

North West Leicestershire Local Plan Examination

Representations by IM Properties plc : representor no. 27

Matter 6: Employment

Question a. Is the future employment development requirement of the Plan, stated in Policy S1, derived from robust evidence of need, pending the conclusions yet to be published of the HEDNA and subject to Policy S1 for early review of the Plan if found necessary?

1. No it is not. IM Properties hold five principal and related concerns about the robustness of the evidence and its interpretation by the District Council. These are:-
 - The provision of 96 hectares is derived from the PACEC study (EC/04), which was produced initially in 2008 and then updated in 2013. Its basis is out of date as it predates the economic and market revival which has led to an acute shortage of industrial and warehouse premises and associated development land – ref para 2 et seq below.
 - Insufficient regard has been had to market signals, both in terms of the current imbalance between demand and supply for industrial premises and development land in this general location, and the long term take-up trends for the District. Recent trends point to a required provision of **over 250 hectares** – ref para 17 et seq below. NPPF and PPG emphasise the importance of development plans taking into account market signals.
 - The derivation of the requirement is inconsistent with other evidence which has been relied upon, particularly projected employment levels which are below those contained in subsequent evidence and plans – ref para 19 et seq.
 - Little, if any, account is taken of the wider strategic need for employment land, particularly in terms of the District's relationship with the West Midlands (considered also by the Position Statement submitted in respect of Matter 1 – legal compliance and Duty to Co-operate and para 22 et seq below).
 - The locational advantages of the District, in terms of its centrality and communications, particularly the potential of the M42/A42 corridor, have been underplayed – ref para 35 et seq below.
2. Paragraph 3.20 of the Background Paper 1 (BP/01) refers to the PACEC study (EC/04) representing the most up to date assessment of future employment need at the time that the Publication version of the Local Plan was agreed (i.e. June 2016). However, the principal economic evidence that underpins the PACEC employment forecasts are the HM Treasury forecasts of May 2012.
3. The economic outlook in 2012 was very bleak, with the economy in the downturn following the financial crash of autumn 2008. This had a significant impact on market confidence and this is evidenced from the figures for take-up in the District in the years from April 2011 to April 2014, during which only 1.48 hectares was built (reference Table 3 in BP/06).
4. However, from the start of 2013, the market for industrial and distribution premises in the Midlands has improved dramatically to a stage where there is now a significant imbalance between demand and supply of both premises and land. This is due to a number of factors, some of which are related. These are:-
 - The general improvement in UK and regional economy.
 - The renaissance in manufacturing in the area.

- The increasing dynamism of the distribution sector.
 - A shortage in supply of premises.
5. The renaissance in manufacturing could not have been predicted in 2012 and was not. Instead, the general prognosis for manufacturing was for continual structural decline and off-shoring of industry to developing countries such as China and Brazil. It is to be recalled that in September 2009, JLR warned that one of its two principal plants serving the West Midlands – Castle Bromwich or Lode Lane, Solihull – would be closing. The turnaround of this company is symbolic of the resurgence in advanced manufacturing in the region.
 6. In addition, the strength of the distribution sector since 2012 in the Midlands would have been difficult to predict with any confidence. This sector has seen since record levels of take-up and a vast diminishing inventory of supply, leading to a return in speculative development.
 7. The supply of industrial premises serving the market has eroded quite significantly for three reasons:-
 - The redevelopment of old factories and other industrial sites for housing and other uses (e.g. retail).
 - The relative lag in speculative development being able to replenish old stock.
 - The lack of new sites coming forward to fill the void.
 8. The former has occurred over a long period of time due largely to pressure for housing on sustainably located brownfield sites. This recycling of land has been largely at the expense of industrial redevelopment. No longer is there a reserve of old disused industrial land to fall back on.
 9. The lack of speculative development has been a factor since the financial crash of 2008. This event led to a significant loss in confidence from both investors and developers and was not assisted by the introduction of rates payable on empty buildings just prior to the crash. Only relatively recently has sufficient confidence returned to the market for developers and investors to commit to speculative development. This is a real sign of returning market confidence, but has generally been restricted to the big box distribution market.
 10. The imbalance between demand and supply has been signalled by significant changes in rents, yields and land values for larger units. Property Consultant JLL has published analysis on changes in rents, land values and yields from Quarter 1 2013 to Quarter 2 2016 in Birmingham, the closest major market to North West Leicestershire, for new stock. These trends are comparable to market signals in North West Leicestershire and other well located parts of Leicestershire and are represented below.

Table 1 – Rents, Land Values and Yields for Larger Units in Birmingham

	Quarter 1 2013	Quarter 2 2016
Rents (£ per sq ft)	£5.50 - £5.75	£6.25 - £6.50
Land Values (% per acre)	£300,000 – £350,000	£600,000
Yields (%)	6.5%	4.75%

11. Of the three variables, the most marked change is with land values. Land values have almost doubled within the three year period. This signal is very relevant in terms of illustrating the imbalance between demand and supply and the shortage of immediately available land at a regional and sub-regional level. In addition, this is a cost that is inevitably passed on to the operator, which reduces the competitive advantage the Midlands has over other areas of the country.

12. The imbalance between demand and supply is at its widest point in living memory. The relative shortage of available development land is an issue of great concern. This has been recognised recently by both the Greater Birmingham and Solihull LEP in its recently published Strategic Economic Plan and, the West Midlands Combined Authority, which has recently set up a Land Commission to investigate this specific issue. This issue is recognised similarly by Leicester and Leicestershire LEP in its Strategic Economic Plan 2014 – 2020 (EC/03) with further details provided below (ref para 24)
13. A clear example of the fundamental improvement of the market for industrial and warehouse property in this general location, and the lack of development land, is the Birch Coppice Scheme of IM Properties located at junction 10 of the M42 – just to the south west of the District. Since May 2012, IM Properties have built and let over 2,000,000 sq ft (circa 200,000 sq m) on approximately 60 hectares (gross). The principal deals are set out below in Table 2.

Table 2 – Completions and Lettings at Birch Coppice since May 2012

Company	Building Size (sq ft)
Solar Non-Woven Limited	47,000
Ocado	575,000
Bunzl	165,000
DraxImaeier	160,000
Euro Car Parts	788,000
Unit 5 – built speculatively and available	63,000
HIB	80,000
Unit 6 - built speculatively and available	282,000
Total	2,160,000 sq ft

14. All land at Birch Coppice has now been developed. The HIB unit was let at £6.75 per sq ft. This is a record rent for the area and is another market signal to illustrate the imbalance between demand and supply.
15. In addition, the PACEC study (EC/04) does not follow Government guidance in terms of methodology and approach. The 2004 ODPM Employment Land Review Guidance Note and PPG advise that a range of requirements are provided, based on a variety of methods. The PACEC study (EC/04) is based on just one method – labour demand. No consideration is given to the other recommended methods - labour supply and past trends. These three methods are routinely used by other consultants, such as Nathaniel Lichfield & Partners in the production of the Employment Land Review for the nearby Borough of Tamworth, and the results then compared and analysed.
16. Reliance on just one method is a serious flaw, particularly given the discrepancy with the past trends method. No reference is made to past take-up trends in either BP/01 or BP/06 (the Background Paper for the Publication stage). However, the previous iteration to BP/06, which supported the draft Local Plan, does. This version has been provided to the Programme Officer for inclusion in the Local Plan Examination library.
17. Paragraph 3.7 of this earlier draft of BP/06 refers to an annual take-up rate of 12.9 hectares for the 20 year period between 1991 and 2011. A projected requirement based on this methodology would be **258 hectares**. As the last sentence to paragraph 3.7 to the previous iteration of BP/06 acknowledges,

“The future employment requirements up to 2031 are significantly less at 96 hectares”.

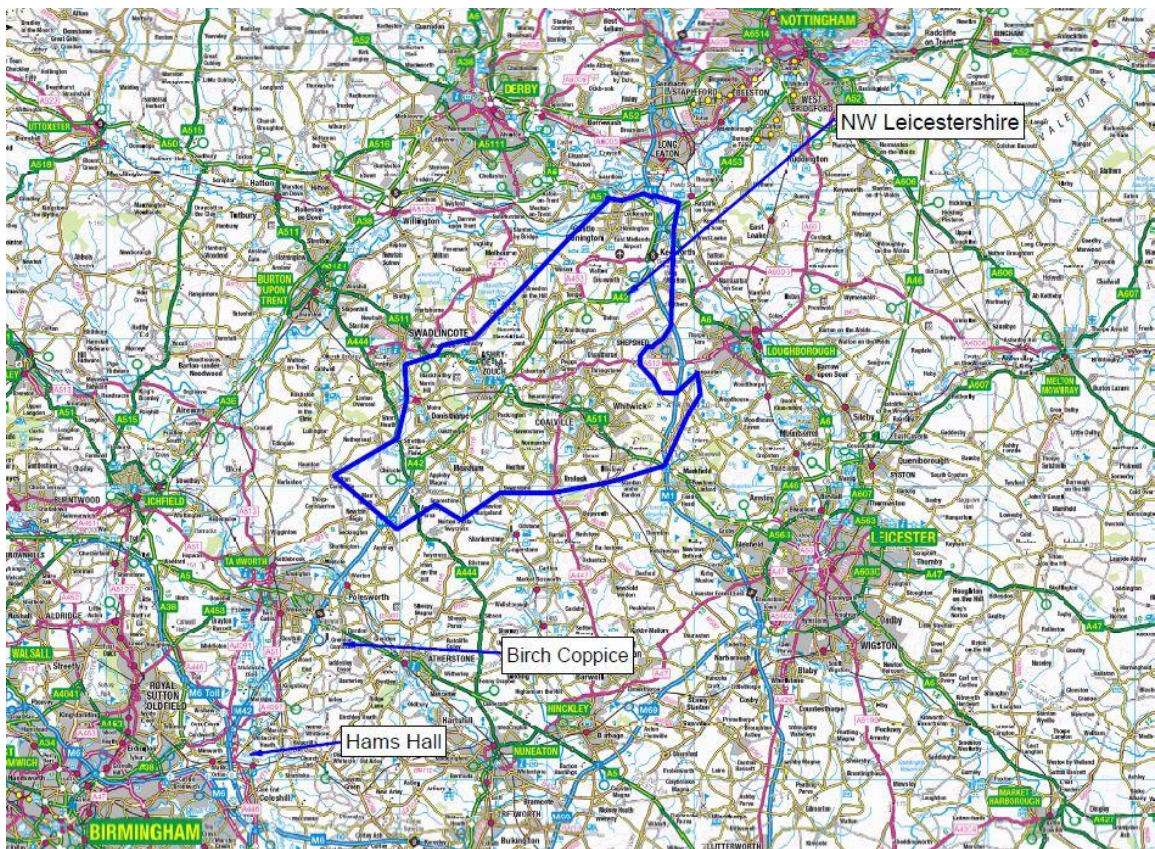
18. No reasoned justification has been provided as to why no consideration has been given to this projection. IM Properties consider this projection is likely to be a far more realistic assessment of what the market will demand and can sustain.
19. With regards to the third point to paragraph 1 above, the draft Plan refers to the recently published North West Leicestershire Local Growth Plan (EC/01). This Growth Plan sets out growth priorities for the District for 2014 to 2018 and one of its key targets is to create over 15,000 new jobs within the District (paragraph 2.5). The draft Plan acknowledges that this target is much higher than the projected employment figure underpinning the requirement for 96 hectares – 9,400 (of which 5,600 is for B Class Use).
20. It would seem that this disparity has been justified on the basis that the Local Growth Plan (EC/01) postdates the recession and takes account of employment growth for East Midlands Gateway Rail Freight Interchange (EMGRFI), which was approved in January 2016 and serves principally the M1 corridor. The former corroborates the view put above that the PACEC study (EC/04) is out of date. The latter will be an important source of employment. Reference is made in BP/01 (paragraph 4.11) to this development creating an additional 7,400 jobs, with about 50% of this total residing in the District, given the local of EMGRFI in the very north of the District.
21. 50% seems a high proportion given the accessibility of EMGRFI to the major conurbations of Derby and Nottingham. Nevertheless, the additional 50% (i.e. 3,700) generated will only increase the projected employment in the District to just over 13,000 (i.e. 3,700 plus 9,400). This is still shy of the Local Growth Plan (EC/01) target of over 15,000 new jobs in the District.
22. With regards to the fourth point, a number of studies and plans have addressed the wider strategic need for industrial and distribution property. These include:-
 - Leicester and Leicestershire Distribution Sector Study, November 2014 (EC/02)
 - Leicester and Leicestershire Strategic Economic Plan, 2015 (EC/03)
 - Midlands Connect Picking Up the Pace, July 2016
 - West Midlands Strategic Employment Sites Study, September 2015
 - North Warwickshire Employment Land Review, 2013
23. The latter three documents have been provided to the Programme Officer for inclusion in the Examination Library. The Leicester and Leicestershire Distribution Sector Study (EC/02) was produced by Savills and MDS Transmodal and commissioned by the Local Planning Authorities of Leicestershire. It identifies a need for a further 115 hectares of land for rail based distribution and 153 hectares of new land at road based sites in Leicestershire by 2036. It identifies the A42 corridor as one of three key areas of opportunity in the County. This study is arguably also out of date. It is based on data from January 2014. As referred to above, the market's performance since then has led to a significantly greater scale of development and commitments than could have been forecast then. As such, it almost certainly underestimates the requirement for land for distribution for the County.
24. The Strategic Economic Plan (EC/03) identifies a lack of suitable employment land for logistics and manufacturing as one of the five major risks to the sub-regional economy. It recognises also the importance of the logistics sector to North West Leicestershire, endorsing both East Midlands Gateway and the development of G Park at Ashby. The latter is a reference to the Lounge Disposal Point, which is referred to by Policy Ec1 and considered below.
25. Picking up the Pace identifies manufacturing and logistics as two out of three business sectors which will play a critical role in the Midlands' economy. With the latter, reference is made to the advantages it has in terms of central location and access to a number of intermodal terminals.

26. The West Midlands Strategic Employment Sites Study was produced by Peter Brett Associates and JLL on behalf of the West Midlands Local Planning Authorities' Chief Executives. One of its principal remits was to consider and advise on the balance between demand and supply of strategic sites.
27. Whilst ostensibly covering the West Midlands, it is relevant to North West Leicestershire as it looks at functional market areas rather than by individual Local Authority areas. It identifies three market areas where the planned land supply falls severely short. These are:-
- The M42 corridor
 - Coventry, Rugby and its hinterland
 - Black Country and South Staffordshire.
28. The first two hold a strong functional relationship with North West Leicestershire. This is particularly so in the case of the M42 corridor. Here, it was found that the immediate deliverable supply was at its tightest, at only 3.7 years. Moreover, the long term supply for this area was considered to be heavily dependent on sites without consent and in the Green Belt, with no guarantee that they would come forward for development.
29. The Borough of North Warwickshire lies directly to the south west of North West Leicestershire and similarly straddles the M42/A42 corridor. To inform the production of its Core Strategy, North Warwickshire Borough Council commissioned GL Hearn in 2013 to produce an employment land review. This employment land review identified a need for between 212 and 410 hectares of employment development land for the Borough, depending on what model (either labour demand or completions) was used, for the period to 2028. However, it considered that between 164 hectares and 330 hectares for this need arose regionally, rather than locally, as it covered the logistics sector. As such, the report recommended that only 70 hectares should be taken as a requirement for the Core Strategy, as the Core Strategy would be dealing with just local need.
30. The Inspector who conducted the examination of the North Warwickshire Core Strategy concluded in his report (September 2014) that the employment land review had identified a significant requirement for additional land for logistics use and the Core Strategy did nothing to meet it. In addition, the Inspector saw no reason why taking a more positive approach to this unmet need would conflict with the aims of the Council to encourage a diverse economy. However, the Inspector agreed with the Council that a large part of the identified requirement was attributable to regional, rather than just local, needs and that a regional perspective was required.
31. Thus, the Inspector was happy to recommend adoption of the Core Strategy but with the proviso that North Warwickshire BC reviews its Core Strategy once this regional perspective was gained. The Core Strategy adopted in October 2014 takes this line (Policy NW9) In addition, the draft Local Plan for North Warwickshire, currently the subject of consultation, explicitly refers to there being a 'wider than local need for large sites' with this provision 'not necessarily having to be provided for within North Warwickshire' (ref Para 7.48). Thus, it is clear that the scale of regional need for logistics in North Warwickshire (between 164 and 330 hectares) will not be absorbed solely by North Warwickshire and that adjoining or related Local Planning Authorities will need to share the burden through the Duty to Co-operate or other mechanisms.
32. The potential of some Local Planning Authorities to share this burden is very restricted. Already, Tamworth is forced to export growth due to a lack of site capacity (ref the adopted Tamworth Local Plan of February 2016 which requires a minimum of 14 hectares of employment land to be provided outside its boundaries) and Coventry is in a similar position. Birmingham is also restricted in terms of capacity and has had to release Green Belt land at Peddimore, although this does not address the totality of its shortfall for employment land nor address its own short term needs.
33. The seriousness of this issue has been highlighted by a recent appeal (Ref No: APP/R3705/W/15/3136495 which has been provided to the Programme Officer for inclusion in the

Examination Library) for proposals for up to 80,000 sq m of B1c, B2 and B8 development on a developable area of 18 ha at land at Jn 10, M42 – the next junction to the south on the M42 corridor from North West Leicestershire. The inspector in this case granted planning permission, with a principal reason being a demonstrable need for large employment sites which meet a wider than local need.

34. IM Properties consider the draft Local Plan does not refer or reflect sufficiently this mounting evidence base at a strategic level to make an increasing provision for employment land, particularly for the logistics sector. Instead, the requirement of 96 hectares is inherently inward looking.
35. This approach wastes the advantages the District holds in terms of geography and communications – the final point referred to in Paragraph 1 above. These advantages are depicted on the map below.

Figure 1



36. North West Leicestershire straddles a vitally important cross country route to the UK and the Midlands – the M42/A42. This provides a direct route from the West Midlands conurbation to Nottingham, Derby and the North (via the M1). This connection enables the District to interact economically with both the West and East Midlands.
37. In terms of industry, North West Leicestershire is well located in relation to major employers such as JLR (Solihull, Castle Bromwich, and Coventry), Rolls Royce (Derby), JCB (East Staffordshire) and Toyota (Burnaston). In terms of logistics, the District is uniquely accessible to three intermodal railway freight interchanges – East Midlands Gateway, Birch Coppice and Hams Hall. The level of consented land at the latter two has now been almost exhausted.

38. IM Properties consider that the requirement for only 96 hectares does not reflect these advantages and should be significantly greater for the reasons referred to above and/or greater flexibility provided by the provisions of the Plan. Paragraph 14 of the NPPF states that Local Planning Authorities should positively seek opportunities to meet the development needs of their areas, with sufficient flexibility to adapt to rapid change with paragraph 21, with direct reference to employment land, stating that 'policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances'. IM Properties considers the current approach of the Borough Council does not meet these tests.

Question b. Does Policy Ec1 make appropriate provision regarding uncompleted employment sites with planning permission and is its assumed contribution to employment land supply supported by robust evidence?

39. No. The provision of sites in Ec1 provides a too limited choice of sites for the following reasons:-
- It does not provide the quantity of land, along with the allocation of Money Hill, to meet an objectively assessed need for land.
 - There is uncertainty about the deliverability of Lounge Disposal Point, Ashby (Ec1a).
 - There is a geographical mismatch, with no consented or allocated land south of Ashby
 - The potential of the M42 corridor in this part of the District is not explored or exploited..
40. Our response to the overall requirement of land is given above in respect of sub-matter 6a. IM Properties consider that significantly more land needs to be identified as the overall requirement of 96 hectares falls well short of any projection based on historic take-up rates from 1991 to 2011 – i.e. 258 hectares – and is a serious mismatch with market demand.
41. In addition, there is a real question about how much of the 127.04 hectares of existing commitments, as set out in Table 4 of BP/06, will be available over the full length of the plan period. Regeneris in their report supporting representations made by St Modwen Developments to the Publication version of the Plan, have assessed that only 49.72 hectares of the 127.04 hectares is realistically available going forward. JLL would concur with this assessment.
42. Principally, this is because of recent market activity committing sites for development at Interlink Bardon, Ivanhoe Business Park, EMDC Castle Donington, Beverage Lane Ellistown, South Lane Bardon, and at land at Sawley Crossroads. This is set out clearly in Table 2.3 of the Regeneris report and is further prima facie evidence of the strength of the market in this location, particularly for large industrial and warehouse units.
43. This activity takes out 64.46 hectares of the existing supply. Added to the completions of 7.75 hectares (from 2011 to 2015), provides a total just in excess of 70 hectares – a significant proportion of the overall requirement of 96 hectares, with $\frac{3}{4}$ of the plan period still remaining. This suggests strongly that there will be a constricted supply in the second half of the plan period, which will compress economic activity.
44. Regeneris discount the area of development at Lounge Disposal Point, Ashby by 50% from 25.5 hectares to 12.64 hectares. This is because the proposed HS2 route runs through the site. This route has now been confirmed and safeguarded and will clearly affect the deliverability of the site.
45. However, the deliverability of this site has been uncertain for some time for reasons notwithstanding HS2. Planning permission for a rail-linked warehouse was granted back in 2012 (application Ref No: 07/01372/FUL). The permission was bound by a Section 106 which has very onerous provisions. These provisions require that the Burton-Leicester line, between the site and the Birmingham- Derby

mainline, to be improved to accommodate commercially available wagons prior to occupation of the building and that the building would only be let or sold to a company that would utilise the rail link.

46. The onerous nature of these obligations led to PACEC excluding the site from supply of land for North West Leicestershire (reference Table 4.94 of EC/04). Specifically, in paragraph 4.9.12 of the PACEC study (EC/04), it states that:

“...this scheme has been excluded from the supply due to questions over the deliverability of the rail link”.

47. The site has been marketed quietly since by IDI Gazeley (but with no marketing boards on site). However, there has been a marked lack of take-up despite the noted improvement in market conditions. The viability of this site will be further affected by HS2, with the reduced quantum development unlikely to be able to enable the improvements required by the Section 106.
48. For these reasons, IM Properties consider that this site is no longer achievable – one of the three tests for allocating land set by PPG – and should be taken out of the supply of land. This would reduce the overall level of commitments by 25.5 hectares and would require replacement elsewhere.
49. Finally, the sites identified by Policy Ec1 and Ec2 are concentrated in Ashby, Castle Donington and Bardon. There is no provision in the south of the District. This is a serious omission. It is this area that is best related to the major regional economy and market of the West Midlands conurbation, being connected directly by the M42/A42 and is particularly well located to the strategic rail freight interchanges of Birch Coppice and Hams Hall.

RS
IM Properties
9 December 2016