1.

HIGH PEAK BOROUGH COUNCIL

Report to Corporate Select Committee

20 March 2017

TITLE:	**Quantifying the economic impact of growth**
EXECUTIVE COUNCILLOR/ PORTFOLIO HOLDER:	**Cllr. Tony Kemp**
CONTACT OFFICER:	**Pranali Parikh**
WARDS INVOLVED:	**All**

Appendix 1: Detailed explanation of methodology and sources of evidence.

1. **Reason for the Report:** To prepare a consistent approach to quantifying the economic benefits of development (housing, employment and visitor economy) in order to comply with s155 of Housing and Planning Act 2016 and provide relevant information towards consideration of 'planning balance' for determination of planning applications. The report outlines a range of economic assumptions and establishes a method for calculating the impact of each of them to inform the business cases for key corporate priorities and to estimate the impact of investing Council's resources on the short, medium and long term financial plans.

2. Recommendation

2.1 That the approach to quantifying economic impact as outlined in this report be noted.

2.2 That the Committee recommend that the Executive approve the approach as the Council's preferred method for quantifying economic growth.

3. Executive Summary

3.1 This report sets out a consistent methodology for capturing and quantifying the economic impact of development within High Peak.

3.2 Key objectives to propose a consistent approach to quantify economic impact are:

- To support compliance with s155 of Housing and Planning Act 2016;
- To quantify the economic impact and resultant community benefits of developments to inform the ‘planning balance’ element for determination of planning applications;
- To monitor the progress of delivery of the Local Plan and the Growth Strategy and measure the economic impact of the proposed developments;
- To have a good understanding of the outcomes deriving from new developments and inform the priority and budget setting process for the Council;
- To inform the Council’s business case analysis and ensure that it complies with the Government’s Green Book Appraisal approach;
- To help model and forecast financial benefits of priority projects in the Transformation programme and guide the allocation of resources.

3.3 This report explains the use of the multiplier system for measuring the impact of residential, commercial and tourism related development within the borough.

3.4 The report also identifies the risks associated by lack of development and the wider impact of a ‘reverse multiplier’ (that is the impact of disinvestment) on our towns and communities.

3.5 This proposed approach is intended to inform the decision making process and to be used only as a guidance. The proposed methodology may be amended after the government release the detailed guidance for s155 of the Housing and Planning Act 2016. The numbers generated using the proposed methodology are subject to the assumptions made at the time of calculations and available information in the public domain. Each development may vary depending upon the localised policies, site conditions and the socio-economic impact. The intention of this exercise is to provide a consistent base with which to compare projects and developments.

4. How this report links to Corporate Priorities

4.1 The report identifies a consistent approach to quantifying the economic impact of growth and will therefore enable councillors and officers to make better informed and consistent decisions in relation to budget commitment and planning. This will enable the council to meet aim 2 and aim 3 of Corporate Plan 2015-19

- Aim 2: Meet Financial Challenges & Provide Value for Money
- Aim 3- To help create a strong economy by supporting further regeneration of towns and villages

5. Options and Analysis

5.1 Do Nothing

Under this option, the Council would not have a consistent approach to quantifying the economic impact of growth. This would mean that

- The Council would not necessarily be complying with s155 of Housing and Planning Act 2016 which places a legal obligation on authorities to include details of the financial benefits information when making recommendations for planning applications.
- There is a risk that without a consistent approach to quantifying the economic impact, the Council could be exposed to different methods used by various consultants and open to challenge from developers and the potential for judicial review of decisions.
- Councillors will not have access to reliable, consistent and comparable information on the potential impact of development projects when making decisions.

Not recommended

5.2 Approve and adopt the proposed approach and methodology for calculating economic impact for housing, business and tourism-linked development

- Under this option the Council would have a consistent approach to assessing the economic impact of housing, industrial, and commercial investment.

Recommended

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

None

6.2 Workforce

None

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Diversity and Equality Policies.

6.4 Financial Considerations

Adoption of consistent approach will help identify income to the council from growth as well as quantify wider economic impact for district. Key financial assumptions are made in discussion with the finance team and will be updated in the light of new information such as the government's proposed business rate retention policy.

6.5 Legal

There is no known implementation date for s155 of Housing and Planning Act 2016 and when it does come into force it will be subject to detailed guidance that may require a re-evalutation of the approach set out in this report.

6.6 Sustainability

The National Planning Policy Framework makes clear that the purpose of the planning system is to contribute to the achievement of sustainable development. There are three dimensions to sustainable development - economic, social and environmental – and the NPPF highlights that these roles should not be undertaken in isolation.

Sustainability Appraisal to assess (and if required mitigate) the environmental impact of the High Peak Local Plan was produced at each stage of the process.

In addition to Sustainability Appraisal, key evidence used to support policies in the Local Plan is the assessment of objectively assessed housing and employment needs which takes into account the social, cultural and political aspects along with the economic and environmental ones.

This report focuses on the economic impact of development to inform this key element of ‘planning balance’.

6.7 Internal and External Consultation

This report is prepared in consultation with relevant teams within the Council such as, Planning Policy, Economic Development, Development Management, Finance, Visitor Services and Legal. Following the approval of Corporate Select Committee, it will be presented to the Executive for approval.

6.8 Risk Assessment

Risk of challenge to approach by those opposed to an application based on perceived focus on economic issues.

Mitigation

- This report does not alter or give any additional priority to economic factors, but seeks only to give a consistent methodology to capturing the economic impact of a development. Planning officers are required to report on all aspects of development as part of their report.
- Complies with guidance issued around s155
- Council has used widely available robust data in the public domain and the methodology is used in other public sector organisations.

7. Background and Detail

7.1 Background

7.1.1 This report sets out a methodology for quantifying the economic impact of growth in High Peak.

7.1.2 The purpose for this report is to objectively assess the economic impact of any development within the borough by using standard multipliers to inform councillors and officers about the potential impact of the development on the local economy.

7.2 Planning Context

7.2.1 Since 2012 the National Planning Policy Framework NPPF, has carried a presumption in favour of sustainable development and has made clear that there are three dimensions to sustainable development - economic, social and environmental – and the NPPF highlights that these roles should not be undertaken in isolation. Consequently, planning reports already contain a Section entitled “Planning Balance” where the implications for each of the three dimensions are considered and benefits are weighed against disbenefits.

7.2.2 The ‘Planning Balance’ is the process of ‘weighing up’ the key relevant factors- environmental, social and economical, in determination of a planning application. As a planning authority, the Council is obliged to exercise its judgement and consider many (sometimes) conflicting issues to decide whether planning permission should be granted. These factors must be properly considered otherwise the decision of whether or not to grant permission may be unlawful.

7.2.3 As part of this consideration, economic benefits are already taken into account in general terms, but the Council does not have an adopted methodology by which such benefits can be quantified, in contrast to the environmental strand of sustainable development, which is objectively assessed using standard tools such as Transport Impact Assessments of Landscape and Visual Impact Assessments.

7.2.4 S155 of Housing and Planning Act 2016 now places a legal obligation on authorities to include and consider financial benefits information when making recommendations for planning applications “whether or not material to the application”. Under clause 75ZA, the Act requires
“A local planning authority in England must make arrangements to ensure that the required financial benefits information is included in each report which is made by an officer or agent of the authority”

7.2.5 Clause 75ZA states that in relation to each listed financial benefit a statement explaining the extent to which it is material to the application must be provided. Some benefits secured through Section 106, such as education contributions, only mitigate the impact of the new development and therefore would carry neutral weight in the overall assessment of the ‘planning balance’. Others, such as the provision of a convenience store as part of a new development, which would be of benefit to the whole community, and which would create new jobs and income for a new local business, would carry a positive weight.

7.2.6 It is therefore necessary to ensure that a more detailed and site specific analysis is provided within reports relating to any planning decision.

7.2.7 In order to meet this obligation, it is important for the Council to adopt a consistent methodology for capturing and measuring economic outcomes that is robust and acceptable by all. Without that, the Council could be exposed to different methods used by various consultants Failure to properly consider all 3 aspects of sustainable development when taking planning decisions could lead to potential challenges in the form of Appeals or Judicial Review.

7.3 Methodology and reliability of data

7.3.1 Economists have been studying the circular flow of money arising from investment and withdrawal of investment for over 120 years, and in the 1930s the concept of a *multiplier effect* was established. Since 2010, significant research has been undertaken by international academics to understand and evaluate the impact of multipliers on a local area and the effect that a specific development investment would have in its local environment. This report uses this established methodology to create a formula for calculating the impact of development in the context of High Peak.

7.3.2 The Council has used the Oxford Economics employment forecasts to inform the Adopted local plan. This data was supplemented by a Quantitative Retail Study in 2013 to understand shopping spending patterns across the main towns.

This report draws on reliable and credible sources of evidence, such as Office for National Statistics (ONS), Scarborough Tourism Economic Activity Monitor (STEAM) and Visit England data related to tourism spend.

Further background is attached within the Annexe 1 which evidences the detail.

7.4 Explaining economic benefit to the area and the multiplier effect

7.4.1 Every time there is investment (or disinvestment) into an economy – such as new housing or business investment in equipment and premises - there is an impact on the local economy in terms of jobs and purchasing of supplies and services. The multiplier effect refers to the additional economic benefits resulting from this initial investment.

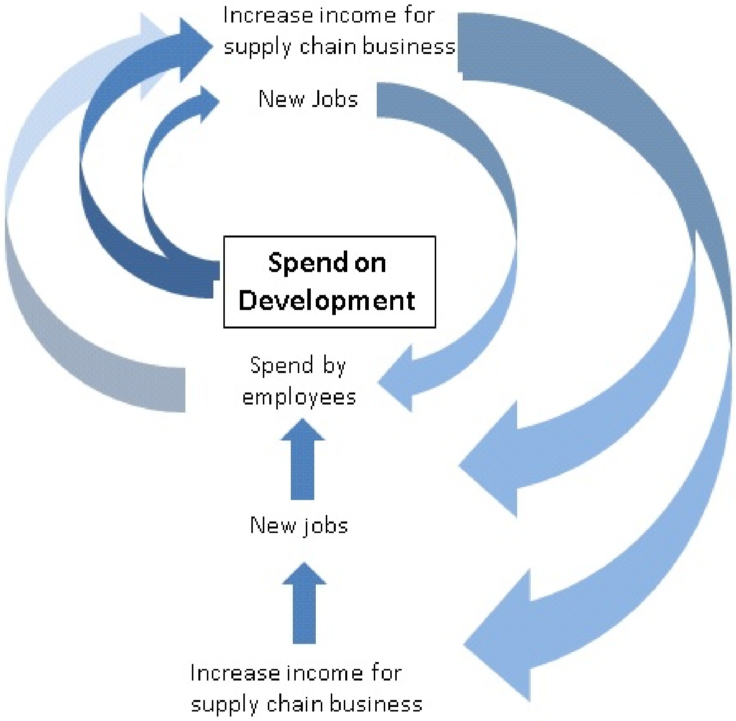
7.4.2 The initial investment starts a circular flow of money into the wider economy which is known as the multiplier effect or circular flow concept. This is because an injection of extra investment leads to spending, which creates increased income for other businesses. At a local level, this can be calculated as a formula for income retained in the area for each new home or for each square metre of new business floor-space.

Multipliers are usually sub dived into three tiers.

- Tier 1 includes – outcomes from the direct investment

For example: new jobs created in construction; new jobs in expanding businesses; and the direct expenditure related to the construction;

- Tier 2 - includes all of the above but also direct new or safeguarded employment in the supply chain generated by the expenditure arising specifically from this contract.
  For example: new and safeguarded jobs at firms that manufacture products used by the construction industry; supply machinery or other equipment which will be housed in the new business premises.
- Tier 3 includes all of the above but also the jobs and spend generated in the local area by spend of tier 1 and tier 2 employees, subcontractors and in the case of tourism businesses, by visitors.
  For example: Money spent in shops and on other services by new householders, by construction/permanent employees and by visitors – which in turn supports and creates additional jobs.



7.4.3 It is proposed that the Council adopts a methodology for calculating the impact of residential, commercial and tourism development, reflecting the full impact of development across all three tiers, where these can be realistically and reliably be quantified. This will estimate the financial income to the Council as well as total community benefits in both the first year and as a total for first five years following completion.

7.4.4 It is to be noted that while each new home and business premise generates income to the council in the form of council tax, business rates and the New Homes Bonus (in addition to other government tax revenues such as stamp duty, income tax, value-added tax), there is also an increase in operational costs in form of waste collection and other related operational and infrastructural costs incurred to the Council due to any additional development.

7.5 Assumptions for Housing Development:

7.5.1 Council Tax: The Council retains 12.18% of Council tax generated by each new dwelling. Considering the average house in High Peak is classified in Council Tax Band D, this equates to £195.98 per dwelling per year. (For full explanation of calculation see Annex 1, paragraph 1)

7.5.2 New Homes Bonus: For homes developed over and above the 0.4% of dwelling stock in band D equivalents (for High Peak: 165 units or 145 band D equivalents), the Council could receive approximately £1200 per unit per year for four years or £4800 per unit over four years. (for full details please see Annex 1 paragraph 3)

7.5.3 Planning application fees: The Council receives an average £385 per dwelling for major planning applications. (For full explanation of calculation see Annex 1, paragraph 2)

7.5.4 S106 contributions for community benefits: The council receives income from s106 payments to mitigate against impact of development. However a percentage of this money is secured for transport, education and other community facilities and is shared by the County or Parish Councils. Each development will need to be assessed on case by case basis.

S106 income for Council: As an average the open space contribution for open space could potentially be £430 per home.
(For full explanation of calculation see Annex 1, paragraph 4)

7.5.5 Investment in the local area
Each new home in the High Peak costs on average £90,476 generating property investment in the local area. (For full explanation of calculation see Annex 1, paragraph 5)

7.5.6 Additional spend in the area
The new householders occupying each new house will spend some of their income locally through shopping and use of local services such as local builders. This includes both an initial amount ‘to make their house feel like their home’ and on-going amount as part of their disposable income.

- Initial one off spend: Nathaniel Lichfield & Partners, ‘The Economic & Social Benefits of Home Building in Scotland’ (2015) calculated this as a minimum £5000 per home
- Annual spend: The GVA Quantitative Retail Study (update) 2013 identified that 33.33% of all household expenditure is spent at district level or below. This equates to £176.97 per week or £9,202.44 per year.

(For full explanation of calculation see Annex 1, paragraph 6-7)

7.5.7 New Jobs

- Direct jobs (Construction and supply chain): Nathaniel Lichfield & Partners report ‘The Economic footprint of UK housebuilding’ (March 2015) identified that each new house generates 4.3 jobs within construction or the associated supply chain of which 25 per cent or 1.07 jobs are likely to be locally based.
- Indirect jobs (shops and services): The local spend generated by new households will also support jobs in shops and services. Deloltte, in partnership with Oxford Economics, have calculated that this equates to an additional local job for every seven new homes (or 0.14 per dwelling) in addition to those generated in construction and supply chain.
(For full explanation of calculation see Annex 1, paragraph 8-9)

7.5.8 Affordable homes
The affordable housing policy in the Local Plan proposes that all private sector housing developments with over 5 properties generate 0.30 of an affordable home on developments over 25 dwellings and a lower amount of 0.20 for developments of 6-25 dwellings. (For full explanation of calculation see Annex 1, paragraph 10)

7.6 Assumptions for Business/Employment use Development excluding tourism businesses

7.6.1 Business Rates
Business Rates are calculated using a property’s ‘rateable value’, which is its open market rental value on 1 April 2015 (for Business Rates from 1 April 2017 onwards) based on an estimate by the Valuation Office Agency (VOA). Each development will need to be assessed on its own merit and as a proxy, a similar property’s rateable value could be used to estimate business rate income to the Council for a specific development. (For full explanation of calculation see Annex 1, paragraph 11)

7.6.2 Planning application fees: The Council receives a planning application fee for commercial development. This rate is currently £385 for each 75sqm of floor area or part thereof up to 3,750sqm & £19.049 plus £115 for each additional 75 sqm in excess of 3750 up to a maximum of £250,000. The fees for change of use is £385 per application.

7.6.3 S106: Community benefits: The council may receive an income from s106 payments to mitigate against the impact of development, however a percentage of this money is secured for highway improvements and is paid to Derbyshire County Council. For this reason these will be considered on a case by case basis and will be included if applicable.
(For full explanation of calculation see Annex 1, paragraph 4)

7.6.4 Investment in the local area
- Development cost: The level of private sector business investment will depend on individual scheme evidence supplied to council officers.
- It should be noted that although not considered in this report, business investment multipliers can vary depending upon the sector and size of the business; smaller firms having a greater propensity to re-spend in the local economy.

- Development can also contribute to business growth. Capital investment can raise the productivity of businesses and create new job opportunities

(For full explanation see Annex 1, paragraph 12)

7.6.5 Additional spend in the area

Spend close to employment: National research on re-spend of employees has identified that between 4.5 per cent and 9 per cent of an employees overall weekly household spend is spent close to their place of employment. In High Peak this would equate to £1,394 per annum.

Re-spend in the local area:

People who live and work locally, spend approximately 40% of their disposable income in the local area compared to average households (33.33%). This means that business investment which attracts a proportion of in-migration of new working age residents through re-location to the area, especially higher income earners, will have a greater positive impact on the local economy, as long as there is sufficient supply in the housing market. In High Peak, this would equate to £11,045 per relocating/new employee per annum.

(For full explanation see Annex 1, paragraph 13)

7.6.6 Savings for other public services:

The Home Office and Department of Health have undertaken research to calculate the financial benefit of moving someone from benefits to employment and the impact that this has in terms of savings on the public purse. These savings are achieved because working adults use less public services than non-working age adults, and when they do, often use more cost effective means of communication such as using online payment and contact enquiry systems. In High Peak, this equates to a £6855-£12,084 per new employee who were previously in receipt of benefits.

(For full explanation see Annex 1, paragraph 14)

7.6.7 It is to be assumed that the Council would also theoretically receive channel shift savings generated by movement of individuals from benefits to work however at this point these are not included as any savings are seen as marginal.

7.6.8 New Jobs

Business development could generate a range of job opportunities. Actuals will need to be supplied by developer or for comparison estimate. Nathanial Litchfield Partnership have estimated the following job numbers based on national ratios utilising the ODPM Guidance Note on Employment Land Reviews calculations 2015.

Direct jobs:

- B1 (Office)1 job per 14m2
- B1 (all) 1 job per 20m2
- B2 (manufacturing) 1 job per 35m2
- B8(Distribution) 1 job per 50m2

Business development will also generate a range of additional job opportunities including temporary jobs in the construction phase and jobs generated through re-spend of new employees. The developer will need to supply estimates of these based on the individual development
(For full explanation see Annex 1, paragraph 15)

7.7 Assumptions for tourism related development

7.7.1 Business investment by tourism businesses has an economic multiplier effect similar to other businesses, but also has a wider impact because customers will also spend money in the local economy, which will also increase the circular flow of money within the community. Capital investment in tourism businesses will be reviewed using the assumptions for Business/Employment development outlined above. The calculations below will consider the additional impact of visitor expenditure

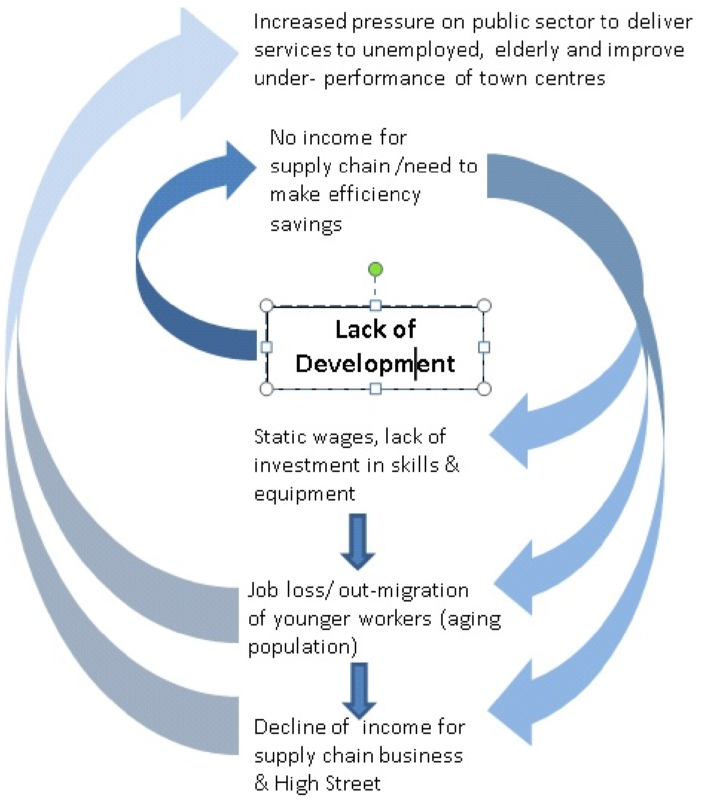
7.7.2 Developments which will increase the propensity of visitors to stay overnight, by providing new larger scale attractions, festivals, mult-day events as well as new or improved accommodation should be considered to increase number of staying visitors.

- <u>Spend per day of a day visitor:</u> Steam data for 2015 has identified that a day visitor to High Peak spent on average £35.16 per day.
- <u>Spend per visit of a staying visitor:</u> In contrast, a staying visitor spent £213.23 per visit (or £66.63 per day based on an average 3.2 days).
- Assuming there is no overall increase in visitor numbers, the conversion of a day visitor to a staying visitor will have an average boost to the local economy of £178.07 per visitor

(Full details, Annex 1, paragraph 16)

7.8. The economic impact of no development

7.8.1 As well as their being a well recognised positive economic impact of development, there is also a recognised downward or 'reverse' cycle whereby the lack of new direct investment in an area’s economy leads to a negative impact on the social and economic health of the area and increased expenditure for public sector. (for further details, please see Annex 1, paragraph 17)



7.8.2 This reverse multiplier is particularly evidenced in communities which have not seen investment in housing or business growth as over time the increased withdrawal of spending by householders and businesses leads to an increasing lack of monetary flow which has a significant detrimental impact on the High Street (both in terms of high street occupancy and quality of shops) but also on wider support services, such as health and leisure provision, which tends to cluster close to retail centres. Further details available Annex 1, Paragraph 17

At a local level, we are seeing rising levels of town centre retail vacancy and increasing rates of charity premises in Buxton and New Mills where there has been less housing and business development over the last few years in comparison to Glossop, Hadfield, Whaley Bridge and Chapel-en-Le-Frith.

7.8.3 Lack of employment growth means that the re-spend of these potential employees has been lost to the area. This can have a significant long term detrimental impact on the High Street, as an aging and commuter based population will result in less spend and a decline in the high street in terms of occupancy and quality. For an example, a rise in charity and discount stores as well as empty premises.

7.8.4 Lack of employment means increase in recipients of job seeker allowance and other benefits and an increased demand for affordable or social rented homes, increased need for public sector support and therefore increased public sector expenditure.

7.8.5 There is also clear evidence that a decreasing monetary flow, ageing population and decline of the high street, renders a place unattractive for visitors, residents and investors, resulting in increased pressure on the public purse to commit expenditure. For example, a need to offer grant aid to invest in shop front and public realm schemes; subsidy of transport services; and delivery of services to unemployed/low income households.

7.8.6 It should also be noted that if the principal economy of a locale is linked to supporting an aging population (e.g. care and health services, public sector services, low value trades) then these employees are unlikely to be able to afford to buy homes – and this increases pressure to provide more affordable homes.

Dai Larner
Executive Director

Web Links and Background Papers	Location	Contact details

Annex 1: Explanation of calculations/Evidence base

Assumptions for Housing Development:

1 Council Tax

A new home generates £1,609.40 council tax for the area based on average band D rate for 2016/17. The proportion retained by HPBC is 12.18% which equates to £195.98 per new home. The remaining income generated is used for Derbyshire County Council, Police, and Fire and Rescue services. This rate will be utilised as the standard amount in line with other service teams, unless there is an identified band identified within the proposed development.

Evidence: Finance team (internal)

2 Planning Application Fees

- All outline applications - £385 per 0.1ha for sites up to 2.5ha. & £9,527 + £155 for each 0.1ha for sites in excess of 2.5ha up to a max of £125,000.
- Full applications - £385 per dwelling up to 50 dwellings & £19.049 plus £115 per dwelling for site of over 50 dwellings to a maximum of £250,000
- Changes of use £385

Evidence: Planning portal fee calculator
https://1app.planningportal.co.uk/FeeCalculator/Standalone

3. New Homes Bonus

New Homes Bonus is a central government funded scheme to financially reward councils that deliver new homes. Payment has previously been made over six years following completion of the dwelling, but from 2017/18 this will reduce to five years, and will reduce to four years in 2018/19 onwards. From 2017 New Homes Bonus will be calculated as follows:

- Increase in the dwelling stock in the council tax base, by band = dwelling stock this year minus dwelling stock last year, both net of demolitions and long term empty property (for High Peak is 41,371)
- Increase in band D equivalent dwellings = increase in stock by band, weighted by band D equivalence, with a lower weight given to bands A-C, and a higher weight given to bands E-H
- Baseline = 0.4% of dwelling stock (for High Peak: 165 units or 145 band D equivalents)
- Units for reward = Growth in band D equivalent dwellings minus units under baseline
- Payment for band D equivalents = Units for reward multiplied by average band D council tax payment
- Affordable homes payment = Number of affordable homes added over the period multiplied by affordable homes premium (£350).
- Annual payment = payment for band D equivalents plus affordable homes payment

- As an example, 100 additional homes (over baseline), High Peak could receive approx. £121,560pa for four years, with the total payment being £486,242

  Derbyshire County Council will retain 20% of the NHB, which for 100 homes over baseline could equate to £30,390 per year, £121,500 over four years.

Evidence: the New Homes Bonus Calculator developed by DCLG
https://www.gov.uk/government/publications/new-homes-bonus-calculator-2017-to-2018

4. S106 payments for Housing developments:

   Payments by developers are made in respect of infrastructure investment required to accommodate new development. This can include contributions towards school places and new classrooms; environmental mitigation; play provision, parks and leisure facilities as well as highways and green infrastructure. The exact nature of the s106 payment and who it is paid to, will depend on the nature of the development and its location. As an example, the total contribution secured by High Peak Borough Council is £787,680.95 which covers planning permission for 894 new homes. This gives an average of approximately £881 per dwelling where a s106 agreement was necessary to mitigate the effects of development. However, some of this money has been secured for highway improvements and education which are paid to Derbyshire County Council and other contributions are secured on behalf of Parish Councils. Taking these contributions out of the calculations leaves £645,024.71 secured at an average rate of £721.50 per dwelling. Any contribution to third parties will be recorded as an economic impact if identified as part of application.

Evidence: National Planning Policy Framework; Policy CF7 of the Adopted Local Plan for High Peak; Finance team (internal)

Open space contribution to Council:

Open space requirements are currently based on those recommended by the Fields in Trust (Planning and design for outdoor sport and play) of a minimum of 2.4 hectares (six acres) of outdoor playing space per 1,000 people.

The standard for outdoor playing space provision is based on population, derived from the capacity of each dwelling proposed. Below is a table of requirements for each new dwelling.

	A	B	C	D
Nature of open space or recreation facility	**Provision required in hectares per 1,000 population**	**Standard per new dwelling (m^2)**	**Horticulture schedule of rates per m^2**	**Contribution per dwelling**
Equipped children's play	0.11	2.56	£75	£192

Parks and Gardens	1.15	26.81	£21.30	£571
Outdoor sports facilities	1.05	24.47	£20	£489.40
Allotments	0.22	5.13	£15	£76.95

Using the above table each development is assessed on its own merit and against an identified need of the type of open space requirement in the area. Not all developments are subject to this contribution.

Evidence: Policy CF4 of the Adopted Local Plan for High Peak; NPPF; Operational services (internal)

S106 for business use:

S106 contributions for planning applications for business use are dependent upon the impact of the specific development on the environment, infrastructure and community. Each development is considered on its merits and s106 contributions are only identified if there is any specific impacts that can be mitigated. A percentage of this money if secured for highway improvements, is paid to Derbyshire County Council.

Evidence: National Planning Policy Framework

5 Private sector investment for housing development:

Developers can submit evidence of actual costs. As a comparison, a rate of £90,476 will be utilised as standard in line with other service teams. This cost is based on information provided by three developers in 2014-2016 relating to costs on actual cost per dwelling on three developments.

Evidence: Developers and Registered Providers active in High Peak

6. Additional Spend (initial)

Nathaniel Lichfield & Partners Ltd reviewed evidence on surveys which looked at initial additional spending undertaken by new householders as part of a commission by Homes for Scotland (an organisation representing 200 companies which deliver 95% new homes). This identified that the average new home owner spends between £5,000 and £12,000 within the first year of ownership on top of that paid to house builder in the local area to ‘make the house feel like a home’. No similar up to date in-depth analysis of English spend is available but it is reasonable to assume spend patterns will be similar. As the Scotland study analysed spend patterns across varying demographics, it is thought reasonable to use the lowest average as a ‘minimum re-spend’ unless developer can supply updated reliable evidence.

Evidence: NLP ‘The Economic & Social Benefits of Home Building in Scotland’ 2015

7. Additional Spend (on-going)

The GVA Quantitative Retail Study (update) 2013 commissioned by the Council as part of the adopted Local Plan evidence base, analysed household spend patterns within High Peak settlements. This identified that 33.33% of all household expenditure is spent at district level or below. The average weekly local spend of each household is calculated by the Office for National Statistics as part of the Annual Household Expenditure study. The ONS family spending report 2015 indicates UK households spent an average of £531 a week. Each new household is therefore worth £176.97 per week or £9,202.44 per year of re-spend within the borough.

Car parking income for the Council: In addition to the spend in the economy, more people living, shopping and working in the area means more people using town centre car parks and hence, increased income for the Council that could be used for other community benefits.

Evidence: GVA Quantitative Retail Study (update) 2013; ONS: Family Spending Report 2015

8. New Jobs (housing construction and supply chain)

Nathaniel Lichfield & Partners was commissioned by Home Builders Federation (HBF) in March 2015 to value the economic footprint of new home building. This research identified that each new house generates between 1.2 to 1.5 direct jobs in construction. However, taking into account the supply chain, of which 92 per cent is UK based, they concluded that each new house generates an equivalent to 4.3 jobs. Clearly, not all of these construction, or supply chain jobs will be locally based, but considering the supply chain within the area, a conservative estimate is that at least a quarter of these will be locally based. A rate of 1.07 jobs supported by each new home will be utilised as the standard amount until further updated reliable evidence is available.

Evidence: NLP- The Economic footprint of UK housebuilding March 2015

9. New Jobs (shops and service, supported by housing re-spend)

The local spend generated by new households will also support jobs in shops and services. Deloitte (in partnership with Oxford Economics) have calculated this this undertook a study on additional spend required to generate a new job, and identifies that for every £54,000 of additional spend, a new full time equivalent job is created. While this study was specifically looking at additional spend required to generate jobs within the tourism sector, it has equal relevance to other sectors and is being used as standard unless other reliable evidence is available. The rate means that an additional (tier 3) local job would be generated through household re-spend for every seven new homes (or 0.14 per dwelling).

Evidence: Deloitte & Oxford Economics 'Tourism jobs and growth: The economic contribution of the tourism economy in the UK' November 2013

10. Affordable housing

The Adopted High Peak Local Plan includes Policy H4 outlines the Council's requirements on affordable housing delivery. It states that in order to address the need for affordable housing, residential developments should seek to achieve the following proportions of residential units as affordable housing :

- 30% affordable housing on sites of 25 units or more
- 20% affordable housing on sites of 5-24 units (0.16ha or larger)

This will be supported by an Affordable Housing Supplementary Planning Document which will give more detail on the affordable housing requirements and delivery options. This will also include work on assessing the impact of Community Infrastructure Levy (CIL) in the High Peak. Work to procure this will begin later this year.

Evidence: The Adopted High Peak Local Plan Policy H4

Assumptions for Business/Employment use Development

11. Business rates

A proportion of the business rates income is retained locally by the borough. Under the current business rates system, and as a member of the Derbyshire business rates pool, c.3% of the overall income (or c.65% of the growth on income) is retained. Consultation by DCLG for a revised retention system to be introduced in 2020 is underway when the proportion of retained business rates may increase.

Business Rates are calculated using a property's 'rateable value', which is its open market rental value on 1 April 2015 (for Business Rates from 1 April 2017 onwards) based on an estimate by the Valuation Office Agency (VOA). The rateable value is multiplied by the correct 'multiplier' ('Standard or 'Small Business Non-Domestic Rating Multiplier'), which is set by central government. This charge is then adjusted where the property is eligible for business rates reliefs, including small business rate relief and charitable rate relief; and where transitional adjustments apply.

Each development can be assessed by the VOA individually to have the rateable value estimated for the property. However, this may cause additional pressure on time for VOA and cause delay. Therefore as a proxy, a similar property's rateable value could be used to estimate business rate income to the Council.

Evidence: Valuation Office; Finance team (internal)

12. Private sector investment for business uses:

As the cost of investment can vary significantly due to the land value, quality and features associated with the development, it is most appropriate for officers to utilise bespoke calculations either provided by developer or as advised by the consultants appointed by the Council. The benefits of development on business growth and job creation should also be considered on each individual application.

For example, Pennine Aggregates proposed large scale capital investment in new premises in 2016 with an anticipation that this will allow the Buxton based company to increase turnover from £2.5m in 2015 to £5m in 2018 and increase employee numbers from 10 to 20.

13. Value of Employee spend to the Local economy

Propensity to spend studies have identifies that between 4.5 and 9% of employees overall household spend is spent with 2-3 miles of their place of employment. In High Peak this would equate to £24-48 per employee per week (£1394 per annum based on 9mid rate of 6.49%)

NLP identified national average of 40% of weekly household expenditure spent locally, for locally based working age residents which would equate to £212.40 per employee per week (£11,045 per annum). Therefore in terms of employee re-spend, business growth that attracts relocation of employees/in-migration to fill vacancies will have a greater economic impact than business growth which will employ only existing residents/in-commuters. It would be considered unrealistic that more than 20% of Level 4 (graduate level) new jobs would be filled by relocating employees unless the applicant can give evidence to support a variation.

Recent studies into the economic impact of local independent businesses and the retail sector has calculated that if this re-spend occurs in independents, this has a significantly higher multiplier (research shows £5 spend with an independent business has a value of up to £25 to the local economy). This paper makes no distinction on re-spend destination, but it does mean that the value of re-spend should be seen as a minimum figure not an average.

Evidence: Office National Statistics (family spending report 2015); Nathanial Litchfield Partners(NLP); Totally Locally; University of Derby Economic Impact assessment;

14. Savings generated by Job growth for wider public sector services

Exchequer savings include reduction in direct benefit payments, reduction in costs to NHS and crime reduction benefits. Gross value of this to the tax payer is £6,855 to £12,084. (higher levels of savings to the tax payer generated if young people and people formerly on incapacity benefits move from worklessness to employment).

- Average JSA benefit receipt £5311 (based on 2009 rates)
- Health savings £513
- Crime reduction benefit £1080
- Male 17-24 £5170
- Make 25+ £2610
- Female 17-24 £1250
- Female 25 + £444

The overall saving to public purse is £6268 - £11,497 with a simultaneous boost generated by tax and NI income – which even at minimum wage levels would

generate £587 per annum. This equates to a gross value to tax payer of £6855 - £12,084 for new employees who were previously in receipt of benefits.
It would be considered unrealistic that more than 20% of entry level positions would be filled by workers who are newly economic active unless the applicant can give evidence to support a variation.

Evidence: Home office research 217' The economic and social costs of crime' 2000 & revised costs 2011; Dept. Work & Pensions Social Cost-Benefit Analysis framework: Methodologies for estimating and incorporating the wider social and economic impacts of work in cost benefit analysis of employment programmes (working paper 86) 2010.

15 New jobs (employment)

Nathanial Litchfield Partnership have estimated job numbers based on national ratios utilising ODPM Guidance Note on Employment Land Reviews calculations 2015.

Job Density ratios

- B1 (Office)1 job per 14m2
- B1 (all) 1 job per 20m2
- B2 (manufacturing) 1 job per 35m2
- B8(Distribution) 1 job per 50m2
- Evidence provided by Nathanial Litchfield Partnership 2015, based on ODPM Guidance Note on Employment Land Reviews calculations.

Business development will also generate a range of additional job opportunities including temporary jobs in the construction phase and jobs generated through re-spend of new employees. The developer will need to supply estimates of these based on the individual development

Evidence: Nathanial Litchfield Partnership 2015; ODPM Guidance Note on Employment Land Reviews calculations 2015

16. Tourism investment

Scarborough Tourism Economic Activity Monitor (STEAM) is a nationally recognised tourism economic impact modelling process, first used in North Yorkshire, which since 2002 has been widely used across the UK and has been independently reviewed on at least two occasions. The Council buys this data to access reliable and consistent data on the visitor economy at a local level.

STEAM data for 2015 has identified that there were 4.03m day visitors to the High Peak who spent on average £35.16 per day. In contrast, the 0.44m staying visitors spent £213.23 per visit (or £66.63 per day based on an average 3.2 days). Therefore, assuming there is no overall increase in visitor numbers, the conversion of a day visitor to a staying visitor – through the investment in accommodation or attractions which encourage people to stay longer, will have an average boost to the local economy of £178.07 per visitor.

The overall spend pattern per person for staying visitors for duration of visit includes:

- Accommodation: £20.68 pp (9.7%)
- Direct expenditure in local area (food and drink, shopping, entrance fees recreational activities, parking & transport): £139.06 (65.2%)
- Indirect expenditure: £53.73

It is worth noting that the duration of stay and average spend per duration of staying visitors in Buxton, is lower than the High Peak average. However the daily spend of staying visitors is actually higher at £76.16 per day.

Evidence: Global Tourism Solutions(UK) Ltd; STEAM Final trend report (Buxton and High Peak) 2015

17. Reverse Multiplier

Evidence:
http://www.economicsonline.co.uk/Managing_the_economy/The_multiplier_effect.html
http://www.economicsonline.co.uk/Fiscal_space.html