

ECONOMIC GROWTH, HOUSING DELIVERY AND CULTURE DIRECTORATE



Return on investment Business Case



Introduction

This report was prepared by Inner Circle Consulting to provide an initial assessment of the Return on Investment (ROI) of investment into the Economic Growth, Housing Delivery And Culture Directorate to create a Centre of Excellence for Growth. Findings are based on performance information provided to and reviewed by Inner Circle Consulting between June and October 2021. The report provides independent and impartial review of the information and assessment of economic benefits.

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EXECUTIVE SUMMARY

Long term austerity and impacts of Covid - 19 have meant that local authorities must continue to strive for greater efficiency, financial stability, enhanced public services and support their communities, with even less

CREATING A CENTER OF EXCELLENCE

Recognising the opportunities to develop a more efficient and productive operating model, the Economic Growth Directorate was awarded £2m of additional funding by Cabinet on 21 March 2019, of which £1.3m was invested into the Directorate. The objective of funding was to secure ambitions set out in the Council's growth plans and create an innovative "Centre of Excellence" by enhancing senior capacity to provide expertise, leadership and develop integrated delivery functions across all services within the Directorate to maximise outcomes for the borough.

The ambition was to scale up commercial and council-led investments and strategies, accelerate and maximise the benefits of growth for all the borough's residents, communities and town centres.

The underpinning principles for the new Economic Growth and Housing Delivery Directorates integrated delivery model were:

- Delivering the Creating Futures ambitions
- Raising the economic 'bar' and life chances for our residents and businesses
- Transformative cultural change in our approach
- Accelerating and scaling up delivery (including 18000 homes by 2030)
- Adopting a very commercial approach to return on investment (ROI)
- New and refreshed delivery models and Special Purpose Vehicles (e.g. Sixty Bricks) to ensure outcomes are delivered
- A robust commercially-focused Client

The Council set out a clear Capital Strategy over 3-4 years investing over half billion pounds in key infrastructure to unlock growth. To curate the delivery, the Council also established key delivery arms, including its own housing delivery and development company, Sixty Bricks, and established joint venture partnerships and development agreements for regeneration sites and accelerating housing delivery.

To date, in the period between 2019 and end 2021, the £1.3m investment has achieved:

- £6.4M Gross Value Added over 3 years
- £8.7M Wider Economic Benefit
- £3.0M Additional income to the Council

The above reflects what has been achieved to date (December 2021), demonstrating a return already of the £1.3M, but the forecast benefits of the whole programme continue to go significantly further, building on what's already been achieved. The total benefits calculations can be found overleaf.

INWARD INVESTMENT

As well as building capacity and expertise to enhance delivery with the private sector, secured government grants have also seen a sizable growth over the past three years as a result of targeted and strategic focus on building relationships with funding bodies.

The growth in grants achieved is approximately 600% greater when compared to the baseline year (2018) as a result of the of the improved prospects and a higher profile presence under the newly structured team.

EXECUTIVE SUMMARY

MAXIMISING CAPITAL EXPENDITURE.

In 2019 the Council published Capital Investment Strategy, demonstrating the alignment of its £525m Capital Investment Portfolio to its strategic priorities. In 2021 the Council expended £135m of Capital funding its highest ever capital outlay, with schemes moving into the delivery phases during the pandemic.

The historic annual capital outlay is as follows

- Capital Spend 2018-19 - £101m
- Capital Spend 2019/20 - £120m
- Capital Spend 2020/21 - £135m
- Capital spend 2021/22 (December 2021)– forecast £143m

Successful delivery of the Capital Investment Strategy is an integral part of the Council's Medium Term Financial Strategy.

By creating additional resource to establish the market, effectively client development proposals and briefs and expedite projects through the planning system the Council has been able to progress a greater number of projects and programmes. This in turn grows developer contributions income.

ACCELERATING DELIVERY THROUGH INTEGRATED PLANNING

Major planning applications have more than doubled, growing from 6 in 2018 to 14 major applications in 2021. This indicates the increased operational capacity of the planning team.

The growth in planning applications represents a multilateral success for the directorate as whole.

DELIVERING FUTURE GROWTH

The development pipeline that responds to the Public Services Strategy, the Council's Corporate Strategy, identifies a programme of interventions that if delivered will achieve significant benefit and growth in the Borough, set out below, but to deliver this return, investment must be maintained to provide capacity and capability to deliver the programme:



4,837

Direct Council Delivery



17,448

Housing target
(2022-2031)



£896m+
GVA



20,000+
Construction
jobs



3,350+

Long term jobs



557+

Apprentices



£296m+

Wider
Economic Benefits



£110m+

Additional income



£53m

CIL income
(2022-2026)

EXECUTIVE SUMMARY

FUTURE PROOFING DELIVERY.

Continued investment will not only assure delivery of the Capital Strategy (2020-2026) but boost attraction and enabling teams to build additional capacity in the system, support the Directorates operating model and achieve a required further increase in housing delivery to meet Local Plan targets.

The below table identifies the required annual delivery rates to achieve housing targets set out in the Council's growth strategies.

Financial Year	2019/20 - 2023/24	2024/25	2025/26 - 2029/30	2030/31 - 2035/36
Annual requirement	1264	1770	2276	1770

Housing delivery between 2019 and 2024 is annually 1264. However, there needs to be a 180% increase in annual housing delivery in 2025 to meet Local plan targets.

4,837 of this is direct delivery by the Council, relying on c.13,000 additional homes provided by the private sector to meet the 17,448 housing target by 2030.

If the current annual rate of housing delivery is maintained there will be a forecast shortfall in housing delivery by 2031 of c.5,000. To meet future targets, further acceleration in inward attraction, direct Council delivery and processing of planning is required.

To establish the investment level required to meet future growth aspirations, an internal review of current capacity and resources will be required to map out additional roles, build deeper and wider expertise and provide a solid platform for leadership. From this review the Council will need to determine where and at what level additional resource capacity and leadership is required to further accelerate the rate of delivery.

A reduced staff capacity will impact the ability to attract and secure additional private and public sector investment required to meet local plan targets and will constrain the capacity available to process major applications required to maintain development rate.

As a minimum the current investment of £2M will maintain current delivery capacity within the teams.

Without this investment in building an integrated team with strong leadership the targets set out in the Councils Strategic plans may not be achieved.



INTRODUCTION

Waltham Forest is a rapidly growing borough with enormous potential to unlock greater inclusive economic growth and deliver significant increases in new and affordable housing development.

Boosted by the Borough of Culture investment opportunity, in March 2019, Cabinet agreed to establish the Economic Growth And Housing Delivery Directorate, setting an ambition to significantly enhance operational arrangements and to become more commercially focused in delivering economic growth and housing targets. The changes were intended to create a structure able to increase the value of investment into the borough and raise the ‘economic bar’ and life chances for residents and businesses in the borough.

In addition to raising overall capacity to deliver, the ‘pump priming investment’ was intended to generate additional outcomes. The impact of the Covid-19 pandemic has significantly affected the economic context for growth and housing delivery during 2020/2021 and also resulted in shifting priorities and workloads as the Council has sought to protect and support business and residents affected by the pandemic. However, despite the pressures, the Council has increased its delivery plans throughout the pandemic recognising the important role the Council plays in economic recovery at pace.

This report aims to provide a comprehensive assessment of the economic and social impact derived from the delivery of the projects and programmes over the next 10 years, and the implications for the Directorate over the past 3 years (2018-2021). The evidence shows how the investment of £2m optimises the benefits for local people, stimulates future investment and therefore represents value for money.

In 2019, the Council set out over £525 million of planned investment in the Capital Strategy, including housing development, property and regeneration and new schools. In addition, the borough’s housing target has doubled to a minimum of 17,448 new homes by 2030, but setting growing targets for a further 9,000 homes between 2031 and 2035

To meet the challenges and ambition of growth, LBWF needed a new, commercially focused and significantly enhanced operating model for accelerated integrated delivery. In order to drastically raise the bar of the Council’s growth and housing activities, it was necessary to ensure the right level of skills, capacity and capability were in place. This step change involved, in the first phase, a restructure of the top management teams to lay down the foundation for change in order to meet the council’s objectives.

This shared vision would facilitate improved collaborative working across the whole team and as a result enhance the teams’ efficiency. Furthermore, this would accelerate the delivery of the borough’s strategic and cultural priorities.

To deliver the growth objectives, the Cultural ambitions of the borough would also be considered as part of regeneration where previously it may have been excluded altogether from regeneration and planning.

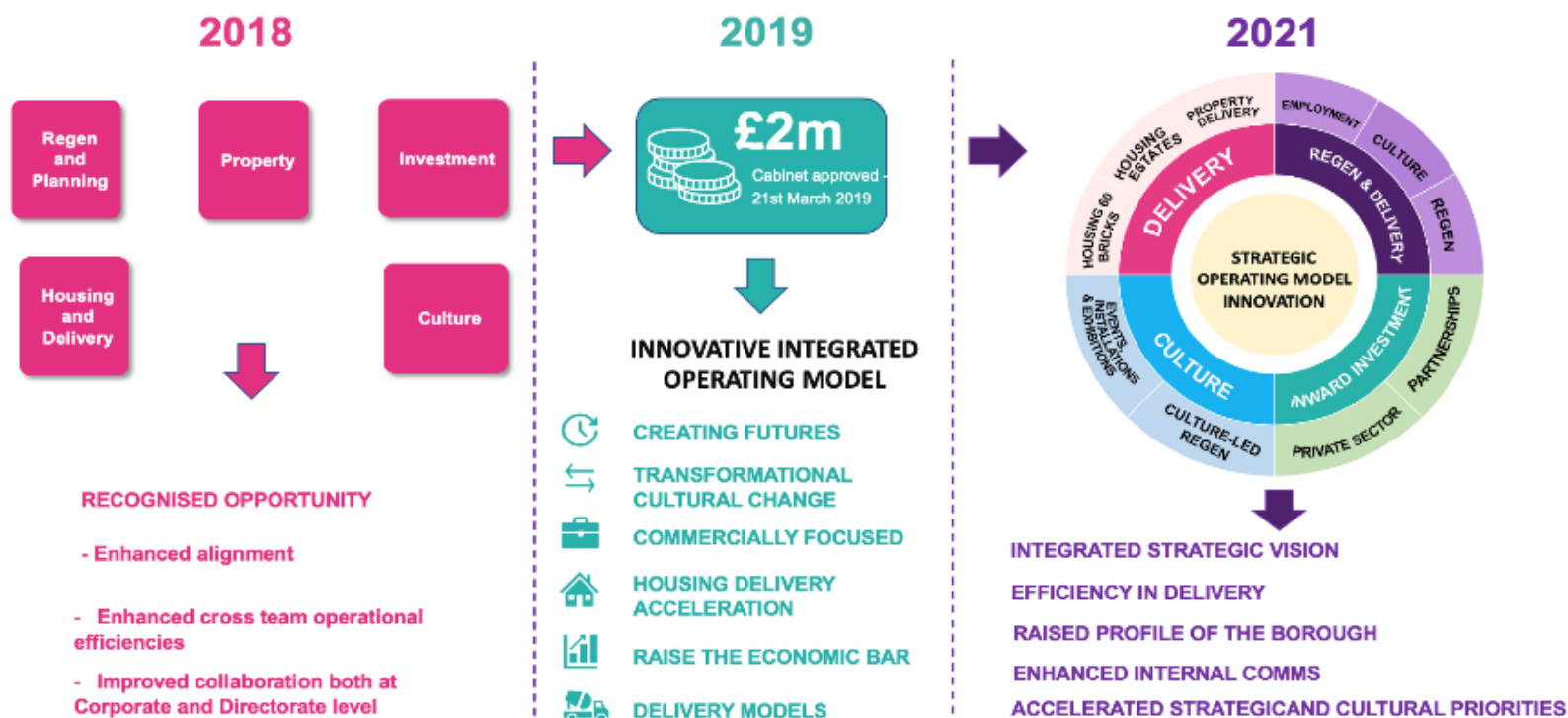
Another important objective is raising the borough’s profile and making it an attractive destination for development and inward investment. This will boost economic activity in the borough and promote the continued improvement of the socio-economic position of the borough.

INVESTMENT OBJECTIVES

In 2019, the Council set out a clear Capital Strategy over 3-4 years investing over half billion pounds in key infrastructure to unlock growth. To do this the Council established key delivery arms, including its own housing delivery programme and development company, Sixty Bricks and establishing strategic joint ventures and development partnerships on projects such as the Town hall and Marlowe rd. Rising to the operational challenge, the Council created a new Economic Growth and Housing Delivery Directorate which incorporates all development activities under one umbrella and leadership, particularly new housing development. This includes the four “internal delivery arms” of the council:

- Inward Investment (Invest in Waltham Forest)
- Regeneration and Growth (incorporating Planning, Business, Employment and Skills and Culture)
- Property & Delivery (incorporating Capital Delivery, Capital Investment Strategy and Commercial Property).
- Housing Delivery (Housing Regeneration and clienting Sixty Bricks, the Council’s home building company)

A stronger integrated and multi-disciplinary approach was necessary with focused expertise, commercial delivery, leadership skills and experience, and targeted resources to optimise outcomes for the council within financial constraints and challenges. Additionally, to build a lasting legacy for London Borough of Culture the Council’s Culture team was embedded into the Directorate, to ensure a cultural focus which benefitted communities was at the heart of our transformation plans.





INVESTMENT EXPENDITURE

The additional growth funding has largely been allocated to meet senior staffing costs. However, from the allocation of £2m a total of £670,300 (33.5% of the budget) was returned to reserve funds in response to amended priorities as a result of the Covid Pandemic, and prioritising public funds. Subject to the final outturn for 2021/22 financial year.

Directorate	Details	2019/20	2020/21	Budget 2021/22	Total
Resident services	Business Hub -PA Resource	£56,600	£43,547	£55,600	£154,747
Property	Dir. Commercial Estate and Investment	£117,100	£117,100	£117,100	£351,300
Regeneration	Dir Area Regeneration Delivery	£107,500	£113,600	£113,600	£334,700
Planning	Head of Place and Design	£29,500	£74,300	£74,300	£178,100
Housing	Comm Dir. Housing Delivery	£60,600	£60,600	£60,600	£181,800
Property	Property and Housing consultancy			£117,000	£117,000
Additional	Remaining balance			£12,053	£12,053
Sub total		£370,300	£409,147	£550,253	£1,329,700
Return to Corporate Centre	In year savings offered up from EG in response to Covid-19			£350,000	£350,000
	Balance moved to BSR			£320,000	£320,000
Sub Total		£0	£0	£670,300	£670,300

The funds were spent to augment and enhance the leadership capacity of the Economic Growth, Housing Delivery and Culture Directorate in the form of 5 new strategic roles. This investment allowed each part of the team to focus their respective responsibilities while considering the wider strategic objectives of the Directorate. This resulted in a structure with delivery mechanisms to market the borough, attract investment, maximise growth, bolster grant income, as well as establishing and running the delivery vehicle.

Investment in senior leadership roles, while a small proportion of the total 241 FTE staff within the Directorate (at the time of the report end 2021), are vital to drive achievement of corporate goals and programme activity. These post holders steer the work of their teams, work with external partners and create the enabling environment for economic growth and achievement of housing delivery targets.



FINANCIAL PERFORMANCE

The following section reviews the strategic impact of the directorate following the restructure of the team. It is important to note that the global Covid-19 pandemic has had a large impact on local authority finances. Additional funding was invested to respond to this but the financial calculations below exclude any of the specific covid 19 support grants.

Item	2018	2019	2020	2021
Council tax revenue *	£123m	£130m	£135m	£140m
Government delivery grants *	£4.5m	£10	£23m	£32m
Capital Spend*	£96m	£116m	£130m	£143m
Major Planning Applications	6	10	13	14

** Converted from financial years by considering annual trajectory. Council Tax 2021 value assumed from modeled linear growth*

The above table identifies growth achieved year on year as a result of the investment in March 2019.

Council tax has seen a 14% rise (£17m) compared to the base year (2018) despite the pandemic. This is partly as a result of increased housing delivery.

Government grants have seen a sizable growth over the past three years as a result of targeted and strategic focus on building government relationships, identifying suitable opportunities and utilising senior input to develop and complete the applications. The growth is approximately 600% compared to the baseline year (2018). These include government and GLA Housing grants. This significant growth in grants does not include the grant received as a result of the pandemic. It is the result of the of the borough having improved prospects and a higher regional and national profile under the newly structured team and additional resource required to lead and manage the increased volume of applications for grant funding

Despite the pandemic, LBWF has steadily increased its capital spending reaching the highest ever level (£135m) in the financial year 2020/21. Compared to the base year, 2021 represents a 65% increase in capital spending. This capital investment has pushed the delivery of the council's capital strategy and has resulted in the Council playing a greater direct delivery role in significant acceleration of growth and regeneration of the borough.



POWER OF ALIGNMENT

The restructure set out a bold ambition to create an “Centre of Excellence” across economic growth and housing delivery activities. This would create an integrated delivery-focused directorate, targeting commercial and council-led investments to accelerate and maximise the benefits of growth for all the borough’s residents, communities and town centres.

The creation of Sixty Bricks brought the Council a focused housing delivery vehicle with targeted objectives, populated with experience and expertise to identify and manage risk early, and effectively “client” development proposals in the interests of the borough.

The directorate works collectively across the phases below and, as a result, between 2018 – 2021 has delivered significant outcomes for the borough.



PLANNING PERFORMANCE

Major planning applications have more than doubled, growing from 6 in 2018 to 14 major applications in 2021. This indicates the increased operational capacity of the planning team as they are able to process more large-scale applications than in previous years.

The combination of attracting private sector development and investment with an increased capacity and expertise has demonstrably increased the capacity to accelerate development for socioeconomic as well as commercial benefit for the borough.

Covid had a significant impact on Business Rate income generation, both across the UK and globally in 2020 and 2021 as a result of many small businesses closing, business rates income dropped across this period.

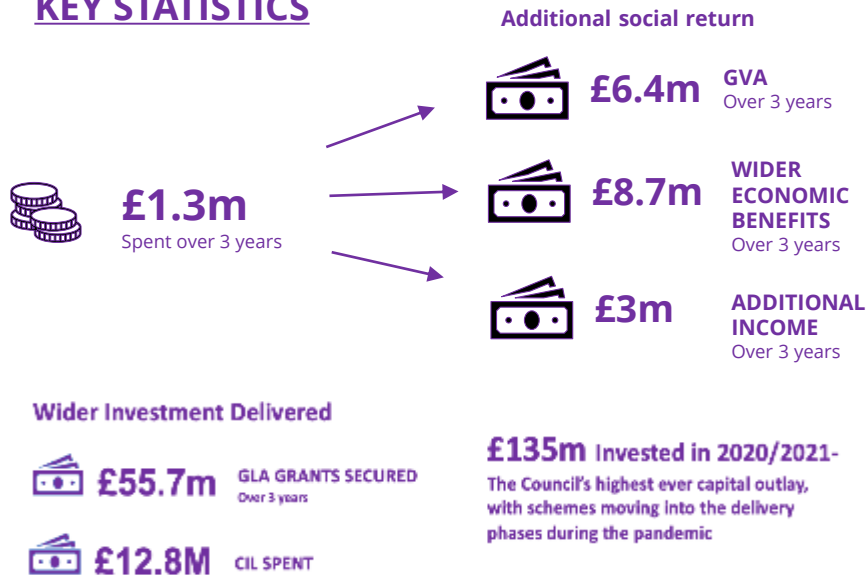


WHAT IS THE IMPACT OF INVESTMENT?

The economic benefits of any regeneration are calculated as a combination of both direct and indirect impacts to local and national revenue streams. Inner Circle Consulting's Community Impact Model is designed to assess the wider economic benefits of place-based interventions for the community, thus informing the economic case in a Green Book business case appraisal. The detailed methodology can be found in Appendix 1.

The modelling assesses the average benefits per post, but it is important to note that differences in specific role, seniority or technical function may vary. The assessment assumes an even spread or related benefits attraction across the directorate.

KEY STATISTICS



Capital Delivery success to date (2021)

In addition to the unit contributions of individual postholders, the Council's annual capital outlay continues to rise, aligned to the increase in the Council's direct intervention into local regeneration and home building:

2018/19	2019/20	2020/21	2021/22
Capital Spend 2018-19 - £101m	Capital Spend 2019/20 - £120m	Capital Spend 20/21 - £135m	Still ongoing – forecast £143m

Enhanced Private sector funding to date

Furthermore, through curation of developments and central government funding applications, the directorate has secured £12.8m CIL funding commitments towards delivery of strategic transport projects in Walthamstow and Leyton and £55.7m of GLA grants secured over the past 3 years:

Economic Growth - Grants	2019-20	2020-21	2021-22	Total
GLA Housing Grant	£4m	£4m	£24.2m	£32.2m
GLA Housing Zone Grant (+smaller GLA grants) Regen	£4.5m	£19m	0	£23.5m
Total Grants	£8.5m	£23m	£24.2m	£55.7m



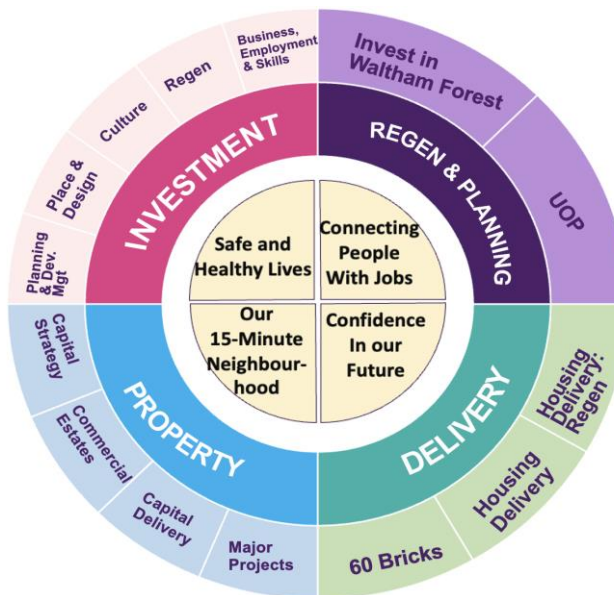
DELIVERING FUTURE GROWTH

In the context of emerging and future strategic plans and policies, there are significant opportunities to further develop a deeper integrated operating model to meet and exceed Council strategic targets. If the capacity and capability of the directorate continues to be appropriately funded the outcomes and socio economic value of the future benefit can be calculated as follows. Further breakdown can be found in Appendix 2

2021/22 Policy Context → Evolved Excellence → Future Benefits



Further investment to evolve the center of excellence and establish further efficiencies and capacity to maximise directorate performance



4,837
Direct Council
Delivery

17,448
Housing target
(2022-2031)



£896m+ GVA

£296m+ Wider
Economic Benefits



3,350+
Long term jobs
20,000+
Construction
jobs & 550+
Apprentices



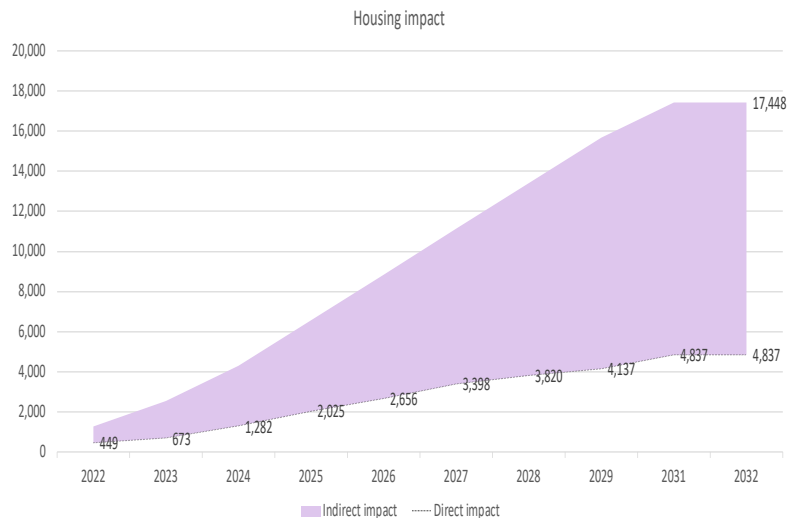
£53m CIL income
(2022-2026)
£110m+
Additional income



FUTURE IMPACT OF INTEGRATED DELIVERY?

To achieve ambitions there is an increased requirement on delivery to meet increasing aspirations of growth in the Borough in recognition of the need to provide high quality and affordable housing for its residents. As a response the Council has increased housing delivery pace and , driven efficiency and capacity in accelerating master planning to meet the need and opportunity available.

The developing Local Plan has established a significant housing need requirement of c. 27,000 new and affordable homes by 2035 to meet the boroughs growth projections. of the 27,000 new homes 17,448 are required over the next 10 years. Additionally, the borough has set itself a target of delivering 50% affordable homes for residents. The restructure of the directorate has enabled the Council to significantly increase is direct housing delivery and master planning activity to meet future housing need.



BENEFITS SUMMARY

- **20,000+ Construction jobs** –Estimated gross direct and indirect job years that could be supported through the investment. In order to avoid double counting, the 665 construction jobs stated on the Employment and skills programme have been excluded form this assessment.
- **£110m+ in Additional income** – Council Tax and Business Rates of the proposed developments.
- **4,837 Direct Delivery Homes** –units that have been outlined in the Capital strategy (inc. Sixty Bricks) and 170 that have identified as part of the Inward investment department.
- **17,448 Housing target (2022-2031)** – The total of the sites identified in Masterplanning is 17,872 units and 17,448 is the target.

HOUSING SHORTFALL

The current local plan housing target is 17,448. 4,837 of this is direct delivery by the Council, relying on c.13,000 additional homes provided by the private Sector. **If the current annual rate of housing delivery is maintained there will be a forecast shortfall in housing delivery by 2031of circa 5000.** To meet future targets, further acceleration in inward attraction and processing of planning is required.



FURTHER INVESTMENT

There is a required 180% increase in annual housing delivery rates between 2025-2030. If delivery at current rate is continued, the Council would **be 5,000 homes** short of target.

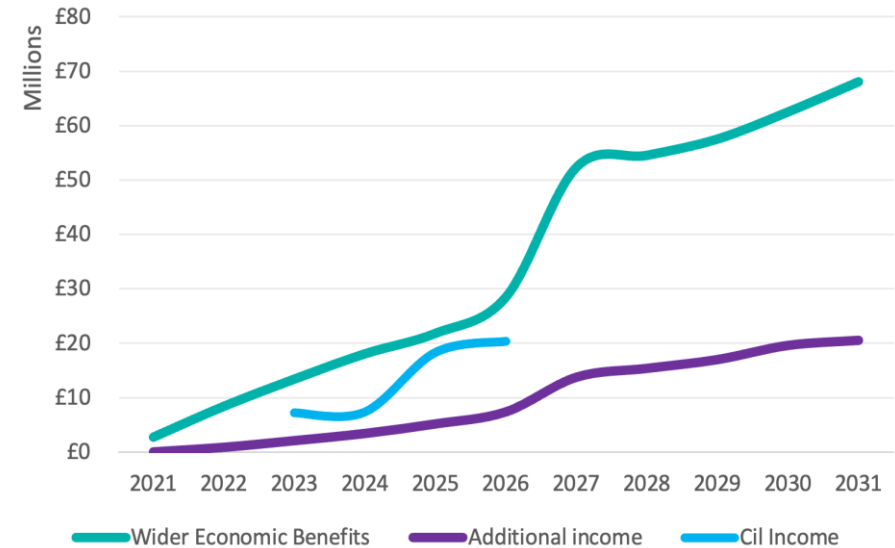
Therefore, investment needs to go further and deeper to maintain and accelerate ambition to realise 1800 annual homes.

The current investment of £2M will maintain the current delivery capacity within the teams. Without this investment in building an integrated team with strong leadership the targets in the local plan are unlikely to be fulfilled.

Financial Year	2019/20 - 2023/24	2024/25	2025/26 - 2029/30	2030/31 - 2035/36
Annual requirement	1264	1770	2276	1770

The report's findings identify that additional resources have been key to implementing the Directorate's collaborative operating model. Continued investment will not only assure delivery of the Capital Strategy (2020-2026) but boost attraction and enabling capacity to build additional capacity in the system key to Directorates operating model and achieve a further increase in required housing delivery to meet local plan targets.

To establish the required investment level for future accelerated growth, an internal review of current capacity and resources will be required to map out additional roles build deeper and wider expertise and provide a solid platform for leadership.



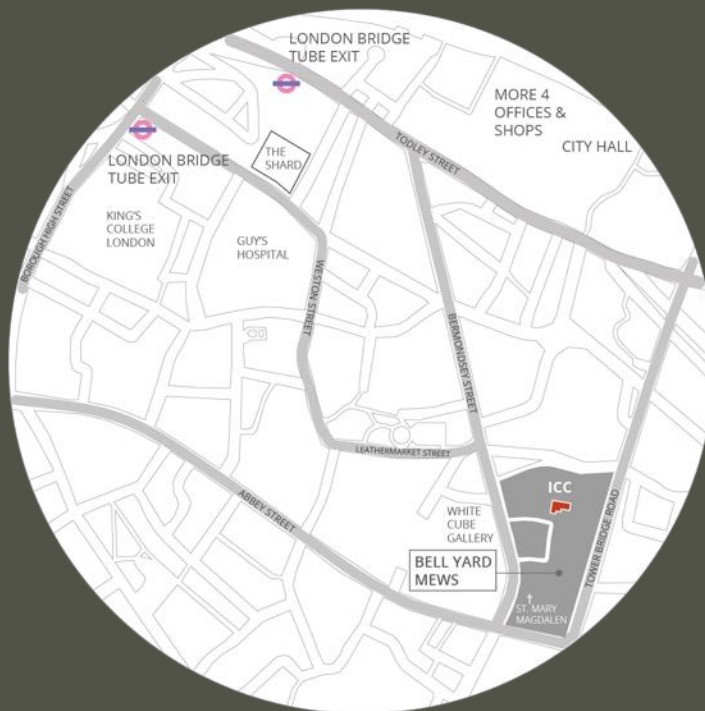
The above graph shows year on year achievement (not cumulative achievement)

The graph above shows the benefits that can be achieved if the current live and pipeline projects are delivered. However, if investment in resource capacity is not maintained, then the ability to meet the delivery requirements will be constrained and will possibly deliver a shortfall against targets.

KEY MESSAGE

Continued Current investment now returns the biggest benefits in future years (2026).

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Appendix 1 - Projects

The list of projects has been agreed with the different team representatives (Regeneration & Planning, Capital & Delivery, Housing and Inward investment & Partnerships). The analysis has been based on the best available data and the information and feedback received from the officers . Where possible, additional stakeholder meetings have been held to discuss the interdependencies and alignment with the rest of the teams within the Directorate

Project/ Site	Team	Project/ Site	Team
Employment and Skills strategy	Regeneration, Planning & Delivery	Marlowe Road estate regeneration	Housing Delivery
Central parade	Property & Delivery	Coronation Square	Property & Delivery
Juniper House	Property & Delivery	Low Hall Depot	Property & Delivery
Leyton green	Property & Delivery	Whipps Cross	Property & Delivery
Essex Close	Sixty Bricks	St James Health Centre	Property & Delivery
South Grove	Sixty Bricks	Leyton Health Centre	Property & Delivery
Hylands Road	Sixty Bricks	Juniper House	Property & Delivery
Samson road	Sixty Bricks	The Mall	Regeneration, Planning & Delivery
Priory Court	Sixty Bricks	The works	Inward Investment & Partnerships
Lena Kennedy	Sixty Bricks	Central House	Property & Delivery
Families & Homes Hub	Property & Delivery	Housing targets	Regeneration, Planning & Delivery
Fellowship Square	Property & Delivery	Masterplanning	Regeneration, Planning & Delivery
Lea Bridge Station sites	Property & Delivery	University of Portsmouth	Inward Investment & Partnerships



Appendix 2 – Benefits calculations

Gross Value Added	£896m
New Apprenticeships	550+
Construction Jobs	20,000+
Long Term Jobs	3,500+
Local Additionality	£251m+
Work Experience	£4.5m+
Not in Education, Employment, or Training	£15.9m+
Health Benefits	£12.2m+
Skills and training	£13.4m+
Business rates	£27.6m+
Council Tax	£86.4m+

Considerations

- *The outputs of economic impact are based on open-source data, used for the calibration of the model information, building future projections.*
- *All modelling data is based on information of project performance provided to the Consultant by LBWF*
- *In Line with the Green Book recommendation, GVA was calculated as a one off and at the peak of maximum capacity.*
- *Additional benefits may be realized through Economies of scale have not been considered for this analysis to minimize overestimation*
- *Construction prices can be influenced significantly by local conditions, local market conditions, size and specification. The current costs information is based on information provided by LBWF*
- *The report considers a 10-year appraisal period for any intervention. The benefits may increase over a longer time period if ceteris paribus and applying an RPI of 2.5% pa, the wider economic benefits of an intervention could be calculated for a longer period of time.*
- *The monetary values have been discounted to present value using a 3.5% discount rate as instructed by the Green book*
- *There are additional exchequer benefits such as Community Infrastructure Levy, VAT, Section 106 etc that have not been included in this economic assessment.*
- *From the information received it was assumed that jobs are new (or local) and do not already exist in the economy, but will be necessary to maintain the operation of the sites and programmes.*



Appendix 3 Methodology Rates

Inner Circle's Community Impact Model has been used to assess the contribution to overall directorate performance of the delivery programme and the impact they will have on the catchment area and corresponding beneficiaries. Using all Council information available, the model follows the Green Book methodology for calculating economic benefit.

The model is calibrated to the local economy and demographics in order to provide an initial baseline, built upon regularly updated open source data, ensuring that the model utilises the latest information on the local area.

The direct impacts into the local economy and Council revenues provided by the provision of jobs and disposable income, occur as a direct consequence of the new occupiers spending locally.

The indirect benefits intangible impacts, for example; additional jobs leading to a reduction in unemployment related benefit claims and reduced crime; construction apprenticeships leading to increased productivity, additional visitors and customers of the development occupiers increasing expenditure on local services.

In compliance with the Green Book methodology to avoid double counting benefits, Gross Value Added has been calculated on a peak year basis and it is aligned to the new jobs that are created.

The model utilised is calculated for a long-term evaluation and it is calculated based on the type of benefit realisation, long term discount rates (3.5%) and length of persistence of the £ benefit(s) to the locality of the project over a period of 10 years.

Construction costs

Where possible, the Council provided construction and development cost of the sites. Where this data was not available, the costs used in the economic forecasting are set out in the table below using industry benchmarks. The "cost modelling" software has been used to estimate the construction costs of the development of the sites. The costs are typical guide costs, constructed to a typical or mid-range specification. A regional factor multiplier was then applied in order to calibrate the costs to the study area. The figures utilised in our study are shown below in the following table.

Class Use	Construction cost per sqm	w/ Optimism bias
Residential - Flats	£1,804	£2,165
Residential - Houses	£1,429	£1,715
B1 Office	£2,197	£2,636
Shop units	£1,588	£1,905
Restaurants, Pubs & Coffeeshops	£2,398	£2,877

There is a systematic tendency in the appraisal of projects to at times be overly optimistic. This occurrence is especially evident for development and regeneration projects in terms of construction costs and programme overrun. To address this issue, this appraisal has explicitly included empirically based adjustments to the estimates of a project's costs and benefits.



Appendix 3 - Methodology

As noted in the Green Book, optimism bias adjustments are recommended based on data from past projects or similar projects and where applicable Green Book supplementary guidance on optimism bias. The construction cost includes an optimism bias of 20% based on the uncertainty around the projects. This is toward the upper bound of the recommended range for optimism bias in standard building capital expenditure.

Additionality

Additionality is the extent to which something happens as a result of an intervention that would not have occurred in its absence.

The wider economic modelling for the preferred options is primarily based upon job generation so considerable allowance has been made for deadweight (would the new job have occurred anyway?), displacement (do improvements benefit existing residents?), and multipliers (to what extent does any uplift benefit the local economy?). The reference or baseline case looks at the existing uses of the sites and its present economic value to the Lower Lea Valley. Additionality, leakage and displacement (that may occur from the new development) are then factored in to ensure that the finalised wider benefits calculation take into account the location-based aspect of the project's additionality.

Additionality and displacement are applied to include jobs created in other businesses in the locality. Further impacts occur due to feedback effects (where other local firms require more labour and inputs to meet rising demand for their output), which has been stimulated by the initial expenditure and are considered by applying an additionality calculation. Some jobs created by new uses may also be displaced from other local businesses

Our model calculates the potential employment levels and costs based on floor space and class uses. The employment levels are then adjusted for displacement and additionality to produce an aggregated net job creation and the likely benefits in the local economy from the new jobs. The figures utilised within our additionality adjustments are drawn directly from the Additionality Guide.

Leakage effects is the proportion of outputs that benefit those outside of the interventions target area or group. For this analysis it is assumed a low leakage meaning that the majority of benefits will go to people living within the target area/the target group. According to the National Regeneration Agency, a 10% leakage is attributed.

Displacement is the number or proportion of intervention outputs accounted for by reduced outputs elsewhere in the target area. For this analysis it is assumed a low displacement, meaning that there may be some displacement effects, although only to some limited extent. According to the National Regeneration Agency, an average Low/ None displacement of 13% has been attributed.

Economic multiplier effects are further economic activity associated with additional local income, local supplier purchases and longer-term development effects. Medium average linkages are assumed for this study, where the National Regeneration Agency estimates an economic multiplier of 1.5.

Additionality	Proposed project
Leakage	10%
Displacement	13%
Economic Multiplier	1.5