
Chichester Horticultural Development Areas

Industrial Trends, Requirements and Economic Benefits



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1. Introduction

1.1 Purpose

- 1.1.1 The purpose of this report is to review latest horticultural industrial trends and requirements relevant to Chichester Council's Horticultural Development Areas (HDAs) planning policies. In particular the report reviews the market need for and economic benefits of functionally linked uses to the core activities at Chichester Food Park in the Runcton HDA and their applicability to the other HDAs. Such uses include storage, food manufacturing, research and development (R&D) and renewable energy.
- 1.1.2 We review the risks to business competitiveness and viability of restricting functionally linked uses within the HDA, and the potential economic benefits of functionally linked uses can bring for Chichester.

1.2 Conclusions

- 1.2.1 We find that allowing a wider range of functionally linked uses for the HDAs would help sustain business competitiveness and viability. It could help unlock locational synergies and enable continuous growth of the cluster. In particular allowing a degree of distribution/storage consolidation on site would not necessarily significantly change the overall land use mix on site, but rather concentrate some of the existing storage type activities in single use buildings while improving efficiency and competitiveness and enabling reduction in waste and CO₂ emissions. A more flexible application of planning policy would respond to the evolving nature and complexity of the industry, increasing uncertainty over the UK food security, and competition pressures. A wider range functionally linked uses would also strengthen the core activities at the HDAs and support economic benefits for the whole area of Chichester through creation of new jobs and economic output. We suggest this is covered by additional supporting text in the local plan giving more details on the range of acceptable functionally linked uses.
- 1.2.2 Apart from the complimentary nature of the wider range of functionally linked uses, they also create local jobs and economic output. Runcton HDA already supports about 1,650 jobs for Chichester residents according to our estimate. There is a potential to increase this level to around 1,750 jobs including through efficiently utilising currently vacant plots of land and including a distribution hub for the park. If there is not a shift towards a more flexible approach the risk is that the local businesses become less competitive and business activity and jobs are lost to the local area.

1.3 Report Structure

- 1.3.1 This report is structured as follows:
- Section 2 sets out the existing activities and developments in Runcton HDA and the proposed distribution hub
 - Section 3 summarises the policy context and examines the underpinning evidence base
 - Section 4 reviews industry trends and the rationale for co-locating non-core uses with food production on Chichester Food Park
 - Section 5 gives our estimate of the current and potential economic benefits in Runcton HDA.

1.4 Chichester Food Park and Runcton HDA

- 1.4.1 Although most of the data supplied for the purposes of the report covered Runcton HDA, some data covered only Chichester Food Park. We make references to the relevant geography where necessary.

2. Activities and Development on Chichester Food Park

2.1 Introduction

2.1.1 This section summaries current activities on Chichester Food Park. This includes an estimated breakdown of land use activities within existing units, which include a significant proportion of storage activity. We also summarise proposals for development of a distribution hub on the park. We point out that some of the activity in the hub is anticipated to be a relocation of distribution activities already taking place on the park.

2.2 The Site and Access

2.2.1 Chichester Food Park (CFP) has been established for over 20 years and is among the key elements of the horticultural economy in Chichester. Most of its area comprises glasshouses and packhouses, and the latest development within the park include a crop store and a multiplication research facility (Bartholomews). The road access is via junction of A259 from the eastern side of the park. It is located in Runcton Horticultural Development Area (HDA) and is surrounded by a number of plant nurseries in the wider area, and Runcton settlement to south-west of the park.

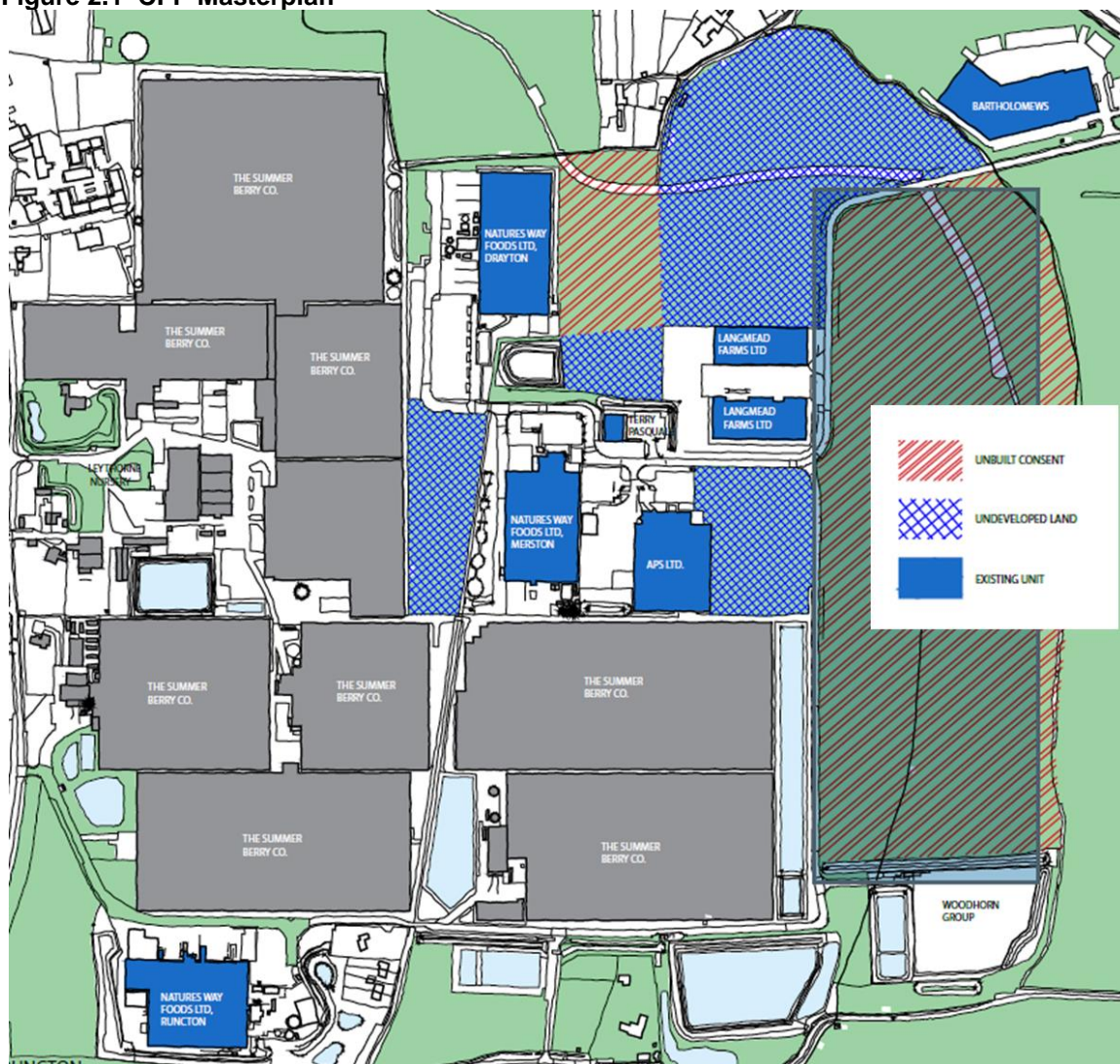
2.3 Activities and Occupiers

2.3.1 They key occupiers include businesses engaged in vegetables and crop growing and food preparation and production, including:

- Natures Way Foods
- APC Produce
- Terry Pasquale
- Langmead Farms
- Bartholomews
- Summer Berry.

2.3.2 **Figure 2.1** shows the existing consented and potential development land at CFP.

Figure 2.1 CFP Masterplan



Source: Kingsbridge Estates (2023). Note: grey boxes such as one to the north of Woodhorn Group facility indicate glasshouses.

2.3.3 The broad functional mix of floorspace at Runcton HDA is set out in **Table 2.1** below (this includes glasshouses within and outside CFP such as Vitacress, Hills Plants, ad Manor Nursery).

Table 2.1 Runcton HDA Floorspace Composition

Use type	Floorspace/area, sq.m
Glasshouses, greenhouses, and polytunnels	508,000
Packhouses, including storage and distribution	35,555
Office	2,960
Other	11,835
Total	558,350

Source: Kingsbridge Estates, John Hall Consulting (2023)

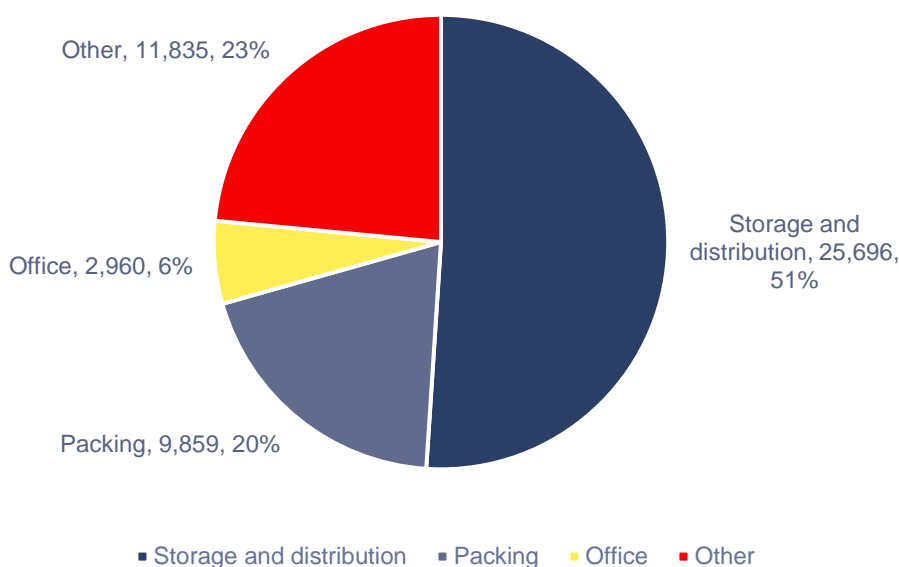
2.3.4 If the area for glasshouses etc is excluded this gives a focus on activities within the park’s buildings. We further divide the packhouses between areas within them used for storage and distribution and for packing. This is shown in **Table 2.2** and **Figure 2.2** below.

Table 2.2 Runcton HDA Non-Greenhouse Floorspace Composition

Use type	Floorspace/area, sq.m	% of total
Storage and distribution	25,696	51%
Packing	9,859	20%
Office	2,960	6%
Other	11,835	24%
Total	50,350	

Source: Kingsbridge Estates, John Hall Consulting (2023)

Figure 2.2 Runcton HDA Non-Greenhouse Floorspace Composition



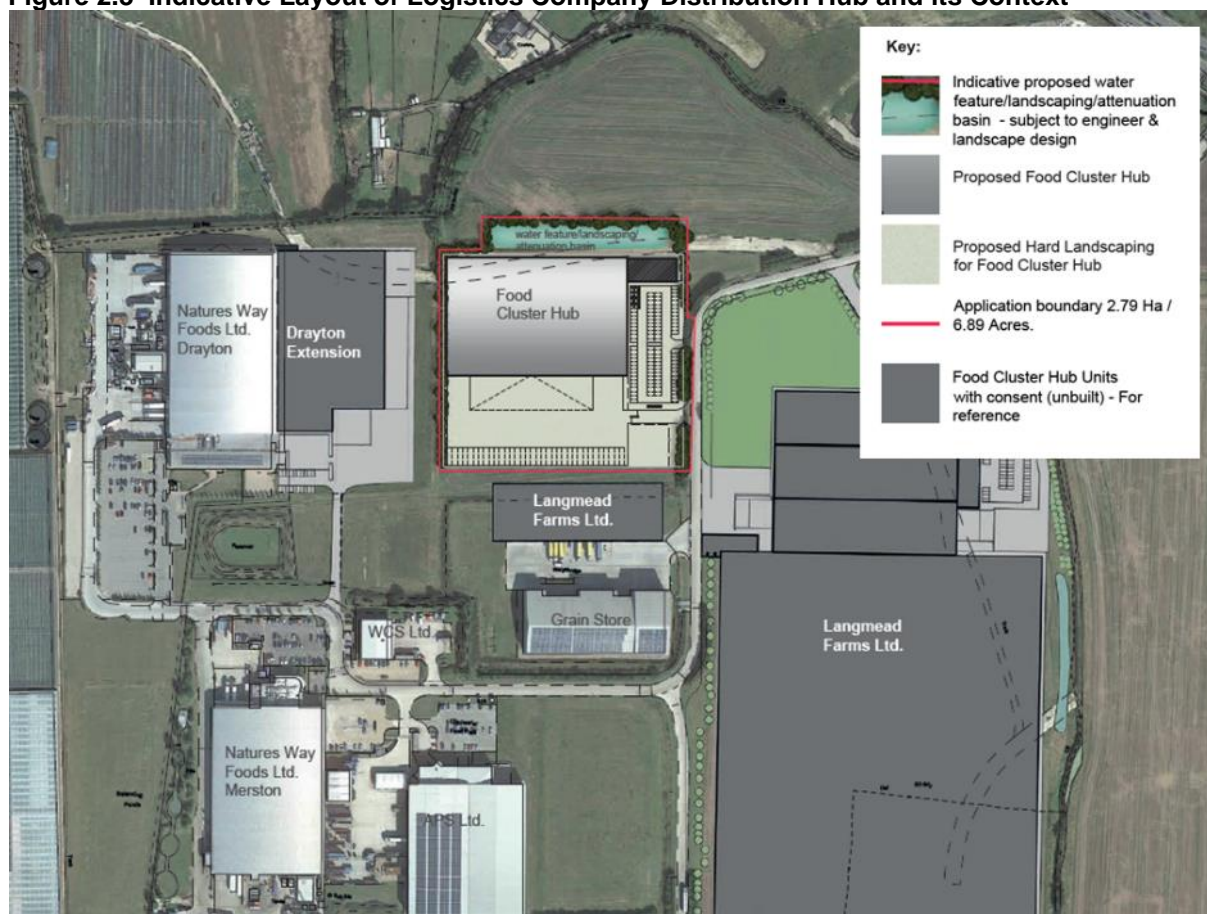
Source: Kingsbridge Estates, John Hall Consulting (2023)

2.3.5 As can be seen this breakdown shows that a significant proportion of the existing floorspace is used for storage and distribution. This includes space for storing in-coming produce, storing out-going process produce ready for loading on to vehicles, and storage of packing materials.

2.3.6 We understand there are currently about 2,650 staff employed in Runcton HDA, with most engaged in crop and vegetables growing.

2.4 Proposed New Development

2.4.1 In 2021 an international company specialising in food transportation (further referred to as the Logistics Company for confidentiality reasons) and Kingsbridge Estate made a pre-planning application inquiry for the erection of a new food cluster facility in Chichester Food Park. The proposal options comprised about 7,000-10,000 sq.m of storage and distribution space for horticultural products to support the existing food processing, washing, shredding, chilling, and packaging in Runcton HDA and around. The pre-application describes high degree of synergy between food production and distribution through the benefits of co-location, reduction of traffic movements and related vehicle emissions, and enhancing overall efficiency of distribution to the customer.

Figure 2.3 Indicative Layout of Logistics Company Distribution Hub and its Context

Source: CFP Pre-Application Planning Statement (2021)

- 2.4.2 The Logistics Company is a multi-million pound leading business in logistics of temperature-controlled food products in the UK. This is the kind of business that is likely to be welcomed by the current CFP occupiers such as Natures Way Foods due to the mutually beneficial functional links between their activities.
- 2.4.3 We understand the proposal offered an opportunity for consolidation of the existing distribution and storage activities in CFP and around. The pre-application planning statement states the horticultural food produce would be brought into the distribution facility from within the food park and elsewhere, sorted and packed, or consolidated ready for transportation direct to food distribution centres. We understand that the expectation is that 85% of the produce delivered to the warehouse will arrive from within an eight-mile radius of the Food Park.
- 2.4.4 The proposed development is expected to employ circa 160 direct staff including managers, supervisors, administrative office staff, warehouse operators, and HGV drivers. With indirect jobs created such as vehicle operators, contract and agency staff, the headcount increases to 210 employees.
- 2.4.5 The proposal emphasises the importance of fast delivery of fresh food under modern industry requirements, with the distribution facility holding the produce within 3-6 hours, and the maximum storage duration within 24 hours. Hence, co-location with packhouses enables reduction of the existing mileage.
- 2.4.6 The proposal also offers an opportunity for the existing packhouses in CFP to use their floorspace more efficiently by converting their current storage space for production and processing facilities. Natures Way Food is referenced as an example, with the proposal potentially enabling them to use space within their production facility more efficiently than storing pallets.

- 2.4.7 Sustainability gain is envisaged through reduction of large vehicle movements and the associated fossil fuels consumption and emissions.
- 2.4.8 Value add to the local businesses is described to be enabled through collaboration and support for their processes for example, blast chilling products ready for processing, re-packing into consumer formats and farm collection.
- 2.4.9 We discuss the Local Planning Authority's response in Section 3.4, to set out the context on how the adopted and emerging policy is being considered by the officers.

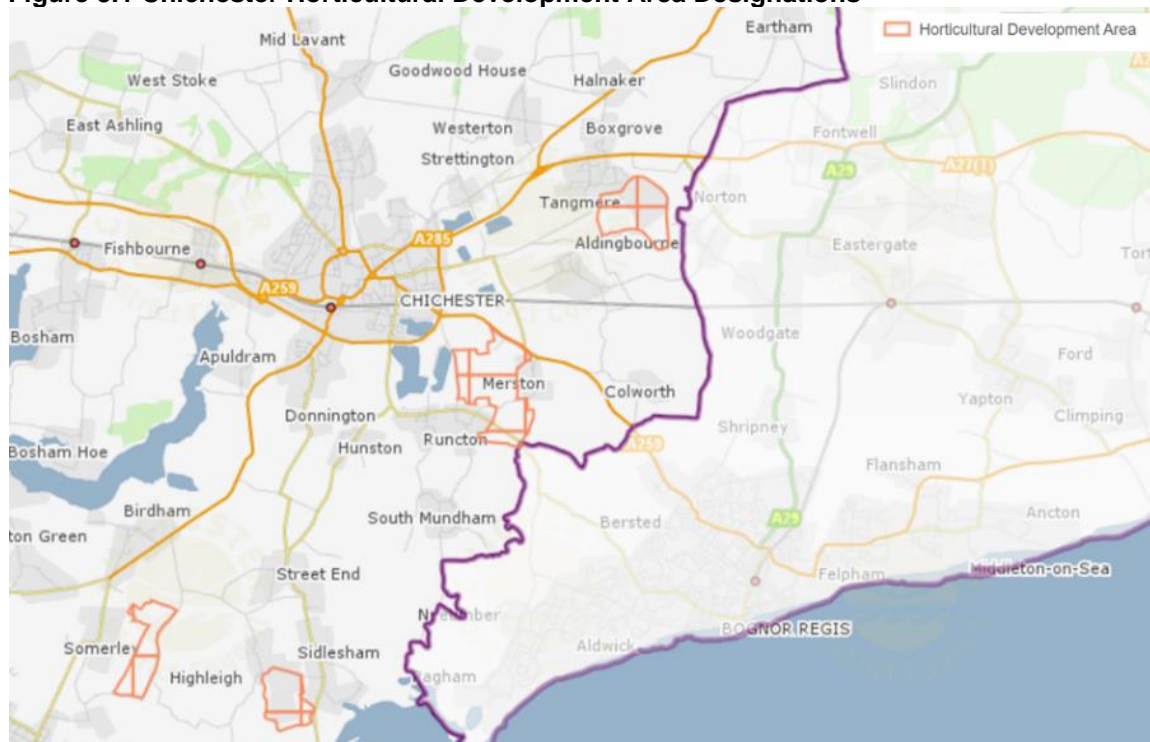
3. HDA Policy and the Emerging Local Plan

3.1 Introduction and Summary

- 3.1.1 This section summarises the relevant policy context including the adopted and emerging Chichester Local Plan, as well as the underpinning evidence base (Housing and Economic Development Needs Assessment, HEDNA 2020 and HEDNA 2022).
- 3.1.2 The focus of the review is on the Horticultural Development Areas (HDAs) first defined in the mid-1990s which had minor changes to the areas (Runcton, Tangmere and Sidlesham) and the wording of the HDA Policy.
- 3.1.3 The policy promotes crop and vegetables growing in Chichester through designating land, but does not provide similar level of support and safeguarding for more advanced stages of food production and the associated uses (such as storage, distribution, or cooking).
- 3.1.4 We find that some of the assumptions underlying the council's employment land targets have implications for the location of various land uses. The latest evidence base (HEDNA 2022) assumes 0% growth in agriculture and manufacturing (mostly food production) sectors. This is not consistent with the HEDNA 2020 study and historic data and future projections of significant growth of horticulture development in terms of floorspace. While the 2020 HEDNA study was used to inform proposed increase in HDA areas it does not appear to have been taken in to account in estimating requirements for associated industry & logistics land. This data should inform employment land and HDA targets.
- 3.1.5 Businesses engaged in agriculture and manufacturing need not just crop growing areas (which they are most likely find within the HDAs or in the wider land including countryside subject to justification under current policy), they also need a range of functionally related uses such as distribution, manufacturing, and research. This part of horticulture-related need is not explicitly incorporated into the employment land need of the council's evidence base. The council does not appear to have allocated enough land for such uses if they were to take place outside HDAs. The council's overall target for employment land may also be under-estimated because the evidence base did not take into account the suppressed demand, which may further limit horticulture and food production growth.
- 3.1.6 Our assessment is that uses functionally linked to horticulture are though mostly best located near horticultural activities on the HDAs. The council's proposed expansion of HDAs potentially allows for such activities, provided that a more flexible approach is taken to permitted activities on the HDAs. Subsequent sections of this report set out why and what activities we conclude are appropriate to allow on HDAs.

3.2 Chichester Adopted Local Plan, June 2015

- 3.2.1 The current Chichester Local Plan was adopted in 2015 and sets out development management policies for 2014-2029.
- 3.2.2 Policy 32 Horticultural Development identifies designated Horticultural Development Areas (HDAs), sets out permissible uses within HDAs, and the criteria for planning permission for horticultural development within and outside HDAs.
- 3.2.3 Paragraph 16.35 explains that the policy's objective is to ensure sufficient supply of land for the horticultural industry to remain nationally and internationally competitive.
- 3.2.4 Paragraph 16.36 identifies four designated HDAs: Tangmere, Runcton, Sidlesham and Highleigh, and Almodington. These are shown in **Figure 3.1** below.

Figure 3.1 Chichester Horticultural Development Area Designations

Source: Adopted Local Plan 2014-2029 Policies Map webpage¹

- 3.2.5 Within HDAs, planning permission is to be granted for glasshouses, packhouses and polytunnels subject to several conditions including appropriate vehicular access, height and bulk of development in the context of countryside, adequate water and drainage capacity, acceptable level of noise and pollution (p.156).
- 3.2.6 Outside HDAs, it needs to be demonstrated that the proposal cannot be accommodated within existing HDAs, that the land is sufficiently drained, necessary infrastructure is available, and long views across open land are retained, in addition to the criteria applicable to HDAs (p.157).
- 3.2.7 The policy seeks to promote the horticultural industry but restricts horticultural use to designated areas by setting additional requirements for proposals outside those areas. Paragraph 16.37 defines the activities the council considers appropriate within the HDAs to growing and packing horticultural products, and states that other related processes such as cooking should be located on industrial estates.
- 3.2.8 Paragraph 16.40 acknowledges potential deficit of horticultural land over the plan period.

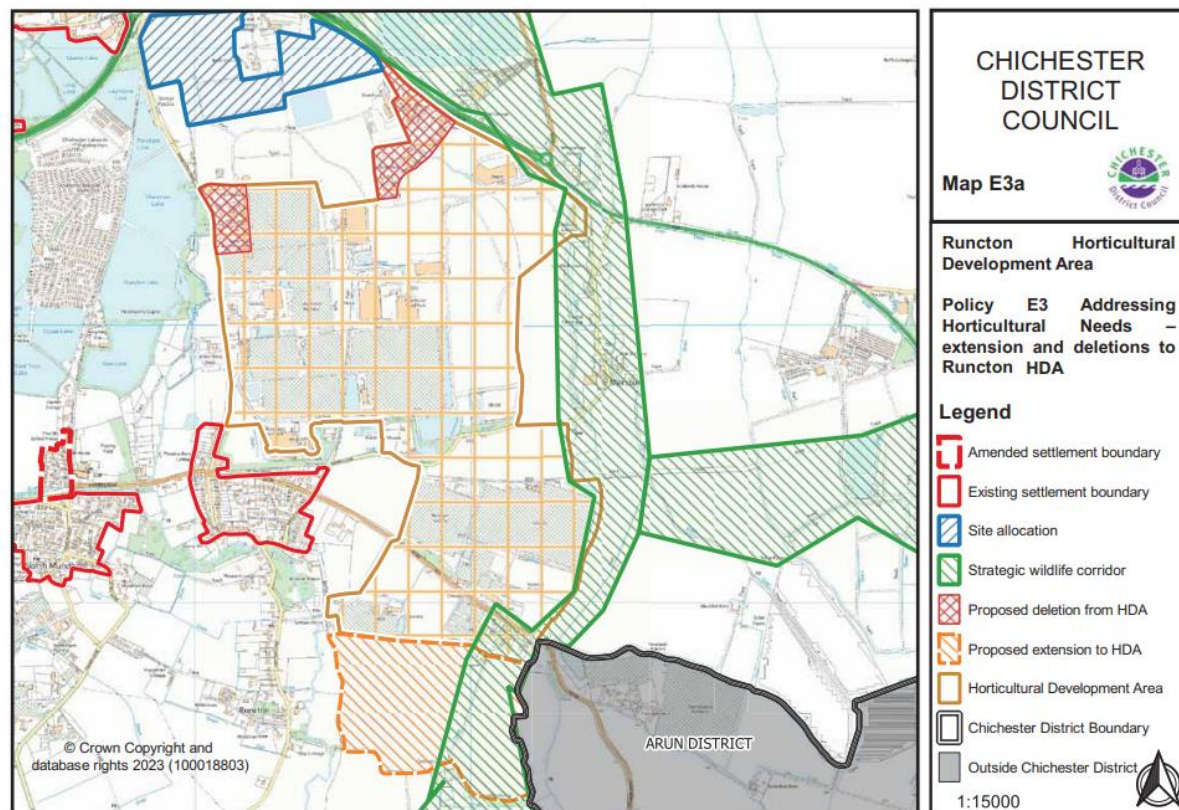
3.3 Draft Regulation 19 Chichester Local Plan, January 2023

- 3.3.1 Chichester is progressing its new local plan with a consultation currently being open on Regulation 19 document. The plan sets out the council's policy framework for 2021-2039.
- 3.3.2 Policies E3 and E4 are key to horticultural development. Policy E3 Addressing Horticultural Needs recognises future land need '*horticultural and ancillary development*' at 67 hectares within the HDAs, and 137 hectares outside the HDAs (p.179). Paragraph 7.22 states the identified need is based on the findings of the Housing and Economic Development Needs Assessment 2020 (HEDNA 2020, reviewed below in this section).
- 3.3.3 Policy E4 then proposes to accommodate the acknowledged need within the HDAs in part through their

¹ <https://mydistrict.chichester.gov.uk/?tab=maps&MapSource=mapsources/localplan>

existing remaining capacity of 47 hectares of land and in part through a (new) extension at the southern boundary of Runcton HDA of about 30 hectares of land.

Figure 3.2 Runcton Horticultural Development Area



Source: Schedule of proposed changes to the Policies Map, Chichester Local Plan 2021-2039 Proposed Submission Regulation 19

- 3.3.4 Policy E4 Horticultural Development sets out the criteria for permissible proposals for both within and outside designated HDAs largely similar to those in the adopted Local Plan. Paragraph 7.29 defines ‘ancillary development’ as processes related to growing and packing horticultural products.
- 3.3.5 Policy E1 also identifies the types of and identified need in development that would contribute to sustainable economic growth. These include office, industrial, and warehousing uses, but does not specify horticultural use. Paragraph 7.12 references HEDNA 2022 as the evidence of need (reviewed below in this Section).

3.4 Chichester Evidence Base

Housing and Economic Development Needs Assessment 2020 (HEDNA 2020)

- 3.4.1 The ‘Housing and Economic Development Needs Assessment 2020’ (HEDNA 2020), authored by GL Hearn, is the key evidence document informing draft Local Plan on the need for additional horticultural land.
- 3.4.2 The document recommends a gross requirement for an additional 374,000 sq.m for horticultural development or 60.7 ha of land within HDAs in addition to 728,000 sq.m or 129.6 ha of land outside of HDAs between 2019 and 2036 to avoid constraining growth in the horticultural industry (p.11).
- 3.4.3 The need figure is based on historical property completions as explained in paragraph 54 (p.11):

'Trend based modelling based on horticultural permissions data and an estimated completions rate (based on CDC² data) is considered more appropriate than labour demand based given changes in working practices and a divorcement of labour and floorspace.'

3.4.4 Paragraph 55 clarifies that permissions trend data includes glasshouses, packhouses, polytunnels and ancillary development including water storage.

3.4.5 The research was informed by consultation with the local stakeholders. Paragraphs 11.93 (p.184) states it was found that:

'The industry requires a range of building activity in relation to glasshouses including offices, changing facilities, packing space and other B Class uses as relevant.'

'The quality of the horticulture and related operations is world-class and the clustering of operations has generated a real industrial success. The packing and packhouse operations are essential and require floorspace – the HDAs packing operations also include a location for imports from elsewhere in West Sussex and the UK, in addition to products arriving via the ports in Portsmouth and Southampton, and being combined with Chichester produce. This needs to be recognised in the scale of operations.'

3.4.6 The trend forecast is based on planning permissions data provided by Chichester District Council (CDC) dating back to 1993/1994. Paragraph 11.69 states these were categorised by GL Hearn as 'glasshouse', 'polytunnel/greenhouse', 'water storage', 'storage, distribution or packhouse' and 'other'. Where development is mixed the primary use type has been referenced. The data reports whether the development is within an HDA or not.

3.4.7 This explicit incorporation of developments with primary use other than crop production (such as storage, for instance) into the horticulture need, along with the recognition of the essential role these functionally linked uses play in enabling cluster-related benefits of HDAs, is a critical consideration for the Local Planning Authority to ensure its success in promoting economic growth of the District. It is not the formal use class of a single building that indicates its relevance to horticulture, but rather its functional embeddedness in the sector's value chain within the wider relevant geographic area. There is a risk that the local planning authority's site-by-site consideration of primary use (raised in the response to Logistic Company's pre-application proposal, for instance, as we discuss in Section 3.5) may undermine the complimentary nature of different horticulture-related uses. This is apparent when examining the composition of the horticulture need identified by HEDNA 2020.

3.4.8 Table 66 of the report (reproduced below as **Table 3.1**) sets out the projected floorspace needs by type of development based on historical permissions. This includes 'other' uses covering a range of uses such as car parks, mobile homes, shops, culverts, access, offices, and farm buildings, which GL Hearn considers reasonable to include in future needs. Storage, distribution and packhouse are combined in one category, so it is impossible to discern a packhouse or a warehouse component from the data published in their report.

² Chichester District Council

Table 3.1 Chichester Horticultural Area Needs (ha) 2019-2036

	Floorspace (HDA)	Floorspace (Non HDA)	Floorspace (Total)	Floorspace % of Total
Glasshouse net	25.1	2.3	27.4	27%
Polytunnel / greenhouse	5.2	62.9	68.1	67%
Storage, distribution or packhouse	5	1.3	6.3	6%
Total (excl. Other)	35.3	66.5	101.8	92%
Other	2.1	6.3	8.4	8%
Total (incl. Other)	37.4	72.8	110.2	100%

Source: HEDNA 2020, Savills (2023)

- 3.4.9 These numbers demonstrate the importance and impact of holistic considerations. Storage, packing and other uses comprise 14% of projected horticultural floorspace need in total, and 19% within the HDAs. This only refers to the primary use of the properties, but the proportion could be higher if it took into account the storage and secondary use component with glasshouses, greenhouses and polytunnels. For comparison we estimate these uses to currently comprise 9% at Runcton HDA (see Section 4.4 for details). We consider the extent of distribution and packing uses currently and potentially appropriate and within the needs identified by the council's evidence base (discussed further in Section 4).
- 3.4.10 Table 67 of the report summarises both floorspace and land needs by type of development. GL Hearn discount 'other' use category entirely from these projections, explaining that their plot areas are likely included within storage, distribution or packhouse category (p.190). However, even if other uses share the same plots with storage and packing facilities, they still require separate floorspace which comprises a substantial part of overall floorspace need as shown in **Table 3.1**.
- 3.4.11 In summary, HEDNA 2020 identifies the need for more horticultural land both within and outside the HDAs, and estimates that buildings primarily used for storage, packing and other non-core activities will comprise about a fifth of the floorspace need within the HDAs.
- 3.4.12 The implication of HEDNA 2020 methodology (relying on historic trends) is that the projected need composition is assumed to remain the same as historic. This is in context of the evolving nature and requirements of horticultural industry so should be considered with caution, as we discuss in Section 4.2.
- 3.4.13 The other implication of HEDNA 2020 methodology is that development with primary use such as storage, distribution and packing, as well as other types of development, are included in the horticultural need recommendation. Despite this, the policy and its interpretation by the officers is inclined to discourage developments with primary uses other than glasshouses, greenhouses, and polytunnels, as appears to be the case with the Logistics Company pre-application (discussed in Section 3.5), even though buildings with other uses explicitly form part of horticultural land target.

Housing and Economic Development Needs Assessment 2022 (HEDNA 2022)

- 3.4.14 Housing and Economic Development Needs Assessment authored by Icenii in April 2022 seeks to update previous GL Hearn work in terms of commercial property market and employment space need.
- 3.4.15 We find that some of the assumptions of this report which underpin the council's employment land targets have implications for the location of various land uses. Firstly, the overall employment land requirement is likely to be under-estimated because it does not take into account the scale of suppressed demand. Secondly, within the overall employment land need, the analysis assumes 0% growth in agriculture and manufacturing (mostly R&D and food production) sectors. This is not consistent with the HEDNA 2020 study and historic data and future projections of significant growth of horticulture development in terms of floorspace.

- 3.4.16 The projections are based on labour demand forecast and historic property completions so are likely to underestimate suppressed demand. Savills considers that the labour demand forecasting model should be used with caution as they tend to underestimate future demand. Employment forecasts often reflect the continued restructuring of the economy away from industry towards services, consistently underestimating the industrial sector's performance, for example. In addition, recent changes to the industrial and logistics market have meant that growth in floorspace/land is not accurately predicted by changes in jobs. Industrial and logistics companies functions evolve and no longer neatly fit into either industrial or logistics. The jobs and activities within industrial and logistics premises are also increasingly diverse and could include administrative and office jobs, for example.
- 3.4.1 While the historic completions method offers a better alternative and it is closer to market realities than labour demand models, it does however suffer from a number of deficiencies. For instance land supply regularly trails demand, in strongly performing markets such as Chichester. This is evidenced by the low availability rates both nationally and within the local property market (as we discuss in Section 4). Without adequate land supply, and subsequently available premises to let / buy, not all demand can be accommodated.
- 3.4.2 We also consider development completions to be a supply rather than demand measure. While new floorspace can be delivered on existing sites through redevelopment and intensification, it mainly depends on new employment sites being made available (allocated) for development via the planning system. The length of time and complexities involved in delivering sites is why supply measures (such as completions) typically lag actual demand (net absorption). Therefore the use of a lagging supply measure, and the projection of this forward into the future, can result in an underestimate of 'true' market demand. We refer to the uncaptured or forgone part of demand as suppressed demand.
- 3.4.3 Savills have developed a new methodology based on net absorption that quantifies the impact of supply/demand imbalances that have restricted market demand. We call this 'suppressed demand,' in effect demand that has been lost due to historic supply shortages. This methodology has been published in Savills recent paper for the British Property Federation (BPF) 'Levelling-Up: The Logic of Logistics' and has been receiving positive attention from Government officers in helping to inform future national policy including being referenced in DfT's recently published 'Future of Freight' strategy. T
- 3.4.4 The HEDNA 2022 does not specify the need for horticultural space but projects the need for office, factory, and warehouse space. We understand that the horticulture land need was assessed separately under HEDNA 2020. However, the adopted and emerging local policy encourage some horticulture-related uses (viewed as less compatible with the countryside, such as cooking) to locate on employment rather than horticulture land through restrictive criteria for the latter. In this context it is unclear how these wider horticulture-related requirements were accounted for in the historic completions scenario. Horticulture is referenced among the sectors included in the labour demand scenario. However the adjusted growth rate is assumed at 0% (Table 11.3, p.177 reproduced below as **Table 3.2**).

Table 3.2 Adjusted Sectors in the Growth Scenario (Labour Demand Scenario)

Sector	Baseline (21-39)		Growth (21-39)		Justification
	Jobs	%	Jobs	%	
Agriculture & Mining	-494	-1.0%	0	0.0%	The horticultural industry is strong in Chichester and the baseline decline seems unrealistic.
Manufacturing	-2,108	-2.2%	0	0.0%	The majority of manufacturing employment is at RR and Food production neither of which are likely to contract
Transport & Warehouse	-51	-0.3%	285	1.3%	There is known demand and there has been a post-covid shift to e-commerce
Hospitality	592	0.5%	1,440	1.2%	The sector is known to have rebounded strongly and there are developments such as the Southern Gateway site and Bunn Leisure which will support further growth.
Education	415	0.3%	670	0.5%	The University is planning a substantial growth.
Total	5,761	0.4%	9,802	0.7%	

Source: HEDNA 2022

- 3.4.5 Businesses engaged in agriculture and manufacturing require not just crop growing areas (which they are most likely find within the HDAs or in the wider land including countryside subject to justification under current policy), they also need a range of functionally related uses such as distribution, manufacturing, and research. This segment of horticulture-related requirement is not explicitly incorporated into the employment land need of the council's evidence base. The only incorporated quantitative demand driver explicitly linked to food production is the 0% growth rate for agriculture and manufacturing.
- 3.4.6 Similarly to GL Hearn, we consider employment growth as an inappropriate indicator of demand due to complex non-linear relationship between labour and floorspace in the horticultural industry³. 0% labour demand growth rate for agriculture and manufacturing sector is inconsistent with the observed growth of horticulture floorspace in the district.
- 3.4.7 If the council seeks to locate some of the horticulture-related activities such as cooking and distribution outside of the HDAs, it is important to ensure horticultural industry growth is factored in the need assessment for designated employment and industrial space. Otherwise, the policy risks to spatially limit the growing and highly competitive horticultural sector of Chichester from further evolution and expansion. Simply allowing horticulture-related activities outside the HDAs under more restrictive criteria may be insufficient for nurturing growth of the sector which in some cases needs further support and safeguarding to ensure its viability. Currently it is unclear how this has been considered by HEDNA 2022 which underpins employment space target of the Draft Local Plan. We discuss in Section 4.2 why horticulture increasingly needs to be considered holistically within the wider industrial and manufacturing sector.
- 3.4.8 Our assessment is that such associated uses are though mostly best located near horticultural activities on the HDAs. The council's proposed expansion of HDAs potentially allows for such activities, provided that a more flexible approach is taken to permitted activities on the HDAs.

³ i.e. an increase in one variable does not necessarily directly relate to a corresponding proportionate increase in the other variable. In particular an increase in demand for more floorspace may not correspond to a similar increase in employment due to economies of scale and shift towards more mechanised production processes.

3.5 Pre-Application Discussions and Interpretation of ‘Ancillary’

3.5.1 In 2021 a Logistics Company and Kingsbridge Estate made a pre-planning application inquiry for the erection of a new food cluster facility in Chichester Food Park (described in Section 2.4). CDC case officer provided a response to the enquiry dated 18 September 2021 raising the following key points:

- Under the Adopted Local Plan, *‘other related processes, including cooking, which do not require a countryside setting, should be located on industrial estates’*
- The proposed use of the building and associated operations would be B8 (Storage and Distribution) and therefore fall outside of the intentions of Policy 32 (Adopted Local Plan) to development greenhouses, packhouses and polytunnels for the purpose of growing, packing, shredding and washing of produce
- Under the emerging Draft Local Plan, ‘ancillary development’ which may be interpreted as storage and distribution and therefore permissible within the HDA is yet to be tested at examination and due to the large scale of the proposal it may not be considered ancillary
- Further details on the benefits of co-location with the existing premises and operations within the food park (namely Nature's Way), such as reducing food and travel miles and creating efficiencies, will help establish any acceptability of the proposals in this instance
- If some or all of the packing will be relocated to the new proposed building, a clear indication as to what the impact on the existing buildings and operations will be essential to understanding the wider implications of the proposal
- Impact on landscape, visual amenity, highways, and neighbours needs to be considered.

3.5.2 This shows that the definition of ancillary use is a point of discussion, when the scale and primary use of a building is non-core to horticultural production. This is despite storage and distribution facilities (by primary use) being included in the horticultural need assessment of HEDNA 2020.

3.5.3 Our report covers most of the above points, largely those related to the nature of core and non-core horticultural uses in context of the industrial trends, and the benefits of co-location (see Section 4). Overall, the proposal demonstrates the market players’ interest in progression of CFP from a crop growth to a food cluster, which we understand as a cluster with more diverse, value-added and complimentary range of horticulture-related uses, such as production and processing.

3.6 Alternative Policies on Horticultural Areas

3.6.1 As discussed in Sections 3.2-3.4, the adopted and emerging local policy seeks to promote horticultural sector in Chichester but also puts restrictions on the nature and scale of the associated development, for example, by limiting permissible uses or applying more restrictive criteria outside the designated HDAs. The approach promotes the initial stages of food production (within glasshouses, greenhouses, and polytunnels), but restricts further processing, distribution and other related activities that could enable local players to establish a more efficient vertically integrated value chain.

3.6.2 This potentially hinders Chichester from strengthening its competitiveness in food production in the UK and international markets.

3.6.3 There are alternative policy approaches adopted by local authorities nationally. An example of this is Holbeach Food Enterprise Zone (FEZ) in South Holland, Greater Lincolnshire. South East Lincolnshire employs Prestige Employment Site allocations⁴ and Local Development Order (LDO) as the tools to promote a diverse range of agri-food activities within a compact cluster to support their existing businesses while also attracting new investors interested in relocating to the county. This range includes activities from farming and crop growing to processing, packing, distribution, and R&D all within a single FEZ zone. The LDO was adopted in November 2018⁵ and grants permission to a range of use classes

⁴ See Policy 8, South East Lincolnshire Local Plan 2011-2036

⁵ Statement of reasons in support of Holbeach Food Enterprise Zone Local Development Order 2018

including E(g), B2, B8, and D1.

- 3.6.4 This approach demonstrates that not every site or building within an agrifood zone needs to be directly related to production and processing of raw ingredients in order to form part of a food production cluster. This zone-wide rather than site-by-site consideration may offer a useful framework to assessing the functional appropriateness of development within a food hub.

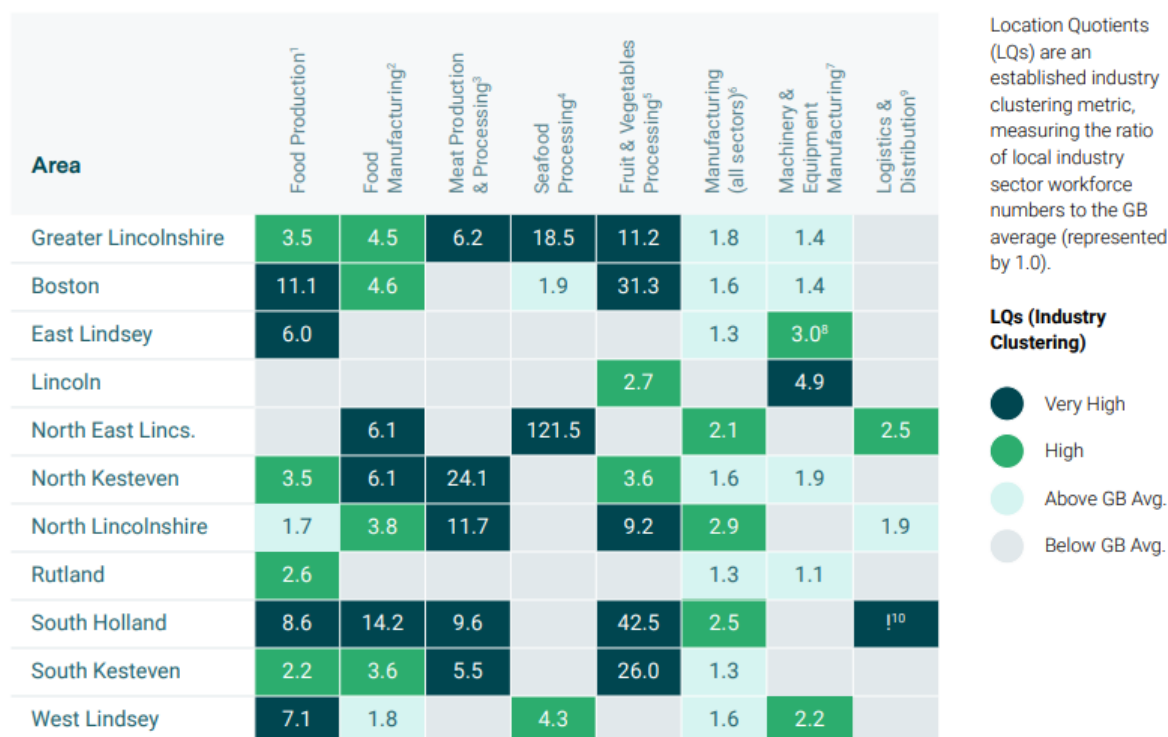
Figure 3.3 Holbeach FEZ Indicative Layout



Source: South East Lincolnshire Local Plan 2011-2036

- 3.6.5 The approach enables areas such as South Holland to vertically integrate its food production chain within its area, unlocking the locational synergies and enhancing its specialism in agrifood sectors. South East Lincolnshire has established itself among the leading food production areas in the UK, attracting key producers like Greencore Foods and Bakkavor (some of the key competitors of Natures Way Foods) to set up salad production in locations such as Boston, Spalding and Sutton Bridge.

Figure 3.4 Significant Agrifood & Related Industry Clusters in Greater Lincolnshire (GB Average = 1.0)



Source: ONS BRES 2019. (1) SIC01 (2) SIC10 (3) SIC101 (4) SIC102 (5) SIC103 (6) SIC C (7) SIC28 (8) SIC 30 (Transport Equipment Manufacturing) (9) SIC52 (10) Spalding, South Holland is a major food distribution hub, although companies are recorded under other classifications (notably food manufacturing or processing).

Source: Greater Lincolnshire UK Agrifood Investment Opportunity, p.8 (2021)

3.7 Conclusions

3.7.1 They key findings of this section are:

- Chichester’s policy on HDAs has played a helpful role in supporting primary food production such as vegetable and salad preparation through special designation in agricultural land.
- However, the policy has been more restrictive on horticultural production outside the HDAs, and other food production-related activities further processing and distribution within the HDAs. The introduction of ‘ancillary uses’ as permissible under the Draft Local Plan may help to include a broader range of non-core uses associated with food production but still does not explicitly allow activities such as distribution, cooking, and R&D within the HDAs.
- CDC’s response to a Logistics Company distribution facility pre-application proposal suggests that the definition of ‘ancillary use’ is a matter of interpretation in the absence of a clear definition and criteria, due to the building primarily comprising storage use. This is in the context of storage and distribution (by primary use of building) forming part of the overall need for horticultural space in HEDNA 2020, the emerging plan’s evidence base.
- It is unclear from the Draft Local Plan and HEDNA 2022 how the policy supports and safeguards more advanced stages of food production and processing in securing sufficient space within the allocated employment land, as to promote further evolution of food production in Chichester. The council’s overall target for employment land may also be under-estimated because the evidence base did not take into account the suppressed demand, which may further limit horticulture and food production growth.
- The adopted and emerging local policy promote the initial stages of food production (within glasshouses, greenhouses, and polytunnels), but restrict further processing, distribution and

other related activities that could enable local players to establish a more efficient vertically integrated value chain through locational synergy.

- Elsewhere in the UK some local authorities opt to actively encourage diverse range of agri-food activities within a compact cluster to support their existing businesses while also attracting new investors, such as through Holbeach FEZ LDO in South East Lincolnshire, a sub-region where key competitors of Chichester's businesses have established prominent production capacity. This enables the areas to strengthen their food production specialism, investment attractiveness and competitive position within the UK and international markets.

3.7.2 In the following sections we examine horticulture industry trends, locational synergies, and economic benefits of a wider range of food production uses to demonstrate why Chichester may benefit from a more flexible policy approach towards permissible uses within the HDAs.

4. Horticultural Practices and Requirements

4.1 Introduction

4.1.1 This section reviews national industry trends that emphasize increasing importance of the UK food security, boosting horticulture production, innovative practices, and the implications for the use types required in horticultural clusters. We examine a range of use types associated with horticultural production and discuss the opportunities and challenges they offer.

4.2 Industry Trends

Government Strategy and The Changing Nature of Horticulture Industry

4.2.1 In light of the consequences of Brexit and war in Ukraine, which has caused knock on impacts for food supplies as well as spikes in prices, the UK seeks to maintain and boost its food security, strengthen the resilience of its supply chains and boost domestic production to help protect against future economic shocks and crises.

4.2.2 The Government Food Strategy focuses on a resilient and sustainable food system, maintaining the current level of food production, boost in production of particular sectors such as horticulture and seafood, increase in pay, employment and productivity, and reduction of greenhouse emissions and environmental impacts of the food system⁶.

4.2.3 In relation to horticulture the strategy states (paragraph 1.3.2):

‘Commercial horticulture uses a new generation of sustainable and efficient greenhouses and provides new opportunities to make UK producers more competitive. Growth in this sector would: boost home-grown fruit and vegetable production, help to future-proof the sector in a warming climate, and create new skilled job opportunities across the country. The UK currently produces only 23% of the cucumbers and 15% of the tomatoes supplied domestically. But with the right tools, vibrant, growing sectors like these can expand significantly. This could be achieved through an increase in industrial horticulture, which encompasses highly productive, high tech, controlled environment growing operations including multi-acre glasshouses and vertical farms. To create a positive investment environment for the sector, we will include industrial horticulture alongside other manufacturing sectors in decisions on industrial energy policy and review the planning permission process to support new developments.’

4.2.4 This puts emphasis on the role of innovative technology such as vertical farming, as well as holistic consideration of horticulture within the wider manufacturing sector in boosting production and productivity of horticultural sector. This needs to be considered by local authorities in their definition of core and functionally linked uses, and the permissible use classes on horticultural land.

4.2.5 The government’s independent report on Automation in Horticulture⁷ sets out broad directions for innovation and automation that could enable boost in productivity and mitigate over-reliance on foreign labour in the aftermath of Brexit. Of particular relevance are the following clusters of technology:

- Automated harvest production system – enhance growing systems and reduce the ergonomic burden of tasks, offer low to medium labour savings
- Packhouse automation – could be implemented in some production sites within 3 to 5 years, although labour savings are limited due to low ratio of packhouse to field workers.

4.2.6 The paper emphasizes that technology alone is not a solution, and a combination of factors including regulation would be needed to drive the sectoral revolution.

⁶ Policy Paper: Government Food Strategy (June 2022)

⁷ Automation in Horticulture Review (July 2022)

Local Circumstances, Requirements and Opportunities

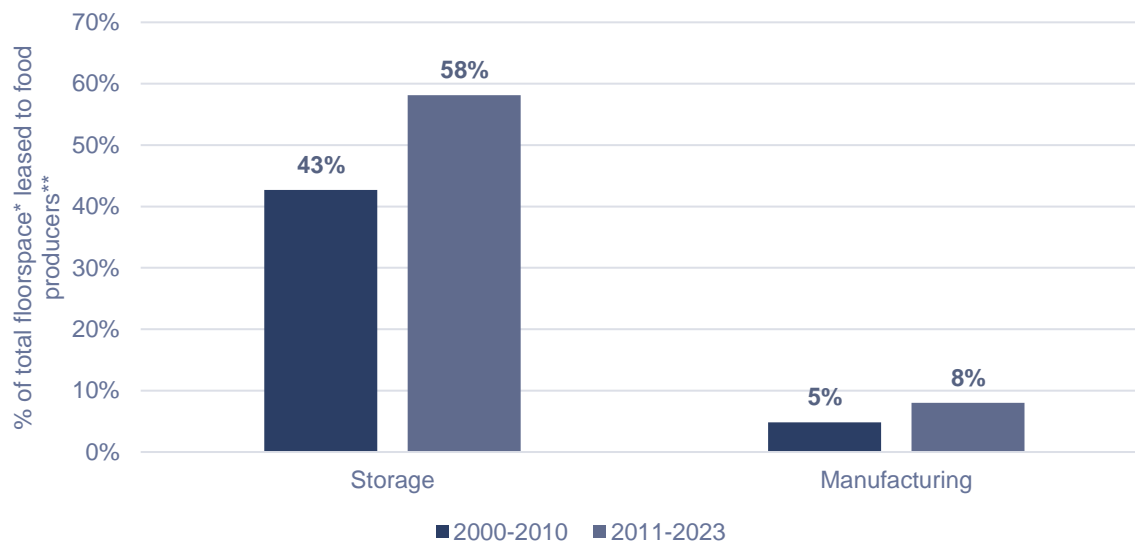
- 4.2.7 Competitive environment should be a crucial consideration for horticulture policy in Chichester. Local key players such as NWF face competition pressure from other UK producers including Bakkavor and Greencore Foods. This is illustrated by the companies' operating profit margin: NWF suffered a loss of about 1% in 2020-2021 while the two competitors had their profit margin in the range of 2-5% over the same period according to the full accounts published by Companies House.
- 4.2.8 Restrictive policy resulting in suboptimal distribution arrangements, while not a sole driver, would certainly contribute to the company's financial performance. We have reviewed the competitors' base locations for salad production (one of the key products of NWF at CFP) and found that 3 out of 5 identified sites are located in South East Lincolnshire which adopted a supportive policy towards vertically-integrated food production and research as discussed in Section 3.6. Greencore have two sites in Spalding and Boston, and Bakkavor have a facility in Sutton Bridge, all in proximity to South Holland's FEZ and other assets of food production.
- 4.2.9 John Hall of West Sussex Growers Association (WSGA) has set out the following opportunities and challenges of horticulture innovation and growth relevant to Chichester Food Park:
- The horticultural Industry has changed since the first adoption of HDAs in the mid-1990s, becoming more high-tech, intensive and diverse, with investments made into alternative energy systems, rain water harvesting schemes, automation and robotics.
 - The Government has tasked growers to grow more home grown produce, increase productivity, reduce food miles and the UK's reliance on imported food. These aims can be achieved. However the horticultural and food industries need local planning policies to be in place that enables sustainable development. More flexibility is needed in current horticultural policy to meet the needs of the horticultural industry. Over the coming years more provision of space for high-tech glasshouses, packhouses and reservoirs will be required. However there will also be an increased need for functionally linked development, such as: research & development facilities; alternative energy centres; logistics and distribution centres; and engineering and technical support facilities.
 - High-tech glasshouses and multi-span polythene greenhouses will continue to be key to the production of many horticultural crops in the Chichester area. For the foreseeable future, and specifically taking into account the Government's policy to increase home produced food and to reduce our reliance on imports, more land will need to be set aside for greenhouse development.
 - The advent of more innovation, automation and robotics in the horticultural industry will lead to increased productivity.
 - The need for large numbers of staff with skills at all levels will continue.
 - The majority of horticultural businesses in the Chichester area are highly sophisticated and have made significant investments in automation and technical equipment in recent years. There is an increasing need for high-tech functionally linked services to support the horticultural sector: engineering; technology; automation; robotics; artificial intelligence (AI); information technology (IT); and many other specialist requirements.

Industrial Data

- 4.2.10 We understand there to be several implications of the evolution of local horticulture industry set out above for the type of development the market players may wish to bring forward in future. These are discussed in Sections 4.3-4.9, but broadly emphasize a need towards more flexible regulation of uses in horticultural zones.
- 4.2.11 This is illustrated by the nation-wide data from CoStar on floorspace leased to food producers over 2000-2023 year to date (YTD). The occupiers now require a higher proportion of space for storage and

manufacturing activity. For example when compared to their requirements in the first decade of the millennia. This shows that the proportions of uses within horticultural developments are dynamic, as opposed to the static percentages implied by HEDNA 2020 need assessment (discussed in Section 3.2).

Figure 4.1 Floorspace Leased to Food Producers for Storage and Manufacturing in the UK



Source: CoStar (2023). Note: *Floorspace leased in industrial and speciality buildings (not office or retail buildings). **Food production defined here as food crops growing under coverage, food preparations, vegetables and melons, sauces, pickles and salad dressings (the closest uses to those at CFP available under CoStar classification of occupiers)

Rationale for Co-Locating Uses with Horticulture Production

4.2.12 The horticultural sector has sought to boost production in the context of viability pressures and planning barriers. The Landworkers' Alliance and Ecological Land Co-operative prepared a study in 2019 examining planning challenges faced by horticultural businesses across the country⁸. It found that horticultural producers are pressured to develop non-core uses such as processing on farm due to high price of land and other complexities of setting up these activities outside their primary site. However, the resistance of the planning system to development on countryside implies incurred losses both direct such as fees on consultants and indirect such as foregone revenue due to the time and resources not spent on their primary activity – production. Some businesses took over three years before they could get a permission through appeal process.

4.2.13 Productivity gains through clusters is another reason for producers to co-locate with further processing, development and other non-core activities. The evidence base underpinning South East Lincolnshire's policy towards a multi-use food enterprise zone in Holbeach explains

*'Locating businesses with similar or related specialisms in clusters is believed to stimulate a higher rate of growth and innovation as they can share and create knowledge through exploiting specialised labour, social networks and networks of support services. The development of HO002: Holbeach Food Enterprise Zone will help support agri-food businesses, with a particular focus on the food technology sector. This could also see an increase in the proportion of knowledge based 'value added' jobs in the area.'*⁹

⁸ Planning Barriers Faced By New Organic Horticultural Businesses In England (2019)

⁹ South East Lincolnshire Local Plan: Employment Land Technical Paper Update March 2017, paragraph 3.18, p.8.

4.3 Vertical Farming

- 4.3.1 For certain types of crops, vertical farming is becoming increasingly viable. The horticultural crops that are best suited to vertical farming are: young plant propagation (plugs and seedlings), leafy salads, lettuce, herbs and certain other short and compact plants. A few other crops (short and compact) such as strawberries and ornamental bedding plants can also be produced this way. Some pharmaceutical crops could also be grown in a vertical farming facility. Classic glasshouse crops such as tomatoes, peppers, cucumbers and aubergines cannot be grown economically this way as they are too tall, heavy and take up far too much room.
- 4.3.2 For the crops suited to vertical farming systems, pro-rata, a far smaller footprint is required as trays of plants can be stacked on shelving systems. Allowing for LED lighting, irrigation and handling systems, the stacked shelves could be 8m tall or even taller.
- 4.3.3 Vertical farming units are by definition vertical growing systems rather than the traditional horizontal growing systems seen in conventional glasshouses. However, the fundamental requirements are exactly the same as the photosynthesis of plants requires the same inputs, i.e. light, CO₂ and water.
- 4.3.4 The buildings required to house vertical farming systems are quite different to traditional glasshouses or multi-span polythene greenhouses and have different energy requirements. A smaller footprint is required than that used to grow the equivalent number of plants in a conventional greenhouse. The implication is a potentially lesser need in horticultural land over the longer term, with more dense and efficient production at vertical farms (if allowed), and less for open countryside to be developed.
- 4.3.5 Hybrid growing is also very successful. Where vertical farming systems are installed inside conventional high-tech glasshouses. This does not reduce the overall footprint of the glasshouse area, but with the installation of vertically stacked platforms, it increases the growing area and productivity.

4.4 Current Arrangements for Storage and Distribution

- 4.4.1 Natures Way Foods, the largest occupier at Chichester Food Park, currently has three facilities on the park. Lorries need to visit each facility separately. This can lead to delays as lorries wait to upload produce at each facility. It would be more efficient if the lorries could go to just one consolidation centre to pick up all the pallets of produce in one go.
- 4.4.2 There are also several packhouses in CFP including Runcton, Merston (Unit 3) and Drayton (Unit 4). The retailers stocking the products on their lorries at CFP need to make several stops at every packhouse which causes delays to the distribution process. The result is unnecessary level of emissions from heavy vehicles, suboptimal efficiency leading to suppressed level of output, and shortened remaining shelf life of products which is already limited for fresh meals such as coleslaw produced in the park.
- 4.4.3 Another illustration of the need is a recent enquiry received by Kingsbridge Estates from a plant nursery, over a possibility of using a distribution hub within CFP in future. They anticipated the need to arise over the following 12-18 months for their nursery stock business.
- 4.4.4 Packhouses, warehouses, cold stores, logistics, transport and distribution services linked directly to local areas of production as essential. John Hall Consulting estimate over 90% of all horticultural crops grown in the Chichester area to be distributed to supermarkets, retailers and the food service industry throughout the UK. All of these functionally linked services need to be at the centre of horticultural production and should ideally be situated within the designated HDAs.

4.5 Preferred Arrangements for Storage and Distribution

The Benefits of an On-Site Hub

- 4.5.1 Both the existing and prospective occupiers of CFP expressed a need to consolidate storage and distribution hub within the park. Consolidating movement of raw materials and prepared products will

save journey times, mileage, and potentially production time with improvement to remaining shelf life.

- 4.5.2 We consider this need by reviewing the Logistics Company pre-application proposal and its potential impact on distribution revengements for CFP and the wider area.
- 4.5.3 The Logistics Company pre-application planning statement estimated a reduction in miles by about 84,000 miles per annum of 6% of the total with reduced traffic along the A27 corridor. This is through reduced food miles to collect products by customers on and around the food park, with circa 85% of their activity estimated within 8 miles radius from CFP.
- 4.5.4 The proposal emphasized the importance of journey time to freshness of products supplied, and the implications on sustainability of horticultural growth. Being located on the food park enables Logistics Company to react quickly to changes in demand caused by the weather and support the key businesses in maintaining freshness of their products.
- 4.5.5 The proposal also envisaged potential use of environmentally efficient vehicles to operate intra-estate movements that do not need use of public highways. Natures Way Foods, the largest occupier at Chichester Food Park, could use electric tug vehicles to transport part loads of raw materials such as foods, ingredients, and packing items (including trays and pallets) between their buildings on the park and a hub on the park. This requires a consolidation distribution hub on the park. Having a sufficiently large storage building within the park would help to utilise these vehicles to move stock for other purposes such as processing. NWF estimate that a consolidated hub could enable the company to save up to 50% on pallet movements.

Figure 4.2 Examples of Terberg Tugs



Source: Terberg DTS UK Shunters website

Figure 4.3 Diagrammatic Illustration of Current Circulation of Tugs at CFP

Source: Natures Way Foods (2023). Note: the arrows illustrate indicative direction of movement, not exact routes and access points.

- 4.5.6 A distribution hub on the food park would also prevent the need for the key hauliers' drivers to begin their job 20 miles away from the collection point, potentially offering reduced rates, NWF consider.
- 4.5.7 NFW see a potential benefit of expanding production factories within the footprint of their existing three sites through reduction in storage space, enabling a greater turnover.

Alternative of an Off-site Hub

- 4.5.8 Having a distribution hub elsewhere outside the CFP implies additional time and cost. NWF advised other produce companies around the Chichester plain may currently benefit from utilising consolidation points with key hauliers such as hubs in Hilsea Portsmouth and Lyons Haulage in Barnham.
- 4.5.9 Setting up a new food distribution hub elsewhere in Chichester may also prove challenging in the context of extremely limited industrial land supply. According to CoStar, current availability rate of industrial space in the district is just 4.2% and has been largely decreasing since 2018. A commonly recognise healthy market equilibrium rate that allows effective market churn is 8%, so a rate below that level effectively suggest negative supply. The vacancy rate is even lower below 3%, suggesting that nearly all industrial space is already occupied.
- 4.5.10 The district has not seen any new deliveries of industrial development since 2019. About 3,500 sqm was lost over 2020-2022. This raises the concern over how the horticultural needs are considered in the emerging policy and its evidence base in terms of the capacity for distribution, cooking and other uses being supported on the allocated employment land, if not within the HDAs, as discussed in Sections 3.3-3.4.

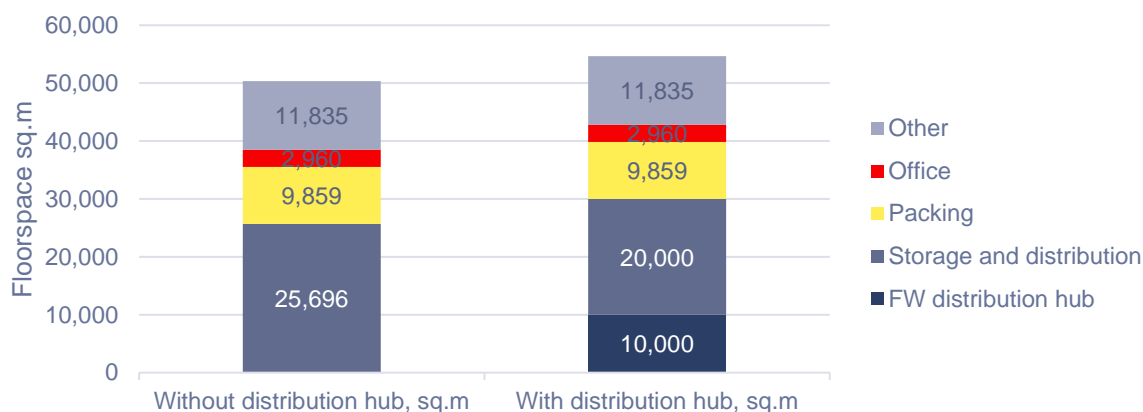
Land Use Implications of an On-site Hub

4.5.11 An illustration of how the existing overall mix of floorspace within Runcton HDA could change if the proposed scheme was implemented is shown in **Table 4.1** and **Figure 4.4** and **Figure 4.5** below. Where possible, we have separated storage space within the packhouses from other packing activities, so the total storage floorspace is not likely to be significantly above the estimate provided.

Table 4.1 Floorspace Mix for Runcton HDA (existing and proposed, sq.m)

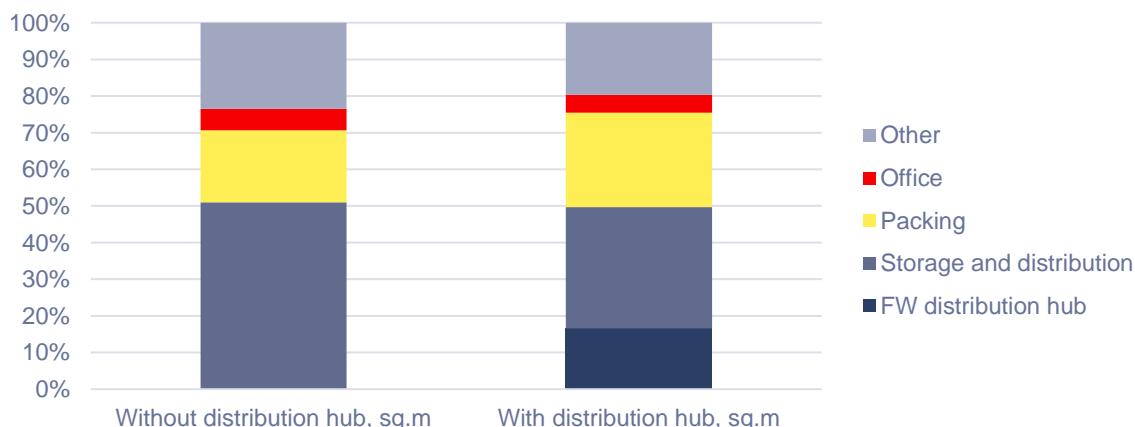
Use type	Without distribution hub	With distribution hub
FW distribution hub	0	10,000
Storage and distribution	25,696	20,000
Packing	9,859	15,555
Office	2,960	2,960
Other	11,835	11,835
Total	50,350	60,350

Figure 4.4 Composition of Floorspace for Runcton HDA (existing and proposed)



Source: Kingsbridge Estates, John Hall Consulting (2023), Savills (2023)

Figure 4.5 Composition of Floorspace for Runcton HDA (existing and proposed) Percentage



Source: Kingsbridge Estates, John Hall Consulting (2023), Savills (2023)

4.5.12 Our estimate of total storage assumes that around 5,000 sq.m of storage and distribution within existing buildings can be freed up and moved to the hub. This space would then be used for expanded packing

activities. Overall the percentage of space for storage and distribution on the park at around 50% is not expected to change. It is just that some of it moves into a dedicated building.

- 4.5.13 When considering greenhouse space as well packing, storage and distribution use would only comprise 8% of total floorspace, well below 13% proportion of need within the HDAs identified by HEDNA 2020.
- 4.5.14 This raises the importance of assessing the functional mix holistically for the horticultural clusters in Chichester, as in the example of Holbeach FEZ. The buildings and structures within designated areas do not function in isolation but provide complimentary activities that enable the occupiers to provide products to the end customer.

4.6 Products and Benefits of Cooking on Site

- 4.6.1 Natures Way Foods currently are not able to manufacture products such as mayonnaise on site due the HDA planning restrictions. This means they need to import mayonnaise from other producers. This puts them at a competitive disadvantage against their main competitors, some of whom are understood to have such manufacturing activities co-located with their packing activities. A degree of functionally linked food manufacturing would help enhance flexibility and competitiveness of activities on the HDAs.
- 4.6.2 As discussed in Section 3, the latest evidence base that underpins the employment land target in the Draft Local Plan may not fully allow for food manufacturing land requirements, particularly if located outside the HDAs. This is in the context of the local market players and industry experts suggesting that the HDAs may be in certain cases a more appropriate and efficient location for food manufacturing. We consider the planning policy should recognise the possibility that certain food manufacturing facilities in future may be best located within the HDAs.

4.7 Research & Development

- 4.7.1 As illustrated by the Bartholomews scheme there is an opportunity and need to allow a reasonable degree of R&D activities on HDAs.
- 4.7.2 Bartholomews scheme (planning reference number O/15/02343/FUL) demonstrated that there is a need, for example, for crop research, technology and multiplication centre and DEFRA official seed testing station. This entailed a substantial office and laboratory element which is considered non-core as a property use type within the HDAs.
- 4.7.3 The scheme was subsequently granted permission and implemented. Officers have sought a legal opinion regarding the proposed use. The legal opinion stated that 'seed growing' is specifically listed within the definition of agriculture. The testing of seeds/laboratory work could be considered as ordinarily incidental to the growing of seeds, cleaning, sifting, sorting, packing and storage. The proposed use was therefore recognised as agricultural; 'horticulture' is a separately defined use within the definition of agriculture. On the basis of this legal opinion, officers considered the proposed use which is defined as agriculture, as acceptable in principle and therefore considered it appropriate and reasonable that the proposed facility is sited on agricultural land. The proposed office and laboratory use was recognised as 'the additional layer of HDA designation' (see paragraph 8.13 of the Committee Report 14.09.16, planning reference number O/15/02343/FUL).
- 4.7.4 In the context of growing scale and complexity, and envisaged evolution of horticulture and agrifood sectors in Chichester, it is possible that a further need in research and development use will emerge as appropriate within the HDAs, either to cover additional need in the same sub-sector, or another horticulture-related production and development sub-sector.

4.8 Alternative and Sustainable Energy on Site

- 4.8.1 Many of our local horticultural businesses have invested heavily into alternative energy systems; including: Combined Heat & Power (CHP), providing electricity to the National Grid and heat and CO₂ for glasshouse crops, Anaerobic Digestors (AD), providing methane to power CHPs that provide

electricity to the National Grid and many Biomass installations that consume woodchip as fuel instead of gas or oil to heat greenhouses.

- 4.8.2 These installations are all functionally linked to horticultural production but need to be adjacent to greenhouses, packhouses and cold stores in the HDAs and nurseries where the energy is required. This again raises the question of how the functionally linked uses are to be defined and interpreted in the local policy on HDAs.

4.9 Conclusion

- 4.9.1 In light of the consequences of Brexit and war in Ukraine, which has caused knock on impacts for food supplies as well as spikes in prices, the UK seeks to maintain and boost its food security, strengthen the resilience of its supply chains and boost domestic production to help protect against future economic shocks and crises.
- 4.9.2 This puts an emphasis on the role of innovative technology in the core horticultural production such as vertical farming, as well as holistic consideration of horticulture within the wider manufacturing sector in boosting production and productivity of horticultural sector. This needs to be considered by local authorities in their definition of core and functionally linked uses, and the permissible use classes on horticultural land.
- 4.9.3 Vertical farms, for example, functionally constitutes a core horticultural factor of production, and potentially open an opportunity to save more open countryside through improved efficiency of horticulture land.
- 4.9.4 Packhouses, warehouses, cold stores, logistics, transport and distribution services linked directly to local areas of production as essential. John Hall Consulting estimate over 90% of all horticultural crops grown in the Chichester area to be distributed to supermarkets, retailers and the food service industry throughout the UK. All of these functionally linked services need to be at the centre of horticultural production and should ideally be situated within the designated HDAs.
- 4.9.5 The proportions of uses within horticultural developments are dynamic, as opposed to the static percentages implied by HEDNA 2020 need assessment.
- 4.9.6 Even a new distribution hub at maximum capacity of 10,000 sq.m (some options propose smaller buildings) is anticipated to have a minor impact on the overall mix of floorspace when considered within the overall space currently provided on the HDA. This raises the importance of assessing the functional mix holistically for the horticultural clusters in Chichester. The buildings and structures within designated areas do not function in isolation but provide complimentary activities that enable the occupiers to provide products to the end customer.
- 4.9.7 Competitive environment should be a crucial consideration for horticulture policy in Chichester. Local key players such as NWF face competition pressure from other UK producers including Bakkavor and Greencore Foods. This is illustrated by the companies' operating profit margin: NWF suffered a loss of about 1% in 2020-2021 while the two competitors had their profit margin in the range of 2-5% over the same period according to Companies House reports.
- 4.9.8 Setting up a new food distribution hub elsewhere in Chichester may also prove challenging in the context of extremely limited supply.
- 4.9.9 There may a role for a wider range of uses such as food manufacturing, R&D and sustainable energy systems within the HDAs in the context of the changing nature of the industry. This suggests that a more flexible approach towards permissible uses would be an appropriate policy direction to enable competitiveness and growth of horticultural producers in Chichester.

5. Economic Benefits

5.1 Introduction

5.1.1 This section sets out the existing and potential employment at Runcton HDA and the associated economic output measured as Gross Value Added (GVA).

5.1 Horticulture in Chichester

5.1.1 The Horticultural Industry on the West Sussex Coastal Plain, concentrated around Chichester and Bognor Regis, generates annual turnover that exceeds £1 billion pounds and employs more than 10,000 full time equivalent staff with a wide range of skills. The workforce includes many high value jobs, such as: growing & technical managers, sales & marketing teams, IT, engineering and logistics specialists, HR, accounts, administration and office staff, as well as team leaders, supervisors and skilled operational staff. Gross Value Added by horticulture industry is estimated at £329m by the West Sussex Growers Association¹⁰ (WSGA).

5.2 Current Jobs on Site

5.2.1 We understand there are currently around 2,210 staff directly employed at Runcton HDA, with nearly half engaged in crops and vegetables growing and the other half in packing and distributing. In total this is about a quarter of the horticulture workforce in West Sussex when compared to WSGA estimate.

5.2.2 In terms of economic output, this translates into £68.5m Gross Value Added (GVA) per annum. We estimated GVA per job based on WSGA figures on the local GVA (£330m) and workforce (10,100).

5.2.3 Apart from direct employment impact, the designated area also creates jobs indirectly through increased purchases via supply chain. After accounting for displacement, leakage, and multiplier effects, we estimate the HDA supports about 1,650 on- and off-site jobs for Chichester residents.

- Leakage is the proportion of output that benefit those outside of the target area. We measured this as % of Chichester residents aged 16 to 74 employed in agriculture, forestry, fishing, and manufacturing, travelling to work for more than 5km according to Census 2011.
- Displacement is the proportion of intervention outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area. We assumed low displacement (10%) given the high demand for horticulture industry in Chichester.
- Multiplier effects account further economic activity (jobs, expenditure or income) associated with local income and local supplier purchases. We estimated a local equivalent of the national average multipliers for activities A01 and C108 (crop and animal production, manufacture of other food products)¹¹.

5.2.4 The scale of this employment and economic output was made possible in many respects due to the benefits of co-locating production and functionally linked uses such as packing within the area, helping the occupiers to achieve economies of scale and reduce mileage and transportation costs.

5.3 Potential Jobs on Site and in Chichester

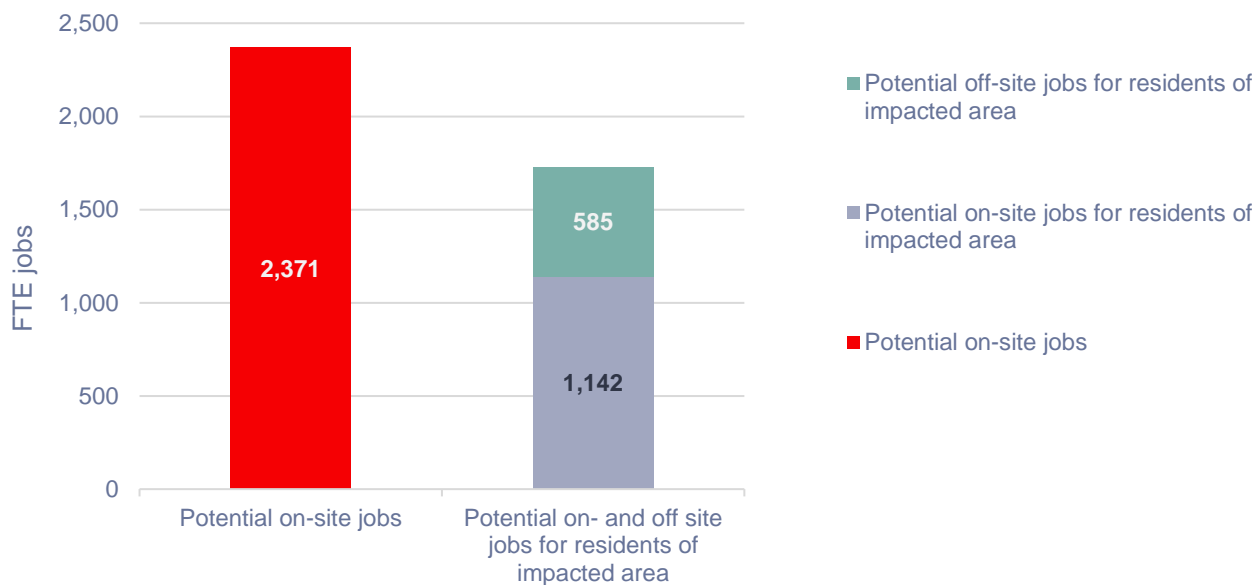
5.3.1 There is potential to increase employment within the current borders of the HDA (and further in case of expansion) on under-utilized land plots such as the site for the distribution hub proposed by Logistics Company. While not big enough for a glasshouse development, the site may accommodate up to 160 direct jobs in distribution and warehousing, which would translate into GVA of £8.8m per annum. Note that such use creates a disproportionately larger employment and economic benefit due to higher density of jobs per floorspace when compared to crop-production facilities such as glasshouses.

¹⁰ Understanding The Horticultural Sector In West Sussex (2021), WSGA

¹¹ FTE multipliers and effects (2018), ONS

- 5.3.2 After accounting for displacement, leakage, and multiplier effects, we estimate the proposal would support about 85 additional on- and off-site jobs or Chichester residents¹².
- 5.3.3 This brings the total potential employment at Runcton HDA to 2,375 direct jobs, with 1,750 on- and off-site jobs for Chichester residents, and potential GVA to £77m.

Figure 5.1 Runcton HDA Potential Employment and GVA



Source: Savills (2023)

¹² We assumed leakage based on distance travelled by residents employed in industrial groups G and I, and multiplier based on the national average for activity H52. Displacement level assumed low (10%) given the high demand for industrial space in Chichester.

6. Conclusions

- 6.1.1 Horticulture plays a key role in the economy of Chichester, and CFP forms an integral part of the local horticultural industry.
- 6.1.2 The local policy has historically supported horticultural production through designation on the HDAs. Conversely, the policy has also restricted horticultural development outside the HDAs, such as through application of additional criteria.
- 6.1.3 Permissible uses within the HDAs were also largely restricted to glasshouses, greenhouses, polytunnels and packhouses, although the emerging Draft Local Plan introduces ‘ancillary uses’ among the permitted categories.
- 6.1.4 However, the definition and interpretation of ‘ancillary use’ is a point of discussion. The evidence base (HEDNA 2020) clearly includes uses such as storage and distribution into the overall horticultural need figure that informs emerging policy. The case officer has raised a question of what scale of such uses may be appropriate for them to be considered as ancillary within the HDA.
- 6.1.5 Where possible, the policy seems to encourage some uses functionally linked to horticulture to locate at employment rather than countryside horticulture land. However, the employment-allocated land is likely to be limited in future, as the underpinning evidence base did not take into account the suppressed demand.
- 6.1.6 We observe an increasing proportion of storage and manufacturing space comprising floorspace leased to food producers nation-wide. This aligns with the expressed interest by a key food distribution player (Logistics Company) in opening a facility in CFP.
- 6.1.7 We consider it is important to view the scale of non-core developments in the context of the overall mix of uses within the HDA rather than site-by-site. This is because these developments do not function in isolation, but rather accommodate complimentary activities and partially enable each other to operate more efficiently, which is among the key benefits of the HDAs.
- 6.1.8 These benefits of co-location are confirmed by local industry specialists and recognised by local authorities elsewhere. An example of this is South East Lincolnshire council actively promoting a diverse range of uses from crop production to distribution and research all within one zone (Prestige Employment Site) through a Local Development Order adopted in 2018.
- 6.1.9 We also estimate that the floorspace mix proportions change at Runcton HDA if Logistics Company scheme was implemented is small and within the need composition identified by HEDNA 2020.
- 6.1.10 NFW, a key CFP occupier, anticipate significant efficiency gains from a new consolidated distribution hub within the park. This is because their current storage facilities are insufficient for the full intake and dispatch of stock. NFW instead rely on electric tugs to part-load the stocks but could use them more efficiently otherwise. This is likely to lead to positive sustainability and financial outcomes, for both CFP occupiers and the businesses in the wider area functionally linked to CFP.
- 6.1.11 Increasing efficiency and utilising locational synergy is particularly important in the context of competition pressure. According to published full accounts, NFW incurred operational losses in the recent years while their key competitors had positive profit margins. This may be partially attributed to local policies, as the competitors have several salad production sites in South East Lincolnshire which promotes co-location and advanced food manufacturing.
- 6.1.12 The changing nature and complexity of horticultural industry in the aftermath of Brexit and the ongoing war in Ukraine suggests the industry will increasingly rely on innovative farming (such as vertical farms) and processing technology. This too has a number of implications on what kind of development the growers and producers may bring forward in future to enable optimised core production, which we consider likely to include distribution, research and development, food manufacturing, and sustainable

energy.

- 6.1.13 Apart from the complimentary nature of the wider range of functionally linked uses, they also create local jobs and economic output. Runcton HDA already supports about 1,650 jobs for Chichester residents according to our estimate. There is a potential to increase this level to 1,750 jobs, for example, by efficiently utilising currently vacant plots of land too small for glasshouses, through higher employment density uses such as the proposal for a distribution hub brought forward by Logistics Company. Forgoing these opportunities effectively implies a disbenefit to Chichester district, less job opportunities for the local residents, and suboptimal level of economic output due to inefficient use of land.
- 6.1.14 We consider the risks of restricting permissible uses on HDAs may outweigh the benefits if the policy is adopted in the current proposed version. There needs to be a more flexible approach that enables growth of local market players, who hold the best knowledge over what kind of development responds to the present and future demand in horticultural industry.
- 6.1.15 The economic growth of Runcton HDA will be greatly assisted with the delivery of development that is functionally-linked to the horticultural industry. Such development is necessary to foster and maintain the growth and competitiveness of a world class food cluster'

Appendices

Appendix 1: Glossary and Definitions

Glossary

AD	Anaerobic digestion
AI	Artificial intelligence
CDC	Chichester District Council
CFP	Chichester Food Park
CHP	Combined heat and power
FEZ	Food Enterprise Zone
FTE	Full Time Equivalent
GEA	Gross External Area
GIA	Gross internal area
GVA	Gross value added
HDA	Horticulture Development Area
HEDNA	Housing and Economic Development Needs Assessment
IT	Information technology
LDO	Local Development Order
NIA	Net Internal Area
NWF	Natures Way Foods
p	page
R&D	Research and development
YTD	Year to date

Definitions

Relevant concepts used in the analysis are:

Term	Definition
Leakage	'The proportion of output that benefit those outside of the intervention's target area or group'.
Displacement	'The proportion of intervention outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area'.
Multiplier effects	'Further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases'.
On-site Jobs	Jobs created on-site.
Off-site Jobs	Jobs in a supply chain and services. The result of multiplier effects after allowing for leakage and displacement.