Elmbridge Employment Land Review

Final Report

Elmbridge Borough Council

03 April 2025

LICHFIELDS

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Contents

1.0 Introduction

1.1 Elmbridge Borough Council ('the Council') commissioned Lichfields to prepare an Employment Land Review ('ELR') for the Borough. The purpose of the study is to provide an up-to-date evidence base for employment policies and designations to inform the new Local Plan covering the period between 2022 and 2040.

Scope of the Study

1.2 The purpose of this study is to provide evidence on the future growth potential of the Borough's economy to support development of the new Local Plan, focusing specifically on the latest job and broader economic growth projections as an indicator of future demand, and commercial property market signals.

1.3 It has been prepared in accordance with the latest Planning Practice Guidance (PPG)[1] and the identified methodology for determining future economic development needs. It includes consideration of economic development as defined by the latest National Planning Policy Framework (NPPF)[2], with a primary focus on the typologies set out in the Business Use Classes as outlined below:

- E(g)(i): office space and E(g)(ii): research and development space.
- E(g)(iii): light industrial space and B2 general industrial which typically comprising factory and manufacturing space.
- B8 storage and distribution including warehouses, wholesale and distribution.

1.4 References to 'employment space' refer to all E(g)/B class elements noted above.

1.5 An important consideration for any analysis of this type is that essentially it is a point-in-time assessment. This study has incorporated the latest data and other evidence available at the time of writing (Autumn 2024). The accuracy and sources of data derived from third party sources has not been checked or verified by Lichfields. It is also noted that the Elmbridge Draft Local Plan has been withdrawn[3] as of January 2025 and the Council is starting the process of preparing a New Local Plan for the Borough.

1.6 It should also be noted that this employment evidence considers the 'indigenous' employment needs arising from economic and employment growth in Elmbridge and it does not specifically take account of other strategic/inward investment needs or any other specific investment position that may arise from other areas or firms, other than to the extent that these have been accommodated historically and accordingly they are currently reflected in the trends which inform the various forecasts of the assessment.

Structure of the Report

1.7 The report is structured under the following sections:

- Functional Economic Market Area (**Section 2.0**);

[1] MHCLG (2024), PPG-Housing and Economic Needs Assessment
[2] MHCLG (2024), National Planning Policy Framework
[3] Elmbridge Local Plan Withdrawal

- Economic Profile and Trends (**Section 3.0**);
- Commercial Property Market Signals (**Section 4.0**);
- Future Employment Space Requirements (**Section 5.0**);
- Review of Employment Land (**Section 6.0**);
- Demand-Supply Balance (**Section 7.0**); and
- Conclusion and Policy Considerations (**Section 8.0**).

2.0 Functional Economic Market Area

2.1 This section considers the extent of the Functional Economic Market Areas ('FEMAs') that operate across Elmbridge Borough and the wider sub-region to provide an understanding of the various economic relationships, linkages and flows which characterise the local and wider economy.

Rationale

2.2 When planning for economic growth, the PPG states that economic needs should be considered in relation to the most appropriate geographies and relevant FEMAs, that is, the spatial level at which local economies and markets operate[4]. In many cases, these will extend beyond administrative boundaries such as local authority boundaries.

2.3 There is no single source of comprehensive data for identifying appropriate assessment areas, so several factors should be considered when assessing and defining relevant FEMAs. This includes travel to work areas ('TTWAs'), housing market areas ('HMAs'), commercial property market areas ('CPMAs') and service markets for consumers. In order to identify a FEMA for Elmbridge Borough, a number of market and catchment areas have been considered and assessed. These themes are considered in turn below.

Labour Market Areas

2.4 Commuting flow data can be used to define TTWAs to consider the relationship between where people live and where they work.

Commuting Flows

2.5 Commuting patterns to and from Elmbridge can be analysed using origin-destination data from both the 2011 and 2021 Census. Table 2.1, Figure 2.1 and Figure 2.2 summarise several key commuting indicators for Elmbridge.

2.6 Data collection for the 2021 Census was undertaken during the Covid-19 pandemic with a number of travel restrictions in place on collection day. As a result, the commuting patterns identified within the 2021 Census vary greatly from the previous 2011 Census. This includes the number of people who said they work from home in Elmbridge increasing from around 10,110 people in 2011 to around 42,800 in 2021, and out-commuting from Elmbridge falling by around 64%. Therefore, for the purposes of this study, commuting data from the 2011 Census has been used due to the unreliability of the 2021 Census data at the local area level, although the latter is also presented for information purposes[5].

2.7 In 2011, around 24,600 of the 65,300 working residents of Elmbridge also worked locally within Elmbridge, resulting in a relatively low self-containment rate of 37.7%. A total of

[4] See Planning Practice Guidance, How can functional economic market areas be defined?, paragraph: 019 Reference ID: 61-019-20190315

[5] The Office for National Statistics advises against use of the 2021 Census commuting data for planning purposes as it was collected during the period of Covid-19 national lockdown when working patterns were disrupted and while the Government furlough scheme was in operation. The ONS is researching the potential use of aggregate mobile phone data, survey data and modelling approaches to produce more timely measures of travel data. Further information is available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/traveltoworkenglandandwales/census2021.

27,051 people commuted into Elmbridge for work, the majority of which were from neighbouring Kingston upon Thames, Runnymede, Woking or Spelthorne, and 40,646 people commuted out from Elmbridge. The majority of these out-commuters travelled to Westminster (including the City of London) in Central London (7,005), but a large number also travelled to neighbouring Kingston upon Thames (3,957). On this basis, Elmbridge is characterised as a net exporter of labour, with a net out-flow of 13,565 workers at the time of the 2011 Census.

Table 2.1 Commuting data for Elmbridge, 2011 and 2021

Indicator	Elmbridge – 2011 Census	Elmbridge – 2021 Census
Total working residents† (number of people living in Elmbridge that are in work, regardless of where they work)	65,279	66,980
Total workplace workers* (number of people working in jobs based in Elmbridge)	51,684	70,503
Live and work in authority*	24,633	52,192
Number of people who work from home all of / most of the time	10,110	42,763
Resident self-containment rate*	37.7%	77.9%
In-commuting workers¥	27,051	18,326
Top in-commuting destinations	Kingston upon Thames (3,145), Runnymede (2,908), Woking (2,831), Spelthorne (1,774)	Runnymede (2,159), Kingston upon Thames (2,114), Woking (1,894), Spelthorne (1,560)
Out-commuting workers	40,646	14,787
Top out-commuting destinations	Westminster (including the City of London) (7,005), Kingston upon Thames (3,947), Richmond upon Thames (2,083), Runnymede (2,077)	Kingston upon Thames (2,106), Richmond upon Thames (1,252), Runnymede (1,138), Spelthorne (878)
Net flow of workers	-13,595	3,539

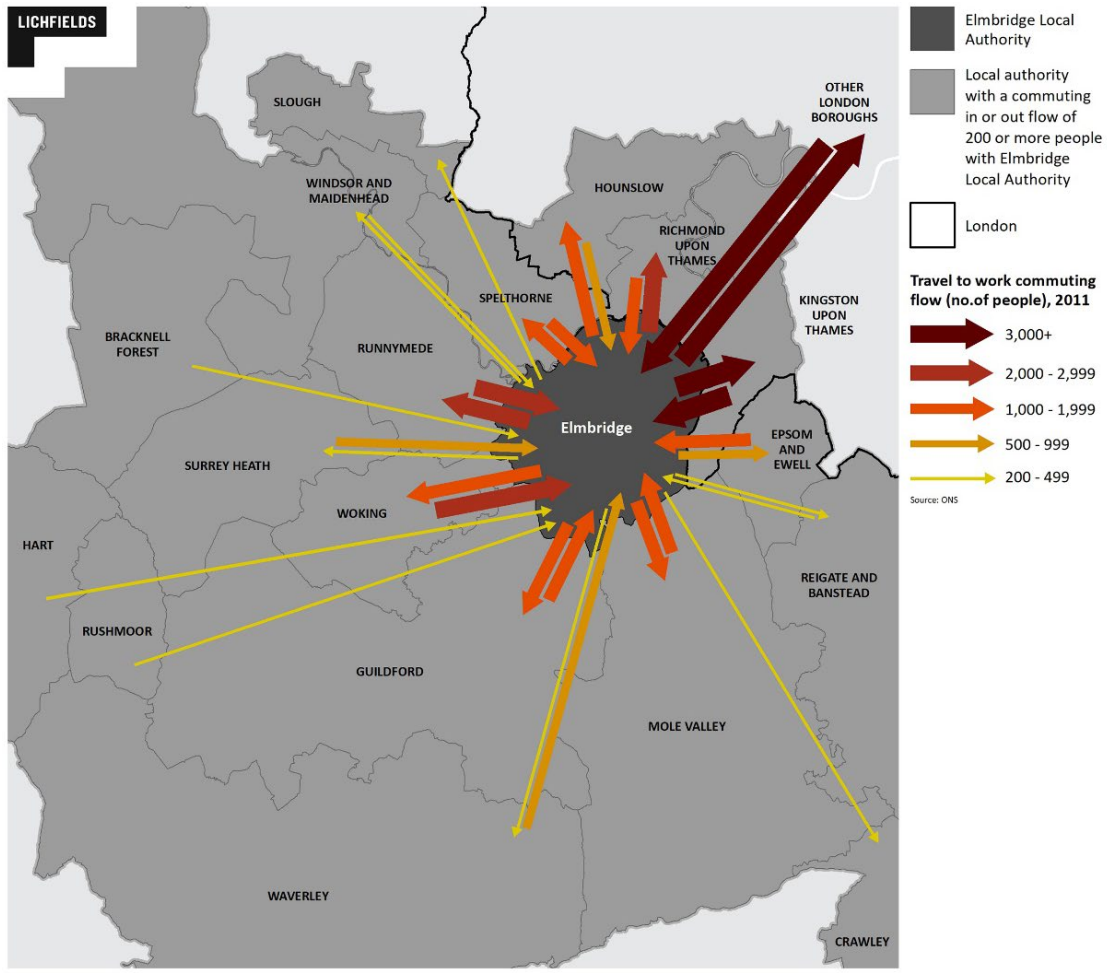
Source: ONS (2011) Census 2011, ONS (2021) Census 2021 | Lichfields analysis

† Includes those that work mainly at or from home, at an offshore installation, outside the UK, and with no fixed employment location (in line with ONS guidance on defining resident and workplace workforce)

* Includes Elmbridge residents that work mainly at or from home, at an offshore installation, and with no fixed employment location (in line with ONS guidance on defining resident and workplace workforce)

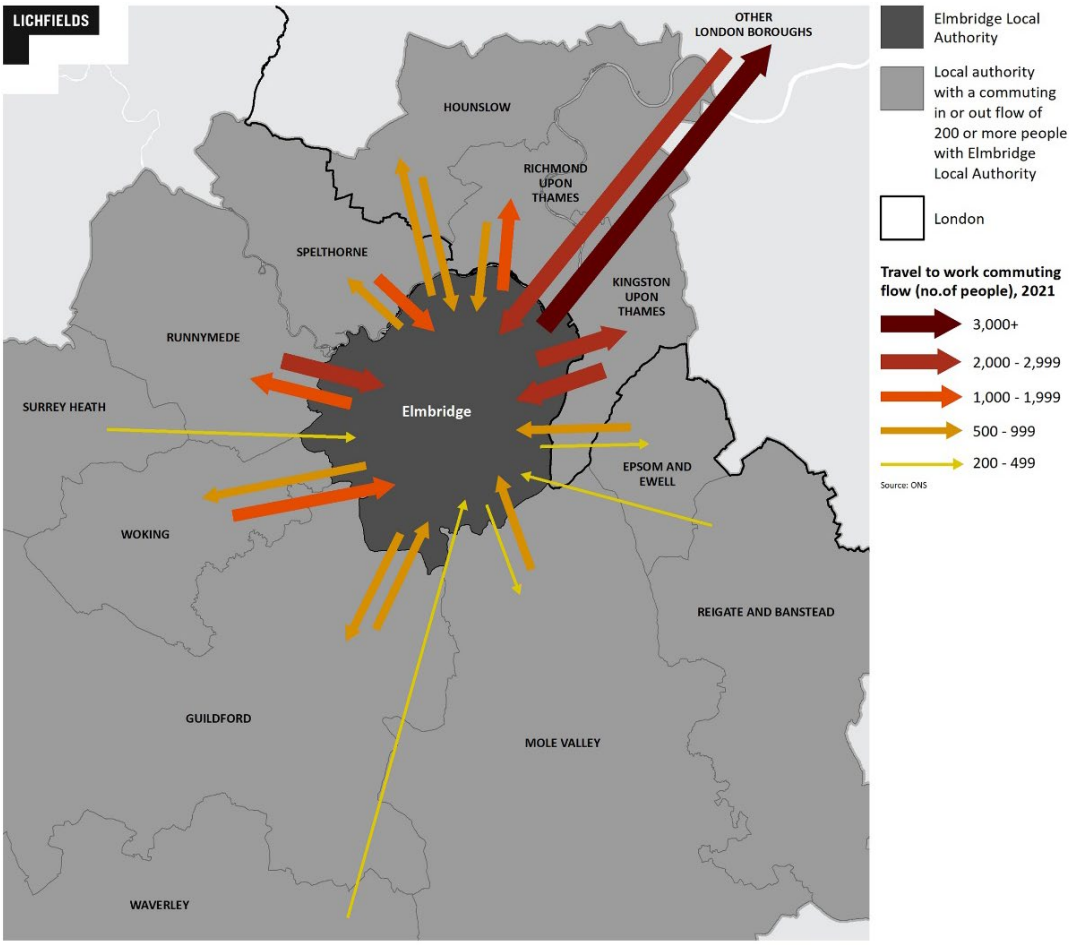
¥ Includes Elmbridge residents that work outside the UK (in line with ONS guidance on defining resident and workplace workforce)

Figure 2.1 Travel to work flows for Elmbridge, 2011 Census



Source: ONS (2011) | Lichfields analysis

Figure 2.2 Travel to work flows for Elmbridge, 2021



Source: ONS (2021) | Lichfields analysis

2.8 It should be noted that there is an increasing trend of hybrid working within the national economy, with employees (particularly those that work within offices) working from home for at least one working day per week. This typically leads to a higher concentration of commuting midweek, rather than an equal distribution across the week. For example, latest data from Transport for London shows that recovery in passenger numbers post the Covid-19 pandemic is consistently greater on Tuesday, Wednesday and Thursday, compared to Monday and Friday[6]. Therefore, there is a need to accommodate a mid-week peak workday population into future planning policy. This pattern may be applicable in Elmbridge, where office-based employment makes up a high proportion of workforce jobs compared to industrial-based jobs and other workforce jobs as outlined in section 3.0, and where a large proportion of workers commute into Central London for work.

ONS Travel to Work Areas

2.9 The Office for National Statistics (ONS) defines labour market areas as those areas where most of the resident population also work in the same area. Defining labour market areas requires analysis of commuting flow data to identify the TTWAs of a local economy. The standard definition of a TTWA adopted by the ONS is the area from which at least 75% of

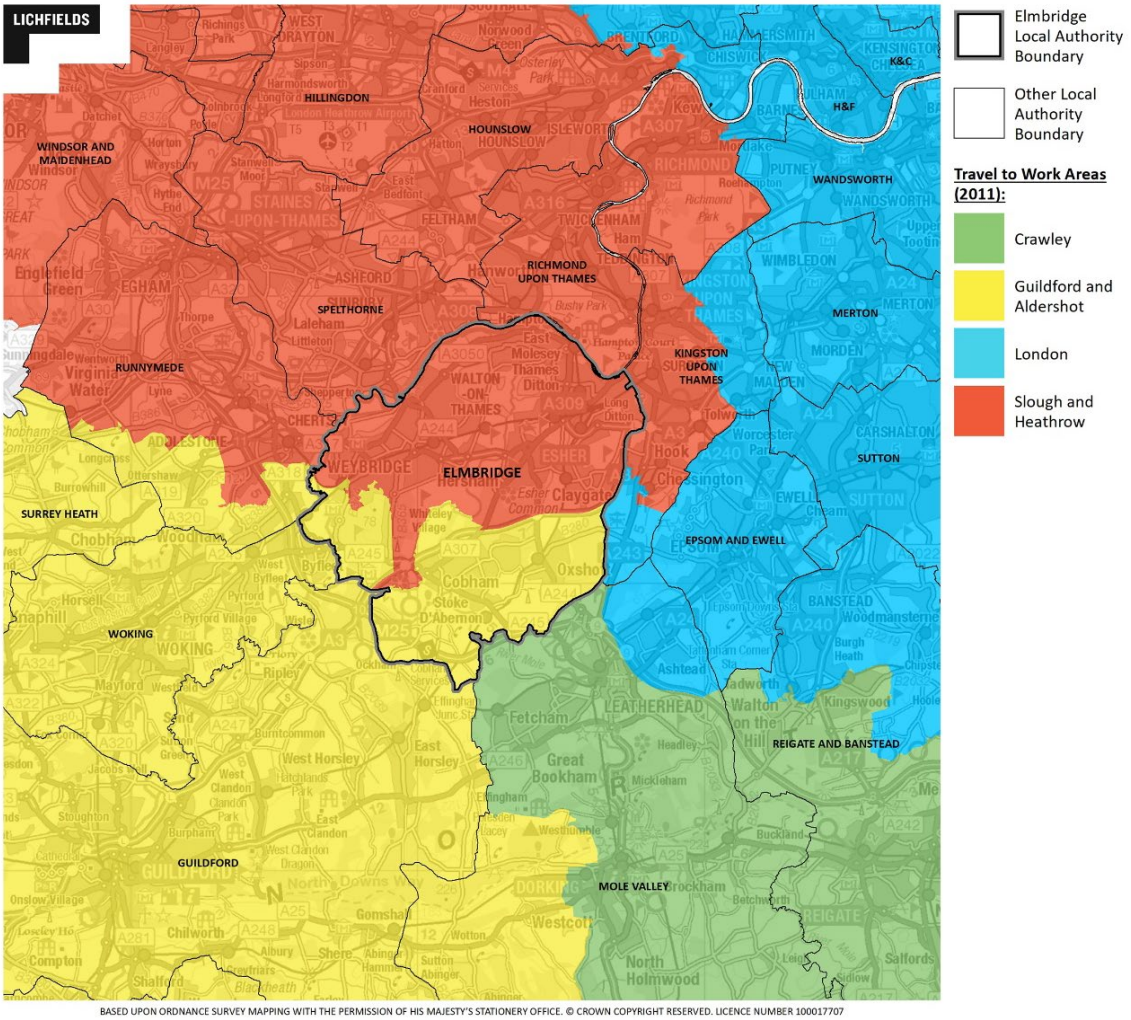
[6] Transport for London (2023), Trends in public transport demand and operational performance.

an area's resident workforce is employed, and at least 75% of the people who work in the area also reside. The area must also have a working population of at least 3,500 people.

2.10 In 2015, the ONS used 2011 Census data on home and work addresses to define 228 TTWAs that cover the whole of the UK. This analysis identifies that Elmbridge Borough is divided between the Slough and Heathrow TTWA and the Guildford and Aldershot TTWA as shown in Figure 2.3.

2.11 At the time of drafting, ONS is considering whether to produce updated TTWAs based on the 2021 Census given the issues noted above on the impact of pandemic restrictions on how respondents answered questions related to their workplace[7].

Figure 2.3 Elmbridge Travel to Work Area, 2011



Source: ONS (2011) | Lichfields analysis

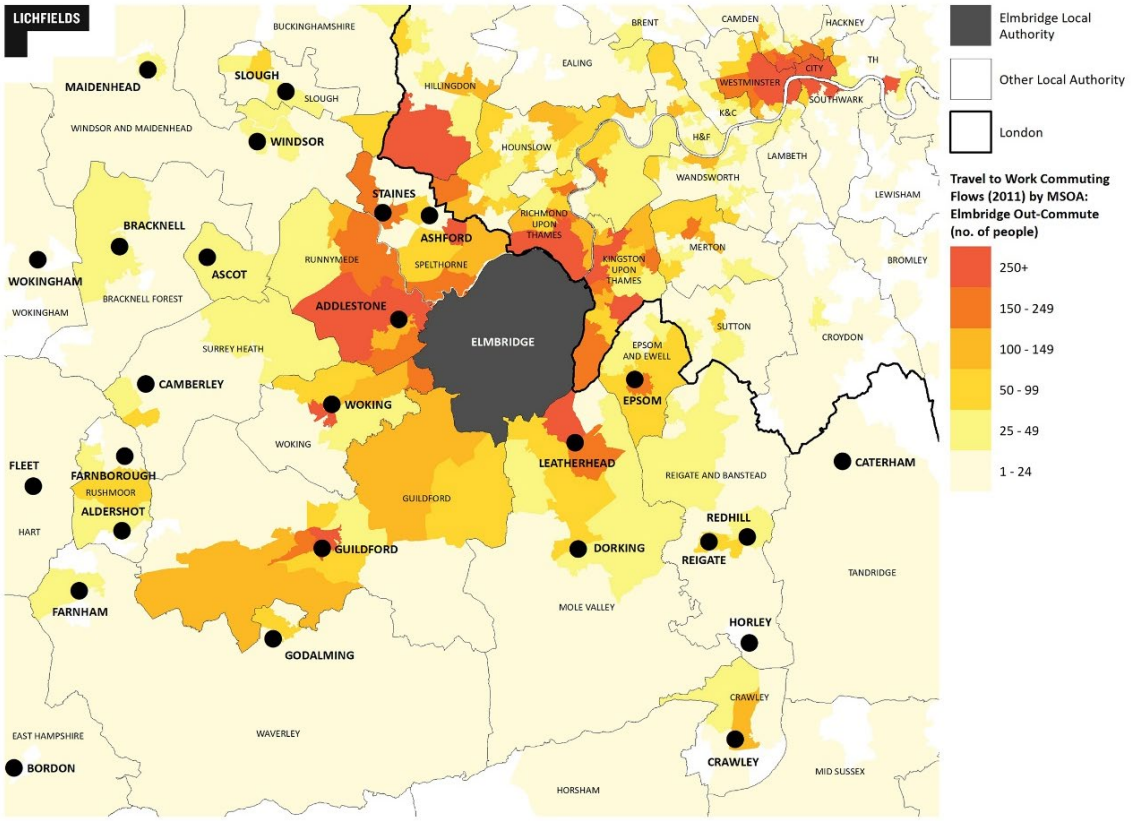
[7] See commentary at: https://www.ons.gov.uk/methodology/geography/ukgeographies/othergeographies

Local Travel to Work Areas

2.12 Commuting data from the 2011 Census also allows travel-to-work patterns to be examined at the Middle Super Output Area ('MSOA') level[8]. This level of analysis provides a more detailed understanding of the travel-to-work linkages between the various areas across Elmbridge and other centres within the surrounding area.

2.13 The most significant destinations for out-commuting residents from Elmbridge include MSOAs in the City of London, Westminster, Tower Hamlets (Canary Wharf), as well as MSOAs across the nearby local authorities of Kingston upon Thames, Runnymede, Richmond upon Thames and Spelthorne as shown in Figure 2.4.

Figure 2.4 Out-commuting flows at MSOA level for Elmbridge, 2011

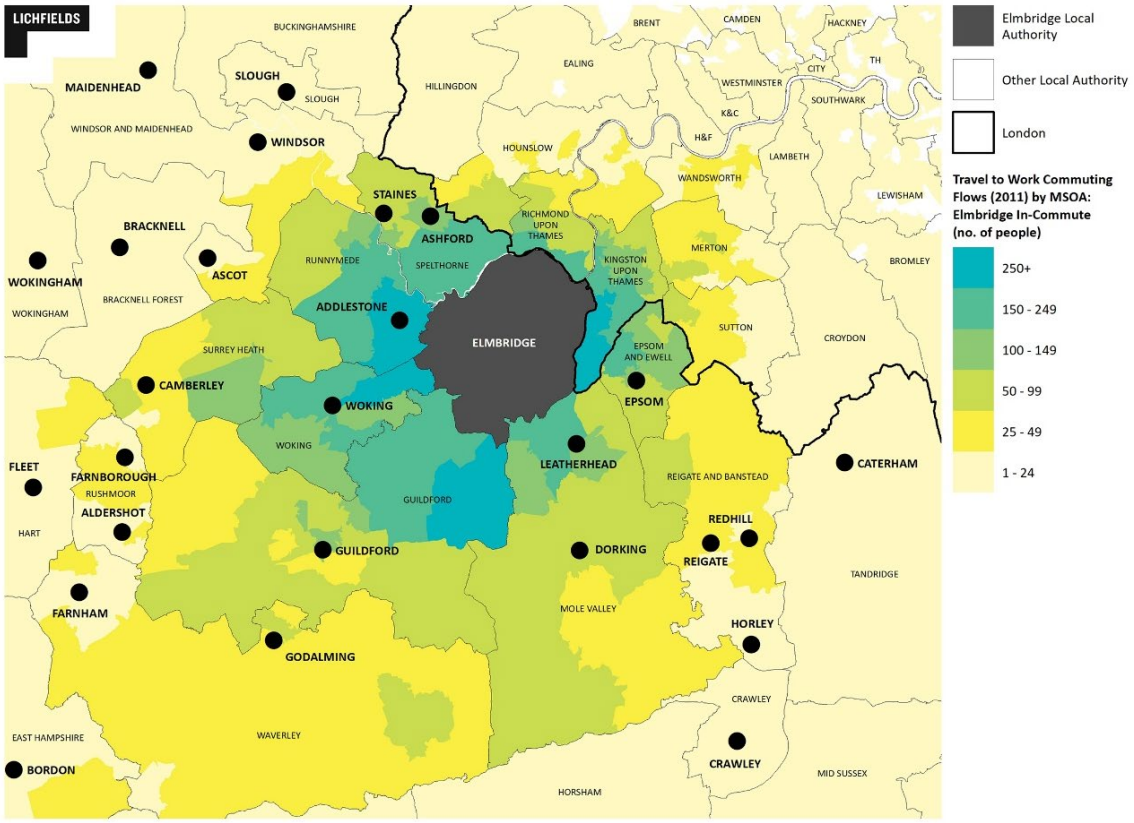


Source: ONS (2011) | Lichfields analysis

2.14 The origins of in-commuting workers to Elmbridge is more localised, with high inflows of workers commuting from MSOAs in neighbouring local authorities including Runnymede, Woking, Guildford, and Kingston upon Thames, among others as shown in Figure 2.5. The majority of these MSOAs are located within either the Slough and Heathrow or Guildford and Aldershot TTWAs outlined above.

[8] The comparable position from the 2021 Census has been omitted from the analysis due to the reliability concerns outlined in paragraph 2.6, and because the smaller areas of analysis, such as MSOAs, are more likely to be affected by anomalous results within the dataset.

Figure 2.5 In-commuting flows at MSOA level for Elmbridge, 2011



Source: ONS (2011) | Lichfields analysis

2.15 MSOA level commuting flows data underlines the strong functional economic and labour market linkages between Elmbridge and its surrounding local authorities, and in particular within the Slough and Heathrow as well as Guildford and Aldershot TTWAs. Despite this, Elmbridge also maintains strong out-commuting flows to employment centres in Central London, including the City of London, Canary Wharf, and Westminster amongst others.

Housing Market Area

2.16 Close economic relationships typically occur between the boundaries of sub-regional housing markets and sub-regional labour markets. Many workers will typically look for somewhere to live within the same TTWA as their place of work to minimise commuting time and costs. Therefore, housing market areas ('HMAs') are a useful input for considering the spatial extent of FEMAs.

2.17 It should be noted that since the Covid-19 pandemic, there have been increased patterns of home working and hybrid working which may influence housing market choices and travel-to-work patterns. This pattern is slightly more pronounced in the South East due to the higher prevalence of office-based workforce jobs. Between September 2022 and January 2023, 19% of the population worked exclusively at home and 28% of the population hybrid worked in the South East, compared to 16% and 28% respectively nationally[9]. At the time of

[9] ONS (2023), Opinions and Lifestyle Survey (Great Britian, September 2022 to January 2023).

drafting, it is too early to know whether these current trends will remain permanent or may change further over time.

2.18 Based on the latest published housing evidence study, namely the Strategic Housing Market Assessment ('SHMA') for Kingston upon Thames and North East Surrey Authorities[10], Elmbridge is assessed to be located within an HMA encompassing the four local authorities of Elmbridge, Epsom and Ewell, Kingston upon Thames and Mole Valley. This is due to their strong commuting linkages, as well as household migration and house price patterns within the area.

Commercial Property Market Area

2.19 The geographical extent of economic markets can be defined by the location of customers, supply chains, competitors (including competing employment schemes) and enquiries, as well as the proximity to key transport infrastructure. Much of the activity occurring within a commercial property market represents the gradual churn of occupiers, as a company's location can often be dictated by the need to be located in proximity to where most of their staff reside.

2.20 The largest office premises in Elmbridge, such as The Heights, largely caters for overspill demand from London, attracting large and multinational companies. It therefore forms part of an office submarket with other local authorities located to the south west of London including, Spelthorne, Runnymede, Woking and Guildford. Excluding The Heights, the majority of the office buildings in Elmbridge are relatively small in size, and consequently, the office market within Elmbridge is largely self-contained and more locally facing.

2.21 With regard to industrial premises, Elmbridge forms part of a submarket located at the north eastern end of the M3 corridor, including the neighbouring authorities of Runnymede, Spelthorne and Woking. This submarket is clustered around the northern portion of the M3, the A3 and the south western portion of the M25. This submarket is characterised by growing demand for storage and distribution space to serve South West London and the M3 corridor, as well as to cater for overspill from areas of high demand and limited supply such as around Heathrow Airport to the north.

Transport and Connectivity

2.22 Transport accessibility and connectivity has a strong influence on the geography of FEMAs, with the strategic transport network playing a key role in shaping commercial property, labour and housing market flows.

2.23 Elmbridge has excellent strategic road access to the M25 and the M3. The M25 runs round the west and south of the Borough and provides access to London and beyond. The M3 runs to the north of the Borough and also provides access into London as well as the South West including the M3 corridor. Within Elmbridge, the A3 runs east to west across the south of the Borough, providing linkages into South London and to the M25. Smaller A roads within the Borough also include the A244 running north to south through Elmbridge, and the A307 which runs north east to south west across the centre of Elmbridge. The smaller A roads can be heavily trafficked as they run through the Borough.

[10] Royal Borough of Kingston upon Thames, Elmbridge Borough Council, et al. (2016), *Strategic Housing Market Assessment for Kingston upon Thames and North East Surrey Authorities*.

2.24 The Borough also benefits from direct rail links into Central London, including stations which serve Thames Ditton, Walton on Thames, Weybridge, Esher, Hersham and Byfleet.

2.25 Elmbridge is located within a 25-minute drive of London Heathrow Airport to the north. The airport provides significant employment opportunities across the surrounding areas as well as national and international flight connections.

Summary

2.26 Based on the assessment of various market areas operating within and across Elmbridge including labour, housing and commercial property markets alongside transport and connectivity, it is possible to consider the spatial extent of the FEMA relevant to Elmbridge.

2.27 The analysis in this section suggests that the core FEMA most relevant to Elmbridge remains in line with the FEMA identified within the previous Elmbridge Borough Baseline Review and Functional Economic Area (2016)[11], and extends across Elmbridge, Runnymede, Spelthorne and the London Borough of Kingston upon Thames. However, there are also strong links to the neighbouring local authorities of Woking, Mole Valley, and Richmond upon Thames, as well as Central London.

2.28 These conclusions are based on existing data and evidence about the economic geographies and flows of labour, residents and businesses across Elmbridge Borough and surrounding areas. It does not take account of policy positions or approaches that may or may not be adopted by local planning authorities across the South East region and south west London. The Council will need to determine how the conclusions from this study are taken forward in practical planning policy terms.

[11] Elmbridge Borough Council (2016), *Elmbridge Local Plan: Baseline Review and Functional Economic Area.*

3.0 Economic Profile and Trends

Spatial Overview

3.1 Elmbridge Borough is located to the south west of Greater London and is bordered by the London Boroughs of Richmond upon Thames and Kingston upon Thames to the north and east respectively. The Borough also borders Spelthorne to the north, Runnymede and Woking to the west and Guildford and Mole Valley to the south. It is a small area, but contains a number of small centres including Weybridge, Walton-on-Thames, Molesey, Esher, Hersham, Oxshott, and Cobham. The majority of these centres are located in the north of the Borough, with more rural areas to the south.

3.2 The Borough is well connected to Central London by train services from most local centres running into Waterloo Station. The A3 provides a strategic artery for motor vehicles and runs across the south of the Borough. Along with the A317 to the north, it provides easy access to the M25. The M3 is also located in close proximity to Elmbridge, providing strategic access to other large towns within the South East. The nearest airport is Heathrow, located within approximately 25 minutes' drive north of the Borough.

3.3 There are only a small number of large employment sites, the largest of which is clustered around Brooklands Industrial Park and The Heights Business Park. Other large sites include Hersham Trading Estate, Molesey Industrial Park, and Hersham Place Technology Centre. There are also a number of smaller sites located across the Borough, and the larger town centres include Weybridge, Walton-on-Thames, and Esher also retain some office uses.

Population and Labour Market

Population

3.4 In 2021, Elmbridge had a resident population of around 138,800, an increase of 6.0% since 2011[12,13]. This growth was lower than that observed in the South East (7.5%) and across England (6.6%) over the same period.

3.5 The proportion of the population of working age in Elmbridge (i.e. those aged between 16 and 64) has decreased over the period between 2011 and 2021, from 62.3% to 60.5%. This decline mirrors the regional and national trends; in the South East, 62.0% of the population were of working age in 2021, compared to 63.8% in 2011, while in England 63.0% of the population were of working age in 2021, compared to 64.8% in 2011. Elmbridge had the 23rd lowest proportion of working age residents in the South East in 2021 out of 64 districts.

3.6 Population projections produced by the ONS suggest the declining trend in the working age population in Elmbridge may continue over the next two decades, falling to 57.7% of the total population by 2030 and further to 54.7% in 2040[14]. This trend is mirrored both regionally and nationally, with the working age population of the South East falling to 57.5% of the total by 2040.

[12] Office for National Statistics ('ONS') (2021), Census 2021.
[13] ONS (2011), Census 2011.
[14] ONS (2020), Population Projections, 2018-based.

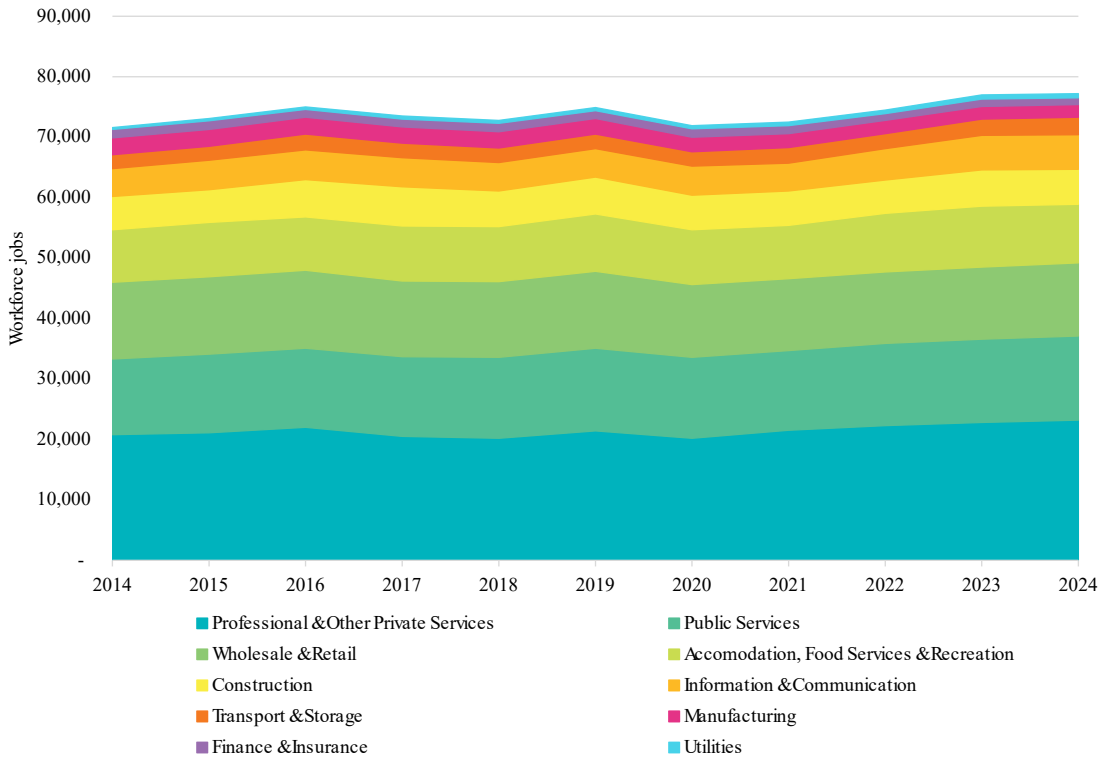
3.7 Data from the 2011 Census, the latest available for this purpose, shows that 97.8% of Elmbridge's population lived in urban city and town settings, while the remaining 2.2% (c.3,000 individuals) lived in rural hamlets and isolated dwellings. This is a higher level of urbanisation compared to the South East (79.6%) and across England (82.4%).

Employment

3.8 Data from Experian shows that Elmbridge accommodated 77,500 workforce jobs in 2024, representing an increase of 7.6% (or around 5,500 jobs) since 2014[15]. This growth rate is lower than the averages for the South East (8.1%) and the UK national average of 9.6% over the same period.

3.9 As shown in Figure 3.1, Elmbridge's employment base fluctuated slightly over the period from 2014 and 2024. Workforce jobs in Elmbridge fell between 2016 and 2018 before recovering. They then fell again between 2019 and 2020 during the Covid-19 pandemic, however workforce jobs have since recovered to a 10-year high in 2024.

Figure 3.1 Number of workforce jobs in Elmbridge in Elmbridge by broad sector, 2014-2024



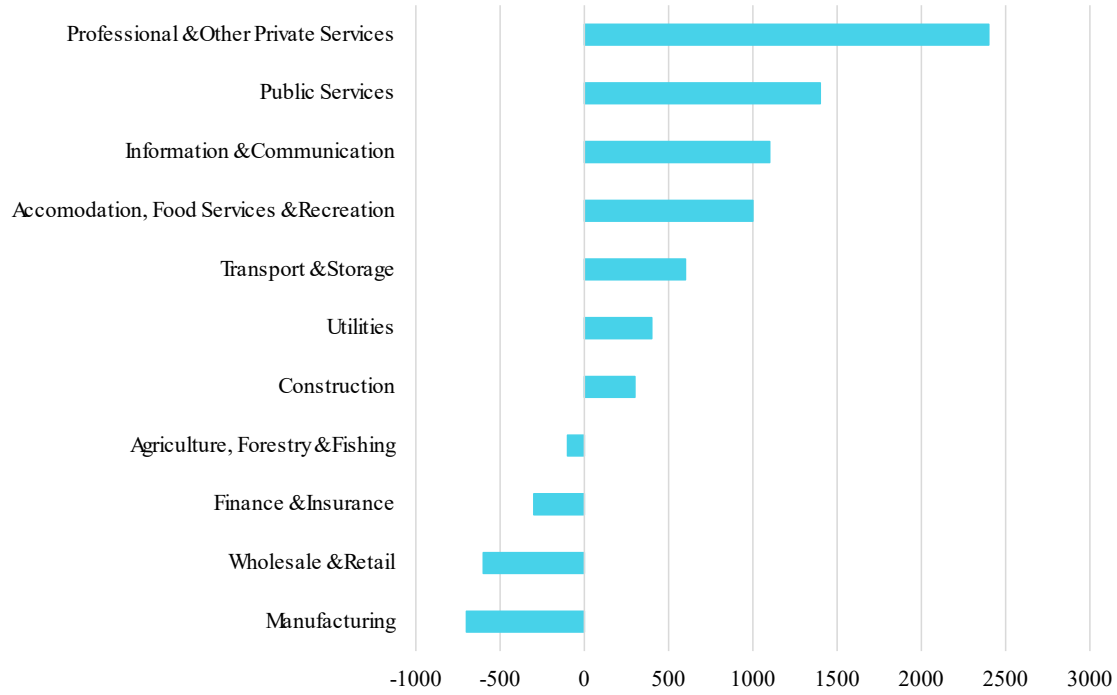
Source: Experian (2024) | Lichfields analysis

3.10 The single largest broad sector by the number of workforce jobs in Elmbridge is professional and other private services (23,200 jobs), followed by public services (13,900 jobs) and wholesale and retail (12,100 jobs); together, these three sectors have consistently provided in the region of 75% of workforce jobs in Elmbridge over the last decade. As shown in Figure 3.2, four broad sectors experienced a decline over the period, including

[15] Experian (2023), Employment by sector.

wholesale and retail (-600 jobs) and manufacturing (-700 jobs)[16]. Transport and storage was the fastest growing key employment sector, increasing by 26.1%[17], followed by information and communication which grew by 23.9% between 2014 and 2024.

Figure 3.2 Change in the number of workforce jobs by sector in Elmbridge, 2014-2024



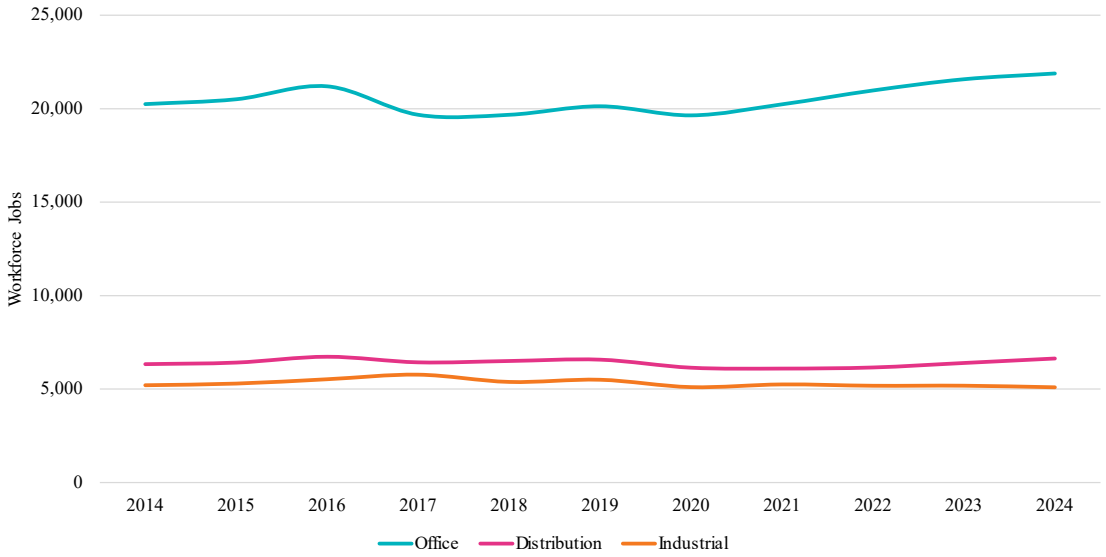
Source: Experian (2024) | Lichfields analysis

3.11 In 2024, 28.6% of workforce jobs in Elmbridge were office-based (use classes E(g)(i) & (ii)), while 8.7% were based in storage and distribution-based occupations (use classes B8) and a further 6.7% were in industrial-based occupations (use class E(g)(iii) & B2). Over the period 2014-2024, the number of office-based jobs in Elmbridge increased by 8.1%, and storage and distribution-based jobs by 4.7%; however, industrial jobs decreased by 2.1% over the same period. Jobs in all three land-use types fell in 2020 following the Covid-19 pandemic, however, office-based jobs and storage and distribution-based jobs have recovered to above pre-pandemic levels. Meanwhile, industrial-based jobs in Elmbridge have continued to decline slowly following the pandemic, as shown in Figure 3.3.

[16] The finance and insurance sector (-300 jobs) as well as the agriculture, forestry and fishing sector (-100 jobs) also experienced a decline between 2014 and 2024, however they only accounted for 1.4% and 0.4% of workforce jobs respectively in Elmbridge in 2024.

[17] Excluding the utilities sector which although grew at a faster rate of 133.3%, only accounted for 0.9% of workforce jobs in Elmbridge in 2024.

Figure 3.3 Workforce jobs in Elmbridge by land use, 2014-2024



Source: Experian (2024) | Lichfields analysis

3.12 The overall change in employment across Elmbridge Borough over the past decade is summarised in Table 3.1.

Table 3.1 Summary of workforce jobs in Elmbridge by land use, 2014-2024

	2014	2024	Change	
			Total	%
Employment jobs	31,788	33,622	1,834	5.8%
Office jobs	*20,245*	*21,888*	*1,643*	*8.1%*
Industrial jobs	*5,207*	*5,097*	*-110*	*-2.1%*
Distribution jobs	*6,336*	*6,637*	*301*	*4.7%*
Non-employment land jobs	38,912	42,778	3,866	9.9%
Total workforce jobs	**70,700**	**76,400**	**5,700**	**8.1%**

Source: Experian (2024) | Lichfields analysis

Workforce productivity

3.13 The productivity of the workforce in Elmbridge can be measured using Gross Value Added ('GVA') generated per job[18]. This indicator suggests that in 2024 average workforce productivity across the Borough was £82,538 per job (2019 prices); this was appreciably higher than the South East average of £61,130 per job and the national average for the UK of £55,768 per job. This is shown in Table 3.2 overleaf. This is likely a reflection of the prevalence of higher value sectors within the Elmbridge economy, such as professional and private services and information and communication services.

3.14 Despite the comparatively high workforce productivity in Elmbridge in absolute terms, data indicates that workforce productivity has decreased in recent years. Over the five-year period from 2019 to 2024, workforce productivity fell from £90,331 per job to £82,538 per

[18] Experian (2024) Gross Value Added by Sector.

job – a contraction of 8.6%. This decline was far greater than the comparative decline experienced across the UK as a whole (0.6%) and is in contrast to the growth in productivity across the South East of 2.6%, albeit absolute workforce productivity still remains above the South East and UK averages. It should be noted that this period was impacted by the Covid-19 pandemic, with the data indicating that Elmbridge was disproportionally affected compared to the rest of the region.

Table 3.2 Change in workforce productivity, 2019 to 2024

	Total GVA (£ bn 2019 prices)		GVA per workforce job		
	2019	2024	2019	2024	Change (%)
Elmbridge	£6.8	£6.4	£90,331	£82,538	-8.6%
South East	£296.2	£310.4	£59,560	£61,130	2.6%
UK	£1,995.7	£2,045.9	£56,106	£55,768	-0.6%

Source: Experian (2024) | Lichfields analysis

Labour Market

3.15 Table 3.3 presents key labour market characteristics for Elmbridge, the South East and England as a whole. It indicates that the labour market in Elmbridge is characterised by a high economic activity rate (63.0%) among the working age population (those aged 16 to 64) and a low share claiming out-of-work benefits (2.3%) compared to averages for the South East (60.1%, 3.2%) and England (58.6%, 4.4%).

Table 3.3 Key labour market characteristics

Indicator		Elmbridge	South East	England
Economic activity rate (2021)[19]		63.0%	60.1%	58.6%
Claimants as a proportion of residents aged 16 to 64 (2023)[20]		2.3%	3.2%	4.4%
Residents' highest level of qualification (2021)[21]	NVQ Level 4+	52.1%	35.8%	33.9%
	NVQ Level 3	13.6%	17.4%	16.9%
	NVQ Level 2	11.4%	13.9%	13.3%
	NVQ Level 1	6.5%	9.8%	9.7%
Residents' occupations (2021)[22]	SOC 1-3	67.0%	50.4%	46.4%
	SOC 4-6	21.2%	28.5%	28.7%
	SOC 7-9	11.7%	21.2%	24.9%
Median gross weekly earnings (2023)[23]	Resident	£895.60	£723.50	£683.40
	Workplace	£768.00	£704.30	£683.50

Source: ONS | Lichfields analysis

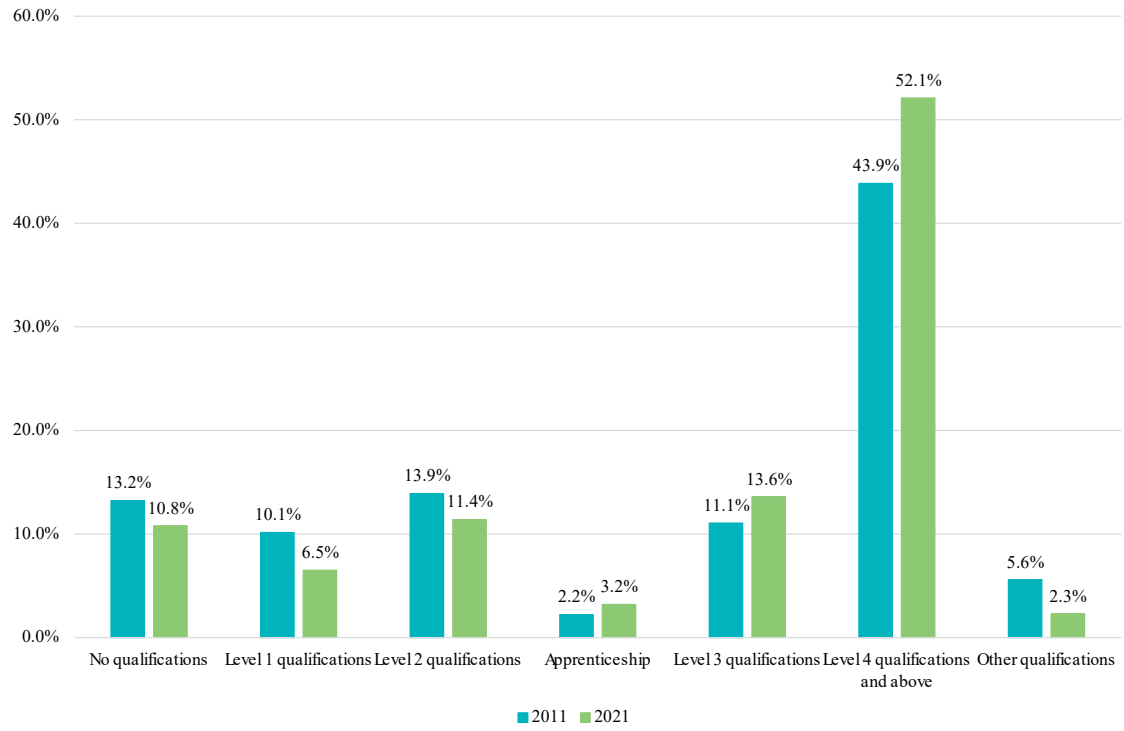
3.16 The proportion of residents with qualifications equivalent to degree level (National Vocational Qualification ('NVQ') Level 4) or higher (52.1%) is higher than the regional and national averages. The proportion of residents working in occupations in higher-skilled

[19] ONS (2021), Census 2021.
[20] ONS (2023), Claimant count.
[21] ONS (2021), Census 2021.
[22] Ibid.
[23] ONS (2023), Annual Survey of Hours and Earnings.

Standard Occupational Classification ('SOC') groups 1 to 3, comprising managerial, professional and associate or technical occupations, is 67.0%, which is also appreciably higher than the regional and national averages (50.4% and 46.4% respectively).

3.17 The proportion of residents with qualifications at NVQ Level 3 and higher improved in the decade between 2011 and 2021 from 54.9% to 65.7%. The proportion of residents with no qualifications fell from 13.2% to 10.8% over the same period. This is shown in Figure 3.4.

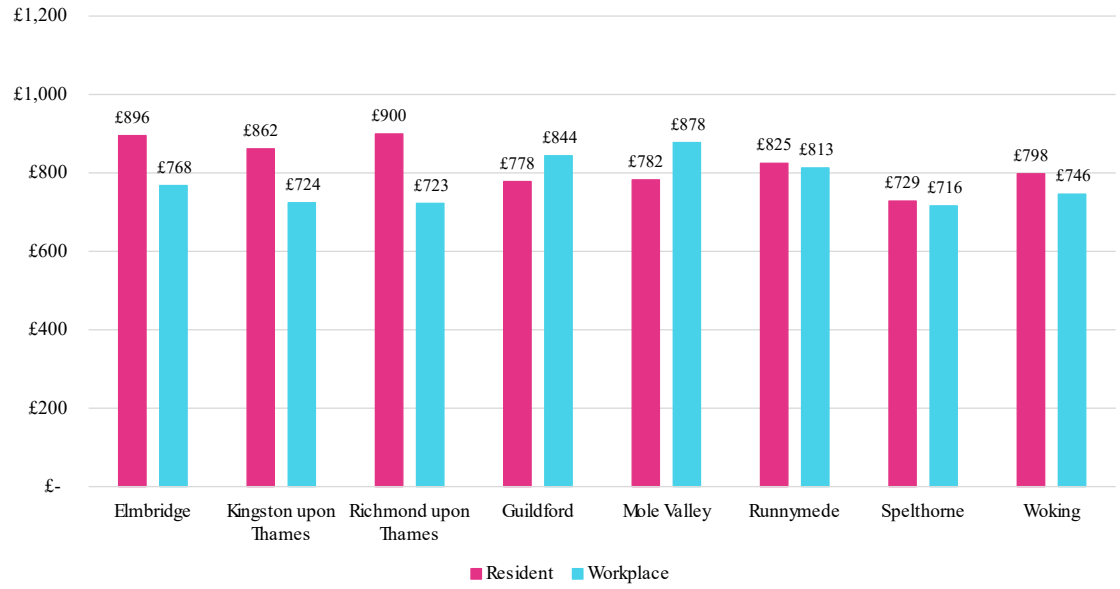
Figure 3.4 Change in qualification levels in Elmbridge, 2011-2021



Source: ONS (2011, 2021) | Lichfields analysis

3.18 Earning levels for residents of Elmbridge mirror the relatively high proportion of residents with higher-level qualifications and occupying higher-skilled jobs. Resident median gross weekly earnings in Elmbridge in 2023 were £895.60 which was appreciably higher compared to the South East (£723.50). Workplace median gross weekly earnings in Elmbridge were also relatively high at £768.00 in 2023, compared to the South East (£704.30). As shown in Figure 3.5, median gross weekly earnings, both resident and workplace, in Elmbridge in 2023 were the second highest out of all neighbouring local authorities, trailing only Richmond upon Thames (£899.90). However, workplace earnings in Elmbridge (£768.00) were lower than Mole Valley (£877.80), Guildford (£844.20), and Runnymede (£813.00).

Figure 3.5 Median gross weekly earnings by local authority neighbouring Elmbridge, 2023



Source: ONS (2023) | Lichfields analysis

Business Base

3.19 As shown in Table 3.4, the distribution of businesses by size in Elmbridge is broadly comparable to the regional and national figures[24]. The majority of businesses are micro enterprises with fewer than 10 workers (7,715 firms, or 91.5%), while 40 businesses in Elmbridge employ more than 250 workers (0.5% of all Elmbridge businesses).

3.20 In 2021, Elmbridge had a higher rate of business births per 10,000 working age population (124.5) than the averages for the South East (84.1) and England (91.1). Elmbridge also had a higher proportion of economically-active, working-age residents who were self-employed (13.6%) compared to the regional (10.6%) and national averages (9.5%).

Table 3.4 Key business characteristics for Elmbridge and comparative geographies

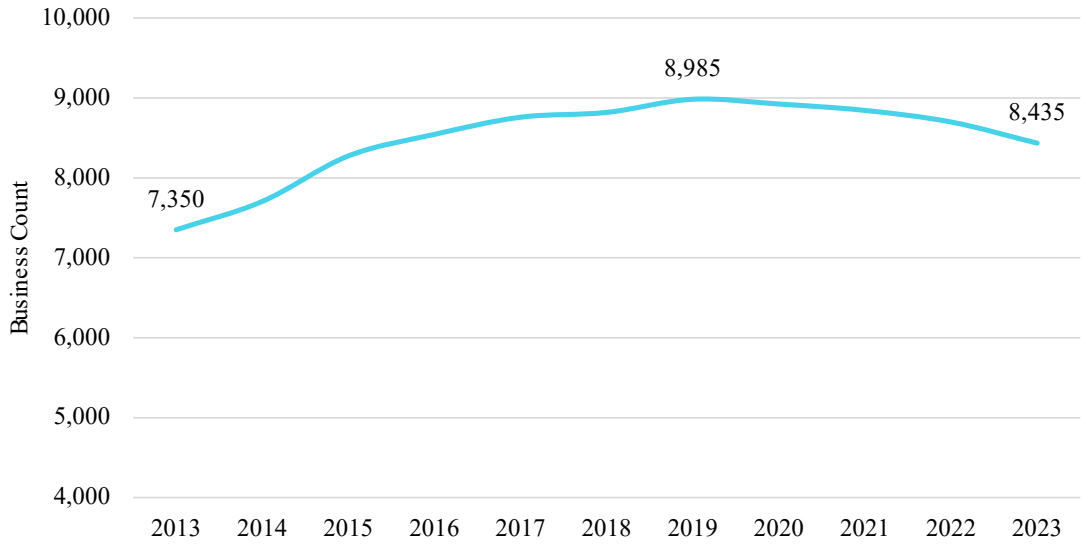
Indicator		Elmbridge	South East	England
Number of enterprises (2023)		8,435	404,840	2,370,125
Business size (2023)	Micro (0 to 9)	91.5%	89.5%	89.2%
	Small (10 to 49)	6.9%	8.6%	8.8%
	Medium (50 to 249)	1.2%	1.5%	1.6%
	Large (Over 250)	0.5%	0.4%	0.4%
Business births per 10,000 working age population (2022)		124.5	84.1	91.1
Self-employed workers as a proportion of economically-active population (2021)		13.6%	10.6%	9.5%

Source: ONS | Lichfields analysis

[24] ONS (2023), UK Business, activity, size and location.

3.21 As shown in Figure 3.6, Elmbridge's business base experienced strong growth between 2013 and 2019 increasing by 22.2%. However, the number of enterprises has declined each year from a peak in 2019 (i.e. a decrease of 6.1% between 2019 and 2023).

Figure 3.6 Elmbridge enterprise count, 2013-2023



Source: ONS (2023) | Lichfields analysis

3.22 Despite the reduced count of businesses in Elmbridge in recent years, the Borough has displayed an above average business survival rate when compared to the rest of the South East and England as a whole. Of the local enterprise births in Elmbridge in 2017, 44.1% survived (i.e. were still operating) after five years, compared to an average of 43.9% in the South East and average of 39.4% across England.

Spatial Distribution

3.23 Using Inter Departmental Business Register (IDBR)[25] data from the ONS, it is possible to map where employers are located within Elmbridge by their sector and size.

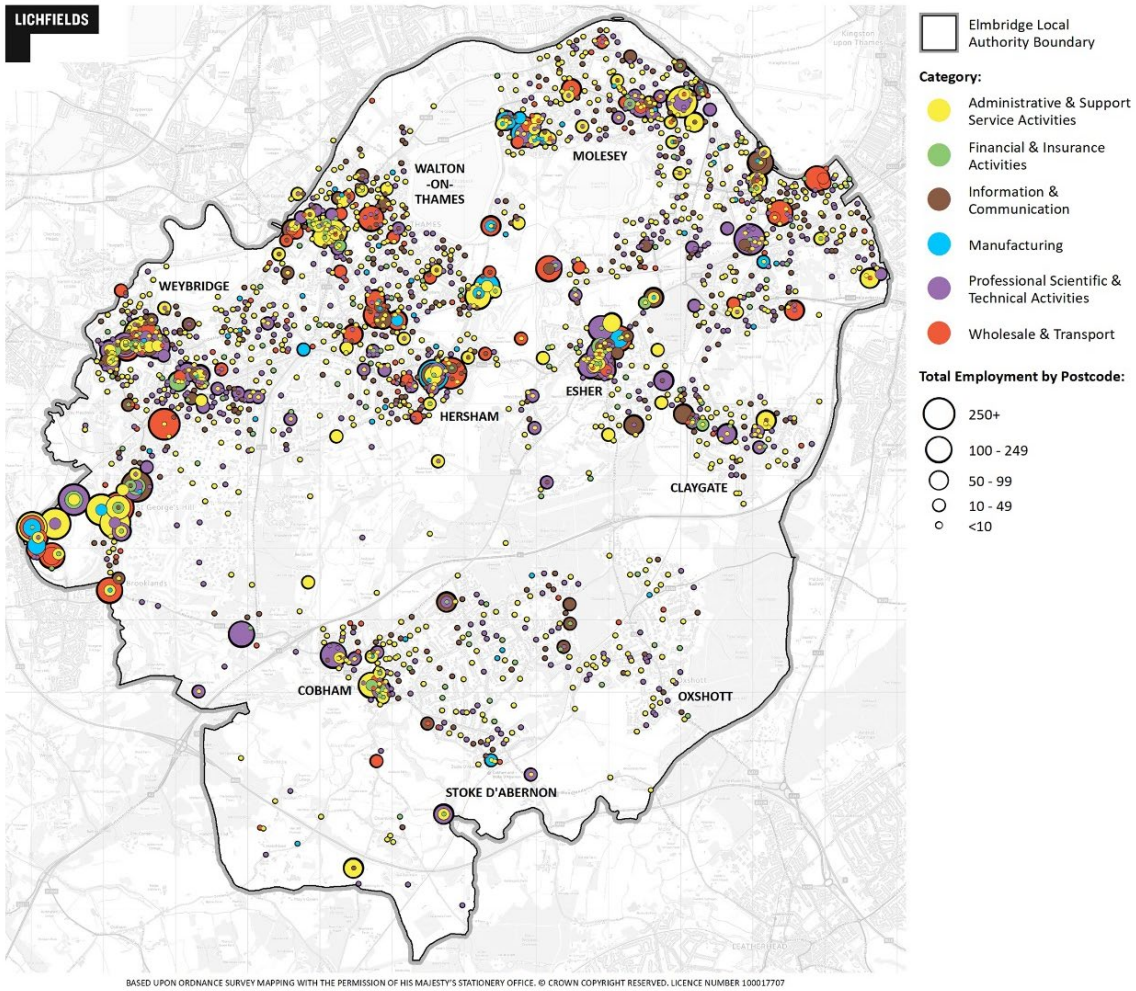
3.24 Figure 3.7 overleaf illustrates the sectoral distribution across Elmbridge. It highlights that the largest employment centre in Elmbridge is located around Brooklands Industrial Park and The Heights. This area is characterised by a large proportion of medium to large businesses which primarily operate in administrative and support services, as well as the wholesale and transport sectors. The majority of businesses within the Borough are small in size and are dispersed across urban areas. There is a small cluster of professional, scientific and technical businesses located around Esher.

3.25 Brooklands Industrial Park also has the largest cluster of manufacturing businesses along with Molesey Industrial Estate in the north of the Borough, with smaller clusters located around Hersham Trading Estate, Hersham, and Esher.

3.26 Aside from those based at Brooklands and The Heights, the majority of financial and insurance, as well as information and communication businesses are small in size and mainly located within town centres, such as Weybridge, Esher, and Thames Ditton.

[25] ONS (2024), Inter-Departmental Business Register

Figure 3.7 Elmbridge employment sectoral distribution (2024)



Source: ONS (2024) | Lichfields analysis

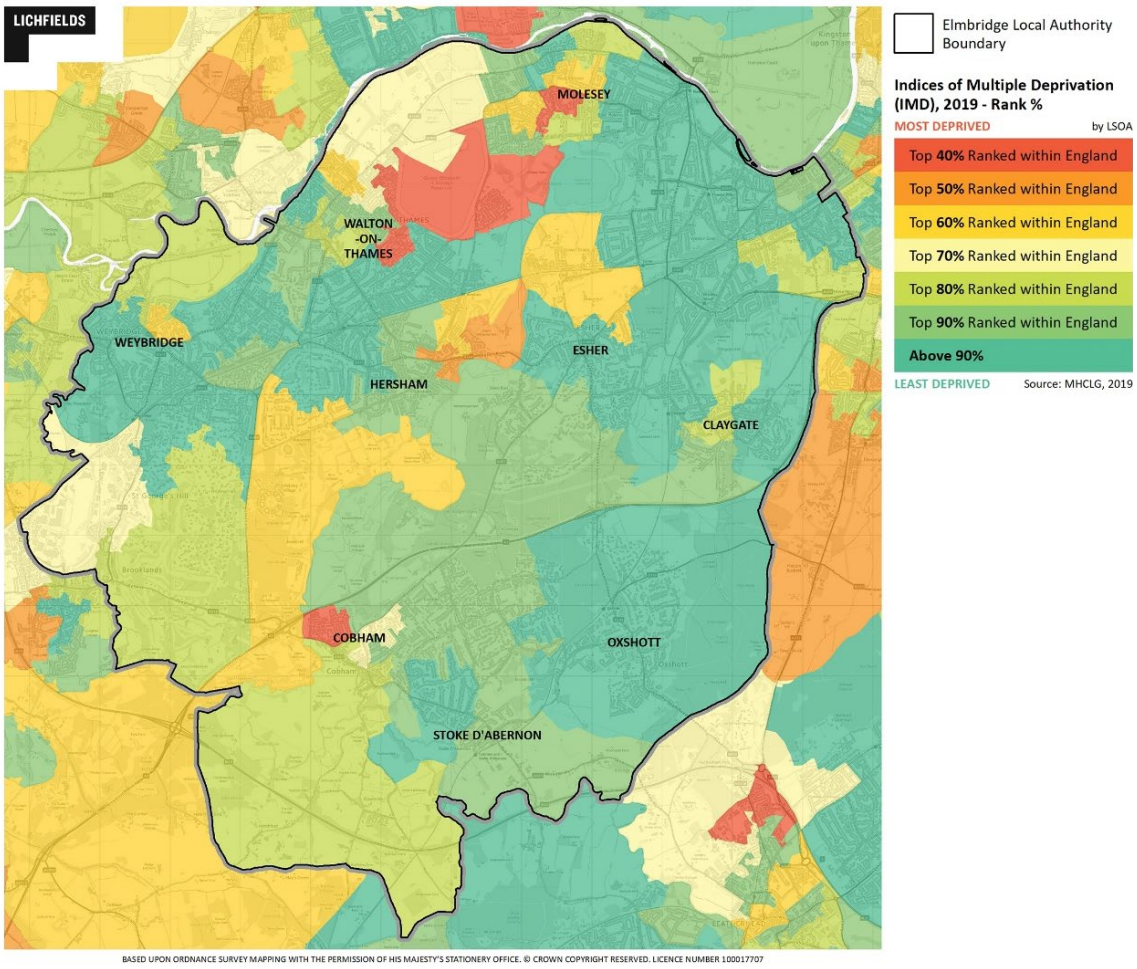
Socio-Economic Deprivation

3.27 The Indices of Multiple Deprivation[26] ('IMD') provides a set of relative measures of deprivation for local authority and Lower-Layer Super Output Areas ('LSOAs') across England. In 2019, Elmbridge was ranked as the 8th least deprived out of 317 local authority areas across England (where 317th is the most deprived).

3.28 In 2019, 41% of LSOAs within Elmbridge fell within the 10% least deprived LSOAs nationally across England in terms of overall deprivation. No LSOAs fell within the top 20% most deprived LSOAs nationally, and only 1 LSOA (i.e. 1.2% of LSOAs in Elmbridge Borough) fell within the top 30% most deprived in terms of overall deprivation as illustrated in Figure 3.8.

[26] Ministry of Housing, Communities and Local Government ('MHCLG') (2019), English indices of deprivation 2019.

Figure 3.8 Multiple Deprivation in Elmbridge, 2019



Source: MHCLG (2019) | Lichfields analysis

3.29 Within the domains of deprivation, Elmbridge is relatively more deprived in the crime domain and the barriers to housing domain, where it ranks as the 143rd and 193rd most deprived local authority nationally respectively out of 317 local authorities. Conversely, Elmbridge is ranked within the top ten least deprived local authorities nationally in each of the income, employment, education, and health domains.

Summary

3.30 Based upon the analysis in this section, the key findings are summarised in the form of a SWOT analysis for Elmbridge's economy set out in Table 3.5.

Table 3.5 Elmbridge characteristic summary – SWOT analysis

Strengths	• Very high productivity when compared to the national and regional averages. • Strong specialism in the professional and private services sector. • High economic activity rates among the working age population and comparatively low levels of unemployment. • Very high levels of educational attainment which have increased over the past decade. • A high proportion of the workforce are employed in higher skill occupations including as managers, professionals or associates. • Very low levels of relative deprivation.
Weaknesses	• Lower levels of job growth over the past ten years compared to the national and regional average. • A declining manufacturing sector and a decreasing number of businesses operating from industrial premises. • Impacts of the Covid-19 pandemic as indicated by the disproportionate impact on the Borough's productivity and a decrease in Elmbridge's business base since 2020. • The Borough only contains a small number of employment sites and is heavily reliant on a small number of larger sites.
Opportunities	• Very good strategic transport links including to the M25 and M3 as well as direct rail links to London. • Growing transport and storage, and information and communications sectors. • The Borough has a large proportion of micro businesses and above average business survival rates indicating that it provides a good environment for start-ups and entrepreneurship.
Threats	• An aging population and a decreasing working age population. • Productivity within Elmbridge has been declining. • Recent loss of large employment sites to residential uses. • High prevalence of the public sector within the local employment base. • Uncertain economic environment and high interest rates may impact future investment levels.

4.0 Commercial Property Market Review

4.1 This section provides an overview of the existing stock of employment space in Elmbridge Borough, as well as recent trends and changes to this stock of employment space. The analysis draws on data from a range of sources as follows:

1 Commercial floorspace data from the Valuation Office Agency (VOA);

2 Monitoring data on commercial floorspace provided by Elmbridge Borough Council. This is presented by B Use Class (some of which now fall within Class E) reflecting the period over which it was collected;

3 CoStar commercial property market data; and

4 Discussions with a number of commercial property market agents currently active in the Borough and wider sub-region.

Differences in Employment Space Stock Data

4.2 It is important to note when analysing the data presented in this section that the figures relating to stock and changes in employment space come from various sources, primarily the Valuation Office Agency (VOA) and Elmbridge Borough Council's monitoring data. While both sources seek to provide a general overview of the commercial property market, there are several reasons why their figures may differ, especially in relation to employment floorspace loss. These differences are likely due to data collection methodologies, the time periods covered, the specific definitions used to classify employment space, and the purposes for which the data are collected.

4.3 For example, the VOA collects data primarily for business rate valuation purposes, while the Council collects data through planning permission and development monitoring. These methodologies can result in differences in the timing of changes in space stock, how certain property types are classified, and the level of detail captured. Furthermore, the Council's monitoring data may focus on changes that have gone through the planning process, while the VOA's data may reflect changes based on ongoing valuations.

4.4 Therefore, when comparing the trends and figures presented in this section, it is crucial to consider these potential factors contributing to the differences between the VOA and Elmbridge Borough Council datasets.

Stock of Employment Space

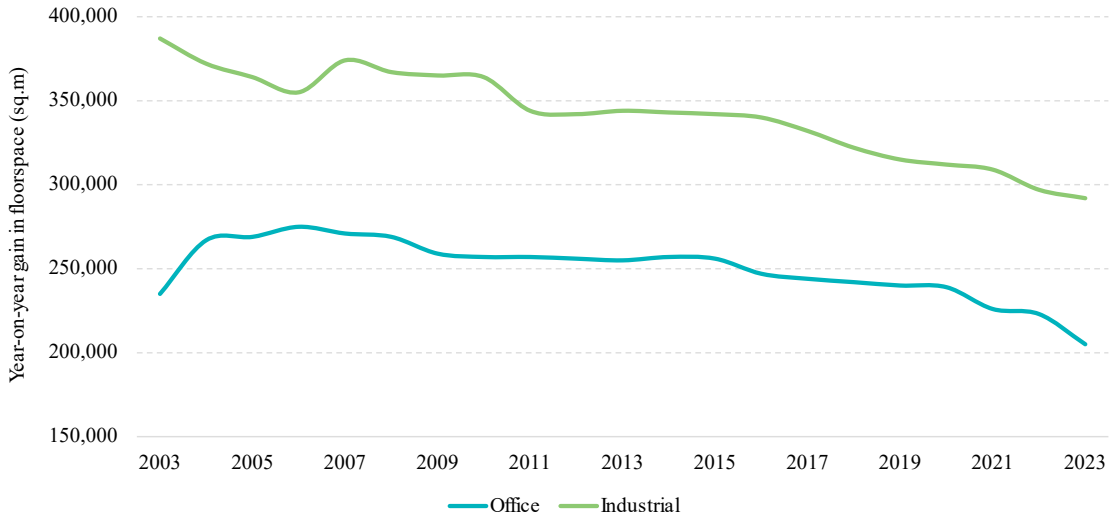
4.5 As of 31 March 2023, the total stock of employment space (office and industrial) in Elmbridge Borough was in the region of 497,000 sq.m[27]. Of this, offices accounted for 41.2% (205,000 sq.m) of floorspace and industrial space the remaining 58.8% (292,000 sq.m).

4.6 The total stock of employment space in the Borough reduced by 125,000 sq.m, or 20.1%, between 2003 and 2023. The greatest reduction was seen in the stock of industrial floorspace, decreasing by almost a quarter and equating to a net loss of 95,000 sq.m over

[27] Valuation Office Agency ('VOA') (2023) Non-domestic rating: stock of properties including business floorspace, 2023

the period. There was a lower net loss of office floorspace of 12.8%, or 30,000 sq.m, as shown in Figure 4.1.

Figure 4.1 Employment space in Elmbridge Borough, 2003-2023



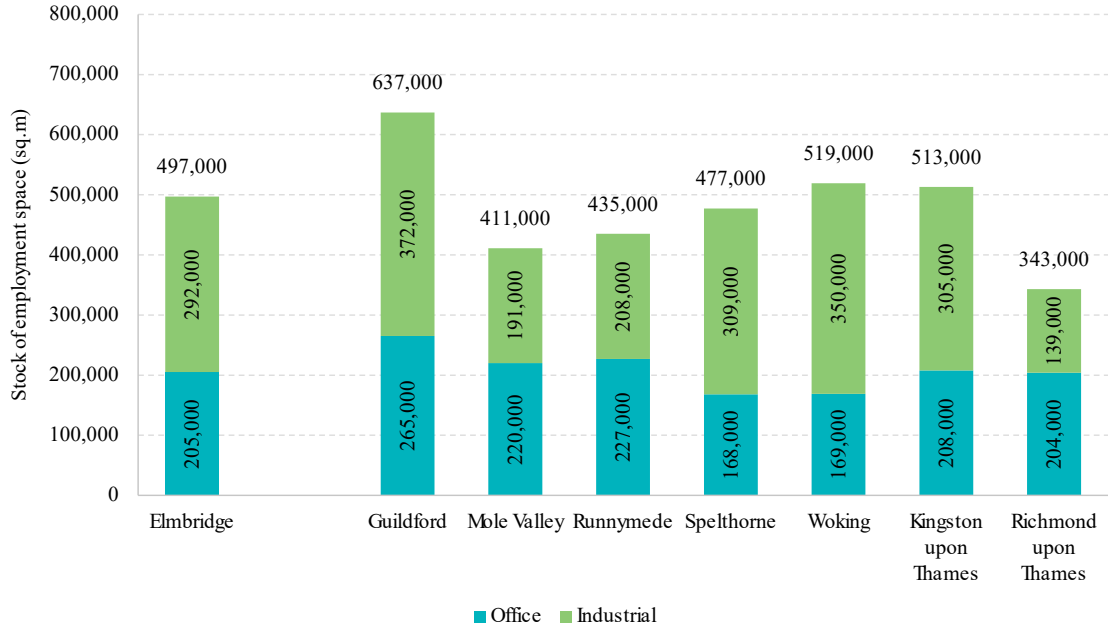
Source: VOA (2023) | Lichfields analysis

4.7 In Surrey more widely, there was a reduction of 19.5% in the total stock of office floorspace over the period, significantly greater than the 12.8% decrease observed at the Elmbridge Borough level. However, total employment space in Surrey declined less than in Elmbridge, at 13.1% and 20.1%, respectively; this is attributable to a smaller reduction in the stock of industrial floorspace of 8.3%, compared to 24.5% in Elmbridge.

4.8 Meanwhile, across the South East more widely the total reduction in employment space between 2003 and 2023 was just 1.5%. While the stock of office floorspace decreased by 13.9% over the period, there was a net gain in industrial floorspace in the South East of 3.1%.

4.9 Of the eight neighbouring authority areas surrounding the Borough, Elmbridge had the fourth highest stock of employment space in 2023. This is shown in Figure 4.2. At 497,000 sq.m, it is just slightly lower than the total stock in Woking (519,000 sq.m) and Kingston upon Thames (513,000 sq.m). Guildford Borough has the greatest total stock of employment floorspace, at 637,000 sq.m, and the greatest stock of both office and industrial space, at 265,000 sq.m and 372,000 sq.m, respectively.

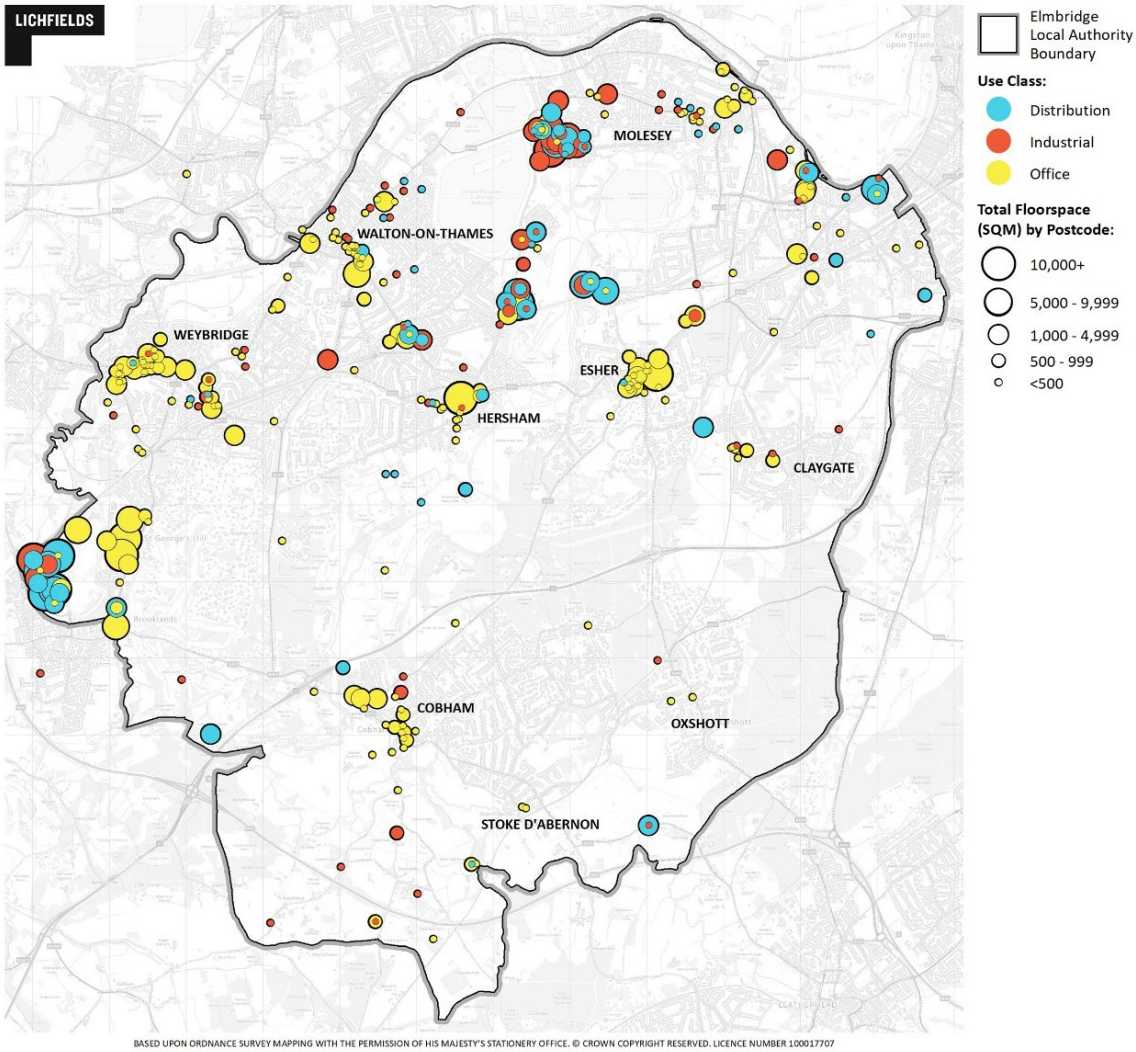
Figure 4.2 Employment space by type in Elmbridge and surrounding boroughs, 2023



Source: VOA (2024) | Lichfields analysis

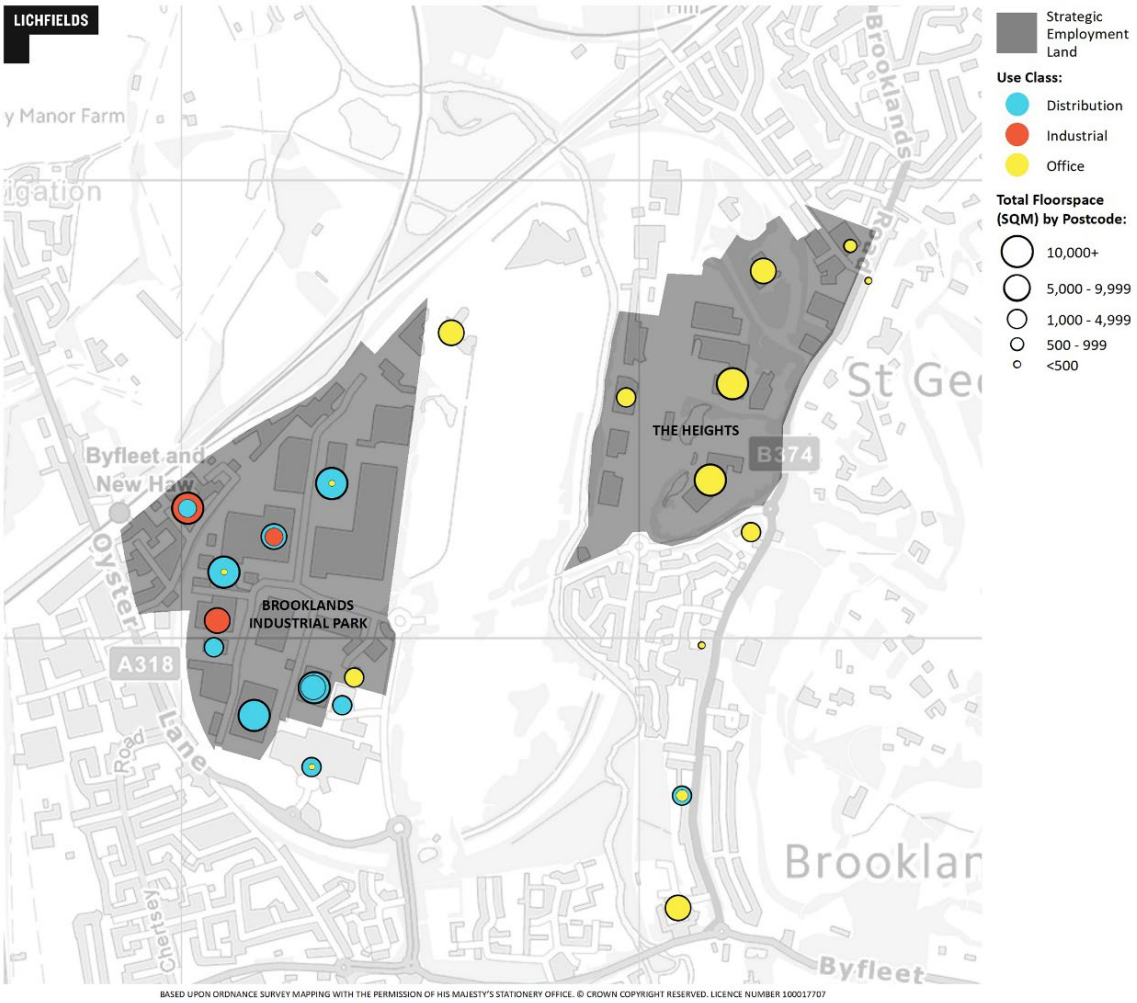
4.10 Figure 4.3 shows the distribution of employment floorspace by broad use class across Elmbridge Borough based on VOA rating lists as of 31 March 2023. Figure 4.4 and Figure 4.5 show those sites within Strategic Employment Land ('SEL') and town centre boundaries as per the emerging local plan.

Figure 4.3 Distribution of employment floorspace by broad use class, Elmbridge, 2023



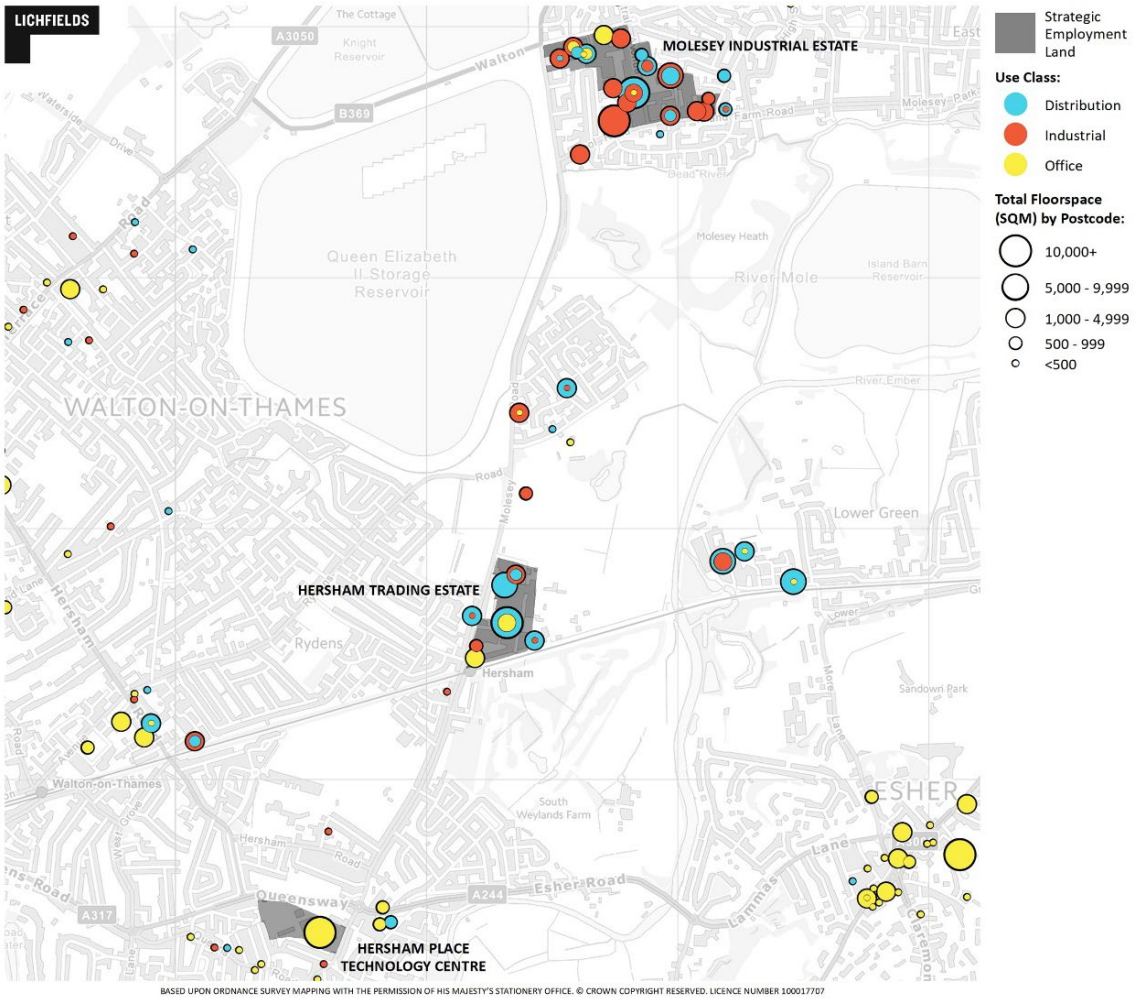
Source: VOA (2023) | Lichfields analysis

Figure 4.4 Distribution of employment floorspace by broad use class, Elmbridge, 2023: Inset – Strategic Employment Land at Brooklands Industrial Park and The Heights



Source: VOA (2023) | Lichfields analysis

Figure 4.5 Distribution of employment floorspace by broad use class, Elmbridge, 2023: Inset – Strategic Employment Land at Molesey Industrial Estate, Hersham Trading Estate and Hersham Place Technology Centre



Source: VOA (2023) | Lichfields analysis

4.11 The Weybridge area[28] has the highest concentration of employment space, accounting for 47.8% of employment floorspace across the Borough and over half of all office (51.4%) and distribution (53.2%) floorspace. Of the 1,242 offices recorded on VOA rating lists, 533 (42.9%) were in the Weybridge area. Clusters of office space are also found in Walton-on-Thames (19.7% of office space) and Esher (12.4% of office space). There is a significant prevalence of distribution and office space at Brooklands Industrial Park and the surrounding area.

4.12 The greatest proportion of industrial floorspace is in the West Molesey area, representing 38.8% of total industrial space in the Borough, followed by Weybridge and Walton-on-Thames with 31.8% and 18.8%, respectively.

[28] For the purposes of this analysis, 'Weybridge' comprises Weybridge town and the industrial areas of Brooklands and The Heights.

Development Rates and Trends

4.13 Monitoring data on employment floorspace across the Borough up to October 2024, provided by the Council, gives an overview of the scale and nature of employment space development, and loss, over the last decade.

4.14 It should be noted that following the changes to the Use Classes Order 1987 effective 1 September 2020, Class A1-A3, B1, D1 and D2[29] uses were subsumed into the new Class E. As such, data reported for 2020 onwards does not record gains or losses of offices individually, but rather for all uses under Class E.

4.15 The total gain in employment floorspace (Class B and E uses) in Elmbridge between 2014 and 2023 amounted to 70,490 sq.m. Of this 48.5% (34,340 sq.m) was for commercial and business use (Class B1/E) while a further 32.0% (22,690 sq.m) of floorspace gained was for distribution uses (Class B8) and 19.5% (13,820 sq.m) for industrial (Class B2).

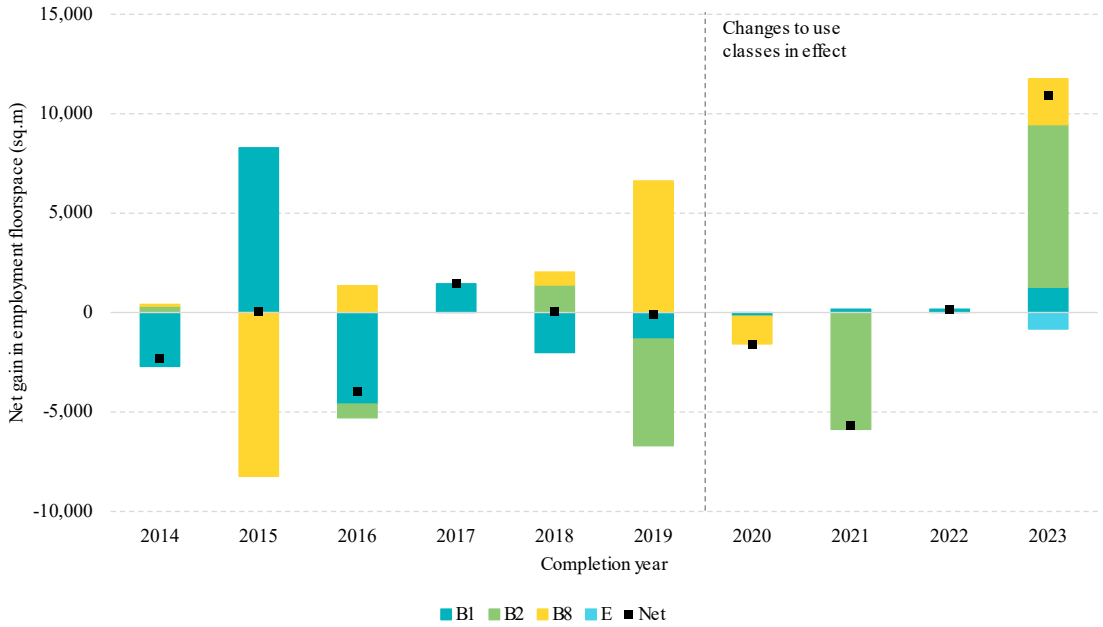
4.16 Conversely, losses of employment floorspace over the period totalled 71,780 sq.m. A significant proportion of this loss was industrial floorspace, accounting for 29.6% (21,280 sq.m) of losses, while the majority of space lost was for commercial and business use (48.2%, or 34,620 sq.m). Loss of industrial space accounted for 22.1% of total employment space lost, or 15,880 sq.m.

4.17 Correspondingly, there was an overall net loss in employment floorspace over the period 2014 to 2023 of 940 sq.m; this is shown in Figure 4.6. Over the full period of available monitoring data (2010 to 2023) there was a net gain of 11,020 sq.m, indicative of significant net gains in the earlier part of the decade. In 2024 to date, there has been a net loss of 5,230 sq.m of employment space, with extant permissions[30] for developments amounting to a possible further loss of 23,630 sq.m.

[29] These classes correspond to shops, financial and professional services, cafes and restaurants, offices, R&D, industrial processes, clinics, health centres, creches, day nurseries and day centres, and gymnasiums and indoor recreation.

[30] This excludes any development with expired permission, unless monitoring date has confirmed start on site.

Figure 4.6 Gains and losses in employment floorspace in Elmbridge, 2012 to 2023



Source: Elmbridge Borough Council | Lichfields analysis

4.18 Within commercial and business floorspace (Class B1/E) there was a net gain of 8,660 sq.m over the period. However, over the period 2012/13 to 2019/20 prior to the change in use classes there was an annual net gain in office floorspace of just 1,790 sq.m, primarily attributable to 9,830 sq.m of net office space gained in 2012/13[31]; subsequent to this, there was a net loss in office floorspace totalling -8,040 sq.m.

Permitted development and prior approval

4.19 Permitted Development Rights ('PDR') are *"a national grant of planning permission which allow certain building works and changes of use to be carried out without having to make a planning application"* (PPG Reference ID:13-017-20140306).

4.20 Part 3 of Schedule 2 to the Town and Country Planning (General Permitted Development) (England) Order 2015, known as the General Permitted Development Order ('GPDO'), concerns changes of use. There are several classes of permitted development, which includes conversion between employment uses and from employment uses to other uses, such as dwellinghouses.

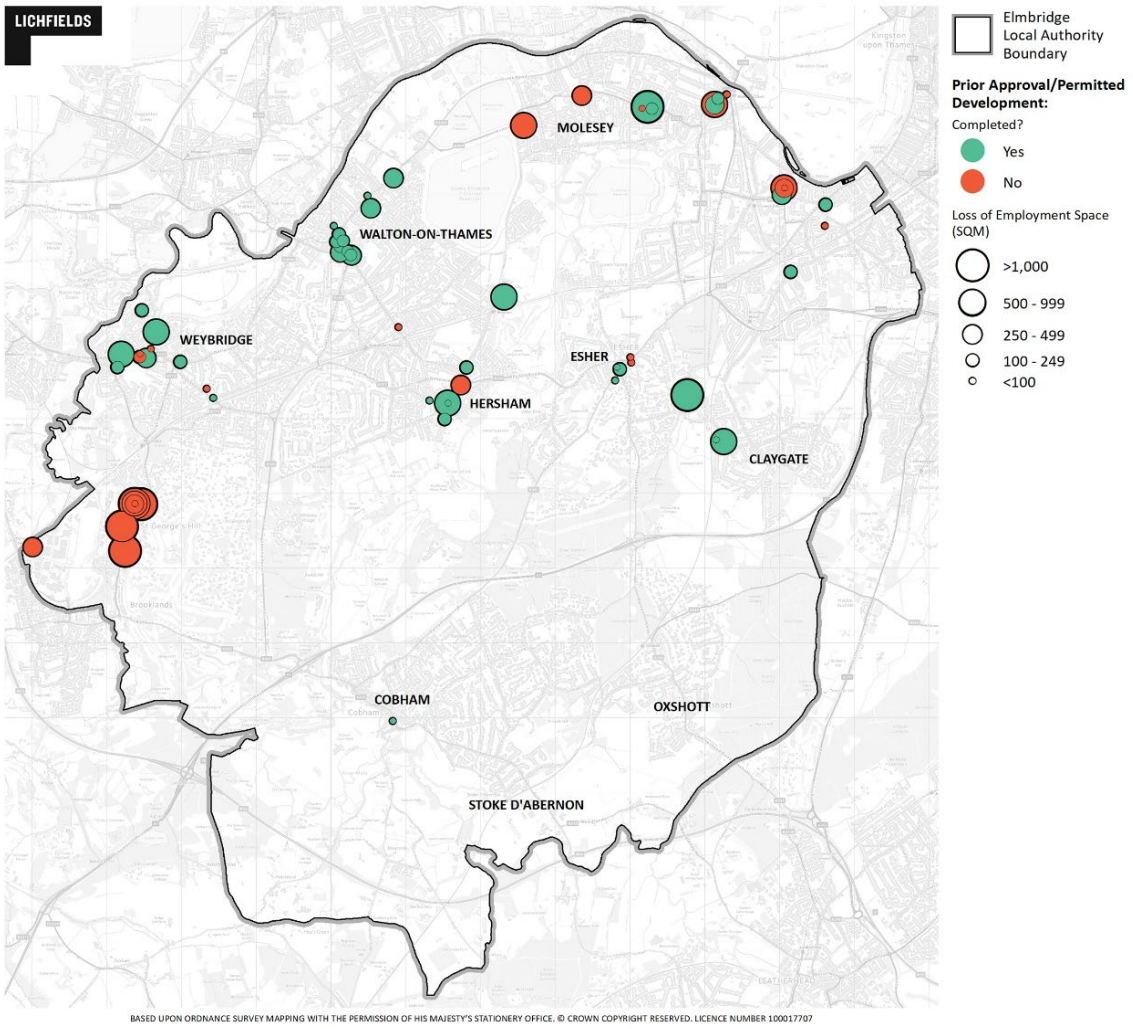
4.21 Article 4 directions remove PDR in certain areas where it is considered that they could have a negative impact. There are two existing Article 4 direction areas in Elmbridge: Land off Woodlands Lane and Land off Pointers Road, both in Cobham.

4.22 Since the introduction of PDR allowing for the change of use from offices to homes in 2013, 72 sites have received permission under the GPDO, of which 43 have completed. Completed conversions have resulted in the loss of 14,690 sq.m of Class B1 floorspace, while outstanding permissions would result in a further loss of 15,360 sq.m across Class E floorspace if completed. The sites subject to permitted development, shown in Figure 4.7;

[31] The 2013/14 AMR cites that this net gain was wholly attributable to the completion of two detached five storey office buildings at Brooklands Weybridge, totalling 11,264 sq.m.

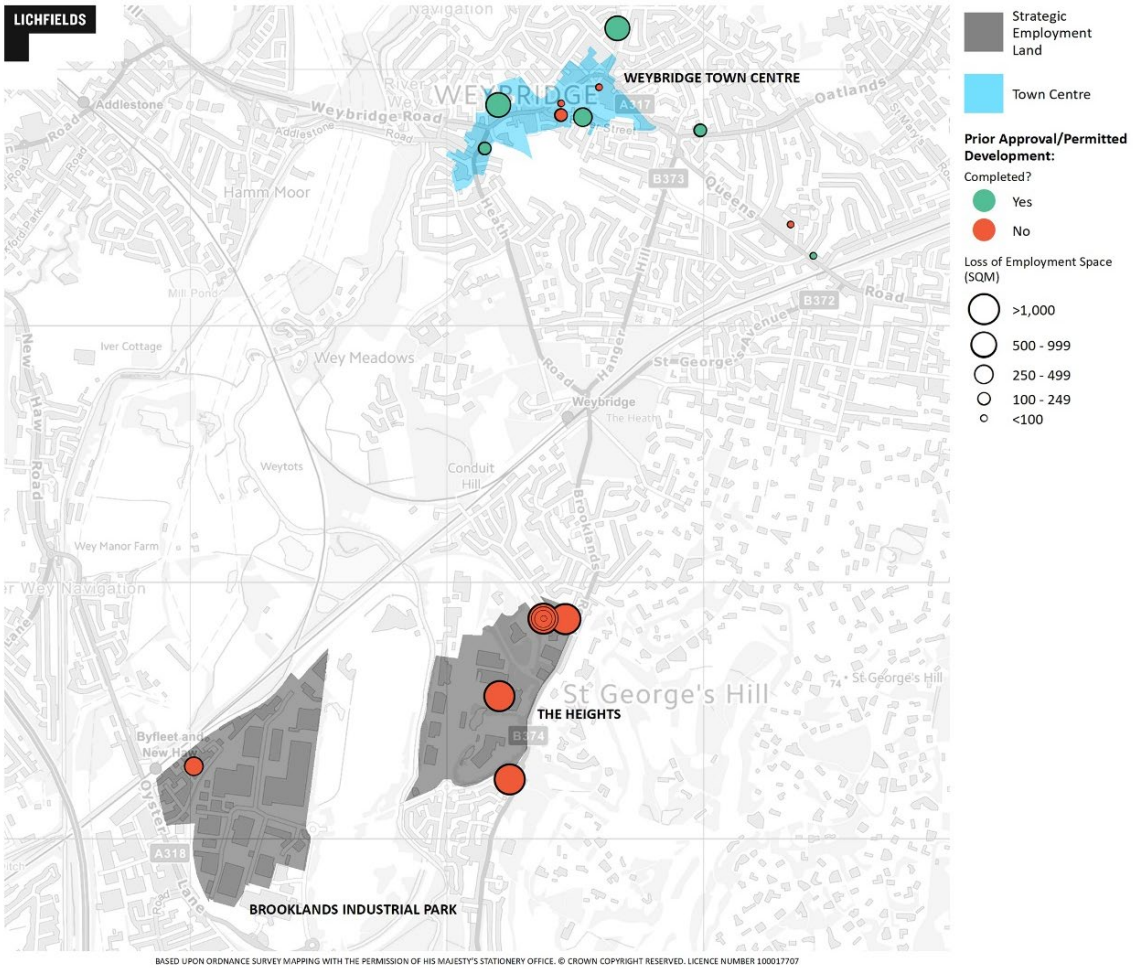
Figure 4.8 and Figure 4.9, highlight those sites within SEL or town centre boundaries as defined within the emerging local plan. Together, these sites equate to almost a third of total employment space lost between 2014 and 2023.

Figure 4.7 Permitted development sites in Elmbridge, 2014-2023



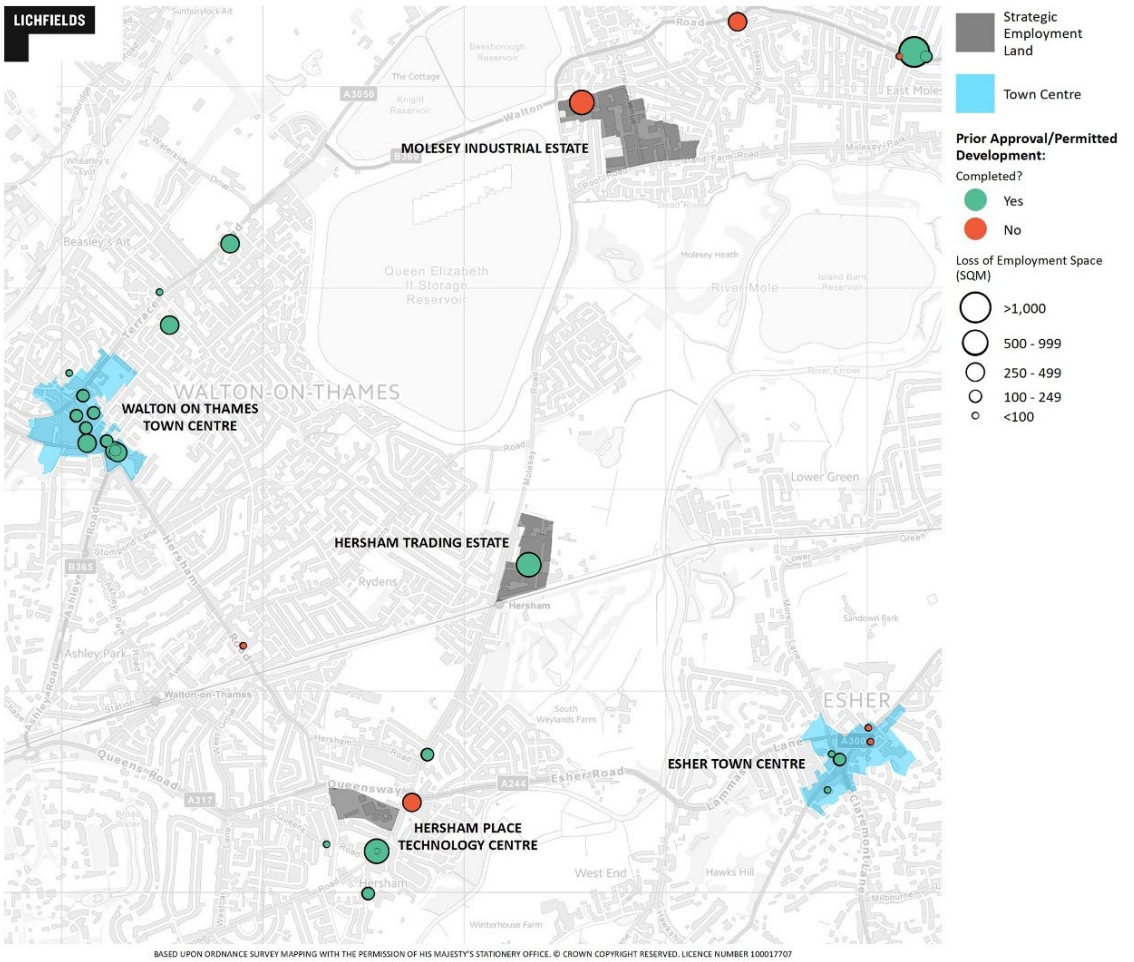
Source: Elmbridge Borough Council | Lichfields analysis

Figure 4.8 Permitted development sites in Elmbridge, 2014-2023: Inset – Weybridge Town Centre, Brooklands Industrial Park and The Heights



Source: Elmbridge Borough Council | Lichfields analysis

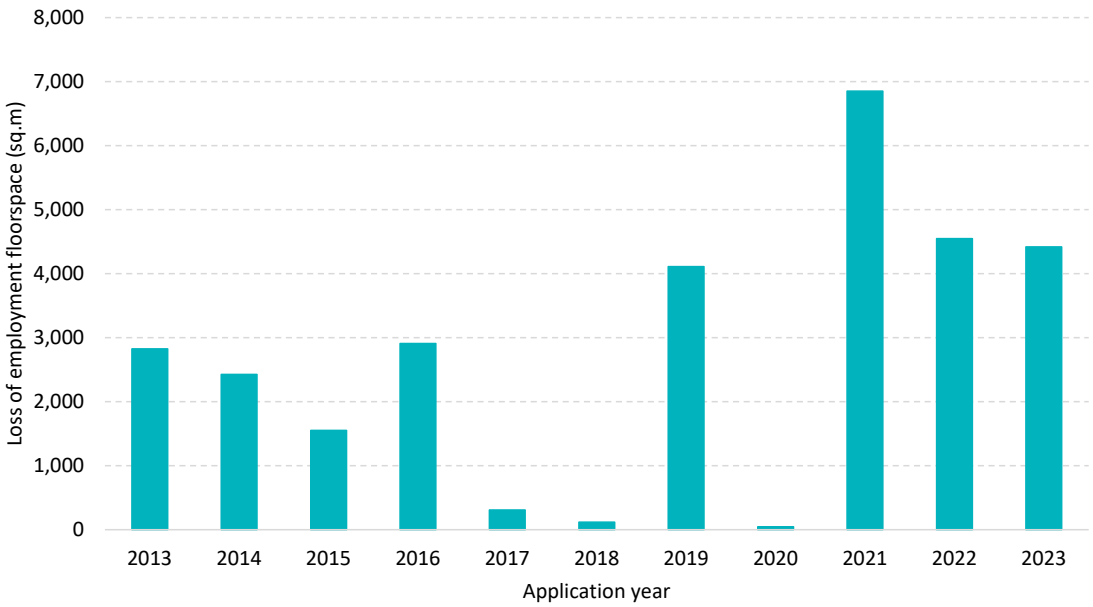
Figure 4.9 Permitted development sites in Elmbridge, 2014-2023: Inset – Molesey, Hersham, Esher and Walton on Thames



Source: Elmbridge Borough Council | Lichfields analysis

4.23 Interviews were conducted with local commercial property agents in October and November 2024 to understand local market trends. With regard to PDR, the agents interviewed felt that while this was, to an extent, performing its intended purpose of 'right-sizing' the office stock by removing smaller, lower quality units there is now an emerging trend of larger spaces, including headquarters, being lost to residential development. This is evidenced by the increasing amount of floorspace permitted for conversion since 2021, as shown in Figure 4.10.

Figure 4.10 Loss of employment floorspace in Elmbridge through permitted development, 2013 to 2023



Source: Elmbridge Borough Council | Lichfields analysis

Property Market Signals

4.24 Recent years have been turbulent for the UK commercial property market, with the effects of the Covid-19 pandemic compounded by rising running costs impacting rental values and interest rate hikes since the September 2022 'mini-budget'. However, over the course of 2024 there have been signs of recovery in business confidence and hence demand in the property market.

4.25 Amidst growing consumer and business confidence in the UK economy in the wake of the July 2024 General Election and the Bank of England base rate cuts, the commercial property market has showed modest signs of an uplift in activity. The RICS UK Economy Property Market Update for August 2024 cites evidence from the sector showing an uplift in turnover and the number of transactions with stabilising capital values, despite the volume of transactions falling below the five-year quarterly average[32].

4.26 Meanwhile, the Q2 2024 RICS UK Commercial Property Monitor, a survey-based outlook on the short- to medium-term performance of the commercial property sector, indicates that the industry sees commercial property markets to be at the trough of the business cycle or in the early stages of recovery as business confidence improves and interest rates appear to have reached their peak[33].

4.27 There are suggestions of strengthening occupier demand in both office and industrial markets. For offices, this is the first positive outlook on this measure since early 2022. However, rising demand is primarily confined to prime grade units in Central London as rents for secondary stock and offices elsewhere in the country continue to slide. As for investor demand, while there is currently some stagnancy this is expected to pick up over the medium-term.

[32] RICS (2024a) August 2024 UK Economy Property Market Update
[33] RICS (2024b) Q2 2024 UK Commercial Property Monitor

4.28 Within the Surrey office market, vacancy rates have historically trended above the national average but have stabilised over the course of 2024 after sharp rises in previous years[34]. This is attributable to recent demolitions which have brought vacancy rates in the county down to a comfortable 8.6%, however, it is likely that weak occupier demand will continue and push vacancy rates up once again. Business parks have seen most of this impact, with the trend of large deals at sites such as Hillswood Park in Chertsey and the Forge in Woking in 2023 yet to be replicated in 2024.

4.29 The industrial market in Surrey is geared towards smaller warehouses rather than national distribution, owing to high land values and location constraints. After strong activity in the industrial market during 2021 and 2022, lettings of large units fell away in early 2023 against a worsening national economic backdrop and high rental values; Surrey's average industrial rent of £16.46 per sq.ft is almost double the national average. However, vacancy rates for industrial space in the county are expected to be relatively stable over the coming years as economic conditions improve and while there is limited new development coming forward.

Local office market

4.30 According to property data service CoStar, the total stock of office floorspace in Elmbridge is 273,500 sq.m, across 308 buildings[35]. As shown previously in Figure 4.3, the majority of office floorspace is located in and around town centres in the north of the Borough, with a cluster in and around Brooklands Industrial Park to the west.

4.31 Feedback from agents indicated that, in office market terms, Elmbridge is seen to be a secondary location compared to other areas of Surrey, such as Guildford and Woking. These two submarkets have seen an increasing number of refurbished spaces becoming available, with rents rising to reach up to £50 per sq.ft in Guildford.

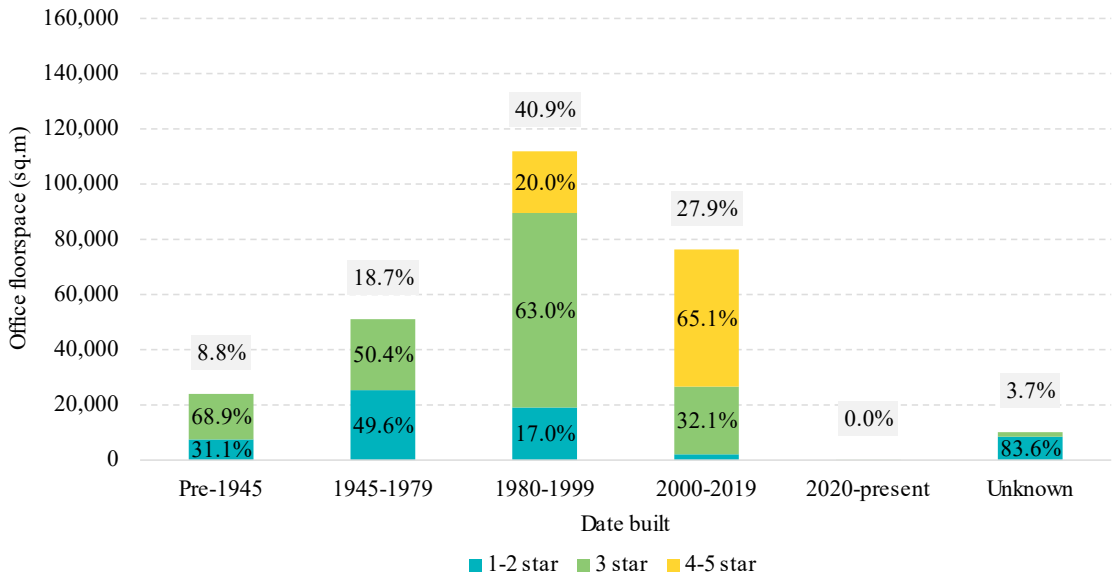
4.32 In recent years, particularly since the pandemic, there has been a noticeable trend in occupiers seeking smaller, higher quality spaces that provide sufficient flexibility for modern modes of working. The local occupier market has declined significantly since the pandemic owing to increased home-working, leading to most demand stemming from larger companies. However, available spaces suitable for these occupiers do not offer the public transport accessibility that would be required; those that are located closer to train stations generally do not offer the local amenities needed to support office occupiers.

4.33 A significant proportion (40.9%) of the existing office space in Elmbridge dates from between 1980 and 1999, and over half of floorspace is rated 3 stars out of 5 in terms of quality by CoStar[36] as shown in Figure 4.11. Almost two-thirds of the office stock dating from 2000 to present – which represents 27.9% of total floorspace – is rated 4- or 5-star, while no office space pre-dating 1980 falls within this category.

4.34 Of the 14 offices (4.5% of office stock, or 26.3% of floorspace) with a 4-star rating[37], nine are located within Brooklands Industrial Park. Furthermore, of the 37 office units built since 2000, 13 were located at Brooklands.

[34] CoStar Group (2024) CoStar Suite
[35] Ibid.
[36] More detail on the CoStar rating system is available at: https://www.costar.com/sites/costar.com.na/files/2023-09/costar_buildingratingsystem-definition.pdf
[37] No offices in the Borough are rated 5-star.

Figure 4.11 Office stock in Elmbridge by age and quality

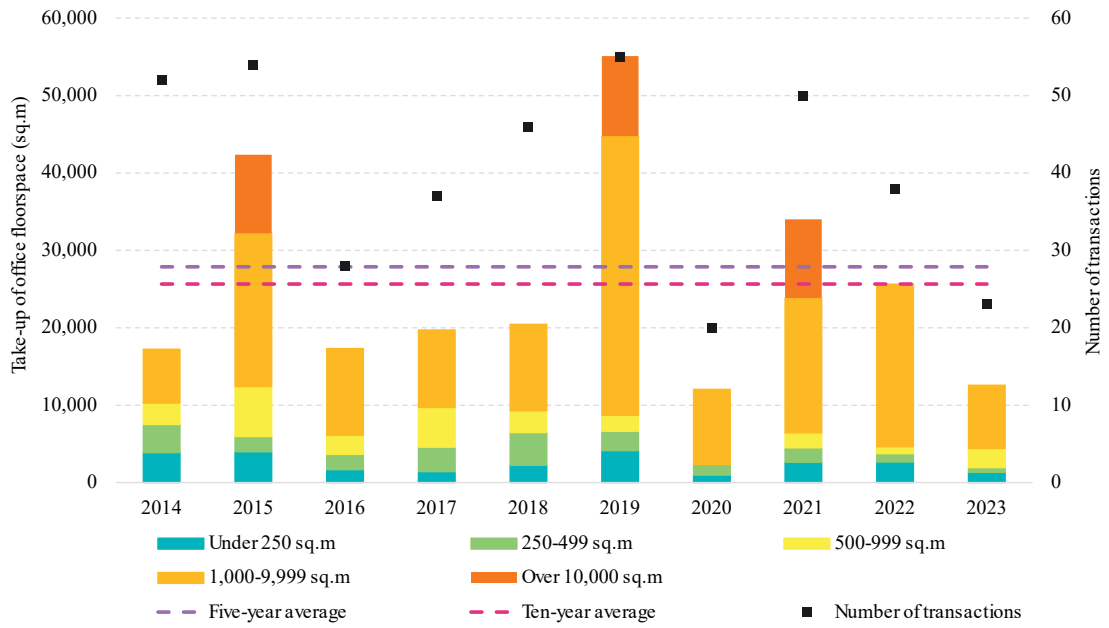


Source: CoStar (2024) | Lichfields analysis

4.35 According to property market data from CoStar, total office take-up (sales and leases) between 2014 and 2023 totalled 256,400 sq.m, with an average of 40 transactions per year; this is shown in Figure 4.13[38]. Compared to the prior two years take-up in 2023 was modest at just 12,600 sq.m, only marginally higher than the 12,000 sq.m of take-up seen at the height of the pandemic in 2020. Conversely, in 2019 and 2021 take up was above average, reaching 55,100 sq.m in 2019 spurred by a five-property portfolio deal at Brooklands. Likewise in 2021 the take-up of larger units was dominated by Brooklands, as part of The Heights development.

[38] CoStar Group (2024) CoStar Suite

Figure 4.12 Take-up of office floorspace in Elmbridge, 2014 to 2023

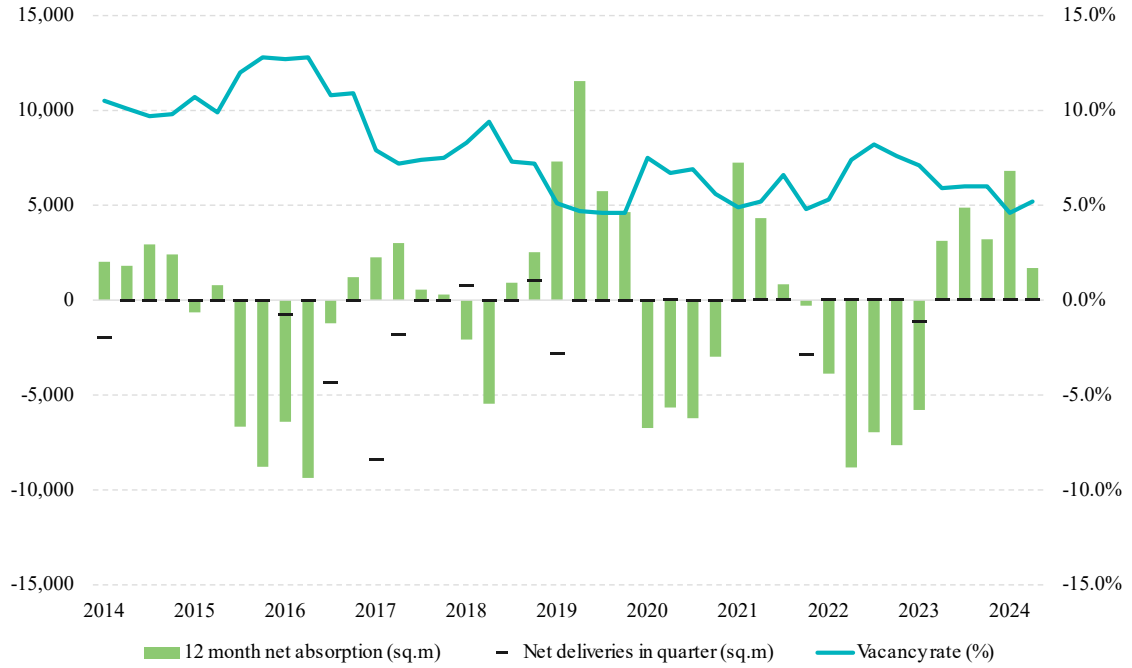


Source: CoStar (2024) | Lichfields analysis

4.36 Compared to the wider Surrey office market, the Elmbridge submarket has a much lower vacancy rate, recorded at 5.2% in Q2 of 2024. However, there were significant variations in vacancy across the stock, with 4- and 5-star units posting a vacancy rate of 7.2% in the quarter, while lower-quality 1- and 2-star units had a vacancy rate of just 2.8%.

4.37 Net absorption – the difference between space leased and space vacated – between Q2 2023 and Q2 2024 was +1,690 sq.m, with Elmbridge's office market recording positive levels of 12-month net absorption since the beginning of 2023. Coupled with falling vacancy rates, this is indicative of rising demand in the submarket as inventory floorspace remains broadly constant, as shown in Figure 4.13.

Figure 4.13 Net deliveries, 12-month net absorption and vacancies in the Elmbridge office submarket, Q1 2019 to Q2 2024



Source: CoStar (2024)

4.38 As of Q2 2024, there was 23,000 sq.m of available office floorspace in Elmbridge Borough, equivalent to an availability rate of 8.4%. Of this, 10,200 sq.m (43.5%) is 4-star space, and a further 9,600 sq.m (40.7%) is rated 3-star. The average asking rent for office space is £31.76 per sq.ft, ranging from £28.98 per sq.ft for space in 1- and 2-star units and £35.14 per sq.ft for 4- and 5-star units.

4.39 Of available office floorspace in the Borough, 57.3% (13,500 sq.m) is located in Weybridge, across 17 units. While there were 10 available units in Esher, these units offer an average of just 330 sq.m each, compared to an average of 790 sq.m among available units in Weybridge.

4.40 The available office supply in Elmbridge against the 10-year (2014-2023) and 5-year (2019-2023) average annual take-up is shown in Table 4.1. Compared to both the 5-year and 10-year average annual take-up, there is less than a year's supply of office floorspace in the Borough.

Table 4.1 Years of available office supply in Elmbridge

	Office supply
Available supply (sq.m)	23,040
Average annual take-up (2014-2023) (sq.m)	*25,640*
Years of available supply (10-year average)	**0.90**
Average annual take-up (2019-2023) (sq.m)	*27,870*
Years of available supply (5-year average)	**0.83**

Source: CoStar (2024) | Lichfields analysis

Local industrial market

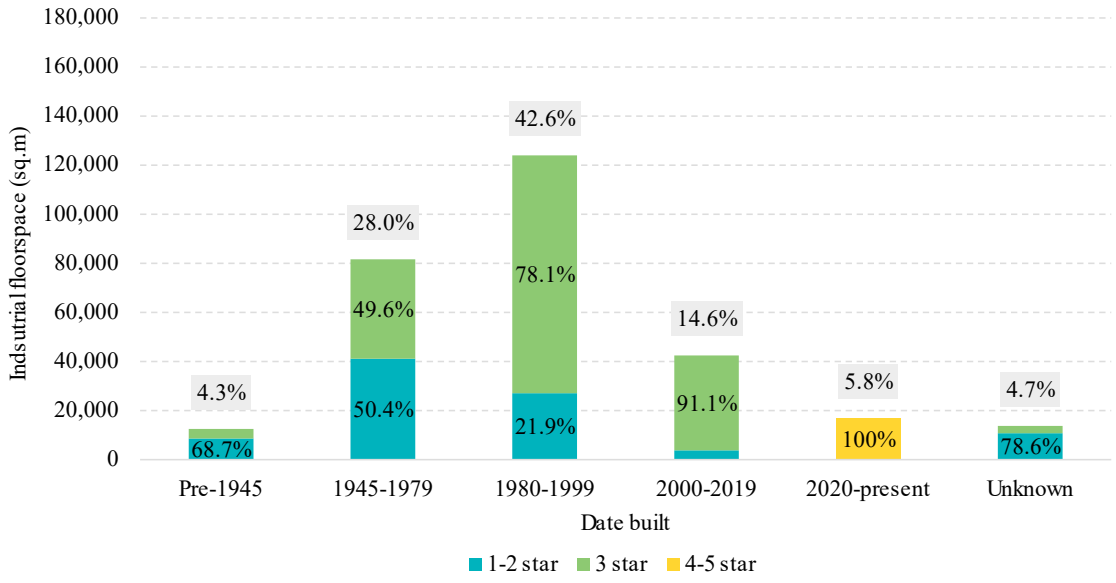
4.41 There is currently 291,200 sq.m of industrial (including light industrial) floorspace in Elmbridge, across 158 units. This floorspace is spread throughout the Borough, with significant clusters at West Molesey, Hersham, and Brooklands Industrial Park.

4.42 Interviews with local commercial property agents highlighted that there is insufficient choice for spaces of over 1,000 sq.m, but despite this demand low developer confidence has limited the delivery of new units. A trend in conversion from Class B2 to Class B8 use is emerging, however, site access constraints and local traffic congestion has tempered demand for existing B8 units at sites such as Brooklands.

4.43 Larger companies will pay a premium for high-quality units, and these typically let faster than older, lower-quality stock. However, older units that offer more parking capacity than their modern counterparts can be just as in demand. Rents for industrial units at key sites in Elmbridge are rising, through a chain of B8 demand moving away from Heathrow into Surrey as rental prices rise, and subsequently further along the A3/M3 corridor into Elmbridge.

4.44 As shown in Figure 4.14, almost three-quarters of industrial floorspace dates from before 2000. While the majority (58.9%) of industrial units are rated 1-2 stars in terms of quality by CoStar, these units are generally smaller and therefore represent just 31.8% of floorspace: 62.8% of industrial floorspace in Elmbridge is rated 3-star. Since 2020, two units – Brooklands 59 and DC1 at Prologis Brooklands – have been completed totalling 16,900 sq.m. These are the only two units to be rated 4-5 stars for quality in the Borough.

Figure 4.14 Industrial floorspace by age and quality in Elmbridge

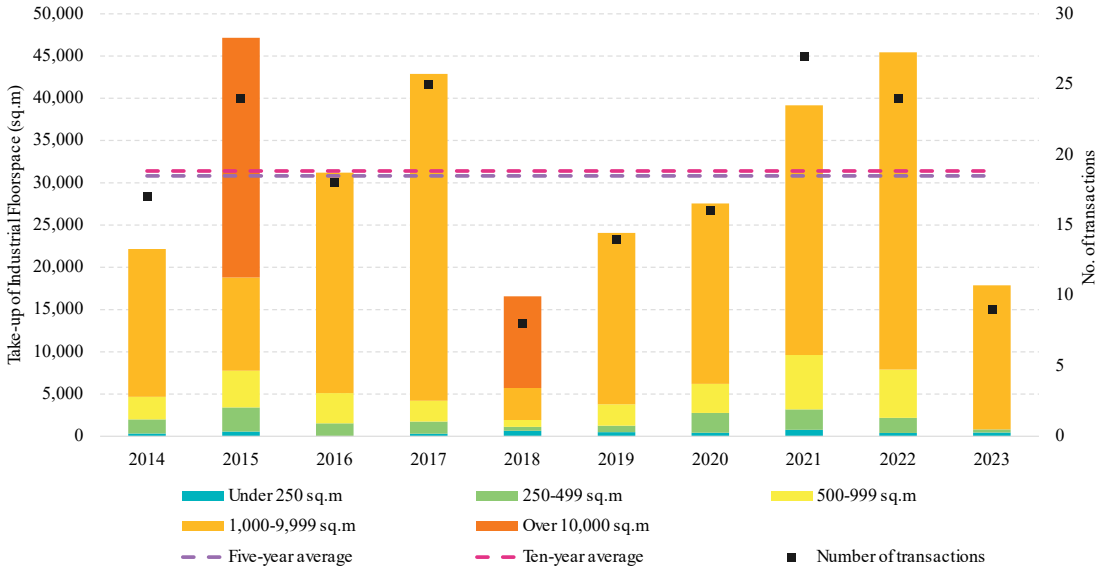


Source: CoStar (2024) | Lichfields analysis

4.45 Take-up of industrial floorspace in Elmbridge across sales and leases for both industrial and light industrial space between 2014 and 2023 totalled 323,900 sq.m across 191 transactions, as shown in Figure 4.15. As seen in the pattern of take-up in the office market,

take-up of industrial floorspace was subdued in 2023, falling to its lowest level since 2018 despite relatively strong performance during 2021 and 2022.

Figure 4.15 Take-up of industrial floorspace in Elmbridge, 2014-2023

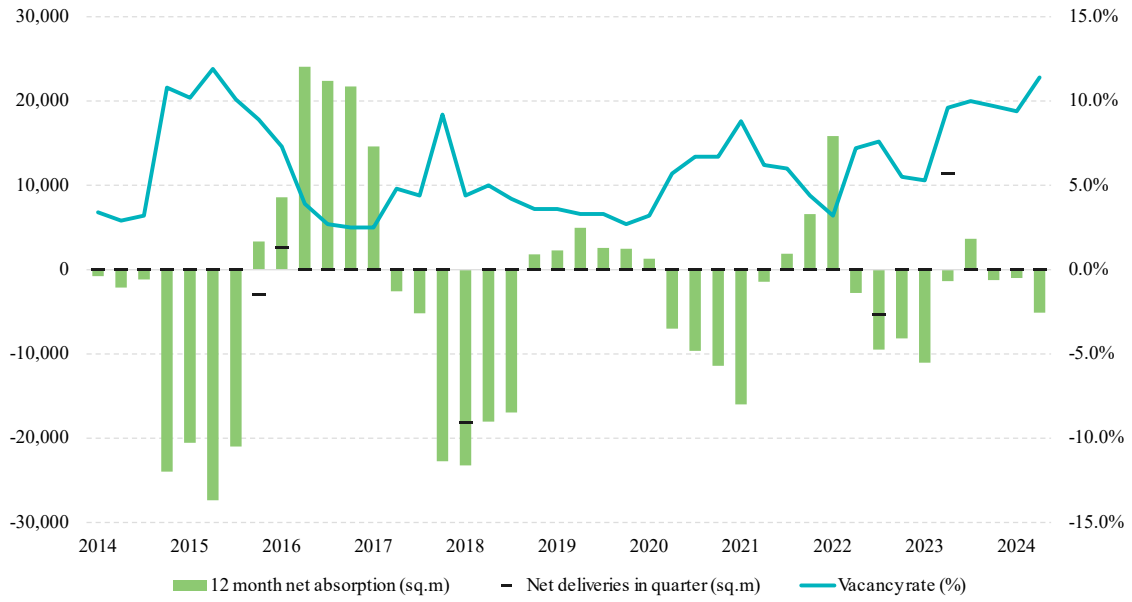


Source: CoStar (2024) | Lichfields analysis

4.46 The majority of floorspace take-up over the period was within units of between 1,000 and 10,000 sq.m, representing 71.5% of take-up. While the five-year and ten-year average take up figures are broadly consistent at 32,100 sq.m and 32,400 sq.m respectively, take-up in 2023 fell far short of this at just 20,600 sq.m, the lowest recorded take-up since 2018.

4.47 As shown in Figure 4.16, net absorption of industrial floorspace between Q2 2023 and Q2 2024 in Elmbridge totalled -5,100 sq.m, continuing a declining trend in 12-month net absorption since late 2023. Meanwhile, vacancy rates have steadily risen since the beginning of 2023, reaching 11.4% in Q2 2024 – its highest level since 2015.

Figure 4.16 Net deliveries, 12-month net absorption and vacancies in the Elmbridge industrial submarket, Q1 2019 to Q2 2024



Source: CoStar (2024) | Lichfields analysis

4.48 While some vacancy may be attributed to the significant delivery of 11,400 sq.m of industrial floorspace in the Borough in early 2023, the longer-term trend in vacancy coupled with negative net absorption is indicative of falling demand for industrial floorspace in Elmbridge.

4.49 As of Q2 2024, there is 40,100 sq.m of available industrial floorspace in Elmbridge, implying an availability rate of 13.8%. Of this, 37,400 sq.m is within logistics units, while the remaining 2,700 sq.m is specialised industrial space. The average market asking rent for the available industrial floorspace in the Borough is £17.73 per sq.ft.

4.50 Table 4.2 shows the 10-year (2014-2023) and 5-year (2019-2023) average annual take-up against the available supply of industrial floorspace in Elmbridge in Q2 2024. This suggests that there is 1.25 years of available supply of industrial floorspace in the Borough.

Table 4.2 Years of available industrial floorspace supply in Elmbridge

	Industrial supply
Available supply (sq.m)	40,149
Average annual take-up (2014-2023) (sq.m)	*32,389*
Years of available supply	**1.24**
Average annual take-up (2019-2023) (sq.m)	*32,079*
Years of available supply	**1.25**

Source: CoStar (2024) | Lichfields analysis

Summary

4.51 Employment land is spread across the Borough with key clusters in Weybridge, Esher, Moseley and Hersham. However, Valuation Office Agency ('VOA') data shows that total

stock of employment floorspace in Elmbridge has declined by more than 20% over the past two decades, with particular reductions seen in industrial space.

4.52 Monitoring data for 2014 to 2023 provided by Elmbridge Borough Council shows an overall net loss in employment floorspace of 930 sq.m, with a total gain of 70,490 sq.m offset by a total loss of 71,780 sq.m. Permitted development has accounted for almost a third of employment space lost since 2014, with an emerging trend towards the conversion of larger sites in recent years.

4.53 The majority of office floorspace in Elmbridge dates from between 1980 and 1999, with over half of floorspace rated 3 out of 5 stars in terms of quality by CoStar. A significant proportion of newer, higher-quality units are located within Brooklands Industrial Park in Weybridge. Take-up (sales and leases) of office floorspace in the Borough has steadily fallen since 2021, with a declining number of transactions. Years of higher take-up are typically driven by multi-property transactions, often at Brooklands or similar industrial estates and business parks. Availability in the Elmbridge office submarket is below the Surrey average, but varies with quality; while vacancy in 4- and 5-star units was 7.2% in Q3 2024, for 1- and 2-star units this was just 2.8%.

4.54 In the industrial property market, the vast majority of the stock in Elmbridge pre-dates 2000. Take-up of industrial floorspace in the Borough was low in 2023 after a relatively strong performance in 2021 and 2022. Net absorption has been negative throughout 2024 to date, with vacancy rising to levels last seen in 2015.

5.0 Future Employment Space Requirements

5.1 This section considers future economic growth needs in Elmbridge by drawing on several methodologies that are guided by the Planning Practice Guidance (PPG) and aligned to the requirements set out in the National Planning Policy Framework (NPPF).

5.2 The assessment develops a number of potential future economic scenarios to provide an updated framework for considering future economic growth and associated employment space requirements in Elmbridge Borough over the new Local Plan period up to 2040, drawing upon:

1 Projections of employment growth (**labour demand**) within the main office and industrial sectors derived from economic forecasts produced by Experian (September 2024);

2 Consideration of **past trends** in take-up of employment space based on the latest Council monitoring data, data from the VOA, as well as CoStar's latest commercial property data (specifically, net absorption), as reviewed in sections 3.0 and 4.0; and

3 Estimates of future growth of local **labour supply** based on the Council's latest housing evidence providing two labour supply scenarios: the previous Standard Method requirement of 650 dwellings per annum ('dpa') and the revised Standard Method requirement of 1,574 dpa.

5.3 The outputs from these scenarios are presented and discussed in detail below. All the scenarios cover the period from 2022 to 2040 aligned with the Plan period. Each of these approaches have limitations, and consideration needs to be given as to how appropriate each is to the specific circumstances in Elmbridge.

5.4 The ultimate judgement as to the level of need that the local authority should plan for is not a purely quantitative exercise and there will be a number of qualitative factors that require consideration, some of which are discussed in the previous sections. These factors will influence the employment space requirements that will need to be planned for and should be considered alongside the following modelled scenarios.

Scenario 1: Labour Demand

5.5 Employment growth forecasts for Elmbridge Borough were obtained from Experian September 2024 release, the latest available at the time of writing, covering the period between 2024 to 2040. The forecasts are based on prevailing regional and national macroeconomic conditions, as summarised briefly in Box 1 overleaf. Further details on Experian's assumptions are provided in Appendix 3.

5.6 To align with the Plan period (i.e., 2022 to 2040) analysis of the historic employment growth as recorded by the Business Register and Employment Survey ('BRES') for 2022 and 2023 has been considered.

Box 1: Experian UK Regional Planning Service Forecasts, September 2024

At the national level, while reductions in domestic energy costs since spring 2023 have reduced inflationary pressures, robust wage growth has kept service inflation elevated, but this is anticipated to fall as the labour market continues to loosen. Stronger than anticipated growth in GDP in the three months to May is considered to show the robustness of consumers and businesses against a backdrop of high borrowing costs. The forecasts assume that the Bank of England base rate is reduced in Q4 2024.

The economic outlook for the remainder of 2024 is expected to gradually plateau, with some signs of improvement in consumer confidence, a falling level of private sector activity, and reductions in inflation. The labour market also showed signs of cooling in early 2024, with a rising – but still historically low – unemployment rate but strong pay growth across both the public and private sectors.

The UK forecast for 2024 suggests GDP growth was robust, increasing by 0.6% in Q2 following a 0.7% rise in Q1, with output now 2.3% above the pre-pandemic level. The labour market remains resilient with the unemployment rate easing to 4.1% in the three months to May-July 2024. However, job vacancies continued to decline in the three months to June-August, down from a peak of around £1.3 million in 2022.

In August business sentiment remained in positive territory across all sectors (services, manufacturing and construction), pointing towards continued GDP growth in H2 2024. However, business investment remains weak for now, declining by 0.1% Q-on-Q in Q2 2024, and by 1.1% compared to the same quarter last year.

Implied employment change

5.7 Table 5.1 below summarises the employment change implied by the Experian forecasts by office, industrial and distribution uses as well as total employment change to 2040. This includes an allowance for jobs in other sectors that typically use office, industrial or warehousing space.

Table 5.1 Forecast Employment Change in Elmbridge, 2024-2040

Use	Number of Workforce Jobs		Change (2024-2040)
	2024	2040	
Office E(g)(i)/(ii)	22,496	25,914	+3,418
Light Industrial E(g)(iii)	2,155	2,456	+301
Industrial B2	2,942	3,009	+67
Distribution B8	6,637	7,238	+602
Total Employment Class Sectors	**34,230**	**38,617**	**+4,388**
Total Workforce Jobs	**78,100**	**88,200**	**+10,100**

Source: Experian (September 2024) | Lichfields analysis (totals rounded)

5.8 Under this scenario, total workforce jobs are expected to increase by 13% over the period 2024 to 2040 resulting in an additional 10,100 workforce jobs in the Borough. About 43% of all job growth is expected to be within office, industrial and distribution sectors (i.e.

sectors that typically use this space), with office and distribution sectors driving the majority. Light industrial job growth is forecast to be at 301 jobs and general industrial jobs shows that it will increase by just 67 jobs. Jobs in office-based sectors are expected to grow the most (+3,418 jobs).

5.9 Table 5.2 below identifies the fastest growing and declining sectors in the Borough in employment terms for the same period. Some of those sectors forecast to see the highest job growth typically fall within employment use classes, such as professional services, computing and information services and land transport, storage and post. The forecasts also suggest that wider sectors such as accommodation and food services, education, retail and health will play a significant role in driving local job growth in future.

Table 5.2 Fastest Growing and Declining Employment Sectors in Elmbridge, 2024-2040

Sector	Forecast Change in Workforce Jobs 2024-2040	
	No	%
FASTEST GROWING EMPLOYMENT SECTORS		
Professional Services	+2,600	+21%
Accommodation & Food Services	+2,100	+36%
Education	+1,700	+27%
Land Transport, Storage & Post	+1,400	+48%
Computing & Information Services	+600	+15%
Retail	+600	+10%
Health	+500	+16%
FASTEST DECLINING EMPLOYMENT SECTORS		
Wholesale	-800	-14%
Finance	-200	-22%
Recreation	-200	-5%
Manufacture of Printing and Recorded Media	-100	-50%
Public administration & defence	-100	-10%

Source: Experian (September 2024) | Lichfields analysis

5.10 The sectors that are forecast to see employment losses in Elmbridge over the period to 2040 include mainly wholesale, finance, recreation, public administration and defence and the manufacture of printing and recorded media. A full breakdown of the baseline job growth by sector (i.e. 38 sectors, including non-employment sectors) is presented in **Appendix 1**.

5.11 For the first two years of the Plan period (2022 and 2023), BRES data for Elmbridge has been considered (i.e. the official source of job figures at the local geography level). As presented in Table 5.3, over these two years office-based sectors contracted relating primarily with a decrease in Computing and Information and Administrative and Support Services[39].

[39] However, our research has not revealed any significant business closure or move out of the area across that period.

Table 5.3 Forecast Employment Change in Elmbridge, 2022-2023

Use	Number of Workforce Jobs		Change (2022-2023)
	2022	2023	
Office E(g)(i)/(ii)	21,931	21,041	-890
Light Industrial E(g)(iii)	1,556	1,631	+ 76
Industrial B2	3,288	3,407	+119
Distribution B8	4,442	4,612	+170
Total Employment Class Sectors	**31,217**	**30,691**	**- 525**

Source: BRES (2024) | Lichfields analysis (totals rounded)

5.12 However, Finance, Insurance and Pensions and Other Private Services have seen a growth over the same period. According to BRES, the highest growth over the 2022-23 period was related to non-employment sectors such as Accommodation and Food and Recreation. A full break down is presented in Appendix 2.

Converting to Employment Space Requirements

5.13 The office, industrial and warehousing component of these employment growth forecasts are converted to future employment space requirements by applying the latest published job density figures for employment space, which take account of recent trends in occupancy for the different employment uses. The following average ratios have been applied:

- **Offices (E(g)(i)/(ii)):** 1 workforce job per 12 sq.m NIA (i.e. 14 sq.m Gross External Area ('GEA'))[40] and a plot ratio of 2 for town centre uses (80% of total office stock based on VOA distribution of office space). 1 workforce job per 14 sq.m GEA and 0.4 plot ratio for out-of-centre business park style office space (20% of total office stock);
- **Light industrial (E(g)(iii)):** 1 workforce job per 47 sq.m NIA (i.e. 54.05 sq.m GEA) and a plot ratio of 0.4;
- **General industrial (B2):** 1 workforce job per 36.0 sq.m GIA (i.e. 37.8 sq.m GEA) and a plot ratio of 0.4; and
- **Warehousing (B8):** 1 workforce job per 65 sq.m GEA for smaller scale warehousing (95% of warehousing stock in Elmbridge) and 1 workforce job per 71 sq.m GEA for medium scale, lower density units (2.5% of warehousing stock) and 1 workforce per 87.5 sq.m GEA for large scale, lower density units (2.5% of warehousing stock).

5.1 These assumptions are based on the latest HCA guidance on job density ratios. This guidance takes some account of recent trends in terms of changing utilisation of employment space, including more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking.

5.2 An allowance of 8% is added to all positive floorspace requirements to reflect ideal levels of market vacancy in employment space (Table 5.4). Where a reduction in jobs is forecast, the associated negative floorspace is halved.

[40] Aligned with the Employment Density Guide, 3rd Edition (2015)

Table 5.4 Net Employment Space Requirements: Labour Demand (Scenario 1)

Type of Space/Use Class	Net Employment Floorspace 2022 to 2023 (GEA sq.m)	Net Employment Floorspace 2024 to 2040 (GEA sq.m)	Net Employment Floorspace 2022 to 2040 (GEA sq.m)
Office E(g)(i)/(ii)	-6,230	51,680	45,450
Light Industrial E(g)(iii)	4,420	17,560	21,970
General Industrial B2	4,870	2,730	7,600
Distribution B8	12,060	42,710	54,770
Total	**15,110**	**114,680**	**129,800**

Source: Experian (September 2024), BRES (2024) | Lichfields analysis (totals rounded)

Scenario 2: Past Development Rates

5.1 Past development rates reflect market demand and actual development patterns, and therefore provide a reasonable basis for informing future space needs. Whilst forecasts show job growth in net terms, past trend-based analysis takes account of historic patterns in employment space development and the role that recycling of sites can play in terms of supporting employment uses in an economy. There are a number of data sources that can inform this approach, as set out below.

Local authority monitoring data

5.2 An analysis of monitoring data on past completions of employment space years between 2010/11 and 2023/24 has been provided by the Council. The accuracy of this data has not been verified by Lichfields. During this period, average annual net completions for employment class uses in Elmbridge amounted to 820 sq.m. Gross completions were higher, at an average of 5,900 sq.m per year. The difference between these figures reflects employment floorspace that has been lost to other uses (details are presented in section 4.0).

Table 5.5 Annual Completion Rates of Employment Space in Elmbridge, 2010/11-2023/24

Use	Net Annual Completions (sq.m)	Gross Annual Completions (sq.m)
Office E(g)(i)/(ii)	280	1,880
Light Industrial (B1c)	590	1,420
General Industrial (B2)	-150	990
Distribution (B8)	100	1,620
Total	**820**	**5,900**

Source: Elmbridge Borough Council | Lichfields analysis (totals rounded)

5.3 Over the 2022 to 2023 period, the Borough recorded a total net completion of 9,240 sq.m of which the majority comprised B2 floorspace, followed by B8 and light industrial floorspace. Meanwhile office floorspace recorded a net loss of 2,510 sq.m. During the same period, the Borough recorded gross completions of 31,210 sq.m and the difference reflects the loss of employment floorspace specifically for office E(g)(i)/(ii) use classes.

Table 5.6 Net Completions over the last two monitoring years (2022-2023)

Use	Net Completions	Gross Completions
Office E(g)(i)/(ii)	-2,510	7,070
Light Industrial (B1c)	1,260	7,680
General Industrial (B2)	8,180	8,180
Distribution (B8)	2,320	8,280
Total	**9,240**	**31,210**

Source: Elmbridge Borough Council | Lichfields analysis (totals rounded)

5.4 One view of future growth in Elmbridge could assume that the long term past development trends (as presented in Table 5.5) carry on in the future. Over the Local Plan period, Scenario 2A using the Council's monitoring data would equate to an overall increase of 14,810 sq.m of employment space to 2040.

Table 5.7 Net Employment Space Requirement: Past Development Rates in Elmbridge, 2022 to 2040

Type of Space/Use Class	Scenario 2A: Monitoring data	
	Net Annual Floorspace Change	Floorspace Requirement (GEA sq.m)
Office E(g)(i)/(ii)	280	5,060
Light Industrial E(g)(iii)	590	10,580
Industrial B2	-150	-2,650
Distribution B8	100	1,820
Total	**820**	**14,810**

Source: Elmbridge Borough Council, CoStar (2024) | Lichfields analysis (totals rounded)

VOA stock and CoStar net absorption data

5.5 Consideration has also been given to floorspace trends in Elmbridge based on Valuation Office Agency ('VOA') data and CoStar commercial property market data in the form of net absorption rates[41] (Table 5.8) across the same period. This exercise helps to sense check the local authority monitoring evidence.

5.6 VOA data over the same period as the monitoring data (2010 to 2023) shows there has been a decline in both office and industrial (including distribution) space since 2010. Across the same period, CoStar records a net positive absorption rate for office space of 230 sq.m per annum and an annual decrease of -1,790 sq.m of industrial space. It should be noted that the net absorption rate is a different measure from take up. Net absorption is defined by CoStar as the measure of total space occupied ('move-in') less the total space vacated ('move-out') over a given period of time. Lease renewals are not factored into net absorption but are included in the 'take-up' measure presented in section 4.0.

[41] The measure of total space occupied less the total space vacated per annum over a given period of time. Lease renewals are not factored into net absorption.

Table 5.8 Annual Floorpace Change in Elmbridge, 2010/11-2023/24 (sq.m)

Type of Space/Use Class	Annual Floorspace Change (VOA, 2024)	Annual Net Absorption (CoStar, 2024)
Office E(g)(i)/(ii)	-3,710	+230
Industrial and Distribution E(g)(iii)/B2/B8	-5,140	-1,790
Total	**-8,860**	**-1,560**

Source: VOA (2024), CoStar (2024) | Lichfields analysis (totals rounded)

5.7 Table 5.9 presents two additional scenarios as sensitivity tests: the VOA scenario which projects an overall floorspace requirement of -159,400 sq.m over the plan period, and the CoStar scenario, which also indicates a decline of 28,120 sq.m in employment needs over the same period.

Table 5.9 Net Employment Space Requirements: Past Development Rates in Elmbridge, 2022-2040

Type of Space/Use Class	Scenario 2B: VOA		Scenario 2C: CoStar Net Absorption	
	Net Annual Floorspace Change	Floorspace Requirement (GEA sq.m)	Net Annual Floorspace Change	Floorspace Requirement (GEA sq.m)
Office E(g)(i)/(ii)	-3,710	-66,850	230	4,120
Industrial and Distribution E(g)(iii)/B2/B8	-5,140	-92,560	-1,790	-32,240
Total	**-8,860**	**-159,400**	**-1,560**	**-28,120**

Source: VOA (2023), CoStar (2024) | Lichfields analysis (totals rounded)

5.8 The Council's monitoring data offers a more positive view on future demand (aligned with NPPF) and on this basis as well as the fact that it is considered more robust compared to the other sources, Scenario 2A is carried forward for the purposes of this assessment.

Scenario 3: Future Labour Supply

5.9 This third scenario considers how many jobs, and hence how much employment space, would be necessary to broadly match forecast growth of the resident workforce in Elmbridge. In contrast to the labour demand approach, it focuses on the future supply of labour rather than the demand for labour. Therefore, it estimates the number of new jobs needed to match the future supply of working-age population, and how much employment space would be required to accommodate the office, industrial and distribution component of future job growth.

5.10 As part of this study, two Labour Supply Scenarios have been conducted. The first scenario uses the ONS 2014-based Sub National Population Projections ('SNPP') methodology based on the previous Standard Method. The second scenario examines the labour supply position based on the latest NPPF (December 2024)[42] and Standard Method housing target for Elmbridge Borough Council and incorporates the latest ONS affordability ratios released in March 2025. The approach applied is set out in more detail in the box overleaf.

[42] MHCLG (2024), NPPF

Box 2: Lichfields' approach to the new Standard Method

The NPPF reforms have now been formally adopted at the time of writing (March 2025). The new Standard Method represents a shift from the previous Standard Method, in that it no longer links housing need with any demographic projection. The previous Standard Method is based on the 2014-based SNPP, uplifted based on housing affordability and with a further uplift for urban areas. Across England, the previous Standard Method resulted in a requirement for c.305,000 homes per annum.

The new Standard Method instead applies a stock-based starting point (0.8% of the existing dwelling stock) uplifted for affordability (using a five-year average), resulting in a higher requirement of c.370,000 dwellings per annum in England. The latest ONS affordability ratios (March 2025) have now been incorporated into the Standard Method calculation, affecting authorities where the affordability adjustment applies (i.e., those with a five-year average affordability ratio above 5). This includes Elmbridge Borough Council, where the revised housing need is now 1,574 homes per annum, slightly higher than the 1,562 figure published in the December 2024 release. As a result, the national housing need figure has been revised slightly downward to 367,702 dwellings per annum, compared to 370,408 dpa in the December 2024 NPPF release.

Given the extent of the increase in housing delivery required under the new Standard Method, assuming all new homes result in additional people migrating into an area would yield unrealistically high population and labour supply projections for that area and likely result in inconsistencies at higher level geographies. Further, the latest official Sub-National Housing Projections ('SNHP') are 2018-based and do not reflect recent spikes in (in-)migration in the 2022-based National Projections.

We therefore instead assume that in areas with significant increases in housing requirements between the previous and new Standard Method, a proportion of the additional dwellings implied by the new Standard Method would not result in population growth but instead induce additional household formation, reducing household sizes.

On this basis, Lichfields demographic model uplifts the 2018-based SNPP figures based on the 2022 National Projections, which accounts for both higher international in-migration seen in recent years and the results of the 2021 Census; this is referred to as the 'Adjusted Baseline'. We further consider an 'Adjusted High' scenario, which considers the 'High Population' variant (high international migration, birth rates and life expectancy) from the 2018-based SNPP, again uplifted based on the 2022-based National Projections.

As the new Standard Method figure for Elmbridge is above the Adjusted High scenario, the model accommodates all of the population as per the Adjusted High. No additional population is assumed; and any further housing growth is assumed to induce additional household formation, implying reduced average household size, increased vacancy and/or improved affordability.

It should be noted that, due to the high levels of international migration at a national level assumed in the 2022-based projection, the Adjusted Baseline scenario suggest

Scenario 3A: Standard Method (650 dpa)

5.11 There is an estimated local housing need of 650 dpa for the Borough based on the previous Standard Method.

5.12 In this context, the following approach has been applied to estimate the growth in labour supply and consequently the jobs required in relation to a housing need figure of 650 dpa that is assumed to roll forward across the Plan period (2022 to 2040) resulting in an increase of 11,700 new homes in the Borough.

5.13 Using the ONS 2014-based Sub National Population Projections in line with the previous Standard Method implies a total population increase of 13,776 people between 2022 to 2040 and suggests that the working age population is expected to increase from 77% to 79% of the Borough's total population.

5.14 Table 5.10 below outlines the additional jobs that could be supported by this projected population growth in the Borough. The proportion of jobs within office, industrial and distribution sectors assume the same shares as the Experian baseline forecast analysis (as presented in Scenario 1 above).

Table 5.10 Labour Supply Scenario 3A Standard Method Job Requirements (2022-2040)

Indicator	Total Change
Total population (2014-based SNPP)	13,776
Economically active population	7,395
Jobs associated to population increase*	7,643
Total Jobs (associated to 650 dpa)	**11,648**
Office E(g)(i)/(ii)	3,807
Light Industrial Jobs E(g)(iii)	341
General Industrial Jobs B2	160
Distribution Jobs B8	762
Total Office, Industrial and Distribution Jobs	**5,070**

Source: ONS | Lichfields analysis (totals rounded)
*Economically active population minus unemployed population multiplied by the long term (last 17 years) labour force ratio (i.e. economically active excluding unemployed against total employment) for the Borough.

5.15 This shows that a total of 11,648 workplace jobs could be supported by the housing figure of 650 dpa between 2022 to 2040, with 5,070 of these jobs being in sectors associated with office, industrial and distribution floorspace.

5.16 These jobs can be translated into estimated requirements for employment space by applying the same employment densities as used in Scenario 1 and adding an 8% vacancy allowance to positive floorspace (Table 5.11).

Table 5.11 Labour Supply (Scenario 3A) Net Employment Floorspace Requirements (2022-2040)

Use	Net Employment Floorspace (GEA sq.m)
Office E(g)(i)/(ii)	57,570
Light Industrial E(g)(iii)	19,910
General Industrial B2	6,540
Distribution B8	54,080

Use	Net Employment Floorspace (GEA sq.m)
Total	**138,090**

Source: Lichfields analysis (totals rounded)

Scenario 3B: New Standard Method (1,574 dpa)

5.17 The second Labour Supply Scenario assesses the demand for employment floorspace based on the latest NPPF published in December 2024. Under the latest Standard Method and ONS affordability ratios released in March 2025, Elmbridge Borough's annual housing requirement is 1,574 homes—slightly higher than the 1,562 homes per annum figure from the 2024 December release. This will result in a housing increase of 28,332 new homes across the Plan period to 2040 in Elmbridge.

5.18 Based on Lichfields' approach (as set out in Box 2 above), it is estimated that the Borough's population will increase by 12,498 people to 2040. This suggests that the working age population is expected to increase from 79% to 83% of the Borough's total population.

5.19 Table 5.12 outlines the additional jobs that could be supported by the increased housing figure in the Borough. The proportion of jobs within office, industrial and distribution sectors assume the same shares as the Experian baseline forecast analysis (as presented in Scenario 1).

Table 5.12 Labour Supply Scenario 3B Latest NPPF 2024 Standard Method Job Requirements (2022-2040)

Indicator	Total Change
Total population (2018-based SNPP/2021 National Proj. est.)	12,498
Economically active population	9,669
Jobs associated to population increase*	10,056
Total Jobs (associated to 1,443 dpa)	**39,030**
Office E(g)(i)/(ii)	11,857
Light Industrial Jobs E(g)(iii)	1,104
General Industrial Jobs B2	1,092
Distribution Jobs B8	3,007
Total Office, Industrial and Distribution Jobs	**17,060**

Source: ONS | Lichfields analysis (totals rounded)
*Economically active population minus unemployed population multiplied by the long term (last 17 years) labour force ratio (i.e. economically active excluding unemployed against total employment) for the Borough.

5.20 These jobs can be translated into estimated requirements for employment space by applying the same employment densities as used in Scenario 1 and adding an 8% vacancy allowance to positive floorspace as presented in Table 5.13.

Table 5.13 Labour Supply (Scenario 3B) Net Employment Floorspace Requirements (2022-2040)

Use	Net Employment Floorspace (GEA sq.m)
Office E(g)(i)/(ii)	179,270
Light Industrial E(g)(iii)	64,420
General Industrial B2	44,570
Distribution B8	213,400
Total	**501,660**

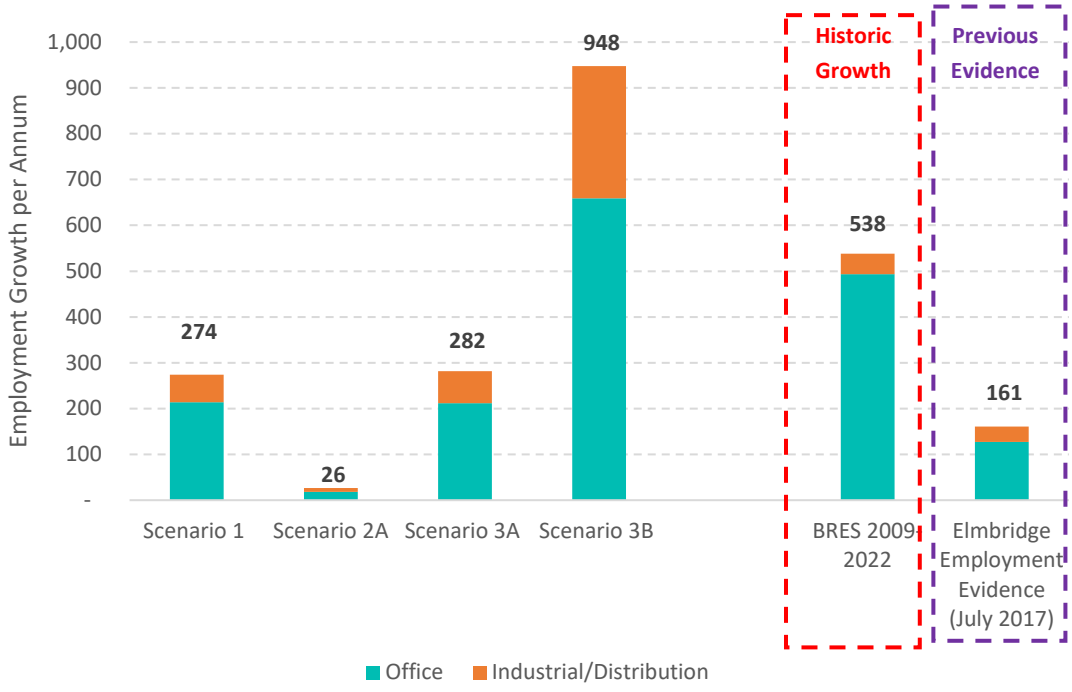
Source: Lichfields analysis (totals rounded)

Employment Growth Comparisons

5.21 Given the range of potential requirements implied by the different scenarios, it is useful to compare the employment growth implied by the above scenarios against the historic employment growth in Elmbridge as recorded by BRES as well as the findings of the latest employment evidence.

5.22 Figure 5.1 shows the forecast annual net jobs growth per scenario. In this context, the lowest estimate based on past take-up (Scenario 2A) implies an annual growth of just 26 jobs per annum over the Local Plan period. The highest growth estimate is based on the Labour Supply in relation to the new Standard Method (Scenario 3B) which implies an unrealistic annual growth of 948 jobs per annum ('jpa'). The Labour Demand (Scenario 1) and the Labour Supply (Scenario 3A) which imply an annual growth of 274 and 282 jpa, respectively, balancing the other two scenarios.

Figure 5.1 Annual Employment Growth Comparison with Historic Growth and Previous Evidence



Source: Experian, BRES, Elmbridge Borough Council | Lichfields analysis

5.23 These scenarios are then compared with historic trends derived by BRES for the period that data is available (i.e., 2009 to 2022), alongside the forecast from the previous employment

evidence of Elmbridge, namely the Elmbridge Commercial Property Market Report (published in 2017). Based on these comparisons, the historic growth recorded by BRES for 2009 to 2022 implies 538 jpa, while the previous evidence forecast a growth of 161 jpa.

5.24 Synthesising the above, it appears that Scenarios 1 and 3A balance better the historic and current forecasts.

Net to Gross Employment Requirements

5.25 Drawing together the results from each of the future economic scenarios considered above, Table 5.14 summarises the net employment floorspace requirements across the period from 2024 to 2040.

Table 5.14 Net Employment Requirements in Elmbridge, 2024 to 2040

Type of Space Use Class	Scenario 1: Labour Demand (sq.m)	Scenario 2A: Past Development Rates (sq.m)	Scenario 3A: Labour Supply Previous Standard Method (sq.m)	Scenario 3B: Labour Supply New Standard Method (sq.m)
Office E(g)(i)/(ii)	45,450	5,060	57,570	179,270
Light Industrial E(g)(iii)	21,970	10,580	19,910	64,420
General Industrial B2	7,600	-2,650	6,540	44,570
Distribution B8	54,770	1,820	54,080	213,400
Total	**129,800**	**14,810**	**138,090**	**501,660**

Source: Lichfields analysis

Safety Margin

5.1 To estimate the overall requirement of employment floorspace that should be planned for in allocating sites, and to give some flexibility of provision, it is normal to add an allowance as a safety margin for factors such as delays in some sites coming forward for development. In particular, there is a need to ensure a reasonable, but not over-generous, additional allowance that provides for some flexibility but avoids over-provision of land through policy. However, it also needs to reflect that there may be potential delays in some of the development sites coming forward for development.

5.2 It is typical to use two years of net take-up to include flexibility of provision. However, in cases where this is negative, and therefore it would produce a negative margin, the gross annual rate is applied. In this case, an allowance related to two-year average net take-up has been applied for office, light industrial and distribution. Meanwhile, the gross take-up for industrial[43] employment uses has been applied. Overall, this safety margin appears an appropriate level relative to the estimated scale of the net requirement (3.0% of the net requirements in relation to Scenario 1). Table 5.15 presents the margins applied for the purposes of this assessment.

[43] This is based on the monitoring data provided by the Council for the period 2010/11 to 2023/24.

Table 5.15 Safety Margin Allowance

Use Class	Safety Margin (sq.m)
Office E(g)(i)/(ii)	560
Light Industrial E(g)(iii)	1,180
General Industrial B2	1,970
Distribution B8	200
Total	**3,910**

Source: Lichfields analysis

Losses

5.3 To translate the net requirement of employment space into a gross requirement, an allowance is typically made for the replacement of the lost employment space that may be developed for other, non-employment uses. This allowance ensures that sufficient space is re-provided to account for employment space that is anticipated to be lost.

5.4 There are typically four approaches to calculate the level of this allowance, including:

1 Forecast the quantity of floorspace that will be lost in future and assume that a proportion of this space will need to be replaced. The limitation is that there is no definitive way of forecasting how much space will be lost, and the future may be very different from the past. If this method is used, the Council needs to look carefully at past losses and use local knowledge to make a judgement on how the future might compare with the past.

2 Make an overall adjustment to the preferred scenario to give an allowance for replacement. This is a simple approach but is likely to rely on making a fairly broad assumption.

3 Monitor the loss of employment space as part of the Local Plan Review thereby avoiding the need to make assumptions about the future loss of employment space. If these periodic reviews indicate a loss of high quality, occupied floorspace and vacancy rates continued to be low, the Council could take steps to replace this space by increasing the floorspace requirement accordingly. However, any Local Plan Review reflecting the monitoring findings would take some years to come forward.

4 As part of the employment evidence the Council undertakes a qualitative assessment of existing employment sites, to identify those which could be lost to non-employment uses, either because they are no longer suitable or viable for employment, or because they are judged as being needed for an alternative use, such as housing. Based on this assessment, the employment land calculation can develop different scenarios to illustrate possible future supply, and plan for new sites accordingly.

5.5 The fourth approach, in which the Council specifically identifies employment sites and areas that may be lost to other uses in the future, is generally the most robust way of dealing with losses. The qualitative assessment of existing employment areas is an important element of the evidence base. As well as policies and decisions regarding new development sites, this evidence can inform policies on the safeguarding or release of existing employment sites. Without such policies, there is a risk of losing employment land to other uses which may be desirable to safeguard. Conversely, they also risk protecting

sites which do not merit protection, because they are no longer suitable or commercially attractive for employment.

5.6 Based on the review of the employment supply as presented in section 6.0, alongside the rest of the emerging evidence that will support the Local Plan Review, there does not appear to be any further policy-led release of employment land anticipated that should be factored into this exercise. In addition, the analysis in section 4.0 of the Council's monitoring data, indicates that losses have been substantial over the last few years as a result of permitted development rights. Considering the above, it is concluded that no loss allowance is required to be added to estimate the gross employment requirements as presented below.

Gross Employment Requirements

5.7 Table 5.16 presents the gross employment floorspace and land requirements over the period from 2022 to 2040 across all the scenarios assessed in this section.

Table 5.16 Gross Employment Requirements in Elmbridge, 2022 to 2040

Type of Space Use Class	Scenario 1: Labour Demand		Scenario 2A: Past Development Rates		Scenario 3A: Labour Supply Previous Standard Method		Scenario 3B: Labour Supply New Standard Method	
	Floorspace (sq.m)	Land (ha)	Floorspace (sq.m)	Land (ha)	Floorspace (sq.m)	Land (ha)	Floorspace (sq.m)	Land (ha)
Office E(g)(i)/(ii)	46,010	4.1	5,620	0.5	58,130	5.2	179,830	16.2
Light Industrial E(g)(iii)	23,150	5.8	11,760	2.9	21,090	5.3	65,600	16.4
General Industrial B2	9,570	2.4	-680	-0.2	8,510	2.1	46,540	11.6
Distribution B8	54,970	13.7	2,020	0.5	54,280	13.6	213,600	53.4
Total	**133,700**	**26.1**	**18,720**	**3.8**	**142,010**	**26.2**	**505,570**	**97.6**

Source: Lichfields analysis (totals rounded)

Summary

5.8 This section considers four different approaches to inform employment land requirements within the new Local Plan period between 2022 and 2040. The employment requirement varies significantly from 18,720 sq.m (Scenario 2) to 505,570 sq.m (Scenario 3B), with Scenario 3A (142,010 sq.m) and Scenario 1 (133,700 sq.m) lying in the middle of both scenario and also balancing with historic growth recorded by BRES and the previous evidence (Figure 5.1).

5.9 On this basis, it appears that Scenario 1 with a gross employment requirement of ***133,700 sq.m (or 26.1 ha)***, should comprise the minimum employment space requirement for the Local Plan period to 2040. This is further split to 46,010 sq.m (4.1 ha)

of office space, 23,150 sq.m (5.8 ha) of light industrial, 9,570 sq.m (2.4 ha) of B2 floorspace and 54,970 sq.m (13.7 ha) of warehousing space. These requirements align closely with Scenario 3A based on the previous Standard Method figure, but it should be noted that the new Standard Method (Scenario 3B) implies a much higher requirement as would be expected from a considerably higher housing requirement. Scenario 2A based on past development rates results in the lowest requirement, but has been heavily influenced by very modest levels of net completions in the recent past in view of the high losses of employment space to other uses.

5.10 These minimum recommended requirements are significantly above those identified by the 2017 ELR which estimated a total floorspace requirement of 58,000 sq.m. However, it should be noted that those estimates were based on the 2016 Experian baseline forecast and since that time significant macro-economic changes have occurred.

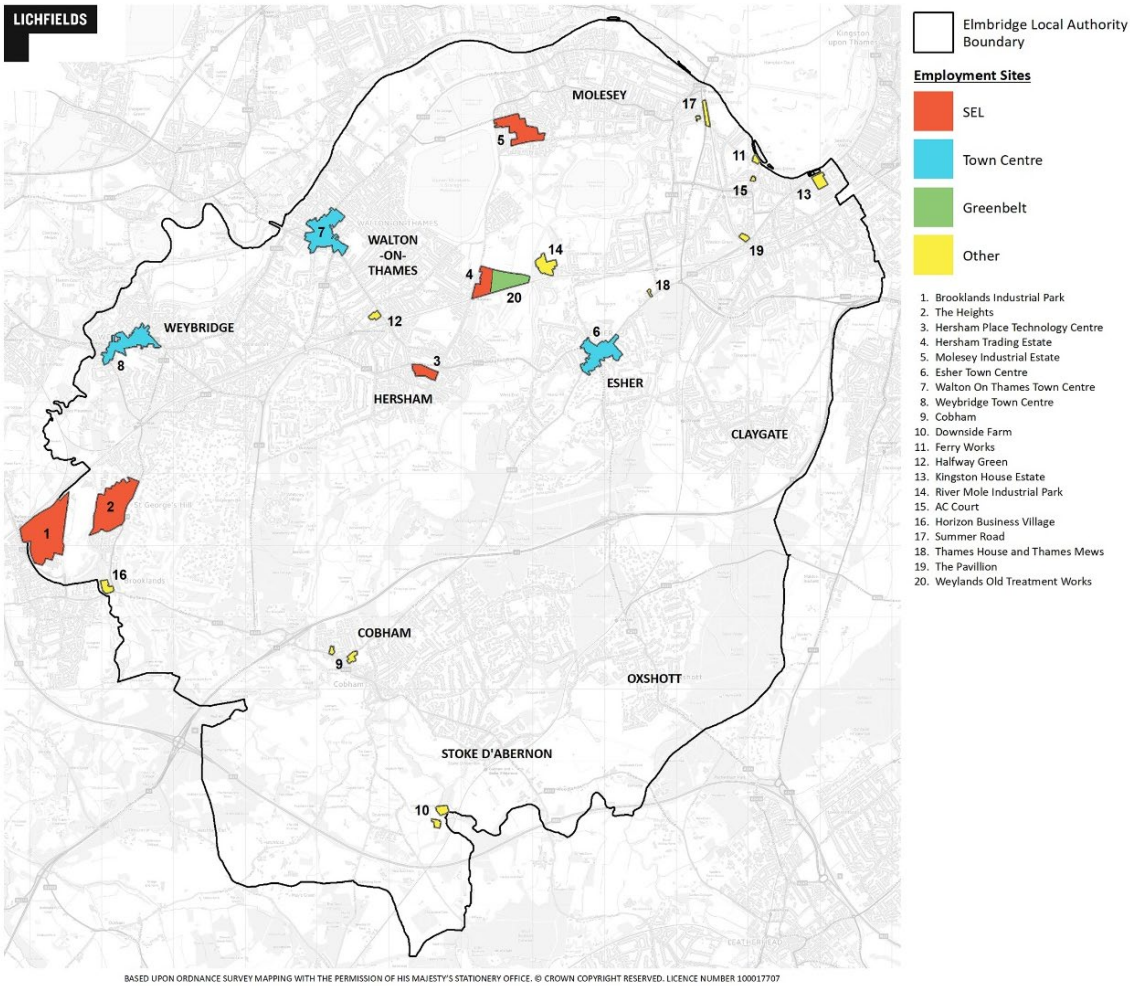
5.11 It should be noted that this ELR considers the 'indigenous' employment needs arising from economic and employment growth in Elmbridge to 2040. It does not take account of wider 'footloose' or other strategic/inward investment needs or any other specific investment position that may arise from other areas or firms, other than to the extent that Elmbridge has accommodated a share of these uses historically and accordingly they are now reflected in the trends which inform the various forecasts.

6.0 Employment Sites Audit

6.1 This section provides an assessment of employment land in Elmbridge Borough by reviewing the characteristics and quality of existing employment sites and their suitability to meet future employment development needs.

6.2 The assessment reviewed 20 sites, including five Strategic Employment Land (SEL) sites, three town centre clusters, and 12 small sites and clusters as part of the supply position, as shown in Figure 6.1.

Figure 6.1 Employment site overview map



Source: Lichfields

6.3 Table 6.1 sets out the criteria used to assess sites across a variety of critical metrics, including accessibility, proximity to local labour and services, occupancy/vacancy, market attractiveness, constraints and opportunities for intensification. Appendix 4 sets out in detail how the individual sites perform against the site assessment criteria.

Table 6.1 Site assessment criteria

Assessment Criteria	Key Considerations	Scoring (1 to 5)
Site overview	• Existing land use • Current and recent planning applications • Accessibility (strategic and local road, pedestrian, cycling routes, public transport) • Proximity and access to labour supply and services	5 = Very good: easy access to strategic road junction via good unconstrained roads; free moving good roads avoiding residential areas or congested network; unconstrained vehicle access to the site with good visibility/lack of queuing; close access to range of town centre public transport services; wide range of town centre services nearby. 1 = Poor: away from or limited access to strategic road network, and/or through constrained/local roads, and/or through town centre or residential areas; low level/limited range/infrequent public transport services nearby, remote isolated site, no local services or residential areas nearby
Current characteristics and attractiveness	• Occupancy type, mix and vacancy rates • Employment provision • Existing buildings' typology, features and condition • Parking availability • Market attractiveness	5 = Very good: high profile/high quality appearance, managed site; good environment and quality of occupiers; under 8% vacant; viewed as attractive by agents/occupiers; recent investment/development activity, strong demand, units rarely available. 1 = Poor: run-down unattractive appearance/location; attracts lower end users and over 25% vacant space/buildings; vacant units not marketed; no recent investment; units remain vacant for lengthy period
Constraints	• Site constraints including access, utilities, flooding, contamination • Proximity to incompatible uses • Factors that would constrain development for employment uses such as availability, site area and layout, infrastructure	5 = Very good: generally level site, regular shape, over 3 ha in size; low flood risk (Zone 1); no conservation or landscape constraints on scale of development; no adverse ground conditions or abnormal development costs; no other significant constraints on new development. 1 = Poor: sloping/uneven site; under 0.5 ha, irregular/narrow shape, other severe constraints; within flood risk Zone 3; conservation or landscape constraints on scale of development; adverse ground conditions or abnormal development costs.
Opportunities for intensification	Opportunities including potential for intensification / more efficient use of land or re-development and potential for designation	Identify any planning designations or policy constraints that could affect development of the site for employment use, as well as planning applications/consents.

Site Assessment Commentary

Strategic Employment Land

Brooklands Industrial Park (36.3 ha)

6.4 Brooklands Industrial Park is by far the largest employment site within the Borough. It is primarily in industrial use and contains mostly medium to large industrial units which are not found elsewhere in the Borough, however there are a small number of dedicated office buildings, such as the Dakota building, which was renovated in 2017, as well as smaller, older offices in the western part of the site.

6.5 The majority of the industrial buildings are in good condition although some are beginning to age. The site includes a number of recently developed units such as Vickers Drive North (built 2023) and Brooklands 59 (built 2022). There is some observed vacancy within the site including the newly built Vickers Drive North distribution facility (i.e., 11,500 sq.m).

6.6 The site benefits from good strategic access to the M25 and is well served by the A318. Roads within the site are wide and well maintained and are therefore suitable for heavy goods vehicles. There is ample parking within the site. Byfleet and New Haw rail station is also located on the western boundary of the site which provides direct rail links to Central London.

6.7 Brooklands is located away from incompatible uses, and is bordered by Mercedes-Benz World to the east, and the rail line to the west. There is limited opportunity to intensify on site uses.

The Heights (27.5 ha)

6.8 The Heights lies to the east of Brooklands and compliments the industrial estate by providing a range of large, serviced, high quality office buildings. The size and quality of the office buildings make this site unique within the context of the Borough. Tenants include a number of large companies such as Sony, Samsung, Boots and Royal Caribbean, amongst others.

6.9 Although built in the 1990s, the majority of the business park comprises high specification buildings classified as grade A, including BREEAM 'Excellent' buildings. The site includes on-site amenities such as a café, gym, and landscaped green spaces. There is ample parking and good strategic access to the M25 to the south, as well as to Byfleet and New Haw rail station to the west.

6.10 Despite these benefits, there are high levels of availability, including around 127,000 sqft (11,800 sq.m) across five buildings in the centre of the site. This is primarily due to a fall in demand for larger out of town offices in this area given the market shift towards Central London office space.

6.11 There is a cluster of smaller office buildings in the northeastern corner of the site. Office buildings in this cluster were built between 1980 and 2000, although some have been subsequently renovated. Despite their age, most buildings are well maintained and appear well occupied.

6.12 However, narrow access along Locke King Road as well as a lack of parking, results in high levels of traffic. This section of the site is also located away from local amenities but is an approximately 15-minute walk from Weybridge rail station.

Hersham Place Technology Centre (4.2 ha)

6.13 Hersham Place Technology Centre contains one single office building, which has been occupied since 2001 by an American industrial gas company called Air Products until 2023 when the company moved to new premises outside of the Borough. It is understood that the site is currently up for sale.

6.14 The building itself is four storeys and accommodates around 160,000 sqft of office space (NIA). It dates from 1970, and is likely to be in need of some degree of refurbishment or modernisation in the coming years. Due to the building's size, location, and age, it is unlikely to be attractive to other single occupiers but there could be potential for the building to be sub-divided into smaller office spaces subject to commercial demand and viability.

6.15 The site is well located off the A244 which runs across the centre of the Borough and has good access to labour supply and local amenities in Hersham and there is also generous on-site parking.

6.16 There is opportunity to redevelop the site to provide new employment uses or a mix of uses given its location close to town centres and along the A244.

Hersham Trading Estate (7.2 ha)

6.17 Hersham Trading Estate is located in the centre of the Borough immediately to the north of Hersham rail station, however it is located away from other amenities within Hersham Town Centre. The site is predominantly populated by two to three storey buildings built in the 1950s and 1960s which are now of low quality. The majority of these premises are in industrial uses but there are also a small number of offices located within the site, as well as Sui Generis uses such as trade counters, kitchen showrooms, and automotive services. The offices within the site are generally of low quality and vacancy is observed in most of the premises.

6.18 The site can only be accessed from the west and it lacks on-site parking which leads to some traffic. Given its location in the centre of the Borough, it is also located away from strategic links to the M3 and the M25 relative to other industrial locations within the Borough. A row of residential properties bound the site to the west which may limit the operation of some uses on the site.

6.19 Despite the poor quality of the buildings and the access constraints, the industrial premises appear to be well occupied, and the smaller low-cost typology of the buildings appear to fill a need within the Borough and are attractive to the local market. Indeed, the majority of the occupants are local businesses.

6.20 Given the existing density of the site along with the limited access, there is little identified opportunity for further intensification of employment uses on the site.

Molesey Industrial Estate (13.6 ha)

6.21 Molesey Industrial Estate is larger than Hersham Trading Estate but similar in typology, predominantly populated by small to medium sized industrial units. The buildings vary in age from the 1960s through to a small number of modern units. The quality of the buildings on the site is generally higher than Hersham Trading Estate, although a number of buildings are also of low quality. There is little observed vacancy within the site, and like Hersham Trading Estate, it appears to fulfil a need for small to medium sized industrial units which are limited across the wider Borough.

6.22 The site benefits from good access to the M3 to the north but is limited by its immediate access routes along local B roads which run through residential areas. The site is located close to local amenities in the small local centre of West Molesey and a local supply of labour but is located away from rail links.

6.23 The site is also bound on all sides by residential uses which may limit the operation of heavy industrial uses. Given these constraints, and the existing density of the on-site operations, there is limited opportunity for further intensification of the site.

Town Centres

Esher Town Centre (13.8 ha)

6.24 Esher Town Centre has two medium-sized office buildings, the Healix building and St Andrew's House. The former is of good quality and is well maintained, while the latter was built in the 1960s but has been recently renovated and remains in good condition. Both are fully occupied by a single occupier and have limited on-site parking. Other office premises in the town centre are largely located above ground floor retail uses. The quality of these offices varies from old former town houses to more modern purpose-built offices. These offices are often small in size and largely cater to small local businesses. There is observed vacancy in units of this typology including the Aissela which is reported to have a vacancy rate of around 10%[44].

6.25 Esher rail station is located outside of the town centre, which in conjunction with the limited parking options within the town centre, is reported to limit the attractiveness of the offices in this area by commercial property agents. Given their town centre location, offices in Esther have good access to a wide range of local amenities.

Walton-on-Thames Town Centre (18.7 ha)

6.26 By comparison to the other town centres surveyed, Walton-on-Thames Town Centre has a small number of offices. A small cluster of offices is located off Churchfield Road, including Kent House and The Quintet. These offices appear to be performing well with no vacancy observed although some of the neighbouring units have been converted to residential properties. These buildings are three storeys and date from the 1980s and 1990s and are of average quality. There are a limited number of parking spaces to serve these buildings. Tenants include small local businesses and non-profit organisations. There are a small number of other small offices located above retail units within the Town Centre, but high vacancy is observed within units of this typology, including 3 High Street where three quarters of the floorspace is currently available[45]. Evidence from local commercial property agents indicates that demand for small offices in this area is limited.

[44] CoStar (2024).
[45] CoStar (2024).

6.27 The Town Centre has some large 'pay and display' car parks but the train station is located some distance from the centre which limits accessibility. Furthermore, the A3050 and A244 which provide access to Walton-on-Thames are heavily trafficked but provide excellent access to both the M3 and M25 motorways.

Weybridge Town Centre (14.7 ha)

6.28 Weybridge Town Centre contains a comparatively large number of small office when compared to Esher and Walton-on-Thames. Offices in this area include some small, dedicated office buildings but most are located above ground floor retail uses. There are a number of small, dedicated office buildings in the south west of Weybridge, including Thomas Hardy House and 37 Church Street which are of above average quality. There is high observed vacancy of 14.8% in office buildings to the south of Balfour Road. Within the centre of Weybridge, all offices are located above ground floor retail units. The quality of these premises are mixed, with the highest quality offices located along Baker Street. Despite the higher quality, there is still observed vacancy along Baker Street and along the High Street. One office building on Baker Street is currently being converted into residential properties.

6.29 Like the other town centres, Weybridge's rail station is located away from the town centre which according to market experts limits the attractiveness of the office stock. Parking within Weybridge is also limited, and the High Street is highly trafficked. Despite this, Weybridge is well located, with good access to both the M3 and the M25 and provides a range of local amenities to the offices located within its Town Centre.

Non-Strategic Employment Sites

Cobham (1.7 ha)

6.30 There are two medium-sized office buildings within Cobham, Berkeley House and Cedar House. Berkeley House was originally built in the 1880s but has recently been retrofitted and is of good quality with ample parking to the rear. It is owned and occupied by Berkeley Group. Cedar House was built in the late 1990s but has recently been renovated and is therefore in good condition. It is also owned and occupied by Hexagon Manufacturing Intelligence, and has some parking space for employees.

6.31 A number of other employment premises to the rear of Cedar House have recently been redeveloped into retirement homes and have been lost from the stock of employment land (planning application: 2017/1494 as amended). It is recommended that the Council removes these premises from the site boundary.

6.32 The Cobham cluster is well served by the A3 which provides strategic access to London and excellent access to the M25 to the south west. The town centre location of the cluster also offers a range of local amenities, although the nearest train station is located away from Cobham which limits accessibility.

Downside Farm (2.4 ha)

6.33 The site includes two small clusters of employment premises at Downside Farm and the Old Mill. The premises within these clusters are primarily former farm buildings which have been converted to employment uses. Downside Farm is the larger of the two clusters and includes a mix of offices, automotive services and light industrial uses. The largest building is the Long Barn, an office building converted from a farm building in 2018. It provides good quality small office spaces. Other buildings relate to an automotive services company, a bicycle workshop and a light industrial workshop, which are largely in average condition. The Downside Farm cluster is densely developed and although there is available parking it is heavily trafficked.

6.34 The Old Mill lies slightly to the north of Downside Farm and contains a small office building and a light industrial workshop. Both buildings are also converted farm buildings and are in fair condition despite their age. The Old Mill buildings appear to be fully occupied and have ample parking.

6.35 The site is constrained by its access via a narrow private road which is unsuitable for heavy goods vehicles and is located away from local amenities and local rail links. Given the access constraints, along with the fact that the site is located within a private estate in an area of Green Belt, there is no identified opportunity for further intensification of employment uses.

Ferry Works (0.6 ha)

6.36 The Ferry Works site is located within Thames Ditton in the north east of the Borough. It contains a mix of office and light industrial buildings converted from former brick warehouses varying in height from two to three storeys. The site is well maintained and has some on-site parking availability. Some vacancy is observed at the site in both the light industrial and office units.

6.37 It is well served by local amenities including public transport, but it is constrained by narrow local access roads which may not be suitable for large heavy goods vehicles. There is no identified opportunity to further intensify the site due to its existing high density.

Halfway Green (0.7 ha)

6.38 There is a small cluster of two office buildings located at Halfway Green, Walton-on-Thames. Both buildings offer around 30,000 sqft of office space across three floors. The first building has a single occupier, the car manufacturer Kia, while the second, known as Ashley Park House, is divided into small floorplates and has multiple occupants. Both buildings are in good condition, and the Kia Motors building has recently been renovated. There has previously been interest in introducing residential properties to Ashley Park House, with a planning application to add an additional storey of residential properties withdrawn in 2017 (planning application 2017/3156), while a prior approval application to convert the offices to residential use (also in 2017) has not been implemented (planning application 2017/1903). Ashley Park House is currently undergoing renovations. There is no identified opportunity to further intensify employment uses on the site.

6.39 The site is located within walking distance of Walton-on-Thames rail station and there are a small number of amenities within the surrounding area. The site also has good access to labour from the towns of Walton-on-Thames, Hersham, and Weybridge. Both sites appear to have sufficient space for parking.

Kingston House Estate (2.6 ha)

6.40 Kingston House Estate is a small industrial estate containing two light industrial / distribution units as well as a trade counter. The two industrial units are in good condition and date from the early 2000s, however they are both unoccupied at the time of writing. The building housing the trade counter is beginning to age and in below average condition but appears to be well frequented. Other uses on site include a hotel and a car show room.

6.41 The site is located on the A307 which provides good access to the rest of the Borough to the west, but it is located relatively far away from the M25 and the M3 compared to the other sites in the Borough. The site is bordered to the east by residential properties but is largely screened by vegetation.

6.42 The high level of vacancy at the site indicates that there is limited market demand for industrial uses at the site. This, in conjunction with the hotel located on the site and the lack of access to strategic road links, limits the potential for the site to be further intensified for industrial uses. However, office uses may be appropriate for the site, providing there is evidence of market demand.

River Mole Industrial Park (4.7 ha)

6.43 The site contains a range of small to medium sized industrial units. The majority of units were built in the 1980s and the 1990s but remain in a fair condition. A large building containing a number of units was renovated in 2020 and provides good quality, medium sized floorspace. There is high observed occupancy across the site, although a number of the units are now in Sui Generis use including a children's soft play centre and some wholesale retailers. The site is found to be functioning well and the small to medium sized industrial units appear to be popular within the local market.

6.44 The site is limited by its access route along a narrow road. The access route from the south also passes under a low bridge which may not be suitable for very large vehicles. The site is bordered to the east by residential properties which may limit any further intensification of the site. It is also located away from Esther Town Centre and lacks amenities in the local vicinity although it is within walking distance of two rail stations.

AC Court (0.3 ha)

6.45 This is a very small site containing predominately residential properties along with a small number of offices. The offices are all small providing around 1,700 sqft of floorspace and are occupied by small local companies. One of the office premises appears to be currently being renovated. The complex is of high quality and is well maintained with a security guard monitoring access to and from the site.

6.46 AC Court is located within Thames Ditton in the north east of the Borough. Therefore, it has access to a number of local amenities and is within walking distance of rail links to Central London. Access is via a small number of narrow local roads. Given the primarily residential nature of the site, there is no opportunity to add further employment uses to the site.

Horizon Business Village (1.9 ha)

6.47 The Horizon Business Village includes a cluster of four office buildings as well as an industrial site at northwest. The office buildings were built in 2004 and remain in good condition. They are centred around a landscaped pond creating a pleasant and well-maintained environment. The site is located off the A245 which provides very good access to the M25, which coupled with ample on-site parking, means the site has very good vehicular access. The offices appear to largely be well occupied, but some vacancy of small spaces is observed.

6.48 It was not possible to visit the industrial location which appeared to be vacant during the site visit. This was sense checked via the commercial property database, CoStar, which also indicates that the site is vacant[46]. Although it benefits from excellent strategic access to the M25, it can only be accessed via the car park of the business village which may be unsuitable for larger vehicles. This part of the site lies within Flood Zone 3b and the Elmbridge Borough Council Level 2 Strategic Flood Risk Assessment ('SRFA') (2024)[47] states that new development should not be permitted on the site, however redevelopment of existing buildings may be permitted but only where the vulnerability of the development is not increased.

6.49 The site is bordered to the east by residential properties, but these are well bounded by vegetation. Given the primarily office nature of the on-site activities, the site is unlikely to impact on the residential properties, however their location may prohibit heavy industrial uses or limit operational hours at the site as part of any future redevelopment. Given the flood risk constraints, there would appear to be limited opportunity to redevelop or intensify the site.

[46] As of November 2024.

[47] Elmbridge Borough Council (2024), *Elmbridge Borough Council Level 2 Strategic Flood Risk Assessment*.

Summer Road (0.2 ha)

6.50 Summer Road is a very small site comprised of two small, single storey, light industrial units. These units are aging but appear to be fully occupied. The site is constrained by its location within a residential area and by its access via a small local road and narrow driveway. Despite this, it appears to fill a need for small industrial premises within the local area.

6.51 It is well located within walking distance of Hampton Court rail station and there are a small number of local amenities within the local vicinity, however it is located away from larger urban centres.

6.52 A larger industrial site to the east of Hampton Court Way also forms part of the site cluster, however it is currently being redeveloped into retirement accommodation and has been lost from the stock of employment land. It is recommended that the Council, remove these premises from the site boundary.

Thames House and Thames Mews (0.2 ha)

The Thames House and Thames Mews buildings are located to the north east of Esher Town Centre with excellent proximity to Esher rail station and amenities within the Town Centre. The two buildings are both three storeys and date from the late 1990s and offer small office spaces suitable for small local businesses. The buildings are of average quality but are well maintained and there is some on-site parking. There is some observed vacancy within both of the buildings.

The Pavilion (0.8 ha)

6.53 The site contains a single medium sized office building providing 45,800 sqft (NIA) across four storeys. The building was constructed in 2007 and remains in good condition and currently has a single occupant, SHL Group a local consultancy. However, there is some observed available floorspace within the building.

6.54 The site has a generous amount of parking space and is located along the A307, but in the context of the Borough, it is located away from strategic links to the M3 and the M25. The site's location outside of a town centre may limit its attractiveness, and it is located away from local amenities within Thames Ditton and Esther.

6.55 Given the large car park on site, there is some opportunity for further intensification of the site. However, parking may have to be re-provided, and the site's location may limit the demand for office developments in this area.

Weylands Old Treatment Plant (10.2 ha)

6.56 Weylands Old Treatment Plant borders Hersham Trading Estate to the east and currently has a Green Belt designation. Despite this, the western portion of the site is currently used as a recycling and scrap yard with a scaffold company and a skip hire company also operating from the site. The remainder of the site is currently undeveloped and unused and

therefore there is opportunity to provide new employment uses on this site. The site is also located away from incompatible uses such as residential properties, bordered to the north by open Green Belt land and to the south by the rail line.

6.57 The site has been subject to a recent hybrid planning application (2022/3427) for a mixed-use development to provide c38,000 sq.m of E/B8/B2 and Sui Generis recycling space, alongside 40 affordable homes. Permission was refused and according to the planning database an appeal is lodged. If this site is eventually redeveloped it will add c10.2 ha (or around 38,000 sq.m) to the supply of employment land within the Borough.

6.58 The site has relatively good access to both the M3 and the M25 within the context of the Borough, but immediate access is provided by a series of smaller local B roads and the road to the south passes under a low bridge which may not be suitable for very large vehicles. The site has excellent proximity to Hersham rail station and access to labour from Walton-on-Thames, Hersham, and Esher, but lacks other amenities within close proximity.

Summary

6.59 The sites assessed above indicate a total employment land supply across the Borough of approximately 152 ha, the majority of which is in industrial or storage and distribution uses, although there are also a number of large office sites.

6.60 The stock of industrial premises across the Borough ranges greatly in quality, however good occupancy rates exist across the larger sites and especially for small- to medium-sized units. Occupancy rates in smaller industrial sites is observed to be lower. Industrial floorspace in Elmbridge has a vacancy rate of 11.4%, equivalent to around 33,100 sq.m, however almost a third relates to the newly delivered Vickers Drive North (11,500 sq.m) unit in Brooklands Industrial Park. As such, the actual vacancy rate is around 7.6% which is considered to be line with what would be expected in a typical functioning market.

6.61 The Heights is by far the largest office site and provides high quality, out of town, office buildings with large floorplates. This is the type of space that drives the office market across the area. Demand for offices within the three town centres appears low, with low occupancy rates especially in smaller offices located above retail units on high streets. However, vacancy in office premises is generally low at 5.2% across the Borough as outlined in section 4.0. This is below the required threshold for a market to function normally.

6.62 Synthesising the above, the existing employment locations appear to remain suitable and continue to attract investment in most cases. Accordingly, and given the general limitations on land supply within Elmbridge, it is recommended that they be retained for employment uses. However, there might be opportunities potentially for mixed-use developments particularly for those locations that relate typically to smaller scattered sites where the neighbouring amenities and accessibility combined with the commercial attractiveness of the existing site could allow consideration of a redevelopment. In addition, larger sites such as The Heights or Hersham Place Technology Centre might provide opportunities for intensification to facilitate other components of demand such as smaller and more flexible units.

6.63 The assessment also identifies 10.2 ha of undeveloped land at Weylands Old Treatment Plant that is suitable for future development of employment floorspace.

7.0 Balance of Demand and Supply

7.1 This section draws together the forecasts of future employment land needs estimated in section 5.0 and the emerging supply position to identify any need for more provision of employment space, or potential surpluses of it, in quantitative terms.

Potential sources of supply

7.2 For the purposes of this assessment, the future employment land supply position in Elmbridge is assumed to comprise the following:

1 **Planning commitments:** comprising sites with extant planning permission for employment use floorspace (including those under construction) as recorded by the local authority's monitoring data (October 2024). It is assumed that these permissions will be implemented during the new Local Plan period.

2 **Sites with identified development capacity:** additional supply which could be delivered on undeveloped or under-utilised/redeveloped land, having regard to emerging masterplans and capacity assessments where these are available or other information provided by site owners/promoters.

7.3 Table 7.1 sets out key extant planning permissions for employment floorspace based on the Council's monitoring data at October 2024.

Table 7.1 Key Extant Permissions (October 2024)

Key Extant Permissions	Planning Reference	Proposal	Settlement	Total Consented Supply
15 Vickers Drive South Brooklands Industrial Park Weybridge KT13 0YX	2020/1235	Single-storey rear/side extension (3795sq.m), boundary fence to a height of 2.4m, parking, new access from Vickers Drive South, landscaping, bin and cycle stores and alterations to fenestration and finish following partial demolition of existing building.	Weybridge	Net gain of 3,014 sq.m B8 floorspace
26-32 High Street Esher Surrey KT10 9RT	2021/3285	Four-storey side extension comprising Class E (Commercial Business and Service) on ground floor front and Class E(g)(i) (Office) on all upper floors and rear ground floor following demolition of existing buildings at 26-32 High Street.	Esher	Net gain of 1,605 sq.m of Office E(g)(i) floorspace
Land at Molesey Industrial Estate Molesey Avenue and Armfield Close West Molesey Surrey KT8 2FF	2023/2340	Development comprising 6 detached buildings (8,635 sq.m) for flexible Light Industrial Class E (g), General Industrial (B2) and Storage and Distribution (B8) uses with car parking, landscaping and associated works following demolition of existing buildings and structures.	Molesey	Net gain of 1,534 sq.m of Light Industrial/ B2 and B8 floorspace

Locke King House 2 Balfour Road Weybridge KT13 8HD	2021/2887	Two-storey rear extension with rooms in the roof space for office (Class E) use.	Weybridge	Net gain of 466 sq.m of Office E(g)(i) floorspace
12-16 High Street, Walton on Thames, KT12 1DA	2023/3378	Development comprising five-storey building with residential accommodation (Class C3), flexible office space (Class E(g)(i)), ancillary cafe and serviced accommodation units (Class C1) with car parking and associated works, following demolition of existing building.	Walton on Thames	Net gain of 560 sq.m of Office E(g)(iii) co-working floorspace
9-21a High Street Walton-On-Thames Surrey KT12 1DG	2022/1680	Development comprising 61 residential units (C3) and 986sq.m commercial (E) floorspace with associated parking and bin and cycle stores following demolition of existing buildings.	N/A	Net loss of 1,857 sq.m of E class floorspace
6 The Heights Weybridge Surrey KT13 0XP	2021/2698	Prior Approval Schedule 2, Part 3, Class O: Change of Use from Offices (B1a) to Residential (C3).	Weybridge	Net Loss of 2,720 sq.m of office floorspace
Abbey House Wellington Way Weybridge KT13 0TT	2022/1272	Prior Approval Schedule 2, Part 3, Class O: Change of use from Offices (B1a) to Residential (C3).	Weybridge	Net Loss of 3,954 sq.m Office floorspace
Britannia House Pool Road West Molesey Surrey KT12 2AB	2021/4279	Development comprising 87 residential units with associated parking, bin and cycle stores, access and landscaping following demolition of existing industrial units (B2).	Molesey	Net loss of 10,000 sq.m B2 floorspace

Source: Elmbridge Borough Council (2024)

7.4 It is also noted that developments under construction have also been included as part of the consented supply pipeline. The most significant of these is the site north of the Sony Building at The Heights, Brooklands Business Park (2021/4257), which features a four-story building with 22,488 sq.m of office and research and design laboratory space. Planning permission was granted in August 2022, and construction is now underway on site.

7.5 Table 7.2 provides a summary of the supply pipeline arising from extant permissions and commencement supplied by the Council. These imply a modest negative reduced supply of -3,135 employment space (i.e., losses exceed gains).

Table 7.2 Extant Permissions in Elmbridge (as of October 2024)

Use Class	Office E(g)(i)/(ii) (sq.m)	Light Industrial E(g)(iii)/ Industrial B2 (sq.m)	Distribution B8 (sq.m)	Total (sq.m)
Extant Permissions	-10,745	-13,580	1,380	-22,945
Developments commenced (under construction)	21,820	0	-2,010	19,810

Use Class	Office E(g)(i)/(ii) (sq.m)	Light Industrial E(g)(iii)/ Industrial B2 (sq.m)	Distribution B8 (sq.m)	Total (sq.m)
Total	**11,075**	**-13,580**	**-630**	**-3,135**

Source: Elmbridge Borough Council (2024) | Lichfields analysis (rounded figures)

7.6 In addition, 20 employment sites were reviewed as part of the site audit presented in section 6.0. A total of 10.2 ha has been identified at Weylands Old Treatment Plant as having potential to provide additional future employment land supply shown in Table 7.3. It is noted that the available land at this site is currently part of the Green Belt, however an appeal has been lodged for a previously refused planning application to provide 38,000 sq.m of employment space on the site.

Table 7.3 Additional Capacity Identified through the Site Assessments

Site Name	Designation	Estimated Floorspace (sq.m)	Land for development (ha)
Weylands Old Treatment Plant	Green Belt	38,000	10.2

Source: Elmbridge Borough Council (2024) | Lichfields analysis

7.7 Synthesising the above, the emerging supply position totals 34,865 sq.m which is mostly attributed to additional capacity of employment sites, as opposed to extant permissions which currently show a net negative supply of employment floorspace.

Table 7.4 Supply Position: Extant Permissions and Additional Capacity on Employment Sites (ha)

	Supply of floorspace (sq.m)
Extant Permissions and Developments Commenced	-3,135
Additional Capacity on Sites	38,000
Total	**34,865**

Source: Elmbridge Borough Council (2024) | Lichfields analysis

Quantitative Balance

7.8 A broad comparison of estimated demand for employment use space against the supply is presented in Table 7.5. This implies that there would not be sufficient employment space to meet all of the scenarios with exception to Scenario 2 (Past Trends) which would have a surplus of 16,145 sq.m.

Table 7.5 Demand-Supply of Employment Space in Elmbirdge, 2022-2040 (sq.m)

	Scenario 1: Labour Demand	Scenario 2A: Past Development Rates	Scenario 3A: Labour Previous Supply Standard Method	Scenario 3B: Labour Supply New Standard Method
Employment Requirements	133,700	18,720	142,010	505,570
Employment Supply/Capacity	34,865			

	Scenario 1: Labour Demand	Scenario 2A: Past Development Rates	Scenario 3A: Labour Previous Supply Standard Method	Scenario 3B: Labour Supply New Standard Method
Surplus (+)/ Shortfall (-)	-98,835	16,145	-107,145	-470,705

Source: Lichfields analysis

7.9 The majority of the future supply is associated with additional capacity on Weylands Old Treatment Plant assessed in section 6.0, but as noted the site is currently designated as Green Belt land. Hence, in actual terms the Borough's supply position is even worse (when not accounting for the additional capacity on the Weylands Old Treatment Plant site), given that extant permissions currently imply a net loss of employment floorspace.

7.10 Against the recommended minimum requirement of 133,700 (under Scenario 1), there is a shortfall of 98,800 sq.m of floorspace. This would become a higher deficit, if the Council were to plan for a labour supply scenario or the Weylands site cannot be developed due to its Green Belt designation.

7.11 Table 7.6 shows the demand-supply balance in terms of land. Against the recommended minimum requirement of 26.1 ha (under Scenario 1), there is a shortfall of 17.4 ha of land.

Table 7.6 Demand-Supply of Employment Space in Elmbirdge, 2022-2040 (ha)

	Scenario 1: Labour Demand	Scenario 2A: Past Development Rates	Scenario 3A: Labour Supply Standard Method	Scenario 3B: Labour Supply New Standard Method
Employment Requirements	26.1	3.8	26.2	97.6
Employment Supply/Capacity	8.7*			
Surplus (+)/ Shortfall (-)	-17.4	+4.9	-17.5	-88.9

Source: Lichfields analysis *based on a 0.4 plot ratio

7.12 It should be noted that this demand-supply balance analysis assumes that all outstanding planning permissions and the identified capacity on sites will come forward in full during the Local Plan period. Any deviation from this assumption could potentially have an effect on the balance of space within Elmbridge.

Summary

7.13 According to the PPG, analysis of the supply and demand position is intended to allow policy makers to identify whether there is a mismatch between the quantitative and qualitative supply of, and demand for, employment uses. This enables an understanding of which market segments are potentially over- or under-supplied.

7.14 Based on the analysis of the demand and supply position, the Council currently has an insufficient supply of employment land to meet future needs, with exception to Scenario 2 which can be meet by the current future supply. Against the recommended minimum employment requirements there is an undersupply of 98,835 sq.m (17.4 ha). Overall, this indicates that the Council will need to make provision for additional employment land to

meet the minimum demand requirements throughout the Local Plan period and/or consider the extent to which additional floorspace capacity can be achieved through the intensification of existing sites.

8.0 Conclusions and Policy Implications

8.1 This section draws together the overall conclusions considering the economic development need arising in Elmbridge across the Local Plan period to 2040.

Consideration of the Functional Economic Market Area

8.2 Based on the assessment of various market areas operating within and across Elmbridge including labour, housing and commercial property markets alongside transport and connectivity, the analysis considers the spatial extent of the FEMA relevant to Elmbridge. This suggests that the FEMA identified before which extends across Elmbridge, Runnymede, Spelthorne and Kingston upon Thames is still the valid functional market relevant to the Borough. However, it should be noted that there are also strong economic relationships with Woking and Central London in terms of commuting flows.

The Borough's Economic Context

8.3 Elmbridge is a highly productive borough with a strong specialism in professional and private services, as well as high levels of educational attainment, income and very low levels of deprivation. Despite this, job growth has been relatively low during the last decade and the Covid-19 pandemic had a disproportionate impact on the Borough's economy, leading to a declining business base and a decrease in productivity. Elmbridge offers further opportunities for increasing the area's entrepreneurism and fostering more start-ups.

The Commercial Property Market in Elmbridge

8.4 Employment land is distributed throughout the Borough, with key clusters located in Weybridge, Esher, Moseley, and Hersham.

8.5 However, VOA data reveals that the total employment floorspace in Elmbridge has declined by over 20% in the past two decades, particularly industrial space. The Council's monitoring data covering 2014 to 2023 indicates a smaller change – i.e., a net reduction of 934 sq.m in employment floorspace, with a gross loss of 71,780 sq.m. Since 2014, nearly one-third of this lost space resulted from permitted development, with a recent trend toward converting larger sites.

8.6 Most of the remaining office floorspace in Elmbridge was built between 1980 and 1999, and more than half of it is rated 3 out of 5 stars for quality by CoStar. Many of the newer, higher-quality units are concentrated in Brooklands Industrial Park, Weybridge. Since the Covid-19 pandemic office space take-up (sales and leases) in the Borough has steadily declined, with fewer transactions each year. Higher take-up years are typically driven by multiple-property transactions, often centred around The Heights and Horizon.

8.7 The area is considered to perform as a secondary office market to Woking and Guildford, but the supply of large office space is what has been driving this type of demand in Elmbridge over recent decades. The market shift towards a need for smaller and more flexible space alongside the fact that the pandemic has opened up market competition with Central London for Elmbridge's larger business occupiers, means the dynamics of the office market are changing. As a result, there are some increases in the vacancy levels of Elmbridge's office space, but these are still within the range of what might be normally

expected in a functioning market and therefore current office vacancy levels are not disproportionately high.

8.8 In the industrial property sector, most of Elmbridge's stock predates 2000. Industrial floorspace take-up in 2023 was low following stronger activity in 2021 and 2022. Net absorption has been negative throughout 2024, with vacancy levels rising to those last seen in 2015.

8.9 The market primarily serves the indigenous needs of small and medium industrial occupiers. Some demand for larger industrial units exists in locations with higher accessibility sites such as at Brooklands and this is where such investment is concentrated. The industrial vacancy rate is currently broadly in line with what would be expected in a normal functioning market.

Meeting Future Employment Needs

8.10 Four different scenarios of future needs are considered in this report. These indicate the broad scale and type of growth arising from different approaches to modelling Elmbridge's future employment space needs.

8.11 The employment requirements arising from these scenarios vary from 18,720 sq.m (3.8ha) under the Past Take Up-Scenario 2 to 505,570 sq.m (97.6ha) under the inflated Labour Supply Scenario reflecting the proposed new Standard Method that indicates a housing need of 1,574 new homes per annum. As a minimum, it is recommended that the emerging Local Plan should consider ***Labour Demand - Scenario 1 that implies a need for 133,700 sq.m (26.1 ha)*** that balances the other scenarios as well as the growth identified historically across different data sources.

8.12 These requirements align closely with Scenario 3A based on the previous Standard Method figure, but it should be noted that the new Standard Method (Scenario 3B) implies a much higher requirement as would be expected from a considerably higher housing requirement. Scenario 2A based on past development rates results in the lowest requirement, but has been heavily influenced by very modest levels of net completions in the recent past in view of the high losses of employment space to other uses.

Site Assessment

8.13 A detailed appraisal of 20 local employment sites has been undertaken to consider their current and future capacity to support the economic and business needs of the local economy.

8.14 Office sites are generally aging in their condition, and most are small in size, serving the local market. A high level of vacancy is observed across all typologies of offices, indicating lower demand within the area compared to pre-pandemic however the vacancy rates are still considerably low.

8.15 In particular, there are high levels of vacancy for small offices located above town centre retail units. Offices of this typology are generally of below average condition. A number of medium-sized office buildings in town centres that are occupied by a single tenant are found to be performing more strongly, however these are often of higher quality and better maintained. This includes the Cobham cluster, Halfway Green, as well as the Healix

building and St Andrew's House in Esher. Even some of the best quality office premises such as The Heights business park currently have some vacancy indicating the low demand for large-scale out of town office complexes at the present time. This is something that needs to be monitored further as there might be an emerging shift given the greater competition from Central London office locations which have potentially become more attractive to larger businesses in Elmbridge.

8.16 As with offices, the stock of industrial premises is aging, however industrial sites are generally found to be performing well and meet local demand. The majority of premises are small to medium in size and are occupied by local businesses. Those that are found to be performing most strongly include the larger industrial parks that provide a mix of unit sizes or that provide larger, more modern units. Those performing less strongly, including Kingston House Estate and the Ferry Works, are generally smaller in size and located further away from the strategic road network.

Demand-Supply Balance

8.17 The future supply comprises primarily a consented loss of employment space and a site identified currently in Green Belt that is currently subject of an appeal considering a mixed-use development of primarily employment uses (up to 38,000 sq.m). This ***supply totals 34,865 sq.m (c 8.7 ha).***

8.18 Once this is set against the employment land requirements it implies that there would be insufficient employment land to meet all the scenarios assessed in this study, apart from Scenario 2: Past Trends where a surplus is identified as summarised in Table 8.1.

Table 8.1 Demand-Supply of Employment Space in Elmbirdge, 2022-2040

	Scenario 1: Labour Demand (sq.m)	Scenario 2A: Past Development Rates (sq.m)	Scenario 3A: Labour Supply Standard Method (sq.m)	Scenario 3B: Labour Supply New Standard Method (sq.m)
Employment Requirements	133,700	18,720	142,010	505,570
Employment Supply/Capacity	34,865			
Surplus (+)/ Shortfall (-)	-98,835	+16,145	-107,145	-470,705

Source: Lichfields analysis

8.19 It should be noted that this demand-supply balance analysis assumes that all outstanding planning permissions and the identified capacity on sites will come forward in full during the Local Plan period. Any deviation from this assumption could potentially have an effect on the balance of space within Elmbridge.

8.20 Against the recommended minimum demand scenario that identifies a need of 133,700 sq.m of employment floorspace across the Local Plan period, ***there is a shortfall of 98,835 sq.m of floorspace.***

Policy Implications and Recommendations

8.21 Drawing together the analysis, the Council should seek to identify opportunities to provide additional land to allow for more flexibility and choice for both existing and future businesses, and to ensure that the local economy is not unduly constrained by an ongoing shortage of land. There is need to make provision for additional employment land to meet the minimum demand requirement that currently results in a shortfall of 98,835 sq.m (17.4 ha) throughout the Local Plan period to 2040.

8.22 Part of the response should be the identification of opportunities for the intensification and redevelopment of existing employment land to provide additional office or industrial space, particularly in the context of the Borough's Green Belt. The Borough's portfolio of employment sites includes a stock of larger office buildings that may not all be required based on changing occupier preferences, as well as some sites that are underutilised or at least have potential for intensification. The Council will need to liaise with property and landowners to understand the level of additional capacity that could be achieved as and when sites become available for (re)development.

8.23 However, in the general context that land supply in the Borough is constrained, future employment policies should continue to ensure that the well-established employment sites, including Strategic Employment Locations, continue to be protected for employment uses and proactive in supporting renewal and upgrading of these locations. In addition, these sites could also potentially be intensified to provide additional employment space and to ensure they are able to meet changing business needs over time.

8.24 Employment policies should generally seek to carefully manage future losses, particularly when much of the stock is subject to permitted development rights that has driven a significant degree of past losses. In particular, the policies should restrict any future development that would not (at least) provide a net gain of employment space to take place within the existing well-established employment locations, including town centres which have an important role in the local economy. On this basis, it is recommended that:

1 In Strategic Employment Locations ('SEL'), policy should require no net loss of employment space. Intensification and redevelopment should be encouraged in these locations to promote further employment activity and to maintain the commercial attractiveness of the SELs. Given the existing loss of employment space via PDRs, there is potentially a case for all of the SEL sites to also be protected via an Article 4 Direction to control potential conversion of commercial premises to residential or other uses that could impact on the economic function of each site. This effective 'double lock' would mean that all proposals would need to be considered through planning applications and subject to the policy tests in the Local Plan.

2 A new 'Local Employment Site' ('LES') category be introduced as a form of designation to apply to the main employment sites that fall outside the SELs. Such sites should be defined on the proposals map, and include those assessed in this report (12 identified sites excluding the town centres). In these designations, the policy should generally seek to restrict the loss of employment space, but through a criteria-based approach potentially allow for redevelopment or mixed-use development on a case-by-case basis.

3 For all other employment locations neither defined as an SEL or LES, proposals for redevelopment could potentially be permitted if evidence can be provided that these

locations are not any longer suitable for employment uses or there are no prospects for future employment uses in these locations.

8.25 Employment policies should emphasise making better use of existing employment areas, however, given the limitations of available land, the potential to make new employment land allocations should also be considered as part of any future Call for Sites process and Green Belt review. This will be particularly the case if there are practical limitations or delivery barriers to the intensification of existing sites.

Appendix 1 Experian Workforce Jobs by Sector

A1.1 The table below presents the workforce jobs change in Elmbridge between 2024 and 2040 and assumed use class by sector, as forecast by Experian.

Table A1.1 Workforce Change in Elmbridge 2024 to 2040

Sectors	Use Class Footprints					Jobs Change	% Change
	E(g)(i)/(ii)	E(g)(iii)	B2	B8	Other Use Classes		
Accommodation & Food Services	0%	0%	0%	0%	100%	2100	36%
Administrative & Supportive Services	28%	0%	0%	0%	72%	0	0%
Agriculture, Forestry & Fishing	0%	0%	0%	0%	100%	-100	-33%
Air & Water Transport	0%	0%	0%	0%	100%	0	0%
Chemicals (manufacture of)	0%	0%	100%	0%	0%	0	0%
Civil Engineering	0%	0%	0%	0%	100%	0	0%
Computer & Electronic Products (manufacture of)	0%	43%	57%	0%	0%	0	0%
Computing & Information Services	96%	0%	0%	0%	4%	600	15%
Construction of Buildings	0%	0%	0%	0%	100%	500	15%
Education	0%	0%	0%	0%	100%	1700	27%
Extraction & Mining	0%	0%	0%	0%	100%	0	0%
Finance	100%	0%	0%	0%	0%	-200	-22%
Food, Drink & Tobacco (manufacture of)	0%	0%	100%	0%	0%	100	100%
Fuel Refining	0%	0%	0%	0%	0%	0	0%
Health	0%	0%	0%	0%	100%	500	16%
Insurance & Pensions	100%	0%	0%	0%	0%	0	0%
Land Transport, Storage & Post	0%	0%	0%	84%	16%	1400	48%
Machinery & Equipment (manufacture of)	0%	0%	100%	0%	0%	0	0%
Media Activities	33%	0%	0%	0%	67%	200	15%
Metal Products (manufacture of)	0%	0%	100%	0%	0%	0	0%
Non-Metallic Products (manufacture of)	0%	0%	100%	0%	0%	0	0%
Other Manufacturing	0%	35%	65%	0%	0%	100	33%
Other Private Services	2%	0%	0%	0%	98%	0	0%
Pharmaceuticals (manufacture of)	0%	0%	100%	0%	0%	0	0%
Printing and Recorded Media (manufacture of)	0%	21%	79%	0%	0%	-100	-50%
Professional Services	98%	0%	0%	0%	2%	2600	21%
Public Administration & Defence	75%	0%	0%	0%	25%	-100	-10%
Real Estate	100%	0%	0%	0%	0%	500	20%
Recreation	0%	0%	0%	0%	100%	-200	-5%

Residential Care & Social Work	0%	0%	0%	0%	100%	300	8%
Retail	0%	0%	0%	0%	100%	600	10%
Specialised Construction Activities	0%	96%	4%	0%	0%	300	14%
Telecoms	92%	0%	0%	0%	8%	0	0%
Textiles & Clothing (manufacture of)	0%	0%	100%	0%	0%	0	0%
Transport Equipment (manufacture of)	0%	0%	100%	0%	0%	0	0%
Utilities	0%	0%	88%	0%	12%	100	14%
Wholesale	0%	0%	15%	71%	14%	-800	-14%
Wood & Paper (manufacture of)	0%	0%	100%	0%	0%	0	0%

Source: Experian (September 2024)/ Lichfields analysis

Appendix 2 BRES Employment Trends

	BRES22	BRES23	Change 22-23
Accommodation &Food Services	5,400	7,000	1,600
Administrative &Supportive Services	7,150	6,425	-725
Agriculture, Forestry &Fishing	255	250	-5
Air &Water Transport	1,400	1,300	-100
Chemicals (manufacture of)	600	600	0
Civil Engineering	125	200	75
Computer &Electronic Products	75	150	75
Computing &Information Services	3,750	2,475	-1,275
Construction of Buildings	2,000	1,750	-250
Education	2,250	2,250	0
Extraction &Mining	10	0	-10
Finance	375	650	275
Food, Drink &Tobacco (manufacture of)	225	195	-30
Fuel Refining	0	0	0
Health	2,000	2,250	250
Insurance &Pensions	600	1000	400
Land Transport, Storage &Post	620	610	-10
Machinery &Equipment (manufacture of)	125	150	25
Media Activities	990	630	-360
Metal Products (manufacture of)	310	260	-50
Non-Metallic Products (manufacture of)	80	205	125
Other Manufacturing	195	350	155
Other Private Services	1030	1280	250
Pharmaceuticals (manufacture of)	100	100	0
Printing and Recorded Media	100	50	-50
Professional Services	9,025	9,025	0
Public Administration &Defence	5,600	5,600	0
Real Estate	1,750	1,750	0
Recreation	3,545	4,025	480
Residential Care &Social Work	1,600	1,650	50
Retail	5,000	5,000	0
Specialised Construction Activities	1,500	1,500	0
Telecoms	175	150	-25
Textiles &Clothing (manufacture of)	30	50	20
Transport Equipment (manufacture of)	30	25	-5
Utilities	690	590	-100
Wholesale	5,500	5,750	250
Wood &Paper (manufacture of)	45	25	-20
Total	**64,255**	**65,270**	**1,015**

Appendix 3 Experian Data Guide

Data Guide

UK Regional Planning Service
September 2024

Our main subscription website:
https://www.experian.co.uk/business/business-information/market-intelligence/economic-services/

Data Guide

UK Regional Planning Service
September 2024

Contents

Executive summary

This document outlines the current variable coverage in the September 2024 version of the UK Regional Planning Service, and the methodology behind the history and forecast.

Appendix A includes a glossary of terms.
Appendix B includes our definitions of the sectors.

Appendix C has the geography definitions.
Appendix D contains the most common Frequently Asked Questions

Contact us

James Ison
Managing Economist
E james.ison@experian.com

Experian
Cardinal Place
80 Victoria Street
London SW1E 5JL
E: Experian.Economics@uk.experian.com

1 Variable Coverage

To avoid implying spurious accuracy, we now round all county and local series to the nearest tenth of a unit. This means that people or job counts are now to the nearest 100 people or jobs and money counts are to the nearest £100,000, and rates are now to the nearest 0.1 percentage points. Forecasts for series with very small levels may appear to be volatile when growth rates are considered. We therefore recommend viewing series with small values in levels not growth rates or considering growth rates over longer intervals than annually. Very small levels have been set to zero as they are essentially statistical artefacts.

Figure 1.1: Variable coverage in the RPS

- √ indicates that the variable is available in both the search query tool and the xls files.
- Xls indicates that the variable is available in the xls but not the search query tool.
- UK monthly forecast indicates that the variable is not produced as part of the RPS but can be found in the monthly UK macro forecast on our website.

Variable	UK	Region	County & Local Authority
PRODUCTION			
Gross Domestic Product (GDP)	UK monthly forecast		
GDP by component of demand	UK monthly forecast		
Gross Value Added (GVA)	√	√	√
GVA by sectors	√	√	√
LABOUR MARKET			
Employees by sector	√	√	√
Self-employed by sector	√	√	√
Government Trainees by sector	xls	xls	Upon request
Her Majesties Forces Total	xls	xls	Upon request
FTE Employment by sector	√	√	√
Total ILO Employment – Residence based & Workplace based	√	√	√
ILO Unemployment	√	√	√
Unemployment rate	√	√	√
Labour Force	xls	xls	Upon request
Activity Rate	xls	xls	Upon request
Inactivity Rate	xls	xls	Upon request
DEMOGRAPHICS			
Population: Total, Adult (16+)	√	√	√
Age bands: 0-15, State Working age, State retirement 16-64, 65+	√	√	√
Population by single- or 5-year age band	Upon request	Upon request	Upon request
HOUSEHOLDS			
Nominal disposable Income	√	√	√
Real disposable income	√	√	√
Nominal income by component	xls	xls	Upon request
Nominal consumer spending	√	√	√
Real consumer spending	√	√	√
Consumer spending by COICOP category	Upon request	Upon request	
Cost of Living Index	√	√	
House price Index	√	√	Upon request
Hours worked	Upon request	Upon request	Upon request

Please note we are no longer publishing Claimant Count for Regional and Local Areas. This is due to the fact that complete data is no longer available due to the shift to Universal Credit.

2 Historical Endpoints

Figure 1.2: Last historic data point

Variable	UK*	Region	County & Local Authority
Gross Value Added	2024q1	2022q4	2022q4
GVA by sectors	2024q1	2022q4	2022q4
Labour market variables	2024q1	2024q1	All 2022q4 except ILO 2024q1
Income	2024q1	2021q4	2021q4
Consumer spending	2024q1	2023q4	2021q4

The historical endpoint represents the last time-period for which we apply our processes to collect, calculate or derive data, details of which can be found in Chapter 3: Methodology. All time-periods that are in the past but follow the historical endpoint are Experian Economics' estimates.

We have not used any regional data published after August 2024 in producing this update of the RPS. It is possible that between this date and the release of the RPS some new history may have been released and/or revised.

Population

The population data provided are the Office for National Statistics (ONS) 2019 mid-year estimates for 1997-2019. For England, Scotland, and Wales, the 2018-based national and sub-national population projections are used. Further information on population changes is available in section 4.

UK forecast

This forecast is consistent with an Experian Economics' August 2024 macroeconomic forecast. We explore this further in section 4.

3 Methodology

3.1 UK Methodology

The approach for the regional planning service takes the UK variables as exogenous, imposed from the monthly UK forecast.

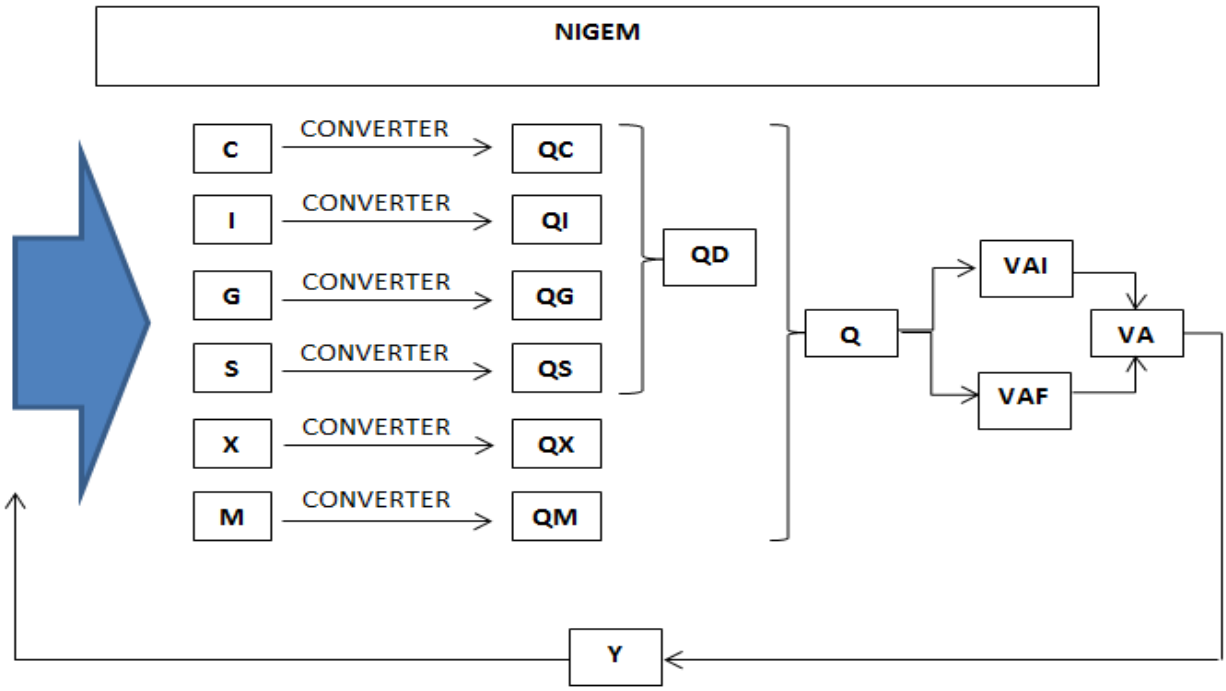
To produce the UK forecast we use a heavily customised version of the National Institute of Social & Economic Research's (NISER) model called NIGEM to provide our core macroeconomic forecast.

NIGEM is a general equilibrium model of the UK and World economy which forecasts, amongst other variables, aggregate GVA, expenditure, income and employment based on the UK National Accounts published by the Office of National Statistics.

To split this core forecast out into industries and sub-sectors we have a Sectoral Model which expands on the forecasts from the core NIGEM model.

We disaggregate total consumption (C), investment (I), government spending (G), stocks (S), exports (X) and imports (M) from NiGEM to a finer level of detail. This provides a highly detailed model of demand (Q) for industry GVA in the UK economy. Using convertors derived from the ONS Supply and Use Tables, we convert demand into intermediate (VAI), and final (VAF) value added for each sector. This provides a comprehensive view of how value added is distributed across sectors. The growth rate of total value added (VA) for each industry determines its GVA (Y) growth rate. GVA is constrained to forecast total GVA from NiGEM. This Input-Output based model is iterative and captures intra-industry demand.

The industry GVA forecast is used together with wage forecasts to forecast employment by sector (E).



3.2 Regional Methodology

3.2.1 History

All economic history used in the RPS is derived from official statistics published by the UK's ONS. Our approach is to use existing statistics in the form they are published to the greatest extent possible. However, this is subject to the following exceptions:

- where there is a lag between an update of aggregate data and the corresponding disaggregation, the disaggregate data is constrained to match the latest aggregates;
- where ONS data is not published at quarterly frequency (for instance it is only annual data), we use a consistent methodology (described below) to construct quarterly data;
- where ONS data is not published at the geography required or in the detail required, we use a consistent methodology to add the necessary data, ensuring that it constrains to published data at a higher level of geography or detail;
- on occasion, where ONS data is internally inconsistent we apply techniques to remove these inconsistencies.

The most timely and reliable data at the regional level is the workforce jobs series, published on a quarterly frequency by the ONS. There have been revisions to estimates of Workforce Jobs going back several years caused by benchmarking to the latest estimates from the annual Business Register and Employment Survey (BRES), updating seasonal factors and taking on board late information.

Employee jobs, self-employed jobs and government trainees are published at the level of the SIC 2007 Section providing us with 22 sectors.[1] In order to disaggregate this Section-level data to 2-digit sectors from which we can construct the Experian 38 sectors we use official survey data:

- In the case of employee jobs, we use the Annual Business Inquiry (ABI) and Business Register & Employment Survey (BRES). These annual surveys are not updated after being published – further the methodology has changed over the lifetime of these surveys. We apply a principled set of rules to derive consistent employee job shares within the sections from the surveys.
- The current release uses the October 2023 BRES, which provides data up to 2022. Pre-2010 we have made a working-owners adjustment, based on an overlapping year published by NOMIS in February 2013, in line with their recommended techniques for dealing with discontinuities. There are revisions in the latest BRES data both at the regional and local level. More noticeable changes are seen at the local level, please see the local methodology for more details.
- In the case of self-employed jobs, we use data from the Labour Force Survey (LFS).

Workforce jobs is the sum of employee jobs, self-employed jobs, government trainees and Her Majesty's Forces (who are assigned at the sector level to Public Administration and Defence).

To estimate full-time equivalent employment (FTE), we use data on hours worked in each sector and region derived from the Annual Survey of Hours and Earnings (ASHE). ASHE is also used to derive wage data for each region and sector.[2] We also use, for this purpose, compensation of employee data from the regional accounts.

Previously, regional gross value-added data (GVA), was only measured on an income basis and published annually in current prices. As of March 2020, we included the ONS balanced estimate of GVA,

[1] The ONS has ceased publishing official 2-digit employee jobs data for the regions. The approach we have taken is consistent with the approach recommended by the ONS to derive 2-digit estimates.
[2] We do not routinely publish sector level wage forecasts; however, it is available on request.

a new measure derived by balancing the income and production approaches to calculating GVA. The data is published in greater detail than the previous income-based estimates - which were only published at a section level - and so map more directly to Experian's 38 sectors.

Historical data for UK GDP and GVA in the current release are consistent with the October 2023 Blue Book release. There has been no change in the base year and data remains in 2019 prices.

The ONS released its latest regional level GVA data in April 2024, which has been used for the September 2024 run. The latest release includes data up to 2022 and revisions to the historical values. This release is consistent with the Blue Book released in October 2023. Since the new set of data was released in April, the March RPS release used internally adjusted regional data due to inconsistencies between the UK dataset (consistent with the Blue Book) and the available regional data (not consistent with the Blue Book). The approach used aimed to minimise discrepancies and make the regional data better aligned with the UK series. Since our previous release we have identified some technical issues which affected some of the locals in the June 2024 RPS release. Those issues have been addressed and solved for the September 2024 RPS release. Due to that, the affected series might exhibit slightly larger changes.
The data is made quarterly using workforce jobs data, before being aggregated to produce a regional total.

Income is published in the regional accounts on an annual basis with a full breakdown of income sources and deductions. Previously official sources included income from Non-Profit Institutions Serving Households (NPISH) in the household income data due to lack of credible information to split these. Since March 2019, the ONS has improved their data accuracy by providing income data that is 'households' only, which we have used, thereby excluding NPISH from our income estimates.

Income sources are:

- compensation of employee - wages and salaries *plus* employers' social contributions
- self-employment income
- net property income - made up of property income received *less* income paid
- transfers from the state (i.e., benefits and pensions)
- other transfers

Income deductions are:

- taxes
- social contributions
- transfers to others

The sum of income sources *less* income deductions constitute disposable income. To convert this annual data to quarterly jobs we use (depending on the component) employee jobs, self-employee jobs or the UK quarterly pattern. We constrain these quarterly series to the official UK published data. Real disposable income is obtained by deflating disposable income by the consumer price deflator.

Household spending is derived by sharing out UK nominal expenditure using regional shares of expenditure reported in the Living Costs and Food Survey by type of expenditure. Nominal regional spending is deflated by published UK deflators and then aggregated to produce a regional total. This again implicitly creates a regional cost of living measure which we also publish.
Sub-national population projections are obtained from the ONS, based on the 2018 sub-national projections for England, Scotland, and Wales. These are spliced onto the 2019 mid-year estimates and constrained to the latest national 2018-based projections.

Our working-age definition incorporates all announced future changes in the state pension age:

- The state pension age for women is rising from 60 to 65, equal with males. Both will then rise, in step, to 67 in our current forecast period.
- Female state retirement age began to increase from 60 in April 2012, reaching 65 by 2018q4.
- From April 2019, both men and women will see their state retirement age rise from 65 to 66, with men reaching 66 by April 2020, and women a few months later in October 2020.
- The move from 66 to 67 is scheduled from April 2026 until April 2028 for both men and women.

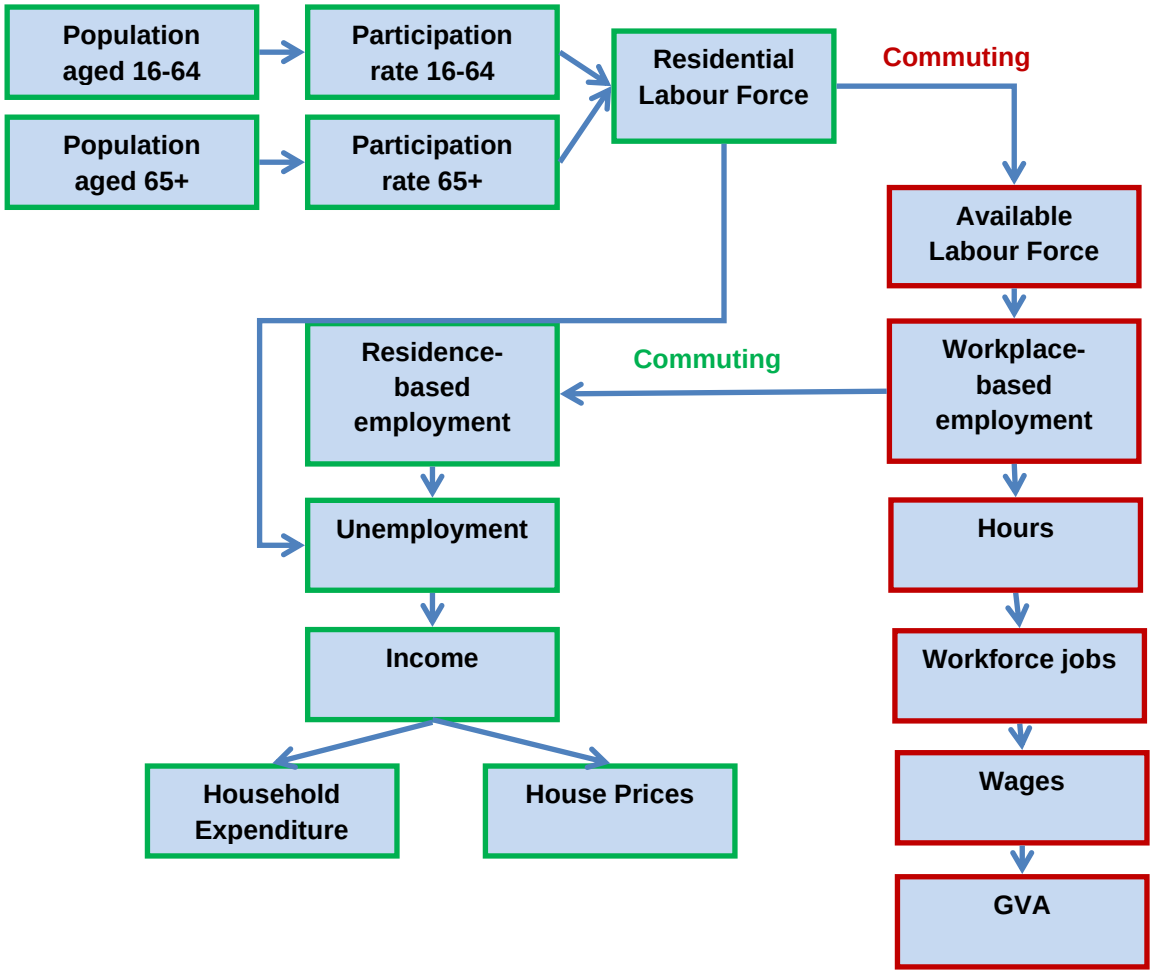
The 2013 Autumn Statement stated that the rise in state pension age to 68 would be moved forward from 2046 to the mid-2030's. However, with no firm date, we have not yet incorporated this into our working age and state retirement age definitions.

Under the current law, the State Pension age is due to increase to 68 between 2044 and 2046. Following a recent review, however, the government announced plans to bring this timetable forward. The State Pension age is now set to increase to 68 between 2037 and 2039. The policy change was announced as of July 2017.

We publish the following breakdown of population: school age (ages 0-15), state working age, state retirement age, adult population (16 and over) and total. Beginning in the March 2015 RPS, we also publish both the population aged 16-64 and 65 and over. Although their respective participation rates are not published, they can be derived. Our overall participation rate is based on a ratio of the total labour force to the entire adult population (not only the working age population).

3.2.2 Forecast

The regional model is sequential. Each variable is dependent only on variables earlier in the sequence and not variables later in the sequence. Variables are either workplace-based (red outlined boxes) or residence-based (green-outlined boxes.) Workplace-based and residence-based variables are linked by commuting relationships derived from the 2011 Census.



The population – split into two age ranges – is taken from the National and Sub-National Population Projections. We forecast participation rates for these age bands separately as they are subject to different trends. The total residential labour force is the sum of the labour force aged 16-64 and 65-plus. The aggregate participation rate is determined by two factors:

- The participation rate of the two age bands; and
- The share of each of the two age bands in the adult population.

The participation rate for those aged 16-64 is expected to remain relatively stable throughout the forecasting period. However, the rate for those aged 65 and over will grow strongly due to factors such as increasing life expectancy and rising state pension ages.

At the UK level, the share of the adult population aged 65 and over is projected to rise sharply over the next twenty years. There is, however, considerable variation at the regional level. Greater London – the youngest region in the UK – is projected to have a stable share. These factors combine to produce substantial variation in the labour force forecasts for different regions.

Commuting flows are used to derive the available labour force for a region. This is:

Workers Resident in the Region – Workers Commuting Out + Workers Commuting In

In the case of Greater London, the South East and the East of England, these flows lead to a substantial difference between the residential labour force and the available labour force. The effect is still present but less pronounced in other regions.

The available labour force is one of the drivers in forecasting workplace-based employment. The other drivers include the industry mix and the performance of industries at the UK level. If industries with a high share in the region are performing well at the UK level, this will benefit the region.

The workplace-based employment is converted back into residence-based employment. This is:

Workplace-based Employment – Workers Living Elsewhere + Residents Working Elsewhere

From this point, residence and workplace-based variables are solved in parallel with residence-based variables dependent on residence-based employment and workplace-based variables dependent on workplace-based employment.
The residential labour force and residence-based employment are used to calculate unemployment. Residential income is driven by employment; and itself drives house price and household expenditure forecasts.
Workplace-based employment drives aggregate hours worked, wages and GVA. These aggregate variables feed into the detailed part of the model, which produces forecasts for each industry:

In each case, we forecast shares of the region within the UK industry. We then share out the UK industry data subject to the constraint of the total that has already been determined and the UK total.

3.3 Local Methodology

3.3.1 History

As at the regional level, all local economic history used in the RPS is derived from official statistics published by the ONS. Our approach to using this data is identical to that given above at 3.2.1. However, data at the local level is more likely to be incomplete[1] or inconsistent[2] than is the case at the regional level. For this reason, there is greater call for the application of techniques to construct missing data and to remove inconsistencies than is the case at the regional level.

In all cases, local area data in a particular region is constrained to match the regional total for the same variable. This has two advantages:

- Local data is made consistent with regional data of the same vintage.
- Where local data has been estimated or constructed, the regional data ensure that the estimates together are consistent with more reliable data.

The ONS do not publish a workforce jobs series at the local level. Accordingly, we construct workforce jobs series for each local area using BRES/ABI in the same way that BRES is used at the regional level

[1] For some local areas, publication of certain data by the ONS is restricted because to do so would effectively disclose individual responses to ONS data-collection surveys (e.g., if there are only one or two firms in a certain industry in a particular locality.)
[2] In some cases, sample sizes in ONS data-collection surveys at the local level are very small. This leads to data of comparatively poor quality and relatively high volatility.

to disaggregate section estimates. The BRES share for a particular industry of a local area in its parent region is used to disaggregate the regional workforce jobs series for that industry. As BRES is a survey, the figures over time for a particular local area industry combination can be volatile[1]. Further, certain years' results may be withheld to prevent disclosure of confidential data. Accordingly, to obtain sensible data it is necessary for us to smooth out this volatility and to interpolate over the gaps.

At the local level, the most timely and comprehensive data are Annual Population Survey (APS) for residence and workplace-based employment and unemployment data[2]. These data are obtained directly from NOMIS and then constrained to the national numbers.

In September 2015, we re-visited the relationship between local workforce jobs and workplace-based employment. The local workforce jobs (which make use of BRES shares) was benchmarked to the ILO workplace-based employment which itself has first been benchmarked to the Census 2011 point with the pattern in years either side preserved.

As with the regional level, there are revisions in the latest BRES data at the local level. Additional changes are due to the changes in local boundaries. More specifically, there are larger revisions in Dacorum and Watford for the "employment activities" industry, which has persisted for two consecutive years. The change has been confirmed by NOMIS.

As with regional GVA, the availability of data at the local authority level has been improved with the move to a balanced estimate of GVA. Sub-regional measures of GVA were previously only produced in current prices, at a NUTS2 and NUTS3 level. As of March 2020, the balanced estimate of GVA has been incorporated into the RPS which is now provided at a local authority level, in both current and constant prices.

The local level GVA data that was used in the current run was released by the ONS in April 2024, based on 2019 prices, including data up to 2022 and is consistent with the latest Blue Book (October 2023).

The level of industrial detail of the data varies across sub-regional geographical levels. NUTS2 data has the greatest level of industry disaggregation with a full breakdown of SIC sections. With each subsequent geographic level, the degree of disaggregation in the official data decreases. To provide local area forecasts at the 38-sector level, the data was fully disaggregated at each geographical level.

In the case of NUTS3 current prices, the data is disaggregated using the industry shares in the corresponding NUTS2 and then constrained to that parent region. For local authorities that do not constitute fully a NUTS3, disaggregation takes place using local authority workforce jobs data at the industry level.

In the case of Chain Volume Measure (CVM) GVA; where data is needed to be further disaggregated, implied deflators of the parent geography - NUTS2 in the case of a NUTS3 and NUTS3 in the case of a local authority - are used to deflate the nominal estimates. Due to excessive volatility in the raw GVA data, it is necessary to smooth the local authority estimates and constrain to the parent region. In some cases, this led to some magnitude of difference from the published ONS figures.

The inclusion of these new official statistics has led to noticeable historical revisions across the 38 sector forecasts, however, as is the case at the regional level, the data now provides a more accurate measure of historical activity in each local authority.

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[1] The volatility represents sampling variability rather than actual volatility in the population data.
[2] In line with ONS guidelines, we use the official model-based estimates of local unemployment that are more accurate than survey data which suffers from volatility.

No estimates of household spending are provided at the local level. Household spending is, therefore, derived by using the share of local disposable income in regional disposable income.

Since June 2016, we have applied a moving average procedure to smooth the Annual Population Survey data which has resulted in revisions to our historical data.

We have not used any local data published after August 2024 in producing this update of the RPS. It is possible that between this date and the release of the RPS some new history may have been released and/or revised.

3.3.2 Forecast

The local authority model is run separately for the local authorities in each region and takes the regional forecast as given. Accordingly, as with local history, local forecasts are constrained to the regional forecasts of the parent region.

Our local model is based on the resolution of demand and supply for labour, and it takes into account commuting between local areas within a region and across the regional boundary. The properties of the model are these:

- When unemployment is low, labour supply growth is the key determinant of growth.
- When unemployment is high, growth in demand for labour is the key determinant of growth.
- As unemployment decreases,
    - Labour supply growth becomes relatively more important
    - Growth in demand for labour becomes relatively less important
- An area's workplace employment growth depends on labour supply not only in the area but also
    - Labour supply growth in other local areas in the region from which it has historically drawn inward commuters.
    - Its historic share of incoming workers across the regional boundary.
- An area's residence-based employment growth depends on demand for labour not only in the area but also
    - Growth in demand for labour in other local areas in the region to which it has historically supplied commuters.
    - Its historic share of outgoing workers commuting across the regional boundary.
- Workplace based employment drives GVA growth.
- Residence based employment drives Income and, accordingly, spending growth.

The starting point is an estimate of the growth in the participation rate of those aged 16-64 and 65-plus in a local area. These are used to derive labour force growth.

In parallel, demand for labour is estimated. This is done at the industry level by linking job growth[1] in a local area to growth in the same industry at the regional level and then constraining demand for jobs by industry to demand for jobs for the same industry at the regional level. The effect of this is:

- Demand for jobs at the local level is fastest in those industries which are performing best at the regional level.
- Total demand for jobs at the local level depends on its industrial structure. Those local areas which have a more than proportionate share of the best performing industries will perform best overall.

The supply and demand for labour is then resolved in the following way:

[1] Separately for employee jobs, self-employee jobs, government trainee jobs and Her Majesty's Forces.

- Total demand[1] for jobs for each local area is converted into demand for workers according to the historic ratio between jobs and workers into that local area.
- The inflow and outflow of workers across the regional boundary is shared out between local areas according to their historic commuting patterns leading to an adjustment in
    - The remaining demand for labour for a local area (*inflow*)
    - The remaining available labour for a local area (*outflow*)
- Workplace demands for workers are converted into residence-based demands according to historic commuting patterns.
    - If unemployment is sufficiently high, these demands are satisfied out of the growth in the labour supply and the pool of available (unemployed) workers.
    - If unemployment is sufficiently low, these demands can only be satisfied out of the growth in the labour supply.
    - If unemployment is above its lower bound but not too high, a proportion of demands are satisfied out of the pool of available workers and the rest are satisfied out of the growth in the labour supply.
    - The model makes short-term adjustments in the labour supply in response to demand conditions to reflect the economic reality that
        - When demand is high, the participation rate rises as potential workers are drawn into the labour force by the relatively buoyant conditions;
        - When demand is low, the participation rate declines as disillusioned workers leave the labour force because of the poor job market conditions;
    - The unemployment rate, accordingly, behaves as expected.
- The satisfied residence supply for labour is converted back into workplace demands and workplace-based employment is calculated for each local area. This is then converted back into jobs and used to produce final workforce jobs estimates for each local area.

The consequence of this is that:

- Local areas with high demand may not see all demand satisfied if there is insufficient labour supply available to meet those needs. Job growth will, accordingly, be slower.
- Local areas with high labour supply may not see higher growth in residence employment if there is insufficient demand for labour to use it up.

GVA growth is then forecast based on growth in workplace-based employment according to equations, which link GVA growth to workplace-based employment. Income is forecast by component based on residence-based employment (in the case of compensation for employees or self-employment), unemployment (in the case of benefits) and population in any other case. Spending depends on income by component.

[1] i.e. all industries and job types aggregated.

4 Key changes since June 2024 RPS

4.1 UK Economy

The September 2024 RPS forecast is consistent with the Experian August 2024 UK macro forecast, these projections reflect our central forecasts, which assumes that the Russia-Ukraine conflict continues and that no further sanctions are imposed on Russia or elsewhere. Moreover, domestic energy costs have reduced substantially from the highs of spring 2023 helping to reduce inflation but stay elevated compared to pre-COVID19. Furthermore, robust wage growth has resulted in service inflation to stay above the 5% mark, but this anticipated the fall as the labour market continues to loosen. Furthermore, stronger than anticipated GDP growth in the first two quarters highlight the robustness of consumers and businesses as they navigate the high borrowing cost environment. Against this backdrop, we expect the Bank of England will reduce the base rate in Q4 2024. For more details on our alternative scenarios, please contact us.

For more details on our alternative scenarios, please contact us.

4.1.1 UK history

Since our March 2022 release, ONS have expanded their Supply and Use Tables (SUT) framework to current prices and previous year's prices. This not only reflects a wider range of annual surveys and administrative information for which estimates are based on, but also records the correct concept of GVA rather than turnover as a proxy indicator. At the industry level, the current price and volume relationship is now preserved, enabling new double deflated annual GVA volume estimates. There has been a modest revision to overall current price and volume GDP however, there are larger revisions at the industry level such as stronger volume growth in the manufacturing sector. The telecommunication services deflator has also improved, resulting in higher gross value-added volume growth.

For more details on these changes, please see the Impact of Blue Book 2021 changes on current price and volume estimates of gross domestic product release by the ONS.

4.1.2 UK outlook[1]

Lower inflation, rising real incomes and gently easing mortgage rates supported a recovery in the first half of 2024, which saw the economy emerge from a mild recession in H2 2023. GDP growth was robust, increasing by 0.6% in Q2 following a 0.7% rise in Q1, with output now 2.3% above the pre-pandemic level.

The services sector, particularly non-consumer-facing services, was a key driver, while the manufacturing and construction sectors continued to face challenges. Manufacturing experienced a 0.6% decline due to persistent supply chain issues, and construction saw a third consecutive quarterly contraction, although future growth is possible as material costs stabilise. GDP growth is projected to strengthen from 0.1% in 2023 to 1.0% in 2024 and 1.3% in 2025, driven by rising consumer spending and easing interest rates.

Growth in the second quarter was skewed towards the first two months, with output stalling in June. More-up-to-date monthly data shows that there was also no growth in July. Services output continued to outperform, growing by 0.1% on the month. Growth in services was offset by declines of 0.8% and 0.4% respectively in the production and construction sectors.

[1] From our latest Macro Report September 2024.

The labour market remains resilient with the unemployment rate easing to 4.1% in the three months to May-July 2024. However, job vacancies continued to decline dropping by 42,000 to 857,000 in the three-months to June-August, down from a peak of around 1.3 million in 2022, and in turn nominal regular (excluding bonuses) pay growth eased again, to 5.1%.

Consumer Price Index (CPI) inflation remained at 2.2% in August. Annual goods inflation fell, to -0.9%, while services inflation rose by 0.4pp. With pay growth easing, and deflation in goods prices the outlook is relatively benign, barring a new shock to global commodity prices.

In August business sentiment remained in positive territory across all sectors (services, manufacturing and construction), pointing towards continued GDP growth in H2 2024. However, business investment remains weak for now, declining by 0.1% Q-on-Q in Q2 2024, and by 1.1% compared to the same quarter last year. This weakness could persist until conditions become clearer for businesses following the Autum Budget at the end of October.

Consumer confidence has improved significantly from its 2022 lows, though dropped off sharply in September. We expect the uptrend to reemerge after the Autumn Budget is delivered as uncertainty clears against a backdrop of improved economic fundamentals. Consumer spending has picked up modestly, supported by real income growth and reduced mortgage rates. The housing market has rebounded strongly, with house prices up by 2.5% yearon-year as of July 2024, despite high mortgage rates and affordability issues. This recovery is driven by supply-demand imbalances and the resilience of more affluent buyers. The rental market also remains tight, with rents continuing to rise sharply.

4.1.3 UK forecast

September 2024 RPS forecast (2019 prices). Previous forecast, June 2024 RPS (2019 prices) in brackets.

UK	2019	2020	2021	2022	2023	2024	2025-2029	2030-2043
GDP growth	1.6% (1.6%)	-10.4% (-10.4%)	8.7% (8.7%)	4.3% (4.3%)	0.1% (0.1%)	1.2% (0.8%)	1.7% (1.7%)	1.8% (1.8%)
Workforce Jobs growth	1.5% (1.5%)	-1.6% (-1.6%)	0.4% (0.4%)	2.5% (2.5%)	2.1% (2%)	0.9% (-0.1%)	0.7% (0.6%)	0.6% (0.6%)
Unemployment rate	3.9% (3.8%)	4.7% (4.6%)	4.6% (4.5%)	3.9% (3.7%)	4.0% (4.1%)	4.3% (4.5%)	4.2% (4.2%)	4.0% (4%)
Real Income growth	2.0% (2%)	-0.3% (-0.3%)	1.2% (1.2%)	-1.7% (-1.7%)	2.2% (2.2%)	2.4% (1.8%)	1.7% (1.8%)	2.0% (2%)
Spending Volumes growth	1.1% (1.1%)	-13.2% (-13.2%)	7.4% (7.4%)	5.0% (5%)	0.3% (0.3%)	0.5% (0.3%)	1.7% (1.7%)	1.8% (1.8%)
House price growth	0.9% (0.9%)	2.8% (2.8%)	8.1% (8.8%)	9.4% (9.7 %)	0.2% (1%)	2.0% (0.8%)	3.9% (3.6%)	4.0% (4%)

The following UK forecasts are from Experian September 2024 release.

The latest data published by the ONS shows that GDP in the UK grew strongly in the first half of this year, as the economy emerged from a mild recession suffered in H2 2023. In Q2 2024, GDP rose by 0.6%, following an increase of 0.7% in the previous quarter. Output was 0.9% up on the year and sits 2.3% above the pre-pandemic (Q4 2019) level.

The services sector continued to expand, growing by 0.8% on the quarter, with growth reported across 11 of its 14 subsectors. Non-consumer facing services grew by 1%, while consumer-facing services, which remains far smaller than it was pre-pandemic, noted a 0.1% decline.

Production output declined by 0.1% on the quarter. Manufacturing, the key component within production, declined in 9 of its 13 subsectors, totalling a 0.6% fall following its 1.1% rise in Q1 2024 as supply chain issues came to the fore. The sector has shown signs of a turnaround in recent quarters but continues to be weighed down by past increases in energy prices.

Construction output also fell by 0.1%, the third consecutive quarterly decline. Once again, the contraction stemmed from a slowdown in new work, where output fell for a sixth consecutive quarter, by -0.5%. The subsector could return to growth later in the year, however, as material costs continue to stabilise, and interest rates fall following the 0.25 basis point Bank Rate cut in August.

Growth in the second quarter was skewed towards the first two months, with output stalling in June. More-up-to-date monthly data shows that there was also no growth in July. Services output continued to outperform, growing by 0.1% on the month. The information and communications subsector rose by 0.8%, while retail and trade which has struggled over the past couple of years grew by 0.5%. Growth in services was offset by declines of 0.8% and 0.4% respectively in the production and construction sectors.

Overall, we forecast increases in GDP of 1% for 2024, and 1.3% in 2025, compared to a 0.1% rise in 2023. The acceleration in growth reflects continued increases in consumer spending, as real incomes grow strongly in line with robust nominal pay rises and moderate inflation. In addition, a gradual easing back in interest rates will offer further support to household budgets and consumer spending.

The majority Government returned through the General Election on July 4th also removes a source of uncertainty and should support business confidence and investment. Though downside risks to the forecast also persist, not least the potential for a renewed increase in commodity prices linked to geopolitical conflict in Ukraine and the Middle East.

According to the latest ONS data, the UK unemployment rate (for people aged 16 years and over) eased to 4.1% in the three months to July 2024, down from 4.2% in the previous quarter. The unemployment rate remains low by historic standards and is below estimates for a year earlier. Over the same period, the employment rate increased to 74.8%, showing a slight improvement from the previous quarter, but is below the figure for the same quarter a year prior.

The trend of low unemployment but also weak employment growth is in part a reflection of the marked increase in economic inactivity relative to before the pandemic. Economic inactivity, largely driven by long-term sickness and impacting predominantly on older age cohorts, has risen significantly. The economic inactivity rate was estimated at 21.9% in the latest three-month period, a decrease from the previous three-months but still above pre-pandemic levels.

Job vacancies continued to decline dropping by 42,000 to 857,000 in the three months to June-August, down from a peak of around 1.3 million in April-June 2022 and are approaching pre-pandemic levels. Easing job vacancies signal a loosening in the jobs market and reduced competition for workers, which typically drives a slowing in pay growth.

Indeed, the annual growth for regular earnings (excluding bonuses) was 5.1% in May to July 2024. Growth was last lower than this in April to June 2022, when it was 4.7%. Total (including bonuses) average weekly earnings in the year to May-July slowed to 4.0%, down from 4.6% in the April-June period. However, this total pay annual growth rate is affected by the NHS and civil service one-off non-consolidated payments made in June and July 2023, causing a base effect.

With inflation having eased markedly over the past year, and nominal pay growth continuing to grow strongly, albeit easing, regular pay in real terms grew by 2.2% in the year to May-July. While down slightly on the 2.4% registered last month, this represents a marked improvement compared to the heavy declines experienced through much of 2022 and 2023.

In the coming quarters, we expect a slight increase in the unemployment rate to a peak of 4.5% by the end of the year, given the delayed impact of higher interest rates on firm profitability and hiring intentions, and a continued easing in job vacancies. A stabilisation in rising business insolvencies suggests the rise is unlikely to be more pronounced than that.

In addition, the modest loosening in the labour market sees nominal pay growth continue to ease, averaging 4.7% this year, and 3.0% in 2025, down from a rise of 7.0% in 2023. In turn, with inflation expected to drift up slightly in the short term, real income growth slows slightly.

Consumer Price Index (CPI) inflation remained at 2.2% in August. Annual goods inflation fell, to -0.9%, while services inflation rose by 0.4pp.

More than half of the overall CPI 12-month rate increase came from restaurants & hotels (0.62pp), recreation & culture (0.56pp), miscellaneous goods & services (0.30pp) and alcoholic beverages and tobacco (0.23pp).

Transport inflation increased to 1.3% in August, having slowed to 0.2% yearon-year in July. This was mainly driven by the largest rise in airfares in more than 20 years, rising by 22.2% between July and August. Some of the annual increase was due to base effects as ticket prices fell 2.1% in the previous year during the same time frame. Airfares typically rise during this time of year due to increasing demand for foreign holidays. This is highlighted with the increase seen mainly on European routes as individuals go hunting for sun. However, supply constraints due to limited aircraft availability continue, resulting in airlines struggling to keep up with demand. This is expected to continue throughout the rest of 2024, putting further pressures on airfares if demand remains strong throughout the second half of the year.

Fuel prices acted as a drag on the transport category, but not enough to more than offset the increases in air fares. Fuel & lubricant inflation fell from 1.8% in July to -3.4% in August. This has been helped by Brent crude oil falling from a peak of $86 per barrel in July to around $76 towards the end of August. It was also aided by falling demand in China due to a slowdown in their economy and supply remaining strong with the supply cuts from OPEC+ cancelled out by production outside of the cartel (US, Brazil and Canada). This has continued to persist into September as average fuel prices in the UK have dropped to a three year low at Tesco, Asda and Sainsburys, helping to ease the budget squeeze on motorists.

On a monthly basis, prices increased by 0.3% in August. This was underpinned by an expansion in the price of transport (+0.18pp) and clothing & footwear (+0.06pp), which more than offset falls in restaurants & culture (- 0.1pp).

Services inflation increased from 5.2% to 5.7% between July and August, mainly due to base effects and rises seen in airfares and rentals. This increase contributed to overall CPI remaining at 2.2%, above the Bank of England's (BoE) 2% target. In response, the BoE decided to hold interest rates at 5% in the latest vote, with only one monetary policy committee member voting to cut the base rate by 0.25pp to 4.75%. The decision to hold rates was influenced by the need for controlling inflation while supporting economic growth, as the UK continues to face elevated wage pressures and projections that inflation will reach a peak of 2.8% towards the end of this year, driven by a 10% increase in the OFGEM price cap in October.

In addition, geopolitical tensions remain which could prompt inflationary pressures on commodity prices if they escalate further. Furthermore, if the UK and Europe experience a colder than average winter, we

could start see further energy price rises as demand for gas increases. Therefore, the BoE remains cautious, aiming to maintain restrictive monetary conditions until there is more data certainty. Against this backdrop, we anticipate the next 0.25pp cut to happen towards the end of 2024.

Public sector net debt excluding public sector banks (PSNB ex) was provisionally estimated at 100.0% of GDP at the end of August 2024, an increase of 4.3 percentage points compared to August 2023.

The latest ONS report indicates that public sector net borrowing excluding public sector banks (PSNB ex) in August 2024 was £13.7 billion, £3.3 billion higher than the same month in the previous year, the highest August borrowing since 2021.

Initial estimates for August 2024 suggest that borrowing was £3.3 billion higher than August last year, and £2.5 billion higher than the £11.2 billion forecast by the Office for Budget Responsibility (OBR). This is the third highest August borrowing since monthly records began in January 1993.

Central government's receipts were £80.8 billion in August 2024, £3.3 billion more than in August 2023. This was underpinned by a £3.7 billion increase in tax receipts to £61.0 billion, with income tax, value added tax and corporation tax receipts rising by £1.5 billion, £1.3 billion and £0.7 billion, respectively. Offsetting this slightly was a £0.6 billion easing in compulsory social contributions, to £13.9 billion, largely because of the reductions in the main rates of National Insurance in 2024.

Central government expenditure in August was greater than receipts, at £90.5 billion, and the absolute increase relative to a year earlier was greater, at £6.1 billion. Net social benefits paid by central government increased by £2.7 billion to £26.3 billion, largely because of inflation-linked benefits uprating. Similarly, central government departmental spending on goods and services increased by £2.5 billion to £35.2 billion, as running costs rose with inflation.

With the debt-to-GDP ratio at 100%, large-scale spending commitments or tax cuts remain unlikely in the short term. Rachel Reeves, in her Labour Party conference speech, emphasised that the government will make "tough decisions" to address the fiscal situation but rejected a return to austerity. She pledged not to increase core taxes such as income tax, VAT, or National Insurance, staying true to Labour's manifesto. Instead, Reeves announced a crackdown on tax avoidance and evasion, the end of non-dom tax status, and the extension of the windfall tax on oil and gas producers to fund domestic investments. While austerity measures are off the table, we expect government spending to remain constrained. Taxes are also expected to rise, not least due to the pre-exiting income tax and national insurance band freezes.

The total trade in goods and services deficit widened by £5.5 billion to £14.6 billion in the three months to July 2024, reflecting a continued upward trend in imports. This increase in the deficit was primarily driven by a significant rise in imports of goods, which outpaced exports.

Goods imports rose by £5.0 billion (3.6%) during this period, with notable increases in both EU and non-EU trade. Goods imports from the EU saw a modest growth of £0.6 billion (0.8%), while non-EU imports increased more sharply by £4.4 billion (7.2%). Much of this growth can be attributed to higher imports of machinery, transport equipment, and fuel.

In contrast, goods exports declined by £0.9 billion (0.9%) in the same period. Exports to non-EU countries fell by £0.8 billion (1.8%), with a substantial reduction in chemical exports, particularly medicinal and pharmaceutical products to the United States.

As with goods, services imports rose, by £2.1 billion (2.5%) in the three months to July 2024. However, unlike goods, services exports also rose, and by a greater absolute amount of £2.4 billion (2.0%). As such the trade in services surplus is estimated to have widened by around £0.3 billion to £38.9 billion.

The continued relative outperformance of services versus goods broadly mirrors the better performance in the services sector than manufacturing in terms of both the GDP and PMI survey data. This in part is likely to reflect the more significant adverse impact on exports of the former, from non-tariff trade barriers linked to Brexit.

4.1.3.1 Upside Risks

Sanctions lift: The possible lifting of curbs upon Russian gas and oil exports to Europe remains the most significant upside risk to the forecast. This would support a quicker fall in inflation to the Bank of England's 2% target and diminish cost-of-living pressures on households.

Autumn Budget clarity: Consumer confidence dipped in September, amidst warnings from the Chancellor of the Exchequer that 'tough decisions' would need to be made regarding the public finances. We expect the Government to tread likely in terms of policy changes and given healthier economic fundamentals consumer confidence is likely to pick-up again as the Budget related uncertainty passes.

Labour force: 'Back to work' policies announced in recent policy decisions could see the labour force grow more quickly than projected, buoying growth in the medium to long term.

Savings rates: Consumer demand has been relatively resilient against a backdrop of high inflation. Lower precautionary saving than projected could see continued outperformance.

Monetary Policy: A swifter drop back in services inflation could prompt a sharper loosening in monetary policy than that shown in the base case. This would have positive implications for household budgets and spending.

Chinese stimulus package: Central Bank benchmark rate cuts could underpin an uptick in demand supporting UK exports.

4.1.3.2 Downside Risks

Gas prices: Though European gas prices have fallen in recent weeks, cold weather in winter and stronger demand globally could see prices rise. This would add to inflationary pressures in the UK and hurt consumer spending.

Middle East conflict: The global oil price recently eased to around $70 a barrel as Saudi Arabia prepares to increase output. This contributes towards the more benign outlook for inflation in the UK of late. However, a worsening in conflict in the Middle East could yet prompt a significant revision to our base case economic forecast. The key risk we envisage is that one or several major oil producing nations cut oil supply as a political reaction to the conflict. A wider conflict could also disrupt global supply chains. Additionally, the impact of the crisis in the Red Sea could drive up operating costs for businesses due to longer delivery times and delaying logistical plans as ships are rerouted to go around Africa's Cape of Good Hope. All outcomes would result in increased inflation.

Mortgage shock: Mortgage rates are easing but remain much higher than the average going into 2022. While the vast majority of those that have rolled on to higher rate deals have done so without missing a payment, a downside risk remains amongst the 30% of mortgagors that are yet to do so

4.2 Regional Forecast

In addition to changes in the UK history, which our regional data is constrained to, changes in the regional history can be traced back to the latest quarterly data (June 2024 RPS endpoint in brackets):

- Regional Workforce Jobs 2024 Q1 (2023 Q3)
- ILO Data for 2024 Q1 (2023 Q4)
- Business Register and Employment Survey (BRES) 2022 (2022)
- Annual Survey of Hours and Earnings (ASHE) 2023 (2023)

Also note that the historical processing and forecasting has been reviewed from the ground up and certain parts have been streamlined or automated where appropriate, resulting in minor changes to history for some series – e.g., where a different smoothing or seasonal adjustment technique has been applied, or an outdated fix to the data has been removed.

September 2024 RPS forecast. Previous forecast (June 2024 RPS) in brackets.

Regional forecast 2024-43	SW	SE	GL	ET	EM	WM	NW	NE	YH	SC	WA	NI
GVA growth	1.7% (1.7%)	1.9% (1.9%)	2.1% (2.1%)	1.8% (1.7%)	1.5% (1.5%)	1.5% (1.5%)	1.4% (1.4%)	1.2% (1.2%)	1.4% (1.4%)	1.3% (1.3%)	1.3% (1.3%)	1.2% (1.2%)
Workforce Jobs growth	0.8% (0.6%)	0.9% (0.7%)	1.0% (1%)	0.6% (0.6%)	0.5% (0.5%)	0.4% (0.3%)	0.3% (0.3%)	0.3% (0.3%)	0.4% (0.3%)	0.2% (0.1%)	0.4% (0.2%)	0.2% (0.2%)
Unemployment rate	3.0% (3%)	3.3% (3.3%)	5.1% (5.1%)	3.4% (3.5%)	4.1% (4.1%)	4.7% (4.7%)	4.6% (4.7%)	5.4% (5.4%)	4.2% (4.2%)	3.8% (3.8%)	3.9% (3.8%)	3.6% (3.6%)
Real income growth	1.9% (1.8%)	2.2% (2.2%)	2.4% (2.3%)	2.2% (2.3%)	1.7% (1.7%)	1.6% (1.6%)	1.6% (1.6%)	1.3% (1.2%)	1.6% (1.6%)	1.6% (1.6%)	1.5% (1.5%)	1.7% (1.8%)
Spending volumes growth	1.4% (1.4%)	1.9% (1.9%)	2.3% (2.4%)	1.7% (1.8%)	1.5% (1.5%)	1.5% (1.5%)	1.5% (1.5%)	1.2% (1.2%)	1.5% (1.5%)	1.3% (1.3%)	1.2% (1.2%)	1.6% (1.6%)
House price growth	4.0% (3.8%)	4.1% (4.2%)	3.7% (4%)	3.9% (3.8%)	3.7% (3.6%)	3.5% (3.3%)	4.2% (4%)	3.7% (3.5%)	3.3% (3%)	3.9% (3.6%)	3.5% (3.4%)	3.8% (3.5%)

4.3 Local Forecast

In addition to revisions at the regional and the UK level to which our local data is constrained to, changes to the local history can be traced back to the following new quarterly data (June 2024 RPS endpoint in brackets):

- APS/LFS data for 2024 Q1 (2023 Q3)
- Business Register and Employment Survey (BRES) 2022 (2022)
- Annual Survey of Hours and Earnings (ASHE) 2023 (2023)

Also note, that the historical processing and forecasting has been reviewed from the ground up and certain parts have been streamlined or automated where appropriate, resulting in minor changes to history for some series – e.g., where a different smoothing or seasonal adjustment technique has been applied, or an outdated fix to the data has been removed.

For more information about how the history is constructed refer to section 3.2.1 for regions and section 3.3.1 for local authorities.

4.4 Population

Population forecasts for all locals, regions and nations have been updated to include published mid-year estimates between 2017-19, onto which the latest 2018-based population projections are spliced. The

ONS have revised population projections downward in the mid-to-long run for all nations. Compared to 2016, the ONS now expects higher net international migration, women to have fewer children due to a fall in total fertility rates, and life expectancy not to increase as much as previously expected.

- The populations of all regions in England are projected to grow by mid-2029; regions in the north of England are projected to grow at a slower rate than those in the south.
- East Midlands is projected to be the fastest growing region; the North East is projected to have the slowest rate of growth.
- Nearly all local authorities are projected to grow by mid-2029; the populations of 43 local authorities are projected to fall.
- North West Leicestershire is projected to be the fastest growing local authority in England; its population is projected to grow by 15.1% between mid-2019 and mid-2029.
- The number of people in older age groups is projected to grow faster than those in younger age groups in all but one local authority, Coventry. By mid-2029, a total of 122 local authorities are projected to have a population where at least one-quarter of the population is aged 65 and over.
- Over the 10 years to mid-2029, London is the region with the fastest increase in population of those aged 65 and over; however, it remains the region with the lowest old age dependency ratio. The South West is projected to have the highest old age dependency ratio by mid-2029.

5 A note from the ONS on volatility

A change in methodology behind the ONS employment surveys has produced widespread volatility in the historical data, particularly from 2010.

The following is an explanation directly from the ONS, please see section 3 for more information on how we deal with volatility in the official data:

> "A fundamental redevelopment of Workforce Jobs sources, classifications, methods and systems was recently undertaken and is explained clearly in the article 'Revisions to Workforce Jobs' (Barford 2010). One of the key changes highlighted in this article was the replacement of a matched-pairs estimator with a point-in-time ratio estimator, ONS's standard method. This change was aimed at removing the bias caused by the matched-pairs method. A matched-pairs method tends to underestimate change over time, as it excludes the births and deaths of businesses in the sample. In essence, only those businesses sampled in two consecutive periods are used to produce estimates of change. This bias used to cause large revisions when the short-term employment surveys series were benchmarked retrospectively to Business Register Employment Survey (BRES) estimates. BRES is an annual survey which selects a larger sample and also uses a point-in-time ratio estimator. The point-in-time estimator includes all sampled businesses in each and every period, which reduces the bias over-time. The trade-off is an increase in volatility caused by the inclusion of the rotated part of the sample for small and medium sized businesses. Sample rotation spreads the administrative burden; ensuring businesses are selected for a limited number of periods.
>
> Unfortunately, the volatility of regional estimates at an industry level has been far greater than anyone anticipated and in general has been met unfavourably by users, particularly those that are interested in regional data. There are a number of instances, for example, whereby businesses have been 'rotated in' to a particular region and served to distort the level of jobs for a particular industry, usually for a period of 5 quarters, which is the time a rotated business remains in the sample of the STES."

Regional employment is the most timely and only source of quarterly data at this level of geography and is used to derive the quarterly profile of other variables in our regional models. Therefore, this volatility is reflected in output as well as employment. Please see section 3 for more information on how we deal with volatility in the official data.

Appendix A…. Glossary of terms

Glossary of terms

Gross Domestic Product (GDP) Total work done in an economy in a period measured in one of three ways:

- Output Measure: Output of all goods and services less inputs
- Income Measure: Income earned by all parts of the economy
- Demand Measure: Demand for goods and services comprised of
    - Expenditure by Households, NPISH and Government
    - Investment (Gross Fixed Capital Formation) by business and Government
    - Changes in Inventories and Acquisitions less disposals of valuables
    - Exports less imports

GDP is measured in market prices: this means that the prices used to convert output of goods and services into money include taxes and subsidies by the government. Distributors' margins are credited to the industry producing the goods and services not to the distribution industry.

Gross Value Added (GVA) GVA is identical to GDP except that it is measured in basic prices. These prices do not include taxes and subsidies imposed by the government. Distributors' margins are credited to the distribution industry. GVA for an industry is described by either of the following identities:

- GVA is identical to output of the industry less inputs of the industry
- GVA is identical to the sum of
    - Compensation of Employees in the industry
    - Gross Operating Surplus (i.e. profit) earned by capital in the industry

When looking at GVA for an industry, it is important to realise that it only includes the output of that industry (i.e. the value added by that industry.) For example, retailing GVA only includes the value added by retailers (e.g. customer service etc).

GVA in the RPS is measured by the place where the work is done (workplace based) and not where the worker resides.

Current Price / Chain Volume Measure (CVM) Data where the unit of measurement is money are available either in Current Price (or Nominal) terms or CVM (or Real) terms. The distinction is important because the buying power of money changes over time. For current price data, no adjustment is made for this fact. CVM data adjusts all figures in a time series to be consistent with the buying power of money in a given year (the reference year). Current Price data, thus, measures values while CVM data measures volumes. For example, Current Price GDP is the money value of production in a given period while CVM GDP is the amount of production. For years before the reference year, CVM data is not additive (thus the sum of GVA for all sectors will not equal total GVA.) In all other years, CVM data is additive.

Productivity A measure of efficiency calculated by estimating output per unit of input

Workforce Jobs A count of the total number of jobs in the UK, a region or industry. It is comprised of

- Employee Jobs: The number of jobs where the occupant is an employee.
- Self-employee Jobs: The number of jobs where the occupant is self-employed
- Government-Sponsored Trainees: The number of jobs where the occupant is on a government training scheme.
- Her Majesty's Forces: The number of jobs in the armed forces (part of Public Administration & Defence).

Workforce jobs and all its components count jobs and not people. This means that where a person has two or more jobs they are counted once for each job that they have. This can be contrasted with the ILO employment measures. Another consequence of counting jobs is that Workforce Jobs is based on the place of work not the residence of the worker

Full Time Equivalent Employment: Our definition is based on total hours worked and is as follows:

FTE = (HOURS) divided by (37.8*13)

Here a constant yardstick of full-time employment for all industries, regions and industry-region based on thirteen working weeks in a quarter at 37.8 hours a week. 37.8 hours is the average hours worked by a full-time worker in the UK between 1990 and 2009.

ILO Employment The International Labour Organisation (ILO) provides an international standard method of measuring employment. In the UK this is implemented by means of a survey known as the Labour Force Survey (LFS) or Annual Population Survey (APS). It is a people count based on the main job that a person has. Employment comprises:

- Employees: People whose main job is as an employee.
- Self-employed: People whose main job is as a self-employed person.
- Government-Sponsored Trainees: People whose main job is on a government training scheme.
- Unpaid Family Workers: People whose main job is as an unpaid worker in a business owned by their own family.

There are two measures:

- Residence based, which depends on the place of residence of the worker (irrespective of where they work.)
- Workplace based, which depends on the place of work of the worker (irrespective of where they reside.)

The ILO Employment reported is based on the entire population in work ages 16+.

ILO Unemployment The International Labour Organisation (ILO) definition of unemployment covers people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or out of work and have accepted a job that they are waiting to start in the next fortnight.
ILO unemployment is only available on a place of residence basis and is based on the entire unemployed population ages 16+.

Labour Force / Economically Active The sum of ILO Unemployment and ILO Employment. That is all people who are in work or who are looking for a work. A person who is in the labour force is said to be Economically Active.

The Labour Force includes the entire Economically Active population ages 16+.

Economically Inactive A person who is not economically active. The principal categories are retirees, students, children, long-term sick or disabled, homemakers and carers. This does not include school-aged people.

Claimant Count Unemployment Measures the number of people who are claiming Jobseekers' Allowance (JSA). This is always less than ILO Unemployment because not everyone who is ILO unemployed is eligible to claim JSA and not all who are eligible claim. Particular important cases are:

- People whose partners work more than 16 hours a week – they cannot claim JSA but may be ILO unemployed.
- People who are past state retirement age – they cannot claim JSA but may be ILO unemployed.

Extra Region In addition to the 9 English regions and the nations of Scotland, Wales and Northern Ireland, the UK's economic boundary includes the continental shelf and UK government operations abroad (i.e. embassies and HMF abroad). The ONS does not assign income or GVA attributable to these sources to any region or nation. Therefore, the sum of regional Income or GVA does not equal the UK. This also impacts on two industries Extraction & Mining and Public Administration & Defence.

School Age Population Population aged 0-15.

Working Age Population Population above the age of 15 but below the current state retirement age for their gender.

Retirement Age Population The population above state retirement age. The precise retirement date depends on date of birth and, for those born before 6th November 1953, on gender. At present, there is a phased equalisation in progress. After 6th November 2018, both men and women will retire at 65. This will rise to 66 between 6th March 2019 and 6th September 2020 and 67 between 6th April 2026 and 6th March 2027. Our forecasts take account of these changes to retirement legislation.

Adult (16+) Population Number of all people aged 16 and above.

Household Consumer Spending The accounts relate to consumption expenditure by UK resident households, either in the UK or the rest of the world. Spending by non-residents in the UK is excluded from the total

Household consumption includes goods and services received by households as income in kind, in lieu of cash, imputed rent for the provision of owner-occupied housing services and consumption of own production

For national accounting purposes, households are individuals or groups of people sharing living accommodation

Household Disposable Income Household disposable income is the total payment to households (from wages, interest, property income and dividends) less taxes, social security, council payments and interest

Cost of living index Regional consumer spending deflator. Gives an indication of how the value of consumer spending has grown in comparison to the volume.

NUTS (Nomenclature of Territorial Units for Statistics) A European Union standard for classifying the subdivisions of member states. In the case of the UK, the English regions and the three nations are classified as NUTS1. The next level – NUTS2 – typically consists of aggregations of local authorities in the same region. The level below that, NUTS3 consists either of single local authorities or a small aggregation of local authorities in the same NUTS2. In Scotland, some local authorities are divided between NUTS3. NUTS4 and NUTS5 also exist but are not used in the RPS.

Appendix B…Sector definitions

Sector definitions

Experian 38-sector	SIC-2007 division	Falls within Experian 12-sector
Agriculture, Forestry & Fishing	01 Crop and animal production, hunting and related service activities	Agriculture, Forestry & Fishing
	02 Forestry and logging	
	03 Fishing and aquaculture	
Extraction & Mining	06 Extraction of crude petroleum and natural gas	Extraction & Mining
	05 Mining of coal and lignite	
	07 Mining of metal ores	
	08 Other mining and quarrying	
	09 Mining support service activities	
Food, Drink & Tobacco	10 Manufacture of food products	Manufacturing
	11 Manufacture of beverages	
	12 Manufacture of tobacco products	
Textiles & Clothing	13 Manufacture of textiles	
	14 Manufacture of wearing apparel	
	15 Manufacture of leather and related products	
Wood & Paper	16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
	17 Manufacture of paper and paper products	
Printing and Reproduction of Recorded Media	18 Printing and reproduction of recorded media	
Fuel Refining	19 Manufacture of coke and refined petroleum products	
Chemicals	20 Manufacture of chemicals and chemical products	
Pharmaceuticals	21 Manufacture of basic pharmaceutical products and pharmaceutical preparations	
Rubber, Plastic and Other Non-Metallic Mineral Products	22 Manufacture of rubber and plastic products	
	23 Manufacture of other non-metallic mineral products	
Metal Products	24 Manufacture of basic metals	
	25 Manufacture of fabricated metal products, except machinery and equipment	
Computer & Electronic Products	26 Manufacture of computer, electronic and optical products	

	27 Manufacture of electrical equipment	
Machinery & Equipment	28 Manufacture of machinery and equipment n.e.c.	
Transport Equipment	29 Manufacture of motor vehicles, trailers, and semi-trailers	
	30 Manufacture of other transport equipment	
Other Manufacturing	31 Manufacture of furniture	
	32 Other manufacturing	
	33 Repair and installation of machinery and equipment	
Utilities	35 Electricity, gas, steam, and air conditioning supply	Utilities
	36 Water collection, treatment, and supply	
	37 Sewerage	
	38 Waste collection, treatment, and disposal activities; materials recovery	
	39 Remediation activities and other waste management services. This division includes the provision of remediation services, i.e. the clean-up of contaminated buildings and sites, soil, surface, or ground water.	
Construction of Buildings	41 Construction of buildings	Construction
Civil Engineering	42 Civil engineering	
Specialised Construction Activities	43 Specialised construction activities	
Wholesale	45 Wholesale and retail trade and repair of motor vehicles and motorcycles	Wholesale & Retail
	46 Wholesale trade, except of motor vehicles and motorcycles	
Retail	47 Retail trade, except of motor vehicles and motorcycles	
Land Transport, Storage & Post	49 Land transport and transport via pipelines	Transport & Storage
	52 Warehousing and support activities for transportation	
	53 Postal and courier activities	
Air & Water Transport	50 Water transport	
	51 Air transport	
Accommodation & Food Services	55 Accommodation	Accommodation, Food Services & Recreation
	56 Food and beverage service activities	
Recreation	90 Creative, arts and entertainment activities	
	91 Libraries, archives, museums, and other cultural activities	
	92 Gambling and betting activities	
	93 Sports activities and amusement and recreation activities	

Media Activities	58 Publishing activities	Information & communication
	59 Motion picture, video and television programme production, sound recording and music publishing activities	
	60 Programming and broadcasting activities	
Telecoms	61 Telecommunications	
Computing & Information Services	62 Computer programming, consultancy, and related activities	
	63 Information service activities	
Finance	64 Financial service activities, except insurance and pension funding	Finance & Insurance
	66 Activities auxiliary to financial services and insurance activities	
Insurance & Pensions	65 Insurance, reinsurance, and pension funding, except compulsory social security	
Real Estate	68 Real estate activities	Professional & Other Private Services
Professional Services	69 Legal and accounting activities	
	70 Activities of head offices; management consultancy activities	
	71 Architectural and engineering activities; technical testing and analysis	
	72 Scientific research and development	
	73 Advertising and market research	
	74 Other professional, scientific, and technical activities	
	75 Veterinary activities	
Administrative & Supportive Service Activities	77 Rental and leasing activities	
	78 Employment activities	
	79 Travel agency, tour operator and other reservation service and related activities	
	80 Security and investigation activities	
	81 Services to buildings and landscape activities	
	82 Office administrative, office support and other business support activities	
Other Private Services	94 Activities of membership organisations	
	95 Repair of computers and personal and household goods	
	96 Other personal service activities	
	97 Activities of households as employers of domestic personnel	
	98 Undifferentiated goods- and services-producing activities of private households for own use	

Public Administration & Defence	84 Public administration and defence; compulsory social security	Public Services
	99 Activities of extraterritorial organisations and bodies	
Education	85 Education	
Health	86 Human health activities	
Residential Care & Social Work	87 Residential care activities	
	88 Social work activities without accommodation	

Appendix C…Geography definitions

We forecast at the following geographic breakdowns:

- UK
- Regions (12)
- Counties (64)
- Local authorities, post-2023 boundaries (317+33 London boroughs)

Appendix D…FAQ's

- Why does Experian's history for variable x differ from another source / raw survey data?

There are several possible reasons.

  - The first is a vintage mismatch. The ONS frequently revises its economic data in order to take account of new information or improved methodology. The date at which Experian has taken data for the current RPS is given in the body of this guide. Another source may have used earlier or later data.
  - The second relates to data processing. As explained in the body of this guide, it is sometimes necessary at the regional level and (particularly) at the local level to process or construct data. Our approach to doing this is explained in the body of this guide. We apply consistent methodologies to process the data. Other sources may carry this out in different ways. When compared against the raw source, our data may differ because, for example:
    - It has been constrained to other sources.
    - It has been converted into CVM data or quarterly data.
    - It has been made consistent with other data or a later vintage of data.
  - The third relates to raw survey data. Raw survey data is often volatile and does not consider information outside the survey. Official statistics and our data are constructed from the raw survey data to take into account volatility, sampling issues and all available data sources.

- Why does Experian's job history differ from the *ABI* or *BRES*?
  - The ABI/BRES are surveys taken from a particular year; they are not updated.
  - ABI/BRES is a source for ONS' workforce jobs, but it is not the only source.
  - BRES does not include government supported trainees, HM forces jobs and every self-employed small business. As a result, BRES's employment numbers (mainly consisting of total employees and working owners e.g. sole traders) would be lower than the ONS's workforce jobs.
  - Experian's workforce job history is designed to be consistent with the latest available ONS workforce jobs estimates, which includes a broad range of jobs (i.e. employee jobs, self-employment jobs, government supported trainees and HM forces).
  - Raw survey is often incomplete and suffers from sampling variability, which does not represent true volatility in the underlying population data. This must be removed to ensure high quality data.

- How often are data updated?
  - We always use the latest available data at the cut-off date for history.
  - New GVA data is available from the ONS
    - At the UK Level, three times a quarter.
    - At the Regional and Local level, annually (normally in December.)
  - New Expenditure data is available from the ONS at the UK level twice a quarter.
  - New LFS Employment data is available from the ONS once a quarter.
  - New Workforce Jobs data is available from the ONS once a quarter.
  - New BRES is published once a year (normally in December.)
  - New Income data is available from the ONS
    - At the UK level, once a quarter.
    - At the Regional and Local level, once a year (normally in April.)
  - Population projections are published once every two years.
  - New mid-year population estimates are published annually.
  - New LCFS is published annually.

- How do revisions to historical data affect your history and forecasts?
  - As explained above, we always take into account the latest historical data.
  - The monthly UK macro forecast is updated after each ONS revision of GDP for a quarter.
  - The RPS is based on a particular UK macro forecast and includes the latest available regional and local data.

- Forecasts are updated to be consistent with the latest historical data. While this will typically only affect the short-to-medium term, there are times when the long-run is necessarily affected. This will usually be when there has been a substantial revision to history.

- How are past growth trends captured in the forecasts?
  - All our models are econometric models.
  - An econometric model is a model estimated on historical data.
  - The coefficients (i.e. interactions) in the model embed historical relationships between variables and historical growth rates in a variable.
  - Where we believe that the forecast relationships may differ from history, we make appropriate adjustments to the forecast. This may be the case, for example, where an area has been substantially redeveloped in recent years.

- How are industry/regional/local developments and policies reflected in forecasts?
  - If past developments and policies are reflected in model inputs (for example population) or in history, then they will be automatically captured by the model.

  - Our forecasts are policy-neutral in the sense that in our baseline assumes that sufficient projects, infrastructure, jobs etc. will be provided to meet the needs of the population in the long term. Thus although the project may not be explicitly included, an assumption that a project of its nature may have been included in the baseline.
  - It is important to realise that many developments or policies may not be sufficiently large enough to affect growth rates or may be implicitly included in the forecast from a higher level of aggregation.

  - We are able to make appropriate adjustments to the forecast to take into account certain large projects.
  - At the industry level we can consider announced developments in that industry which are large enough to affect the growth in the industry at the national, regional, or local level (as the case may be).
  - At the regional and local, we have considered announced developments or policies which are large enough to affect growth at the regional or local level. The local model, in particular, has the facility to take into account the impact of additional population or jobs in a particular area.
  - The final forecast will show the net effect of the adjustment, after the effects of population constraints, job cannibalisation, commuting patterns etc.

- How does population relate to the employment forecasts?
  - This is discussed in detail in the methodology section above for the regions and the locals.
  - It is important to remember that employment is forecast on both a residence and workplace basis.
  - Residence based employment depends on local population (labour supply) growth but also on demand for work throughout the region and across the regional boundary.
  - Workplace based employment depends on labour supply throughout the region and across the regional boundary.

- What is working age?
  - The definition of working age used based on the state pension age.
  - As the state pension age for men and women changes in line with announced policy, the working age population will change to take this into account.
  - The key changes to the state pension age that have been announced are:
    - A gradual equality in state pension age for men and women.
    - A gradual rise in state pension age for both men and women to 67 (and 68 after the forecast horizon.)

- What is the participation rate / economic activity rate?
  - The participation rate or economic activity rate is the proportion of the population who are either employed or seeking employment (i.e. unemployed.)

- The participation rate used in our models is based on the entire adult population (16+). This differs from earlier versions of our models which used only the working age population.
- The participation rate is an endogenous variable in all our models. It is not a fixed assumption.

- What assumptions have been made regarding commuting in the local model?
  - Commuting in the local model is based on estimates given by the ONS.
  - These are based on the Census 2011.
  - Commuting assumptions are fixed over the forecast.
  - However, the outcome for commuting may differ from the assumption because (for example) there is insufficient demand or supply for labour to provide as many workers as possible across a particular commuting relationship.

- How is Full-Time Equivalent employment derived?
  - This is based on the total hours worked (please see the glossary.)
  - The relationship between FTEs and hours is fixed by definition.
  - In different industries, the hours worked per job will differ.
  - Historical data for this is taken from ASHE (please see the body of the guide.)
  - The forecast considers changing trends in hours per job. This will necessarily alter the relationship between Full-Time Equivalent employment and jobs.

- How does the weighting of different factors change over the forecast period?
  - There is no fixed rule about the changes in this time.
  - The coefficients of the econometric equations are fixed over time.
  - However, at the local level population growth becomes more important as unemployment decreases.

- Are any automation and artificial intelligence (AI) assumptions considered in the labour market forecast period?
  - The labour force size is an independent variable in the employment forecast, alongside lagged employment and total hours worked (and lagged total hours worked).
  - The coefficients of the econometric equations are fixed over time.
  - Total hours worked is dependent on Gross Domestic Product (reflecting the strength (or not) of the economy), and labour augmenting technical progress.
  - The latter considers the impact of automation and artificial intelligence on hours and highlights a negative coefficient.

Appendix E…About us

Our economic forecasting expertise

Experian's team of economists is a leading provider of global, national, regional, and local economic forecasts and analysis to the commercial and public sectors. Our foresight helps organisations predict the future of their markets, identify new business opportunities, quantify risk, and make informed decisions.

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Published by the Market Insight Group of Experian plc, Cardinal Place, 80 Victoria Street, London SW1E 5JL.

Registered office address:
The Sir John Peace Building, Experian Way, NG2 Business Park, Nottingham, NG80 1ZZ
www.experian.co.uk

Appendix 4 Site Assessments

Site Ref		Postcode	Designation	Site Area (ha)	Strategic road access		Local accessibility		Proximity to urban areas & access to labour & services		Proximity to incompatible uses uses		Site characteristics & development constraints		Market attractiveness		Total ranking (out of 30)	Nature of business activity	Potential for intensification	Future potential uses	Barriers to delivery	Overall summary
					Rank (out of 5)	Comments	Rank (out of 5)	Comments	Rank (out of 5)	Comments	Rank (out of 5)	Comments	Rank (out of 5)	Comments	Rank (out of 5)	Comments						
Strategic Employment Land Sites																						
1	Brooklands	KT13 0YU	SEL	36.3	4	Direct access to the A318. And relatively good access to the M25 J10 in the context of the Borough.	4	Direct access from the A318, providing good links to the east and north of the Borough. Access suitable for larger vehicles. Limited access routes from the north of the site.	3	Close proximity to rail links and located a short distance to the small town of Byfleet and associated amenities.	5	Well bounded on all sides and located away from residential properties.	4	A very large site containing largely medium to large industrial units. The majority of these units are in good condition but some are beginning to age. Wide roads throughout the site are suitable for heavy goods vehicles. The western edge of the site contains a range of smaller units and some offices.	5	Occupancy within the site appears to be high. The quality of the units, as well as the range in their sizes and Brooklands' strategic access makes this an attractive site to the market.	25	E(g)(i),E(g)(ii), B2 and B8	There is limited opportunity to intensify some of the larger units within the site.	E(g)(i), E(g)(iii), B2 or B8	None identified	This is the largest site within the Borough and benefits from good strategic access, a range of premise types and sizes as well as good quality units. This makes it attractive to the market.
2	The Heights	KT13 0NY	SEL	27.5	3	Good proximity to local A roads and relatively good access to the M25 J10 in the context of the Borough.	3	Access via a number of local B roads. Easily access from both the north and south of the Borough.	2	The site is located away from local centres and is approximately a 20 minute walk from the nearest train station.	5	The site is well bounded by vegetation and local roads. Some residential uses border the site to the north.	5	The site includes a number of large, high quality, modern offices with ample parking and some on site amenities. Medium sized, older offices are also located within the site along Locke King Road. This area is heavily trafficked and there is a lack of parking options.	2	Despite the high quality of the buildings, some vacancy is observed within the site at the time of the assessment.	20	E(g)(i)	Yes. There is opportunity for intensification or redevelopment to provide for a wider size of premises including smaller and more flexible office space.	E(g)(i)	None identified	The site contains high quality, large offices and is located in close proximity to strategic local roads. However, some vacancy is observed.
3	Hersham Place Technology Centre	KT12 4RZ	SEL	4.2	3	Direct access to the A244 and relatively good access to the A3 within the context of the Borough.	4	Located off the A244 running across the centre of the Borough.	4	Located within Hersham Town Centre which has some local amenities. However, the nearest train station is approximately a 20 minute walk away.	4	The site is bounded to the west and south by residential properties. However, the site is well bounded by vegetation and the nature of the on-site use is unlikely to impact on its operation.	2	The site comprises a large office building which now appears dated as well as some smaller office buildings to the west which are also aging. The site contains ample parking and has good access.	2	The size of the building is unlikely to be suitable for a single tenant and it is unclear to what extent the building can be broken down into smaller floorplates. The age of the building and associated operating costs may also make it less attractive.	19	E(g)(i)	Yes. There is opportunity to develop part of the car park area of the site, providing alternative access options. There is also opportunity for intensification if the buildings become vacant.	E(g)(i)	None identified	The site is focused around a large building which appears dated. The attractiveness of the site is limited by the ages and quality of the building, as well as its dated size and shape. Despite this, the location and size of the site means it has potential for intensification/redevelopment.
4	Hersham Trading Estate	KT12 3PU	SEL	7.2	3	Relatively good access to both the M3 and the M25.	3	Access via a number of local B roads. Easily accessed from both the north and south of the Borough. There is a low bridge along the access route to the south.	3	Located away from local amenities within Hersham but it is located adjacent to Hersham train station.	2	The site is bordered by a number of residential properties to the west.	2	The site includes a range of building typologies varying in quality. The majority of the stock is aging and the site is heavily trafficked.	3	Some vacancy is observed, particularly in offices but also in some industrial units. A recycling and scrap yard located to the east of the site impacts its attractiveness. However, the range in sizes of the industrial units is likely to fill a gap in the local market.	16	E(g)(i), E(g)(iii), B2, B8, Sui Generis (automotive repairs and trade counters)	There is opportunity to intensify older and aging stock where vacancies are observed.	E(g)(iii), B2, B8	The access to the site is likely to limit the potential for intensification.	The site is aging and there is observed vacancy especially in lower quality office stock. Industrial premises range in size but are largely 2 to 3 storeys. The site is limited by its access routes and is heavily trafficked with a lack of parking. Despite this, the site is likely to fill demand for smaller industrial premises which are limited in other areas of the Borough.
5	Molesey Industrial Estate	KT8 2QZ	SEL	13.6	4	Located within 15 minutes of the M3.	3	Access is via local B roads. Access from the north passes through a local centre which may not be appropriate for large numbers of HGVs.	3	Located close to a small number of amenities in West Molesey. The site is some distance from the nearest train station and there is limited public transport links.	2	The site is bounded on all sides by residential uses.	3	This is a large and congested site containing mostly industrial and sui generis uses. The units range in size and quality, with some newer units and some older units of lower quality. The site is heavily trafficked but appears to be functioning well.	4	The site appears to fulfil local demand for small to medium sized industrial units and there is no observed vacancy. The location and size of the units is likely to appeal to small local enterprises.	19	E(g)(i), E(g)(iii), B2, B8, Sui Generis (automotive repairs and trade counters)	There is limited opportunity to intensify some of the older units within the site.	E(g)(iii), B2 and B8 providing this does not worsen the traffic and access challenges.	The access to the site is likely to limit the potential for intensification. Neighbouring residential units are also a barrier.	The site offers units in a mix of sizes and quality and appears to fill a gap in the local market. It benefits from good strategic links but is challenged by its poor access and heavy on-site traffic.
Town Centres																						
6	Esher Town Centre	KT10 9QY	Town Centre	13.8	3	The town centre is located away from both the M25 and the M3 in the context of the Borough. However, both motorways can still be accessed in around 20 minutes.	4	Both the A244 and the A307 pass through the town centre. However, they are heavily traffic and slow moving at this point.	4	By nature, the town centre contains a range of local amenities. However, rail links are located outside of the town centre, reducing accessibility.	4	The town centre has a predominantly retail function, however there are also a number of residential properties.	4	Esher Town Centre is busy and has a predominately retail function. However, there are two medium sized office buildings, the Healix building and St Andrews House. Both are in good condition although have limited parking. There is some observed vacancy in offices located above shops on the High Street.	3	The town centre location is attractive although there is limited parking at office buildings and the train station is located outside of the centre. The two designated office buildings are of good quality and well sized.	22	E(g)(i)	None identified	E(g)(i)	Constrained access, lack of parking, and absence of town centre rail links.	Esher Town Centre has two medium sized office buildings, the Healix building and St Andrew's House, which are of good quality, although the latter is beginning to age. The centre has good access links albeit parking is constrained and public transport links are limited.
7	Walton-on-Thames Town Centre	KT12 1AE	Town Centre	18.7	5	The town centre is located approximately 10 minutes away from both the M3 and the M25.	4	Both the A244 and the A3050 run through the town centre. Both these routes are heavily trafficked.	4	By nature, the town centre contains a range of local amenities. However, rail links are located outside of the town centre, reducing accessibility.	4	The town centre has a predominantly retail function, however there are also a number of residential properties.	2	There are limited office premises within the town centre which has a largely retail function. Offices are predominately above shops and are small and aging. There is a cluster of offices off Churchfield Road, including Kent House and the Quintet. These are small units and in good condition.	1	High levels of vacancy is observed in units above shops. Kent House and the Quintet are in good condition and provide local function. The strategic location and local amenities will be attractive.	20	E(g)(i)	None identified	E(g)(i)	Constrained access, lack of parking, and absence of town centre rail links.	Walton-on-Thames has very few office premises. A small cluster of offices is located off Churchfield Road and appears to be performing well although some of the units have been converted to residential properties.
8	Weybridge Town Centre	KT13 8BL	Town Centre	14.7	4	The town centre has easy access to M25 to the west.	4	The A317 runs through the town centre, however it is heavily trafficked along this route.	4	By nature, the town centre contains a range of local amenities. However, rail links are located outside of the town centre, reducing accessibility.	4	The town centre has a predominantly retail function, however there are also a number of residential properties.	1	The high street is busy with foot and vehicle traffic. The majority of offices are small and of low quality. Office vacancy is observed to be highest to the west of the town centre. Baker Street includes the highest quality offices (also located above retail units) but there is still some observed vacancy. One office building on Baker Street is currently being converted into residential properties.	1	The size and quality of the offices is unlikely to be highly coveted. While there are a range of local amenities in the town centre, the lack of rail links limits accessibility.	18	E(g)(i)	None identified	E(g)(i)	Constrained access, lack of parking, and absence of town centre rail links.	Weybridge Town Centre is dominated by retail uses and there is observed vacancy in office units. The quality of office units is generally low. The lack of a town centre rail link limits the market attractiveness.
Clusters																						
9	Cobham	KT11 1JG	N/A	1.7	4	High access to M25 and A3.	4	The cluster is located just off the A3 and the A307 runs through Cobham town centre.	3	The cluster is located within the town of Cobham has good access to a range of local amenities. However, there is no local train station within walking distance.	4	Both Berkeley House and Cedar House are located next to other businesses or public services. There are a number of residential properties in local vicinity.	4	The cluster includes two medium sized office buildings. Berkeley House is well maintained and of good quality. Cedar House is aging but still in good condition. There is ample on-site parking at both buildings. Buildings formerly in employment use behind Cedar House have recently been redeveloped into a retirement home.	3	The location in a small local town may limit attractiveness, however both buildings are in good condition. The loss of employment premises neighbouring Cedar House points to the higher value of residential uses in the area.	22	E(g)(i)	The buildings to the rear of Cedar House have already been converted into a retirement home. No further opportunity identified.	E(g)(i)	N/A	The cluster comprises two office buildings, Berkeley House, a refurbished, good quality, medium sized office building, and Cedar House, an aging medium office building which is still in good condition. Former employment buildings to the south of Cedar House have been redeveloped into a retirement complex. The cluster benefits from good strategic access and its town centre location.
10	Downside Farm	KT11 3NE	N/A	2.4	4	Located around 10 minutes from the M25.	1	The cluster is accessed via a narrow private road unsuitable for larger vehicles.	1	Located to the south of Cobham town centre with no amenities in the local vicinity. It is approximately a 20 minute walk to the nearest train station.	4	The cluster is largely isolated away from other uses. There are a small number of homes located within the Old Mill portion of the cluster but these are set to the side of employment uses.	3	The site includes two small clusters of aging buildings, many of which have been renovated and are in good condition. Downside Farm to the south is very constrained and heavily trafficked. Buildings are largely well maintained. The Old Mill to the north contains former farm buildings converted to offices and are in fair condition.	2	Despite the good quality of the buildings, the site is located on a constrained private road and away from local amenities.	15	E(g)(i), E(g)(iii), Sui Generis (automotive repairs)	None identified	E(g)(i), E(g)(iii)	The constrained access. The cluster also borders the River Mole.	The cluster includes two sites comprising former farm buildings converted into either office or light industrial uses. The buildings are well maintained, however Downside Farm is constrained by its narrow access route along a private road and its on-site parking. The site serves the needs for small local enterprises.

11	Ferry Works	KT7 0QJ	N/A	0.6	3	Located approximately 15 mins from the M3.	2	The site can only be access via local roads. It is located along a narrow roads unsuitable for larger vehicles.	3	Despite being located within a smaller town, there are a range of local amenities within close proximity. There are two train stations within walking distance.	3	The site is bordered by residential properties to the west. However, these are well bounded from loading bays and access routes.	4	The site comprises old brick warehouses in good condition. A number of the buildings have recently been renovated or converted into office use. There is limited parking and there is a small amount of space for loading around loading bays. The typology of the buildings are unique within the Borough.	3	The quality of the buildings is good and a number have recently been refurbished. Despite this, a number of vacancies were observed. The site is well served by local amenities, but the accessibility is slightly limited.	20	E(g)(i), E(g)(iii)	None identified	E(g)(i), E(g)(iii)	Constrained access along local roads.	The site is well maintained and contains a mix of office and light industrial uses. The old brick warehouse typology is not seen elsewhere in the Borough. It is well served by local amenities including public transport.It serves well the needs of small local businesses.
12	Halfway Green	KT12 1FJ	N/A	0.7	2	Located off the A244 but lacks proximity to major roads. It is approximately a 20 minute drive to the M3.	4	Located on the A244.	3	Located to approximately a 20 minute walk from Walton-on-Thames Town Centre. However, it is located close to a train station and there are local amenities in close proximity.	3	The site is bordered to the west by residential units. Given the nature of the on-site uses, this is unlikely to impact its operation.	4	The site contains two medium sized office buildings. One of these, Ashley Park House, is currently undergoing renovations but appears to be in good condition. The Kia Building is 3 storeys and is also in good condition. There is ample parking for both buildings on site.	3	Ashley Park House is currently undergoing renovation and Kia Buildoing is well occupied.	19	E(g)(i)	None identified	E(g)(i)	None identified	The site contains two medium sized office buildings of good quality. The site is well located near to local rail links.
13	Kingston House Estate	KT6 5QG	N/A	2.6	2	Not close to strategic network	3	Located on the A307 which has some traffic.	5	The site is within walking distance of Surbiton Town Centre and is close to a range of local amenities including the train station.	1	The site is bounded on three sides by residential uses. However, there is a good level of vegetation acting as a barrier. A hotel is also located within the site.	2	The site contains a small number of industrial units along with a trade counter. The quality of the buildings is generally good, although the wholesaler building is aging. There is ample parking, however there is some congestion.	1	Both of the industrial units were observed to be vacant during the site visit indicating lower attractiveness for these types of space in the area.	14	E(g)(iii), Sui Generis		E(g)(i)	The on-site hotel and neighbouring residential uses as well as the site's peripheral location limits its attractiveness and therefore its viability.	The site includes a small number of industrial units as well as a trade counter, a hotel, and car showrooms. Although the industrial units are of good quality, a high level of vacancy is observed. There is ample parking. The neighbouring residential uses as well as the on-site hotel limit redevelopment potential for industrial uses.
14	River Mole Industrial Park	KT10 8BL	N/A	4.7	3	Located approximately 17 minutes from the M3.	1	The site only has one entry route along a narrow road. The access route from the south of the Borough also passes under a low bridge which may not be appropriate for large heavy goods vehicles.	2	The site is located away from local centres but there are some amenities in the local vicinity. The site is a 20 minutes walk from Esher station.	3	There are some residential properties to the east of the site but otherwise the site is well bounded. A children's soft play centre is located within the site.	5	The industrial units are medium to large in size and are largely of good quality. Units in the east of the site are older but still well functioning. The largest units have large loading bays. There is ample parking and the site is well kept.	4	Non-employment uses (such as leisure and retail) have started occuping parts of the site indicating a shift from industrial to leisure. However there is low vacancy on site indicating high attractiveness.	18	E(g)(i), B2, B8, Sui Generis (wholesalers, soft play centre)	None identified	E(g)(iii), B2	Poor access especially for larger vehicles.	A well functioning site with a range of units suitable for small to medium sized companies. The site includes some more modern units. Some non-employment uses have been identified. The site is limited by its poor local access routes.
Individual Sites																							
15	AC Court	KT7 0SR	N/A	0.3	2	Not close to strategic network	2	The site is accessed via narrow slow moving local roads.	4	The site is located within the small local centre of Thames Ditton which includes a small number of local amenities and a train station with direct links to Central London.	3	The site contains a number of residential properties as well as offices. The office premises are unlikely to heavily impact the residential properties.	3	The site contains a mixture of residential properties and small office units. Some of the office units are currently being retrofitted. The site is new build and of good quality with a security guard to monitor access. There is some parking but this is limited.	3	The offices are small in size and are likely to serve very small local businesses. A number are being retrofitted and therefore are currently unoccupied.	17	E(g)(i)	None identified	E(g)(i)	Not applicable	The site is very small in size and contains a mix of residential properties and small offices. It is located in a small local centre with good public transport links within walking distance. The site is new build and is in good condition. It serves the local needs of small businesses.
16	Horizon Business Village	KT13 0TJ	N/A	1.9	4	Located approximately 10 minutes from the M25.	4	The site is located off the A245 and has good links to the A3 to the east.	2	The site is located approximately 15 minutes walk from amenities within the neighbouring small town of Byfleet. There are no rail stations in proximity to the site.	4	The site is bordered by residential properties to the east, however it is well bounded by vegetation.	4	The site includes good quality modern office buildings with ample on-site parking. The site is well maintained. A portion of the site to the west which appears to be in industrial use was not able to be surveyed.	4	The high quality and the favourable location make the site attractive. There is flexibility in the offer of office floorplates and there is little observed vacancy.	22	E(g)(i)	There is opportunity to redevelop a small industrial plot to the west of the office park.	E(g)(i)	Lack of public transport to the site.	The site includes a number of good quality medium sized office buildings. The site is well maintained and little vacancy is observed. A portion of the site to the west could not be surveyed during the site visit. The site is well located in close proximity to the M25 and is supplied by good local access routes.
17	Summer Road	KT8 9LX	N/A	0.2	4	The site is located approximately 15 minutes away from both the M3 and the M25.	3	The site is located off the A309, however direct access is off a small local road and a narrow driveway.	3	The site is located close to a small local centre situated around Hampton Court Train Station and includes some amenities.	2	The site is surrounded on all sides by residential properties. The access drive way to the site is also located opposite a school playing field.	3	The site is very small in size and contains two small single storey industrial units. The buildings are aging but are in good condition. There is an appropriate level of parking given the small size of the site. However, there is only a narrow access route to the units from a narrow local road.	2	The site appears to be well occupied and fulfils a need for small local industrial units. However, its size and peripheral location within a residential area limits its attractiveness.	17	E(g)(iii)	None identified	E(g)(iii)	The small size of the site and its proximity to residential uses limits any opportunity for intensification.	This is a very small site containing two small, single storey, light industrial units. These units are aging but appear to be fully occupied. The site is constrained by its location within a residential area and by its access via a small local road and narrow driveway. Despite this, it appears to fill a need for small industrial premises within the local area.
18	Thames House and Thames Mews	KT10 9AD	N/A	0.2	4	The site is located approximately 15 minutes from the M25 and 20 mins from the M3.	5	The site is located on the A307 and in close proximity to the A309.	4	Thames House and Thames Mews is within a 15 minute walk from Esher Town Centre and is located close to the train station.	2	The site is bounded by residential properties and open space. Given the office nature of the site, it is unlikely to heavily impact the neighbouring residential properties.	3	The site comprises two office buildings, Thames House and Thames Mews. These are small office buildings of two to three storeys. The buildings are of average quality. There is ample on site parking.	3	There is some observed vacancy in both buildings. The location slightly outside of the Town Centre away from other office uses may reduce its attractiveness, however it is rare in that it has good parking and some access to both rail and local shops.	21	E(g)(i)	None identified	E(g)(i)	Not applicable	The site provides office floorspace in close proximity to a town centre as well as with good parking and access to a train station and local shops.
19	The Pavilion	KT7 0NE	N/A	0.8	2	Located away from both the M3 and the M25 within the context of the Borough.	4	The site is located along the A307 which runs across the south of the Borough.	2	The site is located in a residential area and lacks amenities within the immediate vicinity. However, it is within walking distance of Thames Ditton Train Station and other amenities.	3	The site is bordered to the north and east by residential properties. However, given the office nature of the business activity on-site this is unlikely to heavily impact the neighbouring properties.	4	The site contains a single medium sized office building which is in good condition. The site includes ample parking and is well maintained.	3	There is some observed vacancy within the office building. The site's location outside of a town centre may limit attractiveness, however it can easily be accessed by car.	18	E(g)(i)	There is opportunity to break the office building into smaller floorplates as well as develop the car park for employment use, providing appropriate access remains.	E(g)(i)	None identified	The site contains a single medium sized office building. The building is in good condition and has ample parking but there is some identified vacancy. The site's location outside of a town centre may limit its attractiveness.
20	Weylands Old Treatment Plant	KT12 3PL	Green Belt	10.2	3	Relatively good access to both the M3 and the M25.	3	Access via a number of local B roads.	3	Located away from local amenities within Hersham but it is located adjacent to the train station.	5	The site is bordered by Hersham Trading Estate to the west, the railway to the south and Green Belt to the north.	N/A	Although in Green Belt, the site comprises landfill.	N/A	N/A	N/A	Landfill	Yes, this site (if de-designated) could provide for new employment space.	E(g)(iii), B2	Access from Molesey Road hrough Hersham Trading Estate will have to be improved to create a viable access route.	The site is desinated Green Belt, however it comprises a landfill. It is not constrained by surrounding uses and future employment uses would complement the neighbouring Hersham Trading Estate. Securing good access will be important for the site's developemnt.