

# Economic Benefits Statement.

## Bridge Retail Park, Hayes.

Graftongate.

Date: 18/05/2023 | Pegasus Ref: P21\_1767\_RO01v3\_MAN\_EC\_NR\_RC

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## Document Management.

Version	Date	Author	Checked/ Approved by:	Reason for revision
1	24/02/2022	NR	RC	Initial draft
2	17/05/2023	NR	RC	Update following change to scheme
3	18/05/2023	NR	RC	Amends following internal review



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# Executive Summary

## Background

This report has been produced on behalf of Graftongate and presents the economic benefits of developing 16,522 sq. m. of employment floorspace for B2 (manufacturing), B8 (warehousing) or E(g)(iii) (light industrial) uses (14,306 sq. m.)<sup>1</sup> with office floorspace (2,216 sq. m.) at Bridge Retail Park in Hayes, Hillingdon.

## Main Findings

### *Construction Impacts*

- **Direct and indirect construction-related employment:** The Proposed Development will support an estimated 242 temporary roles on-site and in the wider economy over the one-year build programme.
- **Contribution of construction phase to economic output:** An estimated £23million of gross value added (GVA) will be generated during the one-year construction period in current prices.

### *Operational Impacts*

#### *Option 1 – B8 (warehousing) and office floorspace*

- **Gross jobs supported on-site:** The Proposed Development could support 362 gross permanent full-time equivalent (FTE) jobs on-site once it is built and operational.
- **Contribution to economic output:** The GVA attributable to the site once operational is estimated to be £11million per annum.
- **Employee wages:** The Proposed Development will generate an estimated £15.9million per annum in wages for on-site employees.
- **Business rates:** It is estimated that annual business rates generated by the Proposed Development could be in the region of £956,000 per annum.
- **Increased Local spend:** The Proposed Development will generate an estimated £0.34million in additional spend in Hillingdon. This is spend associated with the on-site jobs.

#### *Option 2 – B2 (manufacturing) and office floorspace*

- **Gross jobs supported on-site:** The Proposed Development could support 564 gross permanent full-time equivalent (FTE) jobs on-site once it is built and operational.
- **Contribution to economic output:** The GVA attributable to the site once operational is estimated to be £19million per annum.

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<sup>1</sup> Floorspace figure includes 319 sq. m. for a transport office.

- **Employee wages:** The Proposed Development will generate an estimated £23.3million per annum in wages for on-site employees.
- **Business rates:** It is estimated that annual business rates generated by the Proposed Development could be in the region of £956,000 per annum.
- **Increased Local spend:** The Proposed Development will generate an estimated £0.52million in additional spend in Hillingdon. This is spend associated with the on-site jobs.

# 1. Introduction

## Scope and Purpose

- 1.1. This report has been produced on behalf of Graftongate and presents the economic benefits of developing 16,522 sq. m. of employment floorspace for B2 (manufacturing), B8 (warehousing) or E(g)(iii) (light industrial) uses (14,306 sq. m.)<sup>2</sup> with office floorspace (2,216 sq. m.) at Bridge Retail Park in Hayes, Hillingdon.
- 1.2. The report looks at the following issues:
  - i. **How has the Hillingdon economy performed in recent years?** The report looks at trends in UK GDP and construction activity and goes on to look at employment trends, business numbers and the number of people claiming benefits in Hillingdon.
  - ii. **What are the benefits of the construction phase?** Looking at how many temporary jobs will be created and the contribution of the construction phase to economic output.
  - iii. **How many permanent jobs will the development create?** The report considers how many jobs will be generated by the employment floorspace.
  - iv. **How much will the scheme contribute to enhancing the prosperity of the economy?** The measure used of prosperity is the contribution the scheme will make once completed and fully occupied in terms of increased gross value added – a measure of economic output.

## Report Structure

- 1.3. The remainder of the report is structured as follows:
  - **Section 2** describes the character of the Hillingdon economy, and comparator areas. It presents information on UK GDP, employment trends, business numbers, the claimant count, deprivation and economic development objectives.
  - **Section 3** sets out the construction phase benefits of the Proposed Development, focusing on its contribution to employment and economic output.
  - **Section 4** sets out the number of jobs that the scheme will create once fully developed and occupied and presents an assessment of the contribution of the scheme to economic output, measured in terms of gross value added (GVA), as well as estimated wages, business rates and local spend.

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<sup>2</sup> Floorspace figure includes 319 sq. m. for a transport office.

## 2. Economic Overview

### Introduction

2.1. This section presents a profile of Hillingdon's economy, alongside London and Great Britain. It examines the following topics:

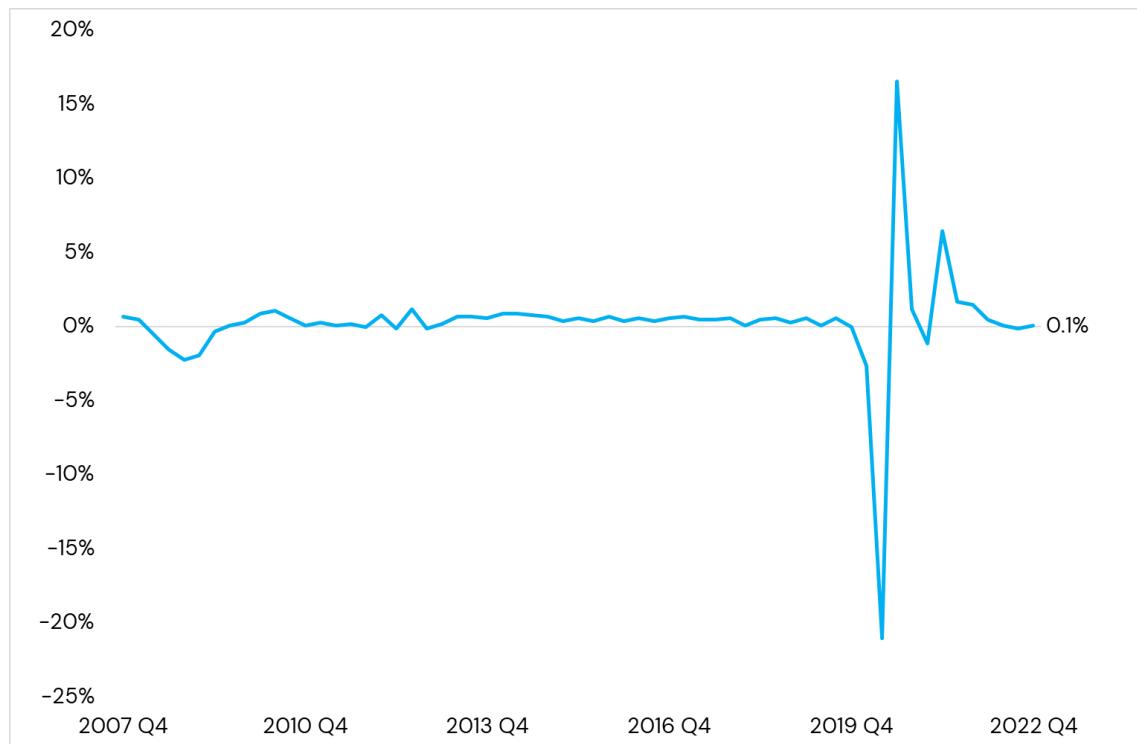
- UK GDP
- Employment – change over time and key sectors.
- Businesses – current numbers and change over time.
- Unemployment – in the form of claimant count trends.
- Deprivation – Index of Multiple Deprivation.

### UK GDP

2.2. As shown in Figure 2.1, UK GDP fell by 21% in the second quarter of 2020. This represents the biggest economic downturn in over 300 years, a result of the Covid-19 pandemic. UK GDP is estimated to have grown by just 0.1% in Q4 2022. This follows a decline in GDP of 0.2% in Q3 2022.

2.3. The impact of the pandemic, high inflation, and the fact the UK economy experienced no economic growth in the last quarter make it even more important that all areas across the country see new schemes being brought forward that will generate new employment opportunities and support long-term economic growth. In the spring budget in March 2023, the Office for Budget Responsibility (OBR) forecast the UK will not enter recession in 2023, however, the economy will likely contract by 0.2%. The Proposed Development will bring new investment to Hillingdon and deliver long-term economic benefits to the area.

**Figure 2.1: UK GDP Quarter on Quarter Growth, 2007-2022**

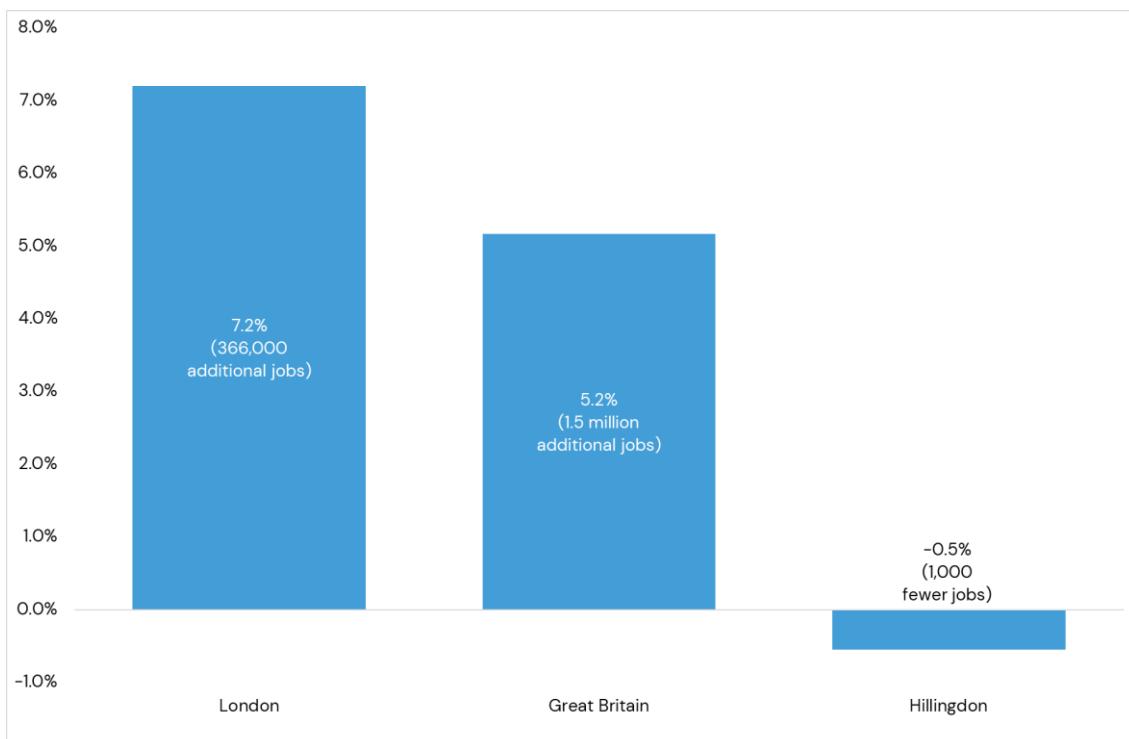


**Source:** ONS

### Employment

- 2.4. Based on the most recent data from the Business Register & Employment Survey (BRES) published by the Office for National Statistics (ONS), in 2021 there were around 183,000 jobs – including self-employment – in Hillingdon.
- 2.5. Employment numbers in Hillingdon decreased by 0.5% between 2015 and 2021, equating to around 1,000 fewer jobs (see Figure 2.3). This compares to growth in London (7.2% – 366,000 additional jobs) and Great Britain (5.2% – 1.5 million additional jobs). The proposed scheme at Bridge Retail Park will create employment during the construction phase and permanent employment once it is operational, helping to reverse the negative employment trend in Hillingdon.

**Figure 2.2: Employment Change, 2015–21**



**Source:** ONS, Business Register & Employment Survey

- 2.6. The main employment sector in Hillingdon is business, financial and professional services, which accounted for 25.3% of total employment in the area and supported an estimated 46,250 jobs in 2021. At a regional level in London the business, financial and professional services sector also accounts for the largest share of total employment at 34.7% and supported 1.9 million jobs in 2021. In Great Britain, the public administration, education and health sector accounts for the largest share of employment at 26.3% and supported 8.2 million jobs in 2021.
- 2.7. During the build phase of the Proposed Development the construction sector is the sector most likely to benefit. In Hillingdon, as of 2021, the construction sector accounted for 3.8% of total employment and supported 7,000 jobs. Between 2015 and 2021, the construction sector in Hillingdon grew by 16.7%. This represents an absolute increase of 1,000 jobs.
- 2.8. As of 2021, the manufacturing sector in Hillingdon accounted for 3.8% of total employment and supported 7,000 jobs. In the same year, the transport and storage sector in Hillingdon accounted for 16.4% of total employment and supported 30,000 jobs. This is the second highest share of total employment when compared to all London authorities. This is also higher than the corresponding share for the same sector in London (4.3%) and Great Britain (5.1%). Both these sectors could benefit from the scheme in terms of seeing new employment opportunities created.

**Table 2.1: Employment by Sector, 2021**

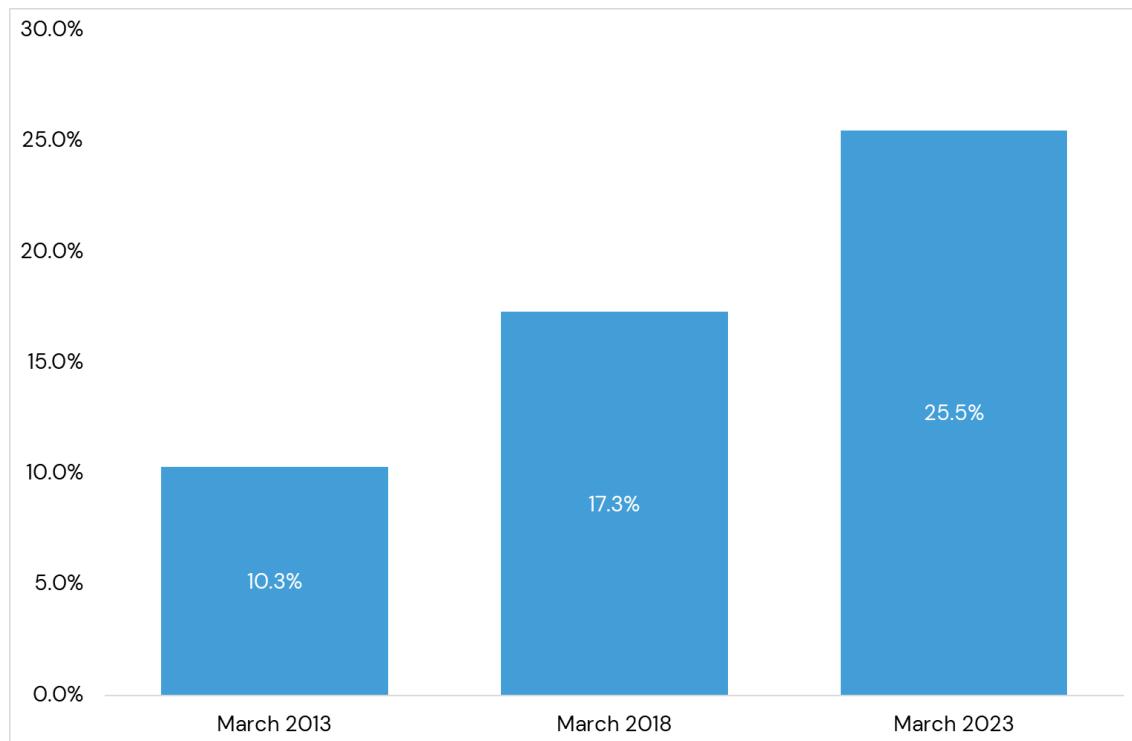
	Hillingdon	London	Great Britain
Agriculture, mining, utilities etc.	0.8%	0.8%	2.8%
Manufacturing	3.8%	2.1%	7.4%
Construction	3.8%	3.6%	5.0%
Wholesale & retail	14.0%	11.5%	14.4%
Transport & storage	16.4%	4.3%	5.1%
Accommodation & food services	9.3%	7.3%	7.5%
Information & communication	3.8%	8.2%	4.3%
Business, financial & professional services	25.3%	34.7%	23.0%
Public admin, education & health	20.3%	22.3%	26.3%
Arts, entertainment, recreation & other services	2.5%	5.3%	4.3%

**Source:** ONS, Business Register & Employment Survey

### **Growth in Online Shopping and its Impact on Logistics**

- 2.9. The Proposed Development has the potential to provide new warehousing space in Hillingdon. The provision of new warehousing space in areas has become increasingly important because of the Covid-19 pandemic, which means people are spending more money online, which in turn increases pressure on warehousing space. Data published by the Office for National Statistics (ONS) in April 2023 show internet sales as a percentage of total retail sales, showing that internet sales accounted for 25.5% in March 2023.
- 2.10. Over the last ten years (from March 2013 to March 2023) the proportion of internet sales has increased significantly by 15.2 percentage points (from 10.3% to 25.5%). There was a notable increase in the proportion of internet sales between March and May 2020, which reflects the impact of the first national lockdown that began in March 2020. Figure 2.3 shows the significant increase in online shopping since 2013. One of the impacts of this rise has been to increase demand for warehousing space across the country.

**Figure 2.3: Internet Sales as a percentage of total retail sales, Great Britain**

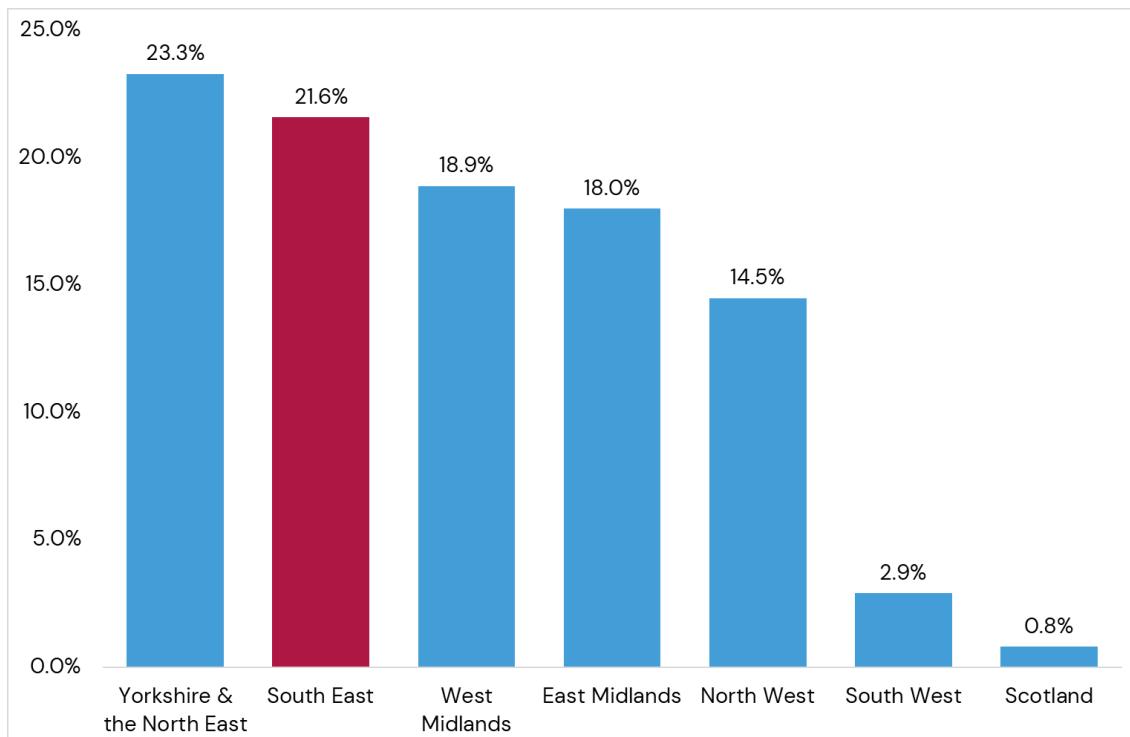


**Source:** ONS

- 2.11. CBRE's UK Logistics Market Summary published in April 2023<sup>3</sup>, shows that take-up in Q1 2023 totalled 6.6 million sq. ft. Although this was down 18% quarter-on-quarter, it was in line with the average take-up for Q1 for the past five-years.
- 2.12. The same report by CBRE found that London and the South East had the second highest share of logistics take-up in Q1 2023 at 21.6% (see Figure 2.4), just behind Yorkshire and the North East. Given the move towards online retail is likely to continue in the long-term, demand for warehousing space is likely to continue to rise. Schemes that have the potential to deliver B8 space such as the Proposed Development in Hillingdon can therefore play an important role in meeting future demand.
- 2.13. The CBRE report finds that take-up of logistics space in London and the South East in Q1 2023 totalled 1.9 million sq. ft. across 10 deals. Availability in the South East grew by 25% quarter-on-quarter (QoQ) due to an increase in availability of second-hand and speculative units under construction. However, availability of newly completed speculative space decreased QoQ, meaning the vacancy rate only increased slightly to 2.88%, up from 2.63% in the previous quarter.

<sup>3</sup> UK Logistics Q1 2023 Market Summary: CBRE, April 2023.

**Figure 2.4: Share in Logistics Take-up, Q1 2023**



**Source:** CBRE, Logistics Market Summary Q1 2023

#### **Business Base**

- 2.14. As of 2022 there are approximately 16,430 businesses in Hillingdon. Table 2.2 shows that between 2012 and 2022 the total number of companies in the area grew by 5,015, growth of 43.9%. This was mainly driven by the growth in construction businesses (101.2% - 1,305 new businesses) and transport and storage (68.6% - 535 new businesses). This growth in businesses is above the rate seen in London (41.9% - 175,880 businesses) and Great Britain (23.7% - 599,160 businesses) over the same timeframe. The Proposed Development will support new business growth in Hillingdon, helping to continue the strong growth seen in Hillingdon since 2012.

**Table 2.2: Change in Business Numbers, 2012-22**

	2012	2022	Absolute Change	% Change
Hillingdon	11,415	16,430	5,015	43.9%
London	419,730	595,610	175,880	41.9%
Great Britain	2,527,640	3,126,800	599,160	23.7%

**Source:** ONS, UK Business Count

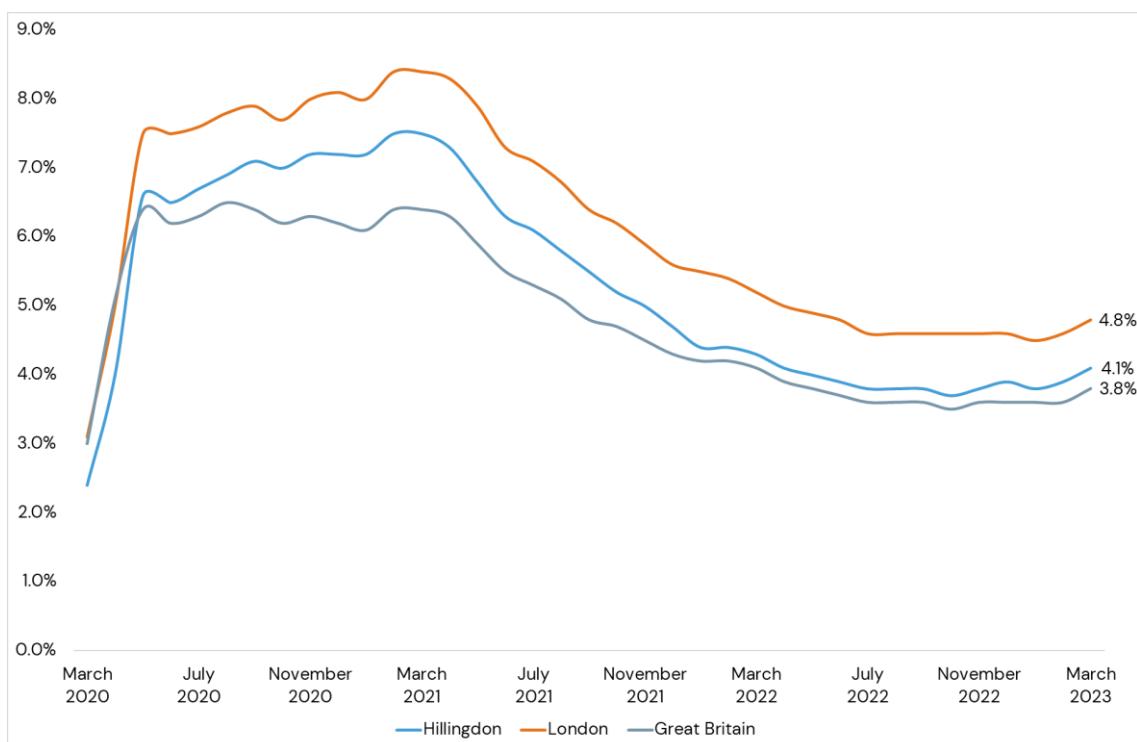
#### **Claimant Count**

- 2.15. The claimant count records the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work.
- 2.16. Figure 2.5 shows the claimant count in Hillingdon, London and Great Britain for every month from March 2020 to March 2023, expressed as a proportion of residents aged 16-64. For all areas shown in the chart, a sharp rise is evident in the claimant count between March and April 2020, which will be down to the impact of Covid-19. This is down in part to more people

claiming unemployment-related benefits and also because of changes made to the system by government which means more people are eligible to claim benefits. Further details on this are provided below.

- 2.17. In March 2020, the claimant count in Hillingdon was 2.4% and by March 2023 it had risen to 4.1%. This represents an increase of 3,255 more people claiming benefits. The claimant count in Hillingdon is currently below the rate in London (4.8%), but above the rate in Great Britain (3.8%).
- 2.18. It is still reasonable to assume that the legacy effects of the pandemic mean the claimant rate will be higher than it was pre-March 2020. With CPI inflation at 10.1% in March 2023, the UK economy experiencing just 0.1% in Q4 2022, and the OBR forecasting the UK economy will contract by 0.2% in 2023 makes it even more important that all areas across the country see new schemes being brought forward that will generate new employment opportunities and support long-term economic growth. The Proposed Development will do this, creating new employment opportunities during the construction phase of the scheme and once it is operational.

**Figure 2.5: Claimant Count as % of Residents aged 16–64, March 2020 – March 2023**



Source: ONS, Claimant Count

## Deprivation

- 2.19. The 2019 Index of Multiple Deprivation provides an indication of the average levels of deprivation for LSOAs across England. It provides an overall assessment of the average levels of deprivation as well as an assessment against domains of deprivation. In total, England has 32,844 LSOAs, with 1 being the most deprived and 32,844 being the least deprived.
- 2.20. The Proposed Development falls within LSOA Hillingdon 026D which has an overall rank of 5,524, placing it in the top 20% most deprived LSOAs in the country. When looking at individual

domains of deprivation, Hillingdon O26D has its highest rank in the barriers to housing domain with a rank of 2,431, which equates to the top 10% most deprived LSOAs for this domain. Its lowest rank is in the education and training domain with a rank of 13,093, however this is still in the top 40% most deprived LSOAs in the country.

- 2.21. The full list of the individual domain rankings for Hillingdon O26D is set out in Table 2.3. The lower the number is, the more deprived the area is compared to the other LSOAs nationally and vice versa.

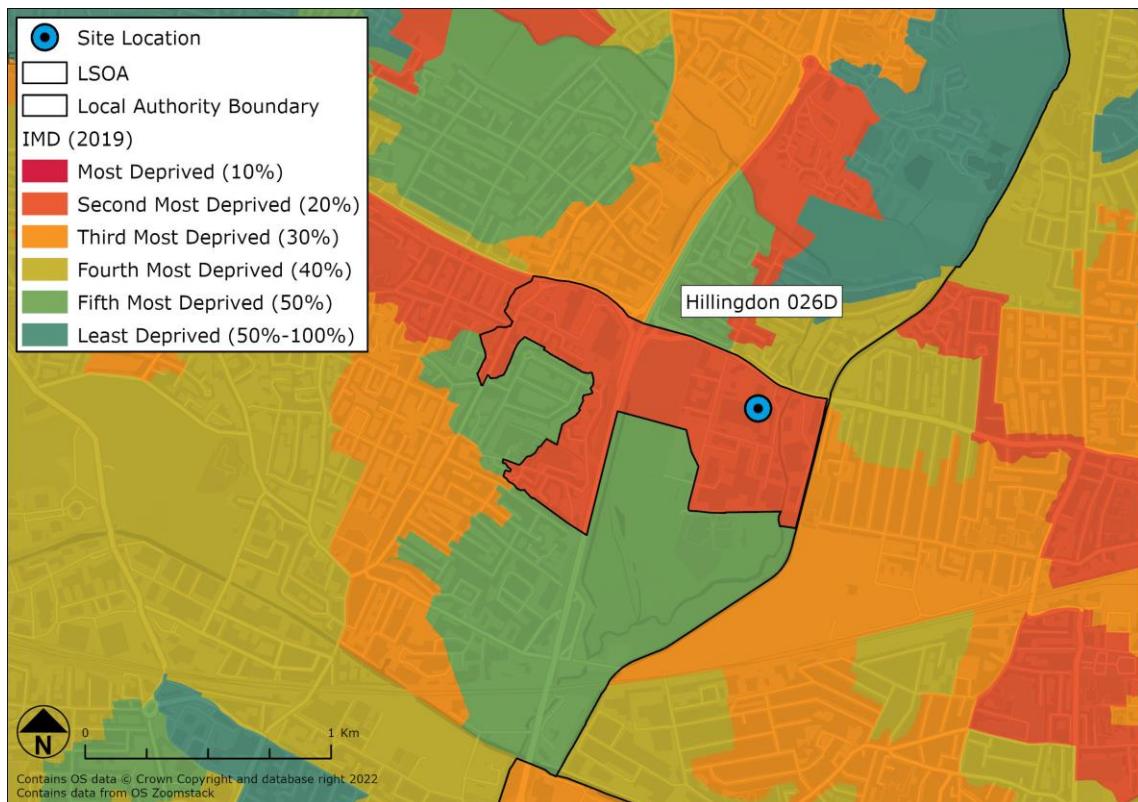
**Table 2.3: Hillingdon O26D IMD 2019 Domain Rankings**

	Hillingdon Rank (out of 32,844, 1 being the most deprived)	Decile
<b>Overall IMD</b>	<b>5,524</b>	<b>2</b>
Income	5,921	2
Employment	7,333	3
Education & Training	13,093	4
Health	10,667	4
Crime	2,433	1
Barriers to Housing and Services	2,431	1
Living Environment	6,938	3

**Source:** Ministry of Housing, Communities & Local Government

- 2.22. Figure 2.6 shows the Index of Multiple Deprivation rank for the Site location and surrounding area. The LSOA in which the scheme is located (Hillingdon O26D) falls within the top 20% most deprived LSOAs in the country. There are also areas of deprivation in the immediate area around Hillingdon with many LSOAs falling into the top 20% and top 30% most deprived LSOAs in the country. By creating new employment opportunities for people in Hillingdon, the Proposed Development has the potential to help reduce deprivation in the local area around the scheme.

**Figure 2.6: Index of Multiple Deprivation for Site Location**



**Source:** Ministry for Housing, Communities and Local Government

### **Economic Development Objectives**

#### **Hillingdon Council Strategy 2022–2026**

2.23. In November 2022, Hillingdon Council published their Council Strategy which covers the period from 2022 to 2026<sup>4</sup>. The Strategy outlines the Council's five commitments to residents of the LPA and these are outlined below:

1. **Safe and strong communities** – Hillingdon is a safe place with resilient, strong communities with access to good quality, affordable housing.
2. **Thriving, healthy households** – children, young people, their families and vulnerable adults and older people live healthy, active and independent lives.
3. **A green and sustainable borough** – Hillingdon will be a sustainable, carbon-neutral borough, protecting Hillingdon's heritage, built environment and valued green spaces. Residents will live in pleasant neighbourhoods with access to sustainable waste management and transport.

<sup>4</sup> Council Strategy 2022–2026: Hillingdon Council, November 2022.

4. **A thriving economy** – we are actively working with local businesses and partners to create a borough where businesses grow within a strong economy and local people can improve their skills and enjoy good quality jobs.
  5. **A digital-enabled, modern, well-run council** – we are a well-run, sustainable council with sound financial management, achieving positive outcomes for residents.
- 2.24. The Proposed Development will help the Council achieve their commitments set out in the Council Strategy, especially the goal of a thriving economy. The Proposed Development will provide a number of jobs during the construction phase and once the Proposed Development is operational for people with a wide range of skills. The scheme will support economic growth within Hillingdon and encourage continued growth in businesses within the LPA.
- Local Economic Action Partnership (LEAP)**
- 2.25. LEAP is the Local Enterprise Partnership for London that helps identify strategic actions to support and lead economic growth and job creation in London. Working with the Mayor of London an 'Economic Development Strategy for London' was published in December 2018.
  - 2.26. One of the aims in the Strategy is to ensure there is sufficient space for business and work. Large amounts of office and industrial space in London have been lost to redevelopment in residential accommodation and the Strategy outlines the aim to ensure that London has enough industrial land to ensure the economy runs efficiently and to allow businesses to grow.
  - 2.27. The Proposed Development at Bridge Retail Park will contribute towards the Mayor's and LEAP's aim of increasing the supply of industrial employment space in London, contributing to the growth of the local economy and businesses.
  - 2.28. The Proposed Development is also situated in the Hayes and West Drayton Corridor which is a key location for employment growth in the Heathrow Opportunity Area. The Heathrow Opportunity area is identified in the Mayor's London Plan as an area with the opportunity for growth with the potential to create 11,000 jobs. The Proposed Development will help towards this goal of job creation through the creation of employment opportunities during the construction phase and once the scheme is fully built and operational.

## 3. Construction Phase Benefits

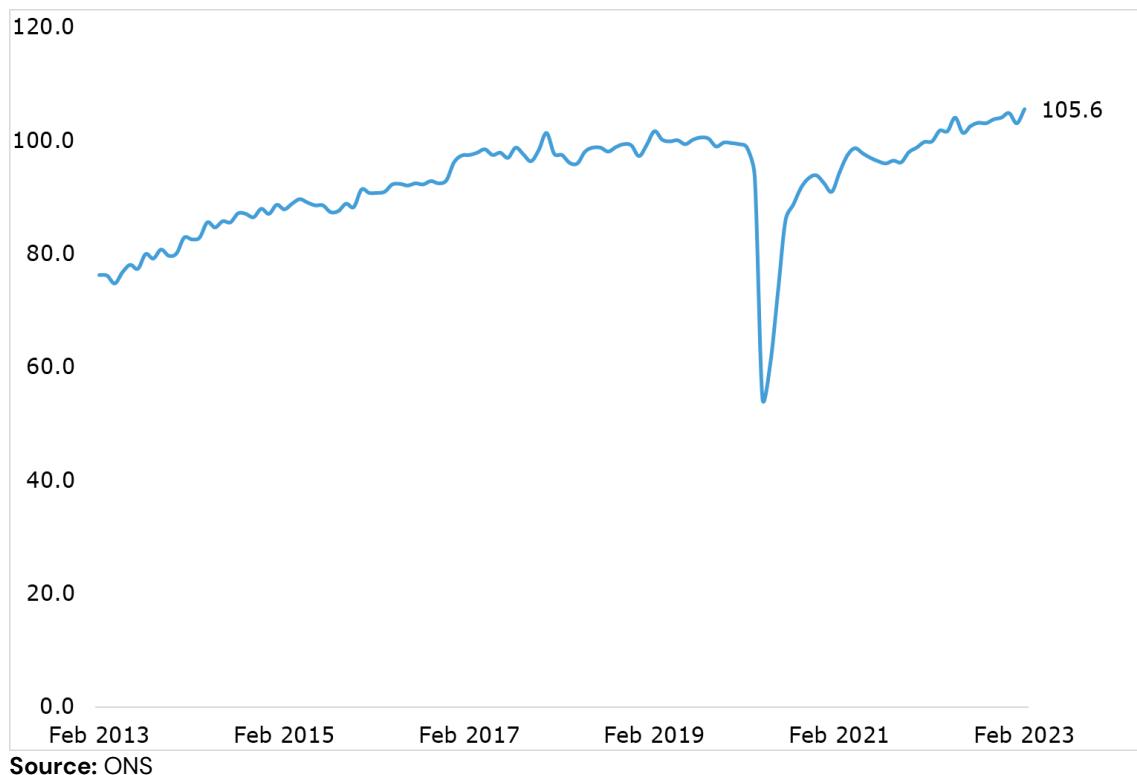
### Introduction

- 3.1. The Proposed Development will generate a significant number of jobs in Hillingdon and the wider area during the construction phase. This section presents data on construction output in the UK, alongside the job estimates associated with the construction of the Proposed Development both on-site jobs and jobs supported in the wider economy via supply chain impacts are presented. It also presents data on the estimated gross value added of the scheme during the build phase.

### Construction Output

- 3.2. The construction industry was severely affected by the pandemic, with a sharp decline in construction activity in April 2020 following lockdown restrictions. Construction output experienced an increase of 2.5 percentage points between January 2023 and February 2023 (see Figure 3.1). This compares to a decline of 1.8 percentage points in output between December 2022 and January 2023. The Proposed Development will generate much needed jobs and investment in construction during the build phase.

**Figure 3.1: UK Monthly Construction Output Index (2019=100)**



### Supporting Construction Employment

- 3.3. Economic benefits will arise through the provision of temporary jobs during the construction phase of the Proposed Development, which is estimated to be one-year.

- 3.4. For the Proposed Development, construction costs are estimated to be around £17.5million over an approximate one-year build programme. Construction costs and build timeframe have been provided by the Client.
- 3.5. To estimate construction employment supported during the build phase, the total construction cost has been divided by the average turnover per construction employee in London of £195,035<sup>5</sup>. Over the estimated one-year build programme, 90 construction jobs could be supported on-site.
- 3.6. It is widely recognised that construction has knock-on effects for other sectors, which leads to increased demand for building materials and equipment at the construction phase, as well as furniture, carpets etc. following completion. This generates and sustains employment in other sectors. This is known as the 'multiplier effect' and analysis published by the Homes & Communities Agency (HCA – now Homes England) indicates that the employment multiplier for construction activities in the UK is 2.7 – i.e. for every construction job created, a further 1.7 jobs are supported in the wider economy. This suggests that as well as the 90 on-site jobs, development could support a total of 153 additional jobs during the build phase.
- 3.7. In total, an estimated 242 temporary jobs could be supported during build phase<sup>6</sup>.

#### **Contribution to Economic Output**

- 3.8. Another way of looking at the economic impact of the construction phase is to calculate the contribution a development makes to wealth creation, as measured by the increase in the value of goods and services generated within an area. This can be done by looking at the increase in gross value added (GVA)<sup>7</sup>, a common proxy for economic output. Using ONS data, it is possible to calculate GVA per employee by sector at a regional level<sup>8</sup>. Applying these estimates to the employment estimates outlined above, the construction of the Proposed Development could generate around £23million of GVA over the one-year build timeframe in current prices.

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<sup>5</sup> Calculated using data for London's construction sector from the 2022 edition of Business Population Estimates produced by the Office for National Statistics.

<sup>6</sup> Figures may not sum due to rounding.

<sup>7</sup> Gross value added is the measure of the value of goods and services produced in an area, industry or sector of an economy.

<sup>8</sup> GVA per employee estimates calculated using data from the 2021 Business Register and Employment Survey, as well as regional GVA estimates for 2021 – both published by ONS.

## 4. Operational Phase Benefits

### Introduction

4.1. This section outlines the impact of the proposed scheme for two options in order to give a range of impacts in terms of generating permanent employment, economic output, wages, business rates and local spend in Hillingdon. The economic impact of the scheme is assessed for B2 and B8 floorspaces as this presents a high (B2) and a low (B8) scenario in terms of economic impacts. The floorspace associated with the two options is:

- Option 1: 14,306 sq. m. of B8 floorspace (GIA) and 2,216 of office floorspace (GIA).
- Option 2: 14,306 sq. m. of B2 floorspace (GIA) and 2,216 of office floorspace (GIA).

4.2. Job numbers are presented in two ways:

- **Gross permanent jobs:** Total employment accommodated on-site.
- **Net additional jobs:** The number of jobs which the scheme can be expected to support in Hillingdon, over and above what would have happened anyway. This calculation makes allowance for leakage, deadweight, displacement and multiplier factors taken from the Homes & Communities Agency (HCA – now Homes England) 2014 Additionality Guide (see Figure 4.1 for explanations of these terms). Commuting data from the 2011 Census have also been used to inform the level of leakage.

#### Figure 4.1: Additionality Factors

- **Leakage** is defined as, 'the proportion of outputs that benefit those outside the programme/project area or group'. Leakage is assumed to be high at 50%, as a large amount of jobs in Hillingdon are taken by people living outside of the area, based on commuting flows data from the 2011 Census.
- **Deadweight** is the term used to identify the output that would have occurred without the project. While there may remain some employment on-site in the absence of the Proposed Development, it will be considerably less than those created by the new scheme. For completeness, deadweight has been factored into the analysis using HCA guidance and it is assumed to be 20%.
- **Displacement** is defined as 'the proportion of project outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area'. Displacement for the new employment is assumed to be 25%.
- **Economic multipliers** are defined as 'further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases'. For both floorspace types, a multiplier of 1.29 has been used. This is consistent with the HCA guidance.

**Source:** Homes & Communities Agency (now Homes England), 2014. Additionality Guide, Fourth Edition.

#### Option 1 (B8 warehousing and office space)

##### Estimated New Employment

- 4.3. The Proposed Development in Hillingdon will create permanent employment opportunities once it is built, many of which are likely to prove attractive to residents of Hillingdon.
- 4.4. To quantify jobs, an assumption has been made in terms of the density of employment that would normally be expected for the proposed floorspace type. This information has been sourced from the Employment Densities Guide (3rd Edition, November 2015), prepared for the Homes and Communities Agency (HCA) by Bilfinger GVA. Using this guidance, a density of one job per 77 sq. m of gross external area (GEA) for the B8 floorspace has been used and a density of one job per 12 sq. m. net internal area (NIA) has been used for the office floorspace. The floorspace figures associated with the scheme presented in paragraph 4.1 are given in GIA. To convert the B8 floorspace figure into GEA, it has been adjusted to reflect that GIA is generally around 5% lower than GEA and to convert the office floorspace to NIA, it has been adjusted to reflect that NIA is generally around 10% lower than GIA.
- 4.5. Once fully developed and occupied, it is estimated that the Proposed Development will support an estimated 362 gross full-time equivalent (FTE) jobs on-site.

- 4.6. Once allowance is made for the leakage, deadweight, displacement and multiplier effects outlined in Figure 4.1, it is estimated that the scheme will support 140 net additional FTE jobs in the Hillingdon economy. Table 4.1 shows the impact of each additionality factor on job numbers.

**Table 4.1: Option 1 – Impact of Additionality Factors on Jobs**

	Warehousing	Office	Total
Gross Jobs	196	166	362
<i>Estimated leakage</i>	98	83	181
<i>Estimated Deadweight</i>	20	17	36
<i>Estimated displacement</i>	20	17	36
Net jobs before multiplier	59	50	109
<i>Multiplier impacts</i>	17	14	31
<b>Total net additional FTEs in Hillingdon</b>	<b>76</b>	<b>64</b>	<b>140</b>

**Note:** Figures may not sum due to rounding

### **Gross Value Added**

- 4.7. The contribution of the site to economic output has been calculated by taking the gross job creation associated with the scheme broken down by floorspace type and multiplying this by an estimate of average levels of GVA per employee for the London economy for the relevant employment sector, in this case transportation and storage and professional, scientific and technical activities (used as a proxy for offices).
- 4.8. It is estimated that once operational and fully occupied, total GVA supported by the Proposed Development in the Hillingdon economy will be around £11million per annum, allowing for multiplier effects<sup>9</sup>.
- 4.9. Looking at the economic output contribution over a longer timeframe, over a ten-year period the additional GVA for the Hillingdon economy associated with the Proposed Development is estimated to be £94.2million (present value<sup>10</sup>).

### **Wages**

- 4.10. Data from the Annual Survey of Hours and Earnings, published by ONS, show that in 2022, the gross median annual salary for full-time workers in London in B8 transport and storage jobs was £38,771 and the median annual salary for full-time workers in London in offices was £50,000.
- 4.11. Multiplying the relevant figures by the gross FTE jobs associated with these use classes, it is estimated that once the Proposed Development is fully operational, total wages paid to staff on-site would be around £15.9million per annum.

<sup>9</sup> For the GVA estimate, the same multipliers used are the same as the job multipliers (taken from the HCA 2014 Additionality Guide).

<sup>10</sup> Where future benefits are calculated, they have been discounted to produce a present value. This is the discounted value of a stream of either future costs or benefits. A standard discount rate is used to convert all costs and benefits to present values. Using the Treasury's Green Book, the recommended discount rate is 3.5%.

## Business Rates Estimates

- 4.12. Business rates are an important economic contributor to an area. Based on information sourced from the Valuation Office Agency (VOA)<sup>11</sup>, high level calculations indicate that the business rates paid by the Proposed Development would be in the region of £956,000 per annum.

## Increased Local Expenditure

- 4.13. The gross on-site jobs from the B8 floorspace will generate expenditure in the local area. The level of expenditure on retail goods, convenience and comparison and spend on leisure has been calculated using data from the household spend figures produced by the ONS. Assumptions have then been made in relation to likely levels of retention based on Pegasus Group's experience of undertaking retail impact assessments.
- 4.14. The 362 gross FTE on-site jobs will generate an estimated spend of £2.33million per annum on retail, leisure and services. Of this, an estimated £0.34million per annum will be retained within Hillingdon which will help support existing businesses and help create demand for new businesses in the local area. Table 4.2 shows this spend in more detail.

**Table 4.2: Option 1 – Annual Expenditure retained in Hillingdon**

	Total Annual Expenditure (£millions)	Total Annual Expenditure Retained in Hillingdon (£millions)
Convenience Retail	£0.85m	£0.21m
Comparison Retail	£0.89m	£0.05m
Leisure & Services	£0.6m	£0.07m
<b>Total Expenditure</b>	<b>£2.33m</b>	<b>£0.34m</b>

## Option 2 (B2 industrial and office floorspace)

### Estimated New Employment

- 4.15. To quantify jobs for option 2, an employment density of one job per 36 sq. m. of GIA has been used for the B2 floorspace and as above a density of one job per 12 sq. m. NIA has been used for the office floorspace.
- 4.16. Once fully developed and occupied, it is estimated that the Proposed Development will provide 564 gross full-time equivalent (FTE) jobs on-site.
- 4.17. Once allowance is made for the leakage, deadweight, displacement and multiplier effects outlined in Figure 4.1, it is estimated that the scheme will support 218 net additional FTE jobs in the Hillingdon economy. Table 4.3 shows the impact of each additionality factor on job numbers.

<sup>11</sup> <https://www.gov.uk/government/statistics/non-domestic-rating-stock-of-properties-including-business-floorspace-2019>

**Table 4.3: Option 2 – Impact of Additionality Factors on Jobs**

	<b>Industrial</b>	<b>Office</b>	<b>Total</b>
Gross Jobs	397	166	564
<i>Estimated leakage</i>	199	83	282
<i>Estimated Deadweight</i>	40	17	56
<i>Estimated displacement</i>	40	17	56
Net jobs before multiplier	119	50	169
<i>Multiplier impacts</i>	35	14	49
<b>Total net additional FTEs in Hillingdon</b>	<b>154</b>	<b>64</b>	<b>218</b>

**Note:** Figures may not sum due to rounding

#### **Gross Value Added**

- 4.18. The contribution of the site to economic output for option two has been calculated in the same way as option one, with the difference being that GVA per job in the manufacturing and office sectors has been used.
- 4.19. It is estimated that once operational and fully occupied, total GVA supported by the Proposed Development in the Hillingdon economy will be around £19million per annum, allowing for multiplier effects<sup>12</sup>.
- 4.20. Looking at the economic output contribution over a longer timeframe, over a ten-year period the additional GVA for the Hillingdon economy and wider region associated with the proposed scheme is estimated to be £162.9million (present value<sup>13</sup>).

#### **Wages**

- 4.21. Data from the Annual Survey of Hours and Earnings, published by ONS show that in 2021, the gross median annual salary for full-time workers in London in B2 manufacturing jobs was £37,734 and for office-based jobs it was £50,000.
- 4.22. Multiplying the relevant figures by the gross FTE jobs associated with this use class, it is estimated that, once the Proposed Development is fully operational, total wages paid to staff on-site would be in the region £23.3million per annum.

#### **Business Rates Estimates**

- 4.23. Based on information sourced from the Valuation Office Agency (VOA), high level calculations indicate that the business rates paid by the Proposed Development would be in the region of £956,000 per annum. This is the same figure calculated in option one, which reflects the fact that manufacturing and warehousing floorspaces are classified by the VOA in the same way.

<sup>12</sup> For the GVA estimate, the same multipliers used are the same as the job multipliers (taken from the HCA 2014 Additionality Guide).

<sup>13</sup> Where future benefits are calculated, they have been discounted to produce a present value. This is the discounted value of a stream of either future costs or benefits. A standard discount rate is used to convert all costs and benefits to present values. Using the Treasury's Green Book, the recommended discount rate is 3.5%.

### Increased Local Expenditure

- 4.24. The gross on-site jobs from the B2 floorspace will generate expenditure in the local area. The level of expenditure on retail goods, convenience and comparison and spend on leisure has been calculated in the same way as for the B8 floorspace.
- 4.25. The 564 gross FTE on-site jobs will generate an estimated expenditure of £3.63million per annum on retail, leisure and services. Of this, an estimated £0.52million per annum will be retained within Hillingdon which will help support existing businesses and help create demand for new businesses in the local area. Table 4.4 shows this spend in more detail.

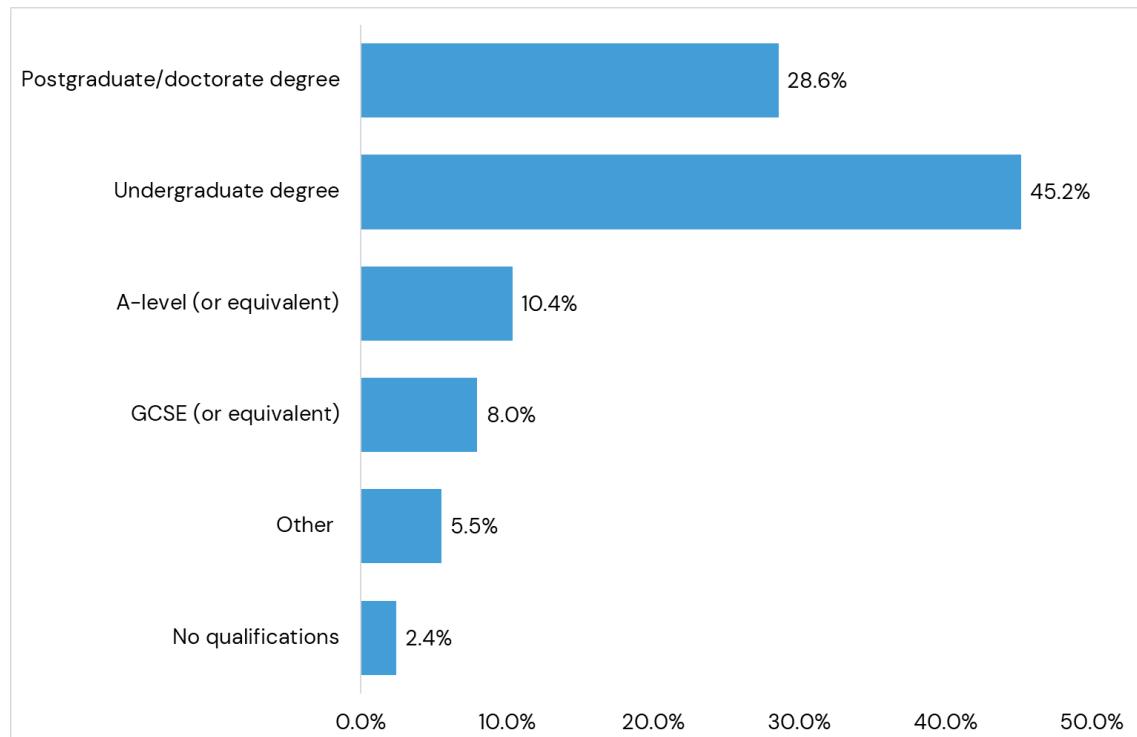
**Table 4.4: Option 2 – Annual Expenditure retained in Hillingdon**

	Total Annual Expenditure (£millions)	Total Annual Expenditure Retained in Hillingdon (£millions)
Convenience Retail	£1.32m	£0.32m
Comparison Retail	£1.38m	£0.09m
Leisure & Services	£0.93m	£0.11m
<b>Total Expenditure</b>	<b>£3.63m</b>	<b>£0.52m</b>

### Skills – for both options

- 4.26. The Proposed Development will provide employment opportunities for people with a range of different skills. In this section, data from the Quarterly Labour Force Survey (October – December 2022) are presented to show the range of skills in the sectors most relevant to the floorspace delivered by the scheme: storage & distribution, manufacturing and offices.
- 4.27. In London, 73.8% of workers in these sectors have a degree level qualification or higher. Around 10.4% have A-levels only, and 8% have five or more A\*-C grade GCSEs (or equivalent). There are a further 5.5% of workers with other qualifications and 2.4% of workers with no formal qualifications (see Figure 4.2).
- 4.28. If the employment at the Proposed Development follows similar trends to that of the regional employment in the relevant sectors, it will offer a wide range of employment opportunities for people with different levels of skills.

**Figure 4.2: Skills of workers employed in the Storage and Distribution, Manufacturing and Offices Sectors**



**Source:** Quarterly Labour Force Survey, October – December 2022

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