

SCOTTISH
FUTURES
TRUST

Ryden

**ASSESSING
DEMAND FOR
COMMERCIAL
DEVELOPMENT
JANUARY 2020**

A REPORT FOR THE SCOTTISH FUTURES TRUST



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A REPORT FOR
THE SCOTTISH FUTURES TRUST

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01 INTRODUCTION: THE SCOTTISH FUTURES TRUST (SFT) APPOINTED RYDEN TO INVESTIGATE AND MAKE RECOMMENDATIONS ON HOW DEMAND FOR COMMERCIAL DEVELOPMENT IS ASSESSED IN SCOTLAND.

The report considers how current and future demand is assessed at different spatial levels across the country. In seeking advice on whether demand analysis is undertaken comprehensively, consistently and in a co-ordinated fashion, SFT is looking to establish how a better understanding of Scotland's future economic and social infrastructure needs can be developed.

The target commercial sectors are Use Classes 4 (Business), 5 (General Industrial) and 6 (Storage or Distribution). Planning sources may refer to these as employment uses. In the property market, "commercial" may be used more loosely to include trade counters, showrooms and leisure uses such as hotels and food & beverage. These are often found in tandem with employment uses such as city centre office blocks, out-of-town business parks, or diversifying / encroaching on (depending upon viewpoint) traditional industrial estates. A 2018 UK Government publication notes this potential ambiguity, and identifies buildings intended to house "office work, manufacturing or warehousing" as excluding activities such as retailing or hotels. This report likewise focuses on employment uses.

To reflect the spatial focus sought, the report adopts a **hierarchical approach** to demand assessments within the planning system. The four-tiered hierarchy is:

- National (Scotland)
- Regional (strategic development planning regions or equivalent)
- Local authority (local development planning)
- Design Frameworks, Development Briefs & Masterplans (below LDP level, termed Masterplans here)

The report assesses and compares examples from each level of the planning hierarchy, including case studies which involved full reviews and consultations.



02 NATIONAL REVIEW

The chart is replicated from National Planning Framework 3 (NPF3). The red circles show the relationships between the national economy and planning for employment land use. The Government Economic Strategy sits at the apex. The Strategy explicitly supports infrastructure and assets, but otherwise does not mention land or property, as that spatial interpretation is the role of the NPF.

NPF3's references to employment uses relate to creating economic activity and narrowing the employment participation gap, often in particular geographies. This sets the high level importance of a spatial and qualitative dimension to demand assessment, going beyond simply the allocation and monitoring of land. However NPF3 does not make it mandatory to conduct a formal assessment of potential demand to inform development planning.

Scottish Planning Policy (SPP) sets out that the planning system should promote business and industrial development that increases economic activity, while safeguarding the built and natural environments.

SPP seeks diversity in the allocation of sites and alignment with local economic and key sector strategies. For development planning:

- Strategic Development Plans (SDPs) are directed by SPP to reflect a robust evidence base in relation to the economic base and anticipated change in that, and to identify a range of locations for significant business clusters.
- Local Development Plans (LDPs) are then directed to allocate a range of sites taking account of current market demand, a range of selection criteria (eg. transport accessibility), informed by economic strategies and regular business land audits.

At a national level in Scotland, therefore, the relationship between planning and demand for employment land uses is based upon policy and strategy. **There is no clear transmission mechanism from national economic demand assessment to development planning.**

Extract from NPF3 (also replicated in SPP)

SG Purpose	To focus government and public services on creating a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth.										
SG National Outcomes	The planning system and service contribute to all 16 National Outcomes										
SG National Plans, Policies & Strategies	Government Economic Strategy										
	Infrastructure Investment Plan										
	Scotland's Digital Future	Electricity & Heat Generation Policy Statements	2020 Challenge for Scotland's Biodiversity	Scottish Historic Environment Strategy and Policy	Housing Strategy	National Planning Framework & Scottish Planning Policy	Land Use Strategy	Low Carbon Scotland: Report of Proposals and Policies	National Marine Plan	Regeneration Strategy	National Transport Strategy
Planning Vision	We live in a Scotland with a growing, low carbon economy with progressively narrowing disparities in well-being and opportunity. It is growth that can be achieved whilst reducing emissions and which respects the quality of environment, place and life which makes our country so special. It is growth which increases solidarity – reducing inequalities between our regions. We live in sustainable, well-designed places and homes which meet our needs. We enjoy excellent transport and digital connections, internally and with the rest of the world.										
Planning Outcomes	Planning makes Scotland a successful, sustainable place – supporting sustainable economic growth and regeneration, and the creation of well-designed places.			Planning makes Scotland a low carbon place – reducing our carbon emissions and adapting to climate change.			Planning makes Scotland a natural, resilient place – helping to protect and enhance our natural and cultural assets, and facilitating their sustainable use.		Planning makes Scotland a connected place – supporting better transport and digital connectivity.		
National Planning	Scottish Planning Policy (SPP)						National Planning Framework (NPF)				
	Principal Policies										
	Sustainability			Placemaking							
	Subject Policies										
	Town Centres	Heat and Electricity	Natural Environment	Travel	Cities and Towns Rural Areas Coast and Islands National Developments						
Rural Development											
Homes	Zero Waste	Green Infrastructure	Digital Connectivity								
Business & Employment		Aquacultural									
Historic Environment	Minerals	Flooding & Drainage									
Strategic	COMMUNITY PLANNING										
	Strategic Development Plans										
Local	Local Development Plans										
Site	Master Plans										

02 NATIONAL REVIEW CONTINUED

Demand assessment is delegated by SPP to those areas covered by SDPs and to sector strategies. This by definition will lead to incomplete and possibly inconsistent coverage of Scotland. This contrasts with other major policy areas such as health, education and energy where there are explicit national targets driving regional and local activity.

One potential source to inform a national demand assessment is The Scottish Fiscal Commission. The Commission assesses and forecasts the Scottish economy over the medium term; The chart implies an additional 17,000 – 18,000 jobs to 2023. Some of these jobs would be in sectors requiring employment land/property. The net effect of this very modest employment growth of 0.16% per annum is bound though to have differential impacts, wherein some local markets grow and others contract. This type of medium term forecast could though form a basis for assessing demand at a national level.

A range of other economists produce comparable medium to long term forecasts. These include private sector consultancies such as Capital Economics and Oxford Economics, panels such as Chambers of Commerce and the EY Item Club, and research institutes such as Strathclyde Universities' Fraser of Allander Institute and the Centre for Cities (which covers cities only). Work by some of these organisations is referenced in the examples and case studies later in this report.

Scotland's key economic sectors are a further potential source of economic analysis and forecasts. Assessing key sector demand would align with the planning policy focus on those areas. Individual sector factsheets

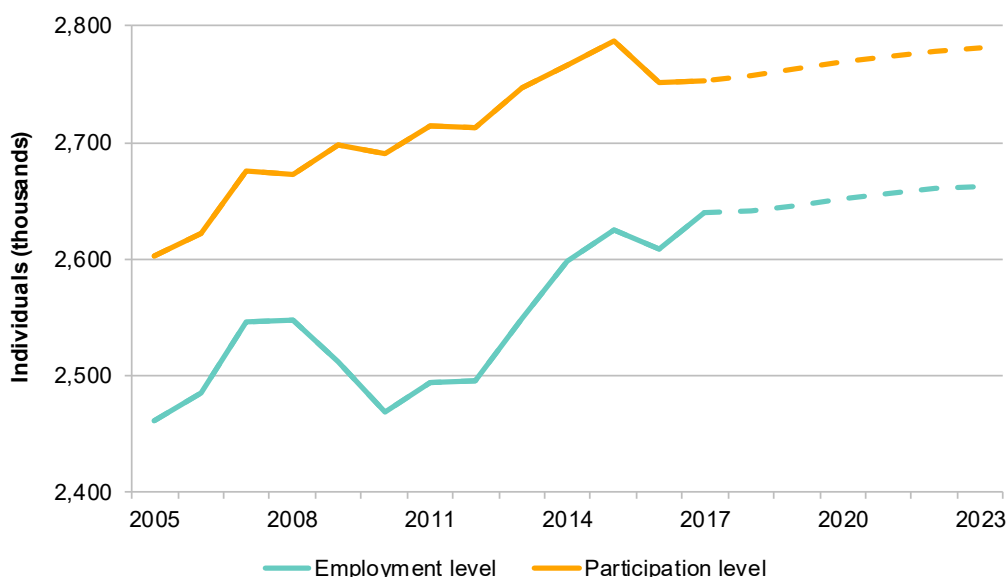
published by the Scottish Government in April 2019 identify that collectively these account for 28% of jobs in Scotland. There is a high degree of concentration by sector – for example Sustainable Tourism (8.0%) has a long tail of accommodation and restaurants/cafes while Financial & Business Services (8.9%) is a broad category. There is also a high degree of spatial concentration in some sectors, for example energy (2.7%) in the north-east offshore industry. Thus, key sector demand potential is particularly relevant to certain locations, less so to others, and of limited use for the 72% of national employment which is not in those sectors.

Forecasts (or targets) for these key economic sectors contained within strategies are well-informed and presented. For the purposes of this study however, they are disparate by publication date, forecast horizon and whether they cover a key sector or a specialist sub-sector. For example:

- The Life Sciences Strategy for Scotland 2025 Vision (2017) contains industry insight and strategic direction to increase the industry's economic contribution to £8 billion by 2025.
- Scotland's Food & Drink Strategy is a high quality and insightful 2018 publication with a 2030 horizon targeting a £30 billion economic contribution.

Adapting these and the other available sector strategies to create regional and local analysis to inform planning is perfectly possible, but requires significant interrogation and alignment between the demand (output and jobs) and supply (land and property locations) sides.

Employment and Participation Levels
(forecasts to 2023 dotted) (*Scottish Fiscal Commission*)



03 REGIONAL REVIEW

STRATEGIC DEVELOPMENT PLANNING

Regional development planning is currently based upon Strategic Development Plans (SDPs). Each is centred on one of Scotland's four largest cities:

- Clydeplan (Glasgow and Clyde Valley)
- SESplan (Edinburgh and South-East Scotland)
- TAYplan (Dundee and adjoining authorities)
- Aberdeen City and Shire

SDPs are required to provide the evidence base sought by SPP. The four SDPs are reviewed below, beginning with Clydeplan as a full case study.

CASE STUDY

CLYDEPLAN

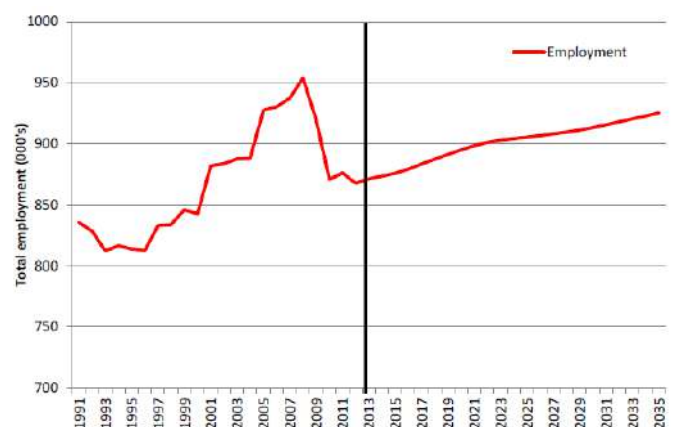
Clydeplan (pictured) covers Glasgow City, North and South Lanarkshire, East and West Dunbartonshire, Renfrewshire, East Renfrewshire and Inverclyde. In terms of demand assessments for Clydeplan:

Clydeplan Strategic Development Plan: Proposed Plan - Background Report (1): Economic Outlook and Scenarios for the Glasgow and Clyde Valley city region 2013-2038 was published by the Glasgow and the Clyde Valley Strategic Development Planning Authority in January 2016. The base data by Oxford Economics is from April 2014. The data is therefore five years old now, however with a 25-year horizon the data decay may be slow. The Clydeplan work yields forecast employment changes by sector to 2038. The report also provides demographic forecasts.

Background Report (1) provides detailed analyses of regional employment. It derives employment forecasts for the Clydeplan area from UK and Scottish forecasts to 2038 (also linked to Oxford Economics' global economic models). This promotes national consistency by nesting the regional forecast (pictured) within that national potential, rather than being a stand-alone regional assessment.

Clydeplans' economic forecasts are then broken down by sector. Three scenarios (base, migration, rebalancing) are tested in the report. While the analysis reflects constituent local authority areas and considers employment clusters, it does not directly assess demand for land or development.

Background Report 6 - Strategic Economic Investment Locations (January 2016) also references the Oxford Economics forecasts. It describes the Glasgow and Clyde Valley City Deal, and its related infrastructure fund to support and unlock business locations. The report focuses on the use of Strategic Economic Investment Locations (SEILs) to deliver the Scottish Government's economic strategy. It assesses the total marketable land in the region, and the SEILs' contribution towards that through the fit with key economic sectors.



03 REGIONAL REVIEW CONTINUED

Clydeplan tests this work through engagement with market participants including Scottish Enterprise, the Royal Institution of Chartered Surveyors, the Scottish Property Federation, universities and property consultants. The process is not particularly formal but it is based upon established working relationships and according to Clydeplan it does help to inform the statutory plan-making process.

Clydeplan gathers supply of marketable employment land and take-up for employment and alternative uses from each local authority on an annual basis. The exercise also requests major industrial planning applications for both employment and non-employment sites. It is more detailed than a standard employment land audit. This data collation exercise has been in place since 1984.

Clydeplan noted that the local planning authorities in both North and South Lanarkshire, and East and West Dunbartonshire, have sought further independent local area reviews from external consultants to consider potential changes to locations and property stock. Clydeplan also noted the resource constraints within many local authority planning departments face, and welcomes Scottish Enterprise's renewed focus on place-making within economic development.

In comparison with other SDP areas, Clydeplan has a long history of joint working across their constituent local authorities since the days of Strathclyde Regional Council (which was disbanded in 1996). This joint working continues through a shared governance structure whereby industrial and business land is the subject of an officers' topic group which feeds upwards into Heads of Policy (LDP Managers), Steering Group (Heads of Planning) and finally a Joint Committee. The emerging City Region Deal governance structure has a thematic group for economic delivery which will lead the next economic strategy, although it is not yet confirmed whether this will include economic demand projections. The potential to review the BR1 forecast context is unclear, as the future requirements of regional planning are in the process of being confirmed by the Planning (Scotland) Bill.

Although Clydeplan does not provide a formal market-wide demand assessment, in Ryden's experience local demand assessments undertaken within the Clydeplan area do utilise the employment forecasts contained within the background reports. Clydeplan confirms that there has also been contact from consultants and local authorities seeking to use the employment forecasts to inform market potential for City Deal projects.

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CLYDEPLAN CONSIDERS KEY SECTORS AND STRATEGIC LOCATIONS IN THE CONTEXT OF AN OVERALL ECONOMIC ASSESSMENT, AND AGAINST EMPLOYMENT LAND SUPPLY. IT DOES NOT MAKE A FORMAL, MARKET-WIDE DEMAND ASSESSMENT.

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CASE STUDY SESPLAN

Turning to the south-east of Scotland, SESplan covers the City of Edinburgh, Scottish Borders, East Lothian, Midlothian, West Lothian local authority areas and Southern Fife. In terms of demand assessments:

The first Strategic Development Plan for the South-East of Scotland was approved in June 2013. Scottish Ministers have recently rejected SESplan 2. The extant 2013 SESplan is supported by a suite of technical reports, including an Economy Technical Note. The Note was published in November 2011 (V8). The Note covers town centres and retailing as well as employment land.

SESplan's economic analysis sets out economic challenges for the region in the aftermath of the 2008 Global Financial Crisis. Wider economic challenges noted include inequality and climate change. The Note then moves on to key sectors, market analysis and expected demand, employment land supply and travel-to-work areas. The Note is intended to be read in conjunction with the other thematic technical notes supporting SESplan.

The 2011 Note begins with shares and shifts in employment by sector in the region 1998-2008. Forecast implications for demand and land use requirements are then described (not quantified) in Figure 3 of the Note, for key sectors: financial and business services; energy; life sciences; creative industries; enabling (and digital) technologies; food & drink; tourism; educational infrastructure (universities). At paragraph 4.12, the Note states "To date, the research carried out for the key sectors of the SESplan area has **not encompassed specific growth forecasts.**" (our bold).

The Note goes on to consider a 2009 report by consultants DTZ for Scottish Enterprise. That report used labour market forecasts to predict demand for commercial property (employment uses) to 2011, then market supply to 2014-15.

The Note then goes on to make a detailed assessment of employment land supply by location, the implications of the above sectoral trends for land use, and the effects of the Travel-to-Work-Area and connectivity around the Edinburgh City Region.

In comparison with Clydeplan's bespoke long run economic forecasts, SESplan relies upon a separate, medium term assessment of employment demand which had been commissioned by SE, alongside non-quantitative assessment of land use trends in key sectors and employment locations.



The proposed replacement SESplan 2 (recently rejected by Scottish Ministers) identified seven significant business clusters and describes the rationale for each of those. There is no fresh technical note on the regional economy, despite the forecasts in the existing SESplan having expired around 2015. SESplan 2 appeared to delegate demand assessment to LDPs at paragraph 4.3: "**Local Development Plans will identify and safeguard a sufficient supply of employment land taking account of market demands and existing infrastructure**". (SESplan2's bold, our underline).

SESplan 2 noted that it is too early to predict the impact of the Edinburgh City Region Deal on the economy, and that the impact "**on the pace of economic growth, and any consequent impacts on the amount of development land required**, will be considered in relation to subsequent plans and strategies." (our bold) Formal demand assessment may therefore form part of future planning activity.

03 REGIONAL REVIEW CONTINUED

CASE STUDY TAYPLAN

TAYplan covers Dundee, Angus, Perth and North Fife. In terms of demand assessments:

The TAYplan Strategic Development Plan 2016-2036 was approved in October 2017. TAYplan is to be reviewed every four years. Policy 3, A First Choice for Investment, sets out eleven Strategic Development Areas, and the roles of LDPs in identifying and safeguarding at least 5 years' supply of employment land. Policy 3's "vision is part of a wider strategy of welcoming and encouraging investment to grow a stronger economy with more jobs, improved opportunities and fewer disparities."

TAYplan is supported by Topic Paper 2: Growth Strategy (TAYplan Main Issues Report 2014). The Paper covers employment / investment, housing and environmental topics. The Paper did not propose any new Strategic Development Areas beyond the eleven previously identified in the 2012 TAYplan; equally it noted that, despite challenges following the Global Economic Crisis, there was no reason to delete any of the Areas. Section 3 of the Paper describes the roles and potential of each Area, while TAYplan 2012 and Appendix 2 of the Paper appraised each Area using a set of criteria.

The Paper references a supporting document, TAYplan Economic Outlook (Oxford Economics, January 2014). The report considers the global economic context, then the expectation for a service-led economic recovery in the UK and Scotland over the long term and declines in manufacturing and public sector employment. Employment growth is forecast at a Scottish level, largely driven by inward migration. At a TAYplan level, employment growth of 0.1% per annum is forecast. Growth to 2023 is expected to favour Perth & Kinross due to its above average concentration of business oriented services. Over the longer term however, slower employment growth is forecast.

As with Clydeplan, Oxford Economics' **long run forecasts are used by TAYplan to set a strong framework for consideration of employment and sectoral potential. However, that quantitative analysis is not used directly to infer demand for land or property.**



CASE STUDY ABERDEEN CITY AND SHIRE SDP

The Aberdeen City and Shire SDP covers Aberdeen City and Aberdeenshire local authority areas, apart from the section of the latter within Cairngorms National Park. In terms of demand assessments:

The current SDP (March 2014) has a spatial strategy to 2035 based around four Strategic Growth Areas: Aberdeen City, and three corridors from the City to Peterhead, Huntly and Laurencekirk. Key economic assets such as Aberdeen Harbour and the Energetica Corridor are reviewed by the SDP. Employment land allowances – in addition to existing LDP allocations - are made for each Strategic Growth Area to 2035 and explained in terms of strategic market potential.

Section 4 of the SDP identifies economic growth as an objective to create new employment in a range of areas and industries. The economy is healthy, dominated by oil and gas - which will have a changing focus over the next few decades – and has significant strengths in life sciences, food and drink, and tourism and traditional industries such as farming. Assets to build upon include renewable energy, universities and a skilled workforce. Priorities include transport and digital communications.

The SDP does not formally assess demand for employment uses. It proposes that the region will have a competitive advantage by offering the right type of land in the right places. The requirement from this is to have at least 60 hectares of marketable land available to businesses at all time in a range of places within Aberdeen, and similarly 60 hectares across Aberdeenshire. At least 20 hectares of this land is to be in the strategic growth areas of a standard to attract high-quality businesses or headquarters. LDPs are directed to allocate and protect strategic land, and monitor land supply.

The replacement, Proposed Aberdeen City and Shire Strategic Development Plan August 2018 was submitted to the Scottish Government for examination in March 2019. The proposed SDP and its earlier Main Issues Report (March 2018) each has a suite of supporting documents (housing, transport et cetera), but there is no economic background report with forecasts to inform the Plan. The Proposed SDP reconfirms the four strategic growth areas. Section 5, Our Economy, restates the overall objective. It references the Regional Economic Strategy to 2035 :

“The ambition of the Strategy is to build upon the reputation of the area as an international operations base for oil and gas and to become a world-leading offshore technology base. The Strategy supports a broadening and diversification of our economy across other sectors – including renewables, tourism, food and drink, fisheries, agriculture, life sciences and the creative industries.”

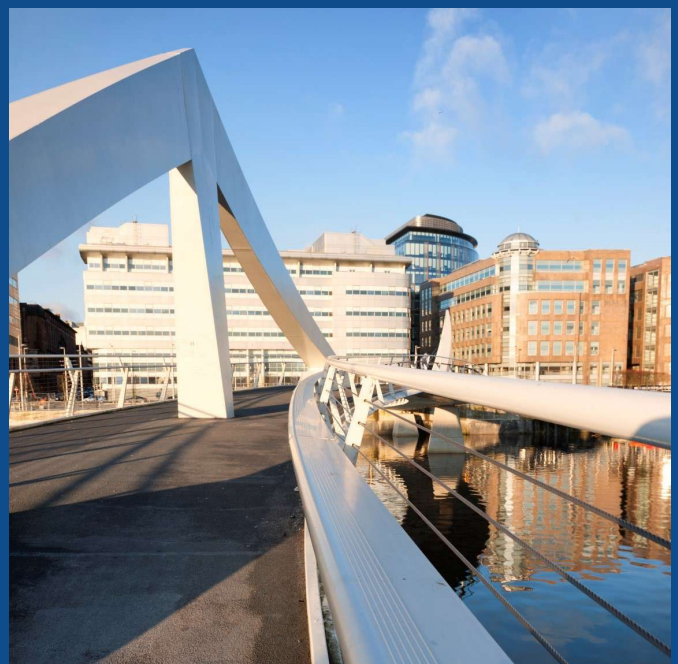
Tourism and decommissioning are noted as opportunities in the proposed SDP. The employment land allocations figures are restated and amplified by Strategic Growth Area requirements.



REGIONAL REVIEW SUMMARY: SCOTLAND'S SDPs PROVIDE A MIXED RESPONSE TO SPP. TWO USE FORMAL, LONG RUN ECONOMIC ASSESSMENTS FOR CONTEXT AND INFORMATION BUT NOT FOR DIRECT MARKET MODELLING, ONE USES A SEPARATE ASSESSMENT FROM A NUMBER OF YEARS AGO. ONE DOES NOT HAVE AN ECONOMIC STUDY UPON WHICH TO BASE A DEMAND ASSESSMENT.

The regional demand assessments supporting SDPs are thus largely qualitative – albeit based on detailed knowledge, reviews, historic performance and future strategies – to comply with SPP's key sectors and strategic locations, rather than quantitative assessments of potential future demand for land and property.

Each of the four SDP territories also has a comparatively recent Growth Deal. Further regions not covered by strategic development planning, but sharing economic development initiatives, are the three Ayrshire local authorities' Growth Deal, Inverness and Highland City Region Deal, and Stirling and Clackmannanshire's City Region Deal. The new South of Scotland Enterprise Agency will cover Scottish Borders' and Dumfries & Galloway. Growth Deals tend not to have overarching regional demand assessments stapled to them, but rather contain specific assessments within the business cases for their constituent projects – for example new business incubation centres or infrastructure.



04 LOCAL REVIEW

LOCAL DEVELOPMENT PLANNING

INTRODUCTION

LDPs allocate employment land then monitor those allocations through regular audits. Those LDPs which are nested below Scotland's four SDPs should, to some extent, be able to rely upon their regional demand assessments as reviewed in Section 3. Stand-alone LDPs on the other hand, outside of SDP territories, should be more likely to require bespoke local demand assessments.

This project has undertaken a number of iterations seeking to identify demand assessments for LDP areas. This has involved reviewing and rejecting a range of report types, including those that focus on a particular project / sub-area, those assessing a sector of interest at a point in time, and those arguing against employment use in favour of alternative use.

LDP DEMAND ASSESSMENTS

The exercise to corral demand assessments for LDP areas in Scotland found reports for less than half (thirteen) of Scotland's local planning authority areas; these are: Dumfries & Galloway, East Ayrshire, East Dunbartonshire, East Lothian, Falkirk, Fife, Moray, North Ayrshire, North Lanarkshire, Scottish Borders, South Ayrshire, West Dunbartonshire and West Lothian. While the searches were thorough, the exercise cannot claim to be comprehensive as other authorities may have unpublished internal assessments of employment land take-up supporting their regular audits. Summarising the thirteen available LDP demand assessment reports:

All of the assessments were undertaken within the last couple of years and/or inform the extant LDP.

One report – for South Ayrshire – is supported by a stand-alone Oxford Economics assessment of the type noted in Section 3 for Clydeplan and Tayplan SDPs. A North Ayrshire economic report prepared by Fraser of Allander Institute does preface location decision-making commentary, but does not obviously link into planning for land use (although it is detailed and may well be used for that purpose locally).

All of the published reports contain employment land audits. These comprise reviews of trends, take-up of land, available supply and implications (eg. requirements for new allocations or de-allocations).

East Lothian's contains an in-house demand assessment using economic data, economic trends, development enquiries and occupier enquiries for the Council's own investment portfolio of land and premises.

Moray's is informed by a working group comprising Moray Council Planning and Development, Moray Council Estates, Highlands and Islands Enterprise (HIE) and Business Gateway which convened to review demand trends and the implications for employment land requirements.

Demand assessments undertaken by external consultants usually translate forecast economic activity into implications for land, property and development planning. For example North Lanarkshire Council's 2014 Charrette report to inform their LDP uses Oxford Economics' forecasts.

Otherwise, the reports found tend to comprise detailed employment land audits (supply and take-up) with mention of strategic locations, either stand-alone or embedded in LDP monitoring statements or background papers. **Demand assessments which use economic forecasts to infer market implications and development planning requirements appear to be in the minority among LDPs.**

CASE STUDY

FIFE

Fife is selected here as a case study due to its **large, polycentric** nature. Although Fife is Scotland's third-largest local authority by population, after Glasgow then Edinburgh, it does not have a dominant centre but rather four main towns – Dunfermline, Glenrothes, Kirkcaldy and St Andrews – along with a number of smaller settlements. A review of demand assessment in Fife identifies:

Fife is unusual in that it is covered by two Strategic Development Plans – TAYplan in the north and SESplan in the south, each of which was reviewed in Section 3. At a local planning level, the FifePlan LDP which was adopted in September 2017 covers the whole local authority area over the 12-year period 2012 - 2026. The economic baselines and forecasts contained in the SDPs do not obviously translate into the LDP, although beyond general employment land the development plan does provide for a number of Strategic Development Areas and specialist areas (for example petro-chemicals). The extant Fife Economic Strategy (2017-2027) was published three years after the current employment land strategy (2014, see below). Annual economic reviews are undertaken which may be used to inform demand assessments. A specific review of the Mid-Fife economy is currently underway and will inform regeneration projects in that market area.

FifePlan comprises a spatial strategy, a series of settlements and countryside plans, and a suite of policies. Policy 5: Employment Land and Property (pp.427-430) highlights economic objectives, safeguards all existing and proposed employment areas, and sets out the aim to increase the “percentage of settlements in Fife with a population of 5,000 or more which have an immediately available 7 year supply of employment land”. The policy sets out the circumstances under which employment, ancillary or alternative uses would be supported, and makes specific provisions for uses such as leisure or waste which might seek to locate in employment areas. Notably, where alternative use is supported, developers are required to replace the lost employment land in an appropriate location as defined by Fife Council (or provide an equivalent sum of money).

The baseline report for Fife's employment land supply is the Fife Employment Land Strategy (FELS) 2014-2021 Technical Report (August 2014). That detailed report analysed all employment sites in Fife and identified that 37% of the land area (200.4 of 549.4 hectares, = 36.5%) was marketable, while the balance was constrained. Each of 20 settlements with more than 5,000 population was analysed for past take-up of employment land 2009-2013 and averaged to create an annual take-up rate. The report noted that past take-up alone is insufficient to assess future needs, and thus analysed enquiries made to Fife Council for land and



inward investment secured. As a broader context the report also considered the locations of Fife's top 100 businesses and patterns of population and employment across the area. The Council advises that employment land allocations can thus be based upon aspiration in potential growth areas or in regeneration areas, ie. policy decisions, rather than simply being mechanical projections of past activity.

Fife's employment land supply is monitored annually via the Fife Council's Employment Land Audit. The annual audits collect information about each allocated employment site, including consultation with LDP and Economic Development teams in the Council and any necessary site surveys. Sites are assessed on a basis consistent with the 2014 baseline Technical Report. The audits summarise the method, provide a policy context, analyse employment land supply and take-up overall and by settlement, and provide a full schedule of sites. Taken together with the 2014 baseline technical reports, the annual audits provide a comprehensive long term employment land analysis for Fife.

04 LOCAL REVIEW CONTINUED

FELS and the annual audits are described by the Council as a 'living document' which is used by both planning and economic development teams. There is a desire to see these enhanced to cover both land and development, and to align fully with economic development activity and strategies. In particular the Council noted that regeneration is typically an economic development activity, but with an ageing stock of existing property it should have a locus in demand assessments too (ie. are existing buildings fit to meet potential future demand). The audits are annual, but given the slow rate of change could potentially be undertaken every two years. They could potentially also focus more on the few main market areas and less on all settlements equally.

The economic strategy and FELS directly inform economic development projects, underway in Fife including Hillend & Donibristle (Dalgety Bay), Queensway (Glenrothes), Levenmouth Business Park and Fife Interchange (Dunfermline). As an example, Fife Council provided an internal Full Business Case report on an Edinburgh City Region Deal project (Industrial Estates Regeneration Programme). The report summarises the demand assessment work undertaken on proposed target market sectors, sizes and locations, alongside work with partners on design and delivery of new premises. It is based upon a range of supporting property market reports, portfolio analysis, enquiries, trends in vacancies and drivers of demand including economics and infrastructure. As an investment case the report also includes rents, yields, risks, delivery structures and marketing strategy. The specific FBC report does not reference the annual employment audit, but the supporting property market reports do use that analysis as a (historic) perspective on demand.

This is a response to Fife's polycentric nature and contrasts with for example the concentrated market and planning focus in urbanised cities such as Glasgow or Edinburgh. Land supply requirements are based upon **detailed monitoring of employment land supply and take-up**, rather than being nested in formal demand assessment. The 2014 baseline technical report considers enquiries for land and inward investments secured, as well as business, population and employment patterns as important contexts for employment land activity. This market and economic context as a driver of demand is not repeated in the annual employment land monitoring reports, although it is apparent from the case study consultation that sectoral and location prospects are under continual review. At a project level, Fife's employment land monitoring reports are just one part of a much larger suite of demand assessment information that the Council draws upon to understand market potential and make the investment case.

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FIFEPLAN AND ITS SUPPORTING DOCUMENTS MAKE STRONG PROVISION FOR THE ALLOCATION, RETENTION AND MONITORING OF EMPLOYMENT LAND ACROSS THE AREA'S LARGE NUMBER OF SMALL TO MEDIUM SETTLEMENTS.

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CASE STUDY ANGUS

Angus is selected as a **rural** case study. The Angus Council area includes a network of interrelated communities. Seven towns and a large number of villages and smaller settlements are set in a varied rural landscape:

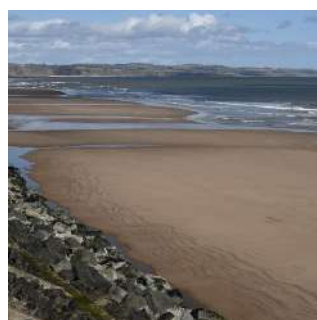
The Development Plan for the majority of Angus consists of two documents: the Strategic Development Plan and the Local Development Plan:

- The Strategic Development Plan (SDP) covering Angus (TAYplan, as reviewed in Section 3) was approved in October 2017 and sets out broadly where development should go over a 20-year period. It is reviewed every 5 years and provides the strategic context for the preparation of the Angus Local Development Plan.
- The Angus Local Development Plan was adopted in September 2016 and sets out the detailed policies and proposals to guide development and investment over a 10-year period. The Plan is reviewed every 5 years and is used as the basis for determining planning applications.
- Part of upland Angus is within the Cairngorms National Park, and is excluded from the TAYplan SDP and the Local Development Plan. This area is covered by the Cairngorms National Park Local Development Plan which was adopted in March 2015. This is reviewed every 5 years.

The Main Issues report for the Angus LDP includes a Topic Paper 6: Economy which was published in November 2012. This includes discussion of employment land requirements and reference to the Employment Land Survey 2011. It shows current employment land supply and recent take-up of employment land. The report shows low and generally declining levels of take-up and therefore the Council states there is more than enough employment land available or allocated to provide well in excess of a 5 year supply (there is currently a 75 year supply). Topic Paper 6 does not contain projections but does include sectoral reviews for example of tourism and leisure.

The LDP 2016 references the Angus Economic Development Strategy 2013-2020's emphasis on the need for sustainable prosperity. Support which will nurture and develop new and existing businesses is essential in creating employment opportunities, sustainable jobs and supporting the economy. Providing suitable locations for businesses to operate is a key element of this.

In recent years the Council has financed and developed business parks in Brechin, Forfar and Montrose. These developments, along with past investment in Arbroath, have been very important to the Angus economy by providing the infrastructure to support local business growth and in helping to secure external investment. The most significant investment by the Council in recent years has been at Forties Road, Montrose which has seen the creation of twelve individual sites. All of these sites are now occupied and demand has exceeded expectations.



04 LOCAL REVIEW CONTINUED

Within the LDP 2016, the Council made employment land provision in the towns of Arbroath, Brechin, Carnoustie, Forfar, Kirriemuir and Montrose. No provision is made in Monifeith, which is part of the Dundee Core area. The Council also has a policy for Employment Development should land outwith the allocations be required for employment use.

Angus Council produced an Employment Land Audit 2017 which will feed into the preparation of the Angus LDP 2021. It identifies and details the availability, effectiveness and take-up of employment land. Supply is assessed to differentiate between those sites which are serviced or serviceable within 5 years and those sites which are not. Employment land information is updated by monitoring planning applications. This is complemented as appropriate by consultation with internal services including Building Standards and Development Standards and cross referenced with other land use assessments such as the Scottish Vacant and Derelict Land Survey as well as site inspections.

The Cairngorms National Park Main Issues Report for LDP 2020 overlaps with Angus only partly, but nonetheless is of interest as part of a rural case study:

The Cairngorms Economic Strategy 2015-2018 sets out the economic priorities for the area. Historically there have been difficulties in establishing the need and demand for commercial development land within the National Park. A study was undertaken in 2011 to better understand this, and although this study is now somewhat outdated, its general conclusions remain relevant.

The 2011 study used a series of face-to-face and telephone interviews, along with an analysis of historic take-up rates to try to identify future demand for business land within the National Park. It identified a limited amount of demand for additional commercial and industrial land from existing business occupiers in the Park, but concluded that it is impossible to accurately determine demand from employers that might consider locating within the National Park if suitable business land was available. The study suggested though that there may be a case for allocating commercial and industrial sites close to good transport links and centres of population to promote inward investment. The study also noted that there is anecdotal evidence of demand for small start-up business units that could be used as either office or light industrial accommodation.

Although it remains difficult to establish precise requirements for new economic development land, the Authority thus believes there is a case for allocating a limited number of additional sites in appropriate locations: Aviemore, Carrbridge, Dalwhinnie, Dinnit and Kincaig. A number of these sites should benefit from the potential for new inward investment resulting from the dualling of the A9 trunk road. None is within the Angus Council area.

“

ANGUS HAS AN UP-TO-DATE AND RESPONSIVE APPROACH TO EMPLOYMENT LAND AND SOME SECTORAL ECONOMIC REVIEWS, BUT NO FORMAL DEMAND ASSESSMENT (ONE HAS VERY RECENTLY BEEN COMMISSIONED). THE 2017 EMPLOYMENT LAND AUDIT DOES NOT APPEAR TO BE NESTED IN THE ASSESSMENTS FOUND IN TAYPLAN'S ECONOMIC PAPERS.

”

04 LOCAL REVIEW CONTINUED

CASE STUDY FALKIRK

The Falkirk LDP area is not covered by an SDP and is thus a **stand-alone planning area** in respect of any demand assessment:

The Falkirk Local Development Plan 2 Technical Report (6) (Revised): Employment Land (September 2018) informs choices about planning for future employment supply in the area. It considers current and historic employment trends, including commuting to and from Falkirk (including Grangemouth). A review of challenges, opportunities and planning policy sets the context.

The Report notes declining take-up of land 2011-16, but that “The market for business land and the pattern of business expansion or change is much less predictable than that for housing.” The energy, logistics and waste management sectors are noted as important and reviewed. The Report proposes safeguarding a strategic reserve of land, flexible enough to respond to a range of needs and unexpected requirements. The Report then moves on to a detailed assessment of allocated and potential additional employment sites, leading to support for, or rejection of, specific site options.



THE FALKIRK REPORT IS THUS A COMMENTARY ON DEMAND POTENTIAL, AS A CONTEXT FOR A DETAILED LAND SUPPLY REVIEW, RATHER THAN A FORMAL DEMAND ASSESSMENT OF ECONOMIC AND MARKET NEEDS.



04 LOCAL REVIEW CONTINUED

ENGLISH LOCAL PLANNING

For interest and comparison, selected examples of demand assessments within the English planning system were also considered. Two are summarised below:

- **Northumberland** is presented as case study (as that involved a full review of the document hierarchy and a consultation).
- **Kensington & Chelsea** is presented as an example of an area in London with high demand.

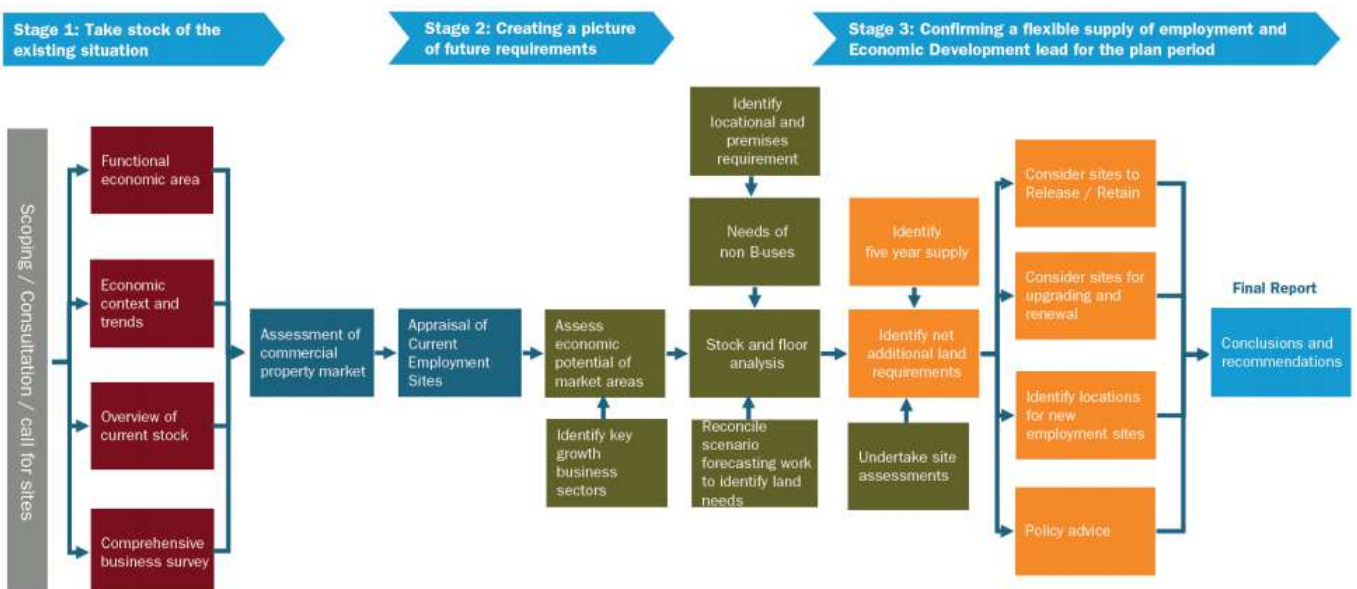
CASE STUDY NORTHUMBERLAND

In July 2007 the UK Government announced that Northumberland would be one of the areas within England where its local government structure would be changed, replacing a two-tier system with a unitary council. On 1 April 2009, the unitary Northumberland County Council became the local planning authority for the area previously covered by the seven local planning authorities of Alnwick, Berwick-upon-Tweed, Blyth Valley, Castle Morpeth, Tynedale, Wansbeck and Northumberland County. In the past, each of these local planning authorities had produced its own set of planning documents to guide development in their area. These documents form the Consolidated Planning Policy Framework for Northumberland. The LDP is currently being prepared by the Council and the Publication Draft is currently available. It is anticipated that the final plan will be adopted in 2020 and help shape the County until 2036. In terms of demand assessment:

The Northumberland Employment Land Review (January 2011) was produced by Nathaniel Litchfield and Partners and BNP Paribas Real Estate. It follows UK Government guidance on undertaking Employment Land Reviews and focuses on employment space needs for the Group of B Use Classes (equivalent of Use Classes 4, 5 and 6). It also examines, in broad terms, the employment growth potential and land needs of other economic uses such as retail, leisure, healthcare etc. Employment land referred to in this study means both of these elements. The methodology for the review is pictured.

This is a comprehensive review. Inputs include a business survey and consultation with various organisations including employers, economic development agencies and business groups. The study also draws on previous employment land and economic studies undertaken for adjoining districts as well as other relevant documents including economic strategy documents, planning policy guidance, the latest available property market information and published economic statistics.

Economic data for Northumberland was aggregated and presented as a time series. Long term employment projections produced by St Chad's College, Durham University (2010) set out possible growth scenarios over the plan period (pictured): baseline, lower (a longer, deeper recession) and higher (shallower recession). Job forecasts were translated into land requirements using 26 sector economic scenarios against 27 land use classes, including multiple uses of land by some sectors (e.g. electronics includes both R&D space and light industry space). Due to the very low land requirements identified, a revised approach by Nathaniel Litchfield and Partners' was then undertaken. The study also provides a spatial understanding of economic activity across Northumberland's four distinct economic areas.



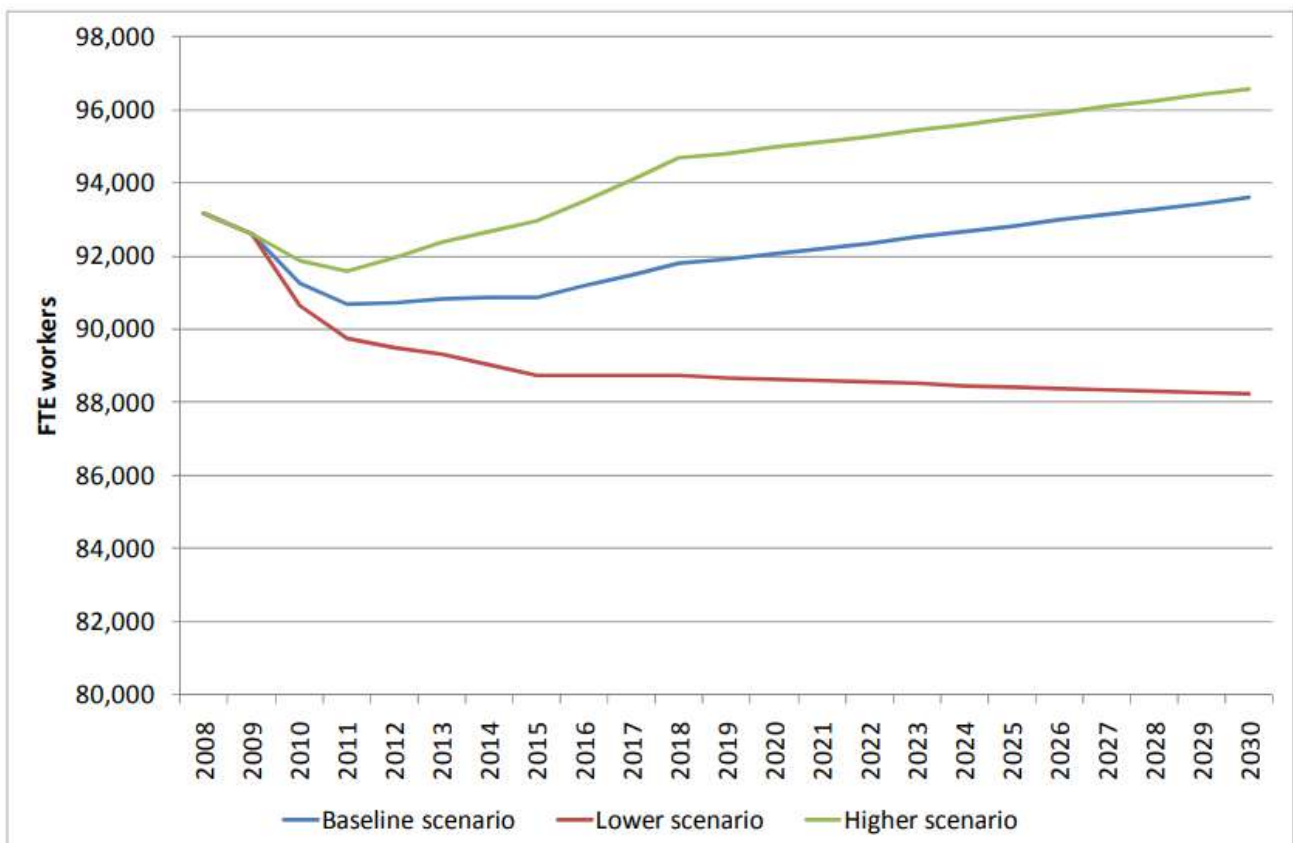
04 LOCAL REVIEW CONTINUED

In later documents a significant oversupply of allocated employment land is identified. In the context of space requirements for around 300ha of employment land, the study suggested 137.6ha of land could be deallocated. For qualitative reasons however a new allocation of 64 - 87ha of new employment land focused on Morpeth, Alnwick, Hexham, Blyth, Prudhoe and Ponteland was proposed.

A further Employment Land and Premises Demand Study (July 2015) by ES Group reviewed new employment forecasts and the subdued take-up of employment land. It assessed the demand for employment land and premises in-and-around each main town or service centre to judge whether previous findings were still valid. The study was informed by workshops, surveys and local market research to identify the scale and location of land requirements on a site-by-site basis looking at vacancy, rents and distribution of employment land. It identified 384 ha of employment land. Based on an average annual take-up of 6.22 ha, this equated to more than 60 years' supply. The study pointed to the continued need to de-allocate sites but, spatially, it also supported the new employment land allocations noted above.

The most recent updates in Northumberland are the:

- Employment Land Take-up Study (March 2018), an internal Council report which now extends to the past 18 years and provides all planning application, development descriptions and land data.
- Housing and Economic Growth Options Findings Report (June 2018) by Peter Brett Associates using local economic forecasts (November 2017) and Experian Economics' scenarios. This forecast considers labour supply (and its changing age profile) and demand. Outputs include 'workforce jobs', which are the number in the local area. Scenarios are business as usual, ambitious growth and intermediate growth; these inform B-class uses and what this means for employment land.
- Employment Land Site Option Appraisal for selected towns (July 2018) considers the general oversupply of employment land but that economic growth in certain submarkets may be constrained and could require new allocations for business growth. It assesses potential new employment sites and suggests that the evidence is strong enough to justify in exceptional circumstances the exploration of Green Belt areas around Hexham, Ponteland and Prudhoe.





NORTHUMBERLAND HAS DEPLOYED A RANGE OF ECONOMIC, MARKET AND LAND AUDITS AND COMMISSIONED REPORTS - INCLUDING QUALITATIVE AS WELL AS QUANTITATIVE - AT DIFFERENT SPATIAL LEVELS AND ACROSS DETAILED ECONOMIC SECTORS. AS SUBSEQUENT REPORTS ARE PRODUCED, THEY BUILD UPON AND CHALLENGE OR CONFIRM THEIR PREDECESSORS.



This means, that policy conclusions for the green belt and deallocation of land are based upon robust assessment and re-assessment of demand. As a dispersed County with approximately 319,000 resident population, Northumberland is not dissimilar to Fife which was reviewed above.

CASE STUDY KENSINGTON & CHELSEA

The Royal Borough of Kensington & Chelsea Local Plan Partial Review: Employment Land Need and Availability Background Paper (October 2016) provides a comprehensive demand assessment:

After setting out the policy hierarchy, the report presents an extensive assessment of the need for business floorspace. The scope is of course greatly increased by the Borough being within London, by far the UK's largest property market, with a significant focus on offices. The assessment is a mix of local authority and numerous third party reports which are used to develop sub-market areas and sectoral industry analyses. A detailed property stock, supply and viability analysis and classification is then undertaken. Occupier requirements are used as a guide to potential future demand (this is easier to do in London – the study had

a substantial 427 occupier enquiries to assess). The report provides full reviews of industrial / studio space and employment land market trends and activity.

Crucially, the Kensington & Chelsea report then goes on to present estimates of future market needs to 2026, based upon studies by Roger Tym & Partners / Peter Brett Associates. Essentially this takes Greater London Authority city forecasts down to a local Borough level. It considers employment densities as a means to plan for and accommodate forecast economic activity. The work concludes that there will be a net additional demand for offices, over-and-above a reduction in vacancies and planned new development. The impact of office stock lost to alternative uses in London may also be a factor in this very positive scenario. Land implications of these economic and market forecasts are then assessed, and a sites identification process and sites selection cascade is applied.



THE KENSINGTON & CHELSEA REPORT NOT ONLY REVIEWS ECONOMIC ACTIVITY AND LAND SUPPLY, BUT ACTIVELY FORECASTS EMPLOYMENT BY SECTOR, AND INFERS THE LAND AND PROPERTY REQUIRED TO MEET THOSE NEEDS. THAT INCLUDES A SIGNIFICANT FOCUS ON THE OCCUPATION AND CONTINUING VIABILITY OF EXISTING BUILDINGS TO REACH AN ESTIMATE OF NET ADDITIONAL DEMAND, RATHER THAN SIMPLY CONSIDERING NEW ACTIVITY.



05 MASTERPLANS

(MASTERPLANS, DEVELOPMENT FRAMEWORKS AND PROJECTS)

A masterplan is the most formal of the Design Frameworks, Development Briefs & Masterplans level of the hierarchy set out in Section 1. Inter alia, a masterplan will set out the land use mix for a designated area, which will require good quality information on anticipated needs, ie. a formal demand assessment.

A masterplan may be a large, single phase exercise that draws together and presents all of the required information. Or, it may be a series of related assessments at different times and on different topics (eg. market, engagement, infrastructure, design) that progresses a land use proposal through phases to planning consent and development delivery. The example below for Tweedbank is a phased exercise.



CASE STUDY TWEEDBANK

Tweedbank in the Scottish Borders is the terminus for The Borders Railway, which re-opened in September 2015 (the route is pictured). The Railway is recognised and supported in NPF3, the SDP and LDPs along the route, as well as the Borders Railway Blueprint economic strategy and the creation of a Simplified Planning Zone at Tweedbank. The area-based masterplan for Tweedbank envisages 400 residential units and 75,000 sq.m. mixed-use development.

In early 2013, two-and-a-half years before the Railway re-opened, a demand assessment for new business space at Tweedbank was conducted: Economic and Market Assessment for New Business Space: Tweedbank / Tweedside Park / Broomilees Melrose (Report 1, Ironside Farrar with EKOS and Edwin Thompson, February 2013). The main components of this work from a demand assessment perspective are:

- The **economic assessment** involved a review of secondary sources, regional economics, regional policy and strategy, the Outline Business Case for the railway, comparable railway projects elsewhere, and development options based upon consultations. The economic assessment then considered the employment growth potential alongside the proposed business space over the short (0-5 years) and medium/long (5-15 years) terms. This approach calibrates development proposals against economic potential, rather than simply using jobs to predict floorspace.

- The **market assessment** considers the appropriate market area, and the existing stock, supply and market activity at the subject site. The commentary is thorough and includes not only all market activity but also factors likely to influence future market activity, and a relevant case study.

Building upon the 2013 report, later demand assessments for Tweedbank are Ryden's September 2016 Tweedbank Property Market Assessment of the emerging development proposals, and the Tweedbank Business Case to support the project within the Edinburgh City Region Deal.



THE TWEEDBANK 2013 REPORT IS A THOROUGH AND DETAILED DEMAND ASSESSMENT WHICH FLOWS FROM THE REGIONAL ECONOMIC CONTEXT AND IMPLICATIONS OF THE RAILWAY PROJECT, THROUGH TO LOCAL MARKET ACTIVITY AND SITE- AND SECTOR-SPECIFIC MARKET AND DEVELOPMENT POTENTIAL.



06 QUESTIONNAIRE SURVEY REPORT

INTRODUCTION

This project included an online questionnaire survey of Scottish planning and economic development authorities. The survey secured a 33% response rate totalling eighteen completed responses; while this provides a good body of material to review, there is the possibility here of self-selection, ie. organisations more familiar with or supportive of demand assessments may have been more likely to respond than those who may have less interest in the topic. The eighteen organisations who responded to the survey are listed in the Appendix to this report.

The analysis below provides the combined responses to each survey question. Where free text or supplementary comment was requested, a summary review of those written responses is also provided.

In order to split the responses, the survey began by asking respondents:

Do you undertake or procure commercial demand assessments to inform your planning or economic development activity?

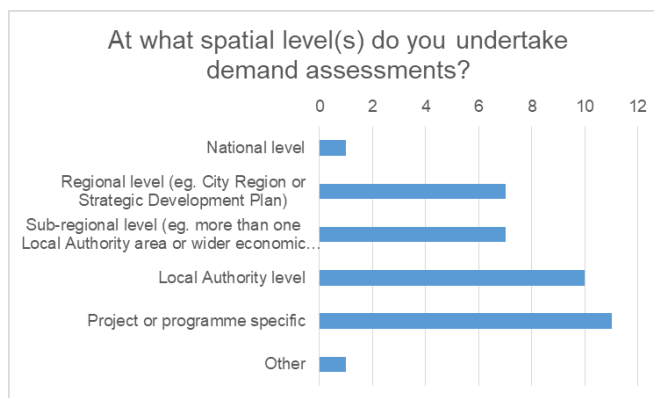
If yes, the respondent was directed onto Section 1, if no, respondents were re-directed to Section 2. Only two respondents selected No. As above, this may imply some self-selection among the respondents, particularly given the partial coverage of Scotland by demand assessments found earlier in this report.

SECTION 1

Respondents were asked to indicate the purpose(s) of your demand assessments. A wide range of responses was received, embracing development plans and masterplans (25 responses) and economic sector strategies or funding interventions (20 responses).



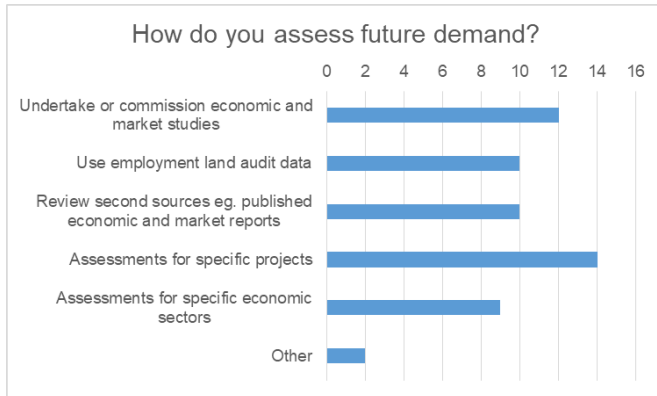
Respondents were asked **At what spatial level(s) do you undertake demand assessments?** The responses are skewed towards local and project-specific assessments (more than half of respondents). Regional and sub-regional level demand assessments are also reported, but are less common (just under half of respondents).



One additional comment noted that demand assessments can be required for development appraisals where their organisation has a commercial interest as landowner or funder for a project.

06 SURVEY REPORT CONTINUED

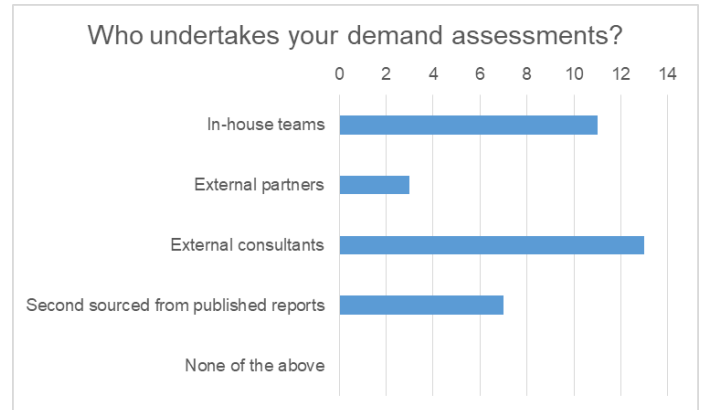
Respondents were asked **How do you assess future demand?**



The most formal approach is to undertake demand assessments at 5-yearly intervals, then commission project specific assessments as required. Market intelligence from Scottish Development International and Scottish Enterprise was also mentioned.

Some respondents mentioned property market data providers CoStar and analysis of take-up of land by use and location; these are valid and important sources of evidence, but should be recognised as projections of past activity into the future rather than attempts to “assess future demand” as requested by the survey question.

Respondents were then asked **Who undertakes your demand assessments?** A total of 81% report using external consultants, while 69% use in-house teams and less than half (44%) second sourced the information for their demand assessments from published reports. A comparatively small number have their demand assessments undertaken by external partners.



For those respondents undertaking demand assessments in-house, a supplementary question asked which team / department leads this exercise. The following responses were provided:

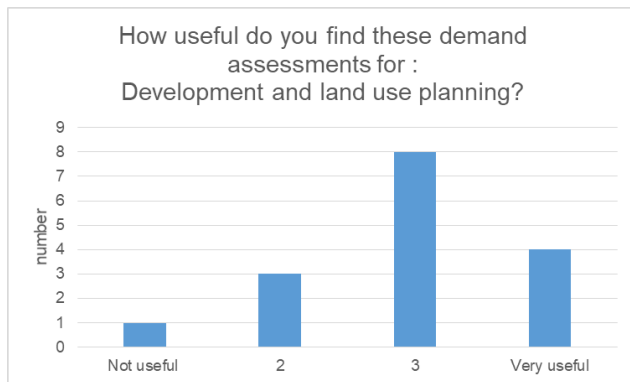
- “ Property & Development using our own property and enquires database
- Economic growth team
- Development Planning
- Various
- Regeneration Manager
- Economic Development together with Planning
- Sometimes Business Infrastructure where it relates to a specific real estate project, or our Evaluation Team where it concerns an Economic Impact Assessment.
- Some in-house research is carried out by the Development Team within Economic Development
- Enterprise, Trade & Investment Team
- Planning Policy
- Information and research team ”

The responses indicate that a mix of teams undertake and contribute to demand assessments.

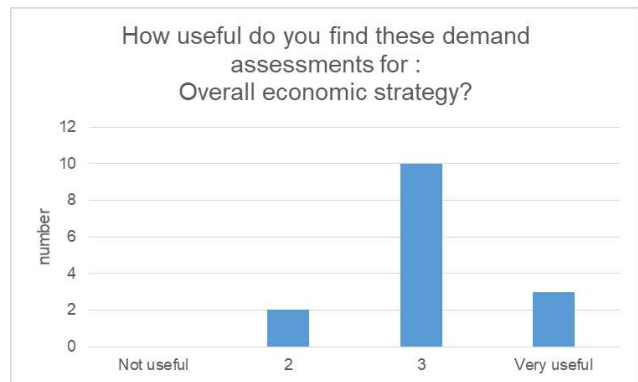
06 SURVEY REPORT CONTINUED

Respondents were asked to rate **How useful do you find these demand assessments?** for five different scenarios. The range offered was from 1: not useful up to 4: very useful. The respondents' collective views are that demand assessments are useful (with shoulders of quite or very useful) across the range of planning and economic development functions shown on Charts A to E.

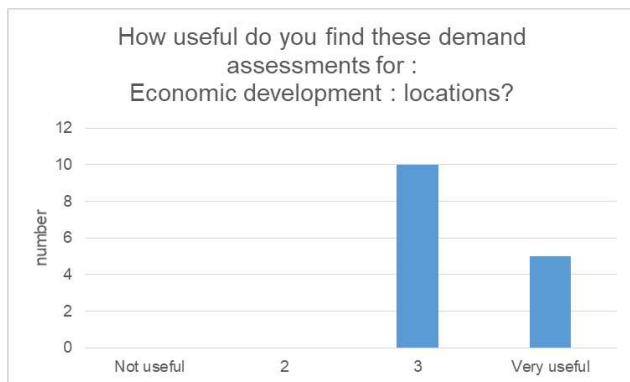
A Development and land use planning



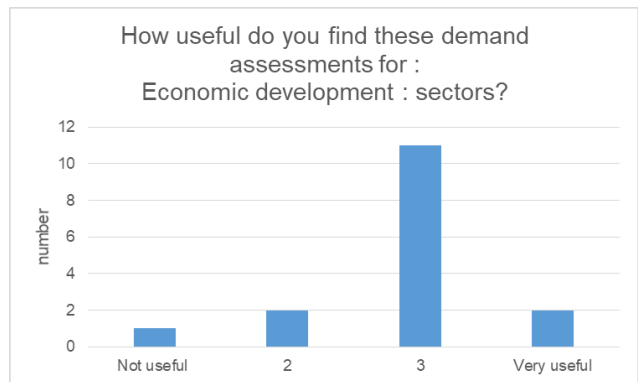
B Overall economic strategy?



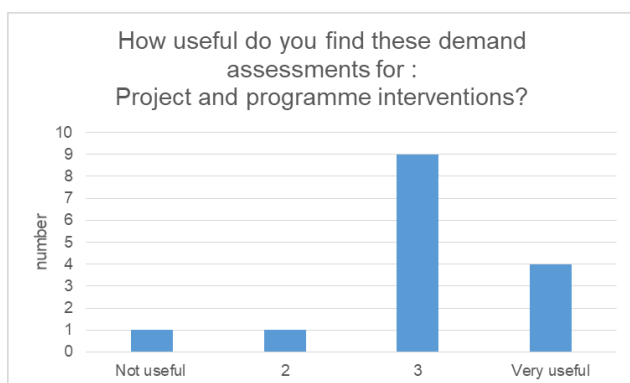
C Economic development: locations?



D Economic development: sectors?



E Project and programme interventions?



SECTION 2

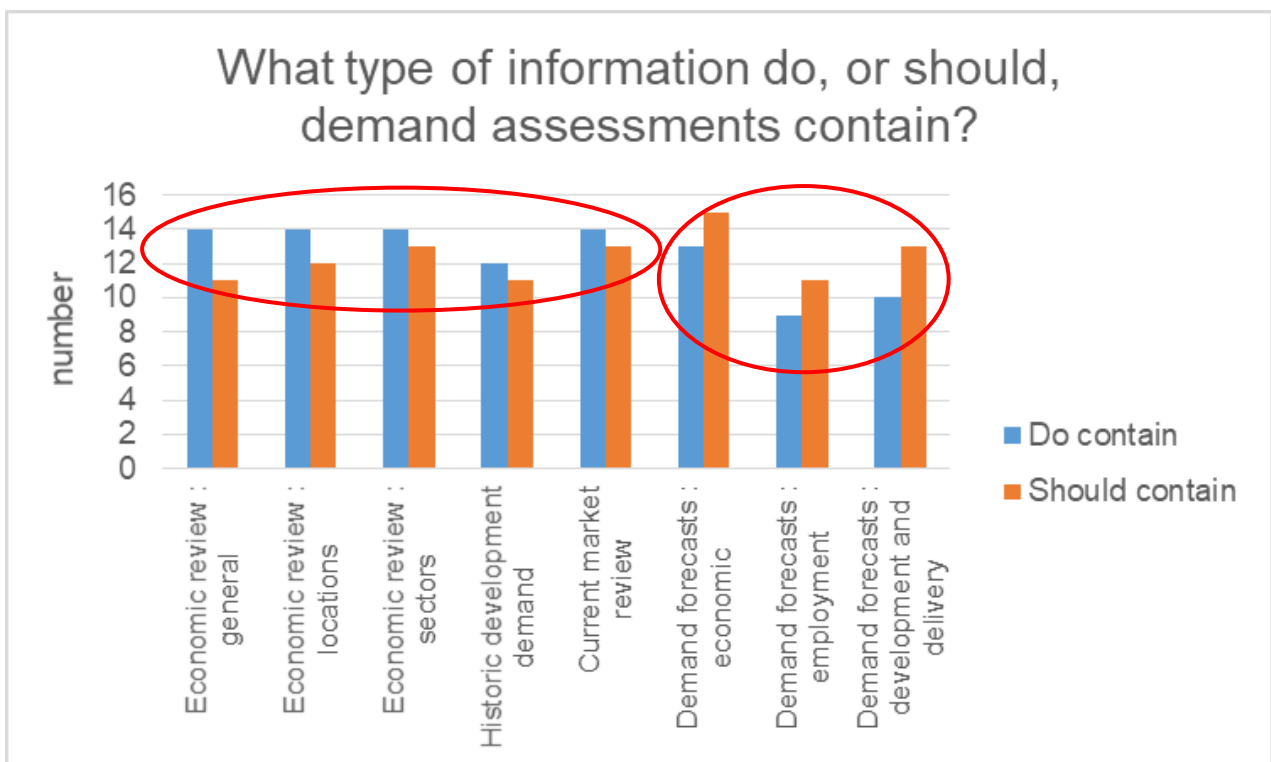
Section 1 asked respondents about their own demand assessments. Section 2 then asked all respondents about demand assessments in general.

Respondents were asked **What type of information do, or should, demand assessments contain?** The information query was split into historic, current and forecast, and three types: economic, employment and development delivery. The question secured responses from a majority of but not all respondents. Differences between what demand assessments do and should contain are not large on the chart – typically 1 to 3 responses for each category of information. There is a minor pattern however (circled in red on the chart) whereby historic and current information is provided but perhaps not always essential, while forecast information is provided less often than it should be across all three categories: economic, employment and development & delivery).

A free text question asked **How could demand assessments be improved?** The following responses were provided (our bold):-

- “Greater focus on **demand intelligence**, both historic and future.
- Be good to have access to **live data**. We use Costar for example.

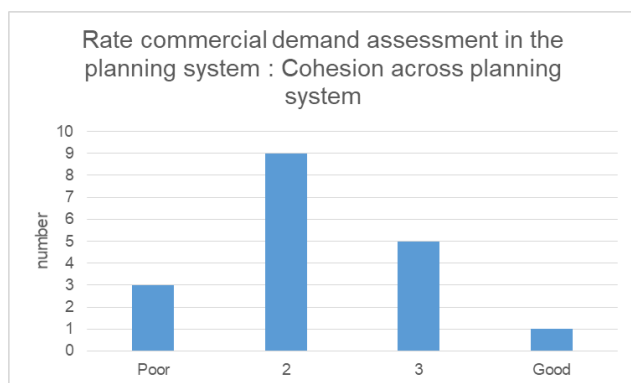
- Be **more specific/tangible** to the proposed development.
- Generally we require bespoke assessments so specifications will vary according to need. **Increasing need for demand forecasts for employment** focusing on regional level and for specific job types.
- **Missing the current and future market demand context.**
- Our current approach to forecasting demand for business and industrial land is based on doubling the previous 5 years take up of land for these uses (i.e. Class 4, 5 and 6) to achieve a 10 year demand forecast. This approach could be significantly improved by having an **understanding of the location, quality and availability of existing premises**. Also **through input from the business community** on their development needs, in terms of space requirements, location, infrastructure etc.
- In changing times too much **weight can be given to historic demand.**”



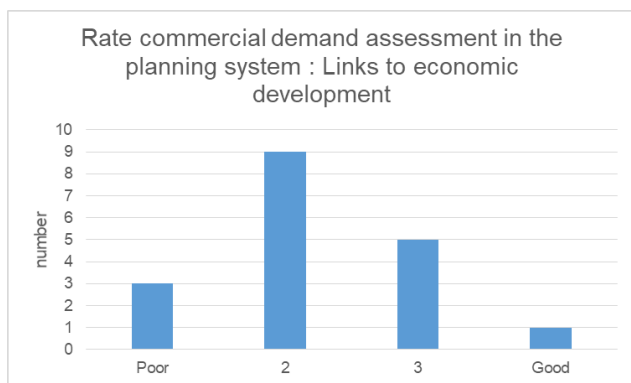
06 SURVEY REPORT CONTINUED

Respondents were asked to rate how demand assessment is used in the planning system from poor (1) to good (4). Two scenarios were presented: cohesion across the planning system (Chart A) and links to economic development (Chart B). With a score of 2.5 being the mean (average) score, both score 2.2, with a wide range of responses.

A Cohesion across planning system



B Links to economic development



In this context the additional comments provided are illuminating (our bold):

- “The planning system is **not adequately funded** to do this.
- There is **no comprehensive or consistent approach** to business space demand analysis, nor place/ capacity strategy development.
- Given the **limited resources** in local government, it is, at times, **difficult to tie these two seemingly connected positions together** in a coherent manner.
- **Economic Development and Planning disciplines are better aligned** than they perhaps have been historically and greater dialogue and consultation has allowed for a more flexible approach to some land allocations in this region.
- Further **consideration should be given to the location** of employment land, the **need for employment land and also complementary uses associated with employment land.**”

Respondents were asked whether they would welcome published guidance on undertaking demand assessments would be welcomed; 90% confirmed that would welcome guidance, while 10% said ‘no’.

Finally respondents were asked to provide any additional comments. These were (our bold):

- “(Demand assessment) **needs to be funded** as resources are not available at a local level particularly in rural or poorer areas of the country helping to exacerbate the problem.
- Demand assessment is **not relevant to the review of the Planning Bill** (as was suggested in the preamble to the survey).
- **To improve compatibility between agencies/ authorities but need to recognise that there is a difference between information needed to inform strategy development and bespoke assessments** required for project/ programme/ sectoral analyses.
- **Better links with economic development teams are important** - in this Council **we have an integrated Planning & Economic Development service which helps.**
- **Robust commercial demand assessment at regional level would be welcomed as base data** to develop investment opportunities (location and sector) and also to support local land use planning allocations.”

07 SUMMARY AND RECOMMENDATIONS

BRIEF

The Scottish Futures Trust appointed Ryden to investigate and make recommendations on **how demand for commercial development is assessed in Scotland** at different spatial levels across the country. The target commercial sectors are Use Classes 4 (Business), 5 (General Industrial) and 6 (Storage or Distribution); these may be referred to as employment uses. The aim is to understand **whether demand analysis is undertaken comprehensively, consistently and in a coordinated fashion**.

FINDINGS

The report finds:

- **No clear link** between demand assessment and employment land use planning in Scotland.
- Rather, **demand assessment has atrophied** to largely support priority sectors and projects.
- The **majority** of Scotland's employment land use is **orphaned** by the lack of consistent assessment.

Within the planning hierarchy:

There is no clear transmission mechanism from **national** demand assessment to development planning. The relationship is based upon policy and strategy. NPF3 sets the high level importance of a spatial and qualitative dimension to demand assessment, going beyond simply the allocation and monitoring of land, but does not instil a formal demand assessment approach.

At a **regional** level, two of Scotland's four **SDPs** are supported by long run economic forecasts, but do not directly apply those to land and property markets; a third relies on a separate assessment and the fourth has no assessment. Assessments from 5-10 years ago, in or just after the Global Financial Crisis, are susceptible to change. SDPs comply with SPP's key sectors and strategic locations requirements, rather than assessing potential future demand. Outside of planning, Growth Deal assessments are project-specific to support business cases, although the Glasgow City Region is well advanced in developing their Growth Deal into a new Regional Economic Partnership.

At a **local** level, published demand assessments were found for around half of Scotland's local development planning authorities. All are comparatively recent. All contain employment land audits. Two have formal background economic reports. A further two have formal demand assessments by consultants which include projections. A final two have in-house demand assessments using economic development and property portfolio data. The local review indicates that full, formal demand assessments are in the minority.

A **survey** of planning departments and economic development agencies found that demand assessments are undertaken for development plans, masterplans, economic sector strategies and funding interventions. Local and project-specific demand assessments are a little more common than regional or sub-regional assessments. Assessments are undertaken by external consultants and / or internal teams, using a wide range of data and information sources. These are found to be useful in a range of planning, economic development and project situations, but could be more specific and forward-looking, and could consider premises as well as land. The cohesion of demand assessment across the planning system and the links with economic development both scored below average. Ninety-percent of respondents would welcome guidance on conducting demand assessments.

07 SUMMARY & RECOMMENDATIONS CONTINUED

COMMENTARY

A stark contrast is evident between employment land uses and other major land uses such as housing, retailing and education. These land uses secure their places in development plans through sophisticated forecasts. Those forecasts are developed through detailed consideration of how additional needs fit with existing homes, shops, schools and land allocation.

Thus, while the role of employment land and property in sustainable economic growth is **fully reflected in policy and strategy**, it appears to be **much less embedded in the process of land use planning**. The analytical element is often historic (land taken-up) and the forecast element contextual (written strategies) rather than analytical. At a project-specific level however, formal demand assessment becomes essential in building robust cases and justifying investment and is therefore undertaken.

In the period before the Global Financial Crisis and consequent public sector austerity, however, **Scotland did provide consistent, formal approaches to demand assessment through the development planning hierarchy**. These approaches linked with local authority economic development and (at that time regionalised) Scottish Enterprise, and the monitoring of employment land audits at a national level.

The risk here is that **most general employment locations - industrial estates, business parks, town centres, land - may not properly anticipate and respond to potential future demand**. Those locations face structural challenge: from higher value sectors agglomerating into cities and other strategic locations; and from looming obsolescence. Not anticipating and responding to this change could potentially drag on investment and stifle productivity and economic development in affected locations.

ENGLAND

Two English examples were reviewed. These predict and adapt land use to changing demand, as was once the norm across Scotland. London may be considered an exception, but as a large region with dispersed towns Northumberland is comparable to many parts of Scotland. Northumberland plans for employment land needs through business surveys, broad consultations, planning policy guidance, economic strategies and regular commissioned studies which are calibrated against each other and adjoining market areas in a process of continual testing and evolution. Wider employment potential and land needs of other economic activities such as retail, leisure and healthcare are also considered.

A recent **update to English planning policy guidance** takes a similarly holistic approach to demand assessment. The previous stand-alone employment land review guidance (ODPM, 2004) is replaced by a conjoined **Housing and Economic Needs Assessment** (ie. demand). A separate Housing and Economic Land Availability Assessment (ie. supply) is also set out in the guidance. Economic need for employment land is to be determined by (the undernoted is summarised here from the full guidance):

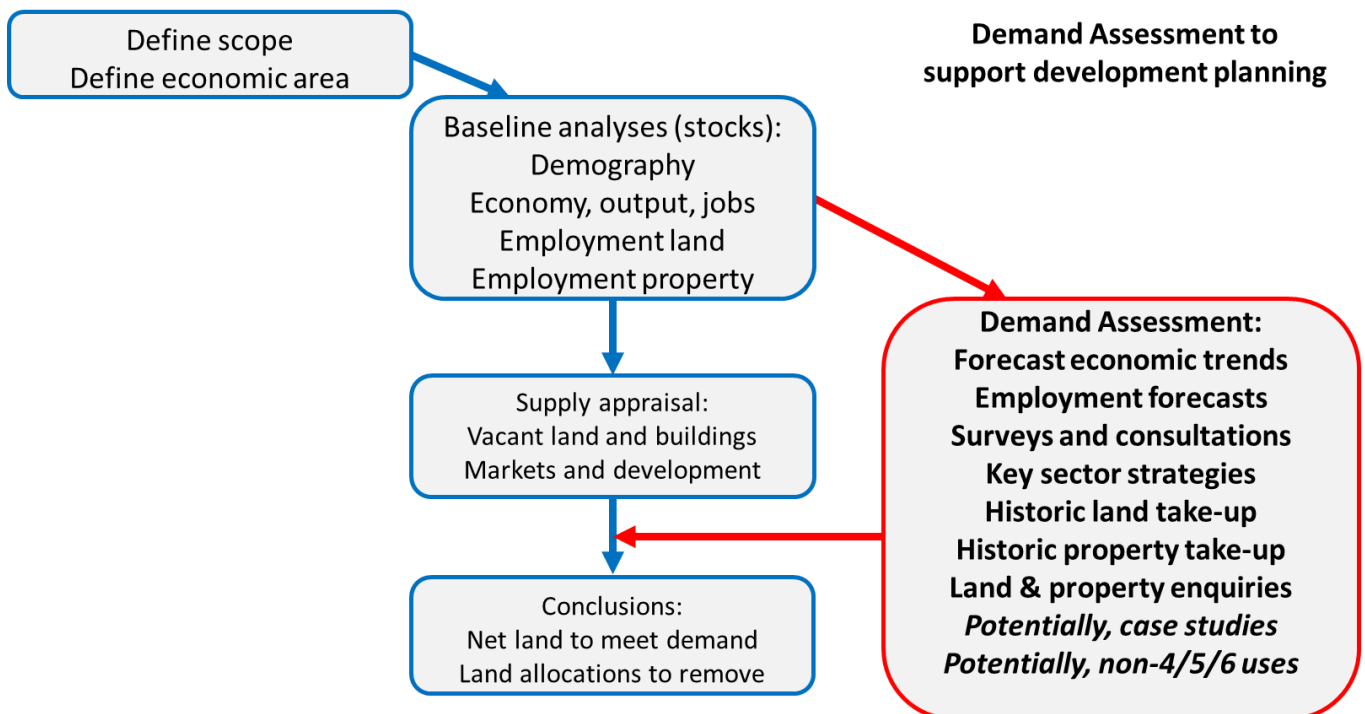
- preparing and keeping under review a “robust evidence base” to reflect local market circumstances
- considering functional economic areas, which may be cross-boundary with neighbouring authorities
- liaising with the business community to understand their current and potential future requirements
- understanding the existing stock of land in employment uses, then additions and losses to/from that
- assessing market demand from local intelligence, data, discussions and surveys or engagement
- assessing market signals using projected market and demographic changes
- assessing oversupply and evidence of market failure
- forecasting from economic, labour market, property market, consultations & monitoring work
- identifying and planning for qualitative or quantitative market gaps / mismatches / oversupply

The new English guidance thus explicitly asks that planning authorities **thoroughly analyse and forecast their economies and markets** in order to plan for their employment land use needs.

07 SUMMARY & RECOMMENDATIONS CONTINUED

ASSESSING DEMAND: RECOMMENDED APPROACH

The chart presents a core process for assessing demand to support planning for employment land. The **demand assessment in the red box** is the focus of this report. The other boxes summarise how the parts of the process may fit together (a planning-focused expansion of this is provided by the Northumberland flowchart in section 4, which also aligns with the new English process described above): -



Source: Ryden

07 SUMMARY & RECOMMENDATIONS CONTINUED

Defining the **purpose** of the demand assessments and its **economic area** will determine which baseline and forecast economic data sources - or new studies - are most appropriate. A number of national options are referenced in this report. Emerging Regional Economic Partnerships may offer the opportunity to embed demand assessment as a regular, formal activity across the whole of Scotland, informing not only future National Planning Frameworks and regional spatial strategies but also Local Development Planning and area-based masterplans.

The **baseline analysis** of existing stock should be formal. It can be as complex as required, for example there may be a number of sub-sectors, property types and local areas if the output requires to determine employment land uses in those terms. Data sources can include the Office for National Statistics, Scottish Government, NOMIS or bespoke studies for socio-economics, and Scottish Assessors Association, CoStar (subscription database), property agents or commissioned studies for land and property analysis. These sources are simply indicative and many others including local authority resources and existing monitoring reports within the planning system may be relevant.

Demand assessment is area-based – which may or may not coincide with the planning area. At the moment, most demand assessments in the Scottish planning system review economic trends and key sectors, but rather than analyse and project they tend to rely on historic land take-up; a few undertake local consultations too; these are only some of the required inputs and are insufficient to make assessments of future potential. Again, the analyses can be segmented by sectors, areas and building types as required. Reconciliation of these demand information sources is a key requirement to generate a projected future need. Long run projections - for example to support strategic regional planning - may have a central scenario framed by (justified) high and low alternative scenarios.

The **supply appraisal** may be detailed, as it will consider the nature and status of allocated land (for example serviced or unserviced) and vacant buildings, and the sub-sets of those land and buildings which are on the market, as well as rents/ prices, development and viability. This is all critical to understand whether the property and economic development sectors may meet any demand.

The final stage is to draw these analyses together to form **conclusions** on the requirement for net additional land to meet projected demand, and the deallocation of any land no longer required. Again this is simply a summary on the flowchart. The actual assessment may be complex including scoring and ranking of sites against specified criteria, and linkages to other areas of policy and economic development activity to help support and unlock potential demand.

The Scottish Government should consider developing this core approach to create **Scotland-specific demand assessment guidance**. Standardised demand assessments could be a shared responsibility between planning authorities and the new Regional Economic Partnerships, and could seek efficiencies and economies of scale through the ongoing digitisation of the planning system.

RYDEN LLP
JANUARY 2020

APPENDIX

ORGANISATIONS RESPONDING TO QUESTIONNAIRE SURVEY REPORTED IN SECTION 6



Aberdeenshire Council
Angus Council
Argyll & Bute Council
City of Edinburgh Council
Clydeplan
Clyde Gateway
East Renfrewshire Council
Falkirk Council
Inverclyde Council
Invest Aberdeen
Moray Council
Perth & Kinross Council
Renfrewshire Council
Riverside Inverclyde
Scottish Enterprise
South Ayrshire Council
West Dunbartonshire Council
West Lothian Council

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0113 243 6777

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