



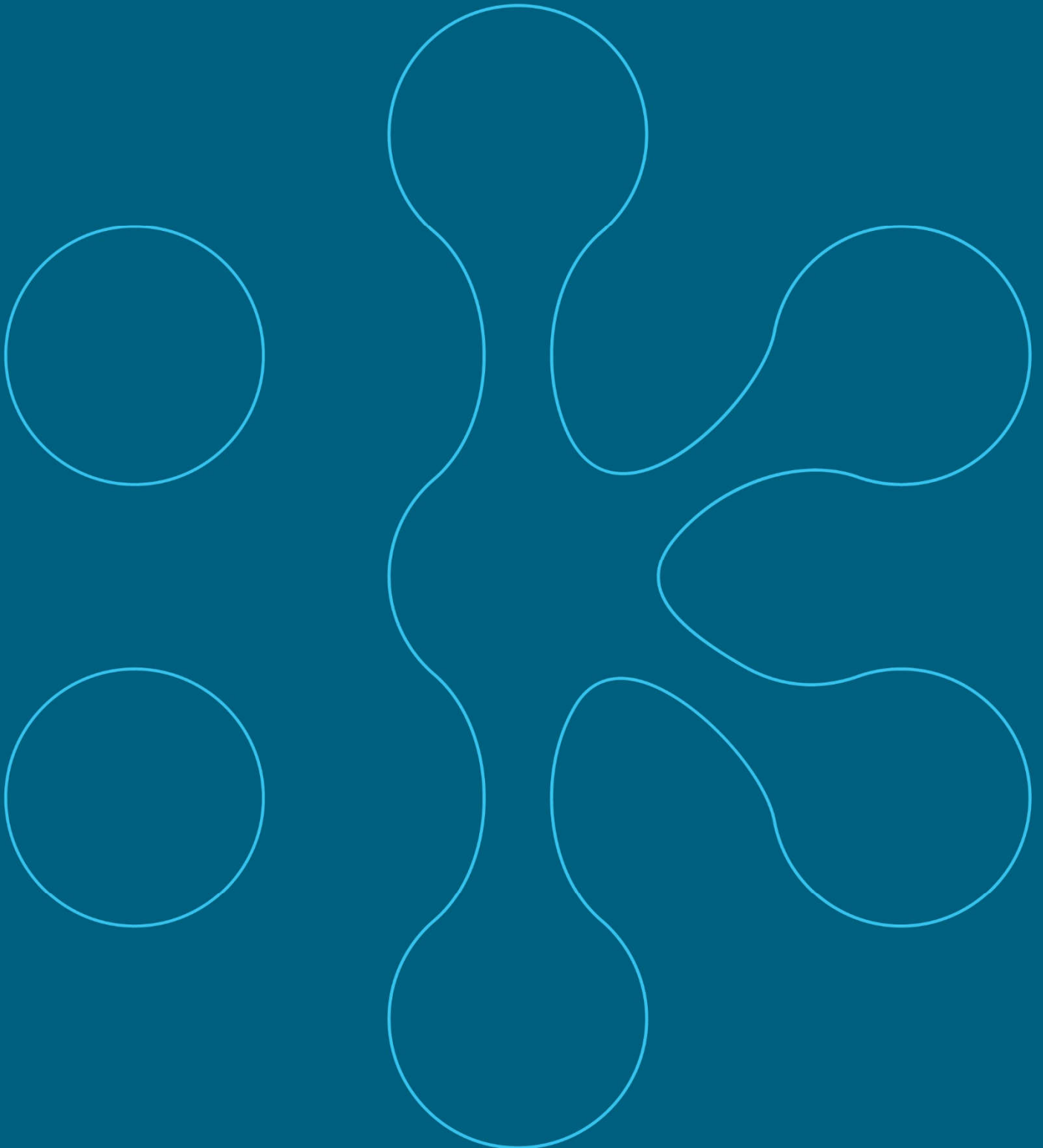
Lichfield
Redevelopment
Scheme

APPENDIX D

A Summary

Report

for Lichfield
District Council
April 2024



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Lichfield Redevelopment

Kada Research were commissioned by Lichfield District Council to undertake a Benefit Cost Ratio (BCR) exercise which considers the potential economic impacts generated by the installation of a well-known Anchor F&B operator within the redevelopment of a site in Lichfield.

Lichfield District Council are currently in the process of re-purposing a vacant Debenhams building with food and beverages (F&B) units and a cinema. The council has received a proposal to install an anchor F&B operator in one of the vacant F&B units on site. Kada Research have been commissioned to provide a benefit cost ratio analysis exercise in order to consider the potential benefits of the installation of this anchor tenant against the proposed costs. We have calculated the benefits that could be generated over 3, 5, 10 and 25 years, and presented the corresponding benefit cost ratios.

NPV/BCR

The table below outlines the Gross Value Added Net Present Value (GVA/NPV) and corresponding benefit cost ratios (BCRs) associated with the proposed installation of the anchor F&B operator at the redevelopment site. The 3-year BCR is positive, and the 5-year and 10-year BCRs represent good and high value for money respectively.

NPV and BCR figures

	GVA (Net Present Value)	BCR
3 years	£2,823,578	1.7:1
5 years	£4,145,483	2.4:1
10 years	£6,206,521	3.7:1
25 years – lease length	£7,993,968	4.7:1

Kada Research Analysis 2024

Inputs

The gross value added impact of the installation of the anchor F&B operator is based on the inputs as follows:

- **Employment forecast** provided by the proposed operator. It has been proposed that the installation of the operator would create 100 permanent staff per annum which have been

introduced in year 3 of the model (after the construction phase). A GVA per job for F&B service activity has been applied to these jobs¹.

- **Construction jobs in the first two years.** Construction employment reflects costs and inputs of the project and were calculated using fit out costs provided by Lichfield District Council and the labour coefficient for private commercial developments as according to the Homes & Communities Agency Guidance.² 19.9 construction jobs per annum have been used in the first two years of the development. A GVA per construction job figure has been applied to these jobs³.
- **Indirect GVA** (multiplier effect) for the wider impact in the local economy. A multiplier⁴ has been applied to the direct jobs to account for the effects of the development on the wider economy. A GVA per job (all sectors) has been applied to these indirect jobs⁵.
- To account for the **'halo effect'**, a 10% uplift was applied after 5 years, and this was increased to 25% from year 8. The 'halo effect' reflects observed evidence that potential tenant acts as an anchor operator which attracts other F&B investments over time.
- **Amenity benefit** for the outside terrace area's contribution to improved built environment. The proposed external terrace has the potential to provide amenity benefit to communities. The amenity benefit as per the DLUHC Appraisal Guidance⁶ has been applied to the area of proposed terrace and has been applied across the full lease period.

Key assumptions

The net value takes account of:

- **Optimism bias.** In line with Green Book guidance, the estimated benefits have been reduced by 25% to adjust for Optimum Bias (the "*demonstrated, systematic, tendency... to be overly optimistic*" when forecasting future benefits⁷).
- **Deadweight.** This was assessed at the subregional level and assumed to be 19.5%. Deadweight refers to what would have happened anyway, without the proposed redevelopment.
- **Leakage.** This was taken to be 10% at the subregional level. Leakage refers to the extent to which benefits are experienced by businesses and individuals outside of the target area.
- **Decay.** A decay of 10% per annum has been used i.e., the proportion of annual benefits expected to be lost from one year to the next due to economic changes, other investment decisions etc ('drop off' over time).
- **Discounting over time.** Green Book guidance has been followed which recommends discounting by 3.5% per year in order to determine Net Present Value (NPV). Calculation of the NPV of the Gross Value Added (GVA) impact over the 25-year lease period was discounted.

¹ [Regional gross value added \(balanced\) by industry: all ITL regions](#), Food and beverage service activities (Staffordshire CC ITL 3 GVA and BRES)

² [Calculating Cost Per Job, Best Practice Note 2015 \(3rd edition\)](#)

³ [Regional gross value added \(balanced\) by industry: all ITL regions](#), 41 Construction of buildings; 42 Civil engineering; 43 Specialised construction activities (Staffordshire CC ITL 3 GVA and BRES).

⁴ [Multiplier Tables](#) Type II, output, income, employment and GVA multipliers, 1998-2020.

⁵ [Regional gross value added \(balanced\) by industry: all ITL regions](#), All sector. Table B3: Current Price (smoothed) GVA (B) per filled job (£); Local Authority District

⁶ [DLUHC Appraisal Guidance](#), Annex G: Externalities associated with development, Table 16

⁷ [Supplementary Green Book Guidance: Optimism Bias, 2013, HW Treasury](#)



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