

**Epsom General Hospital, Dorking  
Road, Epsom, Surrey, KT18 7EG**

**Economic Assessment Methodology**

**on behalf of Guild Living**  
July 2021

## Contact

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## 1.0 Introduction

1.1 Nexus Planning has been appointed by Guild Living to undertake an update to the submitted economic benefits assessment to accompany an appeal for planning permission at Epsom General Hospital, Dorking Road, Epsom, Surrey, KT18 7EG (hereafter referred to as 'the site').

1.2 The proposal is described as:

***“Demolition of the existing hospital buildings, accommodation block and associated structures and redevelopment of the site to provide a new care community for older people arranged in two buildings, comprising care residences, care apartments and care suites providing transitional care, together with ancillary communal and support services Use Class C2, key worker units Use Class C3, childrens nursery Use Class D1 as well as associated back of house and service areas, car and cycle parking, altered vehicular and pedestrian access, landscaping, private amenity space and public open space.”***

1.3 This assessment methodology takes account of modifications to the scheme and updated data sources in order to assess both the temporary impacts of the construction phase, and the longer-term impacts of the operational phase. The assessment is supported by an infographic enclosed at Appendix 1 which summarises the findings. Several sources of information including local, regional and national statistics have been reviewed.

## 2.0 Development Proposals

- 2.1 The Development Proposal has undergone modifications and is presented as Appeal Scheme A and Appeal Scheme B for the purpose of this assessment and the associated Planning Appeal.

### Appeal Scheme A

- 2.2 Amendments to the Appeal Scheme A have been made through the modification of the proposed details which have resulted in increased setbacks, increased landscaping, a reduction in overall scale and massing and a reduction in the number of proposed units.
- 2.3 The amendments to Appeal Scheme A proposals, which have been introduced to narrow the areas of disagreement between the parties, are set out below:
- 2.4 **Increased Street setback of Buildings A and B:** The setbacks of the proposed frontage buildings have been increased significantly from Woodcote Green Road.
- 2.5 The increased setbacks, in addition to the enhanced street scene, creates additional opportunities for increased landscaping along the frontage and the provision of enhanced public realm, including an improved footpath and seating areas.
- 2.6 These changes have also been carried through into the Appeal B Scheme.
- 2.7 **Building A measures to reduce privacy impacts:** Changes have been made to parts of the west facing elevation of Building A to introduce a "sawtooth" arrangement of the elevation. This change serves to reorientate windows from west facing (i.e. towards 40 and 46 Woodcote Green Road) to north and south facing (i.e. towards the Woodcote Millennium Green and towards the Hospital site / new elements of the Appeal Scheme). The orientation and placement of the windows of the address the concern of direct overlooking and associated privacy impacts.
- 2.8 Appeal B reflects an equivalent western elevation treatment to mitigate the effects on privacy, as the measures introduced into Appeal A.
- 2.9 **Landscape changes:** Additional landscaping to the site frontage is enabled as a result of the significantly increased building setbacks. The increased setbacks allow for enhanced landscaping and tree planting to the front of the site. An additional area of public realm is also created to the front of

the site, which includes new seating areas, a new pathway and double avenue of tree, which relates positively to the Millennium Green to the south.

- 2.10 Along the western boundary of the site, the row of perpendicular parking has been reconfigured to parallel parking to both create a wider landscaped buffer with significant additional tree planting along the boundary and to reduce the amount of parking along this edge and to increase the vegetative buffer screen.
- 2.11 The changes to the landscaping scheme set out above have also been carried through into the Appeal B proposals.
- 2.12 **Materials changes (cladding colour):** The overall design and appearance of the scheme has been altered to increase the amount of brick used in the elevations and to reduce the amount of metal cladding. Furthermore the proposed material palette has been updated to more closely reflect local materials and colour tones, in particular the darker anthracite coloured metal cladding previously proposed is proposed to be altered to a lighter bronze colour, which is more sympathetic to the colours of the local roofs but is also a warmer more inviting tone and is less visually dominant.

### Appeal Scheme B

- 2.13 In addition to the changes set out above, the overall height, scale and massing of the Appeal B Scheme have been reduced. This has been achieved by the removal of the top level of accommodation. Further modifications of the ground levels and the reduction in floor to ceiling heights have in conjunction with the removal of the upper storey of the scheme, has resulted in building heights being lowered by between 1.7 and 6 metres.
- 2.14 The (Wheatcroft) changes to the Appeal A Scheme has resulted in the reduction in five units, the Appeal A Scheme proposes 339 units. The Appeal B Scheme proposes 305 units.

## 3.0 Assessment Framework

- 3.1 Nexus Planning has established an economic assessment framework for the built environment. Whilst the government does not provide specific guidance on measuring economic impacts, the HM Treasury Green Book is a useful reference for economic appraisal, whose methodology is embedded in our approach.

### Assessing built environment economic impact

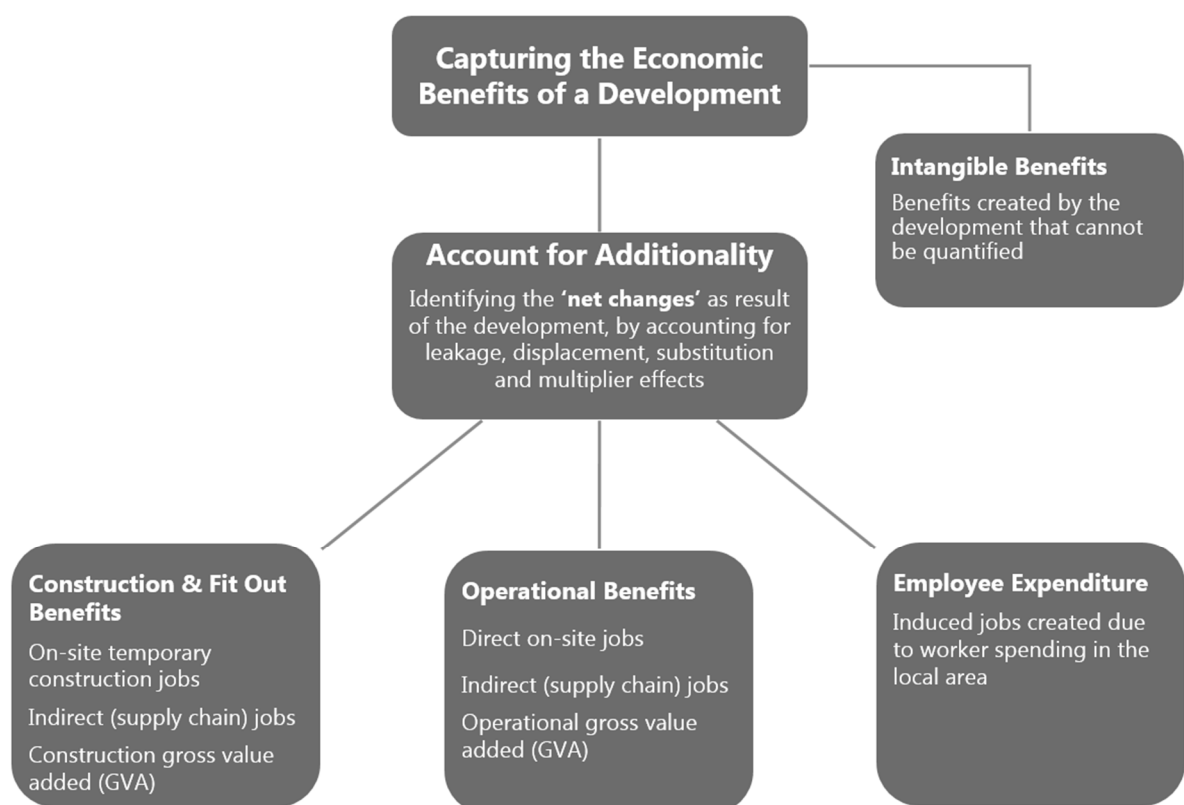


Figure 1: Assessing Built Environment Economic Impact Flowchart

- 3.2 The Homes & Communities Agency ('HCA') Additionality Guide (4<sup>th</sup> Edition, 2014) is also a key reference, ensuring a robust evaluation and taking into account the net additional impact after discounting the baseline position. A glossary is provided at Appendix 2 and additionality is discussed in detail in Appendix 3.
- 3.3 Our framework separately considers the economic impact of the construction phase and operational

/ occupied phase, the expenditure of new residents (where applicable), wider economic impacts and any public sector benefits.

### Calculating additionality

3.4 Additionality calculations take into account the 'baseline scenario' as well as other economic factors<sup>1</sup>. Overall the key factors for consideration are set out below and key assumptions are reported in Appendix 3:

- 'displacement', whether jobs created are detracting from other businesses / employers;
- 'substitution', whether jobs would have been created without the development in any case;
- 'leakage', the extent to which jobs are taken by those outside of the study area; and
- 'multiplier effects', downstream business benefits through the supply chain (indirect) and benefits created through additional income expenditure of workers/residents (induced).

3.5 To determine the additionality of the proposed development the following formula is used:

$$AI = [GI \times (1-L) \times (1-Dp) \times (1-S) \times M] - [GI^* \times (1-L^*) \times (1-Dp^*) \times (1-S^*) \times M^*]$$

Where:

- AI= Net additional impact
- GI= Gross impact
- L=Leakage
- Dp= Displacement
- S=Substitution
- M=Multiplier
- \* denotes reference case and hence deadweight

Figure 2: Additionality Calculation

<sup>1</sup> Homes & Communities Agency Additionality Guide (4<sup>th</sup> Edition), 2014



## 4.0 Economic Benefit Analysis

- 4.1 This section of the report provides an overview of our economic analysis findings on the basis of a development of a care home on the site. This analysis considers benefits associated with both the construction phase, and once the development is operational. A visual summary, or 'infographic', of these findings is presented at Appendix 1.

### Construction Impacts

#### Onsite employment

- 4.2 Any development project brings with it the potential benefit of supporting the local economy by creating temporary employment through the construction phase. Construction employment can be derived as a product of construction costs, which are calculated as **£124.4m** (Appeal Scheme A) and **£105.3m** (Appeal Scheme B)<sup>2</sup>. These figures incorporate both capital and labour costs.
- 4.3 Applying the average turnover per worker in the construction sector from the Annual Business Survey ('ABS') data on regional turnover, and Business Register and Employment Survey ('BRES') data on employment in the South East region<sup>3</sup> to infrastructure and building costs provides an indication of the employment anticipated to be generated by the construction of the development. This equates to **594** (A) and **503** (B) **job-years of equivalent full time temporary construction jobs**. Considering the estimated 45 month construction period, this equates an average of **158** (A) and **134** (B) **temporary jobs on site** over the build period.
- 4.4 An alternative approach is to assume that 30% of construction costs will be spent on labour, some £37.3m (A) and £31.6m (B). Average South East construction labour wages in 2020 were £35,134<sup>4</sup>. Allowing for overheads<sup>5</sup>, this would generate some **967** (A) and **819** (B) **construction job-years** or **258** (A) and **218** (B) **temporary jobs** over the 45 month build period.
- 4.5 Taking the midpoint of these two approaches, an estimated **208** (A) and **176** (B) **temporary construction jobs** will be directly supported on site over the total two year build period.

<sup>2</sup> Construction costs provided by Cast Consultancy (2021)

<sup>3</sup> Derived from Annual Business Survey data (2018 results) on turnover and GVA in the construction sector, and Business Register and Employment Survey (2018 results)

<sup>4</sup> Office of National Statistics ('ONS') annual pay data (2020)

<sup>5</sup> Derived from Savills, Residential Development Margin research (2017)

### Wider employment impacts

- 4.6 In addition to this direct employment, there will be downstream employment impacts created through the business supply chain (indirect effects) and spending of employee wages (induced effects). These need to be considered against other factors (collectively referred to as 'additionality', as highlighted in Section 2), including whether construction work might displace workers on other projects due to a tight labour market.
- 4.7 Overall, it is estimated that an additional **88 (A)** and **75 (B) temporary jobs** will be created at the regional level as a result of the construction and demolition spend on site and in the wider economy over the 45 month build period. This includes induced spend of construction worker wages on local retail, food and beverages.

### Economy

- 4.8 Construction sector spending has a beneficial impact on economic output, which is measured by Gross Value Added (GVA). It is anticipated that the development will generate a total of **£41.5m (A)** and **£35.1m (B) of GVA** based on regional ratios of turnover to GVA<sup>3</sup> and applying the HM Treasury's recommended discounting of 3.5% to present values.

### **Operational impacts**

#### Onsite employment

- 4.9 The proposed care facility is expected provide for around **60 (A)** and **55 (B) direct (onsite) full time equivalent jobs at the site<sup>6</sup>**. Employees will work in shifts, due to the 24/7 level of care offered on site. As such, due to the nature of the work and full time employment equivalent jobs, there will never be 60 or 55 staff on site at one given time.

#### Wider employment impact

- 4.10 Building upon the number of onsite jobs identified above, we go on to take into account supply chain and employee expenditure multiplier effects<sup>7</sup> alongside other economic factors (see Appendix 2). We forecast that a further **21 (A)** and **19 (B) full time jobs** are expected to be supported in the wider regional economy.

<sup>6</sup> Figure confirmed by Guild Living

<sup>7</sup> HCA Additionality Guide, ready reckoners for 'medium' multipliers

### Resident expenditure

- 4.11 The introduction of new residents to the area will also have benefits to the local economy in terms of their spending on local goods and services. The ONS Family Spending Survey records a breakdown of household expenditure by region and tenure, amounting to around £10.8m (A) and £9.7m (B) per annum.
- 4.12 Not all residents will be new to the area, some will be living locally<sup>8</sup> already, which we take into account based on the proportion of 'Wholly moving household' that 'Lived elsewhere one year ago; within same area' from the 2011 Census. Some resident spending will be on items that do not readily benefit the local or regional economy, such as on rent, services, mobile phone contracts etc., with 'retail and leisure' spending more likely to be captured at the local level. Of these 'retail and leisure' items, we have assumed that around 40% retail spend and approximately 58% leisure spend is lost from the local area based on the local evidence base<sup>9</sup>.
- 4.13 Accordingly, accounting for leakage, local movers and indirect taxation, **£2.9m** (A) and **£2.6m** (B) of **additional retail and leisure spend** would be generated for the wider economy from new residents as a result of the care facilities.
- 4.14 As a result, it is anticipated that the development would generate need for **26** (A) and **23** (B) **new jobs**<sup>10</sup> in the area, **12** (A) and **11** (B) of which would be within retail related sectors and a further **14** (A) and **12** (B) across leisure related sectors.

### Economy

- 4.15 It is anticipated that the direct and indirect/induced jobs (excluding construction spending and employment) and additional worker expenditure will generate a total economic output of **£26.9m** (A) and **£24.6m** (B) of **GVA** across the wider economy<sup>3</sup>.

<sup>8</sup> On the basis of Middle Layer Super Output Areas (MSOA) E02006342, E02006343 (Epsom and Ewell 008, 009)

<sup>9</sup> Retail and Commercial Leisure Needs Assessment, 2020

<sup>10</sup> Based on regional ONS turnover to employment ratios for retailing and leisure

## 5.0 Conclusions

- 5.1 The proposed care facility in Epsom is assessed to make a positive impact and important contribution to the District and the wider South East Region's economies.
- 5.2 Specifically, the construction works are estimated to directly support between **208** (Appeal Scheme A) and **176** (Appeal Scheme B) **temporary jobs on site**, with a further **88** (A) to **75** (B) **temporary jobs** supported through the supply chain. The forecast construction and fit-out expenditure is anticipated to generate between **£41.5m** (A) and **£35.1m** (B) **GVA** to the wider regional economy.
- 5.3 Once operational, the care facility is forecast to create between **60** (A) and **55** (B) **full time jobs on site**. In addition to those jobs directly created on site, the business is estimated to support a further **21** (A) to **19** (B) **full time jobs** across the region, taking account of supply chain and employee expenditure multiplier effects.
- 5.4 Residents of the new care facilities will spend around **£10.8m** (A) to **£9.7m** (B) annually, of which **£2.9m** (A) to **£2.6m** (B) per annum is expected to be directly into the regional economy, generated a need for between **26** (A) and **23** (B) **new full-time retail and leisure jobs**. In terms of operational GVA, over a standard ten-year period, the forecast jobs are anticipated to contribute a total GVA of **£26.9m** (A) to **£24.6m** (B) across the regional economy.
- 5.5 Overall, in line with the economic assessment carried out in this report, it is anticipated the proposed development will contribute positively to the economic conditions of the local and wider areas surrounding the application site.

## Appendix 1: Infographic

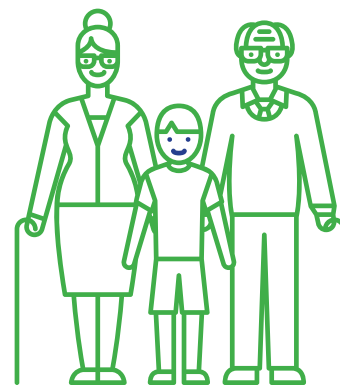
# GUILD LIVING AT EPSOM

Guild Living has now submitted an appeal for a new care community on the Epsom Hospital site on Dorking Road comprising a new care community and ancillary wellbeing facilities, children's nursery, enhanced pedestrian and cycle links and a new public realm.

Guild Living, who are funded by Legal & General, has been established to create high-quality later living communities in towns and cities across the UK and to combine innovative architecture and interiors with best-in-practice wellness programmes to enable enriched and active lifestyles. The proposed care community on the Epsom Hospital site will be the first of its kind in the local area and will be exemplar in terms of the standard of facilities and in the provision of support and care.

This information sheet highlights the significant public benefits arising from the scheme. These benefits respond positively to the three strands of sustainable development set out in the NPPF – social, economic and environmental – and address the Development Plan and place-making objectives for Epsom.

## SOCIAL BENEFITS:



Creating an intergenerational community for all ages comprising assisted living accommodation, a children's nursery, restaurant, café and wellness area that will be open to the public and become a vibrant hub for the wider community.



Addressing a pressing need for specialist accommodation for older people in Epsom and providing housing choice.



Contributing towards the local five-year housing supply and the housing target of 579 dwellings per annum.



Delivering an exemplar scheme in terms of the standard of facilities and in the provision of support and care. Guild Living is backed by Legal & General who have many years of experience in looking after older persons and who are investing in Global Academic Research and ground-breaking technology to address the wants, needs and wishes of residents.



Delivering accommodation at varying levels of affordability. Guild Living offers a variety of for sale or rent living solutions ranging from independent living to high care suites.



Supporting local NHS services by improving wellbeing and social interaction, offering better health outcomes and reducing healthcare costs. (£3,500 per person per annum)



Supporting local hospitals through the provision of step-down services.



Providing access to 24/7 on-site care for all residents. Guild Living offers apartments that are designed to enable residents to live in a Guild home for life.

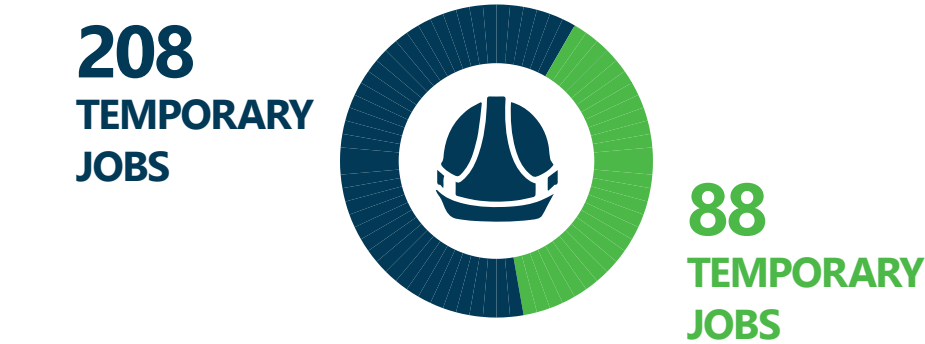


Freeing up other sectors of the housing market by releasing much-needed family housing accommodation.

# APPEAL SCHEME A: EPSOM CARE COMMUNITY (339 UNITS) AND ASSOCIATED FACILITIES

## ECONOMIC BENEFITS:

### CONSTRUCTION PHASE



- Direct Employment (temporary jobs on-site)
- Indirect Employment (accounting for regional additionality)

**Direct Employment:** 208 temporary construction jobs on-site over the 45-month build period.

**Indirect Employment:** 88 temporary indirect jobs through the supply chain, and induced jobs through local spending (regional) over the build period.



A major construction project over 45-months, creating and sustaining a total of 780 job years of employment for local people, contractors and suppliers.



Estimated total cost of construction – £124.4M

### OPERATIONAL PHASE



**Direct Employment:** 60 direct FTE jobs created onsite, working across the care community.

**Indirect Employment:** 21 indirect FTE jobs supported across the region through the local supply chain, as well as induced FTE jobs through employee's local spending as a result of the development.

Note: Full-Time Equivalent, or 'FTE', is defined as the hours worked by one employee on a full-time basis, equating to one full-time job.



**Additional Resident Spending:** £10.8m additional resident household spending, of which, £2.9m additional resident spending in local shops and services (per annum).

### 26 ADDITIONAL WORKERS IN THE LOCAL COMMUNITY



**Induced Service, Retail and Other Employment:** 26 Workers – New local retail (12) and leisure (14) jobs as a result of new resident spending.



**Economic Output:** Expected additional GVA to the local economy:  
£41.5M – Construction GVA  
£26.9M – Operational GVA

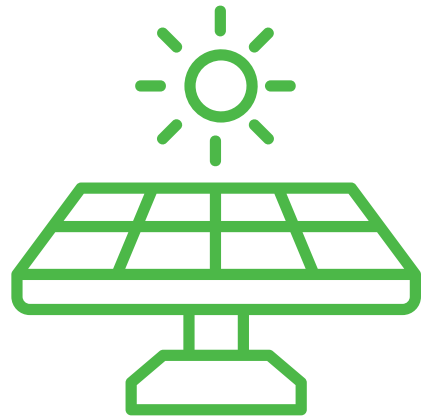
## ENVIRONMENTAL BENEFITS:



Regenerating a currently surplus site and optimising the use of the land to create a new area of productive and attractive townscape.



Less commuting – Providing modern, purpose-built key worker accommodation for doctors and nurses working on the adjoining hospital site and for staff of the new assisted living scheme.



Adapting to climate change and moving to a low carbon economy through the provision of a sustainable development that makes use of renewable energy sources.

## METHODOLOGY NOTES:

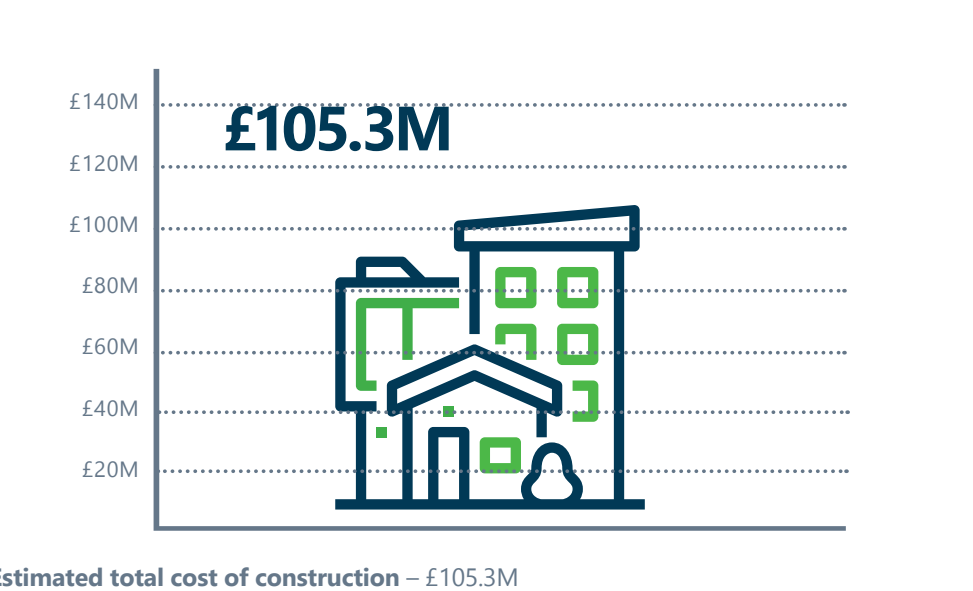
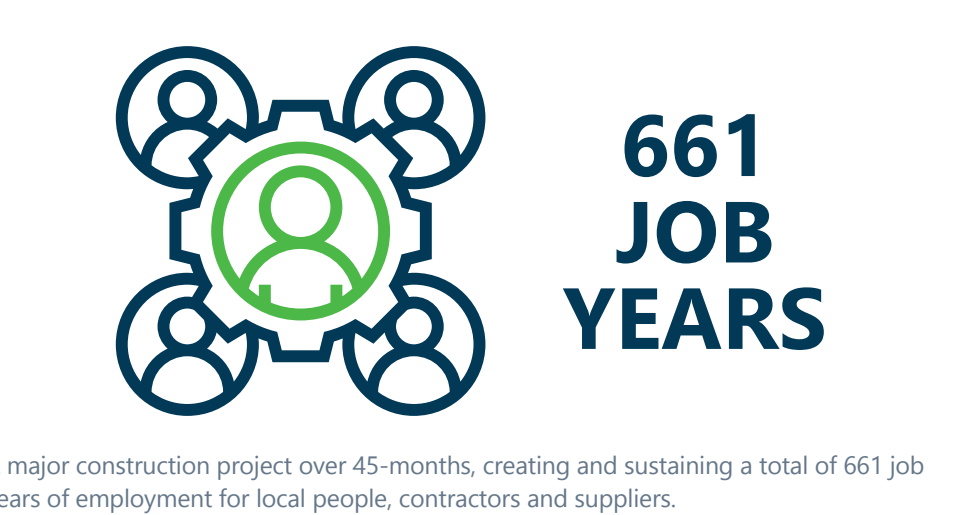
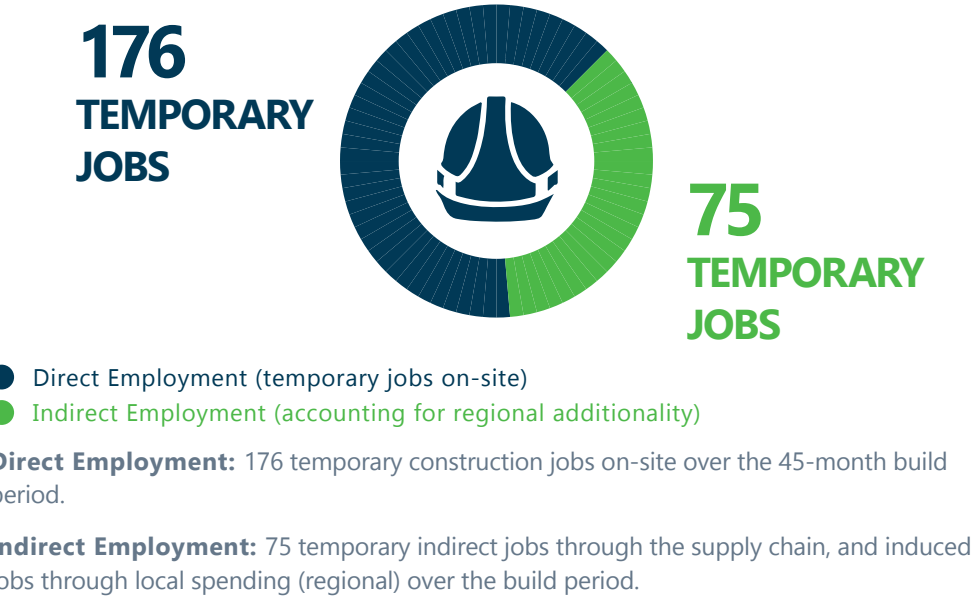
- Construction jobs calculated through regional turnover to employment ratio
- Construction GVA calculated through regional turnover to GVA ratio
- Construction jobs refer to person years of employment (temporary jobs), applied on an annual basis
- HCA Additionality Guide used for indirect / induced multipliers
- Direct employment figures provided by Guild Living
- GVA derived from permanent employment multiplied by average regional GVA per head, discounted to net present value (GVA accumulation 'persistence factor' assumed for 10 years)
- Figures have been rounded to the nearest thousand/million for the ease of illustration



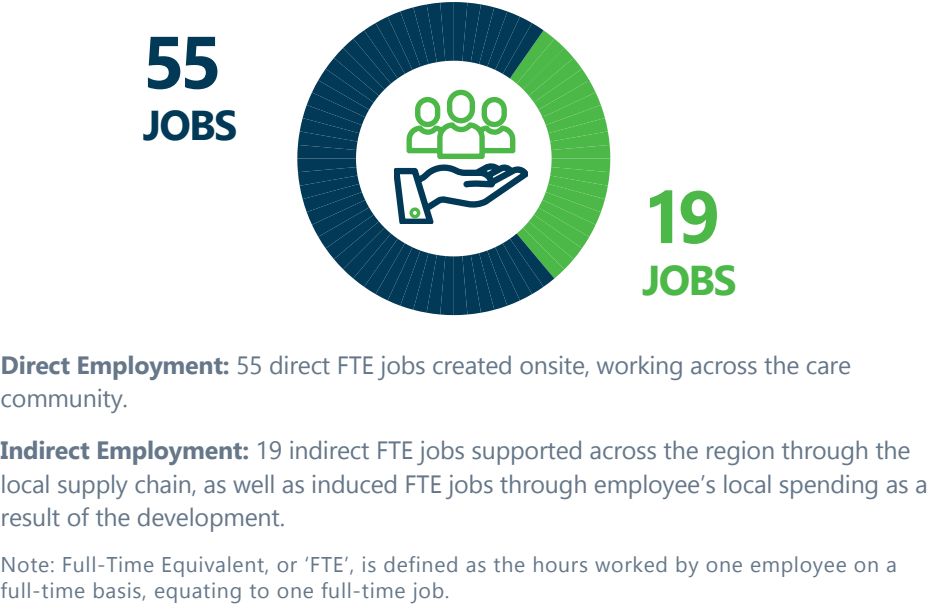
# APPEAL SCHEME B: EPSOM CARE COMMUNITY (305 UNITS) AND ASSOCIATED FACILITIES

## ECONOMIC BENEFITS:

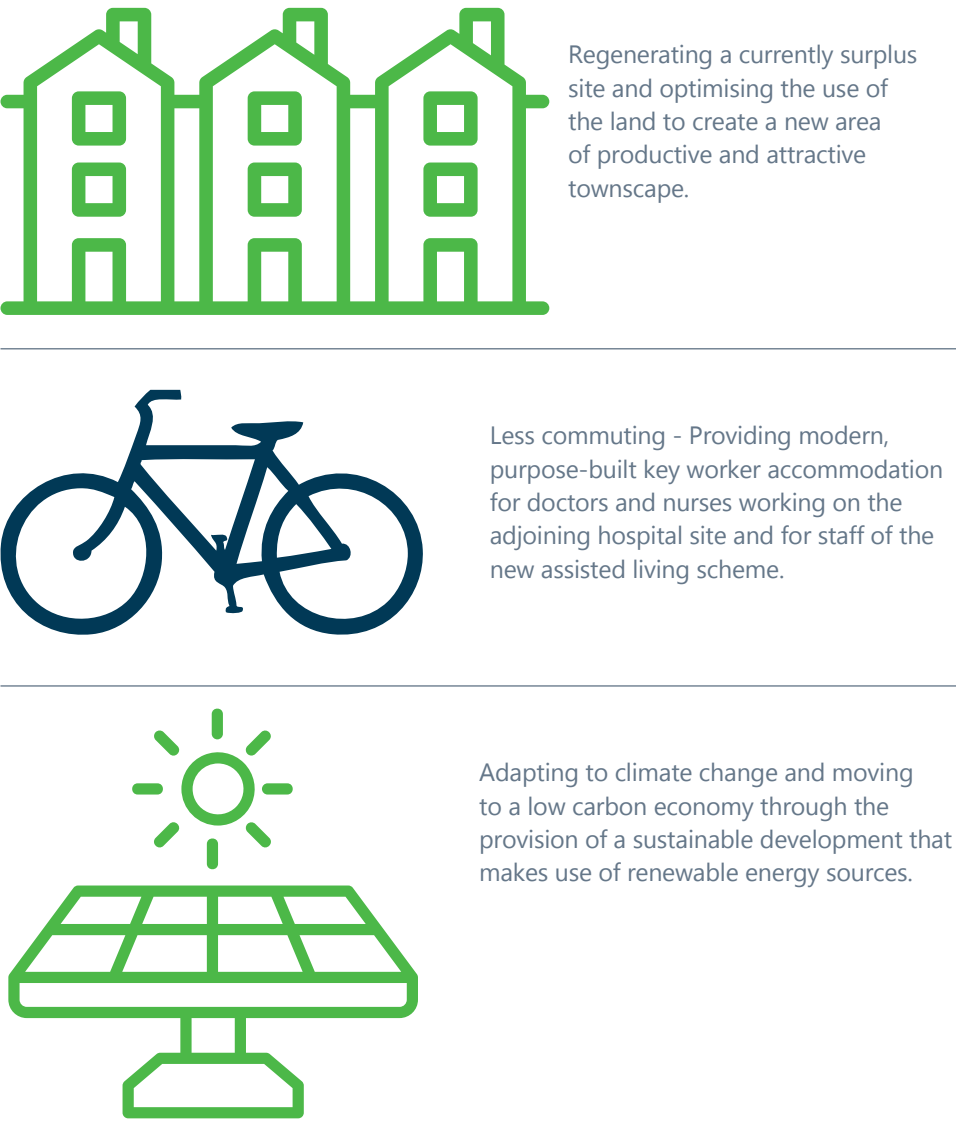
### CONSTRUCTION PHASE



### OPERATIONAL PHASE



## ENVIRONMENTAL BENEFITS:



### METHODOLOGY NOTES:

- Construction jobs calculated through regional turnover to employment ratio
- Construction GVA calculated through regional turnover to GVA ratio
- Construction jobs refer to person years of employment (temporary jobs), applied on an annual basis
- HCA Additionality Guide used for indirect / induced multipliers
- Direct employment figures provided by Guild Living
- GVA derived from permanent employment multiplied by average regional GVA per head, discounted to net present value (GVA accumulation ‘persistence factor’ assumed for 10 years)
- Figures have been rounded to the nearest thousand/million for the ease of illustration



## Appendix 2: Glossary

<b>Additionality</b>	Additionality assesses the ‘net changes’ or is the extent to which something happens as a result of development that would not have occurred in the absence of that same development.
<b>Full Time Equivalent (FTE)</b>	A Full Time Equivalent (FTE) is the hours worked by one employee on a full time basis, equating to one full time job.
<b>Gross Value Added (GVA)</b>	Gross Value Added is the measure of the value of goods and services produced in an area, industry or sector of an economy, and measures the difference between output and intermediate consumption (the amount of goods and services that have been produced, less the cost of all inputs and raw materials that are attributable to that production).
<b>Indirect Benefits</b>	Indirect Benefits or ‘supply chain benefits’ account for purchases made as a result of the business and further purchases associated with linked firms along the supply chain. These may include money spent on grocery and fresh produce suppliers, van rentals and financial services.
<b>Induced Benefits</b>	Induced Benefits or ‘income benefits’ arise as a result of local expenditure from employees from the direct and supply linkage impacts of the development. For example, induced benefits include jobs supported at local cafes as a result of local worker spending.

## Appendix 3: Calculating Additionality

### Leakage

Leakage is the extent to which jobs created by development are taken by those outside of the area.

In terms of construction, this would be low to moderate for an area such as Epsom in terms of operation and has been set at zero at the regional level for a development of this scale. For the purposes of the operational phase, this has also been set at zero at the regional level.

### Displacement

Displacement is the extent to which jobs or economic benefits created by the development are detracting from other businesses or employers elsewhere within the study area.

In this case, for the construction phase, some displacement is expected, given the general demand and constant movement associated with construction jobs and displacement has therefore been set at 5% regionally.

### Substitution

Substitution is the extent to which jobs would have been created without the development in any case.

The jobs arising from the proposed development are not anticipated to substitute alternate activity, which tends to be associated more with public sector interventions.

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