

Warrington Borough Council

Six56 Socio-Economic Impact Assessment

GENECON Independent Review

April 2021

Context

GENECON has been instructed by Warrington Borough Council (WBC) to revisit its November 2019 high-level independent review of the Environmental Statement Socio-Economic Chapter for the Six 56 scheme in Warrington. The Socio-Economic Impact Assessment (SEIA) has itself been prepared by AECOM on behalf of the project promoter.

The request to revisit GENECON's earlier assessment follows the submission of additional information provided by the applicant in respect of the planning application. As such GENECON has reviewed Part 2 of the Socio-Economic Technical Paper 6 (Addendum to the Environmental Statement dated 14th July 2020).

The assessment of economic impacts described within the July 2020 submission and the Six 56 proposals remain unchanged from the previous submission, but revisions have nevertheless been made to the SEIA, largely to respond to comments raised by consultees regarding longer-term employment prospects within the logistics sector, given the role of expected increased automation in the logistics sector in future years. The revised submission also updates the local plan position, particularly to inform an updated assessment of additive / cumulative impacts.

In doing so, GENECON has taken a prudent view to update its modelling to reflect the potential for increased automation. Since the initial review, there has also been a revised iteration of the HM Treasury Green Book (December 2020), and alongside updating of various ONS metrics to ensure the impacts assessed are expressed in current terms, GENECON has also reflected on changes to the HMT Green Book in its approach to the remodeling.

Background

The Six56 scheme is strategically positioned on Junction 20 of the M6 and Junction 9 of the M56, located on the south eastern border of Warrington and close to its boundary with Cheshire. Under current proposals, the scheme would deliver 287,909 sqm Gross Internal Area (GIA) of new B8 distribution and ancillary office space, at an estimated cost of around £180m.

The SEIA produced by AECOM primarily seeks to assess the gross and net additional employment and Gross Value Added (GVA) impacts arising temporarily from the construction of the new floorspace and the longer-term effects of the scheme annually when operational. The chapter then assesses the magnitude and significance of impacts on defined socio-economic receptors, namely the local (Warrington) and sub-regional (Warrington and Cheshire LEP) labour markets and economies.

Alongside assessments of construction and operational effects, the socio-economics chapter also includes an assessment of additive (cumulative) impacts arising from the delivery of similar proximate development schemes, and other potential impacts including business rate returns, training and apprenticeship opportunities, distributional impacts within the labour market, commuting and migration impacts, effects of local services and facilities and other wider socio-economic impacts.

The focus of GENECON's revised 2021 review has as previously been on assessing the validity of the main receptors under review, namely the assumptions applied to estimating the scale of quantified employment and GVA impacts claimed within the Socio-Economics chapter.

The SEIA Assessment of Socio-economic Effects

By the SEIA estimate, the scheme has potential to support a total of 271 gross construction jobs each year throughout a 6.5 year delivery phase, or 72 net construction jobs per year at the Warrington level, 79 net construction jobs per year at the LEP level, with potential to support around £11m in GVA per year over the 6.5 years.

Once delivered the SEIA considers that the Six56 development could support 5,306 longer-term gross operational Full Time Equivalent (FTE) jobs. In taking account of deadweight, leakage displacement and indirect and induced (multiplier) effects, the AECOM work considers that the scheme could support a total of 1,990 net FTE jobs in the Warrington labour market, or 2,342 net FTEs at the LEP area level. The SEIA then estimates that the Six56 scheme has the potential to support around £206m in operational GVA per year in Warrington's economy, or £210m in operational GVA per year at the LEP area level.

The following sections set out the findings of GENECON's reassessed review into the approach taken to modelling employment and GVA impacts in the SEIA and based on the findings of the 2021 review, the Economic Impact note then concludes with GENECON's own impartial assessment of potential socio-economic effects.

The July 2020 version of the Technical Paper remains largely unchanged from the previous submission, although it now considers the long-term socio-economic impacts of automation technologies on the job's prospects and includes a revised assessment of additive / cumulative impacts.

On automation, the findings of an empirical review into wider research concludes that *'It may be reasonable to apply a moderate adjustment of between 10% and 15% future developments over the next 10 to 15 years to reflect continued investment in automation across the sector. From the point of full employment, this would equate to an annual reduction in onsite jobs of between 30 and 60 per annum over the period'*, although this has not been reassessed within the ESIA.

On additive impacts, a reassessment of wider development opportunities locally has identified that these would create between 700 and 990 gross jobs, this was previously assessed as 700 FTEs.

Assessment of Construction Effects

The following table sets out each of the assumptions used to inform the SEIAs assessment of construction-related effects, alongside GENECON's commentary on the validity of the approach used and justifications for any revisions made.

Aspect	SEIA Approach	GENECON Commentary and Revisions
<p>Gross Direct Construction Employment Figures</p>	<p>The SEIA has applied a recognised co-efficient reported by the HCA (now Homes England) which estimates that around 10 construction job years could be supported per £1m investment. This has been applied to the c.£180m estimated construction cost for Six56 to arrive at an estimate of 1,762 gross direct construction job years.</p> <p>Based on a 6.5 year construction period, the SEIA considers that 271 gross construction jobs would be supported per year (1,762/6.5)</p>	<p>The approach to using recognised co-efficients appears reasonable, although the estimates reported by the HCA / Homes England are in fact assessed / reported in 2011 prices. The effects of construction cost inflation would mean that in today's prices any 'turnover per construction job' metric would be higher.</p> <p>By the SEIA's estimates, around £102,150 of construction investment would be required to support each job year and for comparisons, ONS evidence (Business Population Estimates, 20208) suggests that current 'turnover per job' for the construction sector in the North West is currently £124,600 per job year.</p> <p>In applying current value estimates, GENECON would consider that a total of 1,445 gross construction job years could be supported during the construction phase, or 222 per year throughout the 6.5 year delivery period.</p> <p>Across the industry we would also typically consider that 10 construction job years are equivalent to 1 Full Time Equivalent (FTE) job, although analysis over the 6.5 year construction period appears reasonable for the purposes of understanding annual effects.</p>
<p>Net Adjustments: Leakage</p>	<p>Judgements regarding the likely levels of leakage among construction jobs have been made by referencing Census 2011 commuting evidence and the SEIA also states that these levels have also been set to also 'reflect the intention to work with local partners to maximise local recruitment during the construction phase'.</p> <p>On this basis, leakage amongst construction activities has been set at 60% at the Warrington level, 50% at the LEP level, reflecting medium-high levels of leakage.</p>	<p>We would expect leakage to be reasonably high at the local level given the proximity of the Six56 site to the Warrington border, although reference to 'operational' commuting data from the Census as a proxy for understanding construction leakage is less clear. Accepting that the SEIA outlines that there are intentions to recruit construction workforces locally, we would generally expect a development of this scale to typically be procured at a national level.</p> <p>Nevertheless, the SEIA's assessment of local level leakage during the construction phase appears broadly reasonable given that it is already at a reasonably high level.</p> <p>We would also expect leakage to be lower at a larger spatial level, and the SEIA's assumption on leakage at the sub-regional / LEP level therefore also appears reasonable.</p>

<p>Net Adjustments: Displacement</p>	<p>At 20% at the Warrington Level and 30% at the LEP level the SEIA has included reasonably low levels of displacement among construction activities.</p> <p>The rationale for low levels of displacement is less clear, although the SEIA infers that low levels are expected as the scheme is one of the only major development opportunities in Warrington over the coming years.</p>	<p>The SEIA outlines that (in 2017) there were 8,000 jobs in the construction sector in Warrington and that there is political will for local level construction recruitment. Displacement therefore could be viewed as higher than as presented, although given that investment in Six56 is unlikely to displace any similar logistic park investment locally (or sub-regionally) adopting low levels of displacement among construction activities appears reasonable.</p> <p>The additive (cumulative) impact assessment outlined latterly in the SEIA also shows reasonably low levels of wider planned commercial space, which again supports the view that there would be low levels of displacement among construction activities.</p>
<p>Net Adjustments: Indirect and Induced (multiplier) effects</p>	<p>The SEIA has applied multipliers of 1.25 at the Warrington level and 1.46 at the LEP level to estimate wider indirect (supply chain) and induced (wage-related) jobs that could be supported in the labour market.</p>	<p>The approach adopted is broadly consistent with the approach forwarded in the HCA Additionality Guide (which recommends a multiplier of 1.29 for local areas), Where previously the 2018 iteration of the HM Treasury Green Book advised against the use of multiplier effects on the premise that at the macro level the additionality of the effects would be limited, the new approach forwarded in the latest HMT Green Book (2020) now allows for multiplier effects to be included.</p> <p>The multipliers included by the applicant account for both additional employment supported within the supply chain and via wage-related induced impacts, although we would consider that the £180m investment would support job both directly and indirectly within the supply chain. As such our view is that only an induced-only multiplier should be applied at both areas under review (1.15, ONS Supply Use tables) and that this should be applied after accounting for leakage and displacement effects.</p> <p>On this basis, the overall net position would be 532 net job years at the Warrington level (82 over 6.5 years) and 581 net construction FTEs at the LEP level (89 over 6.5 years).</p>
<p>Construction-related GVA</p>	<p>The SEIA has estimated that total net additional GVA generated in the 6.5 year construction phase would be in the order of £72m in Warrington and £74m at the LEP level.</p> <p>The GVA assessment has been based on a metric of £0.4m of GVA per £1m of construction investment and this has been applied to the £180m construction cost</p>	<p>The use of 'GVA per investment' metrics is less standard and GENECON typically prefers to use employment-related GVA measures. The outturn of the SEIA approach would give a 'GVA per job estimate' of around £40,860 per construction job year. This is low when compared to an ONS estimate of £70,700 GVA per job in the construction sector in the LEP.</p> <p>Importantly, the SEIA's assessment of GVA effects excludes an allowance for leakage, on the premise that the GVA is a workplace-based measure. Whilst this may be true, in practice the receptor is the local / LEP level labour markets and it is therefore our view that the assessment of employment-related GVA should</p>

	<p>estimates adjusted to allow for displacement and multiplier effects.</p>	<p>factor in leakage effects alongside displacement adjustments and multiplier effects.</p> <p>Based on the revised net construction job years position (532 in Warrington, 581 in the LEP) application of ONS GVA per job benchmarks for the construction sector and the whole LEP economy (for induced job years), this gives a revised total cumulative GVA of £37.3m at the local level, or £40.7m at the LEP level.</p>
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Assessment of Operational Effects

The following table sets out the SEIA approach to estimating operational FTE employment and GVA impacts, alongside commentary of the appropriateness of the approach adopted and the justification for any revisions made.

Aspect	SEIA Approach	GENECON Commentary and Revisions
<p>Direct Gross Operational Employment Figures</p>	<p>The SEIA uses the HCA Employment density guide (3rd ed., 2015) to estimate the number of gross FTE jobs.</p> <p>For B8 warehousing / distribution space, the SEIA applies a benchmark of 70 sqm GEA per job applied to the 287,909 sqm of GIA floorspace, to produce an estimate of 4,113 gross operational FTE jobs.</p> <p>In response to concerns raised over the likely scale of operational FTE jobs supported in light of expected increased automation in the logistics sector, the SEIA includes a review of empirical evidence that concludes that the logistics sectors have to date have approached the issue of automation with caution, with the expectation that the sector may not fully transition to emerging technologies for a decade or more.</p> <p>Based on the evidence at hand, the SEA concludes that between 10% and 15% fewer direct FTE jobs may be supported over the longer term, although this has not been reflected in the modelling of direct FTE jobs.</p>	<p>The benchmark of 70 sqm GEA is at the 'denser' end of the EDG benchmarks, reflecting 'final mile' distribution centres. Given the scale of the proposed development we would expect Six56 to have more of a 'regional' reach, with an EDG benchmark of 77 sqm GEA per job for regional distribution centres</p> <p>The SEIA has however incorrectly applied the GEA derived benchmark to GIA floorspace estimates and we would typically expect GIA to be around 95% of GEA for this type of development.</p> <p>These adjustments would give a revised capacity estimate for 3,907 FTE jobs, although we would also typically also include a small (10%) level of employment underoccupancy given that over the longer term there will likely be periods when some space is not let or is underutilised.</p> <p>Based on SIEA conclusions, there is also potential for up to 15% fewer direct FTE jobs on site arising from the advent of increased automation and although the effects of new technologies may take some time to translate into reduced labour demands, a cautious approach would be to model reduced densities.</p> <p>On this basis, the revised gross operation FTE jobs estimate is 2,989.</p>
<p>Net adjustments Leakage</p>	<p>As per the construction Phase, reference to 2011 Census commuting evidence has informed estimates for leakage at the local (50%) and LEP (40%) levels.</p> <p>These estimates have been revised downwards to reflect the fact that the jobs will</p>	<p>The SEIA includes analysis of current skills levels in Warrington and the LEP area to support judgements on expected employment take-up by residents of Warrington/the LEP, concluding that the type of jobs created closely match current skills profiles locally. The approach taken by the SEIA therefore appears reasonable.</p>

	be typically lower skilled in nature, which tend to be filled by individuals living closer by, alongside an outline that there would be concerted efforts to recruit locally.	The location of Six56 close to the national road network however means that leakage may be slightly higher than included, although given that the positions created are likely to be filled by lower-skilled / lower-waged workers, these are likely to be filled by residents living reasonably locally.
Net Adjustments: Displacement	Displacement has been assumed at the lower end locally (25%) rising to 35% for LEP area. This judgement is supported by evidence which points to (a) strong growth in the local logistics market; (b) a shortfall in the supply of very large (400,000 sqft) warehouses and (c) forecast growth in transport and storage workforce jobs locally - +6% over the next 10 years, higher than the wider +4% Warrington average.	<p>Whilst Six56 would deliver a new product locally which appears to be high demand, the SEIA also outlines that there at the point of writing there were only 3,440 unemployed residents in Warrington. Based on the revised local net FTE jobs estimate (1,121 net FTEs, excluding any multipliers but inclusive of leakage and displacement), this means that Six56 could address around 30-35% of unemployment locally, accepting that unemployment is likely to have increased in light of the Covid-19 induced economic slowdown</p> <p>Given that the additive (cumulative) impacts section of the SEIA demonstrates that there are around 700-990 new gross FTE jobs being created elsewhere locally, but that there is planned housing for around c.7,000 residents (accepting some internal movers), it is likely that employment displacement would be low.</p> <p>As such the displacement adjustments appear reasonable.</p>
Net Adjustments: Indirect and Induced (multiplier) Effects	Multipliers of 1.26 at the local level and 1.46 at the LEP level have been applied, based on BIS / HCA Additionality Guide benchmarks.	<p>As outlined in the construction-phase impacts, the use of indirect and induced multipliers is now accepted in the latest HM Treasury Green Book iteration, and the multipliers applied by the SEIA draw on recognised benchmarks and appear reasonable.</p> <p>On this basis, the revised overall net operational FTE jobs estimate is 1,412 at the local level, or 2,002 at the LEP level.</p>
Operational-related GVA	<p>A GVA per FTE job benchmark of £54,000 per job has been used to estimate annual operational GVA impacts, giving £216m pa at the local level or £210m pa at the LEP level.</p> <p>As per the construction phase GVA modelling, adjustments for leakage have been removed from the net FTE job estimates informing the GVA modelling on the premise that GVA is work-place based measure.</p>	<p>The SEIA's GVA per job benchmark appears high when compared to ONS data (Balanced Approach), which suggests that GVA per FTE job in Transport and Storage (SIC H) in the LEP is around £43,000 per FTE.</p> <p>As previously discussed, GENECON also considers that the assessment of employment-related GVA should factor in leakage, displacement and multiplier effects. For indirect and induced effects, an overall GVA per FTE job for the whole of the LEP economy (£65,900) has been used.</p> <p>Based on the revised net operational FTE jobs position (1,412 in Warrington, 2,002 in the LEP) application of the ONS GVA per job benchmarks would give a total annual GVA during the operational period of £67.4m pa at the local level, or £100.5m pa at the LEP level.</p>

Summary of SEIA and Revised Estimates and Significance Effects

The following table sets out a summary of SEIA estimates of impact and GENECON's revised estimates based on the points raised in the tables above.

Whilst the revised estimates do give lower estimates of impact, the overall results show no major discernible differences in the levels of significance claimed in the SEA, based on the parameters established in the SEIA. The Six56 scheme would therefore still deliver a Moderate Positive impact during construction and a High / Substantial Positive impact when operational.

	Warrington level Analysis		LEP Level Analysis	
	SEIA Estimates	GENECON Revised Estimates	SEIA Estimates	GENECON Revised Estimates
Construction Effects (over 6.5 years)				
Gross Direct job years	1,762 job years	1,445 job years	1,762 job years	1,445 job years
Gross Direct construction jobs	271 gross jobs	222 gross jobs	271 gross jobs	222 gross jobs
Indirect / Induced construction jobs	68 gross jobs	11 jobs, assessed after leakage and displacement adjustments	125 gross jobs	12 jobs, assessed after leakage and displacement adjustments
Net Construction Jobs	108 net jobs	82 net jobs	139 net jobs	89 net jobs
Construction GVA	£72.1m	£37.3m	£73.7m	£40.7m
Levels of significance based on SEIA parameters set	Moderate Positive	Moderate Positive	Moderate Positive	Moderate Positive
Operational Effects (annually)				
Gross Direct FTE jobs	4,113 gross FTEs	2,989 gross FTEs	4,113 gross FTEs	2,989 gross FTEs
Indirect / Induced FTE jobs	1,193 gross FTEs	291 FTEs, assessed after leakage and displacement effects	1,892 gross FTEs	631 FTEs, assessed after leakage and displacement effects
Net FTE jobs	1,990 net FTEs	1,412 net FTEs	2,342 net FTEs	2,002 net FTEs
Annual Operational GVA	£216m pa	£67.4m pa	£210m pa	£100.5m pa
Levels of significance based on SEIA parameters set	Substantial Positive	High / Substantial Positive	Substantial Positive	High / Substantial Positive

Additive Impacts and Other Impacts Assessed

The SEIA includes a comprehensive overview of other developments which are progressing through the planning system locally and this appears reasonable. Whilst improved quantification of job impacts associated with wider development schemes would make a stronger case, the SEIA acknowledges that attaining more refined details for these schemes has been more difficult and, at face value the estimates of gross FTE jobs (700-990 gross FTEs) seem broadly reasonable.

Other impacts assessed within the SEIA include:

- An increase in business rate returns;
- Training and apprenticeship opportunities;
- Distributional impacts within the labour market;
- Commuting and migration impacts;
- Effects of local services and facilities; and,
- Wider socio-economic impacts.

Whilst no attempt has been made to verify the validity of these impacts claimed, on a high level review of the evidence at hand these impacts also appear reasonable.