

Wixam End, Bedford - Economic and Wellbeing Benefits Assessment

1.0 Summary

415 new homes, a country park and local play spaces – A scheme with benefits aligned with responding to the short and long-term local impacts of the Covid-19 pandemic.

Supporting the resilience of the local economy:

- **340** temporary construction jobs. **515** supported supply chain jobs.
 - Helping address rising unemployment → Out-of-work benefits claimants in Bedford Borough increased **106%** between March and June 2020 to 7,225 claimants.
 - Reducing local labour market contraction → **23,800** Bedford residents furloughed, 33% of local employee workforce.
- **£55.5m** capital investment into Bedford Borough. Generating **£64.4m** of economic output (GVA per annum).
 - Growing out of recession → UK GDP fell by **2.0%** in Q1 2020, with this forecast to be - **14%** by year-end; a notional **£592m** reduction in the economy of Bedford Borough.
- **£2.3m** first occupation expenditure “making a house a home”. **£13.1m** annual resident expenditure on shopping and services.
 - Helping the high street → National vacancy rates increased to 12.3% in March 2020.

Delivering a scheme aligned with community, health and wellbeing outcomes:

- **125** affordable homes, with **97** affordable rented.
 - Addressing acute needs → **181** homeless households as of 31st March 2020;
 - Generating savings → Preventing homelessness for 97 households is equivalent to a notional saving to the Council of **£569,000** in temporary accommodation spending.
- **71%** of homes (every house) with access to a private garden.
 - Quality of life improvements → equivalent to a monetary benefit to society of **£241,000** per year over homes having no access to a garden.
- **11.9ha** of formal and informal public open space on the doorstep.
 - Improving local access to open space → **378 metres** average distance to the nearest park, public garden or playing field in Bedford.
- **£9.15m** in CIL/s106 contributions improving local community facilities and infrastructure

Mitigating future Council fiscal impacts:

- **£2.8m** new homes bonus payment to Bedford Borough Council and **£758,000** annual receipt of council tax.
 - Providing income → **£4.75m** estimated shortfall in Bedford Borough Council’s budget because of the pandemic, with potential legacy effects beyond.

2.0 Supporting information

- 2.1 The following note sets out the approach, methodology and sources used in the above assessment.

Supporting the resilience of the local economy

Construction Jobs

- 2.2 The calculation of construction jobs is based on construction cost estimates and then uses the ‘new housing’ labour coefficient from the Homes and Communities Agency (HCA) Calculating Cost per Job Best Practice Note (2015)¹ assuming that 19.9 years of Full-Time Equivalent (FTE) employment would be generated per £1 million of construction cost in 2011 prices. The UK Government GDP Deflator (2019)² is used to deflate costs to 2011 prices. The construction phase is assumed as four years. Combined this provides an estimate of the number of direct FTE jobs created annually over the construction phase. As construction is made up of many discrete elements of work undertaken by specialists (e.g. bricklaying, carpentry, plumbing, electricians etc.), the number of workers on site will fluctuate during different periods of the construction phase.
- 2.3 Housing construction involves purchases from a range of suppliers who in turn purchase from their suppliers via the supply chain. The relationships between the initial direct spending and total economic impacts are known as the ‘multiplier effect’, which demonstrates that an initial investment can have much larger economic benefits as this expenditure is diffused through the economy. Research undertaken on behalf of the National Housing Federation indicates that the construction industry has an indirect and induced employment multiplier of 2.51³. Applying this employment multiplier to the direct FTE construction jobs indicates how many indirect and induced jobs could be supported per year of construction by the proposed development.

Unemployment and Labour Market

- 2.4 Statistics on out of work benefits are sourced from the Office for National Statistics (ONS) ‘claimant count by sex and age’ data for March and June 2020, which is available to Local Authority geography⁴.
- 2.5 Statistics on furlough are sourced from HMRC Coronavirus Job Retention Scheme statistics: July 2020 (published 15 July 2020)⁵. This provides figures to local authority level of furloughed employments (i.e. job contracts) by the residence of the employee. This has been compared with the resident employee workforce of the local authority area drawn from the ONS Annual Population Survey (Jan 2019-Dec 2019).

Economic Output

- 2.6 The construction phase of the proposed development will make a significant contribution by generating additional Gross Value Added (GVA). GVA is a measure of the difference between what is produced as an output (goods and services) and the inputs (raw materials, semi-finished products etc.) used in the production of the output. It represents the additional value that is

¹ Homes and Communities Agency (HCA), (2015); Calculating Cost per Job Practice Note

² UK Government, (2019); GDP Deflator

³ Indirect and Induced employment has been calculated by using an employment multiplier of 2.51 sourced from the National Housing Federation (2013). This implies that per direct job generated a further 1.51 induced jobs and supported in the supply chain.

⁴ Office for National Statistics (ONS), (2020); Claimant Count

⁵ HMRC, (2020); Coronavirus Job Retention Scheme statistics: June 2020

added through economic activity. This is based on 2019 Experian data⁶ on GVA within the construction sector. It should be noted that not all of this will be retained locally.

- 2.7 Forecast GDP fall of 14% across 2020 for the UK is drawn from the Bank of England ‘May 2020 Monetary Policy Report’. We have notionally applied this 14% drop to estimates of the local authority’s GVA for 2018 drawn from ONS ‘Regional GVA By Local Authority’ (Released December 2019).

Resident Expenditure

- 2.8 Research suggests that the average homeowner when moving into a new dwelling spends approximately £5,500 to make their house ‘feel like home’⁷. This money is generally spent on furnishing and decorating a property, which will generate a range of economics benefits including further indirect and induced jobs in local businesses.
- 2.9 The ONS Family Spending Survey 2018 (2019 edition) provides data on household spending by socio-economic classification and region⁸. This is combined with ONS data on ‘Analysis of Output Area Classifications’ which provides a neighbourhood level socio-economic classification group for the area of the development⁹. These are used to estimate total gross expenditure from the residents of the scheme, a proportion of which would likely be retained locally in shops and services. National high street vacancy data is drawn from the BRC-LDC Vacancy Monitor (March 2020) and is reflective of wider trends across the country which will be equally applicable at the local level.

Delivering a scheme aligned with community, health and wellbeing outcomes

Homelessness

- 2.10 A report presented to the Bedford Borough Council Housing Committee in June 2020 outlines 181 households were homeless and applying for social housing in the Borough as of 31st March 2020¹⁰.
- 2.11 Notional savings to the local authority from reductions in homelessness are based upon average spend per household housed in temporary accommodation for the local authority. This proxy is derived from returns on total annual temporary accommodation spending¹¹ for 2017/18 compared with MHCLG P1E Homelessness returns on the number of households being housed in temporary accommodation over that same period.

Private Gardens and Amenity Space

- 2.12 Analysis by the London School of Economics (Mourato et al, 2010)¹² showed that there is a positive health benefit from access to a private garden. This estimates that the use of one’s own garden weekly or more had physical, emotional wellbeing and health utility benefits to occupants. The research costed an annual benefit per person of between £171 and £575 per

⁶ Experian, (2019); Gross Value Added

⁷ Research carried out by OnePoll surveying around 2,000 UK adults in August 2014: <http://www.barratthomes.co.uk/the-buying-process/home-buying-advice/10-Year-Warranty-Terms-andConditions/>

⁸ ONS, (2019); ONS Family Spending Survey

⁹ ONS, (2011); Area Classification for Output Areas

¹⁰ <http://www.councillorsupport.bedford.gov.uk/documents/g5247/Public%20reports%20pack%2017th-Jun-2020%2018.30%20Housing%20Committee.pdf?T=10>

¹¹ <https://www.insidehousing.co.uk/insight/insight/the-cost-of-homelessness-council-spend-on-temporary-accommodation-revealed-57720>

¹² Susana Mourato, Giles Atkinson, Murray Collins, Steve Gibbons, George MacKerron and Guilherme Resende (2020), Economic Analysis of Cultural Services, LSE

annum based on converting a measure of people's quality of life into monetary terms (and to society rather than the individual) based primarily on health cost savings. Assuming 2.2 persons per household, this has been translated into a notional societal benefit from garden space, using a mid-point estimate (£373 per person per annum).

Access to Open Space

- 2.13 Data on local access to open space is obtained from ONS' statistics on 'Access to gardens and public green space in Great Britain (April 2020)'.¹³ This is based upon analysis using Ordnance Survey mapping and includes statistics by local authority.

Mitigating future Council fiscal impacts

New Homes Bonus

- 2.14 Under the UK Government's New Homes Bonus (NHB) scheme, Local Planning Authorities benefit from additional funding provided by the Government when new dwellings are delivered. Using standard methods of calculation, as contained within the Ministry of Housing, Communities and Local Government (MHCLG) NHB calculator¹⁴, and estimate of NHB payable is made. NHB payments are made over a set four-year period following delivery and will be split between lower-tier and upper-tier authorities.

Council Tax Payments

- 2.15 The proposed development would generate an increase in Council Tax receipts. This would provide an additional boost to the revenue base of the Council, over and above the impact of the NHB payments in the long-term. Drawing upon the assumptions and analysis related to NHB (and having regard to levels of Council Tax levied by the local authority in the current financial year), the per annum additional council tax payments that could be levied in perpetuity are identified.

Council finances

- 2.16 A report presented to the Bedford Borough Council Budget and Corporate Services Overview and Scrutiny Committee on 16th July 2020 forecast the gross impact of Covid-19 on the Council's finances would equate to £13.696 million up to the end of August 2020¹⁵. The UK Government has awarded the Council £8.946 million of non-ringfenced grant funding to help meet this deficit, leaving a funding gap of £4.75 million. The Council has received further grant funding from the Government; however, this funding is ringfenced for programmes such as track and trace and infection control and is not for general financial impacts (e.g. the purchase of computer equipment to enable home working).
- 2.17 Although these are short term impacts, it is inevitable they will continue to have long term impacts, including on Council financial reserves and future income if the economy is constrained and austerity policies are needed to be implemented.

¹³ Access to gardens and public green space in Great Britain, released 14 May 2020.

¹⁴ MHCLG, (2018); New Homes Bonus Calculator

¹⁵ <http://www.councillorsupport.bedford.gov.uk/documents/g5169/Public%20reports%20pack%2016th-Jul-2020%2018.30%20Budget%20and%20Corporate%20Services%20Overview%20and%20Scrutiny%20Commit.pdf?T=10>