



Nathaniel Lichfield
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Planning. Design. Economics.



Denvilles, Havant

Economic Benefits Report

Barratt David Wilson Southampton and Generator
Developments LLP

Final Report

November 2012

Where quality lives
David Wilson Homes



generator 

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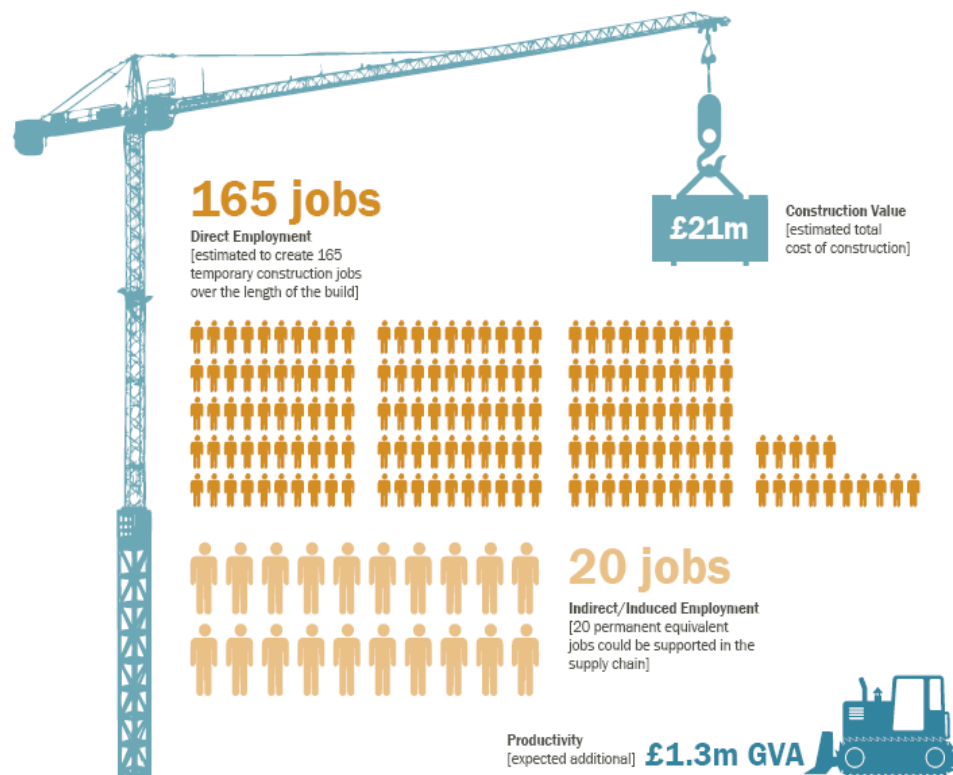
Executive Summary

This report provides an assessment of the economic benefits of the proposed development of 191 dwellings at Denvilles, Hampshire.

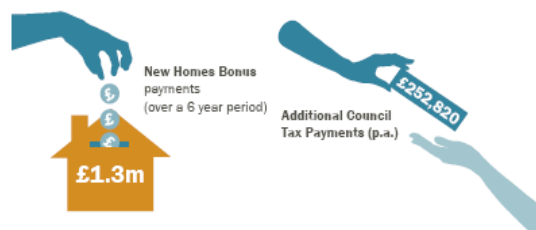
The headline economic benefits of the proposal are summarised below:

HEADLINE ECONOMIC IMPACTS

1. Construction Impacts



2. LPA Revenue Impacts



3. Expenditure and Employment Impacts



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1.0

Introduction

1.1

This report has been prepared by Nathaniel Lichfield & Partners (NLP) on behalf of Barratt David Wilson Southampton and Generator Developments LLP. It sets out the potential economic benefits of the proposed housing development at Manor Farm and Copseys Nursery in Denvilles, in the Borough of Havant in Hampshire.

Proposed Development

1.2

The proposal is for a residential-led development to comprise 191 dwellings (including 67 affordable units) upon completion. The site comprises a vacant garden nursery and vacant greenfield/farm land.

1.3

Two parcels of land together form the overall development site of approximately 6 ha:

- the former Copseys Nursery to be developed into 100 residential units by the Generator Group;
- the former Manor Farm comprising greenfield land to be developed into 91 residential units by David Wilson Homes.

1.4

The site lies to the east of Havant town centre in the area of Denvilles, Hampshire. It is well served by both road and rail, with the A27 and mainline railway station (Warblington) located to the south of the site.

1.5

The overall development site currently supports approximately two part time employees undertaking casual agricultural work. However, on a day-to-day basis, the site remains largely vacant.

1.6

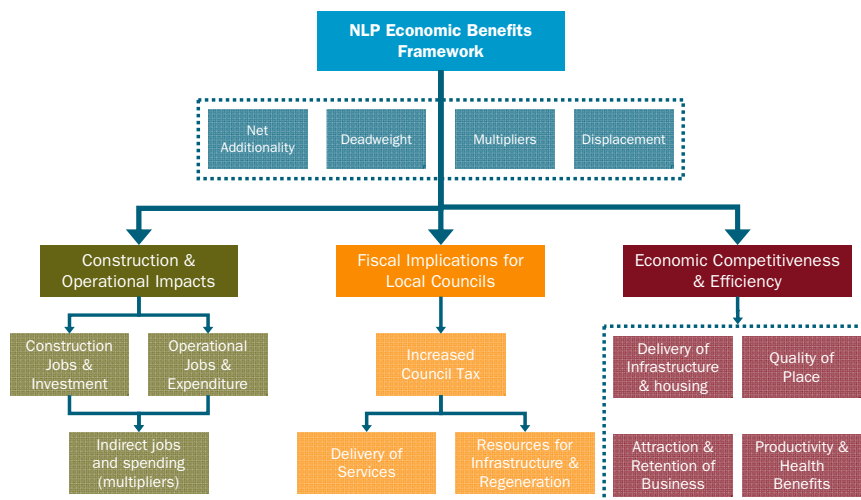
For the purposes of this report, economic benefits associated with the total proposed development of 191 dwellings have been considered, both at the construction stage and after completion.

Study Framework

1.7

This report draws on the eVALUEATE methodology developed by NLP, which provides an analytical framework for assessing the economic benefits arising from new development. This framework, as it relates to the analysis for this proposed residential development, is set out in Figure 1.1.

Figure 1.1 NLP eVALUATE Analytical Framework



Source: NLP

- 1.1 The analysis focuses first on the key quantifiable impacts of the proposed development during the construction phase and upon completion, before considering the wider qualitative effects of the role that new housing development has in supporting economic growth generally.
- 1.2 For housing schemes, the scale and type of economic impacts are typically determined by:
- the scale of capital investment of the scheme, including any significant infrastructure requirements, which generates employment and economic output at the construction phase;
 - the quantum and type of residential dwellings proposed, and in turn the socio-economic profile and spending patterns of residents;
 - the location of the development relative to centres of retail activity and other town centres uses that can capture and benefit from the additional spending of residents; and
 - the extent to which the proposed development also provides other amenities such as community facilities and public open space.

Structure of the Report

- 1.3 The report is structured as follows:
- Section 2 reviews the economic context, housing and regeneration need within Havant Borough;
 - Section 3 outlines the potential economic impacts generated during the construction of the development and after it is completed;
 - Section 4 examines the fiscal implications of the proposed development; and
 - Section 5 considers any wider effects on economic competitiveness and other impacts.

2.0 Economic, Regeneration and Housing Context

- 2.1 This section establishes the baseline socio-economic context for the residential development at Denvilles, highlighting key economic and housing trends and drivers of regeneration need at the Borough level. This information has been derived from published data and other information available at this level.

Economic and labour market

- 2.2 The residential population of the Borough in 2010 amounted to 116,800. This represents a decrease of 500 (0.4%) over the 10 year period 2000 to 2010. However, the population is expected to increase to 119,558 by 2026.¹ This population growth will be associated with an ageing population, smaller average household size and an increase in the number of one-person households to over 33% of all households by 2026.
- 2.3 The Borough's economy has traditionally been manufacturing-based and has a high concentration of advanced manufacturing and marine businesses. Unemployment rates rose significantly in the borough since 2008, reaching 7.1% in late 2011. This is higher than the South East average (5.9%) but slightly below the national average of 7.7%.
- 2.4 In addition, the Borough experiences high levels of in and out commuting with lower skilled residents commuting out and higher skilled people commuting in. The Core Strategy aims to address this issue through Employment Policy CS2, and aims to provide an additional 162,000 square metres of new employment floorspace by 2026. This additional employment space will require additional homes to accommodate the associated employees.

Housing

- 2.5 The Borough's housing stock is predominantly modern with 80% of homes having been built post-war. Currently, the majority (74%) of all housing in the borough is owner-occupied². This is higher than the national average of 68% but is similar to that for the South East region.
- 2.6 The draft South East Plan (policy SH12) set out a target for 6,301 additional dwellings in the Borough between 2006 and 2026, an average of 315 per year. The Council estimates that up to 25% of these will have to be built on Greenfield sites, depending on the capacity of the urban areas.³

¹ Hampshire County Council Long Term Projections data

² 2010 Hampshire County Council Small Area Population Forecasts

³ Havant Borough Council, Local Planning Context, <http://www.havant.gov.uk/havant-8661>

- 2.7 The Council's adopted Core Strategy seeks to achieve 30-40% of new homes to be affordable on sites of 15 or more dwellings. For sites of 5-14 units, provision must either be on-site or an equivalent financial contribution made.
- 2.8 During the reporting year 2010/11, a net total of 58 new affordable homes were built throughout the Borough, representing 25% of net completions⁴. Although this figure is consistent with previous years, it falls below the target of 30-40%.
- 2.9 In order to meet the current affordable housing need through building new homes, it would be necessary for almost three quarters of the 6,300 new homes that are projected to be built in the Borough up to 2026 to be affordable. While it is recognised that this level of affordable housing is unrealistic in terms of scheme viability, a significant element of this need is therefore unlikely to be met over the plan period.

Regeneration

- 2.10 While Havant Borough ranks as the 142nd most deprived local authority out of all 354 local authorities in England⁵, stark contrasts of deprivation and wealth within the borough provide the authority with the challenge to address those areas most in need of regeneration.
- 2.11 For example, in 2007 there were 18 Lower Super Output Areas (LSOAs) in the borough within the 20% most deprived areas in England (including Leigh Park, Wecock and Hayling Island). At the other end of the scale there were 14 LSOAs in the 20% least deprived areas (including Hart Plain, Emsworth and Cowplain). This issue therefore needs to be addressed in order to create more mixed and balanced communities in Havant.

Summary

- 2.12 The Borough is characterised by contrasting levels of deprivation and wealth, with certain areas displaying clear regeneration need. Over recent years the local labour market has been characterised by high levels of unemployment compared with the regional average.
- 2.13 The provision of sufficient housing, particularly affordable housing, to meet the growing needs of local residents represents one of the biggest challenges facing the Borough. There is currently a large gap between the supply of, and demand for, new homes. The main drivers of this change are a growing elderly population, smaller household formations and the changing economy.

⁴ Havant Borough Council, Annual Monitoring Report 2011

⁵ Index of Multiple Deprivation (IMD) 2007

3.0

Construction and Operational Impacts

3.1

This section considers the economic impacts that will arise from the construction of the proposed development, and the additional resident spending and local employment that will be supported once the development is occupied.

Construction Impacts

Direct employment

3.2

Based on standard build costs for a development of this type, it has been estimated that the total construction cost of the proposed development will amount to c.£21 million. This can be used as the basis to estimate the level of construction employment to be generated by the scheme. National data indicates that the average ratio of turnover to jobs in the construction sector in the South East in 2011 was £127,427.

3.3

Applying this to the estimated construction cost outlined above implies that the development would be expected to create **165 person-years of construction work** over the duration of the build period. If the site were built out over a 4 year period, this would average approximately 40 temporary construction jobs per year during the construction phase.

3.4

In economic terms, there is an HM Treasury convention that 10 temporary construction jobs are equivalent to one permanent Full Time Equivalent (FTE) job. Using the approach, the development would support the equivalent of **17 permanent direct FTE jobs** in the construction industry over the build period.

3.5

Given that national construction firms sometimes use their own permanent workforce on projects, but also employ contractors with a proportion of construction workers drawn locally, it is difficult to identify the likely source of workers to fill these construction jobs before contracts have been let. However, based on experience elsewhere it would be reasonable to expect a proportion of the construction jobs created by the proposed development could be taken up by the local workforce, particularly if measures are in place to encourage local recruitment and to raise local skills levels.

Indirect & induced employment

3.6

Housing construction also involves purchases from a range of suppliers (e.g. bricks, glass, steel) who, in turn, purchase from their own suppliers through the supply-chain. The relationship between the initial direct spending and total economic impacts is known as the “multiplier effect”, and demonstrates that an initial investment can have substantially larger economic benefits as this expenditure is transmitted through the economy.

- 3.7 It is anticipated that some businesses in the local and regional economy would benefit from trade linkages established during the construction of the proposed development. As a result, further indirect jobs would be supported locally in suppliers of construction materials and equipment.
- 3.8 In addition, businesses would be expected to benefit to some extent from temporary increases in expenditure linked to the direct and indirect employment effects of the construction phase. This might relate to wage spending by workers in local shops, bars and restaurants and other facilities. These are referred to as induced effects.
- 3.9 Recent research indicates that the construction industry has an indirect and induced employment multiplier of 2.19⁶. Applying this multiplier to the 165 person-years of direct construction derived above indicates that an additional **20 FTE** jobs could be supported by the proposals (in addition to the 17 FTE jobs above), although not all of these jobs will be based in the local area.

Gross Value Added

- 3.10 The construction phase of the proposed development will also make a significant contribution to local Gross Value Added (GVA) which provides a measure of economic productivity.
- 3.11 Based on 2011 Experian data, the UK construction sector generates an average GVA per Full Time Equivalent (FTE) employee of £35,700 in the South East.⁷ Applying this to the net additional employment impact of the scheme (derived above) indicates that the capital spending associated with the proposed development could deliver an additional **£1.3m of GVA**. It should be noted that not all of this will be retained locally.

Resident Expenditure Impacts

- 3.12 New residential development at Manor Farm and Copseys Nursery in Denvilles offers an opportunity to increase local expenditure. The scale of these benefits will be determined by the expenditure patterns of local residents, and the extent to which residents of the proposed housing move into the area from elsewhere.

Total Gross Expenditure

- 3.13 Analysis of Output Area Classification data indicates that housing areas within Denvilles village are dominated by households in the 'Prospering Suburbs' socio-economic classification group. It is anticipated that residents of new housing proposed at Manor Farm/Copseys Nursery would broadly be occupied

⁶ Scottish Government Social Research Tables 2010

⁷ Based on 2006 prices

by the same type of household groups, with an adjustment made for occupants of the proposed affordable housing component.

- 3.14 The 2010 ONS Family Expenditure Survey provides summary data on typical household spending by household socio-economic classification. This indicates average spending levels of £467 per week for households in the Prospering Suburbs group. Spending by South East households is 10.4% higher on average, which results in an average household expenditure figure of **£516 per week**. Similarly, average spending amongst the 'Constrained by Circumstances' group (comprising those likely to be occupying the scheme's affordable housing) amounts to **£290 per week**⁸.
- 3.15 Based on these assumptions, it is estimated that residents of a new development at Denvilles could be expected to generate total gross expenditure of **£4.3m per annum**.

Net Additional Expenditure

- 3.16 It is recognised that not all residents of the proposed development will be 'new' to the local area, for example some will relocate from elsewhere within Havant Borough to the new development. National research provides benchmarks on the average distances moved between a head of household's present and previous home address, and this can be used to estimate the proportion of the population of the proposed development which may be 'new' to the local area.⁹
- 3.17 In addition, not all of the gross expenditure by residents of the proposed development at Denvilles will be retained within the vicinity of the development, or within Havant Borough. The Council's latest retail study indicates that over 90% of convenience goods expenditure generated in the Havant town area is retained within the Borough.¹⁰ This reflects the good provision of convenience shops within the Borough, including a choice of supermarkets. In addition, some expenditure will be lost as residents spend their income on higher value comparison goods and other services outside the Borough.
- 3.18 Taking all the above factors into account, it is estimated that total net additional annual expenditure of **£0.9m per annum** will result from the new development and be retained within the local (Havant) area. This will support additional spending, and therefore the vitality and viability of local centres including Emsworth, which is the nearest large retail centre to the site. Based on average ratios of expenditure to employment, it is estimated this additional residents' spending could directly support up to **four retail and four leisure sector jobs** in the local area.

⁸ Includes the South East allowance (10.4%)

⁹ Survey of English Housing – Tenure by Distance Moved (2000-01), DTLR

¹⁰ Town Centres, Retail and Leisure Study, NLP, March 2009

4.0

Fiscal Implications

4.1

This section considers the benefits delivered by the proposed development that accrue to the local authority.

Planning Contributions

4.2

At this stage, the precise details of any potential planning conditions and s106 Agreement contributions are yet to be agreed, hence the assessment considers these benefits in broad terms.

4.3

Based on an average ratio of c£11,000 per dwelling plot¹¹, it is estimated that approximately £2,101,000 in s.106 financial contributions will be generated by the proposed development. This contribution will be used by the Council to fund new service and infrastructure provision in the local area, such as education, improved public open space, landscaping, and highway improvements.

New Homes Bonus

4.4

In 2010 the Coalition Government introduced an incentive-based system to support delivery of new housing. The New Homes Bonus matches for a 6-year period the increase in Council Tax income from new homes or homes brought back into use. This additional funding is potentially a significant source of income for local authorities at a time when finances are constrained through the Government's public sector austerity measures. Payments are not ring-fenced and therefore local authorities are able to use Bonus payments in the most beneficial way to support their needs. A premium is payable on affordable housing units.

4.5

The proposed development at Manor Farm/Copseys Nursery will deliver 191 new homes at a range of sizes and therefore Council Tax bands. Using the standard method of calculation contained in the CLG New Homes Bonus calculator, it is estimated that the scheme would generate c.£221,200 of New Homes Bonus payments per annum, or **£1.3m** over six years (albeit profiled to reflect the build period for the development). This income would also be matched by additional Council Tax payments received by Havant Council of **£252,820 per annum** in perpetuity.

4.6

Therefore, the combined financial impact for the local authority is a positive inflow of over **£2.8m** for the first six-year period.

¹¹ Average figure based on data supplied by Barratt David Wilson Southampton

5.0 Economic Competitiveness & Wider Impacts

- 5.1 This section assesses the potential impact of the proposed development on the economic competitiveness and wider impacts on the local economy.

Labour Market Flexibility

- 5.2 Housing supply can play a key role in the flexibility of the local labour market which itself is an important component in local economic competitiveness. This is because a shortage of housing or a lack of affordability can act as a barrier to people accessing employment opportunities or result in long-distance commuting with adverse transport and environmental impacts. Havant has significant levels of in and out commuting to work. The geographical mismatch between labour supply and demand can impede national economic productivity levels. This is particularly the case for lower and intermediate level skills where a lack of geographical mobility is in part caused by a lack of available affordable housing, an issue considered further below.
- 5.3 As a result, the increased housing supply generated by the Manor Farm/Copseys Nursery development could allow for a better match of labour and employment, thus improving economic competitiveness and performance.

Affordable Housing

- 5.4 The Denvilles proposals will provide approximately 67 units of affordable housing (social rent and intermediate tenure). The final mix, size and tenure of the affordable homes will ultimately be determined in discussion with the local authority, but the dwellings will be tenure blind, designed to the same high standards as the overall scheme and distributed throughout the development.
- 5.5 In October 2010, the waiting list for affordable housing in Havant Borough was approximately 4,500¹² with demand likely to continue and grow in the future. The supply of affordable housing in the Borough (excluding new build additions) is around 220 lettings each year.
- 5.6 The proposed residential development at Denvilles could therefore potentially provide accommodation for around 1.5% of the affordable housing waiting list, or 30% of current annual supply of affordable lettings.
- 5.7 Constrained housing supply, and inter alia, continued affordability pressures could have a significant impact on the ability of residents to buy housing locally, particularly those with lower-paid jobs. This could force such workers to move further afield, increasing commuting but also reducing local labour supply. This

¹² This includes 4,200 people on the Hampshire Home Choice Housing Register for the Borough and 299 on the HomesInHants Register

would limit the prospects for businesses to create or maintain these jobs in Havant.

Wider Role of Housing in the Economy

- 5.8 Recent research has focused on the role that new housing can play in supporting economic recovery alongside the need to ensure greater value for money in public expenditure terms. While the role of housing in the economy is complex, new housing delivery has the potential to generate a range of improved economic outcomes (Table 5.1).

Table 5.1 Economic Outcomes from New Housing Delivery

Timescale	Type of Role	Impact of New Housing Delivery
Short (0-5 years)	Supporting recovery	Macro-economic boost from new house building (multiplier effect)
Medium (5-10 years)	Enhancing productivity	- Labour market and spatial flexibility from housing choice - Impact on economic competitiveness (e.g. quality of place, access to services, improved affordability)
Long (10+ years)	Structural shifts	- Replacement of poor quality stock, impacting on health, income and life chances - Increased energy efficiency of new housing reducing on carbon emissions (and saving mitigation costs)

Source: NLP based on HCA, 2009

- 5.9 The economic contribution of new housing development has been recognised in recent Government announcements and policy documents. For example, the Local Growth White Paper¹³ states that:

“Housing can be an important source of economic growth...It could therefore play a major role in leading the economy back towards growth and improving the long-term competitiveness of the UK economy...Housing can also play a key role in supporting an efficient labour market, which is critical to economic growth.”

- 5.10 The National Planning Policy Framework¹⁴ published by Communities and Local Government in March 2012, states that:

¹³ HM Government, Local Growth: Realising Every Place's Potential, October 2010

¹⁴ Communities and Local Government, National Planning Policy Framework, March 2012

“Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.” (para 17, iii)

“The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth.” (para 19)

- 5.11 More specifically, the Coalition Government’s new Housing Strategy for England¹⁵ acknowledges the crucial role that house building can play in achieving economic growth:

“Getting house building moving again is crucial for economic growth – housing has a direct impact on economic output, averaging 3 per cent of GDP in the last decade. For every new home built, up to two new jobs are created for a year. Without building new homes our economic recovery will take longer than it needs to.”

- 5.12 House building is therefore recognised in national policy as having a major role in leading the economy back towards growth and improving the long-term competitiveness of the UK economy.

Contribution to Havant’s Economic Objectives

- 5.13 The economic effects of the proposed development at Denvilles would align well with a wide range of local policy objectives, in particular, increasing the supply of high quality, sustainable and affordable housing to meet projected increases in population, enhanced economic prosperity through creating employment opportunities for local people and bringing significant private sector investment to the area, thereby stimulating further regeneration across the Borough.
- 5.14 Table 5.2 overleaf summarises the strategic fit of the proposals with relevant planning and economic development strategies at the local level.

¹⁵ HM Government, Laying the Foundations: A Housing Strategy for England, November 2011

Table 5.2 Key Policy Aims and Contribution of Proposed Development to meeting them

Policy Document	Relevant Key Message(s)	Contribution of proposed development to objective(s)
Havant Borough Core Strategy (Adopted March 2011)	Sets out the spatial planning strategy for the area up to 2026. Planning permission will be granted for housing proposals that will: Policy CS6 Regeneration of the Borough Positively contribute by type of use and design and by its comprehensive approach to the social, economic and/or physical regeneration of the whole borough. Policy CS9 Housing - Contribute to achieving 6,300 new dwellings between 2006 and 2026; - Deliver on average 30-40% affordable housing on sites of 15 dwellings or more; - Ensure mixed communities are created; - Achieve a suitable density of development for the location; - Provide a mix of dwelling types, sizes and tenures. Policy CS3 Skills and Employability - Raise skill levels and increase employability; - Promote skills provision on strategic sites particularly construction skills; - Address barriers to employment for economically inactive people.	- Sustainable building design and consultation with local residents to ensure the development provides a range of facilities and features that suits / complements the local area - Provision of c.191 new residential dwellings in the borough, approximately 35% of which will be affordable - Provision of a variety of high quality residential dwellings to house a growing population - Proposed development will provide a significant amount of new affordable housing increasing access to high quality housing for more disadvantaged residents - Creation of c.37 temporary direct and indirect FTE jobs in the local area
Economic Development Strategy, Partnership for Urban South Hampshire (PUSH) 2006	Sets out a vision to deliver a brighter future for South Hampshire based on a stronger economy, where economic growth is the main driver for sustainable development of the sub-region. It identifies four key themes: 1) Skills and Labour Market: developing the workforce and those in our communities currently excluded from the workforce to participate in the economy. 2) Enterprise, Innovation and Business Support: higher rates of enterprise and higher levels of productivity. 3) Inward Investment: growth in business investment, leading to higher levels of employment and productivity. 4) Sites and Premises: Appropriate infrastructure in place to deliver sustainable growth.	- By creating new employment opportunities and skills and training initiatives to maximise opportunities for local people, the development will actively promote social inclusion and regeneration - c.£21 million private sector investment to the Borough
Forward Together: A Sustainable Community Strategy for Havant 2008-2012	Aims to enhance the quality of life for all who live and work in, and visit, Havant Borough. It sets out six key priorities for the Borough: Health and wellbeing; Promoting Havant's economy; Community support; Community safety; Housing and infrastructure; Caring for our borough.	Creation of an inclusive, accessible and diverse neighbourhood through consideration of housing mix, open space and public realm design



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