Examination of the Runnymede 2030 Draft Local Plan

Examination Hearing Statement

on behalf of Tarmac Trading Limited

Matter 2: Objectively Assessed Need for Housing and Employment Land

November 2018
1 INTRODUCTION

1.1.1 This Hearing Statement has been prepared by Heaton Planning Limited ("HPL") in conjunction with the Strategic Planning Research Unit ("SPRU") of DLP Planning Limited. This statement supports the representations made on behalf of Tarmac Trading Limited ("our Client").

1.1.2 This statement follows from previous representations to the plan (ID representor 1937) and should be read in conjunction with the previous representations.

1.1.3 We have responded where appropriate to the questions highlighted within examination document ID/02. It is our intention to play an active role in the examination hearing sessions. This may include participation in some of the other questions for which answers have not been provided here although which still relate to matters raised within representations previously made. This is consistent with the published guidance.
2 MATTER 2 – OBJECTIVELY ASSESSED NEED FOR HOUSING AND EMPLOYMENT LAND

Question 2.2 a) Are the Borough-wide targets for the provision of employment land as set out in Policy SD2 based on robust evidence of need and demand?

2.1.1 No, the employment land target is not based on robust evidence. The Council rely on the analysis in the SHMA which has not been prepared in accordance with national policy or guidance.

i) Future employment floorspace requirement

2.1.2 The Plan’s employment floorspace requirement figure is informed by the labour supply figure in the SHMA which identifies a need for 87,100 sqm of employment floorspace for the 2016-30 period – one year shorter than the 15-year Plan Period. Extending this on a pro rata basis results in a need for 93,321 sqm over 15 years – 13,061 sqm (16%) more than identified in policy SD2.

2.1.3 Moreover, the SHMA 2017 which the plan has utilised to determine its employment requirement is not consistent with national guidance as it does not take into account market demand but is solely determined by a mechanistic application of formulas to forecast future population using national trends not applicable to this area.

2.1.4 As set out in the ELR (para 7.8) the econometric forecasts take the national macroeconomic projection and apply these to a local level so that the national growth rate is applied to the local level of growth. This is a limited approach and hence, in accordance with PPG, it needs to be considered and contextualised against other factors.

2.1.5 The PPG recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on:

   a) Labour Demand;

   b) Labour Supply; and

   c) Past Take-Up.
2.1.6 Crucially, this omits the fourth bullet point in the relevant PPG paragraph (ID: 2a-032):

d) consultation with relevant organisations, studies of business trends, and monitoring of business, economic and employment statistics.

2.1.7 None of these factors have been considered in the SHMA’s assessment. This approach falls short of the requirement of the Framework (paragraph 20) that states:

“To help achieve economic growth, local planning authorities should plan proactively to meet the development needs of business and support an economy fit for the 21st century.”

2.1.8 This shortfall in the most recent analysis is further highlighted by reference to the PPG (Paragraph: 030 Reference ID: 2a-030) suggests that plan makers should also consider:

a) The recent pattern of employment land supply and loss to other uses.

b) Market intelligence (from local data and discussions with developers and property agents, recent surveys of business needs or engagement with business and economic forums).

c) Market signals, such as levels and changes in rental values, and differentials between land values in different uses.

d) Public information on employment land and premises required.

e) Information held by other public-sector bodies and utilities in relation to infrastructure constraints.

f) The existing stock of employment land. This will indicate the demand for and supply of employment land and determine the likely business needs and future market requirements (though it is important to recognise that existing stock may not reflect the future needs of business). Recent statistics on take-up of sites should be consulted at this stage, along with other primary and secondary data sources to gain an understanding of the spatial implications of ‘revealed demand’ for employment land.
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2.1.9 The comparison between the earlier forecast in the Employment Land Review 2017 and the results from the SHMA are set out in the table below.

**Table 1. Comparison of Employment Floorspace Requirement Scenarios**

<table>
<thead>
<tr>
<th>Period</th>
<th>SHMA labour demand</th>
<th>SHMA labour supply</th>
<th>SHMA completions</th>
<th>ELR labour demand</th>
<th>ELR labour supply</th>
<th>ELR completions</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1a/b</td>
<td>46,600</td>
<td>63,200</td>
<td>44,800</td>
<td>98,960</td>
<td>77,205</td>
<td>39,780</td>
</tr>
<tr>
<td>B1c/B2/B8</td>
<td>16,600</td>
<td>23,900</td>
<td>10,000</td>
<td>138,220</td>
<td>105,175</td>
<td>-2,630</td>
</tr>
<tr>
<td>Total</td>
<td>63,200</td>
<td>87,100</td>
<td>54,800</td>
<td>237,180</td>
<td>182,380</td>
<td>37,150</td>
</tr>
</tbody>
</table>

Source: ELR 2017 figure 34 and SHMA 2018 tables 84, 89, and 91

2.1.10 As the SHMA and ELR consider different time periods, and time periods which are different from that of the Plan, the table below pro-rata’s the floorspace requirements for each of the above scenarios for comparison.

**Table 2. Comparison of Scenarios for period 2015-30**

<table>
<thead>
<tr>
<th>Period</th>
<th>SHMA labour demand</th>
<th>SHMA labour supply</th>
<th>SHMA completions</th>
<th>ELR labour demand</th>
<th>ELR labour supply</th>
<th>ELR completions</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1a/b</td>
<td>49,929</td>
<td>67,714</td>
<td>48,000</td>
<td>74,220</td>
<td>57,904</td>
<td>29,835</td>
</tr>
<tr>
<td>B1c/B2/B8</td>
<td>17,786</td>
<td>25,607</td>
<td>10,714</td>
<td>103,665</td>
<td>78,881</td>
<td>-1,973</td>
</tr>
<tr>
<td>Total</td>
<td>67,714</td>
<td>93,321</td>
<td>58,714</td>
<td>177,885</td>
<td>136,785</td>
<td>27,863</td>
</tr>
</tbody>
</table>

Derived from figures in Table 1 above

2.1.11 Both reports conclude that the labour supply scenario is the most appropriate approach to identifying future employment floorspace demand. Clearly, there is considerable inconsistency between the scenarios despite being based on a similar number of dwellings (489 in the SHMA and 466 in the ELR).

2.1.12 The difference between the two labour supply forecasts is striking and highlights the importance of different assumptions used in the modelling. In accordance with the PPG these modelling assumptions should not be applied in a vacuum but should be assessed within context alongside the relevant commercial market factors, business trends, and employment statistics.

2.1.13 An assessment of these factors has been done more thoroughly in the ELR. This means that the employment floorspace requirements of the ELR are considerably more robust than the findings of the SHMA. This suggests a
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requirement for employment floorspace which is considerably higher than that set out in policy SD2.

2.1.14 The section below provides an analysis of some of the key factors which suggest a higher employment floorspace requirement. These are set out in full in our employment land position note submitted with previous representation (rep. no. 1937).

**ii) Past Economic and Employment Growth Trends (see position note 2.1-2.4)**

2.1.15 The ELR (pg 3) provides a summary of economic growth trends in Runnymede. These show strong market performance in Runnymede over a period of weak national economic performance:

- Between 2007 and 2015 the number of enterprises in Runnymede grew by 1,100 from 2,940 in 2007 to 4,040 in 2015 (37%).
- Between 1999 and 2015 there has been a steady increase in total workforce job numbers and the number of total B class jobs.
- Runnymede records higher earnings than the South East and Great Britain averages for earnings by residence.

2.1.16 Additionally, data from the Business Register and Employment Survey (BRES) shows employment in Runnymede growing by 7,250 jobs since 2009 (as far back as BRES data is available) – an annual growth rate of 1.6% per annum – notably higher than the 1.3% per annum growth rate across England and Wales during this period.

2.1.17 However, this is not reflected in the forecasts in the SHMA which show a growth rate of only 0.7% per annum over the period 2016-30 and 0.7% per annum to 2036. This is considerably lower than past trends and as such should be tested against alternative forecasts or other data sources, which has not been done.

**iii) Commercial Market Dynamics (see position note 2.5-2.9)**

2.1.18 The SHMA fails to take into account the wider indicators from the market, including agents’ views of demand or the need for additional space to allow churn in the market which will facilitate the updating and regeneration of
existing employment areas. Furthermore, the approach assumes that “one size fits all” in terms of employment sites and does not provide of a range of sites to address market demand.

2.1.19 Given the guidance in the Framework (paragraph 154) that Local Plans should be aspirational but realistic and that given the choice of two economic projections the higher should be taken unless it is considered unrealistic. The higher employment projection is not unrealistic, it is just based upon a different set of assumptions.

2.1.20 The Review of Commercial Property Market in the ELR highlights the following:

- The Borough’s commercial property market is dominated by office uses for which demand remains strong. Larger HQ style requirements tend to characterise the majority of demand.

- Office stock is now in short supply, with a particularly low level of vacancy within modern Grade A space.

- A notable gap in provision for smaller office accommodation (sub 25,000sqft).

- The stock of smaller office accommodation is depleted by losses through PDR.

- Runnymede’s location close to the M25 means that market demand for industrial space is strong and very low levels of vacancy reflect a limited supply of industrial accommodation with the Borough.

- In light of this demand/supply imbalance, the view from local agents is that at least one new industrial park/site is required in the Borough to provide a release valve and enable churn, intensification and upgrading of existing older sites.

- The supply of industrial start-up premises is very low and scope is therefore seen to provide more of this type of space.

**iv) Commercial Stock and Supply Trends (see position note 2.10-2.16)**
2.1.21 The ELR (Table 43 in Chapter 7, and paragraph 8.14) concludes that in quantitative terms the identified pipeline supply of employment space in the Borough is insufficient in terms industrial floorspace under two of the three demand scenarios – the labour demand scenario showing a shortage of 138,887 sqm of industrial floorspace, while the labour demand scenario showing a shortage of 105,842 sqm.

2.1.22 The report also notes that if all the applications where prior approval has been approved are implemented in full 11,533sqm of office floorspace will be lost in the Borough (equivalent to approximately 3% of the Borough’s existing recorded office stock).

2.1.23 The ELR also comments on the potential issues regarding the over reliance on a single large allocation and in paragraph 8.17 states that just under 74% of the net increase in employment floorspace associated with the pipeline supply relates to the proposed Longcross Park scheme.
Question 2.2 b) Are they consistent with the proposed level of growth in housing?

2.1.24 The labour supply scenario of the SHMA provides an assessment of employment floorspace needs to meet the needs for 489 dpa. A similar scenario was considered in the ELR. The results of these forecasts is shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>SHMA 2018 (2016 to 2036)</th>
<th>ELR 2017 (2015 to 2035)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new homes</td>
<td>489</td>
<td>466</td>
</tr>
<tr>
<td>B1a/b</td>
<td>94,600</td>
<td>77,205</td>
</tr>
<tr>
<td>B1c/B2 &amp; B8</td>
<td>29,800</td>
<td>105,175</td>
</tr>
<tr>
<td>Total</td>
<td>124,400</td>
<td>182,380</td>
</tr>
</tbody>
</table>

Source ELR 2017 figure 34 and SHMA 2018 table 89

2.1.25 As both the forecasts are based upon the labour supply that is derived from the 2014-based Sub-National population projections as a starting point and reach a similar conclusion on the number of dwellings, the difference between the two forecast is striking. This will be due to assumptions regarding economic activity rates, unemployment, commuting, employment densities and plot ratios. It will also be dependent upon any changes to the employment structure in the econometric forecasts and how the national trend for declining manufacturing jobs has been applied to the projected workforce. However, none of these issues have been assessed or discussed in the SHMA.

2.1.26 The differences in the rival labour supply forecasts highlights the importance of different assumptions used in the modelling. In order to determine whether the scenarios are consistent with the housing need the robustness of the assumptions need to be assessed alongside the relevant commercial market indicators and stakeholder consultation.

2.1.27 These factors have not formed part of the assessment in the SHMA. However, they were considered to a greater degree in the ELR, which came to a very different conclusion, and therefore its conclusions should be considered more robust.

2.1.28 This suggests the true employment floorspace required to support the planned housing growth is considerably higher than that suggested in the SHMA.
Question 2.2 c) In terms of the proposed quantity and type of provision, would they make an appropriate contribution to meeting overall economic development needs in the wider area that includes Runnymede?

2.1.29 This has not been assessed within the SHMA, which fails to take account of the particularly strong economic performance of the Upper M3 area – with its proximity to London, the M3 and M25 growth corridors, and Heathrow Airport all providing strong drivers of growth. The mechanistic approach of the SHMA fails to adequately recognise these. Two recent studies suggest that the proposed requirement would not provide an appropriate contribution to the wider economy, as set out below:

i) Economic Development Strategy 2016-2019 (see position note section 4)

2.1.30 Runnymede’s Economic Development Strategy 2016-2019 has recently been published and aims to ensure that the Borough continues to be a leading economy in Surrey and the wider sub-region.

2.1.31 This strategy highlights the “unparalleled economic growth” within the sub-region over the last 15 years as the Borough has established itself as a location of choice for many multi-national companies. It was informed by a detailed economic assessment of the Borough’s performance and potential, business surveys and consultation with both businesses and Members.

2.1.32 The Strategy states that ensuring there is an adequate supply of space for expansion is a strategic priority for the Borough.

2.1.33 However, there is no Statement of Common Ground between the Council and the LEP so it is not confirmed that the Local Plan is aligned with the LEP strategy.

ii) Additional Evidence on Market Demand: Enterprise M3 Commercial Property Market Study (Regeneris 2016) (see position note section 3)

2.1.34 This study was carried out for the LEP to update an earlier 2013 study to look at the current and future demands of the commercial property market. The research has been based on extensive economic and market data analysis and consultations. The work has identified:
a) Office market – recent growth in office base sectors has driven a strong increase in the demand for office space particularly in the north east of the LEP. In the Upper M3 the good supply of sites means that the market is working efficiently.

b) Industrial market – there remains a persistent shortage of both industrial space and land with development potential in most market areas. The undersupply of industrial space transcends LEP boundaries, with very strong demand for any sites that can serve the London market.

2.1.35 The report sets out priorities for both office and industrial sectors for each part of the LEP and for the Upper M3 it highlights that for the Industrial Market (paragraphs 9.40 and 9.41):

a) The Upper M3 industrial stock attracts the highest rental values in the Enterprise M3 area.

b) There is very little high-quality industrial space available and only one site with planning permission.

c) Agents reported strong demand for both warehousing and manufacturing space and reported that most were looking for small floorplates.

d) Consultees reported that new industrial sites were politically very unpopular and difficult to identify because of Green Belt constraints.

e) As well as competing with higher value office and residential developments, agents in Upper M3 also reported growing demand for construction yards.

2.1.36 The Enterprise M3 Commercial Property Market Study highlights three important considerations in respect of the soundness of the submitted plan and its evidence base:

a) The current evidence base does not identify and respond positively to the clear indicators of market demand for industrial floorspace.

b) The ELR methodology is flawed as it is using national downwards trends to forecast future industrial jobs and hence floorspace
requirements. These trends do not reflect the local economy. Furthermore, the assessment of past take-up rates is flawed in this area due to the severe shortage of industrial space.

c) The SHMA 2017 does not take account of market demand but is solely determined by a mechanistic application of formulas to a forecast future population again using national trends not applicable to this area.
Question 2.3 – If the Plan is unlikely to meet the identified needs within the relevant time period, how should this be addressed?

2.1.37 In light of the issues identified above, the only remedy is to positively identify and allocate additional employment land. For the reasons outlined in our previous representations our client’s land is an ideal allocation for additional employment floor space within the plan period.