



Replacement Local Development Plan 2018-2033

Background Paper

August 2021

**BP 18: Employment Land Review (including
Regional Economic Drivers)**

Mae'r ddogfen hon ar gael yn Gymraeg hefyd.

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**Sir Conwy, yr amgylchedd iawn i fyw, gweithio
a darganfod**

**Conwy County, the right environment to live,
work and discover**

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1.0 Introduction

Introduction

1.1 Lichfields has been commissioned by Conwy County Borough Council [CCBC] to prepare an update to the Employment Land Review [ELR] that Lichfields produced on the Council's behalf in March 2019. That report, which was itself an update to a previous ELR undertaken by Lichfields in 2017, was intended to fully align with the ongoing Local Development Plan [LDP] work being undertaken by CCBC. The 2017 ELR Update incorporated an extension to the LDP period (to 2018-2033) and provided the objectively assessed need for B-Class employment land over the new plan period, having regard to recent planning policy documents and the latest data releases.

1.2 The key outputs of the 2017 study were:

- 1 An analysis of Experian econometric forecast data to assess the employment growth across sectors, and a translation into demand for B1, B2 and B8 employment land uses;
- 2 An assessment of the economic context and key growth drivers in Conwy County Borough [the County] and North Wales; and,
- 3 Policy options and recommendations for the employment land requirement and demand in Conwy.

1.3 The 2019 ELRU concluded that a range of between 12 ha and 21 ha (gross) of B-Class employment land would be appropriate over the plan period 2018 to 2033. This is based upon 6 demand and supply led scenarios, as well as a scenario considering past delivery of B-Class employment land. The wide range is driven by the CCBC Economic Growth Strategy scenario at the upper end of the range which identifies an additional requirement of employment land to reduce out-commuting. In comparison, the supply led scenarios range between 12.46 and 13.33 ha (gross). The Past Take Up Rates scenario estimates a requirement of 20.80 ha (gross).

1.4 The approximate proportion of B-Class land uses was recommended to be 50% B1 office, and 50% B1c/B2/B8, based upon the forecast employment changes, changes to the existing stock in recent years, and analysis of enquiries recorded by CCBC. The relatively high representation of B1 space when compared to past delivery rates reflects the fact that most growth is anticipated in knowledge-based sectors, whereas more traditional manufacturing industries are forecast to decline.

1.5 Since the ELRU was completed we have of course experienced the unforeseeable economic shock resulting from the Covid-19 pandemic. The pandemic and associated restrictions imposed on our everyday lives have already caused a major economic shock to the global economy, and businesses and communities across North Wales are feeling the immediate effects of this. All aspects of the sub-region's economy have been impacted in some way, and in some respects, the future in the aftermath of the pandemic will look very different.

1.6 In light of the pandemic, and the uncertainties surrounding the consequences of Brexit, Lichfields was asked to revisit and update the 2019 ELRU, factoring in our understanding of the local impacts of the pandemic within the County to date based on the latest available data (Section 2.0). This included an analysis of the latest econometric forecasts for how the County's economy may change and the effect on different sectors over the short and medium-term and test the impact on key industrial sectors.

1.7 This report has also updated the Key Growth Drivers, which has incorporated a review of key strategic sites (some of which have moved on very considerably since the time of the original

ELRU's drafting). Alongside a stakeholder consultation update, the report has remodelled the employment land targets and draws conclusions as to whether the previous 12-21 ha of B-Class employment land over the Plan period remains valid. It should be read in conjunction with the previous 2019 Study.

2.0 Updated Policy Context

Introduction

2.1 The first National Development Framework [NDF] was due to be published this autumn. However, due to the extraordinary circumstances of the current Covid-19 pandemic, the NDF's scrutiny and publication has been delayed. The NDF, alongside Planning Policy Wales [PPW], will set out how places can be more sustainable and resilient.

2.2 However, since the ELRU was produced in 2019 the Welsh Government has published *Building Better Places* (July 2020) in order to pinpoint the most relevant policy priorities contained in PPW that will aid in the recovery from the Covid-19 crisis and help to achieve the Government's goal of building those sustainable, resilient and, ultimately, better places we all want to live in. This, and a number of Explanatory Papers produced by the Welsh Government in December 2019 to provide further detail on how the NDF has been prepared, are summarised below.

Building Better Places (July 2020)

2.3 *Building Better Places: The Planning System Delivering Resilient and Brighter Futures recovery* was published in July 2020. This document sets out the Welsh Government's planning policy priorities to assist in taking action in the recovery period after the Covid-19 pandemic crisis. It seeks to ensure that the planning system remains centre stage in the consideration of built and natural environment issues that have arisen from this situation.

2.4 In this paper the Welsh Government highlights the key existing planning policies and tools which should be used by all sectors in the environmental, social, cultural and economic recovery of Wales, recognising the continuing need for Planners to operate within a wider context of priorities and action at all scales.

2.5 PPW contains policy statements from the Welsh Government on a variety of planning issues and topics; which remain relevant and should be considered as a whole by local planning authorities and the development sectors. However, in the immediate post Covid-19 phase there will be particular areas of policy which should be the focus of consideration and action, in order to act as a catalyst for a recovery across the pillars of sustainable development.

2.6 PPW demonstrates that policy areas work more effectively when they are considered together in order to get the maximum benefit. We have therefore identified key issues which bring individual policy areas together to ensure that action is the most effective. The 8 issues are:

- *Staying local: creating neighbourhoods*
- *Active travel: exercise and rediscovered transport methods*
- *Revitalising our town centres*
- *Digital places – the lockdown lifeline*
- *Changing working practices: our future need for employment land*
- *Reawakening Wales' tourism and cultural sectors*
- *Green infrastructure, health and well-being and ecological resilience*
- *Improving air quality and soundscapes for better health and well-being*

2.7 Each issue draws out the pertinent points of PPW with commentary on specific aspects of the potential post Covid-19 pandemic situation. Whilst most of these issues have some relevance for economic growth, of particular relevance to this ELR Update is clearly "*Changing working practices: our future need for employment land*".

2.8 In this regard, the Welsh Government notes that workplaces have undergone a seismic shift during the Covid-19 lockdown with a significant increase in people working from home, particularly in the office-based sectors of the economy. Even when all restrictions are lifted, the impacts of this are likely to have longer term impacts on where we work. People and organisations are becoming familiar with flexible working and the potential benefits and savings (as well as the positive impacts on decarbonisation and reducing unnecessary travel) it can bring. This in turn is likely to have impacts on the requirements for future workspace and there is potential for significant surplus existing stock.

2.9 This all happening in the wider context of the economic impact of the pandemic and Brexit which will have an effect on all industrial and employment sectors:

*“The planning system will need to adapt quickly to the economic changes which will occur as a result of the pandemic which could largely accelerate trends which had already begun to occur. **Economic forecasts will need to be re-examined to ensure that the supply of land for employment uses is adequate and fit for the future**, taking into account the need for a choice of sites.”* [page 20, Lichfields’ emphasis]

2.10 The document also requires that employment allocations are reviewed in light of these changes and, where change is needed, this should be to the best use of land for placemaking. This may mean sites in urban areas with good public and active travel links being designated for other mixed uses. It may also mean surplus unsustainable sites are removed from development plans altogether. In this regard it is noted that:

“On strategic employment sites, LPAs should continue to assess if these are still needed or how needs may change, and work collaboratively across a region to designate land if there is a realistic prospect of it being developed in the medium-term.

With the rise of homeworking, we will also need to think differently about the flexible workplaces we provide for remote workers to congregate together for the sharing of ideas and access to office environments and facilities. Our retail and town centres are best suited to this and they will be a means of reinforcing the vibrancy of these hubs (see above). This will require innovation by developers and planning authorities, including the identification of suitable sites and buildings in the heart of communities where they can be accessed in a sustainable way.” [page 20]

National Development Framework 2020-2040 Explanatory Paper – The Spatial Strategy (December 2019)

2.11 During the consultation on the Draft NDF some stakeholders suggested further details should be made available setting out how the NDF had been prepared. To assist stakeholders the Welsh Government produced a collection of explanatory papers to set out the evidence that supports the Draft NDF, which included one on the Spatial Strategy itself.

2.12 This document explained how the spatial strategy of the Draft NDF was developed, highlighting how the policies support the strategy. The Paper sets out that in choosing where to focus development, the Welsh Government recognised that Wales has established centres of population and work. They include data on where people live and work, the density of population and employment and the transport infrastructure used to move people and goods. The location of environmental and landscape designated areas was also built into the process. Where information and plans for future development of national significance was available it contributed to the development of the spatial strategy. The Metro schemes in south east Wales, north east Wales and Swansea Bay were important considerations and were key factors in the identification of the National Growth Areas.

- 2.13 The Draft NDF recognises the importance of supporting and encouraging sustainable development in rural areas. This policy highlights the need for growth and development in rural areas, at a scale that is appropriate to the area. This is best determined at the regional and local level but the Draft NDF recognises the significance of rural Wales as an economic resource and as a home to a significant number of people in Wales. The supporting text highlights sectors that offer key opportunities to develop high-value employment to help maintain and develop a vibrant and prosperous rural population.
- 2.14 The Paper sets out that the coastal towns of north Wales are regional growth areas, and should be a focus for development in Local Development Plans. The identified towns are split in two clusters; Caernarfon and Bangor in the west; Llandudno, Colwyn Bay, Rhyl and Prestatyn in the east. These are important service towns to the rural hinterland of North Wales.

National Development Framework 2020-2040 Explanatory Paper – The Regions (December 2019)

- 2.15 This explanatory paper was prepared to assist readers of the Draft NDF in understanding the reasoning behind the regional footprint within the Draft NDF, highlighting the key evidence that informed the regional footprint.
- 2.16 The Draft NDF has identified regions because there is a legislative basis for regional planning, established in the Planning (Wales) Act 2015, which made provisions for strategic development plans covering more than one local authority area. By setting a regional footprint and proposing broad spatial strategies and policies for each region the Draft NDF sought to provide leadership and impetus for progress on establishing a regional tier of planning.
- 2.17 The study aggregated the various options derived from each of the well-being goals resulting in footprints which had an inherent problem of splitting the County across two regions. To reach final recommendations, therefore, further considerations were added. The Draft NDF adopted the Economic Action Plan's 3-region model to ensure alignment with the broader emphasis within the Welsh Government towards regional working. The County was included within the North Wales region alongside the Isle of Anglesey, Gwynedd, Denbighshire, Flintshire and Wrexham.

National Development Framework 2020-2040 Explanatory Paper – Rural Areas (December 2019)

- 2.18 This explanatory paper was prepared to assist readers of the Draft NDF in understanding how the Draft NDF seeks to address rural issues across Wales, highlighting the key evidence that has informed the rural elements of the plan.
- 2.19 The Draft NDF seeks to create vibrant rural places with access to homes, jobs and services. The Draft NDF recognises rural areas are diverse, with both prosperous and deprived communities, with distinctive histories and cultures. The Draft NDF also recognises there are many challenges facing rural areas including climate change, economy, housing, services, population movement and the Welsh language. Brexit is also a major issue going forward as both agricultural funding and regeneration programmes are areas of major public policy which have been shaped by wider European policies and funding.
- 2.20 The Draft NDF identifies 11 outcomes which are a collective statement of where the Welsh Government wants to be in 2040. Outcomes are overarching ambitions based on Planning Policy Wales's national planning principles and national sustainable placemaking outcomes. All 11 NDF outcomes apply to rural areas.

- 2.21 This includes the Draft NDF visualising a rural Wales where people live and work in connected, inclusive and healthy places, and in vibrant rural places with access to homes, jobs and services. The Draft NDF also recognises the challenges facing the rural economy and that the planning system should respond by supporting rural communities and appropriate new development and diversification. The Draft NDF aims to secure growth in housing and the economy, to maintain and improve access to services, and retain and attract working age population.
- 2.22 The Draft NDF identifies regional growth areas within which regional centres should be supported as focal points of activity. Strong rural economies support stable and resilient communities, and reduce the reliance on a small number of larger economic centres. Priority should be given to economic activities with strong links to rural areas, such as foundation economy activities like food and drink processing, and tourism and leisure, and energy generation, the environmental economy and businesses ancillary to farming, forestry and other rural economic activities. The improved provision of broadband in rural Wales supports an increasingly diverse business base (NDF p.29).
- 2.23 Development plans should support the needs of their rural communities with strong and ambitious policies. Where growth is identified it should be proportionate to the communities and local areas needs and be evidenced through the development plan. The Draft NDF recognises the challenges facing the rural economy and that the planning system should respond by supporting appropriate new development and diversification.
- 2.24 The Draft NDF has sought to identify Wales' cities and large towns as the main growth and development areas. Outside of these areas, proportionate growth of towns and villages in rural areas will be supported where it meets local needs and compliments growth in larger cities and towns. The Draft NDF identifies regional growth areas outside of the large urban clusters where such development should be focussed, this includes settlements which serve largely rural areas.
- 2.25 Regarding the Rural Economy, the Paper notes that a strong rural economy is essential to support sustainable and vibrant rural communities. New enterprises and the expansion of existing business support growth and stability in rural areas. LPAs should allocate new rural sites for economic development in development plans. Development sites, with the exception of rural diversification and agricultural development to which separate criteria apply, should generally be located within or adjacent to settlement boundaries, preferably where there is public transport provision. An absence of allocated employment sites should not prevent proposals for small-scale enterprises in or adjoining small rural settlements. Criteria based policy in development plans should be used to assess such proposals.

Commercial Property: Market Analysis and Potential Interventions - A report to the Welsh Government

- 2.26 This document, produced on behalf of the Welsh Government in March 2020, sets out an analysis of the Welsh commercial property market, including current and likely demand, property market responses and the extent to which there is a gap in supply. It also considers potential priorities for, and approaches to, intervention, by region.
- 2.27 The report was produced just before the Covid-19 lockdown, and predicted that the immediate UK outlook for economy was one of modest growth, subdued in the light of Brexit uncertainty. However, growth was expected to strengthen over the medium term. The report notes that employment growth over the twenty years has been much stronger in 'office' sectors (public and commercial services) than in manufacturing and logistics. The consequence of this is that office demand is apparently quite high, and industrial demand appears weak, especially taking a longer-term view.

2.28 The report considers that not all demand for new office and industrial space will be accompanied by net employment growth. Some demand will be derived from the obsolescence of existing stock (i.e. the need for new premises to meet business need, without additional job creation), or by changes in working and consumer preferences.

2.29 The report states that in Conwy the office market is quite small with rents generally around £8 psf (rising to £11psf at the Penrhos Manor managed workspace scheme). Agents reported some excess capacity driven by a loss of public sector demand following the Welsh Government’s move to a purpose-built regional headquarters facility at Llandudno Junction.

2.30 Agents considered that there is likely to be demand for smaller (up to 5,000 sq ft) and medium (10-15,000 sq ft) sized units across much of western and rural North Wales, if they could be enabled to come forward.

2.31 Potential priorities for North Wales are set out as follows:

Table 7-3: Potential priorities for intervention

Theme	Locations and issues
Offices	
1. City centre and strategic hub offices	There is no real evidence of demand at present, with agents sceptical of the prospects for new Grade A development.
2. Office-based managed workspace and grow-on space	As elsewhere, evidence of demand for workspace on flexible terms. Potentially focused on larger centres where demand less likely to be met by the market (e.g. Bangor, Colwyn Bay).
Industrial	
3. Industrial 'starter' units	There is evidence (from the data and from stakeholders with a knowledge of the market) that there is a weak supply of smaller units (industrial and hybrid), relative to demand . This is compounded by ageing stock, but delivery is unviable across much of the region. In terms of policy , this is a universal infrastructure offer which helps to broaden the choice to the market. Potentially several locations , although focused outside of Wrexham and Flintshire where there has been some recent private sector activity.
4. Industrial grow-on space	In terms of demand , there is limited stock in the 5,000 – 15,000 sq ft category across the region, and evidence that restricted opportunities to move constrains firms to their existing premises – compounding the challenges in relation to Theme 3. Potentially several locations although likely focused on the network of larger strategic sites.
5. Strategic industrial sites	While new investment demand is unpredictable, there is interest from local partners in bringing forward a network of sites for investment, and the North Wales Economic Ambition Board has proposed a joint venture agreement to bring forward a series of priority sites. However, market commentary notes caution in terms of the risk of market over-supply.
Cross-cutting	
6. Refurbishment	Responds to the risk of disinvestment as a result of high refurbishment/ renewal costs (or the potential to repurpose existing stock for alternative use. In policy terms, responds to environmental and resource efficiency drivers and improves the investment attractiveness of key business locations. Potentially focused on existing estates, outside of Flintshire and Wrexham

2.32 A number of potential intervention avenues are set out in the report that the public sector could take to bring forward development where the market is unable to act alone including Asset-backed Development Vehicles.

2.33 Annex C sets out SQW’s approach to estimating potential B-class demand and, building on this, their approach to identifying the potential quantitative 'need' for intervention by the Welsh Government or other public sector partners. By using past trends (BRES and Labour Force Survey data for the years 2009-18 and 1996-18), the report suggests a need for 38,000 sqm of office floorspace and 11,700 sqm industrial using the BRES historical trend, and 25,200 sqm office floorspace and -8,100 sqm industrial floorspace using the Workforce Jobs-based historical trend.

- 2.34 A subsequent **Supplementary note** was produced by SQW in June 2020 in the light of the Covid-19 crisis. It reported that sectors that generate demand for ‘B-class’ space are likely to be somewhat more resilient than the economy overall, at least in the short term. The brunt of the immediate impact has been borne by ‘shutdown’ sectors, such as hospitality, tourism, leisure and arts and non-food retail, with more modest losses of output in traditionally office-based sectors such as finance and insurance, professional services and IT. However, the scale of the downturn could lead to structural changes in the Welsh economy.
- 2.35 Potential impacts on the office market could include:
- a Experience of homeworking could accelerate a trend towards more remote working and flexible use of office space; and,
 - b There could be opportunities for flexible workplaces, closer to home.
- 2.36 Potential impacts on the industrial market could include:
- a Industrial demand may be less impacted by the crisis itself;
 - b Over the longer term, ‘reshoring’ could impact positively on demand; and,
 - c However, disruption and uncertainty could further reduce the prospects of a growth in supply without intervention.
- 2.37 Overall, the central rationale for Welsh Government intervention in the commercial property market remains strong and is likely to be reinforced by the current crisis, especially in conditions of widespread uncertainty. The report concludes that there could be fundamental changes to office demand, both in the type of floorspace and preferred locations, which will need to be thought through.

3.0 Updated Socio-Economic Context

Introduction

3.1 This section sets out the economic context for the County in the context of the Covid-19 pandemic and associated economic shock. The findings are based primarily upon statistical data sources but have been validated and tested in consultations with key economic development stakeholders.

3.2 The section revisits key indicators for a range of topics, including economic performance, business demography, labour market, population demographics and deprivation. The key growth drivers for North Wales are also assessed in relation to the County. Comparisons are made to the rest of North Wales and Wales to provide a point of reference. The section concludes with a summary of the key strengths, weaknesses, opportunities and threats [SWOT] facing Conwy.

Economic Conditions and Trends

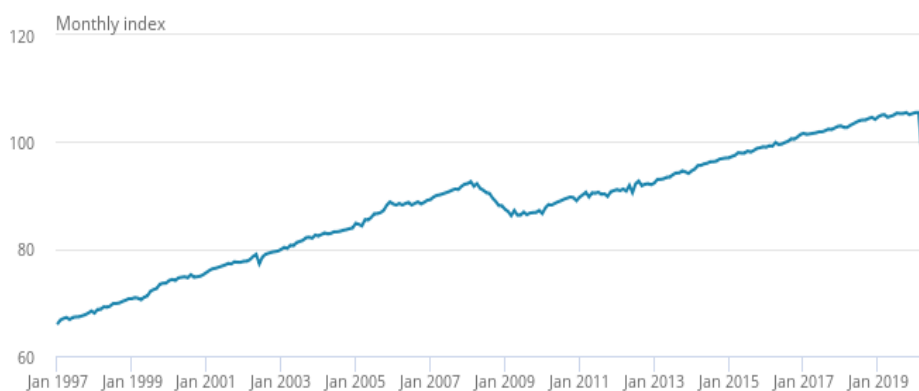
Macro-Economic Trends

3.3 Macro-economic trends are a critical influence on the future performance of Conwy's economy. These shape the level of demand for the sale of goods and services. In turn this affects business formation and survival, investment decisions, recruitment, wages and productivity.

3.4 The outbreak of Covid-19 and resulting pandemic has developed rapidly with far reaching impacts on the economy and business across the country. Lockdown measures have led to unprecedented shut downs of large parts of the economy simultaneously, with effects being transmitted rapidly across all sectors.

3.5 The latest official figures from the Office for National Statistics [ONS] show that UK Gross Domestic Product [GDP] fell by 20.4% in Q2, meaning the UK entered a technical recession. This is the largest fall since monthly records began in 1997, reflecting record widespread falls in services, production and construction output as the negative impacts of social distancing and lockdown kicked in (Figure 3.1). A modest bounce-back in May/June has been insufficient to see a return to anywhere near where the economy was back at the turn of the year.

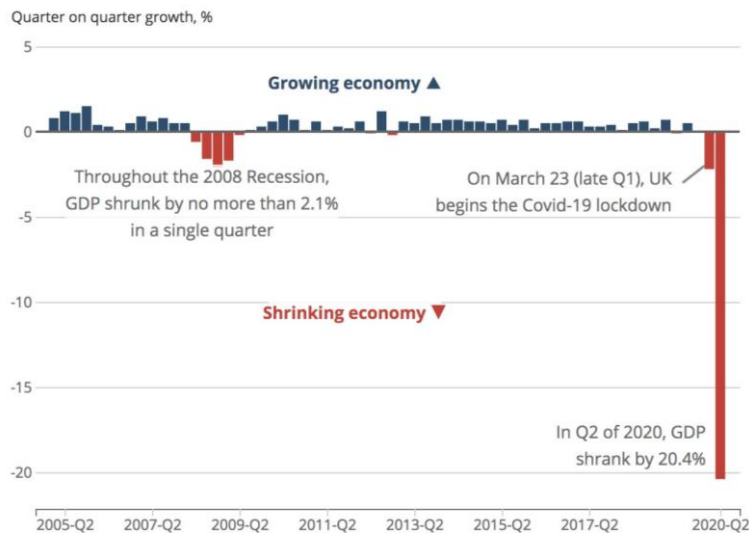
Figure 3.1 UK GDP Monthly index, January 1997 until June 2020



Source: ONS July 2020

3.6 This equates to a GDP reduction of 10.4% across the three months to April 2020, as shown in Figure 3.2.

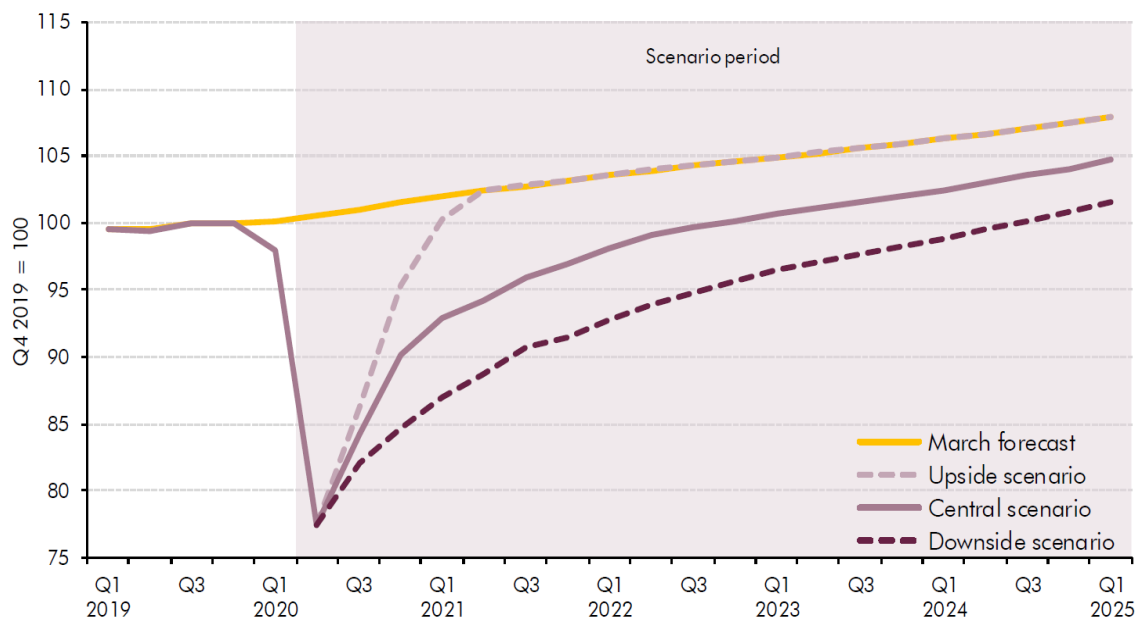
Figure 3.2 UK GDP growth, Quarter 1 (Jan to Mar) 2005 until Q2 2020



Source: ONS July 2020

- 3.7 The Office for Budget Responsibility [OBR] published a scenario on 14th April that assessed the potential impact of the coronavirus on the economy and public finances. This was updated a month later filling some gaps, refining some estimates and updating policy costings. Figure 3.3 summarises the results of the OBR's three-month lockdown scenario where economic activity would gradually return to normal over the subsequent three months. It also included initial broad-brush estimates of the costs of various policy interventions as they stood at the time. Further announcements have followed, adding new interventions and amending some existing ones; it does not, however, reflect the Government's new conditional plan for easing the lockdown; March GDP data; nor the likelihood of greater persistence in the near-term downturn and some economic scarring in the medium term.
- 3.8 The OBR's preferred 'delayed V-shaped' economic scenario from the suggests that UK output (measured in terms of GDP) could drop by around 21% in the second quarter of 2020, following the 2% fall estimated by the ONS for the first quarter. This suggests that the trough in output occurred in April – approximately 25% below February – and the recovery began in May.
- 3.9 The UK remains on track to record the largest decline in annual GDP for 300 years. Whilst the OBR expects economic activity to bounce back later in the year, it is still forecasting an overall 12.4% fall in annual GDP in 2020, which would be significant in historical terms. The OBR is now forecasting that instead of a rapid 'bounce back' (the Upside scenario), output is likely to recover much more gradually, reaching its pre-virus peak at the end of 2022. This would see growth of 8.7% in 2021 and 4.5% in 2022. Output at the end of the scenario is 3% lower than the OBR expected back in March. This Central scenario would also see a peak unemployment rate of 11.9% (Q4 2020).

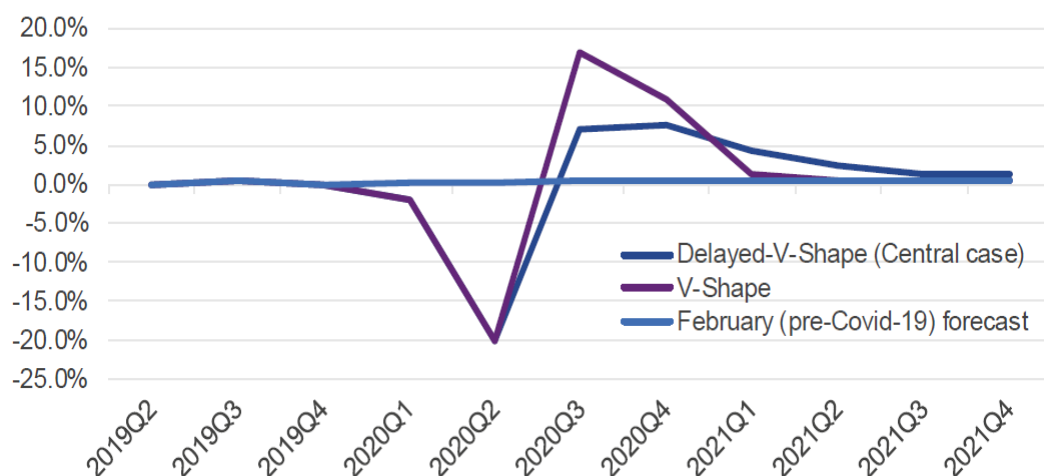
Figure 3.3 UK Real GDP scenarios versus OBR March Forecast



Source: ONS, OBR 2020

- 3.10 The most recent macro-economic forecasts were released by Experian at the end of June 2020. These include a base case 'delayed V-shaped' recovery scenario (similar to the OBR, although more pronounced) that implies an overall GDP reduction of 12.2% for 2020, following the sharp decline recorded in April as lockdown measures and social distancing stifled consumer spending (Figure 3.4).
- 3.11 With lockdown measures easing further through June and July, GDP is expected to have bottomed out in April and May, underpinning a return to growth in 2020 Q3. It could however take up to two years before UK output returns to 2019 levels.
- 3.12 The longer-term outlook continues to remain extremely uncertain and Experian note that risks to the recovery further down the line have increased. Concerns are building that the restrictions are being eased too quickly, raising the threat of a second wave of Covid-19 cases later in the year. Alongside this, the unwinding of government support measures risks triggering a renewed bout of job shedding and financial stress for businesses.

Figure 3.4 Experian: UK GDP quarter-on-quarter growth



Source: Experian UK Macro Economic Forecast June 2020

3.13 Returning to the OBR, they estimate that Government borrowing to finance policy interventions (such as the necessary but hugely expensive job protection furloughing scheme) could see Public Sector Net Borrowing [PSNB] increase by £298.4 billion between 2020 and 2021, with Public Sector Net Debt [PSND] increasing to 95.8% of Gross Domestic Product [GDP] over that time period. By way of contrast, the PSND (excluding public sector banks) at the end of March 2019 was £1,801.0 billion, or 83.1% of GDP¹.

Table 3.1 OBR Coronavirus Reference Scenario (Updated May 14th 2020)

	Q2 2020	Q3 2020	2020	2020-21
Real GDP (% change on previous period)	-35%	+27%	-12.8%	
Unemployment Rate	10%	8.5%	7.3%	
Public Sector Net Borrowing [PSNB]				£298.4 billion
Public Sector Net Debt [PSND] (% of GDP)				95.8%

Source: Office for Budget Responsibility (May 2020): Coronavirus analysis

3.14 This may even be an under-estimate: according to ONS², PSND at the end of July 2020 exceeded 32 trillion for the first time at £2,004.0 billion), £227.6 billion more than at the same point last year.

3.15 Debt at the end of July 2020 was 100.5% of gross domestic product (GDP), an increase of 20.4 percentage points compared with the same point last year and the first time it has been above 100% since the financial year ending March 1961.

3.16 Public sector net borrowing excluding public sector banks in April 2020 was estimated to have been £62.1 billion, £51.1 billion more than in April 2019; the highest borrowing in any month on record³.

3.17 Indeed, borrowing in the first four months of this financial year (April to July 2020) is estimated to have been £150.5 billion, £128.4 billion more than in the same period last year and

¹ONS Public sector finances, UK: March 2019

²ONS Public sector finances, UK: July 2020

³ONS Public sector finances, UK: April 2020

the highest borrowing in any April to July period on record (records began in 1993), with each of the months from April to July being records⁴.

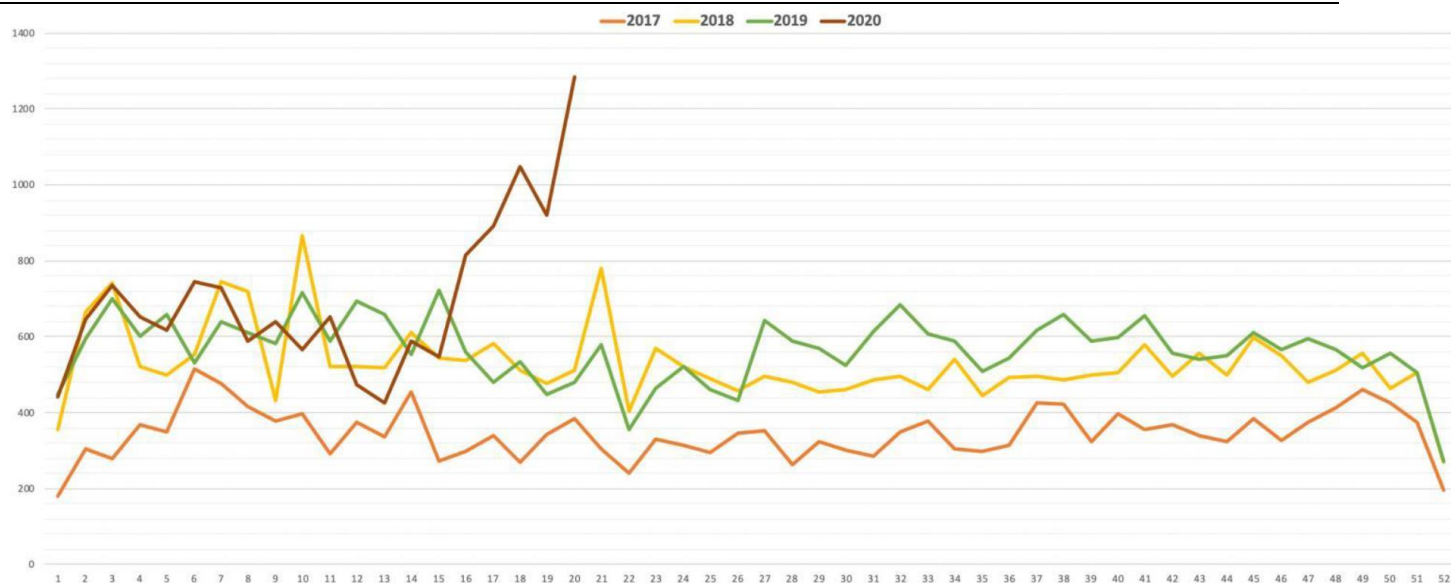
- 3.18 The current attention on the impacts of the Coronavirus has somewhat over-ridden pre-existing risks to global growth that could arise from an escalation of trade tensions beyond those already incorporated in the aforementioned growth forecast. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt. These potential triggers include a ‘no-deal’ Brexit withdrawal of the United Kingdom from the European Union at the end of 2020, which (at the time of writing) remains a distinct possibility.
- 3.19 The main shared policy priority is for countries to resolve co-operatively and quickly their trade disagreements and reverse the resulting policy uncertainty, rather than raising harmful barriers further and destabilizing an already slowing global economy. Across all economies, measures to boost potential output growth, enhance inclusiveness, and strengthen fiscal and financial buffers in an environment of high debt burdens and tighter financial conditions are imperatives.
- 3.20 This has of course overshadowed the Chancellor’s earlier budget announcements regarding investments in infrastructure, technology, housing, skills, and clean growth. The underlying narrative was positioning the UK to capitalise on post-EU exit opportunities; however future spending decisions will depend on a Brexit deal outcome and the extent of the Post-Covid recovery. In October 2019, the Chancellor claimed that austerity was over, yet it remains to be seen how this will be balanced against the unprecedented borrowing levels and likely deep recession. The departmental Spending Review will conclude by the Autumn Budget. Clearly the considerable political and economic uncertainty over Brexit and the pandemic are ongoing (at the time of writing) and future growth projections are very much subject to change depending on the nature of the post-Covid 19 recovery, the UK’s exit and the terms of any deal (if any) ultimately agreed with the EU.

UK Industrial Sector Growth Prospects

- 3.21 In terms of future growth prospects, clearly the uncertainty surrounding the pandemic and Brexit looms large over any attempt to project where the UK and Conwy County Borough in particular may be heading. Research by Experian suggests that a no deal, delayed Brexit may have a particular impact on industrial sectors that are most exposed, such as chemicals and transport equipment, whilst having less of an impact on sectors such as public administration & defence, utilities and agriculture.
- 3.22 Similarly, although no part of the economy is immune from the effects of the pandemic, so far the impact on individual sectors has varied reflecting the extent to which lockdown measures have forced some industries to temporarily ‘shut down’.
- 3.23 Some sectors have seen their output directly impacted by the lock-down (such as entertainment and recreation) while others have continued to function at some level through remote-working (such as professional services), albeit potentially with reduced capacity. For example, there is clear evidence that there has been a significant shift to e-commerce, with the volume of new eCommerce start-ups increasing significantly since March 2020 (Figure 3.5).

⁴ ONS Public sector finances, UK: July 2020

Figure 3.5 Week by Week 2017-2020 Volume of e-Commerce Start-Ups



Source: Business Data Group (2020)

3.24 Some sectors have the potential to rebound quickly as lock-down measures are eased, with construction being an obvious example. However, there may well be longer-lasting effects. For instance, consumption-led activities such as retail may be vulnerable if consumer confidence and spending remains cautious.

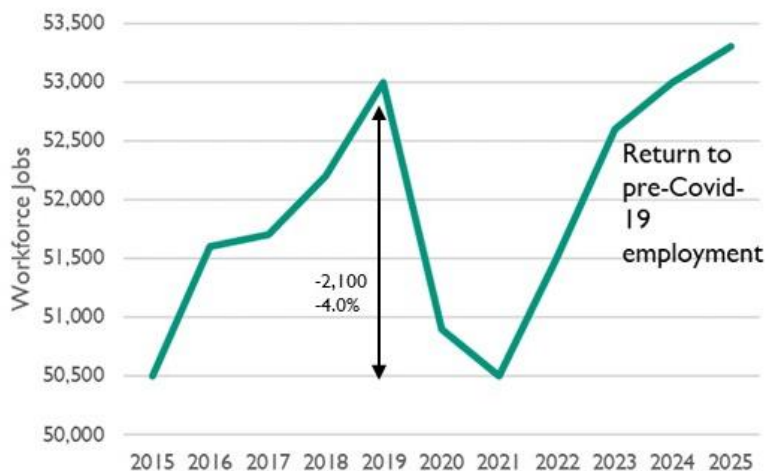
Conwy County Borough’s Economic Performance

Future Job Growth Prospects

3.25 As set out above, we have now received Experian’s June 2020 Covid-19 incorporated econometric job projections for Conwy County Borough. Though viewed as a temporary shock, the forecasts imply a significant impact on almost all sectors of the economy and all parts of the County Borough. The forecasts are based on the assumption that the recovery will follow a delayed-V shape, with a substantial drop in output in Q2 2020 as economic activity was highly restricted due to lockdown measures to contain the virus. The virus in the UK is assumed (by Experian) to be brought under control after five months of intensive suppression, with the economy bouncing back in the second half of the year.

3.26 Experian forecast a fall of 2,100 jobs this year, or 4.0% Conwy County Borough’s workforce, with a protracted recovery that will see a return to pre-Covid levels by 2024 (Figure 3.6). This is a more protracted return to 2019 workforce jobs than is projected for the UK as a whole by Experian.

Figure 3.6 Experian: Conwy County Borough Workforce Jobs



Source: Experian UK Macro Economic Forecast June 2020

3.27 Over the longer term, policy off net job growth between 2018 and 2033 is anticipated to be in the order of 1,500, with much of this growth occurring in the first few years after the pandemic. This equates to a Compound Annual Growth Rate [CAGR] of just 0.19%.

3.28 Conwy County Borough’s moderate future job growth prospects stand in stark contrast to the very strong historic job growth experienced since 2010 where an additional 6,400 jobs were created (net), boosting the size of the local workforce by 14% and a CAGR of 1.65% - a growth rate substantially higher than North Wales and England & Wales as a whole. However, going forward, the 0.19% CAGR growth rate for Conwy County Borough is well below all the comparator areas, and less than a third the annual growth rate projected for England and Wales as a whole (Table 3.2).

Table 3.2 Historic and Projected Employment Change

	2010 to 2018		2018 to 2033	
	Net Workforce Jobs Growth	CAGR	Net Workforce Jobs Growth	CAGR
Conwy County Borough	6,400	1.65%	1,500	0.19%
North Wales	32,000	1.23%	13,900	0.26%
Wales	104,760	0.92%	88,070	0.39%
England & Wales	3,393,560	1.44%	2,958,350	0.60%

Source: Experian (June 2020) UK Local Market Forecasts Quarterly - Workforce Jobs: Lichfields analysis.

3.29 Similarly, the forecasts imply a short-term economic impact worth £276 million during the course of 2020, equivalent to a 15.0% drop in Gross Value Added [GVA] in Conwy County Borough from pre Covid-19 levels. Whilst output is expected to pick up later in the year, it is likely to take at least three years for Conwy County Borough’s productivity to return to 2019 levels.

3.30 In contrast to employment, productivity levels are expected to continue to grow relatively strongly in the years ahead, with productivity increasing by £680 million between 2020 and 2040, at a CAGR of 1.81% (compared to a CAGR of 0.28% for workforce jobs growth over the same timeframe).

3.31 Table 3.3 shows the projected change in sector employment in Conwy County Borough over the Plan period 2018 to 2033. The accommodation, food services & recreation sector, which already plays the largest role in the local economy in terms of the number of jobs, is projected to play an

even bigger role in generating employment opportunities, increasing by 1,300 jobs (or 13%). Similarly, the third largest sector, health, Residential Care and Social work, is also projected to increase from 7,700 jobs to 8,900, an increase of 1,200 jobs or 16%. The majority of other sectors are either projected to have minimal growth, or to decline. The biggest decreases are forecast in the Wholesale & Retail sectors, which are projected to lose around 1,000 jobs, or 12.5%, with other falls projected in Agriculture and construction. A sharp fall of 33% in the manufacturing sector is distorted by the fact that there are very few people employed in this sector to start with in Conwy County Borough.

Table 3.3 Projected Sectoral Employment Change in Conwy County Borough 2018-33

	2018		2033		Change from 2018 to 2033	
	Jobs	%	Jobs	%	Jobs	%
Accommodation, Food & Recreation	10,100	19.3%	11,400	21.2%	1,300	12.9%
Agriculture, Forestry, Fishing & Mining	1,900	3.6%	1,700	3.2%	-200	-10.5%
Construction	4,500	8.6%	4,300	8.0%	-200	-4.4%
Education	5,600	10.7%	5,500	10.2%	-100	-1.8%
Finance & Insurance	600	1.1%	600	1.1%	0	0.0%
Health, Residential Care & Social Work	7,700	14.8%	8,900	16.6%	1,200	15.6%
Information & communication	700	1.3%	700	1.3%	0	0.0%
Manufacturing	300	0.6%	200	0.4%	-100	-33.3%
Professional & Other Private Services	7,400	14.2%	7,500	14.0%	100	1.4%
Public Services	3,700	7.1%	3,800	7.1%	100	2.7%
Transport & storage	1,300	2.5%	1,600	3.0%	300	23.1%
Utilities	400	0.8%	500	0.9%	100	25.0%
Wholesale & Retail	8,000	15.3%	7,000	13.0%	-1,000	-12.5%
All Sectors	52,200	100.0%	53,700	100.0%	1,500	2.9%

Source: Experian (June 2020) UK Local Market Forecasts Quarterly - Workforce Jobs. Lichfields analysis.

3-32 GVA is a measure of the total value of all goods and services generated by individuals and corporations within a given area. The latest Experian data (Table 3.4) shows that Wales generated £62.8 billion of GVA in 2018; or 3.8% of the £1.65 trillion generated in England and Wales⁵. Conwy County Borough generated 2.9% of Wales' total GVA in 2018, or £1.83 billion⁶.

3-33 Between 2018 and 2033 the annual GVA generated by Conwy County Borough is projected by Experian to increase by a CAGR of 0.88%, from a base of £1.83 bn. This below the growth rate in Wales (1.09%) and England and Wales (1.46%). However, this still represents an increase of over a quarter of a billion pounds, with growth particularly strong in real estate (+£43.4m), administration and support services (£36.8m) and health (£70.8m).

Table 3.4 Change in GVA 2018 to 2033

	Net GVA Growth	CAGR
Conwy County Borough	£256,400,000	0.88%
Wales	£11,095,300,000	1.09%
UK	£401,912,810,000	1.46%

Source: Experian June 2020 Regional GVA

⁵ Experian June 2020 Regional GVA

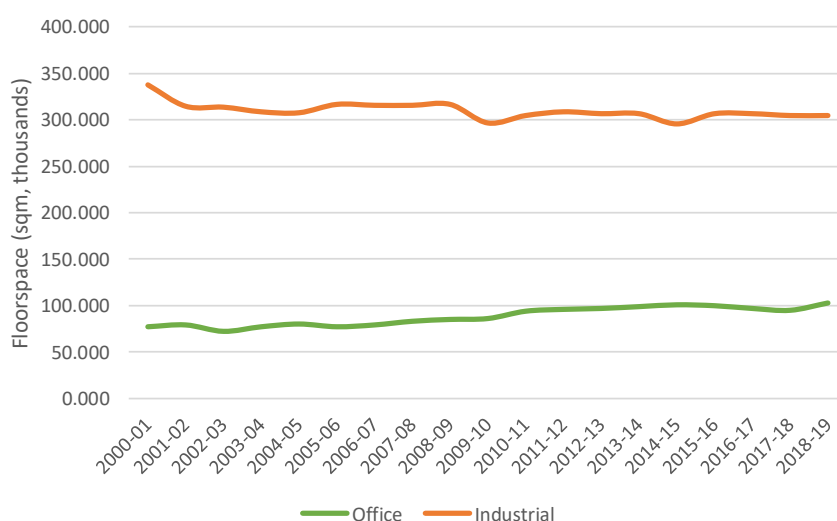
⁶ Data are only available for Conwy and Denbighshire

Floorspace Trends

3.34

Based on Valuation Office Agency [VOA] data, it is apparent that Conwy County Borough's total stock of employment space decreased from 415,000 to 408,000 sqm between 2000/01 to 2018/19⁷. However, this obscures a strong growth in office space over this period, which increased by 34% to 103,000 sqm (a net growth of 26,000 sqm) whilst industrial space decreased by around 10% (to 305,000 sqm – a fall of 33,000 sqm). As a result, the share of office space of the total stock of employment space has increased from 19% to 25%. The rate of office growth in Conwy County Borough has outstripped both the national (+26%) and North Wales average rate of change (20%), although the converse is true for industrial floorspace with the amount of B2/B8 floorspace declining at a faster pace than has been seen elsewhere in both Wales (-3.1%) and North Wales (+4.3%). Indeed, the loss of industrial floorspace is proportionately the highest in North Wales.

Figure 3.7 Change in Conwy County Borough's Commercial Floorspace 2000/01-2018/19



Source: VOA (2020): Total Commercial floorspace by administrative area, data to 31 March 2019

Age of Industrial/Commercial Premises

3.35

Table 3.5 compares the age of premises in Conwy County Borough with the corresponding data for Wales, and England and Wales as a whole. From this it can be seen that almost three quarters of all B-class units in the County were built before 1970. The County Borough's stock of space comprises a higher proportion of older premises than Wales (60.3% of units built prior to 1970) and England and Wales (63.8%). As can be seen from the Tables, Conwy County Borough has a particularly high volume of units that were constructed before WWII, with more than half of all warehousing, and a worrying 73% of offices, dating from before 1940, a rate that is considerably higher than both the Welsh (36%) and England & Wales (40%) averages.

3.36

This would suggest that the historic rate of replacement has been lower in Conwy County Borough than in the comparator areas and could suggest a need for newer stock more suited to the needs of modern occupiers.

⁷ VOA (2020) Business /Industrial Floorspace by administrative area

Table 3.5 Proportion of units built up to 1970

		Pre-1940 floorspace	Floorspace built 1940-1970	Total Floorspace Pre-1970
Conwy County Borough	Office	72.8%	9.4%	82.2%
	Factory	41.9%	19.1%	61.0%
	Warehouse	52.5%	22.1%	74.6%
	Total B Class	56.7%	16.5%	73.3%
West Midlands Region	Office	54.5%	17.8%	72.4%
	Factory	21.1%	27.0%	48.1%
	Warehouse	31.5%	29.7%	61.2%
	Total B Class	35.9%	24.4%	60.3%
England and Wales	Office	51.0%	18.3%	69.2%
	Factory	32.7%	28.2%	60.9%
	Warehouse	32.1%	26.7%	58.8%
	Total B Class	40.0%	23.8%	63.8%

Source: DCLG (2004): Age of commercial and industrial stock: local authority level 2004: Table 3.1: Number of hereditaments by LAD and age for each bulk class/ Lichfields' analysis

Table A7.6 Total units by Age for each bulk class (sqm)

	Use Class	Unknown Age	Pre 1940	1940-70	1971-80	1981-90	1991-2000	2001-03	All ages (excluding unknown)
Conwy	Office	7	409	53	26	21	32	21	569
	Factory	1	193	88	23	66	82	9	462
	Warehouse	9	264	111	16	57	40	15	512
	Total	17	866	252	65	144	154	45	1,543

Source: DCLG (2004): Age of commercial and industrial stock: local authority level 2004: Table 3.1: Number of hereditaments by LAD and age for each bulk class

Business Demography

3-37

Conwy County Borough has around 4,400 businesses, and, as is common across Wales and the UK in general, the vast majority of these are classified as Small and Medium Enterprises [SMEs] with up to 249 employees⁸. Whilst the profile of businesses is similar across all areas, the County has proportionately more small-sized businesses with 10 - 49 employees. Table 3.7 summarises the business stock in Conwy County Borough and compares it to North Wales, Wales and the UK.

Table 3.7 Size of Businesses (2019)

	Conwy County Borough	County	North Wales	Wales	UK
Total	4,390	100.00%	100.00%	100.00%	100.00%
Micro (0 to 9)	3,910	89.1%	89.0%	89.3%	89.5%
Small (10 to 49)	415	9.5%	9.4%	9.1%	8.6%
Medium (50 to 249)	60	1.4%	1.4%	1.4%	1.5%
Large (250+)	5	0.1%	0.3%	0.3%	0.4%

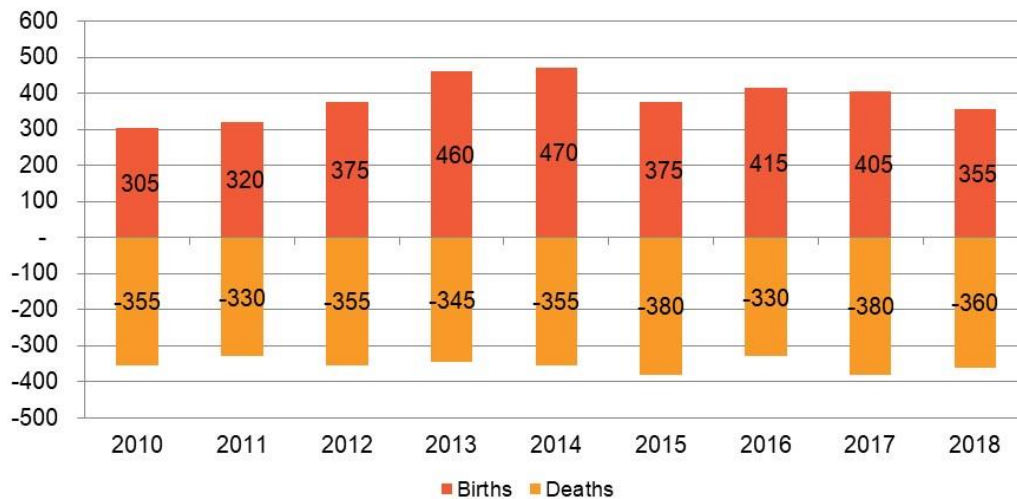
Source: ONS (2020) Inter Departmental Business Register – Enterprises 2019

⁸ ONS (2020) Inter Departmental Business Register – Enterprises 2019

3.38

Between 2010 and 2011 the stock of businesses in Conwy County Borough decreased each year until the trend began to reverse from 2012 onwards⁹. This was caused by a greater number of business births than business deaths, resulting in a net increase in these years. For 2018, the most recent year for which data has been made available by ONS, there were 5 more business failures than births. Figure 3.8 illustrates the number of business births and deaths in Conwy County Borough between 2010 and 2018.

Figure 3.8 Business Births and Deaths in Conwy County Borough



Source: ONS (2020) Business Demography - 2018: Enterprise Births, Deaths and Survivals

3.39

Between 2010 and 2018 Conwy County Borough's business stock grew at a weaker rate (6.3%) than Wales (16.5%) and the UK (25%) as a whole, although it was broadly comparable with the North Wales average. Conwy County Borough's business stock decreased by 45 businesses between 2017 and 2018, or -1.1%. Table 3.8 shows the annual change in business stock between 2010 and 2018.

Table 3.8 Annual Change in Business Stock

	2010 to 2011	2011 to 2012	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2010-2018
Conwy County Borough	-10	20	115	115	5	85	25	-5	45
	-2.1%	0.4%	1.9%	2.7%	0.0%	1.8%	2.6%	-1.1%	6.3%
North Wales	-40	-125	620	565	295	475	180	205	1,885
	-1.9%	-0.1%	1.3%	1.8%	1.8%	2.9%	1.4%	-0.4%	6.9%
Wales	-185	-680	3,070	2,815	1,905	2,720	3,385	3,095	14,440
	-2.0%	-0.7%	2.0%	3.0%	2.8%	3.6%	4.5%	2.4%	16.5%
UK	31,845	17,165	109,250	104,115	100,760	133,220	19,945	44,915	547,765
	-0.4%	1.3%	3.2%	4.2%	4.7%	6.1%	3.3%	0.5%	25.0%

Source: ONS (2020) Business Demography - 2018: Enterprise Births, Deaths and Survivals

3.40

Table 3.9 shows the births and deaths as a proportion of the total business stock in Conwy County Borough, North Wales, Wales and the UK for 2010 to 2018. The proportion of births and deaths of the business stock is lower in Conwy County Borough than the rest of the UK. This suggests that there is less churn in the business population.

⁹ ONS (2018) Business Demography – 2017: Enterprise Births, Deaths and Survivals

Table 3.9 Births and Deaths as a Percentage of Business Stock

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Births	Conwy County Borough	8.0%	8.5%	9.9%	12.0%	11.9%	9.5%	10.3%	9.8%	8.7%
	North Wales	8.0%	8.5%	9.2%	11.6%	11.0%	10.4%	10.7%	10.4%	9.8%
	Wales	8.3%	9.3%	9.4%	12.6%	12.3%	12.1%	12.3%	13.7%	13.3%
	UK	10.0%	11.2%	11.3%	14.1%	13.7%	14.3%	14.6%	13.1%	12.9%
Deaths	Conwy County Borough	9.3%	8.8%	9.4%	9.0%	9.0%	9.6%	8.2%	9.2%	8.8%
	North Wales	9.3%	8.7%	9.8%	8.7%	8.4%	9.1%	8.7%	9.6%	9.0%
	Wales	10.2%	9.5%	10.2%	9.2%	9.2%	10.1%	9.5%	10.4%	10.4%
	UK	10.6%	9.8%	10.6%	9.7%	9.7%	10.6%	9.9%	12.4%	11.4%

Source: ONS (2020) Business Demography - 2018: Enterprise Births, Deaths and Survivals

3.41

Table 3.10 indicates that Conwy County Borough's business composition is broadly similar sector to the rest of North Wales. For example, the agriculture, forestry & fishing sector is clearly an important component, whilst professional & other private services are under-represented compared to Wales and the UK. Conwy County Borough differs from the rest of North Wales as it has a much lower proportion of manufacturing businesses and a higher proportion of accommodation, food services & recreation businesses.

Table 3.10 Business Sector Demography (2019)

Industrial Sector	Conwy County Borough	North Wales	Wales	UK
Agriculture, forestry & fishing	695	15.8%	15.3%	13.1%
Mining, quarrying & utilities	30	0.7%	0.8%	0.6%
Manufacturing	195	4.4%	5.8%	5.5%
Construction	495	11.3%	12.6%	12.7%
Motor trades	155	3.5%	3.7%	3.5%
Wholesale	115	2.6%	3.3%	3.0%
Retail	365	8.3%	7.4%	8.4%
Transport & storage (inc postal)	125	2.8%	3.8%	4.6%
Accommodation & food services	530	12.1%	9.4%	8.2%
Information & communication	140	3.2%	3.6%	4.3%
Financial & insurance	95	2.2%	1.4%	1.7%
Property	105	2.4%	2.5%	2.7%
Professional, scientific & technical	460	10.5%	11.0%	11.5%
Business administration & support services	300	6.8%	7.2%	7.7%
Public administration & defence	20	0.5%	0.6%	0.5%
Education	60	1.4%	1.4%	1.3%
Health	235	5.4%	4.5%	4.1%
Arts, entertainment, recreation & other services	280	6.4%	6.2%	6.4%
Total	4,390	100.0%	100.0%	100.0%

Source: ONS (2020) Inter Departmental Business Register 2019 - Enterprises. Lichfields analysis

Labour Market

Employment

3.42

The economic activity rate in Conwy County Borough is 75.9% (aged 16-64), which is slightly lower than the rest of Wales (76.6%)¹⁰. Conwy County Borough's current economic activity rate

¹⁰ ONS (2020) Annual Population Survey April 2004-March 2005 to Apr 2019-March 2020

is also lower than the rest of North Wales (78.8%) and the UK (79.0%). Over the last 13 years the economic activity rate was at its lowest (73.5%) in 2009/10.

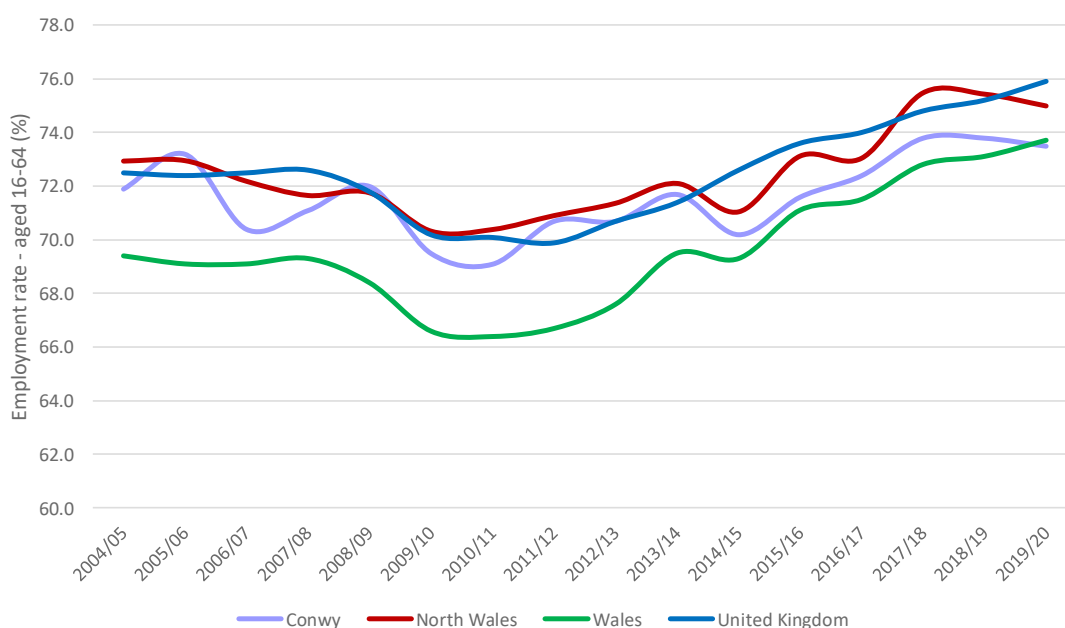
3.43 The economically active population in Conwy County Borough has increased by 1.5% between 2004-05 and 2019-20. This is a much lower level of increase than was experienced across North Wales (4.3%), Wales (5.1%) and the UK (3.7%). Most of those residents who are economically active in Conwy County Borough are also employed; the current employment rate is 73.5%. This is lower than the rest of North Wales (75.9%), Wales (73.7%) and the UK (75.9%).

3.44 It should be noted that all of these figures were taken before the full effects of the pandemic were felt, in March 2020, and hence it is very likely that the next set of results will be substantially worse, at all spatial levels.

3.45 Figure 3.9 illustrates the employment rates in Conwy County Borough and the comparison areas for the financial years 2004/05 to 2019/20. This suggests that the County has consistently had a lower employment rate than all the comparison areas with the exception of Wales, and only went above its pre-recession peak in 2017/18. The rate is currently 73.5% as of March 2020, although this is highly likely to fall significantly in the months ahead due to the pandemic.

3.46 There are currently 1,600 people (3.2%) unemployed in Conwy County Borough. This is a lower rate than the rest of North Wales (3.6%), Wales as a whole (3.7%) and the UK (3.8%). The current 3.2% unemployment rate is significantly lower than the peak experienced in recent years, of 7.3% in 2011/12 when 3,800 local residents were unemployed, but is almost certain to increase significantly in the coming months.

Figure 3.9 Employment Rate (2004-05 to 2019-20)



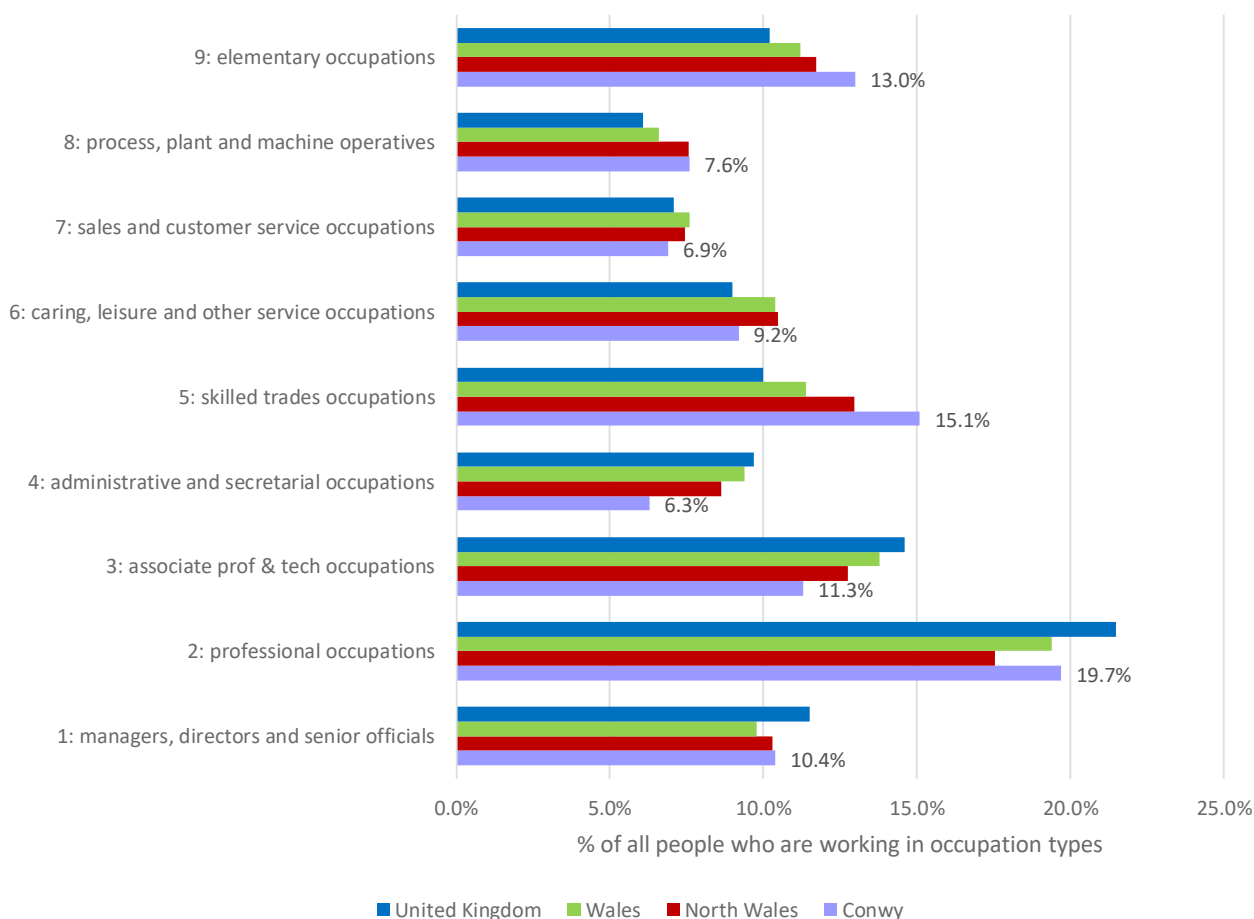
Source: ONS (2020) Annual Population Survey April 2004-March 2005 to April 2019-March 2020

Occupations

3.47 Figure 3.10 plots the proportion of Conwy County Borough's residents who are employed in certain occupation grades, as of 2019/2020, against a number of regional and national comparators. In general, it is apparent that the County has some interesting differences in the composition of its workforce occupations to the rest of North Wales, Wales and the UK. The main differences are that Conwy County Borough has a very high proportion of residents

employed in skilled trades and elementary occupations, and a much lower proportion of administrative and secretarial, and associate professional technical occupations. The district also has a higher proportion of residents who are categorised as senior professionals than the Wales/North Wales averages. This is likely to be a combination of the relatively limited head/regional office market in the district as a source of employment, combined with the high quality of life likely to attract senior professionals willing to commute.

Figure 3.10 Workforce Occupations (April 2019 – March 2020)



Source: ONS (2020) Annual Population Survey - Occupations

Location Quotients

3.48 Consultations with stakeholders highlighted that whilst recent government policy has focused on spatial led growth models, there is an increasing need for and shift towards sector-based growth models.

3.49 In order to identify the full economic potential of Conwy County Borough, it is important to revisit which industrial sectors are best placed to drive future growth. This is informed by an understanding of which sectors are under or over-represented in terms of local employment and their recent growth performance.

3.50 Figure 3.11 assesses Conwy County Borough’s current sectoral strengths through the use of location quotients, which measure the proportion of employment in an industry at the local authority level relative to the regional average. In the graph, the location quotients are shown using an orange bar. A value above 1.0 denotes a higher local representation of a sector

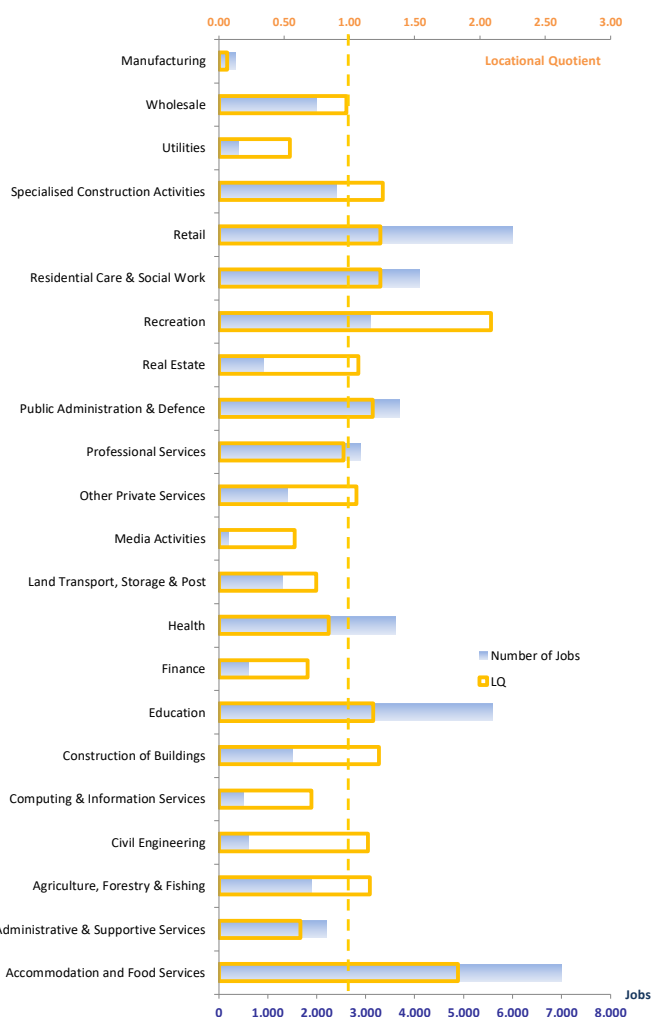
compared to the Welsh average, whilst anything below 1.0 signifies an under-representation. The further the orange bar is from 1.0, the greater the extent of any over or under-representation. In addition, the blue bars show the absolute level of employment within Conwy County Borough accounted for by each sector.

3.51 The graph indicates that the County has an extremely strong employment representation in Accommodation and Food Services, Retail, Recreation, Education, Construction, Residential Care and Social Work. The Accommodation & Food Service, Retail and Education sectors also employ very high levels of workers in absolute terms.

3.52 This is hardly a surprising finding - the spectacular rural and coastal scenery of the County ensures that tourism (and tourism-related sectors such as hospitality) is a mainstay of the local economy. Whilst employing large numbers of the local workforce, the public sector is generally also over-represented in the County.

3.53 Conversely, the chart also illustrates the very low rate (and in some cases, almost complete absence) of employment in the more industrial sectors. Of particular note, the Experian data suggests that only around 400 people are employed in traditional manufacturing sectors, or 0.88% of the total workforce. This compares with over 165,000 people employed in manufacturing across Wales in 2018 (10% of the total workforce).

Figure 3.11 Location Quotients of Economic Sectors in Conwy County Borough, 2018

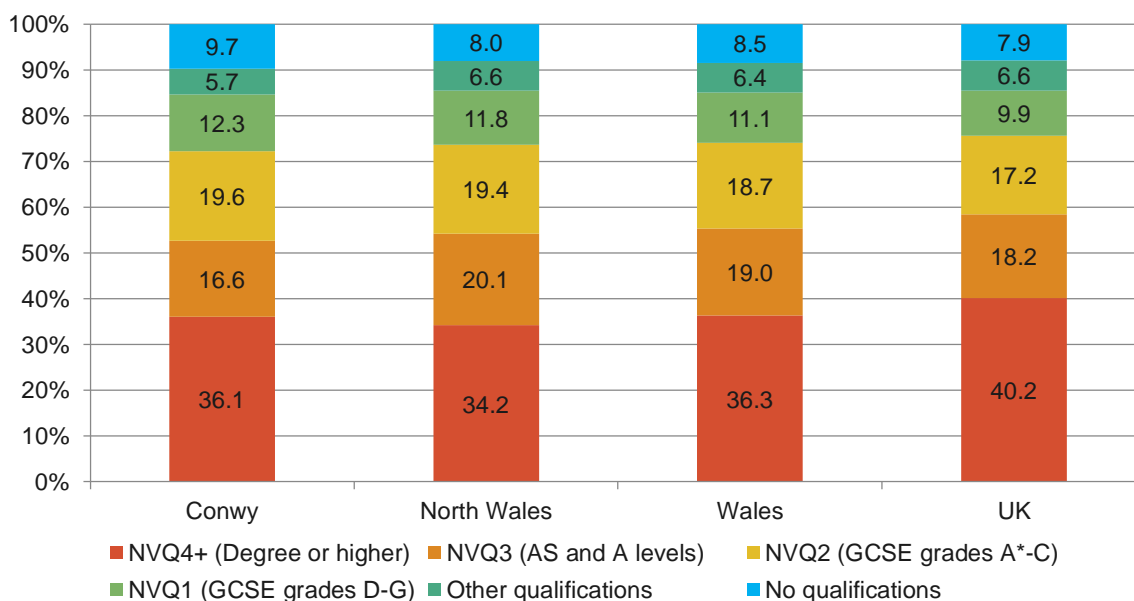


Source: Experian 2020 / Lichfields' Analysis

Skills and Qualifications

3-54 Figure 3.12 presents the qualification levels of residents aged 16 to 64. It indicates that Conwy County Borough has a well-qualified resident workforce when compared to the rest of North Wales. However, the proportion of people in the County with degree-level qualifications still remains below the national and UK levels. Conwy County Borough also has a higher proportion of residents with no qualifications.

Figure 3.12 Qualifications of People Aged 16 to 64 (January-December 2019)



Source: ONS (2020) Annual Population Survey

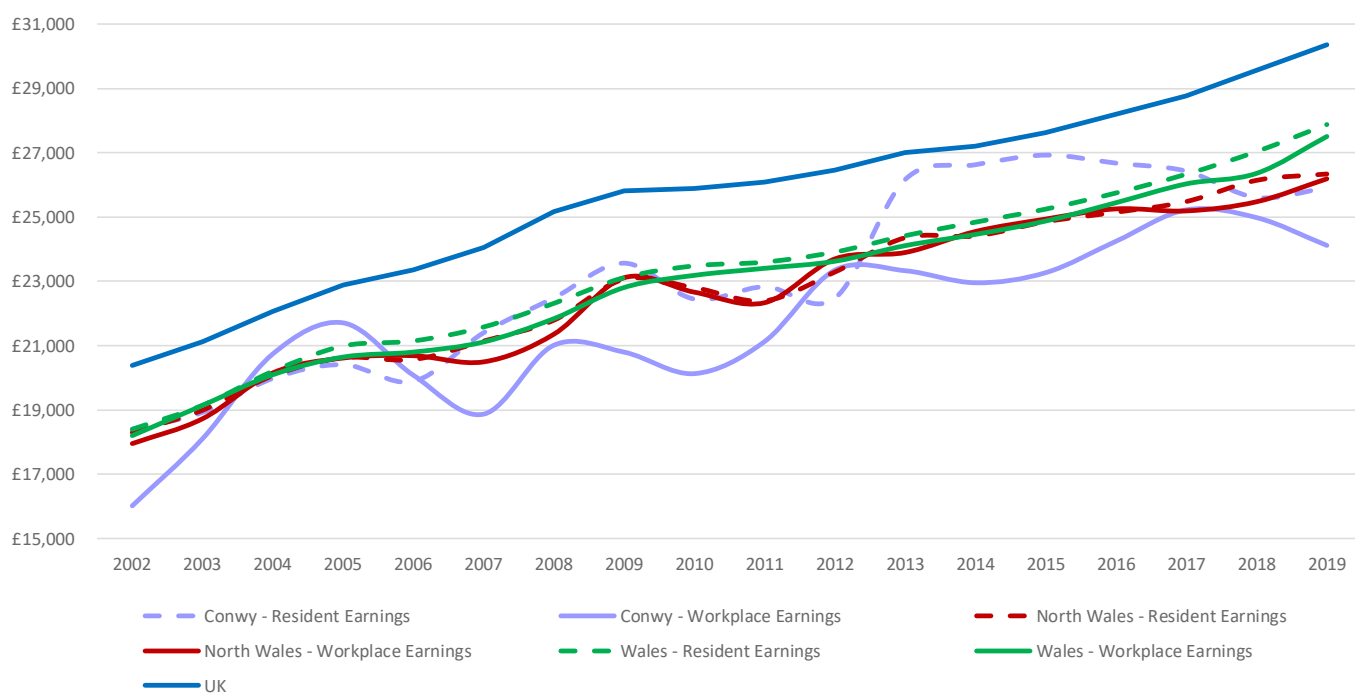
Earnings

3-55 Figure 3.13 compares changes to the gross median annual earnings in Conwy County Borough, North Wales, Wales and the UK between 2002 and 2019. Until very recently, earnings for Conwy's residents have been consistently higher than both the North Wales and Wales averages. However, they have plateaued in 2014 and dipped since 2016 and remain well below UK earnings, at £25,905 compared to £30,353 across the UK. Workplace-based earnings are consistently lower than resident-based earnings in Conwy County Borough.

3-56 Whilst Conwy County Borough's workplace and resident earnings started on a lower base than the UK they have increased at a rate of 2.6% and 2.1% per year respectively. In comparison, Wales (workplace and resident) and UK earnings have only increased by 2.5% and 2.4% per year respectively¹¹.

¹¹ ONS (2018) Annual Survey of Hours and Earnings

Figure 3.13 Resident and Workplace Gross Median Annual Earnings 2002-2019



Source: ONS (2020) Annual Survey of Hours and Earnings

3.57 Table 3.11 presents percentile earnings groups in Conwy County Borough, Wales and the UK for 2018 (2019 data is suppressed by ONS for the County as it is statistically unreliable). Percentile groups show the earnings figure below which that proportion of employees fall. This indicates that Conwy County Borough generally lags behind Wales and the UK for both resident and workplace-based earnings.

Table 3.11 Percentile Earnings Groups (2018)

Percentile Group	Workplace			Resident		
	Conwy County Borough	Wales	UK	Conwy County Borough	Wales	UK
20%	£16,778	£18,396	£19,664	£17,618	£18,592	£19,664
40%	£22,201	£23,441	£25,962	£23,303	£23,840	£25,962
60%	£28,758	£30,000	£33,597	£29,809	£30,640	£33,597
80%	£37,392	£39,169	£45,383	£38,224	£40,008	£45,383

Source: ONS (2020) Annual Survey of Hours and Earnings

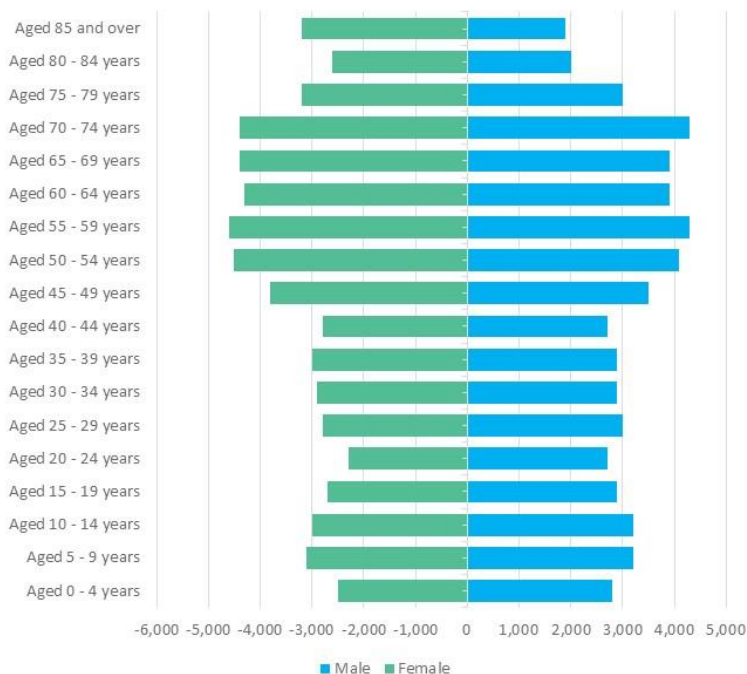
Population Demographics

3.58 Figure 3.14 illustrates Conwy County Borough's population age and gender structure in 2019. A total of 117,200 people live in the County¹². Overall there is a ratio of 51.3 females to 48.7 males. This is a slightly more 'uneven' distribution than the rest of North Wales, Wales or the UK (50.6:49.4, 50.7:49.3, and 50.6:49.4 respectively). Only 55.9% of the total population in Conwy County Borough (65,500 people) are of working age (between 16 and 64). This is a smaller proportion than North Wales (58.9%), Wales (61.1%) and the UK as a whole (62.5%). The County also has a very high proportion of over 65s living in the area, at 32,700 residents, or

¹² ONS (2020) Mid-Year Population Estimate 2019

27.9% of the population, compared with just 18.5% across the UK as a whole, 21.0% across Wales and 23.3% in North Wales.

Figure 3.14 Conwy County Borough Population Age Structure (2019)



Source: ONS (2018) Mid-Year Population Estimate 2017

- 3.59 Population growth in Conwy County Borough has been modest compared to the UK as a whole, although it has generally been in line with North Wales and Wales. The County's population grew by 8.5% between 1991 and 2018 compared to 9.2% in Wales, 7.8% across North Wales and 15.7% across the UK. The working age population in Conwy County Borough has grown by 5.3% over this period; faster than North Wales (3.6%) but slower than Wales (7.4%) and less than half the UK rate (13.5%). The population aged 0 to 15 has decreased by 2.2% in the County. Whilst this is a smaller decrease than North Wales (-3.5%) or Wales (-4.5%), the UK experienced positive growth of 8.0%. Over a quarter of the County's population is aged 65 or older (27.5%). This is significantly above the average for North Wales (23.1%), Wales (20.8%) and the UK (18.3%).
- 3.60 As set out in the previous Update, these demographic changes continue to mean that Conwy County Borough's labour market is not being replenished by younger people as quickly as the UK's. This issue is exacerbated by the County's proportionately older population too. The future availability of labour supply will influence the demand for employment space.
- 3.61 In this regard, the latest 2018-based local authority population projections for Wales indicate that Conwy County Borough's population growth will be around 4,035 between 2018 and 2033, a growth rate of 3.4% which is higher than the North Wales rate of 1.7% and broadly in line with the national rate of 3.5%. Whilst this is higher than the population growth of the Isle of Anglesey and Wrexham, which are projected to decrease steadily between 2018 and 2033, Conwy County Borough's growth is below nearby Gwynedd (4.1%). This level of growth is much larger than was previously projected for the County using the 2014-based projections, which suggested growth of 1,731 or just 1.5%, less than half the new rate.

3.62

However, as can be seen from Table 3.12, this growth is entirely due to very high levels of projected growth in the 65+ age groups, which are projected to increase by a very substantial 26.8% over the next 15 years, whilst the crucial working age demographic indicates we are set to lose 3,334 residents aged between 16-64, a reduction of 5.1% on current 2018 levels. Although higher than the rate of change in this age group likely to be experienced elsewhere in Wales, the rate of change is less severe than was previously forecast in the 2014-based population projections, which suggested that there would be a reduction of 5,939 residents of working age, or -9.0%.

Table 3.12 Population Growth for Conwy County Borough and comparator areas 2018-33

	Net Total Growth	Total Growth %	Net 16-64 Growth	16-64 Growth %	65+ Growth	65+ Growth %
Conwy County Borough	4,035	3.4%	-3,334	-5.1%	8,609	26.8%
North Wales	11,900	1.7%	-15,274	-3.7%	35,925	22.3%
Wales	109,927	3.5%	-17,804	-0.9%	154,594	23.7%

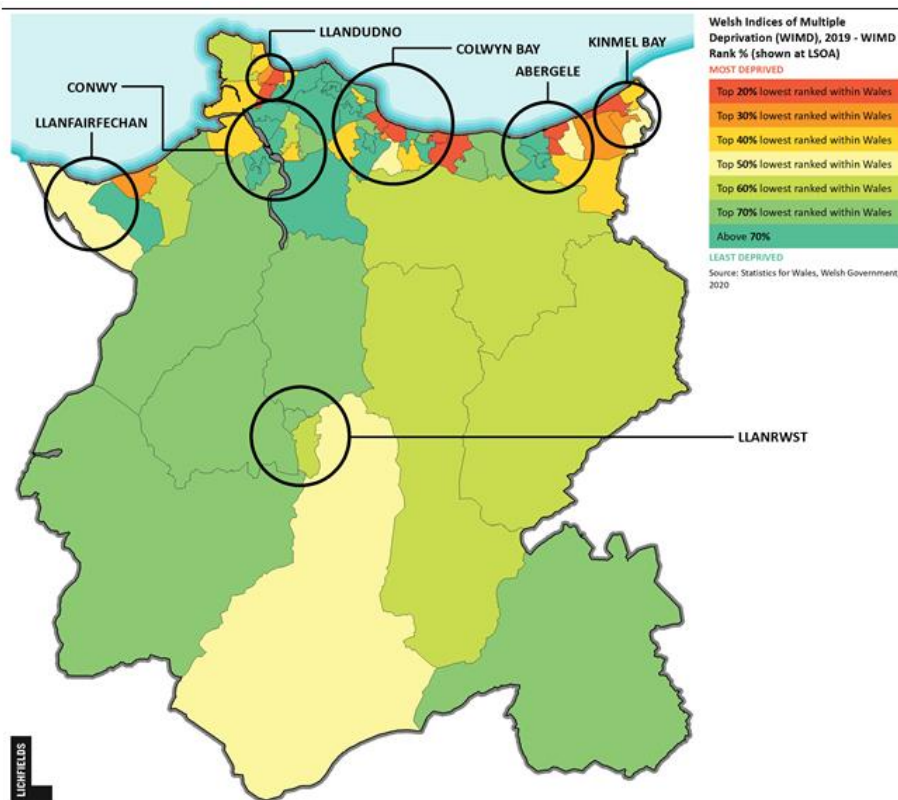
Source: Welsh Government (2020): 2018-based local authority population projections for Wales, 2018 to 2043

Deprivation

3.63

Figure 3.15 shows hotspots of deprivation in Conwy County Borough using the latest 2019 data from the Welsh Indices of Multiple Deprivation [WIMD]. The WIMD ranks small scale geographical areas (Lower Super Output Areas [LSOA]) for their relative deprivation compared to other areas in Wales.

Figure 3.15 Rank of Welsh Indices of Multiple Deprivation in Conwy County Borough



Source: Lichfields analysis, drawing upon WIMD 2019

- 3.64 In Conwy County Borough the situation remains largely unchanged from the previous IMD back in 2014, with many of the areas along the coast feature in the 20% or 30% most deprived areas in Wales, particularly Colwyn Bay, Abergele and Llandudno which all have concentrations of deprivation. The domains driving deprivation in these areas are employment, income and community safety.
- 3.65 In terms of changes from the 2014 IMD, Colwyn 2, which is located around the Tan-y-Lan and Penmaen Head area of Old Colwyn in Conwy County Borough, is one of only three areas that have moved by two deprivation groups. This moved from the 20-30% most deprived in WIMD 2014 to the top 10% most deprived in 2019, with its overall rank changing from 522 in 2014 to 190 in 2019. It became relatively more deprived in five domains, in the following order of greatest to smallest change: Health, Income, Employment, Community Safety and Education.
- 3.66 According to the WIMD Results Report (2019), Conwy County Borough is one of 12 Local Authorities with no small areas of deep-rooted deprivation (Isle of Anglesey, Gwynedd, Conwy County Borough, Flintshire, Powys, Ceredigion, Pembrokeshire, Carmarthenshire, Vale of Glamorgan, Torfaen, Newport, and Monmouthshire).
- 3.67 In contrast the rural areas of the County are typically in the 60% least deprived areas of Wales or higher. These areas are not ranked as negatively for income and employment, though access to services is an issue. The rural areas in the County are ranked much more positively than the coastal settlements for education, health and physical environment.

SWOT Analysis

- 3.68 The main SWOTs facing Conwy County Borough and North Wales are summarised in Table 3.13. This has been updated from the previous 2019 Update to take into account the current Covid-19 crisis and the latest publicised from the progress (or otherwise) of the Government's Brexit negotiations. It is based upon the economic conditions and trends discussed above as well as the key growth drivers for North Wales.

Table 3.13 SWOT analysis

Current Strengths	Current Weaknesses
<ul style="list-style-type: none"> Conwy has experienced stronger employment growth than Wales in recent years A relatively diverse economy Lower business death rate than Wales or the UK Claimant Count rate has declined significantly in recent years and is now below the Wales and UK averages. Unemployment is just 3.2%, although this is likely to increase in the near future given the economic uncertainty resulting from the pandemic and Brexit Well qualified workforce, with more residents with higher-level qualifications compared to North Wales More people working in managerial and professional occupations than Wales as a whole Lower workplace earnings are attractive to businesses 	<ul style="list-style-type: none"> GVA growth in recent years has fallen behind the UK, though historically it has matched Wales' growth Conwy's business population is at a significantly lower level than UK There are few larger companies based in Conwy and there are challenges around growing businesses beyond micro, small and medium-sized enterprises in the area Current economic activity rates are lower than comparable areas Resident wages in Conwy have fallen since 2016 and remain at £25,905 well below UK earnings of £30,353. Workplace-based earnings are consistently lower than resident-based earnings The proportion of people in Conwy with degree-level qualifications remains below the national and UK levels. Conwy also has a higher proportion of residents with no qualifications Hotspots of deprivation, predominantly in the coastal settlements, driven by lower incomes and few employment opportunities Smaller proportion of businesses and employment in more productive manufacturing and service sectors
Current Opportunities	Current Threats

Current Strengths	Current Weaknesses
<ul style="list-style-type: none"> • The accommodation, food services and recreation sector is forecast to drive future job growth in Conwy • Strong employment representation in services and leisure activities, which tend to employ high levels of workers in absolute terms • Businesses are less likely to cease trading in Conwy than in the UK as a whole • Labour market skills are strong compared to the rest of the region and Wales, which is attractive to businesses • Upskilling the workforce and encouraging greater take up of STEM/digital subjects which may lead to greater retention of younger residents • Rise of homeworking likely to continue as technology advances, the pandemic, and Conwy's highly attractive natural environment will continue to encourage successful individuals to move to the area • Large base of smaller businesses means their space requirements are more flexible 	<ul style="list-style-type: none"> • The current pandemic has hit Conwy's leisure, recreation, retail and hospitality sectors very hard and recovery is uncertain • The high level of home working as a result of the pandemic may mean that future patterns of working are changed permanently, which may have a serious knock-on effect on the need for new office space • Negotiations over a post-Brexit trade deal with the EU are not progressing well and there remains a real risk of a no deal outcome. The current uncertainty is harming business investment, whilst the prospect of a no deal outcome, and substantially reduced farming subsidies more generally, could hit Conwy's agricultural sector hard • Lower business start-up rates means that the uptake of new employment space may be slow • Whilst unemployment rates are currently low, the rate is very likely to increase substantially (as elsewhere) once the Government's furloughing scheme ends in October 2020 • The latest employment projections for Conwy indicate that strong recent growth pre-Covid is unlikely to continue in the medium-longer term, with the rate of growth 2018-33 plateauing at 0.2%, well below national comparators • Manufacturing sector is forecast to decline by a third by 2033, albeit from a low base currently • The latest 2018-based population projections are more optimistic than the previous 2014-based iteration, but still suggest that Conwy will have a rapidly ageing population and a declining labour supply • A loss of over 3,300 of Conwy's younger resident workforce in the years ahead may mean that the labour market is not replenished

4.0 Overview of B-Class Employment Space

Introduction

4.1 This section provides an updated overview of the current stock of B-Class employment space in Conwy County Borough, while also summarising recent trends and changes to the supply of this employment space. The amount of employment land and floorspace has been considered across the three main types of employment uses (i.e. office [B1a/b], manufacturing [B1c/B2], and warehouse and distribution [B8]).

Development Rates

Gross Completions

4.2 Data on gross completions for the period 2007/08 to 2019/20 was analysed. The data did not specify annual completions or the use class of most developments before 2017/18, but indicated there had been 11.7 ha developed over this time period. Since then, a further 2.63 ha has been developed over three years. The total gross amount of land developed for B-Class employment use between 2007/08 and 2019/20 was therefore recorded as **14.33 ha. This averages 1.10 ha per year over the 13-year period.**

4.3 Over the past three years (since 2017/18), there have been some relatively significant completions, which include:

- 1 Former dairy site, Station Road, Mochdre – 0.7 hectares (approx. 3,000 sq. m) of B1 & B8 light industrial/storage & distribution;
- 2 Esgyryn, Narrow Lane, Llandudno Junction – 0.2 hectares (approx. 750 sq. m) of B1 office space; and,
- 3 0.85 hectares (approx. 1,500 sq. m) of B1 light industrial and office space at Parc Ty Gwyn, Llanrwst;
- 4 Coed Pella Council Offices, Colwyn Bay - 0.3 ha B1a (which was not included in the 2018/19 AMR as the site was not allocated or designated in the LDP);
- 5 Vale Road (ex NWWN site), Llandudno Junction - 0.15 ha B1/B8;
- 6 Garage – Parc Ty Gwyn Industrial Estate, Llanrwst within a safeguarded employment site - 0.18 ha B2; and
- 7 Tir Llwyd – Pure Commercial Units 1 & 2, Kinmel Bay - 0.25ha B1, B2, B8 (Within a safeguarded employment site).

4.4 Whilst the take-up of employment land has generally been suppressed with the exception of 2017/2018, the overall distribution has been in line with the target LDP Growth Strategy.

Losses and Net Completions

4.5 CCBC also provided details of the extent of losses to B-Class employment land. Between 2007/08 and 2019/20, losses of B-Class employment land was identified at four sites. However, regarding the 4.7 ha Tre Marl 1 site, the situation has now changed. This was originally included as a loss of employment land due to an approved application for a new food superstore and restaurant. However, subsequent discussions with CCBC have indicated that this permission was never implemented and has now lapsed. Furthermore, although within a Safeguarded Employment site, it is understood that most of the uses on there would be classified as Sui

Generis rather than B-Class. For these reasons, the site has been removed from the schedule of losses.

4.6 There have been no additional losses recorded since the 2019 ELR (i.e. for years 2018/19 or 2019/20, although it is noted that the site adjacent to Linney Cooper, Builder Street, Llandudno has had its B1 office building demolished (0.33 ha). Strictly speaking, the site has not yet been 'lost', although there is a currently an application in for replacement B1/B2/B2 industrial units (ref 0/47438) which will not include 'stand-alone offices' but will be focussed towards industrial with ancillary offices. The application was granted at CCBC's September Planning committee.

4.7 Total losses therefore reduce to **4.65 ha** (excluding Tre Marl 1 as set out above), or **0.358 ha a year (over 13 years)**. The losses are summarised in Table 4.1. There was a 50/50 split between B1 and B2/B8 losses.

Table 4.1 Losses of B-Class employment land between 2007/08 and 2019/20

Site	Nature of loss	ha	Former Use class
Abergele Business Park	Partial loss of the allocated site to development of a dementia care centre	0.45	B1
Esgyryn	Partial loss of the allocated site to residential development and a school	2.9	B1
Former NWWN site	Loss of improvement site for the development of a supermarket	1.3	B2 / B8
Total			4.65

Source: CCBC Monitoring Data

4.8 Over the period 2007/08 and 2019/20, setting gross completions of 14.33 ha against losses of 4.65 ha means that there a net gain of 9.68 ha of B-Class employment land, or 0.74 ha annually. This is summarised in Table 4.2.

Table 4.2 Summary of gross and net completions (2007/08 to 2019/20)

		Hectares
Gross completions	Total	14.33
	Annual average	1.10
Losses	Total	4.65
	Annual average	0.36
Net completions	Total	9.68
	Annual average	0.74

Source: CCBC Monitoring Data

Enquiries for B-Class Employment Space

4.9 CCBC record business enquiries for premises and development land. These records relate to all types of businesses from a cross section of sectors. The enquiries have been filtered to focus upon requests for B-Class employment premises and land.

4.10 The previous ELR summarised those enquiries received by CCBC for B-Class employment space between 2006 and Q2 2018. Enquiries were classified into office space, industrial (either solely for industrial / distribution type space, or industrial premises with other ancillary space such as offices or storage), and land or development sites.

4.11 The data suggested that there has been a significant increase in the number of enquiries for B-Class employment space recorded by CCBC in recent years. However, the number of enquiries

has been relatively modest between 2006 and 2018, with a notable impact from the recession and a decline in 2013. Over the whole period most interest has been industrial space. 66% of enquiries were for industrial premises and 21% were for offices; 14% were for land or development sites indicating that there is a certain level of interest in developing new build employment sites.

- 4.12 Between 2016 and 2017, there were 50 enquiries (this figure excludes enquires that did not specify whether they preferred industrial / office premises or land), whilst in the first two quarters of 2018 alone there were 41. The bulk of enquiries in 2015 and 2018 were for industrial premises (65%), although nearly a quarter were for offices (23%). The remaining 17% of enquiries were for land or development sites. This may be from local businesses looking to re-locate within the County, or from new sources of inward investment.
- 4.13 New data has since been provided by CCBC, albeit in a slightly different format from before. This indicates that between April 2019 and August 2020, CCBC's Business team has received around 160-180 enquiries for employment floorspace/land in Conwy County Borough. Of these enquiries, 15 explicitly state a desire to locate in Mochdre, with another 13 seeking accommodation (predominantly storage space) in Kinnel Bay. The majority of enquiries appear to be for storage space and to a lesser extent, modest B1a office floorspace and small-scale workshops for manufacturing purposes.
- 4.14 In terms of individual industrial estates and business parks:
- Around 5-10 business have enquired about CCBC's small commercial units at the Council-owned Mercury Estate since lockdown.
 - The Council has had 15-20 enquires about CCBC's new build units in Tre Morfa, Glan Conwy County Borough this year, with 6 viewings and 2 applications to date. The plots CCBC has had available at Tre Morfa, Glan Conwy have had at least 30-35 enquires at the beginning of last year, although this only translated into 5 applications.
 - Tir Llwyd plots: In recent months, the Council has reported at least 25-30 enquires with almost all of the land now under offer (legal option on some, with Heads of Terms issued on others).

Conclusions

- 4.15 Over the period 2007/08 to 2019/20 Conwy County Borough has witnessed a relatively steady rate of employment land development, averaging 1.10 ha per annum over 13 years. However, CCBC has recorded losses to non-B-class employment land of 4.65 ha over the same period, at an average of 0.36 ha a year. Across the period as a whole therefore, the net development rate (i.e. taking account of losses of employment space) was positive at 0.74 ha annually.
- 4.16 Business Enquiries have remained strong despite the pandemic and a reasonable number of businesses have continued to contact the Council regarding the availability of units/plots of land at the Council's owned estates at Mercury, Tre Morfa and Tir Llwyd since the lockdown.
- 4.17 A number of key drivers and macro trends are likely to influence the type, scale and locational requirements for employment space in the County over the plan period, including self-employment, homeworking and increasing use of technology amongst many growth sectors. It is therefore important that CCBC monitors and responds to these changing preferences to ensure that business needs can be met within the County.

5.0 Key Growth Drivers

Introduction

5.1 This section updates the key growth drivers for Conwy County Borough and how they could shape the County in the coming years. This reflects a point in time snapshot of macro growth drivers (specifically the uncertainty over Brexit and the Covid-19 pandemic), public sector interventions, and private sector developments. Conwy County Borough's prospects could vary if underlying growth changed or if major infrastructure projects/development schemes come forward that represent a step-change from the level of development experienced in the recent past (and which would not, therefore, be reflected in past trends).

5.2 The key growth drivers have been identified on the basis of a review of macro-economic trends, as well as an analysis of published documents from a wide range of private and public sector organisations.

Public Sector Investment

5.3 This section provides an update on a number of key interventions in the North Wales economy that will play an important role in shaping the region's future growth, as of August 2020.

North Wales Growth Deal

5.4 On 4th November 2019, the multi-million pound North Wales Growth Deal moved on to the next stage with the signing of Heads of Terms by the UK Government, Welsh Government and the North Wales Economic Ambition Board. Both the UK and Welsh Governments have already committed £120 million each to the deal, with the private sector (£500 million) and other partners (£200m from other public sector funding and £5m from each of the 6 Local Authorities) making up the rest of the £945 million investment.

5.5 The North Wales Economic Ambition Board, a collaboration between the six local authorities which includes CCBC and regional partners, has estimated that the Government investment of £240 million has the potential to secure 4,000 jobs and secure over £500 million in private sector investment over the next 15 years¹³.

5.6 The Heads of Terms document broadly defines the portfolio of programme areas and activities set out by the Board for the Growth Deal in Phase 1. Support for Projects developed in these programmes will be subject to the development and approval of business cases to the satisfaction of the Government(s) and the agreement of a final deal document.

5.7 Of relevancy to Conwy County Borough, the following Programmes and Projects are currently identified as the expected Phase 1 Projects¹⁴:

- 1 **Digital Programme:** This will focus on improving the digital infrastructure and innovation in the region. It will deliver quality access to effective and affordable digital connectivity for businesses and households and will boost innovation in digital signalling. This will be achieved primarily through the delivery of a new full fibre broadband infrastructure across the region to support and enable businesses to innovate and grow. Independent research suggests increased broadband speeds alone could add £17 billion to UK output by 2024.

The UK Government therefore commits capital funding over a 15-year period to support the development of **Full fibre at key sites**, ensuring robust diverse connections and

¹³ <https://www.gov.uk/government/news/transformational-north-wales-growth-deal-signed>

¹⁴ HM Government / Welsh Government (November 2020): North Wales Growth Deal Heads of Terms Agreement, Annex A

maintaining a strong competitive digital connectivity market at key regional business centres. It also commits to **Connected Campuses** at the lead sites, which includes Abergele in Conwy County Borough, providing the most advanced connectivity on the site and allowing the connectivity to reach out into the surrounding areas.

It also commits to a **Connected Logistics Corridor**, whereby commercial deployment of relevant technology will be undertaken, potentially under concessions along road and rail routes such as the A55/A483/A494 corridor (part of which runs east/west through Conwy County Borough).

- 2 Low Carbon Energy Programme:** The Growth Deal seeks to leverage significant economic development benefits by developing wider nuclear expertise and creating high skill, high value employment associate with research and development. The Smart Local Energy Network Project will increase the renewable energy generation capacity of North Wales through working in partnership with private sector energy project developers, universities and Local Authority renewable energy schemes. It aims to develop 4 renewable energy generation, decarbonisation and smart grid pilot projects to explore innovative solutions to local energy challenges as well as helping to develop a sustainable Innovation and Regional Energy Hub to support the Growth Vision's aspirations.

Complementing the UK Government investment, the private sector and Local Authorities will invest £238m of capital funding to support low carbon energy generation projects in North Wales over a 15-year period and deliver 800 MW of renewable energy capacity. The UK Government will commit capital funding to support site preparations at the Trawsfynydd Magnox site in Gwynedd for the potential development of small and advanced modular reactor technologies. The Government also commits capital funding to support the development of a Nuclear Energy Centre of Excellence and Industrial Certification and Evaluation Centre at Bangor University and Anglesey.

- 3 Land and Property Programme:** Lack of employment land and housing across North Wales was identified by the Board as a barrier to economic growth across the region, and housing needs are not being met. Housing Need Projections for Wales (2019) are some 2,000 homes higher than current new build estimates. In collaboration with the Welsh Government, the private sector and Local Authorities across North Wales will aim to deliver 30 ha of B-Class land; 20,000 sqm of business floorspace; and 1,000+ housing plots with infrastructure available for development. The Programme also focuses on the North Wales Gateway at Holyhead with the potential to invest capital funding to future proof the Port by providing new deep-water cruise and heavy loading facilities, ensuring the structural integrity of the breakwater, improve access to and egress from the Port and thereby maximise the local economic impact of the raft of North Wales Energy projects. According to the HoTs document, complementing the Welsh Government investment could see the private sector and Local Authorities investing with the aim of delivering up to 1,250 jobs, with a further 1,500 jobs supported by new cruise ship expenditure.

Strategic Sites

5.8

Across North Wales there is a portfolio of regional strategic employment sites. These are sites that have the potential to provide a significant quantum of space for B class uses. The strategic sites are currently categorised into different priority groups based on their deliverability; those that are 'shovel ready' are in the priority 1 group. Table 5.1 summarises the strategic sites and their current priority category. It indicates that two of these sites, Tir Llwyd and Abergele South East, are located in Conwy County. These sites are therefore expected to have an economic role that extends beyond the County, providing business and employment opportunities for the

wider North Wales region. It is worth noting that some of the sites have development constraints which may delay their delivery. For example, Tir Llwyd is constrained by flood risk.

Table 5.1 North Wales Strategic Site Portfolio

Priority 1 Sites 'shovel ready'	Priority 2 Sites up to 5 years delivery	Priority 3 Sites 5+ years delivery
<ul style="list-style-type: none"> Northern Gateway, Deeside Tir Llwyd, Kinmel Bay, Conwy County Borough Parc Bryn Cegin, Bangor Bryn Cefni extension, Llangefni Penrhos extension, Holyhead Parc Cybi, Holyhead 	<ul style="list-style-type: none"> Wrexham Technology Park Warren Hall, Broughton St Asaph Business Park expansion Former Peboc Eastman Site, Llangefni 	<ul style="list-style-type: none"> Wrexham Industrial Estate expansion Trawsfynydd, Gwynedd Llanbedr Air Field, Gwynedd Ferodo Site, Caernarfon Abergele South East, Conwy County Borough

Source: North Wales Economic Ambition Board (2016)

5.9 Currently no estimates have been made of the potential capacity for employment that could be generated by each strategic site. Due to the size of the portfolio it is important that the strategic sites are released in a way that they do not oversupply the market. This is particularly important in areas where past take-up of employment land has been low.

5.10 It is expected though that the strategic sites have the potential to make a significant impact on the future economic growth in North Wales, and two of these sites are located in Conwy County Borough. In particular the Northern Gateway site at Deeside represents an opportunity to strengthen the region's industrial base and to attract new businesses. As well as generating new employment opportunities for residents this will create new supply chain opportunities.

5.11 In addition, the North Wales Economic Ambition Board currently identifies 6 Key Projects¹⁵ which include:

- Wylfa Newydd Nuclear Power Station;
- Parc Adfer energy recovery centre on Deeside;
- Wrexham Energy Centre;
- Anglesey Eco Park and Energy Centre, a proposed new biomass plant in Holyhead will harness unique Combined Food and Power technology, creating up to 1,000 construction jobs and 700 long-term jobs;
- Colwyn Bay Tidal Lagoon; and,
- Colwyn Bay Town Centre Office Complex;

North Wales Regional Skills & Employment Plan 2019-22

5.12 The North Wales Economic Ambition Board published its adopted skills and employment plan for the region in 2016 and has been recognised by Welsh Government as one of its three Regional Skills Partnerships [RSP]. This study was updated in 2019.

5.13 The RSP aims to tackle skills shortages by influencing post 16 skills provision in North Wales based on labour market intelligence and employer-led insight. To underpin the Vision, and set within the Regional context, the Board has identified 3 Priorities that are required to support sector growth over the next 3 years:

- 1 Building our future workforce and attracting talent;

¹⁵ <https://northwaleseab.co.uk/business-opportunities/key-projects>

- 2 Skills development for an inclusive North Wales; and,
- 3 Promote career perception, pathways and apprenticeship opportunities.

5.14

The 2019-22 RSP identifies 8 Key and Growth Sectors, with priorities identified for each:

- 1 **Energy & Environment:** Increase STEM learners; Upskill workforce with new technology; Improve apprenticeship opportunities. *Key Growth Sector:* Predicted growth 1.5% from 2019-2022;
- 2 **Construction:** Upskill workforce with digital skills and SMART technologies; Promote apprenticeship opportunities for young entrants; Update perception of sector and encourage more female entrants. *Sector of Importance:* Predicted growth 0.5% from 2019-2023. Predicted growth private housing 1.3%, public non housing 1.4%, housing and repair work 1.8%;
- 3 **Advanced Manufacturing:** Focus on succession planning; Encourage apprenticeships, especially higher level & degree level –clear progression routes. *Key Growth Sector:* Predicted growth 1.5% from 2019 – 2022;
- 4 **Creative & Digital:** Industry has appetite to help shape course content and consider shared apprenticeship opportunities; Ensure skills provision reflects diverse demand and rapid changes in technology; Careers information and guidance around understanding transferable skills and holistic navigation of career choices. *Key Growth Sector:* Predicted growth 6% in digital sector from 2019-2023;
- 5 **Financial and Professional:** Increase supply of higher-level skills to meet demand; Increase opportunities to upskill, train and retrain via short courses at levels 4+ with professional examinations and status. *Substantial contribution to Region:* Predicted growth 1% from 2019 – 2022;
- 6 **Tourism & Hospitality:** Recruitment is a crucial issue and could be exacerbated by Brexit; Update perception of sector and career opportunities and raise aspirations; Promote the value of apprenticeship opportunities. *Key Contributor to North Wales Economy:* Demand is growing. Nature of demand is changing from service deliverer to experience stager;
- 7 **Health & Social Care:** Recruitment and retention is a crucial issue; Upskill workforce for statutory requirements; Update perception of sector; Retain and upskill leadership and management roles; Increase and update digital skills. *Strategically Important Sector:* Predicted growth of 4% per year required in social until 2032;
- 8 **Food & Farming:** Upskill for digitalisation potential and digital skills to: Mainstream digital connectivity; Deliver efficiency savings; Enable smarter decisions; and Enable potential new growth and diversification. Growth is a key aspiration: Predicted growth 1% from 2019 – 2023.

5.15

This is expected to directly benefit Conwy County Borough's workforce and businesses, and there are likely to be additional spill over effects from other parts of the region.

Private Sector Developments

Across North Wales there are a number of high profile and major private sector led developments which will influence future economic growth. As well as generating jobs and supply chain opportunities for local businesses these projects are likely to result in a degree of economic restructuring. Construction, Energy, Advanced Manufacturing, and knowledge-based services like the Creative & Digital sector will play an increasingly important role in the wider

economy, which will have spin off benefits for Conwy County Borough. The information regarding these sites has been updated as of August 2020 from the previous 2019 ELR.

Deeside Advanced Manufacturing Skills & Technology Institute

- 5.16 The Deeside Advanced Manufacturing Skills & Technology Institute opened officially on 28th November 2019. It is likely to play a supporting role for the sector across North Wales. Situated in the Deeside Enterprise Zone, it will focus on advanced manufacturing sectors, including aerospace, automotive, nuclear and food. The proposed facility would support businesses of all sizes and focus on workforce skills development and the commercialisation of new technologies. The state-of-the-art centre will be a catalyst for growth and jobs in Deeside; across North Wales and the wider cross-border and Northern Powerhouse region with the intention of providing businesses with a new level of research and development opportunities and support
- 5.17 Coleg Cambria is a leading proponent of the Institute and would play a major role in skills development, both for businesses and young people entering the workforce. Backed by £20m from Welsh Government and managed by the University of Sheffield Advanced Manufacturing Research Centre, the centre will spark economic growth by developing innovation, commercialisation and the development of a new generation of skills.
- 5.18 It is projected that the new centre could increase GVA to the Welsh economy by as much as £4bn over the next 20 years. The centre will operate a 2,000 sqm open access research area. Airbus will be the first major tenant and will have a platform to develop its next generation wing technologies aligned to its Wing of Tomorrow programme, which is part of a global Airbus investment in research and innovation¹⁶.

Energy Sector Developments

- 5.19 North Wales is expected to accommodate a number of private sector led energy developments over the coming years. Some of these developments are expected to come forward in the short-term whilst others, such as Colwyn Bay Tidal Lagoon, are long term prospects. Individually these projects could generate notable economic impacts, and collectively they represent a significant economic boost to the wider region from which Conwy County Borough will benefit.
- 5.20 It includes the following schemes:

Wylfa Newydd

- 5.21 Horizon Nuclear Power, a subsidiary of Hitachi, was intending to build a new nuclear power station on Anglesey in North Wales. The site is adjacent to the original Magnox Wylfa nuclear power station which is being defueled prior to full decommissioning¹⁷. Wylfa Newydd was intended to generate up to 2.7 GW of electricity when operational.
- 5.22 It was hoped that the development of Wylfa Newydd would generate significant economic impacts across North Wales and beyond. The public consultation documents stated that the main construction works of Wylfa Newydd would take around eight years, and that during peak construction period it was estimated that up to 9,000 jobs would be created¹⁸.
- 5.23 When this ELR Update was originally commissioned back in 2018, it was hoped that Wylfa Newydd would generate employment opportunities for residents across North Wales, though a significant proportion are expected to be taken up by people from outside the region. However,

¹⁶ <http://www.deeside.com/20m-advanced-manufacturing-research-centre-in-broughton-set-to-officially-open-today/>

¹⁷ Magnox (2016) Magnox Sites <https://magnoxsites.com/site/wylfa>

¹⁸ Horizon Nuclear Power Wylfa Limited (August 2016) Wylfa Newydd Project Pre-Application Consultation Stage Two – Main Consultation Document

part of Conwy County Borough falls within the Daily Construction Worker Commuting Zone. It was therefore expected that the County's labour market would benefit from some of the employment opportunities created by the development. The total investment to build the plant was estimated to be in the region of £10 bn¹⁹, with around 60% of this total investment expected to benefit the UK supply chain. Whilst most investment would be concentrated to Tier 1 and Tier 2 contractors other opportunities lower down the supply chain will be available for local businesses.

5.24 However, on 16th September 2020, Hitachi confirmed it is withdrawing from the project. Hitachi said it made the decision given 20 months had passed since the project had paused "*and the investment environment has become increasingly severe due to the impact of Covid-19*"²⁰.

5.25 As before, clearly the Wylfa Newydd Nuclear Power station will not proceed and has not been factored into the employment land forecasts in Section 6.0 of this report as a consequence.

The Orthios Eco Park and Energy Centre in Anglesey

5.26 Orthios Eco Park at Holyhead is being developed into a commercial eco-system of businesses which are intended to support each other to deliver energy, oil, food, and a wide variety of quality jobs. This will utilise waste heat generated by a new biomass plant for food production. Orthios' consented 299MWe biomass power station at Holyhead was granted a Lawful Development Certificate by Isle of Anglesey County Council in August 2016, following a 9-month process of detailed architectural design and engineering process specification. Working with major equipment suppliers, Orthios developed an innovative modular solution for thermal power generation which is fuelled by biomass derived from forestry residues or agricultural by-products.

5.27 However, following the 2017 Contract for Difference [CfD] round, Orthios suspended development on this project. Until such a time as the UK energy programs stabilise, and there is a clear path forward for biomass technologies within supported regimes, the biomass driven energy project will be on hold²¹.

5.28 The Eco Park & Energy Centre based in Anglesey specialises in sustainable energy, processing polymers, fish farming, vegetable production and project delivery. Using a Combined Food & Power™ approach, the Orthios group will integrate the creation of renewable energy with sustainable food production. Orthios also intends to develop the site as a multi-modal hub to serve both the commercial transport and freight markets²².

The Wrexham Energy Centre

5.29 The Wrexham Energy Centre is a proposed Combined Cycle Gas Turbine power station on Wrexham Industrial Estate. The development would invest £300m and generate up to 660 construction jobs²³. Wrexham Power Limited has received planning permission and is now building a financial model. The project represents an investment of £300m and could create up to 800 construction jobs over three years, as well as providing 30 highly skilled permanent local jobs and an opportunity to improve the power supply to Wrexham Industrial Estate.

5.30 Wrexham Power Limited [WPL] has been granted a Development Consent Order [DCO] for the Wrexham Energy Centre [WEC], a new combined cycle gas turbine [CCGT] power station located at the Wrexham Industrial Estate. The WEC received its DCO after a thorough three-

¹⁹ *Ibid*

²⁰ <https://www.bbc.co.uk/news/uk-wales-54175280>

²¹ <http://www.orthios.com/holyhead-eco-park/combined-food-and-power/biomass>

²² <http://www.orthios.com/>

²³ Wrexham Energy Centre (2016) 6.2.6 Volume 2: Environmental Statement - Chapter 6: Socio-economics

year process involving public consultation and examination by the Planning Inspectorate on behalf of the Government.

- 5.31 According to WPL's website, they are now taking the time to consider their options as to how to best progress this long-term project.

Parc Adfer

- 5.32 Wheelabrator Parc Adfer is a waste-to-energy facility at Deeside in North Wales that entered full commercial operation in December 2019. In 2014, Wheelabrator Technologies was selected as preferred bidder to build and operate the Wheelabrator Parc Adfer facility over the next 25 years as a public-private partnership [PPP], with support from the Welsh Government to serve the five local authorities (including CCBC) that make up the North Wales Residual Waste Treatment Project [NWRWTP]. Wheelabrator Parc Adfer is a combined heat and power enabled facility capable of generating 19MW (gross) / 17MW (net) of electricity to meet the needs of over 30,000 homes and businesses. The facility will process up to 200,000 tonnes of non-recyclable waste a year – including municipal and commercial waste - from across the 5 North Wales counties²⁴.

- 5.33 Wheelabrator Parc Adfer is intended to help the 4 local authorities meet the Welsh Government's 2025 municipal waste and recycling targets, i.e.: to recycle 70% and send no more than 5% to landfill. Metals and aggregate are recovered from the facility's bottom ash and will improve the Partnership's recycling rates by around seven percent. Throughout the life of the Wheelabrator Parc Adfer facility, this could amount to over a million tonnes of aggregate and 60,000 tonnes of metals. The operator estimates that it will generate 19MW (net)/ 17MW (gross) of renewable energy, enough to power 30,000 homes (or enough power for a town nearly four times the size of Connah's Quay). 37 new operational roles have been created and wider supplier opportunities, following more than 500 jobs during construction²⁵.

Colwyn Bay Tidal Lagoon

- 5.34 The Colwyn Bay Tidal Lagoon is a long-term opportunity which would generate in the region of 3,000 MW of electricity as well as playing a role in flood defence along the coast. The development would make a significant investment in the North Wales economy and particularly Conwy County Borough, where the scheme would be located. Early feasibility work is being undertaken, but the project would represent an £8 billion investment in North Wales, and create significant work and supply chain opportunities. The promoters, Tidal Lagoon Power, state on their website that they hope that this will be one of the full-scale tidal lagoons that it developed after Tidal Lagoon Swansea Bay.

Menai Science Park (M-Sparc)

- 5.35 Bangor University has developed a new Science Park on Anglesey which provides new laboratory and teaching space, as well as high-tech business space for new and established businesses. The development aims to stimulate the knowledge-based economy by undertaking R&D and supporting business growth and innovation.
- 5.36 According to the M-Sparc website, the Science Park is now 84% occupied. With 200 people working in the building, over 50 new careers have been created, with new figures revealing these to be well-paid. The average earnings for someone working for a company based at M-Sparc is

²⁴ <https://wtiparcadfer.co.uk/project/project-overview/#>

²⁵ <https://wtiparcadfer.co.uk/project/project-benefits/#>

£32,632, which is higher than the average for Anglesey (£27,596), Conwy County Borough (£25,464) and Gwynedd (£23,858). The Wales average is £27,820²⁶.

Colwyn Bay Town Centre Office Complex

- 5.37 This office development, which has a capital value of £39 million, will create significant supply chain opportunities for businesses in North Wales. A new four-storey, BREEAM Excellent, 100,000 sq ft office building with a 354 space multi storey car park replaces up to thirteen existing offices. The development provides new office accommodation in the centre of Colwyn Bay along with the redevelopment of an existing Grade II Listed civic building to the east of the town. This enables the Council to operate more efficiently and improve services for customers, by consolidating staff and services onto fewer sites.
- 5.38 The project is being led by CCBC's development partner Muse alongside its funding partner M&G, with Bowmer & Kirkland as lead contractor. Planning permission was secured in August 2016, construction commenced in spring 2017 and the new civic office completed in October 2018 and now accommodates around 750 members of staff. Not only does the scheme provide much-needed new office accommodation for the Council, it also improves the physical environment and will act as a catalyst for the wider regeneration of Colwyn Bay town centre²⁷.

Summary

- 5.39 Over the coming decades a wide range of projects, businesses and investments will have a significant impact on North Wales' economy. This will lead to business growth and job creation in Conwy County Borough. Whilst these investments will help to uplift economic growth across all sectors in the region it is difficult to quantify this due to the different stages that the projects and interventions are in. Similarly, macroeconomic trends may change, whilst forecast GDP growth is less reliable below regional geographies. Improvements to the wider North Wales economy will have benefits for Conwy County Borough. Of the County's residents who work outside the County, almost 79% work in other local authorities in North Wales.
- 5.40 Since the 2019 ELR Update, clearly the economic outlook has worsened very significantly due to the pandemic and Brexit uncertainties. However, what this section has showed is that aside from likely severe delays in a number of the larger energy projects coming forward (most notably the Colwyn Bay Tidal Lagoon), there is still a strong appetite for investing in the region, and high profile developments such as Colwyn Bay's Town Centre Office Development continue to be successful even in these very uncertain times.
- 5.41 The previous ELR Update in 2019 identified 7 key growth sectors following this analysis which it was considered that were likely to experience notable job growth above and beyond the baseline forecasts, which do not take these investments and developments into account.
- 5.42 **Having reviewed the 2019-2022 Regional Skills Plan [RSP], and in light of the current pandemic, it now seems anomalous that Health & Social Care was not included as a key growth sector for the sub-region.**
- 5.43 Including this broad industrial sector, alongside the other 7 RSP growth sectors which broadly aligned with the recommendations of the 2019 ELR, suggest that the key growth sectors for the region over the course of the Plan period to 2033 will be:
- 1 Energy & Environment;
 - 2 Construction;

²⁶ <http://www.m-sparc.com/news-and-events/m-sparc-economic-impact>

²⁷ <https://www.musedevelopments.com/case-study/colwyn-bay>

- 3 Advanced Manufacturing;
- 4 Creative & Digital;
- 5 Financial and Professional;
- 6 Tourism & Hospitality;
- 7 Health & Social Care; and,
- 8 Food & Farming.

5.44

Employment growth for these sectors will again be uplifted above the Experian baseline forecasts for Conwy County Borough. This is to reflect the direct economic benefits that are expected to happen in Conwy County Borough, such as the delivery of strategic sites. The uplift is also designed to capture the multiplier and spill-over benefits that will emerge from developments in other parts of the region.

6.0 **Future Employment Land Requirements**

Introduction

- 6.1 This section revisits the quantitative future economic growth needs in Conwy County Borough. A number of different growth scenarios are considered to test the likely need for employment land generated over the plan period 2018 to 2033. These scenarios consider the need for office and industrial (i.e. manufacturing and warehousing) floorspace.
- 6.2 As well as considering the baseline forecast growth using Experian's most recent, Covid-19 adjusted June 2020 econometric projections, the scenarios take into account past delivery of B-class employment space, the potential labour supply generated by housing growth scenarios (using the Welsh Government's 2018-based Sub National Household Projections [SNHP]), and aspirational 'policy on' growth.
- 6.3 The forecast demand scenarios are based on a quantitative requirement and do not take into account qualitative factors that may influence the actual requirement. For example, the assessment has not considered the quality of Conwy County Borough's existing employment space, nor has it consulted with commercial property agents to test market demand. The aspirational 'policy on' growth scenario has, however, involved consultation with key economic development stakeholders, and a review of developments and intervention projects that are likely to generate additional demand for B-class employment space.

Methodology

- 6.4 The Welsh Government's Practice Guidance advises on how to calculate future employment land requirements²⁸. The Guidance advise that LPAs should consider two different methods to estimate future demand:
- 1 Past building completions – applying the past average annual completions of B1, B2 and B8 employment land over the plan period; and
 - 2 Labour demand forecasting – analysing forecast employment growth data to determine the requirement for B-class employment land by converting jobs to floorspace and categorising employment sectors into different classes of B-class employment space.
- 6.5 This has not changed in the intervening year since Lichfields last undertook the assessment in 2019, hence our analysis has followed these two approaches as well as estimating the likely employment land demand generated by the increased labour supply arising from CCBC's housing requirement in its emerging Local Plan. An aspirational 'policy on' scenario has been retained which takes into account additional demand that could be generated by key growth sectors, private sector developments and interventions, as summarised out in Section 5.0.
- 6.6 The forecast employment land scenarios covering the 15-year period from 2018 to 2033 are:
- 1 Baseline employment forecasts (labour demand), using Experian's Local Market Quarterly Forecasts for June 2020 (compared to June 2018 previously).
 - 2 A 'policy on' scenario which uplifts employment in key growth sectors and taking into account committed investment projects in the region.
 - 3 Estimated growth in the local labour supply and the jobs and employment space that this could be expected to support. This is based upon the Welsh Government's recently published 2018-based SNHP scenarios using data to translate population growth to jobs provided by CCBC Officers.

²⁸ Welsh Government (August 2015) Practice Guidance – building an economic development evidence base

4 Consideration of past take-up of employment space based upon monitoring data provided by CCBC.

6.7 All of these approaches have their own individual strengths and limitations. In order to be robust, however, the County's economic growth potential (and the likely demand for employment space) must be assessed using a variety of future scenarios that reflect alternative growth conditions that could feasibly arise over the study period. In reconciling the various scenarios, consideration needs to be given to how appropriate each is to the particular circumstances and aspirations of CCBC.

6.8 The ultimate judgement regarding the level of employment need that CCBC should plan for is not, therefore, simply shaped by a consideration of quantitative analysis. A range of qualitative factors should be taken into account, that would typically consider the quality and demand for existing premises, the spatial distribution of supply and demand for premises, and insights from commercial property agents and local businesses.

Growth Scenarios

A. Econometric Job Forecasting

Scenario 1) Experian Economic Forecasts (June 2020)

6.9 Experian econometric job forecasts were obtained by CCBC to underpin this analysis. It should be emphasised that such forecasts tend to be most reliable at regional and national scales and consequently less so at the local economy level. Nevertheless, they provide a valuable input in respect of understanding future land needs by indicating the broad scale and direction of economic growth in different sectors.

6.10 Experian's model takes account of the existing economic structure of each Local Authority (broken down by economic sector) and the historical relationship between the regional performance of an industry and the performance observed at the Local Authority level. The forecasts of job growth by sector used here reflect recent trends and economic growth projections at national and regional level, and how economic sectors in Conwy County Borough have fared relative to North Wales' / Wales' growth in the past. The forecasts reflect the current post-Brexit economic climate. They are not constrained by either labour supply or land availability.

6.11 Before presenting the job growth outcomes from the scenarios it is worth highlighting in broad terms, limitations in how these were generated:

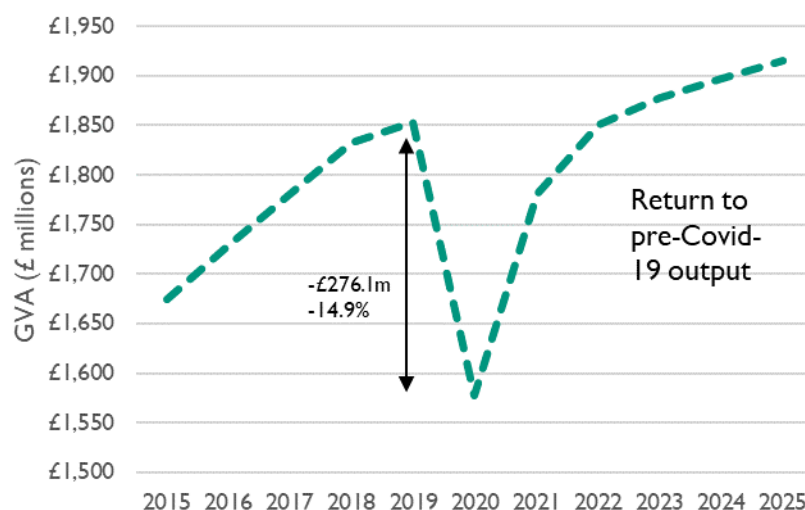
- 1 They are predominantly trend-based estimates projecting historic growth patterns into the future.
- 2 Employment forecast data for manufacturing sub-sectors are statistically unreliable in Conwy County Borough and hence the broader manufacturing sector has been analysed.
- 3 The forecasts do not take into account policy influences and unforeseen impacts of individual business decisions.
- 4 There is not always a clear-cut relationship between employment change and employment land needs. Additional employment space may be required even if employment itself is falling; for example, if a manufacturing firm requires more space to enable greater automation and achieve job reductions through productivity gains.

6.12 Since the projections were obtained in 2019, the unprecedented economic shock resulting from the Covid-19 outbreak has generated considerable uncertainty for the local economy. Local area forecasts released by Experian in June 2020 provide an up-to-date view on the impact of Covid-

19 for Conwy County Borough. Though viewed as a temporary shock, the forecasts imply a significant impact on all sectors of the economy and all parts of the County Borough. As discussed in detail in Section 3.0, the forecasts are based on the assumption that the recovery will follow a delayed-V shape, with a substantial drop in output in Q2 2020 as economic activity was highly restricted due to lockdown measures to contain the virus. The virus in the UK is assumed to be brought under control after five months with the economy bouncing back in the second half of the year.

- 6.13 The latest forecasts for Conwy County Borough imply a short-term economic impact worth £276.1 million during the course of 2020, equivalent to a 14.9% drop in GVA in the County from pre Covid-19 levels. Whilst output is expected to pick up later in the year, it is likely to take until at least 2022 for Conwy County Borough’s GVA to return to 2019 levels. Widespread job losses as a result of Covid-19 will also impact on local levels of employment, with the latest Experian forecasts implying a reduction of 2,500 workforce jobs across Conwy County Borough in 2020, and a return to pre Covid-19 employment levels after four years. The 4.7% fall is greater than the -3.6% adjustment forecast for England & Wales as a whole.

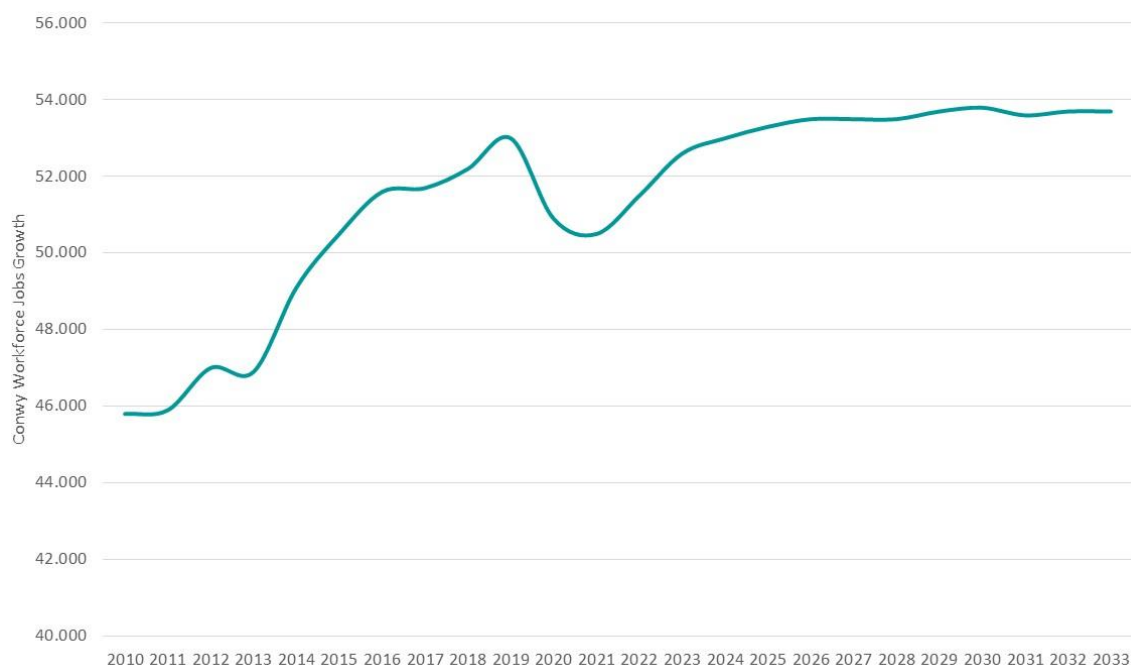
Figure 6.1 Experian: Conwy County Borough Economic Output (GVA)



Source: Experian UK Macro Economic Forecast June 2020

- 6.14 Over the longer term for Conwy County Borough, the June 2020 Experian baseline workforce employment projections reported a period of sustained employment growth since the depths of the last recession from 2010 and 2019 (see Figure 6.2). There was an increase of 7,200 workforce jobs over this period, at a CAGR of 1.64%. In 2019 the workforce jobs hit a high of 53,000 in Conwy County Borough. Following the aforementioned dip due to the Covid-19 pandemic and (potentially) the uncertainty surrounding a new Brexit deal with the EU), the loss of 2,500 workforce jobs is overcome by 2024 after which time growth is sluggish to 2033, with a very modest growth of 1,500 jobs between 2018 and 2033. This equates to a CAGR of 0.19% annually – a very significant fall from the 1.64% stretching back to 2010. In comparison, both North Wales and Wales as a whole are projected to experience job growth of 0.26% and 0.39% respectively over the same 15-year time period to 2033.

Figure 6.2 Employment change in Conwy County Borough (historic and projected) 2010 to 2040



Source: Experian UK Macro Economic Forecast June 2020

6.15 Table 6.1 summarises those sectors expected to experience the largest absolute increases or decreases in employment for Conwy County Borough over the Plan period.

Table 6.1 Fastest growing and declining sectors in Conwy County Borough (2018 to 2033)

Sector	Use Class	Job Change* (2018 to 2033)
Accommodation and Food Services	RED	+1,400
Residential Care & Social Work	RED	+800
Health	RED	+400
Land Transport, Storage and Post	PURPLE	+300
Real Estate	PURPLE	+200
Professional Services	PURPLE	+200
Wholesale	ORANGE	-200
Other Private Services	ORANGE	-300
Retail	RED	-800

Source: Experian (June 2020) / Lichfields analysis

Key: PURPLE = B-Class sector ORANGE = Part B-Class sector RED = Non-B-Class sector

6.16 The analysis shows that those sectors forecast by Experian to experience the greatest employment growth to 2033 are not likely to generate a significant requirement for additional B-Class employment space (most notably Accommodation & Food Services, Residential Care & Social Work and Health). Land transport, storage and post is one of the few B-Class employment sectors forecast to have an increase in employment at +300 jobs, alongside Real Estate and Professional Services (both +200).

- 6.17 Conversely, many B-class employment sectors are forecast by Experian to decrease by 2033; the Other Private Services sector for example, is forecast to decline by around 300 jobs. However, the biggest losses are in non B-Class or partial B-Class sector of Retail.
- 6.18 Overall, it is expected that over the plan period 2018 to 2033 there is likely to be job growth of around 1,500, although the bulk of this relates to non B-Class jobs. This is triple the very modest 500 net job growth projected by Experian over the same time period back in June 2018. This is shown in Table 6.2.
- 6.19 Industrial-related employment occupying B1c and B2 class space is forecast to lose 115 jobs over the period to 2033. The office (B1 a/b) sector is forecast to remain strong with 354 net jobs growth and there is forecast to be a small increase of 45 jobs in the distribution sector (B8). There is also projected to be an increase of 1,216 jobs in non B-Class sectors. These forecasts suggest that the structure of employment in Conwy County Borough is likely to change from its current composition with a greater reliance on jobs that are not traditionally based in offices, factories or warehouses.
- 6.20 The analysis includes an allowance for jobs in other non B-class sectors that typically utilise industrial or office space, such as some construction uses, vehicle repair, courier services, road transport and cargo handling and some public administration activities. This is because a certain proportion of these jobs will occupy premises falling within the B-Class sectors.

Table 6.2 Forecast workforce change in Conwy County Borough 2018-2033

Use class	Conwy County Borough Workforce Jobs		Change
	2018	2033	2018-33
Offices (B1a/b)*	6,319	6,674	+354
Industrial (B1c/B2)**	3,257	3,141	-115
Distribution (B8)***	1,576	1,622	+45
Total B-class Jobs	11,153	11,437	+284
Other Non B-Class Jobs	41,047	42,263	+1,216
Jobs in All Sectors	52,200	53,700	+1,500

Source: Experian June 2020/ Lichfields Analysis. Note figures are rounded

* includes a proportion of public sector employment and administration & support services

** includes vehicle repair and some construction activities

*** includes elements of transport & communications sectors

- 6.21 To translate the resultant job forecasts into estimates of potential employment space, it is necessary to allocate the level of employment change forecast for office, industrial, and wholesale / distribution uses as follows:
- 1 The office floorspace requirement is related to job growth / decline in the financial and business service sectors²⁹;
 - 2 The industrial floorspace requirement is related to job growth / decline in the manufacturing sectors³⁰; and,
 - 3 The wholesale / distribution floorspace requirement is related to job growth / decline in the industrial sectors of wholesale and land transport, storage and postal services.³¹

²⁹ i.e. BRES Sectors 58-75, Office administration and support and 10% of Public Administration and Defence

³⁰ Manufacturing sectors, plus car repair, some construction and waste and remediation activities.

³¹ Wholesaling less car repairs retail car sales, plus post/couriers and land transport

- 6.22 In order to translate the resulting figures into employment land projections standard employment densities have been applied to the forecast job change figures (based upon the latest Welsh Government³² Guidance and HCA³³ Guidance on employment densities). These translate Full Time Equivalents [FTEs] into workforce jobs, and plot ratios by use class.
- 6.23 For the purposes of this ELR it was assumed that:
- 1 One B1a/b general office workforce job requires 19 sqm of employment floorspace (Gross External Area [GEA]), converted from the Welsh Government standard of 16 sqm Net Internal Area [NIA]³⁴;
 - 2 One B1c light industrial job requires 53.5 sqm of employment floorspace (GEA);
 - 3 One B2 industrial workforce job requires 36 sqm of employment floorspace (GEA);
 - 4 A combined B1c/B2 factor of one job per 45 sqm was obtained by averaging the aforementioned B1c/B2 GEA equivalents;
 - 5 One job per 65 sqm for general, smaller scale warehousing (assumed to account for 90% of future space) and 1 job per 80 sqm for large scale, lower density units (assumed to account for 10% of future space) (GEA)³⁵.
- 6.24 This guidance takes account of recent trends in terms of the changing use of employment space, the main change being the more efficient utilisation of office space due to increased flexible working and hot-desking. This has resulted in a decrease in the amount of floorspace per office worker compared to previous guidance.
- 6.25 It is accepted that the current Covid-19 pandemic has dramatically altered working patterns, with the number of people working from home rising exponentially since the lockdown began in March 2020. UK-wide, 38.8% of people in employment are currently working remotely instead of their usual place of work – down from 41.7% a little over a month earlier (15th June to 28th June 2020)³⁶. Conwy County Borough as a whole already had a high share of workers able to adapt or shift to home working to continue generating economic output during the pandemic. At 17.7%, the share of Conwy County Borough’s working residents that work mainly at or from home (based on Census 2011 data) is significantly higher than the Wales average (11.3%) and the UK average (13.0%). Whilst there are signs that many are returning to work since primary and secondary schools re-opened in September 2020, many commentators are suggesting that there will be a permanent shift towards home working and the greater flexibility this affords people, with the need for office space in particular falling significantly.
- 6.26 Whilst in our view it is quite likely that there will be some long-term shift in working patterns as a result of the pandemic, at the time of writing September 2020) it is still far too soon to say what the scale of that change on home working is likely to be. We note that the Welsh Government has recently stated³⁷ its long-term ambition to see around 30% of Welsh workers working from home or near home, including after the threat of Covid-19 lessens. However, until robust data is available next year we propose to retain the aforementioned job densities, particularly as the HCA work already factors in an element of home working / hot desking into the calculations.

³² Welsh Government (August 2015) Practice Guidance – Building an Economic Development Evidence base

³³ HCA (November 2015), Employment Densities Guide, 3rd Edition

³⁴ Welsh Government (August 2015) Practice Guidance – Building an Economic Development Evidence base. Whilst a figure of 67 sqm per worker is provided for industrial, this encompasses both production and warehousing in the Guidance, hence we have reverted to the more detailed HCA Employment Densities Guide for B1c, B2 and B8 uses.

³⁵ Given that the majority of B8 warehousing has been low bay warehousing in recent years, around 90% of future demand is estimated to be for ‘small’ warehousing and the remainder for larger high bay warehousing.

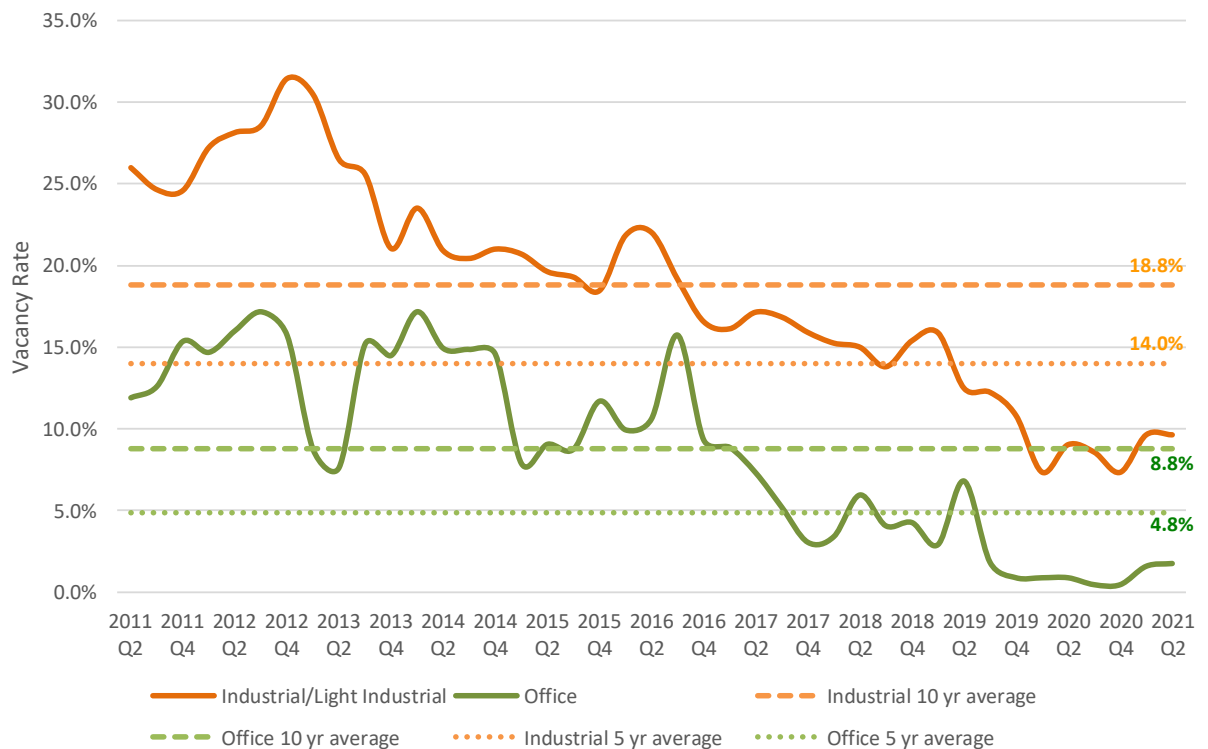
³⁶ Source: Final results, Wave 8 of the Office for National Statistics’ (ONS’) Business Impact of Coronavirus (COVID-19) Survey (BICS). (n = 5,527).

³⁷ <https://gov.wales/aim-30-welsh-workforce-work-remotely>

6.27

An adjustment has also been made to reflect the fact that vacancy rates in Conwy County Borough have shifted significantly in recent years. As can be seen in Figure 6.3, over the past ten years both industrial and office vacancy rates have steadily declined, albeit with significant fluctuations over time. Industrial rates have fallen from a very high peak of 31.4% in Q4 2012, to a low of 7.3% in Q4 2020. They are currently at around 9.6% (Q2 2021), although at the mid-2018 base date, industrial vacancy rates were averaging around 13.8%. As for office floorspace, these have declined from a peak of 17.2% in Q4 2014, and again at 15.7% in Q3 2016, to a low of just 0.5% in Q3 2020. They are currently at around 1.8% (Q2 2021), although again at the mid-2018 base date, office vacancy rates were averaging around 4.1%.

Figure 6.3 Comparison of historic vacancy rates in Conwy County Borough, 2011-2021



Source: Lichfields Analysis/CoStar (2021)

6.28

Welsh Government Practice Guidance assumes a ‘normal’ market vacancy rate of around 7.5%³⁸. The model has therefore assumed that there is a need for changes to levels of floorspace to allow for a return towards the 7.5% ‘ideal’ vacancy rate, which reflects the longer-term equilibrium before the recession (both locally and nationally).

6.29

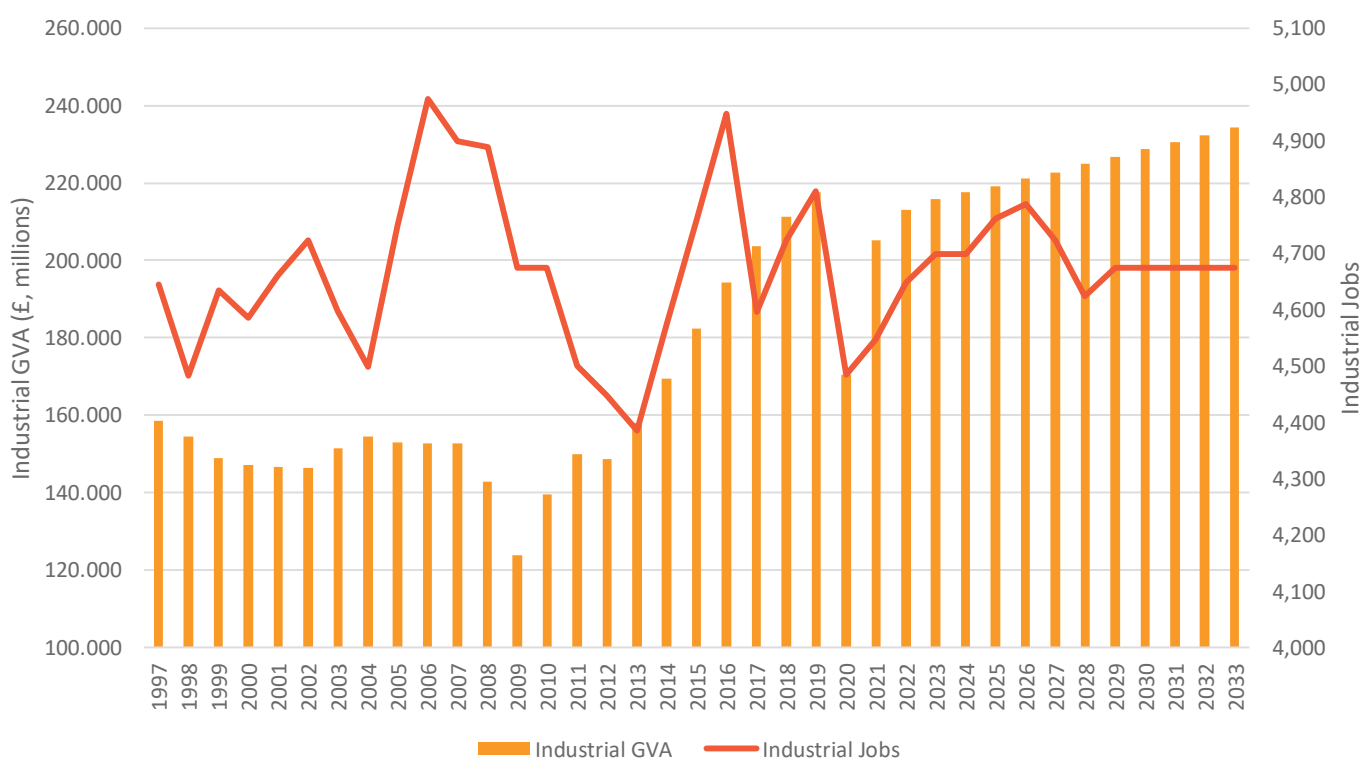
The relationship between job growth and floorspace is not, however, straightforward. As can be seen in Figure 6.4, whilst the industrial/warehousing employment is projected to largely stay constant between 2018 and 2033, the total GVA from industrial production in Conwy County Borough is projected to increase by almost £23 million over the same time period and alongside boosts to productivity and wages over this time, it is quite possible that this will require an increase in productive capacity and floorspace as a consequence.

6.30

As such, where a reduction in industrial jobs is forecast, the associated negative floorspace was halved, to reflect the fact that not all of this employment space is likely to be lost.

³⁸ Welsh Government (August 2015) Practice Guidance – Building an Economic Development Evidence base

Figure 6.4 Comparison of historic industrial job and floorspace change in Conwy County Borough



Source: Lichfields Analysis/Experian (June 2020)

6.31 The resultant floorspace estimates are provided in Table 6.3. They indicate an overall net gain B-Class floorspace in Conwy County Borough of 7,734 sqm between 2018 and 2033. This is entirely driven by an increased demand for B8 warehousing and offices, despite a drop in demand for industrial floorspace.

Table 6.3 Experian workforce job growth net employment floorspace requirements 2018-2033

Use class	Conwy County Borough floorspace (sqm)
Offices (B1a/b)	+7,276
Industrial (B1c/B2)	-2,807
Distribution (B8)	+3,265
Total	+ 7,734

Source: Experian June 2020 / Lichfields Analysis

Scenario 2) Job Growth: Regeneration / Policy On

6.32 An alternative job-based estimate of future needs has been compiled which was termed the Regeneration, or 'Policy-On', scenario. This is based upon the review of the revised key growth drivers in Section 5.0. This section reviewed the target sectors and investment priorities outlined in the region's strategy documents and an analysis of the main private and public-sector interventions in North Wales³⁹. This evidence base was used to identify a short list of priority sectors where growth aspirations are above those forecast in the Experian baseline scenario. The short-listed sectors and key growth drivers were validated in consultations with

³⁹ North Wales Economic Ambition Board (2019) North Wales Regional Skills & Employment Plan 2019-22

representatives from the region’s economic development stakeholders; the North Wales Economic Ambition Board and Cheshire West and North Wales Chamber of Commerce.

6.33 It is recognised that limited conclusions can be drawn from the results of this approach as the Experian forecasts for Conwy County Borough are complex and internally consistent with those of other authorities in the region.

6.34 With this caveat in mind, the identified growth sectors that could be promoted and supported in the years ahead in Conwy County Borough are:

- 1 Energy & Environment;
- 2 Construction;
- 3 Advanced Manufacturing;
- 4 Creative & Digital;
- 5 Financial and Professional;
- 6 Tourism & Hospitality;
- 7 Health & Social Care; and,
- 8 Food & Farming.

6.35 As there is considerable overlap with some of the sectors and the standard industrial classifications used by Experian, it was assumed that the eight broad categories would broadly align as set out in Table 6.4.

Table 6.4 Comparison between Conwy County Borough Target Growth Sectors and SIC2 sectors

Conwy County Borough Target Growth Sectors	Approximate Comparable Standard Industrial Classifications
Energy & Environment*	Utilities
Construction*	Construction of Buildings; Civil Engineering; Specialised Construction Activities
Advanced Manufacturing	The wider Manufacturing sector has been used as forecast employment data for the County’s manufacturing sub-sectors are statistically unreliable due to the relatively low numbers of people employed in certain sectors
Creative & Digital Industries	Media Activities; Telecoms; Computing & Information Services
Financial and Professional Services	Finance; Professional Services
Tourism and Hospitality	Accommodation & Food Services; Recreation
Health and Social Care	Health; Residential Care and Social Work
Food and Farming	This is partly captured within the wider Manufacturing sector with the remainder captured in Agriculture, Forestry & Fishing

Source: Lichfields Analysis

6.36 Reflecting the ambition for economic growth, it was considered that these sectors could anticipate growth rates close to the Welsh or North Wales rates identified in the Experian baseline job forecasts. If the projected growth rates for Wales or the region were higher than Conwy County Borough’s, then these were applied to the sectors identified in Table 6.4 for the period 2018 to 2033. Due to the current considerable uncertainty over the Covid-19 pandemic, Brexit and the recent announcement regarding the cancellation of the Wylfa Newydd Power Station development, we have applied whichever is the lower of the Wales/North Wales growth

multiplier. In the case of the manufacturing sector, a 10 percentage point-lower level of job losses was assumed (i.e. a reduction of 23% manufacturing jobs, rather than 33% as in the baseline). This is because the manufacturing sub-sector data is statistically unreliable in Conwy County Borough.

6.37 The adjustments to the Experian forecasts outlined above result in an overall increase of 3,086 (1,586 higher than the baseline) jobs and an increase in B-Class jobs of 859. This compares to a forecast net increase of just 284 B-Class jobs in the baseline Experian scenario. Most notably however, the forecast growth in non B-Class jobs is much higher in the policy on scenario compared to the baseline Experian scenario (+2,226 and +1,216 respectively). Table 6.5 summarises the forecast job growth in the policy-on scenario.

Table 6.5 Policy-on workforce job change in Conwy County Borough 2018-33

Use class	Conwy County Borough Workforce Jobs		Change
	2018	2033	2018-33
Offices (B1a/b)*	6,319	7,040	+721
Industrial (B1c/B2)**	3,257	3,350	+93
Distribution (B8)***	1,576	1,622	+45
Total B-class Jobs	11,153	12,012	+859
Other Non B-Class Jobs	41,047	42,263	+1,216
Jobs in All Sectors	52,200	55,286	3,086

Source: Experian / Lichfields Analysis. Note data are rounded

* includes a proportion of public sector employment and administration & support services

** includes vehicle repair and some construction activities

*** includes elements of transport & communications sectors

6.38 These employment forecasts were then converted to floorspace requirements in the manner to the Experian baseline forecast. The resulting forecasts are more optimistic in terms of office and industrial job growth. These are set out in Table 6.6.

6.39 Overall, they forecast a net increase in the requirement for B-Class floorspace of 22,600 sqm, with a stronger level of growth in B1a/b and B1c/B2 and no change in the need for B8 logistics.

Table 6.6 Policy On jobs based (net) employment space requirements in Conwy County Borough 2018-2033

Use class	Conwy County Borough floorspace (sqm)
Offices (B1a/b)	+14,802
Industrial (B1c/B2)	+4,532
Distribution (B8)	+3,265
Total	22,600

Source: Lichfields' Analysis

Scenario 3) CCBC Economic Growth Strategy Target Job Growth

6.40 CCBC's Economic Strategy targets 3,500 new jobs⁴⁰ to 2027. It is understood that this aspiration remains despite the current pandemic given that this remains a long-term goal.

⁴⁰ CCBC Officers confirmed that the 3,500 jobs figure was derived on the basis of an extrapolation of past trends in jobs growth across all sectors, including traditional B-Class employment but also tourism, retail etc. As such, it would not be affected by the recent Wylfa Newydd Power Station decision.

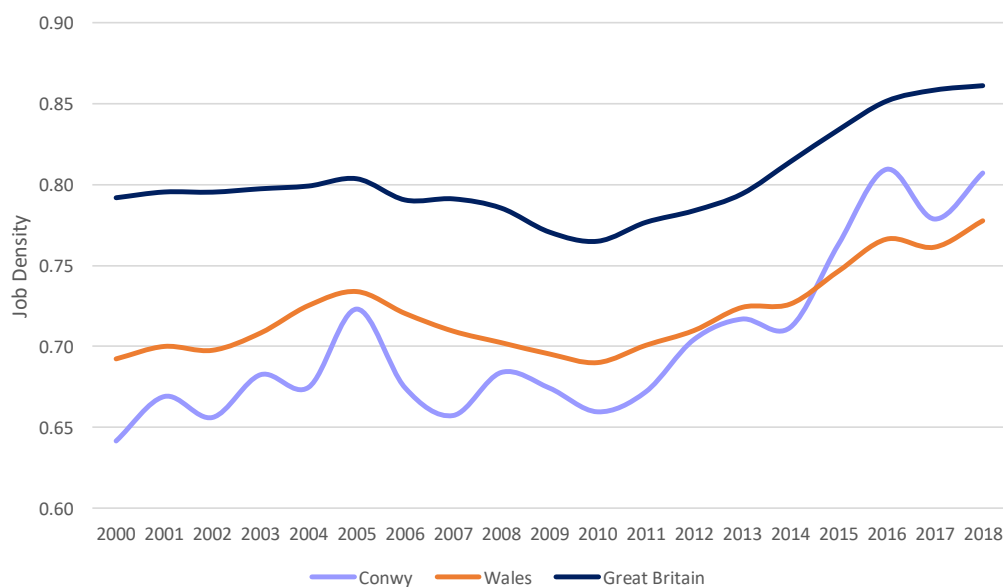
6.41 The previous ELR Update also factored in an additional 1,980 new jobs (including contingency) based on the aspiration set out in the adopted CCBC Local Development Plan. This was intended to reduce out-commuting levels and promote a more balanced age structure:

“Evidence indicates that out-commuting levels can be reduced through the accommodation of additional jobs. As detailed in BP/3 – ‘Growth Level Options Report’ a further 1800 jobs (15.5 hectares), with a contingency level up to 1,980 jobs (1.5 hectares), should be accommodated within the Plan to reduce out-commuting levels.” [paragraph 3.5.1]

6.42 As summarised in the previous ELR Update, the 2011 Census recorded a net outflow of 4,784 residents who commute out from Conwy County Borough to work in other areas. *“Conwy has a lower job density ratio of 0.72 compared to the Welsh average of 0.74 and neighbouring authorities (0.78 in Denbighshire and 0.85 in Gwynedd). Rebalancing the land uses of the County to ensure that more (and better quality) jobs are provided could help to reverse this trend and ‘claw-back’ out-commuters, reducing net out-commuting rates. This is already a strategic target specified in the LDP.”*

6.43 Figure 6.5 compares how job densities have changed in recent years in Conwy County Borough, Wales and Great Britain more generally. It indicates that job density (essentially the ratio of total jobs to working-age population in a given area) levels in the County have increased significantly in recent years, from a low of 0.66 in 2010 immediately after the recession, to a high of 0.81. This is now higher than the Welsh average, of 0.78, and is much closer to the Great Britain average of 0.86 – 5 points behind, compared to 15 back in 2000. Although reliable new commuting data will not be available until the publication of the 2021 Census, this seems to suggest that the balance of job provision is increasing at a faster rate than the working age population (which, as we have discussed above, is likely to decline significantly in the years ahead).

Figure 6.5 Job Density 2000-2018



Source: ONS Job Density (2020)

6.44 On this basis it is suggested that this new model retains only the 3,500 net job growth aspired towards in the Conwy County Borough Economic Development Strategy to 2027, with growth levels returning to the Experian baseline for the remainder of the Plan period (which results in a net increase of 200 new jobs between 2027 and 2033, or 3,700 in total).

6.45 The same assumptions concerning 7.5% vacancy rates and employment densities as per the Experian baseline econometric demand-side forecasting work were applied to these enhanced job projections. The same distribution of employment by B and non B-class use as the Experian baseline scenario was used. Table 6.7 summarises the net job growth arising from the EGS target job growth scenario.

Table 6.7 EGS target workforce job change in Conwy County Borough 2018-2033

Use class	Conwy County Borough Workforce Jobs		Change
	2018	2033	2018-33
Offices (B1a/b)*	6,319	6,947	+628
Industrial (B1c/B2)**	3,257	3,270	+13
Distribution (B8)***	1,576	1,688	+112
Total B-class Jobs	11,153	11,905	+753
Other Non B-Class Jobs	41,047	43,995	+2,947
Jobs in All Sectors	52,200	55,900	+3,700

Source: Experian / Lichfields' Analysis. Note data are rounded

* includes a proportion of public sector employment and administration & support services

** includes vehicle repair and some construction activities

*** includes elements of transport & communications sectors

6.46 These employment forecasts were then converted to floorspace requirements in the same manner to the Experian baseline forecasts before. The resulting forecasts are less pessimistic in terms of industrial decline and are more optimistic in terms of office growth. The scenario also forecasts a significantly increased requirement for distribution space, compared to the level estimated in the Experian baseline scenario. These are set out in Table 6.6.

6.47 Overall, they forecast B-Class job growth in Conwy County Borough of 753 jobs by 2033 and a comparable increase in floorspace of 21,580 sqm, most of which is required for B8 warehousing and offices.

Table 6.8 EGS Target Job Growth based (net) employment space requirements in Conwy County Borough 2018-2033

Use class	Conwy County Borough floorspace (sqm)
Offices (B1a/b)	12,892
Industrial (B1c/B2)	646
Distribution (B8)	8,042
Total	21,580

Source: Lichfields Analysis

B. Future Labour Supply

6.48 It is also important to take into account how many jobs (and hence how much employment space), would be necessary to broadly equate to the future objectively assessed need for housing across the County. In contrast to the other approaches, this approach focuses on the future supply of labour rather than the demand for labour. This scenario then indicates the amount of new jobs needed to match the future working-age population, and how much employment space would be needed to accommodate these jobs.

6.49 CCBC provided the outputs for various demographic scenarios estimating the labour supply associated with population and household change in Conwy County Borough. These were based on the Welsh Government's most recent 2018-based Sub National Population Projections [SNPP]. The scenarios were:

- 1 2018-based Principal (Central) Projection (2,954 households 2018-33);
- 2 2018-based Low Growth Variant (1,959 households 2018-33); and,
- 3 2018-based High Growth Variant (3,757 households).

6.50 The resultant projections and their job growth forecasts are presented in Table 6.9. This indicates that the net job growth for Conwy County Borough could range from a low of 42 to a high of 865 depending on the level of housing growth targeted.

Table 6.9 Demographic population modelling scenario outputs for 2018 to 2033 (net changes)

Demographic scenario	Net Household Growth 2018-2033	Dwelling requirement	Total working age population	Labour force	Jobs - County residents only	Jobs - inc. in-commuting
Scenario 4) 2018-based Principal (Central) Projection	2,954	3,244	664	510	363	462
Scenario 5) 2018-based Low Growth Variant	1,959	2,151	59	45	32	42
Scenario 6) 2018-based High Growth Variant	3,757	4,125	1,244	956	681	865

Source: CCBC Demographic Modelling Outputs 2020, based on Welsh Government 2018 based Population Projections

6.51 To translate this job growth into employment floorspace requirements, similar assumptions concerning vacancy rates and employment densities as per the econometric demand side forecasting work were applied to the job projections. The results are presented in Table 6.10.

6.52 Under these scenarios, addressing the future employment requirements of local residents would mean a requirement of between -1,228 sqm and 3,830 sqm of B-class employment space (net) between 2018 and 2033 in Conwy County Borough, depending upon the level of housing growth pursued by the Council.

Table 6.10 Conwy County Borough B-Class net floorspace required from labour supply growth scenarios 2018-2033 (sqm)

Demographic scenario	Offices (B1a/b)	Industrial (B1c/B2)	Warehousing (B8)	Total B-Class
Scenario 4) 2018-based Principal (Central) Projection	+4,626	-4,284	+1,011	+1,353
Scenario 5) 2018-based Low Growth Variant	+3,554	-4,882	+99	-1,228
Scenario 6) 2018-based High Growth Variant	+5,665	-3,771	+1,886	+3,830

Source: Lichfields analysis

Estimating the Land Requirement

6.53 The next step involves translating floorspace into land requirements for office, industrial and warehousing uses. Land requirements have been calculated by applying appropriate plot ratio assumptions to the floorspace estimates. It has been assumed that a gross area of 1 ha is required to develop 4,000 sqm of industrial or warehousing / distribution space (equal to a plot

ratio of 40%). This plot ratio is based upon the Welsh Government Practice Guidance’s average of development density⁴¹.

6.54 The resulting net land requirements for the labour demand and labour supply scenarios are set out in Table 6.11⁴².

Table 6.11 Conwy County Borough net land requirements by labour demand and supply led scenarios (ha) 2018-33

Scenario	Offices (B1a/b)	Industrial (B1c/B2)	Warehousing (B8)	Total B-Class
1) Experian Baseline	1.82	-0.70	0.82	1.93
2) Policy On	3.70	1.13	0.82	5.65
3) EGS Target Job Growth	3.22	0.16	2.01	5.39
4) 2018-based Principal (Central) Projection	1.16	-1.07	0.25	0.34
5) 2018-based Lower Growth Variant	0.89	-1.22	0.02	-0.31
6) 2018-based Higher Growth Variant	1.41	-0.93	0.47	0.96

Source: Lichfields’ Analysis

C. Past Take Up Rates

6.55 Because they reflect market demand and actual development patterns on the ground, in some situations long term completion rates of employment floorspace can provide a reasonable basis for informing future land needs, particularly where land supply or demand has not been unduly constrained historically. However, the future demand picture may not necessarily reflect past trends and some adjustments may be needed.

6.56 As set out in Section 4.0 there has been a total of 4.65 ha of B-Class land lost in the past 13 years (between 2007 and 2020), equating to a rate of -0.358 ha annually. In contrast, there has been 14.33 ha of B-Class employment land completed over the same time period, including an impressive 2.63 ha in the past 3 years alone. This equates to an annual gross completion rate of 1.10 and a net gain (incorporating losses) of **0.74** ha annually.

6.57 The past take up rates scenario assumes that future development rates of employment space up to 2033 will be similar to those that have occurred in Conwy County Borough over previous years (the period for which take-up information is available for). However, it should be noted that the information provided by CCBC does not include the annual gross completions by use class. Additionally, the data covers a relatively short period of 13 years which may not reflect longer term trends. In particular, as with the rest of the UK, there was a notable impact resulting from the recession and subsequent economic downturn where there were reported to be no completions for multiple years, and the number of enquiries also dropped significantly. There is also very considerable uncertainty as to the future shape of the economy following the pandemic and Brexit trade negotiations.

6.58 This approach generates a gross requirement in Conwy County Borough for around 1.10 ha per annum gross, or around 0.74 ha per annum net. The former figure is equal to 16.54 ha over the 15-year plan period.

⁴¹ Welsh Government (August 2015) Practice Guidance – Building an Economic Development Evidence Base to Support a Local Development Plan

⁴² To take an example, the 8,816 sqm B1a net requirement for Conwy identified under the Policy On job growth scenario was increased to reflect the 40% plot ratio, and divided by 10,000 to translate square metres (floorspace) into 2.20 ha (land).

Table 6.12 Employment land requirement for Conwy County Borough based on past trends continuing 2018 to 2033

	Net average annual completion rate (ha)	Gross average annual completion rate (ha)	15-year net gross requirement (ha)
Conwy County Borough B-Class Space	0.74	1.1	16.53

Source: Lichfields analysis. Forecasts based on 11 years of average completion rates and losses 2007 to 2020

6.59 This approach assumes that past trends of development would continue unchanged, which may not fully reflect changes in the economy as it returns to growth. On the other hand, future development rates for industrial space may be lower than has been achieved historically as the sector rationalises and/or makes more efficient use of space. Clearly the recession and prolonged economic downturn have had a significant effect on the development of B-Class space in Conwy County Borough in recent years and may well continue to do so until the economy recovers fully from the current pandemic, which may be some years hence.

6.60 Nevertheless, the Experian modelling work demonstrates limited (and indeed negative for B1c and B2) prospects for growth for the B-class employment sectors.

6.61 In addition, all of the following suggest that past take up rates may not significantly increase in the future:

- 1 The long-term impacts of the economic downturn and uncertainty surrounding Brexit and the Covid-19 pandemic;
- 2 The move towards a more Business Services-orientated economy with significantly higher employment densities;
- 3 The continued restructuring of the traditional manufacturing economy with the potential for 'recycling' of older sites;
- 4 The significant reduction in public sector spending available to deliver difficult brownfield sites; and,
- 5 The need to consider alternative uses for existing B-class sites (i.e. for waste and recycling).

6.62 On balance, for Conwy County Borough, it is suggested that the **1.1 ha gross annual past take up rate** represents a valid figure going forward over the remainder of the plan period. This should be regularly monitored by CCBC Officers and amended as necessary.

Safety Margin

6.63 To estimate the overall requirement of employment space that should be planned for in allocating sites, and to allow some flexibility of provision, Welsh Government Practice Guidance recommends adding an allowance as a safety margin for factors such as delays in some sites coming forward for development⁴³. This margin is a contingency factor, providing a modest additional land buffer so that supply is not too tightly matched to estimated demand, and so that shortages of land do not arise if future demand turns out to be greater than the forecasts. Such flexibility is sensible given the uncertainties in the forecasting process and the scope for delays in developing employment space.⁴⁴

⁴³ Welsh Government (August 2015) Practice Guidance – Building an Economic Development Evidence Base to Support a Local Development Plan

⁴⁴ This safety margin is separate from the consideration of vacancy rate which is dealt with in Section 6.7.3 of Welsh Government's Practice Guidance (*Ibid*).

6.64 Welsh Government Practice Guidance states that the size of an employment land safety margin is up to the planning authority to determine and justify. In this light, Lichfields has drawn upon its wider experience in undertaking ELRs. This includes the historic South East England Planning Partnership Board [SEEPB]⁴⁵ guidance on employment land assessments recommends an allowance that is equivalent to the average time for a site to gain planning permission and be developed, typically about two years. For Conwy County Borough, on the basis of the gross take up analysis set out in the Past Take Up Scenario 7, and for consistency with previous Conwy County Borough ELRs, the following safety margin was applied for B-class uses:

Table 6.13 Conwy County Borough Safety Margin Allowances

	Gross Average Annual Take-up (ha)	2-year Safety Margin Added 2018 to 2033
All B-Class uses	1.102	2.205

Source: Lichfields Analysis.

Convert Net to Gross Floorspace Requirements

6.65 To convert the net requirement for employment space into a gross requirement (the amount of employment space or land to be allocated), an allowance is also typically made for some replacement of losses of existing employment space that may be developed for other, non B-Class uses in future. This is a widely accepted approach in planning for future employment land needs.

6.66 Not all losses need necessarily to be replaced as some will reflect restructuring in the local economy as less space may be needed in some sectors in future. However, some replacement is needed to refresh the quality of the stock and to avoid the employment land supply continually declining.

6.67 There is an argument that not all such losses of employment land should necessarily be replaced or reflected in an increased gross land requirement. This would be on the basis that the stock of employment land in Conwy County Borough contains some older sites less likely to meet future needs and is of a scale that reflects past industrial patterns, rather than the amounts of land needed in future.

6.68 However, against this argument is the likelihood that other sites may also be lost by 2033, and these will represent losses to the overall land portfolio, reducing choice within the market.

6.69 Recent losses have averaged 0.358 ha per annum. This is relatively low given the size of the current stock of floorspace in the County Borough.

6.70 An alternative approach to calculating land requirements with a margin of choice is to apply a rate of ‘churn’ equivalent to a proportion of CCB’s existing stock per annum. A number of other ELRs have used a replacement figure of around 1% per annum⁴⁶, which would be the equivalent of CCB’s entire stock being replaced over a period of 100 years. This has been acknowledged as a valid alternative approach (to adjusting for anticipated future losses) when translating net employment land needs into a gross planning requirement.

⁴⁵ SEEPB Economic and Employment Land Assessments Supplementary Guidance Consultation Document, 2009. Although the SEEPB no longer exists and the formal status of this guidance is not established, it is considered to be a source of good practice.

⁴⁶ See, for example, Lichfield District Council’s Employment Land Review 2014 Update and work covering the areas of: The West of England Updated Employment Evidence (Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire) November 2018; Greater Exeter Economic Development Needs Assessment (Devon County, East Devon, Exeter, Mid-Devon, Teignbridge and Dartmoor National Park) March 2017 and Dartmoor National Park Employment Land Review, January 2018.

6.71 Table 6.14 compares the rate of replacement needed for Conwy’s B-Class stock (based on the total amount of floorspace identified in the County by the VIA in 2019). It indicates that if the current loss replacement figure of 0.358 ha were taken forward, it would take an improbable 285 years for the County’s stock to be replenished in full. At the other end of the scale, to replenish the whole stock in 50 years would require over 2 ha of churn, which appears unrealistic. Applying the general rule of thumb figure of 1% would require just over 1 ha of churn, or loss replacement, although in reality that could include some premises being replaced more frequently, and others not being replaced at all.

Table 6.14 Conwy County Borough Replacement Rate Analysis (2019)

	Annual Allowance	15 Year Allowance	Years Required to Replace all County B Class Space*
Trend Based	0.358 ha	5.37 ha	285 Years
Replacement at 0.5%	0.51 ha	7.65 ha	200 Years
Replacement at 0.8%	0.82 ha	12.24 ha	125 Years
Replacement at 1%	1.02 ha	15.30 ha	100 Years
Replacement at 2%	2.04 ha	30.60 ha	50 Years

Source: Lichfields analysis/VOA Business Floorspace (2019)

*Using a standard 40% plot ratio to translate floorspace to land

6.72 As set out in Table 3.5 above, well over half (56.7%) of all B class floorspace in the County was built prior to WWII, compared to 35.9% in Wales and 40.0% in England and Wales. The County’s stock of space therefore comprises a higher proportion of older premises than might be expected nationally. The historic rate of replacement has been low in CCB, which might suggest a higher rate of churn may be required to address the high proportion of older stock that is less likely to be fit to meet the needs of modern-day occupiers.

6.73 Other ELR studies⁴⁷ have noted that approximately 20% of historic completions have been achieved through B-Use Class redevelopment (i.e. the re-use of B-Use Class employment sites), with the remainder requiring new sites. This indicates that there will likely be a requirement for a high proportion of replacement activity on new sites to deliver new B-Use Class supply to meet modern occupier needs.

6.74 Balancing these considerations, it is suggested that the trend-based replacement of 0.358 ha would represent an insufficient rate of churn, given the age of much of the floorspace in the County. Replacing 1% of the floorspace would require a loss allowance of 1.02 ha which appears reasonable given that this would take 100 years to replace the County’s entire portfolio of sites. However, recognising that there will be an element of redevelopment on existing sites, a 0.8% annual replacement factor equal to **0.82 ha per annum** is suggested for Conwy County Borough. This should be monitored by the Council and adjusted as necessary to ensure that it is approximate to future losses in the current economic climate.

6.75 Consequently, by adding on an allowance for replacement of losses to the 6 labour supply/econometric projections (0.82 ha per annum, or 12.3 ha over 15 years) and factoring in two years of gross take up (2.20 ha) to allow for a suitable margin for choice, this results in a gross total requirement of between 14.20 ha and 20.15 ha between 2018 and 2033.

6.76 The model steps are summarised in Figure 6.6. The indicative total gross land requirements for Conwy County Borough to 2033, factoring in a 2-year margin of choice, are summarised in Table 6.15.

⁴⁷ West of England Joint Spatial Plan Area Updated Employment Evidence (2018)

Figure 6.6 Staged Approach to Employment Land Requirements for the 6 Labour Supply / Econometric Projections

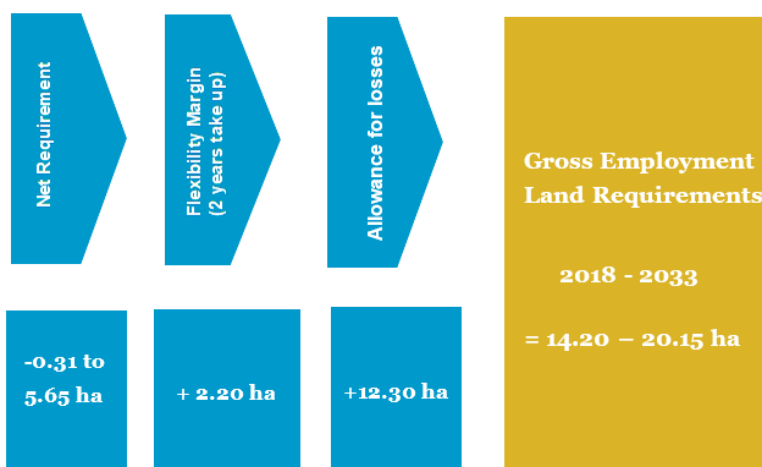


Table 6.15 Conwy County Borough gross employment land scenario comparisons (2018 to 2033)

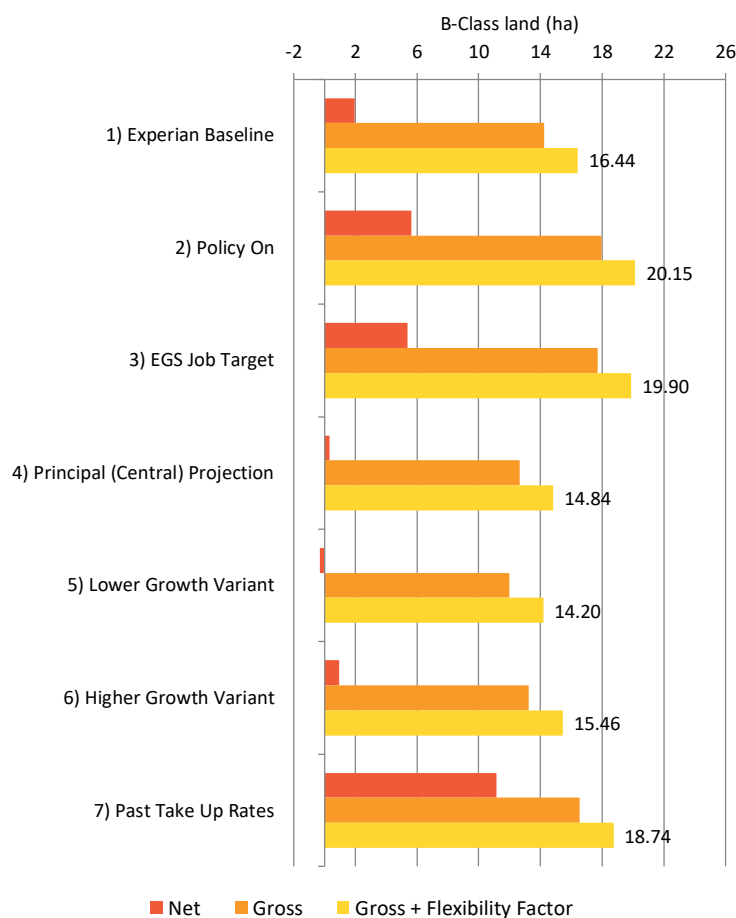
Scenario		B1a/b	B1c/B2	B8	Total*
1) Experian Baseline	Net	1.82	-0.70	0.82	1.93
	Gross				14.23
	+ Flexibility factor				16.44
2) Policy On	Net	3.70	1.13	0.82	5.65
	Gross				17.95
	+ Flexibility factor				20.15
3) CCBC EGS Job Target + Reduced Out-commuting	Net	3.22	0.16	2.01	5.39
	Gross				17.69
	+ Flexibility factor				19.90
4) 2018-based Principal (Central) Projection	Net	1.16	-1.07	0.25	0.34
	Gross				12.64
	+ Flexibility factor				14.84
5) 2018-based Lower Growth Variant	Net	0.89	-1.22	0.02	-0.31
	Gross				11.99
	+ Flexibility factor				14.20
6) 2018-based Higher Growth Variant	Net	1.41	-0.93	0.47	0.96
	Gross				13.26
	+ Flexibility factor				15.46
7) Past Take Up Rates	Net				11.17
	Gross				16.53
	+ Flexibility factor				18.74

Source: Lichfields analysis
Rounding errors may mean sums do not add.

6.77

The labour supply projections for Conwy County Borough are illustrated alongside the econometric and past take up projections in Figure 6.7. The demand led scenarios 1 to 3 (Experian baseline, Policy On and Economic Growth Strategy target job growth) range from 16.44 to 20.15 ha (gross), which are slightly higher than the 12.80 to 18.78 ha projected previously due to the stronger job growth projections over the longer term. Scenario 7 (Past Take Up Rate), at 18.74 (gross) is slightly lower than the 20.79 ha projected in the previous update, as employment land development (and indeed losses) have been slightly lower than the long-term trend over the past couple of years which has brought the annual average for the past 13 years down slightly. Again, the labour force scenarios comprise the lower end of the range.

Figure 6.7 Comparison of scenario requirement for B-Class land in Conwy County Borough 2018 to 2033



Source: Lichfields analysis

Reality Check

6.78 Clearly the levels of future demand for B-use class land projected by the various employment-based projections differ. The projections are largely trend-based; in particular, the past take up has been (at least partly) recorded during an unprecedented recession in the commercial market nationally. It is likely that the actual performance of Conwy County Borough's economy and commercial property market will lie somewhere between the econometric and past trends projections.

6.79 In order to provide a clearer steer as to what level of growth Conwy County Borough should be planning for, it is important to apply a series of reality checks.

Adjustments to Plot Ratios

6.80 The estimates of land requirements are clearly highly sensitive to the various assumptions used. The job / floorspace ratios and plot ratios adopted here reflect those in Welsh Government Practice Guidance⁴⁸ and the former ODPM Guidance⁴⁹. At present, it is assumed that the plot

⁴⁸ Welsh Government (August 2015) Practice Guidance – Building an Economic Development Evidence Base to Support a Local Development Plan

⁴⁹ Employment Land Reviews Guidance Note, ODPM (2004)

ratio⁵⁰ of 40% is generally applied to out-of-centre office space, industrial space and warehousing.

- 6.81 If a lower plot ratio were applied to all types of employment land, for example of 30%, this would result in a relatively modest change to the overall requirement of up to +2 ha in the LDP Target Job Growth scenario. However, much of the LDP's allocated employment sites are designated for B1 use, which has a higher employment density than B2 or B8 land uses. Additionally, the analysis of VOA floorspace data suggests that office accommodation is seeing a growing share of the existing stock of floorspace (see Section 4.0). On these grounds it is therefore reasonable to stick with Welsh Government Practice Guidance and adopt plot ratios of 40%.

Adjustments to the Margin of Choice

- 6.82 A more significant assumption in terms of sensitivity is the 2-year safety margin added. A 2-year margin of choice may ordinarily be seen as being reasonable, particularly in the light of economic uncertainty and the need to provide market ready sites to prevent occupiers from moving beyond the authority area when searching for appropriate sites. Hence an increased margin of choice would help to provide a balanced portfolio and provide an increased level of flexibility, which is likely to be particularly important given the likely delays to construction we have seen over the past 6 months due to the Covid-19 pandemic and subsequent lockdown from March 2020.
- 6.83 In summary, it is recommended that the approach taken in defining a two-year margin of choice remains valid.

Conclusions

- 6.84 This report has appraised a range of employment land projections for Conwy County Borough using a variety of methodologies in accordance with Welsh Government guidance.
- 6.85 It is important to identify an appropriate level of need that achieves a balance between realism and economic and planning policy objectives. A range of factors have been considered within this report that can help to inform a judgment on the appropriate level of need, with the key issues set out below:
- 1 The Experian baseline scenario projects that there will be a modest gain in B-Class jobs between 2018 and 2033, which is more optimistic than the negative rate of change recorded in the 2018 iteration which informed the 2019 ELR Update. In comparison, the demand-led Policy On and EGS Target Job Growth scenarios would generate more substantial increases in B-Class jobs due to economic restructuring and increased local demand for premises.
 - 2 There has been a modest net annual gain of employment land most years between 2007 and 2020. If this trend is allowed to continue then it would result in a moderate net increase in the supply of employment land equal to 11.17 ha. Over the past 2 years take up rates have fallen compared to the longer-term average previously recorded, which will have a modest impact on need.
 - 3 Enquiries data suggests that there is greater demand for warehousing and storage premises than office floorspace. However, the level of enquiries has been volatile and there was a distinct drop off during the previous recession and in 2013, although it is heartening that

⁵⁰ A plot ratio is the total building square footage (building area) divided by the site size square meterage (area of the plot). Therefore, a plot ratio of 150% would indicate that the total floor area of a building is 1.5 times the gross area of the plot on which it is constructed. For practical purposes, this would equate to a 3 storey building with fifty percent plot coverage, the remaining plot area being occupied, for example, by access roads, parking and landscaping.

even during and after the recent lockdown there have continued to be enquiries for new sites across Conwy County Borough.

- 4 There is a net outflow of 4,784 residents who commute out from Conwy County Borough to work in other areas. The previous ELR Update for 2019 reported that the County has a lower job density ratio of 0.72 compared to the Welsh average of 0.74 and neighbouring authorities (0.78 in Denbighshire and 0.85 in Gwynedd). Rebalancing the land uses of the County to ensure that more (and better quality) jobs are provided could help to reverse this trend and 'claw-back' out-commuters, reducing net out-commuting rates. This scenario generated a higher requirement for B-Class employment land compared to all the other scenarios. New data on job densities from ONS suggests that the situation is now reversing, and Conwy County Borough now has density levels that are higher than the Welsh average, at 0.81 compared to 0.78. For this reason, it is now considered that this scenario retains only the 3,500 net job growth aspired towards in the Conwy County Borough Economic Development Strategy to 2027, with growth levels returning to the Experian baseline for the remainder of the Plan period.
- 5 All of the labour supply scenarios indicate that the labour force is forecast to increase up to 2033, although the level of job growth is still lower than that associated with the econometric projections. On this basis between 14.20 ha and 15.46 ha (gross) could be required.

6.86 Consequently, on the basis of these considerations, for Conwy County Borough, a range of **between 14 ha and 20 ha (gross) of employment land may be considered appropriate to 2033**. Scenario 4 (2018-based SNPP Central projection) represents the lower end of the scale, and Scenario 2 Policy On represents the upper end. This range is slightly narrower than the 12 ha-21 ha previously projected, and is a reflection of the slightly higher job forecasts, aligned with the lower completions data. If the Council was to consider going for the lower end of the employment land range, they would need to be mindful of the housing implications by either considering a lower level of housing delivery, or reviewing other policy interventions to minimise any adverse labour force and economic implications.

6.87 The selection of the final employment land requirement within this range will depend upon the preferred level of employment growth for Conwy County Borough and the extent to which Officers consider that this aligns with the Council's economic aspirations and housing targets, including the need to reduce net out commuting. The selection of the job target may be based upon the identification of policy aspirations relating to the promotion of key sectors in accordance with the economic and spatial vision for the area.

6.88 In interpreting the outputs of this section, regard should therefore be had to PPW10 guidance which states that ELRs should include an assessment of anticipated employment change and land use together with estimates of land provision for employment uses showing net change in land/ floorspace. Similarly, the Welsh Government's '*Building an Economic Development Evidence Base to support a Local Development Plan*' (2015) document states that:

"in estimating future demand for employment land an LPA may consider it prudent to establish alternative scenarios to address circumstances where future growth rates may be either lower or higher than the current average past completions suggests. By doing this the LPA can identify an upper and lower range of possible future demand.

6.89 Local Authorities should therefore develop an idea of future economic needs based on a range of data and forecasts of quantitative and qualitative need. In this respect, planning for employment growth should avoid relying upon using single sources of data or projections which tend to rely upon a number of different variables which are inevitably subject to change.

- 6.90 It is also important to recognise that there are inevitable uncertainties and limitations associated with modelling assumptions under any of the future growth scenarios considered. For example, there are some inherent limitations to the use of local level economic forecasts, particularly in the context of significant recent changes in the economy in the context of the ongoing Covid-19 pandemic and uncertainties regarding the success or otherwise of post-Brexit trade deals with the European Union. Economic forecasts are regularly updated and the resulting employment outputs will change over the plan period.
- 6.91 Seven different scenarios of future employment space requirements have been considered, based on a number of approaches which reflect economic growth, past development trends and potential housing supply factors. Whilst the policy decision as to where within the aforementioned range Conwy County Borough's employment land requirement ultimately rests with Council Officers, the following considerations may frame that debate:
- 1 Scenario 1 is underpinned by **Experian's** June 2020 UK Local Market Forecasts Quarterly model, which factors in the adverse economic consequences of the pandemic. The Experian forecast projects growth of 1,500 jobs over the plan period (2019-2033). This is broadly in line with the previous policy on scenario, which projected net jobs growth of 1,813, triple the previous level of baseline jobs growth projected for the County Borough as part of Experian's equivalent model run 2-years previously. The recent clarity over the cancellation of the Wylfa Newydd Nuclear Power station investment, with all the supply chain construction and manufacturing services that it would have stimulated across North Wales, is an example setting out why the Council needs to take a realistic approach to economic growth that is not overly optimistic. This scenario, which indicates a need for **16.44 ha**, would not constrain economic growth, whilst at the same time reflecting the considerable economic uncertainty that lies ahead with regards the repercussions of Covid-19 job losses and the potential for adverse trade negotiations with the EU on a post-Brexit deal.
 - 2 The other two **econometric labour demand forecasts** reflect an assumption of higher future economic growth in Conwy than the County Borough has achieved in the recent past. The **Policy On projection** (Scenario 2) is based upon the review of the revised key growth drivers identified in the 2019 ELR which assessed the target sectors and investment priorities outlined in the region's strategy documents, and an analysis of the main private and public-sector interventions in North Wales. The scenario takes the Experian baseline job growth for key sectors and accelerates these in line with either the national or sub-regional rate. As noted above, limited conclusions can be drawn from the results of this exercise as the Experian forecasts for Conwy County Borough are complex and internally consistent with those of other authorities in the region. Given the precarious situation with Covid-19 and considerable uncertainties around the scale of any future recovery, the Council may wish to attach less weight to this scenario than before, given the significantly higher levels of employment growth projected over the plan period for this scenario which, at 3,086 jobs, would be 3.5-times the level of job growth that could be sustained even under the highest labour supply Scenario 6 (2018-based Higher Growth Variant).
 - 3 As for Scenario 3, (**CCBC EGS Job Target + Reduced Out-commuting**), it is understood that the Conwy Economic Strategy (which targets 3,500 new jobs in the Borough to 2027) is currently under review in light of the Covid-19 pandemic, with several of its ambitions being revised or refocused. In light of this, the Council may wish to consider attaching considerably less weight to this scenario, which currently represents the highest jobs growth across all scenarios, due to the evidence base being under review and subject to change.
 - 4 The **three labour supply projections** used the latest Welsh Government 2018-based projections. All three scenarios (4, 5 and 6), which generated a land requirement of

between 14.20 ha and 15.46 ha, would sustain a lower level of jobs growth over the period 2018-33 (+42 to +865) than Conwy County Borough has actually experienced between 2017-2019 (+1,300, of which 800 relates to just one year's growth between 2018 and 2019). Whilst the current pandemic and resulting considerable economic uncertainty means that it is likely we will see significant jobs losses over the next few years, this is likely to balance out over time. It is considered that during the plan period to 2033, and as the country begins to recover from the negative impacts of the Covid-19 pandemic, there will likely be some positive impact from region-wide projects and the North Wales Growth Deal and we should therefore assume some level of net growth between 2019 and 2033. For these reasons, a higher level of job growth and associated employment land provision may be appropriate.

- 5 The final scenario (7) is based on projecting forward **previous employment land take up rates** over a period of 13 years to 2020, culminating in a B-Class land requirement of 18.74 ha. While this is indicative of what has happened on the ground, it does not take into account the possibility of future changes to demand. The Welsh Government's *'Building an Economic Development Evidence Base to support a Local Development Plan'* (2015) document states that *"The strength of past completions lies in the availability of robust past data, collected over a credible length of time...[however] whilst peaks and troughs are likely to be 'smoothed out' where more data is available, even with 10 years of information, there is no guarantee that projections will accurately reflect future land requirements."* [paragraph 6.2.3]
- 6 The Welsh Guidance proceeds to state that LPAs can reflect on conditions which have generated past completion rates and give consideration to the potential impacts of known or predicted economic or policy effects on future land requirements. As noted above, the information provided by CCBC does not include the annual gross completions by use class, whilst the data covers a relatively short period of 13 years which may not reflect longer term trends. Indeed, completion rates over the past 2 years, at 0.88 ha combined, are less than half the 13-year average (of 1.1 ha). It also does not (and indeed by its backward-looking nature, cannot) factor in the likely economic disruption currently being experienced across the country due to the pandemic. Given the potential for significant change to the type and amount of employment land needed due to the Covid-19 pandemic, and other factors such as the North Wales Growth Deal, it is considered in this instance the Council may wish to give greater weight towards a different forecasting option.

6.92

In terms of how the employment land range for Conwy County Borough could be split between the B1a/b, B1c/B2 and B8 uses, it is not possible to directly translate the net split into gross requirements, as the data is not sufficiently robust to enable a precise breakdown of land lost/margin of choice by use type. The following quantitative and demand-based factors can be taken into account to understand the potential requirement for different B-Class employment space:

- 1 Historical changes to the stock of existing employment space show that the level and share of office space has increased by 34% in recent years to more than 100,000 sqm, whilst the level of industrial space has decreased by 10% over the same period, the biggest reduction in North Wales. Indeed, the loss of industrial floorspace is proportionately the highest in North Wales. Nevertheless, 75% of floorspace in Conwy County Borough comprises industrial/warehousing, with the remaining 25% comprising office floorspace;
- 2 Despite the decreasing stock of industrial premises in recent years, vacancy rates are almost 8% higher than for office premises;

- 3 By 2033 approximately 58% of B-Class jobs are projected to be in the higher employment density B1 office space, compared to 42% in lower density industrial space (B1c, B2 and B8), although the latter requires proportionately more land per worker;
- 4 Enquiries for B-Class employment space show that the bulk of demand is for B8 storage space, although overall there has been considerable volatility in the numbers of enquiries recorded over the past ten years; and,
- 5 The prioritised sectors identified in the review of key growth drivers suggests that demand will be particularly focussed towards office-based sectors such as Creative & Digital and Business Services, as well as industrial sectors such as Advanced Manufacturing and Construction are also targeted. Overall, the split between net requirements for the Policy On Scenario is 65%/35% Office/Industrial land.

6.93 Taking the above factors into account, with the quantitative indicators indicating stronger growth in office floorspace needs and replacement of lost industrial floorspace, whilst the qualitative evidence suggesting stronger ongoing needs for B2/B8, it is suggested that the following indicative split of B-Class employment land could be appropriate for Conwy County Borough over the period 2018 to 2033:

- 1 35% for B1a/B1b office; and,
- 2 65% for B1c/B2/B8 industrial/distribution.

6.94 As with the 2019 Update, this latest study has only considered the demand for employment space and has not reviewed the supply. Whilst the key projects and sectors driving demand have been validated with economic development stakeholders, levels of market demand and qualitative issues regarding the stock of sites have not been tested with commercial agents.

6.95 **CCBC should therefore seek to consult with commercial agents and review its supply of sites in order to test the likelihood of achieving the proposed distribution of B-Class employment space, and how this may be delivered over the plan period.**

This report does not seek to make a planning or policy judgement; this is a matter for CCBC when taking account of the information before them. The report therefore represents a first stage for further consideration of all relevant factors through the Local Plan process.

On this basis, the recommended employment land requirement range for CCBC is as follows:

14 ha to 20 ha between 2018 and 2033

Of this range, it is suggested that around 65% should be identified for B1c/B2/B8 industrial/warehousing, and the remaining 35% for new office space.

7.0 Conclusions and Recommendations

- 7.1 This report supports CCBC in its review of the adopted LDP. In the light of the pandemic and the uncertainties surrounding Brexit, Lichfields was asked to revisit and update the 2019 ELRU, factoring in our understanding of the local impacts of the pandemic within Conwy County Borough to date based on the latest available data. This included an analysis of the latest econometric forecasts for how Conwy County Borough's economy may change and the effect on different sectors over the short and medium-term and test the impact on key industrial sectors. This report has also updated the Key Growth Drivers, which has incorporated a review of key strategic sites. The report has remodelled the employment land targets and draws conclusions as to whether the previous 12-21 ha of B-Class employment land over the Plan period remains valid. It should be read in conjunction with the previous 2019 Study.
- 7.2 In line with Welsh Government's Planning Policy Wales, it addresses the requirement set out in paragraph 7.2.1 which states that plans and decisions should be based on up-to-date and locally specific evidence. This ELR Update also aligns with Welsh Government's Practice Guidance⁵¹.
- 7.3 Conwy County Borough's economy faces a number of opportunities and challenges in future years.
- 7.4 Whilst Conwy County Borough has experienced stronger employment growth than Wales in recent years and has a relatively diverse economy, there are few larger companies based in the County and there are challenges around growing businesses beyond micro, small and medium-sized enterprises in the area. Resident wages in Conwy County Borough have fallen since 2016 and remain well below UK earnings, whilst workplace-based earnings are consistently lower. As a linked weakness, the proportion of people in the County with degree-level qualifications remains below the national and UK levels. Conwy County Borough also has a higher proportion of residents with no qualifications.
- 7.5 Clearly the current pandemic has hit Conwy County Borough's leisure, recreation, retail and hospitality sectors very hard and recovery is uncertain. The latest 2018-based population projections are more optimistic than the previous 2014-based iteration, but still suggest that the County will have a rapidly ageing population and a declining labour supply. However, there are a number of reasons for optimism in the areas, as the rise of homeworking is likely to continue as technology advances, the pandemic, and Conwy County Borough's highly attractive natural environment will continue to encourage successful individuals to move to the area. Furthermore, the district's large base of smaller businesses means their space requirements are more flexible.
- 7.6 Over the coming decades, a wide range of projects, businesses and investments are earmarked to come forward which will have a significant impact on North Wales' economy. This includes key assets in Conwy County Borough, such as the proposed Colwyn Bay Tidal Lagoon (although this is unlikely to come forward before the end of the Plan period), alongside strategic employment sites. This will lead to direct business growth and job creation in the County, which will also benefit from supply-chain employment arising from other strategic developments along the North Wales coast.
- 7.7 In addition to the key development projects, a number of sectors are targeted across the region's economic development strategies. These sectors are therefore likely to experience job growth above the Experian baseline forecasts (which do not take key developments and policy decisions into account).

⁵¹ Welsh Government (August 2015) Practice Guidance – building an economic development evidence base

- 7.8 The (amended) targeted growth sectors are:
- 1 Energy & Environment;
 - 2 Construction;
 - 3 Advanced Manufacturing;
 - 4 Creative & Digital;
 - 5 Financial and Professional;
 - 6 Tourism & Hospitality;
 - 7 Health & Social Care; and,
 - 8 Food & Farming.
- 7.9 Employment growth for these sectors has been uplifted above the Experian baseline forecasts for the Policy On scenario. This is to reflect the direct economic benefits that are expected to happen in Conwy County Borough, as well as the spill over and multiplier effects from development elsewhere in the region.
- 7.10 Section 6.0 outlined the methodology and assumptions used in the 7 employment land scenarios. These employment land scenarios suggest that **between 14 and 20 ha** (gross) of B-Class space would be needed over the period 2018 to 2033. This is based upon both demand and supply led scenarios, as well as a scenario considering past delivery of B-Class employment land. It is a slightly narrower range than the 12 -21 ha projected previously and reflects the slightly more optimistic job projections aligned with a weakening level of employment land take up over the past couple of years.
- 7.11 The scenarios considered in the previous sections indicate the broad scale and type of growth arising from different approaches to modelling the County Borough's future employment space needs. To varying degrees, they reflect both indigenous needs arising within Conwy County Borough as well as – particularly in the case of the scenarios based on past development rates – a degree of footloose demand which operates across the County Borough's boundaries from the wider North Wales sub-region.
- 7.12 As noted in Section 6.0, the selection of the final employment land requirement within this range will depend upon the preferred level of employment growth for Conwy County Borough and the extent to which Officers consider that this aligns with the Council's economic aspirations and housing targets, including the need to reduce net out commuting. However, to frame that internal debate, a number of considerations have been set out regarding the weight that could be attached to each of the 7 scenarios. This should reflect the need to avoid constraining economic growth, whilst at the same time reflecting the considerable economic uncertainty at present.
- 7.13 In the context of the Welsh Practice Guidance on planning for economic development, the Council's policy approach should aim to plan positively to meet Conwy employment space needs so that the County Borough's economy is not constrained, recognising that developments in adjoining areas will also be a key influence.
- 7.14 However, to ensure a flexible and responsive policy framework, it will be necessary not just to focus on meeting forecast quantitative requirements (which will fluctuate over time), but to think about the opportunities and risks that flow from particular policy approaches. That might concern how delivery can be prioritised in some locations or for some types of employment uses, or how scope can be created for meeting as yet undefined inward investment opportunities, but also not protecting legacy employment sites for which there is no longer a productive employment use. Planning for employment will need to be balanced against pressures from

other land uses, as well as other Local Plan objectives such as planned housing, retail and leisure growth. B-class employment space also competes with non B-class uses, some of which may also generate local economic benefits or have identified needs that should be supported.

7.15

The approximate proportion of B-Class land uses is recommended to be 35% B1a/b office, and 65% B1c/B2/B8. This is based upon the forecast employment changes over the period to 2031, changes to the existing stock in recent years, and analysis of enquiries recorded by CCBC. When identifying the employment land delivery target for the County, CCBC should consider the high employment density of office space compared to industrial or warehousing space.

Annex 1 to Background paper 18 – The Conwy Employment Land Review (ELR)

Selection of Employment Growth Scenario

The Welsh Government's Practice Guidance advises that LPAs should consider two different methods to estimate the future demand for employment land:

- 1) Past building completions – applying the past average annual completions of B1, B2 and B8 employment land over the plan period; or,
- 2) Labour demand forecasting – analysing forecast employment growth data to determine the requirement for B-class employment land by converting jobs to floorspace and categorising employment sectors into different classes of B-class employment space.

Lichfields' 2020 Conwy Covid-19 Employment Land Review [ELR] Update v2. has modelled seven employment land scenarios that fall within these 2 broad categories. Three of these translate job growth projections into employment land requirements; another three project the labour supply associated with population and household change in Conwy County Borough and what this would mean for B-Class land; and the final scenario projects forward past completion rates of B-Class land.

The previous Conwy County Borough ELR (published in early 2019) also modelled a range of econometric job-based projections and past completion rate scenarios. The 2019 ELR concluded that a range of between 12 ha and 21 ha (gross) of B-Class employment land would be appropriate over the Plan period 2018 to 2033. The scenario which CCBC took forward to meet the County's needs in terms of employment growth was the Experian Policy on scenario. As can be seen in the Table below, this equated to a net job growth of 1,813 over the period 2018-33, and an employment land requirement of 14.3 ha. This level of job growth was more than triple the very modest Experian baseline scenario:

2019 ELR scenarios – In order of lowest jobs growth to highest.

Scenario Name	Jobs Growth 2018 - 2033	Employment land requirement
2014 based 15yr migration trend scenario	-600	12.46ha
Experian June 2018	+500	12.80ha
2017 based 10yr migration trend scenario	+600	12.88ha
2017 based 15yr migration trend scenario	+1,150	13.33ha
Policy On	+1,813	14.30ha
CCBC EGS Job Target + Reduced Out-commuting	+5,480	18.78ha
Past Take up rates	(land figure only)	20.79ha

In light of the ongoing pandemic and the uncertainties surrounding the consequences of Brexit, Lichfields was asked to revisit and update the 2019 ELR, with the results from the modelling exercise set out in the Table below:

2020 ELR scenarios – In order of lowest jobs growth to highest.

Scenario Number and Name	Jobs Growth 2018 - 2033	Employment land requirement
5) 2018-based Lower Growth Variant	+42	14.20ha
4) 2018-based Principal (Central) Projection	+462	14.84ha
6) 2018-based Higher Growth Variant	+865	15.46ha
1) Experian June 2020	+1,500	16.44ha
7) Past Take up rates	(land figure only)	18.74ha
3) CCBC EGS Job Target + Reduced Out-commuting	+3,700	19.90ha
2) Policy On	+3,086	20.15ha

As can be seen from the above table, the new growth range for the 2020 ELR is between 14 and 20 hectares.

Analysis of the Revised 2020 ELR Scenarios:

Scenarios 4 - 6 Labour Supply based options

All the population based options, using the latest Welsh Government 2018-based projections, would sustain a lower level of jobs growth over the period 2018-33 than Conwy has actually experienced between 2017-2019 (+1,300, of which 800 relates to just one year's growth between 2018 and 2019). Whilst the current pandemic, and resulting considerable economic uncertainty means that it is likely we will see significant jobs losses over the next few years, this is likely to balance out over time. It is considered that during the plan period to 2033, and as the country begins to recover from the negative impacts of the Covid-19 pandemic, there will likely be some positive impact from region-wide projects and the North Wales Growth Deal and we should therefore assume some level of net growth between 2019 and 2033. For this reason, these options have been discounted.

Scenario 7 - Past Take up Rates

This scenario is based on previous land take up over a period of 13 years to 2020. While this is indicative of what has happened on the ground, it does not take into account the possibility of future changes to demand for employment land. In this scenario, a jobs number has not been provided because it does not incorporate any jobs forecasting and is solely a land-based option, based on 'predict and provide'. Given the potential for significant change to the type and amount of employment land needed due to the Covid-19 pandemic, and other factors such as the North Wales Growth Deal, it is considered in this instance that a forecasting option should be pursued. Therefore, this option has been discounted by CCBC.

Scenario 3 - CCBC EGS Job Target + Reduced Out-commuting

The Conwy Economic Strategy (which targets 3,500 new jobs in the Borough to 2027) is currently under review in light of the Covid-19 pandemic, with several of its ambitions being revised or refocused. In light of this, this scenario, which currently represents the highest jobs growth across all scenarios and is therefore considered high-risk, should be discounted from the LDP analysis due to the evidence base being under review and subject to change.

Scenario 2 - Policy On

This Scenario is based upon the review of the revised key growth drivers identified in the 2019 ELR which assessed the target sectors and investment priorities outlined in the region's strategy documents, and an analysis of the main private and public-

sector interventions in North Wales. This evidence base was used to identify a short list of priority sectors where growth aspirations are above those forecast in the June 2018 Experian baseline scenario. The scenario takes the Experian baseline job growth for key sectors and accelerates these in line with either the national or sub-regional rate.

The 2020 ELR caveats the merits of this approach and recognises that limited conclusions can be drawn from the results of this exercise as the Experian forecasts for Conwy County Borough are complex and internally consistent with those of other authorities in the region.

Given the precarious situation with Covid-19 and considerable uncertainties around the scale of any future recovery, the Council considers that it is prudent to attach less weight to this scenario than before, given the significantly higher levels of employment growth projected over the Plan period for this scenario which, at 3,086 jobs, would be 3.5-times the level of job growth that could be sustained even under the highest labour supply scenario (2018-based Higher Growth Variant). This projection, which generates the highest employment land requirement of 20.15ha, is therefore considered by CCBC to represent a high-risk scenario that should not (at the time of writing) form the basis for a future LDP strategy for Conwy.

Scenario 1 - Experian Scenario – Revised Jobs Growth

Experian econometric job forecasts were obtained by CCBC to underpin this analysis. These were produced in June 2020 by Experian and factor in the adverse economic consequences of the current pandemic. It should be emphasised that such econometric forecasts tend to be most reliable at regional and national scales and consequently less so at the local economy level. Nevertheless, they provide a valuable input in respect of understanding future land needs by indicating the broad scale and direction of economic growth in different sectors and are a recognised source of data used to inform LDP evidence bases across England and Wales.

Experian's June 2020 UK Local Market Forecasts Quarterly model takes account of the existing economic structure of each Local Authority (broken down by economic sector) and the historical relationship between the regional performance of an industry and the performance observed at the Local Authority level. The forecasts of job growth by sector used here reflect recent trends and economic growth projections at national and regional level, and how economic sectors in Conwy County Borough have fared relative to North Wales' / Wales' growth in the past. The forecasts reflect the current post-Brexit economic climate and are based on the assumption that the recovery will follow a delayed-V shape, with a substantial drop in

output in Q2 2020 as economic activity was highly restricted due to lockdown measures to contain the virus. They are not constrained by either labour supply or land availability. The total workforce job growth for Conwy County Borough is summarised in the Table below:

Experian Baseline Scenario 1): Net Workforce Job growth 2017-2033

Conwy	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Workforce Jobs	51,700	52,200	53,000	50,900	50,500	51,500	52,600	53,000	53,300	53,500	53,500	53,500	53,700	53,800	53,600	53,700	53,700
Year-on-year growth		+500	+800	-2,100	-400	+1,000	+1,100	+400	+300	+200	0	0	+200	+100	-200	+100	0
Cumulative 2018-33			+800	-1,300	-1,700	-700	+400	+800	+1,100	+1,300	+1,300	+1,300	+1,500	+1,600	+1,400	+1,500	+1,500

The Experian forecast is projecting growth of 1,500 jobs over the Plan period (2019-2033), which represents a 'revised jobs growth strategy'. This is broadly in line with the previous policy on scenario, which projected net jobs growth of 1,813, triple the previous level of baseline jobs growth projected for the County Borough as part of Experian's equivalent model run 2-years previously. On balance, the Council considers that this level of jobs growth, of 1,500 net over the Plan period, represents a suitably aspirational level of growth which moderates the need for economic growth with considerable economic uncertainty and an ageing population (with associated modest growth in the local labour force as a consequence). The uncertainty over the cancellation of the Wylfa Newydd Nuclear Power station investment, with all the supply chain construction and manufacturing services that it would have stimulated across North Wales, is an example setting out why the Council needs to take a realistic approach to economic growth that is not overly optimistic. It is the Council's view therefore that the Experian scenario 1 does not constrain economic growth, but at the same time recognises the net effect of Covid job losses with a recovery forecast later on in the Plan period.

The land requirement for this option (16.44 ha) also provides a realistic figure when the use class split is considered. In the previous 2019 ELR, the land requirement was recommended to be split 50% office and 50% industrial, storage and distribution. In the revised ELR, this split has been modified to more accurately recognise the greater need for land accommodating industrial, storage and distribution. B1c/B2/B8 land should now comprise around 65% of the overall requirement, with the remaining 35% comprising new office space. This approach supports evidence gathered from commercial agents within the Conwy Commercial Market Analysis, the Council's Economic Development officers in terms of demand for industrial units and the ELR with regards to Conwy being relatively over-supplied with office space in comparison with other counties in Wales. It also reflects the shift towards home-working as a direct consequence of the current pandemic and subsequent lockdown. Whilst it is impossible to say at the time of writing whether levels of homeworking will be sustained at anywhere near the current rate into 2023 and beyond (with a concurrent reduction in the need for new office space), it is recognised that the Welsh Government has a stated ambition for 30% of the country's workforce to work remotely. Conwy is well positioned to benefit from greater levels of home working given the exceptional quality of life on offer to residents, and therefore any persistent shift towards homeworking in the medium to long term would help support the revised use-class split towards the industrial/distribution use classes.