

# KIG Socio-Economic Assessment Clarifications

November 2008

## **KIG Socio Economic Assessment - Clarifications**

At a meeting on 14<sup>th</sup> July with Maidstone Borough Council and their advisers Nathaniel Lichfield and Partners, the Council made a number of specific requests for clarifications and additional information. Most of these have been addressed in the document formally submitted on 3 October, "Supplementary Information on KIG Socio-Economic Impacts."

This note addresses specific questions raised at that meeting. These mainly related to the employment estimates included in the Socio Economic chapter of the Environmental Statement (ES), some methodological issues relating to wider economic impacts, and the relationship of KIG to the labour market.

Following the 14 July meeting, the Borough Council and its advisers have not subsequently asked for any further questions or issues of clarification to be addressed.

### **Employment Estimates**

The Council asked a number of questions about the basis of employment estimates including construction employment, working hours and shift patterns and the split between types of employment.

The Socio Economic chapter of the ES sets out the basis for the estimate of construction employment. This was derived from cost estimates provided by the construction consultants (White Young Green). A standard construction cost per employee-year was then applied to provide an estimate of total employment.

The permanent employment estimate of 3,500 was explained further in the report submitted to the Council, "Supplementary Information on KIG Socio Economic Impacts". This provided information on the basis for the employment densities used.

The office employment estimate is based on the report by Arup Economics & Planning for English Partnerships, "Employment Densities". These densities are the amount of floorspace per workspace rather than per full-time-equivalent (FTE) employee. However, the FTE figure is unlikely to be very different from the estimate provided. The number of individual people employed could be slightly higher, because of part-time working, although this is not very significant in office employment.

Annual Business Inquiry data for Maidstone shows that full-time equivalent employment as a proportion of the total headcount of all staff employed in business and financial services (a proxy for office employment) was around 90%. The Socio Economics chapter estimated there would be 430 jobs in the office floorspace at KIG. A 10% increase on this would mean just over 470 different individuals would work there.

Employment in the warehouse element of KIG is estimated at 3,000. This is based on floorspace per worker and is a headcount of those who will be employed there. It is estimated that they will work three equal shifts of 06.00-14.00; 14.00-22.00; and, 22.00-06.00.

### **Wider Economic Impacts**

The ES does not include an assessment of the additionality of the employment that is estimated at KIG. Maidstone BC suggested that an assessment could be undertaken in line

with English Partnerships' Additionality Guide. The Guide explains how to assess the additional impact or additionality of a regeneration, renewal and regional development intervention, where interventions are defined as being "any project, programme or policy that is implemented or supported by the public sector in order to achieve its objectives."

The proposals for KIG are not implemented or supported by the public sector, therefore it is not a requirement that the Guide is followed. However, it does contain some useful guidance on the general principles of appraisal, some of which were followed in the Socio Economic chapter of the ES.

The guide sets out four factors to be considered in undertaking an assessment of additionality – leakage, displacement, substitution and multiplier effects.

Leakage refers to benefits that "leak" out of the target area or group that the project seeks to benefit. As a private sector development, KIG does not have a target area in the way the Guide defines it and therefore leakage has not been assessed in that way. The *Supplementary Information on KIG Socio-Economic Impacts* report sets out the area from which the labour force for KIG is likely to be drawn and which would therefore benefit from increased levels of employment.

Similarly, substitution is defined as "where a firm substitutes one activity for another (such as recruiting a jobless person while another employee loses a job) to take advantage of public sector assistance. It can be thought of as 'within firm' displacement." There is no public sector assistance in this case and the nature of the development means there will not be substitution effects of this sort.

Displacement in the warehousing element has been estimated by MDS Transmodal (MDST), the railfreight advisers to the project. MDST estimates that all the floorspace occupied by National Distribution Centre (NDC) activity would be additional to the Kent economy, i.e. it would not replace existing floorspace in Kent or divert distribution jobs from elsewhere. MDST further estimates that the floorspace accommodating Regional Distribution Centre (RDC) activity is likely to be a replacement for some existing RDC floorspace in Kent (on the basis that warehouse buildings become 'life expired' and require replacement) or absorb some forecast growth from across Kent. It is estimated that this could be as high as two-thirds of the floorspace.

The extent to which the office floorspace would displace activity from elsewhere is more difficult to assess, in the context of the growth of Maidstone and its stated policy need for more jobs, as well as the usual "churn" in the office market as older, out-dated stock is replaced by new or refurbished stock that better meets the needs of business.

As set out in the *Supplementary Information on KIG Socio-Economic Impacts* report, the preferred option for policy CS2 in MBC's LDF Core Strategy states that, "it is likely that provision will also need to be made for at least a further 10,000 jobs in a range of sectors and locations." Given a strong policy steer for new employment, it could be argued that all the floorspace coming forward would be additional and that displacement of existing employment would be zero.

However, analysis has also been undertaken of the ability of other sites to provide floorspace required to meet Maidstone's growth. Figure 1 shows the sites that are allocated for employment in the adopted Development Plans of Maidstone, Tonbridge & Malling, Swale, Ashford, Medway and Tunbridge Wells within 5km of the boundary of Maidstone district.

This shows that there are relatively few allocated employment sites in close proximity to Maidstone and which would compete with Maidstone as a business location. The largest amount of employment floorspace is in Tonbridge and Malling to the north-west of Maidstone.

MBC published an Employment Land Study in 2008. This identified 23 possible employment locations, 19 of which are existing locations and four of which would be new allocations. These are shown in Figure 2.

The study identified a need for up to 11.5ha of employment land between 2006 and 2026, of which 3.5ha would be for office uses and up to 8ha for industrial (including factories and warehouses). However, this was based on lower employment requirements due to a number of methodological assumptions<sup>1</sup>,

The study concluded that the capacity of sites was broadly in line with the authors' lower estimate of employment requirements (up to 2,500 jobs). However, it identified some imbalance in the location of sites and suggested that consideration should be given to the provision of a further three to five hectares as extensions of existing industrial parks in the southern part of the Borough.

The study does not suggest that the indicative target of 10,000 new jobs set out in the LDF Core Strategy could be met from the site potential it has identified.

There are also qualitative issues to consider. The Employment Land Study states that Maidstone's town centre office stock is mainly secondary quality with a limited supply of modern, prime property. This has been identified as one of the reasons that Maidstone underperforms other areas. Working Paper 2 of the Kent and Medway Structure Plan states that, "Maidstone has lost the leading position it once enjoyed in Kent as a location for investment. Neighbouring areas have large business-park developments, while Maidstone has relied largely on town centre sites."

It is therefore unclear the extent to which the office floorspace at KIG would displace activity from elsewhere in Maidstone. However, there is likely to be some displacement at the County level as firms which might have located elsewhere (eg Tonbridge & Malling) are attracted to Maidstone instead.

The EP additionality guide estimates that commercial development schemes have a displacement rate of 71% at the county level. Applying this to the office element of KIG would reduce gross employment by just over 300 jobs. This displacement rate has also been assumed for the small industrial units.

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<sup>1</sup> This report made different assumptions about the relationship between new housing and employment levels. In particular it did not assume MBC's aim of people living and working locally would be met. As a result, "required" new employment was estimated as between 1,500 and 2,500 jobs on employment land.

**Table 1 Displacement at KIG**

<b>Use</b>	<b>Jobs</b>	<b>County-Level Displacement</b>	<b>Net Jobs</b>
Warehouse NDC	1,725	0	1,725
Warehouse RDC	1,271	67%	424
Office	430	71%	125
Small Industrial Units	80	71%	23
<b>Total Jobs</b>	<b>3,506</b>		<b>2,297</b>

The final element of the EP Additionality Guide is economic multiplier effects. The ES chapter has applied the Guide's generic local level multiplier of 1.1. The Guide includes a lower multiplier of 1.05 for schemes with limited local supply linkages and a higher one of 1.15 for scheme with strong linkages. However, it states that the majority of schemes will fall within the category where 1.1 is most appropriate, and there is no reason to believe that the KIG development would be very different.

At regional level multipliers are higher and range from 1.3 for schemes with limited local linkages to 1.7 for those where they are strong. The Guide also has higher multipliers for property development activity. The local multiplier for B1/2/8 is estimated at 1.29 at local level and 1.44 at regional level.

At county level, the strength of the multiplier would be greater than at local level but weaker than the regional level. Using the generic multiplier it would lie in a range between 1.1 and 1.5 and using the property development multiplier it would be between 1.29 and 1.44.

Table 1 above identifies just under 2,300 jobs (after allowing for displacement) and we have applied a multiplier of 1.3 to that. This gives induced employment of 690 and therefore total net employment of just under 3,000.

## Labour Market Impacts

The extent to which this might have a further impact on the local labour market (eg on wages) is difficult to assess. When labour market conditions are tight, wages will tend to rise. When labour supply rises relative to demand, wages will not tend to rise. Sectors with higher productivity will tend to have higher wages, and those with lower productivity will tend to have lower wages.

Wages in Maidstone are lower than in surrounding districts and resident earnings in Maidstone are considerably higher than workplace earnings, reflecting the fact that highly skilled (and therefore more productive) residents commute out of Maidstone to better-paid jobs elsewhere (principally in London, but also in neighbouring Tonbridge and Malling which has a number of high-quality business parks).

The labour supply is influenced by a range of factors including the size of the overall working-age population, economic activity rates, and the balance of in- and out-commuting.

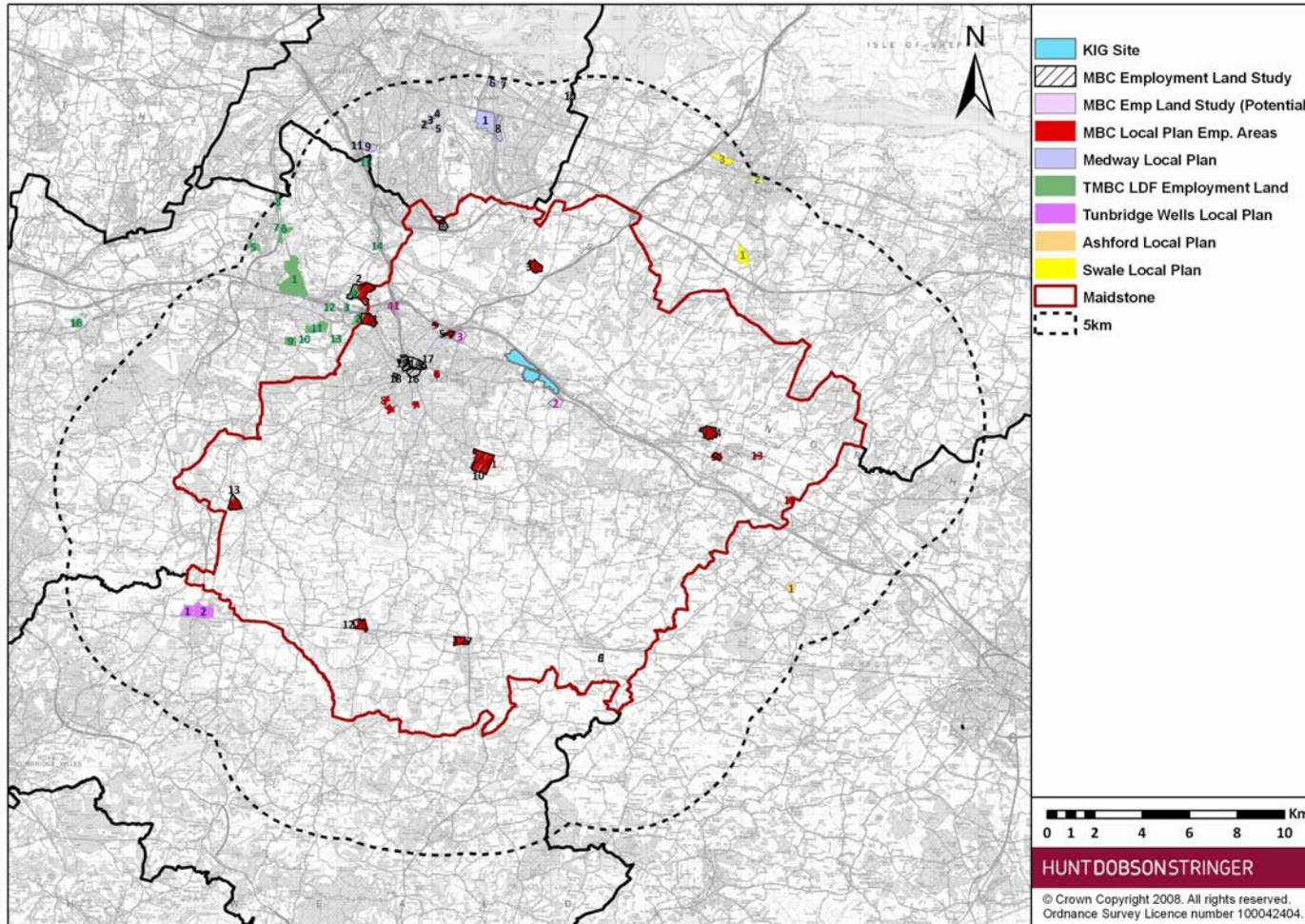
The overall size of the labour market will be influenced by Maidstone's involvement in the Government's Growth Point Initiative which has given Maidstone a revised target of 11,080 new homes. This would significantly increase the labour force in the Borough. The extent to which activity rates and commuting patterns would be changed by KIG would depend on a number of things including the occupational structure, wages and shift patterns. This was set out in more detail in the supplementary report already submitted.

Given this uncertainty about the likely size of the labour force, together with broader uncertainty about the economic cycle and its impact on unemployment, we do not think a more detailed assessment of the impact on wages can be undertaken at this stage.

KIG may change the mix of employment in Maidstone and therefore influence average wage rates. For example, the office space may attract occupiers from the financial and business services sectors which tend to have some of the highest wage rates. This would be likely to increase average wages in Maidstone. Increased employment in distribution would be unlikely to have a significant effect as wages in the sector are closer to the average for all sectors.<sup>2</sup> However, the scale of these impacts would depend on the mix of occupiers attracted to KIG which is not yet known.

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<sup>2</sup> This is set out in MBC's Employment Land study, eg on p.33



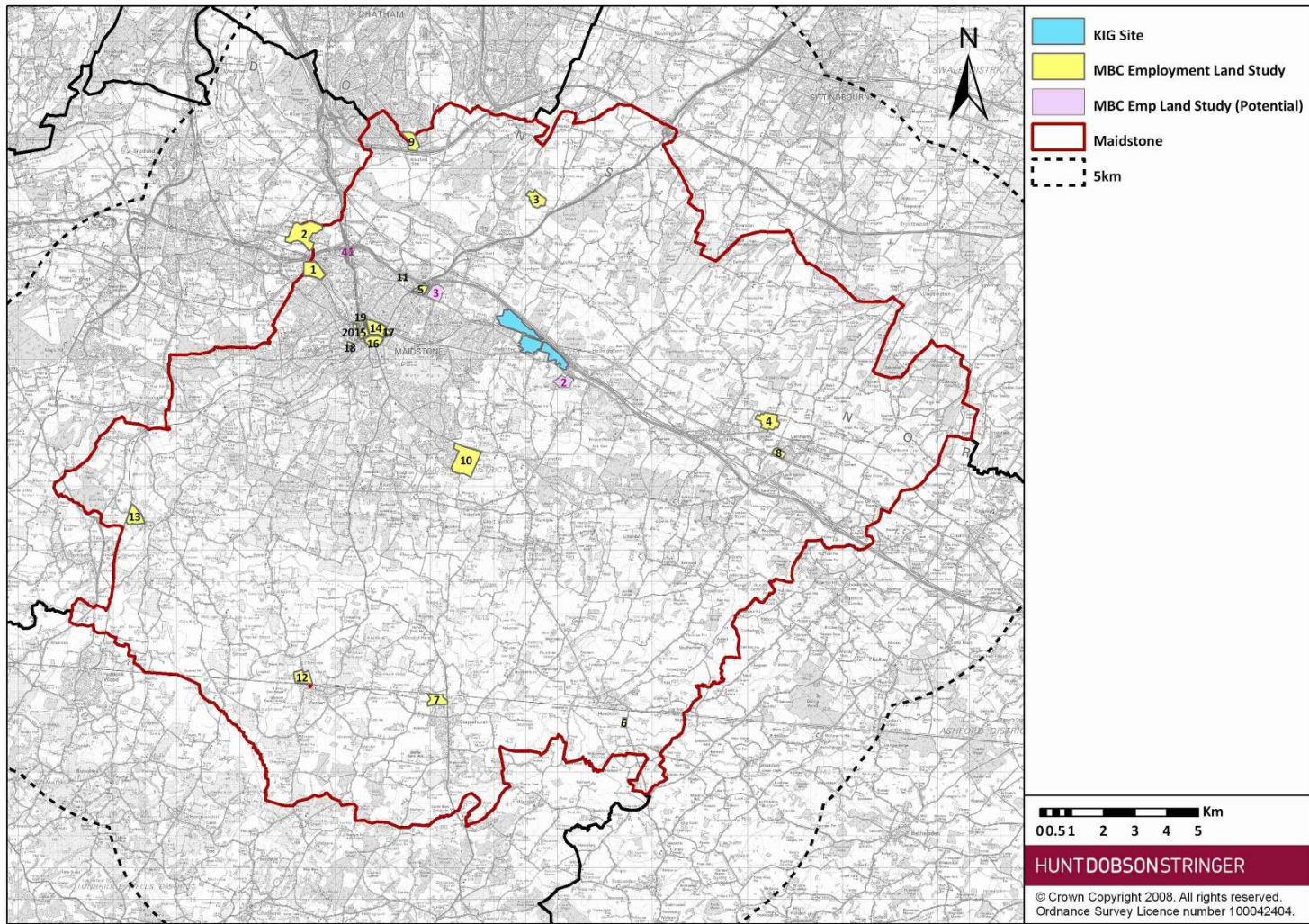
**Figure 1** Employment Sites Around Maidstone

Maidstone Local Plan	Number	Site	Area	Use Class	Policy Status
	1	<u>Detling Airfield</u>	600sqm B1; 8,000sqm B2	B1/B2	Designated existing area of economic activity or area with planning consent for economic development
	2	<u>Forstal Road, Aylesford</u>			Designated existing area of economic activity or area with planning consent for economic development
		<u>St Michael's Close</u>	3,000sqm B1; 2,000sqm B2	B1/B2	Proposed for employment development
	3	<u>20/20 Allington</u>			Designated existing area of economic activity or area with planning consent for economic development
	4	<u>Land Adjoining Hilton Hotel</u>	15,000sqm B2	B2	Proposed for employment development
	5	<u>Dove Hill Works Boxley</u>		B1 Only	Designated existing area of economic activity or area with planning consent for economic development
	6	<u>Turkey Mill Court</u>			Designated existing area of economic activity or area with planning consent for economic development
	7	<u>Coombe Quarry North Maidstone</u>			Designated existing area of economic activity or area with planning consent for economic development
	8	<u>Tovil Green</u>			Proposed for employment development
	9	<u>Tovil</u>	4,000sqm B1; 9,000sqm B2	B1/B2	Designated existing area of economic activity or area with planning consent for economic development
	10	<u>Park Wood Industrial Estate</u>			Designated existing area of economic activity or area with planning consent for economic development
	11	<u>Langley Park Farm West</u>		B1/B2	Proposed for employment development
	12	<u>Marley Works</u>	9,000sqm B1; 5,000sqm B2	B1/B2	Designated existing area of economic activity or area with planning consent for economic development
	13	<u>Lenham Triangle</u>	2,000sqm B1	B1 Only	Designated existing area of economic activity or area with planning consent for economic development
	14	<u>Lenham Storage</u>	6,000sqm B2-B8	B2/B8	Designated existing area of economic activity or area with planning consent for economic development
	15	<u>Brake Bros. Lenham</u>			Designated existing area of economic activity or area with planning consent for economic development
	16	<u>Zeneca Yalding</u>	5,000sqm B2	B2	Designated existing area of economic activity or area with planning consent for economic development
	17	<u>Station Road Staplehurst</u>			Designated existing area of economic activity or area with planning consent for economic development
		<u>West of Lodge Road Staplehurst</u>		B1c/B2	Designated existing area of economic activity or area with planning consent for economic development
	18	<u>Pattenden Lane Marden</u>			Designated existing area of economic activity or area with planning consent for economic development

Tonbridge and Malling LDF (Adopted 2008)	<b>Number</b>	<b>Locale</b>			
	1	New Hythe E1d			
	2	Aylesford 20/20 part E1h			
	3	Aylesford E2b			
	4	<u>Aylesford Forstal Road part E1e</u>			
	5	<u>Snodland Ham Hill E1c</u>			
	6	<u>Snodland East of bypass E1b</u>			
	7	<u>Snodland Rookfort Road E1q</u>			
	8	<u>Snodland Holborough E3k/E1a</u>			
	9	<u>Ditton East Malling Research Station E1s</u>			
	10	<u>Ditton Quarry Wood E2f</u>			
	11	<u>Ditton Quarry Wood part E1f/E2e</u>			
	12	<u>Ditton E2d</u>			
	13	<u>Ditton Barming Depot E1g</u>			
Swale Local Plan	<b>Number</b>				
	1	Science Park			
	2	Sittingbourne Centre			
	3	Sittingbourne West			
Ashford Local Plan	<b>Number</b>				
	1	<u>Pilvington Mill</u>			
Tonbridge Wells Local Plan	<b>Number</b>				
	1	Paddock Wood West			
	2	Paddock Wood East			

<b>Medway Local Plan</b>					
<b>Sites</b>	<b>Number</b>	<b>Site</b>	<b>Area</b>	<b>Use Class</b>	<b>Policy Status</b>
	1	Gillingham Business Park	1.75ha	B1/B2-B8	Office Location
	2-4	<u>Second Avenue, Luton</u>			Warehouse/Distribution Park/General Industry/Business Area
	5	<u>Hopewell Drive, Luton</u>			General Industry/Business Area
	6	<u>Beechings Way</u>			Office Location/General Industry/Business Area
	7	<u>Firmstart Estate, Twydall</u>			Office Location
	8	<u>Courteney Road, Gillingham</u>			Warehouse/Distribution Park/General Industry/Business Area
	9	Rochester Airfield	25ha	B1/B2-B8	Manufacturing/Research and Development
	10	<u>Former Depot, Otterham Quay Lane</u>	1.29ha	B1	
	11	<u>Fort Bridgewood, Chatham</u>	2.1ha	B1/B2-B8	
<b>Proposed Sites (Not Mapped)</b>	<b>Number</b>	<b>Site</b>	<b>Area</b>	<b>Use Class</b>	
		Medway Valley Park/Timber Works	11.05ha	B1/B2-B8	
		Chatham Maritime	12.8ha	B1	
		Gads Hill/Danes Hill, Gillingham	0.29ha	B2-B8	
		Civil Service Sports Council Land (Gillingham Business Park)	4.32ha		
		Ex-health Authority Land (Gillingham Business Park)	2.88ha	B1	

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**Figure 2** Employment Sites in MBC's Employment Land Study

Maidstone emerging LDF Employment Land Study	Number	Site	Area	Use Class
<b>Sites</b>	<b>1</b>	<u>Allington 20/20 Business Park</u>	21.25ha	High Quality Business Park/Warehouse/Distribution Park/General Industry/Business Area/Specialised Freight Terminals
	<b>2</b>	<u>Aylesford Industrial Estate</u>	51.17ha	Warehouse/Distribution Park/General Industry/Business Park
	<b>3</b>	<u>Detling Aerodrome</u>	13.42ha	General Industry/Business Area
	<b>4</b>	<u>Dickley Wood</u>	24.86ha	Sites for Specific Occupiers – Plumbing & Drainage
	<b>5</b>	<u>Eclipse Business Park</u>	6.387ha	High Quality Business Park/Hotel & Park & Ride Facility
	<b>6</b>	<u>Headcorn South</u>	3.272ha	Warehouse/Distribution Park
	<b>7</b>	<u>Honeycrest Industrial Park</u>	13.42ha	Warehouse/Distribution Park/General Industry/Business Area
	<b>8</b>	<u>Lenham Centre</u>	9.595ha	Warehouse/Distribution Park
	<b>9</b>	<u>Lordswood Industrial Estate</u>	18.76ha	High Quality Business Park, Warehouse/Distribution Park, General Industry/Business Area
	<b>10</b>	<u>Parkwood</u>	33.7ha	Warehouse/Distribution Park/General Industry/Business Area
	<b>11</b>	<u>Penenden Heath</u>	3.403ha	Warehouse/Distribution Park/General Industry/Business Area
	<b>12</b>	<u>Wheelbarrow Park Estate</u>	19.53ha	Warehouse/Distribution Park/General Industry/Business Area
	<b>13</b>	<u>Yalding</u>	15.11ha	Southern Water / KCC
	<b>14</b>	<u>North East Central</u>	24.63ha	Warehouse/Distribution Park/General Industry/Business Area
	<b>15</b>	<u>North West Central</u>	9.143ha	Office Location/Town Centre Retail & Residential
	<b>16</b>	<u>South Central</u>	17.38ha	Office Location/Town Centre Retail & Leisure
	<b>17</b>	<u>Albion Place</u>	2.705ha	Office Location
	<b>18</b>	<u>London Road</u>	2.883ha	Office Location
	<b>19</b>	<u>Maidstone East Station</u>	1.296ha	Car park
<b>Potential Sites</b>	<b>1</b>	<u>Abbey Court</u>	2.768ha	Residential with plan for Business park/ R&D
	<b>2</b>	<u>Junction 8 Proposed Business Park</u>	16.39ha	Greenfield Site
	<b>3</b>	<u>Newnham Court</u>	20.57ha	General Industry/Business Area (Ancillary)/ Shopping Village
	<b>4</b>	<u>West Abbey Court</u>	1.862ha	Vacant Land