

Chelmsford Draft Local Plan
Examination Hearing Statement

Matter 4:
Objectively assessed economic
development need

November 2018



Introduction

1. This hearing statement sets out the Council’s response in relation to the Inspector’s Matters, Issues and Questions.
2. All the evidence base documents referred to in this statement are listed at **Appendix A**, with their evidence base or examination document reference numbers as applicable.

Matter 4 – Objectively assessed economic development need

Question 25	Is the Plan clear on defining what the OAEN is? Whilst the Plan in paragraph 6.25 refers to needing 725 new jobs per year over the Plan period ‘to meet objectively assessed jobs need’ it does not specifically state that this is the OAEN. If it is, how has the level of need been determined, is it justified, based on credible evidence and consistent with national policy and guidance?
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Response to Q25

Definition of need

3. It is the Council’s position that the objectively assessed need for employment land provided for within the Plan is sound and is based on credible evidence consistent with national policy and guidance.
4. 725 new jobs per year is the forecast job growth that will occur over the plan period, provided that the planning process provides enough land to accommodate those jobs and allows sufficient housing to accommodate the workers. This job number is the basis of the *objectively assessed need for employment land* of 64,407sq m of net additional space over the plan period¹. Employment land means offices, factories, workshops and warehouses, as classified to Class B of the Use Classes Order (‘business uses’) and sui generis uses that are physically similar.

¹ This figure is the sum of need for office, industrial and warehouse space over the plan period, taken from the EEFM forecast for the plan period 2013-36. It is slightly different from the figure in the Council’s evidence base paper (EB080) which related to the period 2014-36.

As is usual in planning for employment uses, as a measure of employment land the plan uses floorspace capacity – the sq m of built floorspace that such land can accommodate.

² Paragraph: 032 Reference ID: 2a-032-20140306. The PPG lists job forecasts / projections as one of the methods that plan-makers should consider to assess employment land needs. The other methods are labour supply forecasts / projections, past take-up, property market analysis, consultations and statistics.

5. In a planning context, this employment land need is often called ‘economic development need’. This is accepted terminology but not strictly accurate, because economic development covers many land uses other than employment uses – such as education, health, retail and leisure among others. As well as employment (the B class, business uses) the forecast growth of 725 jobs p.a. includes all these other components of the economy which in most local authority areas account for more than half of all jobs.
6. Employment land need is only a subset of economic development need. But in planning, the two terms are used interchangeably because employment is the only category for which the assessment of development needs is normally based on job numbers, in line with the PPG². For other economic land uses, development needs are assessed in other ways. For example, retail and leisure needs are derived from forecasts of consumer expenditure, without reference to the number of jobs in shops and stores. For local education and health services, the needs for floorspace and land depend on the resident population, and land is allocated as part of housing schemes.
7. In summary, 725 new jobs per year is the forecast job number that underpins the plan’s objectively assessed need for employment land (B-class uses, business uses). The need itself equates to 64,407 sq m of net additional floorspace over the plan period.

How has the level of need been determined?

8. Both the employment forecast of 725 jobs per year and the employment space forecast of 64,407 sq m over the plan period are taken from the East of England Forecast Model (EEFM) 2016. The EEFM job number is produced by a fully-fledged economic model - which also breaks the total into economic sectors (industries and services, as per the Government’s Standard Industrial Classification). The EEFM employment space number represents the demand for such space that will be generated by the forecast jobs. It is derived from job numbers in two steps³:
 1. Allocate employment sectors to the employment use classes (jobs that occupy non-B space are not translated into floorspace).
 2. Apply employment densities (floorspace per worker) to turn jobs into floorspace by use class.
9. At the first stage, EEFM makes judgments about the relationship between sectors and land uses, based on the detailed mix of activities in each sector. For example, it assumes that 93% of the business services jobs are in offices. The remaining 7% are assumed to occupy non-B space, because they are in activities such as travel agencies and tour operators.
10. At the second stage, EEFM uses employment densities from the HCA Employment Densities Guide⁴.

³ This process, and EEFM’s method in general, are explained in the EEFM Data Guide, EB 074

⁴ EB080 (page 14)

11. The EEFM does not translate its floorspace figures into land areas. In the calculations below, we do so by using standard plot ratios (built floorspace over land area) of 40% for industrial space (including warehousing) and 60% for offices. This means that, on average, one hectare of land area accommodates 4,000 sq m of industrial space or 6,000 sq m of offices.

Is the need assessment consistent with national policy and guidance?

12. The PPG deals with quantitative assessment of employment land needs principally at paras 032 and 034. At para 032 its main advice is as follows:

'How should future trends be forecast?'

... Local authorities should develop an idea of future needs based on a range of data which is current and robust. Authorities will need to take account of business cycles and make use of forecasts and surveys to assess employment land requirements...

Plan makers should consider:

- sectoral and employment forecasts and projections (labour demand);
- demographically derived assessments of future employment needs (labour supply techniques);
- 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.'

13. The PPG therefore puts forward a choice of four approaches that plan-makers should consider. In Chelmsford, the EEFM forecast that underpins the Local Plan (Pre-Submission Document **SD001**) is a combination of the first two approaches. That is because EEFM integrates economic and demographic forecasting, producing mutually consistent forecasts of jobs, population and housing numbers. (As addressed below in more detail, it is a job-led model, in which population and housing growth are partly driven by the demand for labour – so when an area is short of labour it attracts additional migration to fill the gap).
14. Additionally, the 2015 Employment Land Review covered some of the elements covered in the PPG's fourth approach – namely analysis of business trends and business, economic and employment statistics – which provide supporting context to the needs assessment.

15. At para 034 the PPG advises that:

‘When translating employment and output forecasts into land requirements, there are 4 key relationships which need to be quantified. This information should be used to inform the assessment of land requirements. The 4 key relationships are:

- *Standard Industrial Classification sectors to use classes;*
- *Standard Industrial Classification sectors to type of property;*
- *employment to floorspace (employment density); and*
- *floorspace to site area (plot ratio based on industry proxies).⁵*

16. In Chelmsford’s evidence base, the translation of jobs into land follows the same steps, as we have already described above.

Is the assessed need justified and based on credible evidence?

EEFM 2016

17. In relation to future jobs, the justification of the plan’s figure is provided in the Objectively Assessed Need Study (2016 Update, **EB048**) provided by PBA for the Council and three neighbouring authorities. In summary, the study noted that EEFM was commissioned by a large consortium of local authorities for the specific purpose of supporting planning for both employment and housing; that the predictions of EEFM 2016 looked reasonable; and that an alternative forecast, for Experian, produced similar though slightly higher job numbers – the main reason for the difference being that Experian was more optimistic about the national economy overall.
18. In relation to the translation of jobs to floorspace, a major part of the justification for the EEFM forecast is that it complies with the PPG, as the last section demonstrated. Also, as noted earlier, EEFM’s assumptions on employment densities are taken from the HCA guide, which is the standard source for planning evidence. As regards to the relationship between economic sectors and use classes or types of space, there will always be a level of uncertainty. However, the Council’s consultants, PBA, consider the EEFM’s approach to be reasonable.
19. As a general caveat, it is important to remember that forecasts are highly uncertain. Going forward, gains and losses of employment space should be rigorously monitored, as should market indicators such as vacancy rates, rents and development viability. If monitoring suggests that demand is below (or above) the forecast, the next plan review should consider de-allocating some of the land identified (or alternatively allocating more sites) for employment development. As local plans are now required to be reviewed every five years, there will be more frequent opportunities in future to adjust policy in light of new evidence.

⁵ Paragraph: 034 Reference ID: 2a-034-20140306

20. The Council proposes a change to Strategic Policy S8 (**SD001**), as set out below. This is to align employment land need and provision with the plan period, 2013-36 (the previous version considered the period 2014-36). It also makes clear that objectively assessed need relates to employment land (the need is derived from the forecast job growth of 725 jobs per year, which is not an objectively assessed need for development in the meaning of the NPPF and PPG).

Proposed changes:

Modify Strategic Policy S8, Part B: Employment and Retail as follows:

In order to meet the forecast growth in total employment of 725 jobs per annum in 2013-36, the plan allocates development sites to accommodate a minimum of 55,000 sqm of new business floorspace (Use Classes B1-B8), in addition to existing commitments.

In order to meet future convenience retail growth, the plan makes provision for 11,500 sq m either within the City Centre or Designated Centres within Chelmsford's Urban Area and additional convenience retail floorspace of 1,900 sq m at South Woodham Ferrers.

New business floor space (Use Classes B1-B8)	55,000 sq m
New convenience retail floor space (A1 Use Class) in Chelmsford City Centre or Designated Centres within Chelmsford's Urban Area	11,500 sq m
New convenience retail space (A1 Use Class) in South Woodham Ferrers	1,900 sq m

Modify paragraph 6.25 as follows:

The Council is planning for total job growth of 725 net additional jobs p.a. over the plan period 2013-36. This translates into an objectively assessed need for employment land to accommodate 64,407 sq m of net additional floorspace over the period. To meet this need the plan makes new allocations to accommodate 55,000 sqm of business floorspace. This new supply is additional to the existing supply provided by existing yet to be implemented allocations carried forward from the previous Local Development Framework, plus outstanding planning permissions and vacant floorspace.

Q26	The Plan states that 725 new jobs per year equates to the provision of 55,000 sqm of new business employment floorspace and 13,400 sqm of new retail floorspace during the Plan period. How has this conversion of jobs to floorspace been assessed and is it robustly justified?
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21. In relation to retail floorspace, the answer is that the plan's retail provision is not derived from employment forecasts. Rather, it is based on Council's Retail Capacity Study **(EB077)**, as stated in supporting text at para 6.26 of the Plan. Retail jobs of course are part of the job total that is forecast to grow at 725 p.a. but, in line with accepted practice, the need for retail floorspace is calculated from forecasts of consumer spending rather than retail jobs.
22. As regards employment floorspace, the relationship between future jobs and new employment land identified is not straightforward. There are two main reasons for this. Firstly, as discussed earlier, only part of the 725 new jobs per year will be in employment (B-class) space. Secondly, the new Class B employment provision of 55,000 sq m is only part of the planned land supply that will accommodate those B-class jobs.
23. Table 1 below calculates that total supply and compares it with the objectively assessed need over the plan period.
24. To start with the columns in the table, we split the employment land total into two broad land uses, or types of space:
 - Offices, covering use classes B1a and B1b
 - Industrial space, covering factories and workshops (Classes B1c and B2 as well as warehousing (Class B8)
25. In the table, we have combined the industrial category with 'mixed space' – sites which may be used for offices, industrial space or a mixture of the two, depending on market demand.
26. Combining industry proper with warehousing (logistics) is helpful because in practice these two uses are often difficult to distinguish, the same buildings are often suitable for both, and units up to 500 sq m are permitted to change between them without planning permission.

27. The table is split into three groups of columns:

- Gross gains equal new employment space created by B-class development during the plan period.
- Gross losses equal existing employment space lost over the period from demolition, redevelopment or change of use.
- Net change is the change in the stock of employment land over the period, equal to the difference between gross gains and gross losses.

Table 1 Employment land: need and planned supply, Chelmsford 2013-36

Column		Gains			Losses			Net change			
		Sq m	Offices	Industrial / mixed	Total B class	Offices	Industrial / mixed	Total B class	Offices	Industrial / mixed	Total B class
(1)	Need 2013-36								97,185	-32,778	64,407
(2)	Completions 2013-18		1,386	38,418	39,804	42,300	12,560	54,860	-40,914	25,858	-15,056
(3)	Outstanding permissions 2018		1,424	5,565	6,989	11,820	3,840	15,660	-10,396	1,725	-8,671
(4)	Remaining allocations from old plan 2018		53,935	0	53,935	0	0	0	53,935	0	53,935
(5)	Allocations in new plan 2018		55,000	0	55,000	0	0	0	55,000	0	55,000
(6) = sum (2) to (5)	Planned supply = total of the above		111,745	43,983	155,728	54,120	16,400	70,520	57,625	27,583	85,208
7) = (6)-(1)	Over (under)supply								-39,560	60,361	20,801

Source: EB 080, Annual Monitoring Reports, Council officers, PBA. Details are in Appendix B.

28. The objectively assessed need for employment land relates to net change – since it is derived from the net change in job numbers, which equal the difference between new jobs created and existing jobs lost.
29. Row 1 of Table 1 is the objectively assessed need for net additional employment land. The next four rows show the components of planned supply over the plan period 2013-36, comprising:
- *Completions*, which means floorspace gained and lost from the base date of the plan to the monitoring date, 2018;
 - Space to be gained and lost as a result of *outstanding planning permissions*, not yet *implemented* at the monitoring date
 - *Remaining allocations* from the current development plan, not yet permitted at the monitoring date;
 - *New allocations* proposed in the draft Local Plan.
30. Sources and methods for the above data are in **Appendix B** below. In summary, data are taken from the Council's evidence base paper, **EB080**, Annual Monitoring Reports (including the unpublished 2018 draft) and Council officers.
- Plan allocations, both in the existing and new plan, contribute positively to supply, because none of the sites allocated for development include any existing employment space to be redeveloped.
 - But completions include both gains, where development has created new employment space, and losses, mostly from existing employment sites redeveloped for housing.
 - Outstanding permissions also cover both gains and losses. Again, losses relate mainly from existing employment sites that are permitted to transfer to housing.
31. Ideally, the schedule of supply would also take account of 'surplus vacant floorspace'. This is existing floorspace that was vacant and available for occupation at the base date of the plan, over and above the 'normal vacancy' of 5-10% that is required for smooth operation of the market. We have not included this element, because there are no data for available vacant space in 2013, and no evidence that the vacancy rate in that year was above normal.
32. For each component of supply, Table 1 calculates net change, or net additional space, equal to the difference between gains and losses (if any). Completions since 2013 and outstanding permissions produce net reductions in employment space, as losses of existing employment space exceed the amount of new employment space created. In contrast, outstanding allocations, both from the adopted Local Development Framework and the new draft plan, provide net gains of employment space.

33. Summing net change across all the components provides the total net planned supply of employment space. Finally, row 7, at the bottom of Table 1, shows the difference between that total supply and the objectively assessed need calculated earlier.
34. For employment space overall, the planned supply of net additional space is estimated at 85,208 sq m. Against the forecast need of 64,407 sq m, this represents a surplus of 20,801 sq m, or 32%. This is a modest surplus, bearing in mind that the forecast need is uncertain (like all forecasts); and also, at least as important, that our calculation assumes no future losses of employment land over and above current planning permissions. In practice there may be such losses on a significant scale, especially as a result of Permitted Development Rights - which the Council cannot control or predict.
35. In relation to specific land uses, the table shows a supply deficit for offices and a surplus for industrial / mixed uses. This is not a problem, because as noted earlier much of the supply described as 'industrial / mixed is suitable for a range of B-class uses, so there is capacity for development to respond to market demand.
36. In summary, the proposed new allocations of 55,000 sq m are only part of the total planned supply of employment land over the plan period. That supply also includes space completed since the base date of the plan, outstanding allocations inherited from the current plan and outstanding planning permissions. Overall, we estimate the planned supply of net additional employment space is some 30% above the forecast need. This means that there is some headroom to allow for possible losses of existing employment space, as well as uncertainty around the forecast need.

Question 27	Does the OAEN reflect the economic growth ambitions of the area? Is there reasonable alignment with the OAHN?
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Does the objectively assessed economic development need reflect the economic growth ambitions of the area?

37. The Local Plan and the Council's Economic Development Strategy (2017) (**EB075**) share the same economic growth objective: to deliver the 725 new jobs per year forecasts by the EEFM. Through its employment land allocations, the plan aims to provide opportunities in the right places, so that businesses can find the land and premises they need.

Is there reasonable alignment with the objectively assessed housing need?

38. The alignment of employment and housing is addressed in the OAN study that PBA provided for the Council (2016 Update, **EB048**, Chapter 6). That study estimates that, if housing is provided in line with the Council's objectively assessed housing need over the plan period, there will be enough or more than enough workers to fill the jobs that employers will offer over the plan period. This is addressed further in the Hearing Statement in relation to Matter 3, Objectively Assessed Housing Need.

APPENDIX A – Evidence base list for Matter 4

EVIDENCE BASE LIST FOR MATTER 4	
EB 048	Braintree District Council, Chelmsford City Council, Colchester Borough Council, Tendring District Council Objectively Assessed Housing Need Study, November 2016 update
EB 074	East of England Forecasting Model Technical Report, January 2015
EB 075	Chelmsford Economic Strategy, 2017
EB 077	Chelmsford Retail Capacity Study, 2015
EB 080	Delivering Economic Growth in Chelmsford to 2036, June 2018

APPENDIX B – SOURCES, FOR TABLE 1

Row (1), Need 2013-36: EEFM 2016

Row (2), Completions 2013-18, gains: Council officers' estimates, unpublished

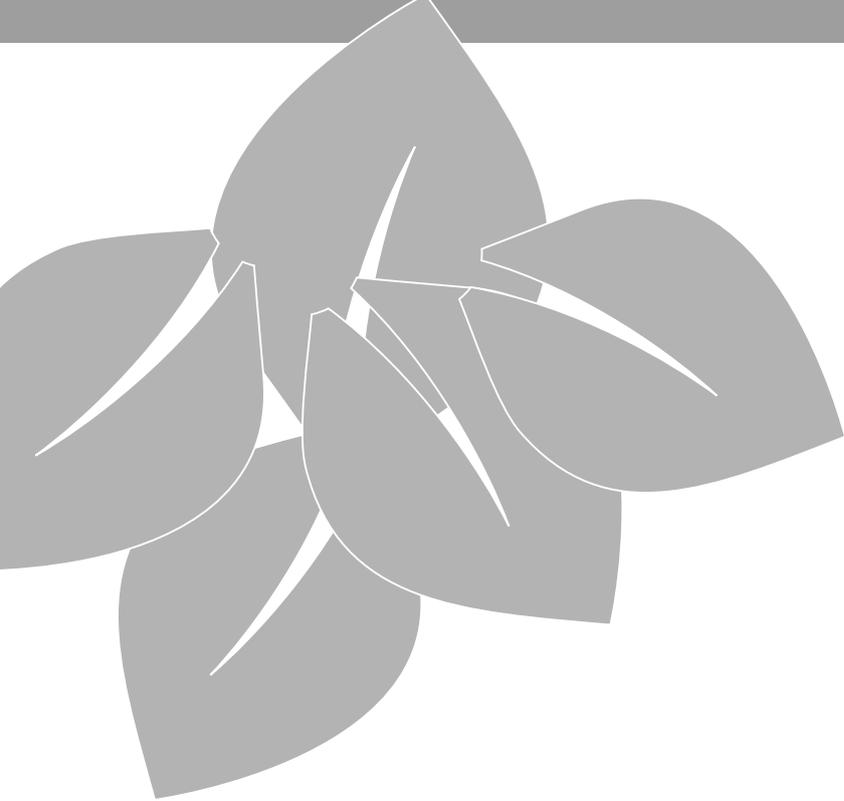
Row (2), Completions 2013-18, losses: employment land lost to housing, from Annual Monitoring Reports (AMRs). The AMRs show land areas; to convert these to floorspace we have used plot ratios of 40% for industrial space and 60% for offices. On the advice of Council officers we have made two corrections to the AMRs:

- Land at the Nest, High Road, 2.08 ha, was shown as lost in both 2015/16 and 2016/17. We deleted one of the entries, to remove double-counting
- Land at Croxtons Mill, 1.2 ha, overstated the space lost, because the site area was widely drawn and the new use is live-work units. We deleted this entry.

Row (3), outstanding permissions: Council officers' estimates, from draft AMR

Row (4), remaining land allocations from adopted plan: **EB080**

Row (5), land allocations in Local Plan: **EB080**



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