

Cundy Street Quarter

Economic Statement

Prepared by Turley

May 2020



GROSVENOR

Economic Statement

Cundy Street Quarter, Belgravia

May 2020

Contents

Economic Benefits Infographic	1
1. Introduction	2
2. Proposed Development	4
3. Strategic Policy Ambitions	8
4. Local Economic Context	12
5. Economic Impact during Construction	16
6. Operational Impact once Complete	21
7. Conclusions	29
Appendix 1: Methodology	31

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Uplift in Economic Benefits

PROPOSED DEVELOPMENT Cundy Street Quarter Redevelopment

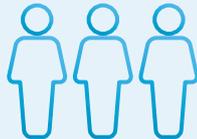
SITE New inclusive neighbourhood providing 163 new homes (including 44 social rented and 49 intermediate), 91-142 homes for older people, 4,000 sqm of commercial and community space (including office, retail and restaurants, cinema and community space)

Temporary Impacts during Construction (7 years)



£300 million

Investment into the construction of the Proposed Development



105 FTE jobs

Supported during construction and after accounting for multipliers



£16 million in GVA¹

Generated each year in London by gross jobs and those supported through multiplier effects



Local Employment

Target to provide 100 apprenticeship and new job entrant positions to local residents²

Longer Term Impacts to Labour Market



163-258 FTE jobs

Available on-site related to senior living, retail, restaurant, leisure and community uses



Up to 10 employees from Westminster

Based on the latest labour market trends



57-89 indirect jobs

Supported across London through supplier spend and wage expenditure



£9.8-£16.3 in GVA¹

Generated each year in London, inclusive of £1.9-5.6 m in Westminster

Economic Impacts from New Residential Development



49 additional affordable homes

Primarily reflecting provision of intermediate units



91-142 homes for older people

in either an Independent Living or Assisted Living setting



250-264 additional residents

across market, affordable and older peoples housing



£870,000

Spent on furnishing and decorating to 'make a house feel like a home'³

Related to general housing



£1.3 - £2.2 million

Additional annual household expenditure on retail goods and leisure activities



£160,000

Additional annual spend on convenience goods within a 1 mile radius⁴

Related to general housing

Additional Revenue to Local Authority



£54,000

Additional Council tax payable to Westminster City Council each year



£430,000

Business Rates payable to Westminster City Council each year

¹ GVA (Gross Value Added) is a measure of the value output created (i.e. turnover) and is a key measure of economic productivity. Put simply, the GVA is the total of all revenue into businesses, which is used to fund wages, profits and taxes.

² WCC have a target of a minimum of one apprenticeship/job/graduate start provided for every £3 million in contract value.

³ Research from House Builders Federation 'Economic Footprint of UK House Building (2018)' estimates that £5,355 is spent per household

⁴ Based on research published by the Association of Convenience Stores 'The Local Shop Report' (2017)

1. Introduction

Purpose of the Economic Impact Statement

- 1.1 This Economic Impact Statement has been prepared by Turley Economics on behalf of Grosvenor Estate Belgravia (the 'Applicant'). The purpose of the Economic Statement is to assess and report the additional economic impact which the Proposed Development will generate for the local economy of Westminster and more widely across London. This Statement responds directly to the Westminster City Council (WCC) validation requirement for an 'Economic Statement' to be submitted with a full planning application¹.
- 1.2 The report supports the application for a mixed-use development for the new Cundy Street Quarter (the 'Proposed Development') in Belgravia. The Proposed Development includes provision for new homes (including affordable housing and homes for older people), community space and other retail and leisure uses, such as a cinema, restaurants and retail space. Importantly, this development supports Grosvenor's '20 year vision for Mayfair and Belgravia', which promotes active neighbourhoods, integrated districts, connected communities, better streets, greener spaces, enterprising places and architectural excellence².

Approach to the Assessment

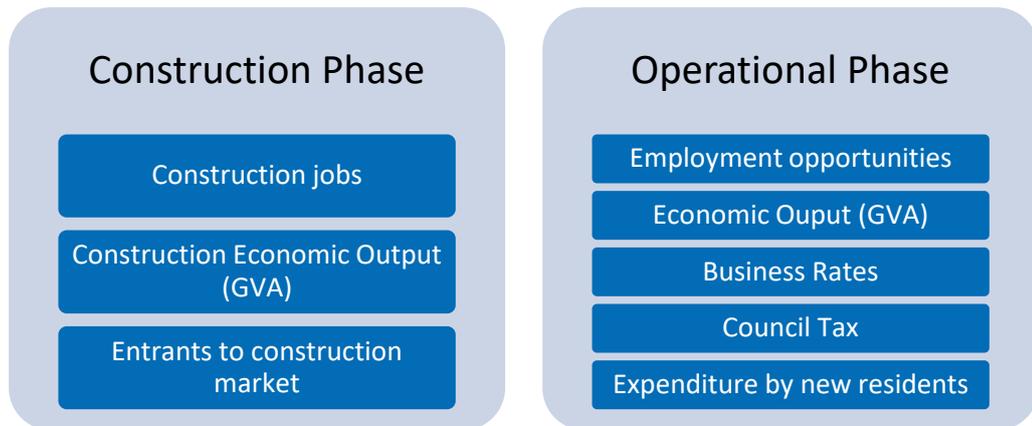
- 1.3 The assessment is informed by the 2014 Homes and Communities Agency (HCA) Additionality Guide (4th edition)³ and draws on published statistical data sources to ensure that the assessment reflects the dynamics of the local geography. This report can be used by stakeholders to understand the one-time construction impacts and longer-term operational impacts, which include the scale of on-site employment, residential expenditure and economic output into the local economy.
- 1.4 A full methodology note is provided in Appendix 1. Throughout the report the benefits have been reported as 'net additional'. This means that the existing economic impact of the Site is considered in the assessment and is deducted from the final assessment presented which incorporates additionality factors such as leakage, displacement and multiplier effects. This Statement reports the gross impact of the development minus the existing on-site activity.
- 1.5 The assessment is structured into two sections which cover the construction and operational phases in turn. Figure 1.1 outlines the full range of economic benefits which will be generated by the scheme and evidenced in the report.

¹ Westminster City Council (2017) Validation Checklist for Application for Full Planning Permission

² Grosvenor (n.a.) Vision for Mayfair and Belgravia

³ HCA (2014) Additionality Guide Fourth Edition

Figure 1.1: Structure of the Economic Assessment



Source: Turley Economics, 2020

Structure of Report

1.6 The remainder of the report is set out as follows:

- **Section 2: Proposed Development** – outlines the components of the Proposed Development.
- **Section 3: Strategic Policy Context** - provides an overview of the relevant economic policy and strategy context.
- **Section 4: Economic Context** – outlines the economic context for the Site in order to identify the market challenges which the Proposed Development will respond to.
- **Section 5: Construction Phase Impacts** – estimates the future net additional economic impact which may be generated by construction employment and associated economic output (measured as GVA).
- **Section 6: Operational Phase Impacts** – estimates the future net additional economic impact generated by operational employment, GVA, residential expenditure, Council Tax and Business Rates.
- **Section 8: Conclusion** – summarises the net additional benefits to the area as a result of the Proposed Development.

1.7 The scale and mix of the Proposed Development will generate notable economic and social benefits for the area of Belgravia and for Westminster more widely, contributing to principles of sustainable growth. These include delivering a range of regeneration benefits such as provision of new homes and homes for older people and the resultant economic benefits which arise from resident expenditure, an increase in employment opportunities in the area, fiscal benefits to WCC and new community and leisure space including improved open and outdoor spaces. In these ways, the Proposed Development will contribute to economic, housing and regeneration aspirations of WCC, the GLA and Grosvenor.

2. Proposed Development

This section considers the impact of the existing site and the components of the Proposed Development. The site context and location are important contextual factors for the subsequent assessment. At this stage, it is important to consider the potential future uses to fix the parameters of the economic impact assessment.

Proposed Development

- 2.1 The Proposed Development is a unique opportunity to deliver new homes, amenities and improved public spaces in central London. Grosvenor’s ambition for the Site is to *“create a new inclusive neighbourhood that meets the needs of residents and businesses today whilst ensuring that it respects the area’s significant heritage and will stand the test of time”*⁴.
- 2.2 The Proposed Development is an ambitious mixed-use scheme which includes provision for new homes for all generations (including homes for older people) complemented by new retail and leisure space, including a cinema and community space.
- 2.3 One of the strengths of the scheme is that some of the commercial uses are flexible, so that the mix of occupiers is responsive to market demand. Therefore, in the interests of providing a conservative assessment, this assessment considers all commercial units, apart from the cinema and community space, to be retail or food/drink retailers as these uses have the lowest employment density of the uses proposed. The assumptions are summarised as follows:

⁴ Grosvenor. Available here: <https://www.grosvenor.com/our-properties-and-places/cundy-street-quarter>

Table 2.1: Proposed Non-Residential Uses

Block	Assumed use class	Sqm (GIA)
Retail (Class A1)	A1	1,070
(Class A1/A3/A4/B1)	A1/A3/A4	1,539
Retail/Office (Class A1/B1)	A1	413
Community (Class D1)	D1	154
Cinema (Class D2)	D2	846
Total	-	4,022

Source: Information provided by client team, 2020. Note that some A1/B1 floorspace will only be developed on the existing residents vacating Coleshill Flats (basement). The operational economic impacts contained within this report relate to the full completion and operation of the Proposed Development once this has occurred.

Note: Floorspace figures are presented using the RICS GIA sqm method. See Design and Access Statement, Appendix.

2.4 This level of flexibility in the application also applies to the homes for older people element. Depending on the end occupier and local demand there will be different proportions of independent living (C3) and assisted living (C2) included in the final scheme. Therefore for the assessment two scenarios have been considered, as outlined in Table 2.2.

Table 2.2: Residential Scenarios

	Scenario 1 <i>Max. Independent Living</i>	Scenario 2 <i>Max. Assisted Living</i>
Number of general housing units (C3)	163	163
Number of independent living units (C3)	91	119
Number of assisted living units (C2)	0	23
Total	254	305

Source: Information provided by client team, 2020

Wider Ambitions for the Area

2.5 Grosvenor has a 20 year vision for Mayfair and Belgravia (2015-2035), within which the Proposed Development will play an important role. It is recognised that the estate makes an important economic, social and cultural contribution to London. Grosvenor is seeking to harness this potential and ensure it continues to make an important contribute to London and Westminster. In particular, Grosvenor has adopted certain principles such as connective communities, better streets and active neighbourhoods, which will guide future development, as summarised below.

Figure 2.1: Vision for Mayfair and Belgravia



Source: Grosvenor, 20 Year Vision

Existing Site

- 2.6 The existing 1.8 ha site includes seven main buildings which are predominantly residential in use. In total there are 160 residential units on site; of which 111 are private units (Cundy Street Flats), 44 are social rented affordable units (Walden House and Coleshill Flats - basement) and 5 are intermediate affordable (Coleshill Flats - basement). Across all 160 existing units there are 285 residents.

Table 2.3: Existing Residential Population

Block	Number of dwellings	Tenure	Number of residents
'Cundy Street Flats' (includes Laxford, Lochmore, Stack and Kylestrom blocks)	111 flats	Private residential tenancies on a mix of lease types	145 residents ¹
Walden House	40 flats	Social housing managed by WCC	125 residents
Coleshill Flats (basement)	9 flats	Five intermediate and four social rented homes managed by a Registered Provider	15 residents
Total	160 flats	-	285 residents

¹ The true capacity of the existing development is likely to be higher. This estimated resident population is likely to be lower than expected because the development is currently under occupied. One reason is that circa 50% of dwellings are second homes. There are also 2 vacant flats in Walden House.

Source: Information provided by client team, 2020

- 2.7 Given the number residents living on the Site, a detailed rehousing strategy has been developed. Those living in Walden House have been offered a right to return to the new development. A new Affordable Housing building (Building C) will be constructed as part of the scheme. This will be appropriately phased to enable those living in Walden House to move directly into Building C if they choose. Those living in the basement of Coleshill Flats will only be required to surrender their flat on a voluntary basis and their Registered Provider landlord will offer them alternative affordable accommodation should they wish to do so. The rehousing strategy has been discussed with Westminster in pre-application discussions.

3. Strategic Policy Ambitions

This section provides an overview of the relevant economic policy and strategy context; demonstrating both the national and local government commitment to facilitating sustainable economic prosperity and employment growth through a supportive planning system.

Alignment with National Strategy and Policy

The National Planning Policy Framework is supportive of economic development in town centres

- 3.1 In February 2019, the Ministry of Housing, Communities & Local Government (MHCLG) published the revised National Planning Policy Framework (NPPF)⁵ along with the accompanying Planning Practice Guidance (PPG)⁶ – setting out the Government’s planning policies for England.
- 3.2 As with the 2012 framework, the revised NPPF and PPG continue to be built around a policy commitment to sustainable development, outlining the expectation that future development will play in meeting economic and social objectives. Details of these objectives are provided at paragraph 8 of the revised NPPF:

“an economic objective – 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; and

a social objective – to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations; and by fostering a well-designed and safe built environment, with accessible services and open spaces that reflect current and future needs and support communities’ health, social and cultural well-being”⁷

- 3.3 In order that sustainable development is pursued in a positive way, at the heart of the NPPF is a “*presumption in favour of sustainable development*”⁸, which for local authority decision-making means “*approving development proposals that accord with an up-to-date development plan without delay*”⁹.

⁵ Ministry of Housing, Communities & Local Government (2019) National Planning Policy Framework

⁶ Ministry of Housing, Communities & Local Government (2019) Planning Practice Guidance (PPG)

⁷ Ministry of Housing, Communities & Local Government (2019) National Planning Policy Framework, para 8

⁸ *Ibid*, para 10

⁹ *Ibid*, para 11

London Policy and Strategy

The Draft New London Plan identifies the Central Activity Zone (CAZ) as vital for the economy

- 3.4 The Draft London Plan¹⁰ aims to shape the capital's growth and development over the period to 2041. The Draft Plan is currently being consulted on, but has material weight in the application process as it moves towards adoption.
- 3.5 The core principle of the Plan is to promote 'good growth' across London; this is considered to be *"sustainable growth that works for everyone, using London's strengths to overcome its weakness"*¹¹. 'Growing a good economy' (Policy GC5)¹² is one of six priorities which are being promoted as part of this agenda. Planning for sufficient commercial space in the right locations is a key means by which this objective will be met.
- 3.6 The Site is located just outside the Central Activity Zone (CAZ) which is an important focus of economic development policy in the draft new London Plan. 'Policy SD4 – The Central Activities Zone' describes this area as *"an agglomeration and rich mix of strategic functions and local uses, should be promoted and enhanced"*¹³. The unique dual-role of 'local' and 'global' which this area plays is important context for the Proposed Development as development requires a *"different or tailored approach"*¹⁴.
- 3.7 The Site is also close in proximity to the Victoria Opportunity Area (OA). OAs are identified as significant locations with development capacity to accommodate new housing, commercial development and infrastructure¹⁵. WCC has published a separate planning brief for this OA which has a clear vision for the area:

*"Over the next 20 years the council will facilitate increased and improved employment opportunities in Victoria Street, additional and improved residential accommodation, with community facilities throughout the area"*¹⁶

- 3.8 This provides an insight into the strategic context which will continue to shape and in turn be influenced by the Proposed Development after it is complete. The location near to the CAZ and Victoria OA positions the Proposed Development in a strong place to benefit from and complement this new directed investment.

¹⁰ Mayor of London (2019) The Draft London Plan – Intend to Publish Version

¹¹ *Ibid*, para 1.0.7

¹² *Ibid*, para 1.5.1

¹³ Mayor of London (2019) The Draft London Plan – Intend to Publish Version – p.73

¹⁴ Mayor of London (2019) The Draft London Plan – Intend to Publish Version – p.74

¹⁵ Mayor of London (2019) The Draft London Plan – Intend to Publish Version – p.33

¹⁶ Westminster City Council (2011) Victoria Area Planning Brief, London SW1

Westminster Policy and Strategy

The Westminster City Plan prioritises positive economic growth

- 3.9 The Westminster City Plan¹⁷ was adopted in November 2016 and sets out the vision for the City of Westminster up to and beyond 2026/27. The Plan outlines the strategic policy framework that will deliver the vision of Westminster as an area that maintains its status as *“a great place to live, work and invest and creates thriving sustainable communities”*¹⁸, aiming to balance competing requirements and demands to deliver sustainable development through meeting economic, social and environmental objectives.
- 3.10 The plan highlights that the lack of vacant and available land means that *“development in Westminster is often about refurbishment and renewal of building stock rather than significant land use change”*¹⁹.
- 3.11 Employment and the economy forms a principal component of the Plan’s Spatial Strategy, which highlights that Westminster is projected to accommodate an additional 77,000 jobs over the period to 2036. Retail and office uses are identified as key drivers of the local economy, and it is additionally affirmed that Westminster will continue to play a definitive role in London’s tourism, arts, educational, service and entertainment sectors.
- 3.12 Development that contributes positively to increasing the area’s economic capacity combined with the enhancement of heritage assets, public realm and the pedestrian environment, and the provision of a high quality and safe visitor experience are therefore considered to be development and investment priorities²⁰.

These economic priorities are continued through the new draft City Plan

- 3.13 The draft City Plan (2019-2040) sets out the next phase of the vision and strategy for the development of Westminster. There is a clear vision for both residential and commercial development within the borough, which is important for understanding local economic priorities.
- 3.14 The draft City Plan outlines some of the key priorities of borough, which include:
- **Provision of a wide range of housing** - *“We need not only to create affordable housing, but the right kind of housing. That means providing the size and type of homes that take into account our changing demographic and the diverse needs of everyone who lives here”*²¹
 - **Creating the ‘right kind of growth’** – Within this Westminster has a specific vision for retail: *“An exciting, more creative approach to retail will offer residents and visitors alike a complete leisure experience”*²²

¹⁷ City of Westminster Council (2016) Westminster City Plan

¹⁸ *Ibid*, page 3

¹⁹ *Ibid*, page 17

²⁰ *Ibid*, page 24

²¹ Westminster City Council (2019) Draft City Plan – Regulation 19 Publication – p.22

²² Westminster City Council (2019) Draft City Plan – Regulation 19 Publication – p.23

Westminster Economic Development Strategic Framework supports a dynamic local economy

- 3.15 Westminster's Economic Development Strategic Framework (EDSF)²³ was published in 2015, and outlines the Council's strategy for supporting a dynamic local economy, generating opportunities for residents, entrepreneurs and businesses, and, by extension, enabling the area to continue to make a strong contribution to London and the wider UK.
- 3.16 The EDSF sets out its strategic principles for prioritising projects based on the two pillars of:
- Encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and
 - Promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use²⁴.
- 3.17 It is additionally stated that the Council wherever possible will prioritise projects which can align activity and investment with partners within and beyond London.
- 3.18 A key Strategic Theme of the EDSF concerns 'Places'; the Council states that the guiding principal of their approach is to ensure that Westminster remains distinctive, vibrant, accessible and commercially attractive through a number of means, including:
- Working with partners to champion and shape Westminster's key economic locations;
 - Investing in rejuvenating Westminster's high streets and street markets through securing external funding and partnerships; and
 - Delivering the workspaces needed by a broad range of businesses²⁵.

Summary

- 3.19 Westminster has a unique set of challenges; the borough is required to serve the international community and preserve the global reputation of London while maintaining the commitment to the local communities who live in the borough. The vision set out in the draft London Plan and adopted and draft City Plans is clear; prioritise sustainable economic growth which will deliver high quality homes for all generations and create active communities through the increased provision of jobs. The Proposed Development seeks to support all of these principles of sustainable growth.

²³ Westminster City Council (2015) Economic Development Strategic Framework

²⁴ *Ibid*, page 6

²⁵ *Ibid*, page 26

4. Local Economic Context

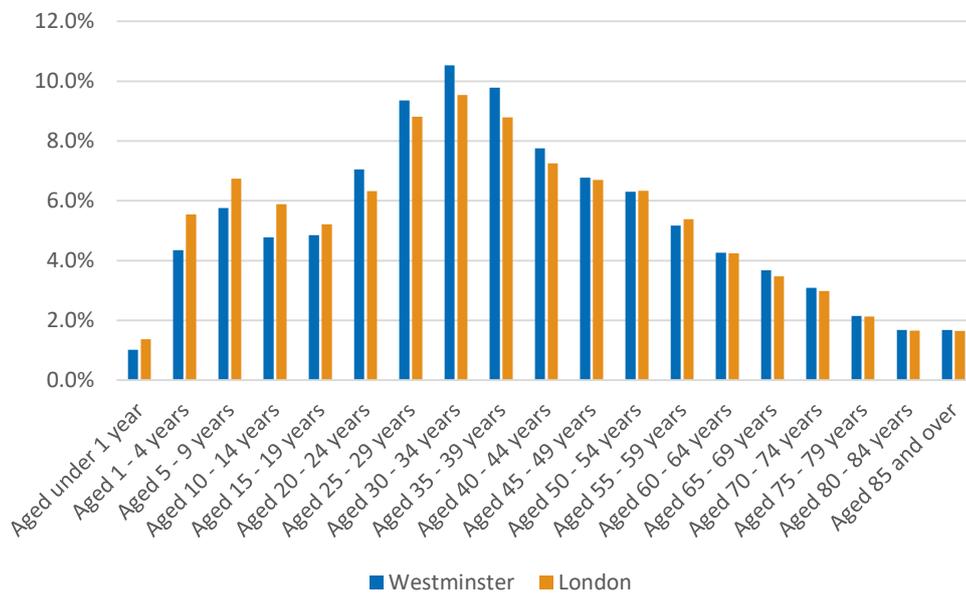
Building on the policy review of economic objectives, it is important to understand the underlying socio-economic context of the development and the drivers of the housing market at a high level. This allows the assessment of construction and operational impacts to be benchmarked against the current economic performance of the impact areas.

Residential Population

There is a higher than average proportion of young people living locally

- 4.1 There is a higher proportion of young adult residents (aged between 20 and 39 years old - 36.7% of population) in the borough compared to the London average (33.5%)²⁶. This can be in part explained by the number of universities situated in the borough as well as its young professional population.
- 4.2 In terms of other key economic indicators, across the borough 70.9% of the population is of working age (16-64 years old) which is slightly higher than the London average (67.5%). The proportion of those who are over 65 years old is 12.3%, which is slightly higher than the London average (11.9%).

Figure 4.1: Age Profile for Westminster



ONS (2018) Annual Population Estimates

²⁶ ONS (2018) Annual Population Estimates

Higher levels of economic inactivity is reflective of the student population

- 4.3 Amongst the resident population, there are currently 137,100 people in the borough who are economically active. This represents 76.2% of those who are 16 and over living the borough²⁷. This is slightly lower than the London average of 78.1%. Of those who are economically active in Westminster, 72.8% are in employment. Again, this proportion is slightly lower than the London average (74.4%). Overall in terms of these labour-force indicators Westminster performs slightly worse than the London average, but not by a significant margin²⁸.
- 4.4 The rate of economic inactivity is slightly higher in Westminster (23.8%) compared to London (21.9%), but only by a small margin. This is driven by the higher than average student population living in the borough attending institutions such as Westminster Kings College, the London School of Economics, Imperial and the University of Westminster. Overall, 43.6% of those who are economically inactive in the borough are classified as being students, whereas across London the average proportion of those being economically inactive and students is 32.4%²⁹.

The local labour force is professional and highly skilled

- 4.5 The economic profile of the residential population in Westminster is varied in terms of the occupational profile. The Westminster Economic Development Strategy³⁰ notes, for example, that there is a mixed occupational structure, ranging from highly skilled managerial and professional jobs, to administrative business services, and service industry jobs in hospitality, retail etc³¹.
- 4.6 Overall there is a notably higher proportion of residents who have managerial, professional or associate professional occupations (74.7%) than compared to London (58.7%) or the national average (47.4%). Conversely, there are fewer residents with process plant, or elementary occupations (5.5%), compared to London (8.1%) which is likely to be reflective of the jobs profile of the borough.
- 4.7 In terms of qualifications, this mirrors the occupation profile. There is a greater proportion of the population who have qualifications of NVQ4 and above (66.7%) compared to London (53.1%). However, the proportion with no qualifications (6.9%) is broadly in line with the London (6.6%) and national average (7.8%), therefore this doesn't show a distinctive diversion from the average.

A high proportion of the residential population live in private rented homes

- 4.8 Across Westminster the largest tenure is private rented, which accounts for 39.7% of all households. This is higher than the average across London of 25.1%. Social housing accounts for 25.9% of households in the borough, which is in line with the London average (24.1%). Therefore the provision on site is broadly reflective of the borough and London proportion of social housing.

²⁷ ONS Annual Population Survey (Oct 2018-Sep 2019)

²⁸ ONS Annual Population Survey (Oct 2018-Sep 2019)

²⁹ ONS Annual Population Survey (Oct 2018-Sep 2019)

³⁰ Westminster City Council (2014) Local Economic Assessment

³¹ Westminster City Council (2014) Local Economic Assessment

Employment Profile

- 4.9 There are a total of 715,000 employee jobs in Westminster currently, of which the largest industry is Professional, Scientific and Technical Activities with 121,000 employee jobs (16.9% of employment) followed by Accommodation and Food Services with 93,000 employee (13.0% of employment).
- 4.10 The following analysis has been undertaken for those sectors which the Proposed Development will specifically influence:
- **Construction** - There are currently 15,000 employee jobs in construction within Westminster. This represents 2.1% of all jobs within the borough. At a London level construction jobs make up a higher proportion of all jobs at 3.6% of total employment³². Over the last 4 years (2015 – 2018 inclusive) the number of construction jobs in London has increased by 43,000 from 141,000 to 184,000; this represents an increase of 30.5%. The rate of construction employment growth in Westminster has been slower at 7.1% over the same time period³³.
 - **Retail and Food Services** – “Westminster is an international office and retail destination” from larger retail units on Oxford Street including major department stores (such as John Lewis) to small scale retail³⁴. The retail sector accounts for 76,000 jobs and the Accommodation and Food Services sector accounts for 93,000 jobs in Westminster. Together these sectors account for 23.6% of all jobs in the borough, which is higher than the London average of 20.4%³⁵.
 - **Social care sector** – Adult social care and residential care is categorised within ‘Human Health and Social Work Activities’. This sector is underrepresented in Westminster compared to the London average; accounting for only 4.6% of total employment in the borough, compared to 10.3% across London³⁶.
 - **Administration** – ‘Administrative and support service’ jobs play an important role supporting the professional services within the borough. There are currently 58,000 jobs within this industry within Westminster which accounts for 8.1% of total employment in the borough³⁷. It is important to note that this is lower than the London average of 10.9%.

Economic Output

- 4.11 The economic sectors considered as part of the baseline assessment of the employment and labour market are considered again in terms of their economic output. Table 4.1 shows that the average Gross Value Added (GVA) (the value of goods and services produced in an area, industry or sector of an economy) per FTE worker across these sectors is £83,527 for Westminster and £89,297 for London. In terms of

³² ONS Business Register and Employment Survey (2018)

³³ ONS Business Register and Employment Survey (2018)

³⁴ Westminster City Council (2014) Local Economic Assessment

³⁵ ONS Business Register and Employment Survey (2018)

³⁶ ONS Business Register and Employment Survey (2018)

³⁷ ONS Business Register and Employment Survey (2018)

the individual selected sectors, 'recreation' (e.g. leisure activities and services) is just under the average and construction just over the average³⁸. This indicates that construction is a high value sector in both London and Westminster.

Table 4.1: Gross Value Added (GVA) per full-time equivalent (FTE) worker (Source: Experian 2020³⁹)

Industry	£GVA per FTE 5 year rolling average 2015-2019
Construction	£101,663
Retail	£51,971
Recreation	£76,255
Accommodation & Food Services	£37,090
Administration	£48,813
Residential Care	£32,041
Westminster Average	£83,527
London Average	£89,297

Source: Experian (January 2020) Local Quarterley Forecasts

Summary

- 4.12 Westminster has a relatively young adult population, with a higher than average number of students and young professionals, in part as a result of the academic institutions located within the borough. The population is highly skilled and therefore plays an active role in the economy in Westminster and more widely across London. Alongside this, there are challenges identified in the borough: there is a large proportion of the population privately renting or living in social housing, so providing secure and high quality housing is an priority for WCC.

³⁸ Experian (January 2020) Local Quarterley Forecasts

³⁹ Experian (January 2020) Local Quarterley Forecasts

5. Economic Impact during Construction

Construction investment and project delivery will result in economic benefits to the labour market and wider economy, measured through Gross Value Added (GVA). This section applies government guidance and industry best practice to capture the economic contribution of the Proposed Development during the construction phase. A full methodology is provided in Appendix 1.

Construction Employment

- 5.1 It is estimated that once construction of the Proposed Development commences it will complete take seven years to complete. This investment has the capacity to support approximately 885 person-years of direct employment with the construction sector⁴⁰. This equates to an average of 125 full-time equivalent (FTE) construction jobs on and off-site over the construction period (gross FTE jobs).
- 5.2 Of the new construction jobs created on site not all will be additional to the local and wider impact area. A proportion of jobs will be taken by those living outside of Westminster or the wider impact area (referred to as 'leakage') and a proportion of jobs be taken by those already working on construction projects locally (referred to as 'displacement')⁴¹. After assumptions regarding leakage and displacement have been applied, as set out the methodology, the number of direct jobs supported is estimated to be 70 FTE jobs across London, of which up to 10 FTE jobs are likely to be taken by those living in Westminster based on current trends.
- 5.3 The positive economic impacts of the Proposed Development will extend beyond construction employment to include the generation of indirect benefits for the local economy. By investing in the development, there will be considerable expenditure on construction materials, goods and other services that will be purchased from a wide range of suppliers. This expenditure has far-ranging benefits both locally and further afield as it filters down the supply chain, and via the induced impacts of employment, through onward expenditure.
- 5.4 The result is that the initial investment in the Proposed Development is amplified in an economic 'multiplier' effect with linked benefits in terms of generated expenditure spent locally on goods and services. This will bring indirect employment and financial benefits for local individuals and firms involved in the skilled construction trades and associated professions.
- 5.5 The construction of the Proposed Development could be expected to support a further 35 FTE jobs across London via indirect and induced effects, including contracts within the supply chain, salaries and onward expenditure.
- 5.6 The net additional impact describes the total economic impact. It is the sum of the direct and indirect employment impacts. The assessment finds that a total of 105 net

⁴⁰ The estimation of construction employment is based on an investment of approximately £300 million into the construction phase.

⁴¹ Assumptions regarding leakage and displacement are in line with the HCA Additionality Guide 4th Ed. (2014)

additional FTE positions could be generated across London during the construction period. This is inclusive of up to 10 jobs in Westminster which reflects the labour market dynamics typical of this area.

Table 5.1: Construction Phase Net FTE Employment Generation

Net FTE Employment Generation	Westminster	London
Person-years of Employment	885	885
Gross FTE Employment ¹	125	125
Direct FTE Employment ²	<10	70
Indirect / Induced FTE Employment ³	<10	35
Net Additional Employment (Total)	<10	105

¹ Number of jobs directly generated by construction activity on and off site.

² Not all jobs will be 'additional' to the local or wider impact areas. Some jobs will be taken by those living further away (referred to as 'leakage') or by those already working on a construction project (referred to as 'displacement'). The 'direct employment' accounts for these assumptions.

³ Additional jobs can be created indirectly through supply-chain expenditure; referred to as a 'multiplier effect'.

New Entrants to Construction Industry

- 5.7 WCC has published guidance on creating an “inclusive local economy and employment”. This guidance note clarifies the council’s position in respect of the implementation of the current adopted City Plan policy ‘Inclusive Local Economy and Employment’ (Policy S19). This replaces WCCs previous guidance on the ‘Code of Construction Practice’.
- 5.8 Within the guidance, WCC benchmarks the number of new entrants to the labour market (including apprenticeships and local employment) against the construction value. Based on a project value of £300 million⁴² the scheme would support 100 new entrants to the labour market over the total construction period.
- 5.9 Table 5.2 outlines these benchmarks against the construction value of the proposed scheme. It is important to note that WCC states that all contributions will be negotiated as part of an S106 agreement and therefore the figures presented are indicative only.

⁴² Reflecting the lower end of the projected construction cost and therefore presenting a minimum number of entrants supported

Table 5.2: Employment and Skills Using WCC Benchmarks

Employment and Skills Area	Number of roles ¹
Work Experience (14-19)	8
Work Experience (19+)	21
Curriculums Support Activities – Individual Engagement	14
New entrants (e.g. Apprentices and Local Employment)	100 ²
Existing Apprentices	14
Apprentice Completions	10

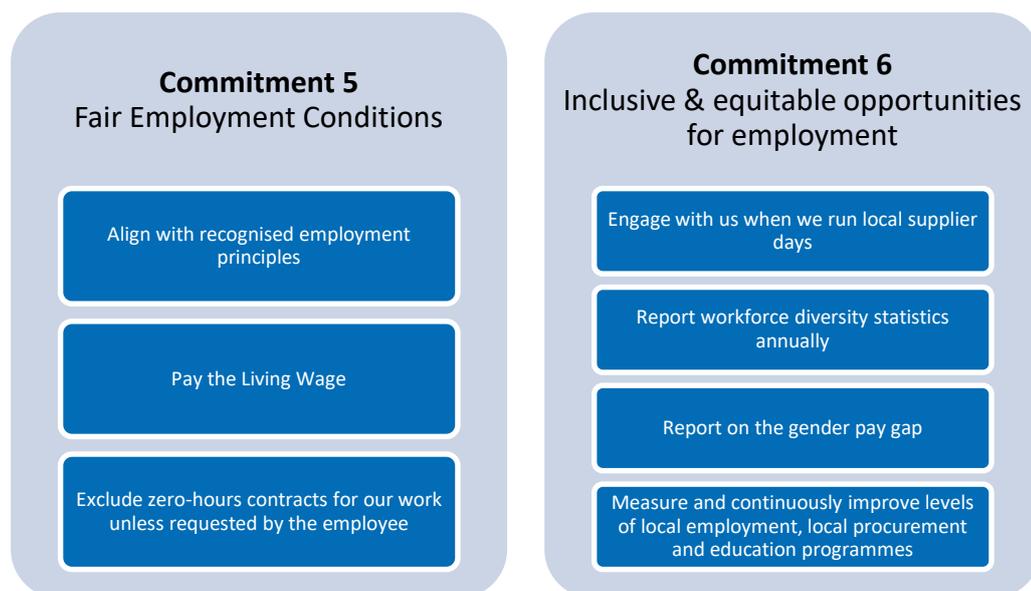
Source: WCC (2019)

¹WCC have a target of a minimum of one apprenticeship/job/graduate start must be provided for every £3 million in contract value. Targets for curriculum support and work experience is also set out in Appendix 1 and follows the CITB guidelines. Benchmarked on an estimated construction value of £300 million

² One new entrant for every £3 million of project spent. Priority is entrants from Westminster followed then by Boroughs involved in the CLF Construction Careers Programme.

- 5.10 This expectation from WCC is in line with the existing corporate commitments of Grosvenor, as outlined in their Supply Chain Charter. This Charter outlines how Grosvenor expects their supply chain to work with them to deliver social and environmental value in the areas where Grosvenor operate.
- 5.11 Two of the 12 areas of commitment, include ‘fair employment conditions’ and ‘inclusive and equitable opportunities for development’. Examples of supplier commitments are outlined below.

Figure 5.1: Standard Requirements of Grosvenor Suppliers



Source: Grosvenor Supply Chain Charter

Workforce Expenditure

- 5.12 Construction workers will also make a positive contribution to the local economy as consumers. Using professional judgement, a conservative estimate was made that during construction, 60% of the workforce would spend £6 per day on food and drink on 232 days per annum. The 232 working days was based on the assumption that a FTE employee works five days a week, with four weeks holiday and eight bank holidays off per year. Overall, this equates to a total of £174,000 spent per annum of construction at the local-level.

Creation of GVA to the local and wider economy

- 5.13 The construction phase of the Proposed Development will generate a significant increase in GVA. GVA measures the value of output created (i.e. turnover) net of inputs purchased, and is used to produce a good or service (i.e. production of the output). This provides a measure of economic productivity.
- 5.14 The estimated construction capital expenditure associated with the Proposed Development could deliver a net additional £16.0 million GVA per annum contribution to the regional economy during construction, of which circa £12.9 million per year is estimated to contribute to the growth of the Westminster economy during the construction period. Over the total construction period, this translates into £111.9 million GVA in London and £90.2 million GVA in Westminster. This is summarised in the following table.

Table 5.3: Construction Phase Net GVA Generation (Per Year of Construction)

Net FTE Employment Generation	Westminster	London
Direct GVA Impact (per annum)	£12,800,000	£12,800,000
Indirect / Induced GVA Impact (per annum)	£100,000	£3,200,000
Total Net Additional GVA Impact (per annum)	£12,900,000	£16,000,000
Total Net Additional GVA Impact (total construction period)	£90,200,000	£111,900,000

Figures may not appear to sum due to rounding

Summary

- 5.15 The construction phase of the Proposed Development is estimated to deliver the following economic benefits:
- **Temporary employment will be directly supported by the construction works.** An average of 105 FTE jobs supported throughout the Proposed Development's circa seven year construction phase. Of this total 70 direct FTE jobs are likely to be additional the wider impact area of London, of which a small proportion will directly benefit those living in Westminster reflecting current employment trends;

- **Spin-off benefits will be generated within the economy.** Expenditure on supply chain activity and worker expenditure will result in indirect and induced effects in the London economy equating to 35 FTE jobs;
- **Opportunity for apprenticeships and trainee schemes.** In line with WCC’s vision to create an “inclusive local economy and employment”, the expectation is that a scheme of this value and scale would support 100 new entrants to the labour market (for example, this could include apprenticeships);
- **Workforce expenditure impacts in the local economy.** It is estimated that construction workers are likely to spend a minimum of £174,000 each year at the local-level on convenience food and drink throughout the day; and,
- **Construction employment will drive economic output in Westminster and London.** Total construction phase productivity (GVA) contribution of £111.9 million across London, including £90.2 million generated in Westminster over the total construction period (circa 7 years).

6. Operational Impact once Complete

This section presents the quantified impacts likely to be generated during the operational phase. The assessed impacts include full-time equivalent (FTE) jobs and economic productivity impacts, which is measured as Gross Value Added (GVA), plus impacts on local authority revenue and resident expenditure. A full methodology is provided in Appendix 1.

Employment Impacts from Commercial Development

Creation of new long-term employment opportunities

- 6.1 As discussed in Chapter 2, the flexibility of the planning permission means that the exact parameters in terms of uses have not yet been confirmed. Therefore there are two options in terms of the homes for older people element (Block A) which will affect employment outcomes:
- **Scenario 1** presents the level of employment generated if the maximum independent living is delivered. This type of use has a lower employment density as the care needs of the community are less.
 - **Scenario 2** presents the level of employment generated if the maximum assisted living is delivered. This type of use has a higher employment density as the care needs of the community are greater and similar to a traditional nursing home.
- 6.2 The following table outlines the employment which would be generated by the different aspects of the scheme. In total, the scheme is estimated to generate between 163 and 258 FTE jobs depending on the delivery of Scenario 1 or Scenario 2 respectively.

Table 6.1: Gross Employment On-site

Description	Floorspace (sqm GIA)	Job Density (sqm GIA per FTE employee)	Gross FTE Jobs	Gross FTE Jobs (rounded to nearest 5)
Homes for Older People	20,003	n/a	32 - 127	30 - 125
Retail (Class A1)	1,070	24	45	45
Retail / Restaurant/ Drinking Establishment / Office (Class A1/A3/A4/B1)	1,539	24	66	65
Retail/Office (Class A1/B1)	413	24	18	20
Community (Class D1)	154	45	3	5
Cinema (Class D2)	846	200	4	5
Existing Employment	n/a	n/a	-5	- 5
Total jobs on-site		n/a	163-258	165-260

Note:

Permission is for flexible use of some floorspace. However, for the purpose of presenting the 'worst case' it has been assumed to be A class use for the assessment as these have a lower employment density than B1.

Floorspace figures are presented using the RICS GIA sqm method. See Design and Access Statement, Appendix.

- 6.3 Of the new jobs created on-site not all will generate additional benefits to the local and wider impact area. A proportion of jobs will be taken by employees living outside of Westminster or London (referred to as 'leakage') and a proportion of jobs be taken by those moving from local businesses or employers nearby (referred to as 'displacement')⁴³. Therefore assumptions regarding leakage and displacement are in line with the HCA Additionality Guide (2014), as outlined in the methodology.
- 6.4 After assumptions regarding leakage and displacement have been applied, as per HCA guidance, it is estimated that 114– 178 direct FTE jobs would be taken up by residents of Greater London inclusive of 6 – 10 FTE jobs that are likely to be taken by those living in the Westminster area. The assumptions with regards to leakage reflect current data on commuting patterns. Given the nature of the scheme there is potential for local residents to take up positions within the new commercial spaces provided on-site.
- 6.5 The operation of the Proposed Development will have indirect and induced effects through supply chain spending and procurement as well as onward spend of employees. For example, food supplies to the restaurant or delivery of goods to the retail units. Therefore the direct effect is amplified, resulting in a multiplier effect. It is

⁴³ Assumptions regarding leakage and displacement are in line with the HCA Additionality Guide 4th Ed. (2014)

estimated that an additional 57 - 89 indirect and induced FTE jobs would be generated across Greater London, of which up to 2 are likely to be taken by those living in Westminster.

- 6.6 The net additional impact (total of direct and indirect/ induced effects) is the creation of 170 – 266 FTE jobs in Greater London, of which around 10 FTE jobs are likely to be taken by those living in Westminster.

Table 6.2: Operational Phase – Employment Generation

Description	Scenario 1		Scenario 2	
	District level	Regional level	District level	Regional level
Gross FTE Employment (on-site)	163	163	258	258
Direct FTE Employment (FTE)	6	114	10	178
Indirect / Induced FTE Employment	2	57	2	89
Total Net Additional FTE Employment	8	170	12	266

Source: Turley Economics 2020 Note: Figures may not appear to sum due to rounding

Creation of GVA to the local and wider economy

- 6.7 The operational phase employment supported by the Proposed Development will positively contribute to the economic productivity of Westminster and Greater London. Through its operation, the Proposed Development could deliver an annual uplift in productivity – measured in GVA contribution – of circa £9.8 - £16.3 million to the regional economy, of which £1.9 - £5.6 million a year could be local to Westminster. This is summarised in the table below.

Table 6.3: Operational Phase - GVA Generation Per Annum

Description	Scenario 1		Scenario 2	
	District level (£ millions)	Regional level (£ millions)	District level (£ millions)	Regional level (£ millions)
Direct GVA Impact	£1.7	£4.9	£5.4	£8.6
Indirect / Induced GVA Impact	£0.1	£4.9	£0.2	£7.7
Total Net Additional GVA Impact	£1.9	£9.8	£5.6	£16.3

Source: Turley Economics 2020 Note: Figures may not appear to sum due to rounding

Fiscal Benefits to Borough

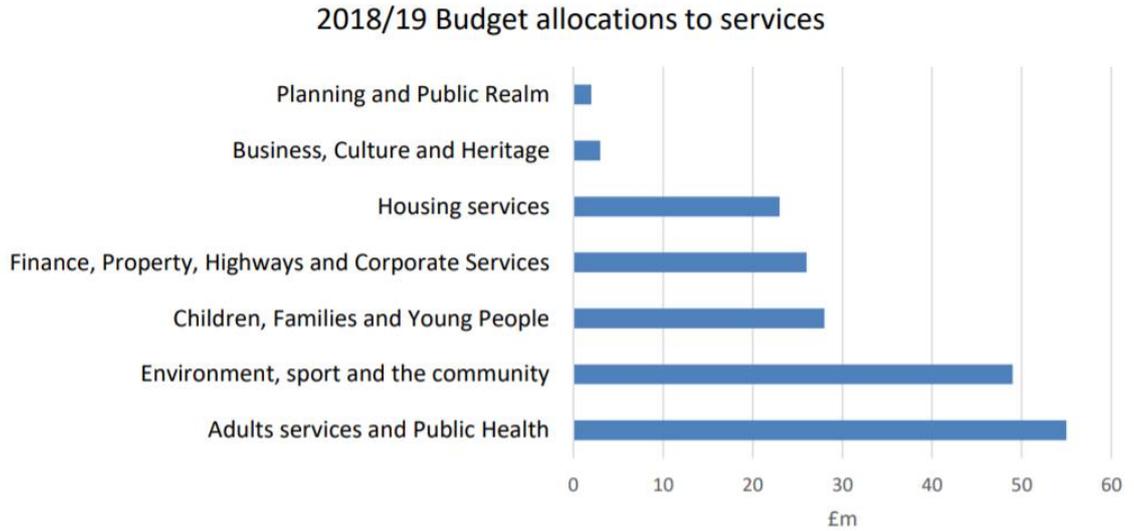
Business Rates

- 6.8 Businesses pay non-domestic rates (known as business rates) to contribute to the cost of the local authority providing public services within which the business property is situated. The Government has introduced a Business Rate Retention Scheme (BRRS), which became operational in April 2013. It provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and local services.
- 6.9 Local authorities are now able to keep at least 50% of the growth in business rates revenue that is generated in their administrative area. The Government's intention is that this will provide a strong financial incentive for local authorities to promote economic growth, as well as providing a greater degree of discretion in terms of how this additional revenue is spent. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020. This is being piloted in a selection of local authorities. Over the longer term the Government has announced its intention to move to 100% retention by local authorities.
- 6.10 It is estimated that the Proposed Development would generate up to approximately £430,000 in business rate revenue per annum.

Council Tax

- 6.11 The Proposed Development is expected to generate circa £53,700 in additional Council Tax payments annually to WCC once fully occupied, equating to circa £522,250 net over 10 years at anticipated 2018/19 rates. This could provide a source of revenue funding for Westminster City Council in order to deliver public services as well as investing in maintaining and enhancing infrastructure within the locality.
- 6.12 In the previous financial year (2018-2019), WCC collected £54.7 million in Council Tax receipts, which has grown from £45.8 million in 2014-2015. These Council Tax receipts are used to fund a number of local services. In the last financial year (2018/2019) the largest proportion of this revenue was spent on adult services and public health. This is shown in the extract from the latest WCC annual accounts shown in **Figure 7.3**.

Figure 6.1: Extract from the WCC Annual Accounts (2018-2019)



Source: Westminster City Council (2019) Annual Accounts 2018/19

Expenditure Benefits from new Residents

Expenditure by New Residents living in General Housing

6.13 Once complete, it is estimated that there will be 382 people living in the general residential housing (affordable and market) within the Proposed Development. There are currently 285 existing residents living on the Site in the Cundy Street flats, Walden House and the Coleshill Flats (basement). Therefore the development will result in an uplift of 97 residents living on the Site who will contribute in a beneficial way to the local economy. These figures remain the same for Scenario 1 and 2.

Table 6.4: Uplift in number of residents

Number of existing residents	Number of residents post completion	Uplift in number of residents
285	382	97

Source: Information provided by Grosvenor in March 2020; GLA Population Yield Calculator (version 3.2)

6.14 Of the additional 97 residents living on the Site, it is estimated that approximately 71% (or 53 residents) will be in employment. This is based on Westminster’s economic activity figures published in the Annual Population Survey⁴⁴. In the interests of providing a conservative estimate of expenditure, it is assumed that the employed residents will lead to increased expenditure in the economy at a local and district level.

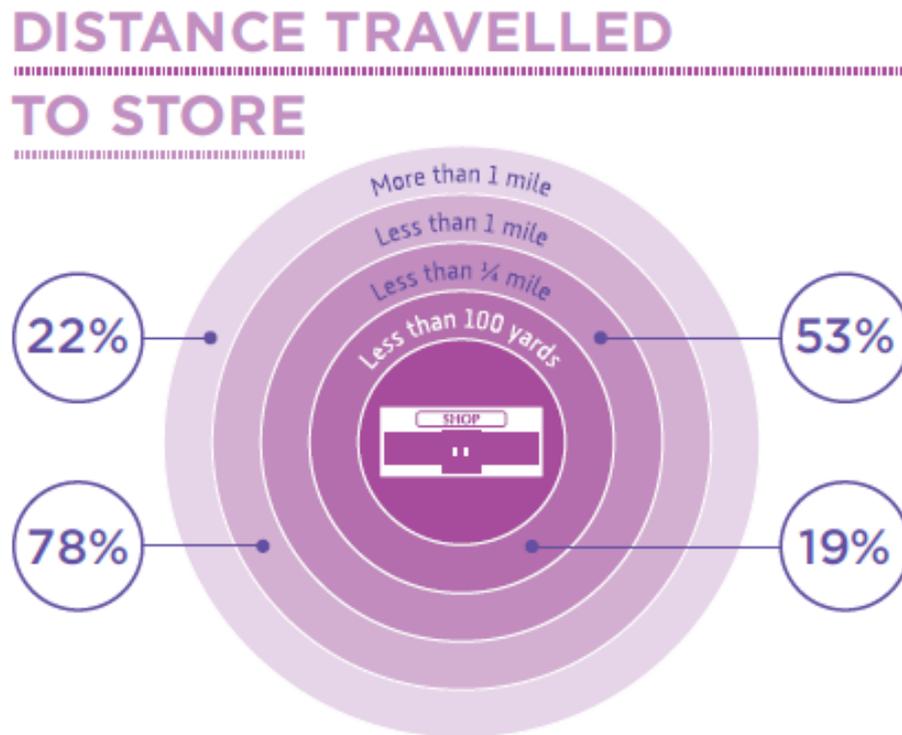
6.15 Oxford Economics estimate that households in Westminster spend an average of £11,356 annually per person on convenience and comparison retail goods and services.

⁴⁴ Annual Population Survey (Jul 2018-Jun 2019)

On the basis of each employed resident spending this amount (as opposed to each resident), the Proposed Development could generate an uplift in total retail expenditure of £600,000 each year on convenience and comparison goods and services.

- 6.16 A proportion of the convenience expenditure is likely to be spent in local shops in close proximity to the development. As outlined in the methodology, research published by the Association of Convenience Stores⁴⁵ showed that 78% of people travel less than a 1 mile to access their local shop. After applying this assumption to the assessment, it can be estimated that of this additional spend, £160,000 will be spent at local convenience shops within 1 mile of the development each year. The findings of the research are illustrated in Figure 6.2.

Figure 6.2: Distance travelled to local convenience store



Source: Association of Convenience Stores (2017) 'The Local Shop Report'

- 6.17 In addition, it is estimated that households in the local area spend an average of £6,939 annually on leisure goods and services⁴⁶. The Proposed Development could therefore generate an uplift in expenditure of £370,000 on leisure goods and services each year.

⁴⁵ Association of Convenience Stores 'The Local Shop Report' (2017)

⁴⁶ PBBi Leisure and Retail Expenditure (2019)

- 6.18 Overall a total of £970,000 per annum on leisure and retail expenditure will be generated by an uplift in 53 employed residents, of which £160,000 per annum is likely to be at local shops within 1 mile of the development.
- 6.19 In addition to on going annual expenditure, there is also likely to be one-off expenditure resulting from the 163 new households moving to the development (excluding those residing in homes for older people – Block A). Evidence published by the HBF estimates that households spend an average of £5,355 on furnishing and decorating supplies to ‘make a house feel like a home’ when they move⁴⁷. Therefore, new residents have the potential to generate a one off expenditure of circa £873,000 upon first occupation⁴⁸.

Expenditure by Residents living in Homes for Older People

- 6.20 In addition there will new residents living in the homes for older people component of the development (Block A). Under Scenario 1 (maximum independent living units) it is estimated that 167 residents will be living within this component. Whereas, if Scenario 2 is delivered (maximum assisted living) then it is estimated that 153 will be living within this component. This is calculated based on the approach set out in the methodology which applies the average number of people per household (by number of bedrooms) to independent living units and assumes single occupancy per room for assisted living.

Table 6.5: Number of residents in homes for older people⁴⁹

	Scenario 1 Number of residents	Scenario 2 Number of residents
Assisted Living (C2)	0	119
Independent Living (C3)	167	34
Total	167	153

Source: Annual Population Survey (Jul 2018-Jun 2019)

- 6.21 Those living in the homes for older people will also result in an uplift in expenditure within the local area. In the interests of generating a conservative estimate, only the expenditure generated by those living in independent living has been calculated; the assumption is that these residents are mobile and can independently go to the shops.
- 6.22 Research published by McCarthy and Stone in 2016 on ‘Extra Care Economic Benefits’ estimated that those living in Extra Care developments (equivalent to independent living) spend £250.16 per week on retail and leisure goods, which equates to £13,008 over the year. When applied to the Proposed Development, it is estimated that Scenario 1 would generate £1.2 million per annum retail and leisure expenditure and Scenario 2 would generate £300,000 per annum.

⁴⁷ HBF - Economic Footprint of UK House Building (2018)

⁴⁸ Nevertheless, this level of expenditure is considered to be a conservative estimate when reflecting on further evidence relating to a Barratt development in Middlesbrough, included within the HBF report, which indicates new homes generate higher levels of average ‘first occupation’ expenditure

⁴⁹ Based on the average number of people per dwelling (by number of bedrooms) as per 2011 Census

Total Expenditure Uplift

6.23 When general housing and homes for older people are considered together it is estimated that the uplift in residential expenditure under Scenario 1 would equate to £2.2 million annually and Scenario 2 would equate to £1.3 million annually.

Table 6.6: Total uplift in annual retail and leisure expenditure

	Scenario 1	Scenario 2
Expenditure by residents living in general housing (private, intermediate and social)	£970,000	£970,000
Expenditure by residents living in homes for older people (independent living)	£1.2 million	£300,000
Total	£2.2 million	£1.3 million

Source: Turley Economics 2020

Summary

6.24 The operational phase is estimated to generate the following economic impacts:

- **Long lasting employment supported by homes for older people, retail and leisure uses.** A conservative estimate of between 163 and 258 net FTE jobs will be accommodated on-site once operational, including accounting for loss of existing jobs currently supported on the Site;
- **Additional employment from both direct and indirect effects.** A total of 170 - 266 net additional operational phase FTE jobs for London residents, in a variety of roles and occupations;
- **Economic output for the economy over the long term.** Net additional productivity impacts equating to an annual GVA uplift of £9.8 - £16.3 million for the London economy, including £1.9 - £5.6 million generated within Westminster;
- **Measuring fiscal impact on local authority revenue.** Annual net additional business rate uplift of £430,000 per annum for collection by Westminster City Council and £53,700 collected through additional Council Tax;
- **Expenditure generated by all residents, of which a proportion will be local.** In total those living across both general housing and homes for older people will generate between £1.3 and £2.2 million per annum in retail and leisure spend; and,
- **Additional one-off expenditure by new households.** One off expenditure of circa £873,000 upon first occupation to 'make a house feel like a home'.

7. Conclusions

- 7.1 This Economic Impact Statement has been prepared by Turley Economics on behalf of Grosvenor Estate Belgravia (the 'Applicant'). The purpose of the Economic Impact Statement is to assess and report the additional economic impact which the Proposed Development is estimated to generate for the local economy of Westminster and more widely across London. This Statement responds directly to the WCC validation requirement for an 'Economic Statement' to be submitted with a full planning application⁵⁰.
- 7.2 The construction phase of the Proposed Development will deliver the following economic benefits over the period of circa 7 years:
- **Temporary employment will be directly supported by the construction works.** An average of 105 FTE jobs supported throughout the Proposed Development's 7 year construction phase. Of this total 70 direct FTE jobs are likely to be taken by residents of the wider impact area of London, of which a small proportion will directly benefit those living in Westminster;
 - **Spin-off benefits will be generated within the economy.** Expenditure on supply chain activity and worker expenditure will result in indirect / induced effects in the London economy equating to 35 jobs;
 - **Opportunity for apprenticeships and trainee schemes.** In line with WCC's vision to create an "inclusive local economy and employment", the expectation is that a scheme of this value and scale would support 100 new entrants to the labour market (for example, this could include apprenticeships);
 - **Workforce expenditure impacts in the local economy.** It is estimated that construction workers are likely to spend a minimum of £174,000 each year at the local-level on convenience food and drink throughout the day; and,
 - **Construction employment will drive economic output in Westminster and London.** Total construction phase productivity (GVA) contribution of £111.9 million across London, including £90.2 million generated in Westminster over the total construction period (7 years).
- 7.3 The Proposed Development will generate the following long lasting economic impacts during the operational phase:
- **Long lasting employment supported by homes for older people, retail and leisure uses.** A conservative estimate of between 163 and 258 net FTE jobs will be accommodated on-site once operational after accounting for the loss of existing jobs;

⁵⁰ Westminster City Council (2017) Validation Checklist for Application for Full Planning Permission

- **Additional employment from both direct and indirect effects.** A total of 170 - 266 net additional operational phase FTE jobs for London residents, in a variety of roles and occupations;
- **Economic output for the economy over the long term.** Net additional productivity impacts equating to an annual GVA uplift of £9.8 - £16.3 million for the London economy, including £1.9 - £5.6 million generated within Westminster;
- **Measuring fiscal impact on local authority revenue.** Annual net additional business rate uplift of £430,000 per annum for collection by WCC and £53,700 collected through additional Council Tax;
- **Expenditure generated by all residents, of which a proportion will be local.** In total those living across both general housing and homes for older people will generate between £1.3 and £2.2 million per annum in additional spend; and,
- **Additional one-off expenditure by new households.** One off expenditure of circa £873,000 upon first occupation to 'make a house feel like a home'.

7.4 As well as generating the specific estimated economic impacts as stated above, the Proposed Development will make an important contribution to wider regeneration aims:

- **Creating sustainable communities.** This Statement has shown that Westminster has a unique set of policy priorities as the borough is required to serve the international community and preserve the global reputation of London while maintaining the commitment to the local communities which live in the borough. Grosvenor's 20 year vision is aligned to this ambition to create sustainable communities that support both the local community and wider strategic economic vision for the area.
- **Contributing to growth and change.** Belgravia is a location of change, particularly with the Victoria Opportunity Area gaining momentum in the new draft London Plan. The vision set out the draft London Plan and City Plans prioritises sustainable economic growth which will deliver high quality homes for all generations and create active communities through the increased provision of jobs and places for leisure. The Proposed Development seeks to support these principles of sustainable growth.

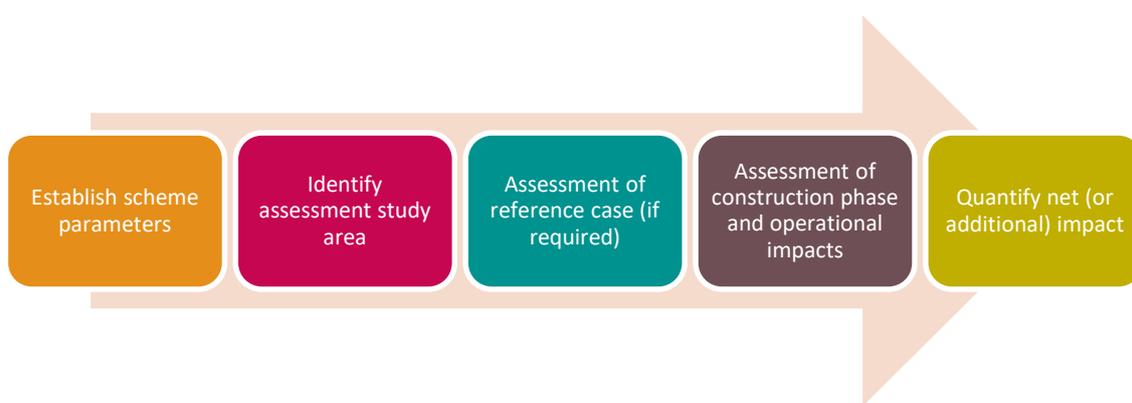
Appendix 1: Methodology

Overview of Approach

The economic assessment has been undertaken in accordance with best practice guidance, namely the HCA's *Additionality Guide (4th Edition)* (2014) and the *Employment Densities Guide (3rd Edition)* (2015). The following methodology has been applied to the assessment.

The following steps are taken when estimating the economic impact assessment of a given scheme:

Summary of Assessment Approach



Source: Turley Economics, 2020

Construction Phase

Construction-related employment

The estimated number of FTE (full-time equivalent) construction jobs is based on the following methodology. The construction cost, which has been provided by the client team, is divided by the annual average turnover per employee in the construction sector for Greater London in order to calculate the likely direct person-years of employment.

The total number of person years of employment generated directly by the construction programme is then divided by the number of years over which the construction of the project is envisaged, to give gross FTE jobs. Allowances for leakage and displacement are then made in order to calculate net FTE jobs generated by the development, and a multiplier is applied to estimate indirect and induced employment. The following assumptions are applied to construction-related employment:

- **Leakage** – For the ‘district level’ it is assumed that leakage would be 90%. This is based on guidance published by WCC recommending that up to “10% of the construction sector have to be from the local area”⁵¹. For the ‘regional-level’ it is assumed that leakage would be 25%; this is based on the containment data published in the 2011 Census for London.

⁵¹ Westminster City Council

- **Displacement** – For the ‘district level’ it is assumed that displacement would be 75% (defined as ‘high’ by HCA). For the ‘regional-level’ it is assumed that displacement would be 25% (defined as ‘low’ by the HCA). This is based on data on JSA Claimants which acts as a proxy for the latent labour market.
- **Multiplier** – Reflecting the HCA guidance, a composite multiplier of 1.25 is applied to the ‘district level’ and a multiplier of 1.5 is applied to the ‘regional-level’.

Gross Value Added from Net Additional Employment

The average annual GVA generated per FTE worker in the construction sector is calculated using Experian local market forecasts. This is applied to the net FTE construction jobs estimated to be generated by the Proposed Development to calculate workplace-based GVA. The all-sector annual average GVA generated per FTE workers in Westminster and Greater London has been applied to the number of indirect and induced jobs supported at each spatial scale in order to calculate the GVA generated by multiplier effects.

Direct, indirect and induced GVA is subsequently summed to calculate total net additional GVA per annum, which is then multiplied out by the number of years of construction to give a total construction phase productivity figure. The same assumptions applied to construction employment (regarding leakage, displacement and multipliers) are applied to calculating GVA.

Workforce Expenditure

Using professional judgement, a conservative estimate was made that during the Works, 60% of the workforce would spend £6 per day on food and drink on 232 days per annum. The 232 working days was based on the assumption that a FTE employee works five days a week, with four weeks holiday and eight bank holidays off per year.

Operational Phase

Gross on-site Employment

The assessment predominately draws on industry guidance, such as the HCA Employment Densities Guide⁵², in order to estimate the number of FTE jobs once the development is complete. The following method and assumptions have been applied to each employment use within the Proposed Development, reflecting a ‘worst case’ scenario to provide a conservative estimate:

- Retail or restaurant (A1, A3, A4 Use) – 20 sqm per FTE as per the Employment Densities Guide. This is also applied to flexible office use (B1)
- Cinema (D2 Use) – 200 sqm per FTE as per the Employment Densities Guide
- Community Space / General (D1 Use) – 45 sqm per FTE as per the report ‘London Employment Sites Database’⁵³
- Homes for older people (C2, C3 Use) – Employment associated with independent living has been estimated using research undertaken by McCarthy and Stone⁵⁴ on Extra Care (equivalent model to independent living). Employment associated with assisted living

⁵² Homes and Communities Agency (2015) Employment Density Guide 3rd Edition.

⁵³ CAG (2016) London Employment Sites Database

⁵⁴ McCarthy and Stone March (2014) Local Area Economic Impact Assessment

has been based on Turley Economics' previous experience of working with care home providers.

It is important to note that the permission for the redevelopment of the Coleshill Flats (basement) will be considered as 'flexible' within the application as either A1 (Retail) or B1 (office) uses. As such, the assessment will consider the 'worst-case' scenario, which is 100% A1. These units will only be redeveloped once vacated on a voluntary basis. The assessment is based on these units being redeveloped for commercial use and therefore presents the estimated annual economic impact once fully developed.

Net Additional Employment

To calculate the net direct, additional employment of the Development, the employment leakage outside of Westminster and Greater London and displacement were assessed. To assess the amount of employment leakage, commuting data from the 2011 Census was used. A percentage figure of 95% was assumed for leakage at the district level and 25% at a regional level based on this data. This presents a 'worst case' given that the type of commercial uses likely to be on-site could attract local labour.

Displacement is the extent to which the benefits of the Development are offset by reductions of output or employment elsewhere. A figure of 25% (low) was used to calculate the likely displacement at a district level and 10% (very low) at a regional level. This is based on data on JSA Claimants which acts as a proxy for the latent labour market.

Indirect and induced multipliers were used to measure the indirect and induced effects on employment of the Development. A composite multiplier at the regional level was used to assess the effect of both the indirect and induced multipliers. A multiplier of 1.5 was used, as it was considered that Greater London is likely to have 'average linkages' to the local supply chain. The indirect employment effects generated by the completed and operational Development include employment growth as a result of the purchase of goods and services by residents and employees located in the Development.

Gross Value Added from Net Additional Employment

The average annual GVA per FTE employee for the appropriate activities has been sourced from Experian and applied to the net additional operational phase jobs estimated to be generated by the Proposed Development. Indirect and induced GVA has been calculated on the basis of the average GVA per FTE worker figures for Westminster and Greater London.

Additional Number of Residents

The following approach has been adopted to calculate the number of existing and future residents:

- Number of existing residents – This information was provided by the client as part of the information request for the EIA;
- Number of new residents (general housing) – The number of residents is based on the GLA Population Yield Calculator (version 3.2). The calculator provides estimates by age and is adjusted for Inner London / PTAL 5-6;

- Number of new residents (homes for older people – independent living) – The number of residents was calculated separately as the age distribution of residents in the GLA calculator cannot be edited. This estimate is based on the average number of people per house by dwellings size, as per the 2011 Census; and
- Number of new residents (homes for older people – assisted living) – Given the increased care requirement for each resident, it is assumed that each assisted living unit is occupied by 1 person. This is based on Turley Economics’ previous care home experience.

Additional Household Expenditure

An estimation of the additional retail and leisure expenditure created by the Development was calculated by estimating the spending generated by future residents of the Development. This is based on an estimated average annual expenditure per household for convenience and comparison goods and leisure goods. Household expenditure figures are specific to Westminster⁵⁵. This analysis was applied to the additional residents estimated to be in employment residing in the Proposed Development to estimate only the uplift.

The proportion of expenditure likely to be spent in the local area (within 1 mile) is based on previous research undertaken by the Association of Convenience Stores in their report on ‘The Local Shop Report’ (2017).

Additional Council Tax Receipts

Council Tax revenues potentially attributable to the Proposed Development once occupied are estimated based on an assessment of the likely average current market value of dwellings included within the Proposed Development. These are rebased to the last valuation date of Q2 1991 in order to assign dwellings to a valuation band. Council Tax revenues accruing from the Proposed Development annually are then calculated, with reference to the latest Westminster City Council tax bands. Existing Council Tax paid by dwellings on-site has been deducted as part of the assessment.

Business Rates

The rateable values of the commercial floorspace at the Proposed Development was estimated with reference to average rateable values per sqm of nearby properties with similar uses. Total business rate receipts from the Proposed Development were subsequently calculated with reference to the Government’s business rate multipliers 2019/20.

⁵⁵ Pitney Bowes (2019) Leisure and Retail Expenditure by local authority

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