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## **Socio-economic Sustainability Statement**

### **Land off Pear Tree Lane, Euxton**



**June 2019**

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## EXECUTIVE SUMMARY

Gladman is seeking planning permission in outline for a residential development on land at Pear Tree Lane, Euxton, Chorley. The proposed development will comprise up to 180 dwellings, of which 30% will be affordable. This page provides a summary of the report's findings and an infographic setting out the economic impacts of development is provided at the end of this section.

### Ratio of Average House Prices to Average Earnings

England	<b>8.0</b>
North West	<b>5.9</b>
Chorley	<b>6.6</b> (3.5 is the marker of an affordable housing market)

### Estimated Construction Spend

- **£19.9 million**

### Full Time Equivalent Jobs Supported

- Supporting approximately **169** FTE construction jobs spread over a **5**-year build-out
- An additional **184** FTE indirect jobs in associated industries

### Gross Value Added (GVA)

- The scheme will deliver an additional **£6.1m** of direct GVA over the build period

### New Residents

- Development of **up to 180 dwellings** could be home to **414** new residents.
- **228** new residents could be expected to be economically active and in employment
- Residents could generate total gross expenditure of **£4,947,000** annually

### Benefits to the Local Authority

- New Homes Bonus payment of **£900,000** over a 4 year period<sup>1</sup>
- Council Tax payments of approximately **£3m** over 10 years

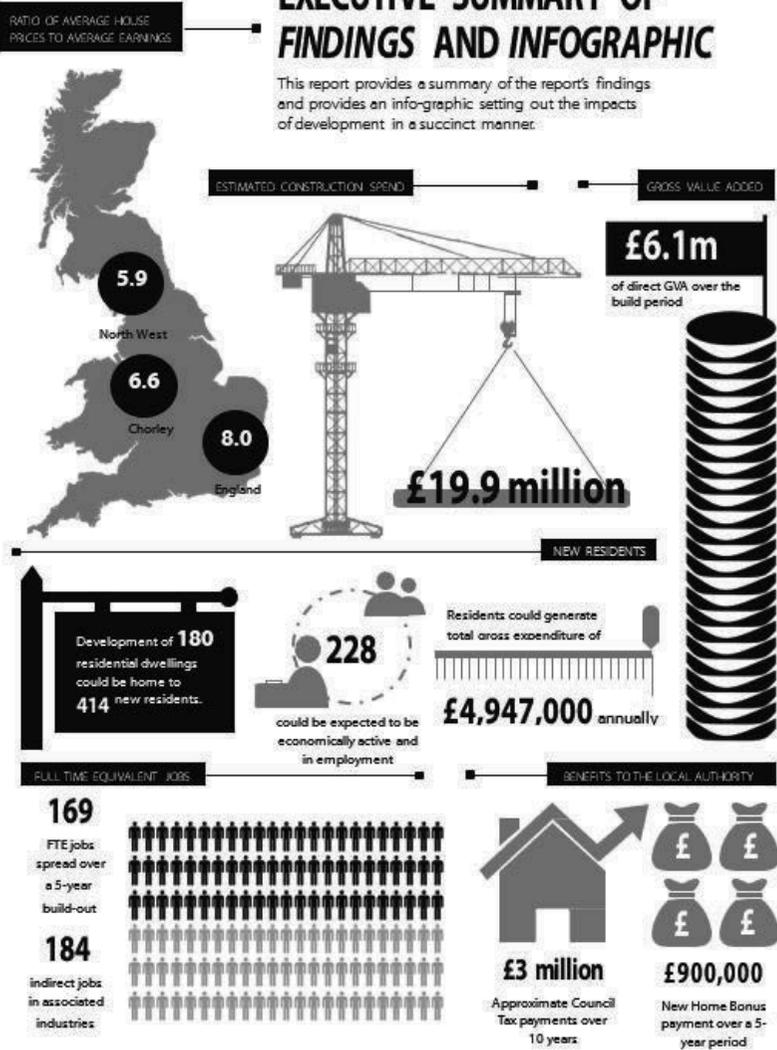
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<sup>1</sup> Department for Communities and Local Government (2016), 'New Homes Bonus: Sharpening the Incentive. Government Response to the Consultation' Outlines on page 6 that the New Homes Bonus is accrued for a 4 year period after 2018/19. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577904/NHB\\_Consultation\\_Response\\_Doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577904/NHB_Consultation_Response_Doc.pdf) [accessed 31/01/18]

**INFOGRAPHIC**

**EXECUTIVE SUMMARY OF FINDINGS AND INFOGRAPHIC**

This report provides a summary of the report's findings and provides an infographic setting out the impacts of development in a succinct manner.



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# 1 INTRODUCTION

## 1.1 Purpose

1.1.1 The purpose of this Socio-economic Sustainability Statement is to identify and assess the social and economic sustainability of Euxton and to examine the potential socio-economic benefits that could arise from a proposed residential development up to 180 dwellings on land at Pear Tree Lane, Euxton, Chorley.

## 1.2 Context

### Government White Paper

1.2.1 In February 2017 the Government published the Housing White Paper titled 'Fixing our broken housing market'<sup>2</sup>, the paper states that more houses need to be built to help drive towards a more affordable housing market. The paper emphasises that current pace of development is too slow, and there is a need, therefore, "to build homes faster" and to "help people now". The White Paper also puts important emphasis on housebuilding as a mechanism to achieve wider economic growth.

**"Britain's broken housing market hurts all of us. Skyhigh property prices stop people moving to where the jobs are. That's bad news for people who can't find work, and bad news for successful companies that can't attract the skilled workforce they need to grow, which is bad news for the whole economy."**

**Low levels of house building means less work for everyone involved in the construction industry – architects, builders, decorators and manufacturers of everything from bricks to kitchen sinks. If people must spend more and more to keep a roof over their head they'll inevitably cut back elsewhere – meaning less money gets spent in the wider economy.**

**High rents are bad news for all taxpayers including those who own their own home. If rents are too high, then private renters struggle to pay - and the taxpayer has to foot the bill with more Housing Benefit. That's money that could be spent on schools, hospitals and other frontline services."<sup>3</sup>**

<sup>2</sup> Ministry of Housing, Communities & Local Government (February 2017), 'Government announces ambitious plan to build the homes Britain needs', <https://www.gov.uk/government/news/government-announces-ambitious-plan-to-build-the-homes-britain-needs> [31/01/18]

<sup>3</sup> Department for Communities and Local Government (2017), 'Fixing our broken housing market – page 11' [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/590464/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf) [31/01/18]

**"If we fail to build more homes, it will get ever harder for ordinary working people to afford a roof over their head, and the damage to the wider economy will get worse."<sup>4</sup>**

1.2.2 The purpose of this statement is to underline the benefits that a residential scheme might have in terms of social and economic sustainability and to identify how the development will address issues raised within the White Paper.

### National Planning Policy Framework

1.2.3 This statement explores the concept of sustainable communities with reference to the evidence base and relevant studies. The report follows the standards and criteria as set out in UK Sustainable Development Strategy (UKSDS), which relate to the creation of sustainable communities.

1.2.4 The Framework explains the importance of planning for sustainable economic development which applies equally to the countryside and built up areas. In its economic objective, the planning system is required to:

**"... help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure..." (Framework §8a)**

1.2.5 The economic benefits of development are confirmed in the Framework as a key dimension to achieving sustainable development. Paragraphs 7 to 217 set out the government's approach to delivering sustainable development through the planning system. It is perhaps not surprising that economic growth is first on the list; after all, this is the key objective of the Framework. Framework Paragraph 80 states that:

**"Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development." (§80)**

1.2.6 Government and public bodies have been consistent in placing sustainable communities at the heart of planning and policy and whilst no overarching definition of sustainable communities exists, there is a broad set of fairly consistent criteria which are subject to interpretation in their application. The UKSDS formally defines sustainable communities as those which are:

<sup>4</sup> Department for Communities and Local Government (2017), 'Fixing our broken housing market – page 15', [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/590464/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf) [31/01/18]

- i. **Active, inclusive and safe** – fair, tolerant and cohesive with a strong local culture and other shared community activities.
  - ii. **Well-run** – with effective and inclusive participation, representation and leadership.
  - iii. **Environmentally sensitive** – providing places for people to live that are considerate of the environment.
  - iv. **Well designed and built** – featuring a quality built and natural environment.
  - v. **Well connected** - with good transport services and communication linking people to jobs, schools, health and other services.
  - vi. **Thriving** – with a flourishing and diverse local economy.
  - vii. **Well served** – with public, private, community and voluntary services that are appropriate to people's needs and accessible to all.
  - viii. **Fair for everyone** – including those in other communities, now and in the future
- 1.2.7 The above criteria have been repeated regularly and, as a measure of their applicability can also be found in the strategy of the former Office of the Deputy Prime Minister (ODPM), now the Ministry of Housing, Communities & Local Government entitled '*Sustainable Communities: Homes for All - A Five Year Plan*' (2005), which reflects work done in response to the '*Egan Review: Skills for Sustainable Communities*' (2004). This set of criteria was also summarised by the Academy for Sustainable Communities (June 2006):

**"Sustainable communities are thriving, prosperous and vibrant communities where people want to live and work now and in the future. Supporting the wellbeing of existing and future residents, they are safe, well planned, built and run, environmentally sensitive, provide equal opportunities and contribute to a high quality of life."**

### Appeal Decisions

- 1.2.8 Numerous appeal decisions have reinforced the importance of the growth agenda and appeal inspectors have given considerable weight to the economic benefits of development. In particular, the following three appeal decisions discussed economic and social benefits of development in the context of sustainability:
1. **Old Red Lion, Great Missenden (September 2018); Appeal Ref: APP/X0415/W/18/3202026,**  
*The economic role*

**"I share the appellant's view that this proposal would give rise to a number of benefits, across each of the 3 objectives for achieving sustainable development as set out in paragraph 8 of the NPPF – economic, social and environmental. Firstly, there would be benefits to the local economy as a result of direct and indirect jobs generated during the construction period, and as a result of increased population, which could increase demand for and use of local services and businesses in the High Street and the wider District, once the housing is occupied. This would help to maintain and enhance these services and businesses, thereby increasing their viability."** (§120)

**"I acknowledge that these benefits would not be unique to this development, but would flow from any new housing development of this size within the District. However, this does not detract from the fact that the appeal proposal would give rise to these real benefits to which I attach significant weight, in accordance with NPPF paragraph 80."** (§121)

#### *The social role*

**"In social terms, the proposed development would deliver 34 new homes of different tenures and sizes in a District which has a recent history of failing to deliver sufficient homes to meet housing need, thereby helping to improve the HLS position. Moreover, the provision of a mix and range of housing sizes would assist in creating a strong, vibrant and healthy community."** (§122)

2. **Lowestoft Road, Hopton-on-Sea (September 2018); Appeal Ref: APP/U2615/W/18/3194645**

#### *The economic role*

**"... The dwellings would provide quite significant economic benefits. Construction would provide opportunities for the local building and servicing industry and occupation would provide support to nearby businesses."** (§20)

#### *The social role*

**"There would also be quite significant social benefit through helping to meet housing supply needs, including for affordable homes. The plan providing the Council's site specific allocations has not yet reached an advanced stage. Although there are preferred sites for housing in Hopton this would not establish a ceiling on further development or diminish the benefits of this proposal in boosting supply, as supported under the Framework"** (§21)

### 3. Cringle Road, Levenshulme (August 2018); Appeal Ref:

APP/B4215/W/18/3196113

*The economic role*

**“The investment and employment generated by the construction works would be positive economic benefits of the proposal and the development would have the potential to increase consumer expenditure by some £1.2m each year. There can be no guarantee that all of the construction workers would live locally or that all of the additional consumer expenditure would be spent with local businesses but these are important economic benefits to which I attach significant weight.” (S44)**

*The social role*

**“The proposal would provide up to 57 new family homes in a range of sizes to meet varying needs on a site which is well located in relation to local services and facilities. In light of the Council’s inability to demonstrate a 5 year supply of housing sites, and the appellant’s evidence that there has been considerable under-delivery against the development plan housing targets over the past few years, this provision is a social benefit of substantial weight.” (S43)**

1.2.9 Against this backdrop, three main themes become apparent in descriptions of what make sustainable communities economically successful places to live:

- They provide balanced housing markets, which meet all types of housing need and provide affordable housing in particular;
- The importance of access to economic drivers: employment, services, shops, education and nearby settlements, allowing engagement in social and cultural life whilst limiting impact on the natural and historic environment; and
- Sustainable communities are well organised and inclusive allowing self-determination and effective representation.

1.2.10 Whilst Gladman sites leave layout for future determination as a reserved matter, each site undergoes a masterplanning exercise not only to demonstrate the practicable capacity but also to quantify the eminent sustainability benefits intrinsic to the proposed development such as economic benefits, connectivity, design and even community.

## 1.3 Structure and Approach of the Statement

1.3.1 As such, the objectives of this statement are threefold and summarise the key economic benefits of development which promote sustainability over the lifecycle of the development:

- i. **Construction:** creates jobs, direct and indirect.
- ii. **Occupation:** new residents bring consumer expenditure and an economically active labour force.
- iii. **Completion:** Once occupation commences, extra Council Tax revenue raised for the new homes, will begin supporting the general budget of the local authority.

1.3.2 Bespoke calculations have been carried out to assess the compatibility of the proposed application within the existing socio-demographic context, demonstrating how the development can contribute positively to local growth. Whilst the assessment draws on the Framework’s updated requirements, many of the quantitative impacts have been measured with reference to the standard approaches in the English Partnerships’ (now Homes England) ‘*Additionality Guide Third Addition*’ (October 2008).

1.3.3 Economic additionality is a relatively new hypothetical measurement of the net positive difference that results from an economic development intervention (i.e. doing something) compared against a baseline level (i.e. doing nothing). This statement quantifies the associated outputs, outcomes and impacts of the proposed residential development.

1.3.4 Data used to underpin the robust calculations set out in this statement has been obtained from the Office for National Statistics (Census 2011, Neighbourhood Statistics, Family Spending Survey, Retail Prices Index); Nomisweb, the National Centre for e-Social Science (NCeSS); the Valuation Office Agency; the Land Registry; and the Building Cost Information Service. Local sources of information include the Central Lancashire Strategic Housing Market Assessment (2017), Strategic Housing Land Availability Assessment (2012) and the adopted Local Plans.

1.3.5 This statement is laid out as follows:

- Section 2 provides a snapshot assessment of the present socio-economic status of the settlement and its surrounding area.
- Section 3 considers the expected social and economic outcomes that the proposed development will deliver.
- Section 4 contains the conclusion.

## 2 PRESENT SOCIO-ECONOMIC STATUS OF THE AREA

### 2.1 Principle

2.1.1 This section examines the socio-economic characteristics of the area and sets out the current strengths, weaknesses, opportunities and threats inherent within Euxton and the district of Chorley as a whole, using north west regional and national benchmarks as comparators.

### 2.2 Population

2.2.1 The population of Euxton was 8,118 at the time of the 2011 Census. During the ten years between 2001 and 2011 the population increased by 5.6%.

2.2.2 The population in Chorley local authority increased by 12% between 1991 and 2011 (Census data). It is expected to increase by a further 37% by 2039, according to the 2014-based sub-national population projections for England – as updated in August 2016. This mirrors the projections for England as a whole with the percentage of the population aged 65 and over projected to increase by between one-fifth and one-quarter in all regions by mid-2022 as life expectancy rates increase generally.

2.2.3 This will have implications for household composition as more single-person homes are required. As people become older demand and accessibility to healthcare increases. Household expenditure of the over 75 age group also falls to less than half that of average economically active household. A high proportion of older households suggests local businesses may struggle to employ workers.

### 2.3 Housing Supply and Affordability

2.3.1 The Government has placed significantly boosting housing supply across the UK as a high priority on the political agenda in the wider drive towards continued economic recovery. The Framework focuses the attention of local planning authorities on the continued need for new homes alongside assigning the formulation of housing targets as a local duty where it was previously set regionally. The revocation of regional spatial strategies left local planning authorities with a requirement to establish their own objectively assessed housing needs and to demonstrate how they will meet that need in their local development plans.

2.3.2 An undersupply of housing to meet the true local and wider demand can lead to issues of affordability. If house prices are high the young working population and first time buyers in particular are faced with a barrier which impacts on social mobility and economic growth. If an area cannot provide sufficient suitable and affordable housing for this demographic there is a risk of future skills shortages as these residents choose to live elsewhere.

## 2.4 Ratio of Average House Prices to Average Earnings

2.4.1 An undersupply of homes (for rent or on the open market) when compared against the regular and latent, pent-up and hidden demand is an underlying factor in the availability of affordable property and a subsequent cause of price rises. Indeed, concealed families are making up an increasing proportion of households in England and Wales<sup>5</sup>. The 2001 Census shows that there were 6,150,264 single person households in England. This had risen by some half a million, to 6,666,493, by the time of the 2011 Census.

2.4.2 The above statistic is defined as one person living alone, but can equally apply to a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room, sitting room or dining area. Many of these people will be sharing a house in the private rented sector out of economic necessity because they cannot afford to form an individual household in a private dwelling due to increasingly high house prices. To illustrate, Office for National Statistics data from 2013 shows that more than 3.3 million adults in the UK aged between 20 and 34 were living with a parent (26% of this age group compared to 21% in 1996)<sup>6</sup>.

2.4.3 A ratio of 3.5 is considered to be the marker of an affordable housing market. That is, the ability to purchase is based on a mortgage 3.5 times gross income. The ratio of average house prices to average earnings in England as a whole, based on the latest data from the ONS<sup>7</sup>, is 8.0. In the north west region that ratio is 5.86. Chorley local authority area stands at 6.6.

2.4.4 This would suggest a greater supply of housing is required as one reason house prices have been driven upwards is due to the lack of supply. These so-called “market signals” are considered in paragraph 60 of the Framework which demonstrates the need to ensure that:

**“To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.” (S60)**

2.4.5 There is a need to redress this imbalance by offering a wider range of house types which are more affordable thus encouraging young start up families to the area. If the cost of housing remains high

<sup>5</sup> Osbourne H. (2014), ‘Almost 300,000 ‘concealed families’ share their home with another family’ <http://www.theguardian.com/money/2014/feb/06/300000-concealed-families-share-home-ons> [31/01/18]

<sup>6</sup> Office of National Statistics (2014), ‘Young adults living with parents in the UK, 2013’, [www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2013/info-young-adults.html](http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2013/info-young-adults.html) [31/01/18]

<sup>7</sup> ONS (2018), ‘House price to workplace-based earnings ratio’, <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian> [23/01/19]

younger families are unable to enter the housing market or a higher percentage of their income is spent on mortgage or rental payments and household bills leaving little disposable income to spend locally.

### 3 SOCIAL AND ECONOMIC OUTCOMES

#### 3.1 Principle

3.1.1 This section breaks down the various elements and outcomes of the proposed development setting out its associated economic benefits, demonstrated as net new jobs in construction and as side effects to the influx of new residents. This section also looks at the value of economic output generated and tax benefits.

#### 3.2 The Development

3.2.1 The development will comprise up to 180 homes, of which 30% will be affordable. An indicative mix of housing which has been used for the purposes of this statement.

#### 3.3 Construction

3.3.1 In addition to providing much needed housing in the area of Euxton, including a policy compliant proportion of affordable housing, there are numerous other significant economic benefits that would arise from the residential element of the proposed development. This is the approach endorsed by the inspector of the Old Red Lion, Great Missenden appeal<sup>8</sup> as discussed in Section 1. The key benefits arising from the residential element of the proposed development are summarised below.

##### Total Construction Cost

3.3.2 The development cost of the site and localised infrastructure is calculated by multiplying the total floor space drawn from the accommodation schedule above by a construction cost based upon Jewson's Build Cost Calculator<sup>9</sup>. This development could generate an associated spend estimated in the region of £19.9 million.

3.3.3 Construction, requiring this level of expenditure, would support approximately 169 FTE jobs spread over a five-year build-out. This approximation is based on a weighting appropriate for the north west region at January 2019 and would comprise labour and materials costs used in the construction process. This represents an investment with far ranging benefits.

3.3.4 The additional expenditure on contracts and services on-site can be estimated using standard economic multipliers. Furthermore, this expenditure can be broken down into exponential impacts and linked benefits which will filter through within the local area and further afield via additional

<sup>8</sup> Appeal Ref: APP/X0415/W/18/3202026, September 2018, paragraphs 120-121

<sup>9</sup> Jewson (2018) 'Build Cost Calculator', <http://www.jewson.co.uk/working-with-you-for-self-builders/preliminary-planning/calculators/build-cost-calculator/>, [09/03/2018]

household expenditure on goods and services and employment down the supply chain. This is explored in more detail below.

### Construction Length (Years)

- 3.3.5 It is anticipated a development of 180 units would be built out at a rate of at least 40 units per annum, equating to 4.5 years in the current market.

### Direct Employment during Construction

- 3.3.6 This is a measure of the “person-years” of full-time equivalent (FTE) that the development would support. Incidentally, it also equates to the number of workers it would take to complete development in one year, or in other words, the number of years it would take one worker to complete the development.

### Full-Time Equivalent (FTE) Person Years

- 3.3.7 Based on the capacity of up to 180 new homes, the proposed development could help to sustain 169 FTE jobs during the construction phase. This is calculated by taking the proportion of the total anticipated construction cost of the 180 homes (as shown above) which comprises labour (28% across the UK at 2011 prices) and dividing by the average gross pay per employee in the construction industry<sup>10</sup> (plus £3,000 to account for overheads per employee): £32,832 (in 2018). At a build-out rate taking 5 years to complete the proposed development, this equates to approximately 34 jobs per annum.
- 3.3.8 The construction industry is an important employer both nationally and locally. According to the 2011 Census, 8.3% of employed residents in the Chorley local authority area aged 16 and over were employed in construction<sup>11</sup>.
- 3.3.9 In reality it is reasonable to expect construction firms to employ a proportion of their own permanent workforce alongside local construction workers and contractors. It should be noted that Gladman’s methodology only accounts for outputs coming directly from the proposed development and assumes that the construction workers employed on-site will not cause or be sourced from reductions elsewhere in the labour market (i.e. displacement); nor does the methodology take account of the proportion of outcomes that would have been secured anyway without the development (i.e. deadweight). As such, it is assumed that the majority of construction workers will come from the ‘slack’ stock within the industry, particularly at the local level.

<sup>10</sup>ONS (2019), ‘EARN02: Average Weekly Earnings by sector’  
[http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14\[10/05/19\]](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14[10/05/19])

<sup>11</sup>Nomis (2013), ‘Census 2011 Industry by sex by age’, [https://www.nomisweb.co.uk/census/2011/dc6110ew\[07/02/18\]](https://www.nomisweb.co.uk/census/2011/dc6110ew[07/02/18])

- 3.3.10 The construction industry has a good background in providing employment opportunities, particularly for young people. This will help reduce unemployment in the industry during the construction phase and further retain and increase expenditure within the local economy. This development could help sustain local employment in a sector which has suffered decline in recent years due to the recession and the downturn in house building nationally. Nonetheless, Chorley local authority has a good record for job creation and enjoys a low unemployment rate, which is currently 2.8%, against a national average of 4.2%.

### Indirect Jobs in the Supply Chain

- 3.3.11 The impacts of development will extend beyond construction employment to include indirect benefits for the local and national economy. This is because construction is one of the most effective sectors in stimulating wider economic activity. For every £1 of output by construction, a quantum of demand, greater than the sum of its parts, is generated for the supply of products, materials and professional services used by the construction process. This is known as a ‘multiplier effect’.
- 3.3.12 Those sectors benefiting from increased construction output include manufacturing (especially of building products and equipment), real estate, business services (including architecture, planning and surveying), mining and quarrying and transportation. To quantify these economic benefits, the Office of National Statistics estimates the direct and indirect construction output multiplier at 2.09; that is, for every pound of output by the construction sector, demand of £2.09 on average is generated overall. The construction sector has one of the highest economic output multipliers because of its impact on so many other areas as outlined above.
- 3.3.13 Applying this multiplier to the 169 person-years of direct construction jobs derived above indicates that an additional 184 FTE indirect jobs could be supported by the proposals in associated industries.
- 3.3.14 Furthermore, there would be a so-called ‘induced impact’ as a result of increased construction spending. This would lead to a temporary increase in overall household income (earned as a result of increased employment in construction and other sectors) being spent on further goods and services, both locally and nationally, leading to a general boost in output in the overall economy. By incorporating this effect, with an induced impact the multiplier is set at 2.84.<sup>12</sup>
- 3.3.15 The provision of 169 full-time equivalent direct construction jobs would have a positive effect on industries within the construction supply chain, referred to as the ‘indirect effect’. While these jobs would be located across a wide area, the opportunity exists to ensure that local businesses benefit from trade linkages established during construction by means of local employment or procurement stipulations in construction contracts. As noted above temporary increases from expenditure

<sup>12</sup>[http://archive.ukcg.org.uk/fileadmin/clients/UKCG/document/LEK/LEK\\_May\\_2012\\_final.pdf](http://archive.ukcg.org.uk/fileadmin/clients/UKCG/document/LEK/LEK_May_2012_final.pdf)

would, to some extent, result from employment such as the additional wage spend of construction workers in local shops and other facilities.

#### **Average Gross Turnover per Construction Employee in the Region**

- 3.3.16 The calculation of turnover is an effective measure of the value of work done before expenses are deducted. This is calculated by taking total employment in the construction industry by region (broken down in the 'Construction Statistics Annual' Office for National Statistics 2017<sup>13</sup>) then dividing by the annual output in the construction industry<sup>14</sup>.
- 3.3.17 As an example, for the UK as a whole in 2017, the total number of construction employees was 1,323,500. The construction industry's total output in 2017 was £165,936,976,000. From these figures, the gross average output per employee can be estimated as £125,377. For the north west region, the gross average output per employee can be estimated as £102,100.

#### **Gross Value Added**

- 3.3.18 The economic productivity or additional value added to the local economy of the construction phase can be measured through its contribution to Gross Value Added (GVA). GVA is a key economic indicator measuring the performance of an area and its contribution to national economic growth. It comprises the income produced by earnings and profits as a result of production and represents the difference between inputs (such as materials and capital) and production output (goods and services). Across the UK as a whole, house building was reported to generate £13.7 billion, but this figure will exclude the full extent of supply chain and induced impacts.<sup>15</sup>
- 3.3.19 The calculation above demonstrated that the average turnover per construction employee in the north west region stands at £102,100. From the 'Annual Business Survey' of the Office for National Statistics (2011), it can be established that GVA in the construction of buildings averages 35% of turnover in the north west region<sup>16</sup>. Therefore, the regional construction industry generates an average GVA of £35,950 per person. By multiplying this by the net additional employment impact of the scheme (169 jobs) it is relatively easy to estimate that the scheme will deliver approximately an additional £6.1m of direct GVA over the build period, although not all of this would be retained locally.

<sup>13</sup>ONS (2019), 'Construction Statistics Annual Tables', <https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/datasets/constructionstatisticsannualtables> [10/05/19]

<sup>14</sup>ONS (2019), 'Output in the construction industry: subnational and subsector', <https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/datasets/outputintheconstructionindustrysubnationalandsubsector> [10/05/19]

<sup>15</sup>Annual Business Survey – defined by SIC sub-sector code 41:202 Construction of domestic buildings using a proxy based on BRES 2013

<sup>16</sup>ONS (2018), 'Annual Business Survey, UK non-financial business economy Statistical bulletins', <http://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/uknonfinancialbusinesseconomy/previousReleases> [07/02/18]

### **3.4 Occupation**

#### **Additional Population Moving into the Development**

- 3.4.1 Based on the average estimated household size for Chorley<sup>17</sup> the development of 180 residential dwellings could be home to 414 new residents bringing increased spending power to Euxton. Inevitably, the benefits of increased household expenditure to the local economy will be enhanced to varying degrees, according to the proportion of those taking up residence in the development who are employed.
- 3.4.2 Not all of the new dwellings will be occupied by newly arrived residents; some will originate from people already living in Euxton, such as those displaced from existing homes within the settlement and newly forming households which were previously concealed. 180 households and up to 180 vacant dwellings will be formed as a result of the development and importantly, given the finite nature of the local population, it follows that a proportion of the locally vacated dwellings and the new development will subsequently be filled by families from outside the immediate area.
- 3.4.3 To provide some understanding of that proportion, the then Department for Transport, Local Government and Regions undertook research in 2001<sup>18</sup> to better understand the distances people are willing to travel to relocate. It showed that 71% moved from within a 10-mile radius into market housing, while 87% moved from within the same radius for affordable dwellings. When the distance surveyed was increased to more than 20 miles, only 20% moved from outside this radius into market dwellings and an even lower 8% moved into affordable dwellings.

#### **Labour Force Benefits**

- 3.4.4 New housing makes an important contribution to the competitiveness of cities, towns and villages such as Euxton by providing accommodation that will appeal to and help to attract skilled people, as well as providing a choice of homes for people already living within the area.
- 3.4.5 The provision of new homes on the Pear Tree Lane site can make an important contribution to support the local labour force and ensure the long term economic competitiveness of Euxton while ensuring the wider Chorley area is sustained. It could reasonably be expected that the majority of homes will be occupied by households whose adult occupants are of working age and economically active.
- 3.4.6 Assuming that 62.1% of the population is of working age<sup>19</sup> (corresponding with nominal official labour market statistics 2017 for Chorley) the delivery of 180 homes could result in an additional 257

<sup>17</sup>2011 Census: Households with at least one usual resident, household size and average household size, local authorities in the United Kingdom - Table H01UK

<sup>18</sup>Tenure - Tenure by Distance Moved, 2000-1; Appendix 6: Table A.17

<sup>19</sup>Nomis (2015), Official labour market statistics, Labour Market Profile for Chorley

people of working age residing in Euxton. Of these people, given an economically active rate of 88.6% in those aged 16 and over in Chorley, at least 228 could be expected to be economically active and in employment<sup>20</sup>.

- 3.4.7 Furthermore, if new housing is built, this can prove a key draw for inward investment. This would make an important contribution to the continued competitiveness of Euxton and the wider local economy by underpinning the supply of labour available to local businesses and prospective business investors as well as inputting significant additional expenditure into the local catchment.

### Local Spending Power

- 3.4.8 The proposed development of the application site will reinforce shops and services across Chorley through the addition of 414 residents bringing with them increased retail spend and general household expenditure to support the local economy. Given the range of services in the settlement a significant amount of weekly spend should be retained locally.
- 3.4.9 The scale of these benefits will be determined by the expenditure patterns of residents, alongside the proportion of residents moving into the area from elsewhere. The total gross expenditure associated with the proposed development can be estimated through a review of an area's characteristics taking into account average expenditure patterns and levels.
- 3.4.10 By reviewing the Output Area Classification (OAC) of the local area and applying the weekly household expenditure rates, it is possible to quantify the anticipated level of spending that would occur following the completion of the development. The OAC uses 60 variables to break the UK down into 8 Supergroups, profiling populations, structures and other key results from the 2011 UK census data to categorise the character of local areas.
- 3.4.11 The majority of Euxton falls within the 'Suburbanites' socio-economic classification group<sup>21</sup>. It would therefore be assumed that the Pear Tree Lane site would fall within this group. It is considered that households of this same demographic group will occupy the market housing element of the proposed development, whilst the affordable housing provision is expected to be occupied by those falling within the 'Hard-Pressed Living' OAC supergroup.
- 3.4.12 The 'Average weekly household expenditure by Output Area Classification'<sup>22</sup> (Office for National Statistics) provides data on the average weekly household expenditure categorised by socio-economic situation, as expressed by OAC supergroup. It is assumed that the proposed market housing would be occupied by the same types of household groupings as are most prevalent in

<sup>20</sup> *ibid*: Nomis (2018), 'Local authority profile', <https://www.nomisweb.co.uk/reports/lmp/la/contents.aspx?07/02/18>

<sup>21</sup> CDRC Maps (2018) <https://maps.cdrc.ac.uk/#/geodemographics/oac11/default/BTTTTT10/-0.1500/51.5200/107/02/18>

<sup>22</sup> ONS (2019), 'Average weekly household expenditure by Output Area Classification (OAC) supergroup, UK: Table A51' <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/averageweeklyhouseholdexpenditurebyoutputareaclassificationoacsupergrouptablea51> [10/05/19]

Euxton, and that the affordable element will be occupied by those typical of the Hard-Pressed Living' supergroup. The super-group spending each week are anticipated as follows:

- £635.90 per week for households in the Suburbanites (Super-group 6); and
- £479.60 per week for households in the Hard Pressed Living (Super-group 8).

- 3.4.13 Given that 30% of the dwellings will be affordable and the remainder of the site will comprise market housing applying these same proportions indicates that the development should support £5,578,000 of spending annually following completion of the development. This is calculated by multiplying the number of affordable dwellings (i.e. households) by the typical weekly spend of the 'Hard Pressed Living' grouping and multiplying the number of market dwellings by their typical weekly spend. These results are then multiplied by 52 to give the total annual spend resulting from the development.
- 3.4.14 Whilst this figure expresses average household expenditure across the UK, a more accurate picture can be obtained by applying a weighting according to regional circumstances. The Office for National Statistics' 'Family Spending Survey' presents household expenditure by UK Countries and regions 2015 and 2017<sup>23</sup>. Using these figures, it is possible for spending disparities between each region to be expressed as a percentage of UK average household expenditure. This allows a weighting to be applied to the above figure. For the north west region, this amounts to 88.7%, meaning that residents of the proposed development, after weighting appropriate to the region, could be expected to generate total gross expenditure of £4,947,000 per annum. It is estimated that this level of expenditure could support around 21 FTE jobs in total within the district.

## 3.5 Completion

- 3.5.1 In the current economic and fiscal climate, the resources available to local authorities are limited. New development can make an important contribution to the resource base of local authorities through Council Tax revenues and S106 or CIL contributions.
- 3.5.2 Upon completion of the build, allocation of the New Homes Bonus is triggered subject to the 0.4%<sup>24</sup> growth figure being achieved, which funnels money straight from the Government to the local authority over a period of 4 years.<sup>25</sup> The development has the potential to generate an estimated

<sup>23</sup> ONS (2019) 'Household expenditure by countries and regions, UK: Table A33' <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/householdexpenditurebycountriesandregionsuktablea33> [10/05/2019]

<sup>24</sup> DCLG (2016) 'New Homes Bonus: Sharpening the Incentive', The 0.4% average growth rate is a baseline below which the Bonus will not be paid as this growth reflects the percentage of housing that would have been built anyway. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577904/NHB\\_Consultation\\_Response\\_Doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577904/NHB_Consultation_Response_Doc.pdf) [09/03/2018]

<sup>25</sup> DCLG (2016) 'New Homes Bonus: Sharpening the Incentive', The Government New Homes Bonus Consultation Response Document, published December 2016, outlines on page 6 that the New Homes Bonus is accrued for a 6 year period 2016/17, a 5 year period 2017/18 and a 4 year period after 2018/19. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577904/NHB\\_Consultation\\_Response\\_Doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577904/NHB_Consultation_Response_Doc.pdf) [09/03/2018]

New Homes Bonus of £900,000 [rounded to nearest 100k] spread over a 4 year period if triggered in the 2019/20 timeframe, pro-rata.

- 3.5.3 The development of 180 homes has the potential to generate approximately £3m in Council Tax over 10 years, pro-rata (using England Band D average 2019/20<sup>26</sup>), based on the scheme mix and the likely values that could be achieved. This could provide an important source of revenue funding for the local authority in delivering services as well as investing in the locality.
- 3.5.4 Varying degrees of S106 or CIL contributions will also be accrued by the local authority for the benefit of the residents and community, new and existing, whether through education, green infrastructure, medical facilities or other service providers. All Gladman schemes meet the CIL Regulations 2010 and therefore offer compliant contributions to assist with infrastructure and additional provision of services.

<sup>26</sup> MHCLG (2019), 'Council tax levels set by local authorities: England 2019-20'  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/789613/Council\\_tax\\_levels\\_set\\_by\\_local\\_authorities\\_in\\_England\\_2019-20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789613/Council_tax_levels_set_by_local_authorities_in_England_2019-20.pdf) [01/04/19]

## 4 CONCLUSION

- 4.1.1 Chorley's population has grown by 12% 1991-2011 and is anticipated to grow a further 37% by 2039. This population is likely to be accommodated across the district and their significant contribution to the economy can be captured locally by allowing smaller, sustainable settlements such as Euxton to grow.
- 4.1.2 Chorley authority area is clearly a sought-after location to live. The ratio of house prices to average earnings at 6.6 is significantly above the CLG marker of an affordable housing market and demonstrates this fact, but equally shows that this location is a particularly unaffordable place to live. The proposal to build 180 homes will go some way to improving both these situations – the development will provide new market and affordable homes which will open the settlement up to local people, key workers and others previously unable to purchase a house in Euxton.
- 4.1.3 Framework Paragraph 80 states that significant weight should be placed on the need to support economic growth through the planning system. This has been endorsed by a number of Inspectors reporting on recent appeals (as discussed in the Statement). In this regard, the economic benefits derived from this scheme will be substantial and will impact positively on the local area and are a significant material consideration in the determination of this application.

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