

Economic Impact Assessment - Peter Brett Associates

Knowle Relocation Project

An Analysis

Background

The EconIA is prepared by Peter Brett Associates (PBA), who have recently acquired Roger Tym and Partners, an Exeter-based consultancy, which notably assisted EDDC with background data for the new draft Local Plan.

Concern has been expressed that PBA were commissioned rather late in the day to undertake this task, and that there was a danger that the report would therefore be rushed.

In particular, it was noted that EDDC in their FAQ section, had claimed to have consulted with Sidmouth Chamber of Commerce 'the Town Council and 'other stakeholders'. It was pointed out to EDDC that no such consultation had been undertaken with the Chamber and eventually the section from the FAQs was corrected.. It is likely that 'other stakeholders' such as the Hospitality Association were also not consulted.

At the Market Square 'roadshow' EDDC officers offered to arrange a meeting with the Chamber but this never took place. It would seem that there was no formal meeting with the Chamber or any 'other stakeholders' prior to the submission of the application. This is unusual for an application of this size and controversy. The FAQ entry appears to confirm that this the case, and the failure of EDDC to consult with economic stakeholders is therefore a significant lapse.

Discussions with economic stakeholders normally occur at a much earlier stage of the process. A good recent example would be the application to replace the Fortfeild Hotel with apartments. In this instance, the applicant took considerable care to approach and engage with local stakeholders such as the Chamber of Commerce, and this led to significant amendments to the application.

The PBA Document

The EconIA is 46 pages in length. It has been examined page-by-page and the following comments have arisen:

Page 7: Para 1.2.4: The document refers to 'high building and energy costs' at the existing Knowle building. In fact the Knowle has an impressive 'High C' energy rating. PBA go on to say that the Council are seeking 'a more central location'.

Whilst in the strictest geographical terms, Honiton is marginally more central than Sidmouth, when assessed against East Devon's population, which is concentrated in the coastal areas, Sidmouth is significantly more central than Honiton. Sidmouth is therefore, without doubt 'a more convenient location'.

Page 8: Para 1.2.5: The document states that 'most' of the formal gardens will be retained. This is not the case. Most will in fact be lost.

Page 10: Para 2.2.3: The 2% growth in employment in Sidmouth since 2009 which occurs in the 'food and accommodation' sector may reflect growth in domestic tourism, but is more likely to be explained by the extension to the Waitrose supermarket.

Page 10: Para 2.2.4: The high level of part-time employment may reflect the tourism economy of Sidmouth, but is more likely to reflect the age profile of the population. Much of Sidmouth's workforce is semi-retired. PBA did not begin their study until the summer months and may be under the impression that Sidmouth is a typically seasonal seaside town. In fact, Sidmouth is an all year round shopping destination. For example, many businesses in Sidmouth report their busiest time as pre-Christmas. Very few Sidmouth businesses close in the winter. Car park returns for Sidmouth confirm this.

Page 11: Para 2.2.5: This paragraph makes little sense. The relocation is described as 'not notably impacting' upon Council workers who live in Sidmouth'. Bizarrely, in the same paragraph it is stated that part-time workers will be impacted by the additional costs of commuting. Clearly, both cannot be the case.

In fact, commuting costs are very considerable, and a Council worker (full-time) might be expected to make ten journeys a week between Sidmouth and Honiton, each involving a distance of ten miles. Given a working year of 223 days (see elsewhere in the document), this equates to a considerable impact for a full time worker. The total mileage will be of the order of 4500 miles per annum, and the time taken might be of the order of 150 hours, perhaps more. Commuting within Sidmouth might represent typically a journey of one mile, or one tenth of that required by a Honiton journey.

Therefore additional commuting times per annum for a full time worker will be of the order of 4000 miles per annum and 135 hours. This equates to 3.5 hours per week of unpaid additional commuting time, and increased additional transport costs of, say, £1600 per annum. Together, these equate, roughly, to a wage cut of somewhere between 15% and 20% for a full time worker, which is quite severe. As PBA half-heartedly recognises, the impact upon part-time workers will be even greater.

The benefits, economic and lifestyle, of living in close proximity to the work-place are very considerable, and are reflected in the location choices of the Knowle workforce, many of whom live in Sidmouth. It is extremely surprising that these big

economic benefits are dismissed by PBA.

This leads to a clear flaw in the document, as PBA does not appear to recognise that the workforce is highly likely to wish to relocate over time to Honiton, and that this will have a very significant economic impact upon Sidmouth. The failure of PBA to recognise the impact of commuting costs is a major failure of the EconIA.

Relocating a worker's place of residence to Honiton will be expensive for the workforce, but the cost of continuing to live in Sidmouth and commuting will in almost every case be greater

Page 11: Para 2.2.7: The document records that the current level of employment in Sidmouth of Public Administration workers is 12.2% compared to a regional average of 5.5%, and ascribes this difference to employment at Knowle. The document thus acknowledges that over time, Sidmouth will lose 6.7% of its workforce, and that those workers will be amongst the highest paid in the community.

Page 12: Para 2.2.9: Again, this paragraph makes little sense, apparently claiming that Sidmouth unemployment is less damaging than unemployment elsewhere. In fact, all unemployment is damaging. The paragraph, which is poorly written, appears to imply that any loss of employment will be taken up by other sectors of the Sidmouth economy, but the document elsewhere indicates that this will mean switching to lower paid sometimes seasonal jobs. In truth the well paid Knowle jobs are likely to be lost from the Sidmouth economy.

Page 12: Para 2.3.2: PBA produce no evidence of improved 'tourism growth' in Sidmouth (see above) and therefore the conclusions of this section are invalid.

Page 13: Para 2.3.3: PBA produce no evidence to back up the claim that Sidmouth business is 'more resilient' and this section can therefore also be dismissed as without evidence base. The poor quality of this section of the document is particularly disappointing.

Page 14: Para 3.2.1: This paragraph inexplicably suggests that the Sidmouth workforce will, in the event of EDDC relocating to Honiton either continue to live in Sidmouth and commute, or resign. It ignores the more likely outcome which is that the workforce will over time migrate nearer to their place of work. Again, PBA are crucially unaware of the economic burden of commuting. This is a very serious flaw in the document.

Page 14: Para 3.2.4: In the light of the above, the calculation of jobs lost is inevitably seriously underestimated. Later in the document, PBA translate the temporary construction jobs created by the new build at Knowle into the equivalent of 'permanent' jobs over a ten year period. It seems appropriate therefore to assess the likely job loss to Sidmouth over a similar ten year period. At the present time, the workforce at Knowle shows a significant bias towards Sidmouth residency. The actual figures are unclear as the PBA numbers conflict with other evidence issued by

EDDC. However, Sidmouth residents outnumber Honiton residents by a factor of roughly three to one. Since the two towns are of similar size, it seems reasonable to assume that this ratio will be reversed over time. Over a ten year period, there will be some inertia shown by existing Sidmouth residents, so the reversal will not be complete. A complete reversal would involve 60 job losses, and this will be the scale of direct job losses over a very long period of time. If we take the ten year period suggested by PBA, inertia could reduce this by a third, making total direct job losses in the region of 40.

Page 14 Para 3.2.6: This section is exceptionally poor. PBA state that £3.6 million of EDDC expenditure is with Sidmouth-based companies, and that this expenditure is secured by competitive tender. This is not disputed. However, they go on to say that these purchases have been 'discounted from the assessment because 'they would not be affected by the Council's relocation'. PBA have a very poor grasp of simple economics. Sidmouth's high share of the expenditure presumably reflects the economic benefits of proximity to the functions of the District Council. Firms in Sidmouth are able to tender at lower prices because of their proximity to the Knowle. That advantage will inevitably be transferred to firms in Honiton in the event of relocation. This surely cannot be disputed. Tenders are often secured by very low margins. It is therefore inevitable that a significant proportion of the £3.6 million figure will be transferred to Honiton, much of it immediately, or as soon as the tender process allows. For the sake of this exercise, it might be reasonable to assume that a third would be lost in the short to medium term, e.g. ten years and this might be a sensible basis for any calculation.

Page 15: Para 3.2.8: The number of jobs lost in view of the above is therefore in the region of 32.5 rather than 0.14.

Page 17: Para 3.2.17: This paragraph records the total number of visitors per annum to be 6,580, based upon logged visits to the reception desk. This is quite obviously a gross under-estimate, and is clearly based upon a mistaken methodology. Very few visitors to the Knowle are 'logged in' at the Reception Desk. Many visitors do not go to the Reception Desk, and of those that do, very few are 'logged in'. Those members of the public that attend Committee meetings, for example, would not be logged in, but would be expected to sometimes combine their visit to the Knowle with a visit to the seafront, shopping etc.

It is hard to estimate the number of visitors to Knowle, but a very conservative figure might be 200 per day, making for an annual total of perhaps 45,000. Anyone acquainted with the operation of Knowle (PBA are not), will know that there are numerous visitors to the Knowle, and that this figure is likely to be an under-estimate.

Page 17: Para 3.2.18: The treatment of the 'outlier' is not a legitimate statistical practice. The outlier is not a 'rogue sample' - presumably the individual exists. He/she should not have been excluded from the sample, even if he/she is accepted as unrepresentative (which is by no means clear). At the very least an individual at

the other end of the sample (presumably a non-scorer) should have been equally discounted. There are widely used statistical techniques to deal with this situation, but they do not include outright and unexplained 'disqualification'. This primitive abuse of statistical analysis is worrying and leads to a lack of confidence in the overall quality of the document.

Page 18: Para 3.2.19: The discounting of the Sidmouth residents is again nonsensical. If EDDC relocated to Honiton, and Sidmouth residents therefore go to Honiton to attend meetings, etc., they will presumably spend in Honiton by extending their visit.

Page 18: Para 3.2.21: We are not told the expenditure of the Sidmouth residents so this does not allow this figure to be appropriately adjusted, but if the 'outlier' is compensated for by excluding a non-spender (the very minimum), then total expenditure will be £78955 x 45000 divided by 6580 = £539965. In other words, the PBA figure is grossly underestimated.

The mistake, is obvious. PBA assesses visitor expenditure to be only 8.3% of the expenditure of EDDC staff. This is clearly a huge under-estimate. The revised figure shows visitor expenditure at 57% of staff expenditure which looks a far more likely figure. Given the numbers and visitor opportunity to shop, this figure is probably very conservative.

Page 19: Para 3.2.23: The total job losses incurred as a result of a fall in employee and visitor spending is therefore 11.5 rather than 8.

Page 19: Para 3.2.24: This section refers to the use of the Knowle car park by the public at weekends. Unfortunately, PBA are seriously misinformed regarding the terms of that usage. Usage is not restricted to the summer months as claimed: the car park is available for all weekends throughout the year. The PBA calculations are therefore invalid. The estimate of 100 car visits per day during the summer months is accepted as a reasonable figure, so the number of car visits for the summer months at 3200 is considered to be accurate. Usage in the winter months is known to be less, but remains substantial, and it might be reasonable to estimate that usage is halved in the other 36 weeks. So non-summer usage would be 36 x 100 = 3600, making a total usage of 6800.

Page 20: Para 3.2.24: PBA go on to estimate the proportion of users who are destined for the shopping centre. It is highly surprising that this was not properly researched, and this reflects the poor quality of the document. There was surely time, opportunity and funds available to allow for users to be interviewed. The suggestion that half the car park users are heading for the beach is implausible, and should be reduced to 20% of visitors. In the non-summer months, this should be reduced to nil. So the number of users heading for the town centre is $3200 \times 80\% = 2560 + 3600 = 6160$. This equates to a loss in annual spend to local shops of £98,560, which equates to 2 jobs.

Page 21: Para 3.3.5: The estimate of 11.2 jobs associated with the construction programme is reasonable. The notion that 80% of these jobs will be for Sidmouth workers is not, and is based on the erroneous assumption that the construction industry has the same worker profile as the rest of the Sidmouth economy. This is clearly not the case. A major building project of this kind will not be undertaken by a Sidmouth firm: none has the capacity available. There may be some local recruitment, but the great majority of the workforce is likely to come from outside. A more reasonable estimate might be 20% from Sidmouth rather than 80%. So the number of jobs arising will be $11.2\% \times 20\% = 2.2$ jobs.

Page 21: Para 3.3.7: Again, the estimate that 80% of care home workers will be Sidmouth residents is unlikely. The specialist nature of care home work tends to increase commuting distances, and a figure of 50% is surely more appropriate, making the number of Sidmouth jobs created as 6. PBA do not appear to have made any enquiries of local care homes to ascertain these figures or to assess demand. Local care home proprietors have indicated that there is considerable spare capacity at the present time, so the PBA assumption of full occupancy is not justified. More significantly, there must be very serious doubts as to the viability and deliverability of the care home proposal. Demand is known to be patchy, and there is no known interest in developing a new facility of this kind. It is probably unlikely that a care home facility will ever be built on this site.

Page 24: Para 3.4.2: In the light of the mistakes and misinterpretations identified above, the PBA estimate of job losses arising from relocation is very seriously underestimated. The direct losses are in fact in the region of 40 jobs, indirect losses are 32.5 rather than 0.1, induced losses are 11.5 rather than 8 and those associated with car parking are 2 rather than 0.5. The total losses are therefore 86 rather than 25.

Job creation is less than PBA has estimated and is 17 rather than 28.

Total net job losses arising from the relocation project are therefore $86 - 17 = 69$, rather than the net gain of 3 suggested by PBA. It should be stressed that this revised assessment is based upon conservative figures and that the real figure for job losses is likely to be somewhat higher. Furthermore, the job creation figures assume that the care home component of the project will take place, which is perhaps unlikely.

Page 26: Para 4.2.3: This paragraph attempts to deal with the fact that the questionnaire did not refer to the loss of car parking, which is a significant component of the relocation package and a material planning consideration. The document claims that the car parking loss was not mentioned for technical reasons, but this is not the case. The PBA representative issuing the questionnaire freely and openly admitted that PBA were unaware of the loss of car parking and that the issue should have featured in the questionnaire. The fact that PBA are poorly informed regarding car parking loss is confirmed by their misapprehension that the car park is only available for 16 weekends each year, when in fact it is open for 52 weekends.

At the time that the questionnaire was issued, the loss of car parking was not widely known within the Sidmouth business community. It is reasonable to assume that the answers to the questionnaire would have been significantly different if this information had been provided.

It is inconceivable that a detailed questionnaire designed to assess the economic impact of the relocation would not include a question asking businesses to assess the impact of the loss of car parking.

The only realistic conclusion is that PBA's failure to include a reference to car parking was an error and that Para 4.2.3 is a disingenuous attempt to cover up the fact.

PBA were advised to withdraw the questionnaire and redesign it to include a reference to the loss of car parking. There was time available to do this, and it is very regrettable that this course of action was not taken. EDDC was also aware of the error and were urged to intervene.

Unfortunately, the results of the questionnaire are very much undermined by this lapse. Had businesses been aware of the loss of car parking it is clear that the expected impact of the move would be much greater.

Page 28: Para 4.2.9: There appears to be a drafting error in this section of the report, so that it does not read sensibly. However, the conclusion is invalid: 74% is a relatively low figure and suggests that the potential impact is significant. This is confirmed by the responses referred to in Para 4.2.13 which showed that a remarkably high percentage - 67% - of businesses believed that other businesses would be adversely affected by the relocation. Only 18% thought that other businesses would not be affected.

The conclusions are invalid because of the poor drafting of the questionnaire.

Page 30: Para 4.3.2: It is hard to take this paragraph seriously. It can be assumed that the four stakeholders consulted are aware that EDDC is not closing down! And that jobs are being relocated to Honiton rather than being lost altogether. Further comment on the last sentence of this paragraph is perhaps best avoided, other than to say that it is representative of the overall quality of the report.

Page 30: Para 4.3.3: Having discussed this with stakeholders, it is clear that the interviewer misunderstood the views that they expressed. It is clear from earlier sections in the document that PBA does not understand that the main economic impact over time will be job migration from Sidmouth to Honiton, leading to a poorer economy for Sidmouth and an older population, neither of which are desirable.

Page 30: Para 4.3.3: Neither did the stakeholders say that Honiton was a more convenient location - it isn't. It is a less convenient location for the population of East Devon, which is concentrated in the coastal area. Indeed, this has been

reluctantly conceded by EDDC. The point being made by the stakeholders was that jobs would be lost to the District, as Honiton is nearer to those who live outside the District in locations such as Exeter and Taunton. The stakeholders did not believe (as PBA presumably do) that people living outside the District are of a higher quality than those who live in East Devon. This is another example of PBA (incorrect) preconceptions colouring their interpretation of evidence.

Page 31: Para 4.3.6: This section again proves beyond doubt that PBA have allowed their own preconceptions to 'twist' the evidence. Here they repeat the 'howler' that the Knowle car park only operates in the summer. Every stakeholder would know for certain that this is not the case.

Page 31: Para 4.3.8: Oh dear! PBA appear to have been told by EDDC that the parkland at Knowle is to be 'retained'! No - a great proportion of it is to be lost. And this loss will have a significant economic impact, as the stakeholders clearly understood. It is almost beyond belief that PBA could be so misinformed: this confirms that the EconIA was rushed and amateurish. It also explains why there was no reference to the loss of parkland in the questionnaire. PBA, at the time of conducting the EconIA, were obviously unaware of the scale of the proposals, and are likely to have seriously misinformed respondents to the questionnaire and stakeholder consultations.

Page 31; Para 4.3.9: This confirms that stakeholders clearly understood that Honiton is a less convenient location, underlining the nonsense of Para 4.3.3. (see above).

Page 34: Para 5.2.1: The document again repeats the error identified earlier, when it states that job losses to Sidmouth will only arise from resignations. Much more likely is that council staff will move their place of residence from Sidmouth to Honiton or other locations more convenient to their work.

Page 34: Para 5.2.3: For reasons given above, this figure of 3 net job gains is wildly inaccurate and a conservative estimate of net job losses is 69.

Page 34: Para 5.3.2: This paragraph is superficial nonsense and is not supported by evidence. It should be ignored.

Page 34: Para 5.3.3: Peter Brett Associates become overnight experts in psychology! Sidmouth stakeholders, it seems, are chronic worriers because their views do not match PBA's assessment. However, when the errors in the report are identified, it seems that the concerns expressed by stakeholders match the true impact of relocation. Could it be that Sidmouth stakeholders might be better informed than Peter Brett Associates?

Conclusion

It is known that the Economic Impact Assessment was commissioned at a very late stage in the process. It seems that this has led to a document of very poor quality. It includes a number of obvious and therefore embarrassing errors, most notably the operating times of the car park, the lack of awareness of the loss of parkland, the neglect of commuting costs, the greatly under-estimated visitor numbers, and the chronic miscalculations with regard to employment..

Most disappointingly, it is highly unprofessional. The document is riddled with unwarranted assumptions, conclusions without evidence base, and internal contradictions. The remarkable final paragraph of the summary, which ascribes the concerns of Sidmouth stakeholders to an unexplained tendency to exaggerate potential problems, is patronising to the point of offensiveness. Any responsible researcher would have noted the disparity between business expectation and their own research and would have looked again at their own calculations.

It is perplexing that at least some of these glaring errors were not immediately identified by EDDC officers, on receipt of the document. Again, the only explanation can be that the whole process has been extremely rushed. It has to be asked: did anyone check it before it was submitted?

The report's conclusion that the relocation will lead to 3 extra jobs for Sidmouth looks highly implausible, and alarm bells should have rung immediately within Peter Brett Associates, when this number was generated. Such an unexpected outcome, so at odds with the results anticipated by the questionnaire and interviews with stakeholders, and frankly defying common sense, should have triggered a reappraisal of the data and calculations. This might have led to many of the mistakes being identified before publication.

A conservative reinterpretation of the data, having corrected the most obvious errors, has produced a net job loss to the community of Sidmouth of 69 jobs. Tellingly, this fits with the impact anticipated by stakeholders and questionnaire respondents. This figure should be the basis upon which the Economic Impact of the application should be assessed.