Date: 29 September 2009
Contact name: 01395 517544/517540
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East Devon District Council

To: Members of the Overview/Scrutiny - Economy Committee
(Councillors: Iain Chubb, Trevor Cope, Malcolm Florey, Graham Godbeer, Ben Ingham, John Jeffery, Stuart Luxton, Bob Peachey, Tim Wood, Steve Wragg).

Portfolio Holders
Other Members of the Council for information
Chief Executive
Corporate Directors
Economic Development Manager

East Devon District Council
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Meeting of the Overview/Scrutiny - Economy Committee
Thursday 8 October 2009 – 6.30pm
East Devon Business Centre, Heathpark Way, Honiton

Members of the public are welcome to attend this meeting.

- **A period of 15 minutes has been provided to allow members of the public to raise questions.**
- **In addition, after a report has been introduced by the relevant Portfolio Holder and/or officer, the Chairman of the Committee will ask if any member of the public would like to speak in respect of the matter and/or ask questions.**
- **All individual contributions will be limited to a period of 3 minutes – where there is an interest group of objectors or supporters, a spokesperson should be appointed to speak on behalf of group.**
- **The public is advised that the Chairman has the right and discretion to control questions to avoid disruption, repetition and to make best use of the meeting time.**

AGENDA

1. **Public question time** – standard agenda item (15 minutes)
   Members of the public are invited to put questions to the Committee through the Chairman.
   - Each individual questioner exercising the right to speak during this public question time is restricted to speaking for a total of 3 minutes.
   - Councillors also have the opportunity to ask questions of the Leader and/or Portfolio Holders during this time slot whilst giving priority at this part of the agenda to members of the public.
   - The Chairman has the right and discretion to control question time to avoid disruption, repetition, and to make best use of the meeting time.

2. To confirm the minutes of the meeting of the Overview/Scrutiny – Economy Committee held on 3 September 2009. 3 - 8

3. To receive any apologies for absence.

4. To consider any items, which, in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances.

   (Note: such circumstances need to be clearly identified in the minutes; Councillors please notify the Chief Executive in advance of the meeting if you wish to raise a matter under this item. The Chief Executive will then consult with the Chairman).

5. To agree any items to be dealt with after the public (including the press) have been excluded. There are no items that the officers recommend should be dealt with in this way.

6. **Flybe Learning & Skills Academy**

   To receive an update on progress with the Flybe Learning & Skills Academy from Simon Witts, Director of Safety, Quality and Training, Flybe.

7. **Devon Employment Space Strategy**

   To receive an update on progress from Nigel Harrison, Economic Development Manager.

8. **East Devon Business Centre**

   To discuss its role within the Councils Economic Development Service with Nigel Harrison, Economic Development Manager and Tammy Down, Business Centre Facilities Manager

Members remember!

- You must declare any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.
- Make sure you say the reason for your interest as this has to be included in the minutes.
- If your interest is prejudicial you must leave the room unless you have obtained a dispensation from the Council's Standards Committee or where Para 12(2) of the Code can be applied. Para 12(2) allows a Member with a prejudicial interest to stay for the purpose of making representations, answering questions or giving evidence relating to the business but only at meetings where the public are also allowed to make representations. If you do remain, you must not exercise decision-making functions or seek to improperly influence the decision; you must leave the meeting room once you have made your representation.
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EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Economy Overview and Scrutiny Committee held at Knowle, Sidmouth on 3 September 2009

Present:	**Councillors:** Iain Chubb (Chairman) Trevor Cope (Vice Chairman) Malcolm Florey Ben Ingham John Jeffery Stuart Luxton Bob Peachey Tim Wood **Officers:** Mark Williams – Chief Executive Nigel Harrison – Economic Development Manager John Maidment – Planning Policy Manager Diana Vemon – Democratic Services Manager
Also Present	**Councillors:** Ray Bloxham Paul Diviani Jill Elson Peter Halse Andrew Moulding Philip Skinner Petra Davis - West Devon Business Information Point Stewart Home - West Devon Business Information Point
Apologies:	**Councillors:** Graham Godbeer Steve Wragg
Apologies from non-Committee Members	**Councillors:** Steve Hall Pauline Stott

The meeting started at 6.30pm and ended at 9.30pm.

*4 **Public question time**

There were no questions from the public raised at this point of the meeting.

The Chairman invited Philip Skinner, Rural Member Champion to brief Members on the Rural Devon Profile 2009 produced by the Devon Rural Network, which he had circulated prior to the meeting. Councillor Skinner said that it was a worthwhile and well-presented document which Members may wish to discuss at a future meeting.

*5 **Minutes**

The minutes of the meeting of the Overview/Scrutiny – Economy Committee held on 11 June 2009 were confirmed and signed as a true record.

6 **Business Tenants' Survey**

The Economic Development Manager outlined the background to the survey of the Council's 40 small business units undertaken by West Devon Business Information Point (BIP) on behalf of EDDC. The purpose was to gather quantitative and qualitative data from East Devon Business tenants in respect of:

- How businesses were trading during the current economic climate
- The service received from their landlord (EDDC)
- What would benefit their business in terms of support

In addition to collecting valuable data, the exercise showed tenants that the Council was proactively seeking ways of providing a better, targeted service. Using an independent surveyor to undertake the work had produced candid feedback. It also gave BIP the opportunity to advise the tenants about other services and support that was freely available to them.

Petra Davis of West Devon BIP briefed Members on the way in which the survey had been carried out, the level of response, details of the businesses, including length of time they had been trading, number of employees and business type.

Businesses had been asked about what they were trying to achieve, what the barriers were to this achievement and what help they needed to survive the next 12 months.

The survey included questions specific to the recession, such as: 'had the business already experienced a reduction in turnover?' What measures had been put in place to protect their business, and alternatively, what action had been taken to meet growth.

Businesses were questioned about their marketing strategy/investment, competitor activity and funding opportunities.

Based on the collated feedback, BIP was able to prepare an overview of the current trading picture in East Devon. Businesses had been affected by a reduction in consumer numbers and confidence. However, although the majority of businesses who responded reported a decrease in turnover on the previous year, most were sole traders or partners and had been able to adapt quickly to market changes. Feedback indicated that other barriers to growth included the lack of appropriate 'next step' business units to allow their businesses to expand and the limited number of workshops generally available in the district. Other local barriers were noted including inadequate security at some workshops.

Feedback indicated that EDDC generally had a good reputation as landlord although there was comment that EDDC should give preference to businesses with potential to provide employment in the area and/or those which would attract footfall to the site for the benefit of all the businesses located there.

Generally, businesses did not seek business advice despite the recession for a number of reasons including that many factors were beyond the control of the business.

BIP identified a number of key issues for discussion, namely:

- EDDC to review the practice of units being used for storage purposes as this limited the number of units available for other tenants,
- The average length of tenure meant that opportunities were not created for new business start up. Was this due to the lack of alternative workspace in the district or that rents were too attractively low to encourage the tenant to move? How could the Council encourage movement out of the start up units?
- Where a business was seeking to quit their premises due to difficult trading, EDDC should consider a relaxation on 3 months' notice.
- Consideration be given to providing publicly funded business support.

6 **Business Tenants' Survey (cont)..**

Members discussed the issue raised in respect of the lack of availability of start up and 'next step' business units. Although the Council's original intention in providing the business units was to help businesses to start up, generally tenants were not moving on to larger premises for a number of reasons including that the units' size, location and cost suited their purposes and EDDC was a fair landlord. In addition, although a number of businesses wished to expand, the only other units available in the area where too large and therefore prohibitively expensive.

The Portfolio Holder – Economy felt that the detail in the report was useful and from this he was able to highlight 3 key issues, namely:

- The workshops had been provided by the Council to help generate new business and employment with the intention of the businesses becoming established and moving on to larger premises. However this was not happening for the reasons already referred to above,
- Some units were being used for storage purposes and this needed to be investigated,
- The Council needed to support businesses in a holistic way, looking at what skills were needed by local businesses and how business activity could be sustained.

Members recognised the benefits of the business units to the tenants and in seeking to provide additional opportunities for new businesses needed to ensure that the existing businesses were not disadvantaged. The Committee recognised that a vital step was to identify new land for economic development using the survey as part of the evidence base to establish need. The district needed more small start up basic business units as well as larger 'next step' units to allow established small businesses to expand. It was suggested that the Council could introduce incremental rents over a period to help new businesses to establish themselves and encourage them to move into larger premises. The planning system needed to be supportive of the need to provide business units although Members' recognised the constraints of policy and planning frameworks.

It was suggested that that the Council should explore private opportunities for providing business units.

Members were reminded of the value of advice and support provided in the past through EDSIG and the Heart of Devon Enterprise Agency. These organisations used business volunteers to give fee advice to businesses. It was suggested that the East Devon Business Forum could be asked to seek ways to address this gap in provision.

The Business Member Champion confirmed that the Council was committed to achieving a thriving economy within the district. This was dependent on the viability of small businesses as the majority of business stock in East Devon comprised micro businesses (under 5 employees). He advised that the Council should develop a clear strategic plan, including all relevant elements, such as planning, to drive the economy forward.

The Economic Development Manager advised that he would thank the tenants for taking part in the survey and would share the results with them. He confirmed that the rents charged reflected the market place, as far as this could be ascertained, as a means of achieving the best use of Council assets. The findings would be reported to the Asset Management Forum and would be used as part of the service planning process.

RECOMMENDED (1) that the Economic Development Manager and the Estates and Legal Teams look at the business unit tenancy agreements and seek ways to proactively manage the units so that they are used to achieve maximum benefit for local businesses, 6 **Business Tenants' Survey (cont)..**

(2) that the Economic Development Manager prepare a report for consideration by the Committee at its next meeting* proposing ways of addressing the inadequate provision of small and medium sized business units in East Devon with the report including the need for the Local Development Framework to identify this gap in provision which would enable the Council to work proactively, for example though partnership working.

*The Committee will be up-dated at the next meeting on progress in respect of the Devon Employment Space Strategy. This together with the above discussion and recommendation could serve as the basis for a full report to the following meeting, bringing the various strands together. Members may wish to consider timetabling in a special meeting of their Committee to discuss this report in detail.

7 **Rural enterprise Development – Review of the Council's business support programme July 2007 – March 2009**

Members noted the review of the Council's business support programme, which was presented to the Committee by Stewart Horne from West Devon Business Information Point. Mr Horne recognised that independent and impartial advice was not always easy to obtain but was now available through Business Link (which largely accessed needs and acted as a 'signposting' service), Business Information Point, and Rural Enterprise Development.

Due to the Heart of Devon Enterprise Agency ceasing trading, the Rural Enterprise Development initiative was being delivered by BIP via workshops and business support. Members noted the various workshops that had been delivered in East Devon, how these had been marketed and the outcomes. East Devon District Council had provided £82,000 towards the Rural Enterprise Development initiative and this drew a further £31,000 in Devon Renaissance funds to support East Devon businesses.

Learning opportunities were also available through 'Train to Gain' but small businesses generally preferred short training programmes or sessions to fill a skills' gap rather than commitment to gaining National Vocational Qualifications. The value of business networking was also acknowledged.

Members noted additional support activity from BIP and planned future activity subject to funding. Mr Home had submitted 2 funding bids, one to Making it Local and another to the Economic Challenge Fund. The Economic Development Manager advised that there was £40,000 in the Council's current budget to fund this initiative; the 2010/11 budget had yet to be agreed.

The Portfolio Holder – Economy emphasised the need for the Council to achieve value for money.

The Business Champion noted that limited support in the area was given to micro businesses (less than 5 employees). He stressed the importance of supporting these small businesses and meeting their individual training needs. In addition to helping with funding, he emphasised the importance of the Council acting as a training advocate, supporting training initiatives. He believed that the profile of training should be raised. He said that 'bite sized' learning units best suited small enterprises. He suggested that the Council should establish a database of training providers in the district. This would enable the Council to signpost businesses to available training opportunities.

7 **Rural enterprise Development – Review of the Council's business support programme July 2007 – March 2009 (cont)..**

RECOMMENDED (1) that a database of training providers available in East Devon be established for the benefit of local business people,

(2) that the Council continue to support the Rural Enterprise Development initiative and include £40,000 in the 2010/11 budget,

(3) that the Council use e mail-shots to advise local businesses of training opportunities available and encourage them to take advantage of this provision.

(Councillor Paul Diviani, who was an observer at the meeting, declared a personal interest in this item as Chairman of 'Making it Local'.

*8 **Consultation paper on a new Planning Policy Statement 4: Planning for prosperous economies**

Members considered the report of the Planning Policy Manager, which advised them of the publication of a Government Consultation Paper on a New Planning Policy Statement (PPS) 4: Planning for Prosperous Economies. The Development Management Committee had already discussed the paper and had fed its comments into the consultation process. Members of the Overview/Scrutiny Committee was asked to note the contents of the Policy Statement as it showed the importance that the Government placed on economic development.

The new guidance consolidated all National Planning Policy Statements (PPSs) on economic development, in urban and rural areas and town centres, into a single PPS.

Members welcomed the Ministerial Statement accompanying the publication of the Consultation Paper as it highlighted the need for the planning system to support the economic aspirations of both urban and rural communities and for proportionate and flexible policies to support the start up and growth of businesses. It also emphasised the importance of safeguarding town centres, which were seen as the 'bedrock of our economic future'. The Statement recognised that economic sustainability was a prerequisite for social and environmental sustainability.

Particular reference was made to the following:

Paragraph 1.2 – 'Positively and proactively encourage sustainable economic growth in urban and rural areas'... based on a clear and proactive locally specified economic vision and strategy,

Paragraph I.7 – Economic development in open countryside to be strictly controlled. The need to protect the countryside was recognised but the need for economic development in rural areas was also an acknowledged need.

Paragraph 1.19 – 'Support small scale economic development where it provides the most sustainable option in villages, or other locations, that are remote from local service centres, recognising that a site may be an acceptable location or development even though it may not be readily accessible by public transport'.

Paragraph 1.30 - the Government was supportive of the replacement of suitably located, existing buildings of permanent design and construction in the countryside for economic development purposes'.

*8 **Consultation paper on a new Planning Policy Statement 4: Planning for prosperous economies (cont)..**

The Planning Policy Manager advised that the final version was anticipated by the end of the year.

The Chairman of Development Management welcomed the new PPS but reminded the Committee that it was still only in draft and that the Council had to continue to work within the existing policy framework in the meantime. Emerging documents were useful but had little weight and currently only reflected Government thinking.

The Rural Member Champion suggested that the Council should make more use of 'departure policy' so that economic development could be progressed.

The Portfolio Holder, Communities felt that town centres should be more tightly defined. Over the last few decades town functions had sprawled into the surrounding area often due to the high business rates for town centre premises. However, it would be of benefit to the on-going viability of town centres to clearly define their core and defend this against change of use. Members were reminded of the problems of managing the different needs of the evening/night and day town economies.

The Chairman of Development Management reminded the Committee that PPS7, in respect of rural buildings in the countryside, was a 2001 policy; if a building was not fit for purpose its use could be changed or the building replaced. He added that economic development applications needed to be identified for particular consideration.

The Portfolio Holder, Economy advised that utilitarian barns had been erected but which were now too small and in the wrong location but which were not fit for conversion. He would welcome the opportunity for these to be pulled down and replaced with a building which was fit for purpose. However this approach was often resisted by planners. He added that affordable housing and economic development were Council priorities and therefore could be taken into account as material (essential) considerations.

The new policy would help the Council to achieve its corporate priorities in respect of economic development and would include flexibility to respond to local needs.

RESOLVED that the emerging Planning Policy Statement 4: Planning for Prosperous Economies be welcomed and the feedback of the Development Management Committee on the consultation be noted.

Chairman .... Date ....

Contents

The List of Priority Sites is published separately.

Introduction

This document sets out the Employment Space Strategy for Devon for the period 2009 to 2026. The Strategy aims to assess the existing and potential sites available for the development of employment space across Devon, Plymouth and Torbay. It prioritises those locations where public sector intervention - in conjunction with significant private sector input - will be required in the near future to deliver sustainable employment, supporting strategic growth points and delivering productive knowledge-based employment to market towns and rural areas across the county.

This prioritisation process is necessary to deliver maximum impact from available funds, in a way that supports existing communities and planned growth points by enabling smarter and more sustainable working patterns. This will provide a greater range of higher value added employment across the historic county and takes account of and capitalises on the opportunities offered by the rapidly changing global economy.

The Strategy was commissioned by the Devon Economic Partnership through its Infrastructure Task and Finish Group in October 2007, with the aim of maintaining and improving the economic performance of Devon by ensuring that an adequate supply of appropriate sites and premises is provided, with due regard to sustainability, which will facilitate business development and growth, along with the potential to accommodate inward investment.

In the context of this strategy, employment workspace is defined as offices, industrial and warehousing accommodation. The Strategy does not therefore include consideration of retail, restaurant, hotel and other employment accommodating uses. It does however recognise the value and role of the 'non-B' sectors in generating employment growth.

The Strategy is supported by a substantial evidence base. This provided a comprehensive analysis of the anticipated demand and supply of employment space, which shows a strongly changing pattern of demand, with the economic restructuring of the last decade and a mismatch between demand and the type and location of supply.

The Strategy outlines the changing European, national and regional policy context within which local authorities and other players are working, their own policies and progress with planning frameworks, the market conditions that have prevailed (analysed by King Sturge), and the infrastructure constraints and future plans underway (with contributions by Halcrow).

This strategy provides a Vision and Strategic Objectives plus a practical programme for the delivery of agreed priority sites, including sites for intervention. This provides a framework for private and public sector investment and for planning at the sub-regional level. If implemented effectively, it will help to achieve Devon's economic growth targets and provide appropriate employment opportunities for the resident population.

This strategy will be regularly reviewed, with all employment space options being investigated in the future to support the changing needs of people and businesses in the county. The locations prioritised in this document are the minimum that is likely to be required to address immediate needs. Given long term economic trends, it is envisaged that further sites (as listed in the appendices), may need to be brought forward as required and as the market will allow.

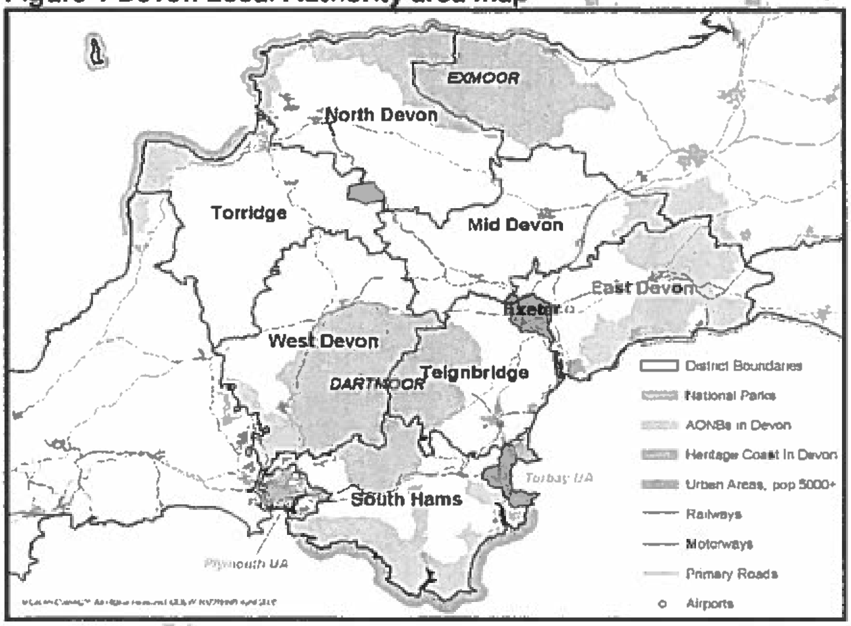
Rural and market town workspace hubs could be developed at a range of sites in the areas listed and address a variety of employment requirements. The locations should be consistent with the ICT Strategy and the ICT Hub criteria being developed by Devon County Council on behalf of the Devon Economic Partnership.

Area of Study

The Strategy is based on the historic County of Devon which includes the administrative County comprising the Districts of East Devon, West Devon, Mid Devon, North Devon, Torridge, South Hams and Teignbridge and the City of Exeter plus the unitary authority areas of Torbay and Plymouth. The Strategy covers this - the County area at 1974 – referred to as "Devon" from here on. This is simply a practicality, since economic activity does not respect local authority boundaries, but focuses around the urban settlements and is shaped by transport and communications infrastructure and natural geographic features.

At the time of writing local authority boundaries are under review. However, by taking an economic area approach, the Strategy is neutral with regard to boundaries.

Figure 1 Devon Local Authority area map



Vision and Strategy

Introduction

The Vision for this strategy is:

"Devon is a competitive business location, providing a range of high quality, sustainable employment sites and premises to support the growth of its economy"

The Devon Economic Partnership has recently published their economic strategy. In it their economic vision is stated that:

"Devon will have a dynamic, competitive and sustainable economy that builds on its strengths, promotes opportunity for all and enhances the environmental qualities of England's greenest County"

Amongst their strategic priorities for Devon is "achieving sustained investment in business infrastructure and communications". Within the actions listed for this priority is the commitment to implement a Devon Employment Space Strategy.

Torbay and Plymouth Economic Partnerships (both members of the Devon Economic Partnership) also have economic strategies. Plymouth's is built around the vision for Plymouth:

"By 2020, Plymouth will be one of Europe's finest, most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone, where all can be "healthy, wealthy, safe and wise".

The "city of ideas" is a central concept within the economic strategy.

Torbay aims to:

"*Develop a prosperous economy and create increased employment in Torbay for a more sustainable future.*"

The mayor's vision document seeks to put this into practice. The Torbay Development Agency has created a number of strategic objectives, the most relevant of which is to "*Create and manage development projects to regenerate key areas*".

All three areas have in common a commitment to the Regional Economic Strategy whose Vision remains:

"*South West England will have an economy where the aspirations and skills of our people combine with the quality of our physical and cultural environment to provide a high quality of life and sustainable prosperity for everyone*" plus "*South West England will demonstrate that economic growth can be secured within environmental limits to bring prosperity to the region.*"

Taken together, it can be seen that all the local authorities in the area are committed to economic growth scenarios and all that this entails in pursuing excellence, innovation and investment. But they are also strongly committed to equitable solutions that militate against widening income gaps and pockets of wealth versus pockets of deprivation. This includes maintaining a balance between the needs of rural and urban areas. They are also strongly committed to protection of the environment and recognise its role in underpinning the Devon economy.

Strategic Objectives & Recommendations

This strategy suggests a number of ways that taken together and pursued in partnership can achieve the Vision. These also have the potential to be built into multi-area agreements where practicable. These are:

Improve the evidence base

Improve spatial and business information to inform decision-makers and investors by providing data based on both administrative boundaries and settlements for the purposes of Local Development Frameworks (LDFs) and on Travel-to Work or other economic zone bases, in a consistent manner. Housing market information should be included in economic datasets so that investment drivers affecting choices by individuals and organisations can be better understood. The Devon Employment Space Strategy should be regularly reviewed with clear linkages made to planning policy frameworks (e.g. LDFs/RSS) to ensure the planning system is responsive to employment need, opportunity and reality.

Future proof by bringing people and jobs into close contact

Oil, commodity and food prices will be just some of the factors having a significant effect on economic activity in the future – employment patterns are likely to change to reflect this. Changes in types of economic activity away from heavy manufacturing towards more office based mixed activities allow more higher density mixed-use development which has the potential to reduce the need to travel to work, to bring opportunities within the reach of the economically excluded and to improve community safety. Development of employment land should also be concentrated towards centres of population, as set out in the RSS.

Build high quality mixed use developments in SSCTs and market towns as a sustainable model for living and working

Whilst self-containment of communities is sustainable, it may be restrictive or impractical where personal choice and specialisation of occupations works in the opposite direction. Nevertheless, the market town is highly popular as a focus for employment and services, providing as it does, the right scale for a cohesive community

Protect and enhance environmental assets by building on previously developed land wherever practicable and by ensuring the more efficient use of land

Employment uses are often low density and there is little incentive to use the space more effectively. As with housing land, employment uses should be moving towards more efficient use of land and other natural resources.

Promote the development of environmentally sustainable workspace that has excellent design quality and low environmental impacts both in the short and longer term.

These should derive from the Designing Excellence initiative, with the involvement of CABE. This could imply greater use of the standard European eco-label and Energy Performance Certificates than a strict adherence to BREEAM. Building regulations Part L and future changes will address the national need for zero carbon rating in non-domestic buildings by 2019

Link employment centres with sustainable transport modes and ICT infrastructure

Devon has three major urban areas and 28 market towns. Five of these are classified as "strategically significant cities and towns" (SSCTs). These should be the basis for sustainable transport links and the focus for strategic employment growth. Uses giving rise to heavy vehicle movements should not be accepted away from the strategic road network and past uses of this nature redeveloped where possible. Movement of people engaged in remote working should be taken into account in establishing hubs that could include offices, meeting places, hotels and conference facilities with high speed ICT access. Where possible developments should be associated with high quality sustainable transport services or corridors.

Allocate and develop workspace to meet the needs of Devon's priority sectors

By developing a typology for the employment requirements of different sectors that are strongly represented in the area, are expected to grow significantly, or have the potential to deliver high quality employment in the future. Such a typology might include scale, preferred locations, broadband needs, proximity to facilities or other sectors and would inform planning briefs and development appraisals as well as guiding investors and decision-makers

Develop a sufficient supply of employment land appropriately ensuring a range of supply tailored to relevant sectors in each area

This strategy supplies an integrated forecast of required employment land, which is also allocated to administrative areas. Variations from the adopted forecast should be agreed with neighbouring authorities by negotiation (embodied in a multi area agreement). The Strategy focuses on priority sites needing public sector facilitation but leaves scope for local authorities to use their planning and highway powers, as well as economic development powers under the Sub-national Review, and sector-based typologies discussed above, to guide employment space investment and facilitate its delivery.

Recommended specific actions for DEP include:

- Pursue implementation of the Devon ICT Strategy, ensuring fast connectivity throughout Devon. This could include public WiFi access in all cities and key market towns.
- Lobby mobile phone providers to improve coverage.
- Lobby for key infrastructure investment especially in and around the SSCTs that enable the delivery of sites currently constrained by inadequate road access where the business case is compelling. Key sites include M5 Junctions 29/30, the South Devon Link road, the east of Exeter improvements, Plymouth Eastern Corridor and Derriford/Tavistock corridor improvements, and M5 Junction 28.
- Continue to advocate improvements to urban public transport systems, especially high quality bus and rail links, park and ride, and implementing city centre master plans that improve walking and cycling as sustainable transport modes between home and work.
- Support partners in their negotiations with the Environment Agency on the designation of flood protection areas and the ability to unlock employment sites.
- Establish a common database of employment sites across Devon, maintained by all Local Authorities with secure access to update.
- Establish a consistent methodology for undertaking Employment Land Reviews (ELRs) across Devon, advocating joint ELRs where economic activity areas overlap local authority boundaries e.g. Teignbridge and Torbay, Plymouth, West Devon and South Hams, Exeter and Heart of Devon, Torridge and North Devon.
- Regular monitoring and review of the suitability and deliverability of sites in this document will be necessary, in light of changing economic and population trends and transportation costs and patterns. If changes are necessary when reviews take place, alternative solutions should be suggested.

Outcomes

Potential direct outcomes from the Strategy by 2026 can be summarised as follows:

- Accommodation for an increase in employment to 2026 of 141,000 including 3,700 in construction jobs
- 444 Hectares of land for employment
- 1.5 million square metres of employment space
- £1.7 billion private sector investment in employment space
- £260 million potential public sector investment in priority sites

Indirect outcomes associated with the Strategy would include:

- Improve the number of higher value employment opportunities
- Reduce the rate of traffic growth, improve air quality and improve transport resilience and reliability
- Reduced CO_2 emissions from eco-labelled developments and BREEAM
- An increased sense of well being for residents and provide for the better alignment between people and jobs.

Findings

A more detailed summary of the research findings is included in Appendix I. This covers implications from the following:

European and national policy

- Lisbon Treaty & Gothenberg agreements
- EU enlargement and CAP reform
- Local Government Review and Lyons
- Transport (Eddington)
- Planning (PPS4) and Community Infrastructure Levy (Barker)
- Skills (Leitch)

Regional and sub-regional policy

- Regional Economic Strategy (RES)
- Way Ahead Sustainable Communities Plan
- Just Connect – Integrated Regional Strategy
- Regional Spatial Strategy (RSS)
- Regional Transport Strategy
- Sub-regional economic development strategies for Devon, Plymouth and Torbay

Property market

The current recession is having its effect on the property market. Mixed use schemes face viability issues. There has been little new town centre office development despite strong demand, which has been satisfied by more edge of town centre provision. Demand for offices has fallen away as a result of increased interest rates and investment yields and a tightening of available loan funding.

The industrial market has seen a change from a reduction in demand for pure manufacturing to distribution and servicing, although demand for modern factory space persists. However, whilst freehold purchase is a preference for occupiers there has been a noticeable swing to leasehold acquisitions as a result of the recession. Although hindering growth, rental levels are being maintained. There is a current shortage of serviced sites with planning consent which is likely to persist for the next 2-3 years.

Infrastructure

This is more fully considered in the main evidence and analysis report. The Strategy identifies a number of priority sites where road infrastructure plays an important part in site delivery e.g. J29/30 improvements for the Exeter/East Devon growth area, Deep Lane junction for Sherford and Langage, the South Devon Link Road, and improvements to J28 for Cullompton.

There have been some improvements in rail services, including the Exeter-Waterloo line and a new rail station for Cranbrook (supported by the Regional Infrastructure Fund), with more planned.

Urban traffic congestion and heavy goods vehicles on rural B roads remain as concerns affecting employer's and individual's choice of location. The role of ICT infrastructure is recognised, both in the RSS and in sub-regional strategies. Access to higher bandwidth for broadband and mobile telephone coverage and strength remain as issues in the rural parts of Devon.

Predicting employment land and workspace demand

The prediction of employment space needs in the future is critical to this Strategy. Need depends on a number of factors including future GVA growth. The Regional Economic Strategy adopts an overall 3.2% growth rate pa for GVA for the region. This has, unfortunately, been often taken as a proxy for employment growth.

The relationship between land and GVA is complex. Land provides accommodation for jobs and also requires capital investment. Both are the major components of GVA. Increases in employee wages, and higher skilled jobs will also generate higher GVA. Also, higher productivity from the same employment base will increase GVA, often from associated capital investment. The Strategy is consistent with the aspiration of 3.2% average growth pa over the next 20 years.

A number of Employment Land Reviews have been commissioned within Devon; however, various methodologies and timescales were used. The assumptions and methodologies employed at both regional and local levels to generate both employment sector growth prediction and the employment land demand based on them have been examined closely.

The future demand and supply for employment land has been modelled over twenty years – the same planning horizon as the Draft Regional Spatial Strategy. The mechanisms employed in the modelling include looking at historic growth trends by sector, examining likely labour supply and skills and examining boundary issues. The model has been tested for robustness.

The assumptions used in translating employment projections into floor space and hence land requirements are broadly consistent with those used by RTP in their work on the RSS.

Labour supply projections for Devon, based on the latest ONS projections (June 2008 based on mid-2006 population survey), derive an additional 127,000 working age population from 2006 to 2026, of which some 106,000 are forecast to be economically active. This compares to some 87,000 derived from the CE/RTP numbers which informed the RSS. The difference of 29,000 arises from the more recent statistics on employment at 2006 which show 21,000 more than those in the CE model. The remaining difference of 8,000 arises from minor differences in age profile and those economically active seeking employment.

The demand growth models show potential employment growth ranging from 98,000 (population aligned) to 357,000 (modulated historic trend). The latter is clearly unreasonable given the available labour supply, and a modulated best fit model (MBF) has also been developed which shows growth of 141,000 to provide an indicative range for such long term forecasts. The comparison by area is shown in the following table:

Table 1 Change in employment 2006-26

	CE/RTP	DESS Labour Supply	DESS Labour Demand Pop	*DESS Labour Demand MBF*
East Devon	9,400	12,800	9,800	*14,400*
Exeter	15,700	22,000	23,400	*32,100*
Mid Devon	5,300	9,800	5,700	*8,000*
North Devon	8,600	8,700	8,200	*8,200*
Plymouth	12,800	16,800	20,100	*32,800*
South Hams	7,600	3,400	5,200	*11,700*
Teignbridge	10,000	11,300	8,600	*13,400*
Torbay	10,000	10,500	9,600	*9,600*
Torridge	4,400	6,600	5,100	*5,100*
West Devon	3,700	4,400	2,800	*6,000*
Total	***87,500***	***106,300***	***98,500***	***141,200***

Not all these jobs require employment land (because some 27% are located in schools, universities, hospitals and retail functions etc.).

Employment land requirements in the Strategy are based on these figures to provide for flexibility in the future - to protect employment land from development for other more lucrative but less economically productive uses, allowing for possible upward changes in population forecasts (as has occurred regularly prior to the downturn in the housing market).

The changing nature of employment makes it difficult to model out beyond 2016. Even in that timescale, economic shocks such as the recent credit crunch and fuel price increases could influence future patterns. These may also be affected by major changes in global economics arising from, for example, the Chinese economy moving from a cheap labour supply driving manufacturing to a more developed economy; food production; ever-rising energy costs; and any impacts from climate change.

With these caveats, the prediction is that 60-72% of the demand for employment land to 2026 could be met without more planning allocations or investing in infrastructure. The supply for offices is 45% of the forecast MBF demand in 2026; while for factories/warehouses this improves to 88%.

The land requirement identified from the demand models so that Devon's economy can accommodate those needing jobs becomes at least 297 Ha (population demand) to 534 Ha (un-modulated Best Fit) up to 2026. Whilst these appear to offer a large range, the difference lies in the longer term where divergences in the models compound smaller differences in the short and medium term. A Modulated Best Fit has been derived that reflects the 444 Ha specified in the proposed changes to the RSS resulting from the EiP. Local planning authorities will work to the RSS requirement, with the Best Fit indicating potential demand arising from any further population growth or other economic changes. The allocations are shown in the following table:

Table 2

	Population Adjusted	Best Fit Adjusted	Modulated Best Fit
East Devon	37	75	56
Exeter	67	75	71
Mid Devon	23	34	34
North Devon	31	50	31
Plymouth	43	74	74
South Hams	17	58	58
Teignbridge	25	53	53
Torbay	29	61	29
Torridge	19	35	19
West Devon	6	19	19
Total	**297**	**534**	**444**

As migration patterns are variable and can alter significantly according to economic growth, transportation costs and other factors (e.g. schools, housing market etc), regular review of population figures and projections and priority sites will be essential to achieving the delivery of employment land to support sustainable population growth. The requirements and timing are compared to the RSS in the following table.

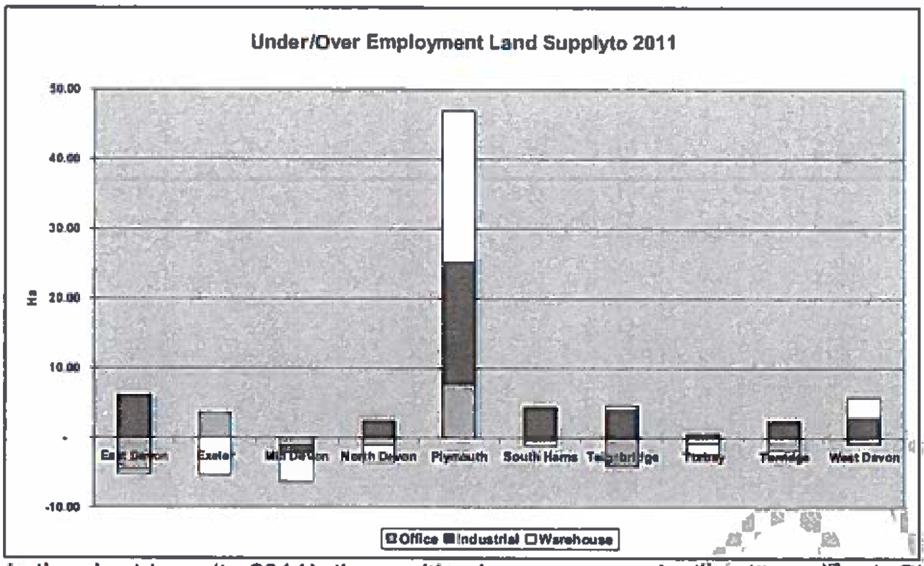
Table 3 Employment Land Requirements (Hectares)

	RSS	DESS (MBF)	DESS Short Term	DESS Medium Term	*DESS Long Term*
East Devon	120	56	9	12	*35*
Exeter	40	71	14	16	*40*
Mid Devon	N/A	34	5	7	*22*
North Devon	50	31	6	7	*19*
Plymouth	150*	74	11	16	*47*
South Hams	N/A	58	9	13	*37*
Teignbridge	55	53	6	10	*37*
Torbay	29	29	6	7	*17*
Torridge	N/A	19	3	4	*12*
West Devon	N/A	19	2	4	*13*
Total	***444***	***444***	***70***	***96***	***278***

* Includes adjoining land in South Hams

The above represents the demand side for employment land. Some 319 Ha has been identified as readily available supply i.e. with planning allocations or permissions and free from physical constraints and in overall terms could meet 72% of the demand.

However, there are differences in the timing and type of land required in each area. There are significant shortfalls of available employment land in Exeter and North Devon, and to a lesser degree in Plymouth, South Hams, Teignbridge, Torbay, Torridge and West Devon. Indeed, only East Devon and Mid Devon have an adequate supply of available land.



In the short term (to 2011), the position improves marginally, although only Plymouth has an overall "market ready" supply. Teignbridge and West Devon also have an overall excess, although there are differences in use with a shortage of land for offices in both areas. All other areas have shortages of available employment land, with only South Hams close to meeting demand.

Furthermore, these overall percentages do not reveal deeper mismatches within each local authority. These figures are in recognition that a further shift to high value added employment will bias towards both office and home-working facilities and away from factories and warehouses, but also that there is still likely to be demand for warehouse and factory accommodation.

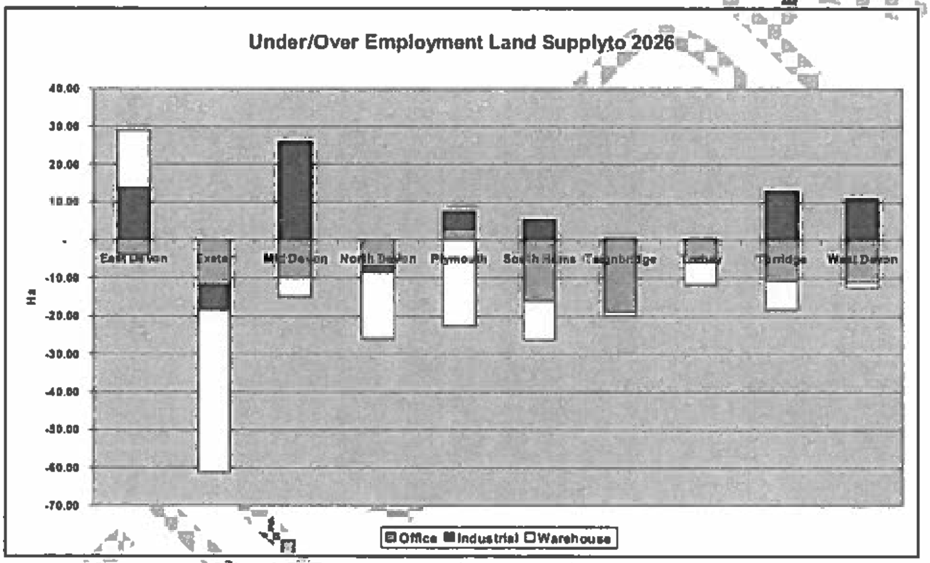
Figure 2
Figure 3

Only Plymouth has an adequate supply of offices and factory land, with all areas except West Devon having predicted shortages in warehouse land. Even in the case of Plymouth, that supply may not be well-placed. The figures are shown in Figure 2.

In the longer term (to 2026) only East Devon, Plymouth and Torbay could, at least in theory, meet the demand for office use, and only East Devon and South Hams could meet the demand for warehouses. The main areas where shortages are likely to occur without intervention are Exeter, North Devon, Teignbridge and Torridge, with Torbay only marginally meeting demand but with a mismatch in supply. This is illustrated in Figure 3.

The role of planning allocations in meeting supply

The Strategy identifies some 86 sites where a change in planning achieved either by confirming a currently envisaged site allocation within the LDF process or by a change of use could add an additional 263 hectares to the supply by 2026. There are sensitivities surrounding change of use that will need to be taken into



account as part of the LDF process prior to public inquiry.

Even with planning changes the models reveal potential shortages in office space in Torridge and West Devon, industrial land in Teignbridge, and warehousing in all but East Devon, South Hams and Torbay. There are still overall shortages in Exeter, North Devon and Teignbridge.

This demonstrates the need for further intervention in addition to planning in order to increase the supply (and quality) of employment land if ambitions for predicted sector growth are to be met. This requires funding intervention to provide essential infrastructure or to meet cost/value gaps in development.

The impact of additional investment

Some 46 sites have been identified where an external funding intervention would add a further 326 hectares of employment land to the supply. This is considerably more than has been identified to meet the demand, but demonstrates the potential to meet future growth beyond 2026.

The Strategy identifies the associated potential public sector investment in infrastructure and gap funding at some £334m. Clearly, with such a large requirement not all sites would be delivered. Examples include: 32 Ha of potential employment land around Cullompton that would require improvements to the M5 at Junction 28 (and 75 Ha housing land); 40 Ha in Tiverton that requires a new access from the North Devon Link Road; and 38 Ha in Newton Abbot urban extensions that require new roads and bridge crossings, all of which imply additional investment.

However, the Strategy identifies some £210m of additional investment to deliver priority sites over the next 20 years. The DEP partners will wish to review the detail and timing of this investment in order to identify potential sources of funding.

Key findings

Key findings underpinning the Strategy are that:

- Despite recent economic shocks, growth in the South West, including Devon, is likely to reassert itself and continue over the medium to long-term planning period
- Information on land supply, particularly on previously developed land, is inconsistently collated and presented
- Productivity-led growth as targeted by the Regional Economic Strategy is leading to lower land requirements for each unit of GVA growth than employment-led growth in the past. Nevertheless, inward migration to Devon amongst those of working age will continue to fuel employment growth and growth trends in some sectors point to continuing expansion
- Inward migration to rural areas remains high and is predicted to continue as individuals and families pursue a higher quality of life. Whilst the major focus is for sustainable development in the SSCTs identified in the South West RSS, realistically reductions in commuting will be enhanced by supplying employment space close to existing populations in popular locations such as market towns and supplying a small amount of rural workspace
- Economic restructuring is changing the type of employment space required. There is a severe shortage of offices, especially of higher grades in town and city centres. In recent years distribution has continued to expand whilst factory space and sites, although still important, are often ill-placed for sustainability or inappropriate for demand
- Economic growth accompanied by a lack of sustainable development in the past (e.g. a lack of affordable housing nearby) has generated more commuting, particularly by private car; mixed use developments and urban extensions should thus be promoted to ease this trend by reducing the need to travel
- There are a number of sites identified that could help meet employment space demand through planning measures such as designated change of use, confirming or creating allocations in Local Development Frameworks, and enhancing the development viability by permitting mixed use so that housing and retail uses cross-subsidise employment uses, with the added advantage of bringing living and working space into closer proximity
- There has been a marked increase in remote and mobile working with widespread implications. ICT infrastructure is critical to delivering the overall Strategy, covering availability of broadband band width, mobile phone coverage and strength of signal. Realistically, many areas of Devon will continue to be poorly served and disadvantaged for some years to come, indicating that business hubs on strategic road and rail networks may be useful and attractive in the future
- Environmental sustainability demands that construction and operation of employment space, that is traditionally low cost, low quality and low density will need to change. This can be achieved through planning and building regulation, but may "overload" viability for some uses, notably manufacturing which remains an important component of a balanced economy

In overall terms there appears to be an adequate potential supply of employment land to meet projected demand through to 2026. However, there are mismatches between areas within the wider county which will require interventions through planning (confirmation of employment sites in the LDF process) and through funding intervention to meet infrastructure, assembly and gap funding, in order to ensure that an appropriate supply of employment land is available in each area.

There is a continuing need to encourage the county's manufacturing companies to be competitive and ever more productive. This may eventually mean less space, and as vacancy rates in industrial estates increase there will be an opportunity to re-develop these for other uses.

However, it also means that the needs of modern manufacturing have to be catered for as firms outgrow their existing premises or find them unfit for tomorrow's manufacturing needs.

This means there is still a need to provide for industrial land, ideally for owner occupation, in addition to space to rent. Many such sites in the market towns are identified in the Strategy, for example Ivybridge, Honiton, Cullompton, Holsworthy, South Molton, Ilfracombe, and Great Torrington.

There may be a continuing need to support or provide rural workspace where this assists the sustainability of rural communities by providing local employment opportunities which reduce the need for commuting. Such schemes may take advantage of modern ICT and be delivered through programmes targeted at rural communities.

However, the main focus of the Strategy should follow the RSS by ensuring that the majority of employment land is provided within the Strategically Significant Cities and Towns (SSCTs) and Devon's market and coastal town settlements.

Delivery

Spatial focus

The Strategy embodies the principles of sustainable development in the provision of employment space. In line with national and regional policy, there is a focus on Exeter, Plymouth and Torbay. In the emerging RSS (Proposed Changes) Barnstaple and Newton Abbot have also been identified as SSCTs for future growth.

However, the Strategy also proposes the provision of business service centres in some of the larger market towns such as Honiton, Exmouth, Tiverton, Bideford, Totnes, Kingsbridge and Tavistock. This is considered compatible with RSS Development Policy B for which the criteria are:

- An existing concentration of business and employment, or where there is a realistic potential for employment opportunities to be developed and enhanced
- Shopping, cultural, religious and faith, educational, health and public services that can be provided to meet the needs of the town settlement and the surrounding area whilst minimising car dependence
- Sustainable transport modes that can be maintained or developed to meet identified community needs in the settlement and the surrounding area

The Strategy identifies an increased need for office or managed workspace in these locations in the future and an opportunity to cater for and enable increased "remote" working by providing central office facilities, reducing the need for staff working remotely to travel further.

The Strategy envisages a network of such satellite offices capable of serving much of the public administration that is within Devon, as well as being capable of being used by the growing number of professional self-employed and potential private sector partners. The Strategy also recognises the role rural workspace can play in sustaining rural communities.

Sites in SSCTs where additional investment would be required to bring them forward are identified with indicative resource requirements in the accompanying Action Plan.

Resources

Resource planning in the public sector takes place over short timescales in order to retain flexibility in the face of changing economic conditions and tax take. South West RDA, for example, the heaviest public sector investor in economic development, takes a three year planning horizon. It is expected that local authorities will also make a significant contribution to investment in employment space. The workspace and infrastructure requirements identified will require resources from both public and private sources. The Regional Infrastructure Fund is assisting by enabling infrastructure to be advanced.

Priorities for funding intervention

In view of the above and applying sustainability criteria a number of sites have been identified as priorities for funding intervention. Further details are contained in the accompanying Action Plan, which it is anticipated will be updated on a regular basis.

Delivery arrangements

It is recognised that the primary responsibility for ensuring the delivery of employment sites rests with each local authority working with Devon County Council to engage other public and private partners. The arrangements for implementing delivery which apply include the following:

Planning Policy: Coordination of the RES, RSS and LDFs: the finalisation of the Regional Draft RSS is vital for the framework of LDFs. However, this strategy is consistent with the principles of the RES, and proposed changes to the Draft RSS following the EIP. It refines the evidence bases of regional policy documents and can be used to inform Core Strategies and Area Action Plans.

Planning Designations: Until the recent housing market downturn there has been strong pressure to redevelop employment sites for higher value uses, mainly residential. The Strategy provides support for local authorities to resist such pressures. Equally, to make projects viable without excessive calls on resources (which are tight), local authorities need to be alive to the possibilities of designating sites as mixed use to improve viability and sustainability. For sites identified as employment space, local authorities need to prepare and issue planning briefs that encourage applications covering mixed use.

Site Assembly: Local authorities may identify specific sites for employment use where market failure would mean that the private sector is unlikely to deliver. In these circumstances it may be appropriate to acquire sites (using CPO in extreme cases) and to procure the development of employment space after any sites servicing that may be required.

Regional Infrastructure Fund (RIF): The Regional Infrastructure Fund is a key mechanism for delivering investment that unlocks employment sites. RIF investment supports the development of designated "new Growth Points" such as East of Exeter improvements to M5 J29/30 and Cranbrook railway station. Further investment may be available to other new Growth Points including Plymouth, Torbay and Newton Abbot.

There are also a number of mechanisms for joint delivery which the Strategy addresses that includes the following:

Site marketing & publicity: All local authorities have signposting services and databases on land supply. However, this could be markedly improved and integrated. This is a task that DEP should champion, coordinating the achievement of a consistent linked service across the Partnership area. A joint marketing campaign for Devon as a business destination, as part of the Devon brand implementation should also be considered by DEP and its brand working group. The Devon Brand is doing much to challenge the existing perceptions of Devon to establish it as a business destination – the use of case studies and a tailored and innovative campaign would be required.

Coordination of funding: Through multi-area agreements, DEP partners could pursue this Employment Space Strategy, pooling resources, setting targets for implementation and monitoring results.

Monitoring

One of the principle concerns for DEP will be in monitoring the delivery of the Strategy. At present each authority monitors employment land take-up as part of its Annual Monitoring Report under the LDF arrangements established by the then Office of the Deputy Prime Minister.

However, the returns have not been consistent in the analysis provided. Some authorities have shown the use classes under the various headings. This is useful and would enable this Strategy to be monitored more effectively. It would be helpful if the local authorities adopted this as a standard reporting requirement. The Department of Communities and Local Government (DCLG) has reviewed the Core Indicators for Regional Spatial Strategies and LDFs which has rationalised the employment indicators.

As well as monitoring the total land made available, by use class, it would also be helpful to monitor the amount of land made available through interventions by public sector partners. One practical delivery mechanism that DEP could promote is the establishment and maintenance of a common database of available sites and premises across Devon as advocated in the recommendations.

With current web-based technology this would be relatively easy to achieve and could form an additional service within the Devon Intelligence Network and be linked to from the DEP website.

Monitoring the implementation of this Strategy should include quarterly returns by each local authority on the items listed in the Action Plan, collated by Devon County Council and made available to DEP and stakeholders. This could become an automated update derived from the common database of land use information proposed. Reporting to DEP should also include progress on the priority sites listed in the Implementation Plan using a simple standard template. Slippage of more than 6 months from any projected implementation date (milestone) should be explained.

The priority sites list should be monitored and reviewed annually and any new sites moving forward and designated as a priority by agreement amongst the partners should be included.

Finally, it is suggested that the entire Strategy should be reviewed on a three-yearly basis, with the first review taking place in 2012.

DEP will be responsible for:

- Agreeing an implementation plan with local authority partners.
- Monitoring the overall delivery of the implementation plan and the performance of the individual local authority's progress in taking actions to implement the delivery of the intervention sites.
- Establishing a monitoring group to agree a format for monitoring and evaluating LA delivery (and a standard template for local authorities to complete on delivery actions for each intervention site.)

Each local authority will be responsible for:

- The delivery of the specific intervention sites within their locality
- The preparation of an action plan and implementing these actions to ensure delivery of the particular project.

Appendix I Research Findings Summary

European and national policy implications

The implications of European reforms for DESS are summarised below.

The Lisbon agreement will place an emphasis on knowledge-based industries as a priority sector, which, if successful, implies more office and laboratory space.

The Gothenburg agreement places an emphasis on sustainable construction and development (BREEAM etc) in the provision of workspace.

The enlargement of the EU poses the opportunity of greater export trade for Devon businesses which may need to expand, whilst at the same time providing cheaper labour and the threat of businesses migrating to take advantage, with a corresponding reduction in demand for workspace particularly that required for industrial use.

EU funding to assist with the provision of workspace will be more constrained and targeted, making it potentially more difficult to access EU funding

CAP reform is expected to favour larger farm units resulting in redundant farm buildings which have a potential to meet rural workspace requirements

Coastal settlements may be assisted by the European Fisheries Fund

Similarly recent national policy changes could have the following implications:

Local government reform to create larger unitary authorities coupled with greater delegation of funding for workspace projects by the RDA under the sub-national review could improve delivery of employment sites.

Under government office relocation (e.g. Lyons' review) Exeter and Plymouth could benefit. This adds emphasis to the need to have land or floorspace available for potentially large space requirements and to have a multi-agency approach to economic development.

The Eddington report on transport could result in changes that affect access from the main road and rail networks and influence the need to reduce car travel through either more local "remote office" workspace or improved public transport linkages, reinforced by ever increasing fuel charges and costs.

The proposed Community Infrastructure Levy and the requirement for LDFs to have robust 'infrastructure plans / charging schedules' would enable provision and support delivery of workspace and associated infrastructure but could impact on viability.

Draft PPS4 would require housing developers to demonstrate adequate provision for employment space for new residents, either by building workspace or contributing to the provision elsewhere could improve the protection of land for employment use.

The skills agenda is highly relevant to the nature of floorspace required in future, with Leitch identifying increasing demand for higher level skills and corollary that there will be fewer factories and more offices

Regional and sub-regional policy implications

Regional policy reflects the national emphasis on sustainability but in many aspects has been ahead of the curve, with the emphasis in the very first Regional Economic Strategy (RES) on the environment as an economic driver and with a comprehensive Regional Sustainable Development Framework in place several years ago. Other important regional policies and plans are:

The RES places an emphasis on key sectors for support which will influence the RDA's and other partners' investment in employment space and business support. The RES recognises the need to invest in employment space to regenerate the most disadvantaged areas.

The "Way Ahead Sustainable Communities Plan for the South West" focuses on major urban areas as growth points.

The Integrated Regional Strategy (IRS) reinforces the need to ensure there are jobs for Devon's workforce in the most sustainable locations without prejudice to the distinctive rural environment. It recognises the effects of demographic change which will form part of the changing work pattern in the coming years, particularly as the resident population gradually ages and women are expected to retire at the same age as men. This will affect the labour supply for all sectors.

The RSS will have a significant influence on where employment space is delivered in terms of the targets set for new homes, jobs and employment land. The Secretary of State's Proposed Changes to the Regional Spatial Strategy (RSS) have revised employment and economic prosperity policies (Policy ES1 and ES2), reduced the sustainable construction and renewable energy targets (Policies G and RE5) and increased housing provision in Newton Abbot, Exeter and Plymouth but have not increased the job creation projections.

The Secretary of State has particularly recognised the role of ICT and home working, the contribution of non-B use class sectors and required the identification of a 20-year supply of employment land. The RSS employment land and job creation targets both at District, HMA and TTWA levels provide the guidance under which the Local Development Frameworks need to operate. The RSS states that within coastal towns and the developed coast, waterside sites must be safeguarded for social and economic uses which require such a location, giving priority to maritime industries

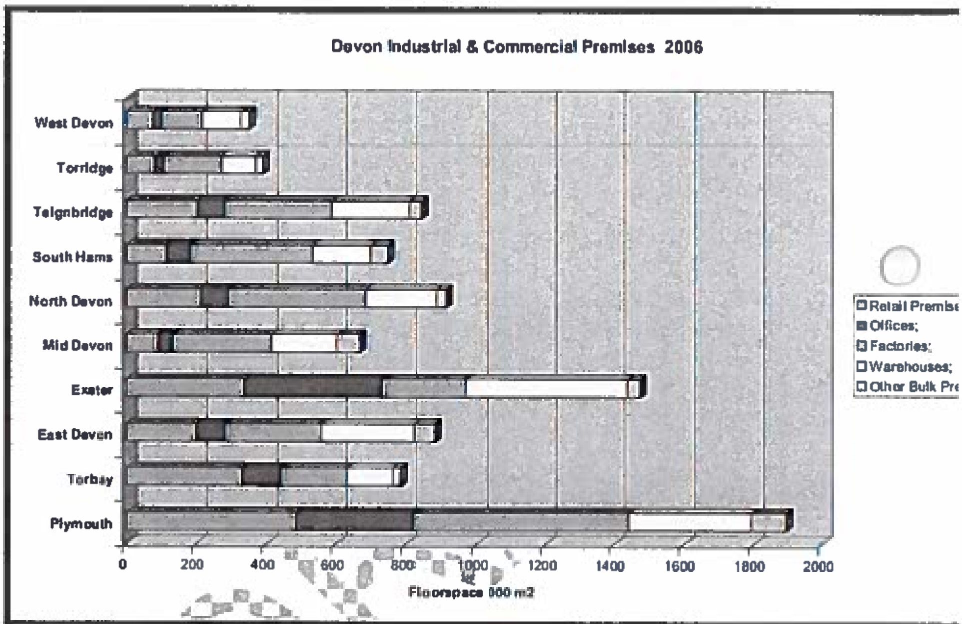
The Regional Transport Strategy could result in changes that affect access to jobs and services and support economic development - improving the reliability and resilience of transport links, concentrating growth at SSCTs and maximising opportunities to achieve reductions in rate of traffic growth, improving bus/rail services and interchanges and delivering more local "remote office" workspace, reinforced by rising fuel costs

At the Sub-Regional Level, the County Council, Unitary Authorities and District Councils have all developed a range of planning documents, Economic Development Strategies and studies. This includes the Devon Economic Strategy and those for Plymouth and Torbay.

Existing Land and Floorspace

A look at how Devon's land has changed and is used reveals that a significant majority of the area (especially Devon County) is not built upon, and in much of the area, because of environmental designations, is unlikely ever to be. Any employment space provided in locations that are within or encroach upon Devon's landscape designations needs to be for uses that are sensitive and appropriate.

Analysis of the changes in floorspace over recent years underlines the shift from manufacturing to service-based employment uses. Whilst warehousing has seen growth, the use generates low density and low paid employment at the expense of higher density and potentially higher paid factory-based employment.(see table below)



	Change in floorspace 2000-2006				
	All Bulk Classes	Retail Premises	Offices	Factories	Warehouses
Plymouth	86%	103%	95%	63%	92%
Torbay	103%	99%	113%	91%	105%
East Devon	120%	89%	111%	114%	139%
Exeter	112%	102%	125%	102%	108%
Mid Devon	109%	103%	130%	91%	103%
North Devon	106%	101%	114%	95%	120%
South Hams	112%	89%	123%	107%	104%
Teignbridge	110%	94%	113%	104%	115%
Torridge	109%	111%	112%	97%	103%
West Devon	111%	97%	100%	99%	116%

An analysis of current employment floorspace is shown in the graph below:

The sites identified in the land use analysis as previously developed land (PDL) form part of the overall picture of potential future employment space supply. Their significance lies with their brownfield status.

Property Market Overview

The market facing approach of the strategy recognises current conditions and trends as at January 2008, which is inevitably a snapshot in time, and will need to be reviewed regularly.

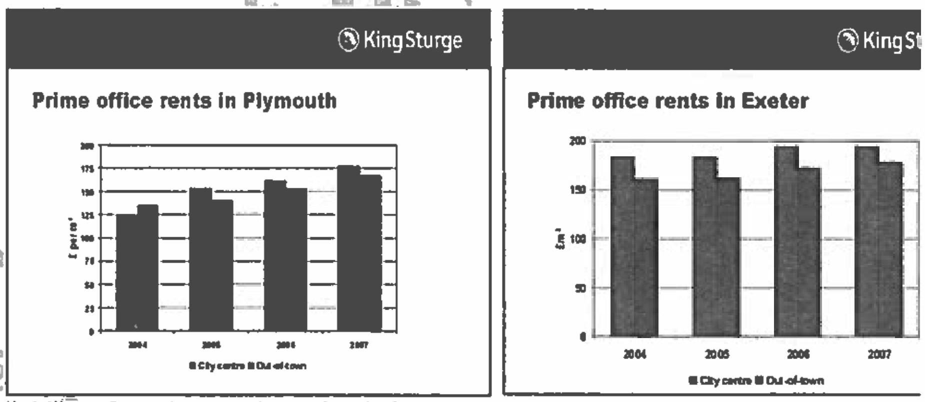
The effects of the recent economic instability are mainly being felt by the construction industry and developers are at present experiencing difficulty in financing new build. Similarly, potential freehold buyers of completed workspace also face financing issues. However, rental levels remain relatively unchanged due to shortages of supply, and whilst demand has fallen, the conversion rates for those looking for new premises is good.

One major effect of the recent economic instability has been the effect on mixed use schemes, which in the past have successfully delivered employment space along with housing, and at present face viability issues.

Office Market

The Devon office market has seen sustained growth over the last four years and particularly in the commercial centres of Exeter and Plymouth. There has also been strong demand in the smaller sub-regional centres of Torbay and Barnstaple with smaller developments meeting local demand. There has been limited activity in the other smaller market towns over the last four years and this should be borne in mind when planning the scale of provision across the area.

The predominance of development activity has taken place out-of-town in all locations because of occupier preference for motorway locations, availability of product and serviced sites.



There has been few city centre/in town developments other than The Senate/Senate Court in Exeter and the new Department of Work and Pensions office in Plymouth, Foot Anstey and BBC Studios because of a shortage of consented sites, viability issues (rental values as against cost and yield) and higher residential land values. There is strong extant demand for quality Grade 'A' product and particularly in Plymouth city centre but rental values do not support the developments.

Rental values have increased in all urban centres over the last four years as is illustrated in the graphs below:

Chart 1 Office rents Plymouth & Exeter 2004-07

In summary, top rents for Grade 'A' space are now £18.00 ft² (including parking) in Exeter city centre and £16.50 ft² in Plymouth. Sub-regional locations are now achieving rents of up to £15.50 ft², which is a viable level to support development activity.

Investment yields peaked at 5.50% mid 2007 but have increased to between 6.5% – 7.0% for Grade 'A' investment product with implied reductions in value.

The strong levels of demand for freehold buildings peaked in 2006 at £235 ft² in Exeter and £200 ft² in Plymouth but have fallen away over the last 12 months due to rising interest rates and falling investment yields, and not least the recent economic instability.

Overall there is a limited supply in the region of available Grade 'A' product and, similarly, of serviced land with planning consent, particularly in city/town centres.

Industrial Market

The industrial market in Devon as a whole remained relatively stable entering 2008 following five years of continued buoyancy and growth. The main centres of Exeter, Torbay and Plymouth dominate this sector and, where there has been a lack of opportunities for a particular product, smaller centres such as Newton Abbot, Cullompton and Tiverton, where there has been supply, have seen above average levels of activity, suggesting latent demand.

The start of this millennium saw a growing trend for basic manufacturing companies (especially overseas owned) to relocate operations to lower labour cost economies in Far East and Eastern Europe. The outfall in the manufacturing sector has slowed since its peak in 2003 but larger manufacturing companies are continuing to evaluate their global strategy.

A strong £, wage inflation and increasing legislation undermine the chances of these occupiers continuing their operations in the current scale.

Future demand from the manufacturing sector (Classes B1c & B2) in Devon will be more evenly spread amongst the locations with good accessibility to a wide labour catchment. Previously manufacturing companies tended to locate their factories adjacent to the residential concentrations, which housed the low skilled workforce. Today's successful, manufacturing companies are niche players, utilising a higher skills base and as a result look to attract their employees from a wider catchment. Locations with good access to the A38 Devon Expressway and M5 corridor will be of most interest.

Manufacturing demand, as stated above, has declined and the distribution/ service sector has taken a leading role. A growing population in the County and a strong construction industry has seen distribution and trade counter occupiers dominate the industrial demand profile in the past five years. In the next five years, it is estimated that Class B8 operators will represent between 60 -80% of all industrial property demand. Currently over 90% of the demand is indigenous (requirements emerging from within the County), as opposed to inward investment.

In the main centres, over 50% of demand is from smaller-medium sized requirements (sub 3,500 ft²). In the smaller, sometimes more remote and isolated centres, this figure rises to around 75%.

Many of the County's new build schemes like Matford Park (Exeter), Torbay Business Park (Paignton), and Sisna Park (Plymouth), Roundswell Business Park (Barnstaple) have focused on the smaller end of the market where demand has been greatest from occupiers and investors.

The ability of occupiers to fund freehold acquisitions has reduced. There has been a noticeable swing during 2008 towards leasehold acquisitions despite a continued preference to buy. This factor has prevented further capital growth but maintained rental levels. The top rents for smaller units in the county are at £7.50 ft^2 although the average taking into consideration all centres would be nearer £5.00 ft^2. There remains a discount for quantum (i.e. medium to large properties) and where the location is not suitable for distribution or service related activities. By example, prime rents for 20,000 ft^2 units in the County are at £6.50ft^2 and on average across the County at £4.00 ft^2.

Capital values have reached a plateau at £100 - £110 /ft^2, although there could be more growth due to increasing build and site servicing costs and an underlying shortage of freehold stock of the right size.

Yields have moved out from where they were 12 months ago by up to 1.5%. This is not specific to Devon, but the investment properties that have held their value have been small to medium sized Class B8 units in the main centres let to good lease terms to regional/national covenants.

Supply levels of the right kind of stock in the main centres remain low. As previously indicated, occupiers are considering a wider geographical area more than ever before to find the right opportunity.

Many of the centres in the County do have a good supply of employment land that could be brought forward. However, many of the sites allocated for employment land are not currently viable to develop. As a result, developers and/or land owners are seeking change of use to higher value uses. Any such changes must be considered as part of the local planning process. There is a current shortage of serviced employment land with planning consent. This issue is hindering growth and the position is likely to persist for the next 2-3 years.

Infrastructure

The growth predictions, derived from a number of sources for drivers of demand, imply significant requirements for investment in utilities. All new developments have implications for utilities investment and should be appraised with these needs in mind.

The Strategy takes this into account when potential sites are considered and notes where such developments cannot bear the cost of associated infrastructure and/or there is an implication of potential public funding for worthwhile benefits.

Telecommunications

The strong increase in mobile and remote working means that broadband width and mobile telecommunications coverage is more crucial than ever in establishing the popularity of Devon as a place to work. Typically, the principal towns and cities are well covered with 2G. However, actual signal quality can degrade quite quickly with local changes in topography. The map, showing O2 coverage is typical of services in the southwest and indicates the shortcomings. Gaps in signal quality affecting business users within commercial buildings is likely to continue for the foreseeable future, and where business growth is seen at the edges of towns and cities this impact could be ever more significant.

Further, as the age of the mobile infrastructure matures, the network providers are likely to increase their capital investment away from new base stations, to maintenance works. This is a serious issue in Devon which is being addressed by the Devon ICT Strategy.

Access to broadband is more widespread within Devon but signal strength and bandwidth remain poor in many areas, mirroring the phone communications situation (Figure 2).

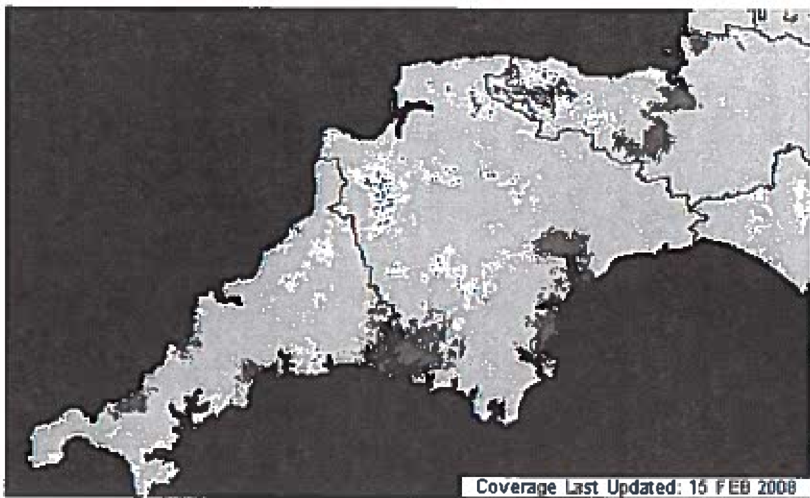


Figure 4 O2 Mobile Phone Coverage in Devon

Transportation

Motorway junction capacity is critical around Exeter and improvements to the M5, in particular Junctions 29 and 30, are needed in order to deliver strategic economic growth in the East of Exeter Growth Area.

The South Devon Link Road remains a key link required to improve economic conditions for growth in Torbay and parts of Teignbridge.

The campaign for an improved Exeter to London rail service has had some success, and the new station at Cranbrook will benefit Exeter, which if it is to continue to grow as an important regional economic driver requires improved strategic transport connections with London and the South-East. The rail loop at Axminster has been secured with a £17m investment by Network Rail; this will improve Exeter-Waterloo journey times.

Within urban areas traffic congestion, especially at peak commuting times, remains an important issue to address, affecting employers' and individuals' location choices. Regional Funding Allocations have given priority to high quality public transport line improvements, including connections to new urban extensions and their employment land. All development sites have to be appraised for their proximity to public transport networks, especially offices. The Regional Infrastructure Fund will be an important mechanism to forward-fund key infrastructure requirements, most notably the delivery of highway capacity improvements to Junction 29 and 30 and Cranbrook railway station.

Priority Sites in Devon

(Notes: alphabetical order by authority area; SSCT – strategically significant cities and towns; MCT – market and coastal towns)

Area/Site	Type	Size (Ha)	Floor space (m^2)	Lead	Timing	Actions	Indicative Resource Requirement	Partners	Authority
Exeter									
St David's Station Car Park sites	SSCT	0.4 min	2,800	Tbc	Medium	• Feasibility • Land acquisition and/or assembly • Design and planning • Developer procurement	£1m	Network Rail, Exeter City, DCC, SWRDA	Exeter
East Devon									
Exeter Science Park	SSCT	21.37	79,600	DCC/ Eagle One	Short	• Land acquired, master planning procured, planning permission summer 2009, commence on site 2010	£19m approved by RDA	DCC, SWRDA, Eagle One, Exeter City, East Devon, Met Office, Exeter University	East Devon
SkyPark	SSCT	37	13,000	DCC / St Modwen	Short	• Land acquired • Planning summer 2009 • Ccommence on site mid 2010	Land & £1.4m from DCC, matched by St Modwen	DCC, East Devon, SWRDA	East Devon
Cranbrook	SSCT	5.00	20,000	Housing Consortium	Medium	• Potential further RIF investment for Clyst Honiton Bypass	Private and potential RIF	East Devon DC, Consortium, Devon County, SWRDA (RIF)	East Devon
Axminster Business Centre	MCT	Managed workspace				• Proposed			East Devon
Exmouth Business Centre	MCT	Managed workspace				• Proposed			East Devon
Seaton Business Development Unit	MCT	Managed workspace				• Feasibility undertaken • Site ID & funding		Seaton Development Trust, East Devon, Seaton Town Council	East Devon
East Devon Business Centre, Honiton	MCT	Managed workspace				• Proposed expansion			East Devon
Mid Devon									
Tiverton Business Centre	MCT	Managed workspace							Mid Devon
North Devon									
Seven Brethren / Herton site, Barnstaple	SSCT	Within 2.2	1,050	ND+ / NDC	Medium	• Feasibility & business planning	£5m source to be id	RDA, HEFCE, North Devon College, North	North Devon

Area/Site	Type	Size (Ha)	Floor space (m^2)	Lead	Timing	Actions	Indicative Resource Requirement	Partners	Authority
						• Confirmation of funding package • Procurement of options appraisal as to preferred site		Devon Council, TDC, DCC	
Roundswell Extension, Barnstaple	SSCT	20	60,000	tbc	Medium/ Long	• Feasibility inc land searches, infrastructure requirements etc. • Acquisition • Master planning • Servicing • Procurement	£5.9m sources to be id	North Devon Council, DCC, SWRDA	North Devon
Yelland Quay, Yelland, Barnstaple	SSCT	11.47	34,410	NDC	Long	• Feasibility inc. land searches, infrastructure requirements etc. • Acquisition • Master planning • Servicing • Procurement	To be id	NDC, DCC, SWERDA	North Devon
Ilfracombe	MCT								
Plymouth									
City Centre Intensification including Millbay	SSCT		30,000	CDC	Short-Long	• Feasibility • Land assembly • Planning • Developer procurement	£40m sources to be id	Plymouth City, CDC, SWRDA, ECF, EP/HCA	Plymouth
South Yard & Morice Yard, Devonport	SSCT	45.3	87,500	tbc	Medium-Long	• Feasibility commissioned • Approve delivery model & funding • Acquisition	£50m sources to be id	MOD, Plymouth City. CDC. SWRDA, EP/HCA, Devonport Leisure Trust	Plymouth
South Hams									
Sherford	SSCT	15	67,700	tbc	Medium-Long	• Deep Lane junction improvements	RFA allocation or potential RIF	DCC, South Hams, Plymouth, SWRDA, Highways Agency	Plymouth / South Hams
Langage	SSCT	34.1	80,000	tbc	Short/ Medium	• Deep Lane junction improvements • Site infrastructure	£20m	DCC, South Hams, Plymouth, SWRDA, Highways Agency	Plymouth / South Hams
Dairy Crest site, Totnes	MCT	0.5	2,000	tbc	Short	• Feasibility	?	SHDC, SWRDA, Dairy Crest	South Hams

Area/Site	Type	Size (Ha)	Floor space (m^2)	Lead	Timing	Actions	Indicative Resource Requirement	Partners	Authority
						• Masterplan • Acquisition • Procurement			
Sewage Works site, Ivybridge	MCT	0.2	800	tbc	Short	• Feasibility • Masterplan • Acquisition • Procurement	?	SHDC, SWRDA	South Hams
Kingsbridge Business Centre	MCT	Managed workspace				• Proposed			South Hams
Teignbridge									
Centrax Business Park	SSCT	5.98	14,950	tbc	Short-Medium	• Planning granted Nov 08 • Acquisition • Detailed design • Procurement	£4.8m source to be id could include NGP funds	Centrax, Teignbridge DC, DCC, SWRDA, South Devon College	Teignbridge
Decoy	SSCT					•			
Newton Abbot Town Centre including Bradley Lane	SSCT	3.60	10,800	tbc	Medium	• Masterplanning • Detailed feasibility • Land assembly (CPO implied) • Relocations • Procurement of developers	£10m minimum source to be id could include NGP funds	Teignbridge DC, DCC, SWRDA, Chamber Commerce, South Devon College	Teignbridge
Kingsteignton, Higher Sandygate, Newton Abbot	SSCT	11.23	33,690	tbc	Short/ Medium	• Feasibility • Acquisition • Detailed design & planning • Procurement	£3.64m infra + land	Lord Clifford, Teignbridge DC, DCC, SWRDA	Teignbridge
Torbay									
Edginswell Extension	SSCT	5.00	20,000	tbc	Medium - Long	• Requires South Devon Link Road • Planning designation for employment use • Acquisition & development by private sector	All private	Torbay Council, DCC, Developer	Torbay
Yannons Farm	SSCT	18.23	91,150	tbc	Short/ Medium	• Planning submitted • Access to be agreed • Construction	All private	Torbay Council, Developer Consortium	Torbay
Torridge									
Bideford East the Water, Alverdiscott Rd	MCT	15	30,000	TDC?	Short/ Long	• Complete servicing of site • Construction & marketing	?	TDC, RDA, ND+	Torridge

Area/Site	Type	Size (Ha)	Floor space (m^2)	Lead	Timing	Actions	Indicative Resource Requirement	Partners	Authority
extension									
Holsworthy Agricultural Business Centre	MCT	3	5,800	TDC?	Short?	• Feasibility underway • Planning, appraisal.	?	TDC, RDA, DCC	Torridge
Bideford Business Centre	MCT	Managed workspace				• Proposed			
Limers Hill (former Dairy Crest site), Torrington	MCT	3	?	Private?	Medium	• Requires relocation and potential reclamation – potential link to Abattoir site	?	Private, TDC, RDA, ND+	Torridge
West Devon									
Brook Lane, Tavistock	MCT	7.5	22500	Private?	Medium	• Retail application turned down			
Opportunity Okehampton	MCT	Managed workspace							
Tavistock Business Centre	MCT	Managed workspace							