Regional Employment Study

Larger than Local—Executive Summary

Final Report

April 2020

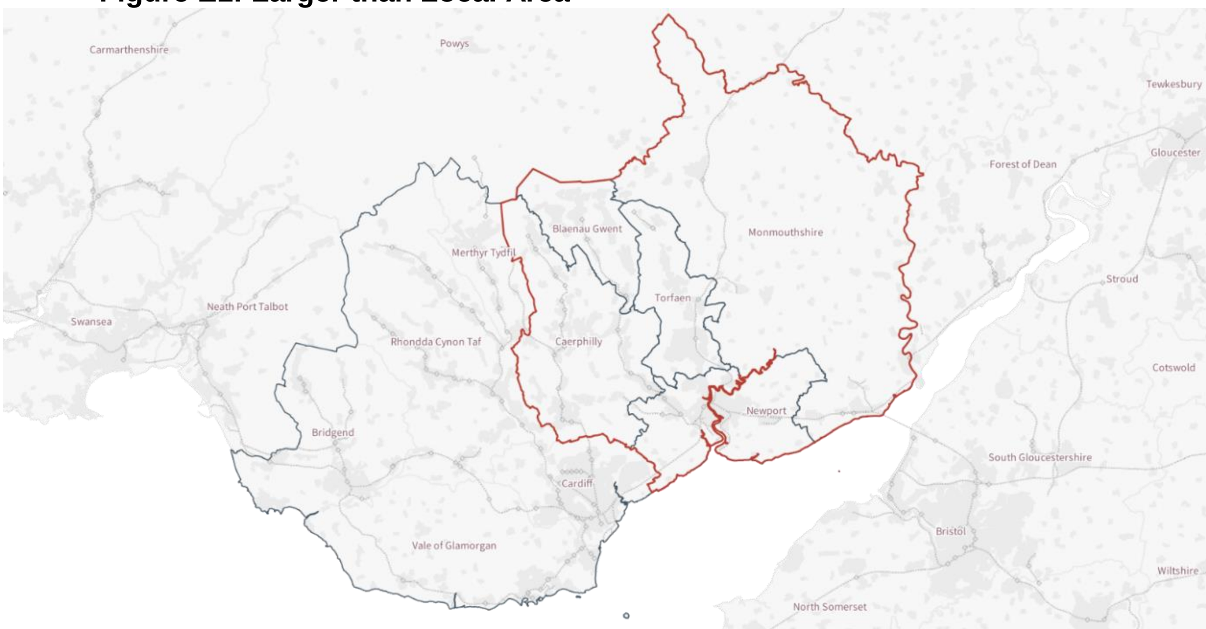
Mae'r ddogfen hon ar gael yn Gymraeg/ This document is available in Welsh

Introduction

i. This **Regional Employment Study** has been prepared by BE Group, Hatch and Per Consulting on behalf of five local authorities – Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen Councils.

ii. This report was produced in accordance with the Welsh Government Guidance on how to develop an evidence base to support Local Planning Authorities (LPAs) in their preparation of employment land strategies and policies. The Guidance prescribes data collection at two geographic levels: **Local** and **Larger than Local**. This report constitutes the evidence base for the Larger Than Local Study. The Larger Than Local Area (LTLA) of this Study comprises the combined area of the five local authorities of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen.

Figure E1: Larger than Local Area



Source: Hatch

Socio-Economic Profile

iii. There are important economic relationships within the LTLA, although there is also evidence that the LTLA does not act as one functional economic region. While the employment self-containments of the separate five local authorities are low, the LTLA as a whole has a reasonably high self-containment level, with 71 percent of the LTLA's in-work residents working within the LTLA. The self-containment is lower than the level expected of a functional economic area (~75 percent), but clearly indicates that the economic relationships among the five local authorities are strong.

iv. Flow analysis of both migration and commuting has highlighted the importance of some areas outside the LTLA for the strength of labour and housing market relationships with the LTLA. The areas with the strongest relationships are Cardiff, which clearly plays a critical role in the wider city region, and Bristol and South Gloucestershire, across the Severn.

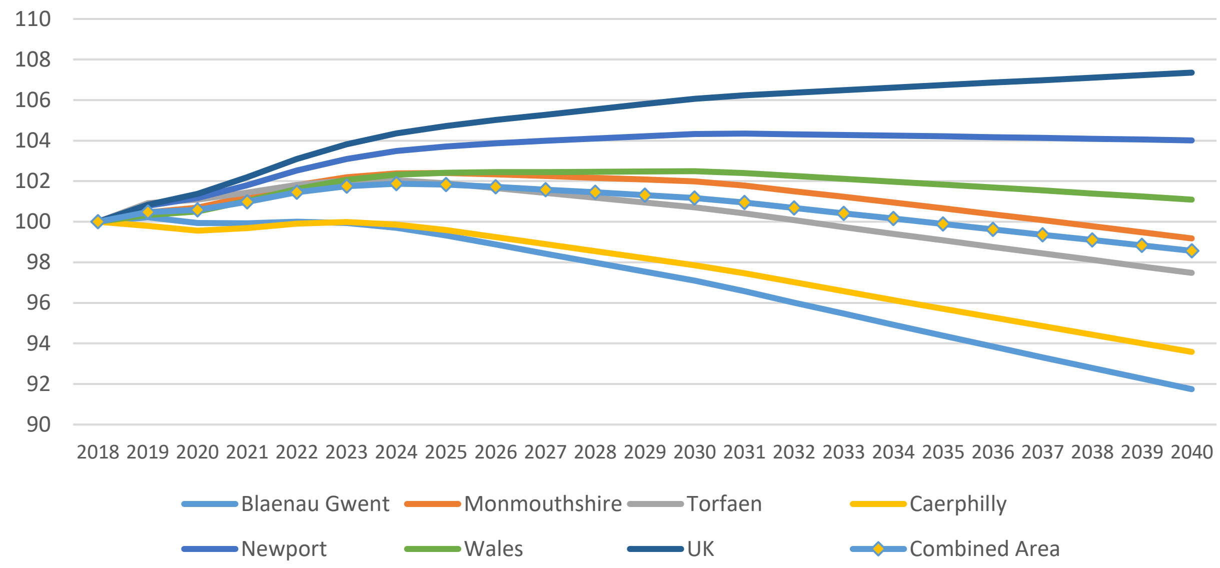
v. The analysis shows that some areas are important centres for business and work, such as Newport and parts of Torfaen and Monmouthshire, while others have a more limited job offer, as in the case of Blaenau Gwent, so that their residents have to look out to other local authorities for employment opportunities. Some areas are more vulnerable and are lagging behind, while others are more dynamic and driving growth. For example, despite Monmouthshire’s high-skilled resident population, its demographic structure is weighted towards older age groups, which is constraining future growth. Other local authorities such as Newport, Caerphilly and Torfaen have higher shares of younger people in the pre-working age group (0-15 years old), meaning that the structure of their population is favourable to future employment growth. However, only Newport stands out as a strong driver of growth in the LTLA. Blaenau Gwent is the area with the smallest population and economic bases and has been losing people and workers over recent years. It is also the area with the gloomiest economic outlook, as shown by the forecasts projecting significant job losses in the future.

vi. Manufacturing is currently the sector of specialisation for the LTLA, being almost twice the average size of the sector in Great Britain. However, recent trends have shown a persistent decline of manufacturing jobs across the LTLA (with the only exception of Torfaen) and forecasts are also projecting a very sharp decline over the next few decades. Recent announcements, such as the closure of the Ford manufacturing plant at Bridgend, certainly align with the outlook suggested by the forecasts. However, other local evidence suggests that the manufacturing sector is performing more strongly than the employment numbers suggest, with strong property interest for B2 industrial units and some unmet requirements in the market.

vii. Overall, employment forecasts to 2040 projects a 1 percent decline (-3,600 jobs) between 2018 and 2040, primarily driven by steep employment declines in Blaenau Gwent (-8 percent) and Caerphilly (-6 percent). Newport is the only local authority projected to grow over the period, at a rate (+4 percent) which is above Wales average

(+1 percent) but below the UK average (+7 percent). The LTLA's employment decline starts in 2025, after 5-6 years of sustained employment growth. This overall decline contrasts with the positive - albeit mild - growth forecast for Wales.

Figure E1: Indexed Forecast Employment Growth (2018-2040)



Data Source: Oxford Economics, 2019

viii. Employment decline is driven by a significant loss of manufacturing jobs (nearly 11,600). However, it should be recognised that the manufacturing sector is diverse throughout the region and some sub sectors of manufacturing are likely to buck this trend. Growth is expected to be driven by service-based sectors such as Business Administration, Professional Services, Health and ICT.

Property Market

ix. There are several active markets across the LTLA for B-class employment uses. For industrial/warehousing units, there is a general shortage of units in the LTLA, with a particular demand for mid-sized industrial units (1,900-4,600 sqm or 20,000-50,000 sqft), as well as smaller units at about 500 sqm. However, the market has also seen some larger transactions and the employment land provision in the LTLA should be sufficient to accommodate larger requirements. Importantly, the industrial property market has demonstrated solid take-up rates of premises, where and when available, and demand for further stock that has not been adequately provided for.

x. The office market is generally for small to medium sized units, with larger sized units not in significant demand outside of Newport. In Newport, the provision of employment land should be able to accommodate a broader range of office premises, including opportunities for larger occupiers to acquire large floorplate units or full buildings.

xi. The property market is experiencing constraints due to limited supply of available, ready-to-occupy premises in the market. This is impacting on the ability of businesses to enter the market, with commercial agents reporting lower transaction volumes due to lack of supply of premises. This was reported for industrial and office premises. There is clear evidence of demand in the short term for premises, particularly for small to mid-sized industrial units. The property market will continue to be constrained and miss out on opportunities for business growth in the local market, while the choice of premises in the LTLA remains limited.

Employment Land Supply

xii. The realistic employment land supply across the LTLA was estimated to be approximately 330 ha. This is not evenly distributed throughout the sub-region, as demonstrated in the table below. Furthermore, the quantum of available land is not uniform in terms of appropriate types of employment uses, though most of the available land is considered appropriate for a mix of B-class uses.

Table E1 – Land Allocations by Employment Use

Area	B1	B2	B8	B1/B2	B1/B8	B2/B8	B1/B2/B8	Total
Blaenau Gwent	5.8						40.01	45.81
Caerphilly	8.8		9.7				31.5	50.0
Monmouthshire	7.95		13.3	2.8	1.0	4.0	16.54	45.59
Newport	8.0		16.0				133.4	157.4
Torfaen	9.34			0.46		1.28	19.24	30.32
Total	**39.89**	**0**	**39.0**	**3.26**	**1.0**	**5.28**	**240.69**	**329.12**

Sources: Analysis of Local Development Plans, monitoring data, employment land reviews and data from Councils; BE Group assessment

xiii. The largest supply, including the largest individual sites, is located in Newport, which appears to be a strong outcome for the sub-region, given the locational benefits and current economic concentration around Newport. However, it will further concentrate economic activity in this area, rather than provide a more distributed outcome. Given the capacity constraints on the M4, this may not be ideal for the LTLA.

xiv. It is recommended that a suite of **strategic employment sites** is identified across the LTLA. Strategic employment sites are defined as "*employment sites within the sub-region which will support the development of significant businesses within the area. These sites will be deliverable for employment uses within a timely period. Strategic employment sites will be appropriate in location and size to support key regional* *sectors. Sites that are within contiguous ownership will be preferred.*" Strategic employment sites will house businesses that would be important contributors to the economy within the sub-region, including job opportunities, supply chains and markets. These effects will be evident across local authority boundaries to the wider LTLA and beyond.

xv. The following table summarises the recommended strategic employment sites for the region. These represent some 220 ha of employment land supply. This land is concentrated within Newport, although sites are also located throughout the LTLA including northern, central and south-eastern areas. Strategic sites form approximately two-thirds of the realistic supply of employment land in the sub-region.

Table E2 – Recommended Strategic Employment Sites

Site	Local Authority	Realistic Supply for B-Class Uses (Ha)
Rhyd y Blew	Blaenau Gwent	13.2
Bryn Serth	Blaenau Gwent	10.0
Oakdale Business Park - Plateau 1 - Plateau 2 - Plateau 4	Caerphilly	24.2
Gwent Euro Park - Newport - Monmouthshire	Monmouthshire/ Newport	29.3
Duffryn/Imperial Park	Newport	38.5
East of Queensway Meadows	Newport	27.0
Eastman (Solutia)	Newport	40.4
Celtic Business Park	Newport	27.5
Craig Y Felin	Torfaen	10.0
Specialist Strategic Site		
Llanfrechfra Grange Medi Park	Torfaen	Exact site to be confirmed
Total Strategic Sites		**220.1**

Source: BE Group analysis of site information

xvi. From the assessment of the sites, it is considered that the above nine sites are designated as the sub-region's strategic employment sites. Combined, these sites comprise 220 ha of employment land. In addition to this, it is recommended that the Llanfrechfa Grange (Medi Park) site in Torfaen is designated as a specialist strategic site for health, with exact site size to be confirmed following completion of study.

Employment Land Demand

xvii. The employment land demand to 2040 was assessed through two models, one looking at past take-up rates (Model One) and the other reviewing employment forecasts by sector (Model Two). The following table is a summary of the employment land demand calculations for the LTLA.

Table E3 – Comparison of Land Requirement Forecasts

	Land Requirement 2018-40 (ha)		
Area	**Model One (past take-up rates)**	**Model Two – Net (employment forecasts)**	**Model Two – Growth (employment forecasts)**
Blaenau Gwent	11.0	-23.43	1.06
Caerphilly	103.4	-63.15	4.05
Monmouthshire	46.2	-17.65	6.84
Newport	48.4	-30.29	18.48
Torfaen	15.4	-35.19	7.26
LTLA	**224.4**	**-169.71**	**37.69**

Source: BE Group analysis

xviii. The employment land estimates generated through the sectoral employment forecasts (Model Two) appear to be under-forecasting potential growth in the LTLA, particularly requirements for manufacturing land. Therefore, the Model One – past take-up – method is considered to be the preferred method for the LTLA. This approach has calculated a demand across the LTLA between 2018 and 2040 of 224 ha. The underlying assumption of this forecast is that the future demand for employment land follows past growth trends. The strongest growth is projected to be in Caerphilly, due to its solid past take-up levels.

xix. The following table compares the forecast employment demand with the current supply of vacant employment land in the LTLA.

Table E4 – Comparison of Employment Land Supply and Demand

		Land Requirement 2018-40 (ha)			
Area	**Realistic Employment Land Supply (ha)**	**Model One Demand**	**Model One Supply minus Demand**	**Model Two Demand (Growth)**	**Model Two Supply minus Demand**
Blaenau Gwent	45.81	11.0	34.81	1.06	44.75
Caerphilly	50.0	103.4	-53.4	4.05	45.95
Monmouthshire	45.59	46.2	-0.61	6.84	38.75
Newport	157.4	48.4	109.0	18.48	138.92
Torfaen	30.32	15.4	14.92	7.26	23.06
LTLA	**329.12**	**224.4**	**104.72**	**37.69**	**291.43**

Source: BE Group analysis, 2019

xx. The table shows that under the Model One (based on past take-up) the demand requirements to 2040 are such that it is **calculated to have a spare capacity of employment land in the LTLA of about 105 ha by 2040**. This capacity is not evenly distributed throughout the LTLA, with some local authority areas having a shortfall of land and some with spare capacity. Most notably, Caerphilly has a shortfall of about 53 ha over the forecast period and Newport has a calculated spare capacity of about 109 ha.

xxi. Monmouthshire appears to have an effective supply/demand balance by 2040, although it is rare that in reality the supply of land (including locations, size and use types) neatly match the overall demand profile and thus some level of choice is preferred. The areas of Blaenau Gwent and Torfaen appear to have moderate surpluses of employment land to 2040 under the Model One scenario.

xxii. This Larger than Local study approach provides an assessment of the employment land supply and demand balance at the sub-regional context. Therefore, it is reasonable to assess potential cross-boundary issues, where demand within one local authority area may be satisfied by supply in a neighbouring local authority. In particular within the sub-region, it could be expected that there would be some movement away from Caerphilly towards areas of stronger supply (notably Newport) in coming years. This could address the significant deficit in Caerphilly, though such reorientation of the growth trajectories would need to be cognisant of localised needs. To allow for uncertainty in the market, a buffer equivalent to five years of take-up has been added to the demand. This reduces the overall surplus to 53.7 ha under the preferred Model

One approach and tightens the supply/demand profiles in the individual local authority areas.

Table E5 – Revised Employment Land Requirement

		Land Requirement 2018-40 (ha)			
Area	**Realistic Employment Land Supply (ha)**	**Model One Demand**	**Model One Demand, inc. 5-year Buffer**	**Revised Demand, inc. 5-year Buffer**	**Revised Supply minus Demand**
Blaenau Gwent	45.81	11.0	13.5	35	10.81
Caerphilly	50.0	103.4	126.9	70.4	-20.4
Monmouthshire	45.59	46.2	56.7	60	-14.41
Newport	157.4	48.4	59.4	75	82.4
Torfaen	30.32	15.4	18.9	35	-4.68
LTLA	**329.12**	**224.4**	**275.4**	**275.4**	**+53.72**

Source: BE Group analysis

Recommendations

xxiii. The findings of this study were distilled into a series of recommendations, which are summarised below:

1. **Continue to plan at the larger than local level.** While there are some differences within the LTLA in terms of its economic function, the strong relationships between the areas suggest that a larger than local approach is appropriate and that the inclusion of each of the five areas in this approach is reasonable. However, employment land planning at the local authority level is still appropriate as such an approach would highlight localised issues more fully. The two approaches should have regard to each other and be complementary.

2. **Future employment land for the larger than local area.** It is estimated that the employment land requirement in the LTLA to 2040 will be 224 ha. This compares to the existing supply of employment land across the LTLA of approximately 330 ha, thereby having an overall sub-regional spare capacity of land of about 105 ha. However, there are localised shortages in land supply within the LTLA.

At a larger than local approach, it is reasonable that shortages in some areas are balanced by spare capacity in other areas, if appropriate to meet the needs of the market. Furthermore, it is appropriate to include a level of spare capacity to allow for uncertainties over the planning period. Therefore, the revised employment land requirement, including a buffer equivalent to five-years of supply, that is provided in Table E5 above is the recommended requirement for the LTLA.

3. **Strategic employment sites.** The following employment sites are recommended to be designated as strategic employment sites, recognising their potential for development for employment uses that have a wider and higher level economic function.

Table E6 – Recommended Strategic Employment Sites

Site	Realistic Supply for B-Class Uses (Ha)
Rhyd y Blew	13.2
Bryn Serth	10.0
Oakdale Business Park - Plateau 1 - Plateau 2 - Plateau 4	24.2
Gwent Euro Park - Newport - Monmouthshire	29.3
Duffryn/Imperial Park	38.5
East of Queensway Meadows	27.0
Eastman (Solutia)	40.4
Celtic Business Park	27.5
Craig Y Felin	10.0
Specialist Strategic Site	
Llanfrechfra Grange Medi Park	Exact site to be confirmed
Total Strategic Sites	**220.1**

Source: BE Group

4. **Allocation of further employment sites.** While there is an overall surplus of employment land compared to forecast requirements to 2040 in the LTLA, there are localised shortages in supply which should be addressed, in particular shortages of land in Caerphilly (-20.4 ha), Monmouthshire (-14.4 ha) and Torfaen (-4.3 ha) to 2040. Therefore, it would be necessary to identify and bring forward further employment sites in the LTLA over the forecast period. They would need to be available to the market prior to 2040 and thus identification

of sites, allocations, servicing and deliverability would need to be undertaken within an appropriate timeframe to allow for this.

5. **Primacy of the Newport City Centre.** The overall strategy for the LTLA should support the primacy of the Newport City Centre within the LTLA. Newport City Centre is the most concentrated hub of higher order facilities in the LTLA and has an array of leading corporate office occupiers. Part of this support will be the encouragement of high quality, corporate office space in the city centre. These spaces will be developed at a higher density than typical business park office space. This should include refurbishment of existing spaces as well as the development of new office space. An increased provision of Grade A office space in Newport City Centre will mean that the LTLA can provide a broader offer of premises for businesses looking to enter the market, particularly high-end corporate firms.