

Strategic Land Group

**Henthorn Road,
Clitheroe**

**Economic Impact
Assessment**

January 2013

Ref: 2012-156-014a

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Authorised for and on behalf NJL Consulting LLP



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Partner

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1.0 Introduction

- 1.1 This Economic Impact Assessment has been prepared by NJL Consulting on behalf of Strategic Land Group in support of an Outline Application for a residential development at Henthorn Road in Clitheroe. Clitheroe falls within the Ribble Valley Borough Council (RVBC) area.
- 1.2 This Assessment intends to summarise the economic benefits that the development can bring to the area. It is based on robust, nationally-recognised data sets primarily provided by the Office of National Statistics (ONS). The other main data source used is provided by the Council of Mortgage Lenders (CML), the national body representing mortgage providers.

Proposed Development

- 1.3 The Outline Application seeks permission for development of up to 140 dwellings, of which 30% will be affordable. Access has also been applied for, although all other matters are reserved.
- 1.4 As the application is in Outline, the precise mix of dwellings has yet to be determined, although it is intended that the development provides a mix of dwellings. For the purposes of this Assessment, it has therefore been assumed that the eventual development will consist of the following mix of dwellings:
- 42 No. affordable dwellings
 - 24 No. 2 bedroom dwellings
 - 37 No. 3 bedroom dwellings
 - 37 No. 4 bedroom dwellings

Economic Benefits

- 1.5 The National Planning Policy Framework ('Framework') sets out the Government's approach to planning and its role in achieving sustainable development. The Framework identifies that sustainable development has three main strands: social, environmental and economic.
- 1.6 Paragraph 19 of the Framework identifies that '*significant weight should be placed on the need to support economic growth through the planning system.*' The Framework

also identifies that Local Authorities should identify and remove barriers to investment, including a lack of housing.

- 1.7 The economic benefits of residential development fall into two main categories; those that accrue during the construction of the development and the on-going impacts once the development is complete and occupied. This Assessment will consider each of those impacts in turn.

2.0 Construction Impacts

- 2.1 Based on the assumed mix of housetypes, an estimate of their size and an anticipated construction cost of £95 per square foot, the total construction cost of the proposed scheme is likely to be circa £11.5m.
- 2.2 In answer to a Parliamentary Question on 22 June 2010, Housing Minister Grant Shapps replied: *'The Department has estimated that, in 2009, every £1 million of expenditure in new build housing supported 11 net jobs for a year.'* This figure takes into account both direct jobs (working in the house building industry) and indirect jobs which are supported in the supply chain.
- 2.3 On that basis, the proposed development would generate approximately 126 net jobs during its period of construction. This will result in job opportunities for local residents within both Clitheroe and the wider RVBC area.

3.0 Post-Construction Impacts

Spending Power Of New Residents

- 3.1 The proposed scheme of up to 140 new dwellings has the potential to contribute to the local economy through the spending power of new residents. As the main service centre in the district, Clitheroe is likely to be a major beneficiary of this expenditure.
- 3.2 This expenditure will help to support the vitality of Clitheroe as a centre, which was recognised as a priority in the *Employment Land and Retail Study* produced in October 2008. The report stated that *'evidence of falling trade and consumer confidence is undermining the town's future retail growth, justifies public intervention.'*
- 3.3 To determine the likely spending power of future residents, it is first necessary to estimate their likely incomes. This can be calculated based on an estimate of house prices based on current availability of homes for sale in the area. Information relating to the proposed affordable homes on the site is harder to estimate, given the subsidised nature of the accommodation. For the purposes of this assessment, therefore, only the open market dwellings have been considered.
- 3.4 The CML provides data setting out the average size of mortgage in relation to the overall price of the property. The September 2012 data (<http://www.cml.org.uk/cml/media/press/3338>) identified that the average mortgage for a First Time Buyer was 80% of the value of the property, while for home movers it was 69% of the value of the property. Taking into account the total value of loans in each category identifies the average mortgage for those moving house of 72% of the value of the new property.
- 3.5 The CML report also identifies the average multiple of incomes to mortgages for the two categories of buyer (3.26 times for First Time Buyers and 2.9 times for home movers) giving an average multiple of 3.02 times (again once the total value of loans in each category is taken into account). This data can then be used to estimate approximate household incomes, as summarised in Table 1.

Property Type	Estimated Selling Price	Estimated Mortgage	Estimated Household Income
2 Bed House	£140,000	£101,312	£33,527
3 Bed House	£200,000	£144,731	£47,896
4 Bed House	£250,000	£180,914	£59,870

Table 1: Estimated Household Incomes (Private Dwellings Only)

- 3.6 Using data from the ONS, it can be identified that these households would fall within the 7th, 8th and 9th deciles for household income respectively. This can then be compared with the ONS's *Family Spending Survey 2011* to identify the likely expenditure for a variety of goods across all household types.

Property Type	Weekly Spend	Annual Spend	Number	Total Expenditure
2 Bed House	£538.20	£27,986.40	24	£671,674
3 Bed House	£609.00	£31,668.00	37	£1,171,716
4 Bed House	£746.50	£38,818.00	37	£1,436,266
TOTALS	-	-	98	£3,279,656

Table 2: Estimated Development Expenditure (Private Dwellings Only)

- 3.7 Table 2 summarises these calculations and identifies an estimated annual spend from future occupiers of the private dwellings on the development of approximately £3.28m. The majority of this expenditure (almost half) comes from the occupiers of the 4 bedroom homes.

- 3.8 The *Employment Land and Retail Study* sets out the proportion of expenditure that Clitheroe retains from residents for a variety of types of purchase. These figures are summarised in Table 3.

Category	Market Share
Convenience Goods	85%
Non-Bulky Comparison	24%
Bulky Comparison	47%

Table 3: Clitheroe's Market Share of Various Expenditure Types (*Ribble Valley Employment Land and Retail Study, October 2008*)

- 3.9 Although these figures relate to just three classes of goods, it is considered to be representative of the general spending patterns of residents in other classes of goods. Based on these general patterns, it can be reasonably assumed that 50% of the total expenditure from future residents of the site will be retained within Clitheroe. This is reflective of both existing patterns of expenditure and the proximity of the site to the centre of Clitheroe. As this figure is an estimate, it is deliberately, conservative; the actual level of spend retained in Clitheroe is likely to be higher. For example, the single largest area of expenditure is transport costs the vast majority of which are likely to be incurred within Clitheroe or the RVBC area in general.
- 3.10 After taking into account the proportion of expenditure that is made up of indirect taxes, duty etc. (again using ONS data), approximately £1.56m of expenditure will therefore be retained in Clitheroe.
- 3.11 Using data from the *Business Register Employment Survey 2011* (BRES) and the *Annual Business Survey 2010* (ABS) produced by the ONS, it can be calculated that, on average, £115,920 of turnover supports one job. The estimated £1.56m of expenditure can therefore be expected to support approximately 13 jobs in Clitheroe. Once multiplier effects are taken into accounting, this will increase to approximately 15 jobs (based on the methodology set out in English Partnership's *Additionality Guide*, October 2008).

New Home Bonus

- 3.12 The New Home Bonus is a grant paid by central Government to Local Authorities for increasing the number of new homes in their area. It is calculated based on the

additional Council Tax income that the new homes will generate and is paid annually for 6 years. An additional premium is payable for delivering affordable homes.

- 3.13 According to the New Home Bonus Calculator produced by the Department for Communities and Local Government, the proposed development would deliver approximately £1,312,983 of New Home Bonus across the full 6 year period, to be shared between RVBC and Lancashire County Council who will have flexibility on how it is spent. A copy of this calculation is contained in Appendix 1.

4.0 Summary

- 4.1 The Framework is clear that the economic benefits of a development proposal should be given significant weight.
- 4.2 This Assessment has identified that the proposed development at Henthorn Road is likely to have the following impacts:
- 126 net jobs created during the construction phase of the development.
 - Approximately £1.56m will be spent by future residents in Clitheroe annually, supporting in the region of 13 to 15 jobs on a continual basis.
 - A New Homes Bonus payment of £1,312,983 to be shared between the Borough and County Councils and to be spent at their discretion.

APPENDIX 1: NEW HOME BONUS CALCULATION

New Homes Bonus Calculator

Ribble Valley

Current housing stock (Oct 10): 24,740
 Net change in stock (Oct 10)¹: 56
 Affordable housing supply (09/10): 100
 Stock of empty homes (Oct 10): 277
 Affordability ratio (2010)²: 6.86

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Band	A	B	C	D	E	F	G	H	Total
Dwelling stock: (Oct 10)	14%	19%	19%	18%	13%	8%	8%	1%	24,740
Council tax: average national band (2010/11)	£959.48	£1,119.39	£1,279.31	£1,439.22	£1,759.05	£2,078.87	£2,398.70	£2,878.44	

Total net additions, including affordable homes³:

140									
19	27	27	25	18	12	11	1		140

Gross affordable housing units⁴ per year premium): (£350

42									42
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Empty homes brought back into use⁵:

0	0	0	0	0	0	0	0		0
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Traveller pitches⁶:

0									0
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Payment for one year:

Lower tier

Upper tier

£175,064

£43,766

Total payment over 6 years:

Lower tier

Upper tier

£1,050,386

£262,597

Assumptions:

1. Net additional dwellings are calculated by subtracting effective stock (total stock less long-term empty homes) as recorded on the CTB in one year from the previous year. [This illustration includes the change in long-term empty homes \(also separated out for illustration\)](#). Please see page 21 of the consultation document for further details.

(<http://www.communities.gov.uk/publications/housing/newhomesbonusconsult>)

2. Affordability is measured by the ratio of lower quartile house price to lower quartile earnings (2010).

3. In this illustration net additions by band are assumed to be delivered in-line with the distribution of existing stock (Oct 10); not based on 09-10 band delivery.

4. Affordable units comprise of social rent, intermediate rent and low cost home ownership and include both new build and acquisitions as measured by DCLG statistics (<http://www.communities.gov.uk/documents/housing/xls/1406068.xls>). This premium will be paid from year 2 onwards, rewarding affordable units delivered from April 2010 onwards).

5. If there is an increase in the number of long term empty homes, please enter this as a negative figure.

6. Payments for traveller pitches are based on national average band A plus an additional £350 per pitch per annum. This is for pitches on traveller sites owned and managed by local authorities or Registered Social Landlords.