

JOINT EVIDENCE BASE AND INFRASTRUCTURE STUDY (JEBIS) METHODOLOGY

(Revised Final Draft February 2018)

a) Purpose

- 1.1 The purpose of the work described in this brief is to provide an evidence base for the Local Authorities around the airport on the potential economic development, labour market and housing needs arising from the proposed expansion of the airport and how that relates to the background growth for which the authorities are already planning.
- 1.2 It is not intended to provide a planning framework for the authorities – it will be up to them individually and collectively as to how they wish to use the evidence base. The work is intended to be ‘non-spatial’ in that it will not make any specific recommendations on the distribution of any growth – this will again be a choice for the authorities arising from the evidence, their own evidence and local plans and any future joint working.
- 1.3 The work will be funded by Heathrow Airport Limited but the authorities will be able to review progress on a staged basis and decide if, and how they wish to use the information once completed. The data and source information will be provided in such a format that it can be easily updated by HSPG members over time and as Local Plans and other policies are adopted.

b) Introduction

- 1.4 The construction of a third runway would increase the capacity of Heathrow Airport from 480,000 flights to 740,000 per annum: an increase of approximately 50%. The Heathrow Expansion Project (HEP) will generate a requirement for more hotels, offices, cargo facilities, storage and distribution facilities and more infrastructure both within the expanded airport boundary, in the immediate area around the airport and the wider sub-region.
- 1.5 Heathrow has been working closely with the Heathrow Strategic Planning Group (HSPG) of local authorities to discuss the implications of these issues. In due course, the implications of Heathrow expansion will need to be reflected in the DCO application and, where necessary, in Local Plans for the area. Heathrow is committed to working jointly with HSPG to assess, manage and help to plan the consequences of Heathrow's expansion.
- 1.6 The individual local planning authorities within HSPG are required by national planning policy to produce a Local Plan and keep it up to date. The Plan should seek to meet the objectively assessed need for homes and other uses. The Authorities already work together at a range of spatial scales to plan for these needs. They will need a robust evidence to support future reviews of Local Plans, including the implications of growth at Heathrow.
- 1.7 They are also, working with Local Enterprise Partnerships and others, seeking to maximise the economic benefits of the growth of Heathrow for their areas and evidence of potential economic impacts will also help them plan for this.
- 1.8 It is agreed that such evidence needs to include:
- An assessment of the potential impact of the Heathrow proposals on local economic development, demand for employment floorspace and on demand/need for housing resulting from increased employment;
 - Infrastructure and infrastructure funding to support this development

- 1.9 It is agreed that economic growth can secure higher social and environmental standards, and well-designed places can improve the lives of people. But also, that to achieve sustainable development, economic, social and environmental gains should be sought jointly and simultaneously. Therefore, the production of a fully rounded evidence base and potentially a joint spatial planning framework will require this work to integrate with wider evidence. It is agreed that, the evidence on housing and employment growth will provide an important starting point for understanding the need for social infrastructure.
- 1.10 This note sets out the scope for this work following consultation with HSPG. It should be emphasised that at this stage it is not intended as a means of defining any new housing market or economic areas, nor to allocate housing or employment uses between authorities. It is instead intended to provide a baseline for discussion which builds on the Authorities' existing Local Plan evidence bases, which will allow the Councils at an appropriate time to respond in an informed manner.

c) Approach

- 1.11 We envisage five stages to the work which build upon one another.
- 1.12 Stages 1 and 2 are about defining the economic development scenarios for the area bringing together current projections with those for Heathrow, to produce some combined scenarios, identifying potential labour and property demand.
- 1.13 Stages 3 and 4, are about testing the implications of these scenarios for their economic impacts and the planning of the local area. This involves the consideration of the demand and supply of labour and premises, now and in the future and identifying the implications for the supply of employment land and homes and other activities to maximise local benefits.
- 1.14 Stage 5 is about identifying what infrastructure is planned, and might be required that would influence the relationship between this supply and demand and to mitigate impacts, including particularly travel movements. This will involve analysis of existing data sets to derive high level analysis of strategic transport issues and potential transport infrastructure options to address these.

- 1.15 It is envisaged that this will be an iterative process, with the findings of each stage tested through consultation and formal workshop sessions with HSPG partners, both to ensure that all key data is being considered and to further define the required outputs from each stage influenced by the findings of the completed stages. In this way we hope to ensure an effective and useable evidence base is produced as a final output, supported by the interim reports.

Stage 1: Defining Growth Scenarios

1a) Study Area

- 1.16 The economic effects of the Heathrow proposals will be felt across a wide area, but different effects (eg. property market, labour market) will affect locations in different ways and the immediate area covered by the HSPG authorities will see the greatest effects.
- 1.17 The attached note sets out the proposed approach to study areas which will need to be agreed with the HSPG authorities. This includes:
- i. The HSPG Councils: as a 'core area' given that they broadly represent the bulk of the Travel to Work area and 'semi-contained' although overlapping economic and housing market areas;
 - ii. A larger 'sub-region' –probably including the West London boroughs and three LEPs;
 - iii. A Heathrow Commuting Area – probably defined bespoke by the transport and gravity modelling currently being undertaken by HAL. This will involve both 'current' and 'future' catchments;
 - iv. Other bespoke areas as necessary, probably including property market search areas and sub-areas within the west London/M4/M40 'wedge'.
- 1.18 For the purposes of future planning we note that the HSPG Council areas form part of wider Strategic Housing Market Areas (SHMAs) and Functional Economic Market Areas (FEMAs). It will be important that the methodologies and projections used for these areas is considered in the studies (see 1b) and that any outputs are capable of being disaggregated to these levels to inform future planning. This will then ensure that the baseline study can be an input as required to each authority's Local Plan evidence base.

1b) Current Baseline: Economic Needs Assessments/Employment Land Reviews

- 1.19 We will produce a baseline analysis of the current core area and wider 'sub-region' as defined in Stage 1a. This will include standard datasets such as the Census, Annual Population Survey, BRES, as well as property market analysis. It will identify key labour market issues including labour force participation and commuting patterns. We will also review current strategies and policies including those of the relevant LEPs, Mayor of London, Sub-Regional Partnerships and the Boroughs.
- 1.20 Local Authorities are required by the NPPF to objectively assess the requirement for economic functions as well as housing. Most of the HSPG authorities therefore have Economic Needs Assessments and/or Employment Land Reviews that form part of the evidence base for their Local Plans (or in the case of the London Boroughs have GLA employment forecasts). These project forward employment growth and demand for floorspace, usually based on historic trends for either and/or both.
- 1.21 We will review each authority's/functional area's figures and identify the main data sources and assumptions. In most cases these are set out in the studies, but in some cases we may need to engage with officers. In the case of the Thames Valley, we would also engage with the LEP to draw on their analysis.

1c) Heathrow's Forecasts

- 1.22 HAL has two sets of emerging employment forecasts:
- 'Macro' forecasts of Direct, Induced and Catalytic jobs following 'Additionality' principles;
 - Area specific forecasts on key growth sectors to inform requirements for the Masterplan and the immediate area around Heathrow (informed by the Lichfields' Study)
- 1.23 The DfT has also produced its own forecasts which it has just updated in the revised draft NPS.
- 1.24 The first stage is therefore to review the forecasts to provide an agreed central scenario for the scale of employment growth in the different categories and, broadly, where the growth is expected to occur.

- 1.25 Whilst the study is not intended to be spatial, we can be clear that some of these jobs need to be on or (almost) adjacent to the airport, some need to be within a few miles and some are essentially footloose but want to be within a reasonable travel time (so there is an element of choice about how much of this growth is accommodated and where).

Stage 2: Combined Employment Growth Forecasts

- 1.26 Having agreed the spatial scales for the different elements of the study and the separate employment forecasts, these will be brought together in Stage 2.
- 1.27 A key element of this will be understanding ‘additionality’ and the potential knock on effects of this demand on large and complex regional and sub-regional labour and property markets. Not all of the implied Heathrow demand will be additional, and one can expect that markets will adjust through changes in labour market participation, commuting patterns and other factors.
- 1.28 In the case of London for example, the employment forecasts draw on historic data that includes the period where LHR was growing quickly. To the extent that they project these trends forward there is an implicit assumption of Heathrow growth built in to them. This may be the same with the forecasts produced by the commercial economists (Oxford Economics). This will need to be reviewed and estimated.
- 1.29 This is likely to end up with ranges as there will be an element of choice about how much of the footloose employment growth is included in the forecasts. There is also a degree of overlap between different categories of employment. Both issues will need to be worked through with the HSPG.
- 1.30 A key task will also be to agree a time horizon with the HSPG. The capacity created by expansion will be used up relatively quickly, so peak employment demand for direct airport and related jobs will be sometime in the early 2030s, but the wider economic growth it stimulates will continue through to 2050 and beyond.

- 1.31 We have reviewed the options for purchasing consistent forecast data from a commercial forecaster and have concluded that, subject to detailed agreement, we wish to use Oxford Economics. Oxford Economics' Forecasts have been used to inform a number of SHMAs and we are reviewing the option to purchase bespoke modelling which can factor in Heathrow Growth Scenarios.

Stage 3: Implications for Economic Development and the Labour Market

- 1.32 The Combined Scenarios that have been developed will then inform the assessment of their implications for economic development and planning to meet labour market and property requirements. This will involve a consideration of the interaction of the 'demand' side scenarios with current and future supply.
- 1.33 We will produce analysis of the relationship between jobs and labour markets across the sub-region. Heathrow is the 2nd biggest single employment site in the country. This has an impact on labour markets that ripples out across a wide area – around 50% of workers travel from five neighbouring districts and 75% travel up to an hour.
- 1.34 The largest part of the employment growth will be at and adjacent to Heathrow and will have effects in the immediate area and HSPG Councils. Other components of the growth will be spread across the sub-region and so will have implications on their labour markets.
- 1.35 We will again review the authorities' assumptions about future labour demand and the relationship between HSPG members and their functional economic areas. To do this we will need to agree some scenarios for the spatial distribution of employment. We will review and map current Local Plan and other assumptions on current and future employment land supply from Employment Land and Economic Assessments.
- 1.36 This can be supported by the employment forecasts from Oxford Economics as their models provide a direct link between employment, labour market and population growth.
- 1.37 The HAL surface access team is currently reviewing how new transport connections such as Crossrail and HS2 could affect commuting patterns across London and the South East and its implications for Heathrow. This work will inform this Stage of the study with a series of transport options at stage 3.

- 1.38 This analysis will then, using PPG and previous Employment Land assessment methodology identify:
- The demand for employment floorspace across the HSPG and the wider sub-region – including the ‘baseline’ position and the ‘additionality’ of demand as a result of the airport expansion;
 - This will include demand by different use classes (B1a, b and c, B2, B8, and C1) both by floorspace and site area;
 - Potential location and timing of demand and those uses that have specific locational requirements (particularly on and close to airport), and those with more flexibility to be provided in the wider HSPG or sub-region. We will also consider likely timing of demand;
 - Potential interventions to maximise local benefits, including employment and training and inward investment activities, which can help the HSPG authorities, LEPs and other partners plan for growth and also whether it is possible to increase labour market participation and reduce out commuting, reducing the need for further housing growth;
- 1.39 It will also identify current and future labour market requirements by broad area which will feed into an assessment on the potential impacts on local housing markets.

Stage 4: Housing Growth and Implications for SHMAs

- 1.40 Each authority (or group of authorities in a Housing Market Area) has its own assumptions about the relationship between jobs, the supply of labour, employment rates and housing need.
- 1.41 We will review each to provide an estimate of the relationship between the identified employment growth across the sub-region and the need for additional housing, beyond that which is already being planned. This will enable us to identify ranges for the potential impact of Heathrow on housing requirements and Objectively Assessed Housing Need (OAHN).

- 1.42 This will provide ‘policy off’ scenarios which do not take into account constraints or co-operation between the local authorities to address these housing requirements. This can inform future discussions between the authorities about implications for OAHN in the SHMA areas, and the spatial options for Local Authorities to meet this demand.
- 1.43 We will also review the implications of Government’s proposals for a set methodology for determining OAHN and the Mayor of London’s emerging new housing targets.

Stage 5: Infrastructure Requirements

- 1.44 The key aims of this stage are to:
- Summarise the future growth scenarios for employment, labour market, population, and housing growth identified in stages 1 to 4.
 - Research and articulate the level of current and planned future infrastructure provision in each of the sectors to 2040 (see 1.45).
 - Determine the “gap” between what is currently available / planned, and what is necessary in order to serve the future growth scenarios.
 - Produce a set of recommendations for infrastructure investment to fill the “gap”, together with some suggestions as to how these might be funded.
 - Work with stakeholders to secure their input and engagement with the study, and support for the action plan.
- 1.45 The sectors covered will be: transport, energy (electricity and heat), waste management, water (supply, management and flood risk) and green space. The study will also consider, at a strategic level, the potential social infrastructure requirements, using standard metrics to convert household and or population growth into indicative overall requirements. It will not however seek to apportion infrastructure between areas or consider demand against existing local capacity. This could provide a starting point for future more detailed work on social, green and blue infrastructure as part of any separate wider land use strategy. This would need to be the subject of future work if and when the authorities consider spatial options for growth. The requirements will be responding to employment, labour market, population, and housing growth projections provided by Quod.

- 1.46 This analysis is not intended to be primarily spatial, although some elements (e.g. transport links between the authorities and the airport site) will by their nature include a spatial element. The study will provide recommendations based on these investment corridors, or other metrics, rather than naming specific schemes for investment.
- 1.47 The analysis will include the desktop review of inputs and other studies, as well as the identification of the infrastructure that is necessary, and the “gap”. Some of these are publicly available or can be provided by HAL or the relevant boroughs during the Inception stage. The work will include:
- Task 1: identify the scale of opportunity of the area, based on the economic growth scenarios from Quod.
 - Task 2: literature review of a number of different evidence bases and inputs, including local authority infrastructure plans, regulated infrastructure providers plans (such as those by Network Rail and Thames Water), GLA and TfL policy documents and research relating to London, and other policies, plans and projects. This will be undertaken on a sectorial basis. It will include committed and future planned infrastructure.
 - Task 3: gap analysis and constraints through a clear and transparent process of assessment against defined criteria and supported by evidence. This stage will articulate the additional infrastructure that will be required for each sector, in order to service the growth projections.
 - Task 4: assessment of the scale and nature of further infrastructure investment requirements in the study area, and some analysis of possible funding options.
- 1.48 A stakeholder consultation task will be undertaken to obtain views on transport issues and opportunities. There will be engagement with key bodies and stakeholder groups including the local authorities, infrastructure providers, and GLA and TfL. The exact arrangements for consultation will be agreed at the Inception stage. Stakeholder consultation is a key workstream - to secure their input and engagement with the study, and support for the action plan.

1.49 We propose that the final deliverable – the Strategic Infrastructure Assessment – is produced as a prospectus document with the evidence base and prioritisation framework as a dynamic model which can be refreshed and updated based on new policy priorities and projects. The report will include the scale of infrastructure that may be required as a result of growth and will place that in the context of other undertakings. The report will be high level, and more detail would be expected to be provided in a further, “deeper dive” as a follow-on study, if required.

d) Consultation and Governance

1.50 The work will be overseen by HSPG. It is envisaged that it will be developed in a collaborative manner with approximately monthly workshop sessions (all HSPG organisations invited) to review each stage of the work as it progresses and before interim reports for each stage are finalised. In addition, the joint HSPG / HAL Programme Board will provide regular intermediate guidance with further meetings arranged between these main workshop sessions.

1.51 It is envisaged that there will also be engagement with local authority officers and representatives of the LEPs and West London Business outside of these meetings to ensure that in Stage 1b we pick up all of the economic studies, partnerships and projects being undertaken by the partners, Stage 3 in considering the current employment land supply and local plan responses to this, and Stage 4 in developing the housing need demand scenarios.

1.52 Such engagement will be agreed with the HSPG before the commencement of each stage but it is currently considered that it will be technical consultation with officers, and will involve no member level or public consultation.

e) Timetable

- 1.53 As set out above, we envisage the work proceeding sequentially, with each Stage building on the preceding one. There will need to be periods of review from both the steering group and workshops for each stage with the wider HSPG membership, including where appropriate representatives of other invitees (Non-HSPG Councils and other Stakeholders).
- 1.54 An indicative timeline, running to July 2018 has been discussed with partners and will be confirmed following commencement of the project and the first meetings with HSPG officers and the first workshop session.