

Bridge Point, Weybridge Business Park, Runnymede

Economic Benefits & Social Value Assessment





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1. Introduction

1.1. What is the Purpose of this Report?

1.1.1. Savills has been appointed by Bridge UK Properties 7 LP's ('Bridge') to assess the economic and social value impacts and benefits of the redevelopment proposals regarding Weybridge Business Park.

1.1.2. The development description for the proposed development is:

Redevelopment of Weybridge Business Park including a Building 100, which is a single large unit of 162,916 sqft (GEA) and two smaller buildings of 16,102 sqft (GEA) and 18,722 sqft (GEA).

1.2. What is the methodology?

1.2.1. We review the subject site's existing and proposed uses, the relevant policy context and provide our estimation of economic and social value benefits.

1.2.2. The assessment of economic benefits follows guidance from the Homes and Communities Agency Additionality Guide (HCA, 2014) and HM Treasury's Green Book (2020). It includes the method and approaches to assess leakage, displacement, and the multiplier impacts of the development proposals. Our estimates of community benefits are based on the Social Value Portal's National Themes Output Measures (TOMs) social value proxies.

1.3. What are the high-level economic and social value benefits of the scheme?

1.3.1. **Table 1.1** summarises the economic benefits. The proposed development would generate more jobs, economic activity and revenues to the local government by comparison to the reference case which is a vacant office estate that has had no occupiers for approximately five years. The economic benefits include 71 on and off-site construction jobs during the one-year construction period for residents of Runnymede; 347 on-site jobs during operation, 303 on-site and off-site jobs for residents of Runnymede; £22.3m per annum in net additional gross value added (GVA) to the local economy; a £2.1m net increase in public sector business rates income (discounted at 3.5%); and £1.8m of social value benefits over 30 years (discounted at 3.5%).

Table 1.1 Summary of Economic and Social Benefits

On and Off-Site Construction Jobs Per Annum for Residents of Runnymede	71
On-Site Operational Jobs	347
Net Additional Operational Jobs (on-site and off-site) Per Annum for Residents of Runnymede	303
Gross Value Added (GVA) per annum	£22.3m
20 Year Cumulative Net Increase in Public Sector Income (NPV at 3.5%)	£2.1m
30 Year Cumulative & Discounted Social Value (NPV at 3.5%)	£1.8m

Source: Savills (2022)

2. Economic and Social Value Benefits Assessment

2.1. Introduction and Summary

- 2.1.1. This section provides an overview of the estimated economic and social value benefits which could be generated from the proposed development. The proposed development would deliver three modern industrial units in an area where there is an acute shortage of, and strong demand for, industrial premises, especially larger units (greater than 100,000 sqft). The proposed development would also provide a range of employment opportunities for locals.
- 2.1.2. The proposed development would have 71 on and off-site construction jobs during the one-year construction period for residents of Runnymede; 347 on-site jobs during operation; £22.3m per annum in net additional GVA; £2.2m in business rates income over 20 years (discounted at 3.5%); and £1.8m of social value benefits over 30 years (discounted at 3.5%).

2.2. How are economic benefits assessed?

- 2.2.1. The assessment of economic benefits follows the approach set out in guidance including the Homes and Communities Agency Additionality Guide (2014) and Department for Communities and Local Government Appraisal Guide (2016). It includes the method to assess leakage, displacement, and the multiplier impacts of the development proposal.
- 2.2.2. The assessment uses economic data to estimate the benefits of new employment, economic activity and new revenues to local government.

2.3. What are the development scenarios which are assessed?

- 2.3.1. The assessment sets out the economic benefits of the proposed development and compares it to a reference case which is the site in its current condition and future performance if the proposed development weren't undertaken.
- 2.3.2. The reference case for this assessment is the site in its currently vacant state. This is a reasonable assumption because the current offices have been vacant since 2017, despite a considerable marketing effort. We understand that Units 4, 5 and 6 haven't been occupied since a substantial back-to-core refurbishment in 2017. The development scenarios are set out in **Table 2.1**.

Table 2.1 Proposed Development and Reference Case

	Reference Case	Proposed Development
Office Floorspace (sqm GIA)	16,336	0
Industrial and Warehouse Floorspace (sqm GIA)	0	17,823

Source UMC Architects (2022); Savills (2022)

2.4. How many jobs will the scheme generate?

- 2.4.1. The proposal is expected to generate temporary jobs during the construction period and permanent jobs during the operational stage when it becomes occupied.

Construction Employment: 89 On-site Jobs Per Annum During the One-year Construction Period

- 2.4.2. The construction of the proposed development would lead to the creation of on-site and off-site construction jobs. The estimate for total on-site construction employment during the one-year construction period is 89.
- 2.4.3. Once leakage, displacement and multiplier rates are taken in to account, the proposed development would generate 71 on-site and off-site construction jobs per annum for residents of Runnymede.

On-site Construction Employment

- 2.4.4. To estimate the number of jobs required for the construction of the proposed development we adopted the following approach:
- Use the estimated demolition and construction cost of the proposed development (£16.8 million);
 - Divide this by average output per construction worker for the South East¹ (£187,845) estimate the number of workers required to complete the development;
 - Divide the number of workers by the one-year construction period (based on BCIS duration estimates); and
 - This results in approximately 89 on-site construction jobs per annum.
- 2.4.5. Due to the nature of construction, not all trades would be required permanently on-site and some would be on-site for less time than others. The construction process would include a range of occupational levels from lower-skilled labouring jobs to more senior positions including a range of professional disciplines. The proposed development could facilitate the growth of the local construction industry, thus enabling firms to expand and potentially take on employees.
- 2.4.6. Employment demand in the construction sector revolves around specialist skills, i.e. electricians, plumbers, bricklayers, carpenters, and plan operation trades. These skills tend to be contract labour offered by local construction/building firms. In addition, low skilled manual labour would be required. In this case, employment tends to be contracted via job centres and employment agencies.

Additional Construction-Related Employment

- 2.4.7. There are further steps involved in estimating the economic impacts of the construction phase of the development. The first is leakage, which refers to the proportion of output that benefits workers outside of the intervention's target area which is Runnymede Borough. Taking into account the proposed development's characteristics, guidance from the Housing and Communities Agency's (HCA) Additionality Guide (2014) and the site's proximity to the border of Runnymede Borough (500 m), leakage (the proportion of workers coming from outside the Runnymede Borough's administrative area) is assumed to be 50%.²
- 2.4.8. The second step is estimating displacement. Displacement is where the proposed economic activity could displace other economic activity in the target area (defined as Runnymede Borough Council's administrative area). This reduces the scheme's additionality. In this case, the amount of on-site employment per annum is a small proportion of the existing construction workforce in Runnymede, therefore displacement is likely to be minimal. However, to be conservative the Additionality Guide's low displacement level of 25% has been applied. This level of displacement accounts for situations where displacement effects are limited.

¹ Business population estimates for the UK and regions detailed tables (2019-2021 average)

² Based on NOMIS Distance Travelled to Work by Industry (Workplace Population) (2011)

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2.4.9. The third step is estimating the off-site benefits of the construction activity, the benefits to companies in the supply chain, and to the local economy by the new expenditure introduced to the area from the construction activity. The construction multiplier is 1.71.³

2.4.10. **Table 2.2** sets out the steps involved in estimating the additionality of the construction employment.

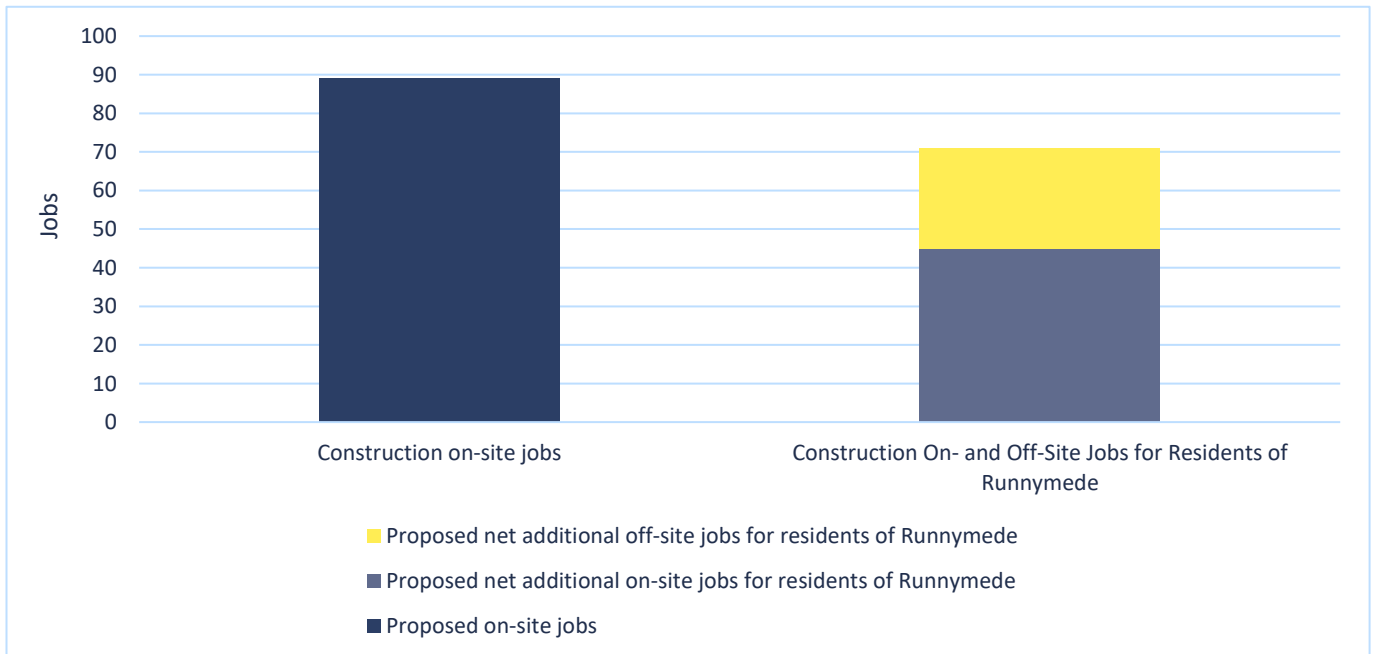
Table 2.2 Construction Jobs

Steps	Jobs Per Annum
A Construction workers on-site (gross, direct, per annum)	89
B Leakage to workers from outside study area (50%) = $-(A*50\%)$	-44
C On-site jobs (direct, for residents from the impact area) = $(A-B)$	45
D Displacement of other activities (25%) = $-(C*25\%)$	-11
E Multiplier effects (1.71)	37
F Employment off-site induced by construction employment (net, indirect) $(D+E)$	26
G Net additional employment from construction of Proposed Development (C+F) for residents of Runnymede Borough	71

Source: Savills 2021, HCA Additionality Guide 2015. Note figures are rounded.

2.4.11. **Figure 2.1** presents the estimate of the total on-site and off-site construction jobs created by the proposed development. The construction of the proposed development is expected to generate an average of 89 on-site jobs per annum over the one-year construction period. Once leakage, displacement and multiplier effects are taken into account, the net additional jobs for Runnymede residents is 71.

Figure 2.1 Estimated Construction Phase Jobs



Source: Savills, 2022

³ ONS Input Output Tables, 2017 FTE multiplier



Construction Gross Value Added

- 2.4.12. Gross Value Added (GVA) is an indicator of wealth creation, measuring the contribution to the economy of economic activity associated with the construction of the development proposal. We have based our estimates on the GVA generated per worker in the South East (£60,449)⁴ and the number of on-site jobs created by the construction process less displaced jobs.
- 2.4.13. The temporary construction jobs generated by the proposed development are estimated to benefit the economy through £5.4m per annum in GVA over the construction period.

Operational Employment: 303 Net On- and Off-site Jobs for Residents of Runnymede

- 2.4.14. Operational phase jobs would be generated once the construction has been completed and the proposed development is operational. The assessment also considers displacement of jobs elsewhere, and indirect multiplier effects as a result of the new on-site jobs.

On-site Operational Employment

- 2.4.15. Once operational, the proposed development could generate up to 347 on-site full time equivalent (FTE) jobs based on the employment densities for the anticipated use classes within the proposed development.
- 2.4.16. The proposed development could be used for different Use Class activities and we base our analysis on the assumption that half of the floorspace is used for general industrial uses (Use Class B2) and the other half is used for storage and distribution (Use Class B8).

Table 2.3 On-Site Operational Jobs

Use Class	Estimated Employment (FTE)
Industrial (B2 Use Class)	237
Warehouse (B8 Use Class)	109
Total FTE jobs generated	347

Source: HCA Employment Density Guide, 2015

Off-site Operational Employment

- 2.4.17. We also include an estimate of the total net local jobs for Runnymede residents in accordance with the Additionality Guide (HCA, 2014), incorporating leakage, multiplier, and displacement effects. **Table 2.4** presents the assumptions used to calculate the total net local employment effects.
- 2.4.18. The proposed development is likely to have indirect (off-site) economic benefits. These are multiplier effects which include:
 - Supply linkage multiplier effects occur due to purchases made as a result of the proposed development and further purchases associated with linked firms along the supply chain; and
 - Income/induced multiplier effects associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the proposed development.

⁴ ONS Labour Productivity (2019).

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Table 2.4 Operational Employment Assumptions

Land Use	Leakage	Displacement	Multiplier	Vacancy
Industrial	50%	25%	2.64	4%
Warehouse	50%	25%	1.67	4%

Notes:

- Leakage assumptions are based on distance travelled to work by industry (workplace population) available through NOMIS and the HCA Additionality Guide (2014)
- We use ONS Input Output tables (2015) to estimate multiplier effects

Source: Savills, 2022

2.4.19. **Table 2.5** sets out the steps and assumptions used for the estimation of the proposed development's net additionality. It shows that the proposed development would support approximately 375 operational on-site jobs. Once the effects of leakage, displacement and multiplier effects have been considered this equates to 303 new jobs.

2.4.20. To assess the additional employment benefits within Runnymede that the proposed development would generate, the potential jobs created by the proposed development is compared to the reference case. As the reference case does not include any employment, the proposed development would bring 303 net additional operational jobs once leakage, displacement and multiplier effects have been considered.

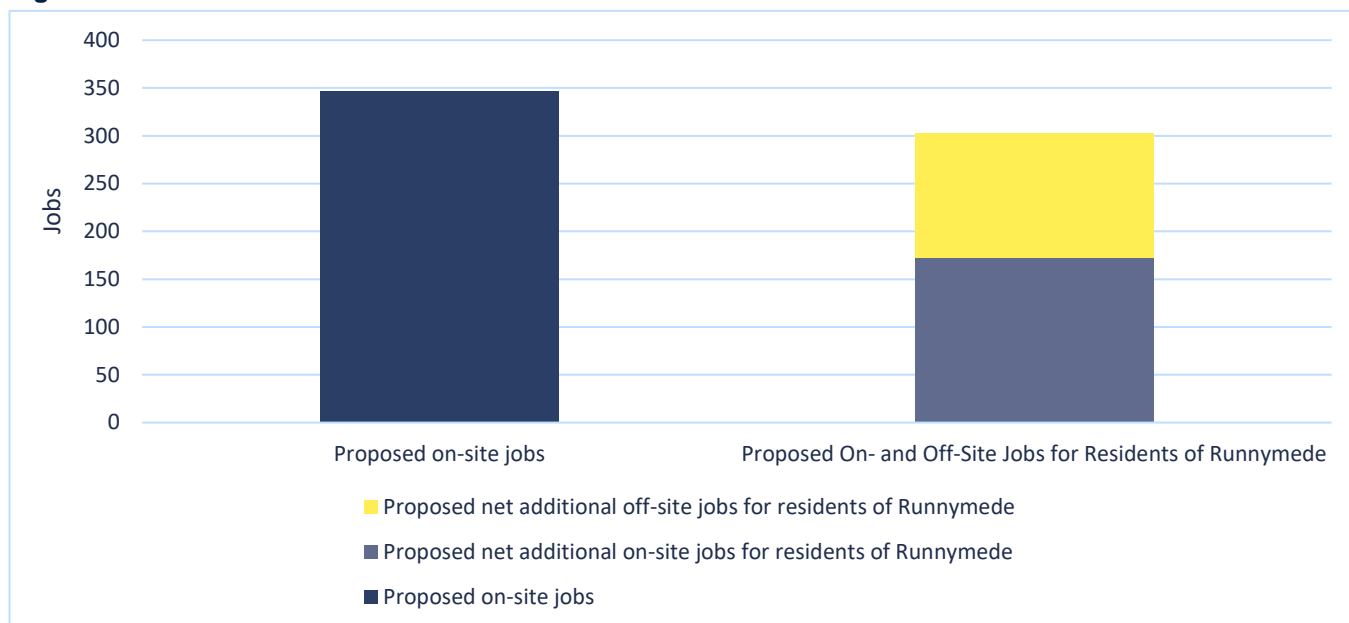
Table 2.5 Operational Jobs per Annum – Additionality

Steps	Reference Case	Proposed Development	Additional jobs
A Operational workers on-site (gross, direct)	0	347	347
B Leakage to workers from outside of Runnymede = -(A * Displacement Rate)	0	-173	-173
C On-site jobs (for residents within Runnymede) (A + B)	0	173	173
D Displacement = -(C * Displacement Rate)	0	-43	-43
E Multiplier effects ((C + D) * Rate)	0	173	173
F Total off-site jobs (D + E)	0	130	130
G Net additional employment from Proposed Development (C + F) for residents of Runnymede	0	303	303

Source: Savills 2022, HCA Additionality Guide 2014. Note figures are rounded.

2.4.21. **Figure 2.2** presents the proposed on-site jobs and total net additional jobs associated with the operation of the proposed development.

Figure 2.2 On-Site Jobs and Total Net Additional Of-site and Off-site Jobs



Source: Savills (2021)

2.5. £22.3m Net Additional Gross Value Added (GVA) in the Economy per Year

2.5.1. Gross Value Added (GVA) is an indicator of wealth creation by measuring economic activity associated with the operational stage of the development proposal. This section outlines the estimated GVA benefits which would be generated compared to the reference case. We have based our estimates on the GVA generated per worker in the South East region⁵ and the number of operational jobs created by each use type presented in **Table 2.3**. The proposed development scheme is estimated to generate £22.3m per annum.

2.6. Public Sector Revenue – Net Increase of £2.1m in Business Rates Over 20 Years (NPV)

2.6.1. The scheme would generate a net increase in public sector revenues in the form of new business rates which could be re-invested in the community and local services. We present the scale of this potential revenue as a gross estimate (i.e. we do not discount for possible displacement effects elsewhere).

2.6.2. The estimate of future rates revenue is based on current rates. The estimated revenues could be significantly higher in real terms given anticipated growth in the economy and revaluations of rateable values that will come into effect in April 2023.

2.6.3. To estimate the net impact of the proposed development on public sector business rates revenue we estimate the rates liability on both the existing estate and proposed development. The current offices have been vacant for five years and we assume that the landlord has undertaken a rates mitigation strategy which reduces the current rates to a level significantly below that which they would normally pay if the offices were occupied. Through discussions with Savills Business Rates team we assume that the landlord has applied a Third Party Occupation (TPO) method to reduce their business rates liability. We understand

⁵ ONS Labour Productivity 2019. Output per Job (Current Price) in the South West region.

that this method has been tested in the courts and that it complies with current legislation that governs business rates. We assume that this reduces the current business rates liability by 65%.

- 2.6.4. To estimate the business rates revenue on the existing premises we understand that the estate has a total rateable value of about £3.9m. Applying the Government's current multiplier of 51.2% generates an annual rates liability of £2.0m. The proposed rates mitigation strategy results in a total annual rates liability of about £699,100 per annum.
- 2.6.5. To estimate the business rates for the proposed development we use rateable values of industrial premises in the area based on appraised rates in the Valuation Office Agency's website. We have taken the average rates from three industrial sites in the area around Weybridge Business Park and estimate the rateable value to be £94.20 per sqm. This results in a total annual rates liability of about £1.7m. Applying the Government's current multiplier of 51.2% generates an annual rates liability of £870,400.
- 2.6.6. This implies an overall annual net increase in business rates revenue of £171,300 arising from the proposed development. However, the VOA's valuations will establish new rateable values based on appraisals undertaken in April 2021. It is anticipated that the result will be to significantly reduce the rateable values of offices and increase the rateable values of industrial premises. As a result, the net impact of the proposed development on rates could be significantly above the current forecast.

Net Cumulative Public Sector Revenues

- 2.6.7. We anticipate a net gain in cumulative public revenue of £2.1m (NPV at 3.5%) between 2024 and 2043. However, with the anticipated revaluation of rateable value this figure could be significantly greater.

2.7. How do we measure the scheme's social value?

- 2.7.1. The construction and operational phases of the proposed development are expected to generate positive social value impacts to the community. These include skills and training, employment impacts, local procurement, and crime reduction benefits.
- 2.7.2. The social value of these community benefits has been estimated using Social Value proxies from the National Themes, Measures and Outcomes (TOMs) by the Social Value Portal. Given that TOMs proxies are estimated at the UK level, they have been locally adjusted to Runnymede using the median weekly pay in the UK and the local authority, as per ONS' Annual Survey of Hours and Earnings.

Construction Benefits

- 2.7.3. The construction phase is expected to provide a range of community benefits related to skills, training, employment creation for local workers and for the unemployed, and to support firms through local procurement.
- 2.7.4. The proposed development will foster skills and training in the construction sector by supporting apprenticeships, offering opportunities for work experience, and potentially hosting workshops or school visits.
- 2.7.5. The social value of these benefits has been estimated using the benchmark published by the National Skills Academy for Construction (NSAfC). Based on estimated construction costs and land use type, the NSAfC's benchmark provide estimates of the duration (in weeks) of apprenticeships, the number (in persons) of

work experiences, and the number of career events. TOMs social value proxies complemented our estimates. This is shown in **Table 2.6** below.

- 2.7.6. The provision of 97 weeks of apprenticeships over the one-year construction period will provide opportunities for an estimated 2 apprentices. With a value of £266 per week, this will contribute to a total social value of about £26,000 over the construction phase. The construction will also provide work experience to an estimated 2 people, which at £200 per person will yield a social value of £400.

Table 2.6 Social Value of Skills and Training Provision During Construction

	Apprenticeships	Work experience
Quantity	2	2
Duration	97 weeks	2 weeks
Locally adjusted Value	£266 per week	£200 per person
Social Value	£25,800	£400

Source: NSAfC (2016), Social Value Portal (2020), Savills (2021) Note figures are rounded

- 2.7.7. **Table 2.7** below summarises the social value of unemployment reduction. This is estimated based on the health benefits of unemployment reduction, using savings to the NHS. It has been estimated that one unemployed person finding a job reduces healthcare expenditure by £2,400 (locally adjusted, in current values).⁶ It also assumes a 3.8% unemployment rate for construction workers, based on internal research. By reducing unemployment, the proposed development is estimated to have a social value of £2,700 during the construction period.

Table 2.7 Unemployment Reduction Health Benefits From Construction Jobs

	Measure
Number of jobs per year	3
Duration (years)	1
Unemployment rate	3.8%
Locally adjusted value per job	£2,400
Social value	£2,700

Source: House of Commons (2019), Savills (2022)

- 2.7.8. Finally, the construction phase of the proposed development is expected to benefit businesses in the area through local procurement, which would add to social value. Our estimate assumes that at least 10% of total construction costs will go towards local suppliers. This results in £1.7 million which we use as a proxy for social value of local procurement.

⁶ House of Commons (2019), NHS Expenditure: <https://commonslibrary.parliament.uk/research-briefings/sn00724/>

Operational Benefits

- 2.7.9. The operational phase of the proposed development is expected to create social value and provide community benefits arising from the alleviation of unemployment. This follows a similar approach as the alleviation of unemployment during the construction phase.
- 2.7.10. **Table 2.8** summarises the benefit generated through unemployment reduction to the NHS. Approximately 3.8% of workers on the scheme are estimated to have been previously unemployed. Each worker's employment is estimated to save the NHS £2,400 per annum. This generates a total annual saving of £10,600.

Table 2.8 Unemployment Reduction Savings for NHS

	Measure
Number of jobs per year	347
Unemployment Rate in Runnymede Borough	3.8%
Locally adjusted saving per worker	£2,400
Social value (per year)	£10,600

Source: ONS Census (2011), Social Value Portal (2020), Savills (2022)

A Social Value of £1.8m Over 30 Years

- 2.7.11. Having estimated the total social value during the construction phase and the annual social value during the operational phase, it is possible to estimate the total social value over the development's estimated 30-year lifetime. Social value in future years is discounted at an annual rate of 3.5% to calculate the net present value as per appraisal guideline from HM Treasury's Green Book (2020). The proposed development is estimated to have a total social value of £1.8m over its 30 years lifetime.

3. Conclusion

- 3.1.1. The report provides estimates of the number of jobs created, value generated in the economy, revenue to the public sector which would arise from the proposed development. It also provides estimates of the social value benefits.
- 3.1.2. The proposed development is expected to generate 89 on-site construction jobs per year over the one-year construction period; 347 on-site jobs during the operation of the scheme; £22.3m per annum in net additional GVA to the economy; and cumulative net income to the public sector over 20 years of £2.1m (NPV at 3.5%).
- 3.1.3. **Table 3.1** below summarises the estimated economic and social benefits. The proposed scheme is therefore expected to deliver substantial economic and social benefits compared to the site in its existing vacant use.

Table 3.1: Summary of Economic and Social Benefits

Outcome	Amount
On-Site Construction Jobs Per Annum	89
On and Off-Site Construction Jobs Per Annum for residents of Runnymede	71
On-Site Operational Jobs	347
Net Additional Operational Jobs (on-site and off-site) Per Annum for Residents of Runnymede	303
Gross Value Added (GVA) per annum	£22.3m
20 Year Cumulative Net Increase in Public Sector Income (NPV at 3.5%)	£2.1m
30 Year Cumulative & Discounted Social Value (NPV at 3.5%)	£1.8m

Source: Savills, 2022



Appendix 1

Glossary, Definitions and Accuracy

Bridge Point, Weybridge Business Park, Runnymede

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Glossary

BC	Bristol Council
FTE	Full Time Equivalent
GEA	Gross External Area
GIA	Gross internal area
GVA	Gross Value Added
HCA	Housing and Communities Agency
HCA	Homes and Communities Agency
NIA	Net Internal Area
NPV	Net Present Value
ONS	Office for National Statistics
VOA	Valuation Office Agency

Definitions

Relevant concepts used in the analysis are:

Term	Definition
Leakage	The proportion of output that benefit those outside of the intervention's target area or group.
Displacement	The proportion of intervention outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area.
Multiplier effects	Further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases.
On-site Jobs	Jobs created on-site.
Off-site Jobs	Jobs in a supply chain and services. The result of multiplier effects after allowing for leakage and displacement.

Accuracy

By its nature, estimation of employment and GVA benefits is subject to a range of uncertainties. Our estimates are based on good practice, guidance, data and estimates based on knowledge and experience. There will though remain a degree of uncertainty around estimates. We estimate that actual impacts are likely to be in a range of +/-20% of figures given.

Revenue figures are given based on current rates and values and could be significantly higher in real terms given the long timescale before completion and anticipated growth in the economy.

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