

Economic Benefits Summary Note

Land north of Woodhall Lane, Ombersley,
Wychavon

October 2020

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Economic Benefits Infographic

PROPOSED DEVELOPMENT: 45 residential dwellings

SITE: Land north of Woodhall Lane, Ombersley, Wychavon

Construction Phase



£6.3 million
Investment

In the scheme's construction



25 gross jobs

Full-time equivalent (FTE) jobs supported on average during construction (circa 20 months)

Generating 20 net direct jobs

FTE jobs supported in the West Midlands, including 10 for Wychavon residents

Plus 10 net indirect/induced jobs

FTE jobs supported in the West Midlands, including 5 for Wychavon residents



£2.8 million
Productivity boost

Total GVA¹ economic output over the construction period in the West Midlands, including £2.2 million in Wychavon

Operational Phase



105
Residents

Living in high-quality new homes, including 16 affordable homes



Up to 11 children

attending the village school, sustaining demand for places



50
Employed residents

Living at the new development, supporting local economic vitality



£1.3 million
Annual income

Earned by employed residents, a proportion of which will be spent locally



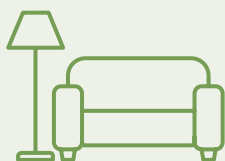
£90,000
Council Tax

Revenue per annum for Wychavon District Council



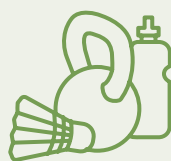
£20,000
New Homes Bonus

Including £18,000 for Wychavon District Council



£250,000
First occupation expenditure

To 'make a house feel like a home', supporting local businesses



£360,000
Leisure expenditure

Annually by residents, supporting local businesses



£670,000
Retail expenditure

Annually by residents, supporting local businesses



10
Jobs supported
In the leisure and retail sectors by resident expenditure

Economic Benefits Summary Note

Introduction

1. The purpose of this note is to outline the methodology for quantifying the economic benefits to the local authority of Wychavon (the local impact area) and wider West Midlands region (the wider impact area) that could be generated through delivery of the proposed development at land north of Woodhall Lane, Ombersley.
2. The assessment is based on a standard and accepted methodology for the calculation of net additional economic impacts associated with residential development. The assessment is informed by the Home and Communities Agency's (HCA, now known as Homes England) Additionality Guide¹ and draws on published statistical data sources.

Construction Phase Impacts

3. The following section provides a summary of the proposed development's economic impacts during its construction phase.

Scale of construction investment and gross employment supported

4. It is estimated that the proposed development will require construction investment of £6.3 million².
5. This scale of investment has the potential to support 45 'person-years' of direct employment with the construction sector³ and would equate to an annual average of 25 gross full time equivalent (FTE) construction jobs on site over the estimated 20-month construction period.

Employment Impacts – Net additional direct, indirect and induced jobs

6. After accounting for the additionality factors of leakage⁴ and displacement⁵, it is estimated that an average of 20 direct net additional FTE construction jobs will be taken by residents of the West Midlands, including 10 FTE jobs taken by Wychavon

¹ HCA (2014) Additionality Guide, 4th Ed.

² Construction cost provided by the applicant. Figure has been cross-checked and is consistent with BCIS average prices for new-build housing in Wychavon.

³ Analysis utilises the UK Government's Department for Business, Energy & Industrial Strategy's 2019 Business Population Estimates West Midlands regional data. Annual figures regarding turnover per employee for the construction sector in the West Midlands are applied to the level of construction investment to determine the number of 'person-years' of employment supported, which is then converted to average jobs supported over the 20-month construction period. Note that this is an average figure, and that differing levels and types of on-site activity will mean that a different number of jobs could be supported at a given time.

⁴ ONS via Nomis (2011) 2011 Census: WU01UK - Location of usual residence and place of work by sex. Leakage rates of 50% and 10% respectively applied at the local and wider impact area in line with Census commuting patterns.

⁵ ONS via Nomis (2019) Jobseeker's Allowance by Occupation: September 2020. Accounting for the fact that at time of publication there are 355 people actively seeking construction employment in Wychavon, whilst acknowledging that there is potential for some activity to be displaced, a 'low' displacement rate of 25% (as per Additionality Guide recommendations) has been assumed at the local authority level. A 'low' rate of displacement has also been assumed at the regional level, reflecting the significant latent labour force capacity at this scale.

residents. This is likely to include residents living in Ombersley specifically, albeit this cannot be reliably quantified.

7. On-site businesses' expenditure on materials, goods and other services, purchased from a wide range of suppliers, will have far-ranging benefits both locally and further afield as it filters down the supply chain (this being termed 'indirect effects'). Employees working in businesses related to this expenditure will subsequently also spend their wages on goods and services (this being termed 'induced effects'). In line with published guidance, economic multipliers have therefore been applied to estimate these impacts in terms of employment.
8. The estimated impact of these economic multiplier effects⁶ indicates that a further 10 net additional indirect and induced FTE jobs will be supported in the West Midlands region, including 5 FTE jobs taken by Wychavon residents.
9. Summing the above direct, indirect and induced employment figures, it is calculated that the construction of the proposed development will support an average of 30 net additional FTE jobs annually in the West Midlands, with 15 of these taken by residents of Wychavon and a number potentially taken by people living in Ombersley.

Productivity Impacts – Net additional direct, indirect and induced GVA

10. The construction of the proposed development will also generate economic productivity, measured in Gross Value Added (GVA).
11. Analysis of estimates published by Experian⁷ indicates that FTE construction employees in Wychavon each generate an annual average of circa £46,800 GVA, this being broadly in line with (albeit slightly lower) than the all-sector Wychavon average of £51,000. Both of these figures are lower than the annual GVA generated per FTE worker, across all sectors, in the West Midlands (£57,300).
12. Applying the above figures to the scale of employment supported during its construction phase, it is estimated that the proposed development will generate £1.7 million in direct, indirect and induced net additional GVA within the West Midlands annually, of which £1.3 million will be concentrated in Wychavon.
13. Multiplied out over the estimated 20-month construction period, it is therefore calculated that the proposed development will generate a total of £2.8 million in direct, indirect and induced net additional GVA within the West Midlands, of which £2.2 million will be concentrated in Wychavon.

Operational Phase Impacts

14. The following provides a summary of the proposed development's economic impacts during its operational lifetime.

⁶ In line with the HCA's Additionality Guide's recommendation, a multiplier of 1.25 has been applied at the local authority level, this increasing to 1.5 at the regional scale.

⁷ Experian (2020) Local Market Forecasts Quarterly: September 2020

Enhanced local labour force & resident spending power

15. It is estimated that the proposed development will provide homes for 105 people⁸. Based on local economic activity and employment rates, there could be 50 people in employment residing on site⁹, who could generate a combined gross annual household income of £1.3 million¹⁰. These residents would bolster the local labour supply in Wychavon and indeed Ombersley specifically.

Demand for school places

16. Worcestershire County Council, as the Local Education Authority, uses a Pupil Product Ratio of 0.05 pupils per year group per dwelling¹¹.
17. With the village school (Ombersley Endowed First School) understood to be comprised of five year groups, from Reception to Year 4, it has been estimated that the scheme could accommodate up to 11 pupils.

Resident retail and leisure expenditure and related employment impacts

18. Based on local annual average household expenditure data published by Pitney Bowes and Oxford Economics, the above uplift in resident population is estimated to generate £670,000 in retail expenditure¹² and £360,000 in leisure expenditure¹³ annually within Wychavon and across the wider economy.
19. This expenditure will help to sustain local businesses, including those in Ombersley, and is sufficient to support 10 jobs in the retail and leisure sectors within Wychavon and across the wider economy¹⁴.

First occupation expenditure

20. Analysis reported by the Home Builder Federation indicates that residents of new homes spend approximately £5,462 per household on home furnishings upon first occupation, in order to 'make a house feel like a home'¹⁵.

⁸ Based on Wychavon's average household size of 2.34 people, as recorded by the 2011 Census.

⁹ ONS via Nomis (2020) Annual Population Survey (July 2019 – June 2020).

¹⁰ ONS (2019) Annual Survey of House and Earnings. Annual gross income is derived from calculation of economically active and employed residents only. Earnings estimated in line with average earnings by occupation in the West Midlands as recorded by the ASHE, applied to the occupational breakdown recorded across Wychavon, as recorded by the July 2019 – June 2020 Annual Population Survey. It should be noted that a greater level of income and expenditure may be generated as a result of additional benefit entitlements, pensions and investments and various other sources of income and expenditure.

¹¹ Worcestershire County Council (August 2020) Education Planning Obligations Policy Worcestershire, Table 3

¹² Pitney Bowes; Oxford Economics (2020) Average annual household convenience and comparison retail expenditure: Wychavon 2020.

¹³ Pitney Bowes; Oxford Economics (2020) Average annual household leisure goods and services expenditure: Wychavon 2020.

¹⁴ Analysis utilises the UK Government's Department for Business, Energy & Industrial Strategy's 2019 Business Population Estimates West Midlands regional data. Annual figures regarding turnover per employee for the retail; arts, entertainment and recreation; and accommodation and food service sectors in the West Midlands are applied to the level of resident expenditure to determine the level of employment supported.

¹⁵ HBF (July 2018) The Economic Footprint of UK House Building. This level of expenditure is a conservative estimate when considering evidence gathered from a survey of residents living in a new Barratt Homes housing development in Middlesbrough – the survey found that the average 'first occupation' expenditure was significantly higher, at circa £10,000 per dwelling.

21. At the scale of the proposed development, it is therefore calculated that £250,000 in first occupation expenditure will be generated by new residents.

Council Tax payments

22. Based on average property values in the area¹⁶, it is estimated that the delivery of new homes on the application site will generate £90,000 in Council Tax payable to Wychavon District Council each year upon full occupation¹⁷. This will contribute towards maintaining and enhancing public services in the district and will serve to generate associated socio-economic benefits, potentially attracting further inward investment.

New Homes Bonus payments

23. Based on the Ministry of Housing, Communities and Local Government's New Homes Bonus Calculator 2020/21¹⁸, the mix of homes (by estimated Council Tax band as previously outlined and the tenure mix) delivered at the proposed development could generate £20,000 in New Homes Bonus payments over 4 years, of which £18,000 would be payable to Wychavon District Council.

¹⁶ Comprised of a review of new-build properties listed on Rightmove within 5 miles of the application site.

¹⁷ Based on 2020/21 Council Tax band charges for properties within the Ombersley Parish area in Wychavon and the estimated 1991 values of the proposed homes, based on average value of similar properties currently marketed locally and data published by Nationwide.

¹⁸ Ministry of Housing, Communities and Local Government (2020) Final New Homes Bonus calculator 2020 to 2021

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