

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Hampshire Economic Board
Date:	27 April 2010
Title:	Hampshire Employment Sites (The appendix to this report is 'Not For Publication')
Reference:	1462
Report From:	Director of Economic Development and Director of Property, Business and Regulatory Services

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1. Executive Summary

- 1.1. The purpose of this paper is to inform the Hampshire Economic Board of the contents of a new report by the Hampshire Economic Partnership (HEP) in relation to employment land provision in Hampshire, so the Board can consider whether and what action the County Council might take to facilitate future economic prosperity.
- 1.2. The Council has been designated a Total Capital and Assets Pathfinder Authority, which will involve looking at the capital assets of the whole public sector in Hampshire. The primary objective is to reduce asset costs but the wider objectives of the economy can both inform the exercise and also identify potential surplus assets suitable for employment use/development as part of the review process.
- 1.3. A lack of sufficient sites of the right quality can act as a constraint on future business growth. Employment land targets are set out in the South East Plan. District Councils are responsible for allocating new sites through Local Development Frameworks (LDFs). Local authorities in both tiers can play a role in delivery, including supporting infrastructure provision, the direct provision of sites, development and management of premises, brownfield site remediation, and financial support to developers to bring forward sites.
- 1.4. The HEP report conclusion is that, from a business perspective, the findings of this update are deeply troubling. There are fewer sites overall, fewer good quality sites and fewer immediately available for development. Thus the

conclusion calls for resolute and urgent action by Hampshire's local authorities to allocate new sites and de-allocate existing ones which cannot be economically developed. The report argues that without such resolute action, business development and economic growth could be halted by a dearth of developable and suitable sites in the right locations.

- 1.5. The report acknowledges the impact of recession on the 2009 assessment, particularly in terms of falling occupier demand for commercial property and a dampening down of investment. However, the impact of recession on the public sector may also explain a number of the downgradings of existing sites. As the private sector credit crunch makes way for a public sector spending squeeze, so market sentiment regarding the availability of public sector funding to deal with site constraints, such as transport infrastructure requirements, is similarly constrained.
- 1.6. The reduction of the number of sites available, however, appears to be more of an underlying trend evident over a number of years. As sites have been built out for commercial development they have not been replaced by a similar number of new sites coming through the planning system. It also appears to be the case, almost inevitably, that it is the better sites that are being built out, leaving the more difficult sites to comprise a larger proportion of the overall employment land portfolio.
- 1.7. The findings of the report are not unremittingly gloomy, however. While HEP understandably highlights the impact of the year-on-year change on the number and quality of the sites available, the report also makes clear that the majority of sites (69%) remain well suited to modern business requirements – most of which are immediately available to the market.
- 1.8. This paper seeks to:
 - (i) summarise the key findings of the HEP report;
 - (ii) highlight the potential implications of the findings on the future land supply in Hampshire;
 - (iii) set out a strategy for how the County Council's landholdings are and might be used to support the improved supply of employment sites of an appropriate quality and location.

2. Background

- 2.1. The Hampshire Economic Partnership Investment Land and Property Task Group has produced a report examining employment land provision from a market perspective. This group is made up of representatives from the commercial property sector and local authority officers. It aims to be “the key forum for assessing planning, development and investment issues affecting strategic and other employment sites in order to achieve an improved and sustainable economic performance.”
- 2.2. This report updated a previous report from the Group in 2006 entitled the “Employment Land in Hampshire Large Site Assessment”. HEP updates its large site assessments annually, with the current process unchanged since 2006, although full reports are produced only when the Task Group considers

that there are sufficiently substantial points to make. Both the public and private sectors are involved in the site assessment process but the established protocol ensures that the private sector has the last word. Panels of local agents and developers ensure that the end product becomes the reliable market-based assessment of Hampshire's portfolio of large employment sites, which is the aim.

- 2.3. The latest study was published in December 2009 and is an update of the 2006 report. It aims to inform the preparation of regional and local planning policies, in particular to ensure that sites allocated for employment development meet modern business requirements. It assesses whether the land currently allocated for employment use is of sufficient quality and in the right location to meet modern business needs.
- 2.4. The 2006 study assessed 178 large sites defined as having a minimum site area of 0.5 hectare or with at least 1,000 square metres of planned floorspace. This new study covers 125 such sites.
- 2.5. The study covers the whole of Hampshire including Portsmouth and Southampton.

3. Findings of the Report

- 3.1. The findings indicate a drop in available employment sites and a downgrading in the quality of a third of those available. This is a market perspective and not a physical deterioration of the sites themselves. The period covered by this latest study was a time of falling occupier demand in the industrial and office markets, and markedly reduced investment and speculative builds. According to HEP, the reduction from 2006 from **178 to 125**, "reflects a slowdown in economic activity." Only six new sites came forward with allocations in the LDFs during 2009, down 73% on 2008. The lack of new sites coming forward and fewer sites being reported as built-out in Hampshire reflects the continuing depressed state of the market and the current LDF programme. Any activity in the market only reflects the completion of existing projects.
- 3.2. However, the study also highlights that a high proportion of sites (a third) need remedial action before they can be made available for development.
- 3.3. Most sites fall into one of the following four categories: office locations, high quality research and business parks, general industrial or business, incubator/SME cluster sites.
- 3.4. Nearly one in ten sites is considered unlikely to be developed for employment purposes, a deterioration since 2006 as there are fewer high quality sites and fewer immediately available ones.
- 3.5. There are 29 strategic sites (five or more hectares) identified in the report comprising 360 hectares, some 68% of the area provided by all sites. One third of these employment land sites (138 hectares) may require remedial action to avoid market failure, unchanged since 2006. See attachments.
- 3.6. The report also identified six "cluster sites" across Hampshire, three in North Hampshire at Basing View, Chineham and Farnborough, and three in South Hampshire at Eastleigh Riverside, Solent Business Park, Whiteley and

Walworth, Andover. In some cases these cluster sites do not individually meet the strategic site criteria in area or floorspace, but collectively could be considered strategic for employment purposes. In other cases the clusters have been defined to enable a common market commentary where similar issues apply across a number of individual sites.

- 3.7. Half of all employment land identified by the Study is located in South Hampshire. Three quarters of the 29 strategic sites are located in South Hampshire and represent two thirds of all strategic employment land. Central Hampshire and New Forest have smaller employment centres and represent the smallest market offer, despite covering a larger geographical area. North Hampshire has a significantly smaller share of large sites and employment land than South Hampshire, but marginally larger than Central Hampshire and New Forest.
- 3.8. The attractiveness of some sites to developers is lower now than in 2006, despite no real changes in the characteristics of the land. HEP believes that this mirrors the negative views about development prospects and reduced site values, which means that less money is available, in the private and public sector alike, to overcome development constraints, such as removing contamination or providing road access.

4. Implications of the Findings

- 4.1. To compete in a global economy, especially in a continuing difficult economic environment, it is vital that Hampshire has a good quality supply of employment sites to attract and retain high performing businesses. The implications of the findings, in particular the reduction in sites and the poor quality of a third of the available sites, obviously impacts on the Hampshire offer and its potential for economic development.
- 4.2. In addition, if the County Council wants to undertake action to promote Hampshire as an attractive destination for business growth and inward investment, and meet market requirements for site attractiveness and deliverability, the findings of this report will no doubt be of concern to the Hampshire Economic Board.
- 4.3. HEP is now calling for “resolute and urgent action by Hampshire’s local authorities to allocate new sites and de-allocate existing sites which cannot be economically developed”. HEP wants new business development sites to be earmarked and remedial treatment undertaken on that third of existing of employment sites where appropriate. If this does not happen, HEP warns that Hampshire’s stock of sites will be exhausted within six years, based on what has happened in the last three years and as a result, “economic growth in Hampshire will be halted by a dearth of developable employment sites”.
- 4.4. The HEP report notes that North Hampshire is of less concern than South Hampshire. It accounts for just over a quarter of all sites, but has a far greater share of the county’s office locations and its high quality business and research parks. Site quality is also far higher than average, with 80% assessed as well suited to modern business requirements. Although this is the same as in 2006, the proportion in the immediately available category has

fallen from 77% to 46%. Four of Hampshire's strategic sites are in North Hampshire including the county's largest: 47 hectares at Pyestock near Fleet, recently granted planning permission on appeal. All four are judged as matching modern business need.

4.5. A quarter of all large sites are in Central Hampshire and New Forest of which half are seen as meeting modern business requirements. Twelve sites (40% of the area's total) are assessed as potentially requiring remedial action: a far higher proportion than elsewhere in Hampshire. Three sites are regarded as unlikely to be developed for employment purposes. This is a significant deterioration from the position in 2006. Most sites are general industrial and business areas with a few being categorised as locations for offices. The three strategic sites, including 42 hectares at Andover Business Park, are regarded as general industrial business areas and are all assessed as potentially requiring remedial action to avoid market failure.

4.6. Response by Partnership for Urban South Hampshire (PUSH) and North Hampshire Local Authorities:

- (i) the findings of the HEP report have been considered by Local Authority planners at the highest level. Following the launch of the site assessment study in December last year a joint meeting between the Hampshire and Isle of Wight Planning Officers' Group (HIPOG) and the HEP task group took place at the end of January this year. A key outcome from this joint meeting was an agreed intention to present the issues arising from the HEP work to key Members, with perhaps a role for the Hampshire Senate.
- (ii) subsequently HEP was invited to present the results of the assessment to North Hampshire Chief Executives on 8 March as a potential item for the North Hampshire Economic Board. The Chief Executives recognised and accepted the evidence on the supply side but wanted more thinking around future needs in a changing world and how economic growth might be constrained by a shortage of appropriate sites and premises. This response will be considered at the next meeting of the HEP task group.
- (iii) in South Hampshire a further assessment of employment sites has formed part of the DTZ commission to refresh the Economic Development Strategy. The HEP work has provided a very substantial input to that exercise in terms of the private sector perspective, although the PUSH work is more focussed on a strategy response than the assessment itself. PUSH has redefined the notion of a "strategic" site to go beyond size alone and move more towards the contribution a site might make to the implementation of economic strategy. DTZ has accordingly adjusted the assessment criteria and consulted further with Local Authority planners. The results of this exercise are expected at the end of May.
- (iv) planning officers for the eight South Hampshire Local Authorities have met with planning and economic development consultants DTZ, and are currently considering the implications of this report. In North Hampshire a study was undertaken in 2008 by the three local

authorities that make up North Hampshire (Basingstoke and Deane, Rushmoor and Hart Councils) along with Hampshire County Council, reached the following main conclusions:

- (a) except for a small possible shortfall of 16,700 square metres of B1 office floorspace under assumptions of higher growth in the North Hampshire economy, the pipeline of current and future employment floorspace covers the requirements for both B1 office and B8 storage and distribution uses. In fact, the most likely outcome for both uses is an over-supply of floorspace and land.
- (b) while the North Hampshire pipeline broadly meets future requirements, two further questions need to be addressed - will the supply offer the 'right' mix of uses and premises in qualitative terms? and will the geographical distribution of the supply support Basingstoke's strategic role as a regional hub?

4.7. In conclusion, the issue in North Hampshire seemed at the time to be more about locational and qualitative questions and how to bring forward sites rather than changing planning allocations. The recent HEP study may have questioned the assumptions made at the time about the supply side, although the quality of sites generally tends to be higher in North Hampshire than in the south, but there remains more work to be done on the changing patterns of demand in a changing world.

5. Key Issues

- 5.1. The Board needs to consider the likelihood of a lack of suitable sites constraining future economic growth, the extent to which that is considered an issue, the policy stance the Council would wish to adopt and any actions the Council might take to assist in improved outcomes.
- 5.2. Future site demand may not take the same pattern as the past. Many organisations, such as the County Council, are downsizing their asset base to reduce costs. Better asset utilisation and home working are part of this pattern. Many jobs in the economy are not based in traditional employment sites. The reduction in the flow of sites may to some extent reflect a changing pattern of demand. The economic assessment will look at what evidence is available to inform a forecast of future demand.
- 5.3. The development strategy for Hampshire seeks to encourage the use of brownfield sites and regenerate areas in decline. Whilst it is acknowledged that some sites may no longer be deliverable if they rely on high development value to provide remediation or infrastructure, the first task must be to review whether these can realistically be overcome. However, to mitigate the risk of lack of sites constraining development, easier to develop, and possibly greenfield, sites should be identified which can provide more developable alternatives.
- 5.4. South Hampshire is the area most at risk and where economic growth is the highest priority. Therefore priority should be given to overcoming constraints

in this part of Hampshire first. However, delivery of sites in Central Hampshire and the New Forest is also problematic and this impinges on the future prospects for the rural economy.

- 5.5. Overall the task remains, amid all the uncertainty, to ensure that as far as possible the Hampshire “offer” in terms of the portfolio of available employment land and premises matches the expected market demand both immediately and into the foreseeable future.
- 5.6. It is also worth considering more specific issues, such as whether the sites and premises available will be attractive to support and encourage future growth, particularly in the green technology and renewable energy sectors. An assessment of this potential sector’s various characteristics would better inform a strategic response but some of the site and location issues faced are already known from early consideration of waste and energy projects, particularly when locations also need to fit with end user feasibility requirements.
- 5.7. Attention could be given particularly to the emerging needs of those sectors to be encouraged, because of their potential to provide future jobs to replace those in decline and/or contribute to a low carbon economy. Some of these might fall outside the main designated employment sites, either because they are start-ups or because of their property, location or cost requirements.
- 5.8. Hampshire has been designated as a Total Capital and Assets Pathfinder which will involve a review of the property assets of all public sector bodies in Hampshire over the coming year. The key driver of the pilot is to improve efficiency. It will provide the opportunity to consider how assets might be used more intensively, perhaps to accommodate public sector jobs being decanted from London, to provide opportunities for start-ups, or to recycle assets for economic benefit. This provides a great opportunity for public sector bodies in Hampshire to consider efficiency and future prosperity in tandem.

6. County Council Land

- 6.1. It should be possible to use some County Council owned assets to provide land for employment development. The Council already promotes its surplus land and property within the emerging Local Development Frameworks that each District Council is preparing, but to date the majority of representations made have been in respect of proposed policies, major development sites and housing sites. Employment allocations will most likely form part of the Site Allocation Development Plan Documents that the Districts also have yet to prepare, and the County Council will be able to promote its own sites through this process. Where possible and appropriate, the Council should seek to protect existing employment sites from other alternative uses, but should also consider the potential to use other sites for employment uses where local plan policies provide support.
- 6.2. A review has been undertaken of possible employment sites in County Council ownership, and the findings are contained in Table 1 in the **exempt Appendix** at item 11. A narrative as to the basis of identification of each site is provided with the table.

6.3. The proposed Total Capital and Assets Pathfinder for Hampshire will provide a catalyst to accelerate work that has already started on the County Council's own Strategic Asset Management Plan. This may open new opportunities to use the Council's assets in closer partnership with other Hampshire based public sector providers, but also should create potential for employment growth through work with Government, particularly in relation to the current proposals to move Government jobs out of central London.

7. Recommendations

7.1. That the Board note that some sites in County Council ownership are already being promoted through the Local Development Framework process for employment uses and in turn economic development purposes and resolves to promote further suitable sites in its ownership that may become redundant or available.

7.2. That priority be given to providing sites to support innovation and enterprise, such as renewable technologies and start-up premises, including incubation centres.

7.3. That as one of the Total Capital and Assets Pathfinder authorities, the County Council should consider where there are opportunities through the management of its assets for enhancing the prosperity of the county, particularly in areas needing regeneration.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. No Impact Assessment has yet been undertaken as this is a strategic review. Mitigating property constraints to future economic growth is likely to reduce poverty and disadvantage if this is increased by unemployment, which is more likely for those with low skills.

2. Impact on Crime and Disorder:

- 2.1. No impact.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

If the County Council facilitates through the use of its property assets the development of new businesses to which provide renewable energy, reduce energy consumption or produce lower carbon projects, this initiative could help to reduce Hampshire's carbon footprint.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not applicable.