Socio-Economic Benefits Statement

Land south of Ashford Road, Sellindge

November 2023

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CONTENTS

EXECUTIVE SUMMARY

i. Gladman is seeking planning permission in outline for a residential development on land at south of Ashford Road, Sellindge. The site is located within the broad location for growth under Policy CSD9 in the Folkestone and Hythe Core Strategy Review at Phase 2 housing Site A. This report seeks to update a previous report submitted supporting an application for 55 dwellings on the site in 2020 (application ref: 2020/0604/FH).

ii. There is also an outline application for up to 105 dwellings at land at Potten Farm, also made by Gladman, therefore it is important for the socio-economic benefits of each of these sites to be considered collectively given their spatial and policy linkages. This report will therefore consider the benefits of the land to the south of Ashford Road independently and also combined where possible with those arising from the adjoining site on land at Potten Farm.

iii. This report summarises trends and impacts at the national and local level regarding housing delivery and its economic benefits.

iv. Through a number of factors, including a lack of housing supply, affordability ratios have increased significantly at a national and local level. Wages have failed to keep pace and the stark reality of this is many people have been unable to afford their own home and get on the property ladder.

v. In Folkestone and Hythe the affordability ratio is 10.15, significantly higher than the ratio of 3.5 which is traditionally seen as an affordable housing market.

vi. This report summarises estimated key economic benefits expected to be realised as a result of this schemes realisation with increased housing supply. Expected socio-economic benefits of the land to the south of Ashford Road include:

Delivery of 54 homes including 22% affordable housing which could be home to up 115 residents.

67 new residents of working age 52 of whom would be in employment.

Residents could generate total gross expenditure of £1.96 million per annum.

A construction spend of £9.5 million, contributing significantly to GDP.

104 FTE direct construction jobs, and 142 FTE indirect jobs in associated industries available for local workers over the 1.5 year build-out period.

New Homes Bonus payment of £441,456 over a 4 year period.

Council Tax payments of approximately £106,164 per annum.

Significant Section 106 Contributions to be spent in the local community.

vii. When these are combined with the proposed benefits arising from the adjacent application for the land at Potten Farm, which is running parallel to the application for land to the south of Ashford Road the combined benefits are estimated to be:

Delivery of 159 homes including 22% affordable housing which could be home to up 339 residents.

196 new residents of working age 154 of whom would be in employment.

Residents could generate total gross expenditure of £5.7 million per annum.

A construction spend of £28.1 million, contributing significantly to GDP.

102 FTE direct construction jobs, and 139 FTE indirect jobs in associated industries available for local workers over the 4.5 year build-out period.

New Homes Bonus payment of £1.29 million over a 4 year period.

Council Tax payments of approximately £312,594 per annum.

Significant Section 106 Contributions to be spent in the local community.

1 INTRODUCTION

1.1 Context

1.1.1 The planning world is operating in times of rapid change with social, environmental and political shifts having wide-reaching implications for councils, developers and other businesses that contribute towards a healthy economy.

1.1.2 The benefits of housebuilding have been shown to be persistent through times of economic upheaval and the planning sector has played a central role in aiding recovery from economic challenges throughout recent history. Housebuilding will continue to be a key factor in spurring economic growth.

1.1.3 The ongoing housing crisis means the economic benefits of new housing are now more important than ever and should not be viewed as a given benefit, but rather as a crucial component of the planning balance.

1.1.4 This statement examines the economic impact of the under delivery of housing and explains how the proposed development for approximately 54 dwellings on land to south of Ashford Road, Sellindge will bring significant economic benefits. This will contribute towards strengthening the local economy and contributing to the realisation of key objectives of both national government and Folkestone and Hythe District Council (FHDC).

1.2 National Planning Policy

1.2.1 The National Planning Policy Framework (NPPF or the Framework) was first introduced in 2012 and most recently updated in 2023.

1.2.2 At the heart of the Framework is a 'presumption in favour of sustainable development'. Paragraph 8 of the Framework outlines that the planning system has three overarching achieving objectives, which are interdependent and need to be pursued in mutually supportive ways. These objectives are economic, social and environmental.

1.2.3 The NPPF is particularly clear on the importance of economic benefits arising from new development:

> **38 Local planning authorities should approach decisions on proposed development in a positive and creative way. They should use the full range of planning tools available, including brownfield registers and permission in principle, and work proactively with applicants to secure developments <u>that will improve the economic, social and environmental conditions of the area</u>. Decision-makers at every level should seek to approve applications for sustainable development where possible.**
>
> **81 Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. <u>Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development</u>. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future. …**

1.2.4 The view of the Government is that the planning system can help kick start economic growth. The planning system unlocks the investment and development that underpins regeneration, enabling business growth and job creation.

1.2.5 The provision of up to 54 dwellings on land to the south of Ashford Road, alongside other schemes in Sellindge and the wider district, will not only provide much-needed housing, bringing socio-economic benefits to the local area, but will also contribute towards the much-needed economic recovery across the nation.

1.3 House building as part of Gross Document Product

1.3.1 In 2021, the output of the construction sector in Great Britain was £116 million, supporting approximately 1.4 million jobs as well as almost 700,000 self-employed people. Construction of housing was valued at over £46 million, contributing significantly more to GDP than any other sector[1].

1.3.2 It's clear that construction and in particular house building are significantly factors in delivering a prosperous economy. Recent house-building activity has helped to deliver a wide range of economic benefits nationally, including £2.7 billion in tax revenues and

[1] ONS (2021). Available at: https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/articles/constructionstatistics/2021

£841 million towards new community infrastructure[2]. In 2018/19, planning obligations such as Section 106 agreements were estimated to total £7 billion nationally, of which £4.7bn were in the form of affordable housing contributions in turn supporting the delivery of 30,000 affordable homes[3].

[2] Lichfields 'The economic footprint of UK house building in England and Wales' accessed at: https://lichfields.uk/content/insights/the-economic-footprint-of-house-building-in-england-and-wales

[3] Planning for the Future White Paper, Page 60 (August 2020)

2 THE HOUSING CRISIS AND AFFORDABILITY OF HOUSING

2.1 Introduction

2.1.1 There is a wealth of evidence from figures at the highest levels of the Government, the Bank of England and, internationally, within the European Commission and International Monetary Fund, which demonstrates that there is a consistent and pressing requirement to build more homes to meet the significant level of unmet need in Britain.

2.1.2 This housing crisis has arisen because, over recent decades, new housebuilding has not kept pace with population growth and household formation rates. In turn, due to the shortage in housing stock being outstripped by demand, house prices in the UK have continually increased, both in real terms and relative to incomes.

2.1.3 The human consequences of the housing crisis are stark, real and unchanged. A report commissioned by the National Housing Federation and Crisis estimated that there were 4.75 million households in housing need across Great Britain (including 4 million in England). This figure included estimates of the number of 'concealed' households (for instance, adults who would prefer to live separately from their current household) to be 2.5 million and households that are overcrowded or living in unsuitable or unaffordable accommodation to be 3.6 million[4].

2.1.4 The housing crisis is not a new problem but has only been exacerbated since the COVID-19 pandemic and subsequent rising cost of living.

2.2 Affordability of Housing

2.2.1 Over recent decades, house prices have persistently grown faster than average incomes. In England, in 2022 full-time employees could expect to spend around 8.28 times their workplace-based annual earnings on purchasing a home. This is a

[4] House of Commons Library (4 February 2022) *Tackling the under-supply of housing.* Available at: http://researchbriefings.files.parliament.uk/documents/CBP-7671/CBP-7671.pdf

significant increase from the previous decade where, in 2012, house prices were 6.77 times median income, and from 2002 where this figure stood at 5.12[5].

2.2.2 It is the younger generations who are directly affected by this crisis. In 1989 51% of those aged 25 to 34 owned their own home. By 2019, that figure had fallen to just 28%. Home ownership among the poorest younger people (those in the lowest two-fifths on the income scale) more than halved over the same period, falling from 24% to just 11%[6].

2.2.3 This has corresponded with a significant rise in rental prices, with average monthly rents rising by 44.5% between 2010 and 2021[7], meaning it is increasingly challenging for younger generations to save sufficient funds to meet the average cost of a deposit.

2.2.4 In 2021, 3.6 million people aged 20 to 34 years were living at home with their parents; this represents 28% of people in this age group[8]. This is reflective of the increasing unaffordability of housing.

2.2.5 House price growth has accelerated over recent years; the average UK house price was £285,861 in May 2023, £34,576 higher than in May 2021.

[5] ONS House price to workplace-based earnings ratio 1971-2022 available at: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian (Data from release date 22 March 2023)

[6] Centre for Policy Studies, January 2023

[7] *ibid*

[8] ONS Families and households in the UK: 2021, 9 March 2022, https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/latest

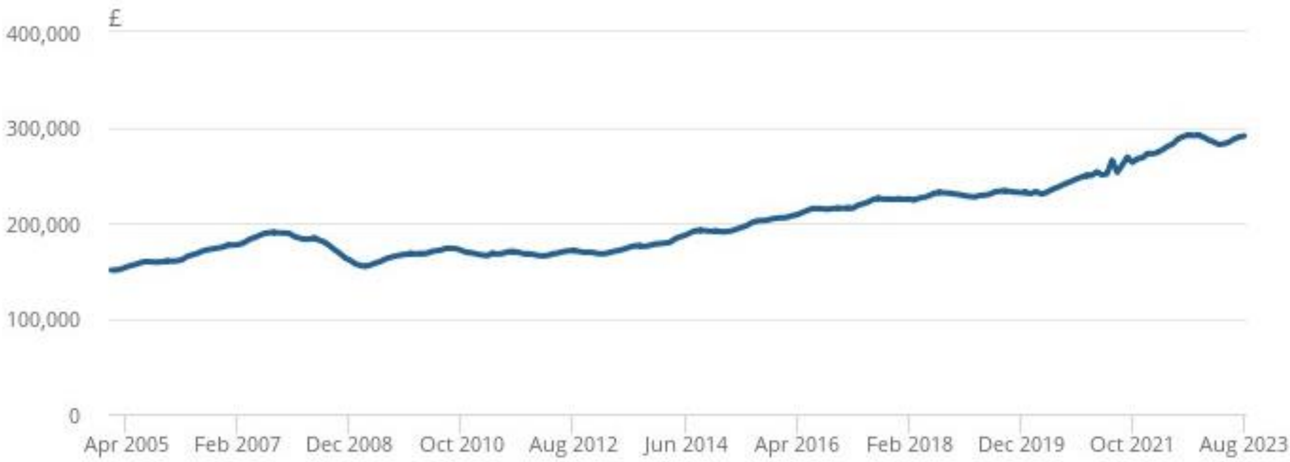

Figure 1 - Average house price, UK, January 2005 to August 2023. Source: HM Land Registry, Registers of Scotland, Land and Property Services Northern Ireland, Office for National Statistics – UK House Price Index[9]

2.2.6 The increase in house prices led to an inflated affordability ratios in 2022[10]. The affordability ratio of Folkestone and Hythe is significantly higher than the ratio of 3.5, traditionally seen as the signifier of an affordable housing market and, when compared against national ratios, signifying a real problem regarding local housing unaffordability.

- England: 8.28
- Folkestone and Hythe: 10.15

2.2.7 House prices have increased significantly in Folkestone and Hythe, between April 2019 and August 2023 the average house price rose by over £95,861, from £245,788 to £341,649, with the average price of a detached house rising by over £173,741 across the same period, from £406,005 to £579,746.

[9] ONS UK House Price Index: August 2023, available at https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/august2023 (accessed November 2023)

[10] ONS House price to workplace-based earnings ratio 1971-2022 available at: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian (Data from release date 22 March 2023)

2.2.8 Over this time period, sum 4 years and 4 months, overall house prices in the Folkestone and Hythe district have therefore increased by approximately 39%, with detached house prices increasing by 43%.

2.2.9 Property prices for First Time Buyers are also significant, with average price paid by first time buyers being £268,344 in August 2023, this has increased by £73,249 from £195,095 in April 2019. Therefore, in only just over 4 years, significantly larger deposits are required making it harder for young people to get onto the housing ladder.

2.2.10 As demonstrated by the indicators at both national and local levels, affordability of housing in the district is a significant issue which has real consequences for those in need of a home.

3 ECONOMIC BENEFITS ARISING FROM DEVELOPMENT

3.1 Introduction

3.1.1 The granting of planning permission for the development of housing on land south of Ashford Road, as well as land at Potten Farm, will result in significant economic benefits to Sellindge and the wider district.

3.1.2 Detailed below are estimates of the economic benefits arising from the construction of 54 dwellings on land south of Ashford Road, and the arrival of new residents into Sellindge. As mentioned in the introduction, these will also be looked at collectively with the application for 105 dwellings, also made by Gladman, on land at Potten Farm given the two sites form a significant part of the broad location for growth as identified within the Core Strategy Review at Policy CSD9.

3.2 Construction Costs

3.2.1 The estimated cost of the development of up to 54 homes, including 22% affordable housing and associated infrastructure equates to £9.5 million. This will give rise to employment and associated expenditure in the local economy as detailed in the following sections. When this is combined with the £18.5 million total construction cost for 105 dwellings on land at Potten Farm the total cumulative construction spend equates to £28 million.

3.2.2 This information is derived from the Building Cost Information Service (BCIS)[11] and takes account of regional variations in the average cost of building a home.

3.3 Job Creation

Construction Employment

[11] Build Cost Information Service, April 2022

3.3.1 Within the Folkestone and Hythe district, approximately 2,000 people are employed in the construction industry[12].

3.3.2 The estimated construction costs can be used to approximate the amount of direct construction employment that would be generated by the proposed scheme, using the national labour coefficient which assumes that housing developments create around 20 Full-Time Equivalent (FTE) jobs per annum for every £1 million of construction cost[13].

3.3.3 By approving the proposal for land south of Ashford Road there will therefore be 104 direct FTE jobs generated over the build-out period of the development, estimated to be 1.5 years based on a build out rate of 35 dwellings per annum. This equates to approximately 69 full time equivalent (FTE) jobs per annum. These jobs will be available for local workers, furthering the development of specialist skills and spending within Folkestone and Hythe District Council.

3.3.4 Further the development of land south of Ashford Road would generate the opportunity for 7 FTE apprentice jobs generating the much-needed opportunity to allow for people at the start of their careers to gain vital experience, training and support.

3.3.5 When combining these with the potential jobs generated if the application for the land at Potten Farm, if this is approved, over the cumulative 4 and a half year estimated build-out period, a total of 105 FTE jobs would be generated for the construction industry.

Indirect and Induced Job Creation

3.3.6 The impacts of development will extend beyond construction employment to include indirect benefits for the local and national economy. This is because construction is one of the most effective sectors in stimulating wider economic activity. For every £1 of output by construction, a quantum of demand, greater than the sum of its parts is

[12] Nomis Web Local Authority Profile

[13] HCA 2015, Calculating Cost per Job – Best Practice Note.

generated for the supply of products, materials and professional services used by the construction process. This is known as a 'multiplier effect'.

3.3.7 Those sectors benefiting from increased construction output include manufacturing (especially of building products and equipment), real estate, business services (including architecture and surveying), quarrying and transportation.

3.3.8 Using the 'Type II' employment multiplier for the construction industry derived from the 'CEBR LOCAL Economic Impact Calculator'[14], it is anticipated that an additional 142 FTE jobs per year will be supported elsewhere in the economy by the proposed development.

3.3.9 The combined number of indirect and induced FTE jobs from both applications is estimated to be 139 FTE jobs per annum.

3.4 Gross Value Added

Direct Gross Value Added

3.4.1 The economic productivity, or additional value added to the local economy during the construction phase, can be measured through its contribution to Gross Value Added (GVA).

3.4.2 GVA is a key economic indicator measuring the performance of an area and its contribution to national economic growth. It comprises the income produced by earnings and profits as a result of production.

3.4.3 GVA generated through the construction phase of the proposed development will act as a stimulus to the wider construction sector through induced multiplier effects. Multiplying the average GVA output per FTE construction worker by the estimated number of direct construction jobs supported (104 FTE jobs) it is anticipated that around £7.3 million direct GVA will be generated each year[15].

[14] CEBR Local Economic Impacts Calculator, 2019.

[15] Experian, 2022.

3.4.4 Cumulatively, for the two applications this would increase to £7.2 million GVA per annum.

Indirect Gross Value Added

3.4.5 To quantify the GVA from the jobs generated elsewhere in the economy (142 FTE jobs), the 'Type II' employment multiplier for the construction industry derived from the 'CEBR LOCAL Economic Impact Calculator' is applied to the direct FTE annual GVA jobs figure, before subtracting this from the direct GVA jobs to separate out the indirect/induced GVA effects. This identifies that the amount of indirect and induced economic output generated is approximately £10 million each year[16].

3.4.6 In total, the construction of the proposed scheme is likely to generate an additional £10 million GVA each year, equating to a total of approximately £26 million GVA over the estimated build-out period.

3.4.7 Cumulatively, the two applications would generate a GVA of approximately £9.8 million from indirect/induced jobs, and the total GVA over the estimated build-out period would be approximately £76.8 million.

3.5 Local Spending Power

Economically Active Population

3.5.1 Private tenants can spend around 38% of their income on housing costs, compared to 18% for homeowners; homeowners are therefore more likely to have a greater disposable income[17].

[16] CEBR Local Economic Impacts Calculator, 2019.

[17] Lichfields and HBF (2018). https://www.hbf.co.uk/documents/7876/The_Economic_Footprint_of_UK_House_Building_July_2018LR.pdf

3.5.2 The delivery of up to 54 homes is likely to be home to a total of 115 new residents, this is based on the average household size of 2.13 in line with the 2018 population projections for the Folkestone and Hythe District Council (FHDC)[18].

3.5.3 Assuming that 58.4% of the population is of working age (corresponding with nomis official labour market statistics 2021 for FHDC[19]), the delivery of 54 homes could result in an additional 67 people of working age residing in Sellindge.

3.5.4 Of these people, given an economically active rate of 78.6% in those aged 16 and over in FHDC, at least 52 people could be expected to be economically active and in employment.

3.5.5 When adding the estimated 224 new residents to be generated on the land at Potten Farm application, the total number of residents could be approximately 339. Following the same calculations and those above there could be at least 154 people could be expected to be economically active and in employment from both applications.

First Occupation Resident Expenditure

3.5.6 The average household spends around £6,138 to make their house 'feel like a home' within a year and a half of moving into a new property (adjusted to account for inflation to July 2023 using the Bank of England Inflation Calculator). This money is generally spent on furnishing and decorating a property and provides a range of benefits for the economy including supporting local employment.

3.5.7 Applying this average level of one-off spending on household products and services, it is estimated that 54 new households would generate around £331,452 of first occupation expenditure. This injection of expenditure would provide a significant boost to businesses in the local economy.

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[18] ONS Household projections for England. 2018 based population projections table 427. Available at: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/householdprojectionsforengland

[19] Nomis Census and Labour Market Statistic. Available at: https://www.nomisweb.co.uk/reports/lmp/la/contents.aspx

3.5.8 When combined with the 105 households anticipated to generate a similar level of expenditure on the site to the south of Ashford Road, cumulatively the totals sum for 159 dwellings is £975,942.

Ongoing Expenditure

3.5.9 The proposed development of the application site will support local businesses in Sellindge through the addition of new residents bringing with them increased retail spends and general household expenditure.

3.5.10 The scale of these benefits will be determined by the expenditure patterns of residents alongside the proportion of residents moving into the area from elsewhere. However, it is anticipated that the proposed development on land south of Ashford Road support £1.96 million resident spending annually following the completion of development[20].

3.5.11 It is anticipated that this level of annual expenditure would support the vitality and viability of local businesses with an anticipated 10 FTE jobs supported each year as a result of this uplift in resident expenditure levels[21].

3.5.12 When combined with the 105 households anticipated to generate a similar level of expenditure on the site on land at Potten Farm, cumulatively totals sum £5.77 million per annum supporting a total of 29 FTE jobs per annum.

3.6 Community Financial Benefits

Council Tax

3.6.1 The development of 54 new dwellings has the potential to generate approximately £106,164 Council Tax per annum. This totals at £1.0 million over a ten year period, and could provide an important source of revenue funding for the local authority in delivering services as well as investing in the locality.

[20] ONS Family Spending Survey, 2021 Edition

[21] Business Population Estimates For The UK And Regions, 2021

3.6.2 When combined with the 105 households which could be residing on land at Potten Farm the two sites could collectively collect a sum of £312,594 per annum in Council Tax receipts per annum, which over a 10 year period equates to £1.2 million.

New Homes Bonus

3.6.3 Upon completion of the build, allocation of the New Homes Bonus is triggered subject to the 0.4% growth figure being achieved, which funnels money straight from the Government to the local authority over a period of 4 years. The scheme was implemented so that residents feel the benefit of growth, and the funding made available should be used appropriately by the Local Planning Authority.

3.6.4 The proposed development has the potential to generate an estimated New Homes Bonus of £441,456 over a 4-year period. When combined with the adjacent application, this figure totals £1.29 million.

Planning Contributions

3.6.5 The value of developer contributions agreed in England during the financial year 2018/19 was £7bn[22].

3.6.6 Each development proposal will include different planning obligations dependent on necessary infrastructure to make the development acceptable in planning terms. Those that are mostly most commonly associated with new housing development include payments toward education settings, heath care services, off-site sports and leisure facilities and improvements to public transport and highways infrastructure.

[22] Ministry of Housing, Communities & Local Government *Section 106 planning obligations and the Community Infrastructure Levy in England, 2018 to 2019: report of study* (August 2020)

4 CONCLUSION

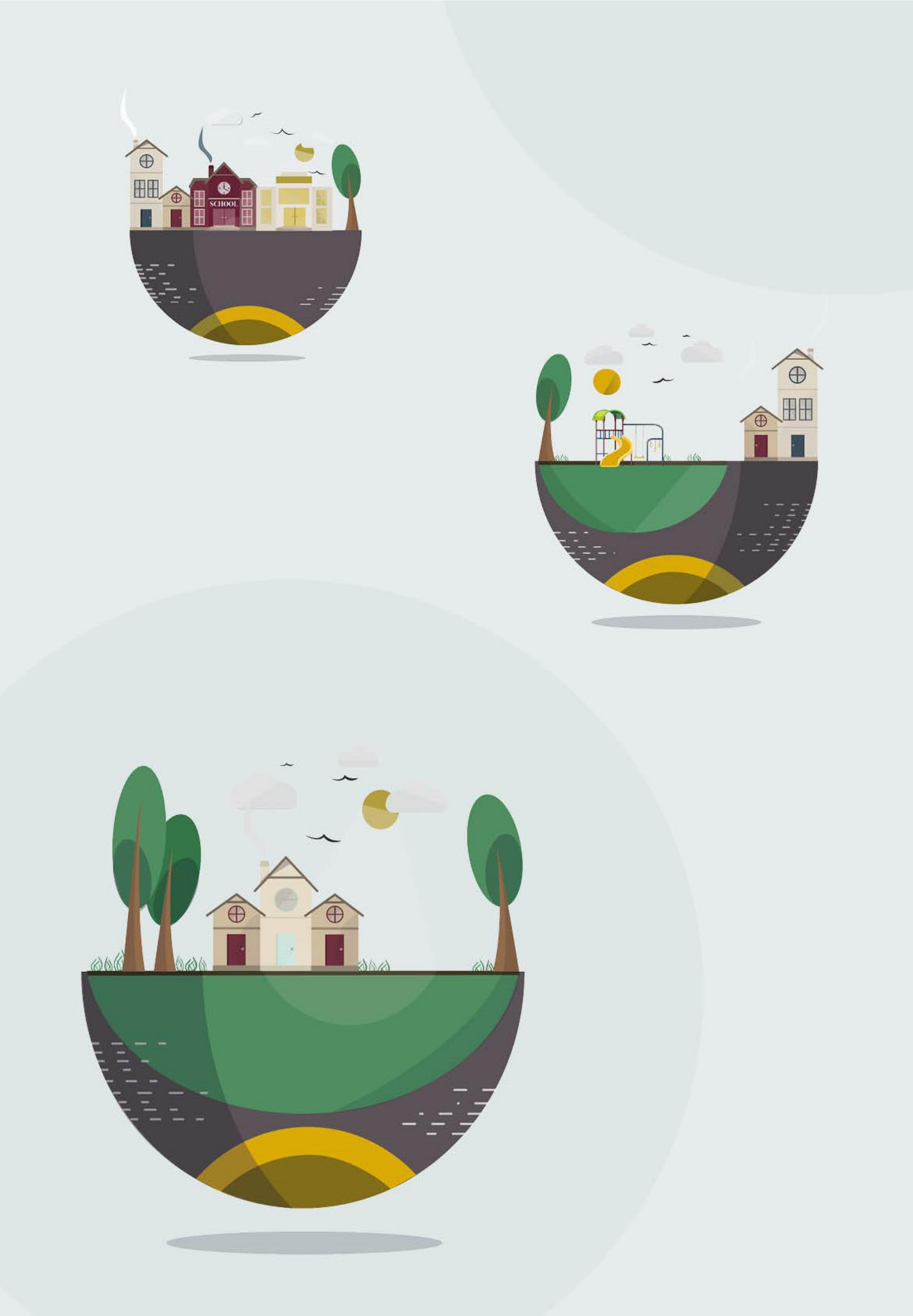
4.1 Report Summary

4.1.1 To support a healthy economy, we need to meet the shortfall of high-quality homes in places where people want to live and work, enabling more people to own their own home and strengthen their stake in our society.

4.1.2 The combination of economic benefits including but not limited to those associated with local spending power of future residents, the construction phase, and payments such as Section 106 obligations, should be attributed very substantial weight in the planning balance.

4.1.3 This report has set out how the housing sector is crucial to the local and broader economic landscape, showing why it should be carefully considered by Local Planning Authorities.

4.1.4 Up to 54 houses on land south of Ashford Road will assist the sector's continued contribution to the economy, providing FHDC with important benefits that will last well into the future and, as such, should be given significant weight.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