

ECON003

Chelmsford Employment Land Review Focused Update Final Report

Chelmsford City Council

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LICHFIELDS

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Contents

1.0	Introduction	1
	Report Structure	1
2.0	Future Space Requirements for Employment Space	2
	1. Forecasts of Job Growth (Labour Demand)	2
	2. Past Development Rates	8
	3. Future Labour Supply	9
	Employment Growth Comparisons	10
	Net to Gross Employment Requirements	11
	Gross Employment Requirements	13
	Summary	13
3.0	Supply/Demand Balance	15
4.0	Conclusions	20

1.0 Introduction

- 1.1 Chelmsford City Council ('the Council') commissioned Lichfields to undertake a focused update of the Chelmsford Employment Land Review ('ELR') that was previously prepared by Lichfields and published in December 2023.
- 1.2 The purpose of this report is to provide updated economic evidence specifically to inform the approach to economic growth and employment land policies within the Draft Local Plan (Regulation 19). Therefore the report partially updates the findings of the 2023 ELR, specifically:
- a Chapter 4 ('Future Requirements for Employment Space') to take account of the latest economic outlook for Chelmsford and the proposed reforms¹ to the National Planning Policy Framework (NPPF) and the new Standard Method for assessing housing needs. In accordance with the Planning Practice Guidance (PPG) and for consistency with the original ELR, the following scenarios have been updated as part of this report:
 - i Scenario 1: Labour Demand – Forecasts of Job Growth
 - ii Scenario 2: Past Development Rates
 - iii Scenario 3: Future Labour Supply
 - b Chapter 6 ('Supply/Demand Balance') to account for any changes in the available supply position in order to understand the latest supply/demand balance when set against the latest requirements outlined above.
- 1.3 No other elements of the 2023 ELR have been updated and therefore this report should be read alongside the earlier report.

Report Structure

- 1.4 The report is structured as follows:
- Section 2 considers sets out the updated future requirements for employment space;
 - Section 3 provides an updated supply/demand balance; and
 - Overall conclusions are set out in Section 4.

¹ MHCLG (July 2024), Proposed Reforms to the NPPF and other changes to the planning system. See online at: <https://www.gov.uk/government/consultations/proposed-reforms-to-the-national-planning-policy-framework-and-otherchanges-to-the-planning-system>

2.0 **Future Space Requirements for Employment Space**

- 2.1 This section considers an updated assessment of future economic growth needs in Chelmsford drawing on the most up-to-date assumptions and data regarding future economic growth prospects for Chelmsford between 2022 and 2041. These result in a range of scenarios that are used to inform the potential economic growth needs within Chelmsford and consequently the future employment land requirements and the planning policy implications that flow from these.
- 2.2 The assessment follows an NPPF-compliant approach to developing a number of potential future economic scenarios to provide an updated framework for considering future economic growth needs and employment space requirements in Chelmsford up to 2041, drawing upon:
- 1 Projections of employment growth (labour demand) in office-, industrial- and distribution-based sectors derived from economic forecasts produced by Cambridge Econometrics in April 2024;
 - 2 Consideration of past trends in completions of employment space based on the latest CoStar Net Absorption data (in the absence of detailed Council monitoring data over a longer time period); and
 - 3 Estimates of future growth of local labour supply based on the Council's housing need figure proposed through the new Standard Method.
- 2.3 The outputs from these updated scenarios are presented and discussed below.
- 2.4 All these approaches have some limitations and consideration needs to be given as to how appropriate each is to circumstances in Chelmsford. The demand for employment space needs to be assessed under different future scenarios, to reflect lower or higher economic growth conditions arising in the future.

1. Forecasts of Job Growth (Labour Demand)

- 2.5 Employment growth forecasts for Chelmsford up to 2041 were obtained from Cambridge Econometrics (CE, April 2024 release). The 2023 ELR was informed by Cambridge Econometrics forecasts released in March 2022.
- 2.6 The April 2024 forecasts take account of medium-term global macroeconomic developments including the continuing recovery from Covid-19, the global energy crisis, cost of living crisis and supply chain disruption caused by geopolitical factors. The local level employment forecasts are consistent with the Cambridge Econometrics April 2024 UK macro forecast, with further detail on key assumptions summarised below.

Cambridge Econometrics Forecast Assumptions: April 2024

“There is expected to be low growth in household consumption in 2024, because of an increase in both the tax burden and the cost of borrowing, with a modest recovery expected in 2025 and 2026. This is expected to decrease imports, and businesses are expected to continue to postpone investment plans in the face of economic uncertainty. Recovery in exports, as supply-chain disruptions ease worldwide, is expected to be limited by a global economic slowdown. Due to the continued efforts towards a green transition, GVA in Oil and Gas, and Mining and Quarrying are expected to fall in 2024 and beyond.

As of January 2024, CPI inflation in the UK was 4.2%, with pressures on food and energy costs easing as supply chain disruptions subside. However, core inflation (excluding food and fuel prices) remains above headline inflation, driven by rapidly rising prices in services and housing. Further easing of inflation is expected following the 12% reduction in the energy price cap in April. We expect inflation to reach the government’s 2% target by the summer of 2024, before rising again due to labour market tightness, causing an upward pressure on wages, in line with forecasts from the Bank of England.

Sustained disruption to global supply chains have put upward pressures on tradable goods prices since the COVID-19 pandemic. Disruptions to supply chains have, however, eased in 2023, which reduced the upward pressure on UK import prices. Bottlenecks in global distribution have eased, in part due to the slowdown in global demand, and global shipping cost indices falling sharply. We assume these disruptions will continue to ease, leading to a downward pressure on inflation after 2025.”

*More details are provided in **Appendix 2**.*

Implied Employment Change

- 2.7 Table 2.1 summarises employment change implied by the CE forecasts by office, industrial and distribution uses as well as total employment change over the new Local Plan period. **Appendix 1** shows the split of office, industrial and distribution uses by employment sector. This includes an allowance for jobs in other sectors that typically use office, industrial or warehousing space.

Table 2.1 Forecast Employment Change, Chelmsford 2022 to 2041

Use	Number of Workforce Jobs		Change (2022-2041)
	2022	2041	
Office E(g)(i)/(ii)	21,926	24,259	+2,333
Light Industrial E(g)(iii)	3,767	3,988	+221
Industrial B2	3,620	3,041	-579
Distribution B8	5,243	5,672	+429
Total Employment Class Sectors	35,056	37,590	+2,367
Total Workforce Jobs	98,879	108,673	+9,794

Source: CE (April 2024) / Lichfields analysis

- 2.8 Under this scenario, total workforce jobs are expected to increase by 9.9% within the Local Plan period resulting in an additional 9,794 workforce jobs in Chelmsford. About 25% of all job growth is expected to be within office, light industrial and distribution sectors, with office-based sectors driving the majority of employment growth (+2,333 jobs). General

industrial job growth is forecast to decline by -579 jobs, meanwhile light industrial jobs will increase by 221 jobs and distribution jobs by 429 jobs.

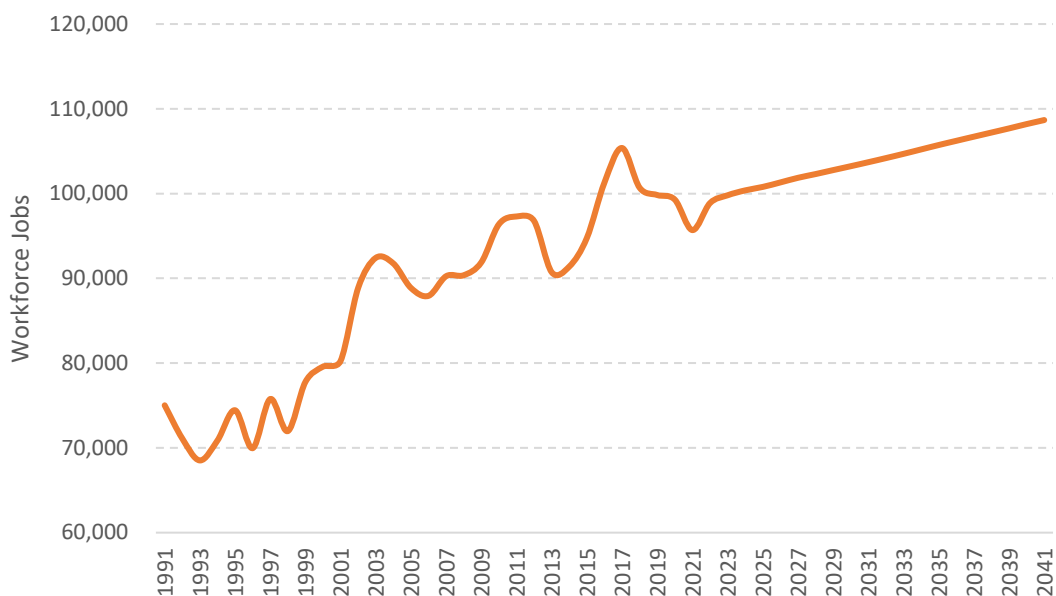
Comparison with 2023 ELR

- 2.9 The 2023 ELR was based on CE forecasts produced in March 2022. When compared to the latest forecasts from April 2024, it is evident that the 2022 base year in the April 2024 forecast is lower by 554 jobs. According to the latest 2023 ONS Business Register and Employment Survey (BRES), 90,050 jobs were recorded in 2022 lower than both figures recorded in the CE forecasts. This discrepancy can be largely attributed to differences in workforce job definitions. CE, for example, excludes smaller self-employed workers who are typically not registered for VAT or Pay-As-You-Earn schemes (see further details in Appendix 2).
- 2.10 The variation in base year figures between the March 2022 and April 2024 CE forecasts reflects differing outlooks. The March 2022 forecast was based on a more optimistic view of workforce trends for 2022, while the April 2024 view of workforce jobs in 2022 aligns more closely with actual job levels as corroborated by the lower figures in the BRES data. The April 2024 CE forecasts also project lower overall job growth over the Plan period compared to the earlier March 2022 forecasts, with an increase of 2,367 jobs across office, industrial, and distribution roles, down from 2,763 jobs previously forecast. This decrease partly reflects the lower base year for 2022 but also indicates a reduced workforce projection by 2041 compared to earlier expectations.
- 2.11 Office jobs are anticipated to grow by 2,333, an increase from the 2,049 predicted in the March 2022 forecasts. This growth is primarily driven by job growth in Real Estate (1,302 jobs versus 391), IT Services (768 jobs versus 673), and Public Administration & Defence (384 jobs versus 280). Similarly, distribution jobs are expected to rise by 429, compared to 348 in the previous forecast, with the warehousing and postal sector accounting for most of the increase (517 jobs versus 118).
- 2.12 By contrast, light industrial job growth is forecast to be lower, with an increase of only 221 jobs compared to the 623 in the 2022 forecast. This reduction is largely due to a decline in the construction sector (2,157 jobs versus 3,037), which makes up most of the significant decline in jobs between the two forecasts. The construction sector is highly cyclical, with most job growth typically occurring outside designated employment areas. As a result, only 32% of these jobs are allocated to light industrial E(g)(iii) floorspace. Other light industrial sectors, such as electronics manufacturing (-432 jobs compared to -292), also show a higher decline compared to the previous forecast.
- 2.13 Industrial (B2) jobs are also expected to see a steeper decline, declining by 579 jobs compared to 267 in the previous forecast, driven by decreases in non-metallic mineral production (-173 jobs versus -26) and textile manufacturing (-102 jobs versus -12).

Sector performance

- 2.14 Figure 2.1 illustrates the trajectory of workforce job growth implied by the CE forecasts for Chelmsford. This shows that Chelmsford's overall workforce base will rebound fully from 2023 onwards, with steady growth then predicted for the remaining years of the Local Plan period to 2041.

Figure 2.1 Forecast Employment Growth in Chelmsford to 2041, Total Workforce Jobs



Source: CE (April 2024) / Lichfields analysis

2.15

Table 2.2 below identifies the fastest growing and declining sectors in the area in employment terms during the forecast period. The forecast suggests that wider sectors such as health, construction² and food and beverage will play a significant role in driving local job growth in future, alongside sectors where activity is typically found in office space such as real estate, business support services and IT services.

Table 2.2 Fastest Growing and Declining Employment Sectors in Chelmsford, 2022-2041

Sector	Forecast Change in Workforce Jobs 2022-2041	
	No	%
Fastest Growing Employment Sectors		
Health	+2,357	+23%
Construction	+2,157	+26%
Food & Beverage	+1,785	+29%
Real estate	+1,302	+81%

² Based on CE forecasts, growth in construction will have a significant role in employment growth to 2041. Although typically most of the construction activity is found outside of the designated employment areas, there are parts of construction activity such as electrical installation services, plumbing, heat and air-conditioning installation services, joinery, roofing activities that could be accommodated in employment areas.

To inform the assessment, the distribution of construction activity (in terms of construction businesses and the associated employment) in Chelmsford as recorded by the Inter-Departmental Business Register (IDBR) released in 2022 has been analysed.

This indicates that 109 construction companies (out of 1,238 total registered across Chelmsford) accounting for 1,794 jobs (out of a total of 5,552 jobs) are found within the designated employment and rural employment areas. This represents circa 32% of construction jobs. This share has been used to apportion the growth of total construction employment that could yield light industrial (E(g)(iii)) floorspace requirements within employment areas.

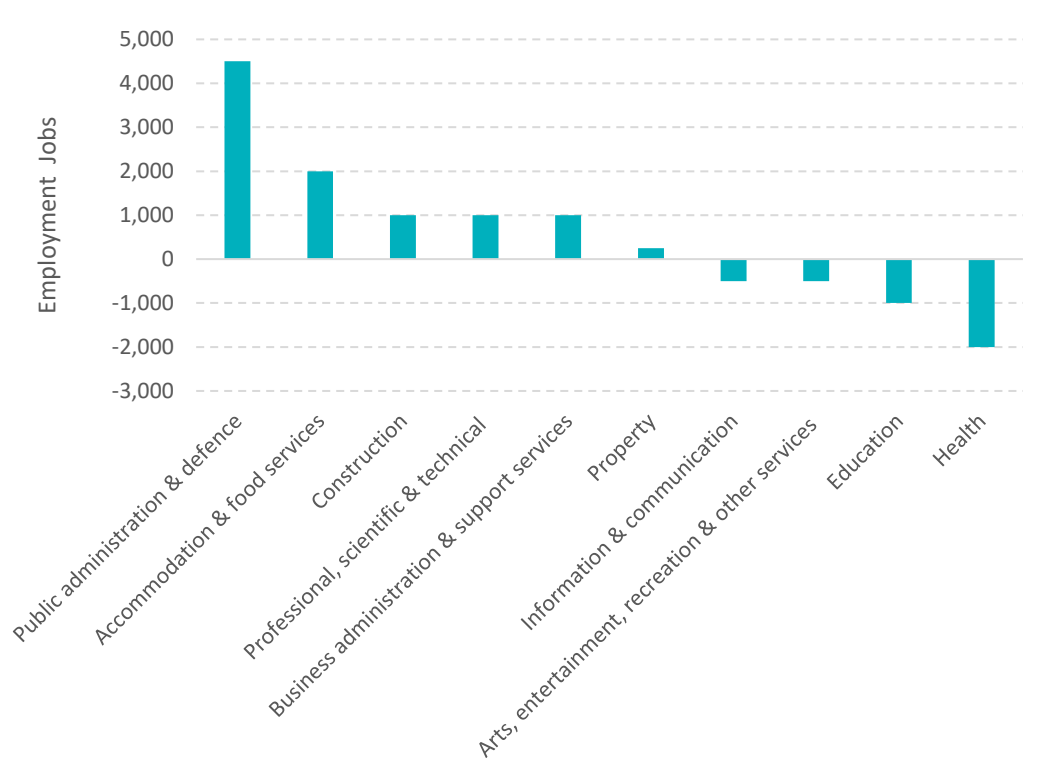
Sector	Forecast Change in Workforce Jobs 2022-2041	
	No	%
Business support services	+1,163	+18%
IT services	+758	+33%
Fastest Declining Employment Sectors		
Other services	-1,018	-29%
Retail Trade	-458	-5%
Non-metallic mineral products	-173	-23%
Textiles manufacturing	-102	-54%
Metals & Metal products	-97	-21%

Source: CE (April 2024) / Lichfields analysis

- 2.16 The sectors that are forecast to see employment losses in Chelmsford over the period to 2041 include mainly other services³ and retail trade alongside industrial-based sectors such as non-metallic mineral products, textiles metals & metal products. **Appendix 1** details the growth across all the sectors to 2041.
- 2.17 Based on the ONS Business Register and Employment Survey (BRES), employment in Chelmsford has grown by 6.8% (i.e., +5,750 jobs) since 2015 to 2022. This represents an annual growth of 821 jobs which is a higher growth rate than that forecast by CE for the period to 2041 (i.e., 515 jobs p.a.).
- 2.18 As detailed in Figure 2.2 below, office-based sectors have led growth recently followed by construction and service-based sectors such as accommodation and food service. Information and communication, arts and entertainment, education and health have seen losses.

³ This sector comprises of the following SIC Codes: 90 (Creative, arts and entertainment activities), 91 (Libraries, archives and museums), 92 (Gambling and betting activities), 93 (Sports activities and amusement and recreation activities), 94 (Activities of membership organisations), 95 (Repair of computers and personal and household goods) and 96 (Other personal service activities).

Figure 2.2 Employment Change in Chelmsford between 2015 and 2022 (BRES)



Source: BRES (2023) / Lichfields analysis

2.19 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 14.4 (GEA) sq.m;
- Light industrial (E(g)(iii)): 1 workforce job per 56.4 (GEA) sq.m;
- General industrial (B2): 1 workforce job per 37.8 (GEA) sq.m; and
- Warehousing (B8): 1 workforce job per 70 (GEA) sq.m.

2.20 These assumptions are based on the latest Homes and Communities Agency ('HCA') guidance on job density ratios produced in 2015. This guidance takes account of trends such as changing utilisation of employment space, including more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking. They all relate to Gross External Area (GEA).

2.21 An allowance of 8% is added to all positive floorspace requirements to reflect normal levels of market vacancy in employment space (Table 4.3). Where a reduction in jobs is forecast (i.e., general industrial/B2 jobs), the associated negative floorspace is halved. This reflects that while there may be ongoing manufacturing job losses (e.g., as firms make greater use of automation), it does not automatically follow that all of the existing employment floorspace will be lost.

Table 2.3 Net Employment Space Requirements: Labour Demand, 2022 to 2041 (Scenario 1)

Type of Space/Use Class	Net Employment Floorspace Requirement 2022 to 2041 (GEA sq.m)	Net Employment Land Requirement 2022 to 2041 (ha)
Office E(g)(i)/(ii)	36,283	5.4
Industrial and Distribution Eg(iii)/B2/B8	34,236	8.6
Total	70,519	14.0

Source: CE (April 2024) / Lichfields analysis

Note: Totals rounded

2. Past Development Rates

- 2.22 Past development rates reflect actual development patterns and provide an indication of market demand, so can provide a reasonable basis for informing future space needs where supply has not been unduly constrained. Whilst forecasts show job growth in net terms, past trend-based analysis takes account of historic patterns of employment development and the role that recycling of sites can play in terms of supporting employment uses in an economy.
- 2.23 Monitoring data provided by the Council is only available for the last three years which is not considered a sufficiently long time series to use as the basis for planning for longer term needs. On this basis, recent floorspace trends in Chelmsford based on Valuation Office Agency (VOA) data and compared to floorspace net absorption rates recorded by CoStar have been considered⁴.
- 2.24 Table 2.4 shows the annual floorspace change recorded by the VOA over the last 10 years (2014-2023). This shows that the overall stock of both office and industrial (incl. distribution) space in Chelmsford has declined since 2014. Across the same period, CoStar records a positive net absorption rate for office space of 564 sq.m per annum. In terms of industrial space, CoStar records an annual decrease of 2,593 sq.m.

Table 2.4 Annual Floorspace Change in Chelmsford over the last 10 years

Use	Annual Floorspace Change (VOA, 2023)	Annual Net Absorption (CoStar, 2024)
Office E(g)(i)/Eg(ii)	-2,700	564
Industrial and Distribution Eg(iii)/B2/B8	-1,400	-2,593
Total	-4,100	-2,028

Source: VOA (2023), CoStar (2024) / Lichfields analysis

Note: Totals rounded

- 2.25 One view of future growth in Chelmsford could assume that these past trends will carry on in the future and as presented below, these would imply a positive net requirement of 10,716 sq.m for office space and reducing requirement equivalent to 49,267 sq.m for industrial space.

⁴ The measure of total space occupied less the total space vacated over a given period of time. Lease renewals are not factored into net absorption the measure of total floorspace occupied less the total space vacated per annum.

Table 2.5 Net Employment Space Requirements: Past Trends, 2022 to 2041 (Scenario 2)

Use	Annual Net Absorption (CoStar, 2024)	Net Employment Requirements to 2041 (sq.m)	Net Employment Requirements to 2041 (ha)
Office E(g)(i)/Eg(ii)	564	10,716	1.6
Industrial and Distribution Eg(iii)/B2/B8	-2,593	-49,267	-12.3
Total	-2,028	-38,551	-10.7

Source: CoStar (2024) / Lichfields analysis

3. Future Labour Supply

- 2.26 It is also important to take account of how many jobs, and hence how much employment space, would be necessary to broadly match future growth of the resident workforce in Chelmsford. In contrast to the labour demand approach, this approach focuses on the future supply of labour rather than the demand for labour. It then estimates the number of new jobs needed to match the future supply of working-age population, and how much employment space would be needed to accommodate the B/E(g) class component of these jobs.
- 2.27 An updated labour supply-based scenario has been considered based on the latest proposed Standard Method for assessing housing need. The Council's housing evidence applies demographic assumptions to the proposed Standard Method figure for Chelmsford of 1,206 dwelling per annum. This indicates that the economically active population will grow by 27,207 people across the 2022-2041 period. It also assumes that the net out-commuting is 1.046 in line with Census 2011 data⁵, there is a 2.3% double-jobbing allowance and assuming economic activity rates will change over time (notably in age group impacted by changes to pensionable age). This results in an estimated 26,623 workforce jobs.

Table 2.6 Labour Supply (Scenario 3): Housing Assessment Assumptions (2022-2041)

	Change
Economically active population	27,207
Double Jobbing allowance - 2.3%	27,847
Workforce Jobs	26,623

Source: Justin Gardner Consulting (2024) Chelmsford Housing Need Assessment

- 2.28 Using the same modelling assumptions as adopted in Scenario 1, Table 2.7 shows how many additional jobs might be associated with each type of employment space.

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. 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#:~:text=12.5%20million%20people%20travelled%20to,car%20or%20van%20\(3.9%25\)](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/traveltoworkenglandandwales/census2021#:~:text=12.5%20million%20people%20travelled%20to,car%20or%20van%20(3.9%25))

Table 2.7 Net Employment Space Requirements: Labour Supply, 2022 to 2041 (Scenario 3)

Use	Jobs Change to 2041	Net Employment Requirements to 2041 (sq.m)	Net Employment Requirements to 2041 (ha)
Workforce Jobs	26,623	-	-
Office E(g)(i)/Eg(ii)	8,883	138,143	20.7
Industrial and Distribution Eg(iii)/B2/B8	128	126,801	31.7
Total E(g)/B Class Jobs	9,010	264,944	52.4

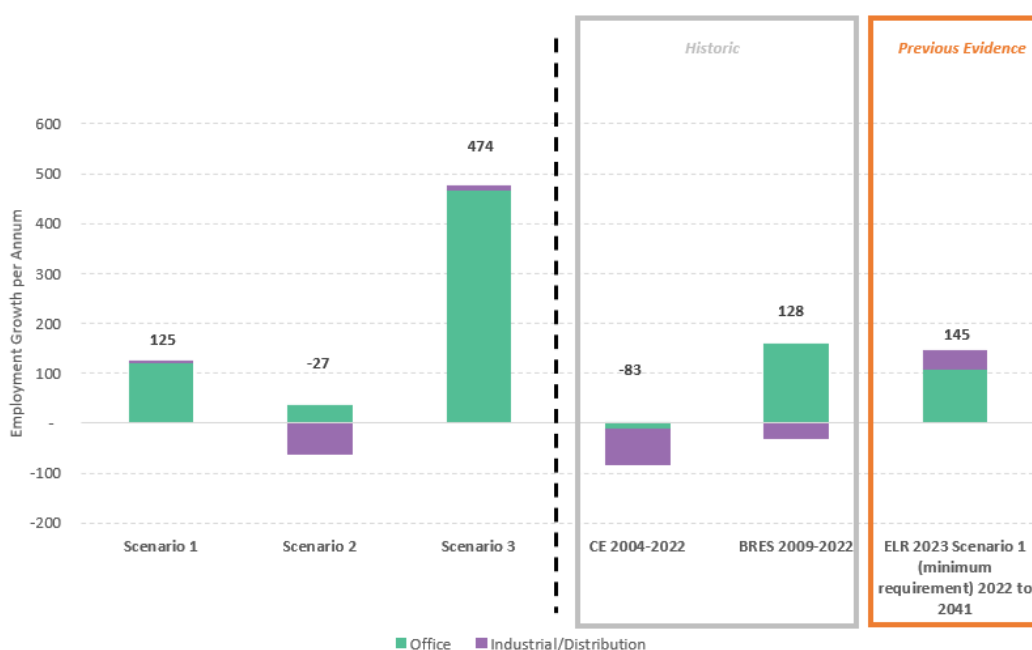
Source: Justin Gardner Consulting (2023) / Lichfields analysis

- 2.29 This baseline labour supply-based estimate produces a positive space requirement that significantly exceeds both the labour demand and past take up based approaches.

Employment Growth Comparisons

- 2.30 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 Chelmsford as recorded by CE and BRES data.
- 2.31 Figure 2.3 illustrates the forecast annual net jobs growth per scenario. In this context, the lowest estimate based on past take-up (Scenario 2) implies an annual growth of -27 jobs per annum over the Local Plan period. The highest growth estimate is based on the Labour Supply (Scenario 3) and implies annual growth of 474 jobs. The Labour Demand (Scenario 1) implies annual growth of 125 jobs balancing the other two scenarios.

Figure 2.3 Annual Employment Growth Comparisons with Historic Growth and Previous Evidence



Source: CE, BRES, Chelmsford City Council / Lichfields analysis

- 2.32 These scenarios are then compared with historic trends derived by CE for the 2004 to 2022 period and BRES for the period that data is available (i.e., 2009 to 2022), alongside the forecast from the 2023 ELR within which the recommended minimum requirement was based on Scenario 1 CE forecasts (March 2022).
- 2.33 Based on these comparisons, the historic growth recorded by CE for 2004 to 2022 is the lowest (implying -83 jobs per annum, [jpa]), followed by the BRES (128 jpa) while the 2023 ELR Scenario 1 implied a growth of 145 jpa driven particularly by growth in the office sectors.
- 2.34 Synthesising the above, it appears that Scenario 1 balances better the historic and current forecasts.

Net to Gross Employment Requirements

- 2.35 Drawing together the results from each of the future economic scenarios considered above, Table 2.8 summarises the net employment floorspace requirements across the Local Plan period to 2041.

Table 2.8 Net Employment Requirements in Chelmsford, 2022 to 2041 (sq.m)

Type of Space/Use Class	Scenario 1	Scenario 2	Scenario 3
Office E(g)(i)/(ii)	36,283	10,716	138,143
Industrial and Distribution Eg(iii)/B2/B8	34,236	-49,267	126,801
Total	70,519	-38,551	264,944

Source: Lichfields analysis

Safety Margin

- 2.36 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.
- 2.37 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. An allowance related to two-year average net take-up for office, and gross take-up in industrial and distribution⁶ employment uses has been applied. Overall, this safety margin appears an appropriate level relative to the estimated scale of the net requirement (20.5% of the net requirements in relation to Scenario 1). Table 2.9 presents the margins applied for the purposes of this assessment.

⁶ This is based on the monitoring data provided by the Council for the last two monitoring years as the net absorption rate for industrial is also negative.

Table 2.9 Safety Margin Allowance (sq.m)

Type of Space/ Use Class	Safety Margin
Office and R&D E(g)(i)/(ii)	1,770
Industrial and Distribution E(g)(iii)/B2/B8	14,040
Total	15,810

Source: Lichfields analysis

Note: Numbers may not sum due to rounding

Losses

- 2.38 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.
- 2.39 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 futures, and plan for new sites accordingly.
- 2.40 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.

- 2.41 Based on the review of the employment supply, alongside the rest of the emerging evidence that will support the Local Plan Review, the Council has indicated that they do anticipate some limited policy-led releases of employment land. Beyond this, the analysis in section 3.0 of the 2023 ELR states that past demolitions of office and industrial premises recorded by CoStar (in the absence of a time series of Council monitoring data), indicates that losses have been relatively modest when the circumstances of a few particular sites are accounted for. On this basis, no loss allowance has been added to the gross employment requirements set out above.

Gross Employment Requirements

- 2.42 Synthesising the above, Table 2.10 presents the gross employment floorspace requirements to 2041 across all the scenarios assessed in this section, while Table 2.11 presents the relevant land requirements.

Table 2.10 Gross Employment Requirements in Chelmsford, 2022 to 2041 (sq.m)

Type of Space/Use Class	Scenario 1	Scenario 2	Scenario 3
Office E(g)(i)/(ii)	38,053	12,486	139,913
Industrial and Distribution Eg(iii)/B2/B8	48,280	-35,223	140,845
Total	86,333	-22,737	280,758

Source: Lichfields analysis

Table 2.11 Gross Employment Requirements in Chelmsford, 2022 to 2041 (ha)

Type of Space/Use Class	Scenario 1	Scenario 2	Scenario 3
Office E(g)(i)/(ii)	5.7	1.9	21
Industrial and Distribution Eg(iii)/B2/B8	12.1	-8.8	35.2
Total	17.8	-6.9	56.2

Source: Lichfields analysis

Summary

- 2.43 This section considers three different scenarios to inform employment land provision within the new Local Plan to 2041. The employment requirements vary from -22,737 sq.m (Scenario 2) to 280,758 sq.m (Scenario 3), with Scenario 1 at 86,333 sq.m balancing the others, and also balancing with historic growth recorded by BRES and CE (Figure 2.3). On this basis, it appears that Scenario 1 with a gross employment requirement of 86,333 sq.m (or 17.8 ha) of employment land, should comprise the *minimum* employment space requirement for the Local Plan period to 2041. This is further sub-divided into 38,053 sq.m of office space (5.7 ha) and 48,280 sq.m (12.1 ha) of industrial and distribution space.
- 2.44 When compared to the 2023 ELR, there are now different requirements across all three scenarios, as follows:
- Scenario 1: Labour Demand, based on CE's April 2024 forecasts, implies a slight increase in the demand for office space, but a significant reduction in the need for

industrial and distribution space (compared to the March 2022 forecasts). This shift is largely due to CE's updated assumptions, which predict higher growth in office-sector jobs and a larger decline in industrial B2 and light industrial jobs, resulting in a smaller overall employment floorspace requirement.

- b Scenario 2: Past Trends Development, utilising CoStar's latest net absorption rates, indicates a decrease in absorption rates for industrial and distribution floorspace when compared to the previous Scenario 2 in the 2023 ELR. Additionally, with a lower absorption rate for office floorspace over the last 10 years, this has led to a reduced overall employment floorspace requirement.
- c Scenario 3: Labour Supply, is now based on the latest proposed Standard Method for assessing housing needs of 1,206 dwellings per annum compared to 945 dwellings per annum previously. As a result, the updated Scenario 3 shows an increase in the overall employment floorspace requirement as a result of an increased workforce associated with higher levels of housing growth. Hence, the revised Scenario 3 results in an additional employment floorspace requirement of 66,938 sq.m, or 9.8 hectares compared to the previous Scenario 3 in the 2023 ELR.

2.45 It should be noted that this ELR considers the 'indigenous' employment space needs arising from economic growth in Chelmsford to 2041. 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 Chelmsford has accommodated a share of these uses historically and accordingly they are now reflected in the trends which inform the various forecasts.

2.46 For example, this would include larger-scale strategic distribution needs serving the wider region, although in the case of that specific sector, there is no evidence in the analysis of past take-up or market feedback set out above that this has been a particularly significant driver of the industrial market in Chelmsford previously. To consider this issue, a wider assessment of strategic logistics needs would be necessitated which has regard to the inter-relationship of Chelmsford with logistics market areas and strategic freight routes.

3.0 Supply/Demand Balance

3.1 This section draws together the forecasts of future employment land needs estimated in section 2.0 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

3.2 For the purposes of this assessment, the future employment land supply position in Chelmsford 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 (at October 2024). It is assumed that these permissions will be implemented during the Local Plan period.
- 2 **Sites with identified development capacity:** additional supply which could be delivered on undeveloped or under-utilised/redeveloped land within existing employment sites, having regard to emerging masterplans and capacity assessments where these are available or other information provided by site owners/promoters.

3.3 Table 3.1 sets out key extant planning permissions for employment floorspace based on the Council's monitoring data at October 2024 and a summary is also provided in Table 3.2. This indicates a total of 48,637 sq.m of net additional employment floorspace currently exists in the planning pipeline. This incorporates the most recent monitoring data from the Council on approvals after September 2022, updating the supply position of extant permissions from the 2023 ELR.

3.4 Some 89% of these consents relate to office and light industrial space, with the remaining attributed to industrial and distribution floorspace. There are no consented net gains for B8 distribution floorspace based on the summary of extant planning permissions provided by the Council.

3.5 One of the key extant permissions includes Greater Beaulieu Park that was granted consent in 2014 for mixed uses up to 62,300 sq.m comprising employment floorspace including new business park, retail, hotel, leisure, open space, education & community facilities. The scheme will deliver up to 49,000 sq.m of a mix of employment floorspace⁷. Table 6.2 summarises other key extant permissions including key losses in the pipeline which mostly relate to loss of employment space to housing.

Table 3.1 Main Extant Permissions (October 2024)

Key Extant Permissions	Planning Reference	Proposal	Total consented supply
Greater Beaulieu Park White Hart Lane Springfield Chelmsford	09/01314/EIA	Mixed use development comprising of up to 3,600 dwellings, of which many have already been delivered. As well as up to 62,300 sq.m of	Net gain of 49,000 sq.m of E(g)(i)/(ii)/(iii)

⁷ Since the application does not provide a breakdown of how much of each E(g)(i)/(ii)/(iii) use class will be delivered we have assumed that 50% of the employment floorspace will relate to office floorspace E(g)(i) and 50% to light industrial uses E(g)(iii). However, it is possible that the exact range of employment uses is subject to change through ongoing discussions with the applicant.

Key Extant Permissions	Planning Reference	Proposal	Total consented supply
		employment floorspace including 49,000 sq.m of E(g)(i)/(ii)/(iii) employment floorspace.	
Temple Farm, Ship Road, West Hanningfield, Chelmsford, CM2 8XB	19/02091/REM	Construction of a four-storey north office block, a three to four storey south office block and a two storey multi-purpose block	Net gain of 30,361 sq.m of E(g)(i)
Regiment Business Park- Land East of 1 to 5 Eagle way, Little Waltham, Chelmsford, CM3 3FY	20/00071/FUL	Construction of General industry (B2) floorspace and associated servicing and landscaping (outline - all matters reserved except access).	Net gain of 8,627 sq.m of B2
Site at Victoria House, 101-105 Victoria Road, Chelmsford, CM1 1JR	21/00719/CUPAO	Prior Approval proposed change of use from Offices to 78 dwellings (Class C3).	Loss of 6,520 sq.m E(g)(i)
Site At 60 - 68, New London Road, Chelmsford, CM2 0PD	19/01849/CUPAO	Conversion and extension of existing building to form a new residential development, comprising of 29 one- and two-bedroom apartments.	Loss of 4,260 sq.m E(g)(i)
Site At Chamberlains Farm, Baddow Road, Great Baddow, CM3 4AJ	15/01900/OUT	Demolition of existing commercial storage buildings, re-provision of horticultural buildings, re-provision of existing dwelling and erection of 4 new residential dwellings	Loss of 3,508 sq.m B8
Remaining development within Springfield and Chelmsford Industrial Area	16/01388/FUL	Erection of 2 no. industrial/warehouse units and ancillary office space, circulation and associated parking.	Net gain of 3,300 sq.m of B2/B8
Morelands Industrial Estate, Tileworks Lane, CM3 8HB	19/00384/OUT	Demolition of existing buildings and residential development of up to 92 dwellings with public open space and landscaping with all matters reserved except for the access into the site from Tile Works Lane.	Loss of 3,524 sq.m B2
Brooks Bros Timber Yard Twitty Fee Danbury Chelmsford	23/01919/FUL	Erection of three surface-mounted ancillary storage buildings anchored to existing hardstanding	Net gain of 1,474 sq.m of B8 storage and distribution floorspace
Hounds Hill Farm Leighams Road Bicknacre Chelmsford	24/00793/CUPAR	Determination as to whether the prior approval of the local planning authority is required for the change of use of poultry rearing house to commercial B8 storage	Net gain of 984 sq.m of B8
Radley Green Farm Radley Freen Road Roxwell Chelmsford	23/01033/FUL	Change of use of the agricultural workshop building to commercial workshop (use class e- light industrial).	Net gain of 486 floorspace of B2

Source: Chelmsford City Council (Oct 2024) / Lichfields analysis

- 3.6 Further floorspace will be provided as part of the North East Chelmsford Garden Community allocation. According to the Agreed Development Framework Document⁸ the Masterplan includes the provision of 3 employment areas. Outline planning applications for Zone 1 and 2 sites propose 56,946 sq.m of new floorspace of which comprise namely the Chelmsford Garden Community (CGC) Innovation Hub (39,940 sq.m) that will concentrate office/R&D activity, Willow Hill Employment Area (15,566 sq.m) that will concentrate last mile logistics (B8 Use Class) activity and Channels Employment Hub (1,440 sq.m) for small affordable workspace (potentially within E(g)).
- 3.7 The CGC Innovation Hub is subject to planning application with reference [22/01950/FUL](#) that has not been decided yet⁹. This will potentially bring forward up to 39,940 sq.m of net employment floorspace related to office use. Assuming an average 0.4 plot ratio, the Willow Hill Employment Area could provide up to 15,566 sq.m of B8. If we also assume a plot ratio of 1.0 for the small affordable workspace development in Channels Employment Hub this could result up to 1,440 sq.m, which is distributed evenly between office/R&D and light industrial for the purposes of this assessment.
- 3.8 Moreover, the East Chelmsford (Strategic Growth Site 3b) identified within the Chelmsford Adopted Local Plan (2020) and also as part of the East Chelmsford Maldon Road Masterplan¹⁰ shows an additional 5,000 sq.m of E(g) or other appropriate B Uses. This is also split evenly between office/R&D and light industrial for the purposes of the ELR.
- 3.9 Furthermore, the Land North of South Woodham Ferrers allocation (Policy S7 Site 10) is still subject to pending decision (21/01961/FUL). According to the policy and the proposed masterplan¹¹ a total of up to 1,200 sq.m of business space in Class E, alongside a total of 1,100 sq.m of local centre (also in Class E), will be provided. The potential location of the business space is north of Woodham Rd/Burnham Rd roundabout. Adopting a consistent approach, this future provision is also divided evenly between office/R&D and light industrial.
- 3.10 Synthesising the above, the emerging supply position totals 111,783 sq.m, which comprises 66,025 sq.m of office/R&D and 45,758 of industrial and distribution uses as presented in Table 3.2 below.

Table 3.2 Consented Supply Position - Extant Permissions and Proposed Allocations (at October 2024)

	Extant permissions (sq.m)	Proposed Allocations (sq.m)	Total
Office and R&D E(g)(i)/(ii)	22,265	43,760	66,025
Industrial/Distribution E(g)(iii)/B2/B8	26,372	19,386	45,758
Total	48,637	63,146	111,783

Source: Chelmsford Council (Oct 2024) / Lichfields analysis

⁸ Available at: [chelmsford-garden-community-development-framework-document-january-2023.pdf](#)⁹ Zone 3 of the Chelmsford Garden Community (23/00124/FUL) has also been submitted for planning permission. However, Zone 3 comprises of residential units and the delivery of the Northern RDR infrastructure and not employment space and hence has not been included within the employment supply of proposed allocations.¹⁰ Available at <https://www.chelmsford.gov.uk/media/w2th0oqc/east-chelmsford-maldon-road-masterplan.pdf>¹¹ Available at <https://consultwithyou.co.uk/countryside-homes/swf/home>

Quantitative Balance

- 3.11 Based on the conclusions of section 2.0, there is an identified need for between -22,737 sq.m and 280,758 sq.m of employment space to 2041 which includes a safety margin to allow for potential delays in sites coming forward for development and to provide some flexibility over the Local Plan period.
- 3.12 A broad comparison of estimated demand for employment use space against the supply, as shown in Table 3.3 implies that there would not be sufficient employment space under Scenario 3 in quantitative terms and there is an oversupply of employment space under Scenario 1 and 2 as presented below.

Table 3.3 Demand - Supply of Employment Space in Chelmsford, 2022-2041 (sq.m)

	Scenario 1	Scenario 2	Scenario 3
Employment Requirements	86,333	-22,737	280,758
Employment Supply/Capacity	111,783		
Surplus (+) / Shortfall (-)	+25,450	+134,520	-168,975

Source: Chelmsford Council (Oct 2024) / Lichfields analysis

Note: Figures rounded

- 3.13 Beyond the headline demand-supply balance, the availability of a choice of sites in the market is also important for meeting the needs of different employment sectors, alongside providing flexibility and choice for the market. Therefore, the identified supply of employment space for office, industrial and distribution uses has been compared with the estimated need arising for these uses under each of the scenarios (Table 3.4).

Table 3.4 Demand - Supply of Different Employment Uses in Chelmsford, 2022-2041 (sq.m)

	Scenario 1	Scenario 2	Scenario 3
Office E(g)(i)/(ii)			
Employment Requirements	38,053	12,486	139,913
Employment Supply/Capacity	66,025		
Surplus (+) / Shortfall (-)	+27,972	+53,539	-73,888
Industrial/Distribution E(g)(iii)/B2/B8			
Employment Requirements	48,280	-35,223	140,845
Employment Supply/Capacity	45,758		
Surplus (+) / Shortfall (-)	-2,522	+80,981	-95,087

Source: Chelmsford Council (Oct 2024) / Lichfields analysis

Note: Figures rounded

- 3.14 This analysis indicates that:
- **Offices:** there would not be sufficient supply to accommodate the office requirements under Scenario 3 with a shortfall of around 73,888 sq.m. However, surpluses have been identified within both Scenario 1 and Scenario 2 of between 27,972 sq.m and 53,539 sq.m resulting in more than sufficient supply to meet the office requirements under both scenarios. It should be also noted, that based on discussions with commercial agents undertaken as part of the 2023 ELR, office needs are currently shifting to smaller-sized premises which suggests that the available floorspace space could be distributed to smaller units in order to meet the market demand.

- **Industrial/Distribution:** there would not be sufficient supply to accommodate industrial and distribution requirements across Scenario 1 and Scenario 3 with a shortfall between 2,522 sq.m and 95,087 sq.m respectively. In the case of Scenario 1, there is a surplus for office floorspace which would be sufficient to fully accommodate the industrial requirements (in quantitative terms).

3.15 It should be noted that this demand-supply balance analysis assumes that all outstanding planning permissions and the identified capacity on allocations 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 Chelmsford to 2041.

Summary

3.16 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-supplied and which are under-supplied.

3.17 Based on the analysis of the demand and supply position, the Council has sufficient consented supply to meet the employment requirements implied by the labour demand scenario in overall terms with a surplus of c 25,450 sq.m which is the recommended minimum requirement that the Local Plan should seek to provide for. However, a greater supply of employment space will be needed if the Council aims to meet the employment space requirements implied by Scenario 3 associated with the new Standard Method for assessing housing needs.

3.18 Across the different uses, there is potentially an identified shortfall for industrial and distribution floorspace, however as highlighted the shortfall under Scenario 1 could be accommodated within the identified surplus for office floorspace (Table 3.4) subject to the implementation of the allocated and permitted floorspace that is currently open to E(g)/B uses.

3.19 This indicates that flexible allocations for E(g)/B2/B8 would help meet any future need for either office or industrial/distribution uses. In appropriate circumstances, flexible allocations and permissions could be considered a potential solution to accommodate different types of needs that may arise under the different scenarios whilst managing uncertainty.

4.0 Conclusions

- 4.1 This report provides a focused update to the 2023 ELR, specifically in terms of the providing updated scenarios of future needs to 2021 (using updated forecasts and data points), and sets these against the latest supply position to determine the level of requirements that need to be considered for the Local Plan period.
- 4.2 The updated scenarios indicate employment floorspace requirements which range from - 22,737 sq.m (Scenario 2) to 280,758 sq.m (Scenario 3), with Scenario 1 at 86,333 sq.m balancing the others, and also balancing with historic growth recorded by BRES and CE (Figure 2.3). On this basis, it appears that Scenario 1 with a gross employment requirement of 86,333 sq.m (or 17.8 ha) of employment land, should comprise the *minimum* employment space requirement for the Local Plan period to 2041. This is further sub-divided into 38,053 sq.m of office space (5.7 ha) and 48,280 sq.m (12.1 ha) of industrial and distribution space.
- 4.3 When compared to the 2023 ELR, there are now different requirements across all three scenarios, as follows:
- a Scenario 1: Labour Demand, based on CE's April 2024 forecasts, implies a slight increase in the demand for office space, but a significant reduction in the need for industrial and distribution space (compared to the March 2022 forecasts). This shift is largely due to CE's updated assumptions, which predict higher growth in office-sector jobs and a larger decline in industrial B2 and light industrial jobs, resulting in a smaller overall employment floorspace requirement.
 - b Scenario 2: Past Trends Development, utilising CoStar's latest net absorption rates, indicates a decrease in absorption rates for industrial and distribution floorspace when compared to the previous Scenario 2 in the 2023 ELR. Additionally, with a lower absorption rate for office floorspace over the last 10 years, this has led to a reduced overall employment floorspace requirement.
 - c Scenario 3: Labour Supply, is now based on the latest proposed Standard Method for assessing housing needs of 1,206 dwellings per annum compared to 945 dwellings per annum previously. As a result, the updated Scenario 3 shows an increase in the overall employment floorspace requirement as a result of an increased workforce associated with higher levels of housing growth. Hence, the revised Scenario 3 results in an additional employment floorspace requirement of 66,938 sq.m, or 9.8 hectares compared to the previous Scenario 3 in the 2023 ELR.
- 4.4 The supply and demand analysis suggests that Chelmsford has an emerging supply position of 111,783 sq.m that can meet the overall demand implied by the updated scenarios, with a surplus of around 25,450 sq.m identified against the recommended minimum requirements of Scenario 1. However, there is a potential shortfall in industrial and distribution floorspace, particularly under Scenario 1. This gap could be addressed by the surplus office floorspace, provided that allocated and permitted E(g)/B uses are developed. The analysis suggests that flexible land allocations across office, industrial, and distribution sectors would help accommodate varying future needs.
- 4.5 It is recommended that the Local Plan should seek to meet Scenario 1 (Labour Demand) as a starting point and although there is a small shortfall for industrial/distribution uses the

proposed Local Plan site allocations are flexible enough to accommodate this. It is also noted that should the Council aim to meet the employment space requirements outlined in Scenario 3 to more closely align employment requirements with increases in housing numbers, new office and industrial and distribution land to 2041 would need to be identified.

Appendix 1 Workforce Job Change

A1.1 The table below presents the workforce jobs change in Chelmsford between 2022 and 2041 as well as the use class distribution per sector based on Lichfields' assumptions.

Table A1.1 Workforce Change in Chelmsford 2022 to 2041

Sectors	Use Class Footprints					Jobs Change	% Change
	E(g)(i)/(ii)	E(g)(iii)	B2	B8	Other Use Classes		
Health	0%	0%	0%	0%	100%	2,357	23%
Construction	0%	31%	0%	0%	69%	2,157	26%
Food & beverage services	0%	0%	0%	0%	100%	1,785	29%
Real estate	100%	0%	0%	0%	0%	1,302	81%
Business support services	9%	0%	0%	0%	91%	1,163	18%
IT services	93%	0%	0%	0%	7%	758	33%
Warehousing & postal	0%	0%	0%	81%	19%	517	20%
Recreational services	0%	0%	0%	0%	100%	488	30%
Public Administration & Defence	67%	0%	0%	0%	33%	384	4%
Motor vehicles trade	0%	0%	0%	0%	0%	350	13%
Accommodation	0%	0%	0%	0%	100%	304	44%
Legal & accounting	100%	0%	0%	0%	0%	289	13%
Arts	0%	0%	0%	0%	100%	233	38%
Residential & social	0%	0%	0%	0%	100%	220	5%
Agriculture, forestry & fishing	0%	0%	0%	0%	100%	180	28%
Land transport	0%	0%	0%	41%	59%	90	9%
Water, sewerage & waste	0%	0%	33%	0%	68%	84	9%
Other professional services	82%	0%	0%	0%	18%	81	5%
Architectural & engineering services	100%	0%	0%	0%	0%	70	6%
Education	0%	0%	0%	0%	100%	53	1%
Media	75%	0%	0%	0%	25%	15	2%
Electricity & gas	0%	0%	0%	0%	100%	12	24%
Pharmaceuticals	0%	0%	0%	0%	0%	2	10%

Sectors	Use Class Footprints					Jobs Change	% Change
	E(g)(i)/(ii)	E(g)(iii)	B2	B8	Other Use Classes		
Air transport	0%	0%	0%	0%	0%	1	100%
Coke & petroleum	0%	0%	0%	0%	0%	-1	-100%
Water transport	0%	0%	0%	0%	100%	-7	-50%
Other transport equipment	0%	0%	100%	0%	0%	-12	-29%
Printing & recording	0%	0%	100%	0%	0%	-22	-20%
Electrical equipment	0%	0%	100%	0%	0%	-24	-16%
Wholesale trade	0%	0%	0%	100%	0%	-24	-1%
Wood & paper	0%	0%	100%	0%	0%	-24	-7%
Food, drink & tobacco	0%	0%	100%	0%	0%	-26	-5%
Chemicals	0%	0%	100%	0%	0%	-38	-42%
Motor vehicles	0%	0%	51%	10%	39%	-41	-53%
Mining & quarrying	0%	0%	0%	0%	100%	-48	-62%
Machinery	0%	0%	100%	0%	0%	-50	-25%
Other manufacturing & repair	0%	22%	76%	0%	2%	-72	-18%
Metals & metal products	0%	0%	100%	0%	0%	-97	-21%
Textiles etc	0%	0%	100%	0%	0%	-102	-54%
Non-metallic mineral products	0%	0%	100%	0%	0%	-173	-23%
Head offices & management consultancies	100%	0%	0%	0%	0%	-206	-7%
Financial & insurance	100%	0%	0%	0%	0%	-228	-8%
Electronics	0%	100%	0%	0%	0%	-432	-38%
Retail trade	0%	0%	0%	0%	100%	-456	-5%
Other services	4%	0%	0%	0%	96%	-1018	-29%

Source: CE (2024) / Lichfields analysis

Appendix 2 Cambridge Econometrics (April 2024) Data Guide