



Nathaniel Lichfield  
and Partners

Planning Design Economics

**Planning for Economic  
Development**

**Executive Summary**

Offices also in:  
Cardiff  
London  
Manchester

**Nathaniel Lichfield & Partners Ltd**

Generator Studios  
Trafalgar Street  
Newcastle Upon Tyne  
NE1 2LA

T 0191 261 5685

F 0191 261 9180

[E.newcastle@nlplanning.com](mailto:E.newcastle@nlplanning.com)

[www.nlpplanning.com](http://www.nlpplanning.com)

**CONTENTS**

**1.0 EXECUTIVE SUMMARY ..... 1**

- Introduction ..... 1
- RDAs' Role ..... 1
- Key Findings ..... 2
- Methodology ..... 3
- Existing Planning Policy/Guidance ..... 3
- Current Usage of PPG4 in a Changing Economic Climate ..... 4
- Pressure from Housing Development ..... 4
- Town Centre Renaissance ..... 5
- Mixed Use Development ..... 5
- Employment Land Reviews ..... 6
- Conclusions and Recommendations ..... 7

## **1.0 EXECUTIVE SUMMARY**

### **Introduction**

- 1.1 The Regional Development Agencies' (RDAs) Planning and Housing Leads Group commissioned Nathaniel Lichfield and Partners to establish the effectiveness of the current national planning policy framework for enabling economic development schemes and comment on whether the policies allow for a responsive approach to economic development.
- 1.2 This Executive Summary of the research into Planning for Economic Development sets out the key issues that have been identified and a series of recommendations to ensure that planning for economic development is afforded the same weighting as other land uses within the national planning policy framework.

### **RDAs' Role**

- 1.3 The RDAs have a key role to play in influencing planning policy as well as working in partnership to enable developments which benefit the economy to come forward. Their key areas of influence in relation to the planning system includes:
- a) Their role as a statutory consultee on major planning applications that have an economic impact
  - b) Aligning the Regional Spatial Strategy (RES) with the Regional Economic Strategy (RES);
  - c) Specific consultation body on Local Development Frameworks
  - d) Undertaking research at a national and regional level to provide evidence to shape future policy and ensure that policies at a regional and local level are aligned
  - e) Working in partnership at a local and regional level to enable development to come forward through a range of mechanisms including facilitation and funding.
  - f) Ensuring that development is linked to wider economic objectives including skills, research and development, enterprise development etc.
- 1.4 Senior planning staff from the RDAs regularly come together as the Planning and Housing Leads Group, to identify areas of policy where a proactive approach is required. This group has played a key role in shaping the recommendations of the research to ensure that a balance is achieved between national policy and

regional/local flexibility. Additionally representatives of the RDAs have met with DCLG and the Barker Review Team and the outcome of these discussions are also reflected within the recommendations.

### **Key Findings**

- 1.5 The key findings of the research have identified that the promotion of economic objectives and how these are grounded within a national planning policy framework are not given the same weighting as other policy objectives. This issue is compounded by the age of PPG4 Planning for Economic Development (published in 1992), which to an extent has been superseded by more recent planning guidance. As a result of this a number of new planning policy documents and guidance notes have been introduced or existing ones have been revised.
- 1.6 The RDA's acknowledge the then ODPM's work to simplify the planning system and welcome the move towards increasing flexibility at a regional and local level. However they also recognise the need for streamlined, user friendly national policy guidance to provide an overarching policy framework.
- 1.7 It was agreed that PPG4 would be reviewed as a priority alongside other PPGs and the RDAs feel that the priority to review PPG4 remains. The RDAs would welcome a new PPS4 which is:
  - Succinct and user friendly and stresses the need to provide the right type of land in the right location to meet the needs of businesses,
  - Fills the gaps in current national guidance and signpost applicants/Local Planning Authorities to existing guidance,
  - Promotes the need for up to date employment land reviews,
  - Sets criteria to safeguard high quality or economically important land from other uses,
  - Stresses the need for alignment between the Regional Economic and Regional Spatial Strategies and
  - provides hooks to inform policies within the Regional Spatial Strategies (RSSs) and Development Plan Documents (DPDs) but at the same time allows local flexibility.

## **Methodology**

- 1.8 Questionnaires were sent to all Local Planning Authorities, Local Authority Economic Development departments, as well as to Regional Assemblies, Urban Regeneration Companies and developers. 16% of Local Planning Authorities responded to the NLP questionnaire, which provided useful qualitative evidence on the effectiveness of current planning policy in relation to enabling economic development. The findings of the questionnaires were supplemented by case studies and data to illustrate in more detail the issues that have been raised. The findings of the questionnaire, therefore do not represent the views of the RDAs either collectively or individually.

## **Existing Planning Policy/Guidance**

- 1.9 Since the 1992 publication of PPG4, a range of new planning policy guidance and statements has been introduced which include references to the promotion of sustainable economic development. They stress the need for:
- a) a sufficient supply of employment land to meet the needs of businesses in terms of both quality and quantity, (PPS1)
  - b) an alignment of planning and economic policies, particularly with Regional Economic Strategies, (PPS11, PPS1)
  - c) ensuring economic development is brought forward in accessible locations, with increasing emphasis on existing service centres, (particularly for office development based on needs assessments) (PPS1, PPS6)
  - d) mixed use development (PPS1)
  - e) re – use of brownfield land and higher density developments (PPS1, PPG3)
  - f) The re – use of employment land for housing if it can be demonstrated that it is surplus to requirements (PPG3)
- 1.10 The above references are currently found in different documents and do not present a cohesive strategy. The policies seek to strike a balance between different land uses and to an extent recognise the competing pressure this creates, however it is apparent that there are gaps in the existing policy framework. It is also questionable, whether these policies are sufficiently robust to protect economic development sites from competing land uses or to enable economic development initiatives (including non B use class employment generating developments) to be brought forward in the locations they seek. Additionally linkages between the role of planning in contributing towards economic PSA targets needs to be strengthened.

### **Current Usage of PPG4 in a Changing Economic Climate**

- 1.11 Since the publication of PPG4 in 1992, new planning policy on retail, housing, regional and local planning have to an extent overridden PPG4. Vary rarely is PPG4 cited by applicants, LPAs or inspectors during the application process or in appeal decisions relating to employment uses/sites. This is primarily due to the age of the document and changes within the economy since it was published making it less relevant.
- 1.12 Since the publication of PPG4, the structure of the economy has and is predicted to continue to change. This will have an impact on land use requirements both now and in the future in terms of the type, scale and location of sites and how economic change should be managed within a portfolio of sites, as the decline in manufacturing and the growth in services continues. PPG4 at present does not provide sufficient guidance on various issues in terms of business development that is currently and projected to come forward. It does not refer to clusters, managed workspace, incubator units, live work units and the growth of micro and small medium sized enterprises all of which contribute to innovation, enterprise and competition.
- 1.13 Other PPS (PPS1) set out the need to plan for economic growth to meet the needs of businesses, without specific reference to the locational requirements of different types of businesses. Given the national importance of certain clusters and the increasing emphasis on the growth of small and medium sized enterprises, a national statement of policy is required to provide an overarching framework to assist in the development of a positive planning approach at a regional and local level. Guidance on how greater alignment between the Regional Spatial Strategy and the Regional Economic Strategy can be achieved is also required, emphasising the need to test a range of economic scenarios to identify the benefits/risks of pursuing different economic trajectories which can then be translated into land use requirements and policies.

### **Pressure from Housing Development**

- 1.14 Since the publication of PPG3 "Housing" in 2000 there has been a marked increase in the number of appeals to bring forward residential development on allocated employment sites, with an increasing percentage being allowed (an increase from 28% to 42% post PPG3). Targets to bring forward housing on previously developed land and the increasing onus on Local Planning Authorities to demonstrate the need for their employment sites, has resulted in the loss of marginal employment sites and

in some instances businesses being evicted from sites to enable housing to be developed.

- 1.15 Additionally live work units have become increasingly popular and can be successful in encouraging the formation of new businesses. However the limited guidance on what constitutes live – work accommodation and the ability to enforce/retain it has resulted in a perception that this type of development is being brought forward on employment/mixed – use sites, but then are solely used for residential.
- 1.16 Further national guidance is required on how to bring forward and safeguard employment land sites from competing land uses, stressing the role of employment land reviews, to ensure that economic development is given the same priority as housing development to achieve sustainable development objectives.

### **Town Centre Renaissance**

- 1.17 PPS6 promotes the viability and vitality of town centres as a key objective, and encourages town centres uses including offices to be brought forward following the application of the sequential approach. The survey found that further advice on applying the sequential approach for office development is required, to assist in differentiating between office developments which would be suitable in town centres and those that may be more suitable in strategic employment locations, which may be outside of town centres.
- 1.18 Clusters often comprising of a range of uses on site/s including offices, industrial, warehousing may require an accessible out of centre location to enable the cluster to be economically competitive arising from co-location. Forthcoming guidance to accompany PPS6 is anticipated to set out a methodology for applying the needs assessment, however this should be complemented by a reference in PPS4 to ensure that locational needs of businesses are appropriately recognised. Similar reference for other office development including universities and strategic employment sites is also needed to ensure that a balance between sustainable locations and achieving economic objectives are achieved.

### **Mixed Use Development**

- 1.19 PPS1 encourages mixed use development, as a balance of uses can contribute to sustainable development and assist in bringing forward sites that would not otherwise be viable especially in areas that require regeneration. Due to the need for mixed use

development to be tailored to local circumstances, there is little national guidance on what constitutes a mixed use site and how an appropriate balance of uses can be brought forward. A lack of guidance or criteria on how to bring forward mixed use sites is impacting upon the ability of LPAs to restrict the proportion of uses on a site to achieve a balance which is in alignment with their economic policies, as often employment uses are a 'token element' of a 'mixed use' scheme.

- 1.20 Advice on the use of job densities cognisant of local circumstances to protect the employment capacity of a mixed use site, to ensure that a more consistent approach to the application and calculation of job benefits is undertaken will ensure that mixed use development contributes to an area's economic vitality.

### **Employment Land Reviews**

- 1.21 The survey found that Employment Land Review Guidance Note was viewed as a useful tool in setting out the approach to assess the quantity and quality of employment land required to feed into the preparation of the Local Development Frameworks.
- 1.22 However the majority of the LPA's who responded to the survey did not have an up to date employment land review in place. Due to the increasing onus on Local Planning Authorities to demonstrate the demand for employment sites, the need to have an up to date employment land review will be of increasing importance. Clarity on how an up to date employment land review should be considered alongside market assessments for retail and housing is also required, to ensure that a balance between different land uses is achieved. Given the capacity of smaller businesses to participate in the preparation of Employment Land Reviews, and their increasing importance within the economy, a best practice note on successfully engaging with SMEs is required.
- 1.23 PPS6 and PPG3 set out criteria based policies to promote the development of housing and town centre uses in sustainable locations. The emphasis of this approach is then adopted in Regional Spatial Strategies and DPDs. Examples of such approaches for economic development are set out within the report, however to ensure a more consistent approach to planning for economic development is undertaken, national guidance on economic development should promote this type of policy. This would also assist in preventing the loss of employment sites to competing uses or to provide greater clarity on bringing forward mixed use

development which comprise of employment generating uses. PPS4 would provide a more up to date context for lower level strategies, providing greater weighting for planning for economic development.

### **Conclusions and Recommendations**

- 1.24 Drawing upon the findings of the research, it is clear that planning for economic development currently does not have the same weighting as other competing land uses. Although new guidance makes reference to sustainable economic development, a clear and succinct guide to national planning policy on economic development is not available to practitioners.
- 1.25 An updated policy statement will need to reflect the changes that have and are likely to occur within the economy to enable policies to be formulated at a regional and local level, particularly in relation to clusters, the knowledge economy, livework, strategic sites and the increasing focus on bringing forward mixed use development. Guidance to encourage better alignment between policies and the testing of economic scenarios will enable RSSs and DPDs to manage economic change and promote growth, especially if linked to PSA targets.
- 1.26 A new PPS on economic development should draw together the strands already set out in relation to economic development. Its main purpose should be to address gaps and provide greater clarity on the issues outlined above to enable LPAs to manage their employment land supply and develop policy criteria to proactively plan for economic development.
- 1.27 A key message should be the need for up to date employment land reviews to inform policies within DPDs which reflect the market and are in alignment with needs assessments for housing and office development. Advice on the development of robust policies to safeguard key employment sites from other uses subject to a range of criteria being met would also assist in retaining the potential employment capacity of sites.
- 1.28 There is clearly a need for an updated policy statement in the near future to assist in feeding into the RSS and DPD process as PPS3 and PPS6 provides more up to date guidance on taking forward retail/housing developments at a regional and local level. A comprehensive national statement on economic development is required to ensure

that B use classes and other employment generating uses are balanced alongside other land uses to achieve sustainable development.

- 1.29 The table below sets out the key recommendations to inform the content of a new PPS on economic development.

<b>Key Recommendations</b>
<p>Provide a clear and succinct PPS4 that stresses the need to provide the right type and quality of land in locations which meets the needs of businesses both now and in the future including clusters, knowledge sector, livework, SMEs, mixed use, and creative industries.</p> <p>PPS4 should plug current policy gaps and signpost applicants and LPAs to existing policy and guidance notes that relate to the economy, but at the same time enable and encourage flexibility at a local level.</p> <p>This can be achieved through accompanying guidance notes and examples of best practice.</p>
<p>PPS4 to promote the importance of undertaking and maintaining up to date employment land reviews which should be considered alongside housing and retail needs assessments to inform the allocation of land for employment uses and policies for economic development.</p> <p>Provide clarity on how to maintain a balance of uses and what material considerations should be considered when allocating sites and formulating policies for economic development i.e regeneration, strategic employment sites.</p> <p>Provide clarity on the application of the sequential approach for office development.</p>
<p>Set out criteria to protect land that has been identified within employment land reviews as being of high quality or economically important from other uses.</p>
<p>By signposting to existing guidance stress the need for alignment between the Regional Economic Strategy and Regional Spatial Strategy and how this should be achieved, via using a common evidence base, testing economic scenarios and balancing aspirations with planning for economic growth.</p>

- 1.30 In addition to the above, a number of other recommendations are put forward which could be incorporated into a good practice note to accompany a new PPS4.

<b>Recommendations</b>
<p>Provide a good practice note on live work accommodation and the use of conditions and Section 106 obligations to manage the retention of these types of development.</p>
<p>Encourage LPA's to allocate land for 'sectors' or 'clusters'.</p>
<p>Provide further guidance on how employment land reviews need to be integrated with the requirement to achieve brownfield land targets for housing to ensure employment sites are allocated in sustainable locations.</p>
<p>Provide a good practice note on the application of job densities or signpost existing Guidance on Job Density undertaken by English Partnerships.</p>
<p>Further advice or a best practice note is needed on how to successfully engage Small and Medium Sized Enterprises via umbrella organisations to ensure that employment land reviews and subsequent LDF policies reflect business needs.</p>