

Avenue One, Letchworth

Economic Benefits Statement



Revision Schedule

Revision	Description	Author	Date	Quality Check	Date	Independent Review	Date
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1 Introduction

This Economic Benefits Statement has been prepared by Stantec's Development Economics Team on behalf of Letchworth Investment LLC for Wrenbridge ("the Applicant") in relation to Avenue One, Letchworth ("the Site") to accompany the full planning application for redevelopment, comprising:

Erection of two buildings for Flexible Use Classes including Eg (ii) (iii), B2, B8, including servicing, parking, access, landscaping."

This Statement will establish the economic benefits delivered throughout the development lifecycle of the Proposed Development. The Report is structured as follows:

Section 2 will review the site context and include the details of the Proposed Development.

Section 3 will define the potential economic benefits resulting from the Proposed Development. It will set out gross and net economic benefits of the Development in respect of employment generation and economic output (GVA) over both the construction and operational phases of development. This will include a review of the local employment effect to North Hertfordshire, assessing how the local resident workforce will benefit from the Development. The assessment will also review the fiscal benefits delivered through annual business rate payments.

Section 4 will provide a conclusion.



2 Current Context and Proposed Development

2.1 Current Context

The Site is located within an already established industrial location and forms part of the North Herts Local Plan (2011-2031) adopted allocation ETC1 for employment uses, within an established industrial estate hosting a range of employment uses.

The western section of the Site comprises two adjoining industrial units, each 1-2 storeys high, with ancillary office space along the western boundary. The eastern portion of the Site was utilised for car parking. The northeast part of the site remains laid out with car parking spaces. The Southeast part of the site was also used for car parking but has become overgrown with grass and low level shrubs.

2.2 Proposed Development

The Proposed Development will provide a modern industrial/ logistic premise of a high quality and sustainable design. It will deliver approximately 12,333 sqm (GEA) of flexible Class E(g)(ii)-(iii)/B2/B8 floorspace across two buildings. Redevelopment of the Site aims to provide modern and efficient space that will support the surrounding industry network and contribute local economic growth aspirations.

Table 2.1: Proposed Development Floorspace

GEA	GEA (sqm)	GIA (sqm)
Unit 1	4,140	4,010
Unit 2	2,463	2,372
Unit 3	5,730	5,547
Total GEA	12,333	11,929

Source: The Applicant



3 Economic Benefits

The Proposed Development will be an important contribution to facilitating local economic growth. The flexible nature of the Development means it can adjust to the needs of the local market, supporting growth industries in the most efficient way. The use class range proposed on-site will support a spectrum of occupation types and skill requirements, diversifying the employment benefits across the local labour market.

The potential economic benefits delivered by the Proposed Development have been measured in a number of ways:

- The potential direct and indirect jobs and associated economic output (Gross Value Added (GVA)) generation throughout the construction phase.
- Gross jobs on-site once fully operational and associated economic output (GVA).
- Local employment effect - we look at the proportion of jobs that will be new employment opportunities and benefit the residents workforce of North Hertfordshire.
- Business rates generated by the development once operational.

3.1 Construction Phase

3.1.1 Direct Gross Employment and Associated GVA

The number of direct jobs generated during the construction period is calculated using the Construction Industry Training Board (CITB) Labour Forecasting Tool (LFT). A construction period of, consisting of 5 weeks of demolition and 35 weeks (9 month) construction phase been adopted. Based on this the LFT estimates that 230 direct construction jobs could be supported each month over this period.

Table 3.1 sets out the split across the three groups that make up the occupations assessed within the LFT. Together, these highlight the varied occupation profile and skill requirements across the sector.

Table 3.1: Construction Employment – Occupation Profile

Group	Occupation Category	Average Number
Design	Senior, executive and business process managers	3
	Civil engineers	5
	Other construction professionals and technical staff-Design	20
	Architects	5
	Surveyors	3
	Non-construction professional, technical, IT and other office-based staff (excl. managers)	6
	DESIGN TOTAL	42



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Management	Senior, executive and business process managers	16
	Civil engineers	2
	Other construction professionals and technical staff-Design	7
	Architects	1
	Surveyors	8
	Non-construction professional, technical, IT and other office-based staff (excl. managers)	30
	Construction project managers	6
	Other construction process managers	22
	MANAGEMENT TOTAL	92
Operatives	Construction trades supervisors	4
	Wood trades and interior fit-out	21
	Bricklayers	5
	Building envelope specialists	9
	Painters and decorators	2
	Plasterers	2
	Roofers	3
	Floorers	2
	Glaziers	2
	Specialist building operatives nec	3
	Scaffolders	2
	Plant operatives	5
	Plant mechanics/fitters	6
	Steel erectors/structural fabrication	4
	Labourers nec	6
	Electrical trades and installation	19
	Plumbing and HV&C trades	14
	Logistics	2
	Civil engineering operatives nec	0
	Non-construction operatives	3
	OPERATIVES TOTAL	112

Source: LFT (All figures are rounded and may not sum)

Direct employment activity throughout the construction phase will generate economic output, measured through the generation of GVA. Based on an average regional GVA per construction worker sourced



from Oxford Economics¹, the Development could generate a direct GVA of approximately £11.0m² over the construction period (9 months).

3.1.2 Gross Indirect Employment and Associated GVA

In addition to the direct jobs resulting from the construction and management of the Development, further indirect jobs will be sustained as a result of spin-off and multiplier effects.

To establish the number of indirect jobs that could be supported during the construction phase, we apply employment multipliers published in The Green Book (HM Treasury, 2022)³. Specifically, we apply the 'low' employment multipliers (x 0.4), recognising that new jobs are not created, just safeguarded.

Applied to the 230 gross direct construction jobs, this suggests that construction of the Proposed Development could support a further 92 indirect jobs across a local to wider area.

Based on a national GVA per worker per⁴ annum across all industries (because the indirect jobs could be nationwide across different industries) the 92 indirect construction jobs could generate GVA of approximately £4.2m over the construction period.

3.1.3 Construction Employment Effect across North Hertfordshire

A proportion of the employment generated throughout the construction phase will benefit the North Hertfordshire resident workforce. This local added value of economic benefits arising from construction of the Development is referred to as the employment effect.

The employment effect is measured in relation to additionality factors following guidance published in the 'Additionality Guide' (HCA, 2014) and The Green Book.

Assessment of additionality involves consideration of the following factors:

- Deadweight - the extent to which the economic activity associated with the proposed development will happen anyway, whether or not the proposed development takes place.
- Substitution - where firms substitute one type of labour for another to benefit from the proposed development but do not increase employment or output.

¹ Oxford Economics, 2022 Global Forecasting and Quantitative Analysis (2017 - 2021 average). GVA per construction worker in London as per Oxford Economics equals £109,863 per annum.

² Number subject to rounding

³ HM Treasury (2022) The Green Book: Central Government Guidance on Appraisal and Evaluation

⁴ Oxford Economics, 2022 Global Forecasting and Quantitative Analysis (2017 - 2021 average).



- Displacement - the economic activity likely to be lost, moved, or adversely affected by construction and proposed use.
- Leakage - referring to the number of jobs likely to be taken up by people outside the local (target) area.
- Multiplier effects - the additional economic benefit that will be derived as a direct result of the income earned by the new employment as an indirect result of the supply chain linkages.

The extent to which each factor is relevant and applicable depends on the nature of the uses envisaged, professional judgement and having regard to published data and or guidance in the Additionality Guide and Green Book.

In this instance, no deadweight, substitution or displacement is applied during the construction phase because construction workers are transient and will move from one construction job to another.

The leakage factor is estimated by reference to Census 2021, data identifies that 52% of people who work in North Hertfordshire, also live in North Hertfordshire, suggesting a leakage factor of 48%.

A proportion of the indirect jobs sustained throughout the demolition and construction phase will also support North Hertfordshire residents. As stated earlier, the Green Book's low employment multiplier (x 0.4) is applied to calculate the proportion of indirect employment occupied by North Hertfordshire residents.

The additionality factors applied to the gross direct demolition and construction employment is detailed in Table 3.2.

Based on this, as set out in Table 3.2, of the total 230 gross direct jobs supported over the estimated 9-month construction phase, 120 of the roles could be occupied by North Hertfordshire residents. These 120 FTE will generate £5.7m in GVA over the construction period.

Table 3.2: Construction Phase – Additionality Calculations

Construction Phase	
Gross Direct On-Site Job Creation	230
Total GVA Generated By On-Site Employment Over The Construction Period	£11.0m
Gross Indirect Jobs	92
Total Indirect GVA	£4.2m



Net Direct Job Creation	230
Leakage Factor	48%
Leakage	110
Net Direct Employment	120
GVA Generated By Additional Direct Employment	£5.7m
Multiplier Effect (Tradable Employment, X 0.4)	48
Net Indirect Employment – estimated indirect jobs	
GVA Generated By Additional Indirect Employment	£2.2m
Total Net Employment	169
Total Net Employment Effect – GVA Per Annum	£7.9m

Source: Stantec Development Economics. Numbers subject to rounding.

In addition to the direct job roles taken by North Hertfordshire residents, the indirect employment sustained throughout the construction period will also benefit 48 North Hertfordshire residents across the supply chain.

3.1.4 Total Employment Effect and Associated GVA

Construction of the Development will support direct jobs throughout the 9-month construction period. It is estimated based on existing commuting patterns that around 120 direct FTE could be occupied by North Hertfordshire residents. A further 48 North Hertfordshire residents could also be employed supporting the supply chain. Based on this the local employment effect to North Hertfordshire would support 169 (direct and indirect) FTE throughout the construction phase, generating £7.9m in GVA over the construction period, summarised in Table 3.3.



Table 3.3: Summary of Economic Benefits of the Development

Phase	Benefit	Jobs ¹ (FTE)	GVA ¹
Construction	Gross Direct Jobs	230	£11.0m
	Net Direct Employment - Roles occupied by North Hertfordshire residents	120	£5.7m
	Net Indirect employment ¹⁰ -	48	£2.2m
	Total net employment effect and indirect jobs & GVA	169	£7.9m

Source: Stantec Development Economics.

3.2 Operational Phase

3.2.1 Gross Direct and Indirect Employment and Associated GVA

The Development will deliver two buildings, incorporating three units, supporting the Use Classes E(g)(ii)B2/B8). Table 3.4 sets out the unit profile on-site. The assessment of gross operational employment will reflect the flexible approach to market response, assessing a range of E(g)(ii)/B2/B8 Use Class operations.

Table 3.4: On-Site Floorspace Profile

GEA	GEA (sqm)	GIA (sqm)
Unit 1	4,140	4,010
Unit 2	2,463	2,372
Unit 3	5,730	5,547
Total	12,333	11,929

Source: Applicant

Our estimate of the number of jobs generated on-site will be informed by the Homes and Communities Agency (HCA) Employment Density Guide (2015) ("Density Guide"). Based on this, an employment density of 95 sqm (GEA) per FTE job will be utilised for the potential B8 Storage and Distribution operation scenario. This has been sense checked against more recent publications. First, the Economic Impact of Operations in Prologis Warehouses, published by Oxford Economics⁵. Looking across 19

⁵ Oxford Economics, Economic Impact of Operations in Prologis Warehouses, Q2 2020 Update



countries, including the United Kingdom where 32,500 people were directly employed in Prologis warehouses, employment densities were found to vary from 93 to 177 sqm per employee. Second, a more focused survey of Prologis UK customers in 33 distribution centres located in the Midlands, South East and London carried out in 2018⁶. This revealed that on average, one person was employed for every 95 sqm of floor space. A recent report (September 2022) by Icenl also utilises 95 sqm per FTE to assess employment outlook.

The HCA Density Guide of 36 sqm per FTE is representative of any potential B2 Use. The density estimate for use class E(g)(iii) (47sqm per FTE) falls within the range of B2 (36 sqm per FTE) and B8 Use Class (95 sqm per FTE) density assumptions.

3.2.1.1 Based on an B8 and B2 Use Class Range

Based on the assessment of potential B2 and B8 Use Class operations, the Proposed Development could support between 130 and 331 FTE, depending on the end use. It is estimated the use class range could generate between £5.1m and £28.7m in GVA per annum.

It is estimated, as shown in Table 3.6, that across the local to wider area a further 169 to 430 gross indirect jobs could be supported throughout the supply chain network, generating between £9.5m and £24.2m in GVA per annum.

Table 3.6: Gross FTE Range

Potential Job Range based on B2- B8 Use Class	GEA (sqm)	GIA (sqm)	B2 (FTE)	B8 (FTE)
Unit 1	4,140	4,010	111	44
Unit 2	2,463	2,372	66	26
Unit 3	5,730	5,547	154	60
Total	12,333	11,929	331	130

3.2.1.2 Based on a mixed B8/B2 Use Class Scenario

Table 3.7 demonstrates the potential FTE on-site based on an indicative mixed B8/B2 Use Class scenario, supporting 170 FTE and generating £9.8m in GVA per annum.

Based on this indicative scenario, it is estimated that across the local to wider area a further 221 gross indirect jobs could be supported throughout the supply chain network, generating £12.4m in GVA per annum.

⁶ Prologis (September 2019) Delivering the Future: The Changing Nature of Employment in Distribution and Warehouses



Table 3.7: FTE B2 and B8 Use Class Scenario

Potential FTE Scenario	GEA (sqm)	GIA (sqm)	Use Class Assumption	FTE
Unit 1	4,140	4,010	B8	44
Unit 2	2,463	2,372	B2	66
Unit 3	5,730	5,547	B8	60
Total	12,333	11,929		170

3.2.2 Operational Employment Effect Across North Hertfordshire

3.2.2.1 Based on a B8 and B2 Use Class Range

A proportion of the operational employment created will additionally benefit North Hertfordshire residents, on-site and throughout the supply chain. This is referred to as the employment effect to North Hertfordshire.

Based on guidance from the HCA, Additionality Guide⁷ (“Additionality Guide”) and more recently, HM Treasury Green Book⁸ (“The Green Book”)⁹, a review of the additionality has been applied in order to understand the employment effect of the Development towards North Hertfordshire residents. This assesses how many North Hertfordshire residents will benefit from the operational employment created on-site.

In order to assess the potential employment effect, a low level of displacement has been assumed (25%). Given the importance of the storage, logistics and transport sector and the perceived future demand, it is assumed that displacement will be low (25%). It is assumed, based on 2021 Census commuting data, that 48% of the workforce will also live within North Hertfordshire (referred to as the leakage factor).

Based on the potential use class range, is estimated that between 33 and 83 of the direct jobs created on-site by the Development will be displaced, reducing employment elsewhere. This will result in between 97 (B8 Use Class) and 248 (B2 Use Class) additional jobs generated on-site, creating new employment opportunity. Based on existing commuting patterns (2021 Census data), it is estimated that between 51 and 130 of these direct jobs will benefit North Hertfordshire residents.

Further Norther Hertfordshire residents will benefit from the operational indirect jobs supported. Based on existing leakage patterns, it is estimated of the total indirect roles supported, between 66 and 169 will benefit North Hertfordshire residents, creating employment throughout the supply chain. This may

⁷ HCA, Additionality Guide, 4th edition, 2014

⁸ HM Treasury, The Green Book: Central Government Guidance on Appraisal and Evaluation, 2022

⁹ HM Treasury The Green Book: Central Government Guidance on Appraisal and Evaluation, 2022



be through material and service supplies, catering or any form of indirect business supporting daily operations.

Table 3.8 sets out a summary of the additional employment effect across North Hertfordshire as result the Development. The potential impact will depend on the use class delivered on-site.

Table 3.8: Net Employment Effect

Operational Phase	B2 Use Class	B8 Use Class
Gross Direct On-Site Job Creation	331	130
Total Gross Direct GVA Generated By On-Site Employment Over The Construction Period	£28.7 m	£5.1 m
Gross Indirect Jobs (local to wider)	430	169
Total Gross Indirect GVA Generated By On-Site Employment Over The Construction Period	£24.2 m	£9.5 m
Displacement Factor	25%	25%
Displacement	83	33
Net Direct Job Creation	248	97
Leakage Factor	48%	48%
Leakage	118	46
Direct Net Employment	130	51
GVA Generated by Additional Direct Employment	£11.3 m	£2.0 m
Multiplier Effect (Tradable Employment, X 0.4)	169	66
Multiplier Effect (Non-Tradable Employment, X 0.9)		
Indirect Employment		
GVA Generated by Additional Indirect Employment	£9.5 m	£3.7 m
Total Net Employment Effect	299	117
Total Net Employment Effect – GVA Per Annum	£20.8 m	£5.7 m

3.2.2.2 Based on a mixed B8 and B2 Use Class Scenario

Based on indicative use class scenario, it is estimated that 43 of the direct jobs created on-site by the Development will be displaced, reducing employment elsewhere. This will result in 127 new additional jobs created on-site, creating new employment opportunities. Based on existing commuting patterns, 65 of these direct jobs will benefit North Hertfordshire residents.



85 North Hertfordshire residents will benefit from the indirect employment created across the supply chain as a result of the Development. This may be through material and service supplies, catering or any form of indirect business supporting daily operations.

Based on the indicative scenario, the Development will therefore have a net employment effect of 150 (65 direct and 85 indirect) on North Hertfordshire residents. This means 150 North Hertfordshire residents will benefit from additional employment created by the Proposed Development. Table 3.9 sets out a summary of the additional employment effect across North Hertfordshire as result the Development. The potential impact will depend on the occupying use class.

Table 3.9: Employment Effect – B8 and B2 Use Class Scenario

Operational Phase	B8 + B2 Use Class Scenario
Gross Direct On-Site Job Creation	170
Total Gross Direct GVA Generated By On-Site Employment Over The Construction Period	£9.8m
Gross Indirect Jobs (local to wider)	221
Total Gross Indirect GVA Generated By On-Site Employment Over The Construction Period	£12.4m
Displacement Factor	25%
Displacement	43
Net Direct Job Creation	127
Leakage Factor	48%
Leakage	61
Direct Employment	65
GVA Generated by Additional Direct Employment	£3.7m
Multiplier Effect (Tradable Employment, X 0.4)	1.3
Multiplier Effect (Non-Tradable Employment, X 0.9)	
Indirect Employment	85
GVA Generated by Additional Indirect Employment	£4.8m
Total Net Employment Effect	150



Total Net Employment Effect – GVA Per Annum	£8.5m
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3.2.3 Business rates

The Development will generate annual business rates contributing to the funding of local public services. The quality of the existing buildings on-site has resulted in them being unsuitable for modern use and unviable to the current occupier. In order to generate business rates, the units must be suitable and attractive to occupiers. If left, the units could remain empty and not generate business rates. Therefore, the proposed redevelopment will ensure the site meets market needs and retain business rates income, supporting local infrastructure and services.

Rateable values are provided by the Valuation Office, taking into consideration rateable values for comparable facilities. It is estimated that the Proposed Development could generate £455,000 per annum in business rates.



4 Conclusion

Stantec's Development Economics Team prepared this Economic Benefits Statement for Wrenbridge on behalf of Letchworth Investment LLC to support a full planning application for the redevelopment of Avenue One, Letchworth. The proposal includes "Erection of two buildings for Flexible Use Classes including Eg (ii) (iii), B2, B8, including servicing, parking, access, landscaping."

The Proposed Development will generate sustainable economic benefits throughout the construction and operational phases. The flexible nature of the Development means the potential employment generation on-site will vary depending on the use, but the employment created will be in response to market demand. Table 4.1 sets out a summary of the economic benefits generated.

Table 4.1: Economic Benefits Summary

Construction Phase.			
Gross Direct FTE	230		
Gross Direct GVA generated by Gross Direct FTE	£11.0		
Gross Indirect FTE	92.0		
Gross Indirect GVA generated by Gross Indirect FTE	£4.2m		
Proportion of Direct jobs occupied by North Hertfordshire residents	120		
Proportion of Indirect jobs occupied by North Hertfordshire residents	48		
Total net employment effect to North Hertfordshire- direct and indirect jobs	169		
Operational Phase - Economic Benefits generated once development is operational	B2 Use Class	B8 Use Class	B8 + B2 Use Class Scenario
Gross Direct jobs created on-site	331	130	170
GVA generated by Gross Direct on-site jobs	£28.7m	£5.1m	£9.8m
Gross Indirect jobs created on-site	430	169	221
GVA generated by Gross Indirect on-site jobs	£24.2m	£9.5m	£12.4m
Proportion of Direct jobs occupied by North Hertfordshire residents	130	51	65
Proportion of Indirect jobs occupied by North Hertfordshire residents	169	66	85
Total net employment effect to North Hertfordshire - direct and indirect jobs	299 (£20.8m)	117 (£5.7m)	150 (£8.5m)
Business Rate	£455,000	£455,000	£455,000



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