

BUILDING BETTER LIVES

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PURBECK GATEWAY

**CONFIDENTIAL
ECONOMIC IMPACT ASSESSMENT**

FOR DORSET COUNCIL

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BUILDING BETTER LIVES – PURBECK GATEWAY ECONOMIC IMPACT REPORT: AUGUST 2021

Introduction

This impact analysis is modelled using the Dorset AMORE Economic Impact Tool¹. The contents and findings of the report do not necessarily reflect the views of Dorset Council.

The model is based on a set of economic and social accounts that allows analysis of the structure of and relationships within the economy. Economic impact analysis using this model takes into account not only the direct impact of a change on a particular industry, but also the indirect effects which occur through changes in purchases by that industry from domestic suppliers, and also the induced effects arising from changes in household incomes and consumption expenditures. The sum of these changes results in a net effect across the whole Dorset LEP area economy, (BCP and Dorset Council areas), that can be expressed in terms of change in demand for GVA² and full-time equivalent worker numbers, (including the self-employed). The model also provides a sectoral analysis allowing identification of those sectors that are most affected by a particular change or shock to the economy. The model allows for leakage as firms make purchases of goods and services from outside the Dorset economy.

There will be both temporary (construction) and permanent impacts of the project. These will be treated separately in the report.

This report presents an assessment of the projected impact of the 'Middle School Site' (Wareham) in its development phase, and once development is complete, the business once it is in operation. As with all projections, the findings should be treated with caution as they rely not only on the data inputs used in the modelling but also on a number of assumptions. In addition, unforeseen events such as shocks to the wider economy can impact upon future employment and business growth.

Modelling of the value to the local economy of this project is shown in two phases:

- A. The development phase – based on information about the construction activities to develop the site.

- B. The permanent impact – looking at the projected impact of the facility once it is in operation. This will comprise the jobs created in the care facility and the additional household expenditure from the people living in the eight houses and 16 apartments that will be built on the site.

¹ Advanced Modelling of Regional Economies 2017 update, designed for Dorset County Council by Dr Stephen Brand

² GVA for an industry is its gross output at basic prices, less purchases of goods and services, less net spending taxes (ECON|).

Background

The proposed development comprises a health hub/GP surgery, a 64-unit care home, eight houses and sixteen apartments. The site considered by this report is the 'Middle School Site' with a project cost estimate of £23.8m.³

Initial estimates suggest that 149 full time equivalent jobs will be created at the facility.

The centre is expected to open in 2023.

The local economic outputs arising from the development of this facility are complex and arise from:

- The short-term benefits arising from construction. Whilst construction is phased over a period of time, it will come to an end and the impact, whilst significant, is therefore not considered to be permanent.
- The impact of employment generated at the centre and in local supply chain businesses. The additional household income and consequent spending of employees has a further permanent effect in the local economy. The household spending of people moving into the houses and apartments will also add to the local economy.

A number of other issues also need to be taken into account and assumptions made to give a net, rather than a gross, impact.

a) Deadweight: would any of the projected outputs have occurred if this facility had not been developed in this way?

: It is deemed unlikely that such outputs would occur without this development.

b) Displacement: what proportion of the outputs is accounted for by reduced outputs elsewhere in the area?

The project doesn't directly replace other services, but is part of a changing strategic direction away from residential care, towards supported living.

c) Leakage: is a proportion of the economic outputs arising from the development leaking outside the Dorset area?

This may occur, for example,

- when firms outside the area benefit from the impact, for example through supply chain benefits:
 - *an allowance for geographical leakage outside Dorset is built into the AMORE economic impact analysis model;*
- or if commuters live outside the area and may therefore spend a proportion of their income outside the area having an impact there instead:
 - *the majority of care staff are expected to be from Dorset and more generally from the area in or around Wareham, therefore no further adjustments have been made for commuting.*

d) Substitution: has the 'organisation' substituted one activity for another and, for example, redeployed staff from one function to another rather than created new posts?

: No: There is no job substitution or replacement.

³ Purbeck Gateway construction estimates June 2021, Red Loft

Development impacts

1. What is the economic impact from the construction of the project?

The cost of constructing the Purbeck Gateway project on the middle school site is estimated to be £23.8 million, in 2022/23 prices.⁴ However, not all this investment will be retained in the local economy as some of the firms involved in the development project will be based outside the Dorset area and, in addition, some workers may live outside the local area and commute to the site. Adjustments have been made for this and only the estimated local investment has been injected into the model.

The impact of developing the site is increased demand for the goods and services of local businesses resulting in greater output. This adds to the value of the local economy (Gross Value Added or GVA). Firms in the supply chain outside the Dorset area will also benefit and leakage of this is built into the model. The findings are shown in current prices.

Impact on GVA

The effect upon Gross Value Added can be calculated as part of the economic impact analysis. GVA measures the contribution of each individual producer, or sector, to the economy by estimating the value of its gross outputs (goods and services), less purchases and less net spending taxes.

Increased demand for the goods and services of local firms arising from the £23.8 million investment in construction will contribute an overall net total of **£13.5 million gross value added** to the local economy – however this will not be a permanent effect.

The multiplier effect shows that for every £1 million of GVA injected into the Dorset economy arising from spend via the project, £1.84 million is generated within the wider economy (including the initial £1 million).

The table below also shows the intermediary effects that take place within the economy as a result of the initial injection.

The direct effect consists of the initial change plus the impact on the first round of suppliers. The direct effect therefore would be £9.9 million⁵.

The indirect effect is that experienced by other local suppliers as they accommodate the change in purchases in other sectors.

The income effect is the change in demand arising through changes in household expenditure on local goods and services. These occur through changes in net employment and self-employment income caused by the changes in demand between local suppliers.

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (GVA)
£m	£m	£m	£m	£m
7.4	2.5	0.9	2.8	13.5
				<i>Multiplier: 1.84</i>

⁴ Purbeck Gateway construction estimates June 2021, Red Loft

⁵ Note: figures may not sum due to rounding.

Impact on full time equivalent jobs

Construction is a highly labour intensive sector. The £23.8 million construction project is estimated to provide around 298 person-years of employment in the Dorset area. Two hundred and forty of these will be a direct impact.

Key sectors in the supply chain are:

- Wholesale & retail;
- Accommodation & food services;
- Professional, scientific & technical activities;
- Water supply;
- Admin & support services;
- Manufacturing.

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL
Person years	Person years	Person years	Person years	Person years
183	57	20	39	298
				<i>Multiplier: 1.63</i>

Construction impact: summary

The estimated impacts of the construction phase, split into the direct impact and the total impact (including supply chain and household expenditure effects) are shown in the table following:

Impact for Dorset area:	Direct impact:	Total impact:
Increased GVA	£9.9m	£13.5m
Person-years of employment	240	298

Permanent impacts

2. What is the expected economic impact of employment?

In terms of employment numbers, the development is expected to provide 148 initial Full Time Equivalent (FTE) jobs. These are split between the care home (79.3 FTEs), extra care housing (57 FTEs) and supported living (12 FTEs). The staff will be in skilled healthcare occupations within the 'Human health services' sector (13.3 FTEs), with the remainder of staff in lower skilled occupations within the 'Residential Care & Social Work Activities' sector (135 FTEs).

In addition to the 148 initial jobs, a further 35 FTEs would be supported elsewhere in the economy through the supply chain impact and household spending giving a total of 204.

176 FTEs created				
Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (FTEs)
FTEs	FTEs	FTEs	FTEs	FTEs
148	28	7	20	203
				<i>Multiplier 1.37</i>

These figures can be split to show the FTEs created for each of the care home, extra care housing and supported living:

Care home:

94 FTEs created				
Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (FTEs)
FTEs	FTEs	FTEs	FTEs	FTEs
79	15	3	11	108
				<i>Multiplier 1.37</i>

Extra care:

68 FTEs created				
Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (FTEs)
FTEs	FTEs	FTEs	FTEs	FTEs
57	11	3	7	78
				<i>Multiplier 1.37</i>

Supported living:

14 FTEs created				
Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (FTEs)
FTEs	FTEs	FTEs	FTEs	FTEs
12	2	1	1	16
				<i>Multiplier 1.37</i>

Impact of employment on GVA

The effect upon Gross Value Added is calculated as part of the economic impact analysis. GVA measures the contribution of each individual producer, or sector, to the economy by estimating the value of its outputs (goods and services), less purchases and less net spending taxes.

Consequently, from an initial injection of £4.1 million GVA through the creation of 148 initial FTE jobs, a total of £6.6 million GVA would be added to the local economy. *The direct impact on GVA is £4.9 million (initial plus direct suppliers).*

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (GVA)
£m	£m	£m	£m	£m
4.1	0.9	0.2	1.4	6.6
				<i>Multiplier 1.63</i>

Split to show the contribution from the care home, extra care housing and supported living:

Care home:

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (GVA)
£m	£m	£m	£m	£m
2.3	0.5	0.1	0.8	3.7
				<i>Multiplier 1.60</i>

Extra care:

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (GVA)
£m	£m	£m	£m	£m
1.4	0.3	0.1	0.5	2.4
				<i>Multiplier 1.67</i>

Supported living:

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (GVA)
£m	£m	£m	£m	£m
0.3	0.1	0.0	0.1	0.5
				<i>Multiplier 1.67</i>

3. What is the expected economic impact of creating 24 additional dwellings?

As part of the development on the Middle School site, 24 additional dwellings will be built. These comprise 16 apartments and 8 houses. The economic impact of the construction of these dwellings is covered in section 1 of this report. This section looks at the value to the economy from the increase in economic demand from these additional households.

The expenditure of 24 additional households is expected to create eight initial FTE jobs and a further 3 FTEs would be supported elsewhere in the economy through the supply chain impact and household spending giving a total of 11.

9 FTEs created				
Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (FTEs)
FTEs	FTEs	FTEs	FTEs	FTEs
8	1	0	1	11
				<i>Multiplier 1.41</i>

Impact of employment on GVA

From an initial injection of £0.6 million GVA through the household spending from an additional 24 dwellings, a total of £0.8 million GVA would be added to the local economy. *The direct impact on GVA is £0.7 million (initial plus direct suppliers).*

Initial	Direct suppliers	Indirect suppliers	Income effects	TOTAL (GVA)
£m	£m	£m	£m	£m
0.6	0.1	0.0	0.1	0.8
				<i>Multiplier 1.30</i>

Permanent impact: Summary

The table below shows the estimated impact arising from employment at the centre when it is fully operational, plus the additional employment supported by the 24 new dwellings. It is split into direct and total impact (including supply chain and household expenditure effects):

Impact for Dorset area:	Direct impact:	Total impact:
Increased GVA pa	£5.6m	£7.4m
Full time equivalent jobs	185	214

