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Teesside Economic Impact Assessment

A Methodology Statement by Regeneris Consulting

British Land Plc

Teesside Economic Impact Assessment

Methodology Statement

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Contents Page

1. Purpose and Scope

1.1 Teesside is one of British Land's largest assets in its retail and leisure portfolio. It is the biggest facility of its type in the North East and serves as one of Tees Valley's major retail and leisure destinations. This year (2016) marks the 25-year anniversary since Teesside opened.

1.2 To mark this milestone, British Land has prepared a document which explores Teesside's social, economic, community and environmental contribution locally and in the Tees Valley. To inform this document, British Land commissioned Regeneris Consulting to undertake an economic impact assessment of Teesside.

1.3 This statement provides a brief overview of the methodology used by Regeneris in assessing the economic impacts presented in British Land's 25-year document. These are estimated in terms of direct, indirect and induced impacts which are broadly defined as:

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

1.4 The document primarily refers to the following impacts:

Employment Impact

- Direct employment impacts on-site covering:
  - total employment at Teesside
  - growth in employment at Teesside
  - where workers at Teesside are drawn from
- Indirect and induced employment supported by Teesside in the Tees Valley area and the North East region.

Contribution to the Economy

- Direct impacts in terms of gross value added (GVA)
- Indirect and Induced GVA impacts supported in Tees Valley and the North East

Contribution to the Exchequer

- Annual level of business rates collected by local councils as a result of Teesside activities

2. Direct Employment and GVA Impacts

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

Employment

2.2 Current levels of employment at Teesside have been estimated based upon occupier surveys undertaken by Teesside's management team on our behalf. All occupiers were asked to provide the following information:

- total employees (jobs)
- total full-time employees
- total part-time employees
- any shift pattern information that was available.

2.3 Based upon occupier employment data and information provided by Teesside's management team, Teesside currently supports **2,400 jobs**. This is equivalent to employment at Teesside representing 1 in every 100 jobs in Tees Valley.[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 Teesside to be around **1,500 FTE jobs**.[2] The majority of jobs supported are in retail (80%), with the remainder in food & drink services and entertainment (19%), while a small number involved in the security and management of the site (1%).

Residential Location of Employees

2.5 Teesside occupiers were not able to provide postcode or partial postcode details of their employees. Without this data it was not possible to base our Teesside workers' residency analysis on current employees.

2.6 However, our analysis of the residency of workers at Teesside was informed by the 2011 Census Travel to Work 'Origin and Destination' data. While this was based upon census returns from 2011, it provided the best alternative and available dataset to understand this issue. Given the retail and leisure sectors typically draw upon a local workforce, it is not anticipated that there has been a fundamental shift in the place of residence of Teesside workers since 2011.

2.7 To undertake this analysis, we identified three Census Output Areas which provided a best-fit for the Teesside site as a workplace destination (see Figure 2.1). It was then possible to identify the origin local authority district for all travel to work flows to this destination.

2.8 Our analysis showed that that around 80% of Teesside workers lived within the Stockton-on-Tees and Middlesbrough local authority areas and around 95% lived within the Tees Valley.

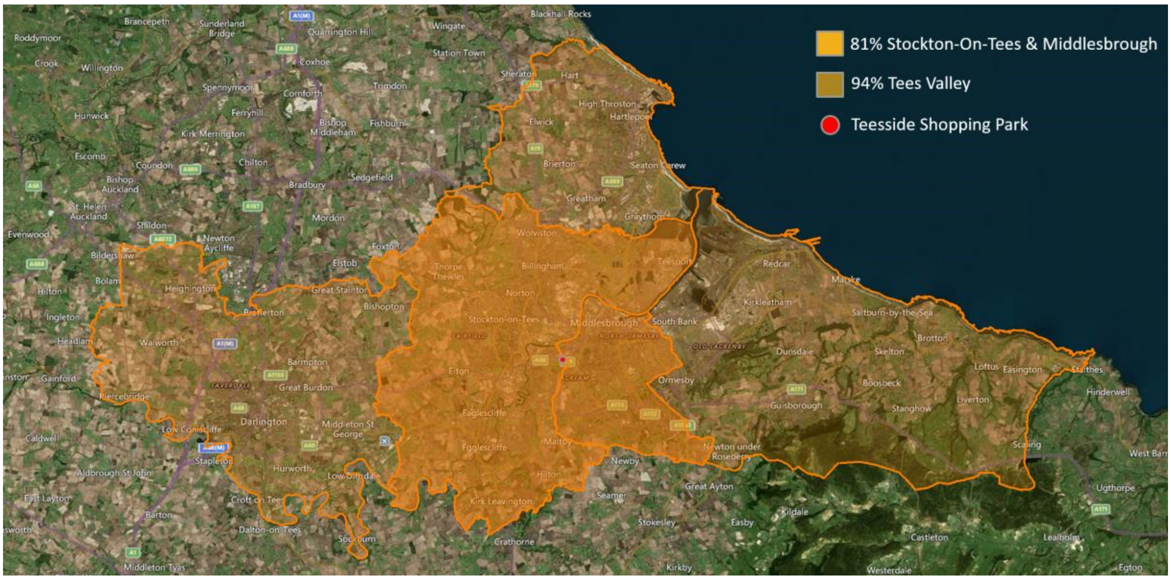
[1] ONS, BRES, 2015

[2] This is calculated using the average number of hours worked by sector: ONS, ASHE, 2015.

Figure 2.1 Best-Fit Teesside Census Output Areas

Note: Based upon Census Output Areas which provide a best-fit for Teesside (E00061964, E00061953, E00060579). The best fit area includes areas of green-space, as well as some minor employment areas in close proximity to Teesside (e.g. golf course, rail-sidings area, cemetery, nursing/care home). However, these Output Areas represent the best available data units to analyse the origin of workers at Teesside in the absence of survey data. Source: ONS 2011 Census Output Areas; Microsoft Bing Maps

Figure 2.2 Teesside Shopping Park's Labour Catchment in the Tees Valley LEP Area



Source: Census 2011 Origin & Destination; Microsoft Bing Maps

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Growth in Employment at Teesside

2.9 The 2016 survey of Teesside employment, undertaken by the management team on our behalf, was the first survey of its kind for Teesside. Without any prior employment surveys there was not an employment baseline which could be used to measure employment change at Teesside.

2.10 In the absence of prior survey data, it was necessary to model an estimate of employment at Teesside in 2011. This estimate was based upon data from the Census Workplace Population dataset (the best available dataset) for the three best-fit Census Output Areas which cover Teesside.

2.11 Comparing total Teesside employment in 2016 to our estimate of employment in 2011 showed that there had been employment growth over around 100 jobs at Teesside over the last five years (a 5% increase). Our estimate of 2011 employment within the best-fit Teesside area was adjusted to take account of modest levels of non-Teesside employment which is picked up within the Teesside best-fit area (e.g. at the golf club).

Gross Value Added

2.12 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.

2.13 In order to estimate the direct GVA impact associated with Teesside's activities we used the occupier employment survey results, split by broad category (e.g. retail, food and drink). We then calculated GVA per FTE job benchmarks by sector, drawing on data from the ONS Annual Business Survey (ABS) and the ONS Business Register Employment Survey (BRES) for the North East region[3]. Direct GVA impacts were then calculated by multiplying FTE employment and the appropriate GVA per FTE benchmark.

2.14 Teesside'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 Teesside is around £40 million per annum.

[3] Regional data is the lowest level that detailed Annual Business Survey data on GVA is available.

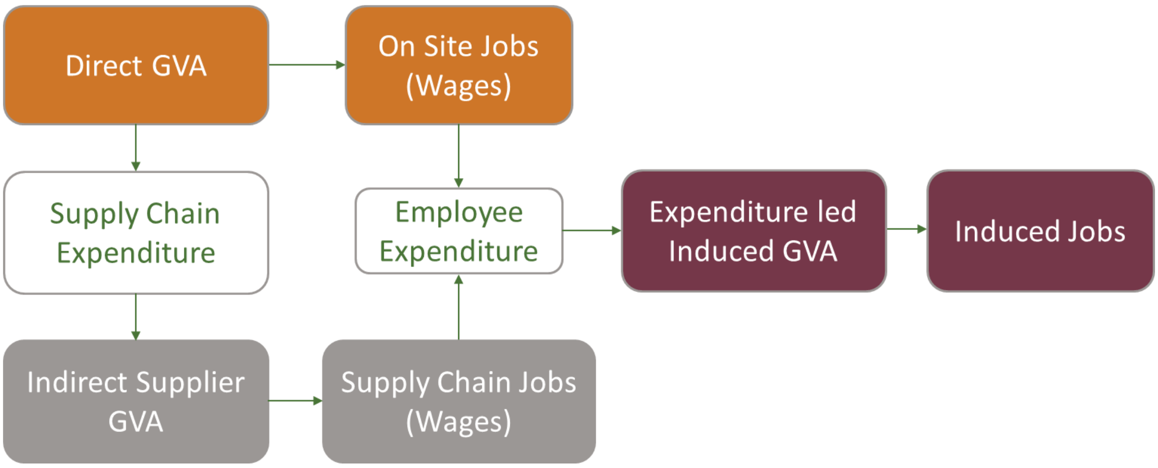
3. Indirect & Induced Impacts

3.1 In addition to the direct employment and GVA impacts described above, Teesside's operations have wider economic benefits both in the local area and the rest of the region. Two types of wider economic impacts were considered:

- **Indirect impacts** – Occupiers at Teesside 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 Teesside 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 –** Teesside'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 Teesside in the local area, as well as those linked to it beyond the Tees Valley.

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 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 The 25-year document refers to additional jobs created in the supply chain. These are the indirect economic impacts of activity at Teesside.

3.5 Supply chain impacts are dependent on the sectors from which Teesside'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 from occupiers (the data was not available to us), we have been able to model this spend 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 produced locally), and some to be either imported, finished goods or assembled from imported materials. This is likely to vary 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 the North East region in the absence of first-hand information about occupiers' sourcing of goods and services which we have used to estimate Teesside's impact at a regional level. We have then applied Tees Valley's total employment as a proportion of regional employment to provide an estimate of the potential impact at the Tees Valley level.

3.9 The following table shows that the indirect employment impact for the whole site at the Tees Valley and North East region area is 180 and 700 jobs respectively. The indirect GVA impact is estimated at around £5m at the Tees Valley level and £20m for the North East region.

Table 3.1 Indirect Economic Impacts

Impact	Tees Valley	North East
Jobs	180	700
FTE Jobs	120	500
GVA (£m)	5	20

Source: Regeneris Input-Output Model

Induced Economic Impacts

3.10 Additional jobs in the local communities are referred to in the 25-year document. These are the induced effects resulting from direct and indirect employee expenditure.

3.11 As a large proportion (95%) of the employees live within the Tees Valley area, a large proportion of salaries are likely to be spent within the area, in turn supporting further local employment. Our Input-Output model estimated the impact of this induced expenditure for the North East region. Similar to the indirect impacts, we apportioned this to provide an estimate of the potential induced impact of Teesside at the Tees Valley level.

Table 3.2 Induced Economic Impacts		
Impact	Tees Valley	North East
Jobs	110	500
FTE Jobs	70	300
GVA (£m)	5	20

Source: Regeneris Input-Output Model

Summary of Total Economic Impacts

3.12 Adding together direct, indirect and induced impacts provides an estimate of Teesside's impact across the whole economy, both locally and regionally. Table 3.3 summarises the key impacts:

Table 3.3 Summary of Total Economic Impacts (Direct, Indirect and Induced)		
Impact	Tees Valley	North East
Jobs	2,700	3,600
FTE Jobs	1,700	2,300
GVA (£m)	50	80

Source: Regeneris Input-Output Model

3.13 As stated in the 25-year document, Teesside contributes around £50 million of GVA to the Tees Valley economy and around £80 million of GVA to the North East economy per annum.

4. Contributions to the Exchequer

4.1 Business Rates are collected by local authorities, but on behalf of the UK Government. Using data from the Park's management team on floorspace units and addresses (i.e. the postcodes for Teesside) we used the Valuation Office Agency (VOA) website to download the latest ratings data (rateable values) for occupiers/units at Teesside.

4.2 Taking into account any reliefs due and applying the appropriate business rates multiplier[4], we estimated Teesside's business rate contribution to be around £8.7m per annum, based upon a total rateable value of around £17.6 million. Teesside's contribution equates to around 6% of all business rates collected in the Stockton-On-Tees and Middlesbrough local authority areas.[5]

[4] The VOA's 2016/17 standard multiplier of 0.479 for England was used to estimate business rate contributions.

[5] Based upon data in April/May 2016. Total rateable values were estimated for the local authority areas and the 2016/17 standard multiplier was applied.

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