

# Socio-Economic Effects

## Introduction

This section details the relevant standards and guidance relating to the assessment of socio-economic matters. It provides a socio-economic baseline conditions pertaining to the proposed development. It also provides an initial assessment of the likely significant effects that are likely to arise during both the construction and operational (post completion) phases of the proposed development that will require full investigation through the preparation of the ES socio-economic chapter.

## Preliminary Assessment of Baseline Conditions

The following provides a preliminary description of the baseline socio-economic conditions emerging from desk-based research undertaken to date. This analysis will be further developed and refined as part of the ES socio-economic chapter.

### Study Area

The study area considered within this assessment has been informed by an understanding of the relevant economic and housing market geography of South Tyneside, alongside consideration of the availability and reliability of data at a variety of spatial scales.

Three spatial scales have been established for use within the assessment, which in combination reflect the study area in its entirety:

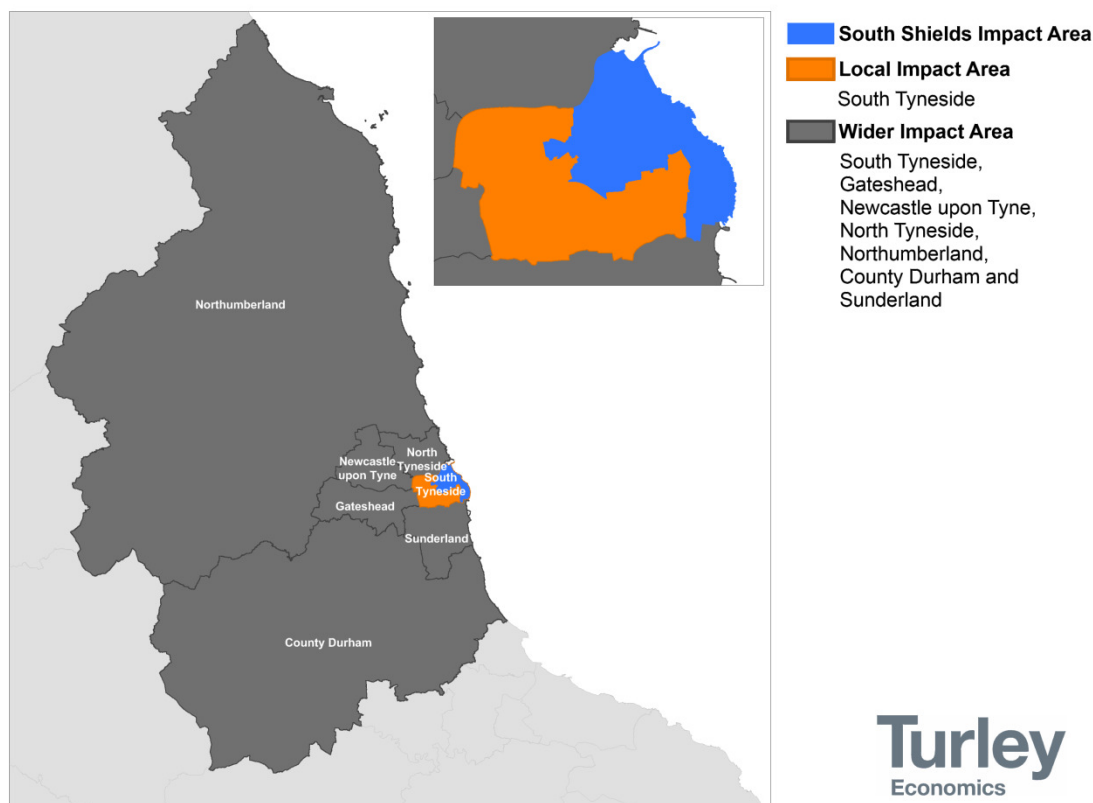
- The **South Shields impact area** is defined by 13 Middle Super Output Areas (MSOAs) that align on a 'best fit' basis with the South Shields Parliamentary Constituency boundary<sup>1</sup>, within which the application site lies. The 2011 Census (Ref 1.1) shows that of the 11,493 people who work in the two MSOAs which broadly cover South Shields town centre, around 54% live in the South Shields impact area.
- **The local impact area** covers the local authority area of South Tyneside. The 2011 Census data suggests that circa 66% of people who work in South Tyneside also live in the local authority area. Furthermore of the 11,493 people working in South Shields town centre, 73% live within the local impact area, representing a relatively high level of economic labour market containment.
- **The wider impact area** covers the functional economic geography area of the North East Local Enterprise Partnership (LEP); which consists of the 7 local authority areas of County Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. The 2011 Census recorded that 97% of jobs within South Tyneside are taken by residents living across this wider area, indicating a very high level of containment of employment and associated expenditure at this level. It is considered that the majority of socio-economic effects would be concentrated within this wider impact area.

The study area is presented spatially in Figure 1.1.

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<sup>1</sup> Defined by thirteen Middle Super Output Areas (MSOAs) including South Tyneside 001, South Tyneside 002, South Tyneside 003, South Tyneside 004, South Tyneside 005, South Tyneside 006, South Tyneside 008, South Tyneside 011, South Tyneside 012, South Tyneside 013, South Tyneside 016, South Tyneside 018 and South Tyneside 019.

**Figure 1.1: Study Area**



Source: Turley 2015

### **Desk Based Research**

This assessment involves consideration of published secondary data, and as such desk-based research has been undertaken to establish the baseline socio-economic conditions.

### **Field Surveys**

This initial assessment involves consideration of published secondary data, and therefore no field surveys have been undertaken.

### **Baseline Conditions**

The baseline socio-economic conditions of the two study areas have been established through collation and analysis of the most up-to-date available secondary data that is nationally recognised, including:

- 2011 Census data (Ref 1.1)
- 2001 Census data (Ref 1.2)
- ONS Annual Population Survey, via Nomis (Ref 1.3)
- ONS Claimant Count, via Nomis (Ref 1.4)
- ONS Annual Survey of Hours and Earnings, via Nomis (Ref 1.5)

- DCLG Indices of Multiple Deprivation (IMD) (Ref 1.6)
- Experian (2014) Local Market Forecast Quarterly (Ref 1.7)

The baseline examines the extent to which key indicators have changed over time, with the analysis structured to respond to both the South Shields, local and wider impact areas identified above. A summary of baseline position is presented below:

**Population** – Analysis of Census data (Ref 1.1, Ref 1.2) highlights South Shields and the wider borough of South Tyneside has experienced population decreases over the period from 2001 to 2011. This is in contrast to trends regionally and nationally. The age profile of the area is also skewed towards older age groups. Over the period from 2001 to 2011, the population of the South Shields impact area aged 45 to 64 increased whilst the population in each of the other age brackets decreased. This suggests that families and young economically active residents are moving out of the impact area, essentially reducing the future labour supply of South Shields.

**Labour force** – Data provided via the Annual Population Survey (Ref 1.3) shows that South Tyneside has a slightly higher rate of economic activity compared to the wider North East LEP impact area and the North East region. However, the employment rate is lower and unemployment rate higher than comparator areas. There is also evidence that across South Tyneside the workforce profile is characterised by relatively high levels of people with no qualifications (Ref 1.3). These trends are more pronounced across South Shields with the 2011 Census (Ref 1.1) highlighting lower economic activity rates and employment, and higher rates of unemployment compared to South Tyneside as a whole.

**Industry of employment and occupations** – The 2011 Census (Ref 1.1) reveals that the industry of employment across the South Shields, local and wider impact areas is broadly consistent with the regional and national employment profile; with the service sector making a significant contribution to total employment – employing approximately 3 in 4 residents in the South Shields impact area. This, and the skills profile of the area, is reflected in the occupations taken up residents, with the proportion of South Shields residents reliant on employment in sales and customer service occupations higher than national averages (Ref 1.1).

**Latent labour force** - Analysis of JSA claimants (Ref 1.4) demonstrates that there is a sizeable pool of latent labour available in the local area that could potentially be available to take up the additional employment opportunities arising from the operational phase of the proposed development. The baseline highlights low average earnings (Ref 1.5) amongst the resident population. Workplace earnings are, however, slightly higher suggesting those jobs which are higher paid are being taken by people who commute into South Tyneside for work.

**Deprivation** – The Indices of Multiple Deprivation (Ref 1.6) identifies that intense forms of deprivation exist at across South Tyneside and South Shields. The application site falls within two LSOAs, with the IMD ranking both areas within the 10% most deprived LSOAs in the country. A related dataset ranking local authorities also shows the district of South Tyneside witnessing high levels of deprivation, with the area ranked at number 47 out of the authorities, whereby 1 is the most deprived authority.

**Productivity** - Productivity measures the amount of output produced by a unit of input, and is a key indicator of the economic performance of an area. Data published by Experian (Ref 1.7) allows an analysis of gross value added (GVA) by full-time equivalent (FTE) employee, at both local and wider impact area level.

In the local impact area, the data suggests that each FTE employee in the local impact area generates productivity of £47,587 per annum<sup>2</sup>. At the wider impact area scale, this reduces to £42,383, suggesting greater productivity per worker at the local level. Furthermore, understanding how total productivity – measured in GVA – has changed historically provides an important indicator of baseline economic conditions. This is summarised in the following table, highlighting that output increased by 13.2% in the local impact area and 11.4% in the wider impact area between 2003 and 2013.

**Retail and leisure provision** – The South Tyneside Retail, Health and Capacity Study (Ref 1.8) highlights that South Shields Town Centre is characterised by below average proportion of comparison and convenience retail units and floorspace. The also study identifies that the leisure offer within South Shields primarily comprises traditional pubs and clubs, with the main destination for leisure trips currently being the edge of centre Cineworld at Boldon. Analysis of Valuation Office Agency (VOA) data (Ref: 1.9) enables an assessment of the change in retail floorspace across South Tyneside. This shows that in 2012 South Tyneside had 251,000 sqm of retail floorspace. This represents a 1.6% decrease from the 2010 figure of 255,000 sqm and only a slight increase over the 249,000 sqm recorded in 2002. Overall the quantum of retail floorspace, as measured by the VOA, has increased by 0.82%, or 0.08% per annum, over this period.

**Existing businesses** - The proposed development represents a major regeneration project for South Shields and wider borough. As a result the application will involve the redevelopment of existing retail, leisure and businesses floorspace within the application site. Estimates, drawn from VOA data (Ref 1.10) on rateable floorspace suggest that the quantum of net or lettable floorspace affected by the proposed development equates to circa 16,000 sqm (NIA). Of this floorspace it is estimated that approximately 2,650 sqm (NIA), or 16.5%, is currently vacant and unoccupied. The combined rateable value of the existing floorspace is circa £997,000, which generates non-domestic rates of circa £490,000. This represents around 1.6% of all non-domestic rates collected by South Tyneside Council when benchmarked against the £29.6 million collected by the Council in 2013/14 (Ref 1.11).

## Characteristics of Potential Effects

The following effects may arise from the scope and nature of the proposed development:

- **Employment effects** – change in employment opportunities that may attract people to live and work in the area;
- **Productivity effects** – change in productivity, as measured by Gross Value Added (GVA), as a result of employment opportunities during the construction and operational lifetime of the proposed development;
- **Indirect economic/expenditure effects** – indirect employment creation and effects on local spending associated with new employment opportunities.
- **Deprivation effects** – changes to patterns of deprivation including effect on economic activity and unemployment rates locally through the provision and take up of employment opportunities;

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<sup>2</sup> Based on five year average (2010 – 2015) of GVA per FTE

- **Service provision effects** – effects on the vitality of South Shields town centre, the quality and diversity of the offer, and associated impacts on the local population’s access to retail and leisure services.
- **Public revenue effects** – change in non-domestic rates receipts (known as business rates) arising from the creation of new rateable floorspace.

## Proposed Method of Assessment

There is no overarching guidance that sets out the preferred methodology for the preparation of assessments of the likely socio-economic effects of major development proposals. Several established methodological guides have been published to cover key elements of the assessment. These will be drawn upon as appropriate within the assessment, with the HCA/offPAT Employment Densities Guide (Ref 1.12) and HCA Additionality Guide (Ref 1.13) of particular relevance.

The proposed methodology consists of an assessment of socio-economic effects during both the construction and operational phases of the proposed development. Several of the more technical areas of assessment are explained under the following sub-headings.

### Construction Phase

The process for the modelling of effects derived from the proposed development during the construction phase is set out below.

#### *Employment effects*

In order to calculate the net full-time equivalent (FTE) employment generated through construction of the proposed development, the following methodology will be applied:

- **Step A** – identification of the estimated total cost of construction associated with the proposed development at the time of undertaking the assessment. This has been undertaken with regard to the latest construction cost figures for each component of the proposed development. All costs estimates have been based on estimated provided by Muse Developments in April 2015;
- **Step B** – The number of employees generated is derived from the average turnover per employee in the construction sector in the North East, drawn from the Business Population Estimates (BPE) 2014 (Ref 1.14). The total construction cost is divided by the average turnover in the construction sector, which calculates the number of employees generated directly by the implementation of the construction programme if it were to be completed in a single year;
- **Step C** – dividing the total number of employees generated directly by the construction programme (single year) (calculated at Step B) by the number of years over which the construction of the project is envisaged, resulting in the identification of the gross full-time equivalent (FTE) jobs to be generated. It is assumed that the construction period is 4 years for the purposes of this assessment;
- **Step D** – in order to calculate net FTE employment generated by the development, consideration of appropriate allowances for leakage and displacement are made in line with recognised guidance (Ref 1.13); and

- **Step E** – the application of relevant local, and wider, impact area multipliers to the net FTE jobs generated allows for employment indirectly generated from the proposed development during the construction phase (e.g. supply chain linkages or the value of contracts to firms) as well as onward induced expenditure in the economy to be factored into the assessment.

### ***Productivity effects***

In order to calculate the uplift in GVA productivity generated through construction of the proposed development, the following methodology will be applied:

- **Step A** – identify the average GVA per construction sector employee in South Tyneside and the wider impact area, utilising data drawn from Experian Local Market Forecasts Quarterly data (Ref 1.7); and
- **Step B** – apply the average GVA per construction sector employee identified at Step A at the relevant scale to the net full-time equivalent (FTE) construction jobs generated by the construction of the proposed development.

### ***Deprivation effects***

In order to consider the impact on deprivation during the construction phase, the latest claimant count statistics (Ref 1.4) are utilised to establish the level of latent demand for construction related employment within the labour force. This is then cross referenced directly to the estimated level of direct employment generation. Consideration is then given to the level of economic activity and unemployment within the South Shields and local impact areas and the implications of the proposed development drawing upon data from the Annual Population Survey (APS) published by the ONS (Ref 1.3).

### **Operational Phase**

The process for the modelling of socio-economic effects over the long-term operational phase – upon completion of the proposed development – is set out below.

### ***Employment effects***

Employment will be created through the proposed development of new retail and leisure floorspace. In order to calculate the employment generated through the operational phase, the following methodology will be applied:

- **Step A** – identify the maximum floorspace parameters for each use within the proposed development;
- **Step B** – apply the appropriate employment densities to the floorspace identified at Step A using national guidance (Ref 1.12) to calculate the number of direct gross FTE employment generated by the proposed development;
- **Step C** – in order to calculate net FTE jobs generated by the development, considerations of appropriate allowances for leakage and displacement are made in line with recognised guidance (Ref 1.13); and

- **Step D** – the application of relevant multipliers to the net FTE jobs generated allows for employment generated through indirect and induced effects to be factored in to the assessment in line with recognised guidance (Ref 1.13).

### ***Productivity effects***

In order to calculate the uplift in GVA productivity generated through the operational phase of the proposed development, the following methodology has been applied:

- **Step A** – identify the average GVA per employee for each proposed use utilising data drawn from Experian Local Market Forecasts Quarterly (Ref 1.7); and
- **Step B** – apply the average GVA per employee identified in Step A to the net FTE operational phase employment generated by the proposed development.

### ***Service provision effects***

In order to calculate the contribution of the proposed development to diversifying retail and leisure sector uses in the town centre, the following methodology will be applied:

- **Step A** – Establish the current quantum of retail floorspace within South Tyneside.
- **Step B** – Identify the maximum floorspace parameters for each retail and leisure sector use within the proposed development.
- **Step C** – deduct existing retail floorspace affected by the proposed development to establish the net additional floorspace delivered by the proposed development.
- **Step D** – Add net additional floorspace delivered by the proposed development to the baseline and assess the scale of change in retail floorspace relative to changes experienced across South Tyneside over the last 10 years (Ref 1.9).

### ***Deprivation effects***

In order to consider the impact on deprivation the latest claimant count statistics (Ref 1.4) will be utilised to establish the level of latent demand for retail and leisure related employment within the local and wider impact area labour force. This is cross referenced directly to the employment generating uses within the proposed development and the estimated level of direct employment generation.

Consideration is given to the level of economic activity and unemployment within the South Shields and local impact areas and the implications of the proposed development drawing upon data from the Annual Population Survey (APS) published by the ONS (Ref 1.3).

### ***Public revenue effects***

In order to calculate the uplift in non-domestic rates (known as business rates) through the operational phase of the proposed development, the following methodology will be applied:

- **Step A** - Calculate net additional floorspace delivered by the proposed development disaggregated by use.

- **Step B** - The Valuation Office Agency (VOA) business rates valuation tool (Ref 1.10) will be utilised to run comparable analysis of similar size units/uses in South Shields, and where necessary the wider South Tyneside local authority area. The derived indicative rates are then applied to estimated rateable floorspace elements within the proposed development.
- **Step C** - The national multiplier of £0.493 for 2015/16 is then applied to derive an estimated total business rate payable per annum via the proposed development.

## Legislation, Policy and Good Practice

The assessment of socio-economic effects associated with the proposed development will include a review of established methodological guides, which have been published to cover key elements of the assessment. The main documents relevant to the assessment are summarised below.

### National Planning Policy Framework

The National Planning Policy Framework (NPPF), published in March 2012 (Ref 1.15), sets out the Government's statutory planning policies for England. The NPPF is built around a policy commitment to sustainable development, with the planning system expected to play both an economic and social role. Details of these roles are provided in paragraph 7 of the NPPF:

*“an economic role – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure”*

*“a social role – supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well-being” (Para 7, Ref 1.15)*

At the heart of the NPPF is a 'presumption in favour of sustainable development', which requires local authorities in the development of their Local Plans to adopt a positive approach in order to seek opportunities to meet the development needs of an area. Further clarification is provided through the core planning principles set out at paragraph 17 of the NPPF, which – importantly – includes the following requirement for planning to:

*“proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth” (Ref 1.15)*

The NPPF is supplemented by the web-based Planning Practice Guidance (PPG) (Ref 1.16), which provides further guidance on Environmental Impact Assessment – as governed by the Town and Country Planning (Environmental Impact Assessment) Regulations 2011 – in order to assess whether a development would have a significant effect on the environment. Statements should primarily focus on main or significant environmental effects, with impacts of little or no significance addressed only briefly to show that they have been considered (Ref 1.16).



## **Additionality Guide**

The Homes and Communities Agency (HCA) Additionality Guide (Ref 1.13), published in January 2014, forms the relevant national framework for assessment of the likely socio-economic effects of the proposed development. The document provides guidance to practitioners on the standard methodology and issues associated with assessing the additional effects of an intervention or development, such as the proposed development.

Utilising the approach set out within the document ensures conformity to nationally accepted standards for assessing potential socio-economic effects, and is entirely appropriate for the purposes of assessing planning applications for proposed development schemes.

## **Employment Densities Guide**

The Employment Densities Guide (2<sup>nd</sup> edition) was published in 2010 by offPAT and HCA (Ref 1.12), and is designed to assist in the estimation of employment generated by development.

The document provides guidance to practitioners on the standard methodology and issues associated with assessing the level of direct employment per square metre of an intervention or development. Utilising the approach set out within the document ensures conformity to nationally accepted standards for assessing potential socio-economic effects, and is entirely appropriate for the purposes of assessing planning applications for proposed development schemes.

## **Assessing Significance of Effect**

The following describes the framework for assessment of socio-economic effects, particularly in identifying the magnitude of effect, the sensitivity of receptor and the significance of effect.

### ***Magnitude of Effect***

The following table defines the different magnitudes of effect that may arise during the construction and operation of the proposed development.

**Table 1.13: Defining Magnitude of Effect**

Level of Magnitude	Definition of Magnitude
High	Effect will dominate over socio-economic baseline conditions, or will be highly likely to affect large numbers of people and/or businesses over the long term. Considered to be a very important consideration, and likely to be material in the decision-making process
Moderate	Effect can be demonstrated to change baseline socio-economic conditions, and is likely to affect a moderate number of people and/or businesses over a medium duration. Effect may be important, but is not likely to be a key decision-making factor unless the cumulative effects of such factors lead to an increase in the overall effect on a particular socio-economic resource or receptor
Low	Effect will result in a perceptible difference in baseline socio-economic conditions, and is likely to affect to a small number of people and/or businesses over a short duration. Effect may be raised as a local factor, but is unlikely to be critical in decision-making process

Negligible	Effect does not result in variation beyond baseline socio-economic conditions, and is unlikely to measurably affect people and/or businesses
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In the absence of published policy or guidance, these definitions draw upon previous experience and professional judgement.

### ***Sensitivity of Receptor***

The following table provides a framework for the definition of different levels of sensitivity in socio-economic receptors associated with the proposed development.

**Table 1.14: Defining Sensitivity of Receptor**

Sensitivity	Definition
Very high	Receptor of international importance, with little or no ability to absorb, adapt to or recover from change
High	Receptor of national importance, with little ability to absorb, adapt to or recover from change
Moderate	Receptor of regional or local importance, with medium ability to absorb, adapt to or recover from change
Low	Receptor of local importance, with some ability to absorb, adapt to or recover from change
Negligible	Receptor of local importance, with ability to absorb, adapt to or recover from change

In the absence of published policy or guidance, the definitions drawn upon previous experience and professional judgement.

### ***Duration of Effect***

The duration of effects will be taken into consideration when determining the overall significance of the effects. The following timescales will be used:

- Short term: 0 to 5 years;
- Medium term: 5 to 15 years; and
- Long term: 15 years onwards for the life of the proposed development.

### ***Significance of Effect***

The following table provides the framework by which the overall significance of socio-economic effects are to be assessed. In the absence of published policy or guidance, the definitions have drawn upon experience and professional judgement.

**Table 1.15: Matrix for Assessing Significance of Effect**

Assessing Significance of Socio-Economic Effects					
Magnitude of Effect	Sensitivity of Receptors				
	Very high	High	Moderate	Low	Negligible
High	Major	Major	Moderate	Moderate	Minor
Medium	Major	Moderate	Moderate	Minor	None
Low	Moderate	Moderate	Minor	None	None
Negligible	Minor	Minor	None	None	None

For the purposes of this assessment, any effect that is above minor is considered to be significant in EIA terms with regard to its socio-economic effects.

#### **Proposed Cumulative Assessment: Intra-relationship of Effects**

An assessment of the intra-relationship of socio-economic effects with other topic areas will be undertaken.

#### **Proposed Cumulative Assessment: Inter-relationship of Effects**

The socio-economic assessment will include an assessment of the likely significant effects arising from other major developments proposed in the area, including proposals subject of *Application B (Full) Construction of a new transport interchange*. A full list of committed schemes will be agreed in advance with South Tyneside Council and other relevant statutory consultees.

#### **Mitigation and Residual Effects**

Where significant adverse socio-economic effects are identified, mitigation measures will be identified to avoid or minimise harm in so far as is practicable. The residual effects of the development following mitigation measures will also be confirmed.

#### **Scoping decision**

No potential effects – as set out above – have been scoped out, on the basis that there is potential for each to be significant as a result of the proposed development. In light of the potential socio-economic effects of the proposed development, it is considered appropriate to **scope this issue into the ES**.

## **References**

- 1.1 ONS (2011) '2011 Census'
- 1.2 ONS (2001) '2001 Census'
- 1.3 ONS via Nomis (2014) 'Annual Population Survey'
- 1.4 ONS via Nomis (2014) 'Claimant Count'
- 1.5 ONS via Nomis (2014) 'Annual Survey of Hours of Earnings'
- 1.6 DCLG (2010) 'Indices of Multiple Deprivation'
- 1.7 Experian (2014) 'Local Market Forecast Quarterly'

- 1.8 GVA (2012) 'South Tyneside Retail, Health and Capacity Study'
- 1.9 Valuation Office Agency (2015) 'Business Floorspace' <http://voa.gov.uk>
- 1.10 Valuation Office Agency (2015) <http://voa.gov.uk>
- 1.11 South Tyneside Council (2014) 'Financial Statements 2013/14'
- 1.12 HCA/offPAT (2010) 'Employment Densities Guide 2nd Edition'
- 1.13 HCA (2014) 'Additionality Guide 4th Edition'
- 1.14 Department for Business Innovation and Skills (2014) 'Business Population Estimates'
- 1.15 DCLG (2012) 'National Planning Policy Framework'
- 1.16 DCLG (2014) 'Planning Practice Guidance' - <http://planningguidance.planningportal.gov.uk>