REGENERIS

Broughton Economic Impact Methodology Statement

A Report by Regeneris Consulting

November 2017

British Land PLC

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1. Purpose and Scope

1.1 This statement provides a summary of the methodology used by Regeneris in assessing the economic impacts of Broughton Shopping Park. These impacts are presented in terms of direct, indirect and induced impacts which are broadly defined as:

- **Direct:** the economic impacts that are a direct consequence of the Broughton management team's activities and activities of Broughton's occupiers. They are essentially the on-site impacts.
- **Indirect:** the economic impacts arising from the external purchase of goods and services from suppliers to the Broughton management team and occupiers, who in turn make purchases from their suppliers, and so on. These are off-site impacts.
- **Induced:** the economic impacts associated with the spending power of workers employed at Broughton and within the supply chain.

1.2 The document primarily refers to the following impacts:

Employment Impacts

- Direct employment impacts on-site covering:
  - total employment at Broughton
  - trends in employment at Broughton
- Indirect and induced employment supported by Broughton in Flintshire and Wales.

Contribution to the Economy

- Direct impacts in terms of gross value added (GVA)
- Indirect and Induced GVA impacts supported in Flintshire and Wales

Contribution to the Exchequer

- Annual level of business rates collected by the local council as a result of Broughton's operation

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2. Direct Employment and GVA Impacts

2.1 Broughton's direct economic impacts are those generated on the site by its occupiers and its management team.

Employment

2.2 Current levels of employment at the site have been estimated based upon occupier surveys undertaken by the management team. The following information was provided:

- total employees (jobs)
- total full-time employees
- total part-time employees

2.3 Based upon occupier employment data and information provided by the management team, the site currently supports **1,900 jobs**.

2.4 Based on the data (including evidence on the split of full to part-time roles) and national employment surveys (ONS, ASHE data), we estimate the total number of Full-Time Equivalent (FTE) jobs currently supported by Broughton to be around **1,370 FTE jobs**.[1] The majority of jobs supported are in retail (77%), with the remainder in food & drink services and entertainment (20%) as well as a small proportion in other roles such as security, and cleaning (4%). Turnover data provided by the Management Team also shows a total annual turnover of around **£200 million** generated by the occupiers.

2.5 Workplace Population data from the 2011 Census shows that a significant number of people employed in the retail, accommodation and food sectors in the Shopping Park and surrounding area live locally, with less than 3% of workers travelling more than 37 miles (60 km) to work and 66% travelling less than 6 miles away (10 km).[2] This means that the facility draws extensively for its workforce in a local catchment area.

[1] This is calculated using the average number of hours worked by sector: ONS, ASHE, 2017.

[2] ONS, Census 2011, Distance Travelled to Work by Industry (Workplace Population); using best fit Middle Super Output Area (Flintshire 15) and sectors G and I to exclude most other employment from the surrounding area.

Trends in Employment at Broughton

2.6 Broughton has sustained consistent levels of employment over the last 5 years, despite pressures on the retail industry nationally and locally, as well as the rise of internet shopping. Using an approximation of the shopping park from national employment data Broughton Retail Park's employment has remained constant at around 1,900 employees since 2011.[3]

Gross Value Added

2.7 Gross Value Added (GVA) is broadly defined as the sum of gross operating surplus and compensation of employees. The majority of GVA is made up of employment costs with the rest mainly attributable to profits.

2.8 In order to estimate the direct GVA impact associated with Broughton's activities, Regeneris uses occupier employment data, split by broad category (ie retail, food and drink, entertainment, and admin and support services). We calculate GVA per FTE job benchmarks by sector, drawing on data from the ONS Subregional GVA Estimates and the ONS Business Register Employment Survey (BRES) for Flintshire. Direct GVA impacts are calculated by multiplying FTE employment and the appropriate GVA per FTE benchmark.

2.9 Broughton's occupiers generate a substantial amount of turnover and economic activity. This creates a significant economic impact. Based on the sector breakdown and levels of employment on site (as outlined above), the estimated direct GVA generated by the site is around £51 million per annum.

[3] ONS, Business Register & Employment Survey, 2017; using a best fit Lower Super Output Area (Flintshire 015A) and sectors G and I to ensure exclusion of employment from the surrounding area.

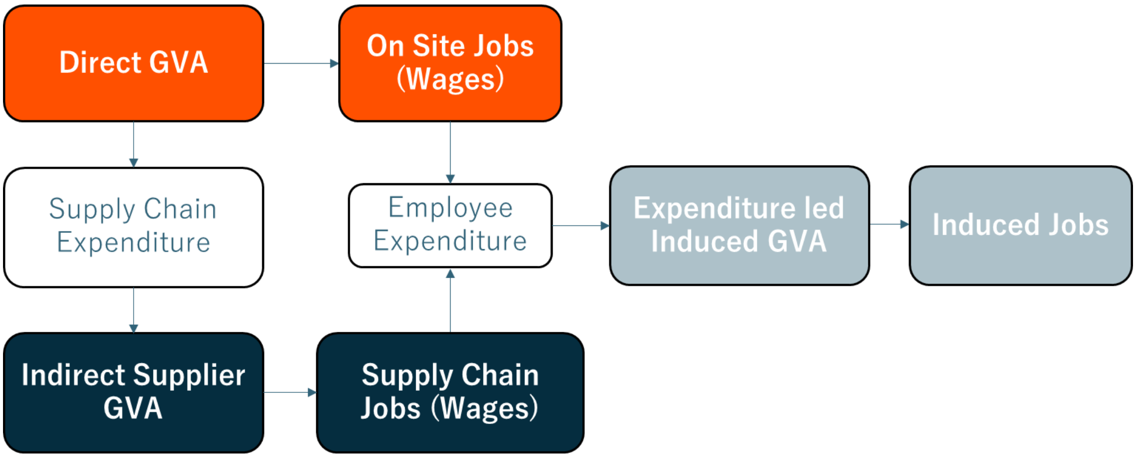
3. Indirect and Induced Benefits

3.1 In addition to the direct employment and GVA impacts described above, Broughton's operations have wider economic benefits both in the local area and the rest of Wales. Two types of wider economic impacts are assessed:

- **Indirect impacts** – Occupiers at Broughton are supplied with goods and services to support their trading operations. For example, for retailers this centres on the supply of stock sold in the store which will involve the distribution facilities from which this stock is sourced. The jobs in these facilities are supported in part by Broughton and its occupiers. In turn, a distributor's operation will require the purchase of goods and services, supporting further employment elsewhere in the economy.
- **Induced impacts** – Broughton's workforce and that of its suppliers will spend some of their income in the local economy on a wide range of household goods and services. This expenditure in turn supports jobs in local businesses who supply these goods and services.

3.2 In combination, these two economic impacts represent the jobs and GVA supported by Broughton in the local area, as well as those linked to it beyond Flintshire.

Figure 3.1 Direct, Indirect and Induced Impacts



Source: Regeneris Consulting

The Regeneris Input-Output Model

3.3 To model the indirect and induced impacts we have used the latest 2017 Regeneris Input-Output Model. This models the pattern of expenditure through the economy and quantifies the likely impacts of that expenditure. Our model uses national data on the patterns of expenditure by industry as well as our own analysis. This allows us to track multiple rounds of expenditure through multiple tiers of the supply chain across a range of sectors to ensure that the full extent of impacts is captured and reported robustly.

Location of the Site

3.4 Broughton Shopping Park is located on the border of Wales and England and as such, as well as gaining a lot of expenditure from across the border, a lot of the indirect and induced expenditure generated by the site will leak out of the local area and out of Wales. This is due to its close proximity to strong distribution networks in the North West and West Midlands regions of England. As data on expenditure of occupants and employees of the Shopping Park has not been made available, there is no way to accurately measure how much indirect or induced expenditure would leak out of Wales. The impact presented here for Wales are a national average and as such do not take into account the site's close proximity to the border. As such, the Wales level impacts presented here should be treated with caution and presented as an upper limit of the potential impacts that the site generates.

Indirect Economic Impacts

3.5 Supply chain impacts are dependent on the sectors from which Broughton's occupiers buy in goods and services. Some sectors have large employment footprints whilst others are more capital intensive. Although it was not possible in our assessment to interrogate supply chain expenditure data direct from occupiers (the data was not available to us), we estimate this spending based on the employment data provided by occupiers and the use of the Regeneris Input-Output model.

3.6 The key spend categories for this kind of activity are as follows:

- Products such as clothing and food
- Transportation of goods
- Services relating to building management and utilities
- Services relating to staffing and administration

3.7 As the majority of occupiers are multiples, a high proportion of products sold in stores are likely to be bought in from national or regional distribution centres. We do not have an indication of the sourcing of manufactured products. However, we would typically expect some products to be manufactured in the UK (with some possibly produced in the Flintshire area), and some either imported, finished goods or assembled from imported materials. This is likely to vary substantially by the type of product. For example, food and drink products are more likely to be produced locally or nationally, whilst clothing is more likely to be imported.

3.8 Our input-output model takes account of clusters of activity within Wales in the absence of first-hand information about occupiers' sourcing of goods and services which we use to estimate Broughton's impact at the Wales level. We then apply Flintshire's total employment as a proportion of Wales's employment to provide an estimate of the potential impact at the Flintshire level.

3.9 The following table shows that the indirect employment impact for the whole site across Flintshire and Wales is 50 and 920 FTE jobs respectively. The indirect GVA impact is estimated at around £1.5m at the Flintshire level and £26m for Wales.

Table 3.1 Indirect Economic Impacts

	Flintshire	Wales
Jobs	70	1,260
FTE Jobs	50	920
GVA	£1.5m	£26m

Source: Regeneris Input-Output Model, 2017

Induced Economic Impacts

3.10 Induced impacts are the effects resulting from direct and indirect employee expenditure.

3.11 As a large proportion of the employees are likely to live within Wales and probably within the Flintshire area, a commensurate proportion of salaries linked to Broughton are likely to be spent within the area, in turn supporting further local employment.

3.12 The Regeneris Input-Output model estimates the impact of this induced expenditure for Wales. Similar to the indirect impacts, we apportioned this to provide an estimate of the potential induced impact of Broughton at the Flintshire level.

Table 3.2 Induced Economic Impacts

Impact	Flintshire	Wales
Jobs	10	160
FTE Jobs	10	130

GVA	£0.4m	£6.5m

Source: Regeneris Input-Output Model, 2017

Summary of Total Economic Impacts

3.13 Adding together direct, indirect and induced impacts provides an estimate of Broughton's impact across the whole economy, both locally and across Wales as a whole. The table below summarises the key impacts:

Table 3.3 Summary of Total Economic Impacts (Direct, Indirect and Induced)

Impact	Flintshire	Wales
Jobs	1,980	3,320
FTE Jobs	1,440	2,420
GVA (£m)	£53m	£84m

Source: Regeneris Input-Output Model, 2017

3.14 In total, Broughton contributes around £xx million of GVA to the Flintshire economy and around £84 million of GVA to the Wales economy per annum.

4. Contributions to the Exchequer

4.1 Business Rates in Wales are used as part of the funding for local services. Using data from the Valuation Office Agency Database[4] on rateable values for each unit and applying the appropriate benchmark business rates multiplier[5], we estimated Broughton's business rate contribution to be around **£6.7m per annum**, based upon a total rateable value of around £12.1 million. Broughton's estimated contribution equates to around 10% of all business rates collected in Flintshire in 2016/17.[6]

[4] Valuation Office Agency, 2017; where data was unavailable a small number of units were estimated using rateable value per sqm from similar units

[5] http://www.flintshire.gov.uk/en/Business/Business-Rates/Business-Rates

[6] StatsWales, Collection rates of non-domestic rates, by authority, 2016-17

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