

Nurton Developments Ltd - Hilton Park

Representations to the Draft Black Country Plan

Section 7 – The Black Country Economy

1 Introduction

- 1.1. JLL considers the overall approach of the draft Black Country Plan to the economy to be sound. A need for employment land has been derived (a minimum of 565 hectares), a supply has been assessed (355 hectares) and a shortfall has been identified (210 hectares). The shortfall cannot be met within the Black Country and is to be exported, as far as possible, to Local Authorities which have a strong existing or potential functional economic relationship with the Black Country.
- 1.2. However, JLL considers that the figures for **employment land need** have been **under-estimated** and the assessment of **deliverable supply** has been **over-estimated**. Thus, the **shortfall** has been **under-estimated**.
- 1.3. In addition, there is a mismatch between the quality and types of site demanded and those being supplied. This is particularly so with larger or strategic sized sites (i.e. 25 hectares).
- 1.4. This scenario will act to hold back the delivery and pace of release of high quality employment land in the Black Country, and its associated Functional Economic Market Area (FEMA), which includes South Staffordshire and Cannock. This, in turn, will affect detrimentally the capacity of the Black Country to recover strongly from the Covid-19 induced recession and to accelerate the growth of the economy, thereafter, in line with the aspirations and ambitions of the Black Country Strategic Economic Plan (SEP).

2 Need

- 2.1. The Economic Development Needs Assessment (EDNA) is a well-researched and considered study. However, we hold certain concerns about the assessment of need. These relate to:-
 - Consistency with the original EDNA.
 - Methodology of the derivation of need by the principal methods employed.
 - Economic assumptions made.
 - Under-estimation of land required for B8 distribution.
 - The extent of replacement of losses.

2.2. These concerns are elaborated on below.

Consistency

2.3. In the original EDNA (2017), a requirement of 800 hectares (from 2015 to 2036) was projected. This was generated by adding projected employment growth of 251 hectares (based on Super SEP) to projected past development trends of 540 hectares. Essentially, the 540 hectares was considered to be a baseline position with the additional 251 hectares to achieve an ambitious growth strategy. This projection was increased subsequently to 880 hectares to allow for an extension in the plan period to 2038.

2.4. The updated EDNA takes a different approach, treating past completions and economic base projections as alternative methods, rather than as a composite. This may reflect caution with the economy (post Covid 19). However, no explanation is provided. In addition, such caution does not align with the ambitious growth strategy of the SEP and the stated objective of the Draft Plan to **accelerate** the growth of the economy.

Methodology

2.5. Three methods are employed to consider the need for employment land for the period from 1 April 2020 to 31 March 2039 (i.e. a 19 year plan period). These are:-

- Employment based economic projections.
- GVA based economic projections.
- Past completions.

2.6. Two scenarios are presented for employment based economic projections. Both relate to the baseline scenario presented in the original EDNA, rather than the Super SEP aspirational economic forecasts. Scenario 2 is preferred by the authors of the updated EDNA, WEDC. This generates the following floor space and land requirements:

Sector	Floor Space (sq m)	Changes in Employment (FTE)	Land Area (hectares)	Land area with Margin (hectares)
Offices	66,456	5,538	8.31	9.13
Manufacturing	-108,346	-2,508	-27.08	-23.44
Logistics	110,957	1,441	27.74	31.02

Source: Fig 2.5 of the EDNA

2.7. The second method – GVA based economic projections – is considered to have a closer relationship with investment in floorspace for manufacturing than employment based forecasts. A gross

positive requirement for manufacturing of 866 hectares for the plan period is generated. This is netted down to between 448 hectares and 560 hectares, following the same assumptions as used by the 2017 EDNA, which take into account future likely improvements in efficiency of space utilisation and productivity.

- 2.8. This projected growth in manufacturing (i.e. 448 hectares to 560 hectares) is then added to the projected growth in logistics as generated by the employment based projection (i.e. 31 hectares), to give a total estimate of between 479 hectares and 591 hectares (paragraph 2.13 and Fig. 2.8 of the EDNA).
- 2.9. The third method – past completions – works off data stretching back to 2001/2. Average take-up over the last 18 years has been 22.8 hectares per annum. If this average is maintained over the plan period, it will generate a need of 433 hectares. Taking into account variations over the last 18 years, it is estimated that projections based on past completions will fall within a range from 364 hectares to 502 hectares.
- 2.10. Fig. 2.10 of the EDNA brings the various strands together. For ease of reference, it is cut and pasted below.

Figure 2.10: Future demand for employment land (Ha) - completion rate determined and economically determined²⁴

Low estimates	Wolverhampton	Walsall	Sandwell	Dudley	TOTAL
Past completions	94	62	120	24	364
GVA based Demand	86	155	67	110	418
Middle estimates	Wolverhampton	Walsall	Sandwell	Dudley	TOTAL
Past completions	123	100	167	43	433
GVA based Demand	108	193	84	137	522
High estimates					
Past completions	153	138	215	61	502
GVA based Demand	166	298	130	212	806

Source: based on data from Black Country Authorities and calculations by WECD.

- 2.11. WECD recommends that it would be both realistic and ambitious to provide the land requirement based on the minimum of the high past completions (502 hectares) and the medium GVA based demand scenario (522 hectares). It recommends further that the plan should seek to provide for around 30% of B8 activity and 70% B1(c)/B2, with this being compatible with recent enquiries and developments.
- 2.12. JLL does not consider that the use of these scenarios is realistic or ambitious. They are neither.
- 2.13. In addition, it is not clear from reading the EDNA how the total figures for GVA based demand (in Fig. 2.10) have been derived. These project GVA based demand of 418 hectares (low), 473 hectares (middle) and 806 hectares (high). They do not seem to bear any relation to the estimated range for GVA manufacturing (448 hectares, 560 hectares and 866 hectares) and the summation of the two

lower figures with 31 hectares of B8 land (based on employment projections) to provide a range of between 479 hectares and 591 hectares (Fig. 2.8). This needs to be checked and explained.

- 2.14. However, as matters stand, the figures presented in Figure 2.10 seem to under-estimate the range of need. Our reading of the analysis, as presented by Fig. 2.8, suggests that the middle estimate of GVA based demand scenarios, as recommended by WECD, should be 591 hectares, and not 522 hectares, as presented in Fig. 2.10.
- 2.15. JLL is also concerned about the use of completions data to project future employment land requirements. Past development of employment land has been constrained by two factors:-
- 2.16. The acknowledged difficulties in delivering sites, particularly large sites, in the urban area of the Black Country.
- 2.17. The constraint on development of sites outside the urban area due to the extent of the Green Belt, which envelops the Black Country on three sides.
- 2.18. In addition, the analysis of past development trends takes no account of development just outside the Black Country. A good example is i54 in South Staffordshire. This successful development contributes to the sub-regional needs of the Black Country and is acknowledged to fulfil this role by adopted development plans for South Staffordshire (i.e. the Core Strategy and Site Allocations Document).
- 2.19. The past trends methodology by definition looks back in order to project forward. The period it assesses takes in a 20 year cycle from 2001 to 2020. However, it is doubtful that this economic cycle, certainly the period prior to the emergence of the economy from the financial crisis induced recession of 2008-2011, is likely to be representative of future economic, market and development trends.
- 2.20. Since 2011, there has been a renaissance in manufacturing. This is evident from investment made in the automotive and aerospace industries, particularly in and around Wolverhampton (e.g. JLR building a 2 million sq ft engine plant at i54). Prior to 2011, the manufacturing sector had been in long term structural decline. This has now been reversed.
- 2.21. More latterly (over the last five years), there has been a step change in the take-up and occupation of distribution units. This has been driven by structural changes in retailing and the growth of e-commerce.
- 2.22. This growth in e-commerce has accelerated dramatically since the start of the Covid-19 pandemic. Market absorption by e-commerce has grown from 20% in March 2020 to over 30% as a percentage of overall retail expenditure. This has led to a significant hike in occupational development of units (often large scale). JLL considers this increase in demand for large distribution units will continue well into the medium term.

- 2.23. Another key market driver that JLL anticipates affecting positively the demand for industrial units and development land in the medium term is the re-shoring of industry. This is a direct consequence of Brexit and the Covid-19 pandemic, with industrial companies sourcing goods and raw materials closer to the market at the point of consumption and holding greater buffer stock (i.e. inventory) to cover for elevated supply chain risk.
- 2.24. These market drivers are explained in greater detail in a research paper JLL produced in March 2021 on the Big Box market for the Black Country, which is quoted by the EDNA. The strength of the current market for industrial premises, and the nature of these key market drivers in the medium term, brings JLL to the conclusion that past development rates over the last 20 years will not be representative of future need and, therefore, will project a significant under-estimation.
- 2.25. In addition, a policy of providing only what has been delivered previously does not represent an ambitious approach. Nor does it provide a platform to accelerate growth, particularly in those sectors which are forecast to grow – i.e. advanced manufacturing and logistics.
- 2.26. The 2017 EDNA made no allowance for churn or margin to produce an element of choice or hedge against any uncertainty. The updated EDNA does make an allowance. However, it only does so for the employment led economic projection for B8. A margin of just two years is added. This leads to a small increase in B8 land from 27.74 hectares to 31.02 hectares.
- 2.27. No such allowance is made expressly in respect of the projections for manufacturing land (GVA based demand model) or for the past completions model. This is inconsistent methodology. An allowance should be made, particularly in respect of past completions. In addition, given the suppression on take-up (for the reasons provided above), a more generous allowance should be considered. In other economic development need assessments, produced by other consultants, often a five year margin is adopted.

Economic Assumptions

- 2.28. As referred to above, the employment based projections are based on two scenarios. Both relate to the baseline scenario presented in the original EDNA. Neither relate to the Super SEP aspirational economic forecasts. **Why not**, if the plan is to be aligned with these aspirations?
- 2.29. Both scenarios allow for a Covid-19 factor. These assume a drop of 6.8% in GVA in both 2020 and 2021 (paragraph 2.5 of the EDNA). In addition, Scenario 1 assumes employment levels do not recover to pre-pandemic levels, but flatline to 2039. Scenario 2 assumes employment levels recover to pre-pandemic levels (but not greater than) by 2039, with most of this growth in office jobs. Both logistics and manufacturing employment are projected to decline absolutely from pre-pandemic levels (see Fig. 2.4).

- 2.30. This seems to be contradictory to the draft Plan's main aspiration to grow the economy. In addition, it seems an unduly pessimistic overview. The latest economic data suggests employment levels nationally are recovering much quicker than previously anticipated. Indeed, paragraph 2.8 of the EDNA refers to the average forecast among economists is for GDP to grow by 6.5% in 2021.
- 2.31. Fig. 2.4 has no source. As such, it is unclear how these figures have been derived. However, the absolute projected decline in employment and logistics does not ring true with the huge acceleration of e-commerce and the resulting investment in this sector in terms of both jobs and floorspace.

Under-estimation of Land for B8 Distribution

- 2.32. As a direct result of these economic assumptions, only 31 hectares of employment land is projected for B8 purposes as part of the economic based projection. This seems a very low proportion of the overall requirement, particularly given current market sentiment.
- 2.33. Indeed, it is acknowledged in paragraph 2.20 of the EDNA that 31 hectares represents only 6% of the overall land requirement (based on the middle economic projection of 522 hectares). The EDNA states that this *"appears to underestimate well-rooted trends in consumers/population behaviours and the automotive warehouse revolution"*.
- 2.34. Further, in paragraph 2.22, the EDNA states that the plan should seek to provide around 30% of B8 activity. 30% of the land requirement would equate to 150 hectares based on a high estimate of past completions (i.e. 502 hectares).
- 2.35. This suggests strongly that the economic based estimates are too low and the level of land for B8 activity has been significantly underestimated. This needs to be reviewed and the overall land estimates increased.

Replacement of Losses

- 2.36. The total requirement is generated by adding an allowance for replacement demand. This allowance essentially accounts for future losses of employment land to other uses over the plan period. This allowance is 62.7 hectares. This gives a gross requirement of between 565 hectares (based on high estimated past completions) and 585 hectares (based on middle estimate of GVA based demand).
- 2.37. The capacity of land likely to be lost to residential uses has been assessed by the Black Country Employment Areas Review (BEAR). This study principally reviews the existing stock of employment land in the Black Country and identifies the land which should be safeguarded (and graded accordingly) and what land is suitable for release for alternative uses, such as housing.
- 2.38. The study appraised 3,100 hectares of employment land. Of this, it considered 109 hectares was suitable for release. This represents only 3.5% of all employment land.

- 2.39. The 109 hectares was distributed over 61 different sites. This figure has been netted down to 63 hectares – the amount referred to by the EDNA. The netting down was justified on the basis that many of the areas considered suitable for release were associated with “high levels of voids”.
- 2.40. JLL is not convinced about the methodology of this approach of netting down. Whilst not currently used, the areas referred to are still extant employment land which would be lost forever. In addition, it is not made clear whether this assessment includes employment land with the benefit of planning permission for housing (but is assessed to be retained for employment). There is still a danger that such land could be lost to housing over the plan period.

3 Supply

- 3.1. The updated EDNA provides an assessment of supply. An overall summary is provided by Fig. 3.2. This is cut and pasted below for ease of reference:

**Figure 3.2: Supply of sites for Employment Use within the Black Country to 2039
Current and Potential**

Sites	Area Ha	Total Supply (cumulative) Ha	Number of sites
Sites allocated in the Black Country Plan			
1. Local plan allocations carried forward	175.55	175.55	81
2. Sites with planning permission	14.75	190.30	7
3. New sites within the urban area	42.03	232.33	13
4. Green Belt (potential contribution)	47.29	279.62	5
Total Black Country Plan allocations		279.62	106
5. Estimates of windfall sites through completions based on recycling or intensification (potential supply)	68.4	348.02	
6. Sites with planning permission not allocated for the next planning period (two sites) and small sites less than 0.4 Ha each (33 sites)	4.64	352.66	
Total supply of sites for employment use in the Black Country		352.66	

- 3.2. The total supply – 352.66 hectares – is slightly less than the figure referred to by Policy CSP1 and EMP1 – 355 hectares. It is not clear why the draft Plan refers to a higher figure.
- 3.3. JLL holds a number of concerns about the adequacy of the land supply, in terms of overall yield, quality and deliverability. These three concerns are addressed below.

Yield

- 3.4. It appears that the areas quoted for individual sites are gross. This needs to be checked. The projections of need, based on economic projections, will have been derived on a net developable area basis.
- 3.5. The difference between gross and net developable areas depends on individual site characteristics. However, as a general rule of thumb, JLL finds that the developable areas are unlikely to be greater than 75% of a gross area. Often, the developable area can be significantly less.
- 3.6. This difference in accountancy will act to over-estimate the overall yield of supply. A discount should be applied to make a realistic assessment of the yield of sites and the true extent of the shortfall between need and supply.
- 3.7. The yield of sites, in terms of developable area, is likely to diminish further in the future. This is because of promoted legislation (i.e. the Environment Bill) which seeks a minimum of 10% biodiversity net gain for the development of all sites. This may also affect the viability of some sites for employment use.
- 3.8. Fig. 3.2 makes an allowance of 68.4 hectares for windfall sites. Evidence of this is set out in the Employment Land Supply Technical Paper, with paragraph 2.7 providing justification.
- 3.9. Windfall sites have been computed by reviewing employment land completions since 2016 to establish the potential for recycling of under-used land within the existing employment areas. It refers to:-
- “Change of use of existing premises, intensification of existing employment operations through development of yards/under-used land and replacement of existing buildings.”*
- 3.10. This has amounted to 14.6 hectares since 2016, equating to about 20% of gross completions. This has been factored up to generate a windfall projection for the full plan period.
- 3.11. Care needs to be taken with such accounting. There is a danger of double-counting. Some future windfall sites may already have permission and be accounted for by the existing allocations and commitments. In addition, it is not clear whether the 14.6 hectares referred to above has led to a responding net gain in employment floor space. A change of use or replacement of an existing building could result in no or little increase in floor space.

Quality

- 3.12. Figs. 3.3 and 3.4 of the EDNA provide some analysis of allocated sites by quality. These are set out below.

Figure 3.3: Quality of sites allocated for Employment Use in the Black Country to 2039

	HQ		PHQ		LQ		Other		Total ha (sites)	
	Total (Ha)	Number of sites	Total (Ha)	Number of sites	Total (Ha)	Number of sites	Total (Ha)	Number of sites	Total (Ha)	Number of sites
Local Plan allocations carried forward	7.54	7	114.68	43	51.18	29	2.15	2	175.55	81
Sites with planning permission (to be allocated)			12	4	0.77	1	1.98	2	14.75	7
New Urban			26.45	7	15.58	6			42.03	13
Green Belt (potential)			26.85	4	20.44	1			47.29	5
Total allocation	7.54	7	179.98	58	87.97	37	4.13	4	279.62	106
	2.7%	6.6%	64.4%	54.7%	31.5%	34.9%	1.5%	3.8%	100.0%	100%

Source: WECD analysis based on information provided by the Black Country Local Authorities.

Figure 3.4: Development/Completions in the Black Country, 2016/17-2020

Completions by quality	Annual average (ha) 2001-2013/14		Annual average (ha) 2016/17-2020	
	Annual average (ha)	%	Annual average (ha)	%
HQ	10.5	41%	9.8	41%
PHQ	5.7	23%	6.2	26%

- 3.13. There is a clear difference between the quality of land completed (41% High Quality (HQ)) and its future supply (7% High Quality (HQ)). A large reliance has been placed on Potentially High Quality (PHQ) land to come through, which will require changes in attitude of landowners and grant funding to serviced land. The issue of deliverability is considered further below.
- 3.14. Paragraph 3.5 of the EDNA provides an analysis of allocated sites by size. This is cut and pasted below for ease of reference.

Figure 3.5: Size and Quality of allocated sites for employment use within the Black Country to 2039

Size of sites allocated	HQ	PHQ	LQ	other	Total number of sites	%
Less than 1 ha	5	12	16	2	35	33.0%
1-5 ha	2	36	16	2	56	52.8%
5-10 ha		8	4		12	11.3%
10-15 ha		2			2	1.9%
15-20 ha						
More than 20			1		1	0.9%
Total number of sites	7	58	37	4	106	100%
%	6.6%	54.7%	34.9%	3.8%	100.0%	

Source: WECD analysis based on information provided by the Black Country Local Authorities.

- 3.15. This illustrates well the almost complete lack of large sites, particularly for HQ or PHQ land. The average size of site is 2.65 hectares. In addition, there are only three sites (out of a total of 106) greater than 10 hectares, with just one site larger than 20 hectares. If the 3 largest sites are taken out of the assessment, the total supply reduces to 238 ha, with the average size of site reducing to 2.3 ha.
- 3.16. There is some misleading analysis by WECD of the JLL March 2021 Big Box Research Paper. The WECD suggests that big box (or large warehouse) requirements could be accommodated on sites in the 1-5 hectares range. This ignores the need for critical mass to ensure big box developments are viable and makes no reference to the West Midlands Strategic Employment Sites Study (May 2021) which recommends 25 hectares as a threshold for strategic employment sites.
- 3.17. **Deliverability**
- 3.18. Appendix B to the EDNA provides a schedule of all the allocated sites. It grades each site under three headings:-
- Market attractiveness.
 - Sustainability.
 - Strategic planning.
- 3.19. The first category contains a number of subheadings: -
- Market activity/developer interest.
 - Need for investment.
 - Accessibility.
 - Site conditions.
 - Quality of surrounding environments.
- 3.20. In addition, 16 of the larger sites have been assessed by Colliers in a separate appendix (Appendix C). These assessments consider various factors – size, description, site plan, key constraints, market attractiveness, and access to workforce – and then grade them as to suitability – unsuitable, potentially suitable and suitable. All are graded as potentially suitable.
- 3.21. National Planning Practice Guidance (PPG), issued by Central Government, sets out three principal tests for the allocation of land. These are:-
- Suitability.
 - Availability.
 - Achievability.

- 3.22. It is not clear how much assessment has been undertaken in respect of both availability and achievability. It is essential that all land allocated is both available and deliverable.
- 3.23. Paragraph 3.6 of the EDNA notes many sites in the Black Country require extensive remediation works due to the abnormal ground conditions arising from previous use. This factor, along with risk averse landowners holding out for unrealistic land values, is considered to have led to a shortage of sites available for new or expanding industrial developments.
- 3.24. Despite this caution, and the lack of a comprehensive assessment of availability and deliverability of land, it seems that no consideration has been given to applying any discount on supply in assessing the shortfall between need and supply. It is inconceivable that all the allocated sites will be developed over the plan period. JLL is not advocating the de-allocation of any of the 106 sites. However, it is clear that this should be recognised and a discount applied in assessing likely supply.

4 Shortfall

- 4.1. For these reasons, we consider that the true shortfall between need and supply is likely to be **very significantly greater** than 210 hectares. An ambitious growth target for need should be set to enable full economic recovery from the pandemic and for the Black Country to achieve its aspirations as to growth. Conversely, the quantification of the supply of sites should be realistic and make allowance of the inherent constraints associated with much of the allocated land.
- 4.2. In addition, there are some qualitative issues to consider in planning to meet the shortfall outside the boundaries of the Black Country. These relate to the economic geography of the Black Country and the quality of land available relative to the identified need.
- 4.3. Paragraph 4.4 of the EDNA identifies the FEMA of the Black Country comprising the four constituent local planning authorities. It identifies next South Staffordshire and Birmingham as having “*strong economic interactions*” with “*economic interactions of lesser strength*” with other areas on the edge of the Black Country. This suggests strongly that South Staffordshire and Birmingham should accommodate a significantly greater proportion of the shortfall than other Local Planning Authority areas.
- 4.4. Fig. 4.3 of the EDNA identifies West Midlands Interchange – a B8 only scheme - as potentially contributing 72-94 hectares of employment land to the Black Country. The apportionment of West Midlands Interchange is covered by a separate piece of evidence, prepared by Stantec. However, at the outset, it should be noted that Stantec recommended an apportionment of the Black Country of 67 hectares, not 72-94 hectares, as referred to by Fig. 4.3.
- 4.5. Qualitatively, there is a clear disconnect in evidence between the West Midlands Interchange providing a contribution of 67 hectares to the Black Country and the main projection of need of 565-585 hectares containing an element of B8 of only 31 hectares. In addition, no distinction has

been drawn about the very bespoke market that the West Midlands Interchange will serve – i.e. rail connected or served mega B8 sheds of 500,000 sq ft+ and the more general, and much smaller, requirement for general warehousing for the Black Country.

- 4.6. Finally, the shortfall needs to be qualified as well as quantified. The Black Country lacks large strategic employment sites. The contribution from neighbouring Local Authorities to meet the shortfall in need should look particularly to provide this type of site.

PJL

JLL

8.10.2021