

Economic Benefits Statement

26 Portman Road, Reading

The Door Store Ltd

January 2016

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Contact

Richard Laming MRTPI
Director – Head of Economics

Client

The Door Store Ltd

LPA Reference

Reading Borough Council

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1. Economic Benefits Statement

Introduction

- 1.1 This Economic Benefits Statement has been prepared by Turley Economics in support of a full planning application for a “Change of use of building from car dealership (sui generis) to warehouse with ancillary trade counter (Class B8) to include external changes” (the ‘proposed development’) at 26 Portman Road, Reading (the ‘application site’).
- 1.2 This Economic Benefits Statement utilises Turley Economics’ Local Economic Benefits (LEB) methodology. LEB provides a robust logical framework for evaluating the economic impacts of development proposals.
- 1.3 This assessment evaluates the economic impacts of the proposed warehouse and ancillary trade counter. The retail element will occupy 29% of the floorspace. The existing car dealership and garage has been vacant for approximately 2 years and does not presently support any employment. As a result, no existing employment is accounted for within the assessment of economic impacts arising from the proposed development. The employment, productivity and business rate impacts assessed are therefore considered to be all net additional.
- 1.4 This evidence forms part of the planning application documentation submitted to Reading Borough Council for the proposed development.

The Value of Development

- 1.5 The proposed development will make a positive socio-economic contribution to the Reading and the wider South East region through the provision of employment opportunities and uplift in productivity, which will impact positively upon unemployment and deprivation levels in the local area.
- 1.6 Table 1.1 sets out the level of employment and type of jobs required to operate the warehouse and ancillary trade counter uses that are proposed. These required job roles have been defined through the process of business planning for the operation of the proposed development, based on the experience of the applicant in operating similar facilities.

Table 1.1: Employment Supported by the Proposed Development

Job Role	No. of FTE Staff
Managers	2
Trade Counter Staff	8
Storemen	6
Administration Staff	2
Cleaner	0.5
Total Direct Employees	18.5
Joiners	10
Delivery Drivers	3
Total Indirect Employees	13

Source: The Door Store Limited, 2015

- 1.7 As set out in Table 1.1, the proposed development is estimated to generate 18.5 FTE direct jobs on site and support at least a further 13 FTE indirect jobs through the outsourcing of joinery work and delivery drivers. This level of indirect employment is based upon the client's operating model and anticipated levels of business activity. Further indirect jobs could also be created in other sectors of the economy.

Impact on Unemployment

- 1.8 The proposed development will enhance employment opportunities locally, providing more jobs for local people and, in turn, helping to reduce levels of unemployment.
- 1.9 The Annual Population Surveyⁱ (APS) provides a profile of the labour market in Reading. The latest APS evidence suggests that:
- 76.4% of the working age population in Reading is economically active, which is lower than the economic activity rates in the wider South East, at 80.1%, and Great Britain at 77.5% respectively;
 - Of the economically active residents in Reading, 81,700 people - or 72.7% - are in employment, which is lower than the employment rate at the South East level (76.4%) and across Great Britain (73.1%); and
 - 4,400 economically active residents are unemployed, which is equivalent to 5.1% of the total economically active residents. The unemployment rate in Reading is higher than the South East level of 4.4%, yet lower than the level of 5.7% across Great Britain.
- 1.10 The number of residents claiming Jobseekers' Allowance (JSA) also provides useful illustration of unemployed residents in the local area. The latest claimant countⁱⁱ statistics for November 2015 highlight that there are a total of 1,325 residents in Reading claiming JSA, in addition to a further 51,705 claimants across the wider South East region.

- 1.11 The proposed development has the potential to enhance economic wellbeing within Reading and the South East by providing more jobs for local people and work to further reduce levels of unemployment and the number of resident claiming JSA. There is potential to create jobs for local people throughout the constructionⁱⁱⁱ and operation of the proposed development given the type of occupations that are currently being sought by local unemployed residents. These are considered below.
- 1.12 The latest JSA evidence suggests that there is latent demand for construction sector employment, which is associated with the refurbishment and refitting of buildings. A total of 1,515 economically active unemployed working age residents are seeking employment within the construction sector across the wider South East region, inclusive of 30 residents in the borough of Reading.
- 1.13 The claimant count statistics also suggest that there is a good fit between the employment types that are expected to be generated throughout the operation of the proposed development and jobs sought locally. In Reading there are 690 residents, and an additional 28,010 residents in the South East, that are seeking employment in occupations that are well matched to the proposed development.

Impact on Deprivation

- 1.14 The proposed development can also contribute to the socio-economic vitality of Reading and the reduction of deprivation levels by providing opportunities to increase employment and household incomes.
- 1.15 Patterns of deprivation in Reading can be understood using the 2015 English Indices of Deprivation (IMD)^{iv}. IMD is calculated through consideration of indicators including income, employment, health, education, crime, barriers to housing services, living environment and income deprivation affecting children and older people. This is a national index, which enables direct and consistent comparisons to be made between all areas of England through consideration of relative levels of multiple deprivation.
- 1.16 The borough of Reading on average is ranked as the 143rd most deprived authority in England out of a total of 326 authorities. This places Reading within the top 44% most deprived authorities nationally, although there are differences in deprivation levels across the borough.
- 1.17 In relation to income, Reading lies within top 41% most deprived authorities, yet income deprivation affecting children in Reading is more prominent with the local authority being placed within the 34% most deprived authorities nationally. Based on employment, Reading is ranked within the top 58% most deprived nationally, although, when considering the ranking of Reading in relation to the other authorities within the South East region, Reading is within the top 37% most deprived South East authorities according to the employment indicator.
- 1.18 The following section sets out the economic impacts that would accrue from the construction and operational phases of the proposed development.

Economic Benefits

1.19 The following headline net additional economic impacts would accrue during the construction phase:

- **Direct Construction-Related Employment** - the proposed development has the capacity to support approximately 4 person-years of direct employment within the construction sector. This equates to an average of 17 full-time equivalent (FTE) temporary construction sector jobs on-site over the 3 month construction period^v, of which it is estimated that **16 FTE jobs per annum** could be sourced from the South East labour force, including 8 FTE jobs locally within Reading^{vi}.
- **Construction-Derived Indirect and Induced Employment** – a further **annual average of 8 FTE jobs** would be supported within the supply chain, related businesses, and onward expenditure within the South East, inclusive of 2 FTE jobs across the local Reading economy throughout the construction period^{vii}.
- **Construction-Related Productivity** - the construction phase of the proposed development will generate a significant increase in Gross Value Added (GVA)^{viii}. Put simply, GVA is the total of all revenue into businesses, which is used to fund wages, profits and taxes. The construction capital expenditure associated with the proposed development could deliver an annual net additional **£1.8 million GVA contribution** to the economy of the South East, of which circa £800,000 could accrue to the Reading economy^{ix}, during the construction period.

1.20 The following headline net additional economic impacts will be generated once the development is completed and operational:

- **Direct Operation-Related Employment** – the operation of the proposed development has the capacity to support **circa 18.5 FTE jobs on site^x**, as set out in Table 1.1. Of these, 18 direct net additional FTE jobs could be sourced from within the South East economy, inclusive of approximately 9 direct net additional FTE jobs per annum locally within Reading.
- **Operation-Derived Indirect and Induced Employment** – an additional **13 FTE jobs** are anticipated to be supported through the outsourcing of joinery work and delivery drivers. Of these jobs, it is expected that 3 net FTE jobs will be supported within Reading, increasing to circa 12 net FTE jobs across the wider South East economy throughout the 'lifetime' of the proposed development^{xi}. Nevertheless, it is likely that further jobs could be created within the supply chain, related businesses, and onward expenditure as a result of the proposed development.
- **Operation-Related Productivity** – the proposed development will generate economic productivity in the form of GVA uplift annually throughout the operational 'lifetime' phase. There is potential to deliver an **annual net additional £1.7 million GVA contribution** to the economy of the South East each year, of which circa £700,000 per year could contribute to the economy of Reading throughout the lifetime of the proposed development^{xii}.

- **Direct and Indirect Wage Expenditure** - the direct wage expenditure effect of the proposed development could equate to some **£380,000 per annum**, in addition to an annual indirect wage expenditure effect of **circa £320,000^{xiii}**. When considered alongside the net additional employment generation at the wider regional scale, this would suggest an additional average FTE wage expenditure of circa £23,400 per annum.
- **Business Rates** - the Government introduced a Business Rate Retention Scheme (BRRS) in April 2013. It provides a direct link between business rates growth and the amount of money Local Authorities have to spend on local people and local services. Local Authorities are able to retain at least 50% of the growth in business rates revenue that is generated in their administrative area. The Government has recently announced that, from 2020, local authorities will retain 100% of Business Rates. This will provide local authorities with an increasingly important source of income over this period, to enable them to effectively plan and budget. It is estimated that the proposed development will generate **approximately £51,000 in business rate revenue per annum^{xiv}**, of which at least 50% or **£25,500 could be retained by Reading Borough Council each year** until 2020 and 100% (£51,000) per annum thereafter.

- 1.21 In summary, the proposed development will contribute to delivering local employment opportunities and enhancing the local economy and vitality of Reading as well as having impact across the wider regional economy. The proposed development will also make an important financial contribution through the generation of additional business rate revenue which can be retained locally.
- 1.22 The key economic benefits of the proposed development are illustrated in Appendix 1.

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- ⁱ ONS via Nomis (2015) Annual Population Survey (July 2014 – June 2015)
- ⁱⁱ ONS via Nomis (2015) Jobseeker's Allowance by occupation
- ⁱⁱⁱ The construction of the proposed development involves the refurbishment of the existing building at 26 Portman Road.
- ^{iv} DCLG (2015) Indices of Multiple Deprivation (IMD)
- ^v HM Treasury considers that 1 permanent FTE construction sector job is equivalent to 10 person-years of employment based on a 10 year construction period as standard. In reality the volume of construction sector employees on site will fluctuate and will be higher if the construction period is reduced. It is assumed that the proposed development will have a 3 month construction period based on information provided by the applicant.
- ^{vi} Local and regional labour market containment assessed utilising data from the 2011 Census.
- ^{vii} Direct, indirect and induced impacts applied utilising leakage, displacement and multiplier effects in line with HCA (2014) Additionality Guide Fourth Edition.
- ^{viii} GVA measures the value of output created (i.e. turnover) net of inputs purchased and used to produce a good or service (i.e. production of the output). GVA therefore provides a measure of economic productivity.
- ^{ix} Average GVA per FTE employee estimates within Reading and the South East construction sector sourced from Experian Local Market Forecasts (December 2015) (average trend derived from 2011-15 period).
- ^x Operational FTE jobs based on operator requirements.
- ^{xi} Based on the HCA (2014) Additionality Guide, a high level composite regional multiplier has been applied to reflect the client's estimation to support 13 FTE indirect jobs.
- ^{xii} Average GVA per FTE employee estimates within Reading and the South East transport & storage and retail sectors for the proposed development, sourced from Experian Local Market Forecasts (December 2015) (average trend derived from 2011-15 period).
- ^{xiii} Direct wage expenditure is based on operator staffing budget. Indirect wage expenditure is established via application of the gross annual earnings for carpenters and joiners and road transport drivers from Annual Survey of Hours and Earnings (ASHE) (2015).
- ^{xiv} Analysis draws upon comparable businesses for the proposed development, utilising the VOA database. Standard national multipliers are applied. This does not constitute a valuation.

Appendix 1: Summary Infographic

Economic Benefits Infographic

Site: 26 Portman Road, Reading

Proposed development: Change of use from car showroom to warehouse with ancillary trade centre

Construction Phase



circa £550k

Investment in construction of the proposed scheme



17
direct FTE (Full Time Equivalent) jobs on site during the construction period (3 months)



16
direct FTE net temporary jobs during the construction period



8
indirect /induced FTE net temporary jobs during the construction period

£
1.8m
GVA¹

Economic output contribution per annum

Operational Phase Impacts



18.5 gross direct FTE jobs supported on site



13 indirect /induced FTE jobs supported through operational phase



1.7m
GVA¹

generated per annum



£380k direct wage expenditure per annum



£320k indirect wage expenditure per annum



£51,000

uplift in business rate revenue per annum, of which **£25,500** could be retained by Reading Borough Council²

¹ GVA (Gross Value Added) measure the value of output created (i.e. turnover) net of inputs used to produce a good or service (i.e. production of outputs). It provides a key measure of economic productivity. Put simply the GVA is the total of all revenue into businesses, which is used to fund wages, profits and taxes.

² Based on the Government's current Business Rate Retention scheme. This will increase to 100%, retained from 2020 onwards.

Turley

1 New York Street
Manchester
M1 4HD

T 0161 233 7676