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# Economic Impact Report

## Development at Land off Lowfield Road

June 2015  
Version 001

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This report establishes:

- The anticipated Economic Impact and wider associated benefits generated by the development of the final phase at Lowfield Road, Bolton upon Dearne by Gleeson Homes.
- The typical profile of a Gleeson new homebuyer and will set out the financial aids and packages that are in place to support same.
- The health and wellbeing benefits brought to the wider community by the *Gleeson Community Matters Programme*

This proposal will provide the following benefits:

**£ 7.3m**

Sum spent on labour, goods and services in constructing the new homes

**146**

FTE Sustained or created job/years

**291**

FTE Indirect job/years in the supply chain and wider community

**£ 392,406**

Direct financial assistance to purchasers from Gleeson to potential purchasers

**Enhanced Health and Wellbeing**

By the application of the Gleeson Community Matters Programme

**£ 674,292**

New Homes Bonus payable over 6 years (upon completion).

**£ 112,382**

Additional annual Council Tax payable per annum following completion.

**60**

Forecast number of rental homes will be vacated by those that move into the new homes.

## Introduction

Residential development makes a significant contribution to the economy at a national, regional and local scale. This impact spans far beyond the initial construction phase and provides critical on-going benefits to communities.

The specific impacts quantified in this report are:

1. The employment provided during the developments construction period.
2. Benefits associated with the occupation of new homes over time.
3. Financial contributions to East Riding of Yorkshire Council as a result of the new homes built.
4. Demographic effects of the Gleeson Regeneration proposal.
5. Financial support available to Gleeson Purchasers.
6. The Community Benefits brought by the Gleeson Community Matters Programme.

The scheme seeks to provide 97 new family homes. The following mix of housing is proposed:

- 27 Nr Two Bedroom Homes
- 60 Nr Three Bedroom Homes
- 10 Nr Four Bedroom Homes



## 1. Employment and Construction

- a) Based upon a development capacity of 97 new homes, construction on this site will help to sustain or create 146 Full Time Equivalent Direct Job/years during the anticipated 4 year construction phase. This is based upon the HBF direct multiplier of 1.5 FTE jobs per new dwelling built<sup>1</sup>
- b) It is estimated by the HBF using a typical multiplier<sup>1</sup>, that an additional four jobs are sustained or created for every new home constructed. This suggests that this proposal will help to sustain 291 indirect job/years in the wider community and supply chain. This can be from greater use of local shops, fuel stations and cafes through to the construction, design and supervision of infrastructure
- c) The benefits associated with this development are of significance beyond the construction employment benefits associated with the site. Based upon the anticipated construction costs<sup>2</sup> the site will generate spend in the region of £7.3m directly from building activity. This investment can have far reaching benefits including the potential for construction contracts for goods and services at a local level.
- d) There is an accepted need to increase the availability of training and to upskill the existing workforce. Gleeson are committed to the training of Apprentices and have an annual intake in September each year as market and site activity allows. Applications for apprentice positions from the immediate vicinity of the site are positively encouraged and are viewed favorably.

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Through its *Community Matters* Programme Gleeson are committed to providing 'Local Jobs for Local People' and offer priority of employment to those living within 2 miles of each site ensuring that the benefit of jobs and spend go to benefit the local community.

Gleeson were the first new home builder to sign up to the National Living Wage



The head office of Gleeson is a registered CITB Training Centre and this facility is used to develop the skills of our Apprentices

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## 2. Longer Term Benefits

- a) The benefits associated with residential regeneration are long term. As new homes are built and occupied additional economic benefits transpire for the local area. Such benefits of this greater number of occupied properties can include the following:
- Greater economic activity resulting from new residents occupying new homes being in employment.
  - Potential for increased incomes and therefore the propensity to spend in the locality can increase.
- b) To quantify how the benefits set out above relate to the proposed development site it is necessary to consider the likely population of the new development. Based upon the experiences and expectations of Gleeson<sup>3</sup>, the average household size of buyers of the new homes will be 2.4 persons. This will provide 233 additional residents.
- c) The average age of a Gleeson purchaser in 2014 was 31.
- d) A straight forward multiplication of the number of households expected to occupy market housing on the site by the average annual household income of a typical Gleeson purchaser of £32,746, provides a gross income figure of £3,176,362 per annum.

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The average age of Gleeson Customer is 31, 96% are within the working age range, 26.5% are single, 49% are couple with no kids, 19.2% are a couple with kids and 5.3% are single with kids.

The average household income is £32,746.

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3. Financial Contributions to Barnsley Metropolitan Borough Council

In the current economic climate and times of austerity, the resources available to local authorities such as BMBC are limited. New development can make an important contribution to the resource base of local authorities through additional Council Tax revenues and through New Homes Bonus payments.

- a) The development of 97 new homes will deliver around £112,382 additional Council Tax per annum.<sup>4</sup>
- b) In addition to revenue from Council Tax, there will be a New Homes Bonus payment<sup>5</sup> to the Council of £674,292 over a 6 year period.

#### 4. Demographic and Social Benefits

- a) Gleeson focuses solely on building low cost homes for people on low incomes in areas of industrial decline, economic and social deprivation. We build a range of affordable new homes for sale to people who would otherwise be unable to afford a new home, thereby helping them onto the property ladder.
- b) Gleeson scrutinize very carefully the demographic information of our new home purchasers. In the full year January to December 2014 the profile of our customers<sup>4</sup> on comparable regeneration sites with Bolton upon Dearne are:
  - 78% were First Time Buyers
  - 22% were moving up from another home
  - 38% were living with their parents/friends
  - 46% were in Private Rented accommodation
  - 16% were in Social Rented accommodation
  - 68% lived within 3 miles of the development

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The Gleeson Regeneration model provides homes that are truly Affordable to those that live in the community. It provides opportunity for aspirational First Time Buyers to get a start on property ownership which is an aspiration for many.

By providing affordable new homes to those that aspire to own, much needed capacity in the rental market (both Private and Social) is freed up.<sup>6</sup>

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## 5. Gleeson Support into Home Ownership

We have developed an industry leading suite of financial support packages to help and motivate our potential purchasers into home ownership.

These packages include the following:

- a) *Save and Build* – When a customer who would otherwise be able to afford a mortgage payment hasn't got a deposit we are able to put them on a savings scheme which gives them achievable target dates to save the required amount.

Our side of the promise is that we fix the price of the house even though the completion date may be twelve months away.

We support the customer by regularly monitoring that they are saving. Often these purchasers have the deposit saved before the initial plot release date as they have been asking for financial contributions for birthdays, Christmas, weddings etc. from friends and relations.

The success rate of *Save and Build* is over 90%. Purchasers like the security of the fixed price proposal and enjoy the confidence that this brings them.

No other house builder offers this service to customers.

- a) *Parents Invest* – like *Save and Build* this is aimed at the FTB who does not have a deposit. This scheme will encourage Parents to invest in the new home the deposit sum of 20%.

Gleeson will then for the subsequent 5 years pay direct to the Parents 5% interest on the deposit sum. There is an incentive for the deposit sum to be greater as this directly effects the amount of loan required hence the mortgage rate required for the balancing loan

- b) *Aspire to Own* – Gleeson simply will pay 5% towards the required deposit and contribute the mortgage valuation fee and offer £750 towards purchase fees

- c) *Advance to Buy* – This is for those with a home to sell. Gleeson will manage the sale process of the current home by arranging independent valuations to assess the asking price; we will assist in marketing the home. We will then contribute £500 towards the fees in selling the home

- d) *Help to Buy* – This is a HM Government scheme that allows full home ownership with a Government backed 5 year interest free loan of up to 20% of the property value. From years 6 to 25 interest is applied to the loan amount

In the event that this Government scheme is not taken forward, albeit they have shown 'commitment' to 2020, Gleeson will re-introduce their similar scheme.

- e) *Traditional Incentives* – These are often offered to purchasers who are proceeding with Help to Buy and they can take the form of our payment of fees and charges or items such as turf, decoration and fittings

Many purchasers take advantage of more than one package, for example a purchaser could reserve on a *Save and Build* and then once the deposit is saved take advantage of *Aspire to Own* or use a more *traditional incentive* such as fees paid or turf, carpets and curtains

In order to extrapolate the 'cost' of these incentives to the project at Bolton upon Dearne a review is set out below that looks at the percentage use of each of the above incentives over the last 3 months on similar sites throughout the Group.

Based upon the proposed development at Bolton upon Dearne of 97 units

Incentive	Group %age use	£ cost to Gleeson per intervention	Anticipated Nr of homes at Bolton upon Dearne	Total
Save and Build	10%	6,900 <sup>7</sup>	9	62,100
Parents Invest	0	5,750 <sup>8</sup>	0	0
Aspire to Own	37%	5,750	35	201,250
Advance to Buy	0	1,500	0	0
HM Government Help to Buy <sup>9</sup>	45%	0	43	0
Gleeson pay Solicitor and Valuation Charges and Fees	42%	750	40	30,000
Traditional Incentives – overlaps with other packages <sup>7</sup> - mostly used by HTB sales <sup>10</sup>	85%	Ave. 1,208	82	99,056
<b>TOTAL</b>				<b>£ 392,406</b>

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Gleeson have a number of financial incentives designed to assist, particularly First Time Buyers into their new homes.

Particularly effective is *Save and Build* which is unique to Gleeson

The direct cost to Gleeson of these necessary incentives and packages will be at Bolton upon Dearne in the region of £392k.

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## 6. Gleeson Community Matters Programme

We understand the importance of involving the community before, during and after the construction of our developments. The legacy of our sites is important to us and we work hard to ensure that this is enhanced.

There are a number of these commitments that we make upon every development the cost of which is carried by the general overhead and is not quantified in detail in this report

- a) *Community Sports Foundation* – Gleeson invites simple requests for kit sponsorship from site local sports teams, one team is sponsored by each site at any one time. We are currently sponsoring 25 sports teams throughout the North of England.
- b) *Engagement with Local Schools* – We work with schools in the vicinity of the site area to (1) educate them in the dangers of Building Sites, (2) to engage them in building as a career option and (3) be involved in special projects such as ‘design a bedroom’
- c) *Local Jobs for Local People* – This is set out in Section 1 above
- d) *Apprenticeship Schemes* – As set out in Section 1 above
- e) *Local Homes for Local People* – Owner occupiers have a stake in society having responsibility for their homes. Gleeson refuse to sell to Private Landlords and we will ensure that there is a restrictive covenant on the properties sold in order to prevent properties on the site being let.
- f) *Neighbourhood Watch* – Gleeson will set up a scheme on each project, we will act as the coordinator with scheme purchasers auto enrolled with the option to opt out. Meetings provide an opportunity to grow community spirit and the ability to provide residents with essential information on keeping themselves and their home safe.
- g) *Design for Disability* – We offer free disabled adaptations to our homes for disabled occupants

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The Gleeson Community Matters Programme provides many initiatives to enhance the immediate environs of a project and will provide support to the new homeowners and the existing surrounding community alike

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## Footnotes and References

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<sup>1</sup> The Labour Needs of Extra Housing, Professor Michael Ball, HBF and CITB

<sup>2</sup> Gleeson estimated direct cost

<sup>3</sup> Gleeson Demographic analysis, Group sales January to December 2014, 539 sales surveyed

<sup>4</sup> Based upon Ave Council Tax, estimating 87 band B, 10 band C.

<sup>5</sup> Calculated on HCA New Homes Bonus Calculator as council tax above.

<sup>6</sup> Typically 62% of Gleeson purchasers lived in Rented Accommodation before they moved

<sup>7</sup> This assumes that there is 6% house price inflation lost to Gleeson in the c. 12 month 'delay' for client saving

<sup>8</sup> Average loan 23,000 – 5% interest for 5 years

<sup>9</sup> No cost allowance is made that Government HTB ceases and Gleeson scheme is introduced

<sup>10</sup> 42% Legal Fees £750, 70% Carpets £1500, 24% Turf £300, 18% Fencing £1500, 8% Light Fittings £750, 10% Curtains £1500 and 7% enhanced shower and tiling £750 – Average per plot £ 1,208