

Paragon North Weald Ltd

Local Plan representations – Matter 3 Issues 1 & 3

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January 2019

MATTER 3: THE QUANTITATIVE REQUIREMENTS FOR DEVELOPMENT

Issue 1: Is the housing requirement for the plan period 2011-2033 appropriately defined having regard to the composition of the Housing Market Area (HMA); and the Objectively Assessed Need (OAN) for housing within the HMA?

The OAN and the uplift

- 1.1 The scale of the uplift, from the demographic baseline in Epping Forest does not accord with the most recent examples in Essex, and also wider afield. Nor does it align with the findings of the OAN report itself.
- 1.2 Most obviously Chapter 3 of the OAN report (EB407) appears to recommend or endorse a 20% market signal increase. But the OAN here is only uplifted by 13% - from 11,605 to 12,573 dpa.
- 1.3 The 13% uplift (or even 20% as originally suggested) is far lower than would reasonably be expected given the extreme lack of house price affordability here. The district is one of the least affordable in the Country with homes over 14 times workplace earnings. In this region only St Albans is less affordable. As a 'rule of thumb' market signal uplifts tend to range between 0 – 30%¹. With homes so unaffordable it is difficult to see how 13% can be justified.
- 1.4 The recommended 13% uplift for Epping Forest is also clearly out of scale when compared to findings of four other Essex Councils OANs. Elsewhere in Essex PBA prepared the OANs for Chelmsford, Braintree Colchester and Tendring. Chelmsford is an immediate neighbour to the north east of Epping Forest.
- 1.5 For three of the Councils (Braintree, Colchester & Tendring) the OAN was successfully tested and found sound by Inspector Clewes at Examination.²
- 1.6 In December 2018 the Chelmsford Inspector, when closing the EiP, stated that she was minded to find the Chelmsford plan sound subject to modifications not related to the OAN.
- 1.7 The table below summarises the position in these four Councils. We also show the most recent affordability ratio. In this context the Epping Forest affordability ratio over 14 times workplace earnings obviously justifies a higher uplift than the 13%.

¹ See Paragraph 5.86 onwards of the PBA North Essex OAN report for details on this 'rule of thumb'
https://www.tendringdc.gov.uk/sites/default/files/documents/planning/Planning_Policy/Final%20Mid%20Essex%20SHMA%20update%20-%20Nov%202016.pdf

² https://www.braintree.gov.uk/downloads/file/7928/ied012_-_inspector_s_section_1_supplementary_post-hearing_letter_to_neas_27_june_2018

Scale of PBA Market Signal uplift in Essex compared to Epping Forest:

	PBA Uplift	CLG Affordability
Braintree	15%	9.5
Chelmsford	20%	11.38
Colchester	6%	8.89
<i>Tendring</i>	15%	8.95
[ORS]		
Epping Forest	13%	14.49

Source: PBA / Mid Essex OAN Report (2016)³ Note Tendring is complicated by data quality issues and the uplift partly addresses this uncertainty.

- 1.8 We accept that arriving at an uplift is a matter of judgement. But relevant to this area is that the PBA evidence always took the higher of any of the PPG upward adjustments. Whereas the OAN here has been reduced below the 20% uplift recommended by ORS for market signals.
- 1.9 While the Epping OAN report (EB407) suggests the author’s approach has been found sound we note that the Aylesbury Vale Inspector has recently (August 2018) directly challenged this.
- 1.10 In summary, he found that the Consultant’s approach to market signals was unsound. Key to his finding was an affordability ratio of 10.4 (as in Aylesbury) should justify a more aggressive uplift than the 10% promoted in the SHMA. The Inspector notes that direct comparisons with standard ‘benchmark’ councils would suggest a 15%-20% uplift for Aylesbury Vale, which is broadly in line with PBA’s Braintree and Chelmsford uplifts referred to above.
- 1.11 We also note that in Aylesbury Vale the consultant team has responded (September 2018⁴) and conceded that 15% is more appropriate. In return the Inspector has responded maintaining his position that regardless the OAN ought to be higher and most of his criticisms of the approach still stand⁵. Given the Consultants

³

https://www.tendringdc.gov.uk/sites/default/files/documents/planning/Planning_Policy/Final%20Mid%20Essex%20SHMA%20update%20-%20Nov%202016.pdf

Note – Direct comparisons with Tendring are complicated by data quality issues in their underlying ONS population projections.

⁴

https://www.aylesburyvaledc.gov.uk/sites/default/files/page_downloads/ED167B%20Appendix%20%20ORS%20Response%20to%20Inspector%27s%20interim%20findings_0.pdf

⁵

https://www.aylesburyvaledc.gov.uk/sites/default/files/page_downloads/D5%20Discussion%20Document%20%20-%20Inspector%27s%20response%20to%20points%20raised%20by%20Council%20on%20his%20Interim%20Findings%202.12.18%20_0.pdf

reconsideration of the Aylesbury Vale uplift, a much more affordable district than Epping Forest, we question the weight we can afford to this approach and judgment.

The Policy Target

- 1.12 We note that the PPG allows homes to be moved within a Housing Market Area. But doing so here will only exacerbate the extreme lack of affordability in the local market.
- 1.13 Here there is no evidence that the Council sought to address their need in full before exporting it. The Council's supply evidence was late and the final site assessments were not finalised until the plan was submitted. Given the chain of evidence it is difficult to conclude that the Council tried to meet its needs in full.

Issue 3 – Employment Land (FEMA, Forecasts and job numbers)

Question 1: Has the FEMA comprising Epping Forest, East Herts, Harlow and Uttlesford Councils been defined by reference to the advice in the PPG? Is it justified.

- 1.14 The Council's Economic and Employment evidence base document EB600B presents the evidence for the FEMA area. The table on Pages 6/7 summarises the evidence the PPG requires when defining a FEMA. However, when cross-checking the data presented with the requirement from the PPG it becomes clear that the data does not actually support the FEMA as defined.
- 1.15 Of the eight PPG indicators:
 - Four clearly do not support the FEMA as defined. However, instead of moving towards an alternative more broadly drawn FEMA, the report concludes that these indicators are 'not helpful' [*to support the defined FEMA*], setting aside the evidence without any justification.
 - In the case of a further two indicators the authors say that there is no data 'easily available' [*to apply the PPG correctly*].
 - The assessment of the transport connections indicator suggests a more widely drawn FEMA.
 - Only the HMA appears to mirror the defined FEMA but we note that the extreme lack of affordability in the Epping market, compared to the HMA, strongly suggests Epping functions as part of the London market.

Table 2.1 PBA Summary of EB600B, table on Page 6.

Indicator	Summary of Table 6	Supports the FEMA?
LEP Geography	LEP geography larger than the defined FEMA. This is ' not helpful '	No – The analysis suggests the FEMA is larger and does not support the FEMA as defined.

Travel To Work Areas (TTWA)	Epping is split into three TTWAs. This is ' not helpful '	No – The analysis suggests the FEMA is larger and does not support the FEMA as defined.
Housing Market Areas	"See Below". This appears to cross refer to EB40.	No – HMAs sometimes follow FEMAs but this needs testing. In this case there is no evidence that the FEMA has been tested.
Flow of Goods and Services	No evidence ' <i>easily available</i> '	No – Not considered because the Consultants cannot source the data suggested in the PPG.
Service Market for Consumers	Major retail centres fall outside the predetermined FEMA. Therefore this is " not helpful "	No. The analysis suggests the FEMA is larger and does not support the FEMA as defined.
Administrative areas	" Not helpful ". Goes on to list various joint working in the broad area. These are inside and outside the defined FEMA. The analysis does not actually support the FEMA	No. Consultants think the data is 'unhelpful'
Catchment Areas for Cultural and Social Facilities	"No data easily available". But in any event the pattern is similar to retail. So does not help define the FEMA	No. The analysis suggests the FEMA is larger and does not support the FEMA as defined
Transport Connections	Notes the M11 Corridor and London Underground Links to Central London.	No. The analysis suggests the FEMA is larger than that defined.

- 1.16 In summary the evidence shows very strong economic links with the outer London Boroughs. Significant parts of Epping Forest function as part of the London economy, and particularly for warehousing and logistics.
- 1.17 These strong links with London are noted in the Council's own December 2017 ELR (EB603) which notes the district does not form one market area - but two; a northern market area and a southern London-facing market (4.1.2 EB603).

- 1.18 These links are also explicitly noted in the GLA’s 2017 Industrial Land Demand Study⁶ that is the most recent assessment of London’s employment land needs, and evidence supporting the new London Plan, partly authored by PBA. This noted:

*“The functional economic area for the logistics sector is not confined by the London administrative boundary. In the same way that part of London’s labour market is supplied from the Wider South East, so is part of its goods market.”
(page 7)*

- 1.19 The LB Enfield 2017 ELR concluded that their FEMA extends into Epping Forest:

“The UK Planning Practice guidance outlines that ‘need’ should be assessed within the context of a Functional Economic Market Area (FEMA), which for Enfield is found to consist of the following local authorities:

Barnet, Broxbourne, Epping Forest, Haringey, Hertsmere, Waltham Forest; and Welwyn and Hatfield.”⁷

- 1.20 We agree that any FEMA has ‘fuzzy’ boundaries (ELR 4.1.1 (EB603). But no consideration given to the ‘fuzzy boundary’. Instead the Council’s quantitative assessment only addresses needs from within the defined FEMA.

Implication for the Plan

- 1.21 The Council’s own evidence base (EB600B) does not support the FEMA as defined. EB600B supports a much larger FEMA that includes parts of London.
- 1.22 That the FEMA (at least for warehousing and logistics) extends further than the Council maintains is also consistent with the GLA’s recently prepared evidence.
- 1.23 Drawing the FEMA too narrowly means that some needs will remain unaddressed.

Question 2 “Have the conclusions of the Employment Needs Assessment (EB610) in respect of job change/growth and employment floorspace requirements for the FEMA as a whole and for Epping Forest specifically been arrived at by following the methodology recommended in the PPG”

- 1.24 The ELR (EB603) and related mix of evidence documents are something of a ‘tangled web’ dealing with the FEMA [as defined by the Council] (EB610), and with Epping Forest on its own. Understanding the evidence is complicated because in the Council’s evidence base, data and charts related to the FEMA as a whole are often cited – while Epping specific data is not.
- 1.25 Setting this aside - the Council uses the EEFM to derive need. Whilst PBA often use this data, we recognise the data’s limitations in respect of warehousing.
- 1.26 To place the Epping Forest Plan’s provision of new land in context:

⁶ https://www.london.gov.uk/sites/default/files/ilds_final_report_june_2017.pdf

⁷ <https://new.enfield.gov.uk/services/planning/exd55-lbe-employment-land-review-2017-draft-report-planning.pdf> - Page 8.

- The ELR (EB603) makes **no provision for net additional industrial space over the plan period**. This is across the warehousing, general industrial and R&D (B1b) sectors.
 - The ELR (and Plan) assumes the local industrial economy requires only 1,000 sq m of net additional space over the plan period (table 3.5, ELR).
 - Where a positive land quality is cited (eg 14 ha at paragraph 2.51 of the Plan, and table 3.5 of the ELR) this is driven by a ‘replacement’ floorspace assumption.
- Despite the ELR (EB603) concluding the FEMA boundary is ‘fuzzy’, no allowance has been made to meet the needs of industrial and warehouse firms looking to service the London, or wider regional markets. This is despite the district being highly accessible to a large market area via its high-quality motorway links and having attracted large warehousing in the past.

1.27 Below we look at these two points in more detail.

The use of a ‘nil net additional industrial land scenario’

- 1.28 The ELR (EB603) provides no land for net additional industrial or warehousing uses. ELR Table 3.5 shows a net requirement for 1,000 sq m of net additional ‘industrial’ space over the plan period.
- 1.29 However; what is not presented is that this 1,000 sq m is the net product of declining traditional manufacturing (industrial demand) being directly offset against growing warehousing (B8), positive R&D (B1b) demand and small positive demand for B1c light industrial.
- 1.30 Detailed workings for Epping Forest are not presented in the ELR (EB603) – table 3.5 only presents ‘industrial’ as one broad group, but the approach can be audited at the FEMA level - a positive demand for 179,000 sqm for growing sectors. This is offset against -86,900 sqm manufacturing demand.

Table 2.2 ‘Industrial demand’ across the FEMA

Sqm (16-33)	Use Class	Description
93,200	B1b	Research and Development space
3,300	B1c	Light Industrial
83,400	B8	Warehousing
179,900		Sub Total (B1b,B1c+B8)
-86,900	B2	General Industrial / Traditional Manf.
93,000	Industrial	Total for all 'Industrial' uses

Source: Figure 4.5 of the 2017 FEMA study (EB610).

- 1.31 This ‘netting off’ is deeply unsound given market conditions. At the FEMA level it assumes that growing R&D, light industrial and warehousing operators will take the same land, sites and property, as vacated by a declining traditional industrial sector.

i.e land and property occupied by traditional industry is suitable and attractive to growing sectors.

- 1.32 This is clearly not the case here given that many of the traditional industrial sites will not be in the right location or share the same qualitative characteristics as those demanded by growing sectors.
- 1.33 The next generation of large warehouses, which the Council's evidence suggests are in demand (e.g. page 38, ELR (EB603) will be unsuited to small, often constrained, 'traditional' employment sites. The ELR (page 39) notes:
- “The above shifts in supply chain models will have an impact on the land and property requirements of the distribution and logistics sector”*
- 1.34 Some of the emerging high technology manufacturing will require new sites and property. The ELR notes:
- “The above market trends and technological advancements have implications for the manufacturing and industrial property market. These ongoing changes are resulting in new industries which have different property needs to traditional occupiers. As a result, there will be an increasing mismatch between supply and demand of premises, with many older sites becoming economically and functionally obsolete (DTZ, 2009).”*
- 1.35 Many R&D occupiers also decline to reuse old manufacturing sites preferring new purpose build facilities.
- 1.36 The ELR (EB603) does make some small provision for 'replacement space', but this is justified to replace existing land or property – not to meet net additional demand.
- Is the EEFM a good guide for warehouse demand?*
- 1.37 In previous representations we noted that the EEFM should not be used to identify warehouse demand. This was because in our extensive experience this is not an appropriate method for this sector in such a location; so close to London with a well-developed motorway network. Demand, particularly for strategic warehousing will be high in an area able to serve a wide and populous catchment.
- 1.38 In the context of the (old) PPG we considered that larger warehousing demand was a distinct 'segment' of the market (PPG 2a-32) with its own locational characteristics. It is distinctly different from 'normal' or general warehousing that serves a more local 'last mile' catchment.
- 1.39 In recent published studies for Central Bedfordshire (2016), Basingstoke (2018) and Swale (2018) we have advised our public sector clients not to apply a forecast generated job number for larger warehouse demand, because of the poor correlation between jobs and floorspace demand for this sector, and also because warehousing occupiers are 'footloose' and tend to be 'site led' in their choice of location within wide areas. This footloose (and 'lumpy') demand is not picked up via economic forecasts.

- 1.40 We note the GLA do not use job forecasts to estimate the demand for warehousing space. The GLA's view, informed by various PBA (and URS) studies is summarised in the Mayor's 2012 Industrial Land Demand SPG:

“Traditionally, demand for warehousing land was assessed in terms of the relationship between projected employment and employment density within the sector. However, research indicates that the demand for logistics and warehousing is poorly correlated with employment growth”⁸

- 1.41 The Mayor recognises that demand is more closely related to GDP growth. As GDP improves the volume of goods circulating in the economy goes up, and demand for warehousing space increases.
- 1.42 The disconnect between local job forecasts and evidence of demand in respect of warehousing is also clear from the Council's own ELR study (EB603). Quantitatively, the EEFM job growth results in almost no increase in warehouse (B8) jobs. But the Council's own assessment points to positive demand for warehousing, and there has been large scale take-up in the area – most obviously Sainsburys Waltham Abbey RDC.
- 1.43 It is also apparent from the recent National Infrastructure Commission report on logistics that Councils have chronically under-supplied land for logistics in development plans. The interim report on the 'future of freight' December 2018⁹ describes logistics as the *“Forgotten element of spatial planning”* (page 7). The report also explicitly notes the shortage of space available to efficiently service the London market, with London being serviced from locations over ever greater [unsustainable] distances noting *“Areas of London are now suffering the consequences of failing to plan, with demand for freight sites significantly outstripping supply”* (Page 7).

Summary

- 1.44 The evidence base recommends no new land or allocations for industrial or logistics uses in Epping Forest. This a 'product' of the ELR's recommendation to provide only 1,000 sqm of net additional space. The ELR (EB603) 14ha of new land is not actually net additional, but the product of existing firms seeking replacement space.
- 1.45 This 'nil net growth' conclusion flows from a flawed assumption that land and property for growing industrial sectors are fully interchangeable with declining, traditional sectors. The evidence base fails to recognise the footloose nature of some sectors. In recent work for other Councils PBA explicitly warns Plan-makers not to use economic forecasts to set a limit to warehousing need.
- 1.46 Planning for no net growth in industrial sectors fails a 'common sense' check for an area so close to London and so accessible. This area has attracted footloose

⁸ para 5.10

https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/SPG%20Land%20for%20Industry%20and%20Transport.pdf

⁹ <https://www.nic.org.uk/wp-content/uploads/Future-of-Freight-interim-report.pdf>

demand for logistics in the past and a common-sense view is it will continue to do so in the future.