APPRAISAL OF:

GUILDFORD BOROUGH COUNCIL STUDY *"EMPLOYMENT LAND ASSESSMENT"*

DATED: JULY 2013

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By

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SUMMARY OF APPRAISAL

The Employment Land Assessment study was published in July 2013 by Guildford Borough Council and the contents attempt to justify a proposal to consider eight sites currently classified as Green Belt as candidates for future development for business use. If this is accepted then eventually some or all of the sites would be removed from the Green Belt. Sites under consideration total 246 ha (608 acres) and are detailed in Table 32 of the report, section 5, and are listed at the end of this appraisal. (Note the error in paragraph 5.1.8 of the study – it refers to Table 42, but it should be Table 32.)

The conclusion from this review of the study is that the assumptions that underpin the analysis are seriously flawed: to the extent that the study is not fit for purpose, so the conclusions reached cannot be considered to be valid. Thus the need to consider Green Belt sites for future development for business use has not been shown to be justified by this study. According to the National Planning Policy Framework the construction of new buildings is inappropriate on Green Belt land and can be justified only in very special circumstances (paragraphs 87 to 89 of the NPPF). This study does not show that special circumstances apply and so no development on the land under consideration would be appropriate. Thus the removal of any of this land from the Green Belt is not warranted.

The study does not show any statistical methodology that would be adequate to validate forecasts made to predict the land area required for employment, meaning that the forecasts made were no better than guesses. As well as not demonstrating a valid statistical basis there were many flaws in assumptions, inconsistencies, selective use of statistics and quotations; all of which undermine its credibility. Although some of these are relatively trivial they do suggest that the mind-set of the authors was to justify the use of Green Belt sites by any

means possible. Not all of the failings of the study are discussed in detail, but some are discussed below.

1. GENERAL

Forecasts produced in this study were based on several reports produced by a variety of different consultants. One of the most important of these was a report produced by Experian in 2006, "*Working Futures*". A forecast breakdown of employment by industry sector for 2017 was provided in this, and these changes were then extrapolated in the Employment Land assessment study to predict employment by sector in 2031. There is no statistical validity in extending forecasts in this way, even assuming that the original report produced a valid model against which forecasts could be made. Nonetheless, the study used a variety of methods to predict employment by sector in 2031 – and these methods are considered in section 2, below. Despite being considered in some detail below, the most important consideration is the statistical validity of these methods, and based on the information provided in the study, they have none. Forecasts made are thus no better than guesses.

1.1 FUTURE OF RETAIL AND RETAIL SITES

Ignoring statistical considerations, the base report "Working Futures" appears to be fundamentally flawed, for instance, in all scenarios it predicts an increase in retail employment in Guildford Borough by 2031 of about 1,150; an increase of 11% above the employment level in 2006. This is at variance with sentiment within the retail sector itself, for example, a report[1] by The Centre for Retail Research forecast that 22% of all retail outlets will close by 2018. Although their forecast for the South East is less dramatic (11% of retail outlets to close by 2018) their forecast is that retail will continue to decline beyond 2018. Other retail consultants are even more pessimistic about the future of traditional retail. The importance of this is that if retail outlets do shut down their premises and sites will become vacant and their use can be changed or sites redeveloped. For example, if 11% of retail outlets close in the Borough by 2018 (as forecast in the Centre for Retail Research report) this would release 2.6 ha of floor space for other uses or redevelopment. Given that this trend is likely to continue to 2031 as much as 3 to 4 ha of existing retail floor space could be available for alternative uses. Some would undoubtedly be used for residential developments, but others are likely to be suitable for offices and perhaps light industrial use. This important source of potential sites (closed retail premises) has been ignored in this study and this is a glaring omission.

[11] Retail Futures 2018 by the Centre for Retail Research, published June 2013

Bizarrely, as well as forecasting an increase in retail, the report also forecasts an increase in internet shopping. It seems there is no end to the shopping prowess of Guildford residents, and no limits on their spending! This forecast was then used to predict additional employment in Guildford Borough via warehousing and distribution facilities locating in the Borough. Although growth in internet shopping is a fact, the likely provision of warehousing and distribution centres in the Borough is debateable. Much is made in the study of comments provided by a survey of employers in the Borough during 2008, but totally ignored were comments such as problems caused to businesses by high costs and traffic congestion. As warehousing and distribution for internet shopping is a low margin business it is highly unlikely that this type of operation would choose to locate in a high cost environment, particularly one that has serious traffic congestion – with no relief in sight.

1.2 Premises Available for Business Use

In the study a breakdown of existing employment sites is provided together with an appraisal of potential future development prospects for those sites. The floor space considered in the study by use was provided in Table 13, Appendix I, showing total floor space area available in the categories considered was 82.2 ha in 2008. However, other categories were not considered, and these must include some large office complexes. Again this is important because if vacancy rates in these sites were high, they may become available for other use. The most glaring omission was the category of commercial offices, which neighbourhood statistics (from the Office of National Statistics, ONS) show as having a floor area of 31.7 ha in 2008. Another omission was the category "other offices" with a floor area of 6.2 ha. Although factory and warehouse space was included in the study, the classification "other bulk premises" was not included and since this category has a floor space of 5.9 ha this again could provide space in the future. The total floor space area of these three ignored classifications was 43.8 ha in 2008. That these have not been considered is incomprehensible.

1.3 Intensification of Activity on Existing Sites

Strategic employment sites in Guildford Borough are listed in Table 2 of the study, with details of the current floor area and the total area of individual sites, as well as the ratio of the existing floor space to total area. This ratio varies from 60% (in other words the floor space available is equal to 60% of the total area of the site) at the Cathedral Hill Industrial Estate to 18% at the Pirbright Institute. Each site is discussed individually in Appendices to the study. Increasing the development on these sites is considered in Section 4.9 of the study, and this suggests that only 3.4 ha of floor space could be made available from intensification of existing sites. This was based on a postal survey of site owners, and the total potential was generated by council officers estimating how much additional floor area could be made available by future development at these selected sites. During this study 400 premises were visited and some of

these were selected as being suitable for development. Owners of selected sites were contacted by mail to determine their plans for the site up to 2031. No details were provided of how many site owners were contacted and what the response rate was, so it is not possible to establish the effectiveness of this survey though the outcome was poor, as there must be more potential than 3.4 ha of floor space made available by future development on existing sites.

As a result of the conclusion that future development potential on existing industrial sites was very low, the next conclusion was that additional new (Green Belt) sites would be needed before 2031, but the question to be posed is how accurate was the picture presented? Owners of sites were responding against a background of the economy at that time, which were not especially conducive to expansion. In addition there are different ways of assisting development and one would be to change height restrictions that apply. Although there are undoubtedly sites where height restrictions need to be imposed there are equally others where restrictions could be eased so that more floors can be built. In essence this argument comes down to "is it more acceptable to build on Green Belt than to ease height restrictions on existing sites?"

In addition, many car parking spaces could be provided under buildings, as is common in the rest of Europe, and this could be a condition on some future developments. Providing underground car parks means that more open green spaces can be created, even with a higher build density at existing sites.

If all the sites listed in Table 2 of the report were developed to the 60% ratio (floor space to site area), ignoring Slyfield Industrial Estate (considered separately below) this would provide an additional 13.2 ha of floor space. Given that one site is already at this ratio, there would appear to be few reasons why it cannot be considered for other sites, though it is likely that this development ratio would not be possible on all sites. Setting a target in this way would wholly eliminate the need to consider Green Belt sites, especially when combined with expansion on the Slyfield Industrial estate (see below).

1.4 Available Sites Not Considered

One puzzling aspect of the study is that Table 1 of the report detailed how the Borough fared against the Guildford Borough Local Plan (2003). It lists repeated failures against the plan, one of which was the failure to bring forward for development sites on both the Slyfield Industrial Estate as well as on land owned by Thames Water. According to Table 2, areas available for development total 21.1 ha. However, this land does not appear to be mentioned again – even in section 5, which discusses meeting medium to long term needs in the Borough. Development of this land would be enough to meet identified needs so it is simply astonishing that it appears not to have been considered. Traffic congestion at the entrance to this site is an issue that needs to be solved, for example, by the provision of alternative entrances, and/or by the provision of an underpass or overpass for though traffic at the existing entrance.

Proposals have been put forward for a substantial redevelopment at Guildford railway station, though the inclusion of office space in this development appears not to have been considered in the study. Guildford Borough Council planners could be proactive in this application, for example, by suggesting current plans could be extended to include development above the railway tracks approaching the station as was done in Wimbledon station, to provide much more space than is being proposed, with underground and decked car parking encouraged. Office space that could be made available should be included for consideration against identified future needs. Again, easing height restrictions could be considered, to ensure the maximum space is gained from this development, whilst ensuring the quality of the development is not ignored.

1.5 Vacancy Rates

Although in the study the vacancy rate (section 4.8) for offices was reported to be about 10%, this may not be a reflection of the real situation, as several categories of existing business sites were not included in the study. In addition, current employment statistics suggest Guildford Borough is experiencing a very sharp and rapid downturn in the local economy, which must eventually feed through to the vacancy rate. According to ONS statistics the current employment rate for the Borough is less than 69%, down from an average for the year 2012 of 73.2%, which in turn was down from 80.1% in 2011. Although traditionally Guildford has had a higher employment rate than the south east region and England as a whole; according to current statistics this is no longer the case, with the current employment rate for the south east stable at about 74% and England at 71%. Across England the employment rate is slowly increasing and for this ratio to be falling rapidly in Guildford Borough should be of very considerable concern.

This is important - apart from being very bad news for the Borough, a low employment rate will eventually work through to the vacancy rate for business premises. Having a high vacancy rate would mean the need would be to fill vacant units, long before new sites need to be considered. Perhaps Guildford Borough should have paid more attention to the businesses reporting that costs within the Borough were high in their business survey in 2008.

2 Methodology

Apart from not demonstrating a valid statistical base for their forecasts, there are major failings in the methodology used to estimate future employment land requirements. Three methods were used and there are serious flaws with each method used. Each of these is considered below.

2.1 Employment Demand Method

Method 1 used employment demand, and three forecasts were made using this. The most serious secondary flaw in this method was the economic analysis

underpinning the methodology. Changes in employment generally track the weakening or strengthening of the economy, but at no time was the direct measure of the economy, Gross Domestic Product, (GDP) used or even referred to. Measures such as the economically active proportion of the local population (in the range 16 to 64) or the employment rate amongst the same group could have been used as a measure of the strength of the local economy. One of these, the proportion of adults economically active, was used in the report, but not to assess variations in the strength of the Guildford economy.

2.1.1 Economic downturn forecast

Of the three forecasts made, the first was prepared in spring 2010 and was said by the authors to be *"well into the recession"*. As the study authors were of the opinion that the underlying conditions were those of an economic downturn this forecast was called *"economic down-turn forecast"*. Reference to GDP data would very quickly have disabused them of this notion. In fact, GDP increased during 2010, with only the last quarter of 2010 showing a contraction in the economy. Given that the forecast was produced in the spring of 2010, this would not have been a factor in developing the forecast. All 4 quarters up to and including the spring quarter of 2010 showed economic growth (as measured by GDP), and the average quarterly growth in the economy during this period was 0.5%. As the long run quarterly average for GDP growth is 0.6% it is clear that the economy could not be considered to be in recession when this forecast was made and in fact was growing at close to the long run average rate.

Other measures also point to a growing economy in 2010 – Table 11 of the study details average economic activity rates for Guildford residents between the ages of 16 to 64, and in 2010 this was 79.4%, up from 77.1% in 2009. The same series of ONS statistics provides the employment rate, and in 2010 for Guildford this was 77.8%, up from 72.8% in 2009. These were signs of a growing economy, albeit one that was recovering from recession.

Despite all these indicators of economic growth this forecast was discounted by the authors as being atypical (that is, representing a downturn) and so was not used in developing conclusions to the study. Had it been used as the basic forecast (as it should have been) conclusions reached would have been very different. However, the statistical basis for the extrapolation to 2031 was not detailed and so, based on the information provided in the study, even forecasts made using this method could not be rated better than a guess.

2.1.2 STRONG ECONOMY FORECAST

The second forecast used as its basis a report produced in 2006, updated to 2008 using forecasts – so essentially it was based on 2006 data. It was called *"Strong economy forecast"*. In fact, this was a period of exceptional growth, with average quarterly GDP growth during 2005 (assumed to be the period of data collection for this report) averaging 0.9%. This was driven by large

increases in government spending and consumer debt and so was a period of exceptional growth.

Other measures of economic activity also pointed to a very strong economy in the Borough – both the economically active and employment rates for Guildford Borough were above 83% during 2005. These circumstances are unlikely to be repeated in the period being reviewed (up to 2031) and most certainly will not be the situation that applies over the whole of the plan period (to 2031). A full economic cycle should always be the basis for long term projections, and so using this data could only produce wildly optimistic forecasts. It is thus fatally flawed and should be totally discounted.

2.1.3 MID- POINT FORECAST

The third forecast made using employment demand for land was a midpoint between the first two forecasts. Given that one of these was made when GDP growth was slightly lower than the long term average and the other during a period when it was considerably higher, it was inevitably an over optimistic forecast. However, this was the forecast used extensively in developing estimates for employment land requirements up to 2031. Given its over optimistic bias this forecast should be disregarded, together with the estimates for employment land needed in 2031 produced using this forecast.

2.2 EMPLOYEE DEMAND FORECAST

Method 2 estimated the growth in the number of employees up to 2031, and then by assuming a breakdown into different employment sectors, the area needed to supply them with jobs. Population statistics from the Office for National Statistics (ONS) indicate that the working age population of Guildford Borough will increase by 11,800 by 2031. To some extent this increase is dependent on housing provision. Thus a cyclical argument is used to justify this – paragraph 3.7.4 of the study is quoted below to illustrate this

"Demographic and housing information shows that the population of the borough and surrounding area is set to expand over the next twenty years. It is important to try to ensure that there will be jobs available for this increased population".

Essentially what is being said is that Guildford Borough will permit more houses to be built which means that more jobs will be needed. Given that no housing figures have been agreed with the Planning Inspectorate it cannot be possible to accurately predict population growth in Guildford Borough to 2031, so the figures used cannot be treated with any level of confidence. This is a fundamental flaw in this approach.

In Table 12 of the study, this increase in population was adjusted to establish how many people aged between 16 to 64 would be "economically active" and this number was used to estimate employment land requirements. There are several secondary flaws in this approach. One is that the average used to

determine the economically active proportion of the population in 2031 was taken over the period January 2004 to December 2012, when the average was 81.4%. During the "boom" years this ratio was very high and has most likely distorted this average. Over the period April 2012 to March 2013 the economically active rate was 74.1% and so the average of 81.4% used to predict the number of people economically active in 2031 appears to be very high, especially given the extension to the school leaving age (which applies for the first time in the current academic year) combined with other attempts to improve vocational training.

Another flaw is in the use of the economically active population rather than the employment ratio. The same series of statistics used in this study publishes the employment rate for the age range 16 to 64 and it is not clear why this was not used directly rather than the economically active rate. If employment rates were used (instead of economically active ratios) to estimate the number of jobs needed by 2031 the number produced would be much more relevant. An example of this is provided in the next paragraph. Being economically active is not the same as being employed, and to confuse these is inexcusable.

In 2010 the Guildford employment ratio was 77.8%, so it is safe to assume this will fall by 2031; say to an average of 75%, due to the planned extension of the school leaving age (17 instead of 16) and the provision of more vocational training. Using this as the employment ratio together with the population numbers in Table 12 would result in 6,319 more people looking for a place to work in 2031, rather than 11,400 derived by the use of very questionable assumptions.

Although adjustments were made to the numbers of workers to compensate for effects of off shoring and home working no growth in the proportion of home workers was factored into forecasts, and given that this is a growth area, this appears to be a considerable oversight, especially as that by 2031 even rural areas in the Borough should have high speed broad band connections. One of the major considerations in extending high speed broadband is to increase opportunities for home working, and not to factor this into employment land projections was remiss.

Finally, the commuting pattern in the Borough was forecast to stay basically static which is highly unlikely – commuting by road is likely to become more costly by 2031 and this will likely have an effect on the commuting pattern in the Borough. Those using rail (travelling to London) are likely to be less affected, whereas the proportion of workers travelling into the Borough by road is likely to fall.

Had these factors been taken into account the number seeking a place of employment in the Borough by 2031 would be much lower than those finally derived in the study. Thus conclusions developed using this methodology should be regarded as deeply flawed and should be disregarded.

2.3 PAST COMMERCIAL FLOOR SPACE TAKE UP FORECAST

The final method used to make a forecast of the land area needed for employment in 2031 uses a calculated (average?) floor space take up rate, calculated during the period 1998 to 2008. Note that there is an error in the text in paragraph 3.8.2, which refers to Appendix J for details, when in fact details are in Appendix I. The Table below is partially reproduced from Table 17 of the study (note that this is not Table 17 of the Appendices, but from the body of the study).

The period 1998 to 2008 was split into 2 unequal time periods, with the first period 1998 to 2004 and the second 2005 to 2008. In terms of the national economy, these were very different, in that the average quarterly GDP growth rate during 1998 to 2004 was 0.8%. During 2005 to 2008, it averaged 0.3%, but this average hides a very sharp decline in the national economy. In the third quarter of 2007, quarterly GDP growth was 1.2%, but then fell rapidly to a contraction of 2.1% in the final quarter of 2008.

Table 17 in the study compared the floor area take up rate by each of three industrial classifications during these two periods and it is clear that there was very considerable variation in take up rates. Although the national economy contracted sharply during the second period, 2005 to 2008; in two of the industrial categories take up rates were higher than during 1998 to 2004. In one of these the take up rate during 2005 to 2008 was more than 6 times the take up rate during the period 1998 to 2004, when the economy was growing. Given the very different economic backdrop to these two periods, higher take up rates would not be expected, and dramatically higher rates would suggest the statistics being considered were skewed, possibly by several large projects undertaken when the economy was growing strongly being completed. Given the high variability in the numbers, using them to make predictions of future take up rates for floor space was just foolish. Nevertheless, trend take up rates were developed for the period 1998 to 2008, and astonishingly, for the category B8 this take up rate was almost 8 times that observed during 1998 to 2004. It was 20% greater than that seen during 2005 to 2008. In other words, the overall trend (for the period 1998 to 2008) was higher than that observed during both sub set time periods, 1998 to 2004 and 2005 to 2008. This is important as the trend figures developed for the period 1998 to 2008 (in bold type) were used repeatedly in the remainder of the report. These numbers must be suspect as in at least one case that take up rate appears to have no relationship to the numbers actually observed, as reported in Table 17.

For the avoidance of doubt, part of Table 17 from the Employment Land Assessment study has been reproduced below. There are three business categories denoted by B1, B2 and B8. Respectively these are "business use"; "general industrial"; and "storage and distribution". Trend numbers for the

period 1998 to 2008 have been shown in bold as these were used throughout the Employment Land Assessment study, but their derivation is not clear. Taking the numbers in the category B8 for example, during the years 1998 to 2004 the average take up rate of floor space in this sector was given as 0.07 ha/year. For the same category, B8, during the period 2005 to 2008 it was 0.45 ha/year. However, the overall trend figure given for the period 1998 to 2008 (in bold text) was given as 0.54 ha/year, higher than either figure previously given. Mathematically, this is impossible. It is important because the high figure, 0.54 ha/year, was then frequently used to forecast future land needs for this business category, and the effect of using this was that a much greater area of land was shown to be required than would have been the case had the average take up of land during the period 1998 – 2004 (0.07 ha/year) been used instead.

In an attempt to find the derivation of the trend numbers for the period 1998 to 2008 two rows have been added, shown in italics. The first of these is a simple arithmetic average of the trend numbers from the periods 1998 – 2004 and 2005 to 2008, whereas the second is a weighted average of the trend numbers, weighted by the number of years that returned the trend number.

Extract from Table 17, Employment Land Assessment Study

Net average annual change in employment floor space (ha)			
	B1	**B2**	**B8**
Trend (1998 – 2004)	1.06	-0.04	0.07
Trend (2005 – 2008)	0.43	0.05	0.45
Trend (1998 – 2008)	**0.69**	**-0.03**	**0.54**
Simple arithmetic average (1998 – 2008)	*0.96*	*0.01*	*0.26*
Weighted average (1998 – 2008)	*0.98*	*-0.01*	*0.16*

Neither of these averages correspond to the trend numbers actually used in the study (those in bold), and so the derivation of these is simply a mystery. They do not appear to have any relationship with the actual trend (average?) numbers shown for the periods 1998 to 2004 and 2005 to 2008.

Given the lack of transparency in the derivation of the trend figures for the period 1998 to 2008 and the wide variation in the raw statistics, no credibility can be attached to any of the estimates developed using this method and so all estimates of floor space needed up to 2031 using this method should be disregarded.

3. CONCLUSIONS

Although there are other inconsistencies and inaccuracies in the report these are not all detailed as some are relatively trivial. Given the absence of a valid

statistical base for the models used to derive forecasts in the study, the many flaws and basic errors there can be no confidence in the forecasts made for the land required to provide new business premises by 2031. Thus no special circumstances (as required by the NPPF for development on Green Belt) have been demonstrated by the study.

This study should be discarded and a new study prepared.

LAND UNDER CONSIDERATION

Reproduced from Table 32 in the Employment Land Assessment Study

Site Ref	Site Name	Land Available	
		Ha	acres
59	Land around Burnt Common Warehouse, London Road, Send	10.7	26.5
27	Land at Grange Farm, Grange Road, Tongham (bounded by A331/A31)	18.6	45.9
35	Land to the north east of Guildford, at Gosden Hill Farm, Merrow Lane	88.8	219.3
36	Land to the south west of Guildford, at Blackwell Farm, Hogs Back	102.2	252.4
62	Land at Tangley Place Farm, Tangley Lane, Worplesdon	6.0	14.8
60	Extension of Peasmarsh Industrial Estate, Old Portsmouth Road, Peasmarsh	8.4	20.8
38	Land north of Salt Box Road and west of the railway line, Whitmoor Common	7.9	19.5
37	Land at Gunners Farm and Bullens Hill Farm, to the west of Jacobs Well and south of Salt Box Road	3.4	8.4