



## Economic Statement

On behalf of:  
**King & Co (Wells) Ltd.**

In respect of:  
**Land at Wells Farm  
Northaw Rd East, Cuffley**



Date:

**December 2020**

Reference:

**MA/KAC/010-3/R003**

## 1.0 Introduction

- 1.1 This forms part of the comprehensive suite of documentation accompanying an application seeking consent for the clearance of existing buildings, the construction of 14 new dwellings, engineering works and other associated works.
- 1.2 The scheme will utilise an existing vehicular access onto Northaw Road East and represents the use of brownfield land close to the settlement edge to deliver much-needed new homes. Whilst the site is located outside the settlement boundary, there are eminently walkable links to a range of local services and facilities.
- 1.3 This Statement is prepared in accordance with national policy, national planning guidance and the Development Plan. In particular, the socio-economic benefits and advantages outlined herein are supported by paragraph 80 of the NPPF.
- 1.4 As a fully compliant development proposal on previously developed commercial land, this Statement concludes that the proposal accommodating residential uses delivers the following benefits to the site and its immediate locality:

CATEGORY OF BENEFIT	KEY SCHEME CHARACTERISTICS
<i>Job Creation</i>	<ul style="list-style-type: none"> <li>• 19 direct FTE jobs during construction</li> <li>• 40 indirect FTE jobs during construction via associated supply chain</li> </ul>
<i>Housing Delivery</i>	<ul style="list-style-type: none"> <li>• Delivering 14 high quality family homes</li> <li>• Homes all have private gardens and parking</li> <li>• Buildings designed to meet changing needs, satisfying Part M</li> </ul>
<i>New Homes Bonus</i>	<ul style="list-style-type: none"> <li>• New Homes Bonus payment of £105,000 over a 4 year period</li> </ul>
<i>Council Tax Boost</i>	<ul style="list-style-type: none"> <li>• Council Tax payments of approximately £260k over 10 years</li> </ul>
<i>Local Purchasing Power</i>	<ul style="list-style-type: none"> <li>• New residents generate £0.84m purchasing power, supporting the vitality of local shops and services</li> </ul>
<i>Amenity</i>	<ul style="list-style-type: none"> <li>• Rejuvenation of site which detracts from gateway entrance to Cuffley village from Northaw</li> <li>• Exemplar scheme in terms of design approach</li> </ul>
<i>Environmental Performance</i>	<ul style="list-style-type: none"> <li>• Low carbon approach employing range of measures such as PV</li> <li>• Each dwelling unit has an EV parking space provided</li> <li>• Sustainable urban drainage to reduce run-off levels</li> </ul>
<i>Environmental Improvements</i>	<ul style="list-style-type: none"> <li>• Commitment to address any potential contamination</li> <li>• Commitment to provide mitigation measures to secure measurable net gain in terms of ecology</li> </ul>

- 1.5 This Statement considers the broad ranging benefits which will be accrued through the proposed development, including delivery of 14 new family homes on an accessible brownfield site. We provide a summary of the report's findings setting out the key economic data and impacts and below that we provide a summary of the broader benefits which can be accrued.
  
- 1.6 No further intervention will mean a failure to deliver these benefits which are valued at £2.04m per annum on an ongoing basis with a short-term boost of £0.95m through construction. In contrast, delivery provides these benefits and allows the Council to direct resource to meet key priorities.

## 2.0 Benefits of Development

- 2.1 It is clear that economic growth and the sustainability of settlements (large and small) is paramount in the content of national planning guidance.
- 2.2 In light of this, the following section of the Statement identifies the key economic benefits of development which promote sustainability over the lifecycle of the proposed scheme:
- *Construction*: creates jobs, direct and indirect.
  - *Occupation*: new residents bring consumer expenditure and an economically active labour force.
  - *Completion*: Once occupation commences, extra Council Tax revenue raised for the new homes, will begin supporting the general budget of the local authority.
- 2.3 Bespoke calculations have been carried out to assess the compatibility of the proposed application within the existing socio-demographic context, demonstrating how the development can contribute positively to local growth. Whilst the assessment draws on the Framework's updated requirements, many of the quantitative impacts have been measured with reference to the standard approaches in the English Partnerships' (now Homes England) 'Additionality Guide Fourth Addition' (2015).
- 2.4 Economic additionality is a relatively new metric for predicting the net positive difference that results from an economic development intervention (i.e. doing something) compared against a baseline level (i.e. doing nothing). This statement quantifies the associated outputs, outcomes and impacts of the proposed residential development.
- 2.5 Data used to underpin the robust calculations set out in this statement has been obtained from the Office for National Statistics (Census 2011, Neighbourhood Statistics, Family Spending Survey, Retail Prices Index); Nomisweb, and Building Cost Information Service.
- 2.6 Local sources of information include ward profiles, Annual Monitoring Review and the adopted Local Plan. This statement is laid out as follows:
- Section 3 provides a snapshot assessment of the present socio-economic status of the settlement and its surrounding area and considers the expected economic outcomes that the proposed development will deliver.
  - Section 4 provides an overview of the other benefits that will be derived from the proposals; and
  - Section 5 contains the conclusion.

### 3.0 **Socio-Economic Context**

#### *Economic Indicators*

##### *Population*

- 3.1 Cuffley is the larger village which falls within the Northaw and Cuffley ward. The ward population was 5797 as a mid-2019 ONS estimate.
- 3.2 It is evident from review of household composition that the number of people aged 65 or older is much higher (26.2%) than is the case for Welwyn Hatfield as a whole (15.5%) and as a national average (18.4%).
- 3.3 It is also anticipated that this trend will increase further, which mirrors the projections for England as a whole with the percentage of the population aged 65 and over projected to increase by between one-fifth and one-quarter in all regions by mid-2022 as life expectancy rates increase generally.
- 3.4 Providing new housing which is focused towards the delivery of family housing is more likely to attract a younger demographic bringing in families with young children. This approach is also most likely to support the vitality of the local primary school and a range of third sector community groups which are reliant upon latent demand for school places and taking up opportunities for third sector family based activities.

##### *Housing Supply and Affordability*

- 3.5 The Government has placed significantly boosting housing supply across the UK as a high priority on the political agenda in the wider drive towards economic recovery. The NPPF focuses the attention of local planning authorities on the continued need for new homes alongside assigning the formulation of housing targets as a local duty where it was previously set regionally. The revocation of regional spatial strategies left local planning authorities with a requirement to establish their own objectively assessed housing needs and to demonstrate how they will meet that need in their local development plans.
- 3.6 In this instance, the Local Plan is out-of-date and there is no robust housing land supply position. And has consistently failed to reach targets under the HDT measure.
- 3.7 The Council should be taking all opportunities to secure windfall development on sustainable brownfield sites such as this. An undersupply of housing to meet the true local and wider demand can lead to issues of affordability.

- 3.8 If house prices are high the young working population, and first time buyers in particular, are faced with a barrier which impacts on social mobility and economic growth. If an area cannot provide sufficient suitable and affordable housing for this demographic the cycle of ageing population and skills shortages will continue as these residents choose to relocate elsewhere.

*Ratio of Average House Prices to Average Earnings*

- 3.9 An undersupply of homes (for rent or on the open market) when compared against the regular and latent, pent-up and hidden demand is an underlying factor in the availability of property and a subsequent cause of price rises.
- 3.10 Many people remain in the family home or will be sharing a house in the private rented sector out of economic necessity because they cannot afford to form an individual household in a private dwelling due to increasingly high house prices. To illustrate, ONS data from 2013 shows that more than 3.3 million adults in the UK aged between 20 and 34 were living with a parent (26% of this age group compared to 21% in 1996).
- 3.11 A ratio of 3.5 is considered to be the marker of an affordable housing market. That is, the ability to purchase is based on a mortgage 3.5 times gross income. The ratio of average house prices to average earnings in England as a whole, based on the latest data from the ONS, is 7.8. In the Welwyn Hatfield local authority area that ratio stands at 10.5. Such a high affordability ratio makes it incredibly difficult for young people in locations such as Cuffley to have their own home.
- 3.12 This would suggest a greater supply of housing is required as one reason house prices have been driven upwards is due to the lack of supply. These so-called "market signals" are considered in paragraph 60 of the Framework which demonstrates the need to ensure that:
- "To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for." (§60)*
- 3.13 There is a need to redress this imbalance by offering a wider range of house types which encourage young start up families to the area. If the cost of housing remains high younger families are unable to enter the housing market or a higher percentage of their income is spent on mortgage or rental payments and household bills leaving little disposable income to spend locally.

## **Contribution to the Construction Sector**

### *Principle*

- 3.14 In addition to providing much needed housing in the area of Cuffley, there are numerous other significant economic benefits that would arise from the residential element of the proposed development. The key benefits arising from the residential element of the proposed development are summarised below.

### *Total Construction Cost*

- 3.15 The development cost of the site and localised infrastructure is calculated by multiplying the total floor space (1490m<sup>2</sup> residential) drawn from the accommodation schedule above by a construction cost based upon the estimates within the Welwyn Hatfield CIL Viability Study (February 2020) produced for WHBC by BNP Paribas. This development could generate an associated spend estimated in the region of £3.5 million.
- 3.16 The additional expenditure on contracts and services on-site can be estimated using standard economic multipliers. Furthermore, this expenditure can be broken down into exponential impacts and linked benefits which will filter through within the local area and further afield via additional household expenditure and employment down the supply chain.

### *Construction Length (Years)*

- 3.17 It is anticipated a development of 14 units would be built out at a standard rate, equating to 12 months in the current market.

### **Direct Employment during Construction**

- 3.18 This is a measure of the "person-years" of full-time equivalent (FTE) that the development would support. Incidentally, it also equates to the number of workers it would take to complete development in one year, or in other words, the number of years it would take one worker to complete the development.

### *Full-Time Equivalent (FTE) Person Years*

- 3.19 Based on the delivery of 14 new homes, the proposed development could sustain 19 FTE jobs during the construction phase. This is calculated by taking the proportion of the total anticipated construction cost which comprises labour (28% across the UK) and dividing by the average gross pay per employee involved in the construction of buildings in this region (plus £3,000 to account for overheads per employee): £51,188 (in 2020). At a build-out rate taking 12 months to complete the proposed development, this equates to 19 jobs per annum.

- 3.20 The construction industry is an important employer both nationally and locally. According to the 2011 Census, 7.3% of employed residents in the Welwyn Hatfield local authority area aged 16 and over were employed in construction.
- 3.21 In reality it is reasonable to expect construction firms to employ a proportion of their own permanent workforce alongside local construction workers and contractors. The applicant would be agreeable to work with the Council to secure a local labour agreement through the planning permission in due course.

#### *Number of Residents in the Borough seeking Construction Employment*

- 3.22 An analysis of borough level claimant count data indicates that there were approximately 3300 people who were actively searching for employment- which could include the construction and building trades.
- 3.23 Given this quantum of available workers, the proposed development has the potential to draw upon a pool of local labour. The construction industry has a good background in providing employment opportunities, particularly for young people. This will help reduce unemployment in the industry during the construction phase and further retain and increase expenditure within the local economy. This development could help sustain local employment in a sector which has suffered decline in recent years due to the recession and the downturn in house building nationally.
- 3.24 The proposed development will therefore help to maintain the good record of East Herts local authority for job creation and low unemployment rate (currently 3.3%, against a national average of 3.9%) in uncertain economic times.

#### *Indirect Jobs in the Supply Chain*

- 3.25 The impacts of development will extend beyond construction employment to include indirect benefits for the local and national economy. This is because construction is one of the most effective sectors in stimulating wider economic activity. For every £1 of output by construction, a quantum of demand, greater than the sum of its parts, is generated for the supply of products, materials and professional services used by the construction process. This is known as a 'multiplier effect'.
- 3.26 Those sectors benefiting from increased construction output include manufacturing (especially of building products and equipment), real estate, business services (including architecture, planning and surveying), mining and quarrying and transportation. To quantify these economic benefits, the Office of National Statistics estimates the direct and indirect



construction output multiplier at 2.09; that is, for every pound of output by the construction sector, demand of £2.09 on average is generated overall. The construction sector has one of the highest economic output multipliers due to its multi-faceted impacts as outlined above.

3.27 Applying this multiplier to the 19 person-years of direct construction jobs derived above indicates that an additional 40 FTE indirect jobs could be supported by the proposals in associated industries.

3.28 Furthermore, there would be a so-called 'induced impact' as a result of increased construction spending. This would lead to a temporary increase in overall household income (earned as a result of increased employment in construction and other sectors) being spent on further goods and services, both locally and nationally, leading to a general boost in output in the overall economy.

3.29 The provision of 19 full-time equivalent direct construction jobs would have a positive effect on industries within the construction supply chain, referred to as the 'indirect effect'. While these jobs would be located across a wide area, the opportunity exists to ensure that local businesses benefit from trade linkages established during construction by means of local employment or procurement stipulations in construction contracts.

3.30 As noted above temporary increases from expenditure would, to some extent, result from employment such as the additional wage spend of construction workers in local shops and other facilities.

#### *Average Gross Turnover per Construction Employee in the Region*

3.31 The calculation of turnover is an effective measure of the value of work done before expenses are deducted. This is calculated by taking total employment in the construction industry by region (broken down in the '*Construction Statistics Annual*' Office for National Statistics 2017) then dividing by the annual output in the construction industry.

3.32 As an example, for Great Britain as a whole in 2016, the total number of construction employees was 1,274,700. The construction industry's total output in 2016 was £161,009,540,000. From these figures, the gross average output per employee can be estimated as £126,000.

#### *Gross Value Added*

3.33 The economic productivity or additional value added to the local economy of the construction phase can also be measured through its contribution to Gross Value Added (GVA). GVA is a

key economic indicator measuring the performance of an area and its contribution to national economic growth. It comprises the income produced by earnings and profits as a result of production and represents the difference between inputs (such as materials and capital) and production output (goods and services). Across the UK as a whole, house building was reported to generate £13.7 billion, but this figure will exclude the full extent of supply chain and induced impacts.

- 3.34 The calculation above demonstrated that the average turnover per construction employee in Great Britain stands at £126,000. From the 'Annual Business Survey' of the Office for National Statistics (2011), it can be established that GVA in the construction of buildings averages approximately 35% of turnover across the country. Therefore, the construction industry generates an average GVA of £44,100 per person. By multiplying this by the net additional employment impact of the scheme (19 jobs) it is relatively easy to estimate that the scheme will deliver approximately an additional £0.84m of direct GVA over the build period, although not all of this would be retained locally.

### **Occupation**

#### *Additional Population Moving into the Development*

- 3.35 Based on the average estimated household size for Welwyn Hatfield the development of 14 residential dwellings could be home to 34 new residents bringing increased spending power to Cuffley with a corresponding long-term benefit to the local economy. Inevitably, the benefits of increased household expenditure to the local economy will be enhanced to varying degrees, according to the proportion of those taking up residence in the development who are employed.
- 3.36 Not all of the new dwellings will be occupied by newly arrived residents; some will originate from people already living in Cuffley, such as those displaced from existing homes within the settlement and newly forming households which were previously concealed. 14 households and up to 14 vacant dwellings will be formed as a result of the development and importantly, given the finite nature of the local population, it follows that a proportion of the locally vacated dwellings and the new development will subsequently be filled by families from outside the immediate area.

#### *Labour Force Benefits*

- 3.37 New housing makes an important contribution to the competitiveness of cities, towns and villages by providing accommodation that will appeal to and help to attract skilled people, as

well as providing a choice of homes for people already living within the area.

- 3.38 The provision of new homes on the Wells Farm site can make an important contribution to support the local labour force and ensure the long term economic competitiveness of Cuffley. It could reasonably be expected that the majority of homes will be occupied by households whose adult occupants are of working age and economically active.

#### *Local Spending Power*

- 3.39 The proposed development of the application site will reinforce shops and services in Cuffley through the addition of 34 residents bringing with them increased retail spends and general household expenditure to support the local economy. Given the range of services in the town, a significant amount of weekly spend should be retained locally.
- 3.40 The scale of these benefits will be determined by the expenditure patterns of residents, alongside the proportion of residents moving into the area from elsewhere. The total gross expenditure associated with the proposed development can be estimated through a review of an area's characteristics taking into account average expenditure patterns and levels.
- 3.41 By reviewing the Output Area Classification (OAC) of the local area and applying the weekly household expenditure rates, it is possible to quantify the anticipated level of spending that would occur following the completion of the development.
- 3.42 The 'Average weekly household expenditure by Output Area Classification (Office for National Statistics) provides data on the average weekly household expenditure categorised by socio-economic situation, as expressed by OAC supergroup. It is assumed that the proposed market housing would be occupied by the same types of household groupings as are most prevalent in Cuffley i.e. the Rural Residents' supergroup. The spending for this supergroup each week (Table A51) is anticipated at £649.00 per week per household.
- 3.43 This indicates that the development should support at least £472,000 of spending annually following completion of the development. This is calculated by multiplying the number of households by the typical weekly spend of the 'Rural Residents' grouping. These results are then multiplied by 52 to give the total annual spend resulting from the development.
- 3.44 Whilst this figure expresses average household expenditure across the UK, a more accurate picture can be obtained by applying a weighting according to regional circumstances. The ONS 'Family Spending Survey' presents household expenditure by UK regions. Using these figures, regional spending disparities can be expressed as a percentage of UK average

household expenditure. This allows a weighting to be applied to the above figure, which in the context of the South East region is 119.1%.

- 3.45 This is because average spending in this region exceeds the national figure by 19.1%. Following this weighting appropriate to the region, residents from the scheme could be expected to generate total gross expenditure of £562,715 per annum on a long-term basis.

### **Benefits Derived at Completion**

- 3.46 In the current economic and fiscal climate, the resources available to local authorities are limited. New development can make an important contribution to the resource base of local authorities through Council Tax revenues and S106 or CIL contributions.
- 3.47 New Homes Bonus (NHB) payments are made by Government strictly on the assumption that the floor threshold of 0.4% growth (measured in terms of new dwellings completed within the calendar year) being achieved. It is therefore implicit that the ongoing delivery of new housing is an increasingly important component of funding analysis for local authorities.
- 3.48 Upon completion of the build, NHB allocation is triggered (subject to 0.4% growth achieved) and attracts Government funds to the local authority over a period of 4 years. The NHB is calculated by reference to a sum equivalent to 4 years of Council Tax payments for a Band D home. The development has the potential to generate an estimated NHB of £105,000 [rounded to nearest 5k] spread over a 4 year period if triggered in the 2020/21 timeframe. This funding can be used to support the delivery of local projects, which also frees up other public funding to better meet the challenging objectives of public service delivery.
- 3.49 The development of 14 homes has the potential to generate approximately £260,000 in Council Tax over 10 years, pro-rata (using band D average 2020/21), based on the scheme mix and the likely values that could be achieved. This could provide an important source of revenue funding for the local authority in delivering services as well as investing in the locality.
- 3.50 Appropriate S106 contributions will ensure that the impacts of the development are suitably mitigated and accordingly do not impede the significant economic benefits identified.
- 3.51 These strongly beneficial local finance considerations are significant and should be afforded considerable positive weight in the planning balance exercise.

#### 4.0 **Summary of Benefits**

- 4.1 This opportunity delivers a significant and targeted boost to the local economy and could be a catalyst for the sustained regeneration of this area.