



Leicester and Leicestershire Strategic Distribution Sector Study

Final Report

A technical report prepared for the Leicester &
Leicestershire Housing Planning & Infrastructure
Group by:



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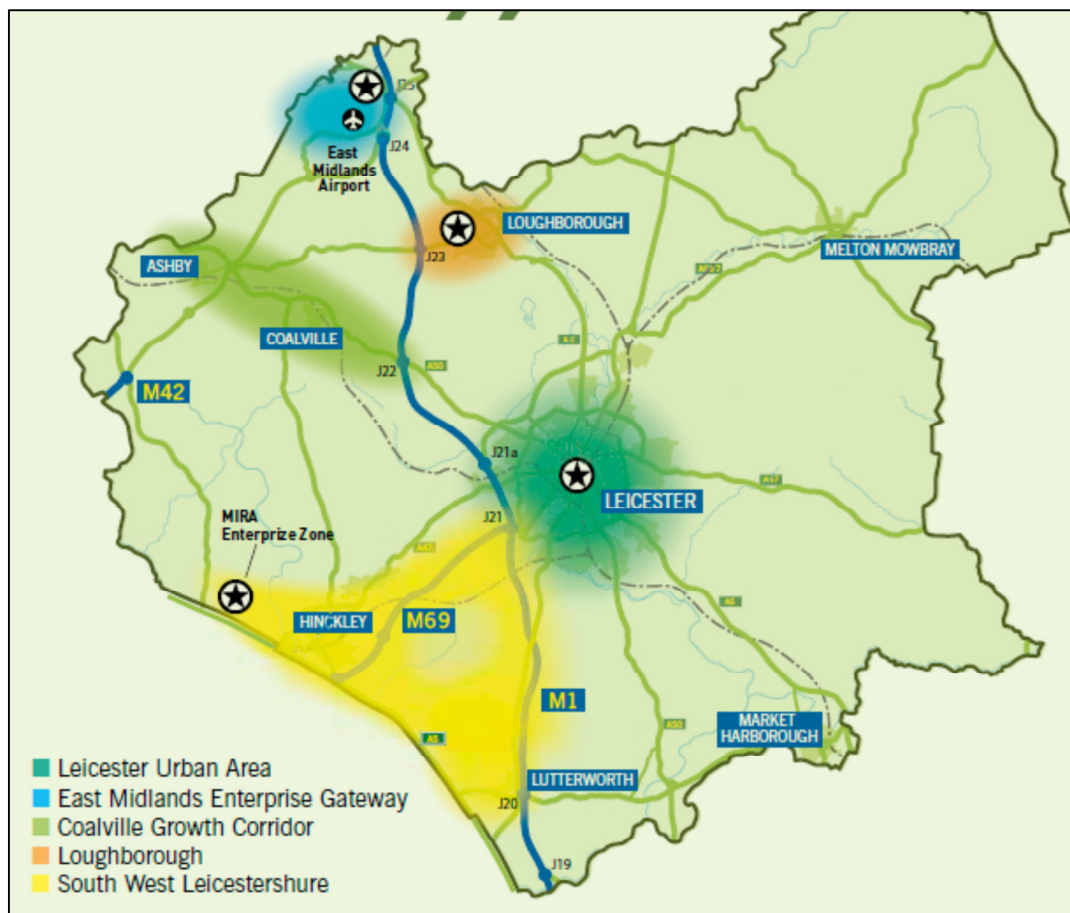
1. INTRODUCTION

- 1.1 *MDS Transmodal and Savills* were commissioned in December 2013 by the *Leicester and Leicestershire Housing Planning and Infrastructure Group (HPIG)* to undertake a study examining the strategic distribution sector in the county. HPIG represents the county's local planning authorities, Leicestershire County Council and the *Leicester and Leicestershire Local Enterprise Partnership (LLEP)* on spatial planning matters. The main objectives of the study were to enable a better understanding of the sector and objectively determine future need, together with managing change and supporting sustainable economic growth.
- 1.2 The study was undertaken in three phases, as follows:
- Part A: Review and Research;
 - Part B: Planning for Change and Growth; and
 - Part C: Developing a Strategy for the Distribution Sector in Leicestershire¹.
- 1.3 An interim report covering *Part A* of the study was presented to the planning authorities and LLEP in *Spring 2014*. It essentially presented a 'baseline' position with regards to the distribution sector in Leicestershire. It provided an overview of the strategic distribution sector, both nationally and in Leicestershire, established the existing supply of large scale warehousing in the county, described the key locational characteristics enjoyed by commercially attractive logistics sites, provided an overview of employment in the Leicestershire strategic distribution sector and contribution to Gross Value Added (GVA) alongside the current policy context. It concluded that Leicestershire has established a distinct competitive advantage in the strategic logistics sector, generating significant employment and contribution to regional GVA.
- 1.4 A second interim report covering *Part B* of the study was presented in early *Summer 2014*. It concerned planning for change and growth, and provided an overview of the key challenges and threats facing the strategic distribution sector. It concluded that the key to addressing the challenges, and hence maintaining the established competitive advantage, is the continued development of new commercially attractive strategic sites across Leicestershire, a significant proportion of which will need to be directly rail-served. Forecasts of future land requirements for strategic distribution in Leicestershire were undertaken and subsequently compared with the quality and quantity of existing sites with B8 consents or in the planning pipeline. The need for additional land to come forward up to 2036 was subsequently

¹ The main study area, the county of Leicestershire, is the same as that covered by the LLEP. In local Government terms, the study area comprises the City of Leicester unitary authority along with those parts of the county administered by Leicestershire County Council and the seven district councils. For ease and consistency, 'Leicestershire' is the term used throughout to refer to the LLEP area and these local authorities on a collective basis. Where relevant, areas adjacent to the main study area are also considered.

identified. Estimates of future job creation and contribution to GVA related to the land use forecasts were also undertaken.

- 1.5 This document forms the formal written final report of the study. It takes into account the findings of Parts A and B of the study and develops a recommended strategy designed to maintain and enhance the county's established competitive advantage and enable growth for the strategic distribution sector in Leicestershire. It will ultimately inform future LLEP plans/strategies and the development of local plans across the county of Leicestershire. As a result, the recommendations concentrate on those 'policy levers' which the Leicestershire authorities/LLEP are able to control. Consequently, the main focus of the recommended strategy is the identification and allocation of the additional land required at commercially attractive sites up to 2036, albeit that other 'softer' measures and issues are addressed. In brief, it covers the following elements:
- A summary of the key issues, findings and forecasts presented in the Parts A and B reports;
 - Policy advice with respect to identifying new sites and delivering sustainable growth; and
 - Provides guidance of a more general nature alongside other practical measures for delivering sustainable growth.
- 1.6 The final versions of the Parts A and B reports are appended to this report document.
- 1.7 It is important to note that this document is a technical report which will inform the future development of planning policy and economic strategy. The views expressed are those of the consultants and should not be interpreted as policy.
- 1.8 It is also important that this document (and the study as a whole) is considered alongside the LLEP's Strategic Economic Plan 2014-2020 (SEP). The 'ambition' of the SEP is to create an additional 45,000 jobs, lever £2.5 billion of private investment and increase GVA by £4 billion to 2020. In particular, the SEP is promoting five growth areas in Leicestershire, as illustrated on the map below (reproduced from the SEP).

Map 1.1: The LLEP Growth Areas

- 1.9 Noting that there is a lack of suitable employment land for key sectors (including logistics), one of the key priorities of the SEP is the delivery of infrastructure investment, which can then be used to unlock key development sites and employment land in the identified growth areas. The *East Midlands Gateway Strategic Rail Freight Interchange* is also identified as one of the four ‘transformational priorities’ in the SEP. The LLEP’s SEP is available to download from the following link: www.llep.org.uk/SEP.

2. SUMMARY OF KEY ISSUES, FINDINGS AND FORECASTS FROM PART A AND PART B

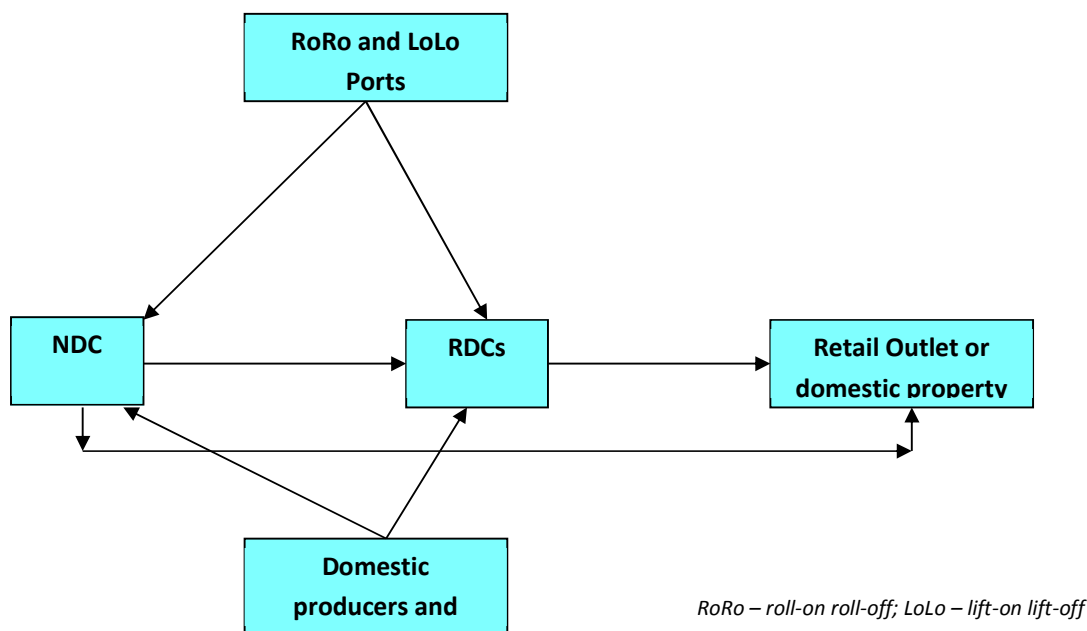
Section 2.1: Part A - The Baseline Position

Section Summary

- The southern part of the East Midlands region, of which Leicestershire is part, has become the competitive 'location of choice' in both supply chain cost and performance terms when sourcing and distributing on a national basis.
- A significant quantum of large scale warehouse floor space has been developed in the golden triangle - 2.25 million square metres of floor space across 89 warehouse units in Leicestershire – predominantly serving a national market.
- LLEP Strategic Economic Plan 2014-2020: 51,300 jobs in the LLEP area in distribution and logistics, accounting for 12% of local employment.
- 21% of the LLEP area Gross Value Added from strategic distribution.

- 2.1 *Logistics and distribution* are often used interchangeably to refer to the movement and management of the flows of goods and information. This can be contained strategically within an organisation or be part of a complex supply chain. The growth in the service industries alongside the eastward shift in manufacturing has fuelled Great Britain's logistics industry and the creation of a distinct logistics sector; with an increase in distribution requirements and changing distribution patterns. As a consequence, industrial property demand has shifted from factories (B2 and B1c use) towards distribution warehouses (B8 use).
- 2.2 The distributors general cargo and retail/consumer type goods generally organise their supply chain strategies around large scale *warehouses* or *distribution centres*. Given their fixed nature and the large capital required to develop them, they can be considered as key geographically specific investments at the 'shipper' level. It is therefore important that sites selected for large scale distribution centres are competitive and attractive to the logistics market. The Part A report described that there are basically two types of distribution centre when defined by their functions and hinterland.
- 2.3 *National Distribution Centres (NDCs)* act as inventory holding points, particularly for imported goods, before re-distribution to other stages in the supply chain. They are termed 'national' because they serve the whole of the UK from the one site. NDCs are generally occupied by retailers or their suppliers, who require facilities to consolidate and hold goods before re-distribution to either a Regional Distribution Centre (see below) or direct to an end user (retail outlet or domestic household).

- 2.4 *Regional Distribution Centres (RDC)* are similar to NDCs in that they receive, hold and then re-distribute goods to the next stage in the supply chain, normally multiple retail outlets. However there are a number of important differences. They have a regional hinterland and, more importantly, their primary role is to consolidate and re-distribute goods in shorter periods of time, rather than acting as inventory holding locations. Consequently dwell times are much shorter at an RDC and they are therefore normally associated with retailers.
- 2.5 The '*supply chain*' can therefore be defined as the flow of goods from manufacturer to the general public via suppliers, retailers and their distribution centres as described above. Ultimately, it is demand for goods from the general public which drives the supply chain, and in turn generates the need for strategic distribution infrastructure (including warehousing) and creates the commercial relationships which exist between the main players in the market. The important commercial players are the manufacturers/producers (particularly those based overseas) and the major retailers, together with their 3PLs who physically transport and handle the cargo on their behalf. It is these organisations who will dictate future logistics strategy, particularly with respect to the location of distribution centres and inland transport mode. Cost effective logistics strategies are an important factor contributing to the process of maintaining and enhancing competitive positions. As noted above, the provision of strategic distribution sites which are competitive and attractive to the logistics market will play a crucial role in this overall process.
- 2.6 With respect to the distribution of general cargo and retail/consumer type goods, the distribution strategy which has been established and adopted by most players in the market over the past 25-30 years is illustrated by the flow diagram below.



- 2.7 Under this strategy, goods which are seasonal (such as out-door/garden equipment, summer clothing etc..) and those which are non-time sensitive and/or have long lead times (e.g. toys, electricals etc..) generally go direct to NDCs, for storage ahead of demand or as buffer-stock etc.. Goods which are time sensitive and/or have short lead times (e.g. perishable groceries) generally go direct to RDCs (for fast turn-around and onward distribution to store).
- 2.8 Inbound flows to NDCs can be from domestic sources, but a significant proportion now originates from the deep-sea container ports or Dover Straits ports. Around 30% of inland hauls from the deep-sea container ports to NDCs now involve rail freight for at least part of the journey. Outbound flows from NDCs direct to individual retail outlets will generally only occur when there is sufficient traffic to fill a full size unit load i.e. articulated HGV. Otherwise, goods are shipped from NDCs to RDCs in full loads (HGV or equivalent size intermodal unit), where they are split into smaller consignments and consolidated with other cargo (including goods delivered direct to the RDC) for re-distribution in mixed full size unit loads.
- 2.9 Under this established strategy, the southern part of the East Midlands region became the preferred location for most large scale NDCs. This was for three main reasons, namely:
- It was broadly central to the major domestic production sites, the deep-sea and Channel ports (for imported cargo) and RDCs in other regions (the next stage in the supply chain).
 - The release of large competitive sites by local authorities for B8 use during the 1980s which were close to junctions on the M1/M6. This, combined with the above reason, meant that most inbound or outbound cargo movements could be undertaken within 4.5 hours drive time, this being half a HGV driver's daily driving limit. Consequently, a HGV could round-trip within a driver's shift (enabling a HGV to undertake at least two round-trips over a 24 hour period); and
 - Historically, relatively low road haulage costs (in turn driven by low fuel costs) and competitive labour rates.
- 2.10 The combination of these factors meant the southern part of the East Midlands region became the competitive 'location of choice' in both supply chain cost and performance terms when sourcing and distributing on a national basis. The area has become known as the 'golden triangle'², and has to date consequently established a distinct competitive advantage in the strategic logistics sector.
- 2.11 This position was evidenced by the analysis undertaken in Section 4 (warehouse floor space) and Section 6 (Employment) of the Part A report. Section 4 showed that a significant

² There is no one standard recognised definition of the 'golden triangle'. It may be referred to as the area bounded by the M1, M6 and M69, albeit that others consider it to be a larger area broadly enclosed by Milton Keynes, Birmingham and north Leicestershire (along the M1 and M6 corridors). This study has taken the broader definition.

quantum of large scale warehouse³ floor space has been developed in the golden triangle (of which Leicestershire is part), with a significant proportion of this floor space serving the national market rather than a regional hinterland. The tables below, taken from the interim Part A report, shows existing large scale warehouse floor space capacity by region in England and Wales, alongside the existing capacity by county within the East Midlands.

Table 2.1: Current Large Scale Warehouse Capacity England and Wales, by Region

Region	Floor Space (000s sq m)	Number Warehouse Units	Mean size per unit (sq m)
<i>East Midlands</i>	8,056	334	24,121
North West	6,465	368	17,567
West Midlands	6,133	317	19,347
Yorks&Humb	6,010	302	19,900
East of England	3,988	199	20,039
South East	3,057	176	17,368
South West	1,821	100	18,213
Greater London	1,607	112	14,345
North East	1,352	72	18,775
Wales	1,335	69	19,354
Total	39,824	2,049	19,436
Region	Floor Space (% national total)	Number Warehouse Units (% national total)	
<i>East Midlands</i>	20%	16%	
North West	16%	18%	
West Midlands	15%	15%	
Yorks&Humb	15%	15%	
East of England	10%	10%	
South East	8%	9%	
South West	5%	5%	
Greater London	4%	5%	
North East	3%	4%	
Wales	3%	3%	

Source: MDS Transmodal Warehouse Database (derived from VOA business ratings data) as at January 2014

³ As defined in the Part A report, units greater than 9,000sqm (approx 1000,000 sq ft)

Table 2.2: Current Large Scale Warehouse Capacity in East Midlands by County

Region/County	Floor Space (000s sq m)	Number Warehouse Units	Mean size per unit (sq m)
<i>East Midlands</i>			
Northamptonshire	3,545	134	26,458
Leicestershire	2,250	89	25,277
Nottinghamshire	1,076	44	24,450
Derbyshire	829	45	18,418
Lincolnshire	357	22	16,219
Total	8,056	334	24,121

Source: MDS Transmodal Warehouse Database (derived from VOA business ratings data) as at January 2014

2.12 The East Midlands region hosts just over 8 million square metres of floor space across 334 large scale warehouse units. The average size of a warehouse unit is around 24,000 square metres. Around 72% of the East Midlands floor space capacity is located in Northamptonshire or Leicestershire, and in Leicestershire itself around 2.25 million square metres of floor space across 89 warehouse units was identified.

2.13 The East Midlands region records around 8% of the population of England and Wales, however it accommodates 20% of total English and Welsh warehouse capacity. Demand for warehouse floor space is directly related to cargo throughput, which in turn is related to the demand for goods within the wider economy. This data shows, therefore, that the East Midlands region has a distinct competitive advantage in this sector, in that it has attracted a quantum of warehouse floor space significantly above that which its population and wider economy would suggest. Essentially the region 'punches above its weight' in this sector; the total amount of floor space being significantly more than is required to handle the volume of cargo distributed into the East Midlands regional economy. It is estimated that around 65-70% of the region's floor space is playing a national rather than regional role on this basis. The mean size per unit is also significantly above the national figure, indicating that they are predominantly undertaking a stock holding role (NDCs rather than RDCs).

2.14 This position is further evidenced by the economic and employment analysis undertaken in Section 6 of the Part A report. Nationally, direct employment in the logistics/distribution sector accounts for nearly 9% of the workforce. However, the LLEP Economic Growth Plan 2012-2020 gives a figure of 51,300 jobs in the LLEP area in distribution and logistics, accounting for 12% of local employment. It also identifies the high levels of employment in North West Leicestershire and the Harborough District at Magna Park. In addition the LLEP cites the ONS annual business inquiry employee analysis which shows that 7.7% of jobs are in transport and communication within Leicestershire compared to 5.5% in the East Midlands

and 5.8% in Great Britain. A breakdown of percentage total employment in transport and storage by local authority is shown in the table below.

Table 2.3: Percentage of Total Employment in Transport and Storage in Leicestershire

Local Authority	% of Total Employment
Blaby	11%
Charnwood	9%
Harborough	27%
Hinckley Bosworth	10%
Melton	8%
NW Leicestershire	24%
Oadby and Wigston	9%
City of Leicester	7%
LLEP area	12%
England	9%

Source: Business Register & Employment Survey 2012 (includes wholesale activity)

2.15 In terms of the strategic distribution sector's contribution to the sub-regional economy, the total Gross Value Added (GVA) of the LLEP area in 2012 was £17,949 million, which comprises approximately 1.4 % of total GVA across all the Local Enterprise Partnership (LEP) areas in England (£1,261,571 million)⁴. The same dataset also shows that GVA attributable to wholesale/retail, transport/storage and food activities was £3,794 million or around 21% of the LLEP area total. Unfortunately, the ONS dataset by LEP area does not disaggregate the GVA figures beyond the industrial groupings shown above.

2.16 Overall, output from distribution-related activities has been out-performing manufacturing and this is set to continue in the foreseeable future. The table below outlines the change in contribution to Leicestershire GVA of the distribution sector compared to production from 1997 to 2011 (as per above, the ONS dataset does not disaggregate the GVA figures beyond the industrial groupings shown above). It can be seen that the GVA from manufacturing has actually decreased by 6% over this time period, whilst the contribution from wholesale/retail, transport/storage and food activities has increased by 68%. The manufacturing sector GVA exceeded distribution until 2003 when this trend was reversed.

⁴ Source: ONS - GVA by Industry Type at LEP Area Level, April 2014

Table 2.4: Contribution to LLEP GVA of the Manufacturing and Wholesale/Retail, Transport/Storage and Food Sector

Year	GVA (£ millions)	
	Manufacturing	Wholesale/Retail, Transport/Storage and Food Activities
1997	£3,108	£2,253
1998	£3,079	£2,382
1999	£2,717	£2,400
2000	£2,978	£2,247
2001	£3,039	£2,381
2002	£2,706	£2,597
2003	£2,845	£2,879
2004	£2,883	£3,027
2005	£2,818	£3,103
2006	£2,703	£3,389
2007	£2,764	£3,622
2008	£3,015	£3,623
2009	£2,706	£3,600
2010	£2,844	£3,875
2011	£2,907	£3,794

Source: ONS – GVA by Industry Type at LEP Area Level, April 2014

- 2.17 This above analysis combined serves to underline the importance of the logistics/distribution sector to the sub-regional economy. The area has established a distinct competitive advantage in the strategic logistics sector, with warehouse floor space capacity being significantly more than is required to handle the volume of cargo distributed into the East Midlands regional economy. Consequently, the sector has generated high levels of employment and provides a significant contribution to GVA (above the national average in each case).
- 2.18 While airfreight is an important part of the logistics sector, there are a number of distinct differences between it and the conventional ‘overland’ distribution market which means that it should be considered separately. These were explained in Section 8 of the Part A report.
- 2.19 Statistics presented in Part A showed that long haul (inter-continental) scheduled airlines are the dominant carriers in the bellyhold segment of the airfreight market, and these predominantly use Heathrow as their only British ‘hub’ airport. Consequently, London Heathrow dominates the movement of airfreight in the bellyholds of passenger flights (1.4 million tonnes in 2013 or around 90% of bellyhold air freight). The analysis also showed that Stansted and East Midlands airports dominate the express service sector, accounting for 70% of freight conveyed on dedicated freight aircraft.

2.20 Airfreight within the East Midlands Airport boundary (i.e. providing direct access to the aircraft parking apron) is handled in two dedicated zones, namely.

- **Cargo West:** This includes the main DHL transit shed and its associated aircraft parking apron. The DHL transit shed has a floor space of around 33,000 square metres; and
- **Cargo East:** UPS, TNT and Royal Mail have their operations at Cargo East, occupying transit sheds ranging in size from 4,000 square metres to 7,000 square metre. All operators share the existing aircraft parking apron.

2.21 In addition, a number of logistics operators are located in Pegasus Business Park. This is located in the south-east of the wider airport estate, albeit that it does not have direct access to the aircraft parking aprons.

2.22 The table below shows the airfreight volumes handled at East Midlands Airport since 2003. Annual growth rates on a compound annual basis are just under 1.5% per annum.

Table 2.5: Airfreight Volumes at East Midlands Airport 2003-2013

Year	Tonnes lifted
2003	227,060
2004	253,053
2005	266,569
2006	272,303
2007	274,753
2008	261,507
2009	255,121
2010	273,669
2011	264,595
2012	264,292
2013	266,967
CAGR	1.48%

Source: CAA

2.23 East Midlands Airport published its Sustainable Development Plan (Land Use) in Spring 2014. This document updated the Airport's Master Plan first published in 2006. A review of the airport's cargo forecasts was carried out for the Sustainable Development Plan. These forecasts assume that total air freight demand doubles from 2012 levels (2.3 million tonnes) to 4.4 million tonnes by 2040 (a combined annual growth rate of 2.3%). The updated forecasts also assume that East Midlands Airport's cargo throughput is continued to be carried on dedicated freight aircraft, and also that the express service freight market will

grow at a faster rate than the traditional freight market. The forecast for future cargo tonnage is for some *618,000 tonnes in 2035* and some *700,000 tonnes in 2040*.

- 2.24 The Sustainable Development Plan (Land Use) concludes that sufficient land is currently available within the airport boundary (i.e. providing direct 'air-side' access to the aircraft parking apron) to accommodate these growth forecasts. Land has been reserved in the Master Plan for the further development of the DHL building at Cargo West and land will also be safeguarded for a second major integrator hub in Cargo East. Given this conclusion, this final report does not consider the airfreight sector further.

Section 2.2: Part B - The Key Challenges

Section Summary

- The emergence of competing inland locations to the north and east of the 'golden triangle' and in ports; regions/locations which to date have not generally accommodated major national distribution facilities.
- Given a choice of sites, major distribution centre operators would be expected to locate at a rail-served site in the golden triangle as it continues to offer the most competitive location for national distribution.
- The key to addressing the emerging competition, and hence maintain and grow the established competitive advantage, is the continued development of new commercially attractive strategic sites in the East Midlands, a significant proportion of which will need to be directly rail-served (in addition to the usual requirements for high quality connections to the strategic highway network).
- Functional obsolescence of the existing warehouse stock, changes in market trading conditions (particularly the growth in on-line shopping) and technological advances have resulted in a trend towards a requirement for fewer but larger warehouse units. As a result, many existing sites no longer have the plot sizes now required by the market, implying a need to bring forward new/additional sites.

- 2.25 Market conditions can and do change over time, and as market conditions change a previously held competitive advantage can diminish unless action is taken to address the changes. This could include the inability to bring forward new commercially attractive strategic sites (of the size, scale and location required by the market), a situation which would be compounded by other regions (which hitherto had not been associated with national distribution) developing sites of the size and scale required by the market. With respect to the second issue, two important emerging challenges to the golden triangle's competitive advantage in national distribution (and by extension the Leicestershire sub-region) were identified in Part B, namely:

- The emergence of competing inland locations/sites to the north and east of the 'golden triangle', in particular former colliery and heavy industrial sites in the north Midlands, South Yorkshire and the East of England;; and
- The development of B8 land within port estates (so called port centric logistics) which is intended to serve a national market. Opportunities exist for port centric NDCs at London Gateway, the Humber, Teesport and the Mersey Ports

2.26 Both of these emerging challenges involves the development of NDCs in regions/locations which to date have not generally accommodated such facilities. The north Midlands/South Yorkshire has generally been considered 'too far north' for NDCs, while historical industrial relations issues within ports (among other issues) previously rendered them uncompetitive. In the first case, the main logistics strategy adopted by the major national distributors is likely to remain as per above (i.e. goods flowing via NDCs and RDCs to end-users), but the location of the NDCs could migrates away from the golden triangle to these other regions. The latter issue involves serving RDCs direct from NDCs located within ports.

2.27 Analysis was undertaken in Part B (Section 2.1) assessing total supply chain operating costs which would be incurred by a NDC occupier located in the golden triangle and at the competing locations/sites identified above (in this case South Yorkshire and London Gateway). The outputs of the analysis demonstrated that, given a choice of sites, a major distribution centre operator would be expected to locate at a rail-served site in the golden triangle as it continues to offer the most competitive location, particularly when handling a mixture of deep-sea, EU and domestic sourced cargo. Consequently, the key to addressing the above identified challenges to the golden triangle (and by implication Leicestershire), and hence maintaining Leicestershire's established competitive advantage, is the development of new commercially attractive strategic sites in the East Midlands which will be directly rail-served (Strategic Rail Freight Interchanges or SRFIs, as promoted by central Government – see Section 7 of Part A).

2.28 Despite this position, there are two important factors to appreciate. Firstly, even at a rail-served site road haulage will remain the dominant mode of transport for both inbound and outbound cargo flows (they are road connected sites which also have rail terminal facilities). It is therefore important that such sites also have good quality connections to the strategic highway network (as explained in Section 5 of the Part A report). Also, locating at a rail-served site does not necessarily compel the occupier to use rail in the first instance; albeit they may wish to 'future proof' their modal choice options. Secondly, it will be unrealistic in both planning and logistics terms to expect all new large scale distribution activity to locate at a directly rail-served site. In logistical terms, not all warehouse occupiers will benefit from or be of a nature to be attracted to the rail terminal facilities offered at rail-served strategic distribution sites. On that basis, there will still be a need to plan for commercially attractive strategic logistics sites which are not connected to the railway network, which the analysis

undertaken in Part A showed still perform well compared with sites to the north/east of the golden triangle.

2.29 Overall, therefore, the key to addressing the challenges outlined, and hence maintain the established competitive advantage, is the continued development of new commercially attractive strategic sites in the East Midlands, a significant proportion of which will need to be directly rail-served (in addition to the usual requirements for high quality connections to the strategic highway network).

2.30 Conversely, the inability to bring forward a range of commercially attractive sites in Leicestershire (and the wider golden triangle) would most likely result in an overall reduction in the region's total warehouse floor space capacity. As described in Part B, the vast majority of new-build floor space is actually replacing existing obsolete capacity. Consequently, this replacement capacity along with any growth build element would migrate to other regions given a lack of sites in the golden triangle. This clearly has GVA and employment implications.

Section 2.3: Part B - Planning for Growth

Section Summary

- Preferred high replacement land use forecast suggests that around *115ha of new land* at rail-served sites will need to be brought forward by 2036 once existing consents and pipeline sites are accounted for.
- Preferred high replacement scenario suggests around *153ha of new land* at non rail-served sites will need to be brought forward within Leicestershire up to 2036.
- The recycling of plots at existing sites may contribute towards meeting the identified land use requirements to 2036, albeit this issue will need to be addressed by a separate future commissioned study.
- Meeting the land use forecasts, by means of allocating sufficient land through local plans, will have the potential to generate around 7,000 new full-time jobs. The contribution to LLEP Gross Value Added resulting from the generated employment is estimated to be additional £297million.
- Between 3,500 and 7,500 full-time equivalent jobs would be lost from Leicestershire due to the inability to bring forward the new sites in-line with the land use forecasts. This would subsequently result in a reduction in LLEP Gross Value Added of between £274 million and £548 million.

2.31 Given the need to maintain and enhance Leicestershire's competitive position through the continued development of new commercially attractive strategic sites, a forecast of future demand for new-build large scale warehousing in the East Midlands region and Leicestershire

sub-region up to 2036 was undertaken in Part B. The associated land required was then compared with the supply of existing sites with B8 consents and those large rail-served sites either with B8 consents or currently being considered by the planning system.

- 2.32 Most newly built floor space is a 'like-for-like' replacement for existing warehouse capacity which is 'life expired'. This is for a number of reasons. Firstly, the useful economic life of a modern warehouse building is around 30 years, after which the building can be substantially refurbished and then re-let for a similar use (e.g. for new occupier and cargo type) or occasionally demolished, allowing the plot to be 'recycled' for new buildings (potentially new-build warehousing). While many older buildings may be physically sound (i.e. they are not physically obsolete), they can become functionally obsolete e.g. they are unable to accommodate modern automated stock handling equipment or transport equipment such as double-deck trailers. Essentially, buildings reach the end of their useful economic life and are no longer suitable for their original designed use, thereby necessitating a more modern direct replacement facility for the existing occupier. In addition, occupiers can gain economies of scale by merging operations based at multiple sites to one new large warehouse. The ability to operate fewer but larger distribution centres has been facilitated by advances in modern ICT inventory management systems which have permitted much larger warehouses to be operated more efficiently than was previously the case.
- 2.33 Demand for warehouse floor space is also linked to cargo volume. Therefore, future economic growth in the wider economy along with the forecast population increases will lead to growing demand for consumer goods. This in turn will lead to increasing demand for additional warehouse floor space. Consequently, new warehouses are constructed partly to accommodate growing traffic volumes over the long term. For example, the new distribution centres which have been commissioned by the major grocery retailers over the past few years have partly been to accommodate their expansion into 'non-food' lines i.e. volume growth.
- 2.34 On this basis, the forecasting methodology adopted in Part B accounted for these 'replacement build' and 'growth build' elements separately in the first instance. The two elements were then added together to produce an estimate of total gross warehouse new-build. In effect, the forecasts were undertaken on the basis that existing distribution centre occupiers in Leicestershire and the wider East Midlands will commission their new warehouse facilities in broadly the same location as their life-expired building i.e. they do not re-locate to the competing regions or ports discussed above. The total gross warehouse new-build which can be expected by 2036 is shown in the tables below together with the associated land requirements for the preferred high replacement scenario.

Table 2.6: Total Gross New-Build Floor Space and Associated Land Requirements to 2036

Year	000s sq m			
	2021	2026	2031	2036
Leicestershire				
Replacement build	675	900	1,260	1,643
Growth Build	87	136	185	244
Total	762	1,036	1,445	1,886
Land required (ha)	191	259	361	472
	000s sq m			
	2021	2026	2031	2036
East Midlands				
Replacement build	2,417	3,222	4,511	5,881
Growth Build	501	779	1,059	1,405
Total	2,918	4,001	5,570	7,286
Land required (ha)	730	1,000	1,393	1,822

Land required - floor space is 40% of plot footprint

2.35 On the basis that all of the forecast new-build were to locate at new sites, the amount of land that would need to be brought forward across the East Midlands region by 2036 is 1,822ha for the high replacement scenario, given that the warehouse itself normally occupies around 40% of the total plot footprint. On the same basis, 472ha would need to be brought forward by 2036 in Leicestershire. However, this will not be the case and this issue is addressed below.

2.36 While a lower replacement build element was also undertaken as part of the forecasts (low replacement scenario), it is our view that the 'high' replacement scenario should be considered as the preferred option going forward for planning purposes. This is for three principal reasons:

1. Market evidence suggests that while many existing older buildings may be physically sound (i.e. they are not physically obsolete), they are increasingly becoming functionally obsolete. To a great extent, this situation is being driven by changes in the retail sector, and in particular the large growth rates for e-commerce. It is often the case that the modern automated picking, handling and packaging systems required for e-commerce cannot be 'retro-fitted' into older buildings.
2. Similarly, economies of scale can now be gained by operating fewer but larger distribution centres, facilitated by advances in modern ICT inventory management and handling systems. Operations are therefore 'merged' into a large new-build, with much of the new floor space replacing existing capacity at other sites. A number of the consented sites in Leicestershire

do not have the capacity for these larger units, suggesting more land needs to be allocated at new sites.

3. Strong growth rates in rail freight and an increasing desire for some occupiers to re-locate their existing operations to rail-served sites in order to achieve the financial benefits associated with rail freight.

- 2.37 Further, from a logistics market and regional/sub-regional competitiveness perspective, there is also what can be considered the 'more is better' factor. In order to maintain and enhance the competitive position currently enjoyed by the region/Leicestershire, it is vitally important that the market in future is offered a geographical spread of commercially attractive sites available to satisfy individual operator locational requirements. This will be achieved by delivering a supply of B8 sites at the higher end of the land use forecasts. Conversely, a restricted spatial spread at less advantageous locations, implied by the lower end of the land use forecasts, will have the opposite effect.
- 2.38 Expecting all of the forecast new-build warehousing to locate at new sites is unrealistic from both a planning and logistics market perspective. The remainder of the forecasting exercise consequently considered the following:
- The proportion of the forecast demand that is likely to demand a plot at a rail-served site, along with the quantum of land (supply) which will potentially be brought forward at rail-linked sites up to 2036; and
 - For the remainder of the demand that will locate at non rail-linked sites, the amount of land currently available at suitable existing sites which have vacant plots and already have consents for B8 development.
- 2.39 In both cases, any shortfall identified between future demand and expected supply would represent a shortfall which will need to be addressed through the planning system.
- 2.40 It is also important to appreciate that in many cases new-build floor space will not 'fit' onto existing plots at general industrial sites or on 'recycled' brownfield land. This is particularly the case when a large new building is replacing two or more smaller facilities. It may also be the case that many existing sites are no longer fit-for-purpose for strategic distribution e.g. located close to or within urban areas and a substantial distance away from the motorway network. Further, national planning policy expects that developments which generate large volumes of freight (i.e. including strategic logistics facilities) to be located on sites where the use of sustainable transport modes can be maximised. Also, the logistics market itself, particularly operators of large distribution centres, are demanding facilities located alongside rail terminals. Most existing sites are not and cannot be rail-linked (the only site in the region

currently rail-served is DIRFT, albeit that East Midlands Distribution Centre is about to be commissioned)

- 2.41 The implication of the above is that some new large sites will need to be brought forward over the long term to accommodate a significant proportion of the forecast gross new-build, given that such sites will be capable of being rail-served and will have the large plots required for modern distribution buildings.
- 2.42 In terms of demand at rail-served sites, Part B concluded that 58% of the forecast gross new-build is likely to demand a plot at such locations. This took into account a number of factors which are outlined in Part B (Section 5). On that basis, the preferred high replacement scenario suggests 1,057ha of rail-served land will need to be developed by 2036 across the East Midlands region. For Leicestershire, 274ha of land at rail-served sites will need to be developed by 2036.
- 2.43 The quantum of land that is currently being developed or proposed for the region at rail-served sites, both for the large SRFIs (as defined in planning terms) and the smaller schemes, was subsequently considered. This is shown in the table below.

Table 2.7: Site Supply - Rail-served Warehousing and SRFIs Operational/Planned for the East Midlands

Development	County	Approx Floor Space Remaining or Planned (sq m) ¹	Hectares ²
Existing B8 Consent			
East Midlands Distribution Centre	Leicestershire	120,000	20
CIRFT, Corby	Northants	78,000	20
DIRFT II	Northants	38,000	10
DIRFT III (SRFI)	Northants/Warwickshire	730,000	182
Planned (awaiting or seeking consent)			
Eurohub (ProLogis Corby) ³	Northants	230,000	58
East Midlands Gateway (SRFI)	Leicestershire	557,000	139
East Midlands Intermodal Pk (SRFI)	Derbyshire	552,000	138
South Northants (SRFI)	Northants	600,000	150
TOTAL		2,905,000	717

1. Developer's published estimate 2. Calculated from floor space estimate, based on 40% of plot footprint

3. Not planned to be directly rail-linked but could be served from the adjacent CIRFT rail terminal

Source: Savills and developer's publicity or SRFI application

- 2.44 The table below consequently compares the expected forecast demand with the likely land supply at rail-served sites to 2036. This assumes that all of the schemes outlined in the table above receive consent and are operational by 2026.

Table 2.8: Land Required at Rail-served Sites, Potential Site Supply and Shortfall to 2036

Year	ha			
	2021	2026	2031	2036
Leicestershire				
Supply - Land planned for rail-served sites	159	159	159	159
Forecast demand - high	111	150	209	274
Shortfall - high	48	9	-50	-115
East Midlands				
Supply - Land planned for rail-served sites	717	717	717	717
Forecast demand - high	423	580	808	1,057
Shortfall - high	294	137	-91	-340

- 2.45 The preferred high replacement scenario suggests that, once existing consents and potential sites are accounted for, around *115ha of new land at rail-served sites* will need to be brought forward by 2036. This suggests *one further SRFI* will need to be brought forward within Leicestershire up to 2036 (and towards the end of the planning period considered), given that the SRFIs currently planned for the region are in the 100-150ha size range.
- 2.46 In terms of demand at non rail-served sites, the preferred high replacement scenario suggests 765ha of land will need to be developed by 2036 across the East Midlands region. For Leicestershire, 198ha of land at non rail-served sites will need to be developed by 2036 (preferred high replacement scenario). As per the rail-served sites analysis, the quantum of land that is currently available at existing (non rail-served) sites *with B8 consents* in Leicestershire and across the wider region was considered. Only those sites meeting the criteria for commercially attractive sites (as described in Part A) were considered i.e. large plots, well located in relation to markets and the strategic highway network etc..
- 2.47 Around 45ha was identified in Leicestershire and 483ha in the rest of the East Midlands and at sites just over the regional boundary in the West Midlands region (528ha in total across the region). It should be noted that only 160ha in total is identified within the broader definition of the 'golden triangle' (equating to approximately 30% of the land available). Many of the sites identified are to the north and east of the golden triangle (on former colliery sites north Nottinghamshire and eastern Northants).

- 2.48 Consequently, taking the above existing supply into account the table below compares the expected forecast demand at road only sites with the likely land supply to 2036 at non rail-served sites.

Table 2.9: Land Required at Non Rail-served Sites, Potential Land Supply and Shortfall to 2036

Year	ha			
	2021	2026	2031	2036
Leicestershire				
Total Supply - Available at current sites	45	45	45	45
Forecast Demand - high	80	109	152	198
Shortfall - high	-35	-64	-107	-153
East Midlands				
Total Supply - Available at current sites	528	528	528	528
Forecast Demand - high	306	420	585	765
Shortfall - high	222	108	-57	-237

- 2.49 The preferred high replacement scenario suggests around *153ha of new land at non rail-served sites* will need to be brought forward within Leicestershire up to 2036. To put this figure into context, the *Bardon Hill* development near Coalville has a gross land area of around 160ha i.e. plot footprints plus service roads etc.. Similarly, across the region as a whole the high replacement scenario suggests around 237ha will need to be brought forward up to 2036.
- 2.50 The total additional employment likely to be generated in the Leicestershire sub-region and East Midlands region resulting from the forecast growth in warehouse floor space capacity was subsequently estimated. Also, the contribution to Gross Value Added resulting from the generated employment was estimated. By delivering in full the new-build forecasts (by means of allocating sufficient land through local plans) it is estimated that just over 7,100 new full time equivalent jobs will be created in Leicestershire. The table below shows the total estimated employment generation associated with the new-build and land use forecasts.

Table 2.10: Estimated Job Creation – Direct and Supporting Activities

	East Midlands	Leicestershire
Floor space growth to 2036 (000s sq m)	1,405	244
Direct jobs created (FTEs)	17,567	3,050
Supporting jobs created (FTEs)	23,716	4,117
Total	41,283	7,167

80 sq m per Full Time Equivalent.

A ratio of 1 warehousing job to 1.35 jobs in supporting activities (e.g. road transport and cargo handling)

2.51 The forecast growth in warehouse floor space capacity will subsequently deliver additional Gross Value Added (GVA). Taking the national GVA per job data for the warehousing and storage sector (Sector 52.1) in the ONS Annual Business Survey and adjusting to GVA per FTE (by using the ratio of FTE jobs to employment from the latest BRES data), GVA per FTE job is around £41,500. It is also assumed that national average productivity rates hold during the 20 years. For Leicestershire, the contribution to Gross Value Added resulting from the generated employment is estimated to be additional £297million (at 2014 prices). This is shown in the table below.

Table: 2.11: Estimated Job Creation and Impact on GVA

GVA	£million (2014 prices)	
	East Midlands	Leicestershire
Direct jobs	£729.0	£126.6
Supporting jobs	£984.2	£170.9
Total	£1,713.3	£297.4

2.52 Similar analysis estimates that between 3,500 and 7,500 full-time equivalent jobs would be lost from Leicestershire due to the inability to bring forward the new sites in-line with the land use forecasts. For Leicestershire, this would subsequently result in a reduction in GVA of between £274 million and £548 million (at 2014 prices).

Section 2.4: Summary and Conclusions from Part A and Part B

2.53 The combined analysis throughout Parts A and B has clearly demonstrated the importance of the logistics/distribution sector to the sub-regional economy. The area has, to date, established a distinct competitive advantage in the strategic logistics sector, with warehouse

floor space capacity being significantly more than is required to handle the volume of cargo distributed into the East Midlands regional economy.

- 2.54 Consequently, the sector has generated high levels of employment and provides a significant contribution to GVA (above the national average in each case). The LLEP Economic Growth Plan 2012-2020 gives a figure of 51,300 jobs in the LLEP area in distribution and logistics, accounting for 12% of LLEP area employment. Gross Value Added in 2012 attributable to wholesale/retail, transport/storage and food activities was £3,794 million or around 21% of the LLEP area total.
- 2.55 Market conditions can and do change over time, and as market conditions change a previously held competitive advantage can diminish unless action is taken to address the changes. Two important emerging challenges to the golden triangle's competitive advantage in national distribution (and by extension the Leicestershire sub-region) have been identified, namely:
- The emergence of competing inland locations/sites to the north and east of the 'golden triangle', in particular former colliery and heavy industrial sites in the north Midlands, South Yorkshire and the East of England; and
 - The development of B8 land within port estates (so called port centric logistics) which is intended to serve a national market.
- 2.56 Both of these emerging challenges involves the development of NDCs in regions/locations which to date have not generally accommodated such facilities. The north Midlands/South Yorkshire has generally been considered 'too far north' for NDCs, while historical industrial relations issues within ports (among other issues) previously rendered them uncompetitive. In the first case, the main logistics strategy adopted by the major national distributors is likely to remain as per above (i.e. goods flowing via NDCs and RDCs to end-users), but the location of the NDCs could migrate away from the golden triangle to these other regions. The latter issue involves serving RDCs direct from NDCs located within ports.
- 2.57 On the basis that Leicestershire wishes to maintain its established competitive advantage and grow the sector, the key to addressing the challenges outlined is the continued development of new commercially attractive strategic sites across the golden triangle (and by implication Leicestershire), a significant proportion of which will need to be directly rail-served (in addition to the usual requirements for high quality connections to the strategic highway network). The supply chain cost analysis demonstrated that, given a choice of sites, a major distribution centre operator would still be expected to locate in the golden triangle as it continues to offer the most competitive location, particularly when handling a mixture of deep-sea, EU and domestic sourced cargo.

- 2.58 The preferred high replacement land use forecast suggests that, once existing consents and pipeline sites are accounted for, around 115ha of new land at rail-served sites will need to be brought forward by 2036. This suggests *one further SRFI* will need to be brought forward within Leicestershire up to 2036 (from the mid-2020s), given that the SRFIs currently planned for the region are in the 100-150ha size range. On a similar basis, the preferred high replacement scenario suggests around *153ha* of new land at non rail-served sites will need to be brought forward within Leicestershire up to 2036.
- 2.59 The analysis undertaken suggested that this will have the potential to generate around 7,000 new full-time jobs in Leicestershire. The contribution to Leicestershire's Gross Value Added resulting from the generated employment is estimated to be additional £297million (at 2014 prices).
- 2.60 Conversely, the inability to bring forward a range of commercially attractive sites in Leicestershire (and the wider golden triangle) would most likely result in an overall reduction in the region's total warehouse floor space capacity. As described, the vast majority of new-build floor space is actually replacing existing obsolete capacity. Consequently, this replacement capacity along with any growth build element would migrate to other regions given a lack of sites in the golden triangle. This clearly has GVA and employment implications as estimated above.
- 2.61 The analysis estimates that between 3,500 and 7,500 full-time equivalent jobs would be lost from Leicestershire due to the inability to bring forward the new sites in-line with the land use forecasts. For Leicestershire, this would subsequently result in a reduction in GVA of between £274 million and £548 million (at 2014 prices).
- 2.62 Consequently, the main focus of the developing strategy outlined in the remainder of this report concerns the identification and allocation of new land at commercially attractive strategic sites, the purpose of which is to maintain and enhance the established competitive advantage, enabling the sector to growth in a sustainable manner.

3. DEVELOPING A STRATEGY – POLICY ADVICE

Section Summary

- Advice on the formulation/drafting of local plan policies with respect to a strategy for the strategic distribution sector.
- Local Plans and site allocations will need to conform with the broader objectives of national planning policy and other relevant public policy.
- Presumption in favour of sustainable development. Local planning authorities should plan proactively to meet the development needs of business. Local plans should proactively drive and support sustainable economic development.
- Given the forecast shortfall in land, working with neighbouring authorities (under the duty to cooperate principle) local plans will need to allocate new appropriate sites to meet the demand which has been forecast (meeting objectively assessed needs).
- Local Plans should encourage the effective re-use of land that has been previously developed. Importance of the Green Belt – development in the Green Belt should not be approved except in very special circumstances (albeit there are technically no Green Belt designations in Leicestershire, only Green Wedges locally designated).
- The extension of existing sites and satellite sites should be considered before the development of new sites. Previously developed land should be promoted for new strategic sites ahead of greenfield land.
- New strategic distribution sites should be safeguarded for B8 use only

- 3.1 The land use forecasts suggest that an additional 115ha of new land at rail-served sites will need to be brought forward up to 2036, on the basis that those schemes currently in the planning pipeline are delivered. A further 153ha shortfall is forecast at non rail-served sites in Leicestershire. The main aim of this Section is to provide advice on the formulation/drafting of local plan policies with respect to a strategy for the strategic distribution sector, including the identification and allocation of appropriate sites within such plans for strategic distribution, in order to meet the identified shortfalls.

Section 3.1: Summary of Relevant Policy

- 3.2 Local plans and site allocations will need to conform with the broader objectives of national planning policy and other relevant public policy.

National Planning Policy Framework

- 3.3 The *National Planning Policy Framework (NPPF)* sets out the Government's planning policies for England and how these are expected to be applied in local plans. A number of key sections of the NPPF are therefore relevant to the formulation/drafting of local plan policies with respect to the strategic distribution sector. These are presented in Appendix 1.

Draft National Policy Statement for National Networks

- 3.4 The *National Policy Statement (NPS)* for national networks was published in draft form by the DfT in December 2013. National Planning Statements are primarily intended to provide guidance for promoters of nationally significant infrastructure projects, and they will form the basis for the examination by the Examination Authority and the Secretary of State will use them as the primary basis for making decisions on Development Consent Orders. However, the NPS for national networks does form a good source of advice regarding strategic distribution facilities, particularly with regards to where large rail-served strategic distribution facilities should be located. Its contents should therefore be taken into account when drafting local plan policies and allocating sites within local plans with respect to strategic rail-served distribution greater than 60ha. Again, the relevant sections with respect to the drafting of local plan policies are presented in Appendix 1 (the Part A report provides a full review of the draft NPS, including the need for their development).

NPPF and NPS – Summary

- 3.5 A brief summary of the relevant sections from the NPPF and NPS with respect to the drafting of local plan policies and allocating sites is presented below.
- Local plans should contribute to the achievement of sustainable development. A presumption in favour of sustainable development should be seen as a golden thread running through plan-making. Local planning authorities should positively seek opportunities to meet the development needs of their area, and local plans should meet objectively assessed needs.
 - Local planning authorities should plan proactively to meet the development needs of business. Local plans should proactively drive and support sustainable economic development, should take account of market signals and set out a clear strategy for allocating sufficient land which is suitable for development in their area.
 - Local Plans must be prepared with the objective of contributing to the achievement of sustainable development. They should be consistent with the principles and policies set out in the NPPF, including the presumption in favour of sustainable development.
 - Local plans should support solutions which support reductions in greenhouse gas emissions, reduce congestion and facilitates the use of sustainable modes of transport. Plans should

ensure developments that generate significant movement are located where the use of sustainable transport modes can be maximised.

- Local authorities should work with neighbouring authorities and transport providers to develop strategies for the provision of viable infrastructure necessary to support sustainable development, including large scale facilities such as rail freight interchanges.
- The Government attaches great importance to Green Belts⁵. Green Belt boundaries should only be altered in exceptional circumstances through the preparation or review of the Local Plan. When reviewing Green Belt boundaries local planning authorities should take account of and be consistent with the need to promote sustainable patterns of development.
- Inappropriate development is, by definition, harmful to the Green Belt and should not be approved except in very special circumstances. Local planning authorities should ensure that substantial weight is given to any harm to the Green Belt. 'Very special circumstances' will not exist unless the potential harm to the Green Belt is clearly outweighed by other considerations.
- Local Plans should encourage the effective re-use of land that has been previously developed.
- Local planning authorities should set out the strategic priorities for the area in the Local Plan, which should include strategic policies to deliver commercial development and the provision of infrastructure for transport.
- Local Plans should plan positively for the development and infrastructure required, be based on co-operation with neighbouring authorities, and allocate sites to promote development and flexible use of land, bringing forward new land where necessary.
- Local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area and work together with neighbouring authorities and Local Enterprise Partnerships to prepare and maintain a robust evidence base to understand both existing business needs and likely changes in the market.
- Public bodies have a duty to cooperate on planning issues that cross administrative boundaries, particularly those which relate to the strategic priorities.
- Adequate links to the rail and road networks are essential. As a minimum a strategic rail freight interchange (SRFI) should ideally be located on a route with a gauge capability of W8 or more, or capable of enhancement to a suitable gauge.
- SRFIs tend to be large scale commercial operations, which are most likely to need continuous working arrangements (up to 24 hours). By necessity they involve large structures. Locationally, therefore, they often may not be considered suitable adjacent to residential areas or environmentally sensitive areas such as National Parks and AONBs

3.6 Part A and Part B of this study have previously concluded that the Leicestershire sub-region (part of the golden triangle) has to date established a distinct competitive advantage in the logistics sector. It has become the competitive 'location of choice' in both supply chain cost and performance terms when sourcing and distributing on a national basis. Further, it was

⁵ There are technically no Green Belt designations in Leicestershire, only Green Wedges locally designated

shown that the key to maintaining this position (and addressing the identified challenges) is the continued development of new commercially attractive strategic sites, a significant proportion of which will need to be directly rail-served.

- 3.7 Considering these policy requirements, local plans should therefore be proactively planning to enhance this competitive advantage in a sustainable manner. Given the forecast shortfall in land, working with neighbouring authorities local plans (under the duty to cooperate principle – see below) will need to allocate new appropriate sites to meet the demand which has been forecast (meeting objectively assessed needs). These will need to be well connected to the strategic highway network; should this require the provision of major new or significantly improved highway infrastructure, it is important to recognise the often long delivery lead in times. A significant proportion of the new sites will need to be directly rail-served (for both competitiveness and sustainability reasons) by suitable railway lines (W9 loading gauge etc.). While the use of previously developed sites should be encouraged in the first instance, it is likely that greenfield and greenbelt sites might need to be allocated, given very special circumstances, to meet these needs. Recent major planning decisions in this sector (DIRFT III and Radlett SRFIs) have clearly indicated that there is a clear need for the development of directly rail-served facilities, that sustainability and emissions benefits subsequently arise, and that substantial weight should be attached to both of these factors.

Re-use/Recycling of Existing Sites

- 3.8 The NPPF states that Local Plans should encourage the effective re-use of land that has been previously developed. It has previously been noted that warehouse buildings have a useful economic life, and beyond that may not be suitable for their original designed use (either physical or functional obsolescence). In such cases and on the basis that the site in question is commercially attractive to the market (i.e. good road connections, close to labour, large plot etc.), the life expired building can be substantially re-built/refurbished for a similar use (e.g. for new occupier and cargo type) or demolished, allowing the plot to be 'recycled' for new warehouse buildings (in some cases it may be cheaper to clear the plot and develop a new-build unit).
- 3.9 Conversely, some existing plots and sites will be unsuitable for re-development for strategic distribution e.g. not of the size and configuration required for modern buildings, poor highway connections or close to residential. It should be noted that in these circumstances, opportunities will then exist for such land adjacent to or within urban areas to be released for other employment use or even for non-employment use (residential).
- 3.10 Clearly, the quantum of land at existing plots which could be recycled for new-build warehousing has the potential to reduce significantly the amount of new land that needs to be allocated. Local Plans should therefore encourage the refurbishment of buildings at

existing commercially attractive sites or the recycling of plots at such sites (which meet the same criteria as used for identifying new sites – see below) ahead of the development of new sites for strategic distribution. On that basis, identifying and quantifying the amount of recycled land potentially available at appropriate existing sites should be undertaken before new sites are allocated in Local Plans. However, Local Plans will also need to acknowledge that not all sites and plots will be suitable for redevelopment for strategic distribution, and that new sites will still need to come forward.

Section 3.2: Identification of New Sites

3.11 A criteria based approach should be adopted when identifying and assessing potential new sites for strategic distribution. Based upon the rationale described in the Part A report, sites considered to be appropriate for hosting strategic distribution are those which meet the following criteria:

- Good connections with the strategic highway network – close to a junction with the motorway network or long distance dual carriageway. Motorway/dual carriageway junctions and the approach routes should have sufficient network capacity;
- Appropriately located relative to the markets to be served;
- Offers modal choice; is served by a railway line offering a generous loading gauge (minimum W9), available freight capacity and connects to key origins/destinations directly without the requirement to use long circuitous routes;
- Is sufficiently large and flexible in its configuration so that it can accommodate an intermodal terminal and internal reception sidings;
- Is sufficiently large and flexible in its configuration so that it can accommodate the size of distribution centre warehouse units now required by the market;
- Is accessible to labour, including the ability to be served by sustainable transport, and located close to areas of employment need; and
- Is located away from incompatible land-uses.

3.12 Given that it is unrealistic in both planning and logistics terms to expect all new large scale distribution activity to locate at a directly rail-served strategic logistics site, appropriate road only sites can therefore be considered ones which meet all the other criteria outlined above bar the modal choice requirements. It is also noted that ecological surveys alongside other studies e.g. flood risk, will also be required to ensure that sites are suitable for hosting strategic distribution.

Section 3.3: Deliverability and Phasing

- 3.13 The conclusions within this study (Part B) relating the quantum of land required for strategic distribution up to 2036 should be considered central to the drafting of local plan policy. When identifying appropriate locations for strategic distribution, it is essential that supply is phased to ensure that the best sites can be progressed first and to enable a geographic choice of sites to satisfy individual operator locational requirements.
- 3.14 In line with the duty to co-operate principle, it should be the responsibility of a *strategic distribution sites task group* to identify and discuss opportunities and determine the most suitable sites to bring forward in local plans. This concept, including its composition and operation, is fully addressed in the following section (Section 4).
- 3.15 In order to ensure that there is a sufficient pipeline of strategic distribution sites, new land should be identified and allocated in the following sequential order, namely:
- The extension of existing strategic distribution sites, both rail-served and road-only connected. For existing rail-served sites, this should only be permitted where there is spare capacity available at the existing rail freight terminal or capacity can be enhanced as part of any extension. Likewise, site extensions should only be permitted where there is adequate road capacity serving the site and at adjacent motorway/dual carriageway junctions or capacity can be enhanced as part of any extension;
 - In circumstances where rail-served sites cannot be extended, local plans should consider satellite sites (which shall be located close to the existing strategic distribution sites) which meet the site selection criteria and could utilise the existing rail freight infrastructure at the core site. A prerequisite for satellite sites to be considered should be spare rail capacity being available at the core site rail terminal or capacity that can be enhanced as part of any satellite development;
 - Identifying suitable new strategic distribution sites on previously developed land which meet the site selection criteria; and
 - Identifying suitable new strategic distribution sites on greenfield land which meet the site selection criteria.
- 3.16 When considering the extension of existing sites and the development of satellite sites, it should be a prerequisite that all existing suitable plots have been taken up.
- 3.17 A hierarchy of key areas of opportunity was identified in the Part B report (in no particular order of priority), namely:

Best key areas of opportunity – Leicestershire

- Key Area A: *Leicester to Hinckley corridor*;

- Key Area B: *Midland Main Line North corridor*; and
- Key Area C: *East Midlands Airport to south Derby corridor*.

Good key areas of opportunity – Leicestershire

- Key Area D: *M1 South corridor*;
- Key Area E: *M1 North corridor*; and
- Key Area F: *M42/A42 corridor*.

3.18 In general, the site selection task group should consider potential sites within the ‘Best’ category before considering locations in the ‘Good’ category. However, flexibility will be important so that suitable strategic sites in the ‘Good’ locations can come forward ahead of new sites within the ‘Best’ locations. Examples where this flexibility might be applied include:

1) The need to maintain a geographical spread of available sites across Leicestershire. To maintain competitiveness, it is important that a geographic choice of sites is made available to satisfy individual operator requirements. In order to ensure geographical choice, it will be important to consider where the ‘gaps’ in provision exist, and potentially bring forward sites within a ‘good’ key area of opportunity ahead of a ‘best’ area; and

2) A major scheme which is backed by a significant occupier deal (anchor tenant). Significant would be deemed to include those requirements in excess of c.50,000sqm for a single user which subsequently enabled the delivery of the major site infrastructure, including the intermodal rail terminal, and that the site meets the site selection criteria in all other respects.

Section 3.4: Geographic Choice of Sites

3.19 In order to maintain and enhance the competitive position currently enjoyed by the region/sub-region, it is vitally important that the market in future is offered a geographical spread of commercially attractive sites available to satisfy individual operator locational requirements. For road-only sites and taking into account the policy advice outlined above, it is vitally important that a strategy for the strategic logistics sector brings forward new sites within at least two of the *key areas of opportunity* simultaneously i.e. not one after the other. As noted above, flexibility in policy development should ensure that suitable strategic sites in the ‘Good’ locations can come forward ahead of new sites within the ‘Best’ locations in order to maintain a geographic choice at anyone time.

3.20 Given that the forecasts suggest *one further SRFI* will need to be brought forward within Leicestershire up to 2036 and the need to offer a geographical choice, this suggests any new

development should be brought forward in an area away from the current/planned schemes to the north of the county.

Section 3.5: Timescales

3.21 The table below summarises the position detailed on the Part B report with respect to site demand and supply to 2036 for Leicestershire.

Table 3.1: Demand and Supply to 2036

Year	ha			
	2021	2026	2031	2036
Rail Served Leicestershire				
Supply - Land planned for rail-served sites	159	159	159	159
Forecast demand - high	111	150	209	274
Shortfall - high	48	9	-50	-115

Year	ha			
	2021	2026	2031	2036
Non Rail Served Leicestershire				
Total Supply - Available at current sites	45	45	45	45
Forecast Demand - high	80	109	152	198
Shortfall – high	-35	-64	-107	-153

3.22 With respect to rail-served sites, the forecasts suggest that new rail-served land will need to come forward at some point during the mid-2020s. With respect to non rail-served sites, the need for new land to be allocated is more immediate. Part B noted that only around 45ha is identified in Leicestershire and in the rest of the East Midlands most of the available plots are outside the broader definition of the ‘golden triangle’ (approximately 30% in the golden triangle). Many of the sites identified are to the north and east of the golden triangle (on former colliery sites north Nottinghamshire and eastern Northants). Markham Vale, G-Park Newark, Future Point Newark and Vertical Park are the largest sites with availability, all of which are in areas to the north and east of the golden triangle which have been identified as being the key threat to Leicestershire’s hitherto comparative advantage.

3.23 For Strategic Rail Freight Interchanges which seek consent through the Development Consent Order (DCO) process, the actual delivery of such schemes is estimated to take at around seven years (assuming a ‘clear run’ through DCO process). The first two years would generally be occupied by master planning, liaising with Network Rail and highway authorities

and gaining 'sign-off' for the planned network connections alongside undertaking the necessary ecological and environmental impact studies. Assuming all goes to plan, the following 18 months would be occupied by the extensive consultation exercises that are required to be conducted with stakeholders. The next 18 months would then consist of the main examination stage by the Planning Inspectorate, the preparation of a report by the Planning Inspectorate to the Secretary of State for Transport, following by his/her consent decision (which has to be within three months of the report from the Planning Inspectorate). On the basis that consent is granted, Years 6 and 7 would be the main construction phases of the SRFI. Assuming site allocation in a local plan, a major road-only connected site is estimated to take between 4-6 years to deliver.

Section 3.6: Duty to Cooperate

- 3.24 Maintaining and enhancing Leicestershire's competitive position in this sector will be achieved through the continued development of new commercially attractive strategic sites. The landuse forecasts suggests that around 115ha of new land at rail-served sites will need to be brought forward by 2036 once existing consents and pipeline sites are accounted for. On a similar basis, the preferred high replacement scenario suggests around 153ha of new land at non rail-served sites will need to be brought forward within Leicestershire up to 2036.
- 3.25 Delivering new commercially attractive strategic sites on this scale cannot be undertaken by local planning authorities working alone. The NPPF now places a *duty to cooperate* on planning authorities when covering issues that cross administrative boundaries, particularly those which relate to the strategic priorities. Given the above, delivering the identified need will require continual long-term strategic and collaborative planning across the county of Leicestershire, and potentially with authorities in neighbouring areas outside the county. The need for a geographical choice of sites (see above) also implies a county-wide and cross-border approach to planning.
- 3.26 When preparing local plans and policies, in practical terms this means the Leicestershire planning authorities, the County Council and LLEP working together on a long term collaborative basis to allocate appropriate sites within the county to meet the identified shortfall. In the event that the identified shortfall cannot be entirely allocated within Leicestershire, this implies a requirement to bring forward further appropriate sites in neighbouring authorities outside the county. The duty to cooperate principle will therefore have to extend into neighbouring authorities in Northamptonshire, Nottinghamshire, Derbyshire and the West Midlands region.
- 3.27 This study should therefore not be viewed as a 'one-off process', and HPIG or a similar grouping will need to take the strategy forward on a long-term basis (and review the strategy periodically). This issue is dealt with in more detail in Section 4 below. Further, the

preparatory work will need to begin immediately so that the right sites in the most competitive locations can come forward for development as and when they are required by the market.

Section 3.7: Safeguarding

- 3.28 To enable the potential of strategic distribution sites to be realised and in order to meet the overriding competitiveness objectives for Leicestershire, the following uses should not be permitted at strategic distribution sites;
- B1 uses (unless ancillary)
 - B2 General industrial
 - Un-related smaller units.
- 3.29 B1(a) uses will not be acceptable, however, ancillary offices to a warehouse should not be precluded. There are also likely to be more suitable sites available for the location B1(b), B1(c) and some B2 uses.
- 3.30 It is acknowledged that the principal use of strategic logistics sites will be for B8 uses. However, 'just in time' production and processing units with substantial elements of storage and distribution should be permitted. It is also relevant that there are many more large units which have B2 and B8 activities being undertaken within a single building which also offer a significant number of employment opportunities. Other uses will not be acceptable on strategic logistics sites..
- 3.31 One of the functions of strategic logistics sites will be the ability to offer larger plot sizes to be able to accommodate the large footprint buildings increasingly required by the market. It would therefore conflict with their wider objectives if smaller units were developed which compromised the size of available plots. It is therefore recommended that a minimum unit size of 10,000 square metres be imposed to address this.
- 3.32 There may be exceptional circumstances when some flexibility is required but this should only be considered for cases which can demonstrate significant potential for rail freight use. These units should also only be accommodated, where possible, on smaller plots or as infills following other larger development and where plots have been completed.
- 3.33 In order to complement the above, from a market perspective it would be beneficial for local plan policy to identify the characteristics and expectations for strategic logistics sites to inform developers/occupiers. These should include:

-
- 24/7 unrestricted operating hours;
 - Good road and rail freight access (for those sites which will be rail-served);
 - The ability to deliver high-bay warehousing at least 20m height;
 - Acceptable plot and building sizes;
 - Stance on renewable energy generation;
 - Servicing requirements and parking standards;
 - Phasing of infrastructure and periphery landscaping requirements;
 - S106 expectations;
 - Green transport initiatives;
 - Public transport expectations; and
 - Noise/lighting expectations.

4. DEVELOPING A STRATEGY – SITE SELECTION GUIDANCE AND OTHER MEASURES

Section Summary

- A requirement to continue long-term strategic and collaborative planning across the county of Leicestershire, and potentially with authorities in neighbouring areas. This study should therefore not be viewed as a ‘one-off process’, and *HPIG* or a similar grouping will need to take the strategy forward on a long-term basis. On that basis, a *strategic distribution sites selection task group* should be established to identify and discuss opportunities and determine the most suitable sites to bring forward in local plans.
- The amount of land which could potentially be recycled up to 2036 at existing commercially attractive sites in the East Midlands/Leicestershire should be factored into the demand/supply equation before a ‘search’ or ‘call’ for new sites is commenced. It is therefore recommended that the first major task of the sites task group should be to commission a study to fully examine this issue.
- The *strategic distribution sites task group* will also need to identify new sites for development (pro-active approach) alongside undertaking a ‘calls for sites’ from prospective commercial developers.
- Three ‘Best’ Key Areas of Opportunity and three ‘Good’ Key Areas of Opportunity identified. A growth strategy should aim to bring forward sites within the ‘Best’ Key Areas of Opportunity before considering locations in the ‘Good’ areas, subject to flexibility.
- A number of barriers to development are identified within the key areas of opportunity. planning authorities and LLEP to liaise with (and lobby) the Highways Agency and Network Rail to ensure that enhancement schemes are ultimately delivered.
- Leicestershire planning authorities, the LLEP and other relevant stakeholders co-operate in the commissioning of a logistics and distribution sector growth action plan. This will consider how to develop the growth potential of the sector, covering a broad range of issues important to the sector including skills and training.
- Potential to utilise future Growth Deal funding to unlock private sector investment in new rail-served and road only connected strategic logistics sites.

Section 4.1: Site Selection Task Group

- 4.1 To bring forward the quantum of land identified as being required, there will be a need to continue long-term strategic and collaborative planning across the county of Leicestershire, and potentially with authorities in neighbouring areas (duty to cooperate). This study should therefore not be viewed as a ‘one-off process’, and *HPIG* or a similar grouping will need to take the strategy forward on a long-term collaborative basis. On that basis, a *strategic*

distribution sites selection task group should be established to identify and discuss opportunities and determine the most suitable sites to bring forward in local plans. In line with the duty to co-operate principle, already established through the Leicester and Leicestershire HPIG, this task group should be formed of the following bodies (core members):

- Leicester City Council;
- Harborough District Council;
- Hinckley and Bosworth Borough Council;
- Blaby District Council;
- Oadby and Wigston Borough Council;
- North West Leicestershire;
- Charnwood Borough Council;
- Melton Borough Council;
- Leicestershire County Council; and
- Leicester and Leicestershire Local Enterprise Partnership (LLEP).

4.2 A senior representative from each of the local planning authorities should be represented on the task group, along with relevant senior representation from the County Council and LLEP. Given its role in strategic economic planning and its county wide remit, it may be that the LLEP is also the appropriate body to chair the task group (albeit it may wish to decline this recommended role). Under the duty to cooperate principle, neighbouring authorities in Northants, Nottinghamshire and the West Midlands region could also be 'co-opted' onto the task group as 'associate members' or attend the task group meetings when issues of relevance are being discussed e.g. where land has to be allocated outside Leicestershire to meet the identified shortfall, or if an appropriate site being considered crosses/straddles a planning authority boundary. Given the key areas of opportunity identified below, this is likely to include Nuneaton, Rugby, Daventry and Northampton councils to the south and west, and Nottingham, Rushcliffe, Derby and South Derbyshire to the north of the county.

4.3 It is also important to note that such a long-term strategic and collaborative approach will need to focus on issues beyond land use planning. Infrastructure development as a means of 'unlocking' employment land has previously been highlighted (Part B and also below), while addressing other issues such as skills and training should also be taken forward in a similar manner.

4.4 The main remit of the task group could be as follows:

- To identify and quantify the amount of land at existing commercially attractive sites that could potentially be recycled up to 2036 for new-build warehousing;
- To identify new sites for development (pro-active approach);

- To issue ‘calls for sites’ to prospective commercial developers⁶;
 - To foster a collaborative approach to planning for the strategic logistics sector across Leicestershire and beyond;
 - To monitor progress in site allocation and take-up over time; and
 - To develop a common position with respect to those large schemes which will be considered via the Development Consent Order process e.g. SRFIs. Such schemes are examined by the Planning Inspectorate, with local authorities being statutory consultees. Input into the examination process potentially will be stronger via an agreed combined approach, rather than authorities acting in isolation.
- 4.5 Infrastructure delivery is by its nature long-term. It is therefore important that the *strategic distribution sites task group* be formed and begin its work as soon as practically possible. The underlying evidence base to inform its decisions and the preparation of local plan policies will need to commence now so that the right sites in the most competitive locations can come forward for development as and when they are required by the market.
- 4.6 At this stage, it is not envisaged that the task group will undertake a ‘joint core strategy’ approach to planning and the strategic distribution sector in Leicestershire. A number of planning authorities in Northamptonshire have progressed this approach e.g. Daventry District, Northampton Borough and South Northamptonshire Councils are currently developing a joint core strategy for the plan period up to 2026⁷.
- 4.7 The approach adopted by the former *West Midlands Employment Land Advisory Group* is perhaps the more appropriate model for Leicestershire at present. Formed by the now defunct Regional Development Agency/Planning Board but with representatives from most major planning authorities, a collaborative and co-ordinated approach to planning for the strategic logistics sector was developed, including commissioning demand-supply research and other relevant data/evidence. However, the resultant strategy that emerged (including preferred locations for development) was intended to be implemented via individual authority Local Plans across the region (rather than joint strategies), albeit that relevant policies in each of the plans would reflect the collaborative and co-ordinated approach.
- 4.8 The amount of land which could potentially be recycled up to 2036 at existing commercially attractive sites in the East Midlands/Leicestershire should be factored into the demand/supply equation (Part B and Section 2 above) before a ‘search’ or ‘call’ for new sites is commenced. However, it was also noted in Part B that there is currently no reliable data or information readily at hand to allow these figures to be verified or otherwise in a robust manner (i.e. could withstand ‘testing’ at examination or inquiry). On that basis, it was not

⁶ Identifying new sites and a ‘call for sites’ should be undertaken simultaneously (a twin-track approach).

⁷ <http://www.westnorthamptonshirejpu.org/connect.ti/website>

possible to robustly quantify the amount of recycled land potentially available up to 2036, and such data was therefore not included in the supply-demand analysis.

- 4.9 It is therefore recommended that the first major task of the sites task group should be to commission a study to fully examine this issue. It would need to be undertaken by a specialist commercial property consultancy, with both research and agent departments. Such a study will most likely include a significant amount of primary research, including the surveying of landlords, developers and occupiers at existing sites across the county.
- 4.10 In terms of the *methodology* likely to be adopted by such a study, it would most likely commence by identifying all existing sites, plots and buildings above 9,000 square metres across the county. It would then discount those existing sites, plots and buildings which can be considered unsuitable for re-development for large scale strategic distribution e.g. not of the size and configuration required for modern buildings, poor highway connections or close to residential. This would primarily be a map-based exercise informed by relevant local authority records showing age of construction of the units along with the size of the plots/floor space based on planning consents records, potentially supplemented by Valuation Office Agency (VOA) data on building floor space (such as that contained in MDS Transmodal's warehouse database).
- 4.11 The remaining (commercially attractive) sites, plots and buildings, where the potential opportunities to refurbish buildings or recycle plots for new buildings will be located, are likely to be the more modern 'out of town' sites, originally developed during the 1980s and 1990s, which offer large uniform plots, have good connections to the strategic highway network, are located away from incompatible land uses and are well located relative to end-users. Again, the relevant local authority should be able to provide age of construction of these units along with the size of the plots/floor space based on consents records (perhaps supplemented by VOA data). Surveys of landlords/occupiers could then be undertaken to fill any gaps. The main *outputs* would most likely be an inventory of sites, plots and buildings (square metres and hectares of land) which could realistically be refurbished or recycled for new buildings up to 2036.
- 4.12 The outputs from this exercise could then be 'deducted' from the short fall and consequently assist in determining the quantum of new land that will need to be brought forward in local plans and strategies. However, the outputs are also likely to be very subjective, as it would be based on the collective industry knowledge of the consultants commissioned and the occupiers/landlords consulted during the study. For example, the consultants would need to consider whether a unit built in 1989 is likely to become functionally or physically obsolete by 2036.
- 4.13 The study will need to appreciate that the point at which employment land suitable for strategic distribution is recycled is determined by a number of factors. Firstly, the building

must have become obsolete as a strategic distribution warehouse. This obsolescent can be categorised as physical, functional or locational.

- 4.14 Physical obsolescence caused by the deterioration of the fabric of the building is linked to the quality of original construction and the implementation of an ongoing maintenance programme. If either of these is lacking and the cost of remedying physical defects in the building exceed the value of those works, then the building is likely to be demolished. However the strategic distribution warehouse sector is relatively immature, emerging in the UK in the late 1980s to early 1990s. Many of the warehouses constructed during this time were occupied on 25 year, full repairing and insuring leases providing a secure income for investors and consequently a profitable scheme for developers. A warehouse constructed in 1990 is quite likely to be occupied under the terms of the original lease which will be due to expire in 2015. Over this time the property has not only provided a good return to the freeholder, but will have been maintained to the standard required in the lease.
- 4.15 However, few of these first generation strategic distribution warehouses are likely to meet current standards for *Grade A* units; larger units, with higher ceilings, more dock doors, large yards and modern technology. Generally they will have lost their competitive position and will be functionally obsolete as a Grade A strategic distribution unit. These facilities are likely to be re-occupied on shorter term leases by cost conscious local occupiers. Whilst there continues to be a market for cheaper second hand space, demolition and rebuild is unlikely.
- 4.16 Factors beyond the property itself such as a radical change in consumer patterns or political climates may also render the building locationally obsolete. In these circumstances it would only be relevant to develop for alternative use.
- 4.17 Secondly, obsolescence as a strategic distribution unit will not necessarily result in demolition. Even those first generation warehouses which are likely to be functionally obsolete as strategic distribution units at lease expiry, will be occupied on shorter leases by local companies. Larger units may be subdivided or, subject to planning, reinvented as B2 units. The market for these properties as investments will be different; the slightly riskier short term lease consequent higher yield and lower capital value is more likely to attract private investors or property companies than funds, but as long as there is a market for this product the building will be maintained and occupied. Land will only become available when the cleared site value i.e. the value of the land less demolition costs, is greater than the value of the existing buildings. Not only will the land not be recycled in the medium term for strategic distribution, but the effect will be to reduce the overall stock of Grade A strategic distribution space.
- 4.18 The process of identifying new sites for development (the pro-active approach) should be guided by and based around the site selection criteria outlined in Section 3 above (criteria

and their rationale being presented in the Part A report). While this process will probably not require a level of detail comparable to that undertaken when testing a specific SRFI type scheme at a public inquiry, it will necessitate the commissioning of primary research to ascertain suitability against the key criteria, as follows:

- At least 50ha of developable land;
- Good highway connectivity – demonstrating that the motorway/dual carriageway junctions serving the prospective sites and the approach routes have sufficient network capacity;
- Showing that a prospective site can be connected to the railway network and that it is served by a railway line offering a generous loading gauge (minimum W9), available freight capacity and connects to key origins/destinations directly without the requirement to use long circuitous routes;
- Are the prospective sites sufficiently large and flexible in configuration to accommodate an intermodal terminal and internal reception sidings;
- Similarly, are they sufficiently large and flexible in configuration to accommodate the size of distribution centre warehouse units now required by the market;
- Demonstrating that they are accessible to labour, including the ability to be served by sustainable transport, and located close to areas of employment need; and
- Located away from incompatible land-uses.

4.19 It is also noted that high level landscape and ecological surveys alongside other constraint studies e.g. flood risk, will also be required to eliminate the possibility that prospective sites are unsuitable from this perspective.

4.20 While it will not be the responsibility of the task group or planning authority to ultimately develop any commercially attractive site identified, the group or respective local authority (i.e. district in which the site is located) is likely to have an on-going role in planning and assisting the delivery of the completed development. The approach adopted by *Halton Borough Council* with respect to the initial development of the *Merseyside Multi Modal Gateway (3MG)* would appear to be the appropriate model. The site was originally identified in the *Merseyside Freight Study (2000)*, to which Halton was a partner, as being potentially suitable for a SRFI type development (and in the process regenerating a part-derelict brownfield site). The totality of the site was under a number of different ownerships, however Halton played a co-ordinating role in formulating the ‘vision’ for the site and bringing the various commercial interests together into a collaborative partnership. This included managing the master planning exercise and ensuring the landowners ‘buy in’ into the plan which emerged, devising a Supplementary Planning Document for the site, developing an overarching marketing strategy/brand for the development, appointing a commercial developer (following a competition) for those parts of the site owned by Halton and assisting in securing grant funding.

- 4.21 Alongside and at the same time as the pro-active approach, the task group should also issue a 'call for sites' to the commercial property sector. Developers and land owners would be asked to suggest potentially suitable sites located within the key areas of opportunity. As part of the process, the developers would be required to demonstrate suitability against all of the site identification criteria noted above (i.e. submissions would need to include primary research demonstrating suitability against the criteria). This will need to be a stipulated requirement outlined in the initial 'call for sites'.
- 4.22 The task group would most likely need to commission their own experts to review the submissions and select the most appropriate (and deliverable) sites for subsequent inclusion in local plans. Again the Halton model would appear the most appropriate. The respective local authority could play a co-ordinating role in managing the master planning exercise, devising the required planning policies (e.g. Local Plan or Supplementary Planning Document) and assisting in securing any grant funding. The approach of *St Helens MBC* with respect to the proposed Parkside SRFI is another example of this approach. The Council, working collaboratively with the prospective developer, has included a specific policy within its emerging Core Strategy which allocated the land for a SRFI and will ultimately guide the development of the scheme.
- 4.23 Taking all of the above in account, it can be concluded that the sites selection task group will need to develop a 'partnership approach' with the commercial property sector. In some cases, such as with 3MG, it will be the relevant local authority effectively taking the lead in co-ordinating the development. In others, it will be the local authority assisting a commercial developer in promoting a specific scheme.
- 4.24 Some commercial developers may already be planning schemes within Leicestershire which ultimately will be considered through the Development Consent Order (DCO) process. Given the considerable amount of up-front pre-examination consultation which needs to be undertaken when seeking a DCO, the process would be aided (and progressed more quickly) were the task group able agree to common positions with respect to those large schemes.
- 4.25 The task group will also have an important role in monitoring the progress of site allocation and take-up rates at strategic sites over time. In practical terms, this should include the following:
- The establishment of a strategic distribution site database. This should record all existing strategic sites in Leicestershire in terms of overall size, the warehouses located there, size of each unit and the occupier. Vacant plots at existing sites would also be recorded;
 - The maintenance of the strategic distribution site database on an annual basis. New sites would be added to the database as they emerge and details of the existing sites would be amended accordingly; and

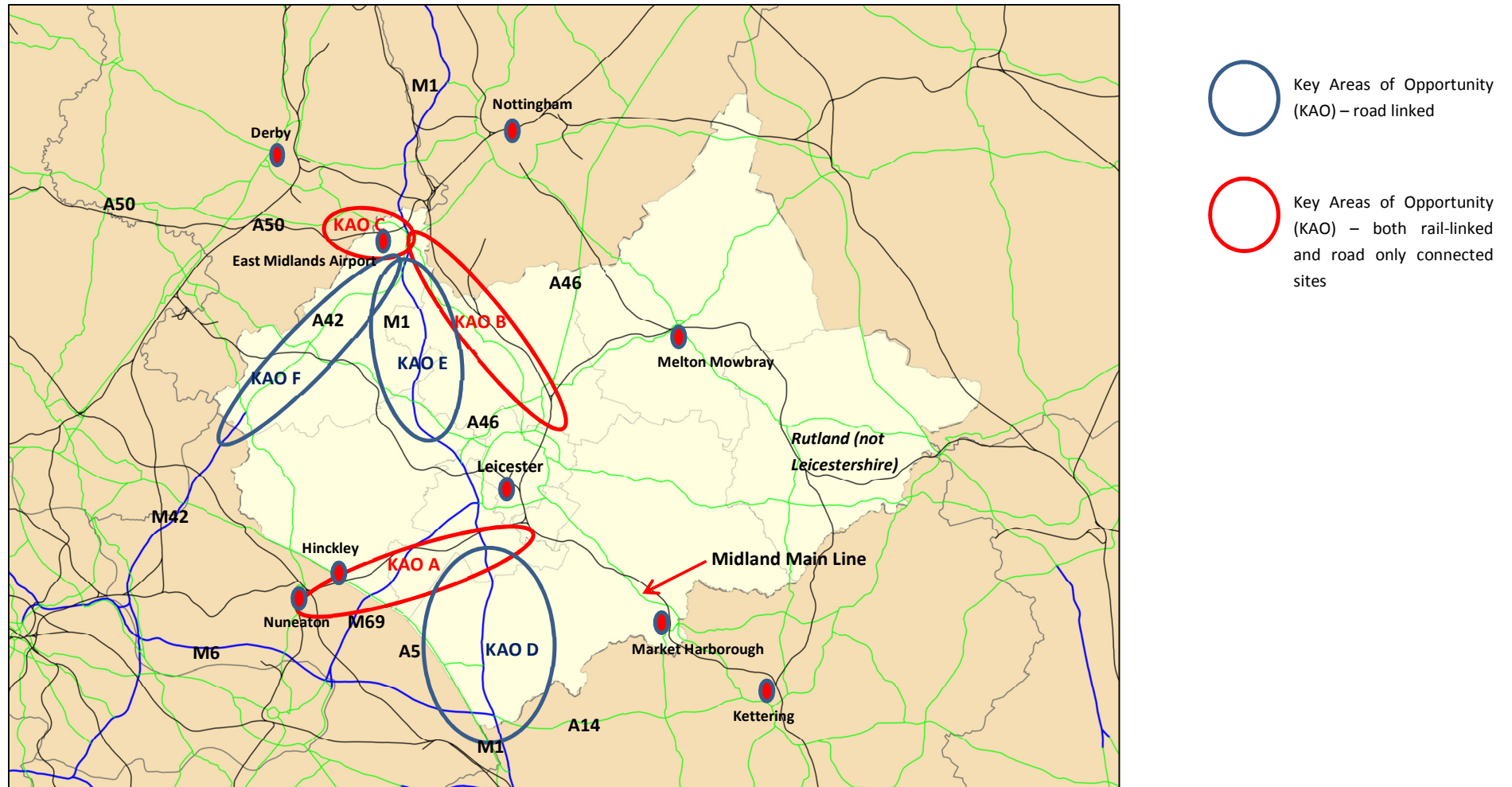
- The periodic commissioning of studies, in a similar manner to the former regional employment land use studies, and the updating the demand forecasts presented in this study.

Section 4.2: The Key Areas of Opportunity

4.26 The Part B report identified 'Key Areas of Opportunity' and these are illustrated on the map below. Those enclosed in red are key areas of opportunity for both rail-served and road only connected sites, while those enclosed in blue are key areas of opportunity for road only connected sites. It is broadly within these identified key areas of opportunity where individual sites commercially attractive to the logistics market might be located. These are therefore the key areas where a strategy for growth should be allocating new sites to meet the identified land shortfall, through a pro-active search for sites alongside a 'calls for sites' process with the commercial property sector (see above).

Map 4.1: Key Areas of Opportunity

(NB: Boundaries of key areas are not definitive and are shown for indicative purposes only)



- 4.27 Part B further considered whether there is a hierarchy of key areas of opportunity. Only those sub-regions meeting each of the four criteria to the highest level (i.e. offering both road and rail connected opportunities, central golden triangle location and close to available labour) have been considered for inclusion in the top category (termed the 'best key areas of opportunity'). Three 'best key areas of opportunity' were subsequently identified. A further three sub-regional areas meet the criteria, albeit to a lower level. These have been termed 'good key areas of opportunity'. The best and good areas are listed below (in no particular order of priority).

Best key areas of opportunity – Leicestershire

- Key Area A: *Leicester to Hinckley corridor*;
- Key Area B: *Midland Main Line North corridor*; and
- Key Area C: *East Midlands Airport to south Derby corridor*.

Good key areas of opportunity – Leicestershire

- Key Area D: *M1 South corridor*;
- Key Area E: *M1 North corridor*; and
- Key Area F: *M42/A42 corridor*.

- 4.28 A growth strategy should aim to bring forward sites within the 'Best' Key Areas of Opportunity before considering locations in the 'Good' areas, subject to flexibility (see Policy Advice, Section 3 above).

Barriers to Development/Infrastructure Enhancements

- 4.29 It was noted in the Part B report that the identified key areas of opportunity were either dependent on the delivery of railway enhancements or would perform better in terms of highway connectivity given the implementation of a number schemes currently being explored by Leicestershire County Council. The following barriers to development are therefore identified within the key areas of opportunity, alongside the infrastructure enhancements being explored to realise their full potential.

Key Area A: *Leicester to Hinckley corridor*

- 4.30 Key Area 1 is served by the Leicester-Nuneaton railway line, however it is currently poorly served with regards to connections to the strategic highway network. There is limited access at M69 Junction 2 and with access to the M1 being via circuitous routes to M1 Junction 21/M69 Junction 3. Leicestershire County Council is currently exploring options for improving accessibility to the strategic highway network in the south west Leicester and Leicestershire area, in order to address current traffic and transport problems and to unlock possible future

growth opportunities. Combined with the effects of the railway proposals, the outcomes of this work would open up strategic rail-linked distribution opportunities.

- 4.31 The County Council's work is at an early stage and no definitive proposals exist at this time. A strategy for the strategic logistics sector should seek to ensure delivery of the transport infrastructure schemes required, amongst other things, to improve connectivity to the strategic road network, alongside the releasing of sites for strategic logistics in key areas of opportunity.

Key Area D: M1 South corridor

- 4.32 Within Key Area 4, the eastern side of the M1 to the south of Leicester (Blaby) and areas on the western side of the M1 to the north of Lutterworth (Harborough) are poorly served with regards to connections to the strategic highway network.
- 4.33 A strategy for the strategic logistics sector should, amongst other things, seek to develop and deliver highway schemes to improve connectivity to the strategic road network alongside the releasing of sites for strategic logistics in these key areas of opportunity.
- 4.34 One sub-regional area which currently cannot be considered a key area of opportunity is the A6/Midland Main Line corridor to the south and south-east of Leicester (central part of the Harborough market area on north-south axis). Despite the railway enhancements planned for the Midland Main Line (electric spine and loading gauge enhancement), this area currently suffers from poor road connectivity with the strategic highway network; either via south Leicester and the A563 to the M1 at Junction 21, or south to the A14 at Rothwell. This significant impediment to the area's attractiveness to the logistics sector would need to be addressed in order to open it up as a key area of opportunity for rail-served strategic distribution.
- 4.35 Given the above, as part of the recommended strategy there will be a requirement for the planning authorities and LLEP to liaise with (and lobby) the Highways Agency and Network Rail to ensure that enhancement schemes are ultimately delivered. One of the key conclusions pervading this study is the need to identify and allocate new land at commercially attractive strategic sites, the purpose of which is to maintain and enhance the established competitive advantage, enabling the sector to grow in a sustainable manner. The infrastructure schemes are required to improve connectivity to and from the key areas of opportunity identified.
- 4.36 Further, there may also be other motorway/dual carriageway junctions currently unknown acting as barriers to development. For example, while land being considered for allocation as a strategic distribution site may be located close to a motorway dual carriage junction, it may be the case that the junction in question is already operating at/above its design capacity

(junctions serving the prospective sites and the approach routes must have sufficient network capacity).

- 4.37 As noted above, if the site being considered has emerged from the 'call for sites' process, the developers would be required to demonstrate suitability e.g. that sufficient junction capacity existed or by means of a plan outlining how they intend to provide the required capacity if the junction was considered substandard. A similar process would need to be undertaken by the strategic sites selection task group for the pro-active approach. It should also be noted that contributions can be sought from/agreed with developers of strategic logistics sites towards the cost of upgrading infrastructure e.g. Section 106 or Section 278.

Section 4.3: Skills and Training

- 4.38 Logistics and distribution is a commercial activity in which private sector organisations compete for business and generate financial returns for their investors. The public sector's role at the national level is mainly concerned with regulating the industry from a health and safety perspective⁸, alongside ensuring an open competitive market operates in the sector.
- 4.39 As discussed and outlined throughout this study, the main public sector role at the regional/sub-regional level is the allocation of appropriate sites for B8 use at the commercially attractive locations. The analysis undertaken above concluded that identifying and allocating new land at commercially attractive strategic sites will be the crucial factor in maintaining and enhancing the established competitive advantage, enabling the sector to growth in a sustainable manner. The strategy outlined above has therefore focused on this important conclusion.
- 4.40 However, there are other areas where public sector 'interventions' could help maintain its established competitive advantage and grow the sector. One such area is in the field of skills and training, and in particular supporting and part funding skills training in areas where there are recognised skills shortages. While this should incorporate both manual functions through to higher grade management roles, the training of large goods vehicle (LGV) drivers is a particular case in point.
- 4.41 Less than 1% of LGV drivers are under the age of 25. The average age of LGV drivers is 56 and 25% are over 60 and will be retiring over the next five years. A significant number of these may well retire or change industry beforehand as they have not completed the mandatory Driver CPC hours and could leave as early as September 2014. The expected numbers are estimated to be over 48,000 leaving the industry each year. LGV licence applications and

⁸ In addition to general health and safety at work rules, this also includes specific regulations for the sector, including drivers hours regulations and the Operators Licencing system for goods vehicle operators.

tests have declined year on year, and now stand at less than 50% of what were they in 2005/6, down from 45,000 per year to 22,000 per year.

- 4.42 Traditionally, the logistics industry itself has not provided or funded LGV driver training. Individuals tended to either fund their own training or received 'on the job' training by non-logistics employers e.g. the Army. As a result, the sector could rely on a steady stream of suitable qualified drivers entering the job market. This is no longer the case, with one of the reasons now being the high cost of 'self-funding' driver training. Additional driving tests are now required alongside mandatory CPC qualifications.
- 4.43 Data Academy (a Leicester based driving training provider) is piloting a 'route-way' for LGV drivers with support by Skills for Logistics. The pilot will involve moving 10 unemployed people through selection and enrolment, training and licence acquisition (medical, theory, practical assessment), and then workplace assessments. Job Centre Plus are part funding this pilot (£1,000), and employers will fund the rest. It is understood that the LLEP is considering whether to also part fund this scheme in conjunction with Skills Support for the Unemployed (SSU-Derby College). The LLEP has also asked the Skills Funding Agency if LGV can be funded under their ESF 'Skills Support for the Workforce' (SMEs can access free training for most training needs in the workplace), but have been advised that this is not possible. If the pilot is considered a success, the LLEP will review progress and hopefully expanded the scheme.
- 4.44 However, the ability to drive a large goods vehicle is not the only employment skill required in the sector. Other skilled functions specific to the logistics sector, amongst others, include:
- Forklift truck drivers;
 - Data/inventory input;
 - Depot/warehouse managers
 - Fleet managers;
 - Vehicle mechanics; and
 - Traffic desk planners.
- 4.45 In addition to these tasks, there is the need for higher level management/IT skills alongside the usual administrative jobs associated with large labour intensive industries e.g. Payroll, Human Resources.
- 4.46 The ability of the sub-region to maintain and enhance its skills levels in these specific and ancillary roles will also be an important factor maintaining and enhancing the established competitive advantage. The LLEP has also undertaken research into skills and training in the strategic distribution sector in Leicestershire. In particular, current areas of skills shortages have been identified. The LLEP's research can be downloaded from its website, as follows: http://www.llep.org.uk/employment_and_skills/.

- 4.47 As part of this wider strategy, therefore, it is recommended that the LLEP, in co-operation with the Leicestershire planning authorities and other stakeholders, should commission further research into the employment, skills and training needs of the sector. This research should be undertaken as a key component of the logistics sector growth action plan. This should include how links can be developed between the logistics industry and the further/higher education sector in Leicestershire.

Section 4.4: Promoting and Marketing Leicestershire

- 4.48 In addition to its participation in the sites selection task group and co-ordinating the recommended research into skills/training, there should be a key continuing role for the LLEP covering the promotion and marketing of strategic logistics opportunities Leicestershire to potential occupiers and operators, the commercial investor market and other potential investors.
- 4.49 As has been demonstrated throughout this study, Leicestershire has established a distinct competitive advantage in the strategic logistics sector, and the delivery of the recommended 'land strategy' outlined above should help ensure that this position is maintained and enhanced. However, there will be a need to promote and market the county to wider interests outside Leicestershire, particularly as the other competing/alternative regions identified are heavily promoting their own areas. In this respect, the 'Logistics Hub UK' initiative of the Doncaster and Sheffield city region is a good 'case study' of how the LLEP should proceed. *Logistics Hub UK* is a web-based initiative bringing together developers, landowners, occupiers, local authorities and the LEPs to promote the Doncaster and Sheffield city region as 'The location' for logistics. It can be found at the following link: <http://www.logisticshubuk.com/>.
- 4.50 Logistics Hub UK states that its 'central UK location provides logistics, warehousing and distribution companies with fast access to the UK's largest markets and population centres, combined with global connectivity via multimodal international freight terminals.' The area's direct access to the UK's motorway network at a central north-south/east-west interchange (M1/A1/M18-M62/M180) is promoted, claiming that most major markets in England, Wales and Scotland can be reached within 4.5 hours driving time. Close proximity to Doncaster's air and rail freight terminals, as well as the UK's largest sea port by tonnage (the Humber ports) is noted. The new Rossington SRFI (iPort), currently under development, is heavily promoted as is the new FARRS link road connecting Doncaster/Sheffield Airport and iPort to the M18. The analysis presented in Part B of this study clearly showed that rail-served sites in the golden triangle (of which Leicestershire is part) continue to offer the most competitive locations for receiving and distributing goods on a national basis.

- 4.51 A significant part of the website is dedicated to promoting and marketing existing strategic logistics sites in the Doncaster/Sheffield city region. Location maps are presented together with descriptions of sites, highway/rail connectivity and size of plots available etc. Links are subsequently provided to the developers and agents.
- 4.52 Likewise, a significant part of the website is focused on workforce and skills issues. It states that the area benefits from an established, large-scale warehousing and logistics workforce, and the education and training infrastructure required to meet the skills needs of companies at all levels; from 'workforce preparation' to NVQ, degree and post-graduate (BSc and MSc) levels. Links are also provided to educational facilities and courses at Doncaster College, Sheffield University and Hull University.
- 4.53 For companies considering or undertaking investments in the Doncaster Sheffield City Region, Logistics Hub UK notes that potential dedicated support is available from Business Doncaster. This is an inward investment and business support agency of Doncaster Council and Sheffield City Region LEP. The following services are marketed:
- Identifying Sites and Properties;
 - Identifying Development Opportunities;
 - Addressing Planning Issues;
 - Identifying and securing Financial Support; and
 - Finding Personnel and Training services, through our unique HR Business.
- 4.54 It is therefore recommended that the LLEP establish a similar marketing and promotional web-based tool. As per the South Yorkshire website, this would bring together the LLEP and local authorities along with promoting suitable strategic sites and providing links to skills and training facilities.

Section 4.5: Single Local Growth Fund

- 4.55 In 2012 Lord Heseltine, the former Deputy Prime Minister and Environment Secretary, was commissioned to undertake a review of regional investment and wealth creation policies. His report, *No Stone Unturned*, was subsequently presented to Government in the Autumn of 2012. The core proposition of Lord Heseltine's report is a decentralised approach to resources and decision making, with particular emphasis on empowering Local Enterprise Partnerships (LEPs) to drive forward growth in their local areas.
- 4.56 In its formal response to Lord Heseltine's report, the Government announced the creation of a single £12 billion 'Local Growth Fund' to support investment by the LEPs in skills/training, housing and transport infrastructure. Approximately £2 billion was made available for

distribution to LEPs in the fund's first year of operation (2015-2016). All LEPs across England were subsequently asked to bid for a share of the fund, by developing plans outlining how and on what they would spend the money.

- 4.57 The LLEP submitted its 'Growth Deal' bid in March 2014 and after a period of negotiation, the Government announced in July that nearly £28.3 million would be made available in 2015/6. Around £80 million is likely to be made available over the subsequent five years.
- 4.58 The LLEP Growth Deal aims to drive growth across the area by providing additional funding and leveraging investment to provide new homes and space for businesses, provide high quality skills and training facilities and deliver key transport improvements across the county of Leicestershire. The Growth Deal will bring together local, national and private funding as well as new freedoms and flexibilities to focus on the LLEP's four key priority areas as identified in the Strategic Economic Plan. These are:
- Enhancing transport connectivity, reducing congestion and enabling the development of major sites for housing and employment;
 - Investing in skills infrastructure and business support to deliver skills and support that meets employer needs;
 - Extending the availability of superfast broadband across the city and county; and
 - Investing in flood risk management to reduce the risk to homes and businesses in Leicester.
- 4.59 Ten projects in the LLEP's Growth Deal will benefit from a share of the £28.3 million⁹ in 2015/16. Relevant projects for this study include:
- A50/A6 Leicester North West Major Transport Investment Corridor (£8.1 million);
 - Skills Training Centre (MIRA Enterprise Zone, £5 million) - Transport Engineering skills training facility to be delivered jointly by MIRA, North Warwickshire and Hinckley College, University of Leicester and Loughborough University this will create a 4,578 sqm facility and provide 2500 training places each year to address skills shortages in the sector and to increase the number of skilled engineers;
 - Sustainable Transport Fund (Hinckley, £1.5 million) - Sustainable Transport improvements including footpaths and cycle ways reducing congestion to developments in Earl Shilton and Barwell and improving connectivity between Hinckley and the Enterprise Zone at MIRA Technology Park.
 - North City Centre Access Investment Programme (£2 million) - Programme of linked transport and public realm improvement to improve 4km of highways and enable the development of 10 hectares of employment and housing sites.

⁹ This includes £20.2 million of new funding plus £8.1 million of previously committed funding

- M1-Junction 22/A42-Junction 13 (£2.5 million) - Junction improvements to ease congestion and create capacity to enable the development of 25 hectares of employment land and 900 homes at Coalville and Ashby.

4.60 As noted above, new rail-served and road only strategic logistics sites will ultimately be brought forward by property developers and landowners, with schemes broadly funded by institutional investors and other sources (see Section 2, Part A report). However, it may be that a proportion of future LLEP Growth Deals, funded from the Local Growth Fund, could be utilised to support private sector investment in new rail-served and road only strategic logistics sites. For example, maritime container transporter Pentalver's new intermodal terminal at its Cannock operating base has secured a grant from the Greater Birmingham and Solihull LEP's Growth Deal. Also, future LLEP Growth Deal Funding could be used to 'unlock' the barriers to development identified above, thereby leveraging in private sector funding and delivering development in the Key Areas of Opportunity.

5. KEY STUDY CONCLUSIONS

5.1 Four over-arching conclusions can be drawn from the study, namely:

- A need to identify and allocate new land at commercially attractive strategic sites, the purpose of which is to maintain and enhance the established competitive advantage, enabling the sector to growth in a sustainable manner;
- To deliver the identified need, there will be a requirement to continue long-term strategic and collaborative planning across the county of Leicestershire, and potentially with authorities in neighbouring areas. This study should therefore not be viewed as a 'one-off process', and HPIG or a similar grouping will need to take the strategy forward on a long-term basis (and review the strategy periodically);
- While the strategy outlined is a long-term plan (up to 2036), the preparatory work will need to begin immediately. Infrastructure delivery is by its nature long-term, albeit that the underlying evidence base and the preparation of local plan policies needs to commence now so that the right sites in the most competitive locations can come forward for development as and when they are required by the market; and
- The strategy requires the implementation of a number of highway and railway enhancement schemes. Consequently, there will be a requirement for the planning authorities and LLEP to liaise with (and lobby) the Highways Agency and Network Rail to ensure that the enhancement schemes are ultimately delivered.

5.2 The southern part of the East Midlands region (including Leicestershire) became the competitive 'location of choice' in both supply chain cost and performance terms when sourcing and distributing on a national basis. The area has become known as the 'golden triangle', and has to date consequently established a distinct competitive advantage in the strategic logistics sector.

5.3 This position was evidenced by the analysis undertaken in Section 4 (warehouse floor space) and Section 6 (Employment) of the Part A report. A significant quantum of large scale warehouse floor space has been developed in the golden triangle. In Leicestershire, there currently exists 2.25 million square metres of floor space across 89 large scale warehouse units. Around 72% of East Midlands floor space capacity is located in Leicestershire or Northamptonshire. The East Midlands region records around 8% of the population of England and Wales, however it accommodates 20% of total English and Welsh warehouse capacity. This means that the identified warehouse capacity in Leicestershire is predominantly serving a national market.

5.4 The LLEP Economic Growth Plan 2012-2020 gives a figure of 51,300 jobs in the LLEP area in distribution and logistics, accounting for 12% of local employment. It also identifies the high levels of employment in North West Leicestershire and the Harborough District at Magna

Park. In terms of the strategic distribution sector's contribution to the sub-regional economy, data was presented showing that that GVA attributable to wholesale/retail, transport/storage and food activities was £3,794 million or around 21% of the LLEP area total.

5.5 Market conditions can and do change over time, and as market conditions change a previously held competitive advantage can diminish unless action is taken to address the changes. Two important emerging challenges to the golden triangle's competitive advantage in national distribution (and by extension the Leicestershire sub-region) were identified in Part B, namely:

- The emergence of competing inland locations/sites to the north and east of the 'golden triangle'; and
- The development of B8 land within port estates (so called port centric logistics).

5.6 The key to addressing the above identified challenges to the golden triangle (and by implication Leicestershire), and hence maintaining the established competitive advantage, is the development of new commercially attractive strategic sites in Leicestershire and the East Midlands which will be directly rail-served.

5.7 Conversely, the inability to bring forward a range of commercially attractive sites in Leicestershire (and the wider golden triangle) would most likely result in an overall reduction in the region's total warehouse floor space capacity.

5.8 Given the need to maintain and enhance Leicestershire's competitive position through the continued development of new commercially attractive strategic sites, the Part B report undertook a forecast of future demand for new-build large scale warehousing in the East Midlands region and Leicestershire sub-region up to 2036. The preferred high replacement scenario therefore suggests that, once existing consents and potential sites are accounted for, around 115ha of new land at rail-served sites will need to be brought forward by 2036. This suggests one further Strategic Rail Freight Interchange (SRFI) will need to be brought forward within Leicestershire up to 2036. The preferred high replacement scenario suggests around 153ha of new land at non rail-served sites will need to be brought forward within Leicestershire up to 2036.

5.9 By delivering in full the new-build forecasts (by means of allocating sufficient land through local plans) it is estimated that just over 7,100 new jobs will be created in Leicestershire. The contribution to Gross Value Added in Leicestershire resulting from the generated employment is estimated to be additional £297million (at 2014 prices).

5.10 Similar analysis estimates that between 3,500 and 7,500 full-time equivalent jobs would be lost from Leicestershire due to the inability to bring forward the new sites in-line with the

land use forecasts. For Leicestershire, this would subsequently result in a reduction in GVA of between £274 million and £548 million (at 2014 prices).

- 5.11 Given the forecast shortfall in land, working with neighbouring authorities local plans will need to allocate new appropriate sites to meet the demand which has been forecast (meeting objectively assessed needs). These will need to be well connected to the strategic highway network; should this require the provision of major new or significantly improved highway infrastructure, it is important to recognise the often long delivery lead in times. A significant proportion of the new sites will need to be directly rail-served (for both competitiveness and sustainability reasons) by suitable railway lines (W9 loading gauge etc..). While the use of previously developed sites should be encouraged in the first instance, it is likely that greenfield sites might need to be allocated, given very special circumstances, to meet these needs. Recent major planning decisions in this sector (DIRFT III and Radlett SRFIs) have clearly indicated that there is a clear need for the development of directly rail-served facilities, that sustainability and emissions benefits subsequently arise, and that substantial weight should be attached to both of these factors.
- 5.12 In order to ensure that there is a sufficient pipeline of strategic distribution sites, new land should be identified and allocated in the following sequential order, namely:
- The extension of existing strategic distribution sites, both rail-served and road-only connected;
 - In circumstances where rail-served sites cannot be extended, local plans should consider satellite sites (which shall be located close to the existing strategic distribution sites);
 - Identifying suitable new strategic distribution sites on previously developed land; and
 - Identifying suitable new strategic distribution sites on greenfield land.
- 5.13 In order to maintain and enhance the competitive position currently enjoyed by the region/sub-region, it is vitally important that the market in future is offered a geographical spread of commercially attractive sites available to satisfy individual operator locational requirements.
- 5.14 To bring forward the quantum of land identified as being required, there will be a need to continue long-term strategic and collaborative planning across the county of Leicestershire, and potentially with authorities in neighbouring areas. This study should therefore not be viewed as a 'one-off process', and HPIG or a similar grouping will need to take the strategy forward on a long-term collaborative basis. On that basis, a strategic distribution sites selection task group should be established to identify and discuss opportunities and determine the most suitable sites to bring forward in local plans.
- 5.15 The main remit of the task group shall be as follows:

- To identify and quantify the amount of land at existing commercially attractive sites that could potentially be recycled up to 2036 for new-build warehousing;
- To identify new sites for development (pro-active approach);
- To issue 'calls for sites' to prospective commercial developers ;
- To foster a collaborative approach to planning for the strategic logistics sector across Leicestershire and beyond;
- To monitor progress in site allocation and take-up over time; and
- To develop a common position with respect to those large schemes which will be considered via the Development Consent Order process e.g. SRFIs.

5.16 The LLEP, in co-operation with the Leicestershire planning authorities and other stakeholders, should commission further research into the employment, skills and training needs of the sector. This research should be undertaken as a key component of the logistics sector growth action plan. This should include how links can be developed between the logistics industry and the further/higher education sector in Leicestershire.

5.17 In addition to its participation in the sites selection task group and co-ordinating the recommended research into skills/training, there should be a key continuing role for the LLEP covering the promotion and marketing of strategic logistics opportunities Leicestershire to potential occupiers and operators, the commercial investor market and other potential investors.

5.18 The Government announced the creation of a single £12 billion 'Local Growth Fund' to support investment by the LEPs in skills/training, housing and transport infrastructure. Approximately £2 billion was made available for distribution to LEPs in the fund's first year of operation (2015-2016). The LLEP submitted its 'Growth Deal' bid in March 2014 and after a period of negotiation, the Government announced in July that nearly £28.3 million would be made available in 2015/6. Around £80 million is likely to be made available over the subsequent five years. While the 2015/16 money has been allocated to projects, future LLEP Growth Deal Funding could be used to 'unlock' the barriers to development identified in this study, thereby leveraging in private sector funding and delivering development in the Key Areas of Opportunity.

APPENDIX 1

Relevant Extracts from NPPF and NPS

National Planning Policy Framework

The purpose of the planning system is to contribute to the achievement of sustainable development (paragraph 6).

There are three dimensions to sustainable development: economic, social and environmental. These dimensions give rise to the need for the planning system to perform a number of roles:

- An economic role – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation;
- A social role – supporting strong, vibrant and healthy communities; and
- An environmental role – contributing to protecting and enhancing our natural, built and historic environment, including moving to a low carbon economy (paragraph 7).

At the heart of the NPPF is a *presumption in favour of sustainable development*, which should be seen as a golden thread running through both plan-making and decision-taking. For plan-making this means that:

- Local planning authorities should positively seek opportunities to meet the development needs of their area;
- Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless:
 - any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or
 - specific policies in this Framework indicate development should be restricted (paragraph 14)

Local plans should proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities (paragraph 17, 3rd bullet).

Local plans should encourage the effective use of land by reusing land that has been previously developed (brownfield land), provided that it is not of high environmental value (paragraph 17, 8th bullet).

To help achieve economic growth, local planning authorities should plan proactively to meet the development needs of business and support an economy fit for the 21st century (paragraph 20).

Encouragement should be given to solutions which support reductions in greenhouse gas emissions and reduce congestion. In preparing Local Plans, local planning authorities should therefore support a pattern of development which, where reasonable to do so, facilitates the use of sustainable modes of transport (paragraph 30).

Local authorities should work with neighbouring authorities and transport providers to develop strategies for the provision of viable infrastructure necessary to support sustainable development, including large scale facilities such as rail freight interchanges, roadside facilities for motorists or transport investment necessary to support strategies for the growth of ports, airports or other major generators of travel demand in their areas (paragraph 31).

Plans and decisions should ensure developments that generate significant movement are located where the need to travel will be minimised and the use of sustainable transport modes can be maximised (paragraph 34).

Plans should protect and exploit opportunities for the use of sustainable transport modes for the movement of goods or people. Therefore, developments should be located and designed where practical to:

- Accommodate the efficient delivery of goods and supplies (paragraph 35).

The Government attaches great importance to Green Belts. The fundamental aim of Green Belt policy is to prevent urban sprawl by keeping land permanently open; the essential characteristics of Green Belts are their openness and their permanence (paragraph 79).

Local planning authorities with Green Belts in their area should establish Green Belt boundaries in their Local Plans which set the framework for Green Belt and settlement policy. Once established, Green Belt boundaries should only be altered in exceptional circumstances, through the preparation or review of the Local Plan. At that time, authorities should consider the Green Belt boundaries having regard to their intended permanence in the long term, so that they should be capable of enduring beyond the plan period (paragraph 83).

When drawing up or reviewing Green Belt boundaries local planning authorities should take account of the need to promote sustainable patterns of development (paragraph 84).

When defining boundaries, local planning authorities should:

- Ensure consistency with the Local Plan strategy for meeting identified requirements for sustainable development;
- Not include land which it is unnecessary to keep permanently open;
- Where necessary, identify in their plans areas of 'safeguarded land' between the urban area and the Green Belt, in order to meet longer-term development needs stretching well beyond the plan period;

- Make clear that the safeguarded land is not allocated for development at the present time. Planning permission for the permanent development of safeguarded land should only be granted following a Local Plan review which proposes the development;
- Satisfy themselves that Green Belt boundaries will not need to be altered at the end of the development plan period (paragraph 85).

As with previous Green Belt policy, inappropriate development is, by definition, harmful to the Green Belt and should not be approved except in very special circumstances (paragraph 87)

When considering any planning application, local planning authorities should ensure that substantial weight is given to any harm to the Green Belt. 'Very special circumstances' will not exist unless the potential harm to the Green Belt by reason of inappropriateness, and any other harm, is clearly outweighed by other considerations (paragraph 88).

Planning plays a key role in helping shape places to secure radical reductions in greenhouse gas emissions, minimising vulnerability and providing resilience to the impacts of climate change, and supporting the delivery of renewable and low carbon energy and associated infrastructure. This is central to the economic, social and environmental dimensions of sustainable development (paragraph 93).

Local Plans must be prepared with the objective of contributing to the achievement of sustainable development. To this end, they should be consistent with the principles and policies set out in this Framework, including the presumption in favour of sustainable development (paragraph 151).

Local Plans should be aspirational but realistic. They should address the spatial implications of economic, social and environmental change. Local Plans should set out the opportunities for development and clear policies on what will or will not be permitted and where. Only policies that provide a clear indication of how a decision maker should react to a development proposal should be included in the plan (paragraph 154).

Local planning authorities should set out the strategic priorities for the area in the Local Plan. This should include strategic policies to deliver:

- The provision of retail, leisure and other commercial development;
- The provision of infrastructure for transport (paragraph 156, 2nd and 3rd bullets).

Crucially, Local Plans should:

- Plan positively for the development and infrastructure required in the area to meet the objectives, principles and policies of this Framework;
- Be drawn up over an appropriate time scale, preferably a 15-year time horizon, take account of longer term requirements, and be kept up to date;
- Be based on co-operation with neighbouring authorities, public, voluntary and private sector organisations;

- Indicate broad locations for strategic development on a key diagram and land-use designations on a proposals map;
- Allocate sites to promote development and flexible use of land, bringing forward new land where necessary, and provide detail on form, scale, access and quantum of development where appropriate (paragraph 157 and bullets 1-5).

Local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should:

- Work together with county and neighbouring authorities and with Local Enterprise Partnerships to prepare and maintain a robust evidence base to understand both existing business needs and likely changes in the market; and
- Work closely with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability (paragraph 160).

Local planning authorities should use this evidence base to assess:

- The needs for land or floor space for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period, including for retail and leisure development;
- The existing and future supply of land available for economic development and its sufficiency and suitability to meet the identified needs. Reviews of land available for economic development should be undertaken at the same time as, or combined with, Strategic Housing Land Availability Assessments and should include a reappraisal of the suitability of previously allocated land (paragraph 161, 1st and 2nd bullets).

Public bodies have a duty to cooperate on planning issues that cross administrative boundaries, particularly those which relate to the strategic priorities set out in paragraph 156. The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities (paragraph 178).

Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly co-ordinated and clearly reflected in individual Local Plans (paragraph 179).

Draft NPS

A strategic rail freight interchange (SRFI) is a large multi-purpose rail freight interchange and distribution centre linked into both the rail and trunk road system. It has rail-served warehousing and container handling facilities and may also include manufacturing and processing activities (paragraph 2.38).

The Government's vision for transport is for a low carbon sustainable transport system that is an engine for economic growth, but is also safer and improves the quality of life in our communities. The transfer of freight from road to rail has a part to play in a low carbon economy and help to address climate change (paragraph 2.48).

To facilitate this modal transfer, a network of SRFIs is needed across the regions, to serve regional, sub-regional and cross-regional markets. In all cases it is essential that these have good connectivity both with the road and rail network, in particular the strategic rail freight network (paragraph 2.49).

The Government has therefore concluded that there is a compelling need for an expanded network of strategic rail freight interchanges. It is important that SRFIs are located near the business markets they will serve – major urban centres, or groups of centres – and are linked to key supply chain routes. Given the need for effective connections for both rail and road, the number of locations suitable as SRFIs will be limited, which will restrict the scope for developers to identify viable alternative sites (paragraph 2.51).

All applications for strategic rail freight interchanges should include warehouses to which goods can be delivered from the railway network either directly or by another form of transport. Applicants should ensure that a significant proportion of the warehousing on a proposed site is rail connected from the outset (paragraph 4.78)

Because of the strategic nature of large rail freight interchanges it is important that new SRFIs or proposed extensions to RFIs upgrading them to SRFIs are appropriately located relative to the markets they will serve, which will largely focus on major urban centres, or groups of centres, and key supply chain routes. Because the vast majority of freight in the UK is moved by road, proposed new rail freight interchanges should have good road access as this will allow rail to effectively compete with, and work alongside, road freight to achieve a modal shift to rail (paragraph 4.80).

Adequate links to the rail and road networks are essential. Rail access will vary between rail lines, both in the number of services that can be accommodated, and the physical characteristics such as the train length and, for intermodal services, the size of intermodal units that can be carried (the 'loading gauge'). As a minimum a strategic rail freight interchange (SRFI) should ideally be located on a route with a gauge capability of W8 or more, or capable of enhancement to a suitable gauge. For road links, the Government's policy is set out in *Circular 02/2013 The strategic road network and the delivery of sustainable development* (paragraph 4.81).

SRFIs tend to be large scale commercial operations, which are most likely to need continuous working arrangements (up to 24 hours). By necessity they involve large structures, buildings and the operation of heavy machinery. Locationally, therefore, they often may not be considered suitable adjacent to residential areas or environmentally sensitive areas such as National Parks and AONBs, which may be sensitive to the impact of noise and movements. However, depending on the particular circumstances involved, appropriate mitigation measures may be available to limit the impacts of noise and light in populated areas (paragraph 4.82).

SRFIs can provide many benefits for the local economy. For example because many of the on-site functions of major distribution operations are relatively labour intensive this can create many new job opportunities. The existence of an available and economic local workforce will therefore be an important consideration for the applicant (paragraph 4.83).

As a minimum, a SRFI should be capable of handling four trains per day and, where possible, be capable of increasing the number of trains handled. SRFIs should, where possible, have the capability to handle 775 metre trains with appropriately configured on-site infrastructure and layout. This should seek to minimise the need for on-site rail shunting and provide for a configuration which, ideally, will allow main line access for trains from either direction (paragraph 4.85).