



REGENERIS

Fort Kinnaird Economic Impact Methodology Statement

A Report by Regeneris Consulting

October 2017

British Land PLC

Fort Kinnaird Economic Impact
Methodology Statement

October 2017

www.regeneris.co.uk

1. Purpose and Scope

1.1 This statement provides a summary of the methodology used by Regeneris in assessing the economic impacts of Fort Kinnaird Retail 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 Fort Kinnaird management team's activities and activities of Fort Kinnaird'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 Fort Kinnaird 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 Fort Kinnaird 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 Fort Kinnaird
 - trends in employment at Fort Kinnaird
- Indirect and induced employment supported by Fort Kinnaird in the Edinburgh area and Scotland.

Contribution to the Economy

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

Contribution to the Exchequer

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

2. Direct Employment and GVA Impacts

2.1 Fort Kinnaird'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 **2,015 jobs**. This is equivalent to employment at Fort Kinnaird representing 1 in every 200 jobs in Edinburgh.¹

2.4 Based on the data (including evidence of part-time roles and shift patterns) and national employment surveys (ONS, ASHE data), we estimate the total number of Full-Time Equivalent (FTE) jobs currently supported by Fort Kinnaird to be around **1,330 FTE jobs**.² The majority of jobs supported are in retail (66%), with the remainder in food & drink services and entertainment (34%).

Trends in Employment at Fort Kinnaird

2.5 Fort Kinnaird has sustained consistent levels of employment over the last 3 years, despite pressures on the retail industry nationally and locally, as well as the rise of internet shopping. Data provided by Fort Kinnaird's management team shows that in from 2015 to 2017, employment levels remained at over 2,000 jobs.

¹ ONS, Business Register & Employment Survey, 2017

² This is calculated using the average number of hours worked by sector: ONS, ASHE, 2017.

Gross Value Added

- 2.6 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.
- 2.7 In order to estimate the direct GVA impact associated with Fort Kinnaird's activities Regeneris uses occupier employment data, split by broad category (ie retail, food and drink). 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 Edinburgh. Direct GVA impacts are calculated by multiplying FTE employment and the appropriate GVA per FTE benchmark.
- 2.8 Fort Kinnaird's occupiers generate a substantial amount of turnover and economic activity. This creates a significant economic impact locally. Based on the sector breakdown and levels of employment on site (as outlined above), the estimated direct GVA generated by the site is around £48 million per annum.

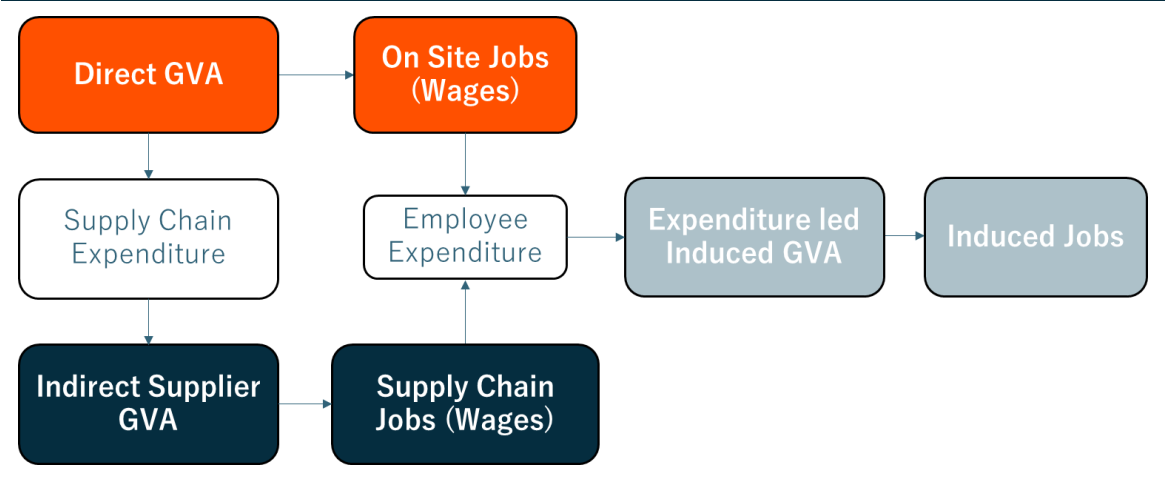
3. Indirect and Induced Benefits

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

- **Indirect impacts** – Occupiers at Fort Kinnaird 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 Fort Kinnaird 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** – Fort Kinnaird’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 Fort Kinnaird in the local area, as well as those linked to it beyond Edinburgh.

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.

Indirect Economic Impacts

- 3.4 Supply chain impacts are dependent on the sectors from which Fort Kinnaird'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), estimate this spending based on the employment data provided by occupiers and the use of the Regeneris Input-Output model.
- 3.5 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
- 3.6 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 produced in the Edinburgh 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.
- 3.7 Our input-output model takes account of clusters of activity within Scotland in the absence of first-hand information about occupiers' sourcing of goods and services which we use to estimate Fort Kinnaird's impact at the Scotland level. We then apply Edinburgh's total employment as a proportion of Scotland's employment to provide an estimate of the potential impact at the Edinburgh level.
- 3.8 The following table shows that the indirect employment impact for the whole site across Edinburgh and Scotland is 180 and 650 jobs respectively. The indirect GVA impact is estimated at around £3.5m at the Edinburgh level and £27m for Scotland.

Table 3.1 Indirect Economic Impacts		
	Edinburgh	Scotland
Jobs	180	1,400
FTE Jobs	120	930
GVA	£3.5m	£27m

Source: Regeneris Input-Output Model, 2017

Induced Economic Impacts

- 3.9 Induced impacts are the effects resulting from direct and indirect employee expenditure.
- 3.10 As a large proportion of the employees are likely to live within Scotland and probably within the Edinburgh area, a commensurate proportion of salaries linked to Fort Kinnaird are likely to be spent within the area, in turn supporting further local employment.
- 3.11 The Regeneris Input-Output model estimates the impact of this induced expenditure for Scotland. Similar to the indirect impacts, we apportioned this to provide an estimate of the potential induced impact of Fort Kinnaird at the Edinburgh level.

Table 3.2 Induced Economic Impacts		
Impact	Edinburgh	Scotland
Jobs	50	360
FTE Jobs	40	290
GVA	£2.2m	£17m

Source: Regeneris Input-Output Model, 2017

Summary of Total Economic Impacts

- 3.12 Adding together direct, indirect and induced impacts provides an estimate of Fort Kinnaird's impact across the whole economy, both locally and across Scotland as a whole. The table below summarises the key impacts:

Table 3.3 Summary of Total Economic Impacts (Direct, Indirect and Induced)		
Impact	Edinburgh	Scotland
Jobs	2,240	3,370
FTE Jobs	1,490	2,550
GVA (£m)	£53m	£91m

Source: Regeneris Input-Output Model, 2017

3.13 In total, Fort Kinnaird contributes around £53 million of GVA to the Edinburgh economy and around £91 million of GVA to the Scotland economy per annum.

4. Contributions to the Exchequer

- 4.1 Business Rates in Scotland are collected by Scottish councils and used as part of the funding for local services. Using data from the Park's management team on rateable values for each unit and applying the appropriate benchmark business rates multiplier³, we estimated Fort Kinnaird's business rate contribution to be around £7.2m per annum, based upon a total rateable value of around £15.1 million. Fort Kinnaird's estimated contribution equates to around 2% of all business rates collected in Edinburgh in 2016/17.⁴

³ http://www.edinburgh.gov.uk/info/20020/business_rates/757/business_rate_charges.

⁴ POBE 2017, Provisional Outturn 2016-17 and Budget Estimates 2017-18



REGENERIS

www.regeneris.co.uk

London: 0207 336 6188

Manchester: 0161 234 9910