



The Impact of the Loss of Office Space in Central Bath

Prepared for

Bath & North East Somerset Council

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For Bath & North East Somerset Council

Prepared by Ortus ER's Economic Research Team

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I. Summary

In 2016, Bath and North East Somerset Council (B&NES) commissioned TBR to undertake a study to develop evidence that would help decide how best to protect its office space. The team completed the work in 2017, under the aegis of Ortus Economic Research (Ortus) after TBR had ceased trading.

B&NES had identified threats to its local economy following the temporary extension of permitted development rights in 2013, which allowed offices to be converted to residential under prior approval. In 2015, the government announced the rights would be made permanent. As a world heritage site, Bath has a limited stock of BI offices, a constant demand for residential property, along with few opportunities for new development. The local plan calls for the creation of 40,000 m² of net new office space. However, with 18,000 m² of office lost since the announcement, there is now a gross demand for 58,000 m² of new offices. B&NES are very conscious of the need to protect existing office stock, while seeking to develop new, grade A space.

This report, along with accompanying workbooks, presents a combination of data, analysis and commentary aimed at assisting the officials and members of B&NES Council decide how best to protect its current stock of office premises.

The document is split into six sections: this summary, a brief introduction, details of the method used, the main body of evidence, conclusions and recommendations and finally appendices with further data and analysis.

The method used in this study replicates that used in advising other local authorities where it has been used to underpin Article 4 Directions as well as exemptions from the original temporary arrangements. The method comprises five main steps:

1. Agreeing the exact geography to be studied.
2. Generating detailed data and analysis of the economic activity being undertaken by businesses within the target geography, and who occupy BI office premises, viz firms whose premises may be under threat of conversion.
3. An assessment of the likelihood that offices will be converted to residential based on market dynamics.
4. Combining the data on economic activity with the assessment of conversion, to generate a risk rating of the potential impact that permitted development rights may have on Bath's economy.
5. An element of subjective assessment to take account of market feedback and other qualitative insight.

B&NES selected the geography, which is based on an area referred to as Bath Central Area Plus (BCAP). This covers the centre of the City and incorporates a significant proportion of all the BI office space within the Council area. See Figure I for a map of BCAP.

The analysis on economic activity demands access to detailed, firm level data along with insights into the premises these firms are likely to occupy. This was achieved using the TCR dataset¹.

Lambert Smith Hampton (LSH), property agents with extensive knowledge of Bath's commercial property market carried out the assessment of the likelihood of premises being converted from BI office space to residential. The BCAP was then sub-divided into six property zones, each with their own characteristics. The principal driver of the assessment was the potential uplift in capital value

¹ TCR is a proprietary longitudinal database containing records of around 3m businesses in the UK. See the Glossary for further details.

arising from conversion, after taking account of development costs. The premium was highest in Western (97% potential uplift) and lowest in Artisan (4% uplift).

LSH also provided the qualitative assessment of the property market and sentiment of business tenants to the property zones.

Section 4 of the report sets out the key findings of the study. This shows that there were 825 businesses occupying BI space within the BCAP in 2015. These firms were responsible for 7,140 jobs, turnover of £1.3bn and output of £419m². BI premises are responsible for a greater share of employment and turnover to the BCAP, than for B&NES, as a whole, or the West of England.

In terms of sectors: professional, scientific and technical activities; information and communication; public administration and defence; and financial and insurance services are the main users of BI space. Analysis of firms by size band shows that most employment is in 'large' small firms, viz those employing 20 to 49 staff, whereas micro firms with 1 to 4 are the most numerous.

Since 2011/2012, Bath (as a whole) has seen over 20,000m² of net³ BI space approved for conversion to other uses. Of this space, around 7,000m² had actually been converted by April 2016. This highlights the challenges faced by B&NES.

BI property within the BCAP was classified as falling into four categories: Grade A (14%), Grade B (41%), Period (36%) and Secondary (9%).

The BCAP was then sub-divided into six property zones: Artisan, Milsom Street, Central, Southern Southgate and Western. Milsom Street is home to most BI businesses and jobs (345 and 2,340 respectively). While Southern has only 50 firms in the area, it has the second highest employment at 1,620, demonstrating a significant number of large firms (employment/number of firms). Moreover, it is the only zone with no Period office space. These factors highlight some of the differences between the zones.

In addition to employment and output generated by firms operating out of the BCAP, the analysis sought to capture the impact of the supply chain and spending of employees⁴. In total businesses in the BCAP working out of BI premises give rise to total employment of 14,160 staff and £780m in output.

BI firms in the BCAP provide a total of £6.2m in business rates.

The final part of section 4 attempts to assess the likelihood that premises will be converted from BI space to residential. The economic argument based on differential capital values suggests property in Western has a high likelihood of conversion, property in Central, Milsom Street, Southern and Southgate are at medium, while property in Artisan has a low likelihood of being converted.

The analysis suggests the following:

Conversion rating	Employment	NNDR Exposure
High	590	£630,028
Medium	5,880	£4,885,217
Low	660	£726,785
Total	7,140	£6,242,030

² Output in this case is defined as Gross Value Added. See the Glossary for further details.

³ This takes account of new BI developments.

⁴ These are referred to as indirect and induced effects. They are calculated using Type I and Type II multipliers.

Thus 590 jobs, £36m in output and £630,000 worth of business rates are at high risk from the conversion of office premises to residential. Further employment of 5,880, output of £345m and £4.9m in business rates are at medium risk. These factors only take account of direct impacts. Once indirect and induced effects are taken into account 1,060 jobs and £67m of output are at high risk⁵.

These data are sufficiently concerning to highlight the need to protect existing BI premises, while seeking to develop new space.

The conclusions acknowledge the need to protect existing office stock, especially that identified as *Grade A* or *Grade B* if the BCAP is to remain a prime location for office base employment. There are few mechanisms that B&NES can employ to manage this process. The imposition of one or more non-immediate Article 4 Directions would provide an element of control in that it would reinstate the prior necessity to seek planning permission for change of use. However, it is also noted that there exists a dilemma when implementing such a directive, namely the non-immediate aspect provides landowners and developers with a 12-month window within which they may consider a prior approval request for conversion.

The report concludes by setting out a strategy for developing any Article 4 Directions along with the underlying rationale and evidence that may be used to support them. There are also some suggestions for additional evidence that could prove useful in considering how best to protect office space.

⁵ It is not possible to identify the location of businesses generating indirect and induced effects, so there is no number for lost business rates.

2. Introduction

2.1 The extension to Permitted Development Rights

In 2013, the Coalition Government extended permitted development rights to allow conversion of office buildings with a business use class of B1a to residential use C3 without the need for formal planning permission, initially on a temporary basis until May 2016. The underlying motive was to encourage residential development as a means of reducing vacancies and voids in areas beset by continued weak demand for commercial premises.

In October 2015, the UK Government confirmed that the temporary permitted development rights were to be made permanent and that any exemptions previously granted would expire in May 2019. The Government stated that if a Local Planning Authority (LPA) wishes to continue to determine such planning applications they have until May 2019 to make the necessary Article 4 directions.

The permanent introduction of the relaxation of permitted development rights and confirmed expiry of temporary exemptions has reignited concerns over the impact of conversions from office to residential use on local economies, in particular the impact of lost small business space and associated employment.

2.2 Background

B&NES has some experience of Article 4 Directions in seeking to protect offices from being converted into student accommodation. In a number of cases landowners are investment funds who traditionally invest in office assets.

House prices in Bath are high, typically some five times the national average. This provides a strong economic incentive to convert premises to residential.

From an economic development perspective, B&NES' local plan is targeting a net increase of 40,000m² of office accommodation. Since production of the Core Strategy over 15,000m² of office space has been lost requiring a gross requirement of 55,000m². As a result of concerns that the current levels of loss are likely to increase, the target for new office space has now been raised to 60,000m².

The concern is focused on Bath city centre within an area referred to as Bath Central Area Plus (BCAP), see Figure 1, below.

2.3 Project objectives

B&NES is considering the introduction of one or more non-immediate Article 4 Directions to protect office space within BCAP. There is no intention of imposing a blanket ban on converting office premises to residential, rather it is considering taking a nuanced and targeted approach to specific small locations.

Should B&NES seek to implement one or more Article 4 Directions, it is aware of the need to inform the Secretary of State and his/her powers to intervene, as he has done in the past⁶. Thus, the Council is seeking to develop an evidence base that will inform its decision on how best to protect office accommodation. If the Council elects to pursue an Article 4 Direction, it acknowledges the need for robust evidence that can withstand the likely scrutiny that may be brought to bear.

The recommendation on how to move forward will be made by a multi-disciplinary team involving the planning, economic development and finance functions within the Council.

⁶ For example, Islington

3. Method

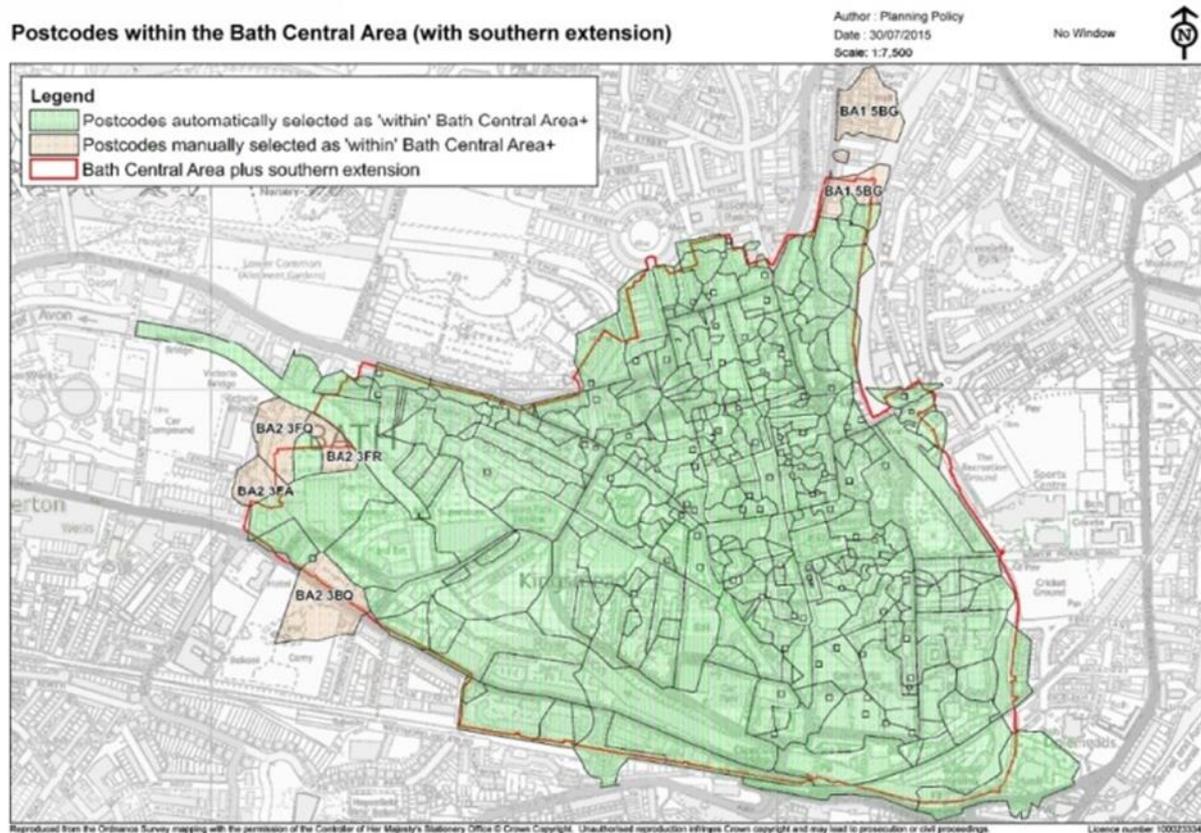
3.1 Defining the geographical scope

The study focused on the Bath Central Area, a pre-defined area identified in the B&NES Core Strategy, the boundaries of which were provided by B&NES Council. In addition, this geography was supplemented with a selection of further postcode area to create the Bath Central Area Plus (BCAP). The purpose of including these additional areas was to ensure the full extent of relevant potential 'at risk' BI premises were included.

These geographic boundaries (presented in Figure 1) have defined all subsequent work undertaken in respect of the project including all estimates of business numbers, employment, turnover and Gross Value Added (GVA).

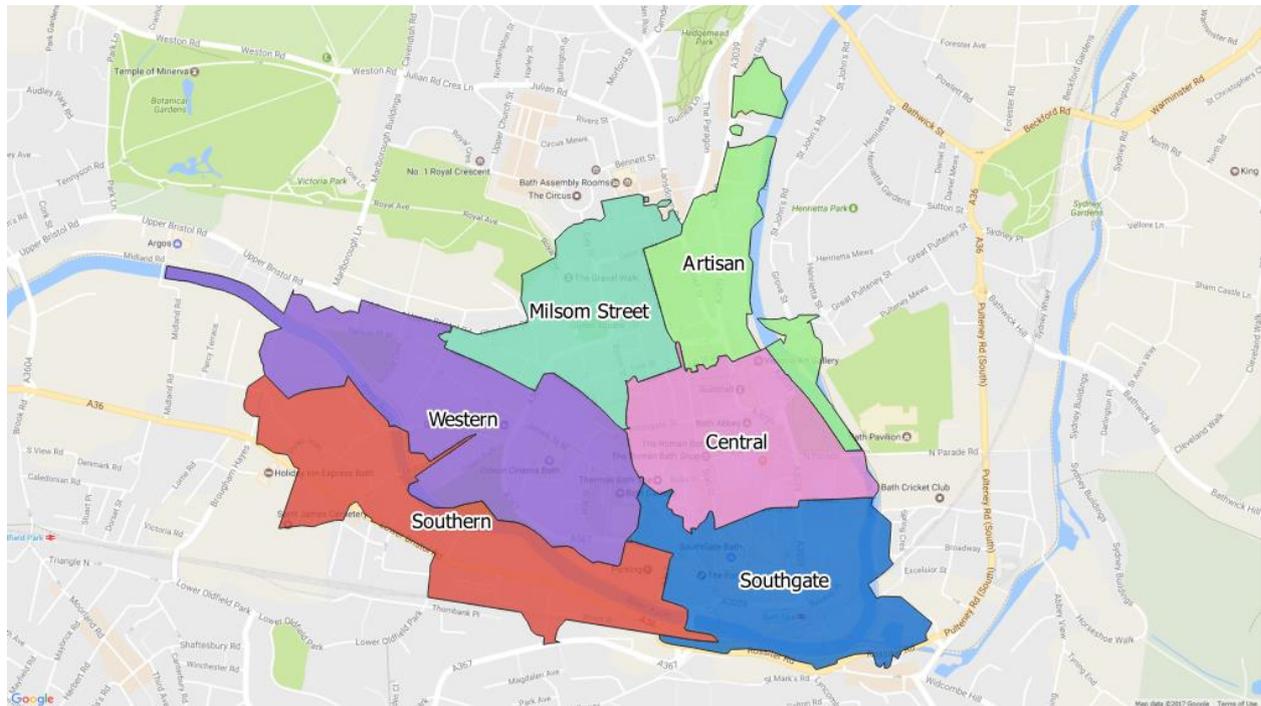
B&NES Council commissioned Lambert Smith Hampton to profile the property market within the BCAP area and identify sub-markets or property zones. This assessment was based on a range of factors, including property characteristics, the types of activities, the nature of demand, and the cultural environment. Six property zones were identified and are illustrated in Figure 2. These geographic boundaries have defined all subsequent work undertaken in respect of the project.

Figure 1: Bath Central Area Plus (BCAP)



Source: B&NES Council (2016)

Figure 2: Map of property zones



Source: Lambert Smith Hampton & Ortus (2017)

3.2 Economic profile data

Ortus used its in-house business database, TCR⁷, to produce a profile of economic activity within the BCAP. TCR contains data for record for over 3 million active businesses in the UK, complete with their address, area of business, and economic information including turnover, employment and GVA.

As TCR contains the postcode for each business the total number of firms, employment, annual turnover and GVA for each post code area was calculated, which could then be aggregated together to provide these totals at a property zone level.

Similarly, the total number of firms, employment, annual turnover and GVA was calculated for each industry sector, using ONS SIC categories, in each postcode area and property zone.

3.3 Identifying BI premises and risk of conversion

By matching the activity of every business in TCR to land-use categories a population of firms located in BI premises was identified. Thus, the amount of employment, turnover and GVA generated by BI premises in the BCAP area was calculated.

Using national non-domestic rates (NNDR) data for BI premises an assessment of the value of business rates payable to B&NES Council from firms located in BI premises in the BCAP area was undertaken. The result of these steps was the creation of a full baseline picture of the contribution of BI premises in BCAP to local economy and the local authority budget. B&NES Council provided Ortus with data on approvals for change of use from 2006/7 to 2015/6 (note up to 2013 through the planning system and since then through prior approval) and completions from 2011/12 to 2015/16. This enables a time-series analysis of provision of BI space within Bath.

⁷ B&NES initially commissioned TBR to undertake the work. When the business ceased to trade, the work was completed by Ortus ER with the same team that originally worked for TBR.

Next, in order to develop a rating of risk of conversion of B1 premises to residential (C3) Lambert Smith Hampton used their local market knowledge to identify average commercial and residential values and rental returns in each of the property zones. The net differences between B1 and C3 premises was used to grade property zones by risk; i.e. areas where C3 premises would generate more income for property owners and developers than existing B1 premises are more at risk of losing B1 space than areas where there is no premium in favour of C3 premises. A premium, and therefore an incentive to convert, was present in all six property zones, ranging from 4% (Artisan, classed as low risk) to 97% (Western, classed as high risk). Residential values were relatively consistent across the six zones; differences in premia were driven by variation in office values. The other four zones offered premia of between 24% and 42% and are therefore classified as at medium risk of conversion.

Table 1: Likelihood of conversion by property zone

Property Zones		Residential capital values (£ ft ²)	Office capital values (£ ft ²)	Potential Uplift (gross)	Conversion Cost (£ ft ²)	Potential Uplift (£ft ²)	Potential Uplift (net)	Likelihood of conversion
Artisan	Residential	£408		147%				low risk
	Offices		£277	£131	£120.00	£11.00	4%	
Milsom Street	Residential	£416		185%				medium risk
	Offices		£225	£191	£120.00	£71.00	32%	
Central	Residential	£425		173%				medium risk
	Offices		£245	£180	£120.00	£60.00	24%	
Southgate	Residential	£425		173%				medium risk
	Offices		£245	£180	£120.00	£60.00	24%	
Western	Residential	£415		277%				high risk
	Offices		£150	£265	£120.00	£145.00	97%	
Southern	Residential	£404		202%				medium risk
	Offices		£200	£204	£120.00	£84.00	42%	

Source: LSH and Ortus, Ortus ref: W7

Once the level of risk in each property zone is established, applying this risk to the economic profile of each zone (see section 3.2 above) gives an estimation of potential losses in firms, employment, turnover and GVA which may result from PDR.

The risk profile of each property zone enabled a scalable assessment of the impact of lost B1 space, in terms of NNDR (or business rates) payable to B&NES Council. For example, the consequences of a loss of x sqm of space would not only be a reduction in employment of y, but also a loss of revenue through NNDR of z.

Economic impact is not restricted to the activity directly attributable to firms. Firms also generate indirect impact through their supply chain activity and induced impact through the consumer spending of their employees. The Office for National Statistics (ONS) provides the most succinct and authoritative articulation of direct, indirect and induced economic benefits in its 2010 publication *Measuring the economic impact of an intervention or investment: Paper 1*⁸. Sectoral multipliers were applied to each individual record; these were sourced from an annually updated model produced and maintained by the Scottish Government⁹.

⁸ Available at: <http://www.ons.gov.uk/ons/rel/regional-analysis/measuring-the-economic-impact-of-an-intervention-or-investment/measuring-the-economic-impact-of-an-intervention-or-investment/index.html>

⁹ Available at: <http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads>

3.4 Qualitative assessment

To explore the challenges posed by the extension of PDR, a workshop was run at Bath Guildhall in February 2017, involving B&NES staff from across the Council, Lambert Smith Hampton and Ortus¹⁰.

At the event it was agreed that, notwithstanding the economic pressures to convert from BI to C3, some premises were more or less likely to be affected by other factors such as specific location, configuration, and preponderance of residential accommodation nearby. Further review and discussion identified that demand for residential accommodation is high across the BCAP, which means that BI property is at risk in all zones. However, agents report that there is a trend for professional firms to gravitate south from Milsom, and to some extent Central into Southern and Southgate. The nature of the change is encapsulated in the comment “the suits are moving south”.

Feedback identified that while Period and Secondary properties were the main types at risk of conversion, there were examples of Grade B space and even potential Grade A space (Tram Shed) being lost. This could have serious implications for Bath as a location for office based businesses. Not only would the quantum of space be limited, but also the range. There might come a point where the constraints were such, that high value office users might discount Bath as lacking the critical mass needed for a suitable location. This would then limit the offer to clients, resulting in further damage to the local economy.

LSH provided a qualitative assessment to each of the property zones (see section 4.7.2 Attractiveness as an employment location) along with a quantitative review of property types (section 4.4).

¹⁰ TBR at the time.

4. Evidence

4.1 Economy of the BCAP and the role of BI premises

In order to understand the importance of BI premises to the economy of BCAP, it is necessary to value the economic impact and output generated by businesses in BI premises and what proportion of total output they represent. Table 2 presents headline economic data for the BCAP. More detailed disaggregation of activity by sector, firm size, and land use class has previously been made available as a data workbook and have been appended to this report.

Table 2: Economic activity in the BCAP, 2015

Use class	Firms	Employment	Turnover (£bn)	GVA (£bn)
All use classes	2,320	19,640	£2.956	£1.104
BI use class only	825	7,140	£1.316	£0.419

Source: TCR 2015 (Ortus Ref: W2/S2) Firms rounded to nearest 5. Employment rounded to nearest 10. Turnover and GVA rounded to nearest £1m.

Table 3 provides a comparison of the role of BI premises at other local geographies. It is clear that, on every measure except GVA across the West of England, BI premises account for a greater proportion of economic activity in the BCAP than in either B&NES or the West of England.

Table 3: Significance of economic activity in BI premises elsewhere, 2015

Geography	BI proportion of total			
	Firms	Employment	Turnover	GVA
BCAP	35.6%	36.4%	44.5%	38.0%
Bath & North East Somerset	31.9%	29.5%	36.1%	37.5%
West of England	30.9%	29.8%	32.5%	40.0%

Source: TCR 2015 (Ortus Ref: W2/S11&S14)

Table 4, below, reinforces the assertion that BI premises account for a greater proportion of economic activity in the BCAP, relative to all premises, than across B&NES. This is also true of the West of England, with the exception of GVA, where all land uses classes in the BCAP represent a slightly greater proportion than the BI use class. However, it should be noted that the West of England includes areas such as Bristol's Temple Quarter, where GVA is expected to be particularly high.

Table 4: BCAP as a proportion of B&NES and West of England economy, whole economy and BI land use, 2015

	Firms	Employment	Turnover	GVA (£bn)
BCAP as a proportion of Bath & North East Somerset total economy	17.4%	16.7%	22.8%	20.3%
BCAP as a proportion of Bath & North East Somerset BI land use	19.3%	20.6%	28.0%	20.5%
BCAP as a proportion of West of England total economy	3.4%	3.0%	3.0%	3.2%
BCAP as a proportion of West of England BI land use	3.9%	3.7%	4.1%	3.0%

Source: TCR 2015 (Ortus Ref: W2/S11&S14)

4.2 Sectoral and size analysis

As well as analysing property land-use classes, studying the sectoral make-up of the BCAP economy gives an indication of the nature of businesses located in the BCAP, and which are important.

As seen in Table 5, the biggest sector in BCAP in terms of number of firms, employees and GVA is Distribution – a sector not likely to be at risk of having premises conversion. Second largest is Professional, scientific & technical activities which contributes 16% of GVA in the BCAP area (Table 5), and 40% of BI property (Table 6).

Table 5: Economic activity in Bath Central Area Plus, by sector

SIC Section	Firms	Employees	Turnover (£m)	GVA (£m)
A: Agriculture, forestry and fishing	5	20	1.2	0.7
B: Mining & quarrying	*	110	2.1	6.9
C: Manufacturing	40	250	27.2	12.4
F: Construction	45	160	22.6	9.5
G: Wholesale & retail	550	4,860	792.4	393.4
H: Transport & storage	30	330	49.0	22.0
I: Accommodation & food services	330	3,040	120.6	56.1
J: Information & communication	165	1,300	129.7	93.6
K: Financial & insurance services	90	1,250	584.3	168.3
L: Real estate services	205	880	55.2	40.8
M: Professional, scientific & technical activities	335	2,900	872.1	177.8
N: Admin & support services	85	370	78.2	34.5
O: Public admin & defence	15	800	17.7	6.0
P: Education	35	840	23.8	7.4
Q: Health & social work	130	1,320	115.2	44.8
R: Arts, entertainment & recreation	95	600	45.7	15.4
S: Other service activities	160	620	18.1	12.5

U: Extra territorial	*	10	3.2	0.9
Not known	5	10	1.1	0.5
Total	2,320	19,640	2,959.6	1,103.5

*Data suppressed. Source: TCR 2015 (Ortus Ref: W2/S2)

The Real estate services, Information & communication, and financial and insurance sectors are also significant contributors to GVA in BCAP as set out in Table 5. These businesses are predominantly located in BI premises, see Table 6. This is important to consider when analysing the effect of PDR conversions as whilst relatively small in terms of the number of firms the financial and ICT sectors produce proportionally more GVA, with a high output per firm. Thus, conversion of BI premises which leads to a net loss of forms in these sectors will lead to a proportionally greater loss in GVA.

Table 6: Economic activity in Bath Central Area Plus, by sector, restricted to BI use class

SIC Section	Firms	Employees	Turnover (£m)	GVA (£m)
B: Mining & quarrying	*	110	2.1	6.9
C: Manufacturing	30	170	19.9	10.5
F: Construction	45	160	22.0	9.2
G: Wholesale & retail	15	70	5.3	3.1
I: Accommodation & food services	*	*	0.0	0.0
J: Information & communication	165	1,280	128.5	93.2
K: Financial & insurance services	45	790	169.3	58.3
L: Real estate services	75	370	28.9	24.0
M: Professional, scientific & technical activities	335	2,890	871.7	177.7
N: Admin & support services	35	100	20.7	13.9
O: Public admin & defence	15	800	17.7	6.0
P: Education	*	10	0.8	0.5
Q: Health & social work	20	160	14.0	8.4
R: Arts, entertainment & recreation	5	50	3.1	1.9
S: Other service activities	40	170	8.7	4.3
U: Extra territorial	*	10	3.2	0.9
Total	825	7,140	1,316.0	418.9

*Data suppressed. Source: TCR 2015 (Ortus Ref: W2/S2)

The business population of the BCAP is dominated by micro-businesses and SMEs, see Table 7, below. These businesses account for nearly all firms and the majority of employees and GVA.

Table 7: Economic activity in Bath Central Area Plus, by size band

Size band	Firms	Employees	Turnover (£m)	GVA (£m)
Zero (i.e. owner with no employees)	685	800	74.3	35.1
1 to 4	730	1,990	223.6	101.1
5 to 9	480	3,030	402.3	151.8
10 to 19	230	2,880	431.7	165.8
20 to 49	140	3,770	579.9	201.0
50 to 99	35	2,230	309.8	102.0
100 to 199	10	1,480	613.7	77.5
200 to 249	5	1,030	188.9	220.0
250 to 499	5	1,340	115.9	44.2
500+	*	1,100	19.4	5.0
Total	2,320	19,640	2,959.6	1,103.5

*Data suppressed. Source: TCR 2015 (Ortus Ref: W2/S3)

BI premises are also dominated by micro-businesses and SMEs (Table 8). In fact, the smaller firms in BI premises being more productive (GVA per employee) than in the BCAP as a whole. Importantly however, the very small number of firms with 100 or more employees play a more important role when only looking at BI premises representing a greater proportion of employment and GVA generated by BI premises than the BCAP as a whole.

Table 8: Economic activity in Bath Central Area Plus, by size band, in BI use class

Size band	Firms	Employees	Turnover (£m)	GVA (£m)
Zero (i.e. owner with no employees)	250	290	28.1	18.4
1 to 4	320	860	108.5	59.4
5 to 9	125	750	137.5	53.1
10 to 19	60	720	119.3	60.3
20 to 49	45	1,330	228.9	93.7
50 to 99	15	970	112.6	55.1
100 to 199	5	690	512.6	50.5
200 to 249	*	400	10.6	2.8
250 to 499	*	640	51.8	21.3
500+	*	500	6.2	4.4
Total	825	7,140	1,316.0	418.9

*Data suppressed. Source: TCR 2015 (Ortus Ref: W2/S3)

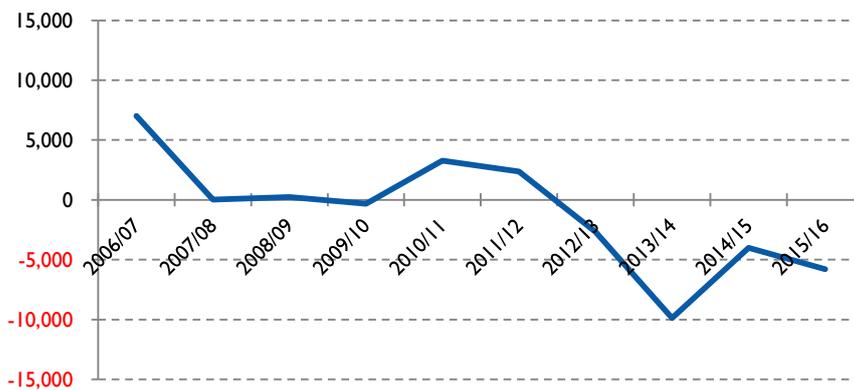
4.3 Changes to levels of BI premises

Figure 3 through Figure 6 profile changes to the amount of BI space in Bath¹¹ between 2005/6 and 2015/16 based on B&NES Council approved development, and between 2011/12 and 2015/16 based on completions.

Driven by a large net increase in 2006/7 (Figure 3) approvals for BI space in Bath maintained a cumulative net increase until 2013/14 (Figure 5). Annual net reductions in BI space in all subsequent years led to a cumulative reduction, based on approvals, of almost 10,000sqm over the period studied.

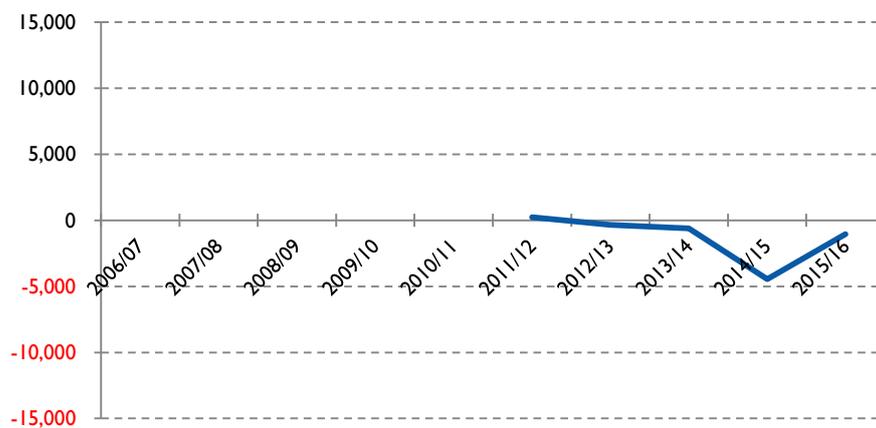
Whilst approvals capture a useful indication of market trends, completions provide a more authoritative view on changes to available space. Relative to approvals, the change in amount of BI space is relatively small; this is consistent with expectation. However, the trend observed is similar; the net annual change has been negative every year since 2011/12 and the cumulative impact of this is that at the end of the 2015/16 financial year, there was 6,200m² less BI space available in Bath than at the beginning of the 2011/12 financial year.

Figure 3: Net annual change in BI space (sqm, Bath, approved), 2006/7 – 2015/6



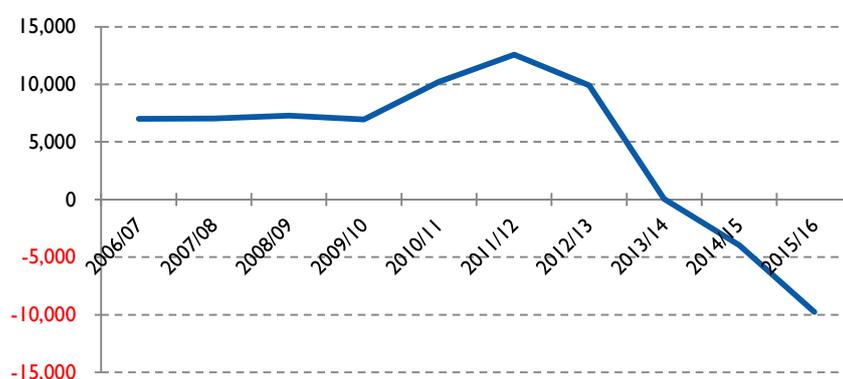
Source: TCR 2015 (Ortus Ref: W3/S3)

Figure 4: Net annual change in BI space (sqm, Bath, completed), 2011/12 – 2015/6

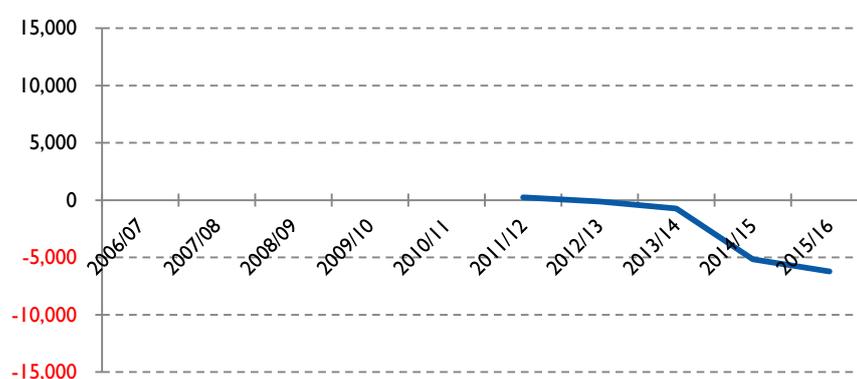


Source: TCR 2015 (Ortus Ref: W3/S4)

¹¹ NB. The definition of Bath reflects the B&NES community area definition, including the electoral wards of Abbey, Bathwick, Combe Down, Kingsmead, Lambridge, Lansdown, Lyncombe, Newbridge, Odd Down, Oldfield, Southdown, Twerton, Walcot, Westmoreland, Weston, and Widcombe.

Figure 5: Net cumulative change in BI space (sqm, Bath, approved), 2006/7 – 2015/6

Source: TCR 2015 (Ortus Ref: W3/S3)

Figure 6: Net cumulative change in BI space (sqm, Bath, completed), 2011/12 – 2015/6

Source: TCR 2015 (Ortus Ref: W3/S4)

4.4 Property types

Commercial property¹² within the BCAP was reviewed by Lambert Smith Hampton and classified based on industry norms. The premises fell into four categories:

Classification	Description
Grade A	Prime premises with good floor plates and floor to ceiling heights, comfort amenities etc.
Grade B	Likely to have been built in the 1960s/70s. Adequate space with some constraints : can be refurbished to raise quality
Period	Georgian style not designed for modern office use but appropriate for some office uses.
Secondary	Lower grade, inexpensive premises, most likely occupied on the basis of low rental.

Source: Lambert Smith Hampton

Analysis of the premises is presented in Table 9, below, which shows that only 14% of the property in the BCAP is considered to be Grade A, with the remaining 86% classed as non-prime office space. This suggests that prime office space within the BCAP is in relatively short supply and needs to be protected.

¹² Properties of 100m² and larger only.

Table 9: Analysis of property types across BCAP

Property type	Area m ²	Proportion of total
Grade A	14,894	14%
Grade B	42,527	41%
Period	37,288	36%
Secondary	9,830	9%
Total	104,539	100%

Source: Lambert Smith Hampton, Ortus (Ortus Ref: W6/S6, C1)

It should be noted that premises of all grades are being converted and not just those in rated as Period or Secondary. Examples include: 4-5 Westgate Street (*Grade B*), Ernest Ireland House (*Grade B*), Charter House The Square (*Grade B*), Riverside North Building in Walcot Yard (*Secondary*) and 19 Circus Place (*Period*).

The loss of grade B space is of particular concern as, given the lack of grade A space, it performs an important role in BCAP.

4.5 Property Zone analysis

As described in section 3, TCR data has been used to analyse the level of economic activity within B1 premises in each of the property zones identified in the BCAP. This data is presented in (Table 10). Employment and GVA are greatest in the Milsom Street zone. The small number of firms in the Southern zone exhibited high employment and turnover with, relatively, lower GVA.

Table 10: Direct economic activity in B1 premises, by property zone, 2015

Zone	Firms	Employment	Turnover (£m)	GVA (£m)
Artisan	130	660	£65.5	£38.2
Central	110	970	£91.3	£62.7
Milsom Street	345	2,340	£273.0	£141.3
Southern	50	1,620	£691.1	£85.6
Southgate	80	950	£123.5	£55.2
Western	110	590	£71.7	£36.0
Total	825	7,140	£1,316.0	£418.9

Source: TCR 2015 (Ortus Ref: W2/S5) Firms rounded to nearest 5. Employment rounded to nearest 10. Turnover and GVA rounded to nearest £100k.

What is immediately apparent, as can be seen from Figure 7, below is that the property zones are all very different in their property stock.

4.5.1 Artisan

The sectoral distribution of firms in the Artisan property zone mirrors that of the BCAP almost precisely: *professional, scientific & technical activities* was the most prominent sector, accounting for 42% of

firms. However, the *information & communication* sector represented a greater share of employment (38%), turnover (37%), and GVA (37%) in the Artisan property zone than any other zone.

The distribution of economic activity by size band is more difficult to analyse. The presence or absence of one of the very small number of large (100+ employees) can shift a property zone disproportionately below or above the distribution for the BCAP. The only size band above 50 employees in which Artisan is represented is 100 to 199; this group is consequently overrepresented in employment and GVA terms.

The range of office space in Artisan broadly reflects that of the BCAP as a whole, with all four property types being present. With 27% of its office space rated *Grade A* it has the second highest proportion of prime property of the BCAP zones, however this is made up of a single property The Tramshed which has a prior approval consent for residential use. Its share of *Period* properties is relatively low at only 11%, compared to 36% for BCAP as a whole.

4.5.2 Central

The *professional, scientific & technical activities* sector is less prominent in the Central property zone. This void is filled principally by *public admin & defence* (employment), *information & communication* (turnover and GVA), and *real estate services* (GVA).

The economic contribution of different sizes bands in the Central property zone reflect the overall BCAP distribution closely in respect of registered firms and employment. Because no firms with 100 to 199 employees are located in Central, this size band is heavily underrepresented in turnover and GVA terms.

Office properties in Central are restricted to *Grade B* and *Period*. Thus, the offer is relatively limited, and is likely to restrict the type and size of occupiers. The lack of large firms, eg with 100+ employees, is unsurprising given the available property.

4.5.3 Milsom Street

Real estate services is the second most populous sector in the Milsom Street property zone in terms of registered firms; this makes it the only zone where *professional, scientific & technical activities* and *information & communication* do not form the two most populous sectors. *Real estate services* is also overrepresented in employment terms. From a financial perspective, *financial & insurance services* generates a greater proportion of turnover (33%) and GVA (26%) in Milsom Street than in any other property zone.

In Milsom Street Firms with 10 to 19 employees made a greater economic contribution than in any other property zone. This was true across employment (15%), turnover (28%), and GVA (25%).

Milson Street like Central contains no *Grade A* or *Secondary* space. Unsurprisingly, small firms with 10 to 19 employees predominate. Likewise, businesses from sectors such as real estate and financial are well represented in that their premises needs are relatively undemanding in terms of specialist facilities, eg wiring or cooling, that may be required for *professional and scientific* and *information and communication*. The lack of *Secondary* space is also likely to mean few starts or low margin businesses that require low cost premises.

4.5.4 Southern

Economic activity in the Southern property zone is the most atypical of all the property zones. From a sectoral perspective, this is driven by the dominance of the *professional, scientific & technical activities* sector, which accounts for 52% of employment, 94% of turnover, and 68% of GVA. Across all three of these indicators, the proportion of *professional, scientific & technical activities* is greater than in any other property zone.

From a size band perspective, firms employing up to 19 people account for 11% of employment in Southern, compared to 37% of employment across the BCAP. It also has the highest proportion of employment in large firms, with half of all jobs being in businesses with more than 250 employees.

Southern is the only zone containing no *Period* premises. It also, along with Southgate, hosts the largest proportion of *Grade B* space at 56%. The absence of *Period* space and quantum of *Secondary* premises, suggests that this zone may present opportunities to either refurbish space from *Grade B* to *Grade A* or to demolish/convert *Secondary* premises to supplement the very limited supply of *Grade A* premises. It is already the zone with the greatest proportion of employment in large businesses.

4.5.5 Southgate

The *public admin & defence* sector employs more people than any other in the Southgate property zone; the only zone where this is the case. In turnover terms, *professional, scientific & technical activities, information & communication, and financial & insurance services* combined account for 89% of turnover across the BCAP. The combined total contribution is also 89% of turnover in Southgate, although this is more evenly distributed and less dominated by *professional, scientific & technical activities*.

36% of employment in Southgate is provided by firms with 250+ members of staff; Southern is the only other property zone to exhibit any employment in firms of this size.

Southgate, like Southern, has only three property types; in this case, there is no *Secondary* space and limited *Period* accommodation (7%). Also 37% of space is classed as *Grade A*. Southgate contains the Royal Mead offices on Railway Place, a four-storey purpose built property.

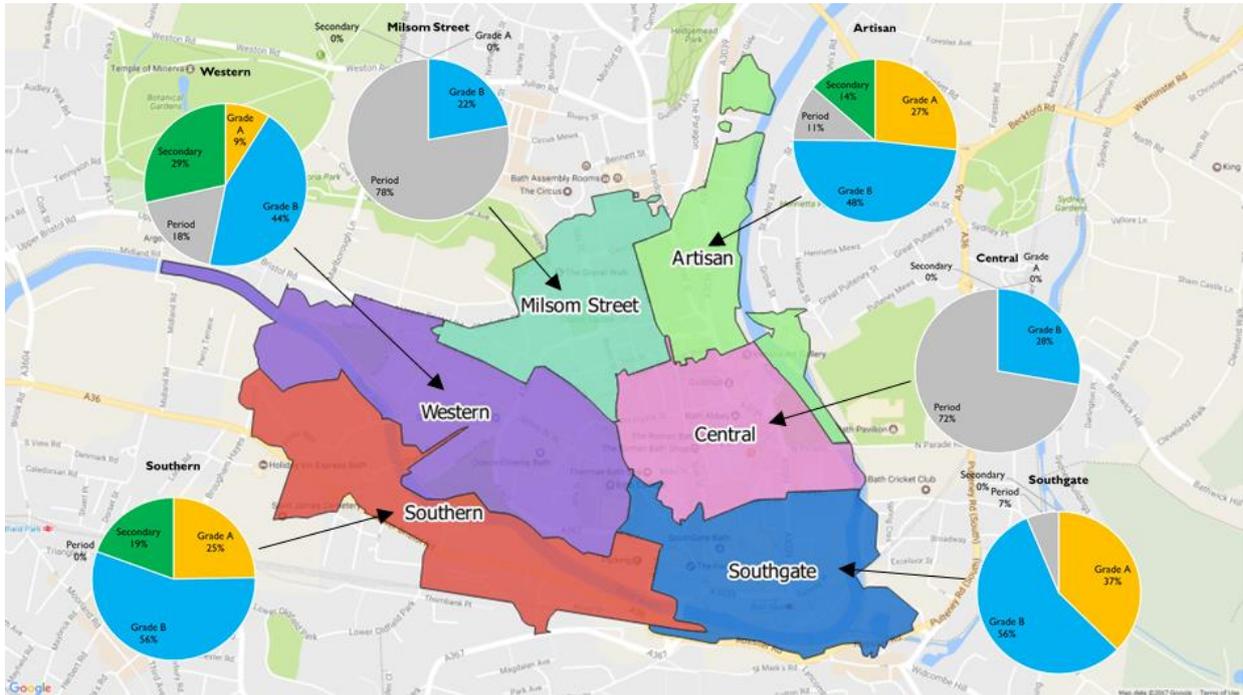
4.5.6 Western

Health & social work contributes 10% of employment, turnover, and GVA in the Western property zone; the greatest relative contribution made by the sector in any of the property zones.

Firms employing between 1 and 9 people provide 39% of employment in Western; the greatest proportion of any property zone. Firms in the 1 to 4 employee size band generate 33% of turnover and 33% of GVA in Western (also the greatest proportions of any property zone).

Western is the largest of the six property zones and contains all four types of property. Notable features are that *Grade A* space is limited, whereas, *Secondary* space is, proportionally, more prevalent than in any of the zones. The availability of *Secondary* space is consistent with the high proportion of micro firms employing fewer than 10 staff.

Figure 7: Property types within zones



Source: Ortus, B&NES and Lambert Smith Hampton,

4.6 Impact of lost BI premises on NNDR

Working collaboratively with B&NES Council and using both NNDR and VOA data, we assessed employment density across the six property zones, see Table 11, below. As can be seen that premises in Southern are most productive in housing 0.167 employees per m², or one person per 6 m²¹³.

BI premises also contribute NNDR¹⁴ (business rates) to B&NES Council. These will be forfeited if premises are reclassified for C3 use. The value of business rates by property zone are presented in Table 11, alongside employment levels. Total anticipated revenue anticipated by B&NES from BI premises within the BCAP during 2017/18 totals almost £6.25m¹⁵. NNDR levels (£ per m²) are fairly constant across the property zones, with Southern the highest and Artisan the lowest. This tends to reflect the nature and quality of the premises. The total NNDR was spread across the property zones based on an analysis of individual businesses and their locations.

Based on the data presented in Table 11, if 1,000 sqm of BI space was lost in the Western property zone, we would anticipate that this would lead to the loss of 73 jobs (10.4% of BI employment in Western) and foregone NNDR revenue to B&NES Council of £64,117.

¹³ This appears high, so caution is urged in considering absolute numbers. Rather relative density across the zones is a more appropriate measure.

¹⁴ National Non-Domestic Rates, commonly referred to as business rates.

¹⁵ This is the gross amount and does not take account of possible reliefs for small businesses and charities, voids or collection losses.

Table 11: Scalable impact of lost floorspace, by property zone

Zone	BI space (m ²)	Employment	Employment Density (Emp m ⁻²)	Rates (£m ⁻²)	NNDR exposure
Artisan	12,068	660	0.055	£60.23	£726,785
Central	20,651	970	0.047	£60.58	£1,250,946
Milsom Street	27,941	2,340	0.084	£68.03	£1,900,895
Southern	9,720	1,620	0.167	£70.73	£687,477
Southgate	17,348	950	0.055	£60.29	£1,045,899
Western	9,626	590	0.061	£65.45	£630,028
Total	97,354	7,130	0.073	£64.12	£6,242,030

Source: B&NES Council (Ortus Ref: W5/S3) Employment rounded to nearest 10. Rates rounded to the nearest £1. Space rounded to nearest m².

Output multipliers generated by the Scottish Government¹⁶ were imposed on the economic data generated by TCR to produce the data in Table 12; this suggests that direct employment accounts for 50% of the total employment impact, and direct GVA for 54% of total GVA impact. However, not all of the indirect/induced activity will be retained within the BCAP, or indeed B&NES. Firms source products/services nationally and internationally, and consumers purchase products/services likewise¹⁷.

Table 12: Economic impact of activity in BI premises, by property zone, 2015

Zone	Employment				GVA (£m)			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
Artisan	660	250	430	1,340	£38.2	£11.7	£22.2	£72.1
Milsom Street	2,340	730	1,270	4,340	£62.7	£39.3	£76.1	£178.0
Central	970	300	560	1,830	£141.3	£13.3	£30.4	£185.0
Southgate	950	380	650	1,980	£85.6	£17.3	£33.4	£136.3
Western	590	170	300	1,060	£55.2	£10.2	£20.3	£85.7
Southern	1,620	760	1,230	3,610	£36.0	£30.8	£55.8	£122.6
Total	7,140	2,590	4,430	14,160	£418.9	£122.6	£238.1	£779.7

Source: TCR 2015 (Ortus Ref: W2/S6) Employment rounded to nearest 10. GVA rounded to nearest £100k

4.7 Likelihood of conversion

Key to understanding the potential impact that the extension of PDR will have on Bath's economy is an assessment of the likelihood that office premises will be converted to residential. Unfortunately, this cannot be assessed with any degree of accuracy as it is a function of several factors, including:

- Economic arguments based on the relative uplift in value available from conversion from office to residential.
- The attractiveness of a location for residential rather than employment use. The corollary being the relative attractiveness of an area as place to do business.

¹⁶ Data published by the Scottish Government are more up to date and comprehensive than those published by ONS.

¹⁷ This is termed 'leakage'; we have no data on which to base an assessment of the impact of leakage on the BCAP, but we must acknowledge that there will be some.

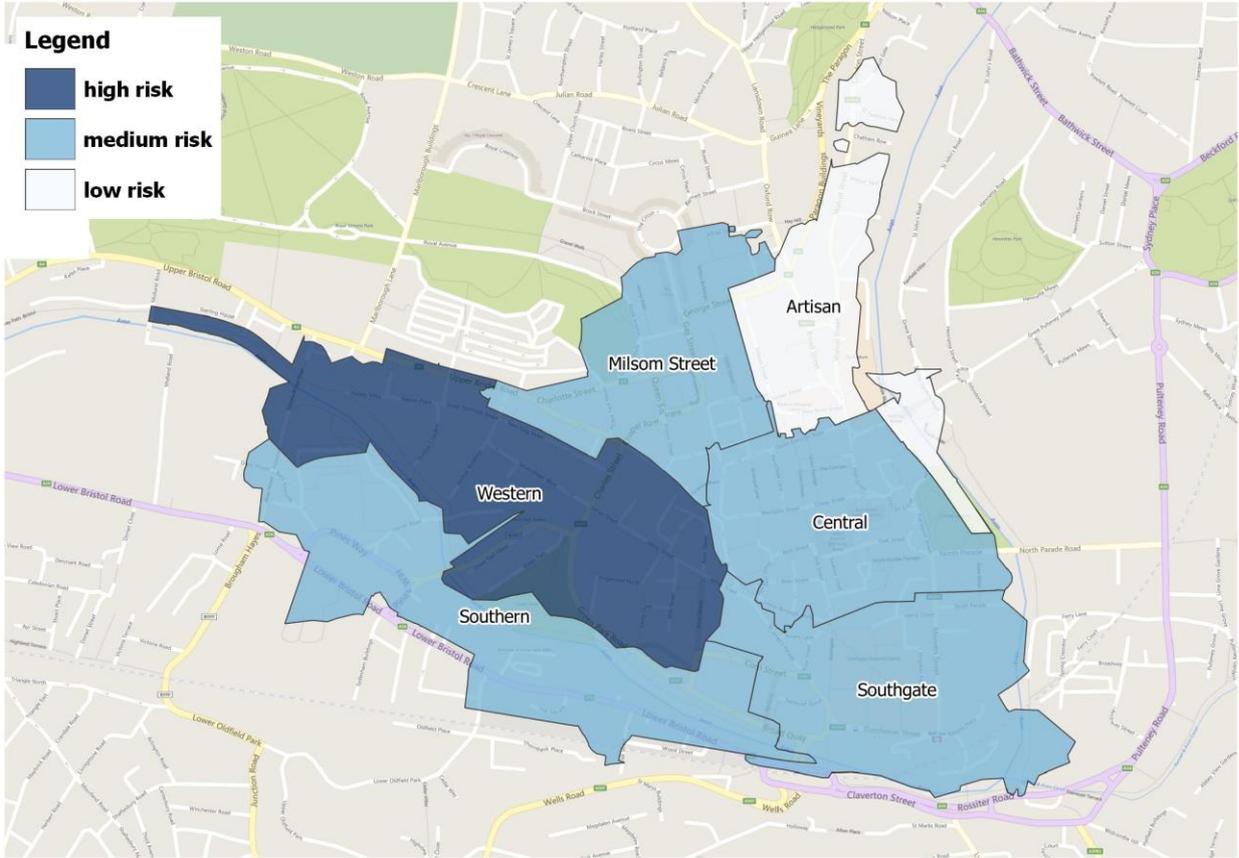
- Proximity to lease expiry. Landlords are more likely to consider change of use when tenants' leases come to an end.
- Tenant occupation, or owner occupation. Occupiers who own their own premises are more likely to maintain current usage if they still require office premises.
- Landlord strategy. Some landlords may seek to capture a capital gain from conversion and then selling a property as a dwelling place, whereas others may have a mandate to generate a stable income, eg a pension fund. Thus, the landlord's principal rationale for ownership will have a major impact. Unfortunately, this can be difficult to know and it may change.

As part of this work, work was undertaken providing insights into the first two points identified above.

4.7.1 Economic arguments

An assessment was made of the potential uplift to be gained from converting offices to residential across each of the zones. This took account of differentials in capital values of office and residential property along with actual costs of conversion. The analysis identified that the economic driver was deemed high in Western, low in Artisan and medium in the other four. This is presented on the map in Figure 8, below.

Figure 8: Risk ratings and jobs and GVA directly at risk across BCAP



Source: TCR 2016 (Ortus Ref: W2/S6&S7)

Based on this data alone, it would appear that office properties in Western are most likely, whereas those in Artisan are least likely to be converted to residential. Notwithstanding the above, it should be noted that buildings in the medium risk category have already been converted, for example, Charter House, The Square, Westmoreland in Southern.

4.7.2 Attractiveness as an employment location

Lambert Smith Hampton undertook, a largely qualitative, assessment of the attractiveness of the zones as employment locations. The intention was to take account of current circumstances and to look forward over a five to ten-year horizon by considering current trends and feedback from the office market. To some extent the sentiment was captured in the observation “the suits are moving south”. This appears consistent with the data presented in section 0.

Artisan

This area to the north of the BCAP is characterised by period and smaller commercial buildings with a mix of uses. Most uses are centred around smaller retail and leisure business. There is limited demand from the office sector as the majority of buildings in this area do not suit modern office occupiers. The only building which suited office occupiers was Tramshed and that has obtained planning for change of use to residential via permitted development rights.

Central

Central area of the BAP is a complete mixed use area and although the majority of the area is full of period buildings and houses the Abbey and The Roman Baths, there remains some important office buildings in the area. Demand for these offices in amongst the predominantly retail/tourist area is high for the right kind of building, although given the nature of the surrounding buildings, it is unlikely to attract comprehensive redevelopment. However, the office buildings of note will need to be protected otherwise they will be attractive for change of use.

Milsom Street

The Milsom Street area is dominated by period buildings and the commercial area is centred around Queens Square. Queens Square was traditionally the prime location for offices in Bath and remains a popular address for companies. However, the buildings in the area are mainly period and offer small floor-plates and offices over multi-floors which do not suite modern office occupiers. However there remains demand from the smaller/growing occupiers. Given the TCN development in Southern, the demand from smaller occupiers in the Milsom Street area will centre around financial, professional service and legal sectors.

Southern

The Southern area is centred around Lower Bristol Road. Lower Bristol Road has a high proportion of more modern offices mainly from the 70's to the 90's. The demand in this area is lower than the other areas, as access to the city centre is poorer. However, with the changes to the area which include a bridge from South Quay means that area will become more attractive. This, coupled with the fact the area has room for redevelopment and the buildings can be refurbished to suit, the area is critical for the Bath office market.

Southgate

Southgate is centred around the Southgate Shopping Centre, Manvers Street and the railway station. The area has a predominantly retail focus, although it houses a number of office buildings which are considered prime buildings within the Bath market. Demand in this area from office occupiers remains high as it is near the station.

Western

Western is the area going through the most change as it is currently characterised by a mix of Period and 1960/70's building. The mix of uses here is also more diverse than the rest of Bath; with leisure, office, residential and retail all mixed together. The area has a lot of redevelopment potential and the

demand for the right building in this location is high. However, the majority of the buildings that could house good quality offices are either converting to residential or are occupied by educational bodies and unavailable to the office market. The area also has been identified for future office redevelopment and the North Quays site will provide the future supply of offices for Bath going forward.

It is stressed that this analysis only takes account of two factors, out of many, that will influence the likelihood of property being converted. Further work to investigate lease/occupation arrangements and, possibly, landowner sentiment are required.

4.8 Risk analysis

Risk in this report is seen as the product of two factors:

- The likelihood of premises being converted from office space to residential.
- The impact that specific space will have, eg loss of firms, employment etc.

Table 13, below provides an indication of the possible impact against likelihood of conversion. In absolute terms, areas of BCAP which are deemed to have a medium risk of conversion contain most firms and employment, generating the most turnover and GVA.

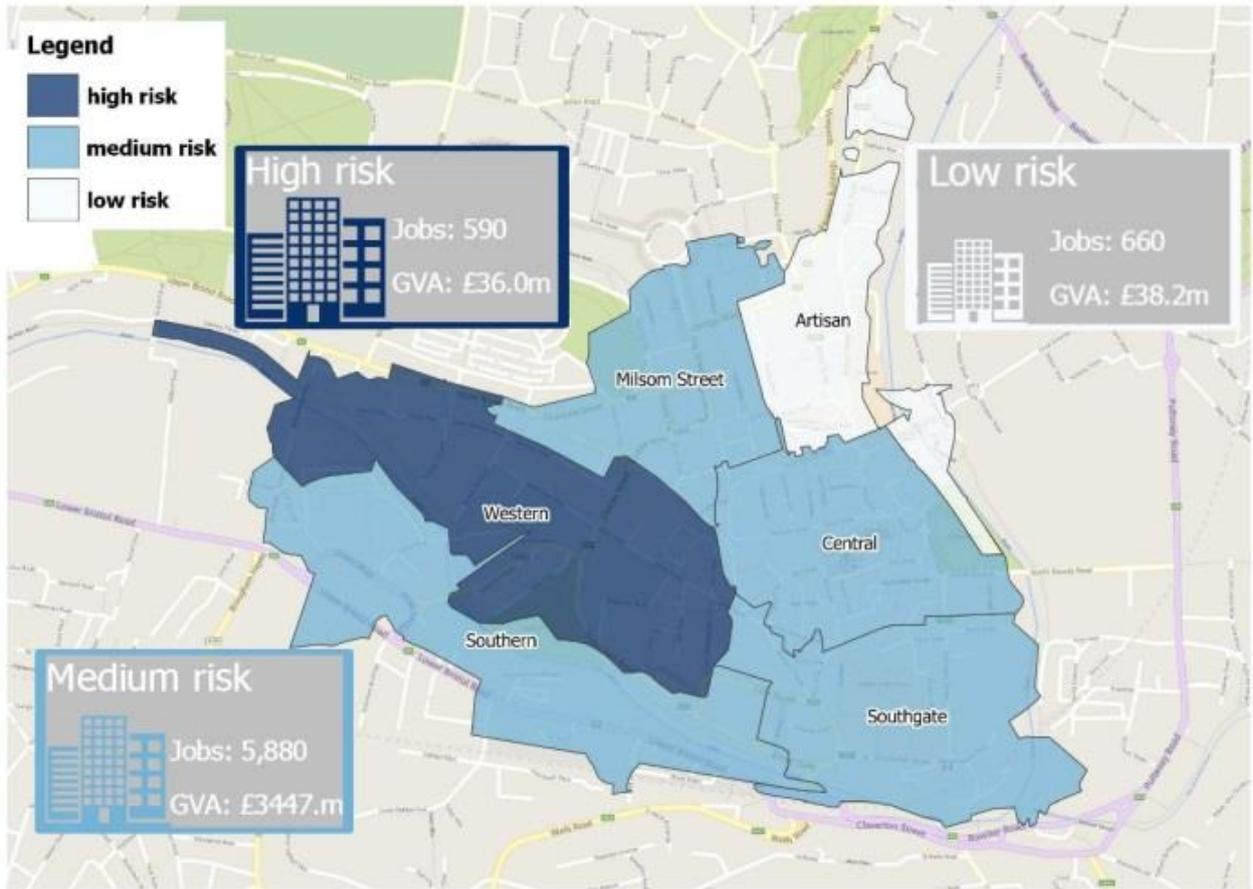
Table 13: Economic activity in BI premises, by risk rating, 2015

Conversion rating	Employment				GVA(£m)			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
High	590	170	300	1,060	£36.0	£10.2	£20.3	£66.5
Medium	5,880	2,160	3,700	11,740	£344.7	£100.7	£195.7	£641.0
Low	660	250	430	1,340	£38.2	£11.7	£22.2	£72.1
Total	7,140	2,590	4,430	14,160	£418.9	£122.6	£238.1	£779.7

Source: TCR 2015 (Ortus Ref: W2/S7) Firms rounded to nearest 5. Employment rounded to nearest 10. Turnover and GVA rounded to nearest £100k.

The potential risk of loss, for each of the conversion ratings, is shown in **Error! Not a valid bookmark self-reference.**, below. Areas of medium risk represent four out of the six property zones.

Figure 9: Risk ratings with potential job and GVA impacts across BCAP



Source: TCR 2016 (Ortus Ref: W2/S6&S7) Employment rounded to nearest 10. GVA rounded to nearest £100k.

From Table 14, we can see that 7,670 sqm of BI premises are classified as being at high risk of conversion (in the Western property zone). Should this space be lost, the impact in terms of lost revenue to B&NES Council through NNDR would be £630k in 2017/18.

Table 14: Scalable impact of lost floorspace, by conversion rating

Conversion rating	BI space (sqm)	Employment	Emp / sqm	Rates / sqm	NNDR Exposure
High	7,670	590	0.077	£82.14	£630,028
Medium	76,440	5,880	0.077	£63.91	£4,885,217
Low	8,580	660	0.077	£84.71	£726,785
Total	92,820	7,140	N/A	N/A	£6,242,030

Source: B&NES Council (Ortus Ref: W5/S5) Employment rounded to nearest 10. Rates rounded to the nearest £1.

5. Conclusions and recommendations

5.1 Conclusions

The evidence generated through this project supports the following assertions:

- Economic activity in BI premises is vital to the Central Bath economy (defined as BCAP) relative to other land uses in the BCAP, and also to other localities (e.g. B&NES and West of England).
- A reduction in BI premises between 2011 and 2016 is a trend that presents a cause for concern; this needs to be halted and reversed.
- The six property zones have different characteristics borne out by the data and analysis; eg by sector, firm size and quality of property available.
- Across the BCAP, and having allowed for the cost of conversion, property is more valuable when used as residential premises than when used as commercial premises. This premium represents an incentive to convert (although its size varies across the six identified property zones within the BCAP).
- There is limited scope for the development of new BI premises in the BCAP, which highlights the need to retain existing BI space in office use.
- The centre of gravity for office space appears to be migrating south from areas such as Milsom Street to Southern and Southgate.

The issue of how best to ensure that Bath has sufficient office space to support a robust economy is challenging. There are a number of forces at work which do not align consistently. These include:

- The preservation of existing space and the development of new space. Bath's stock of office accommodation is somewhat limited, with less Grade A space that might be expected and a high dependence on period properties, which have limited utility for employment use.
- The opportunities for new development are severely restricted due to a lack space and the City's World Heritage Status that precludes high rise development.
- The extension of permitted development rights represents a challenge in that it allows office space to be converted to residential under prior approval, without the need for a planning application.
- There are few mechanisms that B&NES can employ to manage the conversion of office space to other uses. Traditionally, this was achieved through the planning process in that a formal planning application was required. The only way in which this mechanism can be reinstated is via an Article 4 Direction. It should also be noted that Article 4 Directions carry the risk of claims for compensation unless 12 months' notice is provided.
- Providing landowners and developers with notice of the intention to impose an Article 4 Direction, effectively presents them with a 12-month window within which they may consider submitting a change of use under prior approval. Thus, introducing an Article 4 Direction is not without risk.

The decision on whether to introduce an Article 4 and its spatial coverage will involve a three-stage process:

1. Considering the likelihood of losing office space to residential.
2. Understanding the impact of losing space in terms of firms, jobs and output.
3. Considering and evaluating potential protections.

This report has focused primarily on the first two elements. The work addresses the second point with a degree of certainty and accuracy that is not possible with the first. Establishing the likelihood of premises being converted is complex, with a number of factors in play including capital value differentials between office and residential, the attractiveness of locations for residential or office accommodation, leasehold issues and the strategies of land owners. While the report attempts to assess two of these factors; viz capital differentials and place attractiveness, further insight is needed on matters such as lease expiry dates and the strategies of land owners.

The issue of what mechanisms are available to protect office space, or at least have it subject to the normal planning process, is highly contextual. Current market conditions provide a strong rationale for conversion to housing. However, this may change, especially as a consequence of changes in the national economic picture which could affect the value differentials between competing uses. Alternatively, it may be decided that Bath's economy should/could become less reliant on office based activity, resulting in conversion being seen as less of a challenge.

The final decision on how to proceed, needs to consider the long term, which in turn may require trade-offs, allowing some space that is considered relatively unattractive to businesses to be converted, while protecting the better quality flexible space which many occupiers seek and is in short supply in the BCAP. What is clear, is that existing space needs to be protected in addition to developing new office premises, if the BCAP is to remain a prime location for office-based employment.

5.2 Recommendations

As a consequence of the conclusions set out in section 5.1, above:

- It is recommended that there is clarity about the nature of the economy of the BCAP and the role of office based activity.
- A strategy is developed that sets out the 'long term game plan' for generating additional employment space. Any loss of existing premises will need to be replaced through new development. Currently further losses of office space are inevitable, given the extension of PDR, and the prevailing market conditions favouring residential.
- The conclusions offer some insights into the process for considering one or more possible Article 4 Directions. The exact location and extent of any Article 4 Direction needs to be explored further, with additional evidence being gathered, where possible.
- A clear rationale is developed to support the potential introduction of Article 4 Directions and that this is underpinned by robust evidence drawn from this report, the supporting workbooks and other data, eg supplied by Lambert, Smith Hampton.

At the workshop a number of themes were developed to provide the rationale for Article 4 Directions. These are set out, in brief, below, with additional information provided in the Appendix. It is recommended that B&NES consider these in further detail and select one or more as the basis for any Direction it seeks to develop:

- Loss of employment.
- Loss of business rates.
- Undermining planning policy.
- Undermining the strategic role of BCAP as an office location within the West of England LEP area.
- The difference in value of office space to residential and student accommodation is exacerbating the problem.
- Harm caused to B&NES' ability to achieve its planning policy aims and thus detriment to the local and regional economy.

Furthermore, additional work is advocated in order to strengthen the evidence base:

- Case studies of firms which have been evicted from premises and moved away from the area.
- The severity of PDR on Bath, as measured by the percentage loss of B1a space through prior approval and comparison with other similar areas.
- Research into the nature of Article 4 Directions and their effectiveness in other comparable places.
- Information on property lease expiry dates and break points.
- Insights into the mindsets of landowners and their propensity to take advantage of the extension of PDR.

6. Appendix

6.1 Glossary

Term	Explanation
Article 4 Direction	An Article 4 Direction is a statement made under the Town and Country Planning Acts. The Direction removes all or some of the permitted development rights on a site, for example, conversion of office premises B1a to C3 residential.
B1a	This is the classification associated with business offices, except for financial services which are classed A2.
B2	This is the classification for general industrial.
B8	This is the classification for storage and/or distribution.
BCAP	Bath Central Area Plus, the geographical focus of this work. See Figure I for a map of the BCAP.
C3	This is the classification for dwelling houses or residential.
Extension to PDR	In 2013 the Coalition Government introduced legislation to allow B1a premises to be converted to C3 under PDR, so taking away the need for planning permission.
GVA	A measure of economic output that is similar to Gross Domestic Product (GDP), less taxes and subsidies. It can be calculated for individual firms based on profit before tax, payroll costs and amortisation and depreciation. There are other methods of calculation GVA, so GVA data is not generally comparable, unless it uses the same method of calculation.
Indirect impact	Indirect impact is an economic term which refers to the contribution made by those firms in the supply chain. For example, a professional services business is likely to make purchases from other consultants, information and communications suppliers, office services, rent etc. These are the indirect effects. Indirect impacts are usually estimated using a Type I multiplier, that is itself, a product of input/output tables generated by official statistics.
Induced impact	This refers to the impact of the spending of staff who work in the businesses and supply chain under review, eg businesses operating from B1 premises. Induced impacts are estimated using Type II multipliers, which are also drawn from input/output tables.
LEP	Local Enterprise Partnership. LEPs are the government designated mechanisms for spearheading economic growth. There are 38 LEPs spread across England.
NNDR	National Non-Domestic Rates, commonly referred to as business rates.
Office for National Statistics	Body that prepares official statistics. Official statistics have to conform to range of guidelines before they can be published. A key

(ONS)	consideration includes not allowing the identity of any firm to be gained either directly or through inference. As a consequence, many official statistics appear to become imprecise as they increase in detail and granularity. This is a major driver of using data from TCR (see below).
Permitted development rights (PDR)	PDR is a Statutory Instrument, applying in England, that grants planning permission for certain types of development (such development is then referred to as permitted development). Until the extension of PDR, converting offices to residential was not covered so required a full planning application.
Prior approval	The basis on which change of use, from B1 office space to C3 residential, is permitted under permitted development rights, viz the conversion has 'prior approval'. See Article 4 and PDR above.
SIC	Standard Industrial Classification. SIC codes are used to describe economic activity.
TCR	TCR is a database of businesses across the UK. It allows for analysis that cannot be undertaken using published official data. As a proprietary dataset, it is not constrained by disclosure rules that apply to official statistics. This, along with the granular firm level data, makes it an ideal source for this type of analysis.

6.2 Arguments and evidence in support of an Article 4 Direction

Further detail is set out below of the evidence required in support of the possible themes on which to base an Article 4 Direction.

Loss of employment

- Quantum of employment in B1 space.
- Likelihood of premises being converted to C3, especially in the West property zone and consequent loss of jobs.
- Sectoral data by zone.
- Case studies of losses/businesses not locating in Bath due to lack of space

Loss of business rates

- Quantum of NNDR associated with businesses occupying B1 space.
- Monitoring data for loss of B1 space.
- Likelihood of firms having to relocate due to PDR and consequent loss of NNDR.

Undermining planning policy

- PDR bypasses planning policy over and above change of use, eg see JM's list.
- Loss of CIL or S106 planning gain benefits.
- PDR are being used to convert B1 space to student accommodation 'via' residential.
- Transport strategy.

Undermining the strategic role of BCAP as an office location within the West of England LEP area.

- BI space in BCAP provides 3.1% of all firms occupying this type of space across the West of England.
- Role of Bath to LEP growth strategy.

The difference in value of office space to residential and student accommodation is exacerbating the problem.

- Bath has some of the highest prices for residential property outside London, magnifying the case for conversion.
- Student accommodation is at a premium in Bath and PDR are being used to convert BI space to student accommodation 'via' residential.

Harm caused to B&NES' ability to achieve its core strategy and thus detriment to the local and regional economy.

- Over the last 10 years B&NES has seen a net loss of BI space and the position has deteriorated since 2013 and the extension of PDR/introduction of prior approval.
- The Core Strategy (CS) seeks to achieve a net addition of 20,000 m² of BI space. Unless the existing space can be protected then there is no/little chance of this being achieved.
- Prior Approval means that there is no brake on the loss of space for key sectors and associated skills and jobs.
- Quantum of firms, employment and GVA in BI space.
- Likelihood of premises being converted to C3, especially in West and consequent loss of jobs.
- Role of BCAP within B&NES and West of England.
- As a World Heritage Site, Bath has limited opportunity to build new BI space, so existing space is important.
- Comparative loss of BI with comparable places, eg Oxford.

6.3 Additional evidence

Table 15: Location quotients (LQ) in Bath Central Area Plus, relative to England

SIC (5-digit)	Description	Firm Count	Firm count LQ	Employment LQ
91020	Museum activities	15	5.36	1.44
47722	Retail sale of leather goods in specialised stores	15	5.34	5.23
47710	Retail sale of clothing in specialised stores	135	5.01	5.04
58110	Book publishing	20	4.44	2.40
47770	Retail sale of watches and jewellery in specialised stores	25	4.36	4.16
70210	Public relations and communication activities	15	4.11	2.39
47791	Retail sale of antiques including antique books, in stores	20	3.68	11.36
93290	Other amusement and recreation activities	15	3.55	0.77
69102	Solicitors	35	2.57	1.83
56102	Unlicensed restaurants and cafes	35	2.50	3.67
47190	Other retail sale in non-specialised stores	25	2.46	1.61
56101	Licensed restaurants	130	2.44	2.03
58190	Other publishing activities	10	2.39	0.97
47599	Retail sale of furniture, lighting equipment and other household articles (other than musical instruments) n.e.c., in specialised stores	30	2.35	0.91
47789	Other retail sale of new goods in specialised stores (other than by opticians or commercial art galleries), n.e.c	75	2.29	1.44

SIC (5-digit)	Description	Firm Count	Firm count LQ	Employment LQ
64191	Banks	20	2.23	0.92
47290	Other retail sale of food in specialised stores	15	2.13	0.45
74100	Specialised design activities	30	2.13	2.30
47430	Retail sale of audio and video equipment in specialised stores	15	2.09	1.81
47610	Retail sale of books in specialised stores	20	2.03	1.35
47240	Retail sale of bread, cakes, flour confectionery and sugar confectionery in specialised stores	15	1.95	6.05
56302	Public houses and bars	85	1.93	2.04
79110	Travel agency activities	20	1.90	1.46
96020	Hairdressing and other beauty treatment	90	1.85	1.66
47650	Retail sale of games and toys in specialised stores	15	1.83	1.84
86230	Dental practice activities	25	1.70	1.30
96040	Physical well-being activities	10	1.64	0.56
73110	Advertising agencies	30	1.48	0.94
94990	Activities of other membership organisations n.e.c.	25	1.20	1.40
71111	Architectural activities	45	1.20	2.09
61100	Wired telecommunications activities	10	1.17	1.05
85590	Other education n.e.c.	20	1.12	0.38
88990	Other social work activities without accommodation n.e.c.	15	1.06	0.26
56103	Take away food shops and mobile food stands	25	1.03	1.46
94910	Activities of religious organisations	15	1.03	0.73
47799	Retail sale of second-hand goods (other than antiques and antique books) in stores	15	1.03	0.47
69201	Accounting, and auditing activities	30	1.02	0.79
86900	Other human health activities	35	1.00	0.26
88990	Other social work activities without accommodation n.e.c.	15	0.92	0.78
78200	Temporary employment agency activities	20	0.91	0.31
68310	Real estate agencies	80	0.87	0.57
93210	Activities of amusement parks and theme parks	35	0.83	0.35
63110	Data processing, hosting and related activities	80	0.78	0.84
68209	Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.	30	0.78	0.42
70229	Management consultancy activities (other than financial management)	60	0.77	0.77
74909	Other professional, scientific and technical activities (not including environmental consultancy or quantity surveying) n.e.c.	45	0.75	0.96
55100	Hotels and similar accommodation	30	0.73	0.63
96090	Other personal service activities n.e.c.	25	0.68	0.33
47110	Retail sale in non-specialised stores with food, beverages or tobacco predominating	15	0.67	0.64
68209	Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.	25	0.63	0.22
41100	Development of building projects	15	0.58	0.38
82990	Other business support service activities n.e.c.	25	0.58	0.17
43999	Specialised construction activities (other than scaffold erection) n.e.c.	10	0.29	0.08

SIC (5-digit)	Description	Firm Count	Firm count LQ	Employment LQ
45200	Maintenance and repair of motor vehicles	10	0.24	0.14

Source: TCR 2015 (Ortus Ref: W2/S1)

Table 16: Economic activity in Bath Central Area Plus, by sector¹⁸

SIC Section	Firms	Employees	Turnover (£m)	GVA (£m)
A: Agriculture, forestry and fishing	5	20	1.248	0.726
B: Mining & quarrying	*	110	2.052	6.912
C: Manufacturing	40	250	27.194	12.356
F: Construction	45	160	22.614	9.461
G: Wholesale & retail	550	4,860	792.405	393.438
H: Transport & storage	30	330	49.047	22.019
I: Accommodation & food services	330	3,040	120.601	56.088
J: Information & communication	165	1,300	129.733	93.610
K: Financial & insurance services	90	1,250	584.344	168.274
L: Real estate services	205	880	55.175	40.849
M: Professional, scientific & technical activities	335	2,900	872.072	177.837
N: Admin & support services	85	370	78.220	34.472
O: Public admin & defence	15	800	17.747	6.024
P: Education	35	840	23.792	7.424
Q: Health & social work	130	1,320	115.171	44.776
R: Arts, entertainment & recreation	95	600	45.732	15.354
S: Other service activities	160	620	18.111	12.480
U: Extra territorial	*	10	3.235	0.945
Not known	5	10	1.100	0.495
TOTAL	2,320	19,640	2,959.593	1,103.540

Source: TCR 2015 (Ortus Ref: W2/S2)

Table 17: Economic activity in Bath Central Area Plus, by sector, restricted to BI use class

SIC Section	Firms	Employees	Turnover (£m)	GVA (£m)
B: Mining & quarrying	*	110	2.052	6.912
C: Manufacturing	30	170	19.865	10.479
F: Construction	45	160	21.984	9.239
G: Wholesale & retail	15	70	5.342	3.140
I: Accommodation & food services	*	*	0.035	0.029
J: Information & communication	165	1,280	128.499	93.196
K: Financial & insurance services	45	790	169.282	58.251
L: Real estate services	75	370	28.896	24.000
M: Professional, scientific & technical activities	335	2,890	871.706	177.672
N: Admin & support services	35	100	20.723	13.881
O: Public admin & defence	15	800	17.747	6.024
P: Education	*	10	0.756	0.492
Q: Health & social work	20	160	14.000	8.441
R: Arts, entertainment & recreation	5	50	3.070	1.890
S: Other service activities	40	170	8.675	4.284
U: Extra territorial	*	10	3.235	0.945
Not known	*	*	0.124	0.055
TOTAL	825	7,140	1,315.991	418.930

Source: TCR 2015 (Ortus Ref: W2/S2)

Table 18: Economic activity in Bath Central Area Plus, by size band

Size band	Firms	Employees	Turnover (£m)	GVA (£m)
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¹⁸ Source: TCR 2015 (TBR Ref: W2/S2)

Zero	685	800	74.321	35.098
1 to 4	730	1,990	223.591	101.107
5 to 9	480	3,030	402.322	151.831
10 to 19	230	2,880	431.663	165.779
20 to 49	140	3,770	579.946	201.035
50 to 99	35	2,230	309.813	101.981
100 to 199	10	1,480	613.723	77.472
200 to 249	5	1,030	188.868	220.028
250 to 499	5	1,340	115.936	44.199
500+	*	1,100	19.410	5.010
TOTAL	2,320	19,640	2,959.593	1,103.540

Source: TCR 2015 (Ortus Ref: W2/S3)

Table 19: Economic activity in Bath Central Area Plus, by size band, restricted to BI use class

Size band	Firms	Employees	Turnover (£m)	GVA (£m)
Zero	250	290	28.102	18.365
1 to 4	320	860	108.494	59.430
5 to 9	125	750	137.462	53.113
10 to 19	60	720	119.293	60.254
20 to 49	45	1,330	228.867	93.626
50 to 99	15	970	112.566	55.121
100 to 199	5	690	512.643	50.496
200 to 249	*	400	10.600	2.800
250 to 499	*	640	51.754	21.315
500+	*	500	6.210	4.410
TOTAL	825	7,140	1,315.991	418.930

Source: TCR 2015 (Ortus Ref: W2/S3)

Table 20: Economic activity in Bath Central Area Plus, by land use class

Land use class	Firms	Employees	Turnover (£m)	GVA (£m)
A1: Shops	640	5,190	788.802	403.111
A2: Financial & Professional Services	145	890	428.278	123.050
A3: Restaurants & Cafes	205	1,670	89.899	36.599
A4: Drinking Establishments	85	850	16.919	9.289
A5: Hot food take-away	*	*	0.020	0.011
BI: Business	825	7,140	1,315.991	418.930
B2: General Industrial	*	50	4.675	1.050
B8: Storage & Distribution	5	30	11.346	1.522
C1: Hotels	40	490	18.534	10.915
C2: Residential Institutions	10	480	29.712	10.282
C3: Dwelling Houses	60	180	14.862	7.178
D1: Non-Residential Institutions	185	1,870	116.126	37.746
D2: Assembly & Leisure	55	250	12.002	5.805
Sui Generis	60	540	107.325	36.368
Unknown	5	20	5.102	1.684
TOTAL	2,320	19,640	2,959.593	1,103.540

Source: TCR 2015 (Ortus Ref: W2/S4)