

# **Review of Warrington Employment Targets to 2040**

## **A report to Cheshire and Warrington LEP**

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**Metro — Dynamics**



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# 1 Introduction

Cheshire and Warrington LEP is in the final stages of producing a refresh of its Strategic Economic Plan (SEP) “Cheshire and Warrington Matters”. In addition, Warrington Borough Council is currently building up its evidence base in preparation for a new Local Plan for the Borough. Projected employment growth in Warrington is a crucial element of both. As such, Metro Dynamics has been asked by Cheshire and Warrington LEP to produce a high-level review of the employment target for Warrington in the SEP, to ensure that this is reasonable and in line with what might be expected given current knowledge of future investments and an analysis of historic employment growth.

In preparing this work we are drawing on the latest draft of the Strategic Economic Plan (due for release in July 2017). We have also drawn heavily from the work of the Warrington Borough Council Economic Development Needs Study, BE Group and Mickledore, October 2016 (hereafter referred to as ‘the EDNA’).

We have additionally referred to the work by Mickledore, ‘A review of economic forecasts and housing numbers’ – Mickledore, October 2016 (hereafter referred to as ‘the Mickledore review’), and the Mid Mersey SHMA Update – Warrington Addendum, GL Hearn, May 2017. The above reviews in turn reference forecasting work carried out by Oxford Economics and Cambridge Econometrics. There is reference made in the Mickledore review to work carried out by SQW and Cambridge Econometrics on the expected economic and employment impact of the Northern Powerhouse investments.

Further to these reports we have also been able to review current projected regeneration and investment plans for Warrington. Some of this is at an early stage and whilst we have not quoted the current projections for this reason, we have taken into account the types of development, the current view of Warrington Council on risk levels and delivery timescales. We have considered the likely feasibility of delivery of these projects in light of our knowledge of other similar developments elsewhere in the UK.

Finally, we have considered the Council’s commitments to and objectives concerning employment and housing land delivery as expressed in its forthcoming Local Plan: Preferred Development Option (July 2017).

We have also drawn on our knowledge of Warrington as an economy from our work in developing the evidence base for the Strategic Economic Plan.

The rest of the report is structured as follows:

- Chapter 2 presents the overall picture of the contrasting employment forecasts and an analysis of our approach to considering future employment growth.
- Chapter 3 analyses historical growth trends in Warrington, including sectoral trends, for the periods 1992-2014 and 1998-2014.
- Chapter 4 introduces the policy neutral forecasts calculated by Oxford Economics and Cambridge Econometrics, including a comparison with past trends, to present a baseline from which to compare “policy-on” scenarios.

- Chapter 5 delineates the probable outcomes of policy interventions in Warrington presented in the SEP’s “Warrington New City” programme and implied in the Government’s Northern Powerhouse proposals.
- Chapter 6 briefly summarises our findings and presents our conclusions.

## 2 Assessing the employment forecasts

The Strategic Economic Plan sets a target of 31,000 jobs to be created in Warrington between 2015 and 2040, or 1,240 jobs per annum. In contrast, two separate forecasts, carried out by Oxford Economics (OE) and Cambridge Econometrics (CE), show a lower rate of employment growth of 968 and 886 jobs per annum respectively. Trend employment growth between 1992 and 2014, as shown in the SHMA Warrington Addendum, amounted to an average growth of 1,623 per annum, whereas trend growth between 1998 and 2014, as analysed in the EDNA report, amounted to an average growth of 1,340 jobs per annum.

As summarised in the table below, the SEP employment target is significantly above the OE and CE growth forecasts, somewhat below historical trend growth from 1992-2014, but only marginally below historical trend growth from 1998-2014.

**The purpose of this report is therefore to consider whether the SEP target is reasonable given these other pieces of information and what is currently known about investment prospects for Warrington.**

Figure 1. Employment growth forecasts 2015-40

Forecast	Forecast Growth 2015-2040 <sup>1</sup>	Annual Change
SEP	31,000	1,240
OE	24,204	968
CE	22,159	886
Historical Trend 1992-2014	40,575	1,623
Historical Trend 1998-2014	33,500	1,340

<sup>1</sup> As the OE and CE forecasts extend only to 2037, we have calculated the average annual growth rate over these years and projected them a further three years to reach the figure for 2040. The historical trend number has been calculated by taking the average annual employment growth from 1992-2014 and 1998-2014 respectively and projecting this over the period 2015-40. The figures for historical growth are taken from Oxford Economics historical employment data, which derives from the Annual Employment Survey (1992-98), the Annual Business Inquiry (ABI) (1992-2008) and the UK Business Register and Employment Survey (BRES) for the years 2009-14.

## A note on our approach

This report reviews two quantitative employment forecasts, namely:

- Oxford Economics (OE)
- Cambridge Econometrics (CE)

Employment and economic forecasting is necessarily an inexact science, based on layers of different assumptions about the future growth of sectors that draws on historic patterns of growth. This is why we can often see significant differences in the outcomes predicted by different forecasting companies. At a local level, forecasts can sometimes be overly constrained by the national picture, without an effective view of particular local economic drivers, as forecasters generally start with assumptions on a national growth position and break it down further to a local level using a range of further assumptions.

Employment forecasts can be incorrect when there are significant unforeseen or unpredictable events. The unknown conclusion of the Brexit process is an obvious near-term example of this. In the longer term, the impact of technology will have unpredictable impacts upon employment across sectors (and, indeed, the nature of these sectors).

The longer term the forecast, the higher the likelihood of unpredictability, therefore as we examine forecasts over 20 years into the future, the results referred to in this report should be understood as guidelines only, whose utility derives from assessment alongside policies and schemes.

Finally, all models are subject to margins of error that increase as the level of geographical detail becomes smaller. As such, models should only be seen as one piece of evidence in making policy decisions and tracking economic and demographic change. They can be useful as a guide to growth expectations, but they cannot and should not be used on their own to set employment targets for local areas as such targets must take account of local opportunities, constraints and community aspirations. Indeed, this is acknowledged by some forecasters explicitly.<sup>2</sup>

Therefore, this report aims to place forecasts of Warrington's employment growth in their local context, to examine the influence of past policy on past growth – and the likely impact of future schemes – and to consider the appropriateness of the current SEP employment target for Warrington.

## 3 Analysis of historical employment growth

At present, Warrington is a highly successful town in both economic and quality of life terms. It is one of only 14 towns and cities in the UK defined as 'high wage and low welfare', and is the only town or city in the North of England to gain this accolade.<sup>3</sup> Since 1997,

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<sup>2</sup> Oxford Economics, 'York Economic Forecasts, Annex 1' (May 2015), p. 17.

<sup>3</sup> Centre for Cities, 'Cities Outlook 2016', Centre for Cities, p. 11.

Warrington has outperformed England and the North West in terms of GVA growth in achieving GVA growth of 75% to 2014.<sup>4</sup>

This success is derived in part from Warrington's strategic location: it is at the heart of a dense network of transport infrastructure, comprising motorways, international airports, mainline rail and waterways, and is flanked by Liverpool to the west and Manchester to the east. As such, 2.5 million people of working age live within a 30-minute drive of the town, constituting the largest workforce catchment area of any town outside of the M25.<sup>5</sup> Success is also related to a long history of proactive development by the council, including bringing forward a significant number of sites for development.

High growth in Warrington is not merely a function of the rapid growth experienced nationally prior to the 2008 financial crisis. In the previous Cheshire and Warrington SEP, published in 2014, the LEP's aspiration was to have grown the economy of the region to £26.6 billion by 2021. This target had already been exceeded by £1 billion by the end of 2015, creating 33,000 jobs in the process.<sup>6</sup> Warrington proved central to this, contributing a number of large-scale projects in recent years. Most notably, Omega, the largest mixed-use development site in the North West, has become one of the most successful logistics and distribution centres in the UK, creating over 7,000 new jobs and 3 million sq. ft. of commercial floorspace over the last three and a half years.<sup>7</sup>

## Statistics on employment

To understand Warrington's economy and future employment prospects it is necessary to examine historical data on employment growth. There are two figures for growth used in existing literature – the SHMA Warrington Addendum, drawing on the Mickledore review, calculates average annual employment growth from 1992 to 2014, arriving at an annual increase of 1,623 jobs. The EDNA uses the period 1998-2014 to calculate a mean annual employment growth figure of 1,340.

Both calculations use data on historical growth compiled by Oxford Economics, which itself is derived from official Government employment surveys, namely: the Annual Employment Survey (1992-98), the Annual Business Inquiry (ABI) (1992-2008) and the UK Business Register and Employment Survey (BRES) for the years 2009-14. Each of these surveys employ slightly different methodologies and therefore have different sectoral definitions, however the OE modelling amalgamates the data into comparable sectors. The data underlying the categories is therefore not fully consistent, however they provide a useful general indication of sectoral employment change over time.

The annual average growth figure for 1992-2014 is considerably higher than that of 1998-2014. Our view is that including information for the period 1992 to 1998 skews the apparent growth figures, as this was a period of significant national economic and employment recovery. There is a further issue concerning the comparability of employment figures prior to 1998, as the methodological differences between the constituent surveys is greater for the

<sup>4</sup> BE Group and Mickledore, 'Warrington Borough Council Economic Development Needs Study (EDNA)', (October 2016), p. 44.

<sup>5</sup> Warrington&Co, 'Warrington Means Business: Warrington's Economic Growth and Regeneration Programme', (December 2016), p. 8.

<sup>6</sup> Cheshire and Warrington Local Enterprise Partnership, 'Cheshire and Warrington Matters: A Strategic and Economic Plan for Cheshire and Warrington', (March 2014), p. 6; Cheshire and Warrington LEP, 'Strategic Economic Plan: Cheshire and Warrington Matters' (draft), (June 2017), p. 3.

<sup>7</sup> Cheshire and Warrington LEP, 'Strategic Economic Plan' (draft), p. 17.

earlier years. However, it is important to include the 1992-2014 figures as they informed the updated SHMA analysis and underline the fact that historical trend figures are highly subject to periodisation.

Therefore, for the purposes of this report, we consider employment trends from 1998 to 2014 to be most useful for assessing future growth in Warrington as the local and national political and economic context of these years most closely aligns with what we would expect in the future.

### Historical employment trends in Warrington

Warrington has generated high employment growth over the past two decades that has far outstripped that of the Cheshire and Warrington LEP area, the broader North West England region, and the national (England) average. Warrington experienced exceptionally high growth in the years 1992-8, and thereafter, between 1998-2014, the workforce grew by 21% (from 101,000 to 122,000), compared to 14% in England and a mere 10% in the North West.<sup>8</sup>

The table below sets out employment growth across sectors for the periods 1992 to 2014 and 1998 to 2014. The key messages are as follows:

- Financial and business services have been a strong driver of growth over the past two decades particularly in the early- to mid-1990s. This growth continued in the post-recession years from 2009 albeit at a slower rate, hence the lower figure for the 1998-2008 period.
- Logistics (transport and storage) and construction have similarly experienced consistent growth, but again this slowed down following the recession.
- Manufacturing employment has declined consistently in line with national trends.
- The overall growth figure for information and communications for the period 1992-2014 is positive, whereas for the years 1998-2014 it is negative. This indicates that the sector experienced rapid growth prior to 1998 that subsequently dropped sharply and has yet to recover.
- The figures for wholesale and retail are similar in showing an increase in the 1992-2014 period but net decrease in the 1998-2014 period, again indicating rapid growth before 1998 and consistent decline thereafter.
- Public sector employment grew strongly prior to the recession but has seen a slight decline since the recession.
- Consumer-focussed services (such as accommodation and food services and other high street services) have been a consistent driver of growth, even after the recession, however the rate of growth decreased considerably.

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<sup>8</sup> BE Group and Mickledore, 'EDNA', p. 35.

Figure 2. Total employment change in Warrington by sector

Sector	Change 1992-2014	Change 1998-2014
Agriculture etc.	-37	43
Mining and quarrying	-20	-111
Manufacturing	-6,794	-5,560
Electricity, gas and water	-523	-580
Construction	1,639	1,434
Wholesale and retail	1,222	-1,132
Transport and storage	2,911	3,038
Accommodation and food services	2,242	697
Information and communications	1,227	-521
Financial and business services	19,502	9,404
Government services	9,512	10,553
Other services	4,821	4,178

### An important caveat - historical trends do not necessarily predict future growth patterns

Examining the data above shows a high overall growth rate for Warrington. However, it cannot be assumed that such trends will continue. As such, it is important that Warrington's strong past growth rates are not uncritically extrapolated into the future, and that any future growth is based on consideration of national economic conditions, as well as the specifics relating to employment in Warrington. In the next section, we look at the forecasts which have been produced for Warrington and compare them to historical trends to see if they are a reasonable benchmark for a policy-neutral level of growth.

## 4 Policy neutral forecasts

Two forecasts have been commissioned for Warrington for the Local Plan period (2015-2037) from Oxford Economics (OE) and Cambridge Econometrics (CE) respectively. These

forecasts provide a view as to how much additional employment might be expected over these years and in what sectors. The forecasts differ in terms of the overall level of employment anticipated and the sectoral concentration of future employment growth. Nonetheless, they agree on a great deal and are a useful benchmark for considering employment growth.

Both sets of projections rely on a series of assumptions using varying methodologies which are then inputted into econometric models to produce their calculations. According to Oxford Economics, their Local Area Projections depend on the following three factors:

- National/Regional outlooks: Oxford Economics models are fully consistent with broader global and national forecasts which are updated on a monthly basis.
- Historical trends: The models incorporate past data (which implicitly factor in supply side factors that may impinge on demand), augmented where appropriate by local knowledge and understanding of patterns of economic development.
- Economic relationships: The models account for the fundamental links between economic phenomena such as employment rates, wages, commuting patterns, house prices and population figures.<sup>9</sup>

Supply side factors such as skills and land are only considered as factors in as far as they have been in the past. Similarly, only known policy developments are included, not plans or strategic aims and objectives.<sup>10</sup> The method is therefore considered ‘policy-neutral’, or termed a ‘market preference’ approach. Oxford Economics take the same approach regionally and locally, however there is greater economic rigour at the regional level given the increased reliability of such data.

The Cambridge Econometrics Local Forecasting Model is essentially the same in that it comprises a demand-led model that models the relationships between firms, households, government and the rest of the world in a disaggregated industry-split framework. It too establishes the impact on the economy, in terms of employment and GVA, of demand side factors determined by, for instance, broader global and national trends. Its divergence from Oxford Economics derives from variations in the specific calculations used to assess the interrelationships between the economic phenomena incorporated into the model.<sup>11</sup>

Forecasts such as these act as a guide to aid commentary and analysis of a local economy. These forecasts provide “policy-off” projections. In other words, they do not account for any policy proposals and their potential impact upon employment figures. Furthermore, the base projections are ‘unconstrained’ in that they do not consider constraints on development which may be greater than in the past.<sup>12</sup>

Therefore, we should consider these forecasts to be a kind of ‘baseline’, and that growth may be higher than this with policy intervention, or lower if there are additional constraints. What follows, therefore, is an analysis of what these two sets of forecasts say and their

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<sup>9</sup> Oxford Economics, ‘York Economic Forecasts’, p. 18.

<sup>10</sup> Oxford Economics, ‘Employment Forecasts for South London: Response to the Examination in Public’, Oxford Economics, (June 2010), p. 2.

<sup>11</sup> SQW and Cambridge Econometrics, ‘Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment’, Cambridge Econometrics, (February 2014), pp. 2-3.

<sup>12</sup> Oxford Economics, ‘York Economic Forecasts’, p. 18.

plausibility given historical trend growth and what we know about the likely trajectory of growth in specific sectors.

## Jobs growth projections

Both the OE and the CE forecasts are for the Local Plan period of 2015 to 2037. To make these comparable with the SEP target (which runs to 2040) we have calculated the average annual increase and projected this a further three years to 2040.

Overall jobs growth projections are set out in the table below:

**Figure 3. Jobs growth projections**

Forecast	2015	2037	Change	Annual Change	2040 (Projected)	Implied Change 2015-2040
Oxford Economics (May 2016)	134,800	156,100	21,300	968	159,004	24,204
Cambridge Econometrics (November 2015)	143,300	162,800	19,500	886	165,459	22,159

As the table depicts, the starting point for current employment figures differs depending on the forecast, however it is striking that the jobs growth projections across both forecasts are similar.

## Sectoral Analysis

The sectoral split in employment is set out in the table below. As above, the figure for 2040 is calculated by taking the average annual growth/decline (from 2015-37) and projecting the average annual increase/decrease forward a further three years.

**Figure 4. Sectoral employment change 2015-40 by forecast**

Sector	OE implied change to 2040	CE implied change to 2040
Agriculture etc.	-78	-170
Mining and quarrying	-5	-6
Manufacturing	-2,253	-3,380

Sector	OE implied change to 2040	CE implied change to 2040
Electricity, gas and water	-502	336
Construction	3,880	1049
Wholesale and retail <sup>13</sup>	2,545	2,466
Transport and storage	927	939
Accommodation and food services	1,608	4,038
Information and communications	1,435	844
Financial and business services	13,370	12,635
Government services	794	2,448
Other services	2,388	951

Both OE and CE make broadly analogous sectoral projections with several areas of agreement. There is agreement on the decline in manufacturing, which is reasonable given the sector’s historical decline in Warrington and nationally. There is also close agreement on wholesale and retail, transport and storage and information and communications, as well as the fact that government services, other services and accommodation and food services will increase, albeit with differing views between the forecasts as to the scale of expected growth. There is also a difference in the scale of forecast increase in construction.

Utilities (electricity, gas and water) is the single area of disagreement, with OE projecting a decrease of around 502 jobs while CE forecasts a slight increase of around 336 jobs. However, the total difference between these two figures (838 jobs) is in fact smaller than those of other sectors where there is agreement in direction of employment change but disagreement in scale. As such, utilities should not be regarded as too significant an anomaly.

Examining the overall change in services sectors, we see that despite the different projected figures in individual sectors, the overall figure increases, if added together, are similar. As such, the projections make similar claims about the increases in locally-focussed services (i.e. food, government, business and other services), therefore the variation in individual

<sup>13</sup> In the forecasts’ original classifications, this is categorised as ‘distribution’. However, as the figure for this category is made up largely of wholesale and retail jobs, we consider ‘wholesale and retail’ to be a more appropriate label.

sectoral figures is likely to be down to differences in classification among the forecast methodologies.

Given their broad agreement, we can say that the forecasts provide a useful baseline from which to assess alternative outcomes as a result of policy interventions. Equally, it is instructive to examine the sectoral forecasts against historical sectoral growth (and decline).

The forecasts and historical trends do not provide a direct comparison over these years as the survey methods, sector classifications, and time periods vary. However, it remains possible to make certain general observations when past and future sectoral growth and decline are presented side by side.

The table below depicts the average annual change in employment in specific sectors in Warrington over two historical periods (1992-2014 and 1998-2014) and in both the OE and CE forecasts. The sectoral composition is not directly comparable as alternative classifications are used in alternative surveying methodologies (the Annual Employment Survey from 1992-8, the ABI from 1998-2008 and BRES for 2009-14), as well as in the forecasts, however the figures provide a rough yardstick by which to compare past and future sectoral change.

**Figure 5. Historical and forecast annual employment change by sector**

Sector	Trend growth 1992-2014	Trend growth 1998-2014	OE forecast	CE forecast
Agriculture etc.	-2	3	-3	-7
Mining and quarrying	-1	-7	0	0
Manufacturing	-309	-348	-90	-135
Electricity, gas and water	-24	-36	-20	15
Construction	75	90	155	42
Wholesale and retail	56	-71	102	99
Transport and storage	132	190	37	38
Accommodation and food services	102	44	64	162
Information and communications	56	-33	57	34

Sector	Trend growth 1992-2014	Trend growth 1998-2014	OE forecast	CE forecast
Financial and business services	886	588	535	505
Government services	432	660	32	98
Other services	219	261	96	38

There are immediate comparisons that can be made, for instance the long and consistent historic decline in manufacturing is projected to continue into the future in both forecasts. We also see that forecasts for construction are broadly in line with historical trends. However, we know that the sector experienced a decline in the post-recession period, but had grown sufficiently in the prior years to show overall positive growth for the two historical periods in question. The forecasts therefore suggest a degree of recovery, albeit not on a comparable scale to the significant growth experienced pre-recession. This comparison is reasonable given that housing and infrastructure development fell sharply following the recession, severely impacting construction, but some subsequent recovery is a reasonable assumption.

Information and communications employment is forecast to increase against the more recent historical trend (from 1998), reflecting recovery in this sector following the recession.

Prior to the recession, government services (public administration, education and health) grew at an extremely high rate, though employment fell during the recession and subsequently. The forecasts predict a modest recovery in the future, which appears sensible given the continuation of austerity policies and general attitude to public expenditure increases.

In line with historic trends, financial and business services are expected to continue to be an important driver of growth, which corresponds to national level projections, but not quite at the 1992-2014 period, which reflects the longer-term deceleration in employment experienced by the sector.

The forecasts show lower employment in logistics (transport and storage) than in the past, which again is reasonable given the time period under consideration, as these industries are expected to be negatively affected in terms of employment numbers by the continued proliferation of automation (for example, driverless freight and the use of robotics in warehousing).

Consumer-facing services such as accommodation and food services, as well as other services (which includes arts and entertainment) are expected to remain a driver of growth, albeit at a lower rate. This seems plausible given historical trends and national expectations, including the movement towards a greater proportion of retail activity being conducted online.

In summary, the above forecasts are sensible given what we know about the future growth prospects of specific sectors and historical growth trends. They provide an informative baseline analysis which stands to reason in a “policy off” scenario. However, given that Cheshire and Warrington LEP and Warrington Borough Council are putting in place many new initiatives and have a good record of delivery, it is necessary to look at these specific policies and the extent to which they may drive future growth before assessing whether employment will increase higher than the forecasts indicate.

## 5 “Policy-on” scenarios

While the above forecasts provide a useful guide to baseline changes in a local economy as influenced by national and regional economic trends, they do not account for the implementation of specific policies in the future. Therefore, in order to ascertain sensible jobs growth figures, it is necessary to assess the likely influence of proposed policies and alternative scenarios not accounted for in the forecasts, including regional intervention programmes such as the Northern Powerhouse. Furthermore, it is important that the both the Council and LEP plan for positive growth scenarios.

### Devolution Bid and Strategic Economic Plan refresh

In their bid for a devolution deal with government, the Cheshire and Warrington LEP proposed that through their interventions, employment would grow in Warrington by 31,000 to 2040, alongside an additional 24,000 jobs in its immediate economic hinterland in the Liverpool City Region.<sup>14</sup> The set of schemes have been termed “Warrington New City”, and are also incorporated into Cheshire and Warrington LEP’s upcoming Strategic Economic Plan refresh.<sup>15</sup> The proposals are outlined in greatest detail in ‘Warrington Means Business’, the Borough Council’s economic growth and regeneration programme, and the Warrington Town Centre Masterplan.<sup>16</sup>

The figure of 31,000 jobs equates to an average annual growth of 1,240 jobs over the 25-year period from 2015-40. This is significantly higher than the OE and CE baseline forecasts of 968 and 886 jobs respectively, but slightly below the average annual historical increase from 1998-2014 of 1,340, and somewhat below the historical trend growth from 1992-2014 of 1,623 jobs annually.

Warrington has historically enjoyed above-average economic and employment growth rates, and the town has certain advantages that may promote future development. For instance, as a legacy of Warrington’s New Town status in the 1960s, there is a significant quantity of undeveloped publicly-owned land assets in the hands of the Homes and Communities Agency (HCA). These are some of the most valuable surplus assets in the HCA’s portfolio. Furthermore, Warrington benefits from an efficient single unitary

<sup>14</sup> Cheshire and Warrington Local Enterprise Partnership, ‘Gateway to the Northern Powerhouse: Cheshire and Warrington – A Growth Deal Bid, Annexes’, (August 2015), p. 11.

<sup>15</sup> Cheshire and Warrington LEP, ‘Strategic Economic Plan’ (draft), p. 29.

<sup>16</sup> Warrington&Co, ‘Warrington Means Business: Warrington’s Economic Growth and Regeneration Programme’, (December 2016); Warrington Borough Council, ‘Warrington Town Centre Master Plan: Vision 2030’, Warrington &Co, (February 2012).

authority that is almost financially self-sufficient, and therefore has a low dependency on central government funding.<sup>17</sup>

The “Warrington New City” proposition entails the major release and development of land in the core of the town and via planned urban extensions, coupled with land value capture. The ‘local’ share of this money is to be directly reinvested into enabling the growth and maintenance of the town.<sup>18</sup> Through this model of growth and municipal financing, as well as close cooperation between central government and Warrington Borough Council, it is conceivable that the town will grow at an accelerated rate above the baseline forecasts.

We have reviewed detailed scheme data for major investment schemes and developments over the course of the SEP period. The majority of these are set for completion within roughly the next 10 years, but many will rely on securing funding. Some development schemes and investment plans have already been completed, others are yet to commence or secure sufficient funding for their initial delivery stages. Although the majority of these schemes are set for completion relatively soon, in the Warrington Borough Local Plan: Preferred Development Option, the Council has committed to a high growth planning strategy for the entire Local Plan period (to 2037). This includes the delivery of its objectively assessed employment land need, as calculated in the EDNA, of 381 ha, in order to ensure that supply meets expected demand.<sup>19</sup> As such, it is reasonable to assume significant further proposals upon completion of the interventions below.

Upon examination, we see that there is a significant pipeline of opportunities, which if developed, would lead to improved competitiveness for the Warrington area (through faster connectivity, the provision of high quality employment space, the provision of higher quality housing and, in some cases, direct employment). The confluence of these outcomes could conceivably raise employment growth significantly above baseline forecasts.

Each of these projects will have associated development risks and some may end up not coming forward, or coming forward in a different form. Likewise, over the period under discussion, additional projects which support employment in Warrington may also come forward. As such, all subsequent analysis is necessarily indicative only.

While accepting this caveat, it is our view that there is a pipeline of projects which, when considered against the general increase in employment as projected by OE and CE, could be expected to deliver employment growth similar to the level indicated in the SEP.

Naturally, it is impossible to precisely forecast the exact amount at this stage, however the SEP’s assumptions are sound. They are based on an understanding of underlying trend growth and what can be achieved through a reasoned understanding of the development pipeline, and what might reasonably be brought forward over the SEP period. Below is a summary of major schemes in the development pipeline.

### **Completed interventions:**

- Golden Square – A town centre shopping hall housing major retailers and local independent retailers.
- Stadium Quarter Phase One – A large mixed-use town centre redevelopment focussed on transport connectivity and located around the Warrington Wolves rugby stadium.

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<sup>17</sup> Cheshire and Warrington LEP, ‘Growth Deal Bid’, p. 10.

<sup>18</sup> Warrington Borough Council, Local Plan: Preferred Development Option’, (July 2017), p. 31.

<sup>19</sup> *ibid.*, p. 7.

Achievements thus far include a new bus interchange and regeneration of the stadium. Further phases will comprise improvements to Warrington Central Rail Station, the redevelopment of vacant and underused sites and buildings in the surrounding area to become new residential and commercial areas, and four further multi-storey office blocks of 4,366-7,246 sqm.<sup>20</sup>

- The Base (incubator facility) – A 4,645 sqm facility providing accommodation for up to 40 start-up and growing businesses with flexible lease terms and strong transport connectivity. It was completed in January 2016.
- University Technical College – An engineering-focussed technical college that opened in September 2016.
- Chapelford Urban Village – A development of over 2,000 homes. Further stages of the neighbourhood hub will comprise a new school, a retail area with homes above, a medical centre and creche.
- Warrington East Phase One – This comprises delivery of infrastructural improvements at three junctions on the A574 to combat long standing traffic congestion issues. It provides much improved access to Birchwood Park (part of the Cheshire Science Corridor Enterprise Zone), which houses 165 businesses, including a cluster of nuclear power-related businesses of national importance.<sup>21</sup>
- Omega – the largest mixed-use development site in the North West, Omega has become one of the most successful logistics and distribution centres in the UK, creating over 7,000 new jobs and 3 million sq. ft. of commercial floorspace over the last three and a half years.<sup>22</sup> Further extensions to the site have been proposed, including 1,100 homes and a new primary school.
- Great Sankey Neighbourhood Hub – A regeneration programme for the Great Sankey Leisure Centre, to cater for the increase in young families in the area (due to the presence of Chapelford Village and Omega nearby), and improve transport connectivity.

#### Other interventions – fully funded:

- Time Square – The delivery of a £107 million new leisure, civic and retail quarter in the town centre. Work on Phase One began in 2016, and includes a new market hall, multi-screen cinema, restaurants, office and retail space totalling 41,000 sqm, and a 1,200-space car park. Further development proposals include new homes, a new hotel and further food retail developments.
- Waterfront East Phase One – This intervention includes highway improvement and the construction of a new bridge over the River Mersey, easing congestion and providing 600 new homes on the river direct access to the town centre. Planning consent has been granted and construction is due to start in January 2018, with completion expected in July 2019.

<sup>20</sup> BE Group and Mickledore, 'EDNA', p. 164.

<sup>21</sup> Birchwood Community Website,

<<http://www.birchwood.org.uk/News/%C2%A35millionallocatedtoWarringtonEast.aspx?section=News>> (Accessed 29 June 2017).

<sup>22</sup> Cheshire and Warrington LEP, 'Strategic Economic Plan' (draft), p. 17.

- Warrington East Phase Two – A package of highway improvements to address existing pinch points on and near the A574 Birchwood Way in east Warrington (providing access to Birchwood Park, part of the Cheshire Science Corridor Enterprise Zone). Construction is forecast to begin in May 2018.
- M62 Junction 8 – A 5-year infrastructure improvement programme to ease congestion, and, in particular, support the further development of the Omega site, including the delivery of approximately 1,100 homes and further commercial developments, comprising office, logistics warehousing and manufacturing facilities.<sup>23</sup>
- Omega Local Highway Scheme Phase One – A £6.5 million highway improvement scheme to improve the junction of Lingley Green Avenue and Omega Boulevard, scheduled to start in 2018.

### **Other interventions – partially funded:**

- Warrington West Station – A new station to serve the whole West Warrington area, in particular the new Chapelford Village, with the opportunity to have both fast and stopping services between Liverpool and Manchester, and provide a direct fast service to Liverpool South Parkway Station which serves Liverpool John Lennon Airport. Construction is forecast to begin in 2018.

### **Other interventions – currently unfunded:**

- Bank Quay Station – A programme to construct a new “TransNorth Hub” Station and Warrington Bank Quay, which would sit at the intersection of the proposed High Speed Two (HS2)/West Coast Mainline and TransNorth Rail (HS3) routes. The station would be built to cater for HS2 ‘Classic Compatible’ trains coming into operation on the West Coast Main Line upon completion of Phase One of HS2 from London to Birmingham in 2026. This would act as the focus for a wider redevelopment area and construction is scheduled to commence in 2024.
- City Centre Vision Access Package – A major package of junction improvements, a relocated bus station, rail enhancements and access measures to support town centre growth. A commencement date has not yet been decided.
- Waterfront East Phases Two and Three – These are made up of a new road link over the River Mersey and repositioned freight line, opening up a large development area and easing congestion at Bridgefoot junction, and at the Brian Bevan Island roundabout. Further proposals would enable commercial and residential development at the waterfront and the development of Bank Quay Rail Station.
- Port Warrington – A major regeneration project to achieve major expansion of port-based logistics and manufacturing facilities, with the potential to create up to 2 million sq ft of new business space. The port is accessible by road, water and rail, meaning that its enlargement would remove heavy goods vehicles from local road and motorway networks, as well as provide a direct rail connection from Manchester Ship Canal to the West Coast Mainline, alignment for which has already been secured. This is a particularly significant opportunity given the investment in Liverpool 2 Superport,

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<sup>23</sup> Warrington Borough Council Website, ‘Junction 8, M62’, <[https://www.warrington.gov.uk/info/201363/junction\\_8\\_m62](https://www.warrington.gov.uk/info/201363/junction_8_m62)> (Accessed 29 June 2017).

which promises to increase ship traffic along the Manchester Ship Canal. Works are set to begin in 2018.

- Western Link – This major infrastructural improvement scheme will consist of a new high-level bridge across the Manchester Ship Canal and Bridge Road, which is central to the delivery of Port Warrington. It will enable roughly 4,000 new homes in the Waterfront development area and provide major congestion relief to the town centre, as existing swing bridges can cause major disruption to the transport network from which it can take up to two hours to recover. Construction is forecast to start in May 2020 and is due to last three years.

## Analysis

The “Warrington New City” interventions cover a broad range of interventions which, taken together, would contribute significantly to future employment growth. Moreover, according to the Warrington Local Plan: Preferred Development Option, the Council intends to continue to develop schemes favouring high levels of growth to at least 2037 and has committed to the delivery of the employment and housing land required.

Considering the schemes set out above, it is evident that the bulk contain infrastructural enhancement components. Existing infrastructure in Warrington is ageing, largely dating from the New Town period in the 1960s and 1970s, and has been identified as a barrier to further growth.<sup>24</sup> Therefore, improved highway connectivity serving areas of new economic growth such as Omega (on the M62, Junction 8) and Birchwood Park (Warrington East Phase Two around the A574) will help alleviate congestion and improve productivity, thereby boosting Warrington’s competitiveness. Schemes such as Waterfront East Phase One and the Western Link are likely to bring similar improvements to town centre congestion.

Transport infrastructure improvements not only help to ease pinch points in the town itself but also promote economic access to surrounding areas, most importantly Manchester and Liverpool. This is especially true of the proposed new rail connections at the Warrington West and Bank Quay Stations, which would aid Warrington in taking fuller advantage of its advantageous geographical proximity to these two growing cities. This relies in part on the delivery of HS2 and HS3 lines, which remain years -if not decades- away from full delivery, however their initiation within the SEP and Local Plan time periods is plausible.

Another legacy of the New Town years is underused land in Warrington town centre. The proposals above show promise for this underdeveloped, principally brownfield land, the development of which essentially constitutes new employment and housing space. The dovetailing of these projects with major retail space (shops and restaurants) provides direct employment opportunities, as in the Time Square and Stadium Quarter schemes. These provide the physical infrastructure necessary to realise the sectoral growth projected in both the OE and CE forecasts in locally-focussed services, such as accommodation and food.

The Base employment incubator is a further example of direct employment provision, particularly catering for innovative and high-growth companies, which are likely to be in the information and communication and financial and business services sectors, again identified in both forecasts as growth areas.

<sup>24</sup> Warrington&Co, ‘Warrington Means Business’, p. 7.

The expansion of Port Warrington, although still awaiting funding, has the potential to address the inhibitors to growth and promote the drivers of growth set out above. Proposed improvements to the port's road, water and rail accessibility would remove heavy goods vehicles from the town centre, increasing the efficiency of the port's operations as well as those of other businesses in the town. This expansion could also provide direct employment in the form of greater logistics and distribution capacity on site. In concert with other highway improvements and the strength of the Omega logistics hub, delivery of Port Warrington has great potential for Warrington's continued growth in the logistics sector. Logistics consistently drove growth in the years 1998-2014, and both the OE and CE forecasts predict high jobs growth in the distribution and transport and storage sectors.

The Local Plan Preferred Development Option will also identify additional land which can come forward to meet the long term employment needs identified in the EDNA for these sectors and facilitate further growth.

In sum, in our view, the "Warrington New City" programme demonstrates a strong record of past delivery and a robust pipeline of future developments. Naturally, the exact outcomes of these projects are impossible to predict and many provide jobs only indirectly, so it is difficult to quantify precisely the employment growth that may arise.

However, in light of the barriers to economic development and employment growth in Warrington in the past, the schemes would appear to address many of the key issues, and further employment growth of approximately 31,000 as indicated in the SEP is reasonable. Furthermore, it is noteworthy that with few exceptions, the interventions listed above are scheduled for completion within the next five years. Warrington has successfully acquired significant levels of funding in the past and enjoys an effective municipal financing model that supports future growth through re-investment of land value gains into the town. Thus, it is reasonable to assume that further developments will follow, which are likely to deliver the jobs numbers indicated in the SEP to 2040.

### Further investment from the Northern Powerhouse

The Northern Powerhouse programme was launched in 2015 by the Coalition government. Its aim was to boost economic growth in northern England and Wales by investing in skills, innovation, transport and culture, as well as devolving significant powers and budgets to directly elected mayors. A strategy for the Northern Powerhouse was later published in the 2016 Autumn statement, with its main areas of action including: public investment in transport infrastructure to improve connections between and within the North's towns, cities and counties; working with local areas to raise education and skills levels; and, developing the North's potential as a place to start and grow a business and offer opportunities for trade and investment.<sup>25</sup>

Since its announcement, the Northern Powerhouse programme has raised the local growth expectations of towns and cities across the North. The potential outcomes of Northern Powerhouse policies have been extensively discussed over the past couple of years and several reports have been produced, including an extensive Independent Economic Review (detailed below). The Mickledore review proposed that over 200,000 jobs could be created in Warrington as a result of Northern Powerhouse interventions, a number we consider to be inaccurate and quite far from any reasonable forecast for local growth.

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<sup>25</sup> Northern Powerhouse Homepage, <<https://northernpowerhouse.gov.uk/>> (Accessed 29 June 2017).

This section will consider how policy interventions related to the Northern Powerhouse may impact economic growth in Warrington, particularly in driving employment growth levels above the baseline scenarios presented above. The main conclusion is that there is insufficient evidence and a lack of certainty regarding the future of the Northern Powerhouse programme at present, meaning that it should not be used as the basis for forecasting local employment growth figures.

### Scenarios for future growth in the North

An Independent Economic Review of the Northern Powerhouse (IER) was commissioned in 2015, with an aim to ‘characterise the North’s economic position and the drivers underpinning its performance, and identify opportunities where ‘pan-Northern’ effort can sensibly support existing ‘local’ activities’<sup>26</sup>. According to the IER, if there are substantial improvements in the skills base, innovation and transport connectivity, productivity, GVA and employment growth rates across the North would be expected to improve significantly above past trends.<sup>27</sup>

The report developed five growth scenarios for the North, including a ‘business as usual’ scenario based on past trends, a scenario embodying the different northern SEPs’ expectations, and three more ambitious growth scenarios assuming that the North starts tackling factors responsible for its performance gaps, and starts converging with UK growth levels.

One of these scenarios – the ‘transformational scenario’ – is particularly relevant as it was developed from the bottom-up, focussing on what rate of growth results from sector-level assumptions for growth which are directly related to a narrative about the nature of future economic development in the North. According to this scenario, therefore, the North’s future performance would be transformed relative to the past, implicitly assuming that progress is made in tackling the wide range of factors that are responsible for the current ‘performance gap’. This scenario focusses on seven main economic areas that are key differentiators in the North’s economy: Advanced manufacturing, Energy, Health Innovation, and Digital (defined as ‘Prime capabilities’); and Financial and Professional Services, Logistics, and Education (defined as ‘Enabling capabilities’).<sup>28</sup>

Amongst other assumptions, the transformational scenario considers that the North would see considerable growth in the Prime and Enabling capabilities, improved competitiveness, growth output and productivity, and agglomeration effects arising from faster transport connections between northern cities.<sup>29</sup>

According to this scenario, the North is expected to achieve considerably higher GVA, employment and productivity growth rates by 2050 when compared to the baseline scenario. The annual average GVA growth rate between 2015 and 2050 would be 0.4% higher than in the business as usual case, resulting in total GVA £97bn higher by 2050. In terms of employment, job growth between 2015 and 2050 is predicted to be higher than the

<sup>26</sup> SQW and Cambridge Econometrics, ‘The Northern Powerhouse Independent Economic Review – Final Executive Summary Report’, (June 2016), p. 1.

<sup>27</sup> *ibid.*, p. 16.

<sup>28</sup> SQW and Cambridge Econometrics, ‘The Northern Powerhouse Independent Economic Review – Scenarios for Future Growth in the North’, (June 2016), pp. 6-7.

<sup>29</sup> *ibid.*, p. 8.

baseline by 0.2%, or 850,000 jobs. According to this scenario, the North will have created a total of 1.56 million net new jobs between 2015 and 2050.<sup>30</sup>

The Mickledore Report made an error regarding the Northern Powerhouse scenario. They took it from the IER, incorrectly stating that the “Northern Powerhouse initiative could increase employment by 119% over trend growth for the region as a whole”, which would mean jobs growth of 205,000 by 2037. However, the SQW Report Table B-1 in Annex B sets out the total absolute and annual average growth rate for jobs in each of the three scenarios. Overall job growth between 2015 and 2040 under their ‘transformational’ scenario would be 269,500. This would ascribe 76% of all additional jobs in the northern powerhouse area to Warrington, which is clearly incorrect.

### **Potential for employment growth in Warrington**

The ambitions of the Northern Powerhouse and related large-scale investment programmes could certainly unlock Warrington’s potential for further economic growth. However, the extent to which Northern Powerhouse policies will result in the creation of additional jobs in Warrington remains unclear. Moreover, the comprehensive forecasting work carried out in the IER – even if its assumptions are considered to hold – does not, for methodological reasons, allow for the extrapolation of any specific figures for local employment growth in Warrington.

### **It would therefore be unwise to use the job growth increases suggested by Northern Powerhouse policies for planning purposes.**

There are several factors that explain the lack of clarity of the outcomes of Northern Powerhouse policies. The IER forecast is underpinned by a set of assumptions which apply to the entire North, and relate to a broad set of economic sectors and changing economic performance, rather than the impact of particular projects or programmes which could be more easily translated into outputs at the local level. Furthermore, some of these assumptions are far from certain, such as significant improvements in productivity or the development of major new transport infrastructure. Finally, the considerable increase in employment across the North predicted in the IER is projected over a long period (up to 2050), longer than the usual time span used for local planning.

Not less important is the fact that the IER – and indeed the most commonly cited narratives on the Northern Powerhouse – were developed in a quite different political environment, prior to the decision to leave the European Union and the resulting change in Government. These factors, together with the results of the recent General Election (which changed the balance of forces in Parliament considerably) increase uncertainty over the future of Northern Powerhouse policies. Some commentators have indicated that the initial impetus for the Northern Powerhouse has faded somewhat, with greater emphasis put on the Industrial Strategy (following the Government’s recent green paper).

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<sup>30</sup> *ibid.*, pp. 19-20.

## 6 Conclusion

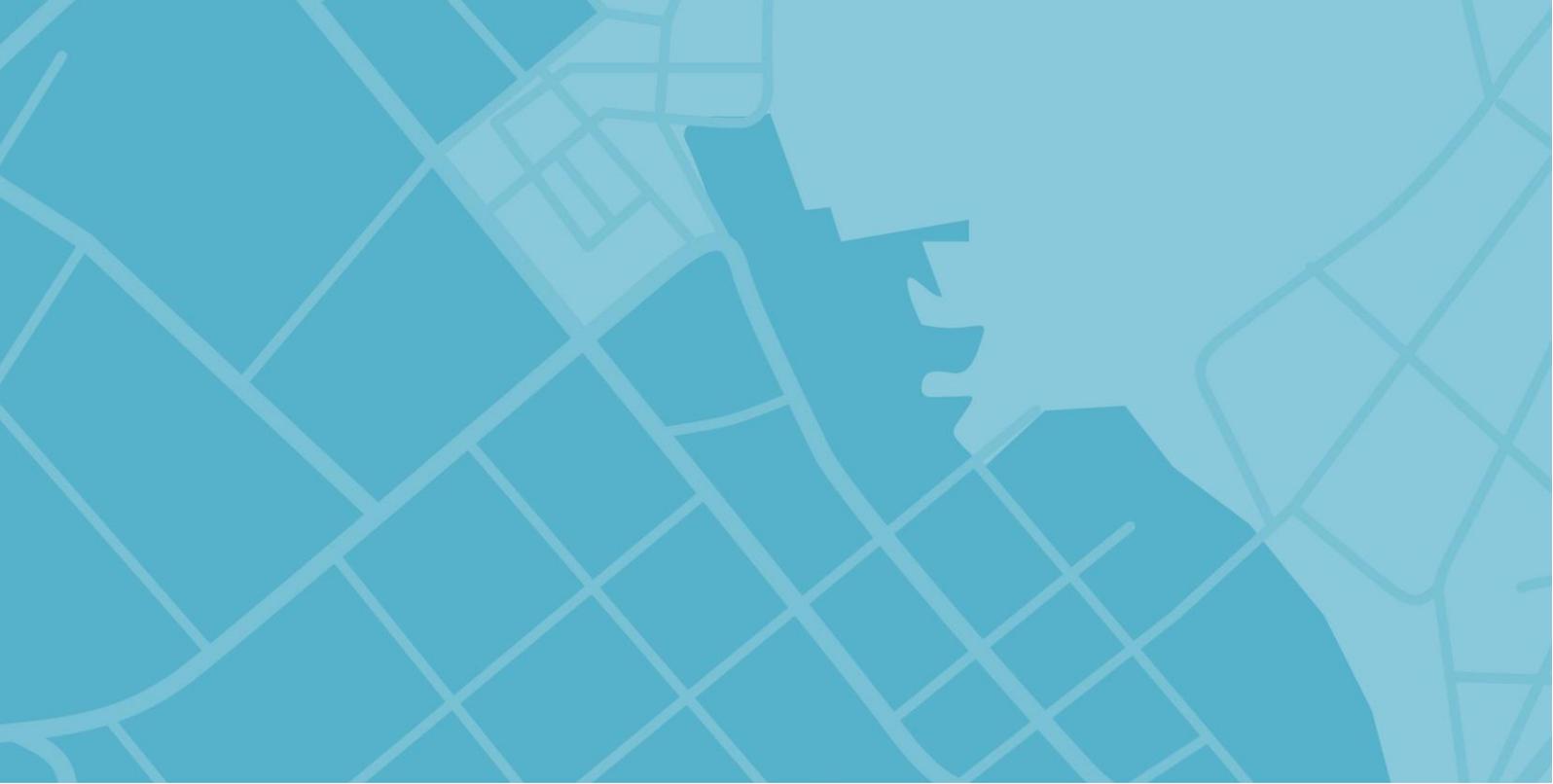
The purpose of this report has been to review whether the employment target for Warrington in the Cheshire and Warrington LEP SEP is reasonable given historic growth and the current investment pipeline. Our view is that the current target of 31,000 additional jobs to be created to 2040 is a reasonable target.

This view reflects the fact that the Borough has a significant pipeline of policy-on projects, which are comparable to those which supported the historical employment growth achieved in the Borough through the designation and development of new sites. Although the SEP target falls below the historical average from 1992-2014, it closely aligns with the 1998-2014 figure. The latter period is a more useful comparator as it is not skewed by the rapid growth experienced following the recession of the early 1990s and more closely corresponds to present (and probable future) national economic conditions.

The forecasts made by OE and CE reflect national and regional trends that do not recognise either the distinctive strengths of Warrington or acknowledge the range of potential investments that may come forward as part of the SEP programme and the Borough's own investment and regeneration plans. These are significant proposals and, whilst not all of these can be expected to come forward or deliver as much employment as might be optimistically forecast, there is good reason to expect that a portion of these proposals will be advanced and that additional employment over and above the forecast level can and will be achieved.

The proposals for the Northern Powerhouse have also been reviewed as part of this work. Our view is that the Northern Powerhouse proposals hold great potential, but are largely hypothetical at this point, and many of the employment gains are very much model-driven based on notions of how increased journey times and physical agglomeration would transform the urban areas of the North. At present, there is insufficient evidence that the investments that are likely to come forward as part of the Northern Powerhouse programme will make a significant impact on employment.

In taking this view, it is important to acknowledge that there are major uncertainties around the future path of growth in the UK as a result of Brexit, and that the employment targets across CWLEP should be reviewed at regular intervals to ensure they remain realistic. Many events, both positive and negative, could be envisaged that could have an impact on the path of employment growth in Warrington. Nonetheless, at the present time, the SEP employment targets for Warrington are a sound and reasonable basis on which to proceed, plan and invest.



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