

Report to the Cabinet

Report reference: C-034-2015/16
Date of meeting: 8 October 2015



Portfolio: Planning Policy

Subject: Economic Evidence for the new Local Plan

Responsible Officer: Sarah King (01992 564347).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To note the findings of the ‘Economic Evidence report for West Essex and East Herts’ report (referred to as the Joint Economic Report) and that it be added into the Local Plan Evidence Base; and**
- (2) To note the findings of the ‘Economic and Employment Evidence to Support the Local Plan and Economic Development Strategy’ report (referred to as the Detailed EFDC Economic Report) and that it be added into the Local Plan Evidence Base.**

Executive Summary:

The Council’s existing Employment Land Review was completed in 2010 and requires revision. Two reports have been prepared, by the same consultants, to provide up to date robust economic needs evidence for the Local Plan. These are:

1. the ‘Economic Evidence report for West Essex and East Herts’ (hereafter referred to as the ‘**Joint Economic Report**’) – this was commissioned jointly by EFDC and East Herts, Harlow and Uttlesford Councils. There has been a strong emphasis by Inspectors at Examination in Public stage for some time now that jobs and housing requirements should be aligned, so this study was commissioned on the same basis as the Strategic Housing Market Assessment, to cover the four authorities and to inform all four Local Plans across the ‘Functional Economic Market Area’; and
2. the ‘Economic and Employment Evidence to Support the Local Plan and Economic Development Strategy’ (hereafter referred to as the ‘**Detailed EFDC Economic Report**’) – this was commissioned by and for EFDC alone and provides a detailed analysis of the assessed economic need, in terms of employment floorspace and type to be provided through the EFDC Local Plan. This document is necessary as the Joint Economic Report is at a high level, and expresses the Objectively Assessed Economic Need as a range of jobs growth per year, whereas the Council also needs to know the floorspace breakdown of what this need might be in order to inform the new Local Plan.

Both documents have been prepared in accordance with the Government’s National Planning Policy Framework and the Planning Practice Guidance. They provide an objective assessment of economic need over the Local Plan period 2011-2033; whilst in themselves the report findings they do not necessarily represent the employment/jobs target, they are an important step towards establishing this for the District. It is therefore proposed that the two new economic evidence reports be added to the Local Plan Evidence Base, so that they can be used, and balanced along

with all the other evidence, to help determine the eventual future employment/jobs target for the district through the Local Plan process.

Reasons for Proposed Decision:

To ensure that the Evidence Base for the new Local Plan includes robust up to date economic needs assessments, conforming to national planning policy and guidance, and demonstrating cross border co-operation. This is necessary in order to ensure the preparation of a Local Plan which will be found 'sound' at Examination in Public.

Other Options for Action:

Not to include the Joint Economic Report and the Detailed EFDC Economic Report into the Local Plan Evidence Base. However, this would jeopardise the Local Plan timetable, and seriously risk the new Local Plan being found unsound at Examination in Public stage, as it would not be based upon up to date economic needs assessments.

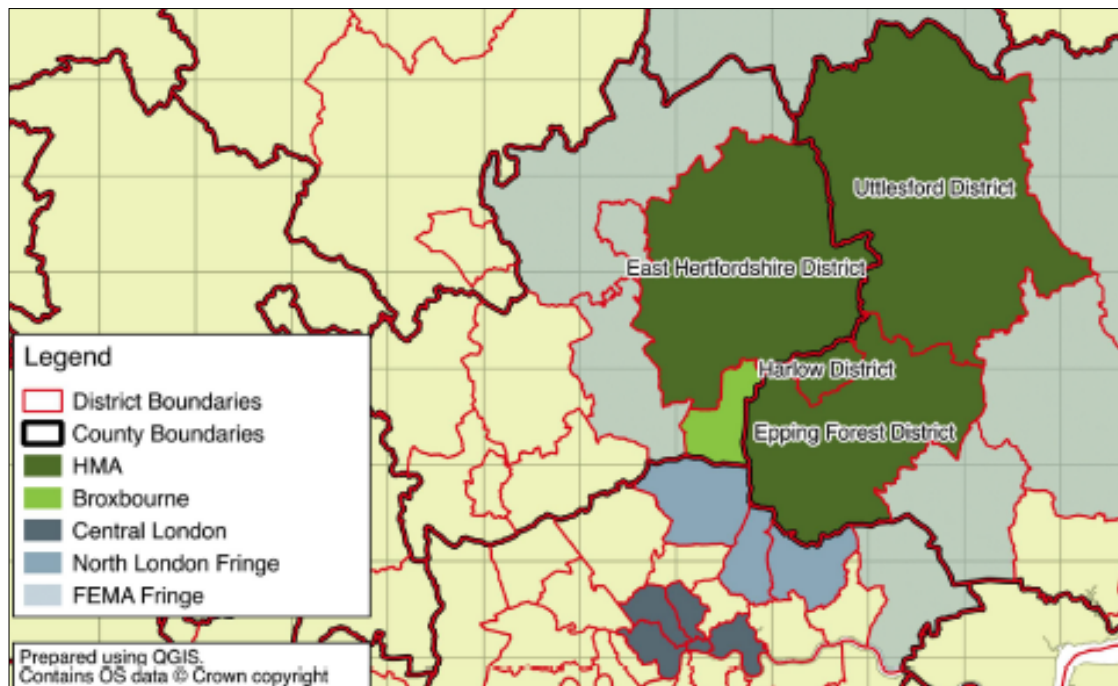
Also, as the Joint Economic Report has been commissioned jointly with the three other authorities in the Functional Economic Market Area (East Herts, Harlow and Uttlesford Councils), even if it were not included in the evidence base by this Council it is extremely likely to appear in the other authorities' Evidence Bases, and so will be in the public domain and therefore used within our Functional Economic Market Area.

Report:

Background

1. The National Planning Policy Framework (NPPF, 2012) and the Planning Practice Guidance (PPG, 2014-15) require local planning authorities to objectively assess economic needs in their areas, and to plan to provide for them through their Local Plan. The existing Employment Land Review within the Council's Local Plan Evidence Base was published in 2010 and so is significantly out of date.
2. Central Government requires local planning authorities to assess their economic need '*....working with the other local authorities in the relevant housing market area or functional economic market area in line with the duty to cooperate*' (PPG, para. ID: 2a-007). A Functional Economic Market Area (FEMA) is the equivalent of a Housing Market Area for economic patterns instead of housing patterns. Like Housing Market Areas, Functional Economic Market Areas rarely conform to administrative boundaries, so they have to be defined carefully. FEMA's are defined using a range of data, including the flow of goods, services and information within the local economy, travel to work patterns, and transport networks.
3. EFDC has worked with the other three local authorities within its FEMA (East Herts, Harlow and Uttlesford Councils), as analysis for the data indicates that the FEMA is comparable to the Housing Market Area. The only difference is that analysis indicates that Broxbourne BC could also be considered part of the FEMA – however whether or not this is included makes little difference to the results, as the data shows the strongest economic relationships are between EFDC, East Herts, Harlow and Uttlesford Council areas. National policy and guidance acknowledges that a FEMA is unlikely to perfectly fit administrative boundaries, but that a 'best fit' should be identified that enables local authorities to plan reasonably for economic needs. The FEMA is shown in Figure 1. Along with links to Broxbourne BC, it also highlights links from the FEMA to adjacent local authorities and to inner and outer London Boroughs, as would be expected for an area with such high out commuting to London.

Figure 1 – The Functional Economic Market Area



4. The Joint Economic Report covering EFDC and the three other local authorities named above, has been prepared by Hardisty Jones Associates (consultants). It sits alongside the Strategic Housing Market Assessment (also being presented to this Cabinet meeting) which analyses the same four local authorities, demonstrating compliance with the Duty to Co-operate and the technical advice that local authorities ‘...*integrate demographic projections and economic forecasting...*’ (Objectively Assessed Need and Housing Targets: Technical advice note, Planning Advisory Service, July 2015).

5. The Joint Economic Report gives a recommended Objectively Assessed Economic Need (OAEN) range for each local authority including EFDC, expressed as a range of jobs growth per year over the plan period up until 2033. This then requires further analysis at district level, including assessment of the local economy, the strength of particular sectors and the likely breakdown of employment floorspace needed to deliver the OAEN on the ground in our district. This is achieved through the second report, the Detailed EFDC Economic Report. The same consultants have produced this report, so providing consistency of approach.

Objectively Assessing Economic Need within a Functional Economic Market Area (FEMA)

6. The NPPF and the PPG give stringent requirements for objectively assessing economic needs. The Planning Advisory Service (PAS) ‘Objectively Assessed Need and Housing Targets - Technical advice note, 2nd edition, 2015’ also gives detailed advice on preparing an economic assessment at FEMA level which is robust. Together these require that economic assessments should:

- (a) be objective, and assess supply and demand (PPG, para. ID: 2a-001/031);
- (b) assess employment and main town centre uses (i.e. not just ‘traditional’ employment such as the ‘B’ use class classifications of business, industry and storage/distribution) (PPG, para. ID: 2a-030); and
- (c) consider forecasts of economic need in terms of the scale of need and the

breakdown by economic sector and by floorspace over the Plan period (PPG, para. ID: 2a-032 / NPPF para. 161).

7. Both the Joint Economic Report and the Detailed EFDC Economic Report have been prepared in accordance with the National Planning Policy Framework, and the Planning Practice Guidance.

Headline Results from the Joint Economic Report

8. The Joint Economic Report gives following headline results (Figure 2) for Objectively Assessed Economic Need (OAEN, in net additional jobs per year) for the Functional Economic Market Area as a whole, and for each local authority, over the Local Plan period 2011-2033. These results have been reached by a careful analysis of historic job growth and projections of future jobs growth in the local area.

9. Figure 2 quantifies EFDC's OAEN over the Local Plan period as being a range between 400 and 455 net additional jobs per year. Figure 2 shows the job projections by the location of the job, not necessarily the residence of the worker. Analysis of where workers are likely to live is another matter, and is assessed through the new Strategic Housing Market Assessment through travel to work patterns.

Figure 2 – headline results from the Joint Economic Report

Jobs growth (per year) over period 2011-2033	a) Projection based on historic share of total jobs	b) Projection based on likely future share of total jobs	Target range for job growth (per year)	<i>From Local Plan emerging evidence bases (for comparison only)</i>
East Herts DC	505	435	435 - 505	510
Epping Forest DC	400	455	400 - 455	410
Harlow DC	325	335	325 - 335	400 - 600
Uttlesford DC	665	675	665 - 675	460
Total	1,895	1,895	1,895 (same total for each projection)	1,780 - 1,980

NB – totals may not sum due to rounding

10. Figure 2 expresses projected jobs growth as a range per year for the Local Plan period. This is because the Joint Economic Report analysed the projected jobs growth across the FEMA (the 4 authorities) then modelled apportioning the 'share' of jobs in two different ways:

- (a) based on the historic share of FEMA jobs that each authority had; and
- (b) based on the likely future share of FEMA jobs that each authority was likely to have (according to the projections).

The Joint Economic Report then gave the range of these two figures as the range for each authority. (The 'a' and 'b' do not signify the relative importance of one or other apportionment).

11. It is important to note that the Joint Economic Report makes allowance for the planned expansion of Stansted Airport. The airport is currently estimated to be handling about 21.95 million passengers per year. It also has planning permission to extend this to 35 million passengers per year, and is planning on more growth in future. This is a key issue with regard to employment for Uttlesford district (in which the airport is located) as the expansion of the airport not only has an effect on passenger numbers but also on employment at, and associated with, the airport. Uttlesford DC was criticised at their recent Examination in Public for not including this within their previous economic forecasts, and so it was felt essential that this be included within this study.

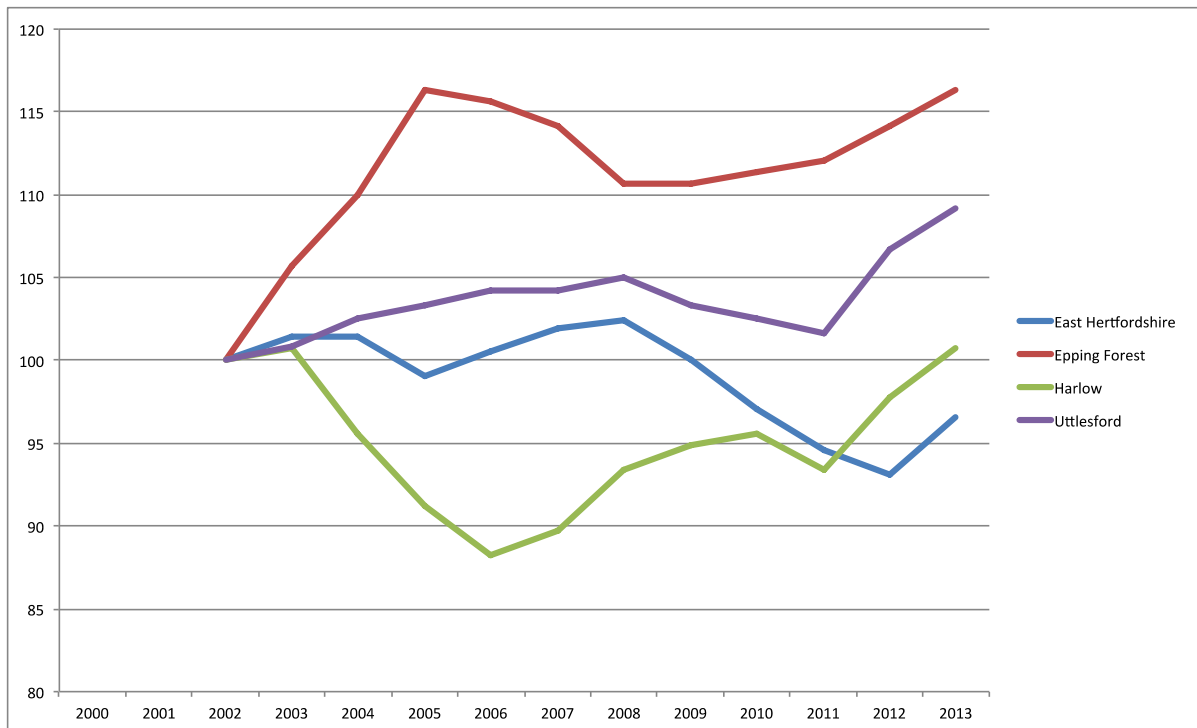
12. As can be seen from Figure 2, the result is that Uttlesford's forecast jobs growth is substantially higher than those of the other authorities. Although many of those who might take these jobs might not live within the FEMA, the jobs would be located in Uttlesford District so they need to be included in the Joint Economic Report.

13. There is also a secondary effect in that higher jobs creation in Uttlesford District effectively pulls some jobs creation away from the other districts and towards itself, (the displacement effects of drawing a larger share of the labour force to Stansted) so some jobs which might have been created in the other three districts are now projected to be created in Uttlesford District.

14. The analysis of the likely job creation relating to Stansted Airport was carefully assessed by the consultants, using the Airport's own documentation and the 'Economic Impact of Stansted Scenarios' report prepared by Oxford Economics (2013).

15. Figure 3 (which appears in the Joint Economic Report) gives some context as to the jobs growth figures in Figure 2. It shows that, from 2002 to 2013, Epping Forest District had the highest creation of jobs of the four districts, with Uttlesford District having the second largest. East Herts District actually saw an overall decline in jobs over the period, and Harlow remained almost neutral.

Figure 3 – Change in total jobs between 2002 and 2013 (Indexed at year 2002 = 100)



16. Harlow District’s jobs growth may appear lower than expected given Harlow DC’s growth aspirations, and the establishment of the Enterprise Zone within the district. This is because the Enterprise Zone is effectively a ‘policy intervention’, something outside ‘business as usual’, which would not be picked up by the projections. The Enterprise Zone is also not open yet (the London Road South site is set to open in spring 2016), and so job creation resulting from it could not yet appear in the projections.

17. Harlow DC’s growth aspirations and the establishment of the Enterprise Zone can be accounted for through the four authorities in the FEMA discussing apportionment of the eventual jobs target across the area. If Harlow DC wished to create more jobs within their area in order to help regenerate their town centre, the four FEMA authorities might, through the Duty to Co-operate, agree to a different ‘sharing out’ of the total jobs than that outlined in Figure 2.

18. East Herts District experienced an overall loss of jobs over the period 2002 to 2013, which explains why their future ‘share’ of the jobs over the FEMA is predicted to be lower than their past share. As East Herts District had proportionately less jobs in 2013 than in 2002, but the other authorities had more or roughly the same number, East Herts District’s ‘share’ of the total jobs was proportionately lower, and that pattern is forecast to continue.

19. The last column of Figure 2 ‘From Local Plan emerging evidence bases’ gives some context as to the jobs growth ranges by showing the broad figures which exist within the emerging evidence bases of the different Local Plans so far – they show that the rough total from existing emerging evidence is very similar to that suggested by the new Joint Economic Report (although the ‘shares’ are different).

20. The results from the Joint Economic Report fed into the Strategic Housing Market Assessment, in order to ensure that the economic and housing assessments are linked, as recommended by the technical advice issued by the Planning Advisory Service. (Councils such as Cheshire East and Aylesbury Vale have been heavily criticised at Examination in Public for failing to do this).

Headline Results from the Detailed EFDC Economic Report

21. The Detailed EFDC Economic Report (prepared for EFDC alone) breaks down the jobs growth forecasts for Epping Forest District, into likely requirements by Use Class, in floorspace terms, for the Local Plan period 2011-2033.

22. The need for the 'B' and 'D2' use classes is then further 'translated' into overall land requirement, as for example, the overall site area that would be needed for a business park is larger than the actual business floorspace that it would provide. However it has not been possible to convert the 'A' and 'C' uses into land requirement as it is more difficult to predict land take for these kinds of uses, as they can vary a lot.

Figure 4 – headline results from the Detailed EFDC Economic Report

Use class	Net additional Floorspace	Translated into Land requirement (B and D2 only)
A1 – Shops	-3,000 sq. m to -700 sq. m	
A2 - Financial and professional services	2,400 sq. m to 2,700 sq. m	
A3 / A4 / A5 – Restaurants & cafés / Pubs & bars / Takeaways	8,900 sq. m to 9,900 sq. m	
B1a – Offices	32,600 sq. m to 35,400 sq. m	10.2 to 13.3 hectares
B1b/B1c - Research & Development / Light Industry	5,800 sq. m to 6,300 sq. m	17.3 to 18.3 hectares
B2 - General industrial	-15,900 sq. m to -14,600 sq. m	
B8 - Storage or distribution	9,400 sq. m to 13,300 sq. m	
C1 – Hotels	50 to 190 hotel rooms	
D2 - Assembly and leisure (cinemas, indoor/outdoor sport, gyms etc.)	30,000 sq. m to 33,000 sq. m	8.3 to 9.0 hectares

NB – for the detailed version of this table please see the Detailed EFDC Economic Report, the above is a summary. The results take into account need for replacement of some existing premises, some re-use of existing sites, and some market choice.

23. It is notable from Figure 4 that need for some use classes is negative. This is because the analysis of existing provision and future need indicates that there is (or will be over the Local Plan period) a surplus of land/premises for this kind of use class in the district. It also indicates that there might be potential to re-allocate some of the existing land/premises in these use classes for development to other uses, thereby negating the need for some 'new' (greenfield) land to be allocated for some development. For example some employment sites which might have been long vacant or unsuitable because of their age might be suitable for redevelopment of another use. Of course this would have to be carefully considered within the Local Plan process, balanced along with all of the other evidence.

24. The Detailed EFDC Economic Report also notes that '....some 39% of projected employment growth does not require premises within the planning use classes because, for example, people work at or from home or in the premises of other businesses'. This is growth

which is within the Joint Economic Report jobs range, but does not appear in Figure 3 above, because it does not require premises.

Implications going forward

25. The two economic reports give, together, an assessment of Objectively Assessed Economic Need (OAEN) within Epping Forest District over the Local Plan period. However they are both 'policy off' – i.e. objective assessments of economic need, not taking into account constraints, viability, detailed apportionment etc. Those matters will be considered as part of the Local Plan process in producing the Draft Plan - Preferred Approach, taking account of all of the evidence base.

26. This Council will need to continue to discuss economic need with its FEMA partners (East Herts, Harlow and Uttlesford Councils) through consideration of what the Joint Economic Report says about OAEN across the area, and how it could potentially be accommodated within the four districts. The Council will use the established Co-operation for Sustainable Development Board as the mechanism for these initial discussions.

Resource Implications:

The Joint Economic Report and the Detailed EFDC Economic Report are accounted for in the existing Local Plan budget.

Legal and Governance Implications:

The National Planning Policy Framework requires each local authority to '*...assess the needs for land or floorspace for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period....*' (NPPF para. 161). Not having robust economic needs assessments within the Local Plan Evidence Base risks the new Local Plan being found 'unsound', i.e. not being accepted at Examination in Public stage by the Planning Inspectorate.

Safer, Cleaner and Greener Implications:

The production of a new Local Plan, including consideration of quantum of economic development, will be subject to Sustainability Appraisal and Habitats Regulation Assessment throughout the process. This will ensure that environmental, social and economic impacts and issues are weighed carefully.

Consultation Undertaken:

Informal consultation was undertaken with senior officers from Planning Policy.

Background Papers:

Economic Evidence report for West Essex and East Herts ('Joint Economic Report'), Hardisty Jones Associates, 2015

Economic and Employment Evidence to Support the Local Plan and Economic Development Strategy ('Detailed EFDC Economic Report'), Hardisty Jones Associates, 2015, including

- Appendix 1 (Methodology)
- Appendix 2 (Evidence Base Review & Consultations)
- Appendix 3 (Demand Analysis)
- Appendix 4 (Sites & Premises)

West Essex and East Hertfordshire Strategic Housing Market Assessment, Opinion Research Services, 2015

National Planning Policy Framework, Department for Communities and Local Government, 2012 - <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

Planning Practice Guidance, Department for Communities and Local Government, 2014-15 - <http://planningguidance.planningportal.gov.uk/blog/guidance/>

Objectively Assessed Need and Housing Targets - Technical advice note, 2nd edition, Planning Advisory Service 2015 - <http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d>

The SDP Economy and Surface Access report, London Stansted Airport, 2015 – <http://www.stanstedairport.com/about-us/developmentplan/>

The Economic Impact of Stansted Scenarios, Oxford Economics, 2013 - <http://lsc.co/wp-content/uploads/2013/07/OXFORD-ECONOMICS-STANSTED-FINAL-REPORT-November-2013.pdf>

Risk Management:

Not having robust economic needs assessments within the Local Plan Evidence Base risks the new Local Plan being found ‘unsound’, i.e. not being accepted at Examination in Public stage by the Planning Inspectorate. This would very likely mean that the Council would have much less control over where development took place, as in the absence of an up to date Local Plan, planning applications for economic development would be far more likely to be granted on appeal by the Planning Inspectorate. The Local Plan features in the current Corporate Risk Register (no. 1, rating A1).

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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- The inclusion of the two economic reports into the Local Plan Evidence Base is relevant to equality analysis, as it could potentially impact on all people working and/or doing business or wishing to work and/or do business in the district.
 - Data from the 2011 Census, the CLG Household Projections 2012 (released 2015), ONS 2012 Sub-national population projections, and ONS Vital Statistics were taken into account in the equality analysis.
 - This data showed that the district, compared to the national average, has more older people, less younger people, slightly more married people, slightly less single people, slightly less people with a disability or long term illness, a slightly higher maternity rate, and a slightly higher proportion of 'White British' people. The district is very near to the national average in terms of the population split by household composition, religion or belief, and sex.
 - The assessment did not highlight any negative impacts on people with the protected characteristics, as even though the two economic reports assess the likely economic activity of people partly according to factors like age, sex and likelihood of pregnancy and maternity, this is done in order to correctly identify the needs arising from different groups, to help try to meet them, not in order to treat them in any negative way. The two economic reports seek to assess need and respond appropriately.
 - The assessment found that the inclusion of the two economic reports into the Local Plan Evidence Base could positively impact on some of the people with protected characteristics, and increase their equality of opportunity. This might be achieved through the two economic reports helping to inform decisions in the Local Plan to provide:
 - more jobs for a wide range of people, including younger and older people; and
 - newer employment premises which would be likely to be better adapted for wheelchair users than older existing premises.
 - The assessment found that the inclusion of the two economic reports into the Local Plan Evidence Base could help to foster good relations between communities, by:
 - helping to inform decisions in the Local Plan to help provide more jobs for a wide range of people, including younger and older people, that could encourage mixed, sustainable communities; and
 - providing for newer employment premises which would be likely to be better adapted for wheelchair users than older existing premises - enabling them to work more comfortably alongside non-wheelchair users.
 - The Local Plan will also be subject to its own Equality Impact Assessment.