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Land West of White Post Road,
Banbury: Socio-Economic
Impact of New Housing
Development

A Report by Regeneris
Consulting

Gladman Developments Ltd

Land West of White Post Road, Banbury: Socio-Economic
Impact of New Housing Development

June 2015

Regeneris Consulting Ltd
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Contents Page

Executive Summary	i
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1. Introduction	1
------------------------	----------

2. Proposed Development in Context	3
---	----------

3. Key Policy Drivers	7
------------------------------	----------

4. Impact Assessment Framework	12
---------------------------------------	-----------

5. Employment Impacts	13
------------------------------	-----------

6. Other Impacts	17
-------------------------	-----------

7. Consequences of Failing to Deliver New Housing	18
--	-----------

Executive Summary

The Scheme

- i. Gladman Developments Ltd is seeking outline planning permission for the development of new homes on a site west of White Post Road in Banbury. White Post Road lies on the southern edge of Banbury, while the town itself is situated along the M40 around 30km northeast of Oxford. The proposed development consists of 280 dwellings, 84 (30%) of which would be affordable homes.
- ii. Regeneris Consulting has been commissioned by Gladman Developments Ltd to provide an independent assessment of the scheme's potential impacts.

Local Context

- iii. The Banbury and Cherwell district economy more widely faces a number of key socio-economic challenges over the next 10-15 years. The most pressing of these issues are:
 - **An ageing population** – Cherwell's population is set to age considerably over the coming years and at a faster rate than regionally and nationally. As older households tend to be smaller and spend less than working age households, this will have knock-on effects on the viability of local businesses and services
 - **A rising dependency ratio** – the combination of an increasing proportion of Cherwell's population in the 65+ and 0-15 age cohorts and a declining proportion of working age population will result in an increasing dependency ratio, which will place pressure on the working age population and additional pressure on the productive segment of the population to support greater demand for services, such as healthcare and pensions
 - **A shortage of affordable housing** – the district is experiencing a widening 'affordability gap' as residents are unable to gain access to market housing and an inadequate supply of affordable units are being built. Resulting adverse effects relate both to the area's labour supply as a result of reduced labour mobility and potentially a shortage of workers, and to the sustainability of its towns and villages
 - **Skills Shortages and Hard-to-Fill Vacancies** – there is an identified overdependence locally on declining manufacturing jobs and an overall lack of skills diversity. In tandem with the problem of hard-to-fill vacancies in higher skilled positions, these issues are impeding local economic growth.

Scope of the Assessment

- iv. The assessment uses the best available evidence from national and local sources to estimate the socio-economic impacts of the proposed development, and sets out how these impacts would contribute to addressing key socio-economic challenges for the area. These impacts include the temporary benefits associated with its construction, and its lasting impacts linked to residents' spending, labour supply and revenue generation. For the purposes of the assessment, the population of the scheme is assumed to be net additional to the area.
- v. The impacts are summarised in the diagram below.

Summary of Impacts

Land West of White Post Road, Banbury Socio-Economic Impact Assessment

CONSTRUCTION IMPACT

£36.1m



INVESTMENT IN CONSTRUCTION

FTE CONSTRUCTION JOBS ON AVERAGE PER ANNUM SUPPORTED OVER 5 YEAR BUILD PERIOD



The proposed development would create construction jobs when there are 95 Jobseekers Allowance claimants seeking work in the construction sector in April 2015

HOUSEHOLD SPENDING IMPACT



25 JOBS IN CHERWELL DISTRICT



ANNUAL HOUSEHOLD SPENDING IN THE LOCAL ECONOMY

HOUSEHOLD EXPENDITURE WOULD DIRECTLY SUPPORT 25 LOCAL JOBS



The development would support the continued viability of local retail and other businesses in Banbury and the surrounding area

DEMAND FOR SERVICES

The development would help sustain local services and facilities

up to 40 JOBS



SUPPORTED BY DEMAND FOR PUBLIC SERVICES ACROSS CHERWELL DISTRICT

NEW HOMES BONUS

Development supports investment in local infrastructure and facilities

£2.1m



TO CHERWELL COUNCIL OVER A SIX YEAR PERIOD THROUGH THE NEW HOMES BONUS SCHEME

LABOUR SUPPLY IMPACT

450-480

ESTIMATED 450-480 ECONOMICALLY ACTIVE RESIDENTS LIVING IN THE NEW DEVELOPMENT

Significance of Impacts

- vi. The proposed development would address a number of key risks and challenges to the economic and social sustainability of Banbury Town and the wider district.

Socio-Economic Challenges	Significance of Impacts
An Ageing Population A Rising Dependency Ratio	<ul style="list-style-type: none"> The development will target the family market through the provision of appropriate housing types and sizes Around 565 residents would be of working age.
Shortage of Affordable Housing	<ul style="list-style-type: none"> Up to 30% of the homes in the planned development will be affordable, providing much needed housing for workers in lower skilled/lower income occupations.
Skills Shortages and Hard-to-Fill Vacancies	<ul style="list-style-type: none"> Potential for the scheme to have a mix of residents across a range of occupational categories, including around 165-175 residents in higher managerial and professional occupations.

Consequences of Failing to Deliver New Housing

- vii. The proposed development should also be viewed in the context of its contribution to tackling the sustained undersupply of new housing which has become a key challenge for the UK. This issue has several social and economic impacts, including:
- Missed opportunities to capitalise on a recovery in the construction industry, which continues to be an important source of jobs and has wider economic multiplier effects
 - A lack of labour mobility and potential shortages of labour if people are constrained in moving to an area by high house prices and shortages of housing
 - High housing costs have a knock-on effect on consumer expenditure, with mortgage and rental payments representing a major drain on household disposable incomes
 - At its most extreme, a shortage of suitable housing in an area can contribute to overcrowded households and people living in substandard accommodation. Such issues are linked to a range of adverse social impacts ranging from lower educational attainment in children to mental and physical health problems.

1. Introduction

The Scheme

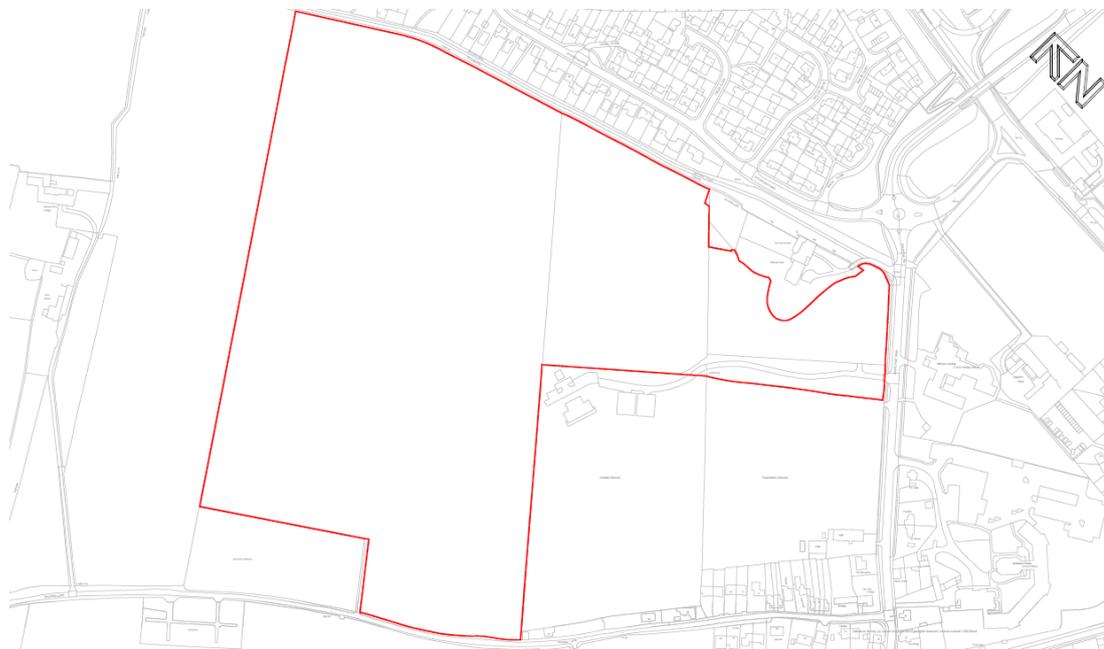
1.1 The proposed development is located on a site west of White Post Road in Banbury, in the district of Cherwell, Oxfordshire. The assessment is based on the indicative housing mix detailed in Table 1.1. The majority of the homes are suited to a family market, with a mix of sizes and types, and affordable housing accounting for 84 dwellings (30%).

Table 1.1 Indicative Housing Mix		
Affordable / Other	Size	No. of Units
Affordable Housing	1 bed	22
	2 bed	42
	3 bed	20
	Total affordable	84 (30%)
Market Housing	3 bed	20
	4 bed	106
	5 bed	70
Total	Total market	196 (70%)
		280

Source: Gladman Developments Ltd.

1.2 Figure 1.1 shows the red line location of the proposed development.

Figure 1.1 Proposed Development Site Location



Source: Gladman Developments Ltd

Scope of the Assessment

1.3 The report is structured as follows

- **Chapter 2** examines the key socio-economic risks and challenges facing Banbury and Cherwell. It also identifies the core economic development policy objectives for the area and how these relate to housing provision in particular
- **Chapter 3** provides a brief outline of the impact assessment method
- **Chapter 4** sets out the potential employment and labour market impacts of the proposed development
- **Chapter 5** summarises the potential wider benefits of the scheme
- **Chapter 6** highlights some of the key consequences of a failure to deliver new housing and the problems that arise with an under supply of housing.

2. Proposed Development in Context

Key Socio-economic Risks and Challenges for Banbury and Cherwell

2.1 The key socio-economic risks and challenges facing the local area, which new housing development can play a role in addressing, are examined below. These issues include both those which are locally specific and those in common with other settlements across the UK.

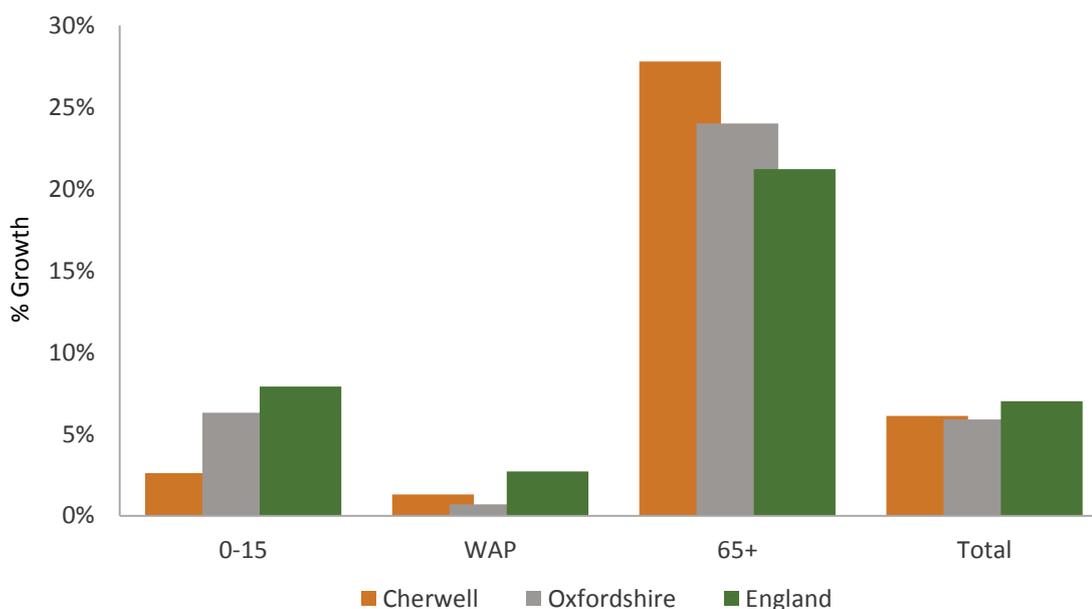
An Ageing Population

2.2 In common with the rest of the UK, Cherwell’s population is set to age considerably over the coming years. However, it is predicted that the district’s population will age faster than regionally and nationally. This will be the result of higher than average growth in the resident population of over 65s, below average growth in the population of 0-15 year olds and only negligible growth in the resident working age population (WAP).

2.3 According to the most recent (2014) ONS sub-national population projections, the population of Cherwell District is expected to grow by 6.1% between 2015 and 2025, similar to the expected growth rate across Oxfordshire (+5.9%) and nationally (+7.0%). However, as shown in Figure 2.1, this growth will primarily be driven by a 27.8% increase in the population over the age of 65. This is notably higher than the expected growth rate of this age cohort nationally (+21.2%). Inversely, there is projected to be only minor growth in the population aged under 15 (+2.6%) in Cherwell compared to more significant growth nationally (+7.9%) over the same period.

2.4 Although population projections are not available below district level, Banbury is expected to follow a similar trend to the district as a whole, given the similarities in terms of the current age structure. According to Census 2011, 65% of Banbury’s population is of working age and 14% are aged 65 and over, compared to 65% and 15% and district level respectively.

Figure 2.1 Population Growth Projections 2015-25 (% Growth)



Source: ONS (2014) 2012 Based Sub-National Population Projections

- 2.5 This ageing trend is recognised by the Council as a challenge with both social and economic implications, as highlighted in the Submission Local Plan, Housing Strategy and Sustainable Community Strategy¹. These implications for the economic and social sustainability of Banbury as well as the Cherwell District as a whole include:
- On average, older households tend to be smaller than working age households and there is a higher prevalence of single person households. Over time, this could imply fewer people using local services and facilities, an important issue in their long term sustainability
 - Smaller, older households tend to have lower levels of household expenditure than younger households, and consequently lower levels of spend. The most recent Living Costs and Food Survey data show that households with a head aged 30-49 had twice the weekly expenditure on average of households in which the head was over the age of 75²
 - At the same time, an increase in the number of local working residents retiring is likely to see increased demand for replacement labour. The implication is that employers would need to find workers with the appropriate skills and experience to replace retirees
 - Health and social care services also face increased demand as a result of an ageing population. Estimates from 2007-08 showed the average value of NHS services to a retired household was £5,800 compared to £2,800 for a working age household³.

A Rising Dependency Ratio

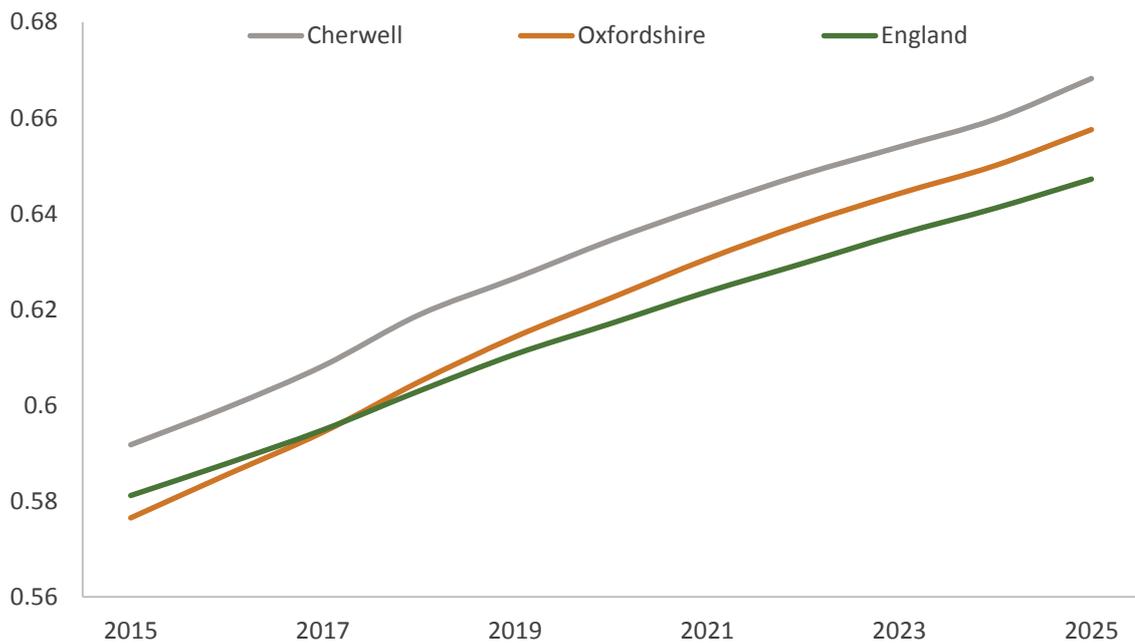
- 2.6 Although the working age population of Cherwell is projected to increase in absolute terms between 2015 and 2025, albeit by only 1.3% (+1,170 overall or +117 per year), working age adults as a proportion of the total population is expected to decline. This decline is primarily the result of the number of residents aged over 65 increasing at a much faster rate (+27.8%), as discussed previously. By 2025 it is anticipated that more than one in every five Cherwell residents will be over the age of 65.
- 2.7 The combination of an increasing proportion of Cherwell's population in the 65+ and 0-15 age cohorts and a declining proportion of working age population, results in an increasing dependency ratio. An increasing dependency ratio places growing pressure on the working age population and additional pressure on the productive segment of the population to support greater demand for services, such as healthcare and pensions. The dependency ratio for Cherwell is expected to increase by 13% from 0.59 to 0.67 over the next decade. As shown in Figure 2.2, this increase of the dependency ratio locally is at a faster rate than expected nationally.
- 2.8 Such limited growth in working age population may also lead to difficulties for local businesses and employers in terms of sourcing the necessary skilled labour force to meet their existing and future business needs. This, in turn, could lead, over time, to making the area a less attractive place to invest. The Sustainable Communities Strategy for Cherwell points to a simultaneous "erosion" of the younger population along with local employment and services.

¹ Cherwell Council (2015) Submission Local Plan and Proposed Modifications; Cherwell Council (2012) Housing Strategy; Cherwell Council (2010) Sustainable Community Strategy

² Office for National Statistics (2014) Family Spending 2014 Edition

³ House of Commons Library Research (2010), The Ageing Population

Figure 2.2 Dependency Ratio 2015-25



Source: ONS (2014) 2012 Based Sub-National Population Projections

Shortage of Affordable Housing

- 2.9 As with many areas across the UK, Cherwell is experiencing a widening housing ‘affordability gap’ due to a large number of people being unable to gain access to market housing coupled with an inadequate supply of affordable units being built. Evidencing this, the district’s lower quartile house price to earnings ratio currently stands at 8.6, more than double the ratio of 3.5 used by DCLG as indicating an affordable housing market. This figure suggest the existence of a clear challenge to first time buyers looking to take their first steps on the property ladder. Indeed the issue of affordable housing is addressed in local planning policy.
- 2.10 A shortage of affordable housing to rent or purchase has a number of adverse impacts on local economies and communities. These relate both to the area’s labour supply as a result of reduced labour mobility and potential a shortage of workers, and to the sustainability of its towns and villages. The impacts include:
- A lack of affordable housing which may be a barrier to younger, working age people living in the town, particularly those in lower skilled occupations which pay lower incomes. If such workers are unable to afford to live locally, this has the potential to create skills shortages in some industries, especially retail and leisure, which depend on a younger, lower income workforce
 - Potential shortages for employers in health and care services. As the area’s population ages, this will generate higher demand for health and social care services and there is a risk that local employers in these sectors could lack access to the labour force they will require to meet this demand
 - The risk that local economic growth potential is unmet, as recently (April 2015) highlighted by the Oxfordshire Chamber of Commerce’s president who stated that the housing crisis

was “affecting the economic health of the county and inhibiting its success”⁴. A survey of employers carried out in 2007 found that 17% of English companies believed that the undersupply of housing had a negative impact on their business, a figure which rose to 44% for London based companies⁵.

- 2.11 It is worth noting that although the submission Cherwell District Local Plan, based on the strategic housing market assessment, targets the delivery of 1,278 new homes per annum across the district between 2014 and 2031, only 410 new homes were delivered in 2013/14. Further, only 35 new homes were delivered in Banbury in 2013/14 compared to an annual target of 418 for the period 2014 to 2031. It is evident that a significant step change in housing delivery will be needed for the district to meet future housing targets and combat housing unaffordability.
- 2.12 By providing 30% (84 dwellings) affordable housing, the proposed development will contribute to the supply of affordable housing in the district. In addition, the new market housing of the scheme would contribute to alleviating house price inflation and creating a more affordable private housing market.

Skills Shortages and Hard-to-Fill Vacancies

- 2.13 The UK Commission for Employment and Skills (UKCES) carried out an Employer Skills Survey across England in 2011. According to their research the Oxfordshire Local Enterprise Partnership (LEP) had one of the highest proportions of businesses with a hard-to-fill vacancy. Only the “Enterprise M3” LEP which covers Hampshire and Surrey (8%) had a figure which exceeded Oxfordshire’s (7%). This was also the case for vacancies caused by skills shortages with proportions of 5% for Oxfordshire and 6% for Enterprise M3 respectively.
- 2.14 The extent to which Oxfordshire skills shortage vacancies are skewed towards managerial and professional positions far exceeds the average for the LEP regions as a whole. Around 70% of skills shortage vacancies in the Oxfordshire LEP are for manager, professional and associate professional positions compared to a 44% average nationally. The Cherwell District Local Plan also identifies overdependence on a decreasing stock of manufacturing jobs and an overall lack of skills diversity as an impediment to local economic growth. Housing development can be a key vehicle through which to attract skilled workers to the region to take up managerial and professional employment and consequently add to a more diverse skills base within the region.
- 2.15 UKCES found that the proportion of hard-to-fill vacancies were perceived by employers to be caused by either poor terms and conditions or remote location/poor transport was almost double the national average (32% versus 17%). It could be argued that both these factors are in some part affected by the lack of affordable housing. High affordability ratios for the region mean Oxfordshire based workers are unable to take low-paid employment and are also less able to relocate near their place of work, which means the remoteness and poor transport links become bigger obstacles.
- 2.16 According to respondents, these hard-to-fill vacancies are in turn causing lost business, increased operating costs and difficulties meeting customer orders as well as other problems that are ultimately detrimental to local economic growth. A more affordable housing market can address the problem of hard-to-fill vacancies and help to alleviate the consequences of the vacant positions and aid Oxfordshire business growth.

⁴ Online: m.oxfordmail.co.uk/news/12909211.High_house_prices_are_limiting_growth_of_countys_economy (last accessed 08/06/15)

⁵ Pryce, V. et al (2011) Investment in Housing and its Contribution to Economic Growth, FTI Consulting for Shelter

3. Key Policy Drivers

Housing on the National Agenda

3.1 The provision of more homes has been recognised by the Government as a policy objective of fundamental importance. Housing is ‘an integral part of the UK’s economic and social infrastructure, supporting labour mobility and providing a direct benefit to growth and jobs as new homes are built’⁶. The Government has introduced a number of policies and strategies in an attempt to bolster house building as well as to re-activate the housing market after a period of relative stagnation:

- The National Planning Policy Framework (NPPF) (2012) – reviewed below – this is the Government’s key planning document, with housing identified as an important factor in delivering sustainable development
- Investing in Britain’s Future (2013) - this document sets out a strategic plan for the long term delivery of infrastructure. Delivery of new homes and the revival of the housing market are seen as critical in supporting growth and competitiveness
- Fiscal Benefits to local authorities – new measures, such as the New Homes Bonus and Community Infrastructure Levy, generate direct fiscal benefits for local authorities as a result of delivering new housing
- Incentives for House Builders – there are also a number of incentives to developers through funds such as the £570 million Get Britain Building investment fund for stalled developments and the Build to Rent Fund.

National Planning Policy Framework (2012)

3.2 The NPPF sets out the Government’s planning policies and how these are expected to be applied. The presumption in favour of sustainable development is central to the NPPF. It is identified as ‘the golden thread running through both plan-making and decision-taking’ (para 14). Three dimensions of sustainable development are defined by the NPPF in setting out the role of the planning system:

- Economic – the planning system is able to perform an economic role through supporting growth and innovation
- Social – the planning system is able to perform a social role through supporting strong, vibrant and healthy communities. This includes providing the supply of housing required to meet the needs of present and future generations and through accessible local services that reflect the community’s needs and support its health, social and cultural well-being
- Environmental – the planning system is able to perform an environmental role through protecting and enhancing the natural, built and historic environment.

3.3 The NPPF notes that these roles are mutually dependent and so should not be undertaken in isolation: ‘to achieve sustainable development, economic, social and environmental gains should be sought jointly and simultaneously through the planning system’ (para 8).

⁶ HM Treasury (June 2013) *Investing in Britain’s Future*

- 3.4 Of particular relevance to assessment of the socio-economic benefits of the proposed development are the 'positive improvements' identified by the NPPF which the planning system should seek to achieve (para. 9).
- Making it easier for jobs to be created in cities, towns and villages
 - Improving the conditions in which people live, work, travel and take leisure
 - Widening the choice of high quality homes.
- 3.5 Local Planning Authorities should 'proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs' (para 17).

Economic Sustainability

- 3.6 Two elements of economic sustainability are particularly relevant to the proposed development and the impacts it would generate:
- Building a strong, competitive economy – the planning system is expected to encourage rather than impede sustainable growth and significant weight should be given to supporting economic growth. Planning policies should address barriers to investment including housing (para 21).
 - Ensuring the vitality of town centres - planning policies should promote competitive town centre environments and set out policies for the growth of centres. The NPPF stresses that 'residential development can play an important role in ensuring the vitality of centres' and that 'where town centres are in decline, local planning authorities should plan positively for their future to encourage economic activity' (para 23).

Social Sustainability

- 3.7 The NPPF highlights the need to support 'strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well-being' (para 7).
- 3.8 The following components of social sustainability are particularly relevant here:
- Delivering a wide choice of high quality homes – this should be achieved through ensuring the Local Development Framework sets the correct quantum of housing delivery to meet affordable and market housing need and identifying key sites critical to the delivery of this housing.
 - Promoting healthy communities – planning policies and decisions should support the development of healthy and inclusive communities. This includes planning positively for the provision and use of community facilities and local services, and ensuring that 'established shops, facilities and services are able to develop and modernise in way that is sustainable, and retained for the benefit of the community'. Notably, the NPPF places significance on guarding 'against the unnecessary loss of valued facilities and services, particularly where this would reduce the community's ability to meet its day-to-day needs'. This is reinforced through the requirement for local planning authorities to 'ensure an integrated approach to considering the location of housing, economic uses and community facilities and services' (para 70). Access to high quality open spaces and opportunities for sports and recreation is also seen as important.

Local Agenda

Submission Cherwell District Council Local Plan 2006-2031

- 3.9 The Local Plan sets out the Council's long term strategic 'spatial vision' for the district, containing the strategic spatial framework and policies to help deliver that vision. The proposed new Cherwell Local Plan was submitted to the Secretary of State for formal examination in January 2014. A number of proposed modifications have subsequently been submitted as part of the examination process, most recently in February 2015. The examination is now complete and the inspector's report has recommended the adoption of the plan subject to a number of modifications.
- 3.10 The Council's vision for Cherwell, as set out in the submitted Local Plan, is to create a more prosperous place where all residents enjoy a good quality of life, and where those who live and work in the district will be happier, healthier and feel safer. For this vision to be achieved, the council sets a number of goals, including a desire to:
- Develop a sustainable economy which will grow to provide more diverse employment for Cherwell's increasing population and reduce the need for residents to travel outside the district for work
 - Maintain and improve the vitality of the district's town centres as accessible economic, cultural and social hubs, offering improved leisure and shopping facilities as well as a diverse and vibrant evening economy
 - Build sustainable communities by facing the challenges of a growing and an ageing population and ensuring that the settlements of Banbury, Bicester and Kidlington offer a high quality of life and meet the needs of all sections of the population
 - Ensure that Cherwell can offer its communities a range and choice of good quality, market and affordable housing.
- 3.11 The Plan's spatial strategy is for most of the district's housing and employment growth to be directed within or immediately adjoining the main towns of Banbury and Bicester.
- 3.12 In discussing the objective of building sustainable communities, there is a recognition that the current housing situation is one of the key challenges facing Cherwell. The plan identifies housing as a "big concern" for the district, particularly the shortage of social and affordable housing. To tackle this and other issues facing the district, the plan sets out a number of strategic objectives, including:
- SO6 – To accommodate new development so that it maintains or enhances the local identity of Cherwell's settlements and the functions they perform
 - SO7 – To meet the housing needs of all sections of Cherwell's communities, particularly the need to house an ageing population, in a way that creates sustainable, inclusive and mixed communities
 - SO8 – To improve the affordability of housing in Cherwell and to provide social rented and intermediate housing to meet identified needs while ensuring the viability of housing development and a reliable supply of new homes
 - SO9 – To improve the availability of housing to newly forming households in rural areas
 - SO10 – To provide sufficient accessible, good quality services, facilities and infrastructure to meet health, education, transport, open space, sport, recreation, cultural, social and

other community needs, reducing social exclusion and poverty, addressing inequalities in health, and maximising well-being (pages 29-30).

- 3.13 The Plan sets a target for 21,734 new homes to be delivered across the district between 2014 and 2031 (equivalent to 1,278 per annum). The Plan's spatial strategy is for most of the district's housing and employment growth to be directed within or immediately adjoining the main towns of Banbury and Bicester, including delivering 7,106 new homes in Banbury between 2014 and 2031 (418 per annum). To meet affordable housing need, the Plan states that all proposed developments provided on sites suitable for 10 or more dwellings (gross) in Banbury will be expected to provide at least 30% of new housing as affordable homes on site.

Cherwell Housing Strategy 2012-17

- 3.14 This document reviews housing related issues across the district, setting out the Council's housing objectives and establishes priorities for action. It was produced during the drafting of the current submission Local Plan and so has likely been shaped by the same housing issues that still face the district. Through this strategy the Council makes a strong argument in favour of investment in housing and takes a proactive approach to responding to the district's housing challenges. Of relevance to the proposed development, the Strategy sets out six priority objectives, including:
- Increasing the supply and access to housing – this priority looks at all forms of housing supply across all tenures, looking at ways to not only create more housing to rent and buy but also ways to overcome barriers to accessing housing
 - Developing financially inclusive, sustainable communities – this priority highlights the link between the housing market and economic success, while recognising the importance of both financial and social sustainability linked to housing delivery.
- 3.15 The strategy is direct in stating that the council "need to increase overall housing supply". One of the reasons for this frankness is that the council recognise that many young people are unable to afford a home of their own due to: insufficient housing supply, unaffordable house prices, and difficulties raising a deposit and securing a mortgage.

Oxfordshire LEP Strategic Economic Plan 2014

- 3.16 This document acts as both Oxfordshire's strategic economic plan and the LEP's bid to Government for Local Growth Funding. At its core is the ambition to drive accelerated economic growth to meet the needs of a science and knowledge rich economy that places Oxfordshire at the forefront of the UK's global growth aspirations. The LEP hopes to achieve this ambition through increased business growth and productivity supported by accelerated housing delivery, better integrated transport, and a better qualified workforce, all underpinned by a high quality of place.
- 3.17 Although Oxfordshire is recognised as a highly successful area, particularly at national level, the plan highlights that the LEP is competing on an international stage where continued success cannot be taken for granted. While Oxfordshire makes a positive net contribution to the Exchequer as a result of academic excellence, global brand and quality economic assets, economic output is not growing at its full potential. It is noted that economic growth between 1997 and 2011 was around £500 million lower than expected. The plan sees this as largely due to infrastructure pressures attributable to an already successful economy: congestion, housing supply and affordability, skills and labour availability, and business costs.
- 3.18 Housing availability and affordability is a particularly important issue, with the plan highlighting that being able to attract the right workforce to match projected future growth will require an increase in housing provision across Oxfordshire. Local housing is seen to be at the limit of

affordability for many who live and work in Oxfordshire, with the narrowness of the housing model also creating a challenge to meet the needs of an ageing population, particularly in the rural areas. As a consequence, the LEP's strategic economic plan targets the delivery of between 93,560 to 106,560 new homes by 2031.

Economic Development Strategy for Cherwell 2011-16

- 3.19 This document sets out the direction the Council wishes to take in ensuring that the economy and society of Cherwell is prosperous and resilient. The Strategy's vision is to develop a diverse and resilient economic base with an appropriately skilled workforce that can adapt to challenges and opportunities, supported by a well planned and effective infrastructure of housing, transport, leisure and services.
- 3.20 As part of developing economic resilience, the Strategy is cognisant of the link between housing and the economy, highlighting the importance of matching housing growth with local jobs, transport to work, facilities and services. This involves planning effectively for the district's future workforce and employment patterns, focusing on improving the skills levels of residents and actively attracting the right businesses into the area. As a consequence, there is a desire to "enable a good supply of housing and a wide range of affordable housing opportunities to ensure that housing provision is able to support the development of the local economy" (page 38).

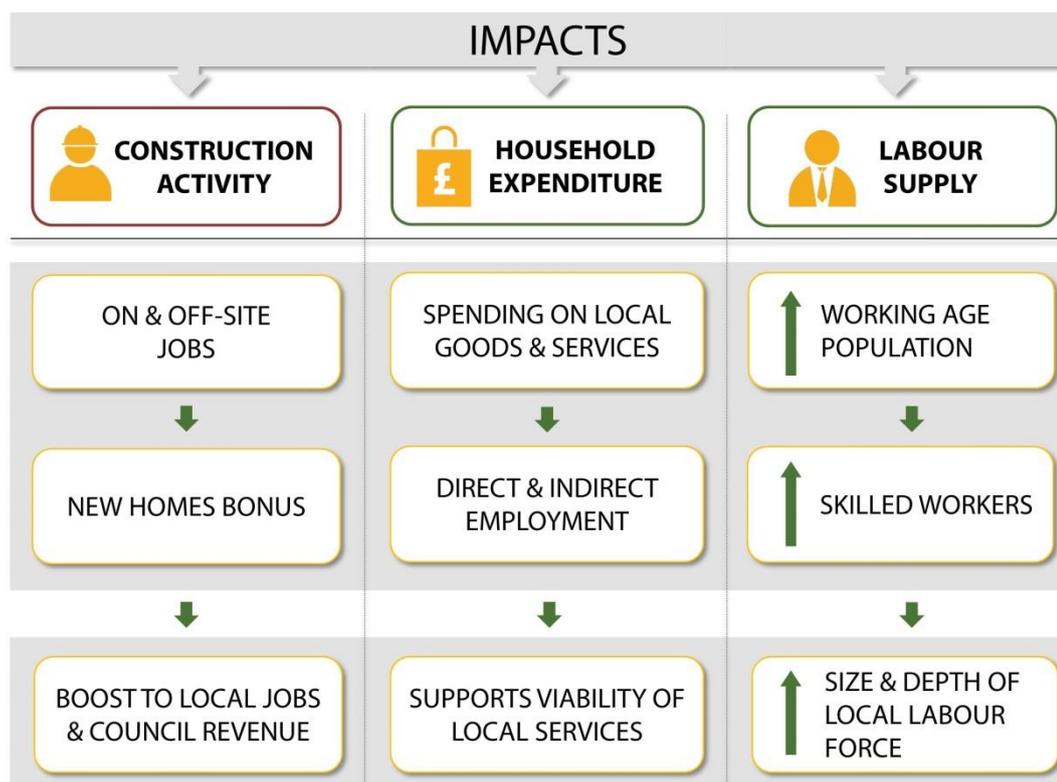
4. Impact Assessment Framework

4.1 Regeneris Consulting has developed a framework for assessing the socio-economic impacts of new housing developments. The scale of these impacts is determined by:

- The number and types of housing units, which influence the likely incomes and purchasing power of residents, the characteristics of the labour force and revenue generation
- The location of the development in relation to local facilities and services
- The extent to which additional amenities are provided as part of the development.

4.2 The framework for capturing the socio-economic benefits of a purely residential scheme of this nature is set out in Figure 4.1 below. The assessment looks at each source of impact in turn, including the effects of construction spending (significant temporary benefits), household spending and labour supply impacts. For some of the wider impacts, it is only possible to give a qualitative assessment of some of the potential benefits of a scheme.

Figure 4.1 Framework for Assessing Socio Economic Impacts of Housing



Source: Regeneris Consulting

4.3 The impacts in this report are based on the completed full development and are gross impacts. For the purposes of the assessment it assumes that the resident population is net additional to the area.

5. Employment Impacts

Construction Employment

- 5.1 The total construction costs associated with the proposed development are projected to be £36.1 million. This figure is calculated using comparable building costs for various sized dwellings and applying a percentage for infrastructure. This level of expenditure on construction would be expected to support an average of 130 full-time equivalent (FTE) jobs per annum over a five year construction period.

Table 5.1 Estimated Construction Costs and Employment Impacts

Total construction costs (£m)	£36.1m
Average full-time jobs per year over a 5 year build period	130

Sources: Regeneris Consulting; DCLG Labour Coefficients

- 5.2 A substantial number of these jobs would be on-site, with demand for labour from the full range of professions engaged in housing construction. Other jobs would be based in the wider area, with companies supplying goods and services for the scheme.
- 5.3 This assessment does not take full account of the wider economic impacts of construction activity. Research shows that house building activity results in significant multiplier effects, including the businesses that supply goods and services to house builders. Further, the expenditure of people working on development projects would also be expected to benefit local businesses. These effects could be expected to support additional jobs in Banbury and the wider area.
- 5.4 The proposed scheme has the potential to draw on local labour and aid in reducing unemployment in the local construction sector. To put this potential employment impact into context, the latest available data (April 2015) indicates that there are 95 Jobseekers Allowance claimants in Oxfordshire searching for jobs in the construction and development trades.
- 5.5 The construction industry, and the house building sector in particular, has a good track record of providing opportunities for younger people to secure training and apprenticeships. A number of house builders have schemes in place which provide on-site training for young apprentices. With 510 people aged 18-24 claiming Jobseekers Allowance in April 2015 across Oxfordshire, including 140 in Cherwell District, such opportunities have the potential to assist in tackling a challenging issue for the area.

Household Expenditure Impacts

- 5.6 The household expenditure generated by residents of the proposed scheme would help to support employment in retailers and other service providers. The scale of the employment impacts will be determined by where residents choose to spend their income, and the types of goods and services they purchase. We expect the majority of these effects to be felt in Banbury, which would serve as the key service centre for residents of the proposed development as recognised by the Cherwell Retail Study (2012).
- 5.7 It is estimated that the total expenditure generated by the additional households in the new development would reach £2.37 million per annum in Banbury and a total of £2.59 million per year across Cherwell District as a whole. This reflects Banbury's position as the district's main shopping and leisure destination, with a comprehensive range of services and retail provision. After taking

account of indirect taxes, this expenditure has the potential to support up to 20 FTE jobs in Banbury and a further 5 FTE jobs across Cherwell District (25 jobs in total).

	Banbury	Cherwell
Total Expenditure after indirect tax (£m)	£2.37m	£2.59m
Total Direct jobs (FTEs)	20	25

Calculations by Regeneris Consulting

- 5.8 This assessment shows the jobs supported by household spending in a broad range of goods and service providers. It does not capture the wider indirect and induced effects of this expenditure as businesses purchase supplies and services in the area, and the salaries of those employed as a result of local household spending are in turn spent locally. These effects would support additional employment.
- 5.9 As much would depend on how existing businesses handle any additional trade, it is difficult to precisely identify the types of jobs that would be generated. However, they are likely to range across a number of different sectors, including both higher and lower value occupations, such as:
- Customer facing posts in comparison and convenience retailers
 - A small number of managerial and supervisory posts
 - Posts in leisure and entertainment facilities, including bars, cafes, restaurants, hotels etc.
 - Transport related jobs, including service operators and jobs relating to car sales and repairs.
- 5.10 Any boost to the number of people choosing to shop in Banbury, Bicester or elsewhere in the district would contribute to the long term economic and social sustainability of these settlements. Further, the proposed scheme would be targeted towards attracting family households, which would be expected to have higher household expenditure than smaller and older households.
- 5.11 There are also difficult to quantify catalytic effects associated with new housing development. An inflow of new residents sends positive signals to business, and may encourage future investment. Over time, the cumulative effect of new housing could be expected to create more favourable conditions for business investment and growth, both as a result of any boost to the labour supply and the role of household expenditure for retail and other service providers.

Public Service Employment

- 5.12 In addition to jobs related to household expenditure, residents of the proposed development would generate demand for a range of public services, including health (dentists, GPs, hospitals), education (nurseries, schools) and a range of other public administration functions.
- 5.13 Using average ratios of population to jobs in these sectors, demand for public services from residents in the proposed development implies 40 public sector jobs supported across Cherwell District, primarily concentrated in Banbury. The extent of these impacts would depend on both the level of demand generated and the way in which local services respond to this demand. The types of jobs supported would be wide ranging but could include, for example, employment in schools and healthcare facilities. Our analysis excludes the effects of spending on private health and education facilities, which may also support additional employment.
- 5.14 This demand for services is important in two respects. Firstly, public service employment remains an important component of the local economy despite the impacts of cuts in public spending, with around 28% of Cherwell residents employed in public administration, education and health.

Demand which helps to reinforce the need for labour to deliver public services assists in securing their viability. Secondly, given the evidence of an ageing population, there is a risk that certain types of services aimed at younger residents become less sustainable without additional working age residents.

Labour Market Impacts

- 5.15 The proposed housing development would deliver an additional 280 new homes to the area. With a mix of both smaller and larger family housing, the scheme has the potential to boost the area’s labour supply in higher skilled and higher paid professions, as well as in lower skilled occupational categories. The completed development would be home to around 800 residents, with an average household size of 2.9, above the current average of 2.5 in Banbury. This reflects the scheme’s proposed housing mix, which contains a high proportion of larger homes and has been designed to appeal to working age family households.
- 5.16 Although it is challenging at this stage to assess the number of working age residents who would live in the proposed scheme, it is estimated that around 70% (around 565 people) of future residents could be of working age. This is above the Banbury average (65%) due to the fact that the new homes are designed to attract working age families.
- 5.17 Of these working age residents, our estimates suggest that around 450-480 residents could be economically active (in work or actively seeking work). This estimate is based on an economic activity rate of between 80-85%, which is above the current rate in Banbury (75%). This is considered a robust assumption, given many residents will be of working age and will need to be in full-time employment in order to purchase a new home.
- 5.18 It is estimated that around 165-175 residents could be employed in higher value skilled occupations (higher managerial and professional occupations). This reflects the typical characteristics of new home buyers. A report by the Joseph Rowntree Foundation identified that new homes commonly attract individuals from middle and higher socio-economic groups.⁷
- 5.19 An overview of the key labour supply impacts of the proposed development is summarised in the table below. It illustrates how the scheme would be expected to boost the area’s local labour supply across a range of occupational groups.

Residents	Number
Working Age Residents	565
Economically Active Working Age Residents	450-480
Residents in Higher Managerial and Professional Occupations	165-175

- 5.20 These labour supply impacts are important for Banbury and Cherwell District in a number of respects:
- Increasing the supply of both higher skilled people in managerial and professional occupations and lower skilled people in elementary and semi-skilled occupations, thereby helping to diversify the area’s labour force and mitigate skills shortages. This is particularly significant given that almost a third of hard-to-fill vacancies in the South East LEP (which includes Cherwell) are, at least partly, due to an undersupply of adequately skilled residents
 - Boosting the number of lower skilled and lower paid residents able to live (and work) in the district. In this respect the scheme could contribute to tackling the problem of labour

⁷ Leishman et al. (2004) Preferences, quality and choice in new-build housing. Joseph Rowntree Foundation, York.

mobility in lower paid occupational groups associated with the district's lack of sufficient affordable housing. It may also be relevant to the likely increase in demand for labour in health and social care sectors as the population ages. These are professions which tend to require lower paid labour living locally, and affordable housing would contribute to enabling such people to live in the area

- Increasing the number of working age families with members of the household in work. These residents will be spending their income and using services in Banbury and the surrounding area, supporting local businesses and service providers.

6. Other Impacts

New Homes Bonus

- 6.1 Assuming that all of the new homes built are classified as typical Band D dwellings, Cherwell Council could receive £2.1m over the course of six years, with the last annual payment of £352,000 received six years after the final property is completed and entered onto the council tax register. In addition, as the upper tier authority, Oxfordshire Council could receive £528,000 over the same six year period.
- 6.2 This revenue has the potential to provide an important source of funding for investment in facilities and infrastructure, particularly at a time of considerable pressure on public sector finances and when there is a requirement for local authorities to implement budget cuts.

Developer Contributions

- 6.3 For all new developments, Cherwell Council could stand to benefit from developer contributions:
- **Section 106** – this will be agreed between the developer and the council regarding contributions to the local services and affordable housing related to the development
 - **Community Infrastructure Levy (CIL)** – this mechanism provides for investment in local infrastructure through developer contributions which are calculated based on the floor space of new developments. Cherwell Council is currently compiling a draft CIL charging schedule. Based on CIL charging schedules already adopted nationally, a rate of around £100 per square metre could be expected to be levied on all new residential dwellings, with the exception of affordable properties.

Household Moves

- 6.4 There is relatively little research into the local economic benefits of movement in the housing market linked to the sale of new homes, the fit out of new homes and resulting moves in the local area. It is reasonable to assume that some expenditure in the local economy would be generated and retained through fees for estate agents, surveyors and conveyancing costs and other transaction fees. In addition, there would be benefits to the suppliers and fitters of fixtures and fittings for new homes.
- 6.5 The average costs of a household move for existing homeowners in the UK stands at around £9,000. This is a comprehensive assessment, covering fees and taxes associated with a move (estate agent fees, stamp duty, legal fees). Further, with new homes requiring a range of furnishings and equipment, it is reasonable to anticipate that the local area could benefit from some additional expenditure associated with an inflow of new residents and moves from elsewhere in the local area.

7. Consequences of Failing to Deliver New Housing

- 7.1 A failure to deliver new housing in Banbury and across Cherwell District could have a number of adverse implications for the area. These are discussed below.

Missed opportunities in the construction sector

- 7.2 New residential development offers the opportunity for significant benefits to accrue to Cherwell District in the form of economic multiplier effects and new job opportunities, including training and apprenticeship schemes for young people.
- 7.3 Housing construction accounts for around 25-30% of all jobs in the construction sector and provides important employment and training for young people, critical at a time when youth unemployment has reached critically high levels. There is also evident local demand for construction employment opportunities, with 95 Jobseekers Allowance claimants in Oxfordshire seeking employment in constructing and building trades. The recovery of the sector would likely alleviate the issue of construction worker unemployment.
- 7.4 There are also substantial wider benefits of construction activity to a region. For the house building sector specifically, research by Oxford Economics shows that for every £1 spent on construction £1.40 in gross output will be generated across the economy as a whole. Further, construction jobs relating to house building typically account for 2% of all employment, or around 1 in 50 jobs.

Exacerbating affordability issues

- 7.5 Since average house prices have increased at a faster pace than the rate of wage growth in recent years, leading to high house price to earnings ratios across the UK, many prospective house buyers do not possess the finances necessary to purchase market housing. In 2013 the ratio of lower quartile house prices to earnings stood at 8.6 in Cherwell District, well above the ratio of 3.5 recommended by DCLG.
- 7.6 Affordability issues are particularly likely to affect younger people, with many consequently been forced to move to other, more affordable areas. This can be detrimental to existing and potential local businesses which require a broad and deep local skills base from which to recruit suitable workers. Recently published research by the National Housing Federation found that close to half of business line managers surveyed had experienced problems in their business over the last year relating to a lack of affordable housing. A similar proportion of those surveyed agreed that affordable housing would be important were their company to relocate or expand into a new area.

Reduced local expenditure

- 7.7 Since households' disposable expenditure is strongly influenced by mortgage or rental payments, without the development of new homes which contribute to lessening house price inflation, the amount of local consumer spending available for capture by businesses in the area will be lower.
- 7.8 Households in which the head is over the age of 75 typically spend only 50% of the average household expenditure across all household types. With an ageing population already recognised as a challenge for the area, local retail and service facilities could diminish as average household size and spending falls.

Restricted labour mobility

- 7.9 An efficient, mobile labour force increases the prospects of matching the supply of skills to employer demands. Where labour mobility is impeded, research indicates that productivity levels are likely to fall if businesses fail to find workers with the skills they require. The 2008 Taylor Review (Living, Working Countryside) concluded that housing shortages resulted in unfulfilled economic potential in rural areas, such as Cherwell, partly attributable to labour supply problems and skills shortages.

Missed revenue opportunities

- 7.10 The New Homes Bonus (NHB), available to local councils following the delivery of new homes, can be an important source of revenue for use supporting the local development aims and objectives of a district. For instance, the Vale of White Horse are investing in business growth by introducing free parking in three local market towns. Woking Borough Council previously set aside its bonus for enabling the development of Community Assets, such as community halls, and Rugby Borough Council decided to improve public services, such as refuse collection and the creation of a leisure centre.

Appendix A - Methodology Note

Household Expenditure Impacts

- A.1 The impact model estimates the likely income of households in the proposed development based on the breakdown of house types and the likely price range of each house type (obtained through recent house sales data). Income is determined by applying assumptions about the typical deposit for different house values^[1]. For owner occupied homes, annual household income is assumed to be one third of the mortgage value. For rented and intermediate homes, we use data on house prices, rental prices and household incomes for people in these tenure types.
- A.2 For each income group, the typical expenditure on different categories of goods and services has been determined using the ONS Family Expenditure Survey. For each category we reach sensible assumptions about the proportion of spend spent locally, the proportion spent in the district and the proportion spent in the county.
- A.3 The model then deducts indirect taxation to arrive at a figure for total spend, and convert this to jobs using an estimate of output per full time equivalent employee in different sectors (from the UK Business Survey).

Labour Market Impacts

- A.4 We use the DCLG Survey of Housing in England to estimate the total number of people living in different size dwellings and UK Census data to estimate the likely proportion that are working age and in employment depending on whether they reside in affordable or market housing.
- A.5 To estimate the skill level of residents, we have used Census data to identify a number of other locations in the area which have a similar mix of dwelling sizes to the proposed development. We have then cross referenced this with the occupational profile of the residents who live there, and applied this breakdown to the residents we expect to be in employment on the proposed development.

New Homes Bonus

- A.6 This calculation uses the same methodology as that employed by DCLG for calculating the possible revenue generated through the New Homes Bonus. We assume all properties on the proposed development will be classified as band D. For each dwelling the NHB will be equivalent to the national average annual council tax for a band D dwelling with an additional payment for affordable housing. This amount is paid annually for six years. The figure provided is the total New Homes Bonus over these 6 years.

^[1] Average deposit size ranges from 20% to 30% for properties between £150,000 and £200,000 (<http://www.mortgages.co.uk>). We assume deposits are on average lower below this price range and higher above this price range.

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