Crawley Economic Growth Assessment Update

Final Report

Crawley Borough Council

25 February 2015

13777/02/MS/CGJ/LE

Nathaniel Lichfield & Partners
14 Regent's Wharf
All Saints Street
London N1 9RL

nlpplanning.com

Contents

1.0 Introduction

1.1 Crawley Borough Council ('CBC') commissioned Nathaniel Lichfield &

1.6 CBC has submitted the Crawley 2030 Local Plan to the Secretary of State for independent examination, with the examination hearing sessions due to take place in March 2015. In advance of the hearing sessions, the Council has commissioned Chilmark Consulting to prepare an Objective Assessment of Crawley's Housing and Economic Needs ('OACHEN') to update the Council's evidence on objectively assessed housing needs and to take account of the findings of the 2014 Northern West Sussex EGA prepared by NLP.

1.7 In order to ensure that the Crawley 2030 Local Plan reflects the most up-to-date evidence on economic development needs, it is necessary to prepare an updated set of scenarios for use as part of the OACHEN. This will also ensure that the objective assessment of both housing and business needs in the Borough are aligned with the latest data available at the time of examination. This includes the forthcoming 2012-based Household Projections for local authority areas which are expected to be released by ONS on 26th February 2015.

1.8 The Crawley EGA update also takes account of a number of data releases, updates and new planning practice guidance that have occurred since the original Northern West Sussex EGA was published in April 2014, including release of the 2011 Census data on travel-to-work patterns, updated West Sussex County Council monitoring data on B class completions and losses in the Borough and CBC's updated Employment Land Trajectory. It also takes account of changes associated with the Council's programme of regeneration, such as the non-progression of retail-led development in Crawley town centre ('Town Centre North') which had previously represented a key driver of additional employment growth in Crawley as part of the 2014 EGA 'alternative higher growth' scenario.

1.9 Given that the Crawley Borough Local Plan covers the 15 year period from 2015 to 2030, the EGA update has prepared updated scenarios of future growth needs that specifically relate to this 15 year plan period. This approach deviates slightly from the original 2014 EGA which considered growth needs over a longer 20-year period 2011-2031 in order to provide consistency across the three commissioning authorities for that study.

Scope of Study

1.10 This Crawley specific EGA update builds upon the partnership approach adopted by the original Northern West Sussex EGA by refreshing/updating the existing evidence base for the Borough (rather than incorporating any new assessment) and taking account of the latest national guidance produced by

- **B8 Storage or Distribution** (wholesale warehouses, distribution centres).

1.12 Demand for B-class employment land and floorspace represents the particular focus of this report. This reflects the approach of the NPPF which states that significant weight should be placed on supporting growth and planning proactively to meet the development needs of businesses, and the need for local planning authorities to plan proactively to meet the development needs of business. In this context, business uses are recognised as a key barometer of economic need, and represents the most appropriate basis on which to plan positively for economic growth. References to 'employment space' are intended to mean both these elements. Industrial space in this report includes both manufacturing and distribution uses.

1.13 The study also considers future projections for growth in non B-class sectors to set out how the overall economy in Crawley could change in the future, although does not specifically assess the space implications of these other sectors because they are planned for using different methodologies. Given the varied range of employment typologies outside of the B-classes, and different land requirements associated with these, it is not possible to translate non B-

broad scale and direction of economic growth in different sectors to help assess future employment space requirements.

2.6 The forecasts of job growth by sector used here reflect recent trends and are based on projections at regional level, and how economic sectors in Crawley have fared relative to the region's growth in the past. These forecasts also reflect the current post-recession economic climate, and ongoing uncertainty surrounding future economic prospects.

2.7 Population projections form one of a number of inputs to the production of economic forecasts, both in terms of future changes in working-age population (which directly impacts on demand for jobs) and total population (which generates demand for consumption activities e.g. local goods and services). Experian have made use of the 2012-based ONS Sub National Population Projections (which provide projections to 2037) as an input to the December 2014 release. It is important to note that population projections are frequently revised, as are assumptions around future working age population, economic activity rates and national changes to the pension age. In addition the forecasts take no account of future planned housing growth in any particular location. The forecasts also assume that existing patterns of commuting (based on the ONS Annual Population Survey) remain unchanged.

2.8 More broadly, it is important to emphasise that forecasting approaches of this type have some limitations, particularly at a time of change in the wider economy. However, to be robust, the economic growth potential and likely demand for employment space in the Borough needs to be tested under different scenarios to reflect a range of potential economic conditions that could arise in the future. Thus while the baseline scenario effectively provides an indication of the 'base case' position drawing on macro-economic forecasts, the alternative scenarios provide an illustration of the growth potential of the economy under different circumstances rather than a prescriptive requirement.

2.9 The alternative scenarios (i.e. numbers two and three) to varying degrees incorporate a supply based approach that assesses the potential uplift to economic growth that could be achieved if a certain number and type of sites were brought forward over the Local Plan period. This approach differs from the baseline scenario (number one) which is purely driven by employment demand arising from job growth.

2.10 It should also be noted that the assessment is not purely quantitative, and that there may also be qualitative factors that influence the future scale of economic growth and/or the future employment space requirements that need to be planned for. These wider qualitative factors are considered in detail in the original (2014) EGA.

1. Baseline scenario

2.11 Forecasts of job growth for Crawley for the period up to 2030 were obtained from Experian from the December 2014 quarterly release. Table 2.1 presents the fastest growing sectors alongside those sectors expected to see a decline in employment.

Table 2.1 Fastest growing and declining sectors in Crawley 2015-2030

Sector	% Change 2015-2030	Additional Jobs 2015-2030
Admin and support services	42.9	8,230
Finance	48.9	1,860
Air and water transport	17.5	1,620
Wholesale	29.6	1,570
Accommodation and food services	17.3	1,090
Computing and Information Services	-7.5	-150
Public admin and defence	-10.5	-260
Manufacturing	-23.8	-1,180

Source: Experian / NLP analysis, 2014 - total jobs including self-employed

B Class; Part B Class; Non B Class

2.12 The overall employment change in Crawley resulting from these forecasts is shown in Table 2.2 along with expected job growth in the main B class sectors. This includes an allowance for jobs in other non B class sectors that typically hospitality and support services sectors (Table 2.1). Total GVA growth associated with the Experian baseline employment forecast is equivalent to approximately 3.1% per year (between 2015 and 2030).

2.14 This forecasts a net increase of 3,720 B Class jobs over a 15-year period (to 2030) which is equivalent to an average of 248 additional jobs each year. This is slightly higher than the job growth achieved in Crawley over the period 1997-2015 when Experian data indicates that B class jobs in the Borough increased by approximately 222 jobs per annum. In B class terms, the above employment forecasts are not inconsistent with past trends of B class job growth within Crawley, but imply a slightly higher level of growth within B class sectors of the Borough's economy.

2.15 It should be noted that the December 2014 Experian projections and dataset use employment data obtained from the 2013 Business Register and Employment Survey (BRES), which provides information on historic employment trends up until 2012. As a result, Experian employment data relating to the year 2013 onwards effectively represents a forecast figure and may be subject to future revision. This includes employment figures for 2015 presented in this EGA Update.

2. Alternative higher growth scenario

2.16 An alternative higher growth scenario has been developed which specifically factors in key policy priorities for the Borough. Discussions were held with Council officers to identify a number of sectors (outlined in Table 2.3) which are considered to have the potential to outperform the level of employment growth implied by the baseline scenario. In particular, this higher growth scenario explores the potential for enhanced higher-value economic growth within a number of key growth sectors identified by the Gatwick Diamond[1] and Coast to Capital LEP[2].

[1] Gatwick Diamond Local Strategic Statement, July 2011
[2] Coast to Capital Local Enterprise Partnership, Strategic Economic Plan March 2014

(which are subject to zero growth under this scenario as opposed to decline under the baseline scenario) are higher value manufacturing sectors (such as chemicals, machinery, electronic and transport equipment manufacturing).

2.19 As noted in section 1.0, the assumptions and key policy priorities that feed into the ‘higher growth’ scenario in this update study differ slightly from those adopted as part of the original 2014 EGA study. In particular, employment growth within the retail, recreation and leisure sectors was adjusted upwards by the 2014 EGA to reflect proposals at the time for the retail-led regeneration of Crawley Town Centre. This uplift has not been re-applied for the purposes of this update due to the non-progression of this scheme in the intervening period which means that this scheme is not now expected to be delivered over the Plan period.

Loss Replacement

2.30 To convert the net requirement of employment space into a gross requirement (the amount of employment space or land to be allocated), an allowance is also typically made for some replacement of losses of existing employment space that may be developed for other, non B Class uses.

2.31 Judgements were made on the suitability and degree of the allowance for future losses which it would be appropriate to apply here based on analysis of supply-side deliverability factors and current trends in the market. Not all

- **Industrial** – a plot ratio of 0.4 was applied so that a 1 ha site would be needed to accommodate a footprint of 4,000sq.m of employment floorspace; and
- **Offices** – it was assumed that 50% of new floorspace would be in lower density developments with a plot ratio of 0.4, with 50% in higher density urban/town centre locations at a plot ratio of 2.0.

2.38 Under the alternative 'potential site capacity' scenario, the plot ratio assumption for offices has been adjusted to reflect the profile and nature of strategic sites being considered, whereby 100% of new floorspace would be in lower density developments with a plot ratio of 0.4.

2.39

Sensitivity Tests

2.40 Given the range of potential requirements implied by these different estimates of future requirements, it is important to test how reasonable each appears against other factors and how sensitive they are to different assumptions.

Comparison with Past Growth Trends

2.41 It is useful to compare the employment growth implied by these amounts of land with employment growth actually achieved in Crawley in recent years (Figure 2.3). The 2014 Experian baseline forecasts indicate overall employment growth of 15,160 jobs in Crawley between 2015 and 2030, equivalent to 1,011 jobs per annum. This figure is slightly higher than annual growth of 992 jobs recorded in Crawley over the last 18 years (1997-2015), and therefore implies a slightly higher level of future economic growth than the Borough has achieved in the recent past. However, the past trends do include a period of recession in which the Borough's economy contracted by around 4,000 jobs.

2.42

different circumstances rather than a prescriptive forecast of future employment growth.

2.44 It should be noted that historic patterns of employment implied by Experian data are revised and updated on a regular basis as new ONS data is released and incorporated into the econometric model.

Benchmarking with Past Development Rates

2.45 In order to sensitivity test the spatial requirements emerging from the baseline and alternative (higher) employment growth scenarios, it is useful to estimate future employment land needs in Crawley using past development trends as a proxy (because they reflect market demand and actual development patterns on the ground), whereby assuming that future B class development rates carry on at the long term average achieved in the past across the authority area.

2.46 Data on past completions by B class sector was provided by West Sussex County Council and analysed for the period 2002-2014, since this is a reasonably long period that reflects a full business cycle with periods of both economic growth and recession. Average annual net completions amounted to 14,270m^2 for office (B1a/b) uses and 7,420m^2 for industrial (B1c/B2/B8) uses over this period.

2.47 One view of future growth in Crawley could simply assume that future development rates carry on at the long term average achieved in the past. If it were assumed that the past net completion rates noted above continued in the 15 years between 2015-2030, and after converting the net requirement for employment space into a gross requirement (using the same methodology outlined above), this would equate to a need for 502,160m^2 or 94.1ha of employment space in Crawley by 2030 (Table 2.11).

Table 2.11 Employment Space Requirement based on Past Trends Continuing, 2015-2030

Use	

employment space to other uses[7], whilst recognising the difficulty of continuing to replace losses due to the physical constraints and lack of readily available land for development in the Borough. Theoretically, a reduction in the requirement for space could be achieved by removing or reducing the allowance for replacing for windfall losses of employment space. However, such an approach would run counter to the well-established principle in employment land assessments. Moreover, such an accounting exercise would risk a diminution in the amount of employment space available, potentially harming the Borough's economic vitality.

Comparison with 2014 Northern West Sussex EGA

2.50 The Submission Crawley Local Plan incorporates the key findings from the 2014 Northern West Sussex EGA as a key evidence base to inform the overall quantum of employment land to be planned for over the period 2015 to 2030. It is therefore useful to compare those requirements with the 2015 EGA Update study to identify any deviation in overall employment space requirements.

2.51 Table 2.12 below presents a comparison of the baseline and higher growth scenarios of employment growth set out in both studies. The different forecasts relate to different time periods, therefore figures are also presented on an annualised basis to enable comparison.

Table 2.12 Key outputs by scenario

Scenario		2014 EGA (2011-2031)	EGA Update 2015 (2015-2030)
Baseline	Total workforce jobs growth	16,440 (822 p.a.)	15,160 (1,011 p.a.)
	B class jobs growth	5,880 (294 p.a.)	3,720 (248 p.a.)
	Gross floorspace requirement (m^2)	387,540 (19,377 p.a.)	287,190 (19,146 p.a.)
	Gross land requirement (ha)	77.2 (3.9 p.a.)	57.9 (3.9 p.a.)
Higher Growth	Total workforce jobs growth	20,130 (1,007 p.a.)	17,595 (1,173 p.a.)
	B class jobs growth	8,310 (416 p.a.)	5,925 (395 p.a.)
	Gross floorspace requirement (m^2)	435,300 (21,765 p.a.)	316,140 (21,076 p.a.)
	Gross land requirement (ha)	87.6 (4.4 p.a.)	63.0 (4.2 p.a.)
Potential Site Capacity	Total workforce jobs growth	22,440 (1,122 p.a.)	21,160 (1,411 p.a.)
	B class jobs growth	10,450 (523 p.a.)	8,290 (553 p.a.)
	Gross floorspace requirement(m^2)	440,330 (22,017 p.a.)	339,990 (22,666 p.a.)
	Gross land requirement (ha)	110.1 (5.5 p.a.)	85.0 (5.7 p.a.)

[7] This reflects the approach advocated in the ODPM guidance and the SEEPB Guidance (2010)

3.0 Demand/Supply Balance of Employment Land

3.1 This section draws together the forecasts of future economic growth and land requirements and estimates of employment land that is likely to be available for development over the Plan period to identify any need for more provision of employment space, or surpluses of it, in both quantitative and qualitative terms.

3.2 The previous section identified a need for between 287,190m^2 and 339,990m^2 of employment space up to 2030, including a modest safety margin largely to allow for delays in sites coming forward for development. The land requirements associated with these amounts of employment floorspace were

3.6 A broad comparison of estimated demand for B Class space arising from the baseline scenario (as set out in the previous Section) against all currently identified supply, as shown in Table 3.2 implies that Crawley would have enough employment space in quantitative terms up to 2030 to meet the needs arising from the 'base case' scenario of future requirements, for both office and industrial uses, if sites subject to safeguarding are included within this supply position.

3.7 However if sites subject to safeguarding are removed from the ELT and pipeline supply over the Plan period to 2030, the demand/supply balance of employment land would become much tighter, with a potential shortfall of land available for both office and industrial uses, equivalent to 2.9ha and 29.2ha of employment space respectively (Table 3.2).

Table 3.2 Demand/Supply balance for office and industrial space to 2030 (ha) – Baseline Scenario

	Total Supply Including Safeguarded Sites	Total Supply Excluding Safeguarded Sites
Office		
Office space requirement (ha)	20.9	
Potential supply of office space (ha)	89.0	

Table 3.3 Indicative Delivery Trajectory fo

3.12 In overall office land terms, 20% is expected to be delivered between Years 0-5, 11% between Years 6-10 and 69% between Years 11-15.

3.13 For industrial land, 7% is expected to be delivered between Years 0-5, 13% between Years 6-10 and 80% between Years 11-15.

3.14 The majority (79%) of non-safeguarded land (for both office and industrial use) is expected to become available for employment development during the first few years of the Plan period, i.e. between Years 0-5/ 2015 and 2020. The remaining 21% is expected to be delivered within Years 6-10.

Implications

3.15 The employment land requirement associated with the baseline scenario of future growth in Crawley to 2030 is equivalent to 57.9ha or an average of 3.9ha per annum between 2015 and 2030. Taken together, the total quantum of employment land identified by the ELT as being available for development in the Borough by 2030 (164.9ha including safeguarded land) would exceed the quantitative baseline requirement for 57.9ha by almost three times. This scenario would however be reliant upon a number of sites that are currently subject to safeguarding coming forward for employment development in the Borough. At the present time, the safeguarded status of these sites means that they cannot be regarded as available for development. Until such time as a decision is made regarding the location of a second runway in the wider South East and future safeguarding requirements, the future role of these sites in accommodating business activity inevitably remains unclear.

3.16 If these sites subject to safeguarding are removed from the ELT, the pipeline supply of employment land over the Local Plan period to 2030 reduces by 84% to 25.8ha. Under this scenario, the pipeline of supply would be insufficient in quantitative terms to accommodate the baseline requirement for 57.9ha of employment land between 2015 and 2030, falling short by 32.1ha or 55%. The pipeline of employment land supply would be largely exhausted within the first five years of the Plan (i.e. 2015 to 2020). Whilst in office terms the quantum of non-safeguarded land would be almost sufficient to accommodate the baseline office land requirement to 2030, the demand for industrial space would fail to be accommodated, with non-safeguarded land capable of accommodating less than a quarter of the baseline industrial land requirement by 2030 in quantitative terms.

3.17 This analysis indicates that the Borough has an adequate pipeline of employment sites to be able to accommodate business needs over the first few years of the 15 year Plan period (i.e. Years 0-5), with the majority of these sites benefiting from an extant planning permission and/or active developer interest. If the total baseline requirement for 57.9ha is compared with the 23.2ha of employment land supply identified over the first 5 years, this would result in a deficit of just under 35ha over the remainder of the plan period[8]. Crawley's ability to accommodate longer term business needs (i.e. over the latter stages

[8] i.e. excluding any other land identified by the ELT for Years 6-10 and 11-15

year Plan period) is less certain, with the Borough heavily reliant upon a number of sites currently subject to Gatwick Airport safeguarding (and therefore uncertainty over their potential future use) to meet these needs.

Appendix 2 Experian Baseline Forecasts

Experian Sector	2015