

Core Strategy Review - Inspectors' Action Points

**Matter 10 - Economic and Retail Growth - Policy
SS2: Housing and the Economy Growth
Strategy**

25 January 2021

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Matter 10 - Economic and Retail Growth and Strategy for Priority Centres of Activity - Policy SS2: Housing and the Economy Growth Strategy

1. Introduction

- 1.1. During the hearing session for Matter 10, Economic and Retail Growth, the council undertook to review Policy SS2: Housing and the Economy Growth Strategy.
- 1.2. Proposed modifications were identified to:
 - Update the retail figures in Policy SS2 in light of evidence from the 2019 Retail Study and discussion during the hearing session; and
 - Review references to use classes in the policy.
- 1.3. The council also undertook to produce a note to explain the revised figures proposed and the background to them.
- 1.4. In response to these points:
 - Proposed modifications to Policy SS2 addressing these points are set out in Appendix 1: Proposed Modifications to Policy SS2: Housing and the Economy Growth Strategy and supporting text; and
 - An explanation of the figures is provided in Section 2. Revised Retail Figures.

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2. Revised Retail Figures

- 2.1. The Folkestone & Hythe Retail and Leisure Needs Assessment (2018 update) (EB 07.10) undertook a partial update of the Town Centre Study 2015 (EB 07.60) to provide district-wide retail capacity projections and needs assessment for the Core Strategy Review plan period to 2036/37.
- 2.2. Document EB 07.10 Section 3 sets out the methodology for undertaking the retail capacity assessment and presents two retail growth scenarios:
 - The first applied the expectation of Policy SS6, which at the time of the assessment, set a minimum of 5,500 homes to be provided by the Garden Settlement by 2036/37; and
 - The second considered the Otterpool Park Masterplan indicative phasing, which suggested 6,375 homes could be completed during the same plan period.
- 2.3. Each scenario applied an average of 2.1 persons per dwelling based on typical occupation rates across the North Downs Character Area in which the garden settlement is located.
- 2.4. The figures represented in Table 4.1 of the Core Strategy Review Submission Draft (EB 01.00) and Policy SS2 reflect the higher growth scenario for convenience and comparison retail in line with the Garden Settlement Masterplan proposals and are drawn from document EB 07.10 Appendix 2, Table 12B and Appendix 3, Table 10B.
- 2.5. The decision to apply the higher growth scenario was based on the increase in the minimum housing need figure (following the introduction of the Standard Method). In response, this resulted in an increase in the minimum policy expectation of Policy SS6 for 5,925 homes to be provided by the garden settlement, closer in line with the higher growth scenario.

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- 2.6. At the time, Kent County Council (KCC) was undertaking a detailed population modelling exercise for the garden settlement, testing various assumptions and subsequently arrived at a higher occupancy level of 2.8 persons per dwelling. As a consequence, the council considered that it would be prudent to sensitivity-test the change in population growth in regards to its retail forecasts.
- 2.7. Document EB 07.10 was revised by the Folkestone & Hythe Retail and Leisure Needs Assessment (2018 Update – Amended June 2019) (EB 07.15). The difference between the two retail assessments relates to the population growth figures which were based on the average number of persons per dwellings. Document EB 07.15 - Section 3, re-ran the two scenarios undertaken by EB 07.10 using the updated average of 2.8 persons per dwelling.
- 2.8. The council considers that the retail capacity requirements generated by Scenario 4 should be applied, which assumes the maximum number of dwellings at Otterpool Park (6,375 dwellings by 2037) and the higher density of 2.8 persons per dwelling.
- 2.9. The justification for this approach is two-fold:
- Firstly, that it remains closely aligned with the development requirements of Policy SS6 of the Core Strategy Review in terms of the expected number of houses to be delivered by the garden settlement during the plan period, which are to increase further to 6,097 homes; and
 - Secondly, the ratio of 2.8 persons per dwelling is preferred in comparison to 2.1. This is because the lower ratio (2.1) had been used to inform the employment projections and reflects the economically active population; however as retail spend can be attributed to a broader demographic (i.e. those who also fall outside of those classified as ‘economically active’), it is considered appropriate to apply the higher ratio in this instance.
- 2.10. As a result, the council proposes to update Table 4.1 of the Core Strategy Review with the following figures (rounded to the nearest 100), which reflects the highest growth scenario for convenience, comparison and food/beverage

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retail in line with the garden settlement masterplan proposals. (These figure are drawn from document EB 07.15: Appendix 2, Table 11D; Appendix 3, Table 10D; and Appendix 4, Table 11D.)

Floorspace (district-wide)	Cumulative totals			
	By 2022	By 2027	By 2032	By 2037
Convenience goods retail	1,100	2,700	4,600	6,500
Comparison goods retail	1,500	6,900	14,700	23,300
Food/beverage	900	2,500	4,100	5,900
District Total	3,500	12,100	23,400	35,700

- 2.11. Additionally, it is proposed that Policy SS2 is amended as follows in line with the above table, as well as to reflect the recent updates to the Use Classes Order - namely the creation of the new E Class.

<u>Use Development Types</u>	Target amount of additional development 2019/20 - 2036/37	Delivery of plan period
Goods Retailing (Class A1-A5 E , <u>retail and food/beverage uses</u> ; excluding <u>financial and professional A2</u> services)	Approximately 31,205 <u>35,700</u> sqm gross, comprising: <ul style="list-style-type: none"> 4,620 <u>6,500</u> sqm convenience goods floorspace; and 26,585 <u>23,300</u> sqm comparison goods floorspace; and <u>5,900 sqm food/beverage floorspace.</u> 	Targets to be monitored and employment/retail needs to be reviewed every five years. Any future studies will be a material planning consideration and may trigger a review of relevant plan policies.

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**Appendix 1: Proposed Modifications to Policy SS2: Housing
and the Economy Growth Strategy and supporting text**

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Approach to employment provision

- 4.46 To maintain commercial activity and attract new businesses, sufficient development must be permitted to attract investment, increase levels of economic activity and ensure that there is a skilled and flexible workforce. Development through the planning system will be complemented by other public policy measures delivering regeneration; for example working with partners in tackling the under-utilisation of some properties or retraining to improve the skills of the local workforce.
- 4.47 The 2013 Core Strategy set out under ‘Strategic Need A’ that one of the key aims is “*to deliver a flexible supply of employment land in terms of location, size and type*”, and policy SS2 specifically identified a target of approximately 20ha (gross) to be delivered between 2006/07 and 2025/26 inclusive.
- 4.48 As part of the preparation of the Core Strategy Review Places and Policies Local Plan, the Employment Land Review (ELR) (Lichfields, 2017) assessed the future requirements for office and industrial employment uses to 2026. The ~~2017~~ ELR considered three different scenarios for office and industrial uses (labour demand, past completion rates and labour supply).
- For **office uses**, the labour demand and supply scenarios indicated that there ~~is~~ was a need to plan for approximately 19,000 sqm of office space. The past completion scenario suggestsed a declining requirement which reflectsed recent losses in office space as a consequence of changes to permitted development rights allowing the conversion of office space to residential use; and
 - For **industrial uses**, the labour demand and supply scenarios indicated that there ~~is~~ was no requirement for further industrial space. However, notwithstanding the long-term decline of industrial jobs in the district, recent development activity indicateds that there remainsed a requirement for some industrial floorspace at a relatively modest level (around 15,500 sqm based on the past completion scenario).
- 4.49 Regarding the existing supply, the ELR ~~finds~~ found that generally the district’s employment sites showed good activity and low vacancy rates. In particular, a low level of vacancy was evident among industrial sites, demonstrating that much of the current industrial stock ~~was~~ is meeting a need in the market. This includesd good occupancy at lower quality sites, with high demand at the lower end of the rental market. Overall, occupancy levels in the office market appeared to be lower than the industrial market.
- 4.50 The ELR concludeds that, based on the current supply of employment space from planning permissions and allocated sites (some 50,825 sqm of office development and 97,745 sqm of industrial development), there ~~is~~ was a sufficient supply of space to meet the estimated office and industrial requirements under all scenarios to at least 2031.
- 4.51 Nevertheless, the ELR also stressed that the district’s strategic employment allocations need to be well connected with key motorway junctions and/or transport hubs in order to maximise opportunities for their delivery. There ~~are~~ were also some concerns around:
- The balance between limited supply in Folkestone, which exhibits the strongest demand, and the rest of the district; and

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- The quality of available employment sites.
- 4.52 These considerations will be closely monitored to see if further intervention, beyond the protection and allocation of land through Policies E1 and E2 of the Places and Policies Local Plan, is necessary. The ELR particularly recommends the regular assessment of sites and the preparation of an employment land trajectory through the council’s Authority Monitoring Report (AMR).
- 4.53 The Employment Opportunities Study (Lichfields, 2018) examines the employment opportunities and growth sectors that could be harnessed through the creation of a new garden settlement in the North Downs Area (through Policies SS6-SS9). The delivery of a garden town will provide significant opportunity for innovative types of employment development, that are ‘super-connected’ and which could form a cluster of excellence around junction 11 of the M20 and Westenhanger station. Masterplanning of the settlement will need to reflect the findings of the study, to ensure the settlement maximises employment opportunities within both existing and emerging key sectors, and provides for interim uses that support the growing town.
- 4.54 An updated Employment Land Needs Assessment (ELNA) has been completed (2018) to supplement the conclusion and recommendations of the 2017 ELR and Otterpool Park Employment Opportunities Study and inform the preparation of the Core Strategy Review. The update sets out district-wide growth projections and employment land requirements over the period to 2037 by drawing on the latest population projections and economic forecasts. It also provides estimates of employment land needs for the district and the garden town specifically, based on different assumptions about where growth and demand could come from.
- 4.55 In terms of new jobs growth, the update forecasts a much lower level of job growth on an ‘average per annum basis’ than the 2017 study, albeit covering different periods of time and an end year of 2037. The latest forecasts imply growth of 237 jobs a year (between 2018 and 2037) compared with 445 jobs a year (between 2006 and 2026) in the 2017 ELR. Translated into net floorspace requirements, baseline jobs growth forecasts district-wide indicate a total demand for all ‘B-class’ employment uses non-retail employment uses (e.g. falling within use class E, B2 and B8 and sui generis categories) of 16,360 sqm net. This figure is based on a requirement for 24,750 sqm of office floorspace, offset by an 8,390 sqm reduction in manufacturing and distribution floorspace.
- 4.56 Given that recent development activity has indicated that there remains a requirement for some industrial floorspace, the council intends to plan positively for manufacturing and distribution uses within the district. Therefore, the Core Strategy Review will seek to meet non-retail employment uses of 40,250 sqm based on the 24,750 sqm of office floorspace identified by the ELNA (2018) and 15,500 sqm industrial floorspace identified by the ELR (2017) through the implementation of Policies E1 and E2 of the Places and Policies Local Plan.
- 4.56~~7~~ As outlined in the Employment Opportunities Study, however, the creation of a new garden settlement offers a clear opportunity to plan for a higher level of employment growth to accommodate wider growth and inward investment opportunities that exist across the wider district, elsewhere in Kent and beyond. Adopting a labour supply scenario for the new settlement indicates that 4,770 new jobs should be planned for by

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2037, leading to a requirement for around 36,760 sqm of the same types of ‘B-class’ employment floorspace or 8.1ha of employment land.

Approach to retail provision

~~4.578~~ The Folkestone & Hythe Retail and Leisure Needs Assessment (Lichfields, 2018) undertook a partial update of the Town Centres Study 2015 (PBA, 2015). This took account of changing retail trends, particularly the increase in online shopping and other ‘special forms of trading’, and the growth of population to provide district-wide retail capacity projections and needs assessment for the Core Strategy Review plan period to 2036/37. The council has completed an update to the recent Town Centre Retail Study (PBA, 2015) to take account of changing retail trends, particularly the increase in online shopping and other ‘special forms of trading’, and the growth of population over the Core Strategy Review plan period to 2037.

4.589 New retail space needs to be planned for to meet the changing demands of the existing population and the needs of new households. This will ensure that the district’s retail centres retain existing trade and generate new jobs and economic activity, so that this spending is not lost to competing centres elsewhere. It also helps to reduce journeys, so that local people can meet their needs close to where they live and are not forced to travel long distances for shopping.

~~4.596~~ The Retail and Leisure Needs Assessment (2018) was revised by the Retail and Leisure Needs Assessment (2019) which applied higher population growth figures. The updated study indicates that there is a total need for around ~~31,200~~ 35,700 sqm (gross) of retail floorspace within the district over the plan period, a reduction of the need this is broadly similar with the need identified by the 2013 Core Strategy (although over a different time period). The need for convenience floorspace (everyday items, including food), ~~and~~ comparison floorspace (occasional and special items) and food/beverage is set out in Table 4.1 below.

~~4.601~~ Policy SS2 seeks to meet this employment and retail need over the plan period. Retail is, however, a highly volatile sector, as shown by the failures of many well-known high street names in recent years. The council will therefore review the retail capacity of the district every five years: future studies will be material considerations in determining planning applications and, if the studies indicate major changes in retail needs, they may trigger a partial review of policies within the plan.

~~4.612~~ The retail need will be met by developments within existing centres in the district, particularly Folkestone town centre (identified as a strategic town in the district settlement hierarchy), and in the new garden settlement.

Floorspace (district-wide)	Cumulative totals			
	2022	2027	2032	2037
Convenience goods	439 <u>1,100</u>	1,784 <u>2,700</u>	3,185 <u>4,600</u>	4,620 <u>6,500</u>
Comparison goods	4,578 <u>1,500</u>	11,105 <u>6,900</u>	18,570 <u>14,700</u>	26,585 <u>23,300</u>

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<u>Food/beverage</u>	<u>900</u>	<u>2,500</u>	<u>4,100</u>	<u>5,900</u>
Totals	5,017 <u>3,500</u>	12,889 <u>12,100</u>	21,755 <u>23,400</u>	31,205 <u>35,700</u>

Table 4.1: Folkestone & Hythe District Retail Floorspace Capacity (sqm gross)

Policy SS2

Housing and the Economy Growth Strategy

The core long-term requirement is to deliver **738 dwellings (Class C2/C3) a year on average from 2019/2020 to 2036/37**, a total requirement of **13,285 new homes** over the plan period. This will be achieved by major strategic growth in the district including the delivery of a new garden town, as well as a number of small- and medium-sized sites as allocated in the Places and Policies Local Plan.

Allied to this rate of housing delivery, business activity and the provision of jobs will be facilitated through supporting employment opportunities in the garden settlement, existing town centres, the protection of sufficient employment land across the district, allocations and delivering rural regeneration (especially in the south and west of the district).

<u>Use Development Types</u>	Target amount of additional development 2019/20 - 2036/37	Delivery of plan period
Housing (Classes C2/C3)	Minimum of 13,284 dwellings	A requirement is set to deliver land for an average of 738 dwellings a year over the plan period (18 years)
Employment Uses (B classes) <u>Offices</u> <u>Light Industry</u> <u>B2, B8</u> <u>Research & Development</u>	<ul style="list-style-type: none"> Approximately 8.1 ha strategic employment allocation at new garden settlement (36,760 sqm floorspace) Employment sites in Places and Policies Local Plan policies E1 and E2 	Targets to be monitored and employment/retail needs to be reviewed every five years. Any future studies will be a material planning consideration and may trigger a review of relevant plan policies.
Goods Retailing (Class <u>A1-A5 E</u> , <u>retail and food/beverage uses</u> excluding <u>financial and professional A2</u> services)	Approximately 31,205 <u>35,700</u> sqm gross, comprising: <ul style="list-style-type: none"> 4,620 <u>6,500</u> sqm convenience goods floorspace; <u>and</u> 26,585 <u>23,300</u> sqm comparison goods floorspace; <u>and</u> <u>5,900 sqm food/beverage floorspace.</u> 	

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Provisions to ensure the effective implementation of this policy are detailed in section 5.3.

4.6~~2~~³ SS2 primarily addresses Core Strategy Review aims under the following Strategic Needs: A, C and D.