

2023 Economic Impact Assessment for Buntingford West

ECONOMIC IMPACT ASSESSMENT

A Report for the development at
Buntingford west



2023 Economic Impact Assessment for Buntingford West

Introduction to the site and proposal

This Economic Assessment has been produced in support of the Outline Planning application comprising:

- Outline planning application (with all matters reserved except for access) for the development of 350 dwellings, with up to 4,400 sqm of commercial and services floorspace (Use Class E and B8), and up to 500 sqm of retail floorspace (Use Classes E) and other associated works including drainage, access into the site from the A10 and Luynes Rise (but not access within the site), allotments, public open space and landscaping

The employment area and local centre provide the opportunity for a variety of uses which could include a convenience store, café, a doctors' surgery, home working hub, gym and small business units

For the purposes of this report it has been assumed that the Employment land will provide some 1,500 sqm Class E a b and c (offices), 1,500 sqm Class B8 and 100 sqm home working hub. It has also been assumed that there may be doctors surgery will be 1,300 sqm.

Of the 350 dwellings being provided in the full application some 140 will be affordable housing with the remaining 210 being market housing.

The site (in Figure 1) is situated on the western edge of Buntingford and adjoins an existing residential area to the east and is enclosed by the A10 to the west.

The site (28.95 ha) provides an opportunity to create a sustainable and well integrated urban extension to significantly contribute to Buntingford's housing and local business needs. The site will have good access to employment, and other facilities with the development itself with a greater range of retail and community facilities available within Buntingford itself.

The Framework has three overarching objectives: economic, social and environmental (Paragraph 8) and this Economic Assessment provides an assessment of the Economic benefits that the proposal delivers both during the development phase through the creation of construction jobs, and also the economic benefits derived from the employment development as well as that generated by the proposed Local Centre.

It also considers the additional retail expenditure from the new population as well as revenue in terms of council tax and new homes bonus.

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Key Elements of the Proposal

In summary the proposal is as follows:

- 20.8ha
- 350 homes
- 40% of homes will be for affordable housing
- 0.95 ha of employment land

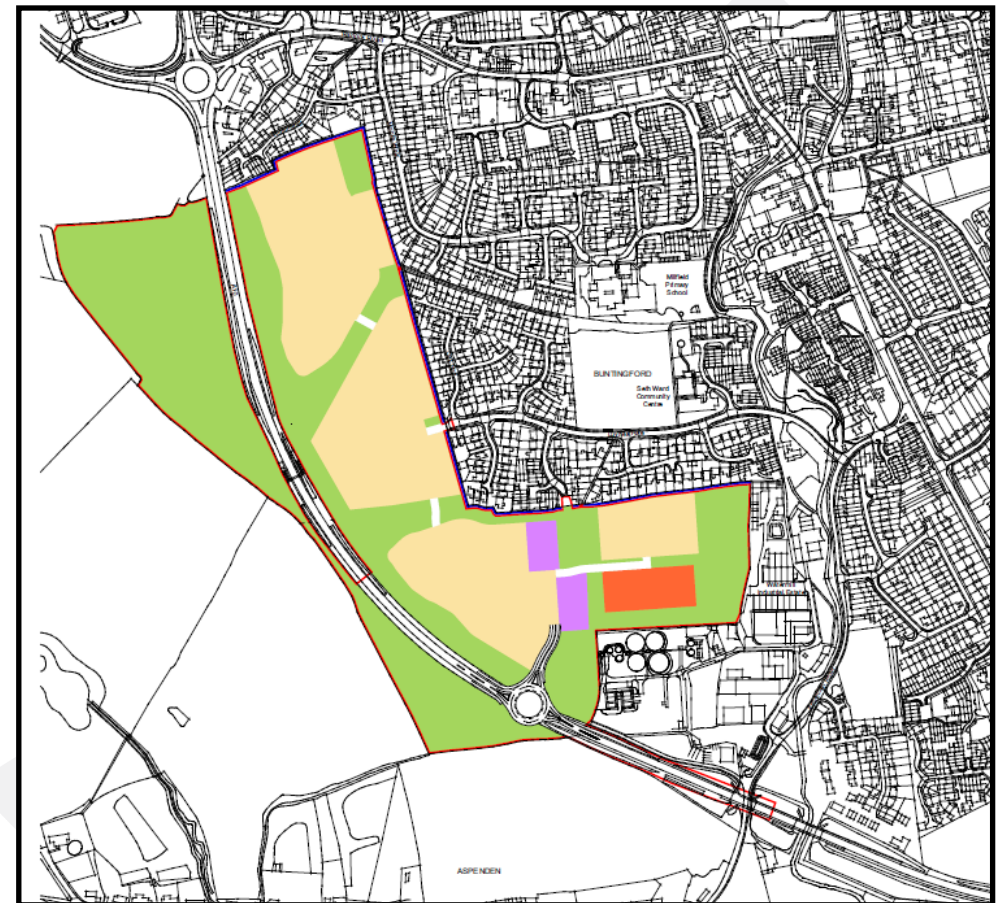
Green/blue infrastructure

- ◆ Open space including children's Local Equipped Area for Play (LEAP), Neighbourhood Equipped Area for Play (NEAP) and further green space next to the A10.
- ◆ Biodiversity net gain
- ◆ New trees and hedge planting
- ◆ Tree planting along the distributor road

Social and community facilities

- ◆ A Local Centre providing the opportunity for a variety of uses which could include a convenience store, café, a doctors' surgery, home working hub, gym and small business units.

Figure 1: The Proposed Development Site



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Calculating Economic Impact

Construction Impacts

During the construction phase a considerable number of direct jobs will be created locally and regionally. It should be noted that investment in production-type activity rather than consumption, brings significant long-term economic and social benefits.

The construction industry is also a driver of growth in other sectors due to its heavy reliance on an extended and varied supply chain. It uses a wide range of inputs from many industries to produce its goods and services. Investment in the sector therefore indirectly supports a broad set of industries as the increase in final demand filters through to key industries which supply the sector.

Construction also has one of the lowest levels of imports, so the stimulus spending stays within the local or national economy.

The following sectors are amongst those that benefit most from increases in construction activity: aggregates, renting of machinery, real estate; architectural and technical consultancy; plastic, wood and metal products.

The suppliers and other services that are engaged in the delivery of the scheme are described in terms of both direct, indirect and induced jobs and resultant GVA. **Gross value added (GVA)** is the measure of the value of goods and services produced in an area, industry or sector of an economy.

Each is summarised as follows:

- **The direct impact:** Wage income and profit generated in the construction sector, plus spend on non-labour input.
- **Indirect impact:** The supply chain impacts of construction and their knock on effects, i.e., an increase in output and income up and down the supply chain.
- **Induced impact:** An increase in household income as a result of increased employment/income in construction and other sectors leads to an increase in spending and demand/output in the overall economy.

Jobs created during the construction phase only last as long as the construction takes place (estimated currently at 10 years) and are described in terms of job years. A composite multiplier was applied from the HCA Additionality Guide Fourth Edition (2015) (Table 4.11: Output multipliers, construction composite). The gross figures have also been adjusted to net figures to take account of the true added value of the investment (See **Annex One** technical note on impact assumptions).

The results of these calculations are set out on the next page.

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CONSTRUCTION PHASE LIFETIME BENEFITS



£63.4m
Cost of construction
(All phases)



809 jobs
Net direct
construction jobs.



2184 jobs
Total net construction jobs
during (including direct,
indirect and induced).



£100.6m
Total construction
related Gross Value
Added Net Present
Value (Direct, indirect
and induced).



£119.6m
Total net construction
related Gross Value Added
(Direct, indirect and
induced).

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Calculating Economic Impact (Continued)

Operational Impacts

As discussed there are two major components to valuing the economic benefits of development proposals – those associated with the construction phase and those with its subsequent operation or use.

For these latter impacts we have looked at those created as consequence of the **employment development** being delivered as well as the Doctors Surgery, Nurse school and the local centre.

Again three tiers of effects are considered:

- **Direct Employment:** Employment impacts and resultant productivity / GVA from jobs safeguarded and created.
- **Indirect Employment Effect:** The effect on suppliers and resultant productivity / GVA.
- **Induced Effects:** Increased household income as a consequence of increased employment that is re-spent on final goods and services.

Composite multipliers were used to calculate the indirect and induced effects (from the HCA Additionality Guide Fourth Edition (2015) (Table 4.11: Output multipliers Economy Average). We have calculated resultant GVA per head by sector using BRES (The Business Register and Employment Survey) and ONS (Office of National Statistics), 2017 data for the East of England.

The Treasury's Green Book offers some useful principles in assessing the true impact of investments. In line with these the several steps have been taken to assess gross and net GVA and employment impacts and net present value. These are summarised in **Annex One** (Technical Note on Impact Assumptions).

For this report the operational jobs generated by the development has been calculated from the proposed local centre and employment floorspace. The results of the calculation are set out on the next page.

The next page also provides a summary of the impact of the development over the next 10 years including the benefits of both the construction and the operation of the development.

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ANNUAL OPERATIONAL BENEFITS



367 jobs

Operational net jobs created (direct, indirect and induced).



£0.7m

Council tax pa



£20.1m

Total net operational related Gross Value Added (Direct, indirect and induced).

£5.6m

RETAIL

Retail expenditure pa from new residents

£2.4m

RETAIL

Retained expenditure pa from new residents in local area



£2.3 m

New Homes Bonus to be spent by the council in the area

TOTAL 10 YEAR BENEFITS



2551 jobs

Net created and safeguarded (direct, indirect or safeguarded).



£157.6m

Net Present Value Total net related Gross Value Added (Direct, indirect and induced).



1 : 2.95

10 year cost benefit ratio (NPVC/NPV - after discounting).

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Summary Impact of the Proposal

The proposal will result in the following construction impacts:

- **2,184 total net construction jobs** comprised of:
 - ⇒ 809 direct construction jobs
 - ⇒ 1,375 indirect and induced construction jobs
- The construction phase will generate a total **GVA of £119.7m**
- **367 total on-going net jobs** comprised of:
 - ⇒ 167 direct jobs
 - ⇒ 200 indirect/induced jobs.
- Total operation net **GVA of £20.1m**

The proposal will result in the following 10 year combined construction and operational benefits:

- **2,551 net created and safeguarded jobs** (direct, indirect and induced).
- **Total GVA of £139.8m million**
- **A 1 : 2.95 cost benefit ratio** (each £1.00 will generate £2.95)

Summary impact tables appear in **Annex Two**.

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Annex One: Technical Note on Impact Assumptions

When calculating jobs and GVA we have taken account of:

- Direct construction jobs for the proposal were calculated by dividing construction expenditure by GVA per FTE average for construction (67,071 for the East of England).
- Applying a composite employment multipliers from the HCA Additionality Guide Fourth Edition (2015) (Table 4.11: Output multipliers).
- To ensure the true added value of a development is assessed appropriate adjustments are required to alter the impacts from gross to net. These account for displacement (assumed low at 5%), and leakage (again assumed low at 10%).
- The persistence of the benefits i.e. how many years the benefits are expected to persist and the period over which benefits will accrue until they reach their full potential. In this instance, a ten year time frame has been chosen.
- The rate at which benefits will decay i.e. the proportion of annual benefits expected to be lost from one year to the next due to economic changes, other investment decisions etc. A decay of 10% per annum has been used.

- Calculation of the Net Present Value (NPV)* of the GVA benefit stream over the appropriate persistence time period by discounting back utilising an appropriate discount rate. HM Treasury Green Book guidance has been followed which recommends discounting by 3.5% in order to determine NPV.
- A cost benefit ratio calculated by Net Present Cost (NPC) against NPV i.e. the amount each £1 of investment generates.
- The estimates for GVA per FTE do not account for self-employment.

* Net present value is a calculation that compares the amount invested today to the present value of the future cash receipts from the investment. In other words, the amount invested is compared to the future cash amounts after they are discounted by a specified rate of return.

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Annex Two: 10 Year Impact of Proposal

	Jobs	GVA	NPV over 10 years
Operations	367	20,096,800	56,930,124
Direct Jobs	167	9,134,909	25,877,329
Indirect and Induced Jobs	200	10,961,891	31,052,795
Construction	2,184	119,671,847	100,673,175
Direct Jobs	809	44,322,906	37,286,361
Indirect and Induced Jobs	1,375	75,348,941	63,386,814
Total	2,551	139,768,647	157,603,299
Direct Jobs	976	53,457,815	63,163,690
Indirect and Induced Jobs	1,575	86,310,832	94,439,609

Lifetime cost benefit	Financial costs	GVA impacts	BCR
Gross	£63,458,646	£163,472,102	2.58
NPC/NPV	£53,384,180	£157,603,299	2.95

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Roland Bolton
Senior Director
Strategic Planning Research Unit
DLP Consultants
Ground Floor
V1 Velocity Village
Tenter Street
Sheffield
S1 4BY
t 0114 228 9190
f 0114 272 1947
sheffield@dlpconsultants.co.uk
www.dlpconsultants.co.uk