

Proposed Development at Grovesfield Way, Cheltenham Economic Impact Assessment

Final Report

Prepared on behalf of Hunter Page Planning Ltd

October 2016

Contents

Executive Summary	i
1 Introduction	1
2 Context and Baseline	3
3 Construction Phase Impacts.....	6
4 Operational Phase Impacts	8
Appendix 1: Assessing Net Additional Impacts.....	11

Job Number:	16 09 02
Version Number:	Final v1.0
Approved by:	Stuart Hardisty
Date:	19 th October 2016

Executive Summary

HJA was instructed by Hunter Page Planning Ltd to assess the likely economic impacts arising from proposed mixed-use employment generating development at Grovefield Way, Cheltenham. The hybrid application comprises an Aldi Foodstore, Costa Drive Thru, Happy Days Nursery childcare facility and 5,034 sq m of B1a office floorspace in full plus a further 8,034 sq m of B1a office floorspace in outline.

The site is located within west Cheltenham, to the south of the A40 Gloucester Road. The application site lies immediately adjacent to a new BMW showroom (under construction) and in close proximity to a mixed use employment area including retail, health and technology employers. Employment in the vicinity of the site declined 2010-11 and has not yet recovered to its 2010 level, whereas the employment falls in Cheltenham and the wider JCS area have more than been recovered. The proposed development will contribute to boosting employment in this part of west Cheltenham. It will also provide opportunities for those currently unemployed in the area.

The **construction phase** for the full application scheme is anticipated to extend to 15 months, with the peak effort falling within the first six months following the granting of planning permission. The timing for the outline elements of the scheme is as yet unspecified and will be reliant upon market interest.

The gross direct construction phase impacts of the £23.2 million investment are estimated at 143 person years of employment, supporting £4.2 million in wages.

The net additional effects at the Cheltenham level are estimated at 104 person years of employment and £3.1 million in wages. At the JCS area level these increase to 152 person years and £4.5 million in wages.

The **operational phase** analysis shows the scheme will deliver employment capacity for 1,018 FTE gross direct posts generating incomes in excess of £32 million per annum.

The net additional effects at the Cheltenham level are estimated at 498 FTEs supporting wages of almost £16 million per annum, increasing to 605 FTEs and almost £19 million in wages at the JCS area level.

Total locally retained business rates are estimated at up to £660,000 per annum, which will provide funding to safeguard and extend further local employment and services.

1 Introduction

1.1 Purpose

Hardisty Jones Associates Ltd (HJA) has been appointed by Hunter Page Planning Ltd to assess the likely economic impacts of mixed-use employment generating development proposals at Grovefield Way, Cheltenham. This report sets out the method and results of the assessment and is intended to accompany a planning application.

1.2 The Proposed Development

The application site lies between Grovefield Way and the A40 on the western edge of Cheltenham. The A40 provides direct access to the city of Gloucester and the M5 via Junction 11.

The hybrid application comprises the following:

Full Application

- 1,740 sq m (GIA) A1 Aldi Foodstore
- 204 sq m (GIA) A1/A3/A5 Costa Drive Thru and Café
- 502 sq m (GIA) D1 Happy Days Nursery Childcare Facility
- 5,034 sq m (GIA) B1a Offices in two buildings

Outline Application

- 8,034 sq m (GIA) B1a Offices in two buildings

The application site is currently vacant agricultural land. Previous outline consent was granted for 16,800 sq m of B1 employment uses (14/01323/OUT) but has not been implemented. A plot immediately adjacent the application site has secured full consent for a flagship BMW/Mini car showroom which is presently under construction (13/01101/FUL). The area surrounding the application site comprises a mix of uses including residential, retail, health and employment.

1.3 Approach

The method employed for this assessment aligns with the principles set out in HM Treasury Green Book and draws on other best practice guidance, most notably the Homes & Communities Agency *Additionality Guide (Fourth Edition 2014)*.

The analysis considers the construction and operational phases separately. This acknowledges the temporary nature of construction activity, particularly for a scheme of this size, whereas the operational phase impacts will continue year on year.

Given the hybrid nature of the application, the full and outline elements are also considered separately.

For both the construction and operational phases impacts are set out in terms of gross direct effects and net additional effects. The former captures the first round impacts through employment and

expenditure. The latter make adjustment for a range of 'additionality' factors (leakage, deadweight, displacement and multipliers).

Wherever possible primary data has informed the assessment. This includes employment data provided by prospective occupiers and construction cost information supplied by the developer. Where assumptions and modelling adjustments have been made these are referenced in full and accord with best practice guidance.

Headline fiscal impact is based on an assessment of likely business rates income using local comparators.

1.4 Report Structure

Chapter 2 of this report sets out a brief analysis of the baseline situation.

Chapter 3 sets out the assessment of construction phase impacts.

Chapter 4 sets out the assessment of operational phase impacts.

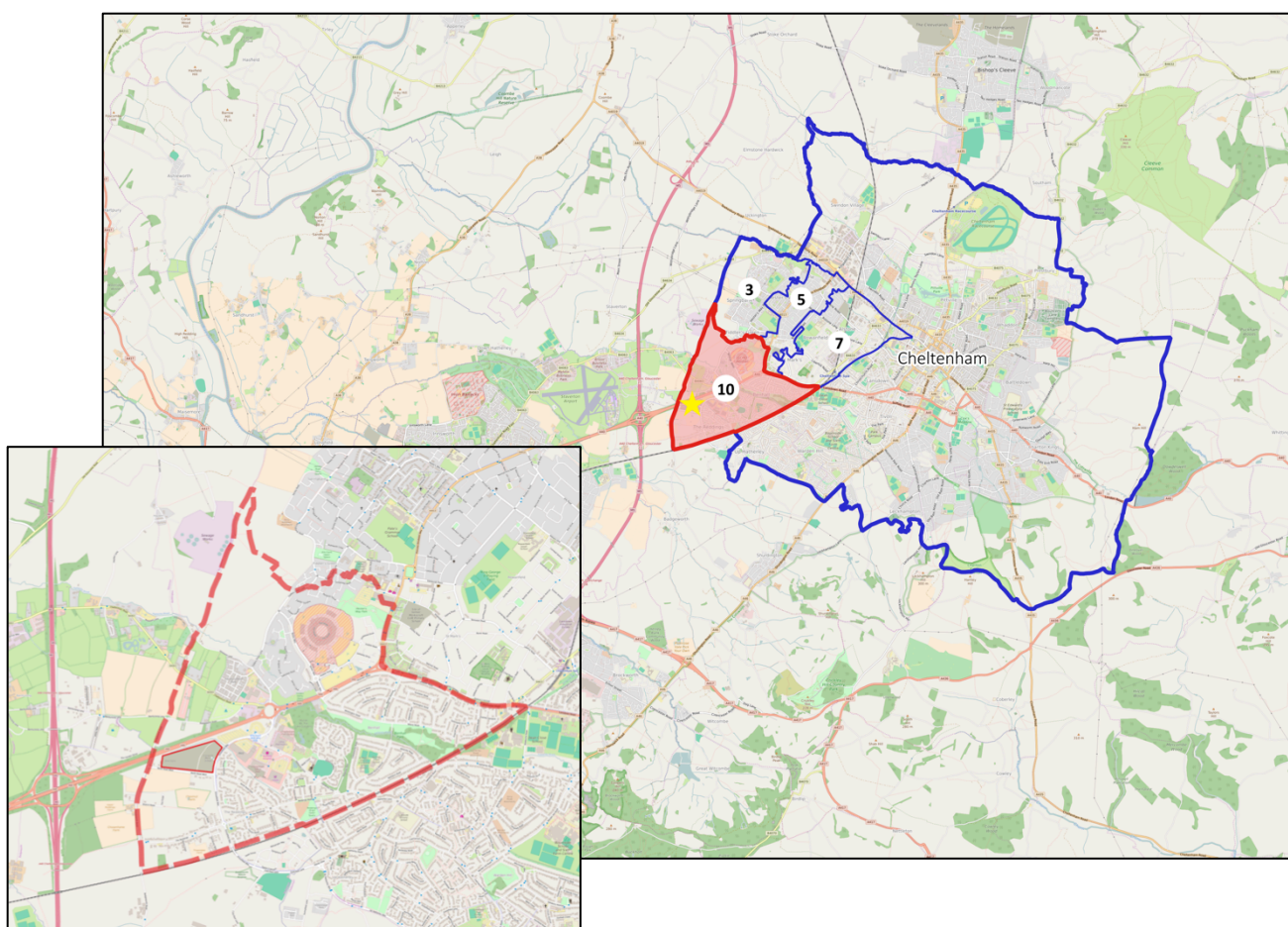
2 Context and Baseline

This chapter provides brief contextual analysis to the economic impact assessment that follows. It considers the economic situation at the present time, and how it has changed in recent years.

2.1 Geographic Focus

This analysis considers the immediate vicinity of the site within the Cheltenham 010 MSOA, the Cheltenham Borough as a whole and provides benchmarking against the Joint Core Strategy (JCS) area and Great Britain. Figure 2.1 illustrates these geographic designations.

Figure 2.1 – Geographic Analysis Areas



Prepared by HJA using QGIS. Contains OS data © Crown Copyright.

2.2 Employment

There are approximately 7,900 persons employed within the immediate vicinity of the site (ONS BRES 2014). This represents around 11% of total employment in Cheltenham as measured by BRES.

The primary employment locations include GCHQ, more than 70% of employment within the immediate vicinity of the site is within the public administration and defence; compulsory social security sector, and the retail/employment park south of the A40 to the east of the application site

which includes the Nuffield Cheltenham Hospital, 600 jobs are recorded within the wholesale and retail trade and 300 jobs within the health sector.

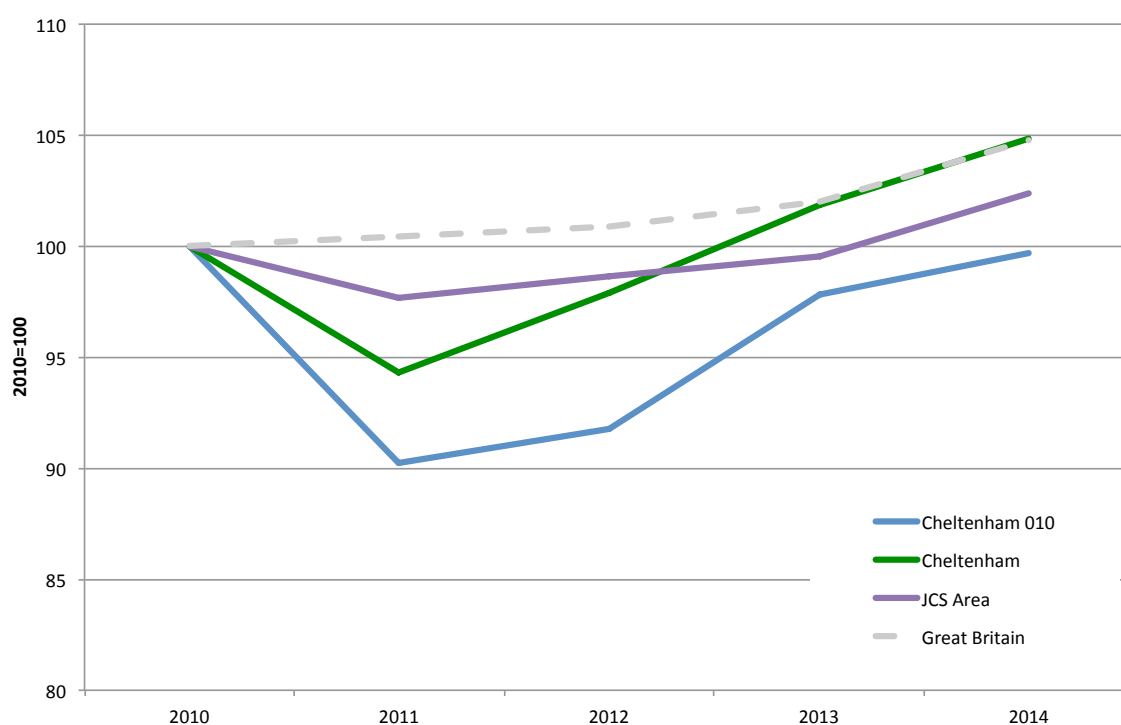
Employment within the immediate vicinity of the site declined between 2010 and 2011. There has been year on year recovery, but at 2014 employment had not returned to its 2010 level. A drop in employment was also experienced at the Cheltenham and JCS area levels between 2010 and 2011 but both have recovered and experienced growth beyond the 2010 level. These figures are set out in Table 2.1 and Figure 2.2 below.

Table 2.1 – Total employment in study area (2010-2014)

	2010	2011	2012	2013	2014
Cheltenham 10	8,000	7,200	7,300	7,800	7,900
Cheltenham	65,500	61,800	64,100	66,700	68,700
JCS Area	169,500	165,500	167,200	168,700	173,500
Great Britain	27,671,600	27,796,500	27,905,500	28,217,500	28,989,400

Source: Business Register and Employment Survey (ONS)

Figure 2.2 – Index of growth in total employment in study area (2010-2014)



2.3 Unemployment

The claimant count measure of unemployment which is available for localised areas shows low unemployment within the immediate vicinity of the site. At July 2016 just 35 claimants were recorded within Cheltenham 010. This increased to 830 across the entire Cheltenham Borough.

Claimant count can be an underestimate of total unemployment given the eligibility criteria for claiming job seekers allowance.

Table 2.2 – Total claimant count (July 2016)

	Age 16+	Aged 16-24
Cheltenham 10	35	10
Cheltenham	830	180
JCS Area	2,705	595
Great Britain	720,635	156,560

Source: Claimant Count (ONS)

Claimant unemployment is higher in other parts of Cheltenham including neighbouring MSOAs. Cheltenham 003 (65 persons) Cheltenham 005 (135 persons) and Cheltenham 007 (80 persons) lie immediately to the north east of Cheltenham 010 and straddle Princess Elizabeth Way including the Springbank, Hester's Way, Arle, Rowanfield, St Marks and Alstone areas. Almost 40% of Cheltenham claimant unemployment falls within these four MSOAs.

3 Construction Phase Impacts

This chapter assesses the likely economic impacts arising during the construction phase. This is separated from the operational phase given the temporary nature of construction impacts over a finite construction period.

For this assessment the full and outline elements of the accompanying planning application are considered separately, with an aggregate impact presented for completeness. Data on the construction period and estimated construction costs has been provided to HJA by the Hinton Group Ltd.

3.1 Gross Direct Impacts

The A1, A3 and D1 elements of the proposed development are expected to be constructed within 6 months of receipt of planning. The two office blocks within the full application are anticipated to be constructed over a 15 month period from receipt of planning. The timetable for constructing the remaining office element which is subject to outline application is not yet confirmed and will depend on market interest.

Total construction costs are estimated at £23.2 million. This includes £11.2 million of costs related to the full application and £12.1 million relating to the outline application.

Employment impacts are expressed as ‘person years’ of employment. This measure is used to represent one full time equivalent post for a single year. This approach captures the contract nature of much construction work, encompassing a range of trades on varying contract lengths. An estimate of person years is generated on the basis of average turnover per worker in the construction sector taken from the ONS Annual Business Survey (released June 2016). This indicates turnover per worker of £161,766 in the UK. Wage impacts are estimated using the ONS Annual Survey of Hours and Earnings (released November 2015).

Table 3.1 sets out the gross direct employment and wage impacts. It does not capture knock on indirect and induced effects. This shows that in aggregate the application will support 144 person years of employment generating wages of £4.2 million. This is split broadly in two halves between the full and outline elements of the application.

Table 3.1 Gross Direct Construction Phase Impacts

	Construction Spend (£m)	Employment (Person Years)	Wages (£m)
Full Application	£11.2m	69	£2.0m
Outline Application	£12.1m	75	£2.2m
Total	£23.2m	144	£4.2m

Source: Hinton Group Ltd and HJA Analysis. Figures may not sum due to rounding.

For illustration, assuming a linear split of requirements across the relevant construction periods the peak workforce will be within the first six months after granting of planning permission with approximately 40 person years of employment across the six month period.

The ONS BRES employment data indicates 2,400 persons employed in the construction sector in Cheltenham Borough. At its peak across the first six months the proposed development would therefore support the equivalent of 3.3% of Cheltenham construction sector employment.

3.2 Net Additional Impacts

The above analysis presents a measure of the direct effects at the application site. The following considers the net additional impacts at the Cheltenham Borough and Joint Core Strategy (JCS) area levels. This takes account of leakage, deadweight, displacement and multiplier effects. Full discussion of the approach taken is set out in Appendix 1 to this report.

In adjusting to net additional impacts, rather than reporting on a workplace basis, the impacts are reported on a resident basis. That is, the scale of employment and wage impacts on residents of Cheltenham Borough and the JCS area.

Table 3.2 sets out the results of the analysis. It is estimated that 104 person years of employment will be secured by Cheltenham Borough residents, supporting wages of £3.1 million across the construction period. When considering the wider JCS area the local benefits increase to 152 person years of employment and £4.5 million in wages.

Table 3.2 Net Additional Construction Phase Impacts

	Cheltenham Borough		JCS Area	
	Employment (FTEs)	Wages (£m)	Employment (FTEs)	Wages (£m)
Full Application	50	£1.5m	73	£2.2m
Outline Application	54	£1.6m	79	£2.3m
Total	104	£3.1m	152	£4.5m

Source: HJA Analysis

4 Operational Phase Impacts

This chapter assesses the likely economic impacts arising during the operational phase of the proposed development. Impacts are shown in terms of gross direct and net additional.

4.1 Gross Direct Impacts

The proposed development includes a range of employment accommodating uses. The following analysis assesses the likely employment and wage impacts at full occupancy. For the A1, A3 and D1 uses this is based on primary employment data provided by the anticipated occupiers. For B1a elements employment has been assumed using best practice employment density assumptions¹. Wage effects are assessed based on the latest ONS Annual Survey of Hours and Earnings (data for 2015, released November 2015) for full time median earnings for the appropriate sectors². All employment and wage data is based on full time equivalents (FTE).

Table 4.1 sets out the estimated gross direct employment and wage impacts by element. The full scheme has the capacity to accommodate almost 1,020 FTE jobs generating annual wages in excess of £32 million year on year. The elements of the scheme subject to the full application have the capacity to support employment of 436 FTEs supporting wages in excess of £13m per annum.

Table 4.1 Gross Direct Operational Phase Impacts

	Employment (FTEs)	Wages (£m Annual)
A1 – Aldi Foodstore	26	£0.47m
A3 – Costa	20	£0.35m
D1 – Happy Days Nursery	25	£0.37m
B1a – Full	365	£11.97m
Full Application	436	£13.15m
B1a – Outline	582	£19.10m
Outline Application	582	£19.10m
Total	1,018	£32.25m

Source: HJA Analysis

4.2 Net Additional Impacts

The above analysis presents a measure of the direct effects at the application site. The following considers the net additional impacts at the Cheltenham Borough and Joint Core Strategy (JCS) area levels. This takes account of leakage, deadweight, displacement and multiplier effects. Full discussion of the approach taken is set out in Appendix 1 to this report.

In adjusting to net additional impacts, rather than reporting on a workplace basis, the impacts are reported on a resident basis. That is, the scale of employment and wage impacts on residents of Cheltenham Borough and the JCS area.

¹ Homes & Communities Agency, *Employment Densities Guide, 2015*

² A1 - SIC 4711, A3 – SIC 56, D1 – SIC 8891, B1a – Hybrid based on relevant SICs.

Table 4.2 sets out the results of the analysis. The total scheme has the capacity to deliver almost 500 FTE net additional jobs supporting almost £16 million in wages per annum at the Cheltenham Borough level. This increases to 605 FTEs and almost £19 million in wages at the JCS area level.

Table 4.2 Net Additional Operational Phase Impacts

	Cheltenham Borough		JCS Area	
	Employment (FTEs)	Wages (£m Annual)	Employment (FTEs)	Wages (£m Annual)
A1 – Aldi Foodstore	16	£0.30m	21	£0.37m
A3 – Costa	13	£0.22m	16	£0.28m
D1 – Happy Days Nursery	16	£0.23m	20	£0.29m
B1a – Full	175	£5.73m	211	£6.93m
Full Application	220	£6.48m	268	£7.87m
B1a – Outline	279	£9.15m	337	£11.06m
Outline Application	279	£9.15m	337	£11.06m
Total	498	£15.63m	605	£18.92m

Source: HJA Analysis

4.3 Headline Local Fiscal Impact

The proposed development has the potential to deliver substantial local fiscal benefit through business rates. This will generate increased revenues to local government and will enable the safeguarding and creation of new jobs and the protection and enhancement of services to local residents.

The following analysis is intended as indicative and the final revenue position will be based on formal assessment once constructed. It is acknowledged that there is a complex system for determining locally retained business rates and consultation has recently been completed relating to a revised system of local retention to be brought in by the end of this Parliamentary session (2020). Cheltenham Borough Council participates in the Gloucestershire Business Rates Pool, which has itself revised its arrangements since the end of March 2016. The exact value of the element retained by Cheltenham Borough Council is therefore not stated. The purpose of the analysis below is to provide an indication of the scale of business rates to be generated from the Proposed Development assuming no reliefs. However, what is clear from the direction of policy is that the move to greater reliance on business rates income to fund local government brings the incentive for growth into even sharper focus.

Based on the headline assessment of potential business rates generated by the proposed development the gross rateable value is estimated at approximately £2.7 million. Based on the 2016/17 multiplier the rates payable are estimated at more than £1.3 million. Based on a maximum rate of 50% locally retained the Proposed Development has the potential to deliver additional local revenues in excess of £660,000 once fully implemented. A detailed breakdown is provided in Table 4.3.

Table 4.3 Estimating Business Rates Revenues

	Estimated Rateable Value³	Total Rates Payable⁴	Maximum Local Retention⁵
A1 – Aldi Foodstore	£287,300	£142,800	
A3 – Costa	£40,800	£20,300	
D1 – Happy Days Nursery	£45,200	£22,500	
B1a – Full	£881,000	£437,800	
Full Application	£1,254,200	£623,300	£311,700
B1a – Outline	£1,406,100	£698,800	
Outline Application	£1,406,000	£698,800	£349,400
Total	£2,660,100	£1,322,100	£661,100

³ Estimated based on local comparables. Based on 2017 revaluation estimates.

⁴ Based on 2016/17 multiplier for large businesses of 49.7 pence in the pound.

⁵ Based on current rules with maximum 50% locally retained.

Appendix 1: Assessing Net Additional Impacts

This appendix sets out details of the approach to assessing additionality. This is based on the approach outlined in the Homes & Communities Agency *Additionality Guide, Fourth Edition 2014*. Assumptions vary between the construction and operational phases which are each considered in turn.

4.4 Construction Phase

4.4.1 Leakage

Leakage captures those impacts which 'leak' outside the impact area. For this analysis the primary impact area is identified as Cheltenham Borough with analysis also presented for the Joint Core Strategy (JCS) area. Commuting data is used as the source of data to assess leakage of employment. Data from both the 2001 and 2011 Censuses of Population has been analysed. This shows that the majority of employment impacts are retained within Cheltenham Borough. Where benefits do leak to those that in-commute to the area, the majority are retained within the wider JCS area.

2001 Census data suggests slightly lower than average leakage for construction sector. This records 28% of construction sector employees in-commuting to Cheltenham from outside the Borough. This falls to 13% from outside the JCS area. For comparison, for the whole economy the figures are 30% and 13% respectively.

The 2011 Census does not allow sectoral analysis of this data. Data for the whole economy, calculated on the same basis as the 2001 Census reporting shows in commuting at 38% from outside the Borough and 17% from outside the JCS area. It is uncertain whether the effect of increased in commuting has been felt equally across sectors, but for the purposes of this analysis we adopt the 2011 Census figure.

It should be noted that these figures are slightly different to the whole economy averages listed for the operational phase. The reason for this is the way in which those working at or from home, and those with no fixed place of work are treated. Within the construction sector there will be a high proportion of itinerant workers that need to be incorporated in the analysis. In the operational phase analysis, the focus is on workers with a fixed workplace outside the home. As a result the leakage analysis differs.

4.4.2 Deadweight

Deadweight is a measure of impacts that would be expected to accrue without the proposed development. It is often referred to as a reference case or do nothing option.

Deadweight at the site level is anticipated to be very low. An extant outline planning permission for office development is in place but has not been implemented. Large parts of the current development proposals are similar in nature and therefore it would be inappropriate to consider the extant scheme as deadweight.

4.4.3 Displacement and Substitution

Displacement is a measure of impacts that are offset by reduced activities elsewhere in the target area. Substitution is a form of internal displacement. This could be where a construction contractor secures work on the proposed development and declines work elsewhere in the area. Typically displacement and substitution effects have been considered together.

Gross Direct impacts are shown to peak at approximately 3% of current Cheltenham construction employment and not at a scale that is likely to have substantial displacement impacts. Displacement and substitution effects are therefore deemed to be low in this instance, a figure of 10% at the Cheltenham level and 15% at the JCS level is assumed.

4.4.4 Multipliers

Multipliers capture the effects of further rounds of indirect and induced economic activity. This includes the expenditure through the supply chain of core occupiers and the effects as employees spend their wages in the local economy.

The construction sector has particularly high multipliers, with high levels of locally retained expenditure. This reflects the local sourcing of labour and the expenditure of earned incomes in the local area, as well as the often localised purchase of building materials, particularly non specialised materials. The analysis above has specifically separated out those major areas of expenditure that will flow outside the UK. Multipliers of 1.3 at the Cheltenham level and 1.5 at the JCS area are applied.

4.5 Operational Phase

4.5.1 Leakage

Leakage captures those impacts which 'leak' outside the impact area. For this analysis the primary impact area is identified as Cheltenham Borough with analysis also presented for the Joint Core Strategy (JCS) area. Commuting data is used as the source of data to assess leakage of employment. Data from both the 2001 and 2011 Censuses of Population has been analysed. This shows that the majority of employment impacts are retained within Cheltenham Borough. Where benefits do leak to those that in-commute to the area, the majority are retained within the wider JCS area.

2011 Census of Population data indicates that for jobs within a fixed workplace in Cheltenham 55% are filled by Cheltenham residents. Of the remainder 25% are filled by in-commuters from the JCS area and the remaining 20% from those outside the JCS area.

2001 Census of Population data on commuting patterns suggests much lower levels of in commuting to Cheltenham for service sectors including wholesale, retail and trade and hotels and restaurants which one would expect for what are typically lower wage activities. The 2011 Census does not allow such fine-grained analysis. To reflect the available evidence the level of in commuting is reduced by 10% points at the Cheltenham level and 5% at the JCS area level.

A proxy for office based work, using financial intermediation, real estate and public administration sectors shows a level of in commuting broadly in line with the whole economy average, perhaps

fractionally higher, which one would expect for higher wage activities. No adjustment is made to the headline level.

4.5.2 Deadweight

Deadweight is a measure of impacts that would be expected to accrue without the proposed development. It is often referred to as a reference case or do nothing option.

Deadweight at the site level is anticipated to be very low. There are no substantive employment generating activities on the site at present, with the land supporting negligible agricultural employment. There is therefore no loss of existing employment at the site which needs to be offset. An extant outline planning permission for office development is in place but has not been implemented. Large parts of the current development proposals are similar in nature and therefore it would be inappropriate to consider the extant scheme as deadweight.

In the absence of the development some jobs might be accommodated elsewhere within Cheltenham or the JCS area. However, the need for employment capacity is well known locally, with examples cited of businesses either failing to locate within the JCS area, or relocating outside the JCS area as a result of constrained supply. On this basis it is appropriate to set deadweight at a minimum level of 10% within Cheltenham and 20% across the JCS area.

4.5.3 Displacement

Displacement is a measure of impacts that are offset by reduced activities elsewhere in the target area. This could be where a new business within the proposed development captures market share from an existing business in Cheltenham.

This is anticipated to be very low for the A1, A3 and D1 uses (10%) and low (25%) for office elements. The Cheltenham population and economy are forecast to grow over the coming years and to facilitate this there is a need for additional employment space and appropriate service infrastructure. However, within the office element there is the potential that some take up will be from existing occupiers within the borough with existing office premises lost to other activities. This would be true of any new office development.

4.5.4 Multipliers

Multipliers capture the effects of further rounds of indirect and induced economic activity. This includes the expenditure through the supply chain of core occupiers and the effects as employees spend their wages in the local economy.

Multiplier effects are assessed as medium. For A1, A3 and D1 uses these are set as 1.2 at the Cheltenham level and 1.3 for the JCS area. For office uses these are set as 1.29 at the Cheltenham level and 1.35 at the JCS area. All assumptions based on the HCA *Additionality Guide, Fourth Edition 2014*.