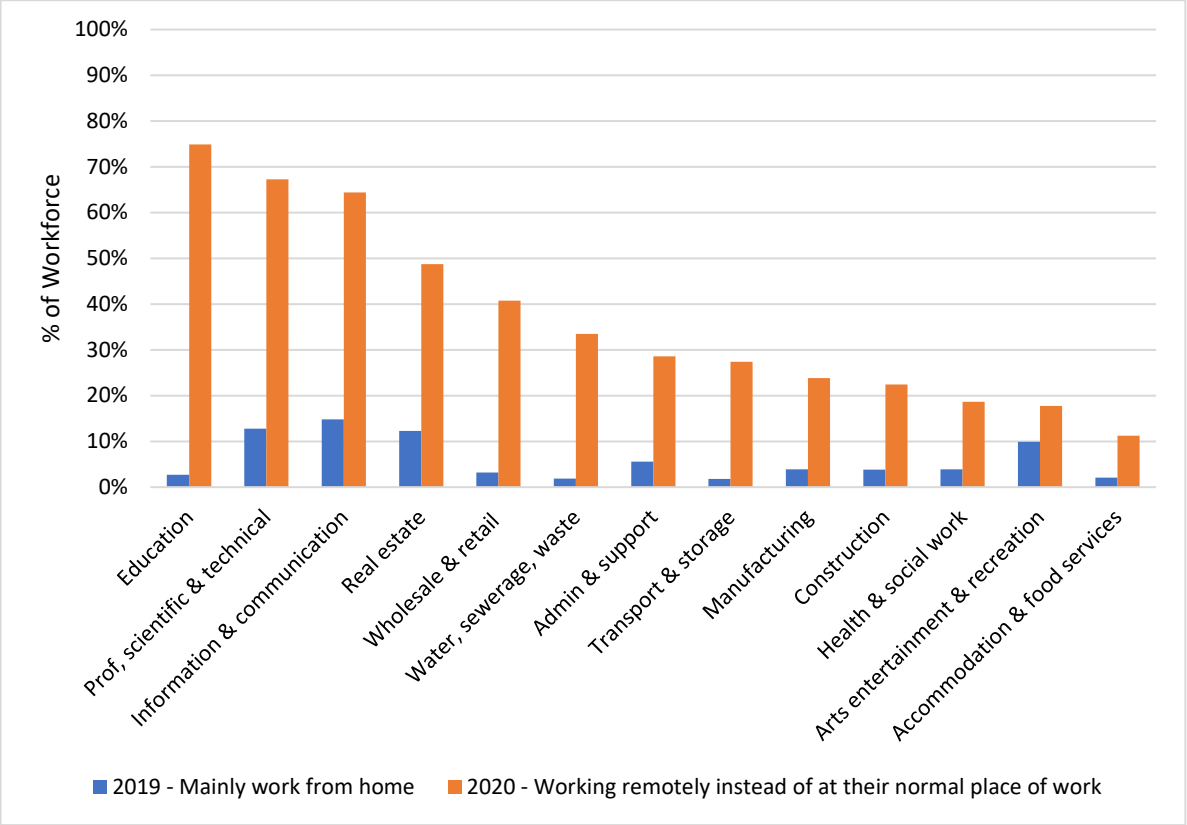
Source: ONS BICS (Wave 8) June 2020

9.89 Figure 52 compares the pre- and post-lockdown remote working figures. This shows the increase in home working in each sector. It is clear from the data that sectors with high levels of office-based activities have seen particularly high levels of remote working, and large increases from the rates of home working seen pre-lockdown:

- Professional, Scientific and Technical Services increasing from 12.8% to 67.3%;
- Information and Communications increasing from 14.8% to 64.4%; and
- Real Estate from 12.3% to 48.7%.

9.90 The data provides a reasonable estimate for the capacity for home working in each sector. In this sense it provides a reasonable 'upper bound' of the potential for home working in each sector.

Figure 52. Remote working by sector, 2019 vs June 2020



Source: SPRU analysis of various ONS data

9.91 Whether these are long term changes to working practices remains to be seen. Going forward, following the removal of restrictions, the 'new normal' is unlikely to see a continuation of this level of home working but equally it is unlikely to drop back to pre-COVID levels.

9.92 For some sectors – for example Education, which has seen the highest increase – the levels of remote working were a requirement due to the closure of education establishments. These are very likely to have dropped significantly towards pre-COVID levels following the re-opening of these establishments in September 2021. Impacts for these sectors will therefore likely have been relatively short-term.

9.93 However, it is clear that the lockdown has required an unprecedented level of home working which has demonstrated that it is a viable option for many and has removed many of the barriers to home working such as technology and corporate culture. A repeated theme of the stakeholder engagement has been that this has resulted in many of the barriers to home working being overcome out of necessity. Three main issues have been identified:

- Technological barriers
- Corporate attitudes towards homeworking and fears about reduced productivity
- Limitations on teamworking, training, and client facing

9.94 Feedback from stakeholders suggests that enforced homeworking has resulted in the first two of these barriers being overcome, at least to some degree. However, the third barrier largely remains, particularly in industrial sectors. The evidence suggests that this would likely result in increased working from home in the future.

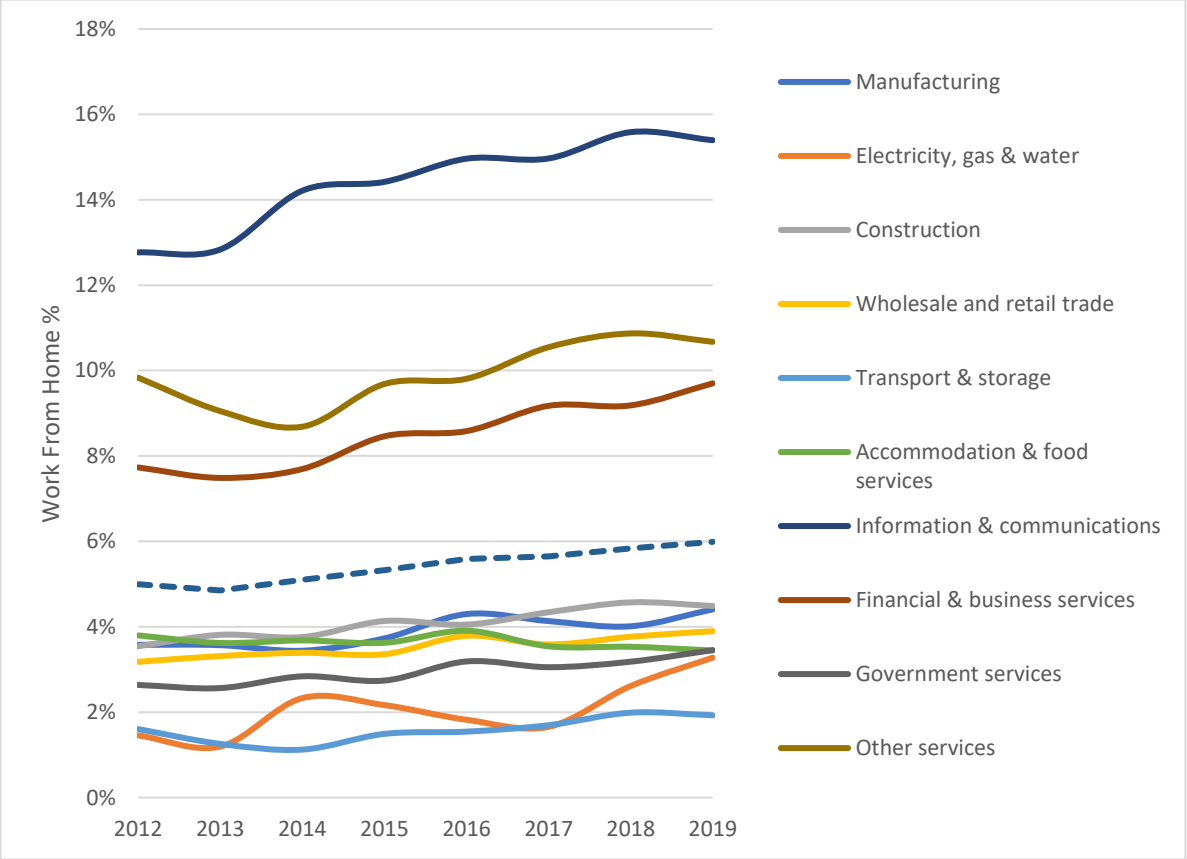
9.95 Some respondents suggested that this could alter their recruitment practices allowing the

recruitment of entirely remote workers over a much wider geographical range. However, the majority of businesses suggest that they are simply delaying activities such as recruitment, training, networking and corporate events, until after restrictions are lifted. This suggests that the pandemic-related levels of home working would not sustainable in the longer-term.

9.96 Nonetheless, this is clearly a salient issue and one which will need to be addressed in the employment land modelling to ensure robustness of the figures.

9.97 ONS's remote working data at a national level shows that from 2012-19 the scale of homeworking – those who mainly work from home – has increased from 5.0% in 2012 to 6.0% in 2019. This ranges by sector, from 1.9% in Transport and Storage to 15.4% in IT and Communications.

Figure 53. Numbers of Homeworkers by Sector, UK



Source: ONS (All Jobs Average denoted by dashed line)

9.98 Remote working is traditionally factored into the modelling implicitly via the employment densities from the HCA Employment Densities Guide (2015) which considers the amount of floorspace per worker for different uses and factors in things such as hot-desking and agile working. In order to avoid 'double counting' these factors, 2015 has been used as a baseline and changes in home working trends have been measured from 2015 onwards over the plan period to 2040 to assess how home working rates are likely to increase since the HCA figures were calculated.

9.99 The changes in working from home rates between 2015 and 2040 shown in Table 50 have been calculated by extrapolating the growth trend in home working from 2012-19 to 2040. This is done for each sector and results in a total proportion of home working of 9.2% by 2040 – an increase of 3.6% on 2015 rates. For some sectors this is notably higher – the highest is IT and Communications which grows to 23.3% by 2040. This suggests that the

predominantly office-based sectors will be most impacted, which accords with feedback received from the stakeholder consultation.

Table 50. Projected Change in Working from Home per Sector, 2015-40

	2015	2040	Change
Manufacturing	3.7%	6.9%	3.2%
Electricity, gas & water	2.2%	8.7%	6.6%
Construction	4.1%	7.3%	3.2%
Wholesale and retail trade	3.4%	6.1%	2.7%
Transport & storage	1.5%	2.9%	1.4%
Accommodation & food services	3.6%	2.4%	-1.2%
Information & communications	14.4%	23.3%	8.9%
Financial & business services	8.5%	15.6%	7.1%
Government services	2.7%	5.9%	3.2%
Other services	9.7%	13.2%	3.5%
All Jobs	**5.3%**	**9.2%**	**3.6%**

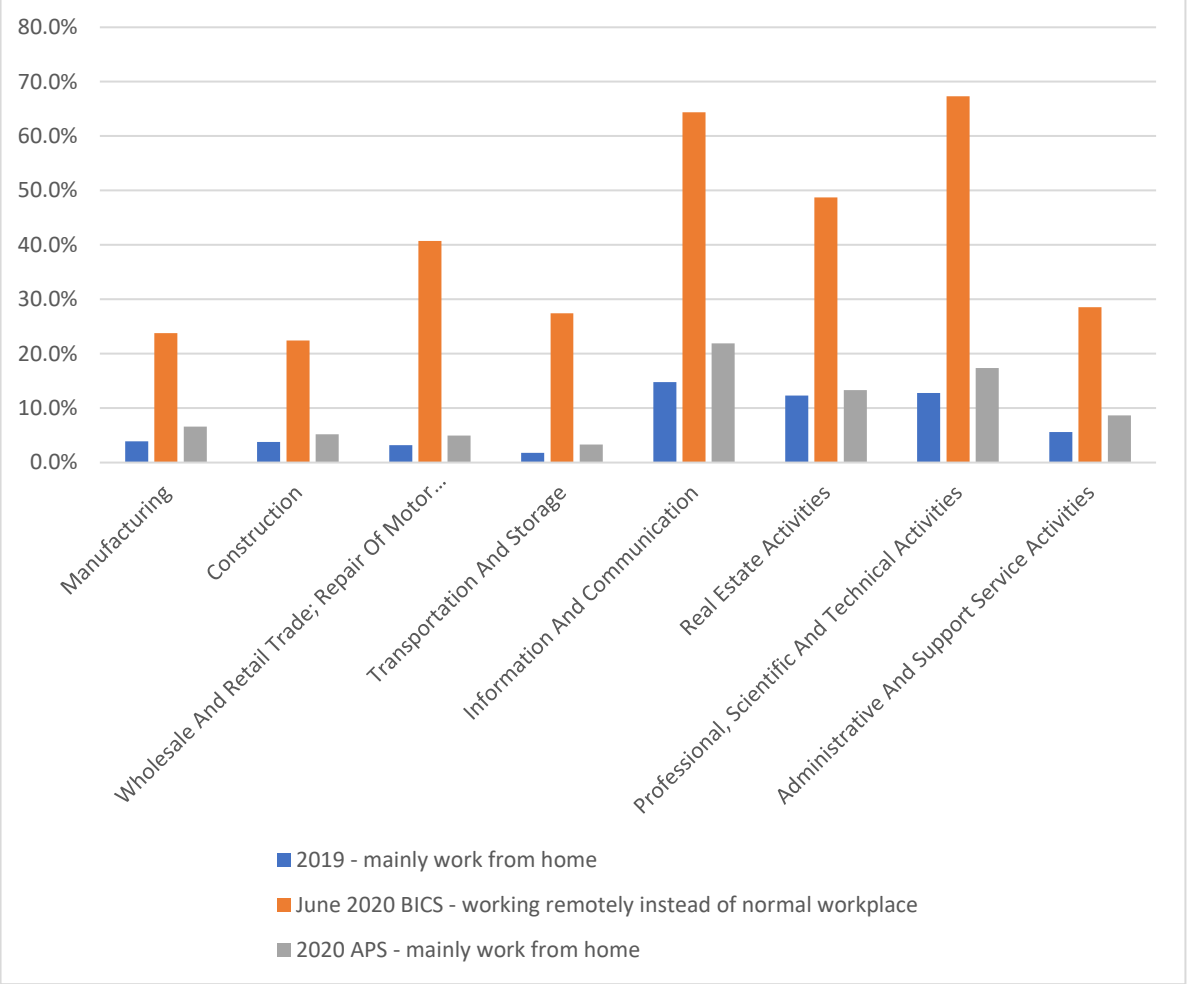
Source: SPRU Analysis of ONS data

9.100 Due to the unprecedented nature of the Coronavirus pandemic the ONS has maintained its research outputs in terms of patterns of homeworking. This includes publication of its bulletin taking account of 2020 Annual Population Survey data[31]. The ONS records that the Annual Population Survey (APS) covers January to December 2020. This means workers may have responded to the question on where they "mainly" work before the onset of the national lockdown in March 2020 in which many were forced to work from home. This being said, the majority of the APS period post-dates the immediate impacts of the pandemic and thus provides some insight in changes in working patterns as restrictions were first lifted. The APS data allows further comparison of those working mainly from home in 2020.

9.101 Figure 54 sets out analysis for selected sectors and can be compared with Table 50 in terms of the trend-based assumptions applied in this study. Notwithstanding the caveat that the 2020 APS shows a rapid return to lower levels of employees working permanently from home across all sectors there is a closer parallel between the latest post-COVID information and the modelling in the trend-based scenario, suggesting that Coronavirus has likely accelerated some structural changes in the economy to facilitate longer-term homeworking. However, in all cases there is some 'headroom' between the trend data and the latest APS estimates (that as discussed above are likely to also reflect restrictions in place in terms of the context of some returns).

31 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/homeworkinghoursrewardsandopportunitiesintheuk2011to2020/2021-04-19

Figure 54. Comparison of Those Working Mainly from Home by Selected Sector – 2019 and 2020



Source: SPRU Analysis of APS, BICS and ONS Data

9.102 The latest data indicate that application of trend-based changes in levels of homeworking is an appropriate approach in the context of the onset and subsequent recovery following the Coronavirus pandemic.

9.103 Continued survey-based assessments of homeworking trends undertaken by the ONS further demonstrate the uncertainty of future working practices[32]. This particularly relates to expectations for 'hybrid' work patterns where employees will continue to utilise conventional floorspace for at least part of their activities and thus potentially limiting the likelihood of a rapid reconfiguration of premises requirements. As of May 2021 the Business Insights and Conditions Survey found of those currently homeworking 85% expected to share their time between their usual place of work and remote working in the future.

9.104 Both businesses and individuals preferred a "hybrid" working approach (a mixture of both office and homeworking) in the future. However, while nearly two-fifths (38%) of businesses expected 75% or more of their workforce to be at their normal place of work, a large proportion (36%) of those currently homeworking thought they would spend the majority or

32 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/businessandindividualattitudestowardsthefutureofhomeworkinguk/apriltomay2021

all their time homeworking in the future. 37% of businesses surveyed as of May 2021 anticipated that their workforce would return to the main location of work within three months, potentially indicating a further narrowing of pre-Coronavirus and post-Coronavirus trends although Annual Population Survey data from 2021 are not yet available to substantiate this.

9.105 This reinforces the justification for application of trend-based adjustments to rates of homeworking rather than forecasting a substantial reduction in the absolute net demand for floorspace based on the main impacts of the pandemic.

9.106 These projected working from home rates are factored into the land requirement modelling set out in Section 10. In the modelling it is assumed that the proportion of jobs in each sector which will be filled by workers working from home in accordance with the rates. These jobs will therefore not require additional floorspace and are removed from the final floorspace requirement figures.

h) Stakeholder Views on COVID-19

9.107 COVID-19 has had a significant impact on the commercial property market, and this has intensified the mixed performance in Test Valley in recent years. Stakeholders identified that the implications of the pandemic exacerbated the negative performance indicators within the commercial performance of Test Valley in the previous 5-to-10-years; including exacerbating issues with the availability and pace in the supply of construction materials.

9.108 As Test Valley had historically performed well in manufacturing and other industrial sectors, these external effects resulting from the pandemic nationally and internationally stalled the economic growth of the area. Moreover, this has had residual impacts on the shortage in skills for this area, which was initially identified as a result of Brexit, due to the UK's response to the pandemic causing workers to elect to take up employment in other countries, where the free market is also more accessible.

9.109 One significant impact stakeholders credit to COVID-19 is the impact on the demand for office space. Office space is now sought in town centre locations. Flexible working arrangements are often prioritised following the home-based and hybrid arrangements which were introduced (often for the first time) as part of measures taken by businesses following the instructions of the UK Government. This has become a priority for many employees and therefore the demand for office space is significantly different to pre-2020, despite what many employers and business owners have historically preferred. Additionally, employees are often seeking an increased degree of amenities in close proximity to their place of work when they do attend the office, such as train stations, cafes and restaurants. The current focus of demand has therefore shifted towards primary town centre locations, as opposed to out of town centre office/business parks.

9.110 Stakeholders are also concerned about the next 3-5 years and the resilience of businesses. Although it is recognised that Test Valley has historically responded well to significant economic events, including the 2008/09 Financial Crisis and Brexit, the survival of businesses born within 2020/21 could have a significant knock-on effect to the future economic growth of the area.

9.111 Notwithstanding the above, the demand for industrial floorspace, particularly large manufacturing units, has continued to increase throughout 2022. Stakeholders recognise this as an indication that the local and national economy has settled following the initial uncertainty and actual impacts of COVID-19. Large storage floorspace is also required due to changes in economic markets; the pandemic's impacts on retail businesses which have been impacted by the shift to online shopping; and the fact vehicles, such as lorries, can no longer be utilised as temporary storage for goods.

9.112 It is expected that this growth in these sectors shall continue for the foreseeable future, and

it is the hope that Test Valley businesses will rise to the prospect of additional opportunities arising from these changing needs. The transportation of goods is expected to be a sector which can prosper given the new opportunities the pandemic has presented or exacerbated.

CHAPTER 9: KEY POINTS

- This report considers the risks that COVID-19 / Brexit impact in terms of jobs retention and growth, which affects future job levels; and changing working patterns, which affects the quantum of employment floorspace needed in future.
- All of the forecasts take account of both Brexit and COVID-19 but make a range of different modelling assumptions which result in the range of different outputs.
- The treatment of effects of the Covid-19 pandemic within the forecasting methodologies of the three outputs (together with the extent to which they reflect official estimates of employment change in between 2019 and 2020) does not strongly influence the selection of any one baseline forecast in this Study.
- In terms of Brexit risks, the analysis suggests that the majority of existing jobs and forecast total growth within the Test Valley economy derived from the Experian-based forecasts are not considered to be at high risk of negative consequences of Brexit.
- In terms of COVID-19 risks, the Experian forecast illustrates the highest growth in 'moderate risk' COVID-19 sectors and a comparatively smaller increase in 'low risk' COVID-19 sectors over the period 2020-2040, whereas the CE forecast shows higher levels of growth in the 'low risk' COVID-19 sectors compared to the Experian forecast.
- In respect of COVID-19 impacts, the CE and OE forecasts for Test Valley show strong recovery in the short-term in terms of total employment levels. The Experian baseline forecast indicates very limited evidence for a post-Coronavirus 'bounce' and a return to pre-pandemic levels of total employment not occurring before 2027.
- The analysis shows that the COVID-19 lockdown restrictions necessitated an increase in home working and this means a number of the barriers to home working have been overcome. Going forward, following the removal of restrictions, the 'new normal' is unlikely to see a continuation of the level of home working that was seen during the lockdowns but equally it is unlikely to drop back to pre-COVID levels. This suggests that calculations of future employment land should take account of the changing working from home patterns. We have taken account of this by estimating increasing rates of home working throughout the plan period. Homeworkers are then discounted from the calculations of future employment land requirements.

10.0 FUTURE EMPLOYMENT LAND NEEDS

a) Labour Demand Scenarios

10.1 This section considers the level of employment land needed to support the level of employment growth shown in each of the econometric forecasts. This is one of the approaches to assessing future need – the 'labour demand' approach – as set out in PPG. The labour demand approaches should be considered alongside other approaches and economic and contextual data set out in the other sections of this report.

10.2 The starting point for the labour demand scenarios is the econometric forecasts. These are set out in more detail in Section 7. The following three forecasts are considered:

- Cambridge Econometrics (CE)
- Oxford Economics (OE)
- Experian

10.3 These forecasts have been assessed at a more detailed level to identify the extent to which they reflect local circumstances and economic drivers in Test Valley which have been identified as part of the commercial market assessment and through stakeholder consultation with the LEP and local businesses and commercial agents (set out in Section 6).

10.4 The employment outputs of each forecast are set out below. Note, the figures in these tables may not sum exactly due to rounding net change by sector to the nearest hundred.

Table 51. CE – Total Employment Growth (2020-2040)

	2020	2040	Net Change 2020-40
Agriculture etc	800	900	-
Mining & quarrying	-	-	-
Manufacturing	6,800	5,600	-1,100
Electricity, gas & water	500	700	200
Construction	5,700	6,900	1,200
Distribution	11,000	11,200	100
Transport & storage	4,300	4,600	400
Accommodation & food services	4,300	5,500	1,200
Information & communications	2,700	3,100	300
Financial & business services	16,400	18,800	2,500
Government services	13,900	14,400	600
Other services	4,200	4,500	300
Total	**70,700**	**76,300**	**5,700**

Source: CE forecast

Table 52. OE – Total Employment Growth (2020-2040)

	2020	2040	Net Change 2020-40
Agriculture, forestry and fishing	900	700	-200
Mining and quarrying	-	-	-
Manufacturing	7,000	4,400	-2,600
Electricity, gas, steam	100	100	-
Water supply, sewerage, waste	400	300	-100
Construction	4,900	5,800	900
Wholesale and retail trade	11,100	11,800	700
Transportation and storage	4,500	4,500	-
Accommodation and food service	4,200	4,900	600
Information and communication	2,500	3,000	400
Financial and insurance	2,700	2,800	100
Real estate	900	900	100
Professional, scientific and technical	7,500	9,400	1,900
Administrative and support service	4,700	5,800	1,100
Public administration and defence	4,300	4,300	-
Education	4,700	5,000	300
Human health and social work	5,400	6,800	1,400
Arts, entertainment and recreation	1,600	2,000	400
Other service activities	1,500	1,600	100
Total	**68,900**	**74,000**	**5,100**

Source: OE forecast

Table 53. Experian – Total Employment Growth (2020-2040)

	2020	2040	Net Change 2020-40
Agriculture, Forestry & Fishing	800	500	-300
Extraction & Mining	-	-	-
Fuel Refining	-	-	-
Computer & Electronic Products (manufacture of)	1,000	800	-200
Food, Drink & Tobacco (manufacture of)	1,000	1,100	100
Machinery & Equipment (manufacture of)	900	700	-200
Metal Products (manufacture of)	1,100	1,200	100
Non-Metallic Products (manufacture of)	300	300	-
Other Manufacturing	700	900	200
Pharmaceuticals (manufacture of)	-	-	-
Printing and Recorded Media (manufacture of)	-	-	-
Textiles & Clothing (manufacture of)	300	300	-
Transport Equipment (manufacture of)	600	500	-100
Wood & Paper (manufacture of)	400	400	-
Chemicals (manufacture of)	200	200	-
Utilities	500	600	100
Construction of Buildings	1,400	1,600	200
Civil Engineering	600	800	200
Specialised Construction Activities	3,100	4,100	1,000
Retail	6,400	6,000	-400
Wholesale	4,900	4,600	-300
Land Transport, Storage & Post	4,400	3,700	-700
Air & Water Transport	-	-	-
Accommodation & Food Services	4,200	6,000	1,800
Telecoms	400	500	100
Computing & Information Services	1,700	2,200	500
Media Activities	500	700	200
Insurance & Pensions	700	600	-100
Finance	2,000	2,300	300
Real Estate	900	900	-
Professional Services	7,200	9,100	1,900
Administrative & Supportive Services	4,400	4,700	300
Public Administration & Defence	3,600	4,100	500
Education	4,900	5,100	200
Health	2,300	2,500	200
Residential Care & Social Work	3,000	2,900	-100
Recreation	1,600	1,600	-
Other	1,600	1,600	-
Total	**67,600**	**73,100**	**5,500**

Source: Experian forecast

10.5 For the purpose of labour demand modelling the Experian forecast has been utilised based on the detailed measures of employment growth by sub-sector. Due to the relatively small total for employment within the local economy and the very small size of some sub-sectors the overall sum of the Experian forecast together with the sum of the grouping by broad category differs from the sub-sector totals. This is principally a result of rounding.

10.6 For comparison with OE and CE the sub-sectors of the Experian forecast have been aligned with the broad sectors used in the CE forecast. The measure of total employment within these broad sectors, together with the forecast totals and resulting difference in change between 2020 and 2040 is shown in Table 54 below.

Table 54. Experian – Employment Growth by Broad Sector Grouping and Total Forecast Workforce Jobs (2020-2040)

	2020	2040	Net Change 2020-40
Agriculture etc	800	500	-300
Mining & quarrying	0	0	0
Manufacturing	6500	6400	-100
Electricity, gas & water	500	600	100
Construction	5100	6500	1400
Distribution	11300	10600	-700
Transport & storage	4400	3700	-700
Accommodation & food services	4200	6000	1800
Information & communications	2600	3400	800
Financial & business services	15200	17600	2400
Government services	13800	14600	800
Other services	3200	3200	0
Total	**67600**	**73100**	**5500**

Source: SPRU Analysis of Experian forecast

10.7 Despite the relative similarity of overall forecast change in total employment the implications of the grouped broad sectors for the purposes of labour demand modelling do generate modest differences in the assessment of net additional demand for land and floorspace. This is because differences within the sectoral forecasts have proportionally greater implications of requirements for land and floorspace – particularly for industrial and warehousing activities (Use Classes B2/B8).

10.8 Section 7 sets out more detailed analysis of the forecasts at a sectoral and sub-sectoral basis to consider the extent to which the forecasts reflect the outlook of key sectors identified in the emerging Local Industrial Strategies for both the Solent and EM3 LEPs. This analysis also considers indicators from economic performance within the sub-region and South East.

10.9 This analysis highlighted that there are several sectors where the recent, current, and expected future performance is not reflected in some or all of the forecasts. As such, for these sectors the forecasts do not appear to capture local drivers of growth.

10.10 A Growth Scenario has been developed which seeks to reflect the local drivers of growth in the Test Valley economy. This the growth plans within both LEPs and a range of feedback received from the stakeholder engagement. This makes adjustments to the following sectors:

- Advanced Manufacturing (specifically Auto-aero, Computer and Electronic Equipment and Transport);
- Information and Communication;
- Transportation and Storage;
- Professional, scientific and technical activities.

10.11 Table 55 sets out the growth in total employment showed in the Growth Scenario. As set out in Section 7, the Growth Scenario is based on the Experian forecast but with adjustments made to the key growth sectors identified in the LEP LIS.

Table 55. Growth Scenario – Total Employment Growth (by Broad Sector)

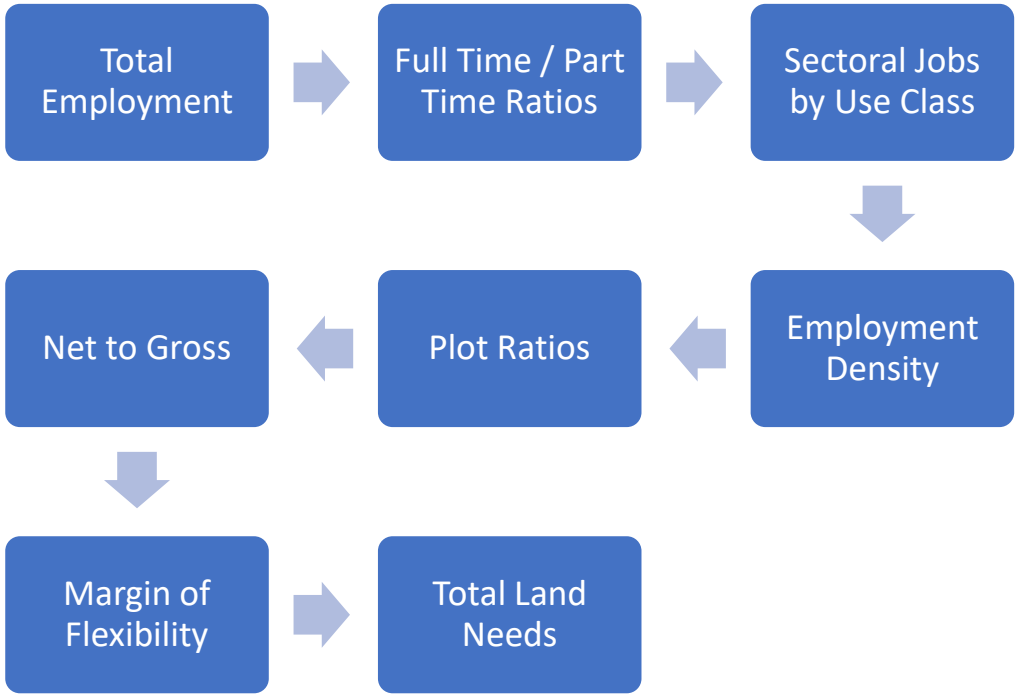
	2020	2040	Net Change 2020-40
Agriculture etc	800	500	-300
Mining & quarrying	0	0	0
Manufacturing	6500	6897	397
Electricity, gas & water	500	600	100
Construction	5100	6500	1400
Distribution	11300	11345	45
Transport & storage	4400	5424	1024
Accommodation & food services	4200	5417	1217
Information & communications	2600	3400	800
Financial & business services	15200	18367	3167
Government services	13800	14600	800
Other services	3200	3200	0
Total	**67600**	**76250**	**8650**

Source: SPRU Analysis of Experian forecast

b) Labour Demand Modelling

10.12 The approach to modelling the labour demand scenarios is set out in the flow chart overleaf. The starting point for each scenario is the total net growth in employment in each sector shown in each forecast. Other than these differing inputs the modelling assumptions made are consistent for each scenario.

Figure 55. Approach to Employment Land Needs Modelling



Source: SPRU

10.13 The modelling assumptions for each stage of the process are set out in the table below.

Table 56. Labour Demand Modelling Assumptions

#	Stage	Description
i	Full Time Equivalent Jobs	A figure for 'Full-Time Equivalent' (FTE) jobs has been calculated for each sector based on the ratio of full-time and part-time employment jobs for each sector from BRES. An average for each sector was taken for the years 2017-2020.
ii	Sectoral Jobs by Use Class	The proportion of jobs in each sector is disaggregated by the type of employment (B Class)[33] use class and non-employment use classes. The use classes are: • B1a – office • B1b – Research and development office • B1c – Light Industrial • B2 – General Industrial • B8 – Distribution • Other (any jobs not requiring B Class space) The use class proportions for each sector are based on detailed (SIC4 sub-sectors) BRES data for each sector in Test Valley's

[33] It is noted that B1 uses now come under the new Class E. However, the modelling takes account of the employment densities set out in the HCA Employment Densities Guide 3rd Edition which provides figures in terms of the B Class sectors.

#	Stage	Description
		economy. Each SIC4 sub-sector has been allocated a use class, and this is used to calculate the proportional jobs in each sector by use class, where the proportions of each sector reflect the proportions of jobs in each SIC4 sub-sector.

iii	Employment Density	This reflects the quantum of floorspace required for each job. This is informed by the Employment Density Guide 3rd Edition (HCA, 2015). The following employment densities are used:
		• B1a office:
		  ○ Corporate: 13 sqm/job
		  ○ Technology / Media / Telecoms: 11 sqm/job
		  ○ Professional services: 12 sqm/job
		  ○ Public services: 12sqm/job
		• B1b Research and Development: 50 sqm/job
		• B1c Light Industrial: 47 sqm/job
		• B2 general industrial: 36 sqm/job
		• B8 distribution: 80 sqm/job
		These employment densities reflect fairly average densities for each use class as there was no evidence arising from the commercial market assessment to suggest any alternative assumptions. The B8 employment density assumption is slightly higher than the average size for regional distribution centres (77 sqm/job) reflecting the growth profile of the sub-regional logistics and distribution sectors in Test Valley across recent years. Larger warehouses/storage units which operate nationally and internationally could have a different density but this has not been identified to have had a significant impact on the local economy or job density.
		The employment densities have then been adjusted in line with benchmarks in the guidance so that they all relate to gross external area (GEA). The employment densities for B1 are quoted as net internal area (NIA) and have been converted to GEA based on a conversion of 20% for B1a office and 10% for B1b and B1c. The employment densities for B2 are quoted for gross internal area (GIA) and have been converted to GEA based on a conversion of 5%. The employment densities for B8 are quoted as GEA.

iv	Plot Ratios	The next stage is to convert floorspace requirements to land requirements. A plot ratio of 40% has been assumed for all use classes. This is based on the assumption that the majority of the new office space will be delivered at either out of town locations or otherwise lower density urban sites, reflecting the historic characteristics of delivery in Test Valley and limited profile of

#	Stage	Description
		town centre opportunities. While it is acknowledged that there may be some potential for higher density mixed-use development, this assumption reflects that the majority of office development will not be of this type. It assumes an average plot ratio for industrial uses, and for distribution uses representing a relative lack of very large national scale distribution centres.
v	Net to Gross	The econometric forecasts all provide jobs growth on a net basis – i.e. they include for sectors which will see growth and sectors which will see decline. This means figures up to this point are net. The next stage is to convert this to gross development needs. This is done by accounting for the quantum of losses of existing stock which will be expected to be lost over the forecasting period. There is relatively limited evidence of any large-scale past loss of land and floorspace in the district. A future estimate has been based on past trends of employment land lost to other uses in each authority since 2015/16 annualised and then forecast forward over the 20-year forecasting period. Of the completed losses in Test Valley evaluated in Chapter 6 of this FAS, approximately 60% of the development resulting in a loss of employment floorspace incorporated some form of proposed residential floorspace (either through demolition and construction or conversion).
vi	Changing Trends in Working from Home	Another key factor arising from the stakeholder engagement is that the number of people working from home is expected to increase. The lockdown following the outbreak of COVID-19 has enforced many more people to work from home. The lockdown rate of homeworking is not expected to continue in the long-term, with evidence that levels have dropped substantially since restrictions have eased. However, the stakeholder engagement has revealed that this process has meant many of the barriers to home working have been overcome for significant numbers of businesses. The impact that this could have on the amount of B Class space required to support the forecast jobs growth has been modelled in a series of sensitivities to the main modelling.
vii	Margin of Flexibility	For the final stage we have added a margin of flexibility. This reflects the following factors: • To allow greater flexibility to support changing business needs; • To provide a choice of sites to facilitate competition in

#	Stage	Description
		the property market; • To provide flexibility to allow for any delays in individual sites coming forward; • The potential error margin associated with the forecasting process. The size of the margin of flexibility depends on the location and local drivers of demand. Generally, a margin of between 2 and 5 years' worth of completions is usually considered reasonable. One of the key findings of the stakeholder engagement is that a high level of flexibility of supply is required in order to be in a position to respond to emerging needs of both indigenous businesses and to continue to attract inward investment opportunities. A higher level of flexibility is also an appropriate response to the strong performance in delivery observed in recent years particularly in relation to storage and distribution functions. Accordingly, we have calculated the margin of flexibility based on 5 years' worth of completions.
ix	Total Land Needs	Outputs are provided in terms of hectares required for each type of employment use. The use classes have been combined in terms of B1a/b office, B1c/B2 industrial, and B8 distribution. This is in order to provide an indication of demand for each type of use. However, it is recommended the Council are flexible with regard to allocating land for specific types of (B Class) employment use at the detriment to other types of employment uses.

10.14 The starting point for the labour demand modelling is the jobs growth forecasts for Test Valley. A worked example of this process is set out below based on the Growth Scenario forecast but we have aggregated outputs to the broad sectors used for comparison of the three forecasts. The scenarios based on the other forecasts take the same approach and use the same modelling assumptions. The CE, OE, and Experian forecasts all provide slightly different sectoral breakdowns and so the model has been calibrated, where necessary, to support each forecast by dividing sectors on a proportional basis, thereby ensuring consistency in modelling between scenarios. Note, figures in the following tables may not sum exactly due to rounding.

i) *Full Time Equivalent (FTE) jobs*

10.15 The first stage is to calculate the FTE jobs. This is calculated individually for each sector in each forecast.

Table 57. Growth Scenario – FTE Jobs Growth 2020-40

	FTE %	FTE Growth 2020-40
Agriculture etc	94%	-280
Mining & quarrying	100%	0
Manufacturing	95%	370
Electricity, gas & water	95%	100
Construction	93%	1300
Distribution	85%	40
Transport & storage	95%	970
Accommodation & food services	72%	880
Information & communications	92%	730
Financial & business services	88%	2790
Government services	79%	680
Recreation and Other services	75%	0
Total	**86%**	**7580**

Source: ONS: BRES; SPRU Analysis of Experian forecast

ii) *Sectoral Jobs by Use Class*

10.16 This estimates the number of jobs which will require each type of B Class premises and other (non-B Class) space. This is based on estimates of the current breakdown of jobs for each sector using detailed analysis of BRES data. The jobs growth for each type of employment uses is shown in Table 58 below:

Table 58. Growth Scenario – Jobs Growth by Use Class 2020-40

	B1a/b	B1c/B2	B8	Non B Class
Agriculture etc	0	0	0	-283
Mining & quarrying	0	0	0	0
Manufacturing	0	375	0	0
Electricity, gas & water	0	31	0	64
Construction	0	325	325	650
Distribution	0	0	19	20
Transport & storage	0	0	874	97
Accommodation & food services	0	0	0	880
Information & communications	732	0	0	0
Financial & business services	2200	110	0	481
Government services	187	0	0	496
Other services	0	0	0	0
Total	**3119**	**841**	**1217**	**2406**

Source: ONS: BRES; SPRU Analysis of Experian forecast

iii) *Employment Density*

10.17 Applying the average employment densities results in the floorspace requirement for each type of B Class use. The floorspace (sqm) is shown in the Table 59 below:

Table 59. Growth Scenario – Net Floorspace (sqm) by Use Class 2020-40

	B1a/b	B1c/B2	B8	Total
Agriculture etc	-	-	-	-
Mining & quarrying	-	-	-	-
Manufacturing	-	15,733	-	15,733
Electricity, gas & water	-	1,190	-	1,190
Construction	-	12,292	26,015	38,307
Distribution	-	-	1,484	1,484
Transport & storage	-	-	69,886	69,886
Accommodation & food services	-	-	-	-
Information & communications	9,669	-	-	9,669
Financial & business services	35,881	4,155	-	40,035
Government services	2,686	-	-	2,686
Other services	-	-	-	-
Total	**48,235**	**33,369**	**97,385**	**178,990**

Source: ONS: BRES; SPRU Analysis of Experian forecast

iv) *Plot Ratios*

10.18 The plot ratios allow an estimation of the land required to accommodate the identified quantum of floorspace identified above. This is the net employment land required to support the level of net additional jobs growth shown in the econometric forecasts.

10.19 The first four stages of the modelling provide outputs in terms of net employment land needs – the quantum of land required purely to meet the jobs growth shown in the econometric forecasts. The outputs for each forecast and authority are shown in the tables on the following pages.

10.20 As shown in Table 60, the net employment demand figures range from -4.9 ha within the OE scenario to 44.7 ha in the LEP-based Experian Growth' Scenario that captures the sub-regional growth trend in the Professional Services, Transport & Storage and Manufacturing Sectors.

10.21 Two of the three baseline forecasts show a net loss of B1c/B2 industrial land driven by net losses in manufacturing jobs (OE -22.ha and CE -6.9ha), whereas the Experian baseline forecast reflects forecast net job losses in Transport & Storage between 2020 and 2040 (-11.1ha B8 Uses). All three baseline forecasts are relatively similar in terms of the demand for B1a/B1b floorspace and the OE and CE forecast also produce similar forecast net demand for B8 land and floorspace. The main distinction between the OE and CE forecasts is the substantially greater extent of losses from manufacturing within OE which is not offset by net growth in demand for other B-Use floorspace.

Table 60. Net Employment Land Needs (ha), 2020-40

	B1a/b	B1c/B2	B8	Total
CE	8.3	-6.9	12.1	13.5
OE	9.3	-22.1	7.9	-4.9
Experian	10.4	2.8	-11.1	2.0
Experian-based Growth Scenario	12.1	8.3	24.3	44.7

Source: SPRU Analysis of various forecasts

10.22 The net forecast for additional B8 land and floorspace within both the CE and OE forecasts primarily relates to employment growth within Wholesale & Retail and to a lesser extent the proportion floorspace from Construction and service activities applicable as a result of the conversion of Sector to Use Class B8.

10.23 These net effects will not necessarily reflect the same qualitative characteristics in terms of differences in requirements by sector. For example, land and floorspace providing these needs would not necessarily translate into appropriate provision to meet demand for Transport & Storage uses. Likewise, the conversion of land and floorspace from other existing uses (e.g., B1c/B2) may offer a greater prospect of meeting some of the future net needs for B8 uses but this may not be suitable to meet the range of demands for all sectors reflected in the overall total for this Use Class.

v) *Net to Gross Needs*

10.24 The figures in Table 60 above show the net need for employment land to support the levels of jobs growth in the forecasts. In addition to this, there will also be an employment land requirement arising from the need to update and replace existing stock. This is calculated by looking at the trend of losses of B Class employment land to alternative (non-B Class) uses and using this to forecast expected future losses of employment land.

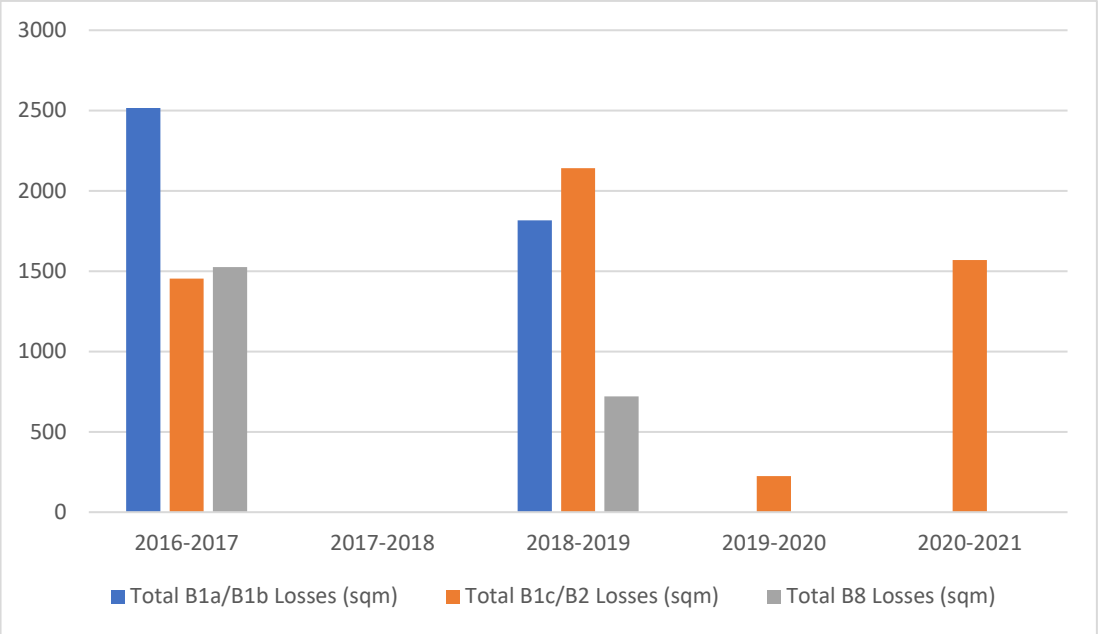
10.25 It is important that this measure does not include all net change within employment floorspace where there is a change of use or redevelopment between employment Use Classes. In those instances, the gross 'loss' of floorspace resulting from 'swaps' between Use Classes will be associated with a commensurate gain in other types of employment floorspace meeting a different element of economic demand. This would not be accounted for properly (and effectively 'double-counted') if an allowance was made for replacement of 'swaps' between existing employment uses.

10.26 Figure 56 below shows the losses of employment land in Test Valley since 2016 up to 31 March 2021. This shows in total around 12,000 sqm of B Class and *Sui Generis* floorspace has been lost over this period – equivalent to around 2,400 sqm of 'B-Class' floorspace per annum. No losses of land to alternative uses were reported in 2021/22. The 2016-2021 trend period for loss replacement has been retained for robustness, reflecting that the most recent monitoring year corresponds to much reduced levels of development activity overall – potentially impacted by the Coronavirus pandemic.

10.27 There is relatively limited evidence of any large-scale past loss of land and floorspace in the district. The isolated loss of small and medium scale industrial premises (c.1,000sqm – 2,000sqm) has a distorting effect on data for individual years. Losses of office floorspace have also been modest in scale but occur less regularly within the series of monitoring data. As highlighted above, these were oftentimes to residential use and therefore are unlikely to be repeated at the subject sites. Losses of B8 warehousing floorspace comprise the lowest proportion of the five-year total, indicating a very high retention and re-let of existing stock notwithstanding recent delivery levels of new floorspace.

10.28 Assuming this level of losses continues over the plan period would mean that a further 47,900 sqm of B-Class employment land will be lost. It is important that this is adequately reprovisioned or else there will not be sufficient employment land to support the net growth in jobs over the plan period.

Figure 56. Employment Floorspace Losses (sqm) – 2016/17-2020/21



Source: SPRU analysis of local authority data

10.29 The losses data has been annualised and then multiplied by twenty to identify the replacement demand required for the forecasting period. This is then converted to land requirement using the plot ratios used in the main labour demand modelling.

10.30 This replacement demand is then added to the net requirement in order to estimate gross needs.

Table 61. Replacement Demand (ha), 2020-2040

	B1a/b	B1c/B2	B8	Total
Replacement Demand (ha)	4.33	5.39	2.25	11.97

Source: SPRU Analysis

vi) *Changing Trends in Working from Home*

10.31 As set out in Section 8, one of the largest impacts of COVID-19 and workplace behaviour in the course of the subsequent recovery has been the sustained numbers of people working from home. A repeated theme of the stakeholder engagement has been that this has resulted in many of the barriers to home working being overcome out of necessity.

10.32 The removal of these barriers suggests that the prevalence of remote working is likely to increase in future. However, the scale of growth has been moderated, with a significant return to the workplace across all sectors following the easing of restrictions although a continuation of pre-COVID levels also seems unlikely.

10.33 Remote working is traditionally factored into employment land modelling implicitly via the

employment densities from the HCA Employment Densities Guide (2015). These figures consider the average amount of floorspace required per worker for different uses. It factors levels of remote working – such as hot-desking and agile working – into the employment density ratios.

10.34 There are a number of barriers to home working. Three main issues have been identified:

- Technological barriers;
- Corporate attitudes towards homeworking and fears about reduced productivity;
- Limitations on teamworking, training, and client facing.

10.35 These barriers have meant that the growth in the proportion of workers mainly working from home is relatively small and growth has been relatively slow. It also raises significant questions about the scale of future growth in the rates of homeworking, and none of the recognised forecasting houses produce forecasts of how this might increase in future.

10.36 Feedback from stakeholders suggests that enforced homeworking due to COVID-19 has resulted in the first two of these barriers being overcome, at least to some degree. However, the third barrier largely remains. This suggests that this would likely result in increased working from home in the future, but this differs greatly between different sectors.

10.37 We have therefore considered how the working from home trends are likely to change from 2015 onwards over the plan period, as shown in Table 62 below. This has been done using national data on home working from ONS for the period 2012-19. This has been extrapolated forward to 2040 (see Section 8 for details). This is done for each sector and results in a total proportion of home working of 8.7% by 2040 although for some (predominantly office-based) sectors this is higher – the highest is IT and Communications which grows to 23.3% by 2040. Using 2015 as a base-date – as this aligns with the latest HCA employment densities data – we have calculated the increase in the proportion of homeworking for each year to 2040.

Table 62. Percentage Working from Home per Sector[34] (2015 vs 2040 forecast)

	2015	2040
Manufacturing	3.7%	6.9%
Electricity, gas & water	2.2%	8.7%
Construction	4.1%	7.3%
Wholesale and retail trade	3.4%	6.1%
Transport & storage	1.5%	2.9%
Accommodation & food services	3.6%	2.4%
Information & communications	14.4%	23.3%
Financial & business services	8.5%	15.6%
Government services	2.7%	5.9%
Other services	9.7%	13.2%
All Jobs	**5.3%**	**9.2%**

Source: Derived from ONS data

10.38 The increase in homeworking for each sector is then factored into the employment land modelling for Test Valley. This identifies the number of jobs growth in each sector by 2040 which will not require additional floorspace. (This only accounts for the growth since 2015 so the implicit homeworking assumptions in the HCA employment densities remain in the modelling). The additional homeworkers are assumed not to require additional floorspace

[34] The data for the Agriculture, forestry and fishing and Mining and quarrying sectors has been omitted due to unreliable outputs based on the small sizes of these sectors. This does not affect the employment land requirement figures for Test Valley.

and so are discounted from the analysis at Stage (iii).

10.39 The changes in working from home rates applies to all jobs in Test Valley, not just the additional jobs shown in the forecasts. Where net jobs growth within each sector shows limited or negative change in employment the increasing working from home rates further reduce employment land needs under this scenario. These outcomes should be treated with caution in terms of the extent to which this will be reflected in the rationalisation and reconfiguration of the existing portfolio of employment land in Test Valley.

10.40 This results in a reduction to the overall floorspace requirements for each of the labour demand scenarios. This is different for each forecast due to the different proportions of growth in each sector although in absolute terms the overall reductions are similar and range between -9.6ha in the Growth Scenario to -7.9ha in the OE forecast. The effect of the adjustment is most significant in the Experian forecast, where future working from home trends applied to all jobs and forecast net change would result in a requirement negative requirement for land and floorspace. This is principally a result of forecast net growth in Manufacturing being more than offset by the assumptions for changes in working practices for all existing employment requiring floorspace within Use Class B2, which must again be treated with caution.

10.41 The net floorspace requirements once the homeworking adjustments have been applied are shown in the bottom half of Table 63.

Table 63. Adjustment to Account for Homeworking (ha) (as of 2040 total)

Adjustment	B1a/b	B1c/B2	B8	Total
CE	-4.0	-2.3	-3.1	-9.4
OE	-3.2	-1.7	-3.0	-7.9
Experian	-3.3	-2.3	-3.1	-8.8
Growth Scenario	-3.4	-2.5	-3.7	-9.6
Net Requirement Following Adjustment	**B1a/b**	**B1c/B2**	**B8**	**Total**
CE	4.3	-9.2	9.0	4.1
OE	6.1	-23.8	4.9	-12.8
Experian	7.0	0.4	-14.2	-6.8
Growth Scenario	8.6	5.8	20.7	35.1

Source: SPRU Analysis of various forecasts

vii) *Flexibility Margin*

10.42 The margin of flexibility has been considered based on several years' worth of completions data derived from past take-up trends. It is typical to add between 2-5 years' worth of completions as a margin. Engagement with the commercial property market has identified that flexibility of supply is important within Test Valley, reflecting the strong take-up and delivery in recent years supporting employment growth within a range of sectors. The majority of net additional floorspace delivered has been within the distribution and industrial Use Classes (B2/B8).

10.43 Flexibility is an important component of ensuring a sufficient quantum and range of sites are available to support business growth and inward investment opportunities. Such an allowance at least in part enables flexibility in provision to accommodate needs not anticipated in the plan period, as noted at Paragraph 82(d) of the NPPF 2021. Therefore, we have included a margin of flexibility equivalent to 5 years' worth of completions data, applicable to the 20-year total requirement for land and floorspace (i.e., to be monitored

across the plan period).

10.44 The flexibility margin has been calculated using the evaluated completions trend from Section 6. Two outputs are presented for the total margin by Use Class for Test Valley (borough total) reflecting take-up including and excluding strategic warehouses corresponding to the different 2016-21 and 2017-21 time periods (based on Tables 25-27 and Tables 28-30 respectively).

Table 64. Flexibility Margin (ha), 2020-2040

	B1a/b	B1c/B2	B8	Total
Margin (ha) based on 2016-21 Take-Up	1.9	5.8	16.9	24.6
Margin (ha) based on 2017-22 Total Excluding Strategic Warehouses	2.7	5.9	5.7	14.3

Source: SPRU Analysis

10.45 Both calculations of the flexibility margin produce a relatively modest recommendation for flexibility for office uses, relative to labour demand and a relatively higher margin for B8 as a proportion of the total. To a large extent the difference in relation to office floorspace is offset by the higher allowance for replacement losses provided as a separate step of the calculation for these uses.

10.46 The main outputs and recommendations of the FAS are based on the total margin of **24.6 hectares** considered to accord most closely with national policy and guidance including an ability to respond quickly to changing demand.

10.47 Basing the margin for B8 uses on the details of known floorspace within schemes delivered recently (i.e., the evaluated total take-up trend of **16.9 hectares**) is considered a more appropriate response to reflect the nature of land required to provide for specific needs for this sector that may nonetheless include a degree of ancillary office or industrial floorspace within the overall scheme.

10.48 It is important to note, however, that the inclusion of a flexibility margin reflecting past take-up is a distinction from previous evidence identifying recommendation for employment land and floorspace in Test Valley. Specifically, the 'Economic, Employment and Commercial Needs (including logistics) Study - Final report' For Partnership for South Hampshire (Stantec, March 2021) did not include a specific margin for flexibility but at Chapter 10 made general recommendations to identify new 8-10ha sites for 'larger logistics' operations. A finer-grained assessment of the characteristics of past take-up in Test Valley indicates that this recommendation should not be viewed as a separate requirement but would be consistent with allowing a margin for flexibility alongside forecast evidence of labour demand that reflects trend-based growth in relevant sectors.

10.49 Firstly it is important to note that the 10ha threshold was only provided as a guide within the Stantec Report. At paragraph 10.15 this recognised that the starting part for 'strategic' logistics purposes is generally regarded as comprising provision in excess of 100,000sqft (around 9,000sqm and capable of being occupied on sites of around 2.25ha at typical plot ratios). While there have been no 'strategic' warehousing schemes in Test Valley in the last five-year trend it is nonetheless the case that developments of this scale might be capable of being accommodated within the existing pipeline of permissions and allocations and contribute towards wider sub-regional demand of the type characterised in the Stantec Study.

10.50 Secondly, and specifically relevant to Test Valley, it is not necessarily the case that the requirements for strategic warehousing demand will require 'new' plots in all cases. Paragraph 10.14 of the Stantec Study specifically identifies the provision of distribution

facilities for Ocado at Walworth Business Park, Andover (quoted at 239,000sqft in 2014). This fails to reflect that the original distribution centre comprised a reconfiguration of existing premises. Furthermore, subsequent redevelopment of the plot following fire damage (incorporating a modest expansion of floorspace) also forms part of recent take-up trends. This illustrates that plots to accommodate strategic warehousing may be facilitated within the existing portfolio of sites and contribute towards overall growth trends in this sector. Moreover, delivery of new floorspace in excess of 1,000sqm (which is fairly typical in Test Valley) may meet more local (or 'last mile') demand but could also contribute towards wider sub-regional demand of the type characterised in the Stantec Study.

10.51 Thirdly, it is the case that a margin for flexibility based on the total take-up trend does include 42,820sqm of specific strategic warehousing at Nursling in STV. This skews the margin for flexibility for Storage and Distribution Uses to a significant degree (difference of c.11 hectares) and at typical plot ratios accords specifically with Stantec's guide of plots up to c.10ha associated with this component of the distribution sector. To clarify, the margin based on the total trend would therefore potentially allow for another scheme with the same characteristics occurring over the plan period as part of the allowance for flexibility. By extension this illustrates that the margin for flexibility based on the total take-up trend would be broadly consistent with the recommendation of the previous Stantec Study supporting the identification of additional sites for strategic warehousing of up to 10ha.

10.52 Taking together these points and observations on the margin for flexibility and other potential approaches it is appropriate to conclude regarding how this might be addressed as part of making provision as part of future requirements for land and floorspace. In summary, while the outputs of the FAS are more robustly based on the higher margin for flexibility this does not correspond to an exact measure of demand, which could in any case be accommodated in a number of types of provision, or a level of additional supply that could not necessarily be repeated sustainably over the plan period (depending on the details of specific sites).

10.53 This indicates that there is likely to be scope to justify provision for some of the difference between the upper (16.9 hectare) and lower (5.7 hectare) flexibility margins for B8 Uses through support for a criteria-based policy to support additional provision for storage and distribution based on the characteristics of potentially suitable locations. Reflecting the characteristics of past delivery and the guide provided by the Stantec Report and appropriate threshold for operation of a potential criteria-based policy would be sites in the region of 10 hectares.

viii) *Total Employment Land Needs*

10.54 Taking the sum of the net employment land needs, the net to gross demand, and the flexibility margin identifies the total employment land requirement for Test Valley for the range of labour demand scenarios.

10.55 Table 65 below shows the outputs of the labour demand scenarios, which provide a wide range of results. The outputs of the labour demand scenarios are assessed against the other scenarios as well as wider economic and commercial market factors (Section 6), economic baseline (Section 5), the potential sub-area distribution of labour demand and past take-up (Section 6) and risks of Brexit and COVID-19 (Section 9) in order to inform the overall conclusions on employment land needs for Test Valley. The figures in the table below should be considered within this context.

Table 65. Total Employment Land Needs (ha) – Comparison of Labour Demand Scenarios, 2020-2040

Stage	Description	CE	OE	Experian	Growth Scenario
i-iv	Net Growth Needs	13.5	-4.9	2.0	44.7
v	Net to Gross				12.0
vi	Changing Trends in Working from Home	-9.4	-7.9	-8.8	-9.6
vii	Margin of Flexibility				24.6
xiii	**Total Employment Land Needs**	**40.7**	**23.7**	**29.8**	**71.7**

Source: SPRU Analysis

10.56 The table above shows the method of calculation for employment land as a whole, with the outputs for each B Class use class set out below in Table 66.

Table 66. Total Employment Land Needs (ha) – Comparison of Labour Demand Scenarios, 2020-40

	B1a/b	B1c/B2	B8	Total
CE	10.6	2.0	28.2	**40.7**
OE	12.4	-12.6	24.0	**23.7**
Experian	13.3	11.6	4.9	**29.8**
Growth Scenario	14.9	17.0	39.8	**71.7**

Source: SPRU Analysis

CHAPTER 10: KEY POINTS

- A 'labour demand' approach identifies the level of employment land needed to support the employment growth shown in each of the econometric forecasts, including the Growth Scenario.
- In calculating the employment land requirement a number of assumptions are applied including:
    - Full time equivalent jobs
    - Sectoral jobs by use class
    - Employment densities
    - Plot ratios
    - Net to gross adjustments
    - Working from home adjustments
    - Flexibility margins
- Allowances for future trends in home working are applied to all employment within the borough (existing and future net forecast change) resulting in a **c.9.6 hectare** reduction within land and floorspace identified by the Growth Scenario. These outcomes should be treated with caution in terms of the extent to which this will be reflected in the rationalisation and reconfiguration of the existing portfolio of employment land in Test Valley. Gross demand upon the supply pipeline may be greater if future floorspace needs and employment densities do not respond directly to home-working trends (for example due to hybrid working models).
- The FAS supports use of an overall flexibility margin of **24.6 hectares** (inclusive of 16.9 hectares for B8 Uses) based on 2016-21 completions trends but recognises that around 11.2 hectares of this total is attributable to the previous delivery of strategic warehousing. This informs the recommendations within the FAS regarding future how this element of the overall requirement could be addressed through a potential criteria-based provision for future supply upon strategic B8 sites of c.10 hectares.
- The Growth Scenario identifies a total employment land need of **71.7 hectares** during the period 2020 to 2040.
- This is split across the different use classes as follows:
    - B1a/b – 14.9 ha
    - B1c/B2 – 17.0 ha
    - B8 – 39.8 ha

11.0 SUPPLY/DEMAND BALANCE – LABOUR DEMAND AND PAST TAKE-UP

11.1 This Section of the Report provides an updated summary of the outputs from the preceding Chapter 10 and comparison of details of the existing pipeline of supply first outlined in Chapter 6. This provides a presentation of the supply/demand balance for Test Valley and the residual for land that would need to be identified to make provision for evidence of labour demand. These findings are presented alongside a review of the supply/demand balance based on past take-up trends.

11.2 The recommended labour demand growth scenario should be measured against the total pipeline for gains in B-Use floorspace taking account of changes within between different employment Use Classes. In terms of comparing the overall net forecast for labour demand it would not be appropriate to count all gross floorspace provision towards these requirements in instances where the gain in floorspace is a result of a 'swap' in B-Use Classes already providing for a potentially different sector of the economy. No allowance for 'replacement' floorspace has been made in these instances. Capturing the corresponding gross loss within B-Use Classes resolves the overall contribution towards the supply-demand balance.

11.3 The same approach can be taken to provide a like-for-like comparison with the take-up trend for total change within B-Use land and floorspace. This allows comparison with the pipeline based on new build employment floorspace *plus* gains through swaps with other employment Use Classes *minus* change of use of floorspace to alternative (former) B-Use Class activities.

11.4 Committed losses of floorspace from employment use are not deducted from the pipeline as a separate allowance has been made for replacement of these in future years. However, the Council should continue to monitor the pipeline of committed losses against the allowance made within this FAS (see Table 61).

11.5 As detailed in Chapter 6 the updated base-date for this exercise based on details provided by the Council for the stock of allocations and permissions ('the pipeline') is **1 April 2022**. Net requirements for land and floorspace have been calculated with reference to this base-date.

11.6 For past take-up scenarios this means that requirements for the 2016-2021 analysis period are derived based on a 19-year forecast trend with 2021/22 net completions further deducted to illustrate the residual supply/demand balance For the 2017-2022 analysis period an 18-year forecast period can be compared directly with the stock of allocations and permissions.

11.7 For labour demand scenario, utilising forecast scenarios with a 2020 base this means that the total 20-year forecast period is presented net of the Council's completions data for 2020/21 and 2021/22.

11.8 Details of the Council's existing supply pipeline, provided in Chapter 6, are outlined in terms of total outstanding net floorspace (sqm) by Use Class. This reflects that floorspace within identified sites will not necessarily correspond to assumptions for plot ratios used in this Study. Details within the Supply/Demand balance are therefore calculated on the basis of sqm totals, with the exception of the final outputs in terms of surplus/deficit against the pipeline which is converted back to a figure for equivalent hectares in terms of the *residual requirement* i.e., net of the stock of allocations and permissions.

11.9 For all Use Classes, and particularly Office floorspace, the Council should adopt a flexible approach to plot ratios and the characteristics of provision that may generate additional floorspace to address any deficit in supply. For example, a higher total of developable floorspace is likely to be provided on a site of equivalent land area within urban or town centre locations compared to out-of-centre offices due to development at a higher plot ratio.

11.10 Table 67 below demonstrates a substantial surplus in provision across all Use Classes, including replacement for losses and additional flexibility, compared to the Experian baseline forecast for labour demand. Relatively similar surpluses existing against both the CE and OE baseline forecasts. The greatest surplus, relative to the pipeline of available supply, exists in respect of former B1c/B2 industrial uses, notwithstanding a negative net labour demand requirement for Storage/Distribution uses within this forecast.

Table 67. Supply/Demand Balance – Experian Baseline as of 1 April 2022

	Labour Demand - Test Valley				
Row	**Experian**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required (Including Working From Home Adjustment) (Sqm)	28112	1785	-56923	-27027
(b)	Net-to-Gross Conversion - Allowance for Expected Future Losses	17332	21558	8982	47872
(c)	Net Additional Floorspace Completed 2020/21 and 2021/22	9235	11057	3619	23911
(d)	Gross Additional Floorspace Required (Sqm) ('Demand') (a) + (b) - (c)	36209	12286	-51560	-3066
(e)	Demand (Equivalent ha)	9.1	3.1	-12.9	-0.8
(f)	Stock of Permissions and Allocations (Pipeline) (sqm)	73420	96315	53918	223653
(g)	Pipeline (Equivalent ha)	18.4	24.1	13.5	55.9
(h)	Net Surplus/Deficit versus Pipeline (sqm) (f) - (d)	37211	84029	105478	226719
(i)	Flexibility Margin (converted to sqm)	7616	23253	67521	98389
(j)	Additional Floorspace Required (including flexibility margin) (sqm) (d) + (i)	43825	35538	15961	95323
(k)	Demand (inclusive of flexibility (Equivalent ha)	11.0	8.9	4.0	23.8
(l)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (f) - (j)	29596	60777	37957	128330
(m)	Supply/Demand Balance (Equivalent ha) (g) - (k)	**7.4**	**15.2**	**9.5**	**32.1**

Source: SPRU analysis

11.11 Table 68 provides comparable outputs for the Experian Growth Scenario. This indicates an overall deficit of -9.8 hectares against the gross recommendation for the provision of land and floorspace. This includes a deficit of -25.4ha for Storage and Distribution Uses, partly offset by surpluses in the other categories.

11.12 The evidence presented in Chapter 6 would indicate there is some scope for the surplus/deficit to be considered interchangeably between Use Classes B2/B8, subject to the ongoing monitoring of market demand and delivery considerations. However, the characteristics of industrial land within the Council's pipeline are unlikely to be able to accommodate the range of demand for Storage and Distribution incorporated within the outputs for the B8 Use Class, including a margin based on past trends and sub-regional demand within the Transport & Storage Sector reflected within the Growth Scenario assumptions:

Table 68. Supply/Demand Balance – Growth Scenario As of 1 April 2022

	Labour Demand - Test Valley				
Row	**Growth Scenario**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required (Including Working From Home Adjustment) (Sqm)	34496	23288	82608	140392
(b)	Net-to-Gross Conversion - Allowance for Expected Future Losses	17332	21558	8982	47872
(c)	Net Additional Floorspace Completed 2020/21 and 2021/22	9235	11057	3619	23911
(d)	Gross Additional Floorspace Required (Sqm) ('Demand') (a) + (b) - (c)	42593	33789	87971	164353
(e)	Demand (Equivalent ha)	10.6	8.4	22.0	41.1
(f)	Stock of Permissions and Allocations (Pipeline) (sqm)	73420	96315	53918	223653
(g)	Pipeline (Equivalent ha)	18.4	24.1	13.5	55.9
(h)	Net Surplus/Deficit versus Pipeline (sqm) (f) - (d)	30828	62526	-34053	59300
(i)	Flexibility Margin (converted to sqm)	7616	23253	67521	98389
(j)	Additional Floorspace Required (including flex margin) (sqm) (d) + (i)	50208	57042	155492	262742
(k)	Demand (inclusive of flexibility (Equivalent ha)	12.6	14.3	38.9	65.7
(l)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (f) - (j)	23212	39273	-101574	-39089
(m)	Supply/Demand Balance (Equivalent ha) (g) - (k)	**5.8**	**9.8**	**-25.4**	**-9.8**

Source: SPRU analysis

11.13 Table 69 presents a revised output for the final stages of the calculation (with the position to step (h) being identical) incorporating a reduced margin for flexibility (not in accordance with the FAS's overall recommendations) that excludes the impact of strategic warehousing in 2016/17. This suggests the overall supply and demand would be broadly in balance, subject to conclusions on the interchangeability in the use of the industrial pipeline to offset what remains a 14.2 hectare deficit against total B8 floorspace requirements.

Table 69. Supply/Demand Balance – Growth Scenario with 2017-22 Flexibility Margin As of 1 April 2022

	Labour Demand - Test Valley				
Row	**Growth Scenario**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(h)	Net Surplus/Deficit versus Pipeline (sqm) (f) - (d)	10955	23545	22870	57370
(i)	Flexibility Margin (converted to sqm)	53548	57334	110841	221723
(j)	Additional Floorspace Required (including flex margin) (sqm) (d) + (i)	13.4	14.3	27.7	55.4
(k)	Demand (inclusive of flexibility (Equivalent ha)	19873	38981	-56923	1930
(l)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (f) - (j)	10955	23545	22870	57370
(m)	Supply/Demand Balance (Equivalent ha) (g) - (k)	**5.0**	**9.7**	**-14.2**	**0.5**

11.14 Table 70 illustrates the equivalent supply/demand balance from the overall past net take-up scenario for Test Valley in Chapter 6 based on the period 2016-2021. This suggests a total deficit around 27 hectares greater than the Growth Scenario labour demand requirement. The scale of the requirement under the forecast take-up scenario does not included any margin for flexibility over-and-above past trends nor allowance for replacement losses. As such, comparisons with the labour demand scenarios on a like-for-like basis should be regarded as conservative. The deficit (-36.7 hectares) only arises as a result of forecast take-up trends for B8 Storage and Distribution Uses (-50.1 hectares) with some of the deficit remaining offset by surpluses for B1a/b and B1c/B2 Uses consistent with the supply/demand balance for the Growth Scenario.

11.15 Within the supply/demand balance for the forecast take-up scenario the deficit for B8 Uses is 24.7 hectares greater than under the Growth Scenario. The remainder of the difference is made up of slightly lower surpluses for B1a/B1b and B2 Uses..

11.16 The notional surplus for Office and Research & Development floorspace under the forecast take-up scenario is much greater (11.6 hectares versus 5.8 hectares) and this in-particular does not appear to accurately reflect reasonable prospects for the outlook of relevant sectors or the strength of the existing pipeline to deliver these opportunities for jobs growth.

11.17 Forecast take-up trends would indicate a relatively minor surplus in industrial uses based on higher rates of past delivery, while evidence from the labour demand scenario would suggest a change in the distribution of requirements between sectors (even allowing for the replacement of future losses of industrial stock). The labour demand scenario therefore provides a greater degree of interchangeability of the stock of allocations and permissions for industrial floorspace to offset more of the deficit for storage and distribution uses.

Table 70. Supply/Demand Balance – Past Take-Up Evaluated Trend by Use Class As of 1 April 2022

	Past Take-Up - Test Valley				
Row	**Growth Scenario - Distribution**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required - 2016-21 5-Year Trend (Sqm)	28939	88360	256579	373878
(b)	Net Additional Floorspace Completed 2021/22	1821	-821	2304	3304
(c)	Stock of Permissions and Allocations (Pipeline) (sqm)	73420	96315	53918	223653
(d)	Pipeline (Equivalent ha)	18.4	24.1	13.5	55.9
(e)	Net-to-Gross Conversion - Allowance for Expected Future Losses	N/A	N/A	N/A	N/A
(f)	Gross Additional Floorspace Required (Sqm) (a) - (b) + (d)	27118	89181	254275	370574
(g)	Net Surplus/Deficit versus Pipeline (c) - (f)	46302	7134	-200358	-146921
(h)	Flexibility Margin (converted to sqm)	N/A	N/A	N/A	N/A
(i)	Additional Floorspace Required (including flexibility margin) (sqm) (f) + (h)	27118	89181	254275	370574
(j)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (c) - (i)	46302	7134	-200358	-146921
(k)	Supply/Demand Balance (Equivalent ha)	**11.6**	**1.8**	**-50.1**	**-36.7**

11.18 Table 71 below repeats the supply/demand balance exercise based on forecast take-up trends using the amended 2017-22 period (excluding the impact of any delivery of strategic

warehousing from the trend). It is immediately clear that excluding this component of supply for the revised 18-year forecast places the overall supply/demand balance into surplus. There would remain a small deficit of around 2.4 hectares for B8 Uses.

11.19 The outputs for Office and Industrial floorspace are not the same as the overall take-up scenario due to differences in the evaluated trend to apportion completions by Use Class (effectively reflecting a higher proportion of confirmed delivery for these uses, when strategic warehouses are excluded).

11.20 The overall effect of this is that treated interchangeably there remains a moderate deficit in total supply to sustain the forecast for combined Industrial/Storage uses (-4.2 hectares) based on past trends for these activities, excluding strategic warehouses. Some caution needs to be placed regarding the apparent minor scale of the deficit and how this is derived for four main reasons.

11.21 Firstly, this would not reflect the outputs of the labour demand Growth Scenario and Test Valley out-performing sub-regional trends for Transport & Storage. Secondly, take-up of strategic warehousing is part of past trends and demand can reasonably be expected to place pressure on the existing pipeline where suitable supply exists. Third, any surplus in the Industrial pipeline is very small and would provide limited flexibility and choice to meet the requirements for a range of potential occupiers within related sectors. Finally, the analysis based on take-up by confirmed Use Class is particularly impacted by the very limited levels of completions in 2021/22, including a net loss of floorspace in STV pending the redevelopment of outstanding floorspace commitments in future years. As such, the assumptions are sensitive to change and where demand for B1c/B2 floorspace based on take-up trends could be higher (as a proportion of the total) without the impact of 2021/22 data this would indicate more limited flexibility in this part of the pipeline to address the deficit against B8 storage/distribution trends.

Table 71. Supply/Demand Balance – Past Take-Up Excluding Strategic Warehousing As of 1 April 2022

	Past Take-Up - Test Valley				
Row	**Evaluated Trend by Use Class Excluding Strategic Warehouses**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required - 2017-22 5-Year Trend (Sqm)	39435	84760	82334	206528
(b)	Stock of Permissions and Allocations (Pipeline) (sqm)	73420	96315	53918	223653
(c)	Pipeline (Equivalent ha)	18.4	24.1	13.5	55.9
(d)	Net-to-Gross Conversion - Allowance for Expected Future Losses	N/A	N/A	N/A	N/A
(e)	Gross Additional Floorspace Required (Sqm) (a) + (d)	39435	84760	82334	206528
(f)	Net Surplus/Deficit versus Pipeline (b) - (e)	33985	11555	-28416	17125
(g)	Flexibility Margin (converted to sqm)				
(h)	Additional Floorspace Required (including flex margin) (sqm) (e) + (g)	39435	84760	82334	206528
(i)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (b) - (h)	33985	11555	-28416	17125
(j)	Supply/Demand Balance (Equivalent ha)	**8.5**	**2.9**	**-7.1**	**4.3**

Source: SPRU analysis

11.22 Based on the findings of this Study the Council is recommended to consider the preparation

of strategic policies and identification of land and floorspace to address potential deficits identified within the supply/demand balance for the Growth Scenario forecast. This more closely reflects evidence of labour demand within the borough.

11.23 The following sections of the Study provide a sub-area analysis of how this evidence of demand may be attributed to Northern Test Valley and Southern Test Valley on a sub-area basis and subsequently outlines qualitative considerations for how any deficit with the respective areas might best be addressed in terms of the type, scale and location of provision that may be most appropriate.

CHAPTER 11: KEY POINTS

- An assessment of the current pipeline supply (existing permissions and allocations) against the employment land needs identified in the Growth Scenario indicates an **overall deficit of 9.8 hectares.** This includes a deficit of 25.4 hectares for B8 uses, which is partly offset by surpluses in other employment uses.

12.0 SUB-AREA ASSESSMENT OF LABOUR DEMAND AND PAST TAKE-UP SCENARIOS

a) Overview

12.1 Previous assessments of the needs for land and floorspace for economic development within Test Valley have reflected the background to planning policy and plan-making within the borough and sought to present findings upon the basis of defined sub-areas. There are several factors including the abolition of regional planning and the removal of Test Valley from the Solent Local Enterprise Partnership geography that were previously central to the reasons for separate requirements for NTV and STV as set out in the adopted development plan. This background has been considered previously in Chapter 3 of this Report.

12.2 There is no express requirement within current national policy and guidance for local planning authorities to prepare strategic policies for economic development to set out needs for these uses on a sub-area basis. However, the background to plan-making and past delivery locally together with relevant evidence of market signals including those related to the overlapping Functional Economic Market Area geographies within Test Valley demonstrates why a sub-area understanding remains important to assessing whether and how future needs might be identified and addressed in full.

12.3 The most recent evidence within the 'Economic, Employment and Commercial Needs (including logistics) Study - Final report' For Partnership for South Hampshire (Stantec, March 2021) outlines need on a sub-area basis for Test Valley. The Council has further indicated that it is seeking to redefine the definition of Northern Test Valley and Southern Test Valley sub-areas, including their implications for the broadly rural characteristics within the centre of the borough, as part of plan-making. This has been identified and evaluated within Sections 4 of this FAS. It is therefore appropriate that this Report outlines its findings on a sub-area basis in order to inform the preparation of policies for economic development that might inform the distribution of future needs, where relevant and appropriate.

12.4 It is important to note that the quantification of needs for economic development based on labour demand techniques on a sub-area basis is not straightforward. Relevant economic forecasts are not produced below the local authority level. Relevant previous studies have adopted an approach of apportioning forecast employment growth using the existing number of jobs as recorded in BRES data for Middle Super Output Area statistical geographies in each sub-area. In the absence of any alternative sources of baseline information for forecast growth or employment estimates at finer-grained geographies this represents an appropriate approach and is the starting point we have adopted for this assessment. However, it is relevant to note several caveats and observations in relation to earlier work and the relevance of previous assessment findings:

- Findings from labour demand scenarios by sub-area are not clearly presented as a total output for all sectors and land uses within the most recent Stantec (2021) Study
- Because the apportionment of labour demand by sub-area is derived from the distribution of total existing employment it follows that outputs from these scenarios will vary substantially from past take-up scenarios apportioned on a sub-area basis (where these reflect relatively short timeframes for delivery)
- The Stantec (2021) Study is also unclear in terms of indicating whether and how conversion from net-to-gross needs and provision for any flexibility margin have been applied on a sub-area basis

12.5 This Study addresses these observations by setting out a full breakdown of findings for labour demand by sub-area. Taking account of the overall findings of needs for land and floorspace at the borough level and the detailed analysis of forecast growth earlier in the Study these outputs are presented only for the Experian Baseline and Growth Scenario forecasts.

12.6 Findings are presented using a best fit of Middle Super Output Area statistical geographies to the existing boundaries defining Northern Test Valley and Southern Test Valley within the adopted development plan. It should be noted that notwithstanding the Council's more detailed criteria for sub-area boundary definition for the purposes of apportioning the relevant economic forecasts there is only one Middle Super Output Area boundary which transfers from Northern Test Valley to Southern Test Valley under the proposed revised boundaries. This relates to a large rural area within the borough comprising very limited centres of population and levels of existing employment.

12.7 For the purposes of this evidence base the apportionment of sub-area findings by the current or alternative definitions would make only a negligible difference to the outputs. Overly precise definition how any provision within this particular part of the borough might contribute exclusively to needs in Northern Test Valley or Southern Test Valley only is also likely to be unhelpful given the characteristics of the area in question.

12.8 The contribution of outputs by sub-area to future policy options for the distribution of provision to meet future needs also requires some caution for the following reasons:

- Forecasts for labour demand reflecting expectations for future growth in employment will not necessarily reflect the distribution or characteristics of existing activity by sector or sub-sector
- Forecasts by definition are a reflection of net changes in employment. Expected losses within any sector or sub-sector will also not necessarily reflect the existing distribution of jobs within the borough.
- Notwithstanding the two points above any approach which sought to alter the existing distribution of total employment may require significantly greater policy intervention than making provision for net additional needs on a sub-area basis. It would be arbitrary to suggest, for example, that a higher percentage of the existing baseline for employment would be located in one sub-area at the end of the plan period without knowledge of whether existing jobs within a given sector could be appropriately relocated elsewhere and without giving consideration to how this may affect the use or re-use of existing stock

12.9 The points above demonstrate why apportioning labour demand by a fixed distribution of existing jobs at the start and end of the plan period is broadly appropriate. However, this Study has undertaken one additional output for sub-area needs using the assumptions within the Growth Scenario.

12.10 This reflects that while the baseline forecast for net employment change across all sectors should reflect the existing distribution of jobs the additional forecast change above the baseline, within identified key sectors, should reflect knowledge of the distribution of recent employment growth by sub-area within the assumptions that inform the Growth Scenario. The performance of key sectors such as provision of net additional jobs in Professional Services within recent years has not followed the existing distribution of employment. Notwithstanding these outputs it remains a matter for the Council to consider whether it would be appropriate to continue to support the recent performance of key sectors on a sub-area basis or to enable provision across the borough as a whole.

b) Distribution of Existing Employment by Sub-Area

12.11 Table 72 below illustrates the distribution of existing FTE jobs within Test Valley. This is based on an average of 4 years of BRES data for the period 2017-2020.These data have been presented by broad sector but for the purposes of detailed analysis and comparison with the Experian baseline and Growth Scenario forecasts this represents a grouping of analysis by detailed category.

12.12 The data indicate a higher overall proportion of jobs provided within Northern Test Valley. Employment within Manufacturing and Public Services both exceed the overall proportion of jobs in this part of the borough. Exceptions to this distribution including the Information & Communications sector and to some extent a more even distribution of Transport & Storage and Professional Services activities.

Table 72. Distribution of FTE Employment by Existing Sub-Area Definitions in Test Valley (2020)

% of Total	NTV	STV	Total
Agriculture, Forestry & Fishing	68%	32%	100%
Extraction & Mining	-	-	-
Manufacturing	75%	25%	100%
Utilities	80%	20%	100%
Construction	56%	44%	100%
Wholesale & Retail	64%	36%	100%
Transport & storage	51%	49%	100%
Accommodation, Food Services & Recreation	58%	42%	100%
Information & communication	40%	60%	100%
Financial, Professional & Other Private Services	53%	47%	100%
Public Services	64%	36%	100%
Other Services	53%	47%	100%
Total	60%	40%	100%

Source: ONS; SPRU Analysis of BRES Data

c) Net Labour Demand Scenario Findings by Sub-Area

12.13 Net forecast changes within employment for the period 2020 to 2040 have been apportioned using the distribution of jobs shown in Table 72 above. Net requirements for land and floorspace by sub-area replicate all other components of the labour demand approach. A reduction in forecast requirements for land and floorspace reflecting trend-based growth in home-working has been applied to all scenarios.

12.14 The effect of this adjustment is emphasised for sub-areas with a high proportion of existing jobs expected to support higher levels of remote working in the future (for example Information and Communications) irrespective of the net forecast change over the plan period.

Table 73. Net Employment Land Needs by Sub-Area – Selected Scenarios

2020-2040	B1a/b	B1c/B2	B8	Total
Experian - NTV	2.7	-0.2	-8.1	-5.6
Experian - STV	4.3	0.7	-6.1	-1.1
Growth Scenario - NTV	3.3	3.6	10.6	17.6
Growth Scenario - STV	5.3	2.2	10.1	17.5

Source: SPRU Analysis of BRES Data and Experian Forecast

12.15 Within the Experian Baseline scenario both Northern Test Valley and Southern Test Valley generate a negative forecast for changes in employment land. As highlighted within this FAS, the Growth Scenario equates to the 35.1 hectare net total for Test Valley. The reason for the narrowing in output between the sub-areas reflects the adjustments for Growth in Manufacturing and also the use of an average forecast for Wholesale & Retail both of which offset net losses in the baseline scenario. The forecast demand for office floorspace remains

higher in Southern Test Valley owing to its greater concentration of existing employment within professional services.

d) Conversion of Net to Gross Needs

12.16 To provide comparable outputs with total labour demand at the borough level allowances for flexibility and replacement for future losses have both been apportioned to the relevant existing sub-area definitions using the Council's monitoring data. This introduces additional variables to the calculation of total needs that look outside of the existing distribution of jobs and take greater account of recent patterns of delivery.

12.17 Table 74 and Table 75 update the abovementioned sources to indicate the application of the same data at sub-area level:

Table 74. Replacement Demand (ha), 2020-2040 – by Sub-Area

	B1a/b	B1c/B2	B8	Total
Replacement Demand (ha)	4.3	5.4	2.3	12.0
Northern Test Valley	3.2	2.8	1.9	7.9
Southern Test Valley	1.1	2.6	0.4	4.1

Source: SPRU Analysis

Table 75. Flexibility Margin (ha), 2020-2040 – by Sub-Area[35]

	B1a/b	B1c/B2	B8	Total
Margin (ha)	1.9	5.8	16.9	24.6
Northern Test Valley	0.7	5.2	2.5	8.5
Southern Test Valley	1.2	0.6	14.4	16.1

Source: SPRU Analysis

12.18 Table 76 below presents total outputs for employment land needs using relevant labour demand scenarios by sub-area.

Table 76. Total Employment Land Needs (ha) – Comparison of Labour Demand Scenarios, 2020-40 by Sub-Area

2020-2040	B1a/b	B1c/B2	B8	Total
Experian - NTV	6.6	7.8	-3.7	10.7
Experian - STV	6.6	3.9	8.6	19.1
Growth Scenario - NTV	7.3	11.6	15.0	33.9
Growth Scenario - STV	7.6	5.4	24.8	37.8

12.19 These outputs are comparable with the total of 71.7 hectares for the Growth Scenario provided within this FAS. The findings indicate a relatively even distribution of total needs sub-area. In terms of the inputs affecting each calculation the margin for flexibility for B8 uses within Southern Test Valley based upon recent delivery increases the proportion of these

[35] Although not separately presented in tabular form the reduced flexibility allowance by sub-area for 2017-22 take-up trends (excluding strategic warehousing) would be 8.7ha in NTV (1.3ha B1a/b; 5.0ha B2 and 2.3ha B8) and 5.7ha in STV (1.4ha B1a/b; 0.9ha B2 and 3.4ha B8). The greater impact on the flexibility allowance for STV would reflect the distribution of strategic warehousing completions in 2016/17 within STV.

land uses assumed to be provided within that sub-area. Within Northern Test Valley a higher replacement for past losses acts to offset the lower proportion of forecast growth apportioned to this sub-area based on existing employment. This demonstrates that the apportionment of needs by sub-area requires a policy assessment of factors including the ability to replace losses of office stock within Northern Test Valley with appropriate and attractive provision.

e) Revised Growth Scenario Distribution

12.20 Table 77 below reflects the assumptions regarding the apportionment of additional forecast employment change within the Growth Scenario over and above the distribution of existing employment and baseline change within the Experian forecast. This acknowledges that based on BRES data for net change in employment within relevant key sectors between 2015 and 2020 there appears to be a concentration of jobs growth within Southern Test Valley over the same period.

12.21 The revised Growth Scenario Distribution assumes that by 2040 further net additional employment growth resulting from the Growth Scenario assumption will match the recent BRES trend. Due to the wide range of Standard Industrial Classifications contributing to each sector the revised distribution reflects a degree of judgement in terms of the relative concentration of recent employment growth by sub-area.

Table 77. Growth Scenario Distribution of Net Additional Jobs Above Experian Baseline by Sub Area (total to 2040)

	Northern Test Valley	Southern Test Valley
Computer & Electronic Products (manufacture of) (Thousands)	55%	45%
Other Manufacturing (Thousands)	55%	45%
Transport Equipment (manufacture of) (Thousands)	55%	45%
Land Transport, Storage & Post (Thousands)	50%	50%
Professional Services (Thousands)	10%	90%
Administrative & Supportive Services (Thousands)	20%	80%

Source: BRES; Experian; SPRU Analysis

12.22 Table 78 below undertakes the same steps to calculate total employment land needs alongside labour demand modelling based on the revised Growth Scenario Distribution.

Table 78. Total Employment Land Needs (ha) – Growth Scenario Alternative Distribution

2020-2040	B1a/b	B1c/B2	B8	Total
Growth Scenario – NTV (Alternative Distribution)	6.9	10.5	13.9	31.3
Growth Scenario – STV (Alternative Distribution)	7.9	6.5	25.9	40.4

Source: SPRU Analysis

12.23 Due to the relatively limited number of adjustments to sectors within the Growth Scenario and the relatively even distribution of employment change within these sectors in most cases the alternative distribution has a limited effect on the apportionment of total needs. However, recent trends in manufacturing employment (including digital technology) together with service activities indicate a greater concentration of activity in Southern Test Valley than the existing distribution of jobs implies (a total difference of around 1.7 hectares in the land use

requirements).

f) Overall Comparison of Scenario Findings by Sub-Area

12.24 As discussed in the introduction to this section Table 79and Table 80 below bring together the range of labour demand scenario findings by sub-area and compares these with the details of past take-up by sub-area. Also shown is the amended past take-up scenario excluding strategic warehouses in STV as reflected in the relevant five-year trend.

Table 79. Comparison of Total Land Needs by Scenario – Northern Test Valley

2020-2040	B1a/b	B1c/B2	B8	Total
Experian - NTV	6.1	3.7	-0.6	9.1
Growth Scenario - NTV	6.7	7.5	18.1	32.3
Growth Scenario – NTV (Alternative Distribution)	6.9	10.5	13.9	31.3
Past Take-Up - NTV	2.8	19.8	9.6	32.1
Past Take-Up – NTV (Excluding Strategic Warehousing)	2.8	19.8	9.6	32.1

Source: SPRU Analysis

Table 80. Comparison of Total Land Needs by Scenario – Southern Test Valley

2020-2040	B1a/b	B1c/B2	B8	Total
Experian - STV	5.8	6.2	8.7	20.7
Growth Scenario - STV	6.8	7.7	24.8	39.3
Growth Scenario – STV (Alternative Distribution)	7.9	6.5	25.9	40.4
Past Take-Up - STV	4.5	2.3	54.6	61.4
Past Take-Up – STV (Excluding Strategic Warehousing)	9.7	5.1	5.9	20.7

Source: SPRU Analysis

12.25 Within Northern Test Valley there is a very close correlation between the Growth Scenario outputs and recent take-up trends. The main differences arise within estimated land needs for office floorspace partly driven by strong expected demand within Professional Services and to a lesser extent the labour demand scenario assumptions regarding replacement for losses.

12.26 Within Southern Test Valley the Growth Scenario outputs would not reflect a 20-year projection based on recent overall delivery over the last five years. The exception to this relates to modelled demand for office floorspace primarily within the services sector. However, the Growth Scenario (Alternative Distribution) suggests a labour demand substantially in excess of take-up trends when strategic warehousing is excluded. This is partly due to the treatment of growth sectors over-and-above the margin for flexibility included within the labour demand Growth Scenario (which by extension includes strategic warehousing as reflected in the relevant five-year trend).

g) Supply/Demand Balance by Sub-Area

12.27 This sub-section repeats the supply/demand balance exercise from Chapter 11 specifically with respect to the sub-area geographies for Test Valley. Reflecting the recommendations of the FAS the supply/demand balance is presented based on the Growth Scenario (Alternative Distribution) labour demand scenario only, together with a comparison against overall forecast take-up trend for reference.

12.28 In implementing the recommendations of this FAS management of the supply/demand balance on the basis of sub-area geographies should be treated indicatively rather than a strict guide as to where additional provision might most suitably be located. This particularly recognises that the existing sub-area definitions for NTV and STV have been used in the

Study whereas the Council may consider future allocations on the basis of revised STV and NTV sub-area boundaries.

12.29 The Council is giving consideration to whether a greater proportion of the predominantly rural area within the centre of the borough is better-related to a revised STV sub-area boundary. In quantitative terms this revision would make a negligible difference, although it would increase the proportion of net and gross needs under the Growth Scenario and past take-up attributable to STV. Equally the characteristics of this area may affect the range of opportunities for economic development that might be suitably and sustainably accommodated. In qualitative terms, however, and reflecting the increased economic linkages between STV and these parts of the borough, the Council could determine that any supply is more closely associated with meeting demand defined as deriving from the existing STV sub-area definition for the purpose of this study.

i) Northern Test Valley

12.30 Within Northern Test Valley the supply/demand balance exercise indicates that the evidence for labour demand and stock of permissions and allocations are broadly in equilibrium for the sub-area within the substantial additional allocation of land. At least in part this represents the strength of the pipeline at 1 April 2022, which has increased since 1 April 2021 despite relatively strong completions for 2020-2022 being deducted from the total net figure for labour demand. An additional contributory factor is the Growth Scenario distribution placing a slightly greater emphasis upon demand in Office and Industrial sectors within STV.

12.31 A small deficit exists in relation to Office uses, which is partly a function of taking account of loss replacement and partly due to reflecting growth sectors surrounding Professional Services. A small deficit also exists in relation to Storage/Distribution but would be more than offset by the pipeline for industrial uses, noting that this measure of demand also includes a substantial allowance for loss replacement and flexibility within Use Classes B1c/B2.

12.32 Shown for information only on the final two rows is the supply/demand balance incorporating the lower 2017-22 allowance for flexibility. Within NTV this generates a negligible difference due to the absence of strategic warehousing in either the 2016-21 or 2017-22 periods. The most recent period reflects a slightly higher proportion of delivery of office floorspace.

Table 81. Supply/Demand Balance – Growth Scenario As of 1 April 2022

	Labour Demand – Northern Test Valley				
Row	**Growth Scenario (Alternative Distribution)**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required (Including Working From Home Adjustment) (Sqm)	11918	10095	37859	59873
(b)	Net-to-Gross Conversion - Allowance for Expected Future Losses	12836	11106	7562	31504
(c)	Net Additional Floorspace Completed 2020/21 and 2021/22	1518	3351	2050	6919
(d)	Gross Additional Floorspace Required (Sqm) ('Demand') (a) + (b) - (c)	23236	17850	43371	84458
(e)	Demand (Equivalent ha)	5.8	4.5	10.8	21.1
(f)	Stock of Permissions and Allocations (Pipeline) (sqm)	28004	45642	53482	127128
(g)	Pipeline (Equivalent ha)	7.0	11.4	13.4	31.8
(h)	Net Surplus/Deficit versus Pipeline (sqm) (f) - (d)	4768	27792	10111	42670
(i)	Flexibility Margin (converted to sqm)	2911	20798	10094	33803
(j)	Additional Floorspace Required (including flexibility margin) (sqm) (d) + (i)	26147	38648	53465	118261
(k)	Demand (inclusive of flexibility (Equivalent ha)	6.5	9.7	13.4	29.6
(l)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (f) - (j)	1856	6994	17	8867
(m)	Supply/Demand Balance (Equivalent ha) (g) - (k)	**0.5**	**1.7**	**0.0**	**2.2**
	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (using 17-22 trends)	-607	7787	801	7980
	Supply/Demand Balance (Equivalent ha) (17-22 trends)	**-0.2**	**1.9**	**0.2**	**2.0**

Source: SPRU analysis

12.33 Due to the similarity between scenarios for labour demand and past take-up in Northern Test Valley the supply/demand balance based upon forecast delivery is relatively similar. The deficit indicated in B1c/B2 floorspace is a function of high past take-up and may not be reflective of current evidence of labour demand, although this is illustrative of the importance of flexibility and choice for activities within these sectors.

12.34 The main observation from the past take-up trend is that this is not influenced by strategic warehousing for the five-year period from 2016/17 to 2020/21. This is atypical of longer-term trends and evidence of demand for logistics and distribution within the A303 corridor. It follows that for Test Valley as a whole there is no reason in principle that a greater proportion of labour demand for these Growth Sectors might not be accommodated in NTV and offset notional deficits in STV. This would be broadly consistent with the observation that the vast majority of the borough's stock of permissions and allocations for B8 Uses are located in NTV.

Table 82. Supply/Demand Balance – Past Take-Up Evaluated Trend by Use Class (2016-21) As of 1 April 2022

	Past Take-Up - Northern Test Valley				
Row	**Growth Scenario - Distribution**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required - 2016-21 5-Year Trend (Sqm)	11063	79032	38357	128451
(b)	Net Additional Floorspace Completed 2021/22	1518	375	1745	3638
(c)	Stock of Permissions and Allocations (Pipeline) (sqm)	28004	45642	53482	127128
(d)	Pipeline (Equivalent ha)	7.0	11.4	13.4	31.8
(e)	Net-to-Gross Conversion - Allowance for Expected Future Losses	N/A	N/A	N/A	N/A
(f)	Gross Additional Floorspace Required (Sqm) (a) - (b) + (d)	9545	78657	36612	124813
(g)	Net Surplus/Deficit versus Pipeline (c) - (f)	18459	-33014	16870	2315
(h)	Flexibility Margin (converted to sqm)	N/A	N/A	N/A	N/A
(i)	Additional Floorspace Required (including flexibility margin) (sqm) (f) + (h)	9545	78657	36612	124813
(j)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (c) - (i)	18459	-33014	16870	2315
(k)	Supply/Demand Balance (Equivalent ha)	**4.6**	**-8.3**	**4.2**	**0.6**

Source: SPRU analysis

12.35 Table 83 is provided for completeness to reflect 2017-22 take-up trends excluding strategic warehousing. For NTV this produces a broadly similar supply/demand balance with the most recent trend period and completions data suggesting a slight strengthening in office take-up and slight weakening in industrial take-up. This perhaps corresponds slightly more closely to the labour demand Growth Scenario.

Table 83. Supply/Demand Balance – Past Take-Up Evaluated Trend by Use Class (2017-22) As of 1 April 2022

	Past Take-Up - Northern Test Valley				
Row	**Growth Scenario - Distribution**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required - 2017-22 5-Year Trend (Sqm)	19355	72013	33513	124880
(b)	Stock of Permissions and Allocations (Pipeline) (sqm)	28004	45642	53482	127128
(c)	Pipeline (Equivalent ha)	7.0	11.4	13.4	31.8
(d)	Net-to-Gross Conversion - Allowance for Expected Future Losses	N/A	N/A	N/A	N/A
(e)	Gross Additional Floorspace Required (Sqm) (a) + (d)	19355	72013	33513	124880
(f)	Net Surplus/Deficit versus Pipeline (b) - (e)	8649	-26371	19970	2248
(g)	Flexibility Margin (converted to sqm)	N/A	N/A	N/A	N/A
(h)	Additional Floorspace Required (including flexibility margin) (sqm) (e) + (g)	19355	72013	33513	124880
(i)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (b) - (h)	8649	-26371	19970	2248
(j)	Supply/Demand Balance (Equivalent ha)	**2.2**	**-6.6**	**5.0**	**0.6**

Source: SPRU Analysis of various Data

ii) Southern Test Valley

12.36 Within Southern Test Valley the supply/demand balance exercise indicates a deficit in the stock of permissions and allocations to meet the requirements for land and floorspace based on evidence of labour demand for Storage and Distribution Uses (-25.4 hectares).

12.37 Subject to specific qualitative requirements and the characteristics of available supply the supply/demand balance conversely suggests a surplus within the pipeline to meet demand for Office and Industrial uses, notwithstanding the profile of growth sectors. This reflects a relatively strong pipeline for both Use Classes. Notionally this reduces the overall deficit to -12.0 hectares although given the nature of demand in other sectors it would not be consistent with ensuring flexibility and choice to assume that all surplus stock in Industrial Use Classes would be available to offset the balance for Storage and Distribution. It should be noted that the net requirement in STV used to generate the overall deficit reflects relatively low levels of development since 2020/21 hence a higher residual total against the 2020 base-date for labour demand scenarios.

12.38 The substantial deficit for B8 Uses is a function of several factors. Firstly, the confirmed pipeline for B8 Uses in STV is exceptionally low at 0.1 hectares. Secondly, and by extension, the small pipeline means that any provision for loss replacement and flexibility would establish an overall deficit. Third, specifically relating to the margin for flexibility this includes 5 years' worth of past take-up for these uses, corresponding to the time period for delivery of the LIDL strategic warehousing facility at Nursling (c.43,000sqm). The overall flexibility margin (57,400sqm) effectively includes an allowance for this pattern of delivery to repeat at some stage over the plan period.

12.39 Fourth, net labour demand itself reflects strong growth in the Transport & Storage sector, with an increased proportion of jobs being recorded in STV. While it is the case that some of the forecast employment reflecting sub-regional growth in this sector will be influenced by strategic warehousing (such as at Nursling) the overall net forecast will include small and medium-scale storage and distribution serving primarily local markets as an important component of demand.

12.40 Shown for information only on the final two rows is the supply/demand balance incorporating the lower 2017-22 allowance for flexibility. Within STV this generates a significant difference due to the impact of the delivery of strategic warehousing in the 2016-21 period upon the flexibility allowance. There remains, however, an overall deficit of 1.5 hectares inclusive of -a 14.4 hectare deficit in requirements for B8 land and floorspace.

Table 84. Supply/Demand Balance – Growth Scenario As of 1 April 2022

	Labour Demand – Southern Test Valley				
Row	**Growth Scenario (Alternative Distribution)**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required (Including Working From Home Adjustment) (Sqm)	22578	13192	44749	80519
(b)	Net-to-Gross Conversion - Allowance for Expected Future Losses	4496	10452	1420	16368
(c)	Net Additional Floorspace Completed 2020/21 and 2021/22	7717	7706	1569	16992
(d)	Gross Additional Floorspace Required (Sqm) ('Demand') (a) + (b) - (c)	19357	15938	44600	79895
(e)	Demand (Equivalent ha)	4.8	4.0	11.1	20.0
(f)	Stock of Permissions and Allocations (Pipeline) (sqm)	45417	50673	436	96525
(g)	Pipeline (Equivalent ha)	11.4	12.7	0.1	24.1
(h)	Net Surplus/Deficit versus Pipeline (sqm) (f) - (d)	26060	34734	-44164	16630
(i)	Flexibility Margin (converted to sqm)	4704	2455	57427	64586
(j)	Additional Floorspace Required (including flexibility margin) (sqm) (d) + (i)	24061	18393	102027	144481
(k)	Demand (inclusive of flexibility (Equivalent ha)	6.0	4.6	25.5	36.1
(l)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (f) - (j)	21356	32279	-101591	-47956
(m)	Supply/Demand Balance (Equivalent ha) (g) - (k)	**5.3**	**8.1**	**-25.4**	**-12.0**
	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (using 17-22 trends)	20480	31194	-57724	-6050
	Supply/Demand Balance (Equivalent ha) (17-22 trends)	**5.1**	**7.8**	**-14.4**	**-1.5**

Source: SPRU analysis

12.41 The supply/demand balance based upon forecast take-up provides a similar overall profile, with a deficit identified only in Use Class B8. Within the take-up scenario this is exaggerated (-54.3 hectares) on a account of this reflecting a 19-year forecast repeating the impact of strategic warehousing at Nursling on average annual delivery. The extent of the overall deficit is also partly a function of very limited development in 2021/22 to offset against the 19-year forecast. As highlighted elsewhere in this FAS this assumption is without reference to whether this trend could reasonably be repeated across a longer-term plan period and specifically within the sub-area of STV only.

Table 85. Supply/Demand Balance – Past Take-Up Evaluated Trend by Use Class 2016-21 As of 1 April 2022

	Past Take-Up - Southern Test Valley				
Row	**Growth Scenario - Distribution**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required - 2016-21 5-Year Trend (Sqm)	17876	9328	218222	245427
(b)	Net Additional Floorspace Completed 2021/22	303	-1196	559	-334
(c)	Stock of Permissions and Allocations (Pipeline) (sqm)	45417	50673	436	96525
(d)	Pipeline (Equivalent ha)	11.4	12.7	0.1	24.1
(e)	Net-to-Gross Conversion - Allowance for Expected Future Losses	N/A	N/A	N/A	N/A
(f)	Gross Additional Floorspace Required (Sqm) (a) - (b) + (d)	17573	10524	217663	245761
(g)	Net Surplus/Deficit versus Pipeline (c) - (f)	27843	40149	-217228	-149236
(h)	Flexibility Margin (converted to sqm)	N/A	N/A	N/A	N/A
(i)	Additional Floorspace Required (including flexibility margin) (sqm) (f) + (h)	17573	10524	217663	245761
(j)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (c) - (i)	27843	40149	-217228	-149236
(k)	Supply/Demand Balance (Equivalent ha)	**7.0**	**10.0**	**-54.3**	**-37.3**

Source: SPRU analysis

12.42 For reference, if strategic warehousing is excluded from the take-up trend (reflecting the 2017-2022 period) the deficit reduces to only -12.1 hectares for B8 Uses (and a 3.7 hectare overall surplus). This amended take-up forecast would not, however, reasonably capture all evidence of labour demand contributing to the Growth Scenario. There are three further notes of caution. Firstly, the 2017-2022 trend for STV is impacted by relatively low rates of delivery (relative to the overall pipeline and relative to NTV) and this is particularly reflected in 2021-22 data.

12.43 Secondly, although based on relatively limited data for confirmed Use Class the trend indicates the highest take-up of B8 floorspace, even once strategic sites are excluded, with a negligible current pipeline for any B8 land and floorspace.

12.44 Third, reflecting the same reasons of limited data for completions by confirmed Use Class the industrial take-up trend is not fully reflective of where these uses have been delivered as part of mixed-use schemes. Future take-up is likely to exceed these trends (which would be consistent with details within the pipeline and labour demand) and as such the interchangeable use of B2/B8 land may be more limited than the overall surplus suggests.

Table 86. Supply/Demand Balance – Past Take-Up Evaluated Trend by Use Class (2017-22) As of 1 April 2022

	Past Take-Up - Southern Test Valley				
Row	**Growth Scenario - Distribution**	**Office (B1a/B1b)**	**Industrial (B1c/B2)**	**Storage/ Distribution (B8)**	**Total**
(a)	Net Additional Floorspace Required - 2017-22 5-Year Trend (Sqm)	20080	12747	48821	81648
(b)	Stock of Permissions and Allocations (Pipeline) (sqm)	45417	50673	436	96525
(c)	Pipeline (Equivalent ha)	11.4	12.7	0.1	24.1
(d)	Net-to-Gross Conversion - Allowance for Expected Future Losses	N/A	N/A	N/A	N/A
(e)	Gross Additional Floorspace Required (Sqm) (a) + (d)	20080	12747	48821	81648
(f)	Net Surplus/Deficit versus Pipeline (b) - (e)	25336	37926	-48385	14877
(g)	Flexibility Margin (converted to sqm)	N/A	N/A	N/A	N/A
(h)	Additional Floorspace Required (including flexibility margin) (sqm) (e) + (g)	20080	12747	48821	81648
(i)	Net Surplus/Deficit versus Pipeline (inclusive of flexibility margin) (b) - (h)	25336	37926	-48385	14877
(j)	Supply/Demand Balance (Equivalent ha)	**6.3**	**9.5**	**-12.1**	**3.7**

Source: SPRU Analysis of various Data

CHAPTER 12: KEY POINTS

- The analysis by sub-area identifies a total distribution of employment land need under the Growth Scenario as set out in the table below. This distribution has also been adjusted to reflect the recent higher concentrations of jobs growth in manufacturing and service activities within Southern Test Valley.

2020-2040	B1a/b	B1c/B2	B8	Total
Growth Scenario – NTV (Alternative Distribution)	6.9	10.5	13.9	31.3
Growth Scenario – STV (Alternative Distribution)	7.9	6.5	25.9	40.4

- An assessment of the current pipeline supply (existing permissions and allocations) against the employment land needs identified in the Growth Scenario (Alternative Distribution) for NTV indicates an **overall surplus of +2.2 hectares.** The supply/demand balance for both Office/Research and Development uses and B8 uses are broadly aligned, with a small (+1.7 hectare) surplus for Industrial uses. Maintaining the overall supply/demand balance will be dependent on timing and the qualitative characteristics and flexibility of supply to meet alternative patterns of demand given the negligible overall surplus.
- An assessment of the current pipeline supply (existing permissions and allocations) against the employment land needs identified in the Growth Scenario (Alternative Distribution) for STV indicates an **overall deficit of 12.0 hectares.** This includes a deficit of 25.4 hectares for B8 uses, which is partly offset by surpluses in other employment uses, again dependent on flexibility that might be achieved in delivery of the supply pipeline.
- Further analysis of take-up trends for the 2016-2021 and 2017-2022 periods has been undertaken for both NTV and STV. Principally this illustrates the effect of the delivery of strategic warehousing within labour demand and take-up scenarios.
- For NTV, outputs of the supply/demand balance for take-up and labour demand scenarios are closely aligned. This is not the case for STV, where the labour demand Growth Scenario indicates needs that sit between 2016-2021 and 2017-2022 take-up trends (without the impact of strategic warehousing). For STV the use of a reduced flexibility margin based on 2017-2022 trends would reduce the B8 deficit to -14.4 hectares, or -12.1 hectares using the 2017-22 take-up scenario. Neither output reflects the overall recommendations of the FAS, which highlights the low level of recorded completions in 2021/22 and that 2017-2022 trends are a more significant departure from evidence of labour demand.
- In implementing the recommendations of this FAS management of the supply/demand balance on the basis of sub-area geographies should be treated indicatively rather than a strict guide as to where additional provision might most suitably be located. This particularly recognises that the existing sub-area definitions for NTV and STV have been used in the Study whereas the Council may consider future allocations on the basis of revised STV and NTV sub-area boundaries.

13.0 LABOUR SUPPLY VERSUS LABOUR DEMAND

13.1 This section of the Report considers the Council's emerging evidence based for the housing needs of Test Valley and the implications for demographic and household change over the plan period.

13.2 The most recent findings to inform this analysis are provided by the Council's Strategic Housing Market Assessment (SHMA) Final Report prepared by JG Consulting in January 2022. This assesses the link between housing and the potential to support economic growth based on demographic change associated with provision for housing in accordance with local housing need calculated using the Government's Standard Method and illustrates that this would support an increased level of population growth than provided by the most recent 2018-based subnational population projections.

13.3 Paragraph 4.50 of the SHMA sets out that *"before the Standard Method, and under the previous PPG[36], it was conventional for assessments such as this to consider the link between housing and economic growth. This generally took the form of establishing likely future job growth and then testing what level of population growth (and hence household growth/housing need) would be required for the two to be aligned. Whilst this step is not necessary for the purposes of Standard Method, it is of interest to estimate what level of job growth the projections might support."*

13.4 The removal of an express link between labour demand and labour supply does not mean that preparation of Local Plans should not ignore labour market alignment altogether which may have soundness implications for the effectiveness of proposed strategic policies related to housing and economic development. This includes considerations relating to sustainable travel patterns and ensuring that inadequate housing supply does not constitute one potential barrier to investment (NPPF2021 Paragraph 82(c)).

13.5 Planning Practice Guidance continues to provide a non-exhaustive list of conditions that may indicate that actual housing need is higher than the standard method indicates and can include changing economic circumstances[37]. Demographically derived assessments of current and future local labour supply (labour supply techniques) therefore remain relevant to assessing the implications of alternative economic scenarios that should be considered as part of market signals that may affect the forecast of future needs[38].

13.6 A consistent approach has been adopted to assess labour supply scenarios within the context of this Study that reflects the findings of the Council's SHMA. Details of projected population and household change (including a proposed improvement in household formation rates) have been drawn from the SHMA document together with relevant assumptions relating to economic activity rates and commuting patterns[39]. The SHMA also assumes to increase in the potential number of jobs supported as a result of reducing unemployment (essentially assuming that job losses as a result of the pandemic will be recovered by the end of the projection period in 2040). This is also consistent with the approach in this Study.

13.7 The SHMA provides for an assumption that a small proportion of the resident labour force will hold more than one job (double-jobbing) but in terms of the number of jobs supported does not otherwise differentiate these between full-time or part-time roles. The jobs supported figure from within the SHMA has therefore been converted to a Full-Time Equivalent total consistent with the findings of this Study in terms of the calculation of land

[36] ID: 2a-018-20140306
[37] ID: 2a-010-20201216
[38] ID: 2a-027-20190220
[39] See Paragraphs 4.50 – 4.63

and floorspace for labour demand based on FTE employment.

13.8 The SHMA outputs essentially provide a residence-based estimate of the number of jobs supported as a result of population and household change. This does not assume that all employment change associated with this total would be generated by workers originating within Test Valley. This is a result of the application of an overall commuting ratio consistent with the 2011 Census (still the most recent available origin-destination data).

13.9 Figure 4.22 of the SHMA indicates that high totals of gross in-commuting and out-commuting flows due to relatively low residence-based containment for jobs and workers within the borough as a whole. The actual workers expected to provide for workplace-based employment will be drawn heavily from neighbouring areas. Notwithstanding the growth in the resident labour force supported within Test Valley being broadly aligned to workplace-based assumptions for labour demand the actual availability of workers in relevant sectors will be partly dependent on the characteristics of population change (and relationship with levels of housing growth) achieved by surrounding authorities.

13.10 Where a defined level of employment growth is being tested the application of a consistent commuting ratio, as in the SHMA, would have the effect that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs. Within the SHMA's outputs the effect of the constant ratio is to indicate an absolute increase in the number of net out commuters (+299 persons) relative to the fixed total provided by projected change in the labour force (i.e., the total number of persons living in Test Valley, and working) (8,929 persons) (8,630 jobs supported in Test Valley).

13.11 The SHMA applies a sensitivity test whereby the total net additional projection for persons living in Test Valley, and working, is accounted for as an increase in the total number of persons working within Test Valley on a 1:1 basis (8,929 jobs supported). This results in no absolute change in the total for net commuting and thus generates an effective reduction on the 2011 commuting ratio. The calculation for both scenarios is shown in Table 87 below:

Table 87. Calculation of Jobs Supported – SHMA Labour Supply Scenarios

	2020		2040 (8,630 jobs supported)	2040 (8,929 jobs supported)
	People	% Working in LA	People	People
Live and work in TV	23013	40%	26435	26734
Home Workers	7563	13%	8688	8688
No-Fixed Place	4473	8%	5138	5138
In-Commute to TV	22985	40%	26403	26403
Out-Commute from TV	24993		28710	28411
Total Working in LA	58034		66664	66963
Total living in LA (and working)	60042		68971	68971
Net Commute	2008		2307	2008
Commuting Ratio	1.035		1.035	1.030
Net Additional Living in Test Valley (and working)			8929	8929
Net Additional Working in Test Valley			8630	8929
Net Additional Out Commute			299	0

Source: SPRU Analysis of Test Valley SHMA (2022) and ONS Data

13.12 The *workplace-based* change in employment as a result of labour demand scenarios considered within this Study are therefore consistent with comparison with the SHMA's outputs for the total number of persons working in Test Valley. Neither set of scenarios implies that the net change in employment or jobs supported relates to activities undertaken by Test Valley residents only.

13.13 The SHMA concludes that the 1:1 ratio sensitivity test is useful to illustrate where assumptions for an absolute increase in levels of net out-commuting would arguably mean that other authorities (outside of Test Valley) would be providing jobs but not housing for people taking up those jobs. The 1:1 ratio is also considered useful in the context of COVID-19 with the likelihood being that a greater proportion of people will work from home (or mainly from home) in the future. These observations are considered consistent with the findings of this Study.

13.14 The use of the 1:1 commuting ratio would appear to be reasonable in advance of 2021 Census outputs given the relatively high levels of population change and jobs growth in the second part of the last decade. It should be noted that absolute levels of net commuting remain the same the gross outflow of commuters increases by +3,418 persons under the 1:1 scenario, indicating that there is still substantial scope for an increased level of employment growth provided locally to reduce journey distances. Both SHMA scenarios are also dependent on an absolute increase in gross in-commuting flows of the same magnitude, which could be affected by levels of house-building elsewhere.

13.15 The number of jobs supported being potentially greater due to trends in home-working, reflected as a proxy in the 1:1 scenario, does not necessarily compare with evidence for labour demand within this study on a like-for-like basis. The FTE workplace-based estimate for labour supply generated by the SHMA in all scenarios has been calculated excluding the proportion of persons working from home based on 2011 Census data (13% from Table 87 above). Where the number of jobs supported is increased by those working remotely (rather than an increase in the number living and working in Test Valley) it will not necessarily be the case that these roles will be fulfilling forecast changes in employment within Test Valley. To counter this the future trend towards increased rates in home-working between 2020 and 2040 is also applied to the estimated number of jobs supported as identified by the SHMA in both scenarios. This is to ensure these roles are not 'double-counted' as part of labour supply generating a demand for land and floorspace, which is especially important for the jobs supported under the 1:1 commuting ratio.

13.16 With these assumptions applied it should nonetheless be noted that the assessment of labour supply scenarios consider the total change in employment based on growth in the labour force from 2020. This is achieved by matching the labour demand profile of the Experian Growth Scenario to the total number of jobs supported (excluding home-workers). Sectors showing a negative change in employment are excluded from the apportionment of the additional jobs supported. This means that any net changes resulting in a reduction in employment levels from 2020 totals in other sectors, which may free up additional labour in addition to the jobs supported under the SHMA scenarios is not considered. This also means that working from home trends applied to the total for existing jobs, which may reduce the future net requirement for land and floorspace to a negative value, are also not captured when the number of jobs supported is apportioned to sectors that only show positive employment change.

13.17 The estimates for additional jobs supported by growth in the labour supply and converted to employment land and floorspace, taking account of the working from home changes described above, will therefore exceed the outputs from labour demand scenarios where the total exceeds total net change within the labour demand scenario, inclusive of net change in

all sectors and future trends in home-working applied to all existing employment and forecast future changes.

13.18 Table 88 below demonstrates the outputs from estimates of labour supply and total number of jobs supported as originating from within the SHMA. This Study presents findings for SHMA scenarios based on minimum annual local housing need and the 2018-based subnational population projections and for both commuting ratio assumptions. These are compared with the Experian Baseline and Growth Scenario outputs for labour demand, inclusive of future trends in home-working. For all scenarios Table 88 indicates total forecast net change in FTE employment with and without future trends in home working applied across all sectors (including those resulting in negative net change from the labour demand scenarios).

Table 88. Comparison of Labour Supply and Labour Demand Scenarios

Scenario	Jobs Supported		B1a/b	B1c/B2	B8	Total
SNPP 2018 Census CR	Total workplace-based FTE	3816	6.2	4.6	13.1	23.8
	Allowance for increased home working	3415	5.0	4.1	13.3	22.4
SNPP 2018 1:1 CR	Total workplace-based FTE	3948	6.4	4.8	13.5	24.7
	Allowance for increased home working	3533	5.2	4.2	13.8	23.2
LHN Census CR	Total workplace-based FTE	6457	10.4	7.8	22.1	40.3
	Allowance for increased home working	5778	8.5	6.9	22.5	37.9
LHN 1:1 CR	Total workplace-based FTE	6681	10.8	8.1	22.9	41.7
	Allowance for increased home working	5949	8.8	7.2	23.3	39.2
Experian Baseline (Net)	Total workplace-based FTE	4588				
	Allowance for increased home working	2838	7.0	0.4	-14.2	-6.8
Growth Scenario (Net)	Total workplace-based FTE	7584				
	Allowance for increased home working	5737	8.6	5.8	20.7	35.1

Source: SPRU Analysis of various Data

13.19 Table 88 indicates that the number of jobs supported by projected population and household change would not appear to act as an impediment to supporting market signals and evidence of labour demand. Labour supply scenarios considered by this Study indicate no likely significant adverse effect on commuting trends and relationship between jobs and homes.

13.20 All of the scenario outputs from the Council's SHMA substantially exceed baseline forecasts for total net change in employment. Housing provision in accordance with the Government's Standard Method would support additional jobs within growing sectors broadly consistent with evidence for labour demand within the Growth Scenario for this study.

13.21 Comparison of these two scenarios indicates broadly similar totals for change in workplace-based FTE employment and a particularly close alignment where change in workplace-based employment allowing for trends in home-working are considered (5,969 versus 5,737 FTE workplace jobs requiring land and floorspace). It should be noted that within the Growth Scenario for labour demand the net total of 5,737 FTE jobs masks substantial changes within sectors including positive and negative changes in total employment requiring land and floorspace.

13.22 Making provision for gross requirements for land and floorspace under the Growth Scenario (71.7ha) inclusive of a margin for flexibility and replacement for future losses could in theory support additional levels of employment growth outside of the assumptions for labour supply. However, the provision for net-to-gross adjustments and flexibility partly accounts for recent delivery trends and the expectation of positive and negative gross changes in employment across certain sectors. This allows for potential variability on matters such as jobs density and plot ratios included for any supply which is re-provided or converted to different employment uses.

13.23 Neither the SHMA nor this Study are able to take account of potential changes to the commuting ratio in Test Valley since 2011, noting recent high rates of delivery, which may also affect assumptions for the number of jobs supported locally. The rationale for providing flexibility and choice would, for example, be further strengthened by any evidence of increased rates of workplace-based and residence-based containment of commuting flows. However, for the reasons outlined the net-to-gross and flexibility allowances proposed in the Study would not indicate any fundamentally problematic relationship between labour demand and labour supply if evidence of greater containment was not the case once relevant 2021 Census data is released.

CHAPTER 13: KEY POINTS

- A labour supply scenario has been developed using the Strategic Housing Market Assessment (2022) to assess the link between demographic change associated with the provision of housing and its potential to support economic growth.
- This analysis indicates that the number of jobs supported by projected population and household change would not appear to act as an impediment to supporting market signals and evidence of labour demand.
- Labour supply scenarios considered by this study indicate no likely significant adverse effect on commuting trends and the relationship between jobs and homes.
- All of the scenario outputs from the Council's SHMA substantially exceed baseline forecasts for total net change in employment.
- Housing provision in accordance with the Government's Standard Method would support additional jobs within growing sectors broadly consistent with evidence for labour demand within the Growth Scenario for this study.

14.0 CONCLUSIONS

14.1 This section provides an overview of the key findings and recommendations from the Test Valley Employment Needs Further Analysis Study.

a) Test Valley Functional Economic Market Area

14.2 The evidence presented in Section 4 of this report suggests that Test Valley is not a self-contained FEMA. It is recommended that the borough's economic market area is best represented by two broadly defined FEMAs covering North Test Valley and South Test Valley

14.3 The fact that Test Valley has historically been divided into sub-areas reflecting the north and south of the borough for both economic assessment and plan-making purposes further emphasises the distinctions between these two geographies and supports the justification for the borough being split between two different functional economic geographies.

14.4 The sub-area assessment of labour demand presented in Section 12 of this report is broadly reflective of these 'north' and 'south' functional economic geographies.

b) Future Economic Growth

14.5 The starting point for assessing future employment growth is provided by econometric forecasts for labour demand. Three econometric forecasts have been assessed:

- Cambridge Economics (CE)
- Oxford Economics (OE)
- Experian

14.6 These forecasts were produced between March 2022 (CE) and June 2022 (OE and Experian) and run to 2040 (OE and Experian) or 2050 (CE). The forecasts provide different conclusions on future jobs growth in Test Valley due to their different modelling methodologies and assumptions (as detailed in Appendix 1). All of the forecasts take account of both Brexit and COVID-19 but make a range of different modelling assumptions which result in the range of different outputs.

14.7 The CE forecast projects the highest net overall jobs growth in Test Valley of 5,670 jobs across all sectors over the period 2020 to 2040. The equivalent figures are 5,500 net additional jobs for Experian and 5,090 net additional jobs for OE. For the majority of sectors the OE forecast is more negative than the other forecasts, with Manufacturing in particular being considerably more negative with a decline of 2,600 jobs projected over the period 2020 to 2040.

14.8 Despite their overall comparability a more explicit relationship between labour supply and demand strengthens the methodology of the Experian forecast. For the purposes of this Study the Experian forecast indicates further comparability with the outputs of the Council's SHMA based on the expected number of jobs supported against the official 2018-based subnational population projections.

14.9 On the basis of the analysis presented in section 7 of this report, the Experian forecast has been identified as the most appropriate source for more detailed analysis because it provides greater detail by sub-categories particularly for Manufacturing and Professional Services which is likely to be beneficial for assessing future prospects.

14.10 In accordance with PPG, assessments of future economic growth should take account of LEP Local Industrial Strategies (LIS). A number of upward adjustments have therefore been made to the Experian forecast to take account of the growth sectors identified in emerging LIS and recent documents published by the Solent LEP (including the Solent 2050 Economic Strategy) and EM3 LEP Evidence Base and Strategic Economic Plan. These adjustments

have been applied to the following identified growth sectors, in order to derive an Experian-based LEP Economic Growth Scenario which takes account of the emerging Local Industrial Strategies for the wider sub-region:

- Advanced Manufacturing (specifically Auto-aero, Computer and Electronic Equipment and Transport)
- Information and Communication
- Transportation and Storage
- Professional, scientific and technical activities.

14.11 This Growth Scenario forecasts a net additional 8,650 jobs over the period 2020 to 2040, as shown in Table 89 below. Sectors with upward adjustments applied are highlighted in grey.

14.12 This represents an annual growth rate of 0.60% per annum compared to 0.38% in the Experian baseline forecast. For comparison, the growth rates seen in Test Valley between 2011 and 2020 (including the initial effects of the Coronavirus pandemic) were between 1.22% per annum (OE) and 1.55% per annum (CE). These previous growth rates were predominantly concentrated between 2011-2015 (following the 2008-2010 recession) and do not necessarily correspond to change within traditional 'B-Use' sectors.

Table 89. Experian LEP Growth Scenario Forecasts

2020-2040	Experian-based Growth Scenario Forecast
Agriculture, Forestry & Fishing	-300
Extraction & Mining	0
Manufacturing	397
Utilities	100
Construction	1400
Wholesale & Retail	45
Transport & Storage	1024
Accommodation & Food Services	1217
Information & Communication	800
Professional, Financial and Business Services	3167
Public Services	800
Recreation and Other Private Services	0
Total	**8650**

Source: SPRU analysis of Experian data

c) Working from Home Assumptions

14.13 Considering the impact of COVID-19 on changing working patterns, the analysis shows that the lockdown restrictions have necessitated the increase in homeworking and this means a number of the barriers to homeworking have been overcome. This suggests that there will likely be higher levels of working from home in future, even now that COVID-related restrictions and measures have been lifted.

14.14 The changes in working from home rates between 2015 and 2040 shown in the table below have been calculated by extrapolating the growth trend in home working from 2012-19 to 2040. This is done for each sector and results in a total proportion of home working of 9.2% by 2040 – an increase of 3.6% on 2015 rates. This increase in homeworking for each sector is then factored into the employment land modelling.

Table 90. Projected Change in Working from Home per Sector, 2015-40

	2015	2040	Change
Manufacturing	3.7%	6.9%	3.2%
Electricity, gas & water	2.2%	8.7%	6.6%
Construction	4.1%	7.3%	3.2%
Wholesale and retail trade	3.4%	6.1%	2.7%
Transport & storage	1.5%	2.9%	1.4%
Accommodation & food services	3.6%	2.4%	-1.2%
Information & communications	14.4%	23.3%	8.9%
Financial & business services	8.5%	15.6%	7.1%
Government services	2.7%	5.9%	3.2%
Other services	9.7%	13.2%	3.5%
All Jobs	**5.3%**	**9.2%**	**3.6%**

Source: SPRU Analysis of ONS data

d) Future Employment Land Needs

14.15 Future employment land needs have been calculated using the total net growth in employment in each sector as a starting point. A series of stages are then taken to estimate the quantum of floorspace required to support the scale of economic growth shown in the forecast scenario.

- The first step is to estimate the full time equivalent (FTE) jobs related to the total jobs growth. This is calculated for each sector based on the ratio of full-time and part-time employment jobs.
- The next step is to disaggregate the proportion of jobs growth in each sector by the type of employment (B Class) use class and non-employment use classes. This is based on the existing mix of jobs in each sector in Test Valley.
- This is translated into floorspace by assessing the quantum of floorspace required for each job using employment densities.
- The next stage is to convert floorspace requirements to land requirements using a plot ratio, which is the ratio of the size of land required to support the identified quantum of floorspace.
- The next stage is to convert this to gross development needs. This is done by accounting for the quantum of losses of existing stock which will be expected to be lost over the forecasting period.
- Account is made of changing trends in working from home which is based on forecast increases in the number of people working from home in each sector.
- The final stage is adding a margin of flexibility to support changing business needs.

14.16 Taking the sum of the net employment land needs, the net to gross demand, and the flexibility margin identifies the total employment land requirement for Test Valley for the range of labour demand scenarios, as shown in section 10. The outputs for each B Class use class are set out in Table 91 below.

Table 91. Total Employment Land Needs (ha) – Comparison of Labour Demand Scenarios, 2020-40

	B1a/b	B1c/B2	B8	Total
CE	9.2	0.2	31.3	**40.7**
OE	11.0	-14.4	27.2	**23.7**
Experian	11.9	9.9	8.1	**29.8**
Growth Scenario	13.5	15.3	42.9	**71.7**

Source: SPRU Analysis

e) Recommendations on Total Future Employment Land Needs Including Sub-Area Assessment

14.17 Total employment land needs based on the **labour demand Growth Scenario.** The Further Analysis Study also provides for an illustrated of labour demand by sub-area comprising a **Growth Scenario (Alternative Distribution)** to illustrate the likely distribution of demand amongst relevant key sectors. This is illustrated in Table 92 below:

Table 92. Total Employment Land Needs (ha) – Growth Scenario (Alternative Distribution)

	B1a/b		B1c/B2		B8		Total	
	(ha)	Sqm	(ha)	Sqm	(ha)	Sqm	(ha)	Sqm
Northern Test Valley (NTV)	**6.9**	27,665	**10.5**	41,999	**13.9**	55,515	**31.3**	125,180
Southern Test Valley (STV)	**7.9**	31,778	**6.5**	26,099	**25.9**	103,596	**40.4**	161,473
Test Valley Borough Total	**14.9**	59,443	**17.0**	68,099	**39.8**	159,111	**71.7**	286,653

Source: SPRU Analysis

14.18 The quantification of needs for economic development based on labour demand techniques on a sub-area basis is not straightforward as relevant economic forecasts are not produced below the local authority level. Findings are presented using a best fit of Middle Super Output Area statistical geographies to the existing boundaries defining Northern Test Valley and Southern Test Valley within the adopted development plan.

14.19 The Experian baseline and Growth Scenario forecast data are apportioned to each sub-area based on the current distribution of employment in these areas by sector (derived from the average of 4 years' BRES data for the period 2017-2020 grouped by broad sector).

14.20 The analysis presented in section 12 presents total employment land needs based on labour demand scenarios by sub-area. A revised Growth Scenario distribution has also been prepared which assumes that by 2040 further net additional employment growth resulting from the Growth Scenario assumption will match the recent BRES trend. The following tables show the range of labour demand scenario findings compared with past take-up trends by sub-area.

Table 93. Comparison of Total Land Needs by Scenario – Northern Test Valley

2020-2040	B1a/b	B1c/B2	B8	Total
Experian - NTV	6.1	3.7	-0.6	9.1
Growth Scenario - NTV	6.7	7.5	18.1	32.3
Growth Scenario – NTV (Alternative Distribution)	6.9	10.5	13.9	31.3
Growth Scenario – NTV (Alternative Distribution) (Reduced Flexibility Margin Using 2017-2021 trends)	*7.5*	*10.3*	*13.7*	*31.5*
Past Take-Up – NTV (2016-2021)	2.8	19.8	9.6	32.1
Past Take-Up – NTV (2017-2022) (Excluding Strategic Warehousing)	5.2	18.8	9.1	33.2

Source: SPRU Analysis

Table 94. Comparison of Total Land Needs by Scenario – Southern Test Valley

2020-2040	B1a/b	B1c/B2	B8	Total
Experian - STV	5.8	6.2	8.7	20.7
Growth Scenario - STV	6.8	7.7	24.8	39.3
Growth Scenario – STV (Alternative Distribution)	7.9	6.5	25.9	40.4
Growth Scenario – STV (Alternative Distribution) (Reduced Flexibility Margin Using 2017-2021 trends)	*8.2*	*6.8*	*14.9*	*29.9*
Past Take-Up – STV (2016-2021)	4.5	2.3	54.6	61.4
Past Take-Up – NTV (2017-2022) (Excluding Strategic Warehousing)	6.9	5.1	12.3	24.4

Source: SPRU Analysis

14.21 Within Northern Test Valley there is a very close correlation between the Growth Scenario outputs and recent take-up trends.

14.22 Within Southern Test Valley the Growth Scenario outputs would not reflect a 20-year projection based on recent delivery over the 2016-2021 five-year period but indicate labour demand in excess of 2017-2022 five-year trends. Also shown for completeness are total gross needs under the Growth Scenario with a reduced flexibility margin corresponding to 2017-2022 trends. While this does not correspond to the FAS's overall recommendations this scenario still sits between 2016-2021 and 2017-2022 trends, reflecting that labour demand impacting upon B8 Use Classes is likely to exceed delivery trends excluding strategic warehousing. Modelled demand for office floorspace and industrial floorspace primarily reflecting forecast growth within the professional services sector is also consistently higher than past take-up trends.

14.23 The recommended scenario for total employment land needs incorporates appropriate allowances for replacement for future losses and a margin for flexibility provide the preferred recommendation of this Further Analysis Study. The components of the total recommendation for gross land and floorspace, by sub-area, are shown in Table 95 below:

Table 95. Components of Recommended Scenario Total Gross Employment Land Needs

		B1 a/b	B1c/B2	B8	Total
Northern Test Valley (NTV)	Baseline (Experian)	2.7	-0.2	-8.1	-5.6
	Growth Scenario - Difference versus Baseline	+0.6	+3.8	+18.7	23.2
	Alternative Distribution - Difference versus Growth Scenario	-0.4	-1.1	-1.1	-2.6
	Plus Allowance for Losses and Flexibility	+3.9	+8.0	+4.4	+16.3
	Total - Recommended Scenario	**6.9**	**10.5**	**13.9**	**31.3**
Southern Test Valley (STV)	Baseline (Experian)	4.3	0.7	-6.1	-1.1
	Growth Scenario - Difference versus Baseline	+1.0	+1.5	+16.2	+18.7
	Alternative Distribution - Difference versus Growth Scenario	+0.4	+1.1	+1.1	+2.6
	Plus Allowance for Losses and Flexibility	+2.3	+3.2	+14.7	+20.2
	Total - Recommended Scenario	**7.9**	**6.5**	**25.9**	**40.4**
Test Valley Borough Total	Baseline (Experian)	7.0	0.5	-14.2	-6.7
	Growth Scenario - Difference versus Baseline	+1.6	+5.3	+34.9	+41.8
	Alternative Distribution - Difference versus Growth Scenario	0.0	0.0	0.0	0.0
	Plus Allowance for Losses and Flexibility	+6.2	+11.2	+19.1	+36.6
	Total - Recommended Scenario	**14.9**	**17.0**	**39.8**	**71.7**

Source: SPRU Analysis

14.24 In implementing the recommendations of this FAS management of the supply/demand balance on the basis of sub-area geographies should be treated indicatively rather than a strict guide as to where additional provision might most suitably be located. This reflects that the Council is considered revised sub-area boundaries, including an increase to the area currently defined as STV. Reflecting the increased economic linkages between STV and the predominantly rural areas within the centre of the borough, the Council could determine that any supply is more closely associated with meeting demand defined as deriving from the existing STV sub-area definition for the purpose of this study.

f) Overall Conclusions and Recommendations on the Supply-Demand Balance

14.25 Section 11 of the Further Analysis Study (for the Test Valley borough total) and Section 12 (by sub-area) calculate the supply/demand balance as of 1 April 2022 for the recommended Growth Scenario (Alternative Distribution). A summary of the components of the supply/demand balance by Use Class and sub-area is shown in Table 96, with details of the surplus/deficit indicating the *net* residual of additional land to be identified.

Table 96. Components and Output of Supply/Demand Balance by Sub-Area (April 2022)

(2020-2040)		B1 a/b	B1c/B2	B8	Total
Northern Test Valley (NTV)	**Total Demand (sqm) (Gross)**	27,665	41,999	55,515	125,180
	Completions 2020/21 and 2021/22	1,518	3,351	2,050	6,919
	Stock of Allocations, Permissions 1 April 2022	28,004	45,642	53,482	127,128
	Net Surplus/Deficit	1,856	6,994	17	8,867
	Supply/Demand Balance (Equivalent ha)	**0.5**	**1.7**	**0.0**	**2.2**
Southern Test Valley (STV)	**Total Demand (sqm) (Gross)**	31,778	26,099	103,596	161,473
	Completions 2020/21 and 2021/22	7,717	7,706	1,569	16,992
	Stock of Allocations, Permissions 1 April 2022	45,417	50,673	436	96,525
	Net Surplus/Deficit	21,356	32,279	(101,591)	(47,956)
	Supply/Demand Balance (Equivalent ha)	**5.3**	**8.1**	**(25.4)**	**(12.0)**
Test Valley Borough Total	**Total Demand (sqm) (Gross)**	59,443	68,099	159,111	286,653
	Completions 2020/21 and 2021/22	9,235	11,057	3,619	23,911
	Stock of Allocations, Permissions 1 April 2022	73,420	96,314	53,918	223,653
	Net Surplus/Deficit	23,212	39,273	(101,574)	(39,089)
	Supply/Demand Balance (Equivalent ha)	**5.8**	**9.8**	**(25.4)**	**(9.8)**

Source: SPRU Analysis of various data and previous tables

14.26 Based on the Council's existing pipeline of supply, the Experian Growth Scenario identifies an overall deficit of **-9.8 hectares**, including a deficit of **-25.4 hectares** for Storage and Distribution uses. The Past Take-up Scenario identifies a much greater overall deficit of **-36.7 hectares**, including a deficit of **-50.1 hectares** for Storage and Distribution uses.

14.27 Table 97 below provides the same output as Table 96 above with all elements of the calculation converted to hectares at a standard plot ratio of 0.4. As such, details of the

Council's Stock of Allocations and Permissions using this conversion may not correspond to the hectare totals reported as part of planning monitoring where plot ratios differ.

Table 97. Components and Output of Supply/Demand Balance by Sub-Area (April 2022) (hectares)

(2020-2040)		B1 a/b	B1c/B2	B8	Total
Northern Test Valley (NTV)	**Total Demand (sqm) (Gross)**	6.9	10.5	13.9	31.3
	Completions 2020/21 and 2021/22	*0.4*	*0.8*	*0.5*	*1.7*
	Stock of Allocations, Permissions 1 April 2022	*7.0*	*11.4*	*13.4*	*31.8*
	Net Surplus/Deficit	0.5	1.7	0.0	2.2
	Supply/Demand Balance (Equivalent ha)	**0.5**	**1.7**	**0**	**2.2**
Southern Test Valley (STV)	**Total Demand (sqm) (Gross)**	7.9	6.5	25.9	40.4
	Completions 2020/21 and 2021/22	*1.9*	*1.9*	*0.4*	*4.2*
	Stock of Allocations, Permissions 1 April 2022	*11.4*	*12.7*	*0.1*	*24.1*
	Net Surplus/Deficit	5.3	8.1	-25.4	-12.0
	Supply/Demand Balance (Equivalent ha)	**5.3**	**8.1**	**-25.4**	**-12**
Test Valley Borough Total	**Total Demand (sqm) (Gross)**	14.9	17.0	39.8	71.7
	Completions 2020/21 and 2021/22	*2.3*	*2.8*	*0.9*	*6.0*
	Stock of Allocations, Permissions 1 April 2022	*18.4*	*24.1*	*13.5*	*55.9*
	Net Surplus/Deficit	5.8	9.8	-25.4	-9.8
	Supply/Demand Balance (Equivalent ha)	**5.8**	**9.8**	**-25.4**	**-9.8**

Source: SPRU Analysis of various data and previous tables

14.28 Reflecting the analysis undertaken in the FAS and characteristics of Test Valley it is not recommended that requirements for land and floorspace, and assessment of the supply demand balance, are based on any average past take-up trend.

14.29 While adopting an average seeks to avoid specific predictions across the forecast based on potentially skewed data it cannot be said with certainty that expectations for achieving the take-up forecast for a longer 19-year period would necessarily support successive cycles of uneven delivery and take-up on large strategic sites (i.e., whether recent patterns are capable of being repeated). Equally, an average take-up scenario makes no prediction of the specific

characteristic of delivery, for example, comprising a broader mix of sites and locations than recent trends. Different characteristics (for example a greater proportion of schemes providing floorspace for 'strategic' distribution in the range of 100,000 to 400,000sqft than past trends) could reasonably generate average levels of net additional floorspace over longer-term cycles comparable to recent past trends that include the delivery of large strategic sites.

14.30 For the deficit in the supply/demand balance identified under the Growth Scenario the FAS recommends that as far a possible additional land and floorspace suitable to address the specific deficit in requirements within Use Class B8 (Storage and Distribution) (**25.4 hectares**[40]) should be identified. However, for the reasons provided within the FAS, summarised below, it would be reasonable to consider that around 11.2 hectares of this deficit resulting from the operation of a flexibility margin that includes the delivery of large strategic warehouses could be addressed through the operation of a potential criteria-based policy for these uses. As such, the land requirement would be calculated as follows:

$$25.4ha - 11.2ha = 14.2ha$$

14.31 This component of the flexibility margin should be considered to address the sub-regional needs of this sector in-line with recent delivery trends over and above evidence for labour demand within the Growth Scenario. The difference based on the flexibility margin affects South Test Valley only on a sub-area basis, reflecting take-up trends for the period 2016/17 to 2020/21.

14.32 Evidence presented in Chapter 6 indicates that there is scope for some of the potential surplus for B1c/B2 Use Classes (9.8 hectares) to be considered interchangeably between Use Classes B2/B8. This forms part of the same supply/demand balance position that could contribute towards the 25.4ha (or 14.2ha depending on the treatment of a criteria-based approach to strategic sites) deficit in B8 Uses. This, however, is subject to the ongoing monitoring of market demand and delivery considerations and any assumption should be treated with caution.

14.33 Firstly, this would not fully reflect the outputs of the labour demand Growth Scenario and Test Valley out-performing sub-regional trends for Transport & Storage. Secondly, take-up of strategic warehousing is part of past trends and demand can reasonably be expected to place pressure on the existing pipeline where suitable supply exists. Third, any surplus in the Industrial pipeline is itself very small and would provide limited flexibility and choice to meet the requirements for a range of potential occupiers within related sectors.

14.34 The strength of these observations, and the recommendation to identify additional land and floorspace to address the deficit in the supply/demand balance against the Growth Scenario is reinforced by the point that a deficit, albeit small, exists against the combined take-up trend for B2/B8 uses even if strategic warehouses were removed[41].

14.35 The characteristics of industrial land within the Council's pipeline are therefore unlikely to be able to accommodate the full range of demand for Storage and Distribution activities incorporated within the outputs for the B8 Use Class, including those attributable to any margin for flexibility based on past trends or sub-regional demand within the Transport & Storage Sector reflected within the Growth Scenario assumptions.

14.36 The reasoned justification summarised above would indicate that specific provision for the

[40] A difference of c.11.2 hectares based on the difference in flexibility margins for Use Class B8 calculated in Table 64 of Chapter 10; equivalent to c.44,700 sqm floorspace within the total deficit of 101,574sqm.
[41] See Table 70 within Chapter 11 for details of a minimum -4.2ha deficit for B2/B8 Uses against the combined take-up trend excluding strategic warehouses.

deficit equivalent to **14.2 hectares**[42] and suitable to accommodate Use Class B8 would address the requirements for labour demand within relevant sectors based on the Growth Scenario alongside the operation of a potential criteria-based policy for large warehousing, if considered needed by the Council.

14.37 In implementing the recommendations of this FAS management of the supply/demand balance on the basis of sub-area geographies should be treated indicatively rather than a strict guide as to where additional provision might most suitably be located. While the Growth Scenario distribution indicates some focusing of demand in STV this does not correspond to a conclusion that future needs should be tightly contained within sub-area geographies.

14.38 The deficit in the supply/demand balance for B8 uses is at least in-part a function of the very limited existing pipeline within STV. On this basis it would be reasonable to view additions to the pipeline within either NTV or STV as an appropriate approach to provide a balanced approach towards meeting demand and making provision for overall needs in Test Valley.

14.39 For the same reasons, additions to the pipeline in NTV where the overall supply/demand balance is closely aligned would provide further choice and flexibility. Maintaining the overall supply/demand balance within NTV from the existing pipeline will be dependent on timing of delivery and the qualitative characteristics and flexibility of supply to meet alternative patterns of demand given the negligible overall surplus. Broadly speaking additional provision for a mix of employment (including Use Class B8) that could contribute towards the 14.2ha component of the deficit in STV would maintain a balance of overall supply in the borough and ensure flexibility in NTV itself.

14.40 While a surplus of office provision is identified in all scenarios this is relatively marginal (5.8ha) and on a sub-area basis is likely to be more limited in Northern Test Valley. The Growth Scenario forecast for labour demand indicates a much greater potential net requirement for these uses than recent net trends in take-up. Monitoring of the pipeline is likely to be required where the pipeline on greenfield sites may be delivered for other non-office employment uses to reflect changing patterns of demand following the Coronavirus pandemic. On a qualitative basis the Council should look to consider opportunities to complement this pipeline particularly in terms of opportunities for delivery in main urban centres.

g) Labour Supply versus Labour Demand

14.41 A labour supply scenario has been developed which reflects the findings of the Council's Strategic Housing Market Assessment (SHMA) Final Report (January 2022). This assesses the link between housing and the potential to support economic growth based on demographic change associated with provision for housing.

14.42 The analysis presented in section 13 indicates that the number of jobs supported by projected population and household change would not appear to act as an impediment to supporting market signals and evidence of labour demand. Labour supply scenarios considered by this study indicate no likely significant adverse effect on commuting trends and relationship between jobs and homes.

14.43 All of the scenario outputs from the Council's SHMA substantially exceed baseline forecasts for total net change in employment. Housing provision in accordance with the Government's Standard Method would support additional jobs within growing sectors broadly consistent with evidence for labour demand within the Growth Scenario for this study.

[42] 25.4 hectares *minus* 11.2 hectares = 14.2 hectares

APPENDIX 1 MODELLING METHODOLOGIES AND ASSUMPTIONS

i) Cambridge Econometrics (CE)

A1.1 The approach taken by the CE forecast is perhaps the simplest of the forecasting houses, insofar as it assumes that economic growth in the local area is not constrained by supply-side factors – such as population and the supply of labour. Therefore, the CE forecast makes no estimates of population, activity rates and unemployment rates of the local population. The forecast only provides outputs for total employment, which is equivalent to workforce jobs.

A1.2 The CE forecast simply assumes that there will be enough labour (either locally, or through commuting and future in-migration) with the right skills to fill the jobs. The forecast provides no outputs on demographic or local population labour supply. If, in reality, the labour supply is not there to meet projected growth in employment, growth could be constrained.

A1.3 The CE forecast is based on historic growth trends assessed in terms of the local area's performance relative to the region or UK trend – whichever has the strongest relationship with the local area. This process is undertaken on a sector by sector basis.

A1.4 The forecast assumes that those relationships continue into the future. Thus, if an industry in the local area outperformed the industry in the region (or UK) in the past, then it will be assumed to continue to do so in the future. Similarly, if it underperformed the region (or UK) in the past then this will be projected forward in the future.

ii) Oxford Economics (OE)

A1.5 The Oxford Economics forecasts sit within their global and national forecasts. This ensures macro-economic factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at a local authority level. This means the trends in OE's global, national and sectoral forecasts have an impact on the local area forecasts and means that the OE forecast is more than just an extrapolation of historical trends.

A1.6 OE's local forecasting model depends essentially upon three factors:

- National/regional outlooks – consistency with the broader global and national forecasts;
- Historical trends in an area (which implicitly factor in supply side factors impinging on demand), augmented where appropriate by local knowledge and understanding of patterns of economic development; and
- Fundamental economic relationships which interlink the various elements of the outlook.

A1.7 OE report in their data guide that the current macro-economic climate means that their local forecasts show most, if not all, local areas will face challenges in the short-term, irrespective of how they have performed over the past 15 years.

A1.8 The OE forecasts are produced within an integrated modelling framework, which takes account of labour supply-side factors such as migration, commuting and activity rates and thus the approach forecasts both employment and population growth.

A1.9 The starting point in producing employment forecasts is the determination of workplace-based employees in employment in each of broad sector consistent with the regional and UK outlooks. At local authority level sectoral growth is driven by a range of factors:

- Some sectors are driven predominantly by population estimates,
- Others by total employment in the area,
- The remainder relative to the regional performance (largely exporting sectors),

- All sectors are also influenced by past trends in the local area.

A1.10 Total employment is calculated by adding the employees in employment, the self-employed and Her Majesty's Forces. Self-employment data by region is taken from Workforce jobs data which is then broken down into detailed sectors using both employee trends and comparison with the UK. Data for the local authorities is Census based (and scaled to the regional self-employed jobs estimates) and is broken down using the employees in employment sectoral structure. The sectors are forecast using the growth in the sectoral employees in employment data and the estimates are scaled to the regional estimate of self-employment by sector.

A1.11 The OE framework models population as an output which is economically driven and thus forecasts differ from the official population projections. The OE model uses official births and deaths projections from the 2016-based population projections; however, they use different migration assumptions based on their modelled UK migration, and at the local level, migration is linked to the forecast employment rate.

iii) Experian

A1.12 Like OE, the Experian forecast is an integrated model providing a wide range of outputs on employment, workforce, and population trends. The Experian local model is based on the resolution of demand and supply for labour. This process takes into account commuting between local areas within a region and across the regional boundary as well as an estimate of the growth in the economic participation rates in a local area.

A1.13 For population, the Experian model takes as an input data from the 2014-based Sub-National Population Projections. This shows considerable variation at the regional level. This, along with the economic participation rates, combine to produce substantial variation in the labour force forecasts for different regions.

A1.14 Commuting flows are used to derive the available labour force for a region. In the case of the South East, these flows lead to a substantial difference between the resident employment and the workplace based employment.

A1.15 In parallel, labour demand (in terms of workforce jobs) is estimated. This is done by industry sector by linking job growth 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.

A1.16 The Experian forecast constructs workforce jobs series for each local area using BRES/ABI data to disaggregate estimates for each industry sector. This is determined by the BRES share for a particular industry in a local area relative to the share in its parent region, which is then used to disaggregate the regional workforce jobs series for that industry to a local level.

A1.17 The effect of this is:

- Demand for jobs at the local level is greatest / grows faster 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 by considering:
- The historic ratio between resident employment and workplace based employment in that local area
- The inflow and outflow of workers across regional boundaries
- Historic commuting patterns.

A1.18 This is then converted back into jobs and used to produce final workforce jobs estimates for each local area.

Strategic Planning Research Unit

APPENDIX 2 SITE ASSESSMENTS

(Provided Separately)

Strategic Planning Research Unit

APPENDIX 3 2016/17 – 2021/22 NET COMPLETIONS SUMMARY

2016-2017		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	50,798.0	420.5	2,835.0	47,542.5
Northern	6,258.0	-1,299.5	2,835.0	4,722.5
Southern	43,497.0	1,720.0	-1,043.0	42,820.0

2017-2018		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	15,529.0	1,070.7	5,395.7	9,062.7
Northern	14,512.0	1,070.7	5,395.7	8,045.7
Southern	1,017.0	0.0	0.0	1,017.0

2018-2019		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	555.0	-452.5	52.0	955.5
Northern	958.0	-952.5	600.0	1,310.5
Southern	-403.0	500.0	-548.0	-355.0

2019-2020		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	12,470.0	1,935.0	7,977.0	2,558.0
Northern	7,784.0	0.0	6,446.0	1,338.0
Southern	4,686.0	1,935.0	1,531.0	1,220.0

2020-2021		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	19,037.0	7,414.0	10,308.0	1,315.0
Northern	4,291.0	0.0	2,976.0	1,315.0
Southern	16,316.0	7,414.0	8,902.0	0.0

2021-2022		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	3,304.0	1,821.0	375.0	1,108.0
Northern	3,638.0	1,518.0	375.0	1,745.0
Southern	-334.0	303.0	0.0	-637.0

Five Year Total (2017-2022)		Net Completions		
Boundary	**Total Net Completions (sqm)**	**Total B1a/B1b Net Completions (sqm)**	**Total B1c / B2 Net Completions (sqm)**	**Total B8 Net Completions (sqm)**
Total	50,895.0	11,788.2	24,107.7	14,999.2
Northern	31,183.0	1,636.2	15,792.7	13,754.2
Southern	21,282.0	10,152.0	9,885.0	1,245.0

Five Year Averages	
16/17 - 20/21	19,678
17/18 - 21/22	10,179

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