



Proof of Evidence of MATTHEW KINGHAN (for the Applicants) on NEED FOR EMPLOYMENT LAND

Call-in by the Secretary of State of an application made by LANGTREE PROPERTY PARTNERS LLP

LOCAL PLANNING AUTHORITY – WARRINGTON BOROUGH COUNCIL REFERENCE 2019/34799

PLANNING INSPECTORATE REFERENCE APP/M0655/V/22/331187

RELATING TO: Land to the west of junction 20 of the M6 motorway and junction 9 of the M56 motorway and to the south of Grappenhall Lane and Cliff Lane, Grappenhall, Warrington – known as Six:56

Iceni Projects Limited on behalf of LANGTREE PROPERTY PARTNERS LLP, March 2023

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ICENI PROJECTS LIMITED
ON BEHALF OF LANGTREE
PROPERTY PARTNERS LLP,
MARCH 2023

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Appendix A1: Summary of Proof

1. QUALIFICATIONS AND EXPERIENCE

- 1.1 I am Matthew Kinghan, BSc (Hons) MSc Assoc.MRTPI MIED, an associate member of the Royal Town Planning Institute and member of the Institute of Economic Development. I have a masters in Local Economic Development from the London School of Economics. I commenced working in the profession in 2004.
- 1.2 I have worked in planning and economic development since 2004. I have advised over 50 local authorities on employment land needs and a range of developers and occupiers. I have dealt with economic impact assessment matters on a range of projects including the delivery of HS2 and London Luton Airport Expansion.
- 1.3 I am a Director in the Icen Project's Economics Team which I joined in 2020. I was previously a Director of GL Hearn's Economic Team from 2016.
- 1.4 Examples of my work include:
- Liverpool City Region: Strategic Housing & Employment Land Market Assessment: Areas of Search Assessment (Liverpool City Region Combined Authority) 2019 (CD4.123)
 - Greater Manchester Places for Everyone Spatial Plan Examination: Site promotion and client representation at Examination
 - Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change, (Leicester and Leicestershire Authorities) 2021
 - Warehousing and Logistics in the South East Midlands (South East Midlands Local Economic Partnership) 2022 (CD4.163)
 - Nottingham Core and Outer HMA Logistics Study (Nottinghamshire County Council) 2022
 - Warehousing and Logistics in the South East Midlands (South East Midlands Local Economic Partnership) 2022

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- Bassetlaw Economic Development Needs Assessment 2019 / A1 Corridor Logistics Assessment 2021 (Bassetlaw District Council)
 - Greater Cambridge Employment Land and Economic Development Evidence Study (2020 / 2022 Update)
 - Housing and Economic Development Needs Assessments (HEDNAs) for Birmingham City Council, Leicester & Leicestershire, Hastings & Rother, West Northamptonshire, Lichfield & Tamworth, Selby, Blackburn with Darwen, Hambleton, Eastbourne & Wealden and Solihull.
- 1.5 Recent Local Plan examinations where I have provided evidence include Liverpool City, Bassetlaw, Eastleigh, Blackburn with Darwen, Charnwood, Solihull and North Warwickshire.
- 1.6 I confirm that my Proof has drawn attention to all material facts which are relevant and have affected my professional opinion.
- 1.7 I confirm that I understand and have complied with my duty as an expert witness which overrides any duty to those instructing or paying me, that I have given my evidence impartially and objectively, and that I will continue to comply with that duty as required.
- 1.8 I confirm that I am not instructed under any conditional or other success-based fee arrangement.
- 1.9 I confirm that I have no conflicts of interest.
- 1.10 I confirm that I am aware of and have complied with the requirements of the rules, protocols and directions of the appeal.
- 1.11 I include my Summary Proof of Evidence as Appendix A1.

2. INTRODUCTION

2.1 I am instructed by Langtree Property Partners LLP to provide expert witness evidence in relation to employment land need evidence.

2.2 This Inquiry related to the development of land to the land to the west of junction 20 of the M6 motorway and junction 9 of the M56 motorway and to the south of Grappenhall Lane and Cliff Lane, Grappenhall, Warrington – known as Six:56 as identified in planning application reference P/2019/34799.

2.3 The application is an outline planning application with all matters reserved apart from access for:

“Construction of up to 287,909 sq m (gross internal area) of employment floor space (Use Class B8 and ancillary B1(a) offices), demolition of existing agricultural outbuildings and associated servicing and infrastructure, including car parking and vehicle and pedestrian circulation, alteration of existing access road into the site including works to the M6 junction 20 dumbbell roundabout and realignment of the existing A50 junction, noise mitigation, earthworks to create development platforms and bunds, landscaping including buffers, creation of drainage features, electrical substation, pumping station and ecological works”.

2.4 The Application Site is 98.09 ha and includes land within the administrative boundaries of Warrington Borough Council and Cheshire East Council. 92.16ha of the site lies within the Borough of Warrington, with the remaining 5.93ha in Cheshire East.

2.5 The site is located to the north west of the intersection of the M6 and M56 motorways, to the south east of Warrington.

2.6 The development site is irregular in shape and is bounded by Cliff Lane and Grappenhall Lane to the north and the slip road connecting the M6 and M56 motorways to the east. The land is predominantly in arable agriculture use.

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- 2.7 The proposal is to create up to 287,909 sq m gross internal area floorspace falling within employment Use Class B8 Storage and Distribution. There will be ancillary E(g)(i) offices.
- 2.8 The site benefits from immediate motorway access at Junction 20 of the M6. The site is within 3 miles of the M6/M62 intersection providing access to the regional and national motorway networks.

3. POLICY AND EVIDENCE REVIEW: EMPLOYMENT NEED POSITION

- 3.1 Initially it is necessary to consider the policy and guidance relating to employment land needs, as well as the existing (and conflicting) local evidence relating to employment land need.

National policy and guidance

National Planning Policy Framework (NPPF) 2021 (CD1.1)

- 3.2 Of note:
- 3.3 Para 16. Plans should: ... b) be prepared positively, in a way that is aspirational but deliverable;
- 3.4 Para 81. Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development.
- 3.5 Para 83. Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations.

Planning Practice Guidance (PPG) - Housing and economic needs assessment (CD4.158)

- 3.6 Of note:

Paragraph 026:

3.7 How can strategic policy making authorities prepare and maintain evidence about business needs?

3.8 ... They will need to assess:

- the recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
- evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;

Paragraph: 027:

3.9 How can market signals be used to forecast future need?

3.10 Strategic policy making authorities will need to develop an idea of future needs based on a range of data which is current and robust, such as:

- sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)
- demographically derived assessments of current and future local labour supply (labour supply techniques)
- analysis based on the past take-up of employment land and property and/or future property market requirements
- consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.
- authorities will need to take account of longer term economic cycles in assessing this data, and consider and plan for the implications of alternative economic scenarios.

Para 029:

- 3.11 How can current market demand be analysed?
- 3.12 It is important to consider recent employment land take-up and projections (based on past trends) and forecasts (based on future scenarios), and to identify instances where sites have been developed or sought for specialist economic uses. This will help to provide an understanding of the underlying requirements for office, general business and distribution space, and (when compared with the overall stock of employment sites) can form the context for appraising individual sites.
- 3.13 Analysing supply and demand will allow policy makers to identify whether there is a mismatch between quantitative and qualitative supply of and demand for employment sites. This will enable an understanding of which market segments are over-supplied to be derived and those which are undersupplied.

Paragraph: 030

- 3.14 How can employment land requirements be derived?
- 3.15 When translating employment and output forecasts into land requirements, there are 4 key relationships which need to be quantified. This information can be used to inform the assessment of land requirements:
- Standard Industrial Classification sectors to use classes
 - Standard Industrial Classification sectors to type of property
 - employment to floorspace (employment density) and
 - floorspace to site area (plot ratios based on industry proxies)
- 3.16 Paragraph: 031
- 3.17 How can authorities assess need and allocate space for logistics?

... This can be informed by:

- engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;
- analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;
- analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector; and
- engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.
- Strategic policy-making authorities will then need to consider the most appropriate locations for meeting these identified needs (whether through the expansion of existing sites or development of new ones).

Local Plan policy position

Warrington Updated Proposed Submission Version Local Plan 2021 – 2038 (September 2021) (CD3.1)

3.18 The submitted Local Plan identifies:

3.19 *Para 4.2.13 In determining the amount of employment land needed for the Plan period, the Economic Development Needs Assessment (2021) concluded that the preferred forecasting method for establishing need, is a projection forward of past take-up rates that considers both strategic and local needs, resulting in a need of 316.26 hectares of employment land up to 2038.*

3.20 Para 4.2.18 ... the Council is proposing to allocate the following 2 additional Employment Areas (as identified in Figure 4):

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- *Fiddlers Ferry Power Station (101.0 ha gross) – Redevelopment of a former Brownfield Power Station site to provide for a mix of industrial and distribution uses.*
 - *South East Warrington Employment Area (136.92ha ha gross) – this is located at the junction of the M6 and M56 and will meet a large proportion of the Borough’s identified B8 requirement.*

Local Plan evidence

Economic Development Needs Study 2016, BE Group for Warrington Borough Council

- 3.21 This report provides an economic development (employment land) needs study for Warrington Borough. Whilst it is superseded by the 2021 version, the key findings are relevant.
- 3.22 P4 identifies that *The success of Omega [xxx] over the last three years has been a key feature of the local economy. With a realistic supply of 69.68 ha now remaining at Omega, stakeholders are now considering further strategic scale sites in the Borough, particularly in South Warrington with access to the M56.*
- 3.23 P5 reports: *At 31st March 2016, there was a headline supply of 231.87 ha of available employment land, made up of 30 sites. This comprises a local supply of 82.24 ha in 23 sites (35.5 percent of the floorspace total), a strategic supply of 149.63 ha in seven sites at Omega (64.5 percent). Of this supply, 127.34 ha comprises land now developed, held to meet the needs of individual companies only and land proposed for non B-Class uses. Excluding these gives a realistic land supply of 104.53 ha in 14 sites. Of this, 34.85 ha in 11 sites is the local supply.*
- 3.24 To assess future need two recognised methods of forecasting are used – historic land take up and labour demand. It is of note that these are both PPG compliant methods. The report also notes that (p147) *In some forecast methodologies, a third, Resident Workforce forecast model is used. This uses the same method of forecasting as the employment based method but takes forecast changes in the working population i.e. labour supply, rather than jobs – labour demand. However,*

in completing previous Employment Land Studies BE Group has found that labour supply figures do not accurately predict future land needs.

3.25 The preferred methods are used to generate 4 models summarised below:

- Strategic (Omega) / Local Take Up from 20 years plus 5 year buffer = 276.4 ha shortfall of which 117.4 ha strategic
- Local Take Up from 20 years plus 5 year buffer = 203.3 ha shortfall
- Employment forecast derived need, Oxford Economics plus 5 year buffer = 73.2 – 102.0 ha shortfall .
- Employment forecast derived need, Cambridge Econometrics plus 5 year buffer = 51.3 – 94.6 ha shortfall .

3.26 P7 states that *The preferred forecasting method is therefore a projection forward of past take-up rates that considers both strategic and local needs... This suggests that the Borough has a further land need, additional to the current realistic supply, of 276.37 ha, to 2037*

Warrington Economic Development Needs Assessment Refresh 2021, BE Group for Warrington Borough Council (CD4.159)

3.27 This report provides an economic development (employment land) needs study for Warrington Borough as an update and refresh of the 2016 report. It notes that engagement has been undertaken with property market stakeholders and that the methodology follows the Planning Practice Guidance on employment land reviews.

3.28 It notes *p1&2 growth in e-commerce has boosted an already strong logistics market and delivered record national take up B8 uses in 2020. The North West reflects this high demand but lacks the supply to fully capitalise on this growth. This is reflected in Warrington where only 12.7 ha remains at Omega and that 12.7 ha will be taken up by 2022. Unsurprisingly, given this limited supply, stakeholders are clear that the Borough needs further land allocations.*

3.29 The report comments on economic issues in the wider economic geography - *Of the strategic sites which may compete with Omega, and its successors, for B2/B8 requirements. Magnitude is the most significant existing site and Parkside is likely to be most significant in the future. Existing schemes in Cheshire and the Liverpool City Region, such as 3MG, Widnes, continue to grow. However, against the scale of potential needs from the growing Port of Liverpool, the programmed strategic supply in the Liverpool City Region remains modest, creating ongoing opportunities for sites in Warrington.*

3.30 The modelling of need is undertaken in the same fashion as the 2016 report, with two approaches, being the take up of past land and then labour demand modelling (sensitivity / policy on). The use of a labour supply based assessment is again rejected as not accurately predicting future need (p138). The preferred models are summarised below:

- Strategic / Local Take Up from 20 years plus 5 year buffer plus displacement allowance = 316.2 ha need, or 277.4 ha shortfall of which 117.9 ha strategic
- Local Take Up from 20 years plus 5 year buffer plus displacement allowance = 189.8 ha of need, or 163.7 ha shortfall
- Employment forecast derived need, Oxford Economics plus 5 year buffer plus displacement allowance = 6.5 – 81.3 ha shortfall including SEP Targets.
- Employment forecast derived need, Cambridge Econometrics plus 5 year buffer plus displacement allowance = 19.0 – 78.9 shortfall including SEP Targets.

3.31 The report concludes on p180 *from the market assessment and reviewing the historic trends in employment change and land take up, the conclusion is that the employment-based forecasts underestimate land need significantly. When a comparison of past employment change over the period 1996-2020 is made, actual land take-up is far higher than the estimate that even the growth only sectors suggest. Finally, the locally based jobs targets cannot allow for the strategic growth potential of Omega and future strategic sites that will draw labour from outside of the Borough.*

3.32 In conclusion, as in the 2016 and 2019 EDNAs, it is considered that the most appropriate forecasts are based on the historic take-up rates. The need to plan for strategic as well as local growth in the Borough favours the Strategic/Local Take Up model over the Local only forecast. This indicates a shortfall in Warrington's employment land supply of employment land, equating to 277.39 ha to 2038. This is largely unchanged on the OANs put forward in the previous two Studies of 276-277 ha.

3.33 Again, the preferred forecasting method is therefore a projection forward of past take-up rates (p6).

Warrington Economic Development Needs Addendum 2022 – Warrington Local Plan Consultation Responses Review, BE Group for Warrington Borough Council

3.34 This report provides responses by BE Group to the representations on the Local Plan and its evidence based in autumn 2021. Where relevant these are discussed in other sections of this proof.

Local Plan Examination

Examination hearings

3.35 Issues related to employment land were discussed under Matter 3 – The Spatial Strategy and Matter 5 - Economic growth and development. Issues relating to the role of housing and labour were considered under Matter 4.

3.36 Post hearings a number of documents were produced and information exchanged relevant to employment land need in Warrington.

Local Plan Examination Document CD10 (CD4.160)

3.37 This note was produced by Warrington Borough Council to consider the employment (jobs) capacity of allocated employment land, in order to understand its relationship with the demand for housing.

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- 3.38 Various concerns are raised regarding this capacity led approach – including the effects of productivity improvements and automation which can weaken linear relationships between floorspace and jobs.
- 3.39 The land requirement, after discounting for displaced sites and the buffer (apportioned on the same percentages as the total), is 255.96 ha. The projected land need is split by Use Class, reflecting the Use Class of past development in the Borough since 1996. Converting the land to floorspace at a 0.39 ratio, then applying HCA Employment Density Guide 2015 (4.165) densities brings the resulting employment capacity to 26,104. Of note this is a gross figure with no consideration of churn or ‘replacement demand’ of businesses moving to new premises.
- 3.40 Examination Document CD10 (CD4.160) cross references the 2021 EDNA (p178) where a ‘reverse labour demand model’ is applied for 1996-2020 historic jobs change. This is then converted to employment land need. This reports the model generating a requirement of 70.5 ha of land (based on the BE Group model) whereas in reality a take up of 341.29 ha was recorded.

Local Plan Examination Document CD10a (CD4.161)

- 3.41 Local Plan Examination Document CD10a was produced in response to further queries regarding employment land capacity. Updated figures for land capacity were provided including the 3 year buffer. The employment capacity was then revised up to 31,068 jobs.
- 3.42 The inspectors also sought the total jobs requirement for all sectors, not just those contributing to the employment land capacity. Only workers involved in accommodation and food service were added to the total since the sector involves no employment land taking the total to 33,368 jobs. Even though only a proportion of other sectors are active on employment land (according to BE Group table 29 EDNA 2021 CD4.159) the non employment based workers are not included as “*the view was taken that it would have been inappropriate to discount those staff not actually working within facilities within the employment land – their employment was judged to be linked to it and the employees involved would be likely to live within the*”

travel to work area of the facility” Examination Document CD10a pg 3&4 (CD4.161).
I do not consider this statement to be clear or necessarily correct.

3.43 Finally the inspectors sought to clarify the 1996-2020 employment growth in employment land sectors, which WBC estimate as 46,160 excluding accommodation and food, or 30,418 after adjusting for assumptions in terms of the actual percentage of sectoral employment on employment land (derived from Group 2021 table 29).

3.44 This was derived using BE Group assumptions about the percentage of different sectors estimated to utilise employment land.

PINS letter to WBC 16th Dec 2022 ref: PINS/M0655/429/2 (CD3.2)

3.45 This letter outlines the inspectors’ concerns regarding employment land, summarised as:

- The ‘baseline’ employment growth forecasts for Warrington from Oxford Economics and Cambridge Econometrics indicate a mid point jobs growth for the plan period of 14,855 additional jobs.
- The Local Housing Needs Assessment Update of 2021 (the LHNA) estimates that 18,300 additional jobs could be supported by the growth in labour supply as a result of the housing requirement of 816 homes per annum, assuming existing commuting patterns. If the commuting ratio was 1:1 for new jobs, this would fall to approximately 16,100 additional jobs.
- The 33,300 total additional jobs identified in Local Plan Examination Documents CD10 / CD10a is substantially different from the 18,300 additional jobs.
- The Inspectors calculate that between 1996 and 2020, for every 1ha of employment land taken up, there were approximately 142 additional total jobs in the local economy overall. Applying this to the ‘future need’ of 316.3 ha could see some 44,900 additional total jobs. Allowing for displacement reduces this to 42,400 jobs.

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- Applying the same ratio to the labour supply of 18,300 jobs results in e129ha of employment land over the plan period, or 168 ha allowing for the buffer and business displacement.
 - The letter concludes on the matter “In order for the Local Plan to be justified in this respect, the employment land requirement should be reduced to 168ha.”
 - As a result, in terms of employment land supply, above existing commitments, only the allocation of 101ha of land for employment development at the Main Development Area at Fiddlers Ferry (Policy MD3) on the part of the site that is previously developed and not in the Green Belt, is concluded as justified. The South East Warrington Employment Area (SEWEA) allocation (including the Six:56 site) is not considered as justified. Contributions from St Helens are noted.

BE Group response 13th January 2023 to PINS letter ref: PINS/M0655/429/2 (CD4.162)

3.46 BE Group set out the following issues with the PINS approach:

- P2 “By using the gross figures for both employment land take-up and jobs created over the period from 1996 the Inspectors’ approach does not take into account the different jobs densities across different uses classes and the changing nature of sectoral growth in Warrington since the mid-1990s... does not allow for differing relevant Use Classes (E(g), B2, B8) resulting in differing jobs densities and as a consequence, different land needs.”
- BE Group consider (approach 1) the historic take up of land on a use class basis. This demonstrates that the E(g) density is 183 jobs per Ha whilst B8 is 68 jobs per Ha.
- BE Group then apply the historic jobs change (relevant to employment land being 30,418) to the delivered land of 341.3 ha. This provides negative relationships between E(g)(iii) and B2 but 396 jobs per Ha for E(g)(i) offices and 17 jobs per Ha for B8. The average is 89 jobs per Ha.
- Finally BE Group consider a capacity based exercise for the allocations. Applying standard HCA Employment Density Guide (CD4.165) densities to the

proposed allocations indicates an employment capacity of 17,019 jobs, including SEWEA (encompassing the six:56 site).

4. REVISTING WARRINGTON EMPLOYMENT LAND NEED

4.1 Here we consider the key issues in terms of identifying needs reflecting the PPG requirements. Paragraphs 26-30 of the PPG are of particular relevance whilst para 31 should also be considered given the relevance of the logistics sector to the nature of demand in Warrington.

4.2 As a preamble to the more detailed review, the following considerations are made across the PPG methodologies for forecasting employment land need. These are discussed briefly below here and examined in more detailed later:

- Market area geography: whilst Local Plan needs assessments are for individual authorities, particularly for larger scale units the sub region is a common area of search for businesses. Increasingly authorities are working together to consider the large scale logistics sub regional needs including Leicestershire, Nottinghamshire, Liverpool City Region, Greater Manchester and the South East Midlands¹. Modelling techniques for these studies use: gross completions trend (land take); net lease deal trends; or a freight growth model adjusted for replacement of older stock, or triangulation between all three. As Warrington has

¹ See studies across

Leicestershire,

https://www.nwleics.gov.uk/files/documents/warehousing_and_logistics_in_leicester_and_leicestershire_managing_growth_and_change_april_20211/Warehousing%20Report%20Leics%20FINAL%2021%2002%2022%20V4.pdf

Nottinghamshire, <https://www.gnplan.org.uk/media/3375066/nottinghamshire-logistics-study-august-2022.pdf>

South East Midlands, <https://www.semlep.com/warehousing-and-logistics/> (CD4.163)

Liverpool City Region, <https://www.sefton.gov.uk/planning-building-control/planning-policy-including-local-plan-and-neighbourhood-planning/evidence-and-studies/shelma/>

not participated in such a sub regional approach, whereas some its neighbours have, it has a greater onus on identifying and meeting its own need.

- Past take up of land and property: I considered that this is the most reliable approach to identifying future needs given the certainty of trend based information, although this can be constrained by past land supply policies or market failures. Past take up of land is one of the most commonly accepted models for local plan industrial needs including for example Greater Manchester². More recently the use of net lease deals (or net absorption, total lease deals minus lease breaks) has been introduced which provides a business rather than development trend in occupied space³.
- Labour demand modelling: the models required to translate jobs to future floorspace needs can contradict past trends and market signals of need. In particular the issues around productivity increases distort the jobs – floorspace relationship, with premises required to house capital investments in technology as well as the need for new and larger premises which may require little or no new labour as older premises are replaced (replacement demand). Where labour demand models are used for identifying future employment land needs they tend to include a top up for replacing historic / future losses⁴.
- Labour supply modelling: modelling business needs based on labour supply is often challenging given a lack of information about sectoral breakdown and the possibility of mismatches between supply and demand. This is not commonly

² Places for Everyone Employment Topic Paper July 2021 para 4.8 <https://www.greatermanchester-ca.gov.uk/GMCAFiles/PFE/Supporting%20documents/05%20Places%20for%20Jobs/05.01.04%20Employment%20Topic%20Paper.pdf>

³ See British Property Federation's 'Levelling Up - The Logic of Logistics' p20 <https://bpf.org.uk/our-work/research-and-briefings/levelling-up-the-logic-of-logistics/>

⁴ See for example 'Employment Land Review Update for Sheffield Final Report Sheffield City Council 2021' para 6.79

used but where considered appropriate may need to include a replacement demand factor.

- 4.3 What is essential for any approach is to undertake and review the different approaches and to triangulate and consider these in light of the market signals and consultation with business to ensure they are meeting objectively assessed needs.

Market signals and market area

- 4.4 The Proof of Evidence on Demand for Employment Land and Premises (Andrew Pexton, JLL) provides extensive information about the demand for premises across a number of geographies. This includes:

- Para 4.6 “Changes in the market have resulted in an increase in the need for warehouse space”
- Para 4.10 “The national industrial and logistics market has had a strong performance in 2022. Nationally take up of Grade A accommodation was 3.011 m sq. m... higher than the five-year average of 2.778 m sq. m.”
- Para 4.20/21 “The North West market is an attractive location for the industrial and logistics sector... The effective market area is from Crewe in the south to Preston in the north, and from the west coast to the Pennines. The area includes the major conurbations of the North West and the principal motorway corridors.”
- Para 4.28 “The average five- and ten-year annual take up of Grade A accommodation in the North West is 316,885 sq. m and 284,844 respectively.” By implication the last five years of take up (premises leased) has been higher than the previous five years.
- Para 4.35 “The North West regional market can be defined [inter alia] along the main motorway corridors of M6 Crewe to Preston... there are more defined sub-regions/markets:
- **M6** - This can be divided into ...

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- J19 – 21 Specific Warrington market/J20 – 25 The wider M6 corridor including Haydock, St. Helens and Wigan...
 - **M62** - This can be divided into...
 - J8 – J11 – the main Warrington and surrounding area market

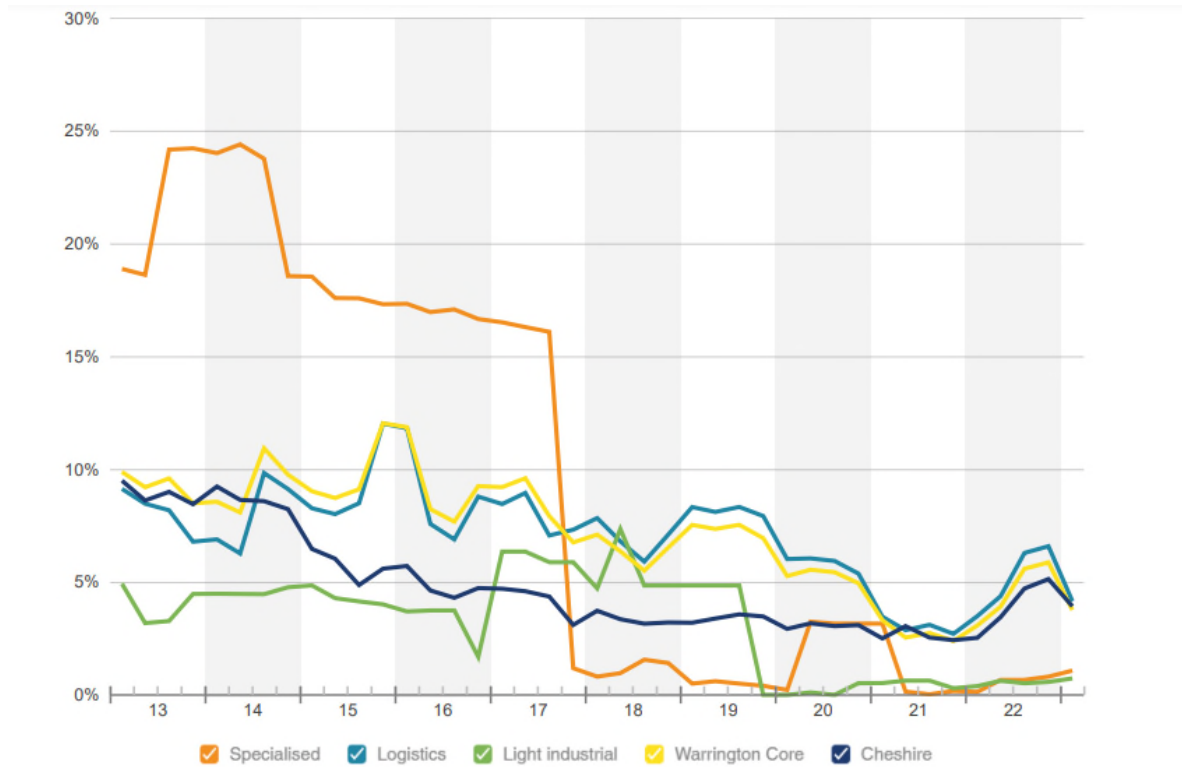
4.5 Market demand information therefore indicates a strong market for logistics premises in Warrington, the M6 market and the wider North West.

4.6 Additionally it is helpful to consider basic market indicators in Warrington and surrounds that are indicators of the demand – supply balance: rents, vacancy and net absorption, as derived from CoStar. These focus on the industrial market. Of note, CoStar does not record all transactions and often does not record activities in smaller units. It also tends to lag real time information.

Vacancy rate (industrial)

4.7 CoStar reports the Warrington vacancy rate for the last ten years. This is currently around 5% having climbed slightly in 2022. Overall the last ten years has seen a fall from around 10% to below 5%. Typically 5-10% vacancy is functional with a preferred point of at least 7.5% (to alleviate rental growth pressures); and 5% or below is excessively compressed suggesting there is not enough choice for businesses to move in or grow.

Table 4.1 Warrington industrial vacancy rate

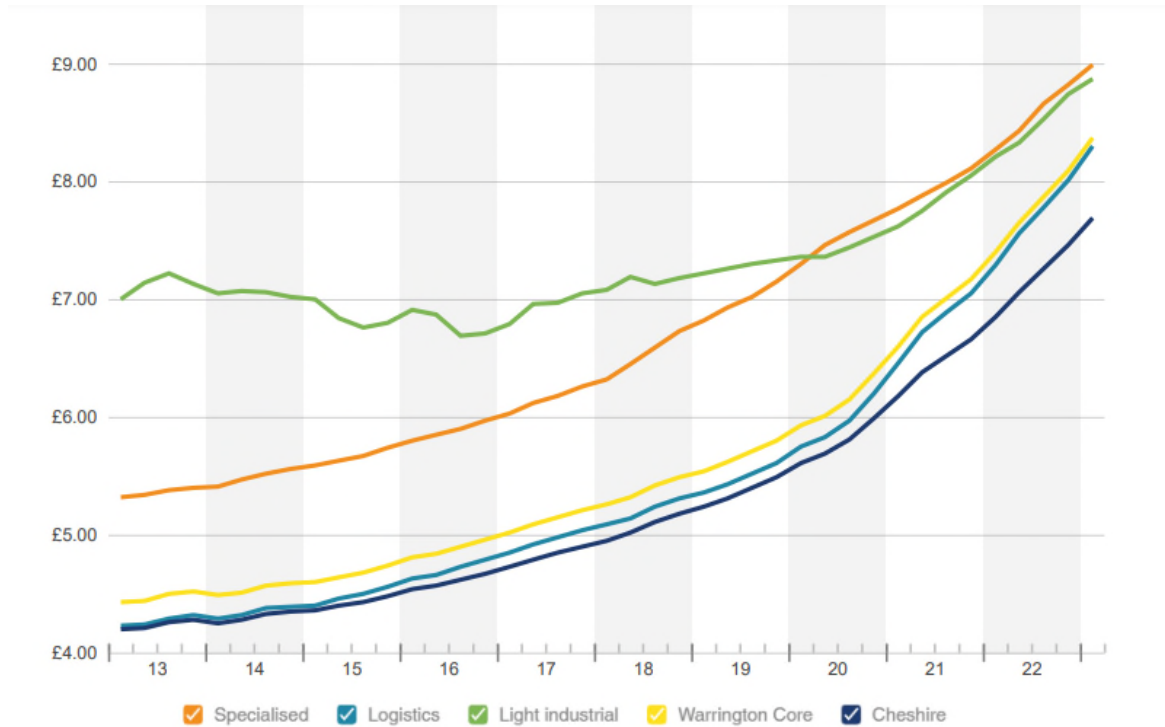


Source: CoStar March 2023

Rents (industrial)

4.8 CoStar reports the Warrington industrial rents for the last ten years. These have climbed consistently, reflecting the demand in the sector and a lack of supply.

Table 4.2 Warrington industrial rents

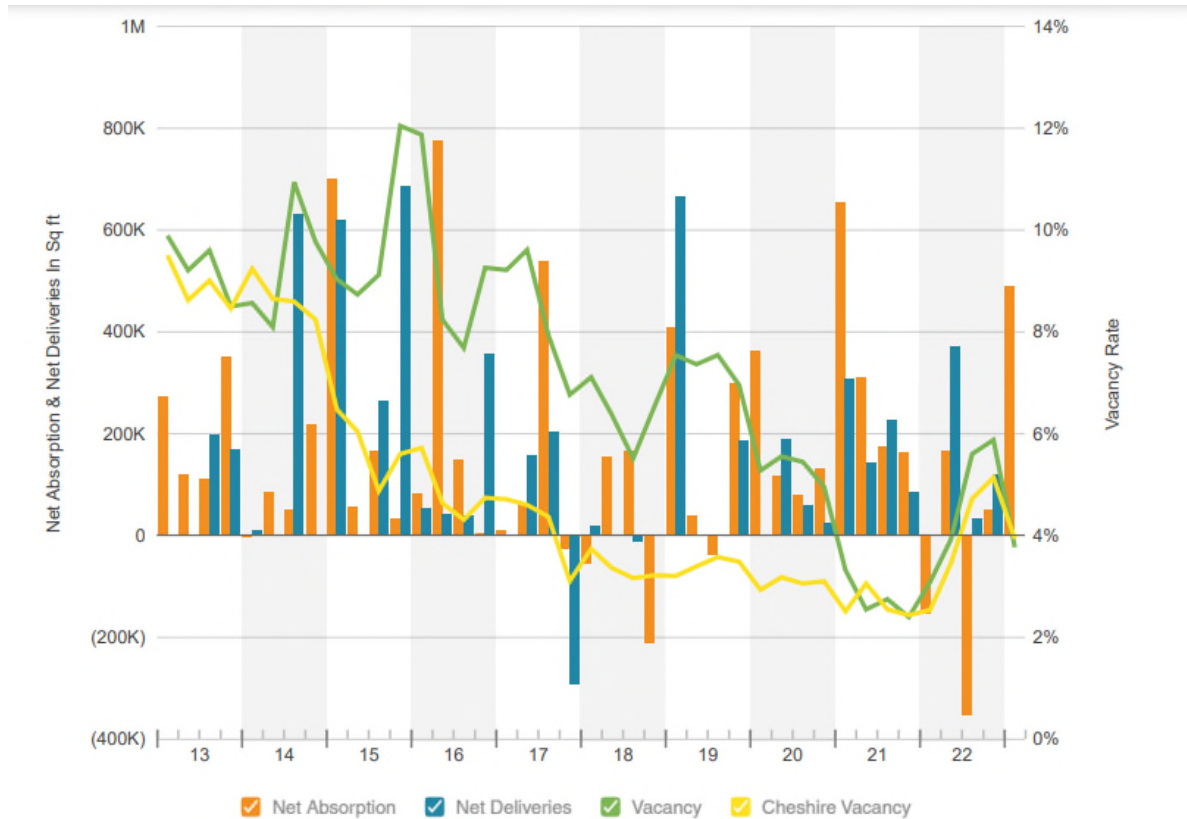


Source: CoStar March 2023

Net absorption (industrial)

- 4.9 Net absorption is the total amount of space occupied, allowing for move ins and move outs.
- 4.10 Below we see the long term quarterly net absorption data for Warrington, alongside deliveries and vacancy. The average ten year annual net absorption is 620,000 sqft or 57,600 sqm. Net absorption can be a useful indicator of future need as discussed later.

Table 4.3 Warrington industrial net absorption, delivery and vacancy



Source: CoStar March 2023

Age of stock (industrial)

4.11 CoStar reports the age of stock in Warrington. This is useful to understand when considering the future lifetime of stock and the need to replace it. The majority of stock is pre 2000.

Table 4.4 Warrington industrial stock age

	All		Small (<10,000 sqft / 930 sqm)		Medium (>10,000 sqft / 930 sqm, <100,000 sqft / 9,300 sqm)		Large (>100,000 sqft / 9,300 sqm)	
	No	Sqm	No	Sqm	No	Sqm	No	Sqm
Pre 1990	364	879,500	171	70,600	177	499,300	12	308,900
Pre 2000	509	2,352,000	227	97,400	238	744,900	21	517,800
Post 2000	189	956,000	39	19,200	124	370,800	26	566,000

N/A	27	111,851	20	97,451	7	14,400	-	-
All stock	742	3,616,100	287	1,402,200	392	1,130,100	63	1,083,800

Source: CoStar March 2023

Offices

4.12 Given the emphasis on industrial land, a more limited review is made of the office market. CoStar highlights:

- A current vacancy of 7.3% (2023) and a ten year average of 6.8%.
- A 5 year net absorption average to end 2022 of -300 sqm and a ten year average of +1,700 sqm
- Rents having increased 9% in the last 5 years and 26% in the last ten years.

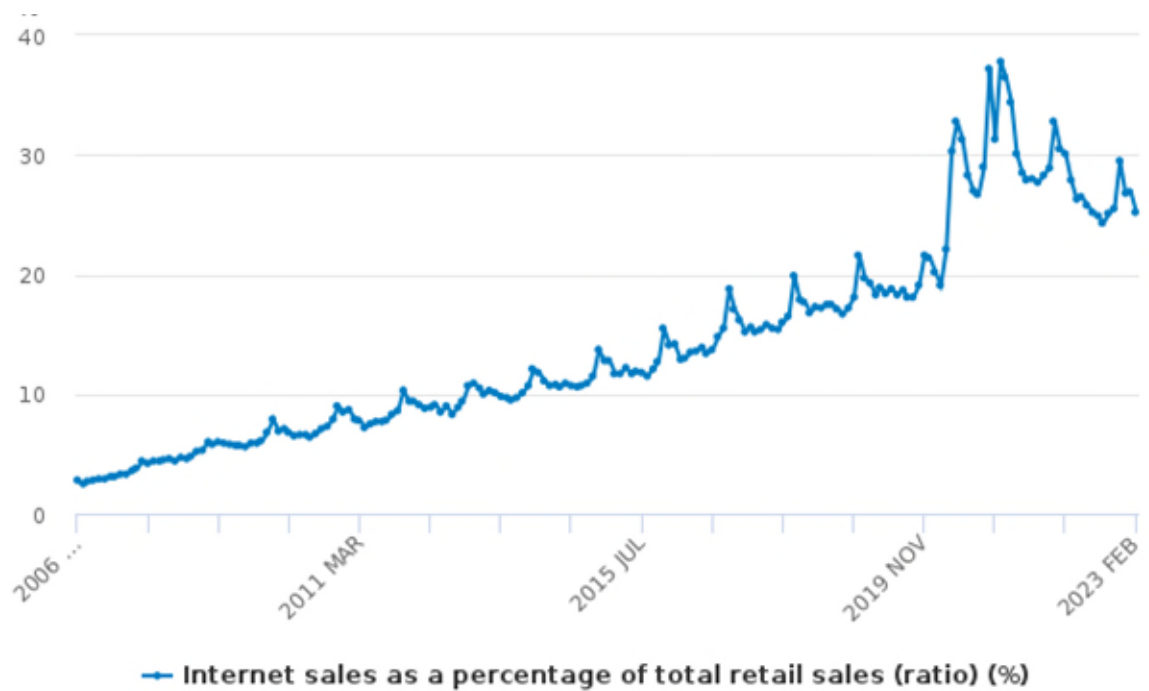
Market drivers for large B8 units

4.13 There are a number of reasons for the recent and anticipated continual demand for new B8 space, notably⁵:

- The ongoing growth in online retailing. Covid 19 impacted traditional retailing resulting in a focus in online shopping. This brought about an immediate need for additional logistics facilities to store and distribute goods currently in transit and accommodate the change/demand for e-commerce fulfilment. Whilst this has abated post pandemic, the long term trend has been a steady and continuous move towards further online shopping.

⁵ Adapted from 'Warehousing and Logistics in the South East Midlands' Icen Projects Limited on behalf of South East Midlands Local Economic Partnership (2022) (CD4.163)

Table 4.5 Internet sales as a percentage of total retail sales (ratio) (%)



Source: ONS

- As online retailing has grown so has the returns structure, with online retail returns around 20%, double traditional retailing⁶. This requires a disproportionate increase in space as goods now flow both ways to a greater extent.
- The growth in direct delivery e-commerce is having a significant impact with respect to the need for, size, height and location of distribution centres. Many older warehouse units cannot accommodate the equipment and facilities required for on-line sales. Many new warehouse developments are being designed and built with increasing levels of automation from the start. New developments are replacing existing physically sound capacity that cannot accommodate automation and are in the wrong locations. New units are larger, improving efficiency, and taller, enabling racking, mezzanines and automation.

⁶ 2020 Data for the US, Consumer Returns in the Retail Industry 2020, National Retail Federation

- The automation equipment requires significant levels of electrical power which some older units are not capable of providing. Electrical vehicle charging is also a demand on modern units.
- Industry is increasingly concerned with their sustainability credentials. Older units may not be suitable to retrofit or provide the level of sustainability required by investors and shareholders.

Market demand: Past take up of land

- 4.14 The 2021 Warrington EDNA (CD4.159) focuses on the past take up land from 1996. This is a suitable approach in line with the PPG, although the PPG emphasises “*recent employment land take-up*” for which a 20+ year period may be excessive. Another and more important issue is the amalgamation of office and industrial uses by BE Group.
- 4.15 The 2021 EDNA (CD4.159) provides a breakdown by Use Class of land take up by use class in table 21. Using data from this table we can replicate the forward projection of this trend for 18 years in the future (Local Plan period) as below.

Table 4.6 Land take up needs model 1996/97-2019/20

	E(g)(i)	E(g)(iii)	B2	B8	Mixed	Total
1996/97-2019/20 total	79.6	16.8	30.0	194.0	20.9	341.3
Omega total	-	-	1.3	143.2	-	144.5
1996/97-2019/20 all average	3.3	0.7	1.2	8.1	0.9	
Omega av. 1996/97-2019/20	-	-	0.1	6.0	-	
2020/21-38/39 need exc. Omega (X2)	59.7	12.6	21.5	38.1	15.7	147.6
2020/21-38/39 Omega (X3)	-	-	1.0	107.4	-	108.4
2020/21-38/39 all need (X1)	59.7	12.6	22.5	145.5	15.7	256.0

Source: 2021 EDNA (CD4.159) Table 21

- 4.16 A sensitivity is also included regarding the 2011-2020 position. It is appropriate to consider a more recent post 2011 trend since the previous financial crisis. From this period there has been a marked slow down in the delivery of office space (and none since 2016) whilst B8 space delivery has grown with the Omega site.
- 4.17 The reasons for the requirement for new larger B8 space units are set out previously. These trends suggest that the longer term trend from 1996 may not represent the current and therefore future need. The modelling for the two periods is set out below.

Table 4.7 Land take up needs model 2011/12-2019/20

	E(g)(i)	E(g)(iii)	B2	B8	Mixed	Total
2011/12-2019/20 total	12.3	0.8	11.6	148.4	-	173.1
Omega total (unchanged as delivered from 2012)	-	-	1.3	143.2	-	144.5
2011/12-2019/20 average	1.4	0.1	1.3	16.5	-	19.2
Omega av. 2011/12-2019/20	-	-	0.1	15.9	-	
2020/21-38/39 need exc. Omega (Y2)	24.5	1.6	20.5	10.4	-	57.1
2020/21-38/39 Omega (Y3)	-	-	2.6	286.4	-	289.0
2020/21-38/39 need (Y1)	24.5	1.6	23.1	296.8	-	346.1

Source: 2021 EDNA (CD4.159) Table 21

- 4.18 Key finding from this modelling exercise are:

- Following the BE Group approach, arrives at the same conclusions for 1996-2019 period. The benefits of this are a long run average of land completions, although the reasoning for the 1996 start is not established. It is of note that Offices (E(g)(i)) make up 59.7 ha in this model.
- The more recent modelling highlights the significant role of Omega that has been largely responsible for much of the B8 land take up since 2012. The small B8 sector may be undersupplied in this scenario. Continuing at this rate for the future period results in an even higher land take requirement figure for the Local Plan. The office component has fallen to less than half the long run average.

-
- 4.19 Since this is land take (or total completions) only, it does not highlight the difference between greenfield development or brownfield, so incorporates the churn of redevelopment on existing estates. This has been confirmed by Warrington Council officers.
- 4.20 The difference between gross and net completions (net including discounting for sites lost or redeveloped) is material because where sites are lost or redeveloped there is a change in the nature of the relationship and ratio between completions and jobs. Where sites are being redeveloped there may be no net employment change as businesses and jobs simply move from one nit to another.
- 4.21 No information on losses is provided in the EDNA 2021 (CD41.59) (analysis of losses is a matter the PPG recommends undertaking) however it is clear that significant losses have taken place when VOA records are considered (see below). This issue is revisited later.

Market demand: Past take up of property

- 4.22 Lease deals represent the take up of property. All deals (gross absorption) represent all lease market activity whereas net absorption incorporates the lease breaks / move outs.
- 4.23 The net absorption model below is increasingly considered one of the most effective methods in determining future needs for industrial space, as reflected in the British Property Federation's (BPF) 'Levelling up of Logistics' 2022 (CD4.116)⁷ and a number of other logistics evidence based studies⁸. The BPF, with the report undertaken by Savills, also argue for uplifts above the net absorption trend where the market has historically been suppressed below its normal optimum of 8% vacancy / availability. The Warrington industrial market has been suppressed below

⁷ <https://bpf.org.uk/our-work/research-and-briefings/levelling-up-the-logic-of-logistics/>

⁸ See Warehousing and Logistics in the South East Midlands (Iceni Projects on behalf of the South East Midlands LEP) 2022 (CD4.163)

this in recent years however the introduction of a buffer / flexible margin helps to mitigate this issue.

4.24 It is acknowledged that the market for larger industrial units stretches beyond the Warrington authority. Larger units are generally recognised as those being over 100,000 sqft or 9,300 sqm⁹. According to JLL the immediate Warrington sub market includes Haydock, St Helens and Wigan, although the market for units of the scale proposed at Warrington’s larger sites such as SEWEA is even larger. As an acknowledgement of this, the net absorption of for smaller industrial units in Warrington is separated from larger units, and the wider submarket including St Helens and Wigan is also reported. It is beyond the scope of this proof to deal with the supply and demand factors at the sub regional level as this requires inputs and participation from those authorities in terms of historic completions and future supply. Furthermore, as noted previously, both Greater Manchester and Liverpool City Region have undertaken their own collective strategic needs based studies.

Table 4.8 Property take up model (net absorption)

	Offices	Small industrial (<9,300 sqm)	Large industrial (>9,300 sqm)	Total (Warr.)	Large industrial (>9,300 sqm) Warr., St Helens, Wigan
2011-2020 total (sqm)	22,000	72,700	381,700	476,400	697,900
2011-2020 average (sqm)	2,200	7,300	38,200	47,700	69,800
2021-39 projection (sqm)	39,600	131,400	687,600	858,600	1,256,400
2021-39 projection (ha)*	10.1	33.7	176.3	220.1**	322.2

Source: CoStar 2023 (figures differ from Warrington EDNA 2021 Fig 4 which reports gross deals not net absorption)

⁹ See for example Warehousing and Logistics in the South East Midlands (Iceni Projects on behalf of the South East Midlands LEP) 2022, p104 (CD4.163)

* 0.39 ratio assumed

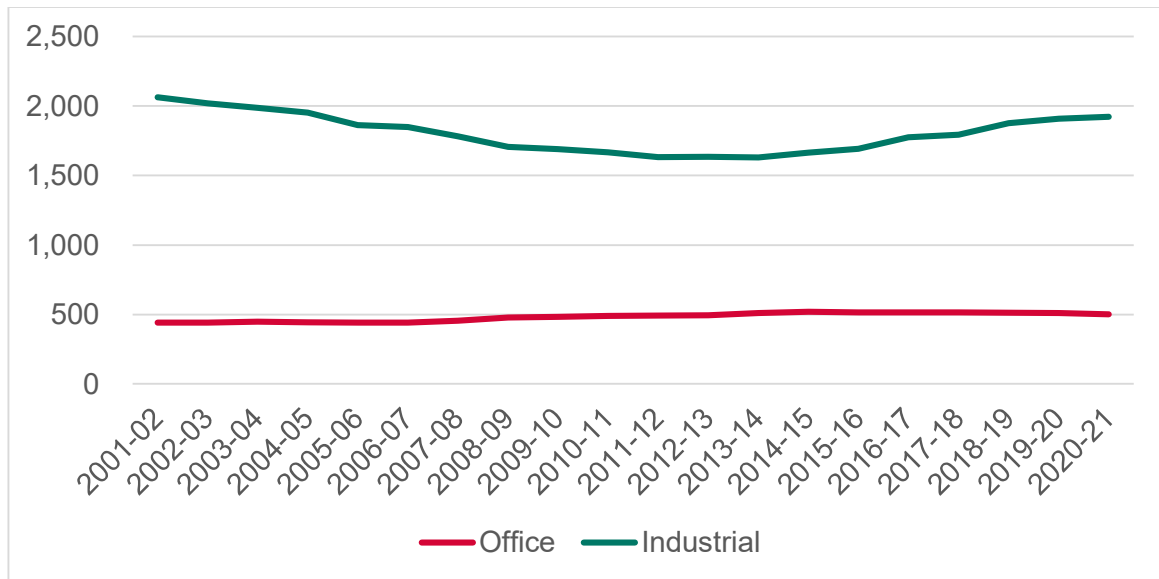
- 4.25 The Warrington total need is reported as 220.1 ha using the 2011-2020 period. This is comparable to the 256 ha of land take in the 1996 onwards BE Group model but lower than the 346.1 ha for the 2011-2019 land take model. This implies that
- 4.26 Looking at the wider sub market, Warrington has delivered around half of the growth in large scale occupiers over the last decade. Given its prominent location at the M6 / M62 and M6 / M56 interchanges, an approximate continuation of this is considered reasonable. JLL evidence on the M6/M62 intersection highlights the reasons for the strength of demand in its prime location *The M6/M62 intersection is generally regarded as the prime location as it connects the two main motorway corridors (p13). The M6 and M62 are the main trunking motorways in the north west for logistics with the M56 providing a route to North Wales; the Wirral peninsular and access to Manchester. The site's location provides access to the Liverpool City Region, Liverpool 2, Warrington and the Greater Manchester conurbation. p39)*
- 4.27 It is of note that the Warrington EDNA Addendum 2022 seeks to deal with the issue of net absorption. Table 2 – Representation Two: Response Appendix D J21 Birchwood: Employment Needs Assessment (St Modwen with input from Savills) argues for the inclusion of a net absorption model (amongst other matters). BE Group reject this as *“Net Absorption is a Measure of All Business Relocations, Not Just Relocations to New Build Premises – Net Absorption, as defined by the respondent, includes all relocations by businesses. Most of the moves it recorded will be to and from second hand accommodation. In these cases, the business did not acquire, and may never have sought, new build accommodation on an employment development site. Thus, by allowing for all premises transactions, including those which related solely to existing premises in Warrington, and had no relation to the completion and occupation of newly built units on employment sites, Net Absorption will significantly overestimate the local need for new build premises, and thus the land needed to accommodate those new build premises.”*
- 4.28 Considering the BE Group response:

-
- Comparing tables 4.4 (land take) and 4.5 (net absorption) for the 2011-2020 periods, the land take model provides a higher and not a lower outcome, so the over estimation point is fundamentally incorrect.
 - I disagree with the BE Group position because whilst net absorption does include lease deals for second hand premises, it provides a picture of the total change in occupied stock and therefore the pressure on demand for additional stock. This is the benefit of the separation of gross absorption (all deals) from net absorption (discounting for lease breaks / exits). Clearly a continual rise in net absorption is an indicator of occupied space growth that can only be facilitated by more stock not 'more secondary stock', so it is a good proxy of the need for additional space. The issue of business churn is built into difference between net and gross absorption which land completions alone fails to consider. Furthermore, businesses don't look for secondary space but rather premises at a particular price / rental point. This is a matter of viability not of demand for premises. The rejection by BE Group of net absorption is unfortunate as the model helps to deal with the issue of the net change in employment land (including losses, not considered by BE Group) alongside that of gross land take.

4.29 A further useful indicator of business trends is Valuation Office Agency (VOA) data on stock levels, as set out below. This describes net changes in the stock by type over time.

4.30 This clearly shows the decline in industrial stock from 2001/02 to 2013/14 and then a rise subsequently. Meanwhile the total office stock has seen little change over the last ten years.

Table 4.9 Commercial stock ('000s sqm)



Source: VOA

- 4.31 The decline in industrial stock from 2001/02 to 2013/14 is likely to be associated with manufacturing decline. The subsequent rise responds to the growth in logistics demands.
- 4.32 The VOA indicates a gain of industrial stock of 276,000 sqm between 2011/12 and 2019/20. At a plot ratio of 0.39 (3,900 sqm of floorspace for every 1 ha, assumed by BE Group) this equates to 70.8 ha net gain. Meanwhile using actual authority monitoring data projected for the same period in table 4.6, indicates a change in gross land take of 160.8 ha (excluding E(g)(i)).
- 4.33 Evidently significant losses occurred during the 2011/12-2019/20 period to enable such a difference between gross land take and actual net stock change. Historically then over the last decade the ratio of gross land take to net gain is more than double. This is material as it demonstrates the weakness in correlation between jobs densities for gross land take and actual jobs change in the Borough – explored further below.

Labour demand models

- 4.34 It is appropriate to consider labour demand based needs as prescribed by the PPG. The Warrington 2021 EDNA (CD4.159) finds needs range from 6.5 – 81.3 ha including a policy on position. These outcomes are significantly below the market signals based position in terms of business consultation and historic trends. This clearly indicates that the model alone does not reflect employment land needs in the Borough.
- 4.35 When developing labour demand models are a range of assumptions around the split between employment sectors and use classes. The BE Group assumptions are set out in the EDNA Table 29. Different assumptions are utilised by different consultants for similar exercises. The Warrington EDNA assumptions are relatively simplistic (as do not appear to differentiate the Use Classes, nor consider differences between jobs and Full Time Equivalents).
- 4.36 Notwithstanding potential shortfalls in the BE Group models it is not considered a worthwhile exercise to re run the labour demand based estimates of need through a new model. This is for the following reasons which are particularly applicable to the industrial (rather than office) use classes:
1. Assumptions on densities are generic and can fail to reflect local trends.
 2. Particularly for the manufacturing sector, and to a lesser degree for the warehousing sector, improvements and investment in productivity and automation weaken the relationship between capital and labour – and therefore densities.
 3. Employment forecasts tend to be derived from national / regional shift share models and are weaker at the local level, they also tend to poorly reflect latest trends such as the drive towards e-commerce.
 4. The replacement of older stock (replacement demand) is a significant factor that can drive the need for new premises without generating additional employment. Reasons for this have been reported above and include the need to deliver modern, larger units with higher quality sustainability credentials and greater

access to power to support robotics and automation¹⁰. This is likely to be a factor in former areas with a long historic of industrial activity such as Warrington. The Warrington EDNA 2021 reports p141 that “*the bulk of Warrington’s stock of E(g)/B2/B8 premises is modern and well occupied*”. However this statement lacks evidence (with the last assessment of sites in Warrington appearing to date back to the 2012 Employment Land Review). Analysis of CoStar data suggests the statement may be incorrect. CoStar (table 4.4 above) reports 448 industrial properties over 10,000 sqft that have a recorded build date and a total of 715 of all sizes (a further 27 have no date and there will be further stock not identified on the CoStar database). Of medium / larger buildings over 10,000 sqft (where modern requirements are more likely to be sought), 57% are dated 1999 or before, and 42% are dated before 1990. Industrial properties typically have a lifespan of 30-40 years so a considerable proportion of pre 1990s older stock may need renewal by the end of the next Plan period - if not before. If built in the 1980s units are less likely to be upgraded to modern standards. Looking across all sized units, 52% are pre 1990. The issue of replacement of stock is being further driven by increased government requirements to achieve higher EPC ratings for commercial stock in coming years¹¹. By analysing CoStar data (see table 4.10 below) we can identify that replacement of medium / large unit floorspace built prior to 1990 over the next 40 years is equivalent to 0.8m sqm or 207 ha (at a 0.39 plot ratio). If only the larger units are replaced then this

¹⁰ See discussion in Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change, (Leicester and Leicestershire Authorities) 2021, p103; and Warehousing and Logistics in the South East Midlands (South East Midlands Local Economic Partnership) 2022, p79 (CD4.163)

¹¹ See for example <https://www.freeths.co.uk/2023/01/18/minimum-energy-efficiency-standards-meets-requirements-and-energy-performance-certificates-epc-rules/#:~:text=It%20has%20been%20indicated%20that,B%20or%20better%20by%202030.&text=The%20requirement%20for%20the%20EPC,place%20since%201%20April%202020.>

equates to 0.3m sqm (or 79 ha) although including those built in the 1990s increases this to 0.5m sqm or 133 ha, as below. Some units can be upgraded or redeveloped on site, but the range of issues discussed earlier in terms of the need for enhanced power and larger, taller unit sizes combined with site acquisition and viability challenges means that on site redevelopment and brownfield intensification means this is not always the case. Logistics studies typically assumed only 20% of future need derived from brownfield sites¹². If, optimistically, half of the unit replacement can be met on existing sites, the land need could be in the range of 104 ha (for all medium and large pre 1990s units) and this should be considered a minimum. This is a significant issue which has implications for both land need and the relationship with jobs displaced rather than generated.

Table 4.10 Indicative industrial stock replacement requirements based on current age

	Medium (>10,000 sqft / 930 sqm, <100,000 sqft / 9,300 sqm)			Large (>100,000 sqft / 9,300 sqm)			Medium + Large		
	No	Sqm	Ha.	No	Sqm	Ha.	No	Sqm	Ha.
Pre 1990	177	499,300	128	12	308,900	79	189	808,200	207
Pre 2000	238	744,900	191	21	517,800	133	259	1,262,700	324

Source: CoStar March 2023

¹² See Warehousing and Logistics in the South East Midlands (South East Midlands Local Economic Partnership) 2022, 104 (CD4.163)

Labour supply

- 4.37 Considering labour supply is a recommended approach in the PPG. It has a number of the same drawbacks as the labour demand model, not least leading to an artificial constraint on land required.
- 4.38 A key issue for labour supply models is lacking an employment sector split. However it is reasonable to pro rate the sectors of any employment demand sector based forecast (i.e. Oxford Economics / Cambridge Econometrics) to the labour supply outcomes. For Warrington, Oxford Economics and Cambridge Econometrics indicate a mid point jobs growth for the plan period of 14,855 additional jobs whereas the Local Housing Needs Assessment Update of 2021 (the LHNA) estimates that 18,300 additional jobs could be supported by the growth in labour supply as a result of the housing requirement of 816 homes per annum, assuming existing commuting patterns. In this sense the supply of jobs may exceed the baseline labour demand based models.
- 4.39 The Warrington EDNA 2021 rejects the labour supply model outright as failing to be a useful indicator of need. I agree with this. For the reasons stated above (in relation to labour demand) it is not considered useful to develop a labour supply based employment land demand model. However in basic terms the 23% increase from 14,855 jobs growth to 18,300 labour supply would uplift the employment land requirements by 23% from the labour demand model.

Further adjustments

Margin

- 4.40 Inclusion of a flexible margin is standard practice in employment land needs modelling. A range of 2-5 years is typical. This allows for:
- Fallibilities in modelling
 - In increase in choice of sites that may be available at any one time
 - Allows for delays in site coming forward

4.41 The use of a 3 year margin in the EDNA 2021 is considered reasonable at 42.7 ha.

Replacement demand

4.42 A point of note is that BE Group (in CD4.159) suggest that the margin also covers loss of future industrial sites to non E(g) / B Class Uses, as this is expected (by BE Group) to be limited. However as the analysis herein suggests, much of the existing Warrington stock is pre 1990 and is likely to need replacing which cannot always be achieved on existing sites.

4.43 Without analysis of existing estates stock quality and potential intensification, or instead patterns of historic loss trends, which is an omission from the 2021 EDNA, it is difficult to specify a real world replacement demand factor for Warrington. However as discussed at length above, based on age of stock in Warrington this is likely to be significant and may exceed 100 ha. Aggregating this figure to the upper end labour demand outcomes from BE Group begins to parallel with the completions data.

4.44 Replacement demand is one of the fundamental reasons for the difference between the labour demand and the land take model, as its allows for the displacement and movement of jobs between sites.

4.45 More widely it is appropriate to include the known loss of 17.6 ha of land for Warrington Town Centre Development.

Conclusions on need

4.46 The discussion above covers PPG based factors across land take up, property take up, labour demand and supply models. The key model findings and recommendations are:

- The BE Group model of land take trend for the 1996-2019 period reports a total need of 316.2 ha with margin. This is a PPG compliant methodology and the assumptions are not unreasonable. The deficiency in this model is the long look back period which amalgamates office and industrial needs leading to a clear overstatement of office type needs projected forward.

-
- A more recent land take model from 2011 to 2019 results in a far higher need of 346.1 ha, plus margin and replacement of town centre sites, totalling 406.4 ha. This is a reasonable model that the Borough could choose to pursue if it wished to continue to play a significant and market leading role in provision of strategic warehousing.
 - The net absorption model for 2011-2019 results in a need for 220.1 ha, plus margin and replacement of town centre sites, totalling 279.5 ha.

4.47 Looking at the BE Group 1996-2019 model excluding offices, the employment need is 196.3 ha. The 2011-19 office development model results in a 24.5 ha need. The aggregate of this is 220.8 ha. By using BE Group's long run model we reduce the emphasis of Omega on the future employment need. Including margin and known replacement needs, the total is 280.2. **I view this this 280 ha as a minimum in terms of future employment land provision, ensuring a strong contribution to sub regional requirement as well as local needs.** This also almost exactly ties to the 2011-2019 net absorption model which reinforces the position.

4.48 Drawing on the supply of 38.9 ha as set out in the EDNA 2021, at least 240 ha of additional land should be planned for. Considering the allocations in the submission version of the Warrington Local Plan 2021, the committed St Helens Omega extension (31.8 ha) as well as the South East Warrington Employment Area (136.9 hectares) and Fiddlers Ferry Power Station (101.0 hectares) are required.

4.49 The labour demand and supply models provide forecasts for future jobs change. These are not suitable for translating to employment land needs without considerable adjustment.

5. EMPLOYMENT (JOB) REQUIREMENTS FOR FORECAST NEED

5.1 A known site supply has been established to meet the forecast need. Using government guidance on standard densities it is possible to estimate the jobs required to support this forecast need. Further assessment is required to determine the total number of net additional employment associated.

Considering FTEs from supply

5.2 BE Group's letter dated 13th January 2023 (CD4.162) in table 2 sets out the proposed supply in land and floorspace terms and uses the HCA Density Guide 2015 (4.165) recommended densities to calculate the employment to be generated. For completeness this is repeated here. This approach is considered a reasonable start point in determining the direct relationship between floorspace and employment. For the B8 warehousing sites BE Group assume 80 sqm per FTE however it is likely that the majority of units will be larger, carrying a density of 95 sqm / FTE (as per the Density Guide). Both these scenarios are considered.

Table 5.1 Site supply – jobs supported (standard densities)

Allocation	Size (ha)	Floorspace (sqm)	Use Class density (high)	Jobs [FTEs]	Use Class density (low)	Jobs [FTEs]	Comment
Existing supply	38.9	168,800	Various	3,870	Various	3,870	EDNA analysis
St Helens Omega extension	31.8	124,020	B8 (80 sqm / FTE)	1,550	B8 (95 sqm / FTE)	1,305	Warehousing – BE Group assumed 80 sqm / FTE
Fiddlers Ferry Brownfield Site	101.0	393,900	B8 (80 sqm / FTE)	4,924	B8 (95 sqm / FTE)	4,146	for general warehousing, 95 sqm / FTE
SEWEA	136.9	533,988	B8 (80 sqm / FTE)	6,675	B8 (95 sqm / FTE)	5,621	guidance for larger units
Total supply	308.6	1,220,708		17,019		14,943	

* 0.39 ratio assumed

Source: Warrington EDNA 2021 / CD4.162 / HCA Density Guide 2015 (4.165)

- 5.3 The table reports the outcome of the sites capacity for 14,943 - 17,019 gross FTEs, the net additionality of which is considered below.

Considering FTEs from supply

- 5.4 The HCA Guidance (CD4.165) advises that the densities provided determine the capacity of full time equivalent (FTE) roles rather than jobs, due to trends in part time working. Often part time jobs help to fulfil FTEs. Data from the Business Register and Employment Survey 2021 reports that in Warrington's Transport and storage sector, most likely to represent roles in the proposed sites, 10% of workers are part time. Therefore a 0.9 ratio can be applied to the FTE jobs to estimate all jobs.

Considering additionality

- 5.5 The HCA Additionality Guide 2014 (CD4.164) provides guidance on assessing the net additional gain in employment growth when assessing individual projects. The issue of additionality takes into account a wider range of issues beyond direct job capacity and in particular considers displacement, multiplier effects and leakage. These effects are also carried forward and considered in the HM Treasury Green Book 2022 latest edition p90-95. These issues are discussed in turn.
- 5.6 Displacement – “the extent to which an increase in economic activity or other desired outcome is offset by reductions in economic activity or other desired outcome in the area under consideration or in areas close by.” (HM Treasury Green Book 2022 p92). Displacement is likely to be a factor in the creation of jobs on new employment land as this directly relates to the issue discussed early of industrial stock replacement demand. As noted previously, from 2011 to 2019 the actual growth in industrial stock registered by the VOA was 70.8 ha whilst the gross land take was 160.8 ha. This suggests a replacement rate of 56%. The HCA Additionality Guide (CD4.164) suggests that a medium displacement rate is 50% (p30 of the Additionality Guide 2014 CD4.164 table 4.8), so this appears reasonable. As a result only half the jobs on the allocations would be net gain due to displacement of other jobs from businesses elsewhere. BE Group suggest that losses of sites will slow in

the future, although evidence is not provided. In fact the ratio of medium and large units built in the 1990s or before to all stock is 57%. The most optimistic outcome would be to run displacement at 40%, assuming some improvements in the ability in the future to upgrade rather than replace older stock, and 40% being the HCA Additionality Guide (CD4.164) past research. A sensitivity is run to test this outcome.

5.7 Multipliers – “Further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases.” (HCA Additionality Guide 2014 pg 33 CD4.164). Multipliers are associated with the spend of wages or the supply chains of businesses. New business and employment generate additional spend, employment and GVA as a result. Assessing multiplier effects is complex however the Additionality Guide (table 4.14) advises that the majority of interventions will be in the ‘medium’ category. This is 1.1 at the neighbourhood level and 1.5 at the regional level. Local area data for B2/B8 (the predominant floorspace type) is reported as 1.29 (table 4.12 of the Additionality Guide CD4.164) which is considered appropriate for Warrington and is the approximate mid point of the neighbourhood and regional averages.

5.8 The table below brings these issues together.

Table 5.2 Site supply – jobs supported (net additional)

	Gross FTEs	Gross jobs	Displacement (high/low)	Multiplier	Net additional jobs
Ratio	100%	÷ 90%	x (1-0.5)	x (1.29)	
Count (high density, high displacement)	17,019	18,910	9,455	12,197	12,197
Count (low density, high displacement)	14,943	16,603	8,302	10,709	10,709
Ratio	100%	÷ 90%	x (1-0.4)	x (1.3)	
Count (high density, low displacement)	17,019	18,910	11,346	14,636	14,636
Count (low density, low displacement)	14,943	16,603	9,962	12,851	12,851

* 0.39 ratio assumed

Source: Own calculations / HCA Additionality Guide (CD4.164)

- 5.9 This process suggests that the future supply could generate around a net gain of 10,709 - 14,636 jobs depending on density assumptions and displacement rate.
- 5.10 Not all jobs will be created on 'employment land' sites. Some of these other jobs are captured in the multiplier above. Relating planned growth to theoretical forecasts with any certainty is challenging particularly with the forecasts likely to be influenced by regional and national outcomes rather than the local market. This issue is discussed in Examination Document CD10a (CD4.161) 'EIP Note Employment Capacity of Development Land Answer to Queries'. This argues that only workers involved in Accommodation and food services, which involves no employment land, should be counted, and the mid point of growth from the forecasts for this sector is 2,300 jobs.
- 5.11 I consider that this is not realistic and underestimates the contribution of non employment land based jobs.
- 5.12 To deal with this more robustly, the BE Group model assumptions are applied to all forecast sectors and the percentage and count outside of employment land considered.

Table 5.3 Future Warrington total jobs derived from Oxford / Cambridge forecasts

Sector	Forecast growth*	% in employment land **	Total in employment land	Total <u>not</u> in employment land
Agriculture, etc.	0	N/A	0	0
Mining and quarrying	0	N/A	0	0
Manufacturing	-1,600	100%	-1,600	0
Electricity, gas and water	-150	26%	-39	-111
Construction	900	26%	234	666
Distribution	500	48%	240	260
Transport and storage	400	48%	192	208

Accomm. and food	2,300	0%	0	2,300
ICT	500	100%	500	0
Financial and business	8,050	100%	8,050	0
Government	3,500	22%	770	2,730
Other	500	22%	110	390
Sub Total	14,900		8,457	6,443
Site supply – jobs				

Source: EDNA table 27* and table 29** (CD4.159)

* mid point of Oxford and Cambridge forecasts

5.13 This model suggests that around 6,443 jobs are not on employment land.

5.14 The final step is to consider the site supply jobs as assessed and the non employment land aggregated. There is some duplication because the multiplier jobs included above are both employment land (supply chain) and non employment (worker wage spend). The non employment land jobs are already assumed to be counted in the 6,443. The most reasonable position is to assume half of the multiplier jobs are in non employment land.

5.15 The table below brings these issues together.

Table 5.4 Warrington future jobs: employment land & non employment land

	Net additional jobs	Adjustment for non employment land multiplier jobs	Total non employment land jobs	Total jobs
Count (high density, high displacement)	12,197	-1,371	6,443	17,269
Count (low density, high displacement)	10,709	-1,204	6,443	15,948
Count (high density, low displacement)	14,636	-1,645	6,443	19,434

Count (low density, low displacement)	12,851	-1,444	6,443	17,849
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* 0.39 ratio assumed

Source: Own calculations

5.16 Aggregating the total jobs is a net total gain of 15,948 – 19,434 jobs.

5.17 This range can be considered against the Local Housing Needs Assessment Update of 2021 (the LHNA) estimates for 18,300 additional jobs supported by the growth in labour supply as a result of the housing requirement of 816 homes per annum (assuming existing commuting patterns).

5.18 All of the jobs scenarios excluding the highest fall within the labour supply range. Given the number of assumptions required to reach these figures the employment outlook overall should be considered as well balanced.

5.19 There are further factors that can be considered.

- As of February 2023, there were 3,370 claimants in Warrington. It would be desirable to see more of these in employment. This reduces the demand on forecast growth in labour supply. From 2015-2020 the claimant count average was below 3,000 therefore this should be seen as achievable and desirable.
- Many of these are large proposed supply sites are on the edge of Warrington Borough which means they will attract a higher rate of in commuting than the Borough wide average, which would reduce pressure on the Warrington labour position.

5.20 On the basis of this work the future labour supply can readily support the forecast employment land supply.

5.21 It is of note that the same concerns were raised by the Inspector at the Bassetlaw Local Plan examination and these issues were discussed at length at the hearings in 2022. Whilst the Inspector's report has not yet been published, the approach was accepted by the Inspector. The methodology for considering the same issues

around additionality can be found in the Bassetlaw Housing and Economic Development Needs Assessment (2020)¹³ p34-36.

Conclusions on jobs requirements for forecast need

5.22 The key findings and recommendations are:

- The actual supply of land is expected to accommodate 14,943 - 17,019 FTEs depending on future employment densities.
- Considering Government guidance on additionality, which takes into account displacement and multiplier effects, the actual jobs growth is expected to be between 10,709 and to 14,636.
- Allowing for job creation in non employment land sectors, the total economy outlook including the proposed supply is estimated **at 15,948 – 19,434 jobs. This is in line with the potential labour supply generated by the standard method housing delivery programme of 18,300.** This is before considering reduces levels of unemployment or changed commuting patterns, likely to reduce pressure on Warrington labour supply.

¹³ <https://www.bassetlaw.gov.uk/media/6017/bassetlaw-hedna-nov-2020.pdf>

6. CONSIDERING THE INSPECTORS' POSITION

6.1 The inspectors consider the employment land allocations excessive as set out in letter PINS/M0655/429/2 (CD3.2). They are two approaches which lead them to this conclusion. Firstly, the information provided by Warrington Borough Council in Local Plan Examination Document CD10 (CD4.160) and CD10a (CD4.161) and secondly their own conclusions on historic employment land jobs densities. Both of these approaches are inadequate for use as judgements on employment land needs.

CD10 / CD10a position – historic land take up projection

6.2 In Local Plan Examination Documents CD10 and CD10a, the Council, at the Inspectors' request estimate the jobs supported by the forecast Local Plan need in order to test the relationship with the labour supply generated by housing growth.

6.3 They Council use the historic take up of employment land by Use Class from 1996 to 2019 distribute Use Classes against the future need of 316.3 ha. This includes some 56.4 ha of offices (after discounting displacement of Town Centre sites). The inclusion of such a large volume of offices drives high employment densities and therefore a high employment capacity. The jobs capacity arrived at is 31,068. This is a misdirection for two reasons. Firstly, it is simply a capacity exercise and does not take account of displacement and other economic additionality factors considered earlier in this proof in section 5, which are in line with government guidance and best practice. Secondly, it assumes the same pattern of land use take up in the future as the (very) long term past, with an over emphasis on offices, rather than considering the actual allocations.

6.4 Evidence on employment land delivery highlights a change from around 2012 from a focus on offices to warehousing (see Table 4.7 above as well as EDNA Table 21). There is no evidence that offices will start to be required or delivered at a rate last seen since prior to 2011, if anything the post 2022 pandemic market is likely to greater focus on warehouses and industrial rather than office space. BE Group's market commentary notes that "Office demand is really quiet" and "Strongest demand for office units sub 500 sqm" (EDNA pg 55).

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- 6.5 When we review the net absorption model for office space since 2011 (Table 4.8), the trend in the total change in office space is only around 10 ha for the future Plan period whereas the recent completions trend is 24.5 ha. The office component should therefore be 10.1 – 24.5 ha, less than half the historic rate.
- 6.6 The over inflation of the office component leads the Council in CD10 to produce a misleading assessment of future employment capacity which simply will not be delivered. This, combined with the lack of proper assessment of the net employment impact of the future supply, mean the results do not reflect the actual economic impact of the potential supply.
- 6.7 The Council's failure to respond to the Inspectors' questions with robustness leads them to question whether the employment needs and allocations are appropriately balanced with labour supply growth.

Inspectorate position – historic land jobs density

- 6.8 In letter PINS/M0655/429/2 (CD3.2) the Inspectors take their judgement of employment land need for Warrington. The inspectors are evidently unsatisfied with the approach estimating the land to jobs relationship supplied by the Council in Local Plan Examination Documents CD10/CD10a and therefore seek to essentially overrule all of the EDNA 2021 evidence and more to establish their own employment land needs mechanism derived solely from labour supply. It is necessary to understand their approach and the reasons why this is unsound.
- 6.9 They note that the historic relationship between gross employment land delivery 1996-2019 (341ha) and total employment change (48,350) has been 142 additional jobs per hectare since 1996. They apply this to the future EDNA 2021 need of 298.6 ha (excluding displacement), suggesting 44,900 jobs are required. This is fundamentally problematic as:
- Firstly it associates all jobs growth in the economy with employment land delivery, which is evidently not the case. BE Group in the 2021 EDNA seek to establish a model demonstrating that only a proportion of activity in most sectors takes place in employment land. Irrespective of the details, the premise is

correct, employment takes place in a wide range sectors from health and education to finance and warehousing. There is simply no justification for relating all economic sector activity to employment land take. The inspectors make no attempt to check future employment forecast sectors with past employment change to sense check the outcome.

- Secondly, as a part of their assumptions and as Warrington Council did in CD10/CD10a, the Inspectors' assume the demand pattern for land Use Classes in the future will follow that of the past, including from the late 1990s onwards, which up to 2009 had a considerable office component. As discussed above, all the current evidence, including the market analysis by BE Group in the 2021 EDNA and the Council's land delivery records, as well as the net absorption data herein, indicates that offices will have a much lower component in the future than the past. Applying the historic ratio of land take to job creation is not appropriate because a different kind of employment space is required on land in the future, with a definitive change from offices to warehousing and an accompanying change in density.

6.10 The above issues are not merely technical, they are fundamental problems in correlating jobs and land trends. The approach is highly simplistic. The question posed by the Inspectors regarding the impact of future employment land needs on the labour market is an absolute appropriate one to ask, but the methods used to assess the answer fall short of any in depth analysis or full understanding of the matters involved.

6.11 The Inspectors in their conclusions go on to apply the figure of 142 jobs per hectare to the known labour supply of 18,300 jobs, coming to a new 'need' figure of 168 ha.

6.12 This figure bears no actual relationship to an 'objectively assessed' employment land need for Warrington when considered the questions posed by the Planning Practice Guidance - including the need assess business needs through an assessment of market demand (para 026), properly relate jobs forecast between employment sectors (Standard Industrial Classification sectors) to use classes and types of property (para 30) and consider a range of data which is robust (para 027). The approach used by the Inspectors is not compliant with the Planning Practice

Guidance and would not be considered sufficient or robust in any Economic Needs Assessment.

- 6.13 When we look at the data collated by BE Group and furthered in this proof, it is clear that the objectively assessed needs for Warrington are considerably higher than calculated by the inspectors, whether using long run trends or shorter run trends on employment land take up. The market demand indicators reported by BE Group and reinforced by JLL's evidence on market demand indicate that the level of demand remains very strong and supply is short, therefore there is no justification in objective business terms for curtailing the objectively assessed need.
- 6.14 The underlying issue with the information provided to the inspectors is a lack of deeper understanding about the challenges of using labour demand and supply models - the biggest shortfall is the lack of recognition of the relationship between gross stock delivery and net change in jobs – the replacement demand factor of older stock and displacement of labour. By only providing for a net change in labour supply, the wider market characteristics including needs of businesses in existing older stock that needs to be replaced are ignored.
- 6.15 Fundamentally the trend based models – whether land or deals based - are more accurate in forecasting future employment land needs because they draw on a known quantity of space taken up by business. Looking at different historic periods provides greater insight as to how the needs are changing over time. These trend based models can be reasonably triangulated against the market signals and levels of market demand.
- 6.16 There will be adverse consequences to curtailing the employment land requirement in Warrington. As set out JLL evidence on Demand for Employment Land and Premises a lack of supply leads to market. This means businesses locate in sub optimal locations or have to remain in sub optimal locations. It leads to increase travel time for their vehicle stock, additional emissions and additional costs for the customer causing inflation. There is also a knock on effect of other businesses who in turn may be forced out of their preferred locations.

Conclusions on Inspector's position

- The Inspectors take a position on Warrington's employment land need which is highly simplistic and flawed, one which fails to meet the government's guidance as set out in the PPG on economic needs. It assumes a linear relationship between historic land take and total economic change; and simply projects this forward. It relies solely on expected changes in labour supply to determine employment land needs. There is no consideration of market trends or businesses needs.
- The inspectors are forced to this unfortunate conclusion due to insufficient evidence and proper analysis on how the actual land need and proposed supply is likely to impact the Warrington economy and labour market. The analysis in this proof demonstrates the proposed labour supply provided through housing delivery is sufficient and placed to support the employment growth arising from the Warrington Submission Plan allocations, including the SEWEA. Such analysis having been available at the time of the Local Plan Examination should have avoided the need for the Inspectors' intervention in the allocations.
- This proof establishes that the objectively assessed employment land need for Warrington is for at least **280 ha** of land, close to the original Warrington EDNA 2021 of around 300 ha. This is appropriately derived from market trends and it is shown herein that the labour supply for Warrington can indeed support this level of growth. At this level of forecast need, the Warrington Submission Plan supply and allocations, including Fiddlers Ferry Power Station and the South East Warrington Employment Area (that includes the Six:56 site) are all required.

A1. APPENDIX: SUMMARY OF PROOF

- Changes in the market have resulted in an increase in the need for warehouse space. Market demand information indicates a strong market for logistics premises in Warrington, the M6 market and the wider North West.
- There are a number of reasons for the recent and anticipated continual demand for new B8 space. These include the ongoing growth in online retailing, parcel returns, and the need for new units that are more sustainable, are taller, with larger footprints and access to more power.
- The Planning Practice Guidance seeks the use of a number of market and economic indicators in the production of economic needs assessment – these need to be considered jointly to come to evidenced judgements.
- In terms of future land need, the Warrington 2021 EDNA (CD4.159) recommends a long term historic trend from 1996 which is projects forward for the Local Plan period. With adjustments this requires around 300 ha of future land, which the Submission Version of the Local Plan allocates for, including the SEWEA.
- This proof finds that, broadly, the approach used by BE Group in the EDNA is sound, although it is lacking in certain aspects including omitting any examination of historic losses and reflections on the implications of using such a long 'look back' period which leads to an over emphasis on office development seen prior to 2012. The lack of analysis of historic losses is unfortunate as it fails to unpack the differences in land delivered and land lost, which has a bearing on jobs growth and change.
- This proof looks at alternative trend based periods, as well as a model based on lease deals (net change in space occupied) to test the 2021 EDNA's findings. This testing finds the BE Group recommendations should be adjusted for an over emphasis on office type future needs, leading to a limited reduction of the forecast need to around 280 ha. The Submission Version of the Warrington Local Plan allocations including the South East Warrington Employment Area (which includes the six:56 site) are required to meet this need.

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- This proof considers the questions put to Warrington Borough Council at the Local Plan examination – chiefly how the forecast employment land need will impact on the economy in terms of jobs demand, and how this can be reconciled with the anticipated labour supply. This proof establishes that the way in which the Council responds to the question is inadequate. The Council simply project forward the historic pattern of land take up from 1996, including a significant offices component, and calculate the gross capacity of that theoretical land. That jobs figure vastly exceeds the labour supply being generated in Warrington by future housing growth.
 - This proof uses government guidance on assessing the net additional economic impact of development to undertake a robust assessment of the actual net additional jobs expected to be generated by the Local Plan allocations. This is then combined with non employment land based jobs to come to a justified range in expected jobs growth. This range is well aligned to the labour supply associated with the Borough's housing growth as established in the Housing Needs Assessment. This demonstrates that the allocations including the SEWEA without adverse impacts on the Borough's labour supply.
 - Based on the evidence provided to them at the examination, the Inspectors are unable to reconcile the labour demand for land allocations against the labour supply balance. As a result they go on to establish their own mechanism for determining Warrington's employment land needs (in CD3.2). This relies on the historic relationship between total jobs change in the economy and total employment land delivery – a relationship which is unfortunately flawed and overly simplistic. It lacks any analysis of the Borough's actual need or expected future employment make up. It also falls short of PPG requirements to properly consider market signals and a wider range of evidence to justify the need.
 - This proof gives proper consideration to the relationship between the proposed allocations and labour demand and demonstrates that the Inspectors' original concerns about excessive labour market pressure can be resolved in full.