South Oxfordshire and Vale of White Horse
Joint Local Plan 2041

TOPIC PAPER

EMPLOYMENT NEEDS

Joint Local Plan

Preferred Options Consultation

(Regulation 18 Part 2)

South Oxfordshire District Council
Listening Learning Leading

Vale of White Horse District Council

January 2024

This topic paper supports the Joint Local Plan 2041.

We have prepared topic papers to present a coordinated view of the evidence that has been considered in drafting the Joint Local Plan 2041. We hope this will make it easier to understand how we have reached our current position.

The topic papers will be revised following the ‘Preferred Options’ consultation to inform the next stage of plan preparation, which is known as the ‘Publication’ stage. Final versions of the topic papers will be published alongside this final stage, which is timetabled for publication in Autumn 2024.

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Section 1: Introduction

1.1 This topic paper has been prepared to set out the reasoning behind the employment land needs policy in the Joint Local Plan preferred options document. It sets out the evidence base that has helped inform policy JT1: Meeting employment needs.

Section 2: Background

2.1 The Joint Local Plan sets out our vision for how we would like the districts to be, looking ahead to 2041. The part of the vision linked to this topic is:

Where there are valuable and rewarding jobs, embracing clean technologies, and growing the opportunities in Science Vale for the districts to contribute on a national and international scale to solving pressing global issues.

2.2 The Plan also sets a number of objectives for the Plan to meet. The objective linked to this topic is:

Plan for enough new jobs, a flourishing local economy, and a wide range of jobs, not only in the science and innovation sector for which the districts are well known, but in the foundational economy which underpins this and provides people's day to day needs.

2.3 The NPPF describes the Government's vision for building a strong, responsive and competitive economy. In relation to the economy and employment land, the NPPF states that:

'Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. 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. Planning policies should:

- *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;*
- *Set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;*
- *Seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and*
- *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.' (Paragraph 82).*

2.4 Planning Practice Guidance states that local authorities need to prepare an evidence base to understand existing business needs, which will have to reflect local circumstances and market conditions. The PPG emphasises the importance of considering projections (based on past trends) and forecasts (based on future scenarios) to understand future needs. Employment uses

2.5 Employment uses are defined by the Use Classes Order. For the purposes of the evidence base, employment uses are split into two: office uses and industrial uses.

What is covered by office uses:

- Use class E(g)(i) – offices
- Use class E(g)(ii) – research and development e.g. lab space

What is covered by industrial uses:

- Use class E(g)(iii) – light industrial
- Use class B2 – general industrial
- Use class B2 – storage and distribution e.g. warehouse

Section 3: Evidence

Employment Land Needs Assessment

3.1 In March 2023 we commissioned consultants (AECOM) to undertake an Employment Land Needs Assessment (ELNA). This study forms part of the wider evidence base to support the Joint Local Plan 2041. The ELNA will update and replace the previous Employment Land Reviews that were prepared to support the current suite of adopted local plans.

3.2 The main objectives of the ELNA are to assess the quantity and quality of the existing stock of employment land; assess future demands for employment land; and make policy recommendations for employment land policies in the JLP.

3.3 Each stage of the ELNA is explained below.

Policy context

3.4 Section 1 of the Employment Land Needs Assessment includes a comprehensive review of all relevant national, regional and local policy and guidance.

Functional Economic Market Area

3.5 The ELNA begins by defining a functional economic market area (FEMA), as is required in planning practice guidance.

3.6 The PPG advises there is no standard approach to defining a FEMA but does set out a number of factors that can be used and some sources of statistical data that together will form the methodology. The methodology for defining the FEMA is therefore based on commuting data, administrative boundaries and housing and commercial property markets.

3.7 The objective is to identify an area that records the highest self-containment in terms of commuting flows, and which also best fits the administrative boundaries, housing and commercial property markets.

3.8 The ELNA found that South Oxfordshire and Vale of White Horse are relatively self-contained economically, with some important connections either from an economic governance perspective (administrative boundaries), market characteristics (housing and commercial property markets) and connectivity (travel to work and transport infrastructure).

3.9 The assessment also concluded that South Oxfordshire and Vale of White Horse are particularly connected with two other local authority areas:

- Oxford (due to the number of workers travelling to or from Oxford, the road and rail network, the housing and property market areas, and economic governance areas)
- West Oxfordshire (due to the number of workers travelling to or from West Oxfordshire, the road network, the housing and property market areas, and economic governance areas)

3.10 The FEMA is therefore defined as covering South Oxfordshire, Vale of White Horse, Oxford, and West Oxfordshire.

Socio-economic profile of South Oxfordshire and Vale of White Horse

3.11 The ELNA also provides a socio-economic profile of the districts using a set of key indicators:

- Population, deprivation, earnings and skill and occupational profile of residents
- Commuter patterns
- The workplace economy, by business stock, size and demography (start-ups and closures)
- Workplace employment, including by industry sector

3.12 The data for South Oxfordshire and Vale of White Horse is then benchmarked against the FEMA, the South East region and England. This helps provide context when considering the changes to the supply and demand for employment land.

3.13 Some of the key points to take from the analysis are that:

- Residents of South Oxfordshire and Vale of White Horse have higher earnings on average than residents of the South East region or England more widely
- A high proportion of residents hold degree-level qualifications, in line with the FEMA, and at a higher rate than recorded regionally and nationally.
- Our districts are characterised by a high average economic activity rate (includes people in employment and people actively looking for employment) which is broadly comparable to the FEMA, and slightly greater than the regional and national level, over the ten years preceding 2022.
- The impact of the COVID-19 pandemic can be seen in an economic activity rate in South Oxfordshire which is lower than the ten year

average. However, Vale of White Horse seems to have strongly recovered in terms of economic activity, as this area now records an economic activity rate that exceeds the ten year average.

- The employment rates (people in employment) in South Oxfordshire and Vale of White Horse exceed those recorded in the FEMA, and across England and Wales.
- Of the working age population employed in South Oxfordshire and Vale of White Horse, around a third have roles in professional occupations, with these occupations representing a larger proportion of overall employment than is recorded regionally and nationally.
- The majority of the 14,215 businesses across the two local authority areas are micro in size (1 to 9 employees).
- Around a fifth of all businesses are in the professional, scientific and technical sector.
- The professional, scientific and technical sector provides the greatest proportion of jobs in both local authority areas.

Property market profile

3.14 This section of the ELNA examines the commercial property market in South Oxfordshire and Vale of White Horse. It considers the following property market indicators for each property type:

- Total building stock and floorspace
- Building stock size
- Vacancy rate and vacant floorspace
- Market rent
- Net absorption
- Affordability
- Recent market activities

3.15 Data is derived from CoStar which represents a comprehensive database of up-to-date property market information.

3.16 There is significantly more office space in Vale of White Horse (581,101m²) than in South Oxfordshire (216,741m²). In South Oxfordshire this is predominantly located in the main town centres of Henley-on-Thames, Wallingford and Thame. The location of the existing office supply in historic towns is reflected in the size and age of the existing stock, which is generally smaller and older than is typical of the FEMA and wider region. Indeed, over half of office buildings in South Oxfordshire pre-date the year 1950 in terms of their construction or most recent refurbishment.

3.17 In the Vale of White Horse, while key town centres such as Abingdon play a prominent role in the office market, much of the stock is located within business park/industrial estate settings, such as Milton Park and Harwell Campus. This is reflected in the size and age of office stock, which is larger and newer than South Oxfordshire, with over a quarter of all buildings constructed or most recently renovated after the year 2000.

3.18 Industrial floorspace is more evenly distributed across the two districts (507,992m^2 in South Oxfordshire and 681,572m^2 in the Vale of White Horse). In South Oxfordshire, a significant amount of industrial floorspace is located around the main centres of Didcot and Thame, with key clusters including Southmead Industrial Estate and Thame Industrial Cluster. In Vale, a significant amount of industrial floorspace is linked to Science Vale and the key locations of Milton Park and Harwell Campus.

3.19 Floorspace is well occupied across both districts, with vacancy rates in South Oxfordshire and Vale of White Horse below the national average.

Employment land supply

3.20 To gain a good understanding of the current supply of employment land in the districts, the ELNA assessed all existing employment clusters (73 in total) and gave a Red Amber Green (RAG) rating against the following criteria:

- Public realm, environment and surroundings
- Accessibility
- Building condition
- Land available for development

3.21 This allowed the assessment to characterise the function, quality and development potential of each of the employment clusters and the findings sit alongside those from the property market profiles. The site survey analysis across both districts highlighted that most of the employment clusters are generally fit for purpose.

Employment needs assessment

3.22 The ELNA sets out three different forecasting scenarios that have been considered to understand the ‘reasonable alternatives’ for potential future growth.

3.23 The three forecasting scenarios are:

1) Labour demand – an economic outlook scenario based on employment forecasts from Oxford Economics.

Under this scenario the districts are projected to undergo a relatively large increase in office floorspace, but a decrease in industrial floorspace overall (despite growth in B8 warehousing).

2) Past take-up – this scenario considers past employment land take-up rates and projects the trends forward.

   Under this scenario the districts are projected to undergo a relatively large increase in office floorspace and industrial floorspace, particularly in warehousing (B8).

3) Labour supply – this scenario uses population forecasts to understand the level of additional workforce that need jobs.

   Under this scenario the districts are projected to undergo a modest increase in office floorspace and a considerable decrease in industrial floorspace.

3.24 We can plan for the employment growth forecast under any of these three scenarios or take a hybrid approach by selecting one forecast for office uses and one for industrial uses.

3.25 Based on the assessment of employment land in the districts, including the property market, the supply of employment land and socio-economic characteristics of the districts, the ELNA recommends taking a hybrid approach and using the labour demand scenario for offices uses and the past take-up scenario for industrial uses.

3.26 Under the labour demand scenario, office space is anticipated to grow due to the districts being home to some high-quality office environments and being a hub for knowledge-intensive uses. The ELNA considers the level of growth forecast for office uses under this scenario to be a feasible projection in light of local market intelligence and development prospects at some of our key employment sites.

3.27 The labour demand scenario forecasts a fall in light industrial and general industrial floorspace. However, the ELNA does not recommend taking forward this element of the scenario because their research looking at local market activity shows a robust, competitive performance in market rents over the past decade with vacancy rates well below those at the regional and national level. The ELNA does not consider it likely that this trajectory over the past decade will reverse such that there will be no additional land requirements for these uses to 2041.

3.28 The ELNA concludes that the Past Take Up scenario, which forecasts an increase of industrial floorspace over the Plan period, is a more appropriate representation of past performance, local market intelligence and development prospects.

3.29 The projected demand for office floorspace up to 2041 is for an estimated net additional 204,969 m^2 of floorspace - 64,885 m^2 of which relates to South Oxfordshire and 140,084 m^2 in Vale of White Horse (under the preferred scenario). This translates to a land requirement of 11.6 hectares in South Oxfordshire and 25 hectares in Vale. This requirement is due to expected growth in sectors that require office space, including research and development, which is likely to be driven by a range of social, demographic and wider economic factors.

3.30 The projected demand for industrial floorspace up to 2041 is for an estimated net additional 99,794 m^2 of floorspace, 50,761 m^2 of which sits within South Oxfordshire and 49,033 m^2 in Vale of White Horse (under the preferred scenario). This translates to a land requirement of 11.6 hectares in South Oxfordshire and 11.2 hectares in Vale.

3.31 Floorspace requirements are calculated by applying density assumptions on how much floorspace is needed per employee. Plot ratios assumptions are then applied to calculate how much land is needed to deliver that amount of floorspace.

Comparison between supply and demand

3.32 The forecast need generated from the preferred scenario is then factored into the supply and demand balance to calculate the net requirement for employment floorspace, which is then converted into land take (in hectares). The parameters that are used to inform the supply/demand balance are set out in the table below:

Supply/demand balance for calculating employment land requirements.

Parameters
A. Supply of occupied floorspace
B. Current vacant floorspace
C. Total stock of floorspace [A+B]
Forecast
D. Gross Floorspace demand to 2041 (Scenario output)
E. Optimum frictional vacancy at 2041 [% of A+D]
F. Surplus/deficit of vacant floorspace in 2041 [E-B]
G. Gross requirement for floorspace 2023-2041 [C+D+F]
H. Net requirement for floorspace 2019-2041 [G-C]

ELNA recommendations

3.33 The ELNA makes a number of policy recommendations based on its analysis of employment land. In relation to the level of need across South and Vale, the following recommendation is relevant:

“Meeting the additional need for employment land should be achieved through land already allocated for development within local plan policy which is yet to come forward, vacant land within existing clusters and approved applications in the planning pipeline.”

3.34 We have taken forward this recommendation in the Joint Local Plan. We have enough land available for employment uses on our existing allocated sites, and coming through the development pipeline to meet our future employment needs.

Section 4: Policy Options

4.1 To develop our policy options we reviewed our existing policies in the adopted plans, took on board national policy and practice guidance, and the findings from the ELNA.

4.2 We considered four policy options to help determine how much employment land to plan for through the JLP. These were based on the three different forecasting scenarios presented in the ELNA (as explained in Section 3 of this topic paper), in addition to the fourth (preferred) option of selecting a hybrid scenario that combined two of the forecasting scenarios. These are the options that were tested through Sustainability Appraisal.

- Option A (preferred): based on using a combination of the labour demand and past take-up scenarios:

  To plan for an additional 25.8 hectares of employment land in South Oxfordshire and 113.2 hectares in the Vale of White Horse.

- Option B: The labour demand scenario:

  An alternative option is to plan for the level of need identified in the ELNA under the labour demand scenario for both office and industrial uses. This would result in a lower need for industrial uses than the preferred option A.

  Option B is not preferred because this scenario forecasts a contraction in the supply of industrial uses, which is a considerable divergence from recent market activity and there is limited/no evidence to assume that the trajectory of the last decade will reverse to such an extent that additional land requirements for industrial uses will be negative to 2041.

- Option C: The past-take-up scenario:

  An alternative option is to plan for the level of need identified in the ELNA under the past take-up scenario for both office and industrial uses This would result in a lower level of need for office uses.

  Whilst this option also projects a growth in office space needs, it projects a lower need than the preferred option A. Choosing an option with a lower need would risk not planning for enough land. The evidence shows that demand for office uses in our districts is high and the need projected under the labour demand scenario is the most appropriate.

- Option D: The labour supply scenario:

  This last option involves planning for the level of need identified in the ELNA taking into account local labour supply for office and industrial uses. This would result in a lower level of need for both of these uses.

Option D is not preferred because the levels of growth forecast under this scenario do not align with evidence on recent market activity, development prospects and ambitions.

4.3 Option A is our preferred option as it is based on taking the labour supply scenario for office uses and the past take-up scenario for industrial uses. The past take-up scenario is an appropriate representation of past performance, local market intelligence and development prospects for industrial uses. Office space is anticipated to grow to the end of the local plan period due to our districts being home to high-quality office environments and being a hub for knowledge intensive uses. As such, the level of growth anticipated for office uses under the labour demand scenario is a feasible projection in light of local market intelligence and development prospects.

4.4 Sustainability Appraisal of JLP Policy JT1 found that all elements of the preferred option were predicted to have strong positive effects in terms of economic growth (Objective 10 of the SA framework), more so than the alternative options as they plan for lower levels of employment land, reducing the magnitude of positive economic effects.

Meeting employment land requirements

Allocated sites

4.5 There are some sites allocated in the adopted local plans to deliver employment land that have either not come forward yet (i.e. planning permission has not been granted), or that still have some of their requirement left to deliver (where part of the site has planning permission, but not all of it). Our preferred option is to roll forward these existing allocations with capacity, making amendments to their capacity to reflect what has been granted permission already. Our current evidence indicates that we can meet our employment land requirements on these existing sites. These sites are listed in Policy JT1.

4.6 In addition to the above sites, Policy JT1 also “saves” existing employment or mixed-use allocations (i.e. sites where planning permission has been granted across the whole site but the site has not been completed yet). These sites contribute towards our supply of employment land and will be “saved” to ensure that the overarching policy framework remains in place, to inform any subsequent planning applications on these sites (such as reserved matters applications for outline planning consents).

4.7 We also recognise that some neighbourhood plans have made employment allocations to provide local jobs, and these also contribute towards the districts’ supply of employment land.

Pipeline developments

4.8 We have planning permissions that have been granted but not implemented yet for employment uses – known as pipeline developments. If all the approved planning applications for industrial uses come forward and are built, these would exceed the level of need identified through the ELNA for industrial uses.

4.9 Similarly, if all the approved planning applications for office uses come forward, this would meet about a third of the need for this type of employment space. Pipeline developments are, therefore, a significant source of supply for employment land in the districts.

4.10 The ELNA projections forecast that the future need is for office uses, on the basis that there are enough pipeline developments to meet the need for industrial uses. In this draft of the JLP, Policy JT1 has not distinguished between office and industrial uses and presents the need simply as 'employment land'.

Enterprise zones

4.11 There are two Enterprise Zones in South Oxfordshire and Vale of White Horse: Science Vale Oxford and the Didcot Growth Accelerator. Science Vale Oxford covers land at Harwell Campus and Milton Park, and the Didcot Growth Accelerator covers a number of sites around Didcot including the majority of the former Didcot A power station site and one of the existing allocations at Southmead Industrial Estate (current South local plan policy EMP4i).

4.12 Enterprise Zones are specific areas where a combination of financial incentives, reduced planning restrictions and other support is used to encourage the creation of new businesses and jobs. These incentives can distort the market and increase demand, making it hard to use traditional forecasting methods to predict future demand within Enterprise Zones. For this reason, the approach taken in the previous Employment Needs Assessment (supporting the Vale of White Horse Local Plan 2031) was to add employment land coming forward within the Enterprise Zones at Harwell Campus and Milton Park) on top of the district's identified need.

4.13 Our consultants have followed the same approach for consistency, so any undeveloped land remaining in the Enterprise Zones at Harwell, Milton Park and Southmead Industrial Estate is treated as additional to the forecast need.

4.14 For Harwell Campus this is around 77 hectares. At Milton Park all the areas within the Enterprise Zone have been developed so there is no additional land to add to the requirement here. This is why the requirement for employment land in the Vale is high – it is pushed up by the large Enterprise Zone area at Harwell Campus, which is an allocated employment site, in accordance with

Policy AS12. When adding the additional land at Harwell Campus, this results in an overall requirement for 113.2 hectares in the Vale.

4.15 In South Oxfordshire there is 2.7 hectares of undeveloped land within the Enterprise Zone at Southmead Industrial estate still to come forward that is added to the requirement. The table below taken from the ELNA summarises the requirements and supply of employment land that have informed Policy JT1:

	South Oxfordshire	VOWH	Total
Demand			
A) Net Office Land	11.6	25.0	36.6
B) Net Industrial Land	11.6	11.2	22.7
C) Total Net Employment Land Requirements [A+B]	23.1	36.2	59.3
D) Existing Local Plan allocated sites within Enterprise Zones (EZ)	2.7	77.0	79.7
E) Total Demand [C+D]	25.8	113.2	139.0
Supply (Available Undeveloped Land)			
F) Existing Local Plan allocated sites (including EZ)	20.0	112.5	132.4
G) NDP Allocations	1.0	13.2	14.2
H) Pipeline (ha)	11.0	62.9	74.0
I) Total Supply (Available Undeveloped Land) [F+G+H]	**32.0**	**188.6**	**220.6**
J) Total Supply – Total Demand [I-E]	6.2	75.4	81.6

Section 5: Conclusions

5.1 The ELNA recommends taking a hybrid approach to forecasting employment land requirements, by using the labour demand scenario for office uses and the past take up scenario for industrial uses. This represents the highest levels of growth forecasted across South Oxfordshire and Vale of White Horse under each of the scenarios.

5.2 Even when we select this hybrid scenario (and apply the highest employment growth forecasts from the three scenarios), our employment land supply still exceeds our requirements, which means we do not need to allocate any new employment sites in the JLP. It should, however, be noted that for the market to function efficiently and to allow for choice and flexibility, it will always be necessary for the supply of land and premises to be in excess of projected future demand. This also allows for a buffer, if not all of the pipeline permissions come forward.

5.3 In addition to meeting our needs for employment land, our strategy also allows the development of existing non-allocated employment sites and supporting the re-use of brownfield sites within our settlements for employment uses. Other elements of our employment strategy include the retention of existing employment sites (covered in Policy JT2), supporting sustainable economic growth in rural areas (covered in Policy JT5), supporting the provision of affordable workspace (covered in Policy JT3), and ensuring that large-scale development brings jobs and training for the local community through the use of Community Employment Plans (covered in Policy JT4).

South Oxfordshire District Council
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