

Insight focus

JANUARY 2019

Planning for business: Policy and practice updates

The Government's recent updates to national planning policy and practice guidance change the way in which local authorities will need to plan for economic growth in their area.

Long-awaited revisions to the National Planning Policy Framework (NPPF) were published in July last year, implementing around 85 reforms, mainly relating to measures for boosting housing supply. By contrast, the Government has chosen to make limited substantive change in terms of directing planning policy for the economy and business. This is set against the backdrop of latest Office for Budget Responsibility (OBR) forecasts which point to a prolonged period of somewhat sluggish growth ahead (see [Lichfields' analysis](#)), complicated by a slowdown in the growth of productivity and continued economic uncertainties created by Brexit. The new Framework will apply to Local Plans that are submitted for examination after 24 January 2019.

It does, however, introduce a number of shifts in policy direction which, although subtle, could change the way local planning authorities will need to gather and implement economic evidence for the purposes of plan-making and decision-taking. An overarching emphasis on up-to-date market signals and business intelligence

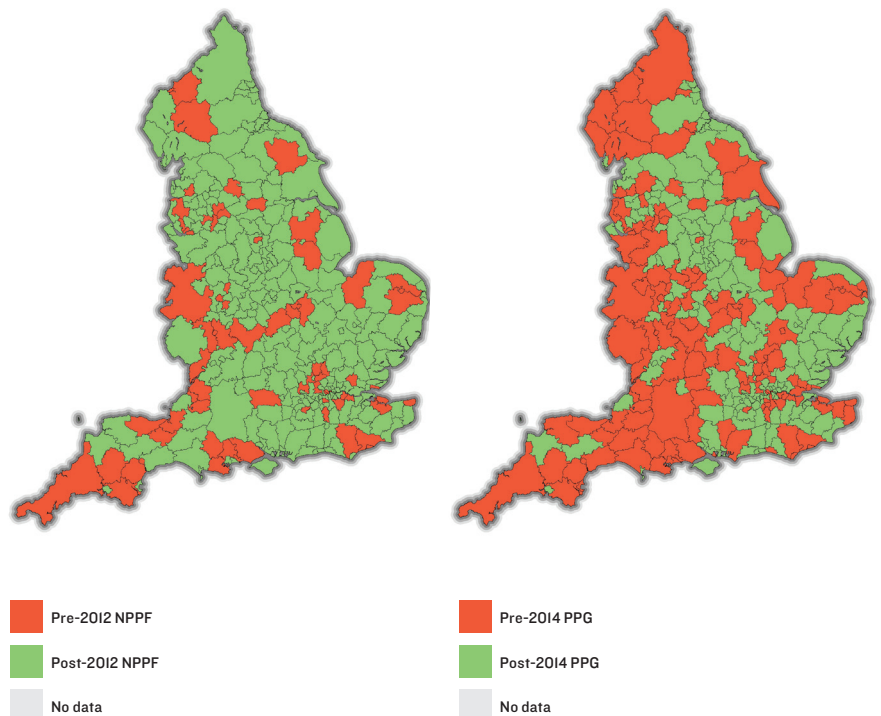
leaves many areas across the country with work to do, to update their economic evidence base which in some cases pre-dates the original NPPF and PPG (see Figure 1). This is further re-enforced by the new requirement for planning policy to explicitly

respond to the national imperative to boost productivity,

with economic growth targets and objectives dovetailing closely with emerging Local Industrial Strategies across the country.

This Insight Focus explores the changes brought about by updated planning policy and practice guidance and the implications this will have for those involved in planning for economic growth and business needs across England.

Figure 1: Date of most recent employment land evidence, by local authority



Source: Lichfields research (at July 2018)

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Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt.

NPPF July 2018
para 80

Revised NPPF: Business as usual, but with sharper tests

An “economic objective” remains the first overarching objective of the planning system (NPPF paragraph 8, point a), although the wording in the revised NPPF has been broadened to expressly refer to the need to “support growth, innovation and **improved productivity**” (emphasis added), clearly a key priority of Government given its emphasis in national Industrial Strategy.

In line with the NPPF’s new structure, economic considerations now have their own chapter (6). In the original NPPF, “building a strong, competitive economy” featured as the first element of delivering sustainable development, but now follows the chapter on delivering a sufficient supply of homes. In terms of content, however, the wording of the new chapter 6 looks familiar when compared to paragraphs 18-22 of the original NPPF. In line with wider amendments, the text has been consolidated and simplified.

The widely-cited line that the planning system should do “everything it can to support sustainable economic growth” (paragraph 19 of the previous NPPF) has been deleted, but the general direction remains clear, with the added reference to productivity:

“Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development.” (paragraph 80)

On supply side matters, the original NPPF wording that “planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose” (paragraph 22) no longer appears in the economy

chapter, but now features in expanded form in chapter 11 on “making effective use of land”. The sentiment remains largely the same, but the test has been sharpened. Regular reviews of allocations are now required and, even prior to plan reviews, applications for alternative uses should be supported where unmet needs for development could be provided for.

Whilst in overall terms, the revised NPPF looks very much like ‘business as usual’ when it comes to planning for the economy, with little in the way of new detail or prescription, it does include some subtle changes and shifts in emphasis that local authorities will need to take into account when developing an evidence base and associated planning policies to support economic and business growth in their area. These are summarised by theme in Figure 2 overleaf. Timing is also critical; local authorities will need to ensure policies are framed in the right way to reflect the particular sequencing of updated planning policy (with implementation period), revised practice guidance and Local Industrial Strategies coming into force at different points in time.

Ultimately, local authorities will need up-to-date and more comprehensive evidence to inform their judgments about the need for, and relative importance of, the employment land in their areas, particularly in the face of added pressure for release to other uses. Evidence should be proportionate and tightly focused on supporting and justifying the policies concerned, taking into account relevant market signals and intelligence where this is available.

Specific focus on productivity

Productivity is a concept rarely explored in any great detail in plan-making or decision-taking, but the added emphasis seems appropriate given the national imperative on the issue. Traditional forecasting methods rarely consider productivity as an explicit component, so this now provides an opportunity to approach economic needs assessment in a more holistic, innovative way. For instance, Local Plans will need to demonstrate how their various policies encourage the clustering of high value industries, provide sufficient space for business expansion/diversification, facilitate access amongst local firms to flexible labour markets and deliver the critical infrastructure needed to improve overall efficiency of the economy.

"Planning policies and decisions should place significant weight on the need to support economic growth and **productivity**" (para 80)



National Industrial Strategy and Local Industrial Strategies

The Government's national Industrial Strategy, and how it is manifested locally, is set to become more influential in plan-making and a potential material consideration. Local authorities and sub-regions will therefore want to be proactive in helping to bring forward or shape Local Industrial Strategies not only to help realise growth opportunities in their area but also given the weight they could carry in future planning decisions. As they start to come forward, authorities will need to give consideration to how Local Plans can help deliver wider economic objectives, particularly improving productivity (as set out above).

"Planning policies should have regard to **Local Industrial Strategies** and other local policies for economic development and regeneration" (para 81.a)



High productivity areas

As the Government seeks to boost the productivity and earning power of people throughout the UK, those areas already supporting high levels of productivity and innovation will be expected to lead the way (see Figure 3). The case for effective planning policies to support economic growth will be even stronger here, closely tied into Local Industrial Strategy objectives and supported by a competitive and attractive portfolio of deliverable site development opportunities.

"Planning policies and decisions should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future. This is particularly important where Britain can be a global leader in driving innovation, and in **areas with high levels of productivity**, which should be able to capitalise on their performance and potential" (para 80)



Encouraging the re-use of employment (and retail) land for new homes

The Government appears willing to sacrifice employment land in the quest to meet housing needs, particularly within areas where housing affordability and overcrowding pressures are most acute (see Figure 4). It is less clear how well the approach proposed nationally sits with the Government's clearly stated intentions to support economic growth and productivity (as noted above) which on the face of it, appear contradictory. Encouraging the re-use of employment sites for housing in this way significantly raises the evidential bar for retaining key business locations, with onus on the local planning authority (or developer) to justify the relative merits and value of individual sites in helping to build a strong, competitive economy. A more granular understanding will be needed of a site's contribution to an area's 'key economic sectors' to weigh in the planning balance.

"Local planning authorities should **support proposals to use retail and employment land for homes in areas of high housing demand**, provided this would not undermine key economic sectors or sites or the vitality and viability of town centres, and would be compatible with other policies in the Framework" (para 121.a)



Recognition of storage and distribution activities

The NPPF acknowledges the continued growth of the distribution and logistics sector as digitisation takes hold and customer expectations evolve. Plan making authorities across all parts of the country will need an effective strategy in place and a tailored portfolio of sites of the right scale, location and type to reflect the area's position in the logistics chain. As explored through recent [Lichfields research](#), the logistics sector has become more complex and fragmented, with the emergence of last mile facilities disrupting the traditional logistics supply chain model and giving rise to greater demand for premises in or near to large urban markets.

"Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for **storage and distribution operations** at a variety of scales and in suitably accessible locations" (para 82)

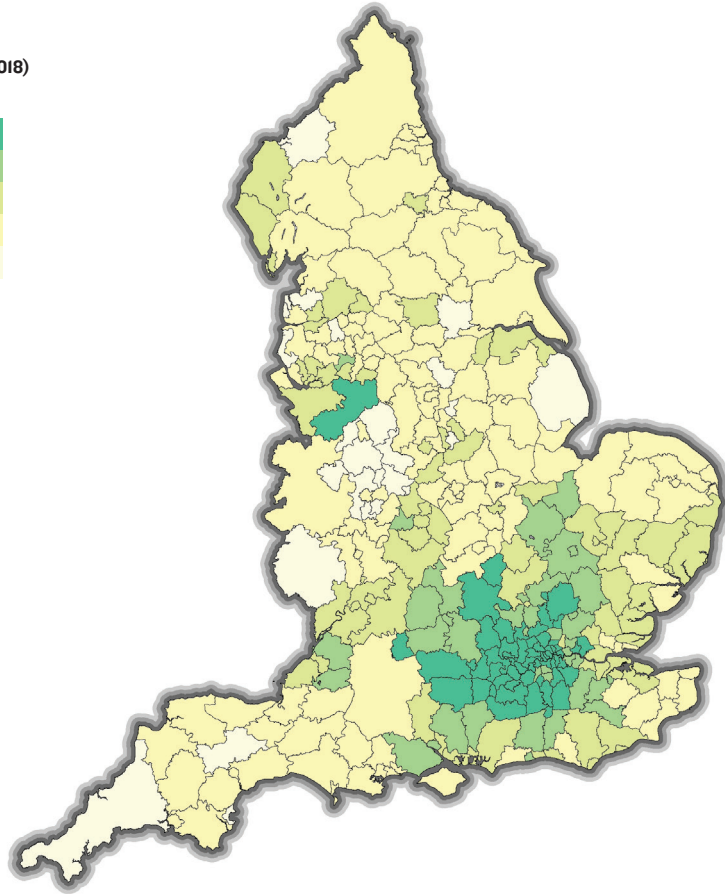


£50,580

Average GVA per
workforce job in
England in 2018

Figure 3: Workforce productivity by local authority area

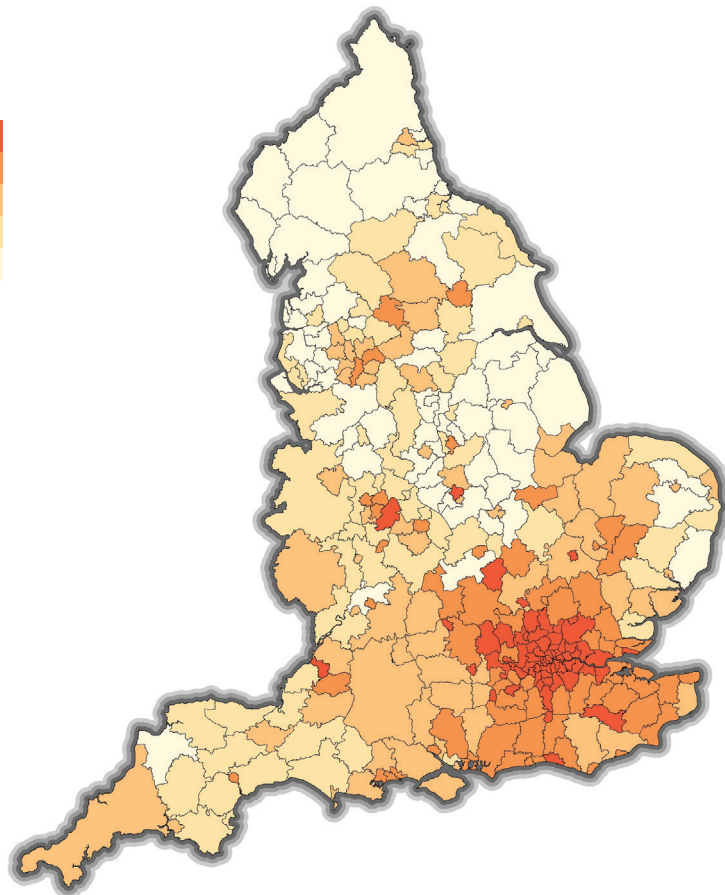
Workforce productivity (2018)
GVA per workforce job



Source: Lichfields analysis, based on Experian 2018 data

Figure 4: Indicators of housing demand by local authority area

Housing demand
Affordability ratio (2017)
& overcrowding rate
(2011) rank



Source: Lichfields analysis, based on ONS (2017) and Census (2011) data

To coincide with the revised NPPF, the Government has also updated its Planning Practice Guidance (PPG) in relation to gathering economic evidence and applying this evidence to plan for business growth. There may of course be further updates to the PPG in future.

Assessment of economic development needs no longer has its own chapter (which it used to share with housing), with guidance on planning for business now included within the 'plan-making' section of the PPG, alongside a range of other considerations. This largely echoes the guidance on evidence base preparation included within the 'plan-making' section of the original (2012) NPPF.

Echoing the Framework approach, the updated PPG consolidates and scales back the extent of guidance provided on planning for economic development needs compared with its previous iteration, to provide a broad set of principles rather than a detailed step-by-step

'how to' guide. This marks a clear shift towards building more flexibility into the plan-making process but also leaves overarching national policies significantly more open to local interpretation, risking inconsistent approaches and greater scope for challenge. For instance, previous technical references to analysing economic forecasts, apportioning SIC codes to land use sectors and applying plot ratios have gone, perhaps assumed to represent 'best practice' rather than a definitive methodology.

At the same time, the revised NPPF's explicit policy support for re-purposing employment (and retail) land for residential development in areas of high housing demand poses a new challenge for local planning authorities in these areas seeking to retain key sites for business use. In such cases, reliance upon focused, up-to-date economic evidence (see below) will become more important than ever before in the face of increasingly strong scrutiny.

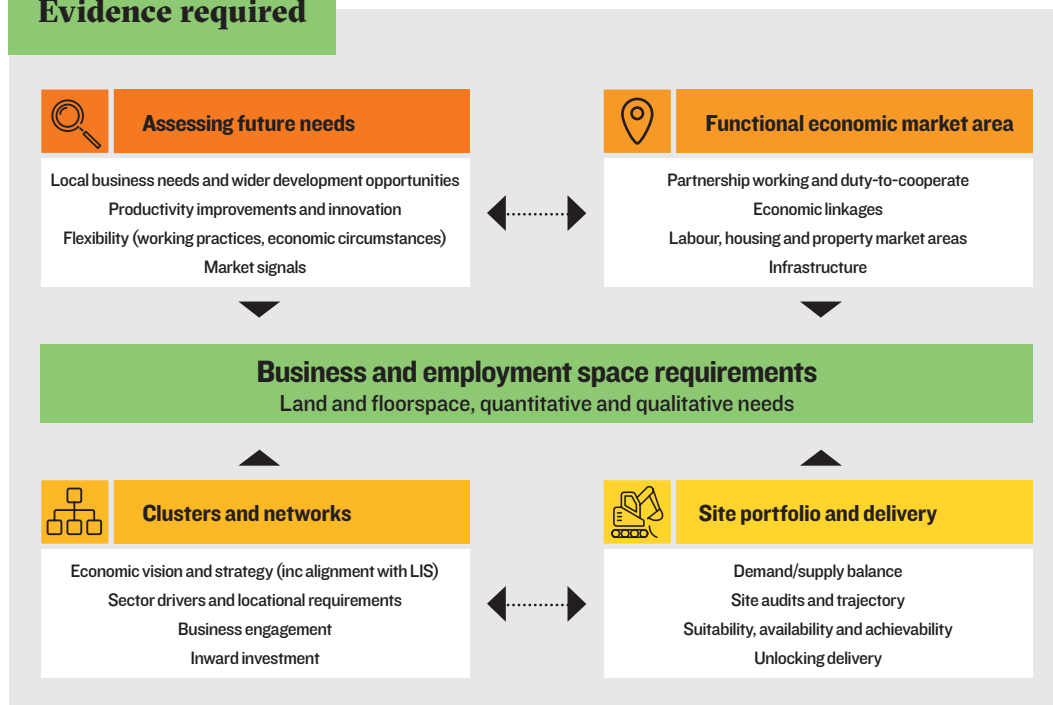
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Lichfields is the pre-eminent planning and economics consultancy in the UK, with market leading skills in economic growth and employment space assessments.

We are at the forefront of economic evidence base production for Local Plans nationally, and use our suite of market-leading tools and bespoke products to help local authorities maintain an up-to-date evidence base that fully complies with the latest updates to the NPPF and PPG.

Contact us to find out how we can help.

Evidence required



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