Melton Borough Council
EMPLOYMENT LAND STUDY

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Update Note
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Introduction

1. This note provides a limited update to the Melton Employment Land Review (ELR) produced by Roger Tym and Partners and Innes England in July 2006.

2. The ELR used the most up-to-date employment forecast available at the time. The Regional Assembly was working towards a new Draft Regional Spatial Strategy (RSS) but had not yet confirmed either the proposed housing numbers or the resulting employment requirements for the Districts.

3. The Draft RSS has now been published. It confirms the proposed housing numbers and provides new employment forecasts which take these into account. They also take into account some minor policy adjustments made by emda. The Council has asked us to update the demand calculations in the ELR in line with these new forecasts.

4. The evolution of the East Midlands employment forecasts is detailed in chapter 2 of the East Midlands Land Provision Study (ELPS - December 2006)1. The ELR used the 'baseline' forecast whereas this update uses the forecast as set out in the Draft RSS2, which we call the ELPS compliant forecast.

5. In this note:
   - We revise the demand figures in line with the ELPS compliant forecast;
   - We use a method of distributing jobs into types of business space which is compatible with that used in ELPS;
   - We shift the base year to 2003, because the ELPS compliant forecast covers a 13 year period (2003-16);
   - We compare the resulting market requirement, with the planned supply of employment land, to produce an updated estimate of market balance.

6. In this note we also provide B space and total employment forecasts to 2026 by 'rolling' the forecasts forward. The method used to derive the forecasts to 2026 is based upon calculating individual sector annual growth rates from the 2003-2016 data and then applying these growth rates to the 2016 data to produce 2026 forecasts.

7. Table 1 below shows the total employment change for Leicester City, Leicestershire County, the sub region and the East Midlands. With the exception of Leicester City, the ELPS compliant forecast shows lower employment growth in comparison to Table 5.1 in the original ELR. Leicester City encounters slight growth as opposed to 9,300 job losses as forecast in the original ELR.

Table 1 Net employment change 2003 - 2026

Total Employment	2003	2016	2026	Change 03-16	Change 03-26	% Change 03-16	% Change p.a
Melton	21,900	22,400	22,800	500	900	4%	0.17%
Leicester City	169,000	169,100	169,300	100	300	0%	0.00%
Leicestershire	280,000	290,900	299,600	10,900	19,600	7%	0.29%
Leic & Leic'shire Sub Region	449,000	460,100	468,800	11,100	19,800	4%	0.19%
East Midlands	2,007,700	2,136,700	2,241,600	129,000	233,900	12%	0.48%

Source Experian, RTP.Note: Figures are rounded to the nearest hundred. Calculations are based on unrounded figures.

[1] http://www.emra.gov.uk/files/file1040.pdf

[2] Derived from the emda housing preferred-option' forecast

8. Any change in total job numbers between the ELR and this update is likely to be the result of differing housing assumptions made between the baseline forecast and the more recent ELPS compliant forecast we have used here. As a population input the baseline forecast used ONS trend based population whereas the ELPS compliant forecast uses population modeled from the policy adjusted Draft RSS housing numbers. As explained in the EMRA 'Housing policy justification paper'3 the Draft RSS chooses a housing trajectory for Melton which is slightly below the ONS trend.

Employment Change

9. In Table 2 below we show employment change for Melton from 2003 to 2026 by type of space as per the ELPS compliant forecast.

Table 2 Melton Employment Forecast by Type of Space, 2003-26 ELPS Compliant

Jobs	2003	2016	2026	Change 03-16	% Change 03-16	Change 03-26	% Change 03-26
Manufacturing	*4,860*	*3,940*	*3,450*	*-920*	*-19%*	*-1,410*	*-29%*
Other Industrial	*790*	*820*	*850*	*30*	*4%*	*60*	*8%*
Total Industrial	5,650	4,770	4,300	-880	-16%	-1,350	-24%
Warehousing	1,980	2,040	2,150	60	3%	170	9%
Total I & W	**7,630**	**6,810**	**6,460**	**-820**	**-11%**	**-1,170**	**-15%**
Offices	**3,090**	**3,370**	**3,760**	**280**	**9%**	**670**	**22%**
B Space Jobs	10,720	10,180	10,220	-540	-5%	-500	-5%
Total Jobs	21,920	22,390	22,770	470	2%	850	4%

Source RTP
Note: Figures are rounded to the nearest hundred. Calculations are based on unrounded figures.

10. According to the ELPS compliant forecast for Melton, office employment over the 23 year period is expected to grow, by 700 jobs; an increase of 23%. Industrial employment is expected to fall heavily by 1,400 jobs whereas warehousing is static. In total, industrial and warehousing is expected to fall by 1,200 jobs – a decline of 15%.

11. As part of the research which informed the ELPS study RTP re-cast the method we use to distribute jobs between the various employment sectors (see chapter 2 of the ELPS report). In Melton the use of this more recent method means that in the forecast, non B space jobs now grow faster than traditional B space jobs. This reflects a general trend in the economy whereby jobs are moving out of traditional offices, industrial units and warehouses. This is perhaps best witnessed in the changes evident on many employment sites where non traditional employment uses are increasingly taking space – including retail and some sui generis uses.

12. The ELPS compliant 2003-16 forecast shows a decline in B space employment over the forecast period. This contrasts with the ELR which showed B space employment remaining stable over the 2001-16 period – but this is an insignificant difference.

Demand for space

13. To translate the employment forecasts into demand for space we have assumed the same floorspace per head as in the ELR:

- Offices: 18 sq m per worker
- Industrial and warehousing: 31 sq m per worker

[3] http://www.emra.gov.uk/files/file1054.pdf

- The same plot ratio of 40% (4,000 sq m of built space per hectare of land)

Table 3 Melton Floorspace and Employment Land Requirement

	Demand 2003-26	Demand 2003-26	Margin	Requirement
	sq m	ha	ha	ha
Industrial & Warehousing	-36,463	-9.1	8.3	-0.8
Offices	12,136	3.0	0.0	3.1

Source RTP

14. In absolute terms, Table 3 shows that for Melton, office space is forecast to increase by 12,100 sq m or by 3ha. The frictional margin remains the same as in the ELR, this produces a requirement of 3.1ha.

15. Industrial and warehousing space is expected to fall by approximately 36,500 sq m, equivalent to 9.1 hectares. The resulting net requirement is a modest loss of 0.8 hectares.

16. Comparing the ELPS compliant 2003-16 forecast with the previous forecast for 2001-16, the ELPS compliant forecast and updated method shows a smaller office requirement and a smaller loss for industry and warehousing.

Land Supply

17. The change in base year to 2003 has an impact on the supply data because two of the sites which were part of the 2001 supply had been developed by 2003[4] . As Table 4 shows, office supply remains the same as in the ELR but industrial and warehousing supply falls from 49.6 hectares to 33.15 hectares

Table 4 Melton Land Supply

	Offices (B1a and b)			Industrial (B1c, B2 & B8 & sui generis)		
	Gains	Losses	Net Change	Gains	Losses	Net Change
Change 2003-05	0.09	0.00	0.09	0.15	-2.80	-2.65
Outstanding permissions (not started)	0.00	-1.30	-1.30	2.89	0.00	2.89
Outstanding allocations (not permitted)	0.00	0.00	0.00	31.19	0.00	31.19
Vacancy Space above 7.5% (2004)			-0.85			1.72
TOTAL	**0.09**	**-1.30**	**-2.06**	**34.23**	**-2.80**	**33.15 #**

Source RTP

Market Balance

18. In this section we compare the forecast demand for space over the 2003-26 period with the supply of land identified by the planning system at 2003.

[4] Land at Saxby Road and Jet Service Station.

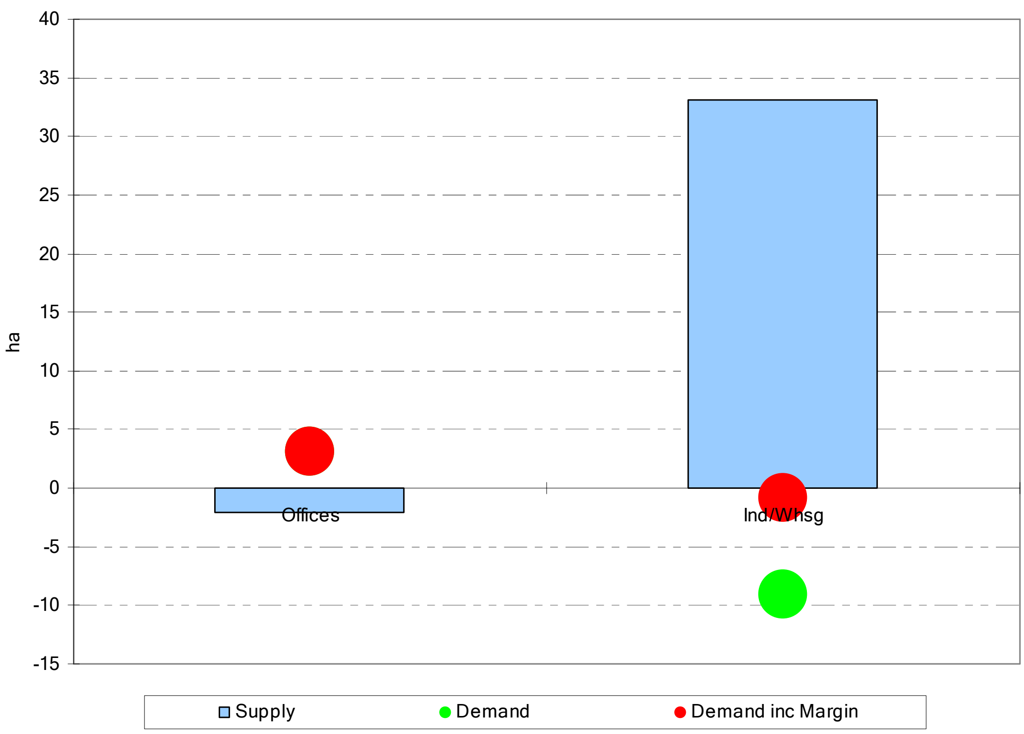
Table 5 Melton Market Balance 2003-26

		Offices	% of Stock	Ind + Whsg	% of Stock
Floorspace Stock	sq m	54,000		492,000	
Estimated Stock of Land	Hectares	13.5		123.0	
Forecast Demand	Hectares	3.0	22%	-9.1	-7%
Margin	Hectares	0.0	0%	8.3	7%
Supply	Hectares	-2.1	-15%	33.2	27%
Over (Under) supply using demand (supply less demand)	Hectares	-5.1	-38%	42.3	34%
Over (Under) supply using demand plus margin (supply less demand)	Hectares	-5.1	-38%	34.0	28%

Source ODPM and RTP

19. The chart below shows supply as the blue bar. Demand is shown by the green circle and the land requirement, which comprises demand plus the frictional margin, is depicted by the red circle. The distance between the circle and the bar measures over- or under-supply.

Figure 1 Melton Market Balance 2003-26



Source RTP

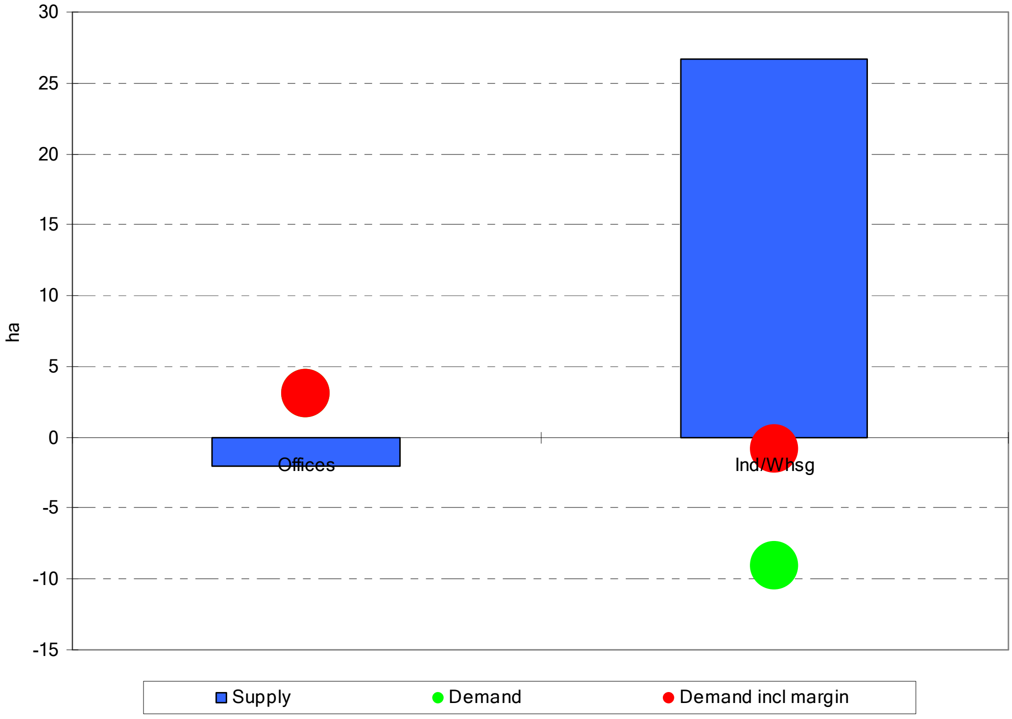
20. For offices planned supply is a loss of just over 2ha, or 15% of the District's existing stock of offices. This means that there is an under supply of around 5ha to 2026. This equates to 20,000 sqm net floorspace.

21. In the industrial and warehousing sector, because planned supply is approximately 33 hectares and forecast planned requirement is of no significant change, there is an over supply of 34ha to 2026.

22. As in the ELR we also produce a scenario which incorporates potential future losses. For this scenario we have made the same assumption as in the ELR; industrial land supply falls by 0.28 hectares per annum. In the graph below we

project this small annual loss into the future showing an amended market balance calculation, in which the planned land supply is reduced accordingly.

Figure 2 Melton Market Balance 2003-2026 including losses



Source RTP

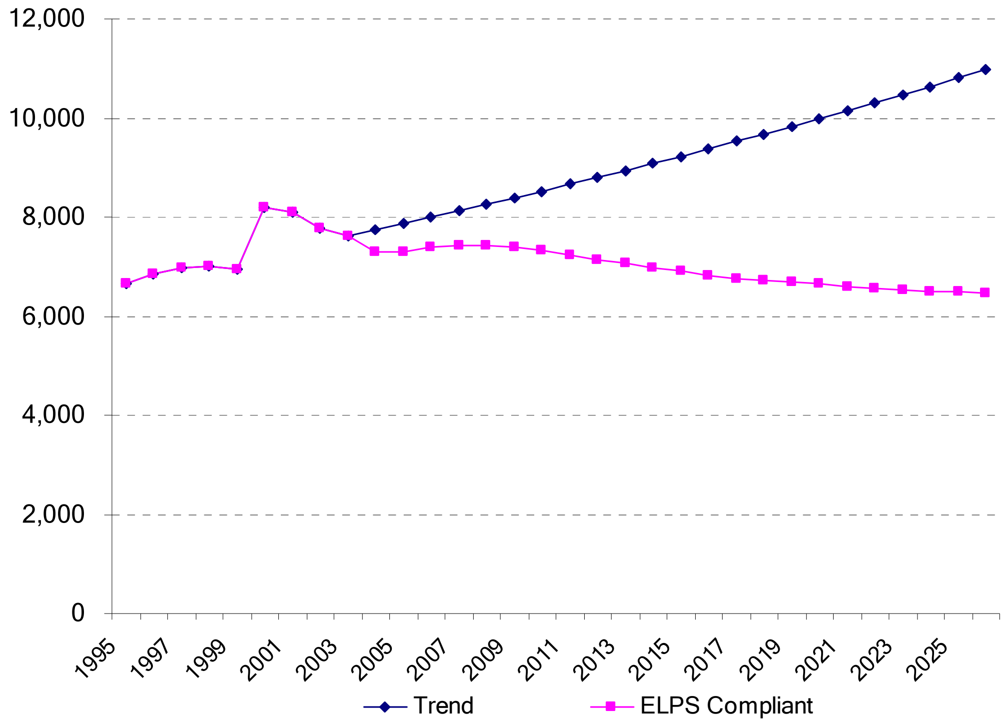
23. Over the 23 year period, this reduces the planned supply by 6.4 hectares, an insignificant amount.

An Alternative Scenario

24. For the industrial and warehousing sector, as in the ELR we also look at an alternative scenario, based on applying a linear trend to the past data from 1995-2003 and continuing this trend to 2026.

25. We update the alternative scenario shown in the ELR, taking account of the change in forecast and also the change in the base year. The graph below compares this trend based employment scenario with the ELPS compliant forecast.

Figure 3 Melton Industrial and Warehousing Jobs 1995-2026



Source Annual Business Inquiry, Experian, RTP

26. The updated trend based forecast shown above produces approximately 1,800 jobs more jobs in 2016 than in 2003. This is 2,600 more than the ELPS compliant forecast which showed a net loss of jobs (-800). The 1,800 new jobs will require around 14ha more land in 2016 than 2003.

27. Continuing this trend growth to 2026 will of course further increase job growth from 1,800 new jobs 2003-16 to 3,400 jobs 2003-26. Accommodating these 3,400 jobs would require at least 26ha of new land and probably more given the increased likelihood of unforeseen losses. We estimate that approximately 30ha should be provided.

Conclusions

28. The Melton ELR concluded that 20,000sqm net of office space would be required by 2016. This update shows that 20,000sqm net will actually last until 2026.

29. However, in our opinion the Council should provide the 20,000sqm net by 2016. The forecast is dependent on existing trends and patterns and we think that, because there is frustrated local demand, Melton can attract more office occupiers than the forecast shows. If the 20,000sqm net is all built and occupied by 2016 (or sooner), the Council should allocate more. If the allocations have not come forward then they will in fact last in until 2026.

30. The Melton ELR recommended that the Council allocate up to an additional 16ha of industrial and warehousing land. This was to accommodate the trend-based growth as per the alternative scenario. Although there was an over supply of land, there were strong qualitative reasons (which still apply) for identifying new sites.

31. We still recommend that the Council makes allocations based on the alternative scenario. The updated alternative scenario shows trend based growth of 14ha by 2016, slightly lower than our previous 16ha because it has been re-scaled and the base date has been changed. In our opinion, the Council should allocate this land

up to 2016 and monitor take up. As with our last report our recommendation does not allow for a positive margin because trend based growth is already well above the forecast requirement.

32. If the Council is looking at making longer term land allocations, past 2016, it may need to make provision, although not necessarily release for development, more land than the 14ha, perhaps the 30ha for the whole period 2003-26. This would allow further trend based growth should monitoring prove that is required.