

## **Economic evidence key messages**

### **Recommendation**

**It is recommended that the GNDP Board note the contents of this report outlining the main findings of updated economic evidence.**

### **Background**

1. The development of the Local Plan has been supported by evidence produced by GVA in 2017. In October 2020 their successor Avison Young was commissioned to update this work in the form of two Addendum reports covering jobs growth, employment land need, town centres and retail.
2. The reports use the latest available data including Experian forecasts from September 2020 and Avison Young's own COVID cities recovery index. Population forecasts are derived from 2014-based data to be consistent with housing growth needs. The reports include an extensive range of statistical information that will also be useful for economic development activity.
3. The reports make clear that with ongoing impacts of COVID-19, uncertainty of post-Brexit impact and changes to the planning system there is no certainty about future performance.
4. Four scenarios are presented for GDP recovery (see 3.6 to 3.26) V shaped, delayed V shaped, U shaped and L shaped. Experian consider that a V shaped recovery is most likely (but still uncertain).
5. In relation to BREXIT "The economic forecasts provided by Experian for use in this Study assume that the final outcome is a deep trade deal that allows continued access to EU markets". At the time of writing this is by no means certain.

### **Retail background**

6. Consumer spending growth was low pre-COVID and is expected to stay low; non-food sales were poor, on-line sales growing.
7. Per capita expenditure growth 2020-2035 on convenience goods (largely food) in "bricks and mortar" shops may be marginally better than in the 2017 study although stagnant with potentially a small decline, and on comparison goods (most non-food) there will be real growth but significantly less than in the 2017 study.
8. The overall market share of internet sales, as a proportion of total sales, has increased nationally from 5.5% in 2006 to 20.2% in 2019. It is forecast to grow to 22% by 2021 and to 31% by 2036.
9. Market demand in recent years has seen an increasing polarisation and concentration of non-food retailer demand and investment interest in the larger regional and sub-regional centres (e.g. Norwich).

10. Changes in retailer requirements and market demand will continue to have a significant impact on the UK's town centres and high streets, particularly in those cases where retailers make the decision to relocate from town centres to out-of-centre locations, or even out of the area altogether.

### **Retail need/capacity**

11. With all the uncertainties Avison Young recommended to plan on the basis of 5 year forecasts (2025) and certainly no more than 10 years (2030).

#### Convenience goods floorspace quantitative capacity:

12. Across the Norwich urban area limited growth in convenience goods capacity is forecast of 600 sq.m net in 2025, rising to 1,300 sq.m net in 2030.
13. Avison Young conclude that "the level of 'surplus' is so small that it does not prompt any significant allocations from a quantitative perspective".
14. Within the rest of South Norfolk (Main towns and rural) there could be capacity for 2,900 sq.m net by 2025 rising to 3,300 sq.m net in 2030. Most of the forecast capacity is in Diss or dispersed across the area, with a small oversupply in Harleston.
15. Within the rest of Broadland (main towns and rural), the forecast suggests a small oversupply in Aylsham and some capacity dispersed across the rural area.
16. Outside the urban area the levels and patterns of convenience goods capacity are broadly similar to those forecast in the 2017 study.
17. Note – these calculations take account of overall population growth but not the specific distribution of allocations in the emerging GNLP. Housing growth in the Aylsham and Harleston catchments may tend to moderate the level of potential over-supply.

#### Comparison goods capacity

18. Available comparison goods expenditure in the study area was £2,751m in 2017, whereas the latest assessment for 2020 is £2,195m. This is a significant fall caused by the drop in expenditure during 2020 and the increase in the market share of internet shopping over the past three years (both heavily influenced by COVID-19 pandemic). Whilst it is hoped there will be a bounceback from 2021 onwards, available comparison goods expenditure will be materially lower over the period.
19. Forecast total spending at comparison goods stores in the Greater Norwich urban area (in 2017) was £1,547m. The forecast turnover has fallen to £1,233m in 2020
20. Lower levels of turnover have a negative impact on the vitality and viability of town centres. However, to maintain 2017 levels of turnover in Norwich urban area would suggest an over-supply of comparison goods floorspace of between 21,100sq m net and 25,500sq m net in 2025 and 2030. Alternatively reducing average turnover would provide some theoretical capacity but this should be used to support existing floorspace, including the opportunity to re-occupy existing vacant floorspace (unless it is re-purposed for an alternative use).

21. There are similar outcome for the rest of South Norfolk and Broadland: a modest surplus capacity of 2,600m<sup>2</sup> in SNC and 600m<sup>2</sup> in BDC based on current turnover; or a small over-supply based on 2017 turnovers.
22. While there is no quantitative need, AV suggest that qualitative need may warrant new floorspace for example:
  1. Projects to support town centre health - redevelopment to provide retail floorspace suited to modern needs; or re-purpose existing floorspace to allow for a wider range of active uses (including, in appropriate circumstances, the down-sizing of retail space).
  2. Location specific needs - likely to be in relation to new communities / urban extensions to ensure easy access to day to day retail and service uses.
23. The report also looks at the implications of recent changes to government policy and the use classes order. The latter creates a new use Class E which incorporates the previous shops (A1), financial and professional services (A2), restaurants and cafes (A3) offices (B1), gyms, nurseries and health centres (previously in use classes D1 and D2). The report recommends that the implications of use classes for out of centre development should be reflected in policy and identifies some aspects of development management policies that could be reviewed.

#### **Employment land and jobs growth**

24. Similarly to the original reports, Avison Young provide both Baseline and alternative higher growth forecasts for jobs growth in the period 2020 to 2038.
25. The Baseline forecast is 32,700 jobs 2020-2038. Of this total, most of the growth is likely to be seen in non-B-Class employment (using the previous use classes order), with an additional 25,410 jobs created between 2020 and 2038. The scale of jobs growth in B-class uses equates to a need for 74.3ha of employment land.
26. The alternative growth scenario looks at the prospects of individual sectors and builds upon AV's understanding of past economic performance, the strengths and weaknesses of the local economies, factors expected to influence future growth, and the wider macro-economic context for key economic sectors This alternative scenario suggests a further 483 jobs i.e. 33,200 jobs in total , equating to 76.4ha of employment land
27. While Avison Young recognise the quantitative over supply of employment land, they draw attention to the way the range and distribution of sites provide different locational offers and support sector specific requirements.
28. Avison Young look into the impact of Covid-19 on office demand and logistics – two sectors with the most likely impacts. They conclude that the impact of Covid-19 has demonstrated the need for more flexible office space but there is not currently any indication that working from home will reduce the demand for office space. Although fewer people are expecting to be working in the office at one time, Covid-19 has highlighted the importance of collaboration and well-being of employees. Occupiers are tending to reconfigure their space to provide an increased share of breaking areas, meeting rooms, individual booths (to accommodate online meetings) and wellness and social areas (lounge, etc.). Overall, whilst the number of employees present in the office

at any time is expected to dramatically decrease, this will be counteracted in terms of calculating floorspace need to support jobs by the floorspace effectively supporting staff working from home.

29. Logistics space has been characterised by a greater importance of last-mile delivery, this trend has been particularly intensified by the Covid-19 crisis and the sharp rise of e-commerce and the shift of local businesses, retailers and restaurants towards the online marketplace, associated with fast home deliveries. This has led to a large increase in demand for warehousing of all sizes, including the emergence of micro-fulfilment centres (small, usually under-used space such as basement, in urban areas).

## **Conclusion**

30. In a period of significant uncertainty Local Plan policies need to be flexible to enable change. There is also a continuing need to support and protect town centres to aid their recovery and transition, and to work with partners to promote the local economy and overcome constraints to key employment sites to remove obstacles to growth. Many of the economic and social trends were already apparent prior to the COVID pandemic and the Reg18 approach, largely carried forward into the Reg19, remains appropriate with minor updating.
31. The Government's recent changes to the use classes which bring retail, offices and some leisure uses into the same class, Class E, helps provide flexibility within town centres. However, large scale office, retail or leisure development, particularly out of centre, will have very different implications, for example for traffic generation, and it will be important to ensure that the development that takes place is consistent with the evidence provided with the planning application. This should be reflected in GNLP policy. The report's advice on detailing the operation of the sequential approach and impact assessment is achieved in Policy 6 by linking to the NPPF which has the advantage of remaining up-to-date with any changes to national policy.
32. Although starting from a different base year and over 18 years rather than 20, the job forecasts are broadly similar to the growth identified of 33,000 jobs in the Reg18 plan.
33. We currently have in excess of 300ha of allocated employment land. While this is a significant over-allocation compared to the needs identified there are a range of justifying factors. Over 280ha of our supply is on key strategic sites, with several targeted at particular sectors such as NRP, Hethel, and the airport area. These sites are not suitable for reallocation to other uses. The remainder is dispersed across the area providing important local opportunities. The report focusses on B-class uses and some employment land will be used for non-B-class employment such as gyms, waste recycling centres, vehicle sales and fuel forecourts; or supporting uses such as cafés and restaurants. The scale and range of our employment allocations provide for choice and flexibility and will provide for growth in the longer term.
34. The Avison Young reports and the proposed modifications to policy will be provided separately.