LICHFIELDS

Briefing Note

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Subject Land south of Henham Road, Elsenham – Economic Benefits

1.0 Introduction

1.1 This briefing note has been prepared by Lichfields to present the potential economic benefits associated with the proposed development at land south of Henham Road, Elsenham (the 'proposed development') located in the administrative area of Uttlesford District Council.

1.2 The proposed development comprises of 130 residential units, of which 78 units will be market homes and 52 affordable (40%). The proposed development will also provide a Heritage Trail, alongside significant open space to the north and east edges of the site including a community orchard. Enhancements of public right of way will also be delivered and 20% biodiversity net gain provided on an additional site just to the east of the application site.

1.3 The following paragraphs provide an overview of the methodological approach and key assumptions that underpin the assessment of the benefits relating to the proposed development. The analysis draws primarily on Lichfields' Evaluate framework developed by Lichfields, which provides an analytical framework for assessing the economic benefits arising from new development. Evaluate is regularly used by local authorities to assess the economic impact of developments in their area, as well as many of the UK's leading developers, investors and house builders.

2.0 Construction Benefits

Direct Employment

2.1 The construction cost of the proposed development is estimated to be around £18.9 million[1]. Using labour coefficients from the Homes and Communities Agency (HCA) Calculating Cost per Job Best Practice Note (2015)[2], it is possible to estimate the number of direct construction jobs that could be supported by the proposed development over the course of the construction phase. Taking account of the composition of the proposed development, the coefficient for the development of 'new housing' is considered the most appropriate for calculating the number of direct construction jobs. This coefficient assumes that 19.9 years of Full-Time Equivalent (FTE) employment would be generated per £1 million of construction cost in 2011 prices.

[1] Estimated using BCIS 2019 average housing build costs by region
[2] Homes and Communities Agency (HCA), (2015); Calculating Cost per Job Practice Note

2.2 To use the coefficient, the construction cost of £18.9 million has been deflated to 2011 prices using the UK Government GDP Deflator (2021)[3], resulting in a construction cost of £15.5 million. Applying the 'new housing' coefficient to the deflated construction cost and then dividing the result by the length of the construction phase (assumed 3 years) suggests that the proposed development could support **103 direct FTE jobs annually** over the construction phase. As construction is made up of many discrete elements of work undertaken by specialists (e.g. bricklaying, carpentry, plumbing, electrics etc.), the number of workers on site will inevitably fluctuate during different periods of the construction phase.

Indirect and Induced Employment

2.3 Housing construction involves purchases from a range of suppliers who in turn purchase from their own suppliers via the supply chain. The relationships between the initial direct spending and total economic impacts are known as the 'multiplier effect', which demonstrates that an initial investment can have much larger economic benefits as this expenditure is diffused through the economy. Local businesses across Uttlesford and Essex more widely could benefit from trade connections established during the construction phase of the proposed development. As a result, further indirect jobs would be supported locally within the economy through the suppliers of construction materials and equipment.

2.4 In addition, local businesses would also be expected to benefit to some extent from temporary growth in expenditure linked to the direct and indirect employment effects of the construction phase. While only a portion of these benefits would be felt in the local area, it would be anticipated that the local economy could benefit from a temporary boost from the wage spending of workers within shops, bars and restaurants, and other service facilities in Elsenham. Such effects are typically referred to as 'induced effects'.

2.5 Research undertaken on behalf of the National Housing Federation[4] indicates that the construction industry has an indirect and induced employment multiplier of 2.23. Applying this employment multiplier to the 103 direct FTE construction jobs per year derived above indicates that an additional **127 FTE indirect and induced jobs** could be supported per year of construction by the proposed development in sectors throughout the UK economy. This is in addition to the 103 FTE direct jobs noted above.

Economic Output (Gross Value Added)

2.6 The construction phase of the proposed development will also make a significant contribution by generating additional Gross Value Added (GVA). GVA is a measure of the difference between what is produced as an output (goods and services) and the inputs (such as raw materials and semi-finished products) used in the production of the output. It represents the additional value that is added through economic activity.

2.7 Based on 2022 Experian data[5], it is estimated that the construction phase of the proposed development could generate **£10.1 million of direct GVA** and **£12.7 million of**

[3] UK Government, (2021); GDP Deflator
[4] NHF (2019) Local Economic Impacts Calculator
[5] Experian, (March 2022); Gross Value Added

indirect and induced GVA during each year of construction[6]. This equates to around £22.8 million direct, indirect and induced GVA in total per annum. It should be noted that not all of this will be retained locally.

3.0 Expenditure Impacts

'First Occupation' Expenditure

3.1 Research suggests that the average homeowner, when moving into a new dwelling, spends approximately £5,500 to make their house 'feel like home'[7]. This money is generally spent on furnishing and decorating a property, which will generate a range of economic benefits including further indirect and induced jobs in local businesses.

3.2 By applying the average value of one-off spending on household products and services, it is estimated that the new residents of the 130 dwellings could generate **£715,000 of 'first occupation' expenditure.** This injection of resident spending within the local economy will help to support local businesses.

Ongoing Resident Expenditure

3.3 An analysis of 'Output Area Classifications' data indicates that the neighbourhoods surrounding the proposed development are largely occupied by households in the 'Suburbanites' socio-economic classification group[8]. The population of this group is predominantly located on the outskirts of urban areas, where non-white ethnic groups have a lower representation when compared with the UK and the proportion of people born in the UK or Ireland is slightly higher.

3.4 Residents of this socio-economic group tend to be a mixture of those above retirement age and middle-aged parents with school age children. Above average rates of marriage or civil-partnerships, higher-level qualifications and below average levels of unemployment are also exhibited within this group. Given this, and other local characteristics, it is therefore assumed that the new households accommodated within the market homes of the proposed development would broadly fall within the same type of household group.

3.5 The ONS Family Spending Survey (2020 edition) provides data on average household spending by socio-economic classification group[9]. This indicates that the average 'Suburbanites' household spends £682.40 per week. It also indicates that the average household in the East spends 0.86% higher than the UK equivalent. Assuming that the population of the proposed development will broadly reflect these socio-economic characteristics, it is estimated that average household expenditure of those living in the market homes of the proposed development could be equivalent to £688.25 per week.

3.6 It is assumed that households living within the 52 affordable units in the proposed development will broadly match the ONS 'hard-pressed living' socio-economic group.

[6] Indirect and induced GVA has been calculated using a GVA multiplier of 2.26 sourced from the National Housing Federation (2019).
[7] Research carried out by OnePoll surveying around 2,000 UK adults in August 2014: [redacted]
[8] ONS and UCL, (2011); Area Classification for Output Areas
[9] ONS, (2020); ONS Family Spending Survey

Based on data from the latest ONS Family Spending Survey, it is estimated that weekly expenditure by households within the 'hard-pressed living' socio-economic group amounts to £463.3 per week in the East.

3.7 Synthesising the above, it is estimated that the residents of the proposed development could generate a **total gross expenditure of around £4.1 million per annum** once the proposed development is fully occupied.

Net Resident Expenditure

3.8 It is recognised that not all residents of the proposed development will be 'new' to the local area, as some will move from elsewhere in Uttlesford and beyond. National research provides standards on the average distance moved between a head of the household's present and previous residential address, which can be used to estimate the share of residents of the scheme that may be genuinely new to the locality[10].

3.9 In addition, only a proportion of the gross expenditure will be retained in the local area. Based on analysis of the Council's latest retail evidence[11] supported by a survey undertaken within Uttlesford on retained expenditure and turnover of comparison and convenience goods, it is estimated that 45% of spending on goods and services will be retained within the retail study area where the proposed development is located.

3.10 Taking these factors into account, it is estimated that residents of the proposed development could generate **£1.2 million of net additional expenditure per annum** within Uttlesford. This additional spending will support the vitality and vibrancy of local centres. Moreover, it is estimated that this additional expenditure could support a further **13 FTE jobs** in retail, leisure, hospitality, catering and other local service sectors.

4.0 Fiscal Impacts

Council Tax Payments

4.1 The proposed development will generate an increase in Council Tax receipts, providing an additional boost to the revenue base of the District. Drawing upon the local Council Tax charges payable for 2022/23[12], it is estimated that the proposed development could generate around **£193,000 per annum in additional Council Tax payments** in perpetuity.

[10] DTLR, (2016); Survey of English Housing, Tenure by Distance Moved
[11] Savills, (2015); Retail Study Update
[12] Uttlesford Council (2022); Council Tax Bands 2022/23

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5.0 Summary

5.1 As presented in this briefing note, the proposed development will have significant economic benefits for the local residents and the surrounding community. These include:

1 The generation of significant economic benefits during construction including:

a 103 direct FTE construction jobs per annum;

b 127 indirect and induced FTE jobs per annum;

c £10.1 million of direct GVA; and

d £12.7 million of indirect and induced GVA.

2 Significant economic benefits during operation, including:

a £715,000 of 'first occupation' expenditure

b £4.1 million total gross expenditure per annum and £1.2 million of net additional expenditure per annum which could support a further 13 FTE jobs locally.

3 Contribution to local authority revenues, including:

a £193,000 per annum in additional council tax payments

5.2 In addition to the above benefits, the proposed development will also deliver a number of non-quantifiable benefits including the provision of a Heritage Trail, the enhancement of existing public right of ways, alongside the appropriate levels of amenity and open space resulting in 20% biodiversity net gain provided on an additional site just to the east of the application site.