



PENRHOS FARM

ECONOMIC BENEFITS OF REBO UK LTD'S ACTIVITIES AT PENRHOS FARM

REBO UK LTD

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CONTENTS

EXECUTIVE SUMMARY 1

1. INTRODUCTION 3

2. ECONOMIC IMPACT OF REBO UK LTD 4

3. POWYS LABOUR MARKET OVERVIEW..... 10

4. IMPACT OF COVID-19 ON THE UK ECONOMY 14

EXECUTIVE SUMMARY

Background

This report has been produced on behalf of Rebo UK Ltd and assesses the economic impact of the company's activities at Penrhos Farm and its office in Powys. It has been produced in support of a planning application for the change of use of land and buildings from agricultural to storage use (Class B8), with ancillary business use (Class B1), the erection of a steel portal frame building (including demolition of agricultural buildings), associated access, fence and gate, hardstanding, and landscaping, and the retention of a haulage yard in haulage use.

Economic Impact of Rebo UK Ltd

- Rebo UK Ltd's activities are supporting an estimated and **85 direct and indirect FTEs** in the UK, of which **67 direct and indirect FTEs** are estimated to be in Powys. The indirect jobs are supported by annual supply chain spend of around £7.4million, of which £5.2million is estimated to be in Powys.
- **90%** of the company's direct employees live in Powys, making it a key local employer.
- Wages paid to direct employees of the company amount to **£700,000+** per annum.
- Over a ten-year period, the economic output associated with activities at the company is estimated to be **£22.4million** (present value).
- Total business rates paid by the company are estimated at **£31,500 per annum**.

The Powys Labour Market

- Powys saw job numbers fall significantly between 2015 and 2019, experiencing the largest absolute decline in employment of any Welsh local authority over this timeframe. One of the main ways to reverse this trend will be to support existing Powys-based businesses to grow their operations and create new job opportunities for the local population.

Impact of the Covid-19 Pandemic

- The chances of a rapid V-shaped recovery from the pandemic are looking far less likely, which increases the importance of supporting growth sectors to help the long-term recovery. One such sector is online retail, which now accounts for more than one quarter of all retail sales in Great Britain. The activities of Rebo UK Ltd fall within online retail, meaning the company is operating in a sector that is likely to continue experiencing significant growth in the future.

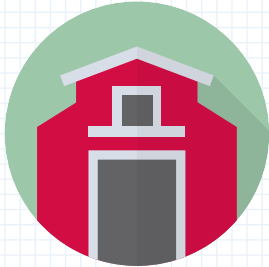
ECONOMIC BENEFITS

OF REBO UK LTD'S ACTIVITIES IN POWYS



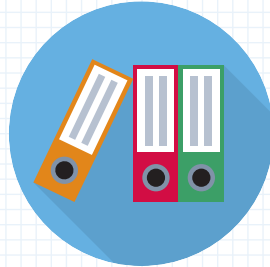
DIRECT EMPLOYMENT

INDIRECT EMPLOYMENT



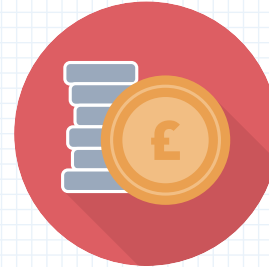
Penrhos Farm

29 full-time equivalent (FTE) jobs supported on-site.



Rebo UK Ltd Office

9 FTE jobs supported on-site.



£7.4million

Supply chain spend in 2019/2020.



38

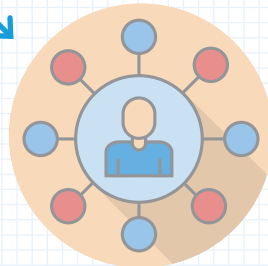
Direct FTE jobs supported by Rebo UK Ltd.



Supporting an estimated

47

indirect jobs.



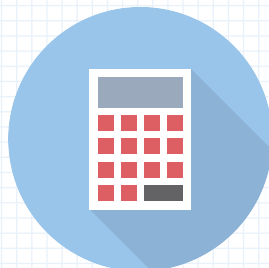
85

Direct and indirect FTE jobs supported in total. For every job supported by Rebo UK Ltd, a further 1.26 indirect jobs are supported in the wider supply chain.



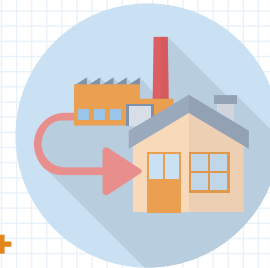
£22million

Economic output associated with activities at Rebo UK Ltd over a ten-year period.¹



£700,000+

Total annual wages paid to employees at Rebo UK Ltd.



Jobs for Local People

90% of employees live in Powys.



£31,500

Annual business rates paid by Rebo UK Ltd.



Part of a Growing Online Retail Sector

28% of retail sales in Great Britain were made online in October 2020, compared with 8% in October 2010.

¹. Figures over a ten-year time-frame are provided as net present value estimates.

1. INTRODUCTION

Scope and Purpose

- 1.1 This report has been produced on behalf of Rebo UK Ltd and assesses the economic impact of the company's activities at Penrhos Farm. It has been produced in support of a planning application for the change of use of land and buildings from agricultural to storage use (Class B8), with ancillary business use (Class B1), the erection of a steel portal frame building (including demolition of agricultural buildings), associated access, fence and gate, hardstanding, and landscaping, and the retention of a haulage yard in haulage use.
- 1.2 The main questions answered by the report are as follows:
- What is the economic impact of Rebo UK Ltd?
 - What is the current state of the Powys economy?
 - How has Covid-19 affected the UK economy?

Report Structure

- 1.3 The remainder of the report is structured as follows:
- **Section 2** outlines the economic impact of Rebo UK Ltd's activities in Powys, looking at construction jobs supported during the build phase of the industrial storage building at Penrhos Farm, permanent jobs supported by Rebo UK Ltd, wages, contribution to economic output, business rates and investing in skills development.
 - **Section 3** provides an overview of the Powys labour market, analysing trends in employment, business numbers and people claiming benefits.
 - **Section 4** looks at the impact of the covid-19 pandemic on the UK economy and how it has led to growth in the online retail sector, which Rebo UK Ltd operates in.

2. ECONOMIC IMPACT OF REBO UK LTD

Construction Impact

2.1 Analysis undertaken to support planning application 19/0467/FUL calculated the economic benefits from the construction phase of the industrial storage building at Penrhos Farm. For completeness, these impacts are outlined below:

- **Direct construction-related employment:** It is estimated that the development supported 7 roles on-site over the 9-month build programmeⁱ.
- **Construction impact in the supply chain:** A further 9 jobs are estimated to have been supported locally and across the wider region through indirect and induced effects during the construction phaseⁱⁱ.
- **Total construction impact:** In total, it is estimated that the scheme supported around 17 temporary jobs, both on-site and in the wider economy, during the build phase¹.
- **Contribution of the construction phase to economic output:** It is estimated that the build phase generated an additional £690,000 of gross value added (GVA)² for the economy during the construction periodⁱⁱⁱ.

Operational Impact

Employment at Penrhos Farm

2.2 Employment at Rebo UK Ltd is currently based at two sites in Powys:

- Based on information provided by the client, there are 30 staff located at Penrhos Farm and 90% (27) live in Powys. This is broken down into 27 full-time roles and 3 part-time positions. Assuming 1 part-time job equates to half a full-time job, the company is directly supporting 29 full-time equivalent (FTE) positions at Penrhos Farm.
- There are a further 10 staff based at Rebo UK Ltd's offices, 90% of whom live in Powys. There are 8 full-time roles and two part-time roles at this location, which equates to 9 FTE positions supported (assuming 1 part-time job equates to half a full-time job).

¹ Figures may not sum due to rounding.

² Gross value added is the measure of the value of goods and services produced in an area, industry or sector of an economy.

- In total, Rebo UK Ltd is directly supporting **38 FTEs** in the UK, of which **34 FTEs** are in Powys.
- 2.3 Figures 1 and 2 show the location of the farm-based and office-based staff respectively, emphasising how many of the company's direct employees live in Powys.
- 2.4 In addition to direct employment, the company supports jobs indirectly via its significant supply chain spend, which amounted to £7.4million in 2019/2020. This includes spend with companies in Powys and neighbouring Shropshire, such as £1million with three couriers – Speed Distribution, Severn Transport Services and TWC Parcels. Spend with companies in Powys is estimated to be around £5.2million, or 70% of total supply chain expenditure.
- 2.5 Based on data published by the Office for National Statistics (ONS), the average turnover per job in the UK is just under £157,000³. Taking Rebo UK Ltd's supply chain spend as a proxy for turnover, this spend could support an estimated **33 jobs** in the Powys economy and **47 jobs** in the UK economy.
- 2.6 In total, Rebo UK Ltd's activities are supporting an estimated **85 direct and indirect FTEs** in the UK, of which **67 direct and indirect FTEs** are estimated to be in Powys.

³ ONS – Business Population Estimates, 2020.

Figure 2.1: Place of Residence of Staff Working at Penrhos Farm

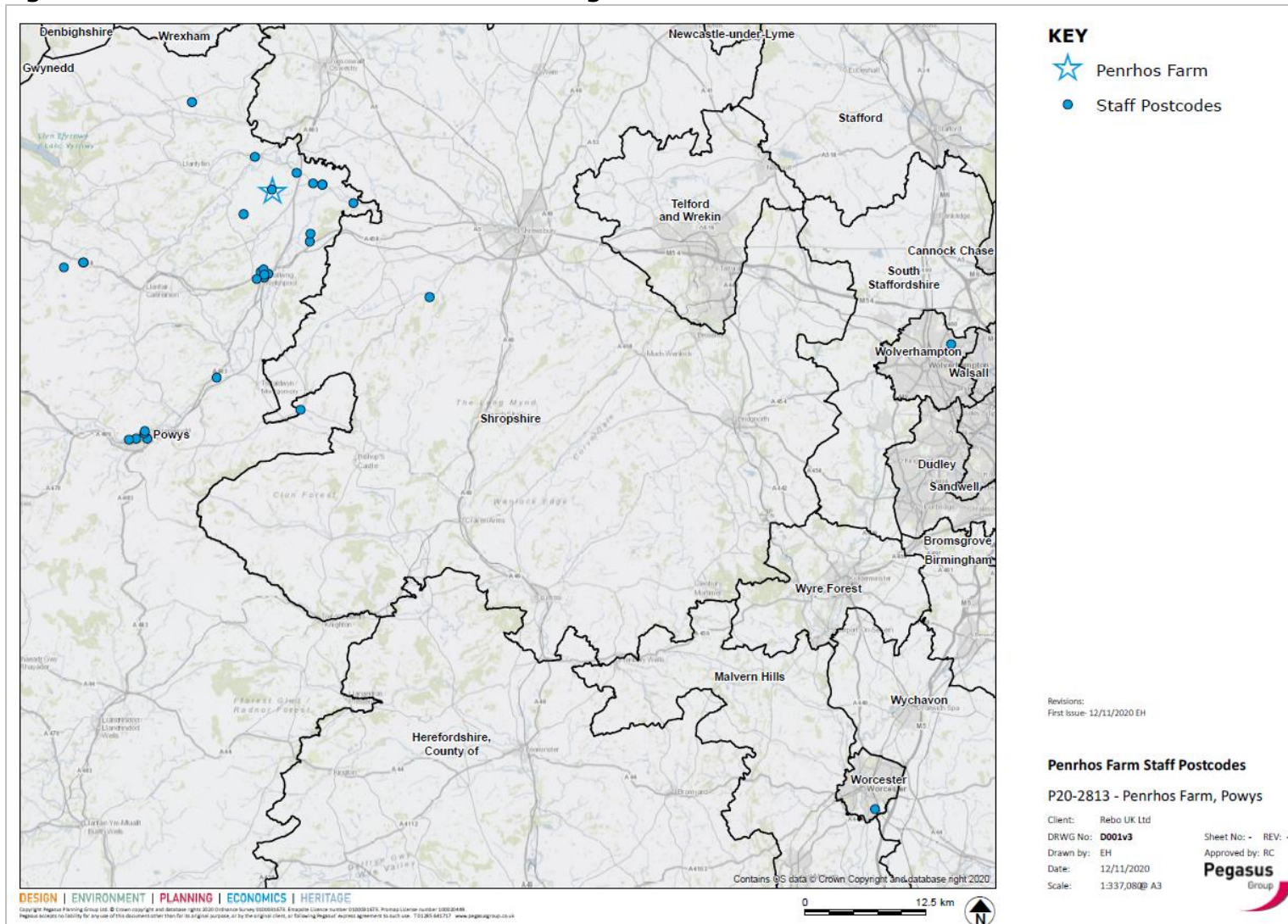
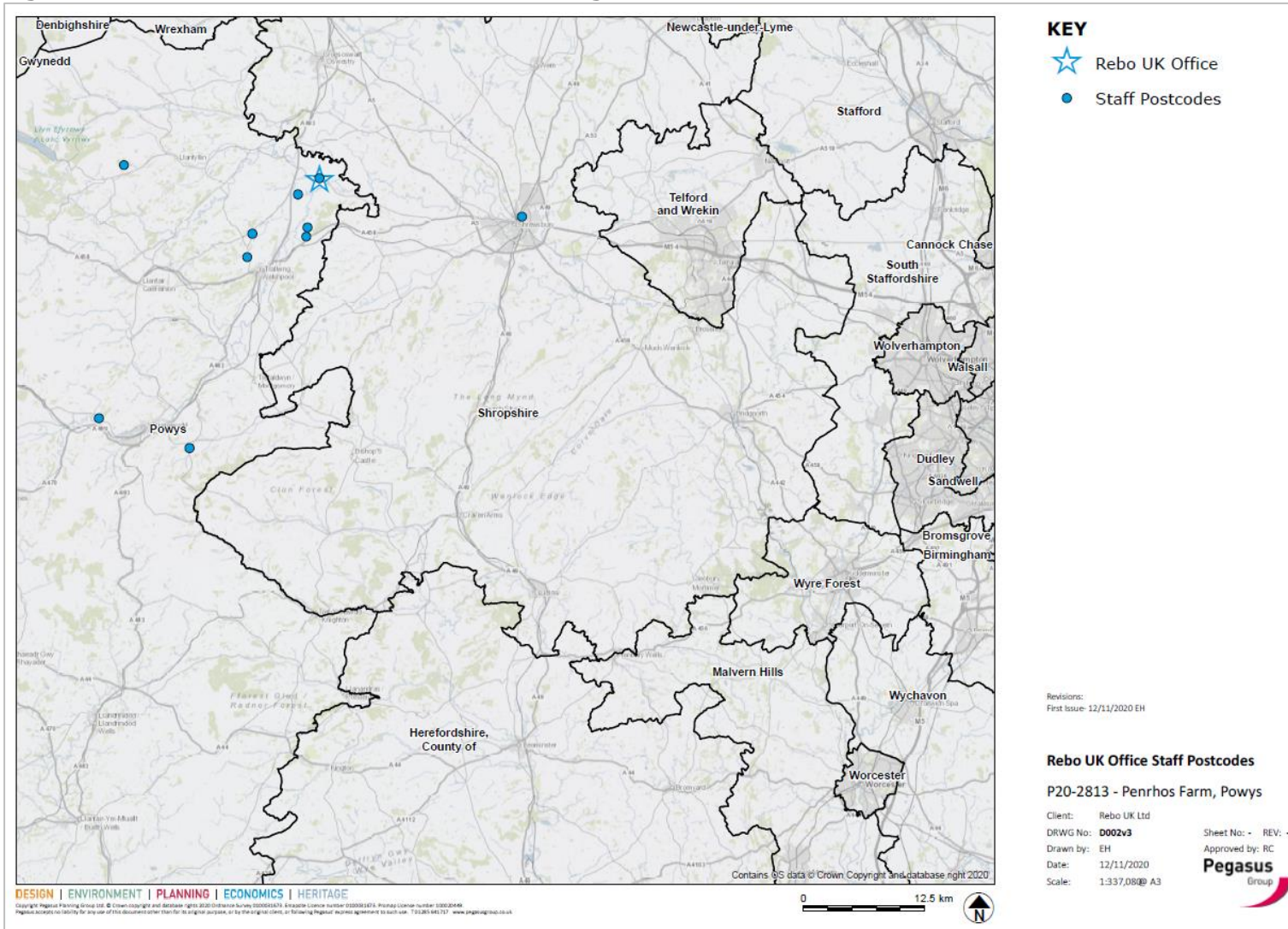


Figure 2.2: Place of Residence of Staff Working at Rebo UK Ltd's Office



Wages Impact

- 2.7 Wages paid to direct employees of Rebo UK Ltd are around **£706,000 per annum** and it is not unreasonable to expect at least the same level of wages to be associated with the indirect employees calculated in paragraph 2.5. This means that salaries associated with direct and indirect jobs supported by Rebo UK Ltd will be in excess of **£1million per annum.**

Gross Value Added

- 2.8 Another way of looking at the economic impact of the company is to calculate the gross value added (GVA – a proxy for economic output) its activities generate on an annual basis.
- 2.9 The annual contribution made to economic output by Rebo UK Ltd has been calculated by taking the direct FTEs supported by the company (38) and multiplying these by an estimate of average levels of GVA per employee in the Welsh economy for retail jobs (approximately £30,000 per annum)⁴. This results in a GVA estimate of £1.15million per annum. Allowing for multiplier effects and indirect GVA⁵, the annual contribution to economic output associated with activities at Rebo UK Ltd is estimated at £2.6million.
- 2.10 Looking at the economic output contribution over a longer timeframe, over a ten-year period the GVA associated with activities at the company is estimated to be **£22.4million** (present value)⁶.

Business Rates

- 2.11 Total business rates paid by the company are estimated at **£31,500 per annum,** a proportion of which will be retained by Powys County Council to deliver local services.

Investing in Skills

- 2.12 The company has taken on one apprentice from Newtown College, who is studying towards a Level 3 qualification that will see them awarded a BTEC in Engineering in 2022. As part of their studies, the apprentice spends three days a week working

⁴ GVA per employee estimates calculated using data sourced from ONS.

⁵ For consistency, the multiplier associated with the job numbers (1.26) has been applied to the GVA calculation.

⁶ Where future benefits are calculated over a 10-year timeframe, they have been discounted to produce a present value. This is the discounted value of a stream of either future costs or benefits. A standard discount rate is used to convert all costs and benefits to present values. Using the Treasury's Green Book, the recommended discount rate is 3.5%.

at Rebo UK Ltd and the other two days at college. The company hopes to increase the number of apprenticeships it supports over the next few years, which in turn will see it grow its relationship with local education providers.

- 2.13 Existing staff at the company are also supported to upskill, which has included training in operating forklift trucks, handling workshop tools, first aid and manual handling.

3. POWYS LABOUR MARKET OVERVIEW

Employment⁷

- 3.1 Based on the most recent data published by the ONS from the Business Register & Employment Survey (BRES), in 2019 around 60,000 people – including the self-employed – worked in Powys.
- 3.2 Powys saw job numbers decline by approximately 5,000 between 2015 and 2019, representing a fall of 7.7%. Employment in Wales grew modestly by 0.8% (10,000 new jobs) over the same period, while Great Britain saw employment increase by 4.3% (just under 1.3million – see Table 3.1).

Table 3.1: Employment Change, 2015-19

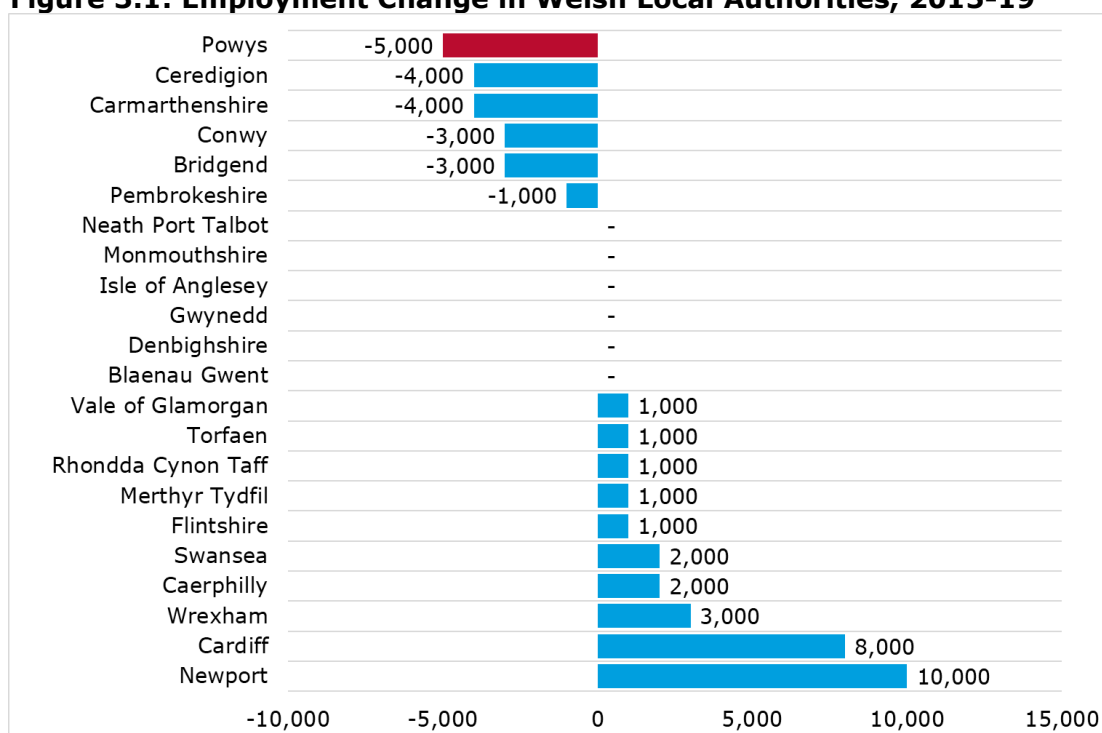
Area	2015	2019	Absolute Change	% Change
Powys	65,000	60,000	-5,000	-7.7%
Wales	1,322,000	1,332,000	10,000	0.8%
Great Britain	29,819,000	31,088,000	1,269,000	4.3%

Source: Business Register & Employment Survey

- 3.3 To put the scale of the decline in perspective, Powys experienced the largest absolute fall in employment from 2015-19 of any Welsh local authority, as highlighted in Figure 3.1.
- 3.4 Despite Powys experiencing a fall in employment between 2015 and 2019, its employment rate (the proportion of residents aged 16-64 in employment) is 78.2% according to the most recent ONS data for the year ending June 2020. This is higher than the corresponding figures for Wales and Great Britain of 74.1% and 76.2% respectively. One explanation for this may be that the employment rate is residence-based, whereas the BRES data are workplace-based – i.e. the BRES data look at jobs in an area and not where employees live. The 2011 Census indicates that Powys has a net outflow of 3,500 commuters (8,100 inflow vs 11,600 outflow), with common destinations for commuters being Shropshire (3,100 people), Herefordshire (1,200 people) and Swansea (800 people). The commuting data suggest that many residents of Powys actually work in other local authority areas, which keeps the residence-based employment rate relatively high.

⁷ Figures presented in this section may sum due to rounding.

Figure 3.1: Employment Change in Welsh Local Authorities, 2015-19



Source: Business Register & Employment Survey

Business Numbers

3.5 Between 2010 and 2020, the number of businesses in Powys grew by less than 1% (80 new companies). This represented significantly lower growth when compared with the increases seen in Wales and Great Britain of 14% and 25.4% respectively. Table 3.2 presents the data in more detail.

Table 3.2: Change in Business Numbers, 2010-2020

Area	2010	2020	Absolute Change	% Change
Powys	9,585	9,665	80	0.8%
Wales	112,810	128,570	15,760	14.0%
Great Britain	2,489,955	3,121,905	631,950	25.4%

Source: UK Business Count

Claimant Count

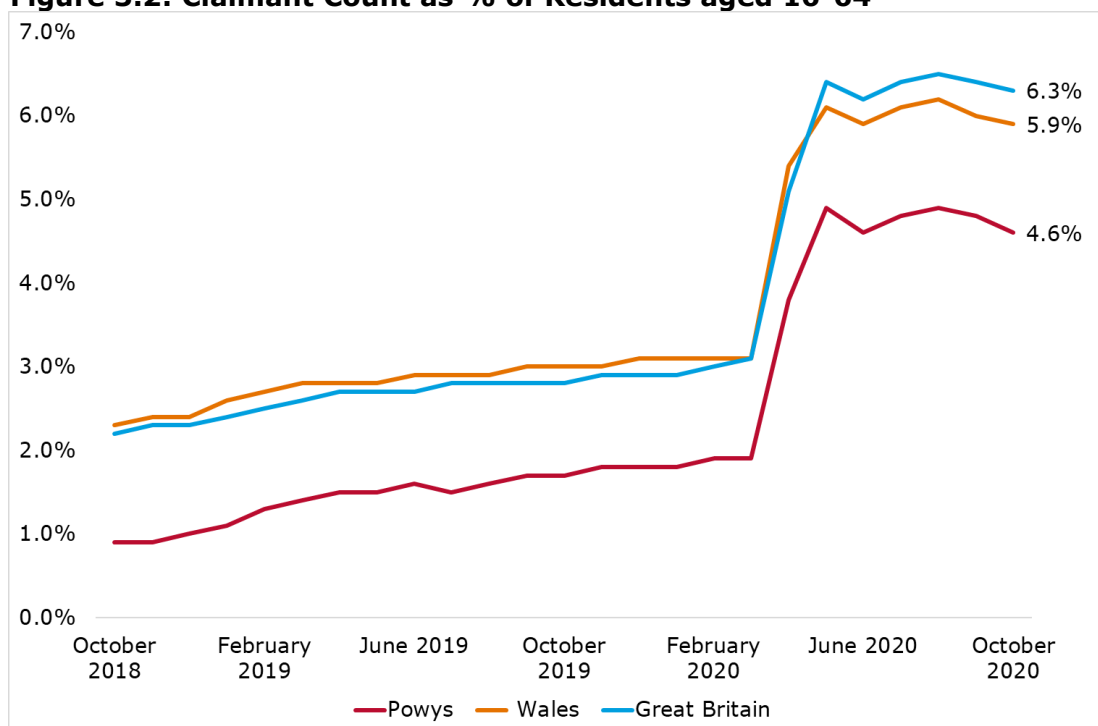
3.6 Given the current state of the economy and the impact of Covid-19 on the labour market, it is also useful to analyse the claimant count. This counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work. It is also important to note that ONS state that enhancements to Universal Credit as part of the UK Government's response to the coronavirus mean that an increasing number of

people became eligible for unemployment-related benefit support despite still being in work. Consequently, changes in the claimant count will not be wholly accurate because of changes in the number of people who are not in work. It is not possible to identify to what extent people who are employed or unemployed have affected the numbers, however it is reasonable to assume that the uplift in claimants referred to below is as a result of the pandemic.

3.7 Figure 3.2 shows the claimant count in Powys for every month from October 2018-October 2020, expressed as a proportion of residents aged 16-64. For Powys and all comparator areas, a sharp rise is evident in April and May 2020. Claimants then remain relatively consistent from June 2020 onwards.

3.8 In October 2018, the claimant count in Powys was 0.9% and by October 2020 it had risen to 4.6%. This equates to around 2,800 more people claiming benefits. As shown in Figure 3.2, the claimant count in Powys has consistently been below that of Wales and Great Britain, however Covid-19 has still led to a sharp increase in the number of people claiming benefits. This makes it imperative that local businesses employing Powys residents are able to continue growing in the future.

Figure 3.2: Claimant Count as % of Residents aged 16-64



Source: NOMIS

3.9 The information presented in this section highlights a number of important points for consideration:

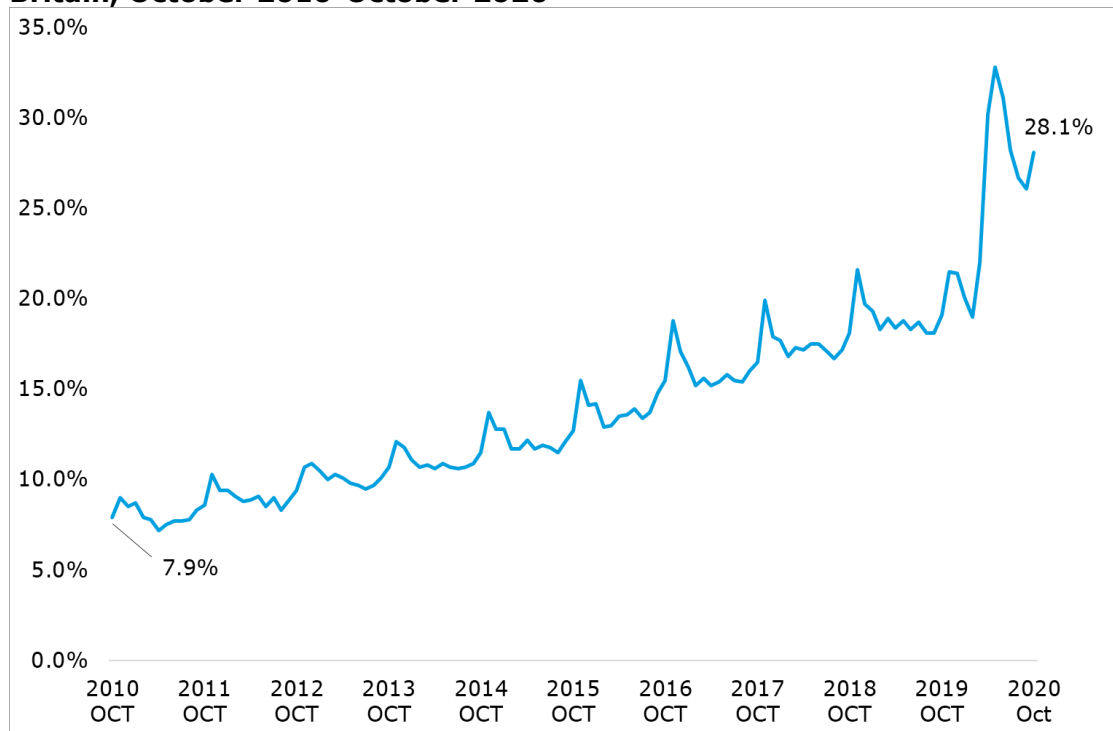
- **Businesses Numbers:** While the number of businesses in Powys has increased since 2010, the growth rate has been extremely modest when compared with trends in Wales and Great Britain. This suggests that as well as trying to increase the number of new companies in the area, support should also focus on helping the existing business base to expand.
- **Employment:** Powys saw job numbers fall significantly between 2015 and 2019, experiencing the largest absolute decline in employment of any Welsh district over this timeframe. One of the main ways to reverse this trend will be to support existing Powys-based businesses to grow their operations and create new job opportunities for the local population. Residence-based employment in Powys is high relative to the averages for Wales and Great Britain, however data from the 2011 Census indicate that this could be due to people working in other areas – i.e. they live in Powys and work elsewhere.
- **Claimant Count** – The claimant count in Powys has risen significantly since March 2020, which reflects the impact of covid-19 on the economy. The proportion of people claiming benefits remains lower than the Wales and Great Britain averages, however the ongoing labour market impacts of the pandemic make it vital that existing businesses in Powys are able to continue growing, which in turn can create new employment opportunities for local people.

4. IMPACT OF COVID-19 ON THE UK ECONOMY

- 4.1 UK gross domestic product (GDP) is estimated by ONS to have grown by 15.5% in the third quarter of 2020, which is record growth and reflects lockdown measures being eased. Despite this period of recovery, there was a record GDP contraction of 19.8% in the second quarter of 2020, which means that UK GDP is still almost 10% below where it was at the end of 2019. ONS also note that levels of expenditure remain considerably below their levels before the effects of covid-19, with the pickup in business investment being much weaker than private consumption. This makes the chances of a rapid V-shaped recovery far less likely and it also highlights the importance of supporting growth sectors to help the long-term recovery from the pandemic.
- 4.2 One such sector is online retail, which has been on an upward trajectory for a number of years and has seen significant growth since March 2020 and the first lockdown. ONS data⁸ present internet sales as a percentage of total retail sales. In October 2020, internet sales accounted for 28.1% of total retail sales in Great Britain. Over the last ten years (from October 2010 to October 2020) the proportion of internet sales has increased by 18.8 percentage points (from 7.9% to 28.1%).
- 4.3 As shown in Figure 4.1, the covid-19 pandemic has increased the proportion of internet sales significantly. They peaked at 32.8% of all retail sales in May 2020, before falling back as lockdown restrictions were eased, but remaining above pre-pandemic levels. The October figure of 28.1% also represents a monthly increase on the September rate of 26.1%. The activities of Rebo UK Ltd fall within the online retail sector and given the long-term trends identified through analysis of the ONS data, the company is operating in a sector that is likely to continue experiencing significant growth in the future.
- 4.4 Growth in online retail will impact on the commercial property market, with increased demand for warehousing space being one of the obvious impacts. Further commentary on the property market in Powys is provided in separate analysis undertaken by TSR.

⁸ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

Figure 4.1: Internet sales as a percentage of total retail sales in Great Britain, October 2010-October 2020



Source: ONS

ⁱ Information on the construction cost and build time was provided by Rebo UK Ltd. The total construction cost was divided by the average turnover per construction employee in Wales of around £107,878. This was calculated using data for the construction sector in Wales from the 2019 edition of Business Population Estimates produced by the Office for National Statistics.

ⁱⁱ It is widely recognised that construction has knock-on effects for other sectors, which leads to increased demand for building materials and equipment at the construction phase, as well as office furniture and carpets etc. following completion. This generates and sustains employment in other sectors. This is known as the 'multiplier effect' and analysis published by the Homes & Communities Agency (HCA – now Homes England) indicates that the employment multiplier for construction activities in the UK is 2.7 – i.e. for every construction job created, a further 1.7 jobs are supported in the wider economy. Given the analysis relates to the UK, it is applicable to Wales and has been used to inform the analysis.

ⁱⁱⁱ GVA calculated using data from the Office for National Statistics – sub-regional GVA figures (2017) and job estimates from the Business Register and Employment Survey (2017).