Capital & Counties on behalf of Earls Court and Olympia Group

EARLS COURT REGENERATION AREA
CORE STRATEGY EVIDENCE BASE: SUMMARY
SOCIO-ECONOMIC STUDY

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1 KEY POINT SUMMARY

1.1 The socio-economic background is important when considering new development potential. This paper reviews a number of London socio-economic methodologies and forecasts from Experian and the GLA of relevance to the development potential of the Earls Court Regeneration Area.

1.2 These figures indicate that by 2026:

- between 0.80 and 1.09 million more people will live in Greater London, with about 34,800 to 40,000 of these in the combined LBHF and RBKC area
- there will be a rise of between 381,000 and 912,000 jobs in London as a whole and for RBKC and LBHF combined, an increase of 19,000 to 51,000

1.3 These projections point to continued growth in the capital's economy and in the boroughs concerned. Moreover, even the lower range of population and job estimates remain consistent with the indicative land-use budget for this project.

Table 1 Indicative Land-use Budget

User Type	**Low to High (Sq m) (GEA)**
Office	400,000 to 550,000
Residential	850,000 to 900,000
Retail	40,000 to 55,000
Hotel	45,000 to 65,000
Culture, Destination and Leisure Uses	35,000 to 50,000
Education and Other Social and Local Community Facilities	10,000 to 20,000
Total	**1,380,000 to 1,640,000**

2 INTRODUCTION AND METHODOLOGY

2.1 This report has been prepared for Capital & Counties on behalf of Earls Court and Olympia Group as an evidence base for the Core Strategy submissions for the Earls Court Regeneration Area for the RBKC and LBHF Core Strategies.

2.2 In planning and project assessment, it is important to have a view of future socio-economic trends. Changes in underlying local population and employment will be key determinants of the success of any scheme. For this reason, forecasts of economic and demographic trends are widely used as an evidence base for development.

2.3. There are a number of sources for predictions. The most freely available are official estimates in the public domain. For population, the government's statistical services (the Office for National Statistics) provide detailed population at national, regional and local levels. These projections use traditional demographic methods to model birth and death rates, and migration flows.

2.4. In this study, we have used the Greater London Authority's (GLA) results from its Data Management and Analysis Group (DMAG). These figures use the ONS as a baseline, but also adjust for other factors, most notably house-building plans. As these are the main policy benchmarks, used widely in the London Plan and other strategic work, this is the most appropriate official benchmark.

2.5. Commercial forecasts do not have the same authority as public sources, but they have other advantages. Most important is the frequency that they are updated. Official projections are at best annually reviewed, while commercial forecasters may provide updates on a quarterly or bi-annual basis.

2.6. This is less of an issue for demographics than economics, where events tend to move faster and where using the latest data is most critical to accuracy. But EU expansion, and sharp rises in worker inflows to the UK in the last decade, have led to regular reassessments of the prospects for London's population. This illustrates the need to use the most up-to-date forecasts, whenever possible.

2.7. In this work, Experian is used as the main commercial source. This brings timeliness as mentioned (the latest vintage is spring 2009[1]), but also consistency and independence. Experian also provide our employment and retail spending figures, all derived from a suite of inter-connected econometric models. This is a key benefit, as it allows the linkages between population, jobs and spending to be captured.

2.8. Moreover, for local economic forecasts, there are no publicly available sources. The Treasury produces regular macroeconomic views, but regional and borough level estimates are only provided by commercial sources. The GLA has used Volterra in its work. Their approach has used Experian estimates as an input, then models on the basis of historic trends. Experian's long-term view also includes a structural labour market model, using supply variables such as workforce, skills and industrial mix.

2.9. Different methodologies will produce variations to outcomes. There is a need to take into account variables due to forecasts made at different times. Events (such as the credit crunch) and data revisions need therefore to be looked at in context when forecasting.

[1] The population figures are a GLA-Experian hybrid released in March 2009

2.10. There are relatively few local-level forecasters and their figures are usually not available to analyse, so there is no independent comparative assessment of their accuracy. The consistency, independence and timeliness of Experian figures is therefore key, and we believe that their methodology and assumptions are sound.

2.11. We have supplemented the Experian employment figures with GLA data and carried out some comparison analysis as part of this study.

3 POPULATION

3.1 In the context of LBHF and RBKC and its surrounding area, the key reference point is the Regional Spatial Strategy (RSS), which forms the basis of all other sub-regional plans. The regional planning document for London is the Mayor's London Plan[2] (LP), produced by the Greater London Authority (GLA), giving a comprehensive spatial strategy for the next decade or more, including socio-economic assumptions.

3.2 The initial version of the LP was produced between 2004 and 2006 and was reviewed and amended in 2008. The replacement of Mayor Livingstone in 2008 led a review (Planning for a Better London[3]) which is being consulted on. This is broadly supportive of the previous framework, but important changes in commitments on, for instance, affordable housing are expected. Until the final results are published, however, the current LP will remain the spatial development strategy benchmark for the capital.

3.3. The LP gives explicit assumptions of London's population in its first chapter. The GLA's DMAG provided the population figures for the report and their latest update was released last year[4]. On the basis of a 2006 mid-year figure of between 7.45-7.54 million, a rise to between 8.54–8.86 million in population is expected in London's by 2026 – an increase of 1.1 to 1.3 million people (or 15-18%).

3.4. The GLA/DMAG also produce borough level projections, again using a high-low range (see table 2). These indicate that both boroughs grow at a slightly slower rate than the London average, with Hammersmith and Fulham the faster of the two. In total on the low case, the rise in borough population is just over 40,000 (or 12%).

3.5. The DMAG approach is not just a traditional demographic one based on birth and death rates and migration. As housing is a major strategic consideration for the GLA, these projections also include development inputs, estimating the impact of new homes on the population.

3.6. This in part explains the differences between high and low population profiles. The low forecast is based on actual and expected housing development, while the high view includes an assumption that the high levels of international immigration of the last five years will continue. The size and variability of this component of the London forecast helps explain the variability of recent population projections. But the DMAG in its report recommend that "the Low projection be used for detailed analysis and planning at borough and ward levels"[5].

[2] http://www.london.gov.uk/thelondonplan/docs/londonplan08.pdf
[3] http://www.london.gov.uk/mayor/publications/2008/07/plan-better-london.jsp
[4] http://www.london.gov.uk/gla/publications/factsandfigures/DMAG-briefing2009-02-round-projections.pdf, note that these figures are slightly higher than those used in the latest amended LP document.
[5] Op cit, page 2-3.

Table 2 Demographic forecasts

Population London millions, RBKC/LBHF 000s			**2006**	**2026**	**difference**	**% change**
GLA/DMAG/LP	**London**	**Low**	7.45	8.54	1.09	15
		High	7.54	8.86	1.32	18
	RBKC	**Low**	165	181	16.3	10
		High	167	188	21.3	13
	LBHF	**Low**	174	198	24.3	14
		High	176	206	29.8	17
	Total Low		338	379	40.6	12
GLA-Experian March 2009	**London**		7.46	8.27	0.80	11
	RBKC		164.8	178.5	13.7	8
	LBHF		175.2	196.3	21.1	12
	Total		340	375	34.8	10

Sources: GLA, ONS, Experian

3.7. Experian forecast bi-annually and also take as their basis official ONS population projections. These are a starting point, with the numbers then adjusted for migration caused by economic factors and also for policy considerations, including house-building.

3.8. Table 2 reports a hybrid GLA-Experian demographic profile produced from a recent report on retail floorspace[6]. These assumptions were agreed jointly with the GLA, rather than produced by Experian alone, but are of recent vintage. This study assumes a conservative demographic profile, similar to the GLA/DMAG Low case recommended for planning. The increases for both London (0.8 million new people) and combined RBKC and LBHF (34,800) are lower than the GLA benchmarks.

3.9. In summary, population projections from Experian and GLA indicate a range of between 0.80 and 1.09 million extra people in Greater London and between 34,800 to 40,000 for a combined LBHF and RBKC by 2026.

[6] http://www.london.gov.uk/mayor/publications/2009/03/consumer-expenditure.jsp, Consumer Expenditure and Comparison Goods Retail Floorspace Need in London, March 2009

4 EMPLOYMENT

4.1. In the LP, an additional 912,000 jobs were forecast to be created between 2006 and 2026, taking employment to 5.5 million in the capital. About two-thirds of the new jobs (an estimated 605,000) were expected to be generated by the financial and business services sector. These figures are attributed to GLA/Volterra and dated 2007[7].

Table 3 London employment forecasts

London population Millions	**2006**	**2026**	**%**	**Change/ 000s**	**Difference from GLA/000s**
London Plan/GLA-Volterra	4.59	5.50	20	912	
Experian, Spring 2009	4.63	5.01	10	381	-531

Sources: GLA, ONA, Experian

4.2. Table 3 sets these official projections against the employment benchmarks from Experian's latest regional forecasts (spring 2009). These indicate that by 2026, less than half as many jobs are created than in the GLA figures, though there is still a 10% (or 380,000) increase in levels over the period.

4.3. While a less benign economic environment explains some of the change in views over the next five years, other factors are also important. Most important, Experian assume a less strong medium to long term trend, with annual growth rates of between 0.5 to 0.7% a year. This compares with a GLA/Volterra profile of job creation at almost 1% a year.

4.4. Differences partly reflect methodology. Experian's structural models will be limited by the high long-term employment rates in London and supply constraints, so that growth rates will tend to decline over time. By contrast, GLA/Volterra base their projections on a continuation of recent trends in job demand. These differences explain about half of the gap between current Experian and LP estimates for London.

4.5. Experian's latest view also implies that there is a permanent job deficit in the recovery, a structural not cyclical loss. This is less easy to isolate, but may reflect an assumption that financial services could be somewhat less dynamic in future. This view is consistent with the current uncertainty about the prospects for banking, and promises of tighter regulation of credit and finance.

4.6. The GLA also released a full breakdown of the LP employment forecasts at the borough level, based on their triangulation method[8]. These projections are derived from the top level Volterra figures and shown with the spring 2009 Experian equivalents in table 4.

[7] GLA use Experian as the source of their employment data, but the projections are by Volterra Consulting, http://www.london.gov.uk/mayor/economic_unit/docs/wp_20_employment.pdf

[8] See http://www.london.gov.uk/mayor/economic_unit/docs/current-issues-note-13.pdf

Table 4 Borough employment forecasts

Borough employment 000s		2006	2026	%	Change	Difference from GLA
London Plan/GLA	RBKC	139	152	9	13.0	
	LBHF	127	165	30	38.0	
	Total	266	317	19	51.0	
Experian, Spring 2009	RBKC	130	139	7	8.7	-4
	LBHF	130	140	8	10.5	-28
	Total	260	279	7	19.1	-32

Sources: GLA, ONS, Experian

4.7. Experian forecast a total of 19,000 headcount jobs created across the boroughs by 2026. This implies a much faster rate of expansion than for London as a whole, but still indicating a shortfall on the GLA figures.

4.8. For the GLA, the rapid job creation in LBHF is particularly critical, explaining 38,000 of the 51,000 new jobs created. LBHF has experienced exceptionally rapid job creation in the recent past and the GLA is projecting this forward. This raises methodological issues and whether potential labour supply constraints have been considered (as the much lower borough population figure implies a large increase of in-commuting). The GLA RBKC figure is also higher than the Experian forecast, though the gap is much less significant.

4.9. In summary, employment projections for Greater London to 2026 suggest a rise of between 381,000 and 912,000 jobs, and for RBKC and LBHF combined, an increase of from 19,000 to 51,000.

5 SUMMARY

5.1 Table 5 summarises the various socio-economic assumptions from Experian and the GLA. As noted, there are some differences in predictions given the varying start points, different methodologies and underlying assumptions, and the long time horizon considered.

5.2. The gap on population is relatively modest (at 6,000 people over 20 years) given the potential range of views in this area. Experian London employment forecasts have been somewhat depressed by the economic downturn and by a re-evaluation of prospects in the financial sector. There are a range of projections for borough job creation, particularly in LBHF.

5.3. The key overall trends are, however, all positive and, the projections all point to continued growth in the London economy as a whole and in the RBKC and LBHF. The Earls Court Regeneration Area presents a key opportunity to help deliver this growth in a sustainable way.

Table 5 Experian view and the London Plan compared

Change 2008 to 2026	**Hammersmith and Fulham**	**Kensington and Chelsea**	**Total**
London Plan population (2008)	24,300	16,300	40,600
Population (GLA-Experian 2009)	21,100	13,700	34,800
London Plan jobs (2008)	38,000	13,000	51,000
Jobs (Experian 2009)	9,000	10,000	19,000

5.4. The resident population statistics are used as key inputs in the King Sturge retail and leisure analysis. The workplace jobs figures are similarly important in calculating day-time retail contributions and form the basis of the potential office work-force for the development. These estimates are in turn used to inform the Land-use budgets for each use class (see Table 1).

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