

# Briefing Note

## Mercury 62 Economic Benefits Assessment

### 1. Introduction

- 1.1 Avison Young's Regeneration team have been appointed by Maro Developments Ltd to prepare a high level assessment of the economic benefits associated with the proposed development of the Mercury 62 site in Huyton, Knowsley
- 1.2 The purpose of the assessment is to understand the potential direct, indirect and induced benefits that are likely to occur at both the construction and operational stages of the proposed development.
- 1.3 The assessment aligns with guidance set out in the Additionality Guide (2014), the Green Book (2020) and the Density Guide (2015) in terms of the assessment of economic benefits as well as broader 'best practice' for such work. However, it should be recognised the Assessment does not represent a full Green Book appraisal or valuation of economic benefits.
- 1.4 The assessment draws on the masterplan within the planning application, as shown below.

Figure 1 - Site Masterplan



Source: Fletcher Rae, 2022

- 1.5 Overall the site will deliver a single industrial/distribution unit of c.29,081 (GEA), which will contain both space for storage and distribution and ancillary office space for the use of the occupying business.

## 2. Gross Benefits

- 2.1 The first step has been to calculate the gross benefits of the site, i.e. the total jobs and economic value created.

## Construction Phase

- 2.2 Through the delivery phase the site will generate employment opportunities within the construction sector. To estimate the direct level of employment, the following approach has been used:
- Estimate the construction cost, this has been provided by the client team, with the total development estimated to cost £27,000,000 to deliver (a).
  - Estimate the output per worker in the construction sector locally. Drawing on data from Experian this is c. £72,592 per annum (b).
  - Taking the two together the delivery of the scheme would require 372 person years of work (a÷b) – thus creating 372 job opportunities (c).
  - Given these will be ‘short term’ opportunities to provide a reasonable understanding of economic benefit these are converted into Full Time Equivalent (FTE) jobs, using the general assumption that 10 person years equates to 1 FTE role, meaning the scheme will create 37 FTE jobs (c÷10).

- 2.3 The construction activity will create a series of wider economic benefits through increased expenditure in the economy either by workers or through supply chain activity. A compound multiplier of 1.4 has been used to estimate this impact, which generates an additional 149 jobs roles in the area, equivalent to 15 additional FTE jobs.

### Operational Phase

- 2.4 The approach to estimating benefits in the operational phase is based on the calculation of jobs created. The approach has been to translate the gross floorspace into an estimate of Full Time Equivalent (FTE) jobs using an appropriate job density as set out in the Density Guide – given the proposed use of the premises proposed a density of 77sqm per job has been applied. This is a relatively conservative estimate given the size of the premises, but is a prudent approach given the end users are not known.
- 2.5 Based on the floorspace and density applied the operational development would accommodate 378 FTE jobs. Knowsley has a 'self-containment' rate of 21% (meaning 35% of local jobs are taken by local residents) as such at least 46 of these jobs would go to local residents.
- 2.6 The employment generated onsite would also create additional indirect jobs in the area. Using the 1.4 multiplier generates an estimate of 151 further FTE jobs being created, of which 52 would go to residents of the District.
- 2.7 In total therefore the development would support 529 direct and indirect FTE jobs, with at least 183 going to local residents.
- 2.8 In addition to the jobs created, the development would make a contribution to the scale of economic activity and value generated in the District. Using the job estimates set out above this has also been calculated.
- 2.9 Within Knowsley, there is an average annual Gross Value Added (GVA) contribution of £29,488 per FTE worker within the Transport and Storage sector, reflecting the most likely end uses of the properties proposed.
- 2.10 Based on direct employment of 378 FTE jobs, this would mean the site creates £11.1mn per annum in GVA within the District, and a further £4.5mn per annum in the wider area.
- 2.11 In total the development would contribute £15.6mn per annum to the economy.

## 3. Additionality

- 3.1 The analysis above presents the potential gross benefits, however it should be recognised that some benefits may accrue even without the scheme as a result of activity elsewhere. To understand the additionality of the project it is necessary to net off such activity.
- 3.2 Firstly, it is important to note that there is currently no use active on the site and it is currently an undeveloped parcel of greenfield land. As such no adjustment is necessary to allow for the displacement of any existing activity.
- 3.3 However, further adjustments area needed, as set out below.

### Construction Phase

- 3.4 The construction sector is highly mobile and, despite a number of labour supply issues, retains a large existing workforce which could, in part, be deployed to build the proposed development. As such not all of the 372 jobs (37 FTE) would be 'new' or additional.
- 3.5 The Additionality Guide suggests that in such scenarios net benefits are c.75% of gross benefits. Applying a 25% reduction means that the project would deliver:
- 279 direct additional jobs equating to 28 FTE jobs
  - 112 indirect additional jobs equating to 11 FTE jobs
- 3.6 Overall, the construction phase has a total net benefit (or additionality) of 391 jobs or 39 FTEs.

## Operational Phase

- 3.7 Similar to the construction phase it is likely that some of the jobs within the site will be taken by people who are currently employed elsewhere locally and, as such, the role would not be generating an additional economic benefit or businesses could locate on another site, again reducing the net benefit.
- 3.8 However, the potential for this substitution to occur in the industrial/logistics sector is much more limited locally than the construction sector given the lack of alternative sites or premises available for businesses to occupy.
- 3.9 That being said, there are still a range of active businesses whose staff may seek to work here, or even those who have been recently unemployed re-entering the jobs market, reducing the overall economic benefit as not all jobs would be additional.
- 3.10 As such it is appropriate to net off some of the benefit to reflect this dynamic. As with the construction sector our approach, based on professional judgement and the Additionality Guide, has been to reduce the adjustment to 15%, which means the project would deliver:
- 283 direct additional FTE jobs
  - £8.4mn of direct additional GVA per annum
  - 113 indirect additional FTE jobs
  - £3.3mn of indirect additional GVA per annum
- 3.11 Overall the scheme would deliver a total net benefit of 397 FTE jobs (of which 137 would be for local residents) and £11.7mn of GVA per annum.

## 4. Conclusion

- 4.1 In conclusion the proposed development can deliver a significant level of economic benefit including a total of 581 FTE jobs (gross) and £15.6mn GVA per annum (gross). The overall benefits assessment is summarised below.

*Table 1 - Summary of Benefits*

|                                 | TOTAL GROSS |            |             | TOTAL NET          |            |             | LOCAL GROSS      | LOCAL NET  |
|---------------------------------|-------------|------------|-------------|--------------------|------------|-------------|------------------|------------|
|                                 | DIRECT      | INDIRECT   | TOTAL       | DIRECT             | INDIRECT   | TOTAL       | TOTAL            | Total      |
| Total Floorspace SQM (GEA)      | 29,081      |            |             |                    |            |             |                  |            |
| <b>Construction (Temporary)</b> |             |            |             | Displacement = 25% |            |             | Containment =35% |            |
| Total Build Cost                | £27,000,000 |            |             |                    |            |             |                  |            |
| Output per Worker               | £72,592     |            |             |                    |            |             |                  |            |
| Construction roles              | 372         | 149        | 521         | 279                | 112        | 391         | 180              | 135        |
| Full Time Equivalent Jobs       | 37          | 15         | 52          | 28                 | 11         | 39          | 18               | 14         |
| <b>Operational (Permanent)</b>  |             |            |             | Displacement = 25% |            |             | Containment =35% |            |
| Employment Density              | 77          |            |             |                    |            |             |                  |            |
| Full Time Equivalent Jobs       | 378         | 151        | 529         | 283                | 113        | 397         | 183              | 137        |
| Output per Worker (GVA)         | £29,488     |            |             |                    |            |             |                  |            |
| Gross Value Added per annum     | £11,136,816 | £4,454,727 | £15,591,543 | £8,352,612         | £3,341,045 | £11,693,657 | £5,398,329       | £4,048,747 |