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Planning Design Economics

CARDIFF LDP DEPOSIT DRAFT

**ECONOMICS AND EMPLOYMENT
PAPER**

Prepared on behalf of
Trustees of Plymouth Estates

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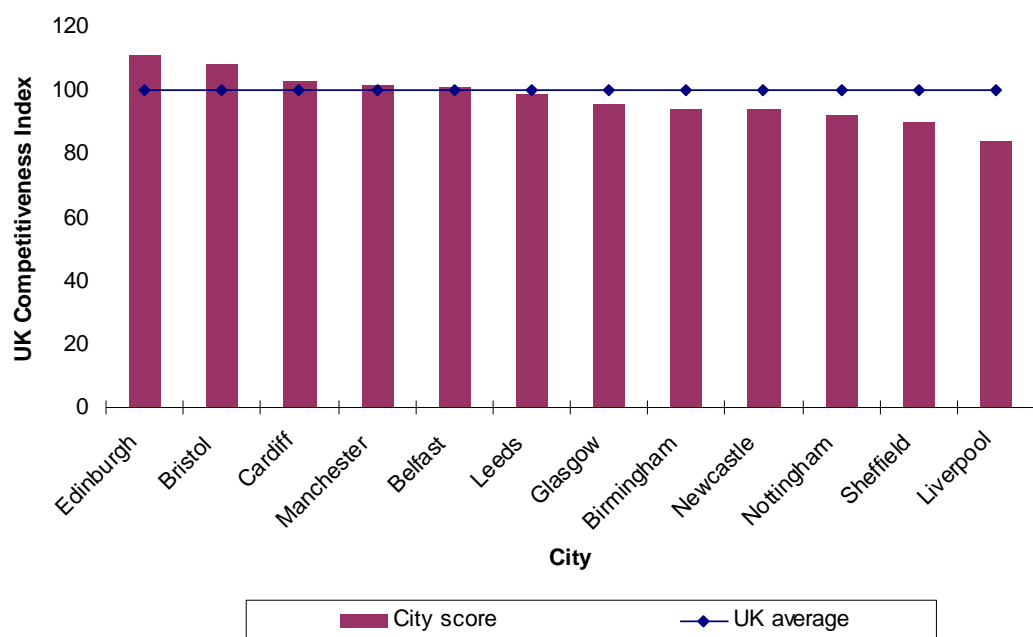
1.0 Introduction

- 1.1 This background paper has been prepared by Nathaniel Lichfield and Partners on behalf of the Trustees of Plymouth Estates. It accompanies our representations to the Cardiff LDP Deposit Draft, which follow on from our previous submissions setting out our Vision for Waterhall in North West Cardiff.
- 1.2 This background paper sets out key economic trends and forecasts within Cardiff and the implications of these on the emerging LDP in the light of national and regional planning guidance and policy.
- 1.3 The key trends set out in this background paper are referred to in our representations to the Deposit Draft LDP and the accompanying Sustainability Appraisal (SA) for Waterhall. We therefore recommend that our representations are read in conjunction with this background paper and the SA for Waterhall.

2.0 Economic Context

2.1 Given its Capital City status, it is recognised that Cardiff has an important role to play in driving economic growth in South East Wales and Wales as a whole. Its function as an economic powerhouse has been reflected in growth in output between 1995 and 2006 which has consistently outpaced that of South East Wales and Wales as a whole. In addition, it accounts for 32% of total employment in South East Wales and employs more than 70,000 people that live outside of its boundaries. The critical importance of Cardiff to the economic success of South East Wales is acknowledged in the Wales Spatial Plan Update 2008.

2.2 The Cardiff Economic Strategy (CES) (2007-2012) states that Cardiff compares favourably with its benchmark cities on the majority of indicator variables and that it has performed best in terms of employment rates, qualification levels and claimant count rates. In addition, its overall score in the UK Competitiveness Index (2005) – 102.7 – is higher than all but two of its benchmark Cities and above the UK average.



Source: The UK Competitiveness Index, 2005 – The Changing State of the Nation, Robert Huggins Associates. Cited in The Cardiff Economic Strategy 2007-2012

Fig 1 UK Competitiveness Index 2005

2.3 Cardiff is currently identified in the CES as a “First Division” city. The document envisages that by 2012, it should reach the “UK Premiership” and by 2020 it should have become an “Internationally Competitive” city. This growth is to be brought



about by a range of physical regeneration projects which will provide a development platform for the city's competitiveness. It will also require further enhancement in its economic profile.

Economic Vision

2.4 This aspiration for change is reflected in the vision of the CES:

“To ensure that Cardiff, as an International Capital, is an inclusive, vibrant and thriving city in which to live and work, with a skilled, creative workforce and a buoyant business environment.”

2.5 It is also reflected in the Economic Vision contained within the draft LDP:

“To ensure that Cardiff, as a competitive international capital city, is an inclusive, vibrant and thriving city in which to live and work, with a skilled and creative workforce and buoyant business environment.”

2.6 The CES sets out a number of priorities which need to be addressed in order to position Cardiff as an internationally competitive capital by 2020. This will necessitate the encouragement and attraction of existing businesses as well as inward investors and indigenous growth through a number of approaches and mechanisms, including the provision of an appropriate supply of land to serve the requirements of emerging key sectors. Whilst many of these requirements are beyond the scope of the planning system, the draft LDP nevertheless recognises the importance of providing a range and choice of land for employment purposes and also to protect existing employment land which is under increasing pressure to be developed for non-employment purposes. Our concern relates to the extent to which this ambition has been achieved.



3.0 Employment Land Implications

3.1 The CES notes that Cardiff's reputation as a successful business city relies upon the availability of suitable employment land and premises and a supporting infrastructure that encourages the development and growth of new and indigenous companies. Although Cardiff is performing well as a business city and a number of key sites have been developed in recent years in the City Centre and the Bay area, the CES highlights that there are a number of concerns regarding the supply of employment land which will need to be addressed in the future in order to establish Cardiff as an international business location:

a Despite significant recent investment, the city has a shortage of Grade A office accommodation as a result in recent levels of uptake, together with a limited level of speculative development; and,

b A number of key strategic sites have been lost to competing uses.

3.2 The impact of these factors has been to reduce the availability of suitable sites and premises that are available for potential investors. Recognising that the availability of land for the expansion of new firms and the attraction of new investors is a key area of concern, the *Economic Forecasts for Cardiff* document, which was produced by Cambridge Econometrics in 2006, states that the LDP must take into account the land-use and property requirements of growth sectors in Cardiff. To this end, it is noteworthy that a Spatial Priority contained within the LDP is to develop and protect a range and choice of employment land and premises. The LDP sub-objectives states that this is in order to maintain and improve the economic competitiveness of the city, encourage entrepreneurship, promote growth of indigenous businesses and attract inward investment.

Current Employment Land Provision

3.3 As set out in the Cardiff Business and Industrial Landbank Monitoring Report 2007 (CBILMR), 62.1ha of employment land is available in the city (July 2007) (comprising land with planning consent and land allocated in the Local Plan). The Further Analysis of Land Survey Data Report, undertaken by Harmers in 2007 states that 44.02ha Class B1, B2 and B8 development took place in Cardiff between 2000 and 2005 – an average of 8.8ha a year. In addition, an average of 1.05ha land was developed each year for sui generis uses whilst 8.4ha was lost each year to other uses. Therefore, the current availability represents seven years supply at the average development rate.

3.4 Of the total landbank, the majority is only available for B2 and B8 uses, with B1 uses restricted to 12.5ha on 11 sites. Based upon the past take-up of B1 development, the B1 employment land bank would only provide for six years supply and offers very limited scope for flexibility of choice.



- 3.5 In spatial terms, the existing business and industrial land provision is predominantly concentrated in the southern area of the city (Cardiff Bay / Wentloog), with a number of smaller sites located around the town centre/ Bay and at Cardiff Gate at J30 of the M4. Outside of these areas, there is little employment land available. Indeed, Cardiff Gate and Cardiff Business Park are the only sites outside of the Bay or Wentloog areas which contribute to current business park take-up.
- 3.6 It is recognised that a number of key sites have been developed in recent years within the city centre and Bay area (including Callaghan Square and Fusion Point) and edge of centre sites (including Capital Business Park). However, although Cardiff is performing “relatively well” as a business city, the CES identifies a number of underlying issues which could undermine the goal of it becoming an international business location:
- a A lack of Grade A office accommodation;
 - b A lack of a diversified range of available employment land and commercial premises;
 - c The loss of a number of key strategic employment sites to competing uses; and,
 - d The absence of an International Business Park.
- 3.7 In order to address these concerns, employment land must be made available which is appropriate in its quality, size and location to the needs of indigenous and incoming businesses. However, it is evident that Cardiff’s current employment portfolio is not capable of meeting these requirements either in quantitative terms or in respect of the particular locational and functional requirements of individual economic sectors.

Forecast Employment Growth

- 3.8 Another priority set out in the CES is to continue to develop the role of Cardiff as a driver of the south east Wales economy. This is supported by the Welsh Spatial Plan Update (2008), which identifies Cardiff as being at the centre of a strong regional economy. Such an approach is supported by research by Cambridge Econometrics (Economic Forecasts for Cardiff, 2006), which forecasts a growth of 46,700 jobs in South East Wales between 2006 and 2021, of which 23,150 (50%) are to be in Cardiff.
- 3.9 The forecast employment change in Cardiff over 2006 to 2021 is set out below.



Sector	Employment Change, 2006-2021	Annual Change	% Change, 2006-2021
Office (B1(a)/(b))	12,200	813	18.34
Manufacturing (B1(c)/B2)	-2,400	-160	-14.29
Distribution (B8)	3,150	210	25.18
Total B Class Jobs	12,950	863	13.53
Other jobs	10,200	680	8.45
TOTAL JOBS	23,150	1,543	10.7

Source: Derived from Economic Forecasts for Cardiff, Cambridge Econometrics, 2006.

Table 1 Employment Change in Cardiff 2006-2021

3.10

This forecast employment growth emphasises Cardiff's emerging role as the economic powerhouse of the south east Wales region and the country as a whole, putting it on a par with other cities on the M4 corridor. Furthermore, it will support the vision for growth set out in the CES. However, the delivery of these new jobs will depend upon additional land being made available both for employment development and also for housing in order to achieve a high level of alignment between housing and employment growth. Determining the most sustainable locations for this land will require a balance between minimising commuting times to jobs in Cardiff and promoting regeneration of Valleys communities. It will also require consideration of the specific needs of individual business sectors and sub-sectors.

Growth Sectors

3.11

Table 1 above shows that future job growth in Cardiff over the next 15 years will be predominantly in the office-based sectors with a smaller level of absolute growth expected in the distribution sector. By contrast, employment in the manufacturing sector is forecast to decline substantially, although the total figure does serve to obscure growth in individual sectors such as pharmaceuticals.

3.12 The implication of this in terms of the changing relative importance of different broad sectors is set out below:

Use Class	2006 %	2021 %
B1	30.74	32.86
B1(c)/B2	7.75	6.0
B8	5.81	6.57
Other	55.7	54.57

Table 2 Proportion of jobs in different sectors

3.13 Research by Cambridge Econometrics has identified the sectors which will offer the greatest potential for the future growth and prosperity of the city:

High LQ and strong growth relative to UK	High LQ and weak growth relative to UK
<ul style="list-style-type: none"> • Communications • Banking and Finance • Professional Services • Miscellaneous Services • Pharmaceuticals 	<ul style="list-style-type: none"> • Basic Metals • Electronics • Electricity • Gas Supply • Construction • Insurance • Other Business Services
Low LQ and strong growth relative to UK	Low LQ and weak growth relative to UK
<ul style="list-style-type: none"> • Agriculture • Rubber and Plastics • Non Metallic Mineral Products • Manufacturing nes • Water Supply • Distribution • Land Transport 	<ul style="list-style-type: none"> • Other Mining • Food, Drink and Tobacco • Textiles, Clothes and Leather • Wood and Paper • Printing and Publishing • Chemicals • Mechanical Engineering



<ul style="list-style-type: none">• Air Transport	<ul style="list-style-type: none">• Electrical Engineering and Instruments• Motor Vehicles• Other Transport Equipment• Retailing• Hotels and Catering• Water Transport• Computing Services• Education• Health and Social Work
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Source: Cambridge Econometrics, March 2006

Table 3 Growth Prospects of Different Sectors

3.14 In line with the aspirations of the CES, the key growth sectors can be summarised as including higher value added activities, particularly:

- a Financial and Business Services;
- b Bioscience;
- c Creative Industries; and
- d Technology.

3.15 Each of these sectors will have specific locational and land requirements.

3.16 Although the level of growth that is anticipated in each sector is now likely to be less than was previously forecast by Cambridge Econometrics, the relative dominance of particular sectors is likely to be maintained.

3.17 We derive the quantum of land required to meet the 2006 Cambridge Econometric forecast employment growth in Cardiff below.

Employment Land Requirements

3.18 The employment forecasts set out above can be used to indicate the anticipated employment land requirement over the LDP period to 2021.

	No. New Jobs	Equivalent No. New Jobs Allowing Increases in Floorspace Efficiency (90%)	Av. Space Required Per Person (sqm per person)	Total Floorspace Required (sqm)	Land Required (ha) to Building Footprint (sqm) Ratio	Land Required (ha)	Total Land Required Incl. 50% Safety Margin (ha)
Office (B1)	12,200	10,980	20	219,600	50% at 4,000 50% at 6,000	45.75	68.625
Manufacturing (B1(c)/B2)	-2,400	-	-	-	-	-	-
Distribution (B8)	3,150	2,835	66.6% at 40 33.3% at 80	151,200	4,000	37.8	56.7
TOTAL		13,815		370,800			c. 125.325

Source: Derived from Economic Forecasts for Cardiff, Cambridge Econometrics, 2006 / NLP analysis

Table 4 Land Required in Cardiff 2006-2021

3.19 A generous safety margin is applied in order to:

- a Provide a margin for error given uncertainties in the forecasting process;
- b Allow developers and occupiers a reasonable choice of sites;
- c Enable normal market movement with relocations and turnover of firms;
- d Give flexibility while new premises are coming forward;
- e Allow for some limited release of existing employment sites to other uses;
- f Cope with some allocated sites not coming forward; and,
- g Respond to the policy-neutrality of forecasts and provide for the delivery of specific policy aspirations.

3.20 The above table demonstrates a requirement for around 125ha of B1 and B8 land over the period from 2006 to 2021. This equates to an annual requirement of

8.3ha, substantially in excess of the current availability in Cardiff. It should be noted, however, that these forecasts were produced in 2006 – before the start of the current recession. In order to satisfy the requirement for the LDP evidence base to be as robust and up-to-date as possible, the forecasts should now be revised in order to appraise the extent to which the current climate and anticipated resultant changes to the structure of the economy in Cardiff.

- 3.21 Whilst the number of B2 jobs overall is forecast to decrease over this time period, it will be still necessary to provide some employment land for this use class, in order to cater for new businesses, especially in the emerging B2 growth sectors, such as pharmaceuticals. Whilst it might be possible to provide some of this additional provision (and some of the additional B8 requirements) on surplus industrial land, the figures nevertheless highlight a very clear requirement for additional employment land.

Review of Past Trends

- 3.22 In addition to using employment forecasts, we can also consider past development trends. For new office buildings, the average take-up has been around 16,000 sqm per annum. This equates to a land requirement of c. 4ha a year and if projected forward implies a need for c. 60ha over the period 2006 to 2021. This figure is of the same order as the 68ha (4.5ha per annum) for B1 land set out above. In the context of a healthy economy, this figure requirement would therefore appear to be deliverable but consideration should be given to the extent to which the current economic conditions – and the resultant longer term economic changes – might serve to undermine the supply of this level of employment land.
- 3.23 Our alternative scenario suggests an average annual requirement of 2.3ha B1 land over the LDP period. This is substantially lower than the past trends but reflects the impact of the current recession upon long term levels and patterns of growth. The LDP is, however, a long term strategy and should take account of the expectation of future growth. This is reflected in the alternative scenario which still highlights a requirement for a large amount of additional land for office development in Cardiff.
- 3.24 As a result of existing market conditions neither employment growth nor delivery of employment land over the next few years is expected to replicate past trends. However, in spite of this, it is apparent that a substantial increase in the supply of land is nevertheless required to ensure that the forecast needs of the Class B1 employment sectors can be satisfied – particularly to meet the expected growth over the longer term. In delivering the required land, consideration must be given to its distribution and characteristics and its ability to contribute towards economic growth in Cardiff.



4.0 Review of Draft LDP

- 4.1 Section 61 of the 2004 Planning and Compulsory Purchase Act establishes a requirement for all local planning authorities to keep under review the matters which may be expected to affect the development of their area or the planning of its development. The application of old forecasts at a time of substantial economic change highlights a clear weakness in the approach that has been taken by Cardiff and serves to undermine the robustness of its strategy.
- 4.2 In general, the economic vision contained within the LDP is appropriate and recognises Cardiff's importance as a capital city and a leading economy within South East Wales and Wales as a whole. It also relates to the vision contained within the Cardiff Economic Strategy.
- 4.3 The spatial priorities contained within the LDP are similarly appropriate although there is a concern about the ways in which the aspiration to develop and protect a range and choice of employment land and premises has been reflected in the LDP. Whilst it is accepted that Cardiff City Centre and the Bay will continue to be dominant locations for commercial development, we are concerned that a strategy that seeks to promote these locations at the expense of all other parts of the City would have the potential to undermine the vision for growth and would limit the extent to which Cardiff could achieve its long term aspiration of becoming an internationally competitive city.
- 4.4 Particular concerns regarding the development approach that has been adopted include:
- a The potential for physical constraints to the scale of development that is proposed within Cardiff City Centre and Cardiff Bay;
 - b Potential limitations in the delivery of such substantial levels of growth in a relatively compact area which might result in a risk that the market might be flooded with new premises – resulting in a reluctance on the part of some developers to release additional premises and thereby undermining the range and choice of appropriate facilities;
 - c The possible unsuitability of premises in the City Centre and Cardiff Bay for some existing and potential growth sectors.
 - d An inability to develop and foster appropriate links with the proposed International Business Park. This might serve to reduce the potentially substantial economic benefits that the new International Business Park might offer to the City and the wider region; and,



- e An inability to fully address the existing shortcomings in the property portfolio relating to a limited range of commercial premises and the continued loss of premises to alternative uses.

- 4.5 If the LDP strategy is to be effective in fostering the level of growth that is sought in contributing towards the vision for Cardiff as an internationally competitive City, it is vital that, whilst promoting the City Centre and Bay as the key locations for office based activity, it also reflects the requirements of local and emerging businesses in terms of location, accessibility, size, type of premises and quality. Fundamentally, this will require the consideration of alternative locations for development in locations that are sustainable, easily accessible, well related to existing and proposed housing areas and capable of making a positive contribution to the local economy within Cardiff and its role in the Welsh economy as a whole. The concentration of development activity in the south of the City would not adequately fulfil these requirements and aspirations and the LDP should therefore be reviewed in order to ensure that a more acceptable range and choice of locations for employment development can be identified.
- 4.6 In the light of this concern, it is not considered that the LDP does not satisfy the requirement contained within Policy SP3. By identifying alternative locations for employment development, it would be possible to ensure that the social and economic needs of the City (borne from its scale and its role within the wider sub-region and Wales as a whole) might be satisfied in a manner that reflects the environmental limitations that exist.
- 4.7 Policy SP3(B) identifies a broad location for an International Business Park and locations for an additional 59ha of employment land, of which 95% is located to the south of the City. In addition to raising potential concerns regarding the delivery and viability of development in this concentrated area to the south of the City, the proposed distribution does not reflect the aspiration for range and choice and similarly does not provide the basis for an interaction between the International Business Park and other employment locations around the City.

5.0 Conclusion

- 5.1 Key to enabling Cardiff to fulfil its potential as an internationally competitive city is providing a range of types and sizes of accommodation in different locations, which can meet the needs of these growing sectors. However, only 12.5ha is currently available for B1 uses – 20% of the forecast need of around 60ha whilst the locations identified by Policy SP3(B) do not have the capacity to meet the employment land needs suggested by the Cambridge Econometrics forecasts.
- 5.2 In addition to ensuring that enough land is allocated, it is also vital to ensure that the right land is allocated – an appropriate distribution in locations that reflect the needs of potential users and the wider economy. As a result, there is a clear need for additional high quality employment land throughout the city – including locations outside of the city centre – which are capable of meeting the particular needs of a range of different employment sectors, especially those that are forecast to experience the greatest levels of future growth.
- 5.3 North West Cardiff is well placed to contribute towards meeting the shortfall in the B1 employment sector as part of a sustainable mixed use urban extension. The proposals for Waterhall include provision for local employment uses that would serve a similar market to the successful Cardiff Business Park which is at capacity. It would additionally have the capacity to support – and to benefit from – the proposed International Business Park.
- 5.4 In our previous Waterhall submission we described how half of the proposed employment provision would be in defined employment areas, concentrating on offices and light workshops. These will be provided at scales which allow for a mix of ownerships, including those who wish to invest in buildings for their own business as part of SIPPS pension arrangements. The remaining employment areas will be the basis for providing commercial life along the main local spine roads in Waterhall, such as happens along Cathedral Road or in Llandaff village. This will include office buildings, offices over shops, craft/gallery spaces etc, together with the non B class employment uses in local community facilities.
- 5.5 It envisaged that any employment provision at Waterhall would serve a different market to the proposed Cardiff International Business Park which it is understood would target larger scale premium investment opportunities. There would however be the potential for synergies between the two employment locations given their close geographical proximity.