LAND EAST OF J11 M40, BANBURY

ECONOMIC BENEFITS OF DEVELOPING NEW WAREHOUSE SPACE

OUTLINE PLANNING APPLICATION FOR THE CONSTRUCTION OF UP TO 140,000 SQM OF EMPLOYMENT FLOORSPACE (USE CLASS B8 WITH ANCILLARY OFFICES AND FACILITIES) AND SERVICING AND INFRASTRUCTURE INCLUDING NEW SITE ACCESSES, INTERNAL ROADS AND FOOTPATHS, LANDSCAPING INCLUDING EARTHWORKS TO CREATE DEVELOPMENT PLATFORMS AND BUNDS, DRAINAGE FEATURES AND OTHER ASSOCIATED WORKS INCLUDING DEMOLITION OF THE EXISTING FARMHOUSE. ALL MATTERS OF DETAIL RESERVED.

GREYSTOKE CB

Date: May 2022

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EXECUTIVE SUMMARY

Background

This report has been produced on behalf of Greystoke CB and provides details on the economic benefits of developing the site on land east of J11 M40, Banbury. The scheme will see up to 140,000 sq. m. of B8 warehousing space developed and related amenity building. This will make a significant long-term positive contribution to the Cherwell economy, as well as supporting one of the fastest growing sectors of the economy.

The Importance of the Logistics Sector

Logistics is one of the largest sectors in the country, directly supporting at least 1.5million jobs in Great Britain in 2020. Between 2015 and 2020, jobs in transport and storage increased by 180,000, making it the fastest growing sector in Great Britain. The sector also generates an estimated £81billion in gross value added (GVA) for the UK economy in 2019. Logistics has a significant presence and in Cherwell the sector supported 4,500 jobs in 2020 – around 5.2% of the area's total employment base.

Meeting the need for Large-Scale Logistics Space

Demand for warehousing space in the South East remains strong. It has the third highest take up in the UK at 12.9%, with take up of 8.26million sq. ft in 2020. This is a 21% increase above the 5-year average for the South East and 160% above figures that were seen in the region ten years ago.

The rise of e-commerce is having an impact on occupier requirements, with online sales now accounting for almost 27.1% of all retail sales. This is leading to increased demand for large-scale warehousing space in excess of 250,000 sq. ft. Despite the growing need for such accommodation, evidence suggests that there are difficulties when it comes to obtaining suitable sites for large hubs or focused distribution nodes.

The scheme will also deliver long-term economic benefits to the Cherwell economy, many of which are unlikely to be realised if it is not developed. Given the size and scale of the scheme, it is also not unreasonable to assume that it will attract global operators, as well as encouraging further private sector investment from facilities that can support the site – including hotels, leisure and retail.

Economic Benefits Created by the Scheme

Contribution to employment & wages

- An estimated **1,132** temporary jobs could be supported per annum during the build phase. This includes on-site roles and jobs in the wider supply chain.
- Around **1,914 full-time equivalent jobs** (FTEs) are expected to be supported on-site once the scheme is built and operational.
- Estimated wages paid to workers at the site amount to **£63.7million** per annum.

Contribution to economic output & business rates

- The build phase is estimated to generate around **£126.2million** of economic output (current prices).
- Once built and operational, the contribution to economic output by the scheme is estimated at **£602million** over a 10-year period (present value[1]).
- Business rates generated by the scheme are estimated at **£3.5million** per annum, a proportion of which will be available locally to invest in local services.

Increased local expenditure on goods & services

- The construction jobs created by the scheme will generate an estimated **£0.14million** of local expenditure in Banbury over the build timeframe. This relates to spend by workers on lunch, top-up groceries etc.
- Once operational, the scheme will result in an additional **£0.96million** of spend per annum on retail, leisure and services within Banbury.

Providing jobs at a range of skill levels

- An estimated **471 on-site jobs** will be for people with a degree or higher.
- A further **403 on-site jobs** will be for people with A levels or equivalent.
- Around **118 on-site jobs** could require no formal qualifications.

[1] Where future benefits are calculated over a 10-year timeframe, they have been discounted to produce a present value. This is the discounted value of a stream of either future costs or benefits. A standard discount rate is used to convert all costs and benefits to present values. Using the Treasury's Green Book, the recommended discount rate is 3.5%.

- The further **922 on-site jobs** would require other qualifications.

The scheme will also contribute towards developing the Oxford-Cambridge arc which the UK government has identified as a high growth area.

The main quantifiable benefits of the Proposed Development are summarised in an infographic on the next page.

P21-3302

Economic Benefits

Land east of J11, **M40, Banbury**

Construction of **140,000 sq. m.** of warehousing space

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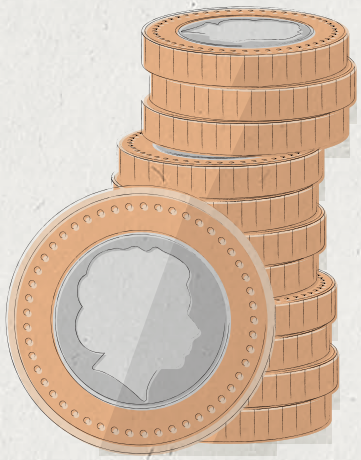
Construction Benefits

£0.14 million

Additional local expenditure by construction employees on goods & services during the 18-month build phase (current prices) ❶

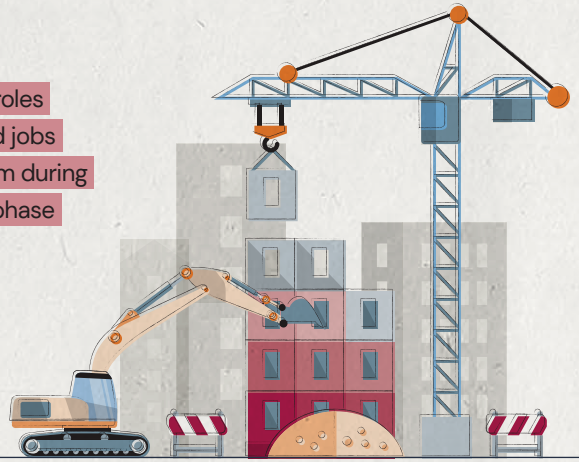


£126 million

Economic output generated during the build phase (current prices)

1,132

Direct construction roles and indirect/induced jobs supported per annum during the 18-month build phase



Operational Benefits

Up to £64 million

Estimated wages paid to workers at the site per annum

Up to £70 million

GVA contribution per annum (current prices) ❷

Up to 1,914

Full-time equivalent jobs supported on-site

Jobs at a variety of skill levels

24.6%

Of jobs at degree level or higher

21.0%

Of jobs with A-levels or equivalent

6.2%

Jobs requiring no formal qualifications

£0.96 million

Additional annual local expenditure on goods & services in Banbury by people working at the site

Up to £3.5 million

Business rates payable per annum

❶ Comprising sales, customer service, catering, hospitality and leisure provision.

❷ GVA, or gross value added, is the measure of the value of goods and services produced in an area, sector or industry.

1. INTRODUCTION

Scope and Purpose

1.1 This report has been produced on behalf of Greystoke CB and provides details on the economic benefits of developing the site at land east of J11 M40, Banbury. The scheme will see up to 140,000 sq. m. of B8 warehousing space developed and related amenity building at a cross boundary site covering Cherwell and Northamptonshire. The main impacts quantified are:

- Job creation & contribution to economic output.
- Business rates generated.
- Increased local spend on goods and services.
- The range of skill levels that the scheme will cater for once built and operational.

1.2 Supplementing the impact analysis, an overview of the logistics sector is provided in order to set the context for the proposed scheme and to show how it can meet occupier requirements.

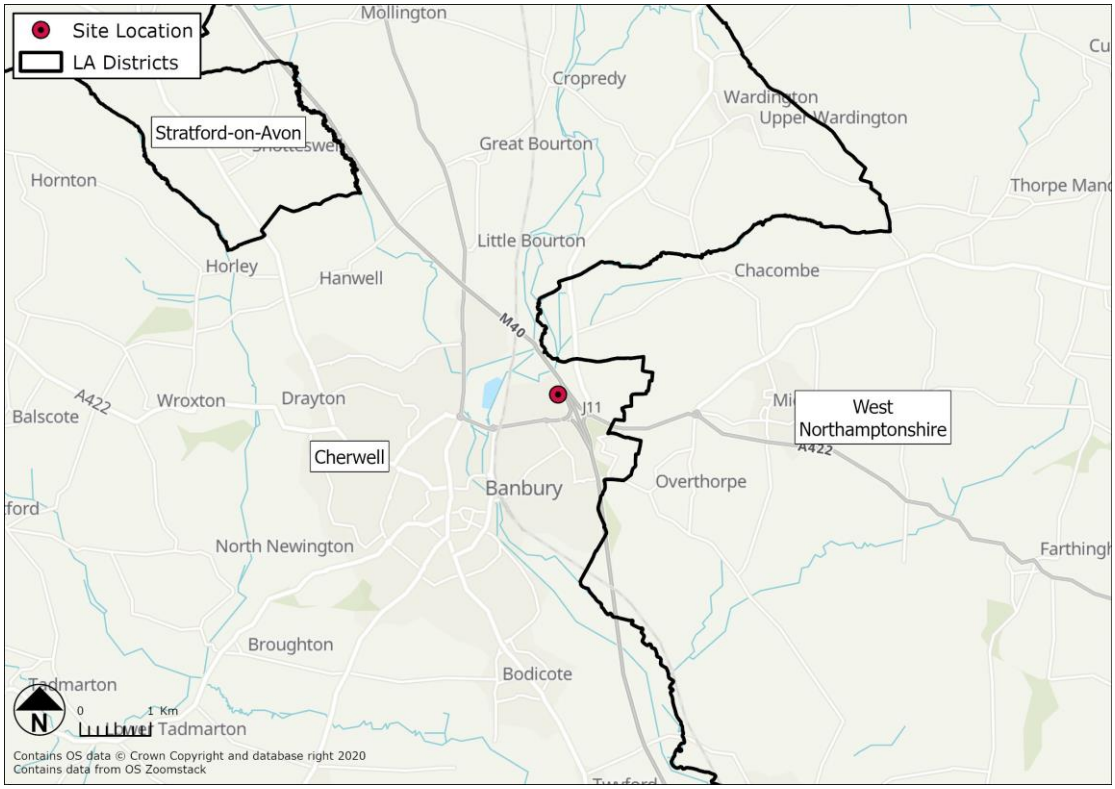
Report Structure

- **Section 2** looks at the importance of logistics to the national, regional and local economy and at how the rise of e-commerce is shaping occupier requirements.
- **Section 3** looks at the demand for warehousing space at a national, regional and local level and the drivers of growth in the logistics sector.
- **Section 4** summarises the construction phase benefits and looks at the employment created by the scheme and the gross value added that could be generated whilst it is being built.
- **Section 5** summarises the employment opportunities once the scheme is fully built and operational and the contribution made by the scheme to economic output, business rates and wages.
- **Section 6** looks at the uplift in local expenditure on goods and services associated with the scheme.
- **Section 7** considers the extent to which the scheme provides jobs at a range of skill levels.
- **Section 8** looks at how the scheme supports sub-regional economic development objectives.

2. THE IMPORTANCE OF THE LOGISTICS SECTOR

2.1 The proposed scheme will see up to 140,000 sq. m. of B8 warehousing space developed Cherwell. This sections looks at the importance of logistics at a national, regional and local level, and how the economy Cherwell has performed in recent years. Figure 2.1 plots the site location.

Figure 2.1: Site Location

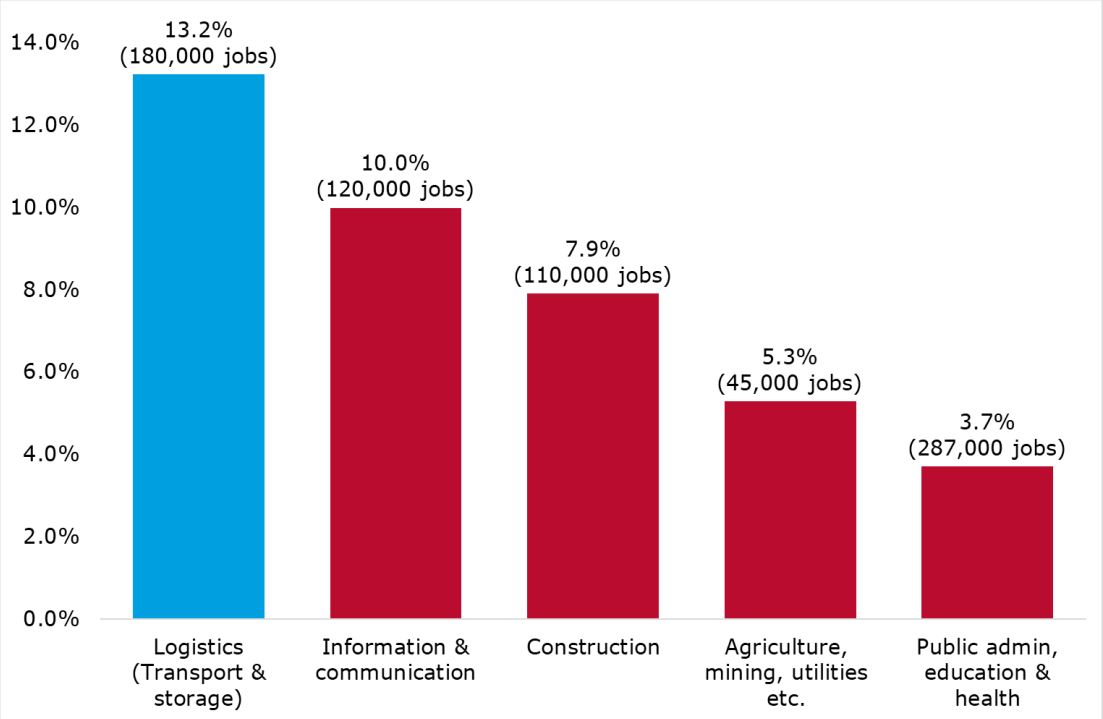


Contribution of Logistics to the National Economy

2.2 Logistics is one of the largest sectors in the country, directly supporting at least 1.5million jobs in Great Britain as of 2020[2]. Between 2015 and 2020 the number of logistics jobs increased nationally by 13.2%, equating to 180,000 new opportunities and making logistics the fastest growing sector in the country in terms of employment (see Figure 2.2).

[2] Jobs data sourced from the Office for National Statistics (Business Register & Employment Survey) for the transport & storage sector.

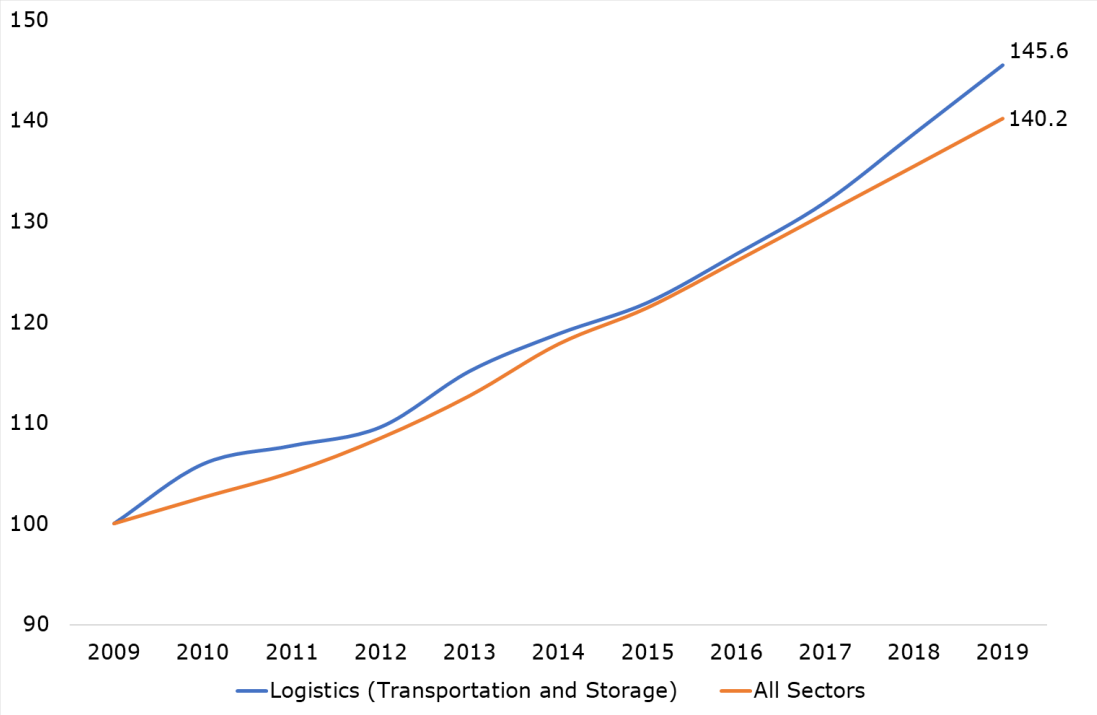
Figure 2.2: Top Five Growing Sectors for Jobs in Great Britain, 2015-20



Source: ONS

2.3 The sector also makes a significant contribution to economic output, generating an estimated £81billion of gross value added (in 2016 prices) for the UK economy in 2019. The GVA contribution made by logistics has increased significantly over the long-term – by 45.6% (£25.4billion) since 2009. This growth rate was higher than the growth of GVA across all sectors of the UK economy (40.2%). Figure 2.3 shows this in more detail.

Figure 2.3: Growth of GVA in Logistics and All Sectors of the UK (2009=100)



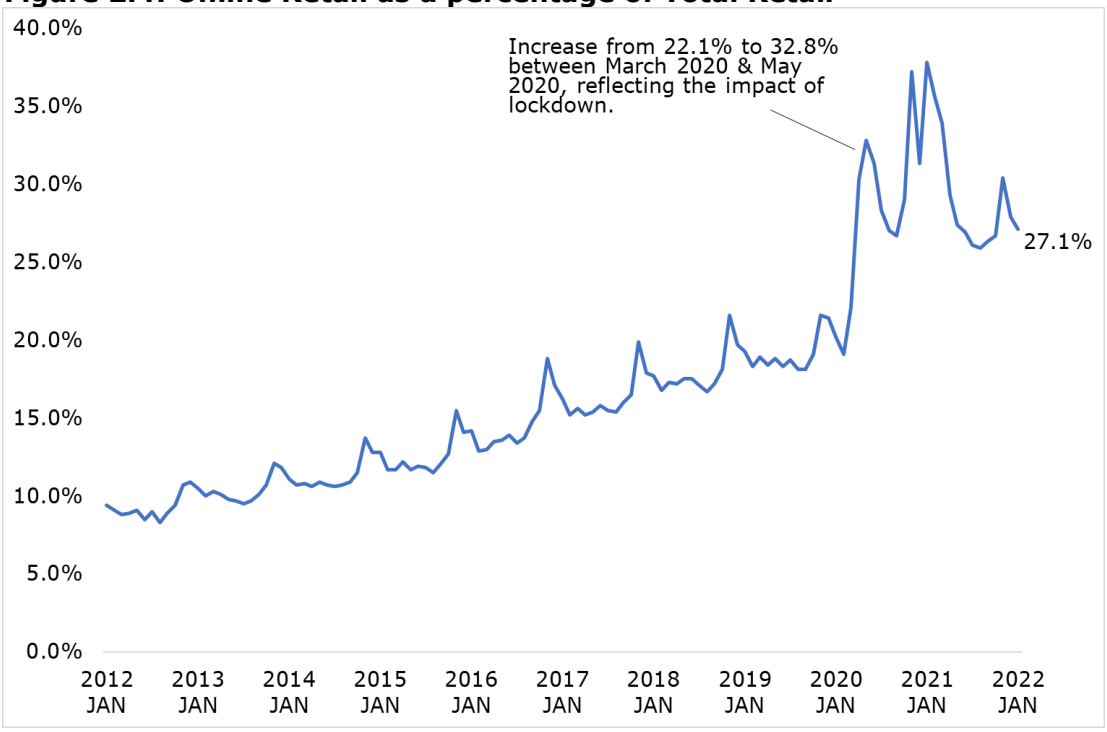
Source: Office for National Statistics

Growth in Online Shopping and its Impact on Logistics

2.4 The most recent retail sales analysis published by ONS shows that online sales accounted for 27.1% of all retailing in January 2022. This was up from 9.4% in January 2012.

2.5 To put the rise of online sales into context over the last decade, Figure 2.4 shows the change in online retail as a percentage of total retail for the last decade (2012-2022). The Covid-19 pandemic has had a large impact on online retail as between March 2020 and May 2020 during the first national lockdown, online sales increase from 22.1% to 32.8%. This was seen again in November 2020 during a second national lockdown where online sales reached 37.2%. This proportion has decreased as lockdown rules were relaxed; however online sales are still above their pre-pandemic levels at 27.1%.

Figure 2.4: Online Retail as a percentage of Total Retail



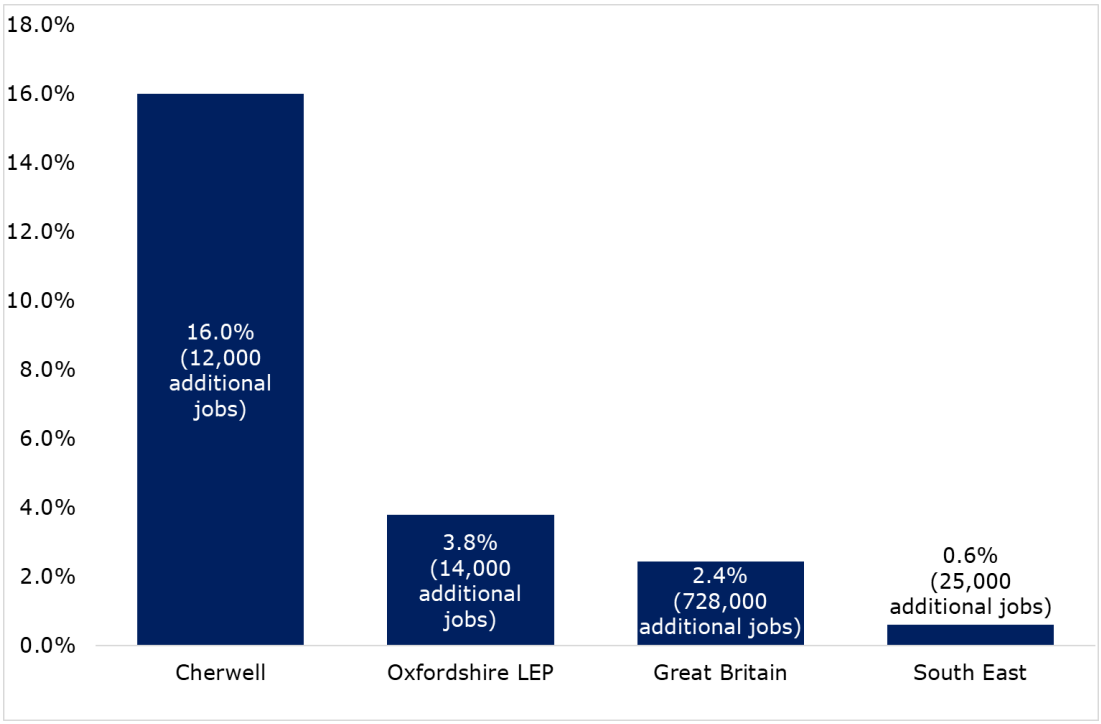
Source: ONS

Cherwell Economic Overview

Employment

2.6 A review of Cherwell's labour market helps to provide some context as to how the proposed scheme will support growth of the area's economy. In absolute terms, Cherwell saw job numbers increase by around 12,000 between 2015 and 2020 (growing from 75,000 to 87,000 – see Figure 2.5). In relative terms, this equated to a rise of 16% – the highest percentage growth figure for any South East local authority. Cherwell's jobs growth from 2015-20 was higher than that for Oxfordshire LEP (3.8%), Great Britain (2.4%) and the South East (0.6%).

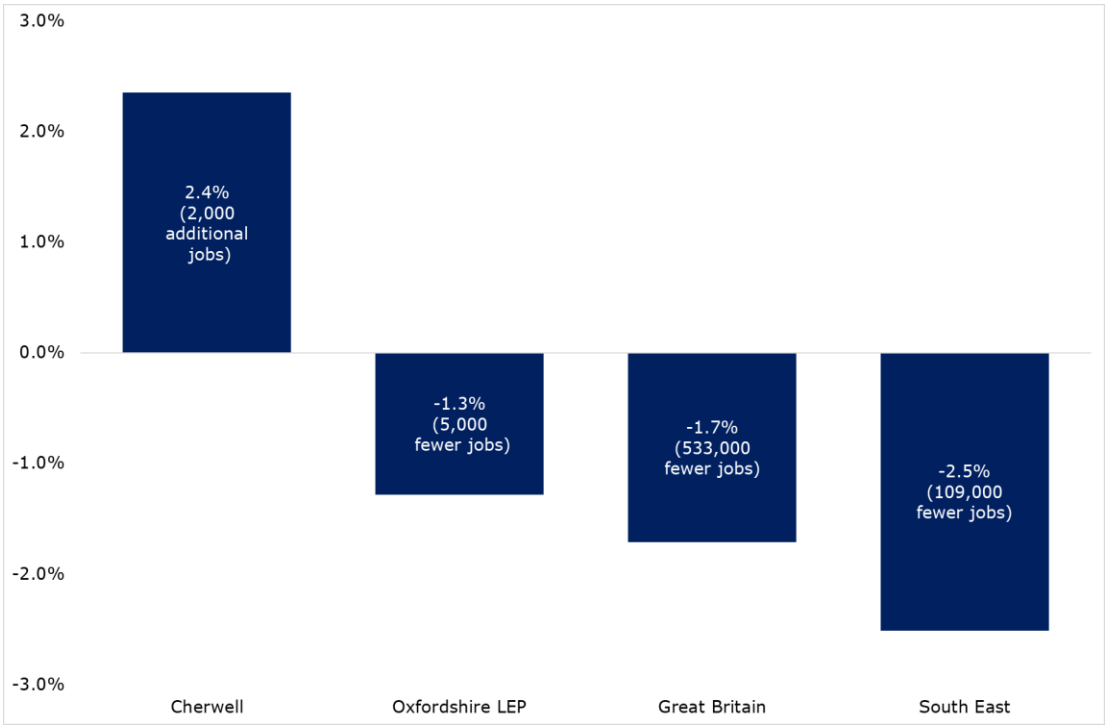
Figure 2.5: Employment Change, 2015-20



Source: ONS, Business Register & Employment Survey

2.7 Data for 2019-20 show the impact of the Covid-19 pandemic on the labour market. Between 2019 and 2020 Cherwell saw jobs growth of 2.4%, which equates to an additional 2,000 jobs (see Figure 2.6). Oxfordshire LEP (-1.3%), Great Britain (-1.7%) and the South East (-2.5%) all experienced declining employment over the same timeframe. The proposed scheme will therefore be helping Cherwell to continue its strong labour market performance as it continues to grow following the Covid-19 pandemic.

Figure 2.6: Employment Change 2019-20



Source: ONS, Business Register & Employment Survey

2.8 Table 2.1 shows employment shares by broad sector in Cherwell, Oxfordshire LEP, the South East and Great Britain as of 2020. In terms of transport & storage jobs in Cherwell, the sector most likely to benefit from the proposed scheme, the sector accounted for 5.2% of total employment and supported 4,500 jobs in 2020. This makes it relatively small when compared to other South East authorities – for example, the 2020 jobs figures for Crawley and Milton Keynes were 24,000 and 16,000 respectively. However, the share of 5.2% is higher than the figures for Oxfordshire LEP, the South East and Great Britain of 3.7%, 4.6% and 5% respectively.

2.9 The transport & storage sector grew in Cherwell in terms of job numbers between 2015 and 2020 by 1,000 roles (growth of 28.6%). Along with construction, this was the second highest growing sector in Cherwell between 2015 and 2020, behind business, financial and professional services which grew by 36.2%. While transport & storage in Cherwell is smaller when compared with other South East local authorities, it is a growing sector and this trend is likely to continue in the coming years given how strong logistics is performing nationally.

Table 2.1: Employment Share by Sector, 2020

	Cherwell	Oxfordshire LEP	South East	Great Britain
Agriculture, mining, utilities etc.	2.8%	2.2%	2.6%	2.9%
Manufacturing	10.4%	6.8%	6.2%	7.7%
Construction	5.2%	5.7%	6.0%	4.9%
Wholesale & retail	20.9%	13.6%	15.3%	14.7%
Transport & storage	**5.2%**	**3.7%**	**4.6%**	**5.0%**
Accommodation & food services	5.8%	6.8%	7.2%	7.1%
Information & communication	2.9%	5.5%	6.0%	4.3%
Business, financial & professional services	22.9%	22.2%	21.5%	22.7%
Public admin, education & health	20.3%	29.7%	25.7%	26.3%
Arts, entertainment, recreation & other services	3.5%	3.9%	4.9%	4.3%

Source: ONS, Business Register & Employment Survey

Business Count

2.10 Table 2.2 shows the change in the number of businesses in Cherwell between 2011 and 2021. It also presents the change for comparator areas of Oxfordshire LEP, the South East and Great Britain. The number of businesses in Cherwell grew by 17.7% from 2011-21, equating to 1,260 new companies. This was behind the growth seen in the South East (23.4%) and Great Britain (27%) but above the increase of 13.7% for Oxfordshire LEP. The Proposed Development will support business numbers in Cherwell to grow, bringing it more in line with regional and national trends.

Table 2.2: Change in Business Numbers, 2011-21

Area	2011	2021	Absolute Change	% Change
Cherwell	7,125	8,385	1,260	17.7%
Oxfordshire LEP	32,930	37,445	4,515	13.7%
South East	390,460	481,780	91,320	23.4%
Great Britain	2,464,265	3,130,100	665,835	27.0%

Source: ONS, UK Business Count

Claimant Count

2.11 The most accurate measure of unemployment at the current time is the claimant count, which counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work.

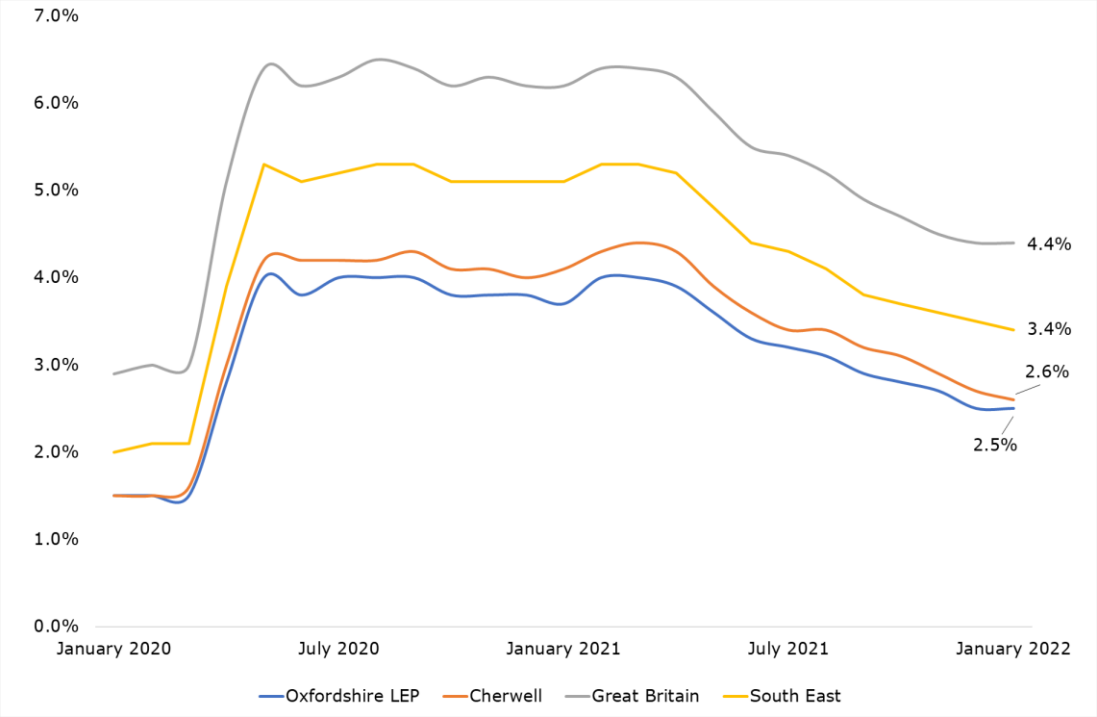
2.12 Figure 2.7 shows the claimant count as a proportion of people aged 16-64 in Cherwell, Oxfordshire LEP, the South East and Great Britain for the period January 2020 to January 2022, for all residents aged 16+. A sharp rise is evident in the claimant count between March and April 2020, which will be down to the impact of Covid-19. This is down in part to more people claiming unemployment-related benefits and also because of changes made to the system by government which means more people are eligible to claim benefits. Further details on this are provided below.

2.13 ONS state that enhancements to Universal Credit as part of the UK Government's response to the coronavirus mean that an increasing number of people became eligible for unemployment-related benefit support despite still being in work. Consequently, changes in the claimant count will not be wholly because of changes in the number of people who are not in work. It is not possible to identify to what extent people who are employed or unemployed have affected the numbers.

2.14 In January 2020, the claimant count in Cherwell was 1.5% and by January 2022 it had risen to 2.6%, this represented an increase of 1,045 more people claiming benefits. The claimant count in Cherwell is below that of the South East (3.4%) and Great Britain (4.4%) as of January 2022. It is slightly higher than the 2.5% recorded for Oxfordshire LEP.

2.15 Changes to the benefits system which came into force at the beginning of October 2021 may mean the claimant count starts to drop at a slightly faster rate, however it is still reasonable to assume that the legacy effects of the pandemic mean it will be higher than it was pre-March 2020. This makes it imperative that new job opportunities are created in all parts of the country over the next few years.

Figure 2.7: Claimant Count, Jan 2020-Jan 2022



Source: ONS, Claimant Count

Summary

2.16 In summary, logistics is one of the fastest growing sectors in the country in terms of employment, and the South East is an attractive location for occupiers. The substantial increase in e-commerce, which is forecast to continue, is expected to lead to further demand for large warehousing space. Cherwell should therefore be in a prime position to meet this demand.

2.17 As outlined in later sections of this report, the scheme will also deliver long-term economic benefits to the Cherwell economy, many of which are unlikely to be realised if it is not developed.

3. DEMAND FOR WAREHOUSING SPACE

Logistics in the UK

3.1 Demand for warehousing space in the UK has increased dramatically in recent years. For example, Savills reported that in 2020, 50.5million sq. ft. of new warehousing floorspace was leased[3]. This record is estimated to have been broken in 2021, with Knight Frank[4] estimating that logistics take up hit 66 million sq. ft.

3.2 Research by CBRE published in September 2021 shows that online retail accounted for more than 40% of total take up in the first half of 2021[5]. This has increased from around 20% in 2015-2017 and around 30% in 2018-2020. Productivity in the logistics sector is also projected to increase, with a report from the British Property Federation and Savills[6] predicting that it will increase by 29% between 2025 and 2029. This compares to a rise of 18% across the UK economy in the same time frame.

3.3 While online retail has been a key driver in the increase in demand for logistics, there has been a number of other factors driving growth in the sector including freight, data centre and near-shoring/re-shoring[7].

3.4 Research by CBRE found that at the end of Q2 2020, 82% of warehouse space under construction was already committed through pre-let agreements, as more businesses like to plan ahead for their expansion strategies and ensure they will have units that meet their needs[8]. More recently, CBRE[9] found that in Q4 2021 the vacancy rate for warehousing was extremely low at 1.58%, indicating significant supply side issues for the sector.

3.5 A large contributor to the increase in demand for logistics floorspace has been the Covid-19 pandemic. A change in consumer shopping habits as more people were shopping online as a result of lockdown restrictions, combined with a need for storage space for items such as PPE, has dramatically increased the need for warehousing.

[3] *Data: How the Pandemic has Supercharged the Warehouse Space Race*: Retail Week, April 2021. Available at: https://www.retail-week.com/supply-chain/data-how-the-pandemic-has-supercharged-the-warehouse-space-race/7039596.article?authent=1
[4] https://www.knightfrank.co.uk/blog/2021/12/21/uk-industrial-logistics-take-up-and-investment-hits-record-high-in-2021
[5] *Market Update: United Kingdom Logistics*: CBRE, September 2021.
[6] *Levelling up – the Logic of Logistics*: British Property Federation & Savills, January 2022.
[7] *Ibid.*
[8] *Market Update: United Kingdom Logistics*: CBRE, September 2021.
[9] *United Kingdom Logistics, Market Summary*: CBRE, January 2022

3.6 Online food shopping has also increased rapidly during the Covid-19 pandemic. With many people having to isolate or shield, demand for food delivery increased, increasing the need for warehousing space to store food for online orders. There was an increase in online food shopping prior to the pandemic, however when lockdown restrictions were put in place the online grocery sector saw years of growth in the space of a couple of months[10].

3.7 As reported by Reuters[11], warehousing was having sustained growth before the pandemic with the likes of large companies such as Amazon, and smaller businesses wanting warehousing space closer to consumers and areas of growth. This could be further impacted by changes such as Brexit, which has created obstacles for importers and exporters in the form of red tape and increased costs and tariffs as a result of new trading arrangements[12]. These changes could see businesses restructure their supply chains by keeping more stock in the UK close to domestic customers or sourcing materials from local suppliers, further increasing demand for UK logistics floorspace.

3.8 An outlook of the logistics market by Cushman and Wakefield[13] reports that this increase in demand for warehousing space is likely to continue into the future for several reasons which include:

1. Demographics and urbanization

Population growth and economic expansion will lead to increased levels of consumption and alongside the shift to e-commerce there is increasing need for stronger, more resilient, and more diverse supply chains to keep up with demand.

2. E-commerce expansion and growth

The increase in online retail and the increasing number of people having access to smart phones has accelerated growth in e-commerce. Many retailers are now looking into reassessing their store networks and how they can grow their logistics capabilities.

[10] *Market Update: United Kingdom Logistics*: CBRE, September 2021.
[11] *A bigger boom in warehousing on the way? Part 1: Current demand and COVID-19*: Reuters, June 2020. Available at: https://www.reutersevents.com/supplychain/supply-chain/bigger-boom-warehousing-way-part-1-current-demand-and-covid-19
[12] *Scaling New Heights*: Lambert Smith Hampton, March 2021.
[13] *2021 Global Logistics Outlook*: Cushman and Wakefield, May 2021.

3. Trade policies

The recent changes in trade policies resulting from the likes of Brexit and the previous friction between the US and China has resulted in the logistics industry reassessing their supply chains and possibly wanted to move supply closer to domestic customers.

4. Supply change resilience

Heightened geopolitical risk, increasing wages, changing trade agreements and Covid-19 have forced companies to reassess their supply chains and are moving to look at sourcing products and raw materials closer to customers and increasing reliance on regional manufacturing. Many suppliers are also likely to increase levels of inventory to protect from supply shocks such as those associated with the Covid-19 pandemic, which will further increase demand for logistics floorspace.

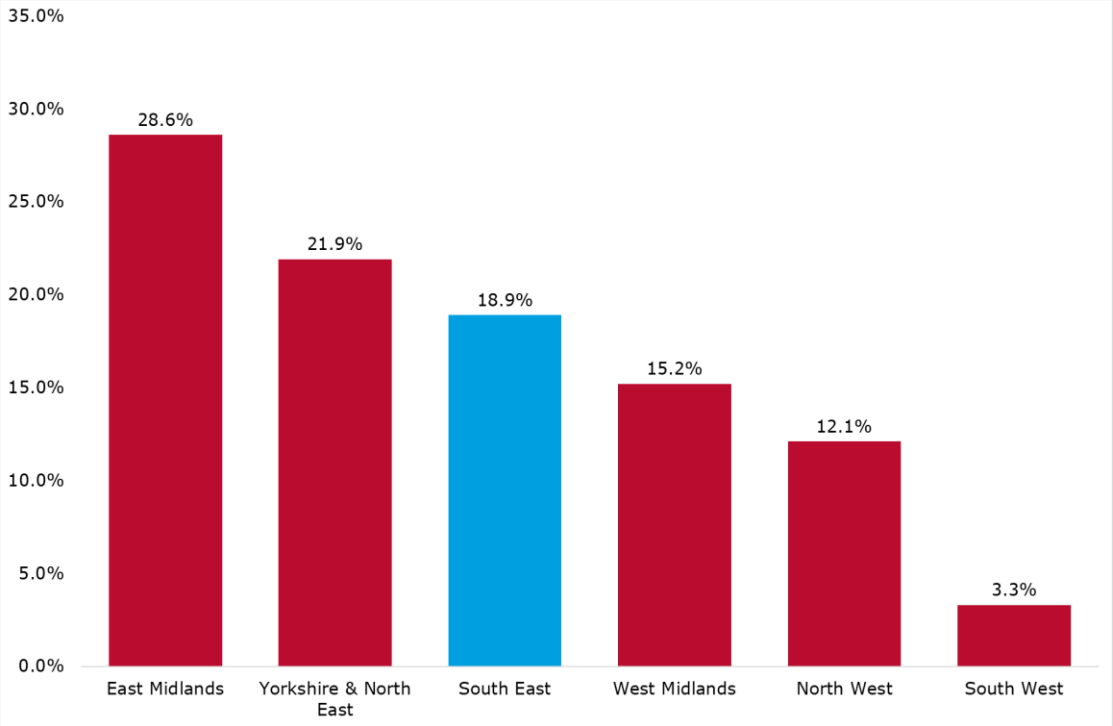
Logistics in the South East

3.9 Research by CBRE[14] shows that the South East had the third highest take up share in the UK at 18.9%, compared to 12.9% of take up in Q2 2021 (see Figure 3.1). Take up of logistics space in the South East hit over 8million sq. ft. in 2021.

3.10 Whilst demand in the region has been increasing, supply has been lagging behind in the South East. Availability of warehousing space in the South East fell to a 5-year low of 2.9 million sq. ft at the end of 2021[15]. Big box prime rents in the South East also rose to £20 per sq. ft. per annum, the highest rate of anywhere in the UK.

[14] *United Kingdom Logistics, Market Summary*: CBRE, January 2022
[15] *Ibid.*

Figure 3.1: Logistics Take Up Share by Region, Q4 2021



Source: CBRE, UK Logistics Market Summary

Logistics in Oxfordshire

3.11 Demand for warehousing space in Oxfordshire has increased significantly since 2020. The proposed scheme is within the Oxford/Cambridge Arc area, which is being promoted by the government and local authorities as one of the UK's high growth areas[16]. Research by Savills[17] has found that in 2020 Oxfordshire had a record high of warehousing take up at 1.6million sq. ft. This was a 113% increase on the long-term average for the area. Similar to the rest of the UK, the highest proportion of this was taken by online retailers (70%)[18], in likely response to the change in shopping habits by consumers as a result of the Covid-19 pandemic. Most of the activity in the logistics sector in Oxfordshire was focussed around Bicester, Banbury and Abingdon. Alongside online retail, increasing demand for warehousing space in Oxfordshire has come from technology and life science companies, who accounted for 15% of the take up in 2020.

[16] *Warehouse shortages in Oxford and Cambridge*: SHD Logistics, May 2021. Available at: https://www.shdlogistics.com/property/warehouse-shortages-oxford-and-cambridge
[17] *Oxfordshire sees record take-up of industrial space in 2020*: Savills, February 2021. Available at: https://www.savills.co.uk/insight-and-opinion/savills-news/310745-0/oxfordshire-sees-record-take-up-of-industrial-space-in-2020
[18] *Warehouse shortages in Oxford and Cambridge*: SHD Logistics, May 2021. Available at: https://www.shdlogistics.com/property/warehouse-shortages-oxford-and-cambridge

3.12 This increase in demand for space has put downward pressure on supply of warehouses. As of February 2021, there was only 0.4 million sq. ft. of available Grade A space in Oxfordshire (consented and built out floorspace). Many of the buildings currently coming forward or currently being developed are already pre-let or under offer.

3.13 Looking specifically at the supply of warehousing space in Cherwell, the supporting Planning Statement for the Proposed Development provides analysis on the current known status of the employment allocation in the Local Plan. In summary, the analysis concludes that there is very little land left in Cherwell allocated for B8 warehousing uses. Once the units at the allocated sites at Frontier Park, Banbury, Axis Park, Symmetry Park and Bicester are let, there will be no suitable accommodation to meet the requirements of the logistics sector in the area.

3.14 From a wider economic perspective, Oxfordshire is located in the second largest regional economy in the UK. In 2019 for example, the South East's contribution to UK GDP was around £327billion. Only London's contribution of £504billion was higher[19]. The South East is also the largest region in the UK in terms of population, with 9.2 million people in 2020 according to ONS Mid-Year Population Estimates. There are also 4.2 million jobs in the South East as of 2020, with London being the only region with a higher figure (5.3 million)[20]. One of the main drivers of logistics demand is the size of the consumer market.

3.15 While the government has launched its levelling up agenda to address imbalances between the northern and regional economies, the size of the South East economy means it remains vital to see further investment in the region to meet the needs of its labour market and resident population.

[19] Based on ONS data, available at: https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductallnutslevelregions
[20] Jobs data sourced from the ONS Business Register and Employment Survey.

4. CONSTRUCTION PHASE BENEFITS

Introduction

4.1 Developing the proposed scheme will generate a significant number of jobs in Cherwell and the wider area during the construction phase. This section presents the job estimates associated with the scheme during the anticipated 18-month construction phase, both on-site and in the wider economy in supply chain impacts. It also presents data on the estimated gross value added of the scheme during the build phase.

Employment Impact

4.2 For the Proposed Development, construction costs including utilities are estimated to be around £121million over an approximate 18-month build programme. The construction costs have been provided been estimated using the BCIS Online tool[21] and are exclusive of external works, contingencies, supporting infrastructure, fees, VAT, finance charges etc.

4.3 To estimate construction employment supported during the building phase, the total construction cost has been divided by the average turnover per construction employee in the South East of £192,358[22]. Over the estimated 18-month build programme, 419 construction jobs could be supported on-site.

4.4 It is widely recognised that construction has knock-on effects for other sectors, which leads to increased demand for building materials and equipment at the construction phase, as well as furniture, carpets etc. following completion. This generates and sustains employment in other sectors. This is known as the 'multiplier effect' and analysis published by the Homes & Communities Agency (HCA – now Homes England) indicates that the employment multiplier for construction activities in the UK is 2.7 – i.e. for every construction job created, a further 1.7 jobs are supported in the wider economy. This suggests that as well as the 419 on-site jobs, development could support a further 713 additional jobs during the build phase.

4.5 In total, an estimated **1,132 temporary direct and indirect jobs** could be supported during the 18-month build phase.

[21] Accessed: 19/04/2022
[22] Calculated using data for the South East's construction sector from the 2021 edition of Business Population Estimates produced by the Office for National Statistics.

Contribution to Economic Output

4.6 Another way of looking at the economic impact of the construction phase is to calculate the contribution a development makes to wealth creation, as measured by the increase in the value of goods and services generated within an area. This can be done by looking at the increase in gross value added (GVA), a common proxy for economic output. Using ONS data, it is possible to calculate GVA per employee by sector at a regional level. Applying these estimates to the employment estimates outlined above, the construction of the Proposed Development could generate around **£126.2million of GVA** over the 18-month build timeframe.

5. OPERATIONAL PHASE BENEFITS

Introduction

5.1 This section outlines the impact of the proposed scheme in terms of generating permanent employment, economic output, estimated wages and business rates. Job numbers are presented in two ways:

- **Gross permanent jobs:** total employment accommodated on-site.
- **Net additional jobs:** the number of jobs which the scheme can be expected to support in Cherwell, over and above what would have happened anyway. This calculation makes allowance for leakage, deadweight, displacement and multiplier factors taken from the Homes & Communities Agency (HCA – now Homes England) 2014 Additionality Guide (see Figure 5.1 for explanations of these terms). For leakage, the assumption has been informed by analysis of the 2011 Census data on the origin and destination of commuters.

Figure 5.1: Additionality Factors

- **Leakage** is defined as, 'the proportion of outputs that benefit those outside the programme/project area or group'. Leakage is assumed to be 40%.
- **Deadweight** is the term used to identify the output that would have occurred without the project. Deadweight is assumed to be zero – i.e. without the proposed scheme, no other jobs will be created.
- **Displacement** is defined as 'the proportion of project outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area'. Displacement for the new employment is assumed to be low at 25%.
- **Economic multipliers** are defined as 'further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases'. For warehousing and manufacturing floorspace, a multiplier of 1.29 has been used. This is consistent with the HCA guidance.

Source: Homes & Communities Agency (now Homes England), 2014. Additionality Guide, Fourth Edition.

Employment Impact

5.2 The proposed scheme will create permanent employment opportunities once it is built, many of which are likely to prove attractive to residents of Cherwell. To

quantify jobs, an assumption has been made in terms of the density of employment that would normally be expected for the proposed floorspace type, which is B8 warehousing. This information has been sourced from the Employment Densities Guide (3rd Edition, November 2015), prepared for the Homes and Communities Agency (HCA) by Bilfinger GVA. Using this guidance, a density of one job per 77 sq. m. net internal area (GEA) has been applied to the floorspace. Jobs are calculated using GEA, which is generally around 5% higher than GIA.

5.3 Once fully developed and occupied, it is estimated that the Proposed Development will support **1,914 gross full-time equivalent (FTE) jobs on-site**.

5.4 Once allowance is made for the deadweight, leakage, displacement and multiplier effects outlined in Figure 4.1, it is estimated that the scheme will support **1,112 net additional FTE jobs in the Cherwell economy**. Table 5.1 shows the impact of each additionality factor on job numbers.

Table 5.1: Impact of Additionality Factors on Jobs[23] - B8 floorspace

Additionality Factor	Total Jobs
Gross permanent direct jobs created	**1,914**
Estimated leakage	*765*
Estimated job displacement	*287*
Net jobs before multipliers	862
Multiplier impacts	*250*
Total net FTEs in Cherwell	**1,112**

Contribution to Economic Output

5.5 The contribution of the site to economic output has been calculated by taking the job creation associated with the scheme and multiplying this by an estimate of average levels of GVA per employee for the regional economy for the relevant employment sector, which in this case in transport and storage.

5.6 It is estimated that once operational and fully occupied, the additional GVA supported by the Proposed Development is estimated to be around **£69.9million per annum**, allowing for multiplier effects[24]. Over a longer period of ten years, the GVA generated by the Proposed Development could be in the region of **£602million** (present value[25]).

[23] Figures may not sum due to rounding.
[24] For the GVA estimate, the same multipliers used are the same as the job multipliers (taken from the HCA 2014 Additionality Guide).
[25] Where future benefits are calculated over a 10-year timeframe, they have been discounted to produce a present value. This is the discounted value of a stream of either future costs or benefits. A standard

Business Rates

5.7 Business rates are an important economic contributor to an area. Based on information sourced from the Valuation Office Agency (VOA), high level calculations indicate that the business rates generated by the scheme could be in the region of **£3.5million per annum**.

Wages Impact

5.8 It is a common misconception that jobs in logistics are low skilled and low paid. Data from the Annual Survey of Hours and Earnings, published by ONS, show that in 2021, the gross median annual salary for full-time workers in the South East[26] in transport and storage jobs (used as a proxy for logistics) was £33,285. This was above the gross median annual salary for all sectors in the South East of £32,810.

5.9 Multiplying the relevant figures by the gross FTE jobs by the transport and storage wage outlined above, it is estimated that once the Proposed Development is fully operational and occupied, total wages paid to staff on-site are estimated to be around **£63.7million per annum**. It is not unreasonable to assume that a good proportion of these wages will be spent in Cherwell. This will deliver long-term benefits to the Cherwell economy, via an increase in spend on goods and services. More detailed estimates on spend retained locally is provided in section six of this report.

discount rate is used to convert all costs and benefits to present values. Using the Treasury's Green Book, the recommended discount rate is 3.5%.

[26] Median annual salary for the South East has been used as the majority of the site falls within the South East region.

6. INCREASED LOCAL EXPENDITURE ON GOODS & SERVICES

Introduction

6.1 This section considers the increased level of local expenditure in Banbury associated with the employees working at the scheme. Employees will generate demand for a wide range of local goods and services, including specific retail, service and leisure uses thereby resulting in an increase in available local expenditure.

6.2 The demand for such uses is typical of any large scale employment development, with employees generating demand for retail goods; whether that be small top-up food shopping trips on the way to, or from work, to pick up a limited number of convenience goods to supplement their main-food shopping trip or purchase items for breakfast or lunch to eat at work, including sandwiches, snacks and small meals. Such uses also generate demand for a small amount of comparison retail goods, which can include visiting local shops on the way to, or from, work to buy specific items.

6.3 Additionally, demand is created for other non-retail uses, including demand for takeaway food and drink for breakfasts and lunches, restaurants and cafes, and to a lesser degree; public houses as a meeting place after work. Demand will also be created for local services and leisure uses as a result of employees choosing to use their time either side of work, or their lunch break, to visit the gym (or other sports facilities/classes), hairdressers, or employees using nursery/creche facilities close to their place of work.

6.4 This localised demand for goods and services will exist throughout the construction and operational phase of the development and this section seeks to understand the potential economic benefit of this. The following analysis briefly sets out the staged methodology used for this assessment, with more detail provided at Appendix 1:

1. Per capita (i.e. per person) expenditure data by type of retail/services taking into account the types of expenditure which could be retained as a result of trips made before or after work, or during a lunch break (or equivalent).
2. Estimated employees who could generate a net expenditure increase within Banbury. For the construction phase it is assumed that 100% of the expenditure will be new, noting the transient nature of construction jobs. For the operational phase a three stage assessment has been carried out:

a. Those employees who are currently already living and working in the local area and move jobs to the Proposed Development. This is calculated by subtracting the gross jobs taken by workers currently living outside of the local area and residents currently working outside of the area from the gross operational jobs[27].

b. Those employees that will work on the site who currently live outside the local area taking into account existing in-commuting levels plus an allowance for displacement.

c. Those employees at the Proposed Development who will be existing local residents, but are currently working in locations outside of the local area. This is calculated by subtracting the in-commuting figure (see stage b) from the total jobs and then multiplying this by existing out-commuting data.

3. Overall expenditure figure = per capita expenditure data (stage 1) multiplied by those employees who could generate additional local expenditure (stage 2).

4. Overall expenditure figure (stage 3) has then been multiplied by expected levels of retained expenditure (by expenditure type) associated with trips to or from work and during lunch breaks (or equivalent) to give a new local expenditure figure.

5. An uplift of the new local expenditure figure (stage 4) has been made to allow for expenditure made on behalf of the wider household which allows for expenditure made on behalf of others within the household (for example, dependent children). This gives a total new local expenditure figure.

Construction Phase

6.5 The expected build timeframe is 18-months. Only the impact of construction jobs has been presented. Spend associated with indirect and induced employment (the multiplier effect) has not been calculated on the basis that it is extremely difficult to identify how this spend would be broken down and how much would actually be in Banbury.

6.6 Noting the transient nature of construction jobs, the expenditure (and demand) created by construction employees generally follows those employees to wherever

[27] The local area is defined as Cherwell.

the construction site is, rather than being pre-determined by their place of residence. As such, whilst some of the construction employees will already reside in the local area, their expenditure generated as a result of working on a construction job will be new expenditure for the local area. This approach is taken as if that employee was not working on a construction job in the local area, they would be likely to be working on a construction job elsewhere in the region and therefore that expenditure would have been lost outside the town.

6.7 Table 6.1 sets out the calculation and likely expenditure associated with the construction employees working on the site over the temporary construction phase. As can be seen in Table 6.1, the construction jobs created will generate an additional £0.14million of expenditure in Banbury on lunch, top-up groceries etc. over the assumed 18-month construction period. This additional expenditure would be spent in existing shops and services located within Banbury. Whilst this additional local expenditure will only be temporary, it will help give existing businesses in the town a boost from the point at which construction starts on-site.

Table 6.1: Expenditure associated with construction employees

	Retail	Leisure & Service	Total
Construction Jobs FTE per year	419		
Annual Expenditure per capita	£5,339	£1,694	£7,033
Total Expenditure	£2.24m	£0.71m	£2.95m
Annual Additional Expenditure Retained in Cherwell	£0.08m	£0.04m	£0.11m
Allowance for household expenditure	£0.02m	£0.01m	£0.03m
Annual Total Expenditure Retained in Banbury	**£0.1m**	**£0.04m**	**£0.14m**

Operational Phase

6.8 In terms of the operational phase, the employees working on the site will also generate demand for local goods and services. In order to calculate the economic effects of this in terms of demand for local goods and services it is necessary to assess how many of those jobs will be occupied by: local residents who are already currently living and working in the area; local residents who are currently working outside of the area; and non-local residents who are currently working outside of the area[28].

[28] The local area is defined as Cherwell.

6.9 It is necessary to consider the spend of workers that already live and work in the local area because the job they leave to move to a job at the Proposed Development will be taken by another worker in the area.

6.10 It is also necessary to consider the potential additional local expenditure generation associated with those new employees within the local area separately, dependent on whether they already live in the local area or live and work elsewhere. This is necessary as the likelihood for additional expenditure to be generated will vary dependent on the employee's place of residence.

6.11 As can be seen in Table 6.2, the operational phase of the development will result in an additional £0.96million of retail, leisure and service expenditure being spent within existing facilities in Banbury per annum.

6.12 It should be noted that this increase in local expenditure is calculated on the basis of the employees working at the site only. It does not take into account the potential for further increases in local spending which would be expected as a result of greater levels of employment and the increases to incomes and levels of disposable income locally.

Table 6.2: Operational phase additional local expenditure per annum

	Retail	Leisure & Service	Total
Operational Phase Total Jobs	1,640		
Annual Expenditure per capita	£5,339	£1,694	£7,033
Local Residents - already live and work in the local area			
Jobs	612		
Total Expenditure	£3.27m	£1.04m	£4.31m
Annual Expenditure Retained in Banbury	£0.12m	£0.05m	£0.17m
Allowance for household expenditure	£0.03m	£0.01m	£0.04m
Annual Expenditure Retained in Banbury Subtotal	***£0.14m***	***£0.08m***	***£0.24m***
Local Residents - claw back expenditure			
Jobs	585		
Total Expenditure	£3.13m	£0.99m	£4.12m
Annual Expenditure Retained in Banbury	£0.22m	£0.05m	£0.27m
Allowance for household expenditure	£0.05m	£0.01m	£0.06m
Annual Expenditure Retained in Banbury Subtotal	***£0.27m***	***£0.06m***	***£0.33m***
Non-local residents - net expenditure inflow			
Jobs	537		
Total Expenditure	£2.87m	£0.91m	£3.78m
Annual Expenditure Retained in Banbury	£0.26m	£0.09m	£0.35m
Allowance for household expenditure	£0.06m	£0.02m	£0.08m
Annual Expenditure Retained in Banbury Subtotal	***£0.32m***	***£0.11m***	***£0.43m***
Total Annual Expenditure Retained in Banbury (current prices)	**£0.73m**	**£0.24m**	**£0.96m**

7. PROVIDING JOBS AT A RANGE OF SKILL LEVELS

Introduction

7.1 One of the misconceptions about employment in the logistics sector is that it is low-paid (addressed in section 5) and low-skilled. This section seems to address the low-skilled issue by looking at the wide range of qualification levels supported by jobs which are created by the scheme, and it also highlights how the logistics sector can help in supporting local communities and skills developments.

Skills in the Storage and Distribution Sector

7.2 As noted in the 2020 report, *Delivering the Goods in 2020*[29], a wide range of jobs are supported by the sector. While logistics activities create jobs in elementary occupations, they also create an above average proportion of roles in managerial, administrative and high-tech occupations. The majority of the jobs in logistics are also full-time (85%), above the national average of 32%, according to the report.

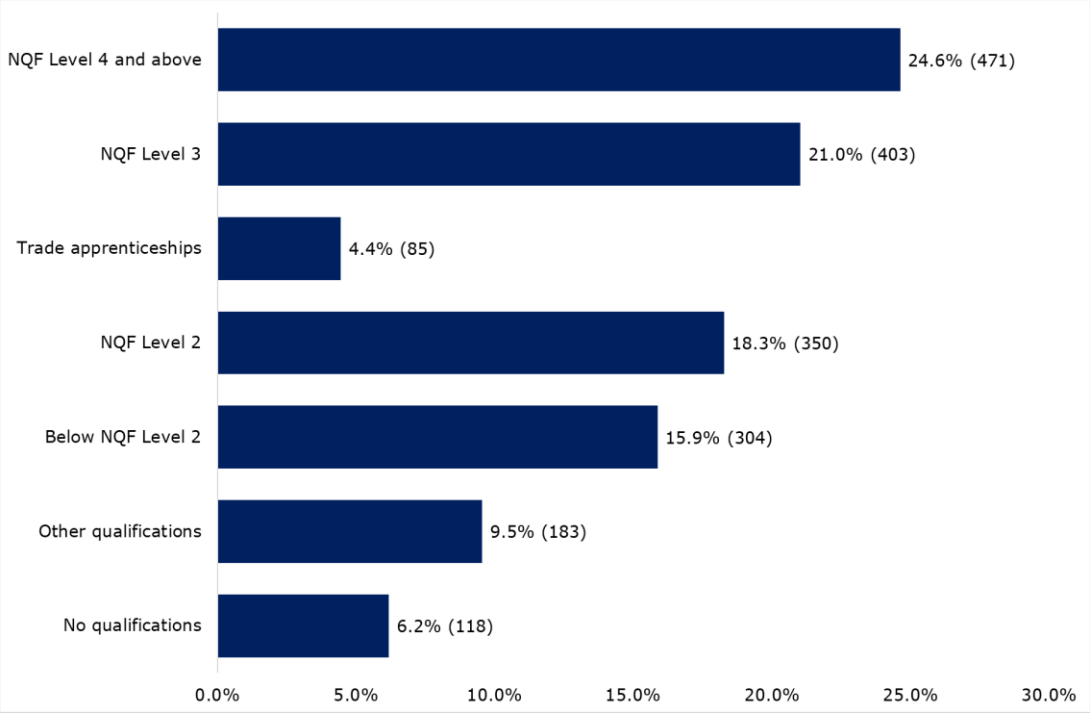
7.3 The logistics sector is also committed to delivering economic and social impacts, such as upskilling their workers through on the job training or working with further and higher education providers to offer qualifications to employees. This will help grow the careers of the workers and improve productivity within the sector.

7.4 Figure 7.1 provides an estimate of how the 1,914 on-site FTE jobs could be broken down by skill level. The approach used to estimate the profile of jobs generated by the development has been to identify the types of employers identified by the Standard Industrial Classification associated with the B8 warehousing use class; and then using official data for the South East[30], on the skills mix by industrial sector, to calculate the skills mix associated with the development assuming it matches the profile of the South East.

7.5 On the basis set out above, it is expected that the scheme will create a wide range of jobs in terms of skills/qualifications requirements. For example, 24.6% (471) of jobs require a degree level qualification (NQF Level 4 & above), 21% (403) will require A Level or equivalent qualifications (NQF Level 3), 18.3% (350) will require GCSE or equivalent qualifications (NVQ Level 2) and 6.2% (118) will require no qualifications.

[29] *Delivering the Goods in 2020: The economic impact of the UK logistics sector*: British Property Federation, May 2020.
[30] Data from the October – December 2021 Quarterly Labour Force Survey (LFS) for the South East and the East Midlands.

Figure 7.1 Estimated Skills Breakdown of On-Site Jobs



Source: Pegasus Group, drawing on ONS data
Note: Figures may not sum due to rounding

8. CONTRIBUTION TO STRATEGIC OBJECTIVES

Introduction

8.1 In addition to the quantifiable benefits generated by the Proposed Development, the scheme will make an important contribution to economic development objectives. This section looks at key documents – Oxfordshire Local Enterprise Partnership's (LEP) Local Industrial Strategy (LIS), Oxfordshire LEPs Oxford-Cambridge Arc Prospectus and Oxfordshire's Economic Recovery Plan – and outlines how the Proposed Development will contribute towards their aims and objectives.

Oxfordshire LEP Local Industrial Strategy

8.2 In July 2019, Oxfordshire LEP published its Local Industrial Strategy[31] (LIS) which outlines the ambitions of the LEP to achieve clean and sustainable growth within Oxfordshire that delivers prosperity for all communities. The growth in the region will be driven by innovation and higher productivity. This will be done through developing the five foundations of productivity outlined below:

1. **Ideas:** Oxfordshire has two renowned universities (University of Oxford and Oxford Brookes) and a number of science, innovation, technology and business parks. The LEP aims to build on these strengths and to contribute to the government's target for national R&D spending to reach 2.4% of GDP by 2027.

2. **People:** Oxfordshire has a highly skilled workforce, with 51% of people being educated to degree level or above and the unemployment rate is significantly below the national average. However, there are pockets of deprivation and wage disparity. The LIS aims to build skill levels that are more responsive to local demand and support the innovation targets. This will be done in a number of ways such as working with schools, colleges, and local careers services and also promoting growth in apprenticeships in the region.

3. **Infrastructure:** Increasing population and economic activity in the area is putting more strain on transport services such as road and rail. The LEP aims to improve transport through investment in the East-West railway and to make provision for sustainable, multi modal travel.

4. **Business Environment:** Oxfordshire has more than 30,000 VAT registered businesses across many sectors, however many struggle to grow to scale. The

[31] *Oxfordshire Local Industrial Strategy*: Oxfordshire Local Enterprise Partnership, July 2019.

LEP has identified challenges to these businesses, such as access to premises and funds, and aims to overcome these. This will be supported by the government who are working closely with Oxfordshire to develop an Internationalisation Delivery Plan to expand the County's global brand and to attract trade and investment opportunities to support business growth.

5. **Places:** The aim of the Local Industrial Strategy is to provide Oxfordshire with the opportunity to innovate in place-making and build sustainable communities that are attractive places for people to live and work. This will be done whilst ensuring Oxfordshire maintains its distinctive character and in consideration of the increasing concerns of climate change.

8.3 The LIS also focuses on the Oxford/Cambridge Arc, an area consisting of Oxfordshire, Bedfordshire, Buckinghamshire, Northamptonshire and Cambridgeshire which is a target for the government as an area of high economic growth. Some of the targets of the Arc include increased economic growth in the area through job creation and house building.

Oxfordshire LEP Oxford-Cambridge Arc Prospectus

8.4 The LEP's Oxford-Cambridge Arc Prospectus[32] outlines the ambitions of the LEP for the Oxford-Cambridge Arc. The Vision of the LEP is for the Arc to be the world leading place for high-value growth, innovation and productivity, with the ambition to unlock all its assets to create a world leading innovation economy.

8.5 To achieve this the LEP has committed to unlocking investment to enhance connectivity and innovation within the Arc, driving economic growth and improve the work opportunities of local people and also transform their approach to building and delivering sustainable developments including housing and infrastructure.

Oxfordshire's Economic Recovery Plan

8.6 Oxfordshire's Economic Recovery Plan[33] was published in February 2021 and outlines how the LEP aims to recover from the impacts of the Covid-19 pandemic. The Plan focuses on three main priorities that have been impacted by the Covid - 19 pandemic:

1. **People:** This involves the jobs, skills and the mental and physical health of

[32] *Oxford-Cambridge Arc Economic Prospectus*: Oxfordshire Local Enterprise Partnership, September 2020.
[33] *Oxfordshire's Economic Recovery Plan, The ERP Action Plan*: Oxfordshire Local Enterprise Partnership, February 2021.

Oxfordshire's residents.

2. **Places:** This involves reviving Oxfordshire's cities, towns, villages and rural communities.

3. **Businesses:** Helping businesses of all sizes recover and rebuild following Covid-19 and the impact of lockdown restrictions.

8.7 The targets of the Recovery Plan include reskilling workers, especially those hit hardest by the pandemic including those on low incomes and the younger and older members of the workforce. The aim is to create a stronger workforce with higher levels of skills and to increase labour supply across the LEP area. The LEP also aims to help businesses through further developing its integrated Enhanced Growth Hub which offers tailored business support to enable businesses to recover and grow following the pandemic. Schemes such as the Proposed Development will increase employment opportunities for the local population, increase the workforces' skill level and provide businesses with the opportunity to grow.

Summary

8.8 The main strategic objectives and how they relate to the Proposed Development are summarised below:

- A priority for Oxfordshire is creating employment opportunities following the Covid-19 pandemic and providing opportunities for the population to enhance their skills to make them more competitive in the labour market. The Proposed Development will help with this by creating new jobs during the build phase and once the scheme is built and operational.

- Ensure businesses recover from the pandemic by creating start-up and scale-up opportunities for new and existing businesses to grow. The Proposed Development will provide new warehousing space for a thriving sector, enabling existing businesses to grow as required and also providing new accommodation for companies wishing to move into the area.

- There is a large focus on the Oxford-Cambridge Arc, within which the proposed scheme is located, which aims to increase economic activity and investment in the Arc area and to deliver improved transport and infrastructure to enable this growth. By creating more than 1,900 new jobs on-site, the Proposed Development will help to boost economic activity in the area.

9. Conclusion

9.1 In summary, the Proposed Development will create a number of economic benefits for the during the build phase and once it is operational. There will be a significant number of on-site jobs created (estimated to be more than 1,900), as well as the generation of additional economic output, business rates, on-site wages, the development of skills and additional spend in the local economy. The scheme is also proposed to be located in a strategically important area of the UK – the Oxford-Cambridge Arc.

9.2 In addition to the quantifiable benefits generated by the Proposed Development, the scheme will make an important contribution to economic development objectives. This includes the Oxfordshire Local Enterprise Partnership's (LEP) Local Industrial Strategy (LIS), Oxfordshire LEPs Oxford-Cambridge Arc Prospectus and Oxfordshire's Economic Recovery Plan.

9.3 From both a quantitative and qualitative perspective, the Proposed Development will therefore make a significant contribution to supporting long-term sustainable economic growth in Oxfordshire and the wider South East region.

APPENDIX 1 – LOCAL SPEND METHODOLOGY

The following sets out the more detailed staged methodology used for the local spend assessment:

Step 1

Per capita (i.e. per person) expenditure data for convenience and comparison goods has been taken from a retail statement submitted by Pegasus Group in support of Cotefield Business Park; this provides average expenditure data split by types of retail/services across the area at 2018 prices. For per capita spend on leisure, data from the ONS family spending workbook 3 has been used. This includes per capita expenditure data for those elements of expenditure are likely to be spent locally by employees at the proposed development site. For the purposes of this assessment, this includes; convenience and comparison retail, hairdressing salon visits, leisure/sports expenditure (e.g. gym memberships, fitness classes), takeaway food (eaten away from home), restaurant and pub expenditure and expenditure on nursery, creche or playschool facilities.

Step 2

The identification of employees who could result in a net expenditure increase within Cherwell taking into account those currently living and working in Cherwell, those living but working outside of Cherwell, and those living and working outside of Cherwell who may be employed at the site. For the purposes of the construction phase it is assumed that 100% of the expenditure will be new noting the transient nature of construction jobs. For the operational phase a two stage assessment has been carried out:

a. the first stage identifies those employees that will work on the site who currently live outside of Cherwell – this has been calculated assuming that the site achieves a similar level of in-commuting as existing businesses within Cherwell[34]. An allowance is then made for displacement[35] to give a net figure.

b. The second stage identifies those employees at the proposed development who are existing Cherwell residents, but currently working in locations outside of Cherwell – this has been calculated by subtracting those employees that will come from outside of Cherwell from the overall FTE job creation and then multiplying this figure by current out-commuting percentages[36].

[34] Jobs located in Cherwell occupied by non-Cherwell residents as derived from 2011 Census data – table WU01UK.
[35] i.e. those employees who will transfer from an existing job in Cherwell.
[36] Cherwell residents working in jobs located outside of Cherwell as derived from 2011 Census data – table WU01Uk.

c. The third stage identifies those employees at the Proposed Development who currently live and work in Cherwell – this has been calculated by subtracted the gross number of employees that currently live and work outside Cherwell and those who currently live in Cherwell but work elsewhere, from the number of gross on-site jobs

Step 3

Overall expenditure figure has been calculated by multiplying per capita expenditure data (step 1) by those employees who would generate additional local expenditure (step 2).

Step 4

Assumptions have then been made for the total level of expenditure which could be retained locally as a result of expenditure associated with trips to or from work and during lunch breaks. This has been calculated on assumptions based on experience.

Step 5

An allowance is then made for expenditure associated made on behalf of the wider household which allows for expenditure made on behalf of others within the household – for example the purchase of convenience goods for dependent children.