

Consultation Response from Planning Policy Team

19/01496 | Land South Of Junction 1 Of The A50 Castle Donington Leicestershire.

Development of up to 92,500 sqm GIA of storage and distribution units (B8), industrial units (B2) and light industrial units (B1c); service yards and parking areas; new vehicular accesses off Trent Lane / Station Road and Ryecroft Road with associated earthworks, drainage and attenuation features and other associated works (outline, all matters reserved except for the principal means of vehicular access to the site).

Comments

The proposal is for a development of up to 92,500sqm of B8, B2 and B1c development on a site with a developable area of some 20ha (as amended). The description of development and the submitted masterplan do not specify a unit mix. The supporting documents suggest that the development will focus on a mix of unit sizes of between 9,000-15,000sqm and in this regard it will provide for strategic-scale B8 which is categorised as units of 9,000sqm and above. It will also be capable of providing a broader range of unit sizes and can incorporate up to 20% of (former) B1c/B2 uses (<18,500sqm). There are no named end users; the applicant proposes to build the units speculatively to meet immediate market requirements.

The NPPF (2019) emphasises the role that planning should play in building a strong, competitive economy. It requires that;

“Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development” (paragraph 80).

It goes on to direct that decisions on planning applications should take account of different business sector needs and in this context it highlights the logistics sector specifically;

“Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for.....storage and distribution operations at a variety of scales and in suitably accessible locations.”(paragraph 82).

The application site is outside the limits to development as defined in the adopted Local Plan (2017) and it thereby falls within the countryside in accordance with Policy S3. This policy lists the circumstances when development in the countryside will be supported including at criterion (s) the provision of employment land in accordance with Policy Ec2 – New Employment Sites. The second section of Policy Ec2 describes the circumstances when development will be acceptable as follows;

Where evidence indicates an immediate need or demand for additional employment land (B1, B2 and B8) in North West Leicestershire that cannot be met from land allocated in this plan, the Council will consider favourably proposals that meet the identified need in appropriate locations subject to the proposal:

The policy then goes on to list three site-specific characteristics (a, b and c) which should also be met. If the requirements of Ec2(2) are met, the development is also required to accord with the further site-specific criteria (i) to (vi) of Policy S3.

Policy Ec2(2) states that immediate need or demand for additional B class employment land must be demonstrated. ‘Immediate’ in this context can be interpreted as meaning ‘arising now’. ‘Need’

correlates to a policy requirement identified through the plan-making process to ensure that the future needs of an area are adequately addressed. ‘Demand’ could be in the form of a request from potential future users or could be to address a gap in the supply of premises in the district. In other words it relates to ‘market demand’. The policy requires need or demand to be demonstrated; it is not necessary to demonstrate both.

Employment Land Supply

The proposals will provide for strategic-scale B8 (defined as units of 9,000sqm and above) and, potentially, a proportion of (former) B1c/B2 uses.

Note – changes to the use classes order came into effect on 1st September 2020. Uses which previously fell within the B1 use class now fall within the new Use Class E along with shops and cafes/restaurants. Use Classes B2 and B8 are unaffected by these recent changes.

It is understood that applications submitted before 1st September 2020 (such as this one) should be determined on the basis of the old use classes. Commentary on the implications of the changes for this application is included at the end of this advice.

This advice will continue to refer to the old use classes so that it is consistent with the studies and reports that it relies upon.

Need for B class land (excluding Strategic B8)

The district’s need for new B class land (excluding strategic B8) for the period 2011-31 was quantified in the Housing & Economic Development Needs Assessment 2017 (HEDNA)¹. These requirements are expressed as minimum requirements. Based on this assessment and the monitoring of completed and committed developments since 2011, the need/supply position at April 2020 is as follows;

	B1a/b (Ha)	B1c/B2 (Ha)	Small B8(Ha)	TOTAL (Ha)
HEDNA requirements 2011-2031 (excluding strategic B8)	44.7	3.3	16.8	64.8
Completions 2011-2020	8.1	2.7	8.9	19.7
Under construction at 31st March 2020	1.5	0.5	0.1	2.1
Allocated	5.3	5.3	5.3	15.9
With permission at 31st March 2020	10.2	12.2	14.6	37.0
Residual requirement up to 2031	19.6	-17.4	-12.0	-9.8
Allowance for potential loss of employment land				10.0
Residual requirement up to 2031	19.6	-17.4	-12.0	0.2

Based on the above, there is an over-provision of land for both B1c/B2 and small scale B8 and an under-provision of land for B1a/b. Taken collectively, and when an allowance for the potential loss of existing employment sites to other uses is factored in, this leaves a small net requirement of 0.2ha. In December 2020, Planning Committee resolved to grant permission for B class uses on land at Stephenson Way, Coalville (20/00330/FULM) subject to the completion of a s106 agreement.

¹ The requirement figures are those found in tables 80 and 82 of the HEDNA. Table 83 of the HEDNA rounds these to whole figures

Assuming the agreement is signed, this would add 3.31ha supply to the above figures and the residual requirement would turn to an overall surplus of 3.1ha.

The current application does not include offices (B1a/b) as one of the potential uses so it will not address the shortfall in the supply of those type of premises.

The application could contribute up to 18,500sqm (est. 4.1ha) of B1c/B2 which, if permitted, would result in a small overall surplus of 3.9Ha (equating to 5%) over the minimum requirement set out in the HEDNA . With the inclusion of the Stephenson Way application as well, this would become 7.2ha (equating to 9.6%).

Strategic B8 needs

Strategic B8 is categorised as warehousing/distribution units of 9,000sqm and above. The Leicester and Leicestershire Strategic Distribution Study (2016 update) assesses the need for additional strategic B8 land and it presents the findings on a county-wide basis. The table below shows these requirements (road and rail combined) and the supply which has been achieved in this district since 2011 (completions, under construction and consents). These figures include the ex-Lounge site which has an extant planning permission dating from 2012.

A	Strategic B8 requirement 2011 – 2031 (HMA wide)	361.0 Ha
B	Strategic B8 requirement 2011 – 2036 (HMA wide)	472.0 Ha
C	NWL strategic B8 Completions April 2011 - April 2020	115.5 Ha
D	NWL strategic B8 Under construction at 31st March 2020	146.5 Ha
E	NWL strategic B8 With permission at 31st March 2020	159.9 Ha
F	NWL strategic B8 Total provision (C+D+E)	422 Ha
G	Residual requirement (HMA wide) 2011-2031 (A-F)	-61.0 Ha
H	Residual requirement (HMA wide) 2011 – 2036 (B-F)	50.0 Ha

This shows that the level of provision in NWL alone exceeds the requirements to 2031 without taking into account the supply in the other districts/boroughs. Growth of the sector has surpassed what was forecast at the point the Study was undertaken and could be taken as an indicator of the strength of the market. Importantly, the Study signals that the need figures should be viewed as minimum requirements and should not be treated as a cap on provision.

Therefore, the need/supply position described above for both B1c/B2 uses and strategic B8 uses are not, on their own, sufficient to rule out the proposed development. Further, the test in Ec2(2) is to demonstrate need or demand, not both.

The Strategic Distribution Study (2016) identified a number of Key Areas of Opportunity (KAO) across Leicester & Leicestershire. These were defined by having regard to a series of criteria to define “*areas across Leicestershire [and the East Midlands region] where new commercially attractive logistics sites should be located*”. Within North West Leicestershire 3 KAOs were identified:

- KAO C - East Midlands Airport to south Derby corridor (rail and road served)
- KAO E - M1 North corridor (road served)
- KAO F - M42/A42 corridor (road served)

The application site is located within KAO C. It is within a key transport corridor identified as attractive to the market as well as being well related to the M1 and M42/A42 corridors denoted as

KAO E and F respectively. Further, the Study went on to distinguish between the 'Best KAO' and 'Good KAO'. KAO C was included in the 'Best' category.

This area has already been the focus of significant development activity, including the East Midlands Gateway where Segro is in the process of delivering 557,400sqm of strategic B8 floorspace and East Midlands Distribution Centre where there is consent for some 53,000sqm of strategic B8 (which are included in the supply figures above). The application site falls within an established area for strategic distribution where the market is keen to locate and where there is a pipeline supply of land with planning permission. The extent to which this pipeline supply matches segment of market demand which this application purports to target is explored in the next section.

Demand

G L Hearn (/Iceni) was commissioned by the council to provide an evaluation of the employment land evidence submitted with the application. The consultants were asked to conclude whether the proposal meets the demand test in the first part of Policy Ec2(2) (as quoted above). The assessment looked at;

- The strategic distribution market (units >9,000sqm)
- The specific segment of the market that the development intends to target- units of 9,000-15,000sqm
- The more local market for B1c/B2 units

With respect to the strategic distribution market GLH found the following;

- North West Leicestershire sits within the 'golden triangle' in the country where there is a concentration of large-scale warehousing premises serving the national distribution network. Historically, demand from the logistics sector has been high in Leicester and Leicestershire and more recently there has been considerable activity in North West Leicestershire specifically including at East Midlands Gateway, East Midlands Distribution Centre and in the Bardon area as well as the forthcoming Jaguar Land Rover development at J11 M42.
- Covid 19 is likely to trigger a short-term interruption in the demand (and supply) for large scale distribution floorspace but demand is expected to return more strongly as growth in on-line shopping accelerates
- Comparing the supply of strategic B8 floorspace and recent take up rates reveals that;
 - The supply of units which are immediately available for occupation (so called 'direct supply') is quantified as 0.7 years' worth of supply and this is described as 'very tight'. The position for Leicester & Leicestershire as a whole is similar (0.9 years).
 - The supply of land with planning permission ('indirect supply') is measured at 2.8 years for NWL and 5.7 years for Leicester & Leicestershire.
 - At 5%, the vacancy rate is indicative of a low level of market choice for those wanting to occupy B8 premises in the district. GLH report that markets generally require a rate of between 5-10% for optimal choice and churn.
 - There is no current direct supply in the district of units of the size range 10-20,000sqm. This is the market segment which this application proposes to target. The equivalent supply for Leicester & Leicestershire is 'tight' at 1.3 years.

GLH assess that the site's characteristics will make it attractive to the strategic distribution market; it has excellent motorway accessibility and it is close to the logistics hubs at and around the airport suiting distribution firms who seek the operational benefits of locating close to similar firms.

If the development were built speculatively as the applicants propose, GLH agree that it would generate a supply of premises available for immediate occupation (direct supply). However, they also point out that the planning system has limited powers to ensure that the proposed units would indeed be built speculatively.

With respect to the provision of B1c/B2 units, GLH find that;

- At 0.2 years the supply of immediately available units is described as 'very limited' but there is a good pipeline supply of sites with planning permission (indirect supply) of some 5.5 years
- These uses are less tied to this particular site, although proximity to the airport and the logistics cluster there may drive some demand
- Agents confirm that the market in North West Leicestershire, and Castle Donington in particular, is primarily driven by the demand for strategic scale distribution and not for B1c/B2 uses.

Policy Ec2

Turning to the different aspects of Policy Ec2(2) in turn;

Where evidence indicates an immediate need or demand for additional employment land (B1,B2,B8) in North West Leicestershire...

As outlined above, the level need for strategic B8 floorspace identified through the Leicester & Leicestershire Study (2017) to 2031 has been achieved. These need figures are expressed as a minimum however and should not be viewed as a limit which cannot be exceeded.

The need for B1c/B2/small scale B8 assessed through the HEDNA has also been substantially met but again this is presented as a minimum requirement. At April 2020 there is a small shortfall in total requirements but this is in the main as a result of a shortfall in B1a/b floorspace which this proposal would not address. The application, if granted, could contribute up to 18,500sqm/(est. 4.1ha) of B1c/B2 resulting in a small overall surplus against the total requirement of 64.8ha (2011-31).

Analysis of the commercial logistics market by the council's consultants concludes that there is current demand for strategic distribution units of the size this application could provide. Whilst there are extant planning consents in the East Midlands Airport-south Derby corridor at EMDC and EMG, these are for larger scale units and not the mid-size units which is the application's purported target market.

The need/demand test in Policy EC2(2) applies to the North West Leicestershire area. It is apparent from the analysis by GLH that there is a gap in the portfolio of strategic distribution premises in the district which the application proposal could help to address. This gap is evident now and fulfils the requirement for 'an immediate demand' under the terms of the policy.

The market analysis of the B1c/B2 aspect of the proposal finds that the demand for these uses in this location is less apparent, particularly as the market for strategic distribution dominates commercial activity here. The overall supply of B1c/B2 floorspace is judged by the council's consultants to be healthy although there is a very limited supply of units available for immediate occupation which this application could help to address. Some demand may arise from industrial businesses

gravitating towards the logistics hub at the airport. Further, there could be wider planning benefits from incorporating a range of these other uses in terms of overall flexibility and the delivery of a more mixed form of development.

...that cannot be met from land allocated in this plan...

The Money Hill allocation in the adopted Local Plan provides for up to 16ha of employment development. The site was planned to meet the needs arising from the HEDNA, (i.e. not strategic B8). It could be an appropriate location for the B1c/B2 element of the proposal however it is not currently sufficiently advanced through the planning process to meet an 'immediate' demand.

Whilst not allocated as such, two sites listed in Ec1 – Employment provision: permissions are identified in the Local Plan as suitable for B8 uses. Taking these in turn, the Lounge site at Ashby de la Zouch (Ec1a) is currently blighted by the route of HS2 and the extant consent cannot realistically be implemented in full. Whilst there is a current planning application under consideration for a revised proposal, this shows an indicative layout for either a single unit of 63,922sqm B8 or two units of 36,000sqm and 19,290sqm not the medium sized units the application proposal aims to provide. The site is also in a different part of the district and its principal connection would be to M42/A42 corridor (KAO F).

Part of the site at Sawley Crossroads (Ec1c) is being used as a distribution centre for Aldi. The outline consent on the remaining part of the site is for some 14.8ha of B8 but this is reserved for a further extension for Aldi so is not available to another occupier as an alternative to the application proposal.

...the council will consider favourably proposals that meet the identified need in appropriate locations...

The site is located within an area which has been identified in the Strategic Distribution Study as one of the locations in the county where strategic scale distribution should be directed. In these terms it is in a prime location for strategic distribution. It is well connected to three transport corridors (M42/A42; A50; M1). It is also in close proximity to the distribution hubs at East Midlands Airport and GLH report that this can generate agglomeration benefits for the businesses locating there. Taking these factors together the location is judged to be an appropriate one for the uses proposed.

Site-specific matters impacting on the appropriateness of the site should be assessed as part of the detailed consideration of the application.

(a) Being accessible or will be made accessible by a choice of means of transport, including sustainable transport modes...

There are bus stops to the west of the site on Station Road which also serve the Willow Farm Business Park. Services from these stops run to Coalville, Leicester, Kegworth and East Midlands Airport to the south and Derby and Nottingham to the north. The access strategy plan submitted with the application proposes that additional bus stops will be located within the site and from the LCC Highways consultation response it appears that the applicants are in discussions with bus operators to improve the bus services to the site. The access plan also shows existing and proposed cycle links along Station Road and A50.

The views of the highway authority will be an important consideration in this respect of this criterion.

(b) Having good access to the strategic road network...

As indicated above, the site is considered to have good access to the SRN.

(c) Not being detrimental to the amenities of any nearby residential properties or the wider environment

No comments are made from a policy perspective in respect of this factor. This is a matter for the detailed consideration of the proposal's impacts.

The consideration then moves onto the further requirements of Policy S3 (i)-(vi).

(i) the appearance and character of the landscape...

This is a matter for the detailed consideration of the proposal's impacts.

(ii) it does not undermine.....separation and open undeveloped character between nearby settlements... (including) through development on isolated sites...

The site is sited immediately to the south of the J1 of A50. According to the parameters plan, the developed areas of the site will be to the immediate south and south east of the junction; the land to the west on the approach to Willow Farm Industrial Estate and beyond that Castle Donington will be retained as open land and used as flood mitigation. The development would be divorced from settlement boundaries and to that extent could be considered to be isolated. Balancing against this, the nature of the use is such that access to the SRN is critical (as discussed elsewhere) and a location which is removed from other development helps to limit potential disturbance.

The issue of separation is a site-specific matter and, from a policy perspective, no comments are made other than to note that the issue was discussed in the recent appeal decision at Carnival Way.

(iii) it does not create or exacerbate ribbon development

This criterion is complied with.

(iv) built development is well integrated with existing development and existing buildings...

As discussed above, the development would be removed from other development and not integrated with the established settlement pattern.

(v) ...vitality and viability of existing town and local centres...

The proposal does not include town centre uses as defined in the NPPF and this criterion is considered to be met.

(vi) ...accessible, or will be made accessible, by a range of sustainable transport

This aspect is considered above (Ec2(2)(a)).

Cumulative considerations

Another application has been submitted at a site on Netherfield Lane. The proposal description is “Demolition of existing structures and the erection of a new building to accommodate up to 78,967sqm of storage and distribution (Use Class B8) and ancillary office (Use Class B1) floorspace, with associated infrastructure including access, parking, servicing and landscaping (outline - all matters other than part access reserved)”. The application documents signal that the development will focus on a similar segment of the strategic B8 market to the J1 A50 application being units of 78,000-134,000sqft (equivalent to approximately 7,200-12,450sqm).

If both were permitted, this would add approximately 13.3Ha to the supply of HEDNA uses (equating to an estimated surplus of 17.5%) and 24.2ha to the strategic distribution supply. However, as discussed above, these requirements in the HEDNA and the Strategic Distribution Study are expressed as minimum figures and are not a limit which cannot be exceeded.

Granting both applications would add considerably to the supply of mid-size units with the effect that the two sites would be in competition with each other for occupiers. As a result, they may take longer to become fully occupied, although this is an observation rather than a planning consideration.

Further, a strict reading of the policy would mean that the granting of consent for one proposal would not necessarily remove the need/demand justification for the second. Policy Ec2(2) reads;

‘Where evidence indicates an immediate need or demand...that cannot be met from land allocated in the plan’. (my emphasis)

Granting consent on one of these candidate sites would not change the alternative sites test for the other; the alternative sites to consider would still be those listed in Ec2 and, for completeness, Ec1.

Other relevant policies

The site falls within the East Midlands Airport Safeguarded Area and is subject to the consultation requirements set out in Policy Ec5.

Changes to the use classes order

As a result of the recent changes to the Use Classes Order, there is a prospect that light industrial use could be changed to another within Class E without the need for any additional planning control. This is important because a) justification for this proposal is linked to the demand for industrial/distribution floorspace and b) the impacts of, for example, a retail use on this site could be significantly different to what is proposed in the current application and the best way to test this would be through a planning application.

For this reason, it is suggested that if the application is to be approved, condition/s are added to specify the permitted uses in words to include ‘light industrial’.

Overall conclusion

The need/demand justification for the proposed development has been assessed against current employment land requirements and market considerations.

With respect to need, there is a small numerical shortfall in the overall supply of B class employment land (excluding strategic B8) based on the findings of the HEDNA. This application, if approved, would result in this overall need being met, and exceeded to a degree. The supply of strategic warehousing has surpassed the need to 2031 identified in the Strategic Distribution Study.

However, outputs from both the HEDNA figures and the Strategic Distribution Study are expressed as minimum figures. Exceeding these figures is not, of itself, a reason to resist this proposal.

Furthermore, only one of need or demand have to be satisfied, not both.

Expert consultants with a sound understanding of the local, regional and national distribution market advise that there is an identifiable demand for the medium sized strategic warehousing units which the application purports to target and, for this element, the demand test in Policy Ec2(2) is met. The case for B1c/B2 uses is less clearly made; the current shortfall in needs is very modest and is predominantly linked to a district under-supply in office floorspace. Demand for these uses is also less tied to this specific location although there may be demand from businesses which want to locate close to the airport and its associated uses. Further, incorporating this aspect of the proposal may be beneficial in terms of overall flexibility and development mix.

Further requirements in Policy Ec2 are found to be met, or are capable of being met, but require detailed site-specific assessment Concerns about the location of the site in the countryside would need to be balanced against the locational requirements of strategic scale distribution.

Paragraph 82 of the NPPF also provides support for the application as it indicates that provision should be made for “storage and distribution operations at a variety of scales and in suitably accessible locations”.

On this basis there are no policy objections to the application subject to the detailed matters in Policy Ec2 and S3 being found to have been satisfied.

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16 November 2020