



EPPING FOREST LOCAL PLAN EXAMINATION IN PUBLIC

HEARING STATEMENT

MATTER 3: THE QUANTITATIVE REQUIREMENTS FOR DEVELOPMENT

**ON BEHALF OF MARTIN GRANT HOMES & HARCOURT
DEVELOPMENTS (STAKEHOLDER ID: 19LAD0058)**

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1. INTRODUCTION

This paper is prepared on behalf of Martin Grant Homes and Harcourt Development Ltd in response to Matter 3, Issue 3. Our clients have land interests at Latton Park Harlow (site ref SR-0092).

2. FUNCTIONAL ECONOMIC MARKET AREA – Response to question 1

- 2.1 Planning Practice Guidance requires ‘functional economic market areas’ or FEMAs are defined and identified when assessing housing and economic needs in an area. There is no set methodology for determining FEMAs. It is only required that they be defined by market areas for housing, work and consumption. The intention should be the establishment of what can more usefully be described as an area’s ‘economic geography’, representing the distribution and organisation of economic activities in an area.
- 2.2 The FEMA relating to Epping Forest is derived from the Strategic Housing Market Assessment (SHMA) carried out by Opinion Research Services (EB405) in 2015. The work carried out for the SHMA is extremely comprehensive, and the methodologies used meet the requirements set out in national Planning Practice Guidance in terms of analysing housing market areas, area ‘containment’ and commuting patterns.
- 2.3 However, the main challenge arises from the need to select a specific area to represent the SHMA/FEMA given that the full analysis and modelling produces a number of different areas that might be chosen. The final decision in the ORS study was to select the local authority areas of East Hertfordshire, Epping Forest, Harlow and Uttlesford to represent Strategic Housing Market Area. Coincidentally, these are the four local authorities that commissioned the ORS study and it is this decision that is open to question.
- 2.4 Two areas in particular merit further consideration. The first concerns the identified four council SHMA/FEMA area and the lack of an obvious rationale for its selection, given that it does not easily correspond with sub housing market areas and travel to work areas. The second concerns the treatment of London and the lack of analysis of its role, influence and effects over the area.
- 2.5 For the selection of the FEMA area, this was derived from the SHMA area identified in the ORS 2015 study. The HJA 2015 Economic Evidence report (EB600) concluded that the FEMA ‘core’ and SHMA can be one and the same area and this has been taken forward in all subsequent evidence and in the EFDC local plan draft.

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- 2.6 We would contend that while a comprehensive range of evidence was considered in the work to determine the areas, the final areas selected do not clearly represent the relevant economic geographies and sub housing market areas. Given this, and the basic requirement in the PPG that FEMAs reflect commuting and housing markets and economic geographies, it is arguable that the FEMA has been incorrectly defined.
- 2.7 We assume however, it would not be realistic to consider altering the defined FEMA at this stage. Even so, there will be a reasonable assumption by stakeholders that the area has been appropriately selected and as such, the best alternative is to ensure the key issues regarding the area’s economic geographies and markets are given due consideration and weight.
- 2.8 Taking the example of Travel to Work Areas (TTWAs) – Figure 1 – these show the difficulty of aligning commuting patterns with the chosen FEMA. The FEMA covers 4 different travel to work areas – London, Chelmsford, Stevenage and Cambridge.
- 2.9 This demonstrates the considerable challenge in establishing a West Essex and East Herts FEMA. The lack of significant regional economic centres is the key issue, with markets for economic activity heavily influencing the area from outside it.

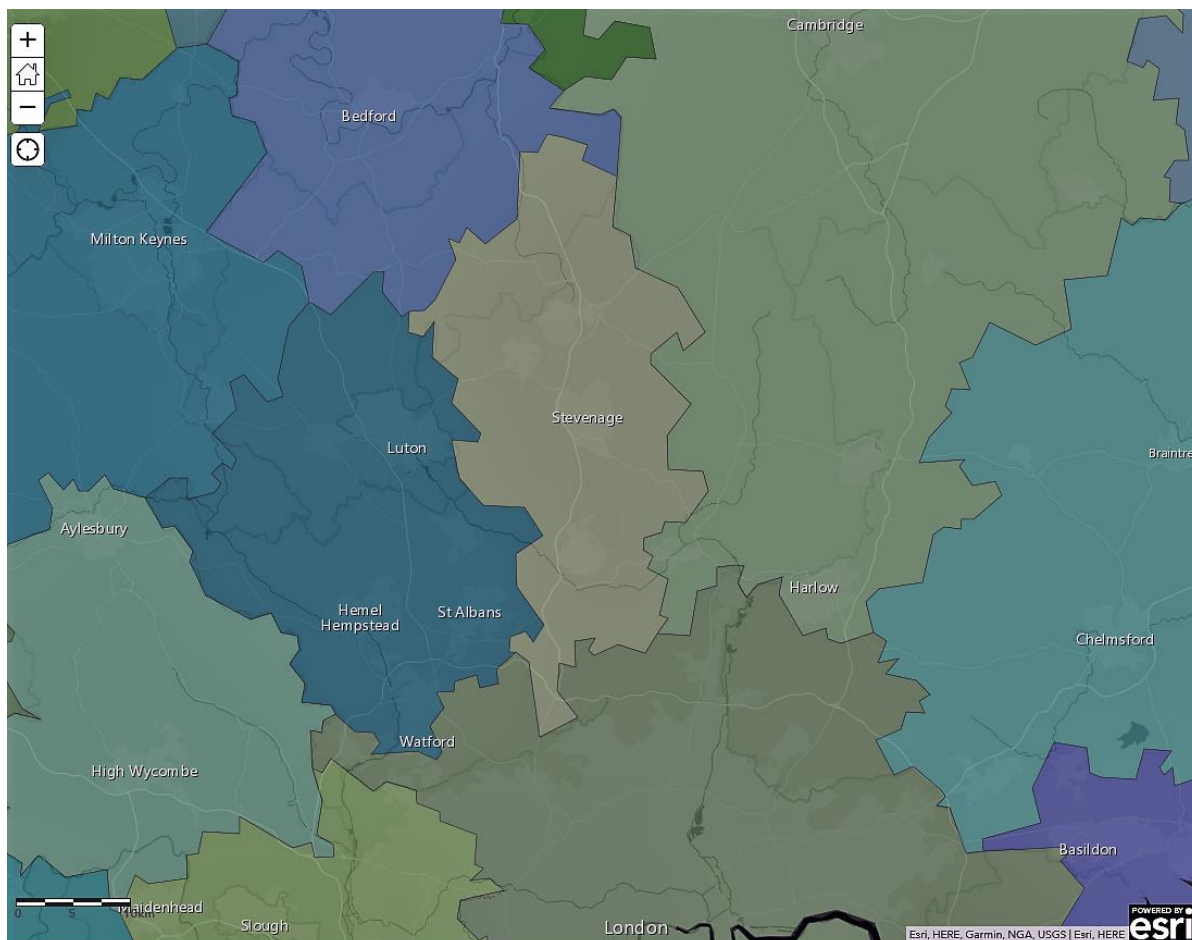


Figure 1: 2011 Travel to Work Areas

- 2.10 **London** While initially acknowledged in the evidence reports, London is excluded from the analysis, with the result that its role and influence is largely overlooked. In particular, we would highlight relative lack of strong economic linkages within the FEMA area. While linkages undoubtedly exist, their economic impact is magnified when considered in the absence of London as they are the only links that remain.
- 2.11 If we consider other outer metropolitan areas, it becomes clear how they have benefited economically from London overspill in a way that the FEMA has not. This can be seen in Figure 2, showing movements of people between places of work and residence, drawn from the 2011 Census, with London removed. The brightest areas, denoting higher economic activity, can be seen in Surrey, the Thames Valley, St Albans and west Hertfordshire.



Figure 2: Economic linkages Ex London

2.12 If we return London to the picture – Figure 3 – the influence is clear. We also know that since 2011, London has continued to generate new employment and that its influence is likely to have grown still further. What becomes clear therefore, is the need for the FEMA

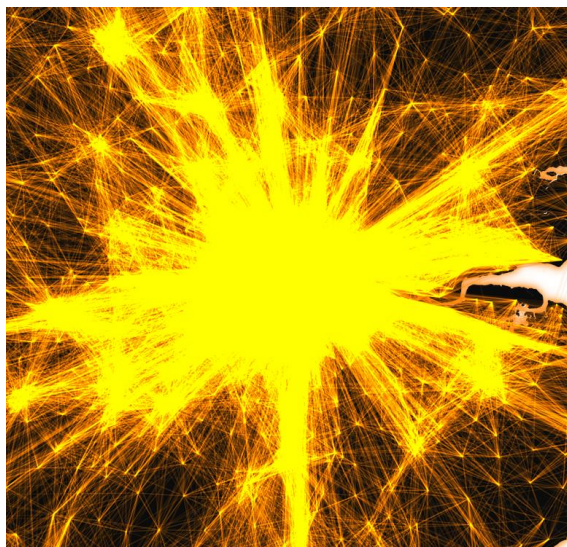


Figure 3: Economic linkages - London included

area to develop as a London overspill employment location in the way other outer metropolitan areas have. This is important both to compete with these areas but also to balance the level of out-commuting from the FEMA. In Epping Forest for example, in 2011, approximately 79% of all employee residents left the district to work¹. This has clear implications for sustainability, infrastructure pressure and potentially, housing market access where out commuters earn more than in commuters, thereby raising local house prices.

¹ ONS 2011 Census Commuting Data, Annual Population Survey

2.13 FEMA Conclusions

The key challenge arising from the selection of the FEMA as it is, is the absence of influential regional economic centres around which a FEMA would normally be based. The most obvious opportunity to address this is to establish a regional centre at Harlow, particularly given the local economic plans for the Harlow Enterprise Zone and key relocations (e.g. Public Health England). In doing this, the area will be able to compete more with other regions, and more crucially, can help the sustainability of the area by balancing the level of out-commuting from the FEMA.

3. JOB GROWTH AND EMPLOYMENT FLOORSPACE FORECASTS Response to question 2

3.1 Planning Practice Guidance advises that to assist in forecasting future economic need, and ultimately economic land use requirements, it is appropriate to consider:

- LABOUR DEMAND sectoral and employment forecasts and projections
- LABOUR SUPPLY demographically derived assessments of future employment needs
- PAST FLOORSPACE TAKE-UP - analyses based on the past take-up of employment land and property and/or future property market requirements;
- CONSULTATION - with relevant organisations, studies of business trends, and monitoring of business, economic and employment statistics

3.2 The Assessment of Employment Needs by HJA 2017 (EB610) follows this guidance, providing detailed assessments of available employment forecasting outputs produced by Oxford Economics' East of England Forecasting Model (EEFM), with account also taken of labour supply forecasts in the most recent Strategic Housing Market Assessment. This considers additional job needs to balance labour supply/population growth. There is then a comprehensive analysis of floorspace trends and likely needs based on the established labour demand picture, as well as consultation with individual authorities.

3.3 There is however, no evidence of consultation with other forecasting bodies, in particular Oxford Economics or Cambridge Econometrics, responsible for the EEFM that plays such a key role in the report. This will be considered in more detail later in this section.

3.4 Two things in the report as described above. The first is the decision to moderate the baseline forecasts in the EEFM 2016 release. The second aspect is the conclusion that labour supply growth, informed by the moderated baseline, is expected to generate a surplus of workers relative to jobs, amounts to 20,000 people. The justification for altering the EEFM baseline, and the resulting calculation to determine the labour supply and employment balance, both merit further analysis and consideration.

3.5 **Moderated Baseline** The HJA study’s key contention concerns the forecast for jobs growth in East Hertfordshire, which is undoubtedly very high in the EEFM 2016 update, relative to the rest of the FEMA area. The individual district growth forecasts are set out in Table 1 below.

2011-2033 Job Growth	Harlow	Epping Forest	Uttlesford	East Herts	FEMA
2014 Update	7,700	10,300	7,000	9,900	34,800
2016 Update	1,800	3,900	4,600	19,800	30,100
2017 Update	10,800	7,400	9,300	13,400	40,900
HJA Moderated	6,700	9,800	7,200	9,400	33,100

Table 1: District Job Growth Forecasts 2011-2033, EEFM and HJA Moderated

3.6 It is relatively straightforward to understand how the high growth level for East Hertfordshire (as well as the low growth in evidence for Harlow) has come about. This is because the EEFM forecasts are trend based and extrapolate past growth rates forward. Job data from ONS shows East Herts experiencing strong growth since 2011 and particularly between 2013 and 2014, the final data points available to the 2016 model. Conversely, Harlow has shown much more limited employment growth since 2011, having suffered more in the aftermath of the 2008 financial crisis and recession. As a result, employment growth for Harlow is forecast to be very limited, increasing by just 1,800 from 2011-2033.

3.7 It is accepted that year on year job growth changes are much more volatile and variable than long term forecasts which smooths out change over a long-term time frame. It is understandable therefore to question the forecasts at district level where more volatile or

irregular rate of change is projected in to the future and this is clearly the case in East Hertfordshire and Harlow and to some degree for Epping Forest too, with the forecasts also showing considerable variability.

- 3.8 The key question is how to address this, and making changes to particular aspects of a highly complex model should only be done in consultation with the original modellers and forecasters. There is no indication that the HJA moderated baseline was developed in consultation with Oxford Economics (the original developers of the EEFM) or with Cambridge Econometrics who have taken over updating the model since 2016. **It is therefore not possible to know if the methodology for altering the baseline is appropriate.**
- 3.9 We would question for example, the suggestion in the HJA report that the rapid employment growth recorded in East Hertfordshire could be a statistical anomaly². This suggestion is made on the basis the upward trend for job growth was reversed in the data for 2015 that was not in the EEFM. Yet since the HJA report was released, a further year of data has been released for 2016 and this shows the growth trend to have resumed³. It seems highly irregular therefore, to suggest that certain data might be an anomaly, on the basis that a given trend for a given data set (East Herts district) has reversed, particularly as the previous trend was shown to resume again the next year.
- 3.10 We would also question the appropriateness of targeting one perceived anomaly over another. There would be every justification to consider the data for Harlow as equally anomalous for the same reasons, albeit that the 2016 update forecast is for almost no growth rather than the 20,000 forecast for East Hertfordshire. We can say with some certainty that this forecast is likely to be wrong, not least because existing data shows that 3,000 jobs were already added in Harlow between 2011 and 2016⁴.
- 3.11 As such, more evidence and support is needed from the model developers and data managers of the EEFM however, to be sure that the methods used to make the moderated baseline were appropriate.
- 3.12 **EEFM 2017 Update** As of September 2018, a new EEFM 2017 update is available, which makes further substantial upward revisions to employment forecasts. These reflect the

² West Essex & East Hertfordshire Assessment of Employment Needs 2017, HJA, Page 8, Footnote 8.

³ ONS Job Density Time Series, East Hertfordshire, 2011-2016

⁴ ONS Job Density Series Harlow, 2011: 43,000 jobs, 2016 46,000

strength of the national labour market in the years to 2016, which is generally considered to have surprised on the upside, with record numbers of jobs and employed people.

3.13 As a result, the 2017 update forecasts a higher level of employment growth than the 2014 update which was the highest of the forecasts assessed in the HJA 2017 report. The 2017 update forecast can be seen in Figure 5.

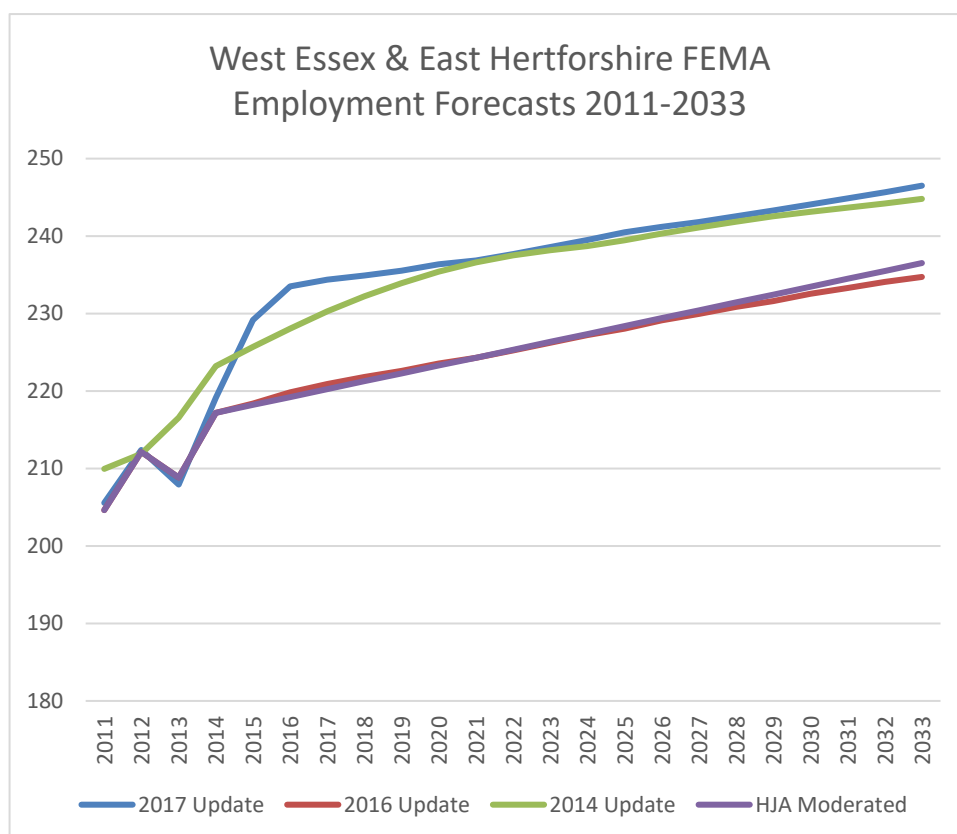


Figure 5: Employment Growth Forecasts with 2017 EEFM Update Added

3.14 **Balancing the Labour Market and Establishing the 'Preferred Scenario'**

The HJA report considers the labour supply position relative to its moderated baseline and concludes that 20,000 people will require jobs in the FEMA by 2033. The study identifies 17,900 jobs that can arise from particular development schemes such as Stansted Airport and Harlow Enterprise Zone that produce a jobs 'uplift'. The uplift is considered to be outside the scope of regular trend based forecasts, and when added to the moderated baseline, forms the basis of the 'Preferred Scenario'.

3.15 However, we can see that using the new 2017 EEFM update, the situation with regard to balancing the labour market is entirely turned on its head. The preferred scenario leaves

an estimated 2,100 resident workers in the FEMA requiring employment. However, with the 2017 update applied, this produces a **forecast additional 7,800 jobs** across the FEMA, and a labour supply *deficit* of 5,700.

3.16 **Floorspace Calculations**

The methodology used in the HJA study for determining floorspace requirements appears sound and in line with Planning Practice guidance. However, the uncertainty surrounding the method used to establish the moderated baseline as set out, plus the additional job growth forecast across the FEMA in the 2017 EEFM update, means that the floorspace calculations as set out in the study are un-verifiable. This is because they are derived directly from employment forecasts that we contend here are open to question and therefore not sufficiently robust.

3.17 **Conclusions**

As explained, there is too much uncertainty regarding the employment forecasts to be able to validate them. Critically, the subsequent labour supply balancing and employment floorspace calculations that are derived from them are highly questionable. The moderated baseline cannot be certified as viable without the methodology being validated by the EEFM's modellers and economists who are commissioned to run it.

3.18 At the current moment, based on the latest EEFM 2017 output, there will be a substantial under provision of employment land across the FEMA.

3.19 Based on our own experience of the EEFM and conversations with the current data managers and model commissioners, the forecasts are less reliable and more susceptible to significant variance the smaller the area analysed. It is preferable to use regional, LEP based or functional economic geographies given that the EEFM uses national Gross Value Added (GVA) as its initial input. This further brings in to question the issue of the FEMA not reflecting local economic geographies, further complicating forecasting and analysis.

4. **EPPING FOREST DISTRICT PLAN – Land Use Allocations** **Response to question 3**

4.1 In light of the conclusions above regarding job growth forecasts, the question of whether the job growth and floorspace requirements will be met is impossible to answer. However, taking the figure in the plan of 10,800 jobs in Epping Forest, this produces a requirement for 52,400sqm of office space and 81,700sqm of industrial space between 2011 and 2033.

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- 4.2 **Re-Use Ratios** Using historic monitoring data from 2006-2015, the HJA study determines that 40% of development will take place within existing developments in Epping Forest. The approach of assessing past monitoring data is sound, however, the study periods are split between short-term 2011-2015, and the full period 2006 to 2015, the latter of which produces a re-use development percentage of 34%. This is a long way from the proportion referenced in the Draft Local Plan at paragraph 2.50 of “approximately half”. This will give the impression that only half of total new floorspace requirements need to be found, which could be highly questionable.
- 4.3 In the absence of any analysis of the variance in re-use rates for the two time periods, it is hard to place a great deal of faith in them when based only on the short-term data, or in the subsequent floorspace requirements produced. In particular, the variability between districts’ short term and longer-term re-use rates is notable. Some have increased significantly (Uttlesford: 25% long-term vs 42% short-term), some have decreased significantly (East Herts: 62% long term vs 47% short-term).
- 4.4 If the long-term re-use rate in Epping Forest was applied this would create an additional need of 8,200sqm over the 2011-2033 time period based on the 10,800 jobs forecast. While this may not seem too substantial on its own, across the FEMA area and given some of the broad differences between long and short-term re-use rates, the variance would be highly significant if long-term re-use rates were used. Given the duty to co-operate across authority boundaries to meet FEMA wide meet requirements, such a potential variance cannot be overlooked.

As such, we conclude that more analysis and justification is required to determine the most appropriate re-use rates as these are critical in determining floorspace requirements. This means that it cannot be said with any certainty that the Plan provides sufficient floorspace for 10,800 jobs, nor, for reasons discussed in the previous section, can it be said if 10,800 is a robust enough number of jobs to plan for.

- 4.5 **Site Allocations** The plan identifies 23ha of potential development sites to meet employment need. These are spread across five sites, with 20ha of this - or 85% - allocated to just two sites – North Weald Airfield and land north of the A121, south of Waltham Abbey. One of these, North Weald, is allocated to B1A office use. Without greater clarity on floorspace need and re-use rates it is hard to assess if these allocations are sufficient. What is clear is that the Plan is heavily reliant on just two sites to deliver the vast majority of its employment needs. Outside of these two large sites, industrial estates at Langston

Road and Galley Hill Road and land at Dorrington Farm are identified as delivering 1ha each.

- 4.6 It is evident then that the Plan is severely limited in terms of employment development options and reliant on the aforementioned re-use opportunities, the scale of which we would suggest is not yet possible to determine with sufficient certainty.
- 4.7 The North Weald site presents the most sustainable option with easy access to main road and motorway networks and relative proximity to Epping underground station. However, options remain severely limited for employment land, especially in the north and east of the district. Any difficulties or obstacles regarding deliverability on a site such as North Weald or the A121 site, will leave the district entirely reliant on re-use and the three small industrial estate sites referenced in 4.5. Of these two are in rural locations with small road access only.
- 4.8 Overall therefore, we would reiterate the importance, as cited in our representation to the Local Plan Consultation 2018 (19LAD0058), of identifying more employment sites, a need further identified in the HJA 2017 Employment Needs study. We would suggest the emergence of the 2017 EEFM update forecasts, that contain substantial additional employment growth to 2033, only increases the importance of identifying additional sites.
- 4.9 In particular, the site LPA reference SR-0092, we would suggest represents an obviously more sustainable and accessible location at the M11 junction #7 than the Galley Hill Road and Dorrington Farm locations, while also offering a valuable north district site that will support planned and forecast employment growth for Harlow, including potential further growth beyond that set out in the HJA 2017 report, indicated in the 2017 EEFM forecasts.
- 4.10 With regard to site sustainability and accessibility, we would contend that the previously referenced above trend levels of employment growth nationally and across the FEMA since 2011, plus substantial levels of growth in all future forecasts scenarios, further underlines the importance of site sustainability and accessibility as congestion and transport capacity have become considerable issues.
- 4.11 Epping Forest in particular, as referenced in the HJA Economic and Employment Evidence study (EB600b), is widely recognised as a dormitory district, lacking appropriate employment space. As a result, it contends with high levels of out-commuting, adding to sustainability pressures. This is further reasoning for establishing not only additional employment space but a *range* of space, from grow on space and flexible workspace to high end corporate facilities. These needs are clearly identified and expressed in the

consultations set out in the HJA. In Harlow, planned housing development will need to be appropriately balanced with accessible employment locations to control out-commuting, of which the SR-0092 site is a good example.

5. OVERALL CONCLUSIONS

5.1 We would summarise our key points in this statement as follows:

- There are problems associated with the chosen FEMA which lacks substantial economic geographies around which to plan.
- In particular the area is unduly influenced by London and influential regional centres, making sustainability a particular challenge. The most viable means of addressing this is to develop Harlow as a key competing regional centre.
- The rationale and methodology for moderating the EEFM baseline has not been appropriately verified.
- The release of the 2017 EEFM indicates a higher level of job growth than all forecasts considered in the HJA 2017 study that informs the Draft Local Plan. Taking these aspects together, it is not possible to verify the floorspace requirements which are likely to be insufficient in light of new job growth forecasts.
- The sites selected to meet the floorspace requirements as set out, we contend are insufficient in number (5), size and appropriateness in terms of sustainability and accessibility.
- We strongly suggest, as does the Council's own evidence, that further sites be selected to account for likely increased employment need indicated in the latest forecasts, and to provide a greater variety and geographic spread of options.