

The Wider Economic Benefits of VNEB Regeneration - Interim Report

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28th October 2011

Background

- The OAPF has identified the scale of the development opportunity and the constraint imposed by low public transport accessibility
- A key challenge is to link deprived communities to new opportunities and facilities
- Scenarios have been developed to show the development that can be achieved with different levels of transport availability
- These can be used to provide estimates of the net economic benefits of the additional activity associated with improved public transport – essentially the Northern Line Extension
- Combined with local labour market analysis the local impacts in Lambeth and Vauxhall can be analysed

Scenarios for development at Vauxhall, Nine Elms and Battersea

- The following development options for the VNEB area have been established in its OA Planning Framework

Options	Number of jobs	Number of homes	Estimated population growth	Employment floorspace created (sqm)	Residential floorspace created (sqm)
Option 1 – Low Density Residential	8,000	4,200	10,000	200,000	294,000
Option 2 – Medium Density Residential	8,000	8,500	20,000	200,000	595,000
Option 3 – High Density Residential	8,000	16,000	40,000	200,000	1,120,000
Option 4 – High Density Residential and Retail	12,000	16,750	40,000	300,000	1,172,500
Option 5 – High Density Residential, Retail and Office	27,000	16,750	40,000	550,000	1,172,500
Revised Option 5 – High Density Residential, CAZ Frontage and Office	25,000	16,000	40,000	500,000	1,120,000

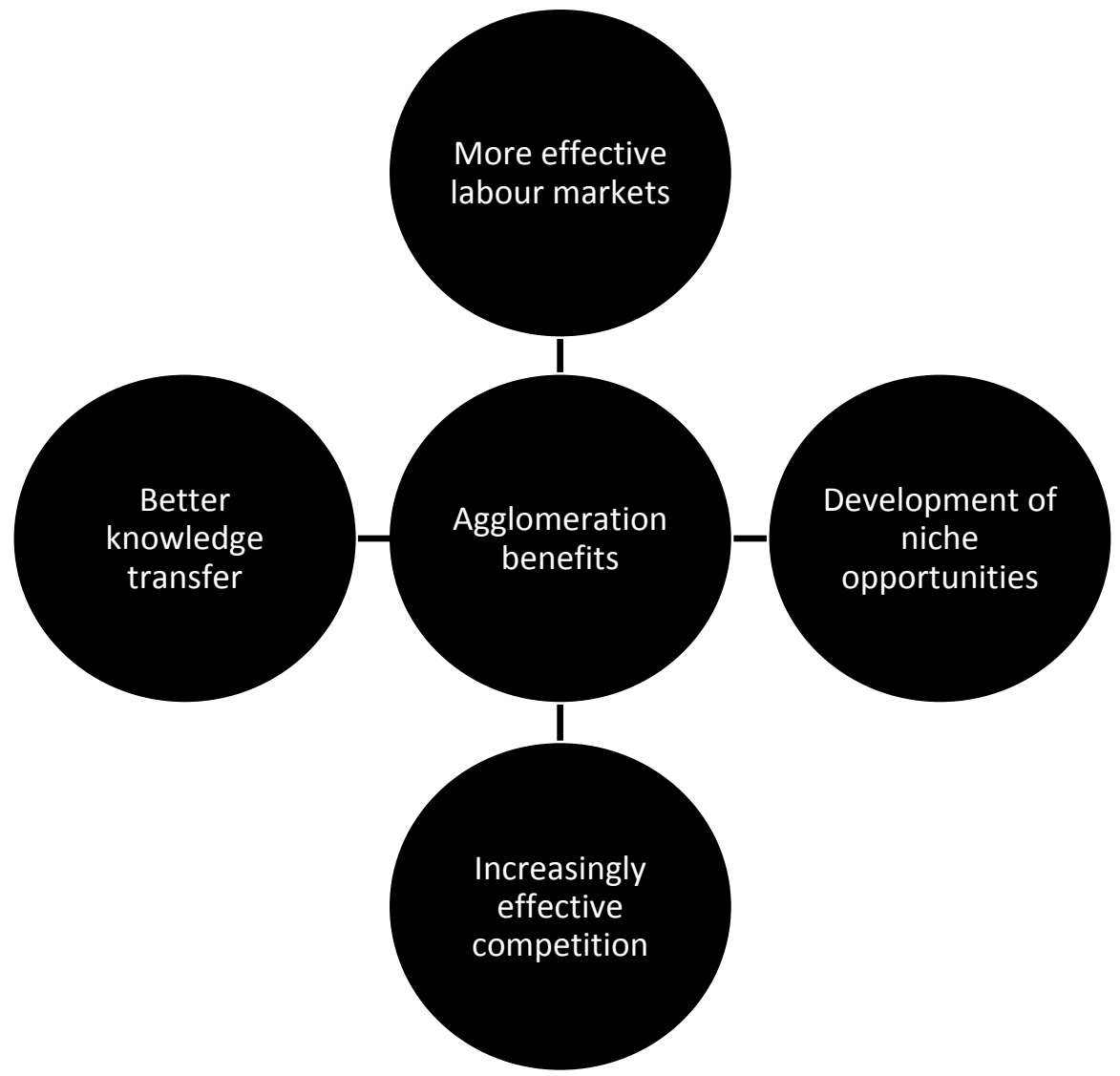
- Revised Option 5 was developed in consultation with stakeholders amidst views that there was capacity for a greater level of development than set out in Option 4 but a lower level than in Option 5. Revised Option 5 was selected as the preferred option for development within the OAPF. This would include the creation of:
 - At least 16,000 homes;
 - 200,000m² of mixed use employment, with the potential for the creation of a small centre at Vauxhall and office uses in Nine Elms; and
 - Potential for a new retail centre at Battersea Power Station (60,000m² of retail), 160,000m² offices, and 80,000m² of other employment uses

Scenarios Compared

- Combining the development scenarios with transport analysis, it is concluded that Scenario 2 is consistent with improved bus services, and existing plans to improve stations
- To achieve Scenario 5, in which densities are at CAZ levels and there is substantial mixed use requires the substantial investment associated with the Northern Line Extension
- Scenario 2 is therefore the baseline in this analysis, and the benefits of Scenario 5 are analysed
- Scenario 2 probably does not produce sufficient commercial value to support the Power Station, which requires the additional density and values of a CAZ location
- Scenario 5 has the potential to attract higher value jobs and Inward Investment and to generate wider economic benefits
- All the analysis has used Treasury Green Book assumption for the time period (60 years) and discount rates

Wider Economic Impacts: Agglomeration Overview

- High density is associated with high productivity because of agglomeration effects.
 - Agglomeration is the way in which co-location creates knock-on effects
- Agglomeration manifests itself in high densities of employment in advanced, knowledge-intensive sectors such as financial and business services, design, science and creative industries, which in turn support advanced manufacturing sectors across city regions
- High density is dependent on good accessibility. This is partly because of the need to create effective labour markets, but also to connect to customers and suppliers



Wider Economic Impacts

- The DfT has developed a methodology for valuing these benefits that are not included in the standard transport case
- Standard transport business cases value the time savings which transport users can make with new infrastructure; these incorporate underlying assumptions about jobs and population growth
- The wider benefits are based on the *additional* output that can be generated in specific locations because of city centre effects
- The main components are a move to more productive jobs which is enabled by new development and a density effect labelled 'pure' agglomeration
- We have valued these using the DfT methods, which we believe to be conservative

Move to More Productive Jobs

- Scenario 5 has 17,000 additional jobs, but transport analysis ‘moves’ some of these from elsewhere in London, so evaluation rests on a productivity differential for 8,220 more jobs

	White collar	Blue collar	Total
Lambeth	2,911	741	3,652
Wandsworth	11,707	2,413	14,120
Other London boroughs	(7,328)	(2,224)	(9,552)
Net additional jobs in London	7,289	931	8,220

- In the long term it is generally assumed that everyone finds work, so these net jobs are moved from other parts of the country where productivity is lower. Depending on the assumption about where the ‘move’ is from we get a range of values
- To the extent that the development attracts inward investment, jobs are ‘moved’ from abroad and it is total output which matters

Pure Agglomeration

Location	Pure Agglomeration 60yr NPV
Wandsworth	£0.07bn (7%)
Lambeth	£0.20bn (24%)
Rest of London	£0.58bn (68%)
Total	£0.86bn

- Pure agglomeration is a density effect, where increases density raises (slightly) the productivity of existing workers by enabling better communications, trips to meetings, knowledge transfer and so on
- Its scale has been estimated by research for the DfT and the effect is stronger the higher the existing density of relevant sectors
- Lambeth gets a larger proportion of the pure agglomeration benefits. This is because Lambeth already contains more employment in sectors that will benefit from agglomeration and is already further up the development curve

Summary Of Wider Economic Benefit Results

Benefit	Value (60yr NPV)
Move to more productive jobs	£2.8bn [£0.5bn-£6.2bn]
Pure agglomeration	£0.9bn
TOTAL WEBS	£3.6bn [£1.3bn-£7.1bn]

- SDG estimate traditional transport benefits to be £1.5bn, resulting in a BCR for the NLE of 1.5:1. Approximately 60% of these benefits are travel time savings to leisure users, and 40% are travel time savings for business users.
- Wider Economic Benefits increase BCR to between 2.8 and 8.2
- The strongest case uses the percentage of jobs from Foreign Direct Investment to value total output, the weakest moves all jobs just within London and is therefore a CAZ only effect

Taxation

60yr NPV	Lambeth	Wandsworth	Other boroughs	Total
RESIDENTS BASED				
Stamp Duty	£0.02bn	£0.3bn	-	£0.3bn
Income Tax & NICs	£0.2bn	£2.3bn	-	£2.5bn
Corporation Tax	£0.1bn	£1bn	-	£1.1bn
Council Tax	£0.03bn	£0.2bn	-	£0.2bn
WORKER BASED				
Income Tax & NICs	£1.0bn	£3.6bn	(£2.4bn)	£2.2bn
Corporation Tax	£0.4bn	£2.0bn	(£0.5bn)	£1.9bn
Business Rates	-	-	-	£1.8bn

- These are based on London net additionality of Scenario 5
- They can be only be added together if it is assumed that no new residents take local jobs
- Business Rates derived from Colliers study

Distribution of Benefits

- Compared to Scenario 2, Scenario 5 development is focused more in Wandsworth

	Lambeth	Wandsworth	Other boroughs	Total
House numbers	696	8,196	0	8,891
Working residents	763	7,976	0	8,739
Workers	3,652	14,120	(9,552)	8,220

- However, benefits are more broadly spread:
- Density increases in both boroughs
- Agglomeration effects are stronger in Lambeth
- Unemployed from both boroughs will be able to access new jobs
- Our estimates indicate that around 6% of the new jobs created will go to local people who would otherwise be out of work (around 1,500 jobs, or just over a quarter of the pool of people available locally)