

Premier Inn St Davids Economic Impact Statement

Whitbread

July 2017

Contents

1.	Introduction	1
2.	Economic Context	3
3.	Construction Economic Impacts	8
4.	Operational Economic Impacts	13
5.	Conclusion	19
	Appendix 1: Infographic	21

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1. Introduction

- 1.1 This Economic Impact Statement has been prepared by Turley Economics on behalf of Whitbread ('the applicant') to support an application for planning permission for the construction of a 63 bed Premier Inn hotel, with breakfast facilities ('the Proposed Development') on land west of Glasfryn Road, St Davids, Pembrokeshire ('the application site').
- 1.2 This forms part of the planning application documentation submitted to Pembrokeshire County Council ('the Council') for the Proposed Development.

Economic Impact Assessment

- 1.3 The assessment carried out by Turley Economics is based on a standard and accepted methodology for the calculation of net additional economic impacts of commercial development. The assessment is in accordance with the HCA Additionality Guidance and draws on published statistical data sources.
- 1.4 The evaluation considers the quantifiable impacts of the Proposed Development during both its construction and operational lifetime. Economic impact estimates are presented as net figures, accounting for leakage, displacement and multipliers.

Study Area

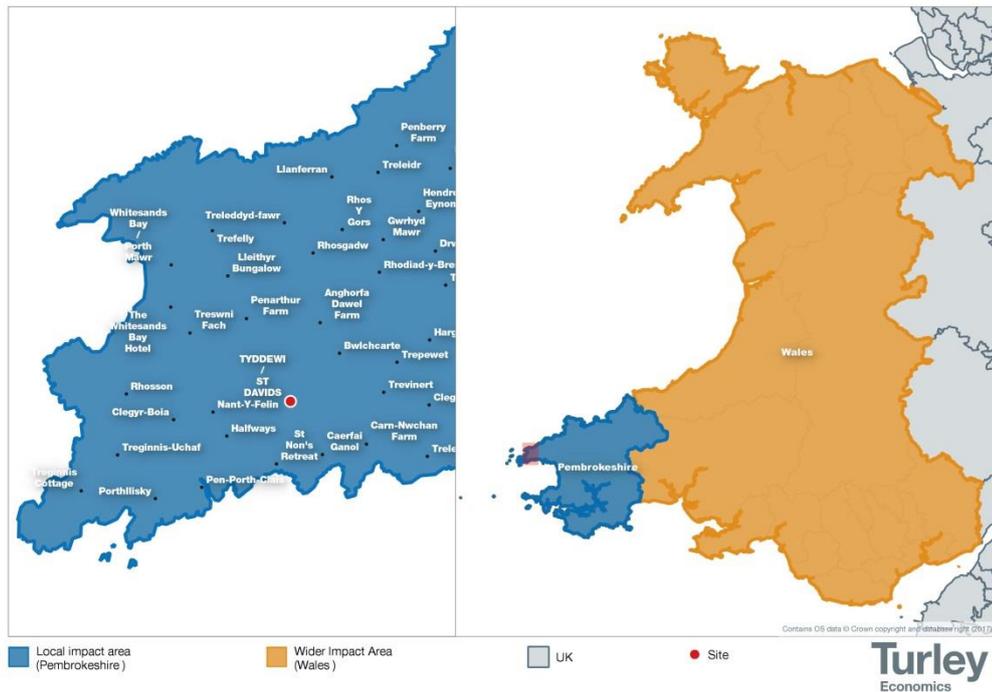
- 1.5 The net additional employment and productivity impacts have been calculated within a local and wider impact area. The spatial scales utilised in this assessment are defined as follows and illustrated in the following figure.

- The **local impact area** is defined as the boundary of Pembrokeshire County Council, on the basis that 89.3% of jobs in the authority are taken by residents of the authority¹. This indicates a lower level of labour market containment within this local geography; and
- The **wider impact area** is defined as the economy across Wales, on the basis that there is a higher level of containment within this economic geography. Data from the 2011 Census shows that 97.7% of jobs in Pembrokeshire are taken by people living within Wales.

¹ ONS (2011) Census 2011 – Location of usual residence and place of work

1.6 The spatial scales utilised in this assessment are illustrated at Figure 1.1.

Figure 1.1: Local and Wider Impact Areas



Source: Turley Economics, 2017

Document Structure

1.7 The remainder of the Economic Impact Statement is set out as follows:

- **Section 2: Economic Context** – the policy and economic context for the application site.
- **Section 3: Construction Economic Impacts** – the economic impacts of the construction phase of the Proposed Development are assessed and quantified.
- **Section 4: Operational Phase Impacts** – the economic impacts of the operational phase of the Proposed Development are assessed and quantified.
- **Section 5: Evaluation Conclusion** – the concluding section summarises the full economic impacts of the Proposed Development.
- **Appendix 1: Infographic** – the estimated economic benefits derived from delivery of the Proposed Development are reproduced in a summary infographic.

2. Economic Context

- 2.1 This section firstly provides an overview of the relevant economic policy context; demonstrating both the national and local government commitment to supporting sustainable economic recovery and employment growth through the planning system.
- 2.2 It subsequently presents an established baseline economic context for considering the impact of the Proposed Development through examination of current local economic conditions within Pembrokeshire.

National Policy

- 2.3 The Welsh Government's planning policies are set out in Planning Policy Wales (PPW)², within which there is a strong underlying commitment to sustainable development – through enhancing economic, social and environmental well-being for people and communities in responsible ways. The development of a resilient and prosperous economy is a key strand of this policy, as is a commitment to provide:

“An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work”³

- 2.4 The Welsh Government defines economic development as development of land and buildings for activities that generate wealth, jobs and incomes. Chapter 7 of PPW sets out objectives for planning for economic development and growth and highlights that it is essential that the planning system considers, and makes provision for, the needs of the entire economy.
- 2.5 PPW states that the planning system should support economic and employment growth alongside social and environmental considerations within the context of sustainable development. Local planning authorities should aim to facilitate the provision of sufficient economic and employment land and the growth of output and employment opportunities should not be constrained by a shortage of land for economic uses. In addition, local authorities should aim to promote economic development that delivers physical regeneration and employment opportunities locally and utilises underused or vacant land.
- 2.6 Chapter 11 (Tourism, Sport and Recreation) sets out the Welsh Government's objectives for tourism and the industry's contribution to the economy. The tourism industry is vital to economic prosperity and job creation in many parts of Wales, and functions as a significant and growing source of employment and investment. PPW recognises that tourism can be a catalyst for regeneration, environmental protection and rural and urban improvement, and the Welsh Government therefore aims for tourism to

² Welsh Government (Nov 2016) Planning Policy Wales - Edition 9

³ *Ibid* – page 45

grow sustainably, making an increasing contribution to the economic, social and environmental well-being of Wales.

2.7 PPW is supplemented by a series of Technical Advice Notes (TANs). TAN13 and TAN23 are specifically relevant to the Proposed Development:

- TAN13 – Tourism (1997) – highlights the benefits of hotel development for local communities, provided it is compatible with neighbouring uses.
- TAN23 – Economic Development (2014) – highlights the specific contribution that economic development can make to the prosperity of rural communities and provides guidance on planning for economic development. The note states that it is essential for the planning system to recognise – and give due weight to – the economic benefits associated with new development, particularly where development contributes to all dimensions of sustainability.

2.8 The Wales Spatial Plan – People, Places, Futures⁴ – lays out a strategic framework for future development in Wales. In connection with the Planning Policy Wales, the main principle of the Spatial Plan is to promote sustainable development. The Plan sets out a vision for the spatial development of Wales:

“We will sustain our communities by tackling the challenges presented by population and economic change. We will grow in ways which will increase Wales’ competitiveness while assisting less well-off areas to catch up on general prosperity levels and reducing negative environmental impacts. We will enhance the natural and built environment and we will sustain our distinctive identity”⁵

2.9 The need to build sustainable communities is highlighted as a key challenge, with the vitality of communities central to their continuing function as attractive places to live and work. In order to develop sustainable communities, the Spatial Plan recognises the need to promote the development of sustainable economies to develop prosperity, improve quality of life and further encourage investment across the country.

2.10 Tourism is already a key industry sector of the South West Wales economy and has been identified as exceptional in terms of its potential for further tourism and leisure. There is therefore potential to take advantage of the area’s distinctive character and develop the tourism industry further. The Spatial Plan highlights that the tourism and leisure sectors have a particular role to play in providing jobs in the more rural communities, in addition to having the potential to improve health and quality of life, raise economic activity, enhance regeneration and conservation and improve overall sustainable development across the wider area.

2.11 The Welsh Government Strategy for Tourism 2013 – 2020⁶ sets out the following vision for tourism in Wales in 2020:

⁴ Welsh Government (2008) People, Places, Futures: The Wales Spatial Plan 2008 Update

⁵ *Ibid* – page 20

⁶ Welsh Government (2013) The Welsh Government Strategy for Tourism 2013 – 2020: Partnership for Growth

“Wales will provide the warmest of welcomes, outstanding quality, excellent value for money and memorable, authentic experiences to every visitor”⁷

The Strategy identifies goals and ambitions for tourism to grow in a sustainable way and to make an increasing contribution to the economic, social and environmental well-being of Wales. The Strategy sets the target to increase tourism earnings in Wales by 10% or more by 2020.

- 2.12 The Strategy for Tourism sets out a plan to achieve growth and prosperity through the promotion of tourism in Wales and the development of tourism products, including the provision of a range of quality accommodation. Tourism has the potential to sustainably develop communities by stimulating employment and productivity in the Welsh economy. Investment in the tourism sector improves the quality and choice of the tourism offer, which is essential to deliver sustainable economic growth.

Local Policy

- 2.13 St Davids is located within the Pembrokeshire Coast National Park, which is the Local Planning Authority for the National Park. The Pembrokeshire Coast National Park Local Development Plan (LDP) was adopted in 2010 and seeks to apply National Park Purposes and duties in regard to land use planning and development.

- 2.14 The Environment Act 1995 sets out two statutory purposes for National Parks in England and Wales:

- Conserve and enhance the natural beauty, wildlife and cultural heritage; and
- Promote opportunities for the understanding and enjoyment of the special qualities of National Parks by the Public

- 2.15 One of the objectives for the Pembrokeshire Coast National Park by 2021 is to grow the visitor economy and create employment in the local area. The aim is to help create and maintain a “diverse, viable and sustainable local economy” and attract a sustainable number of people to “enjoy the special qualities of the National Park”.

- 2.16 Specifically the following policies seek to guide delivery of this vision:

- Policy 35 - Visitor Economy (Strategy Policy) – Attract visitors outside the peak season while ensuring the National Park environment is conserved; and
- Policy 42 - Employment Sites and Live/Work Units (Strategy Policy) - Combining business uses with other uses such as community facilities or housing. While the Proposed Development is not allocated for employment land, policy is generally encouraging of new employment opportunities in the local area.

- 2.17 Pembrokeshire's *Tourism Strategy 2012-2018* reinforces the County's commitment to Pembrokeshire as a successful tourism destination⁸. The report notes that competition

⁷ Welsh Government (2013) The Welsh Government Strategy for Tourism 2013 – 2020: Partnership for Growth – page 8

from other parts of the UK, Europe and the world is increasing, which has affected the number of visitors to smaller destinations in Wales. The report states in Paragraph 2.4 that:

“Trends and tastes change very quickly. What Pembrokeshire offers in terms of activities, accommodation, restaurants and the image of Pembrokeshire needs to change to match these modern tastes. A significant proportion of the UK population do not know about Pembrokeshire or have an outdated impression of what is on offer”⁹

2.18 The lack of quality serviced accommodation is noted as a major weakness for Pembrokeshire, placing it in contrast to competitor areas such as Cornwall, the Cotswolds and Cumbria. The report notes that this is a major challenge in the light of the strategy to grow more, high quality, out of season business.

Local Socio-Economic Conditions

2.19 It is important to understand the current economic profile of the labour market, including age profile, economic activity and unemployment rates in Pembrokeshire, in order to more comprehensively consider the potential impacts of the Proposed Development.

2.20 A summary of the key economic indicators is presented as follows:

- The total population of Pembrokeshire in 2016 stood at 124,000; of which 71,700 people were of working age (16-64 years), equating to 57.8% of the total population, compared to 61.7% across Wales and 63.1% across Great Britain¹⁰;
- 76.2% of the working age population in Pembrokeshire is economically active, which is higher compared to economic activity rates in Wales, at 74.8%, but slightly lower than compared to Great Britain at 77.8%;
- Of the economically active residents in Pembrokeshire, 57,000 people - or 73.5% - are in employment, which is higher than in Wales (71.2%) and Great Britain (74.0%)¹¹;
- 2,500 economically active residents are unemployed, which is equivalent to 4.3% of the total economically active residents. The unemployment rate in Pembrokeshire is slightly lower than at level across Wales at 4.6% and the level of 4.8% across Great Britain¹²;
- 1,100 residents in Pembrokeshire aged 16-64 years are currently unemployed and claiming Jobseekers Allowance (JSA)¹³;
- The greatest number of employees in Pembrokeshire work in 'Wholesale and Retail' (16.7%) and 'Health Human Health and Social Work Activities' (16.7%).

⁸ Destination Pembrokeshire Partnership (2012) Pembrokeshire Destination Management Plan 2012 - 2018

⁹ *ibid*

¹⁰ ONS Population Estimates – local authority based by five year age band

¹¹ NOMIS (2015) Annual Population Survey (Oct 2015 – Sept 2016)

¹² *ibid*

¹³ NOMIS (2015) Jobseeker's Allowance – October 2015

The 'Accommodation and Food Services Activities' industry accounts for 14.3% of jobs in Pembrokeshire. This sector has a higher concentration of employees in Pembrokeshire compared to Wales (7.6% of employment) and Great Britain (7.2% of employment)¹⁴.

Summary

- 2.21 The Welsh Government is committed to delivering sustainable economic growth, with PPW and the Wales Spatial Plan expecting local authorities to adopt a positive approach in order to seek opportunities to meet development needs. Across national policy there is a strong underlying commitment to sustainable development within which access to employment opportunities and decent work is an important theme.
- 2.22 The tourism industry plays an important economic role with Wales. Chapter 11 (Tourism, Sport and Recreation) of the PWW outlines the government's commitment to the developing this sector by recognising that tourism can act as a potential catalyst for regeneration and rural improvement. The Welsh Government Strategy for Tourism 2013 – 2020 provides a vision of how sustainable tourism can support the economic, social and environmental well-being of Wales.
- 2.23 At a local policy level, the Pembrokeshire Coast National Park guides the development of the local area. The LDP reflects the Welsh Government's ambition to achieve sustainable growth by ensuring that the visitor economy and employment in the local area is well managed. By 2021, the vision is to create a diverse, viable and sustainable local economy through policies, for example, which promote the visitor economy. The local authority also encourages developers to combine business uses with other uses such as community facilities or housing.
- 2.24 Pembrokeshire has a relatively high level of economic activity amongst the local working age population in addition to a low proportion of unemployed residents in the area. The Proposed Development has the potential to maintain and enhance the socio-economic profile of the local authority by providing more jobs for local people. There is a current latent labour force of 1,100 people in Pembrokeshire who are claiming Jobseekers Allowance. This rate has the potential to be reduced by the jobs created throughout the construction and operation of the proposed hotel.

¹⁴ NOMIS (2014) Business Register and Employment Survey

3. Construction Economic Impacts

- 3.1 This section of the assessment presents the quantified economic benefits likely to be generated during the construction phase of the Proposed Development.

Direct Employment

- 3.2 There is increasing awareness at a national level of the important contribution that the construction industry makes to the economy. It is estimated that the construction industry employs over 10% of the UK workforce; equating to in excess of 3 million people¹⁵.
- 3.3 Employment in the construction industry in Wales has remained relatively stable over the last 10 years (2006 to 2016), with construction employment at its highest in 2010¹⁶. It is therefore important that investment in the construction industry is maintained and supported in order to sustain and grow the economy. This reinforces the importance of the Proposed Development in helping to create and sustain construction jobs and economic activity in a sector suited to the skills levels of the labour force.
- 3.4 The estimated construction expenditure on the proposed scheme is approximately £4.4 million. This will include expenditure on infrastructure and professional fees.
- 3.5 By utilising the average turnover per employee in the construction industry in Wales¹⁷, it is possible to estimate employment which is directly attributable to the development of the proposed scheme.
- 3.6 The site could be expected to support approximately **59 full-time equivalent (FTE) temporary (gross) jobs** directly from construction over the build period, which is estimated to last for 10 months.
- 3.7 Reflecting on the skills of the local labour force, it would be reasonable to expect a considerable proportion of the construction jobs created by the Proposed Development to be drawn from the local labour market within Pembrokeshire. Research conducted on behalf of the UK Construction Industry Training Board (CITB) revealed that the mean (average) distance from a construction worker's home to their current site in Wales was 16 miles, which is less than in 2012 when workers travelled an average of 26 miles. Across the UK the mean average distance travelled is 22 miles¹⁸.
- 3.8 The latest ONS claimant count statistics demonstrate that there is latent demand for construction employment within the local and wider labour force. In total, there are 40 economically active unemployed working age residents within Pembrokeshire and 35 in surrounding local authorities seeking employment within the construction sector, with an

¹⁵ UK Contractors Group (2012) Construction in the UK Economy

¹⁶ Experian (March 2017) Local Market Forecasts Quarterly

¹⁷ Department for Business Innovation and Skills (2016) Business Population Estimates for the UK and Regions 2016

¹⁸ BMG Research (2015) Workforce Mobility and Skills in the UK Construction Sector 2015 – Wales Report (for CITB)

additional 680 in the rest of Wales¹⁹. These residents could form a potential source of labour for the Proposed Development.

- 3.9 The proportion of local employment could be enhanced further by the use of local contractors, and sub-contractors, and measures to encourage local recruitment and apprenticeships.

Net Additional Employment

- 3.10 The positive economic impacts of the Proposed Development will extend beyond construction employment to include the generation of indirect benefits for the local economy. By investing in the development of the application site, there will be considerable expenditure on construction materials, goods and other services that will be purchased from a wide range of suppliers. This expenditure has far-ranging benefits both locally and further afield as it filters down the supply chain.

- 3.11 The result is that the initial investment in the development of the site is amplified in an economic 'multiplier' effect with linked benefits in terms of expenditure on goods and services locally. This will bring indirect employment and financial benefits for local individuals and firms involved in the skilled construction trades, and associated professions, and could help to sustain employment within this sector of the local economy.

- 3.12 The HCA (2014) Additionality Guide²⁰ sets out the current recommended approach to calculating indirect employment generation – taking into account multiplier effects generated both through the site supply chain and induced financial benefits arising from increases in local expenditure derived from the Proposed Development. These include:

- **Leakage** – a measure of the extent to which employment will be taken up by persons residing outside of the target (functional economic) area;
- **Displacement** – the extent to which investment in the Proposed Development will lead to existing companies or employees within the target area relocating activities to the Proposed Development, as opposed to the attraction of new investment and employment arising from businesses located outside of the target area; and
- **Multiplier Effects** – further economic activity (jobs, expenditure or income) associated with additional local income (from employment), local supplier purchases and longer term expenditure effects.

- 3.13 In recognition of the evidence suggesting that 89.3% of jobs in Pembrokeshire are taken by residents living outside the authority, a lower level of leakage has been applied to the local impact area, in accordance with HCA guidance²¹. This suggests that a small proportion of the direct employment benefits could go to people living outside of Pembrokeshire.

¹⁹ NOMIS (2017) Jobseeker's Allowance by occupation (May 2017) SOC2000 Construction Sector Groups

²⁰ HCA (2014) Additionality Guide 4th Edition

²¹ HCA (2014) Additionality Guide 4th Edition

- 3.14 A lower leakage rate has been applied to the wider impact area, drawing on the Additionality Guide²² and evidence of labour market containment within the Welsh economy for construction sector employment²³. The leakage rate has also been applied in recognition that the majority of indirect/induced jobs could be supported within the Welsh economy, given the level of containment evidenced within the local labour market catchment²⁴.
- 3.15 Displacement has been allowed for at a medium level for the local impact area in the recognition that the authority maintains a smaller than average construction labour force and the lower levels of existing latent capacity in the construction industry. Displacement has been allowed for at a low rate at the wider level²⁵. This is again reflective of the size of the labour force and the existing latent capacity in the construction industry. The construction of the Proposed Development has the potential to draw upon labour from 680 residents in Wales who are unemployed and in search of a job in the construction industry²⁶. It will also draw on existing contractors and firms in the supply chain, therefore supporting existing employment.
- 3.16 The application of leakage and displacement effects indicates that the Proposed Development is anticipated to support **55 direct net additional FTE jobs** within the Welsh economy, of which **27 could be local to Pembrokeshire**.
- 3.17 The Proposed Development will also deliver indirect and induced employment effects. Multipliers of 1.25 at the local level and 1.5 at the wider level have been applied to the direct employment generation calculation, to reflect additional indirect and induced employment generation benefits arising from the Proposed Development, in conformity with the Additionality Guide²⁷.
- 3.18 This calculation indicates that **a further 28 indirect and induced FTE jobs are anticipated to be supported** across Wales, of which **7 could be local to Pembrokeshire**. These jobs would be supported through indirect (supply chain) and induced (income and expenditure) effects during the construction phase of the Proposed Development. This is summarised in Table 3.1.

²² HCA (2014) Additionality Guide 4th Edition

²³ BMG Research (2015) Workforce Mobility and Skills in the UK Construction Sector 2015 – Wales (for CITB)

²⁴ ONS via Nomis (2011) Census 2011 – Origin Destination tables

²⁵ HCA (2014) Additionality Guide 4th Edition

²⁶ NOMIS (2017) Jobseeker's Allowance by occupation (May 2017) SOC2000 Construction Sector Groups

²⁷ HCA (2014) Additionality Guide 4th Edition

Table 3.1: Construction Phase - Employment Generation

Employment Generation	Local Impact Area	Wider Impact Area
Person-years of Employment		49
Construction Period (years)	0.8	0.8
Direct Gross FTE Employment	59	59
Direct Net Additional FTE Employment	27	55
Indirect / Induced Net Additional FTE Employment	7	28
Total Net Additional FTE Employment	33 *	83

* Figures may not add exactly due to rounding

Source: Turley Economics, 2017

Productivity Uplift

- 3.19 The construction phase of the Proposed Development will significantly contribute to economic output, measured in Gross Value Added (GVA). GVA measures the value of output created (i.e. turnover) net of inputs purchased, and is used to produce a good or service (i.e. production of the output). GVA therefore provides a measure of economic productivity.
- 3.20 Estimates sourced from Experian indicate that the construction sector generates an average GVA per FTE employee of £50,289 annually in Pembrokeshire²⁸.
- 3.21 Applying the appropriate GVA measures to the net additional employment impact generated by the construction of the Proposed Development indicates that **an additional £4.1 million GVA could be generated annually in the economy across Wales** during construction, of which **£1.7 million could be local to Pembrokeshire**. This is summarised in Table 3.2.

Table 3.2: Construction Phase - GVA Generation

GVA Generation	Local Impact Area	Wider Impact Area
Direct Net Additional GVA Impact	£1.3 million	£2.8 million
Indirect / Induced Net Additional GVA Impact	£0.3 million	£1.3 million
Total Net Additional GVA Impact	£1.7 million	£4.1 million

Source: Turley Economics, 2017

²⁸ Experian (March 2017) Local Market Forecasts Quarterly – average taken between 2013 and 2017 for construction sector in Pembrokeshire

Summary

3.22 The construction phase of the Proposed Development is estimated to have the potential to generate the following economic impacts:

- **59 full-time equivalent (FTE) temporary (gross) jobs** directly from construction over the build period, estimated to last for 10 months;
- **55 direct net additional FTE jobs** created in Wales, of which 27 could be local to Pembrokeshire;
- **A further 28 FTE indirect and/or induced jobs** generated within the supply chain and from onward employee expenditure within the economy in Wales, of which 7 could be generated locally in Pembrokeshire; and
- Additional **£4.1 million uplift in productivity** – measured in GVA – within the Welsh economy throughout the construction phase, inclusive of the £1.7 million generated locally in Pembrokeshire.

4. Operational Economic Impacts

- 4.1 Upon completion, the Proposed Development will accommodate hotel and breakfast facilities which will provide capacity to accommodate direct employment opportunities.
- 4.2 Further employment will also be supported indirectly through the supply chain and via induced effects arising from onward expenditure in the economy. Unlike the construction impacts profiled in the preceding section, these economic impacts will persist over the long term whilst the Proposed Development remains in commercial occupation.
- 4.3 The application site currently does not accommodate any existing uses which generate employment. All the benefits in this Chapter are presented as being net additional.
- 4.4 Whitbread are committed to extending the employment opportunities generated by Premier Inn developments to local people in need of employment. Through Premier Inn's employment schemes, work placements and training programmes, the Proposed Development has the potential to directly generate employment opportunities in Pembrokeshire.
- 4.5 Premier Inn announced in January 2014 that it will be creating 8,000 new jobs by 2018, of which, half will be targeted at young people not in employment, education or training (NEETs)²⁹. This will be achieved alongside an expansion of Premier Inn's already impressive apprenticeship and work placement schemes, pledging an additional 2,000 apprenticeships and 4,500 work placements for young people struggling to find employment.
- 4.6 Whitbread work alongside Job Centre Plus, recruitment websites such as notgoingtouni.co.uk and other locally organised staff recruitment initiatives and prioritise hiring employees that live close to the sites in which they work and all Whitbread staff are encouraged to advance their careers through the training schemes on offer.
- 4.7 The Functional Skills programme offers the chance for employees who do not have GCSE Maths or English to develop their literacy and numeracy skills, either as part of an Apprenticeship scheme or as stand-alone qualifications and like many leading businesses, Whitbread also operates a graduate recruitment programme and actively participates in jobs fair events.
- 4.8 Premier Inn's work placement programme, which is aiming to provide 4,500 work placements by 2018 through working collaboratively with Job Centre Plus and the Prince's Trust, targets NEETs in the local area that are struggling to find paid work. The work placements are designed to ensure that the applicant benefits from a variety of work experiences and opportunities to develop a range of skills through training and runs alongside a two week Sector Based Work Academy with classroom training that leads to an official qualification. Whitbread work placements provide on-the-job training at sites with job vacancies with the aim of offering employment to promising candidates should roles be available.

²⁹ Premier Inn (January 2014) Employee Brochure

- 4.9 A range of operational phase 'lifetime' economic impacts derived from the Proposed Development are presented in this section of the assessment.

Direct Employment

- 4.10 Based on the scheme parameters and operational business planning, the applicant has provided the expected level of direct employment generated by the Proposed Development. The Proposed Development of a hotel with 63 bedrooms with breakfast facilities will generate **22 gross direct FTE jobs** upon completion and operation.

Net Additional Employment

- 4.11 Net additional employment is a term used to refer to the final scale of employment that is generated once a number of economic considerations have been taken into account.
- 4.12 The following assumptions have been applied in order to calculate net additional employment associated with the Proposed Development.

Leakage

- 4.13 Leakage is defined by the HCA (January 2014) Additionality Guide 4th Edition as the proportion of outputs that benefit those outside of the intervention target area or group.
- 4.14 For commercial development, where the outputs constitute employment generation, leakage constitutes the take up of employment opportunities by persons outside the impact area.
- 4.15 Evidence from the 2011 Census³⁰ shows that 10.7% of jobs in Pembrokeshire are taken by residents of other authorities, and therefore a low level of leakage has been applied. This recognises that some of the jobs created could be taken by residents within the wider economy in Wales.
- 4.16 The Census shows that around 97.9% of jobs in Pembrokeshire are taken by residents living in Wales, and therefore a lower leakage rate has been applied to the wider impact area of the Wales. This reflects the nature of the direct employment within the Proposed Development, and is based on published guidance³¹.

Displacement

- 4.17 Displacement effects occur when new development takes market share – in this case labour – from other existing local businesses.
- 4.18 A displacement allowance of 10% has been deemed appropriate for both the local and 5% for the wider impact areas due to a sizeable pool of latent labour available to take up the additional employment opportunities arising from the operation of the Proposed Development.

Multiplier Effects

- 4.19 Indirect employment will be supported and generated by the operation of the Proposed Development through expenditure on goods and services within the local business

³⁰ ONS (2011) Census 2011 – Location of usual residence and place of work

³¹ HCA (2014) Additionality Guide 4th Edition

supply chain. Induced employment will be supported and generated through local expenditure in shops, and on services provided locally by employees of the Proposed Development as well as those businesses within the local, and wider, supply chain. This is referred to as the ‘multiplier effect’ of new Proposed Development.

- 4.20 Where detailed expenditure data is not available, the HCA (January 2014) Additionality Guide 4th Edition recommends a ‘composite’ multiplier is applied, which takes account of both the indirect and induced effects of the Proposed Development.
- 4.21 Based on the use characteristics of the Proposed Development, a composite multiplier of 1.25 is considered appropriate to establish the effect of indirect and induced employment at the local impact area scale of Pembrokeshire. A composite multiplier of 1.5 has been applied as an estimate of the impact of the Proposed Development at the wider impact area scale of Wales³².
- 4.22 The respective composite employment multiplier has been applied to the direct employment generation calculation, which represents the anticipated additional indirect employment generation benefits for Pembrokeshire and Wales arising from the scheme. This reflects the anticipated use of supply chain linkages and the subsequent flow of expenditure into the economy.

Net FTE Employment Generation

- 4.23 Collectively, the application of these factors indicates that the investment in the Proposed Development could support **31 net additional FTE jobs in the wider economy of Wales** both directly and via supply chain and induced effects over its operational phase. Across the Pembrokeshire economy, **22 net additional FTE jobs** could be created, inclusive of those generated locally in Pembrokeshire. This is summarised in Table 4.1.

Table 4.1: Operational Phase – Employment Generation

Employment Generation	Local Impact Area	Wider Impact Area
Gross Direct FTE Employment		22
Leakage	2	0
Displacement	2	1
Net Direct FTE Employment (FTE)	18	21
Indirect / Induced Net Additional FTE Employment	4	10
Total Net Additional FTE Employment	22	31

Source: Turley Economics, 2017

³² HCA (January 2014) Additionality Guide 4th Edition

Productivity Uplift

- 4.24 The operational phase of the Proposed Development will positively contribute to the economic productivity of Pembrokeshire and the wider Welsh economy. Through its operation, the Proposed Development could deliver an annual uplift in productivity – measured in GVA contribution – of **circa £1.0 million to Welsh economy**, of which £700,000 could be local to Pembrokeshire. This is summarised in Table 4.2.

Table 4.2: Operational Phase - GVA Generation³³

GVA Generation	Local Impact Area	Wider Impact Area
Direct Net Additional GVA Impact	£500,000	£500,000
Indirect / Induced Net Additional GVA Impact	£200,000	£500,000
Total Net Additional GVA Impact	£700,000	£1,000,000

Source: Turley Economics, 2017

Visitor Expenditure Impacts

- 4.25 The Proposed Development will generate additional overnight visitor capacity within St Davids and the local authority area of Pembrokeshire. The 63 bed Premier Inn Hotel is expected to accommodate circa 39,200 leisure and 5,170 business overnight trips on an annual basis, based on the average occupancy rate of up to 85% seen across similar Premier Inn Schemes in Wales³⁴. It is estimated that up to 44,460 additional leisure and business visitors will visit Pembrokeshire each year.
- 4.26 Visitors staying overnight in the Proposed Development will have an additional impact on the local economy over and above the effects derived from the direct operation of the Proposed Development. Aside from expenditure on accommodation, which is assumed to support the operation of the Proposed Development, visitors will generate additional economic impacts through their expenditure on wider leisure and tourism activities, in local shops and restaurants and on transport.
- 4.27 Evidence from the Visit England Survey³⁵ indicates that the average spend per serviced accommodation trip in Wales is £221 per person, with the average visitor staying for 3 nights. This generates an average spend per night of £56. The survey also estimates that of total tourism expenditure in England, 34% is spent on accommodation³⁶. This therefore suggests an estimated spend of £37 per night, excluding accommodation. Based on the estimated additional capacity generated by the Proposed Development visitors could spend approximately **£1.5 million** annually in the local economy.
- 4.28 The £1.5 million annual visitor expenditure expected to be generated during the operation of the Proposed Development is anticipated to support and sustain a further

³³ Figures may not sum due to rounding

³⁴ Information provided by the client for Premier Inn Hotels in Wales

³⁵ Visit England (2015) Great Britain Tourism Survey (GBTS) 2015

³⁶ Visit England, Visit Scotland and Visit Wales (2015) The GB Tourist: Statistics 2015

11 FTE employee jobs per annum within local industries in the leisure and tourism sector. This would boost local productivity and support the growth of the local economy of St Davids and Pembrokeshire and the wider economy across Wales over the long-term.

Business Rates

- 4.29 Businesses pay non-domestic rates (known as ‘business rates’) to contribute to the cost of the local authority providing public services within which the business property is situated. Following the Morgan Review in 2012, business rates were fully devolved to Wales as of 1 April 2015. Revenue from business rates now remains in Wales and is distributed amongst Welsh local authorities by the National Assembly³⁷.
- 4.30 The Proposed Development will be liable for payment of business rates. Based on the applicant’s existing Premier Inn operations, it is estimated that the Proposed Development would generate approximately **£70,000 business rate revenue per annum**, which is collected by Pembrokeshire County Council.
- 4.31 In Wales business rate revenue is pooled nationally and then redistributed dependent on the resident population and spending needs of each council. According to the latest statistics published by the Welsh Government, in 2017-18 Pembrokeshire received £40.3 million from the national pool, which equated to 4.0% of total business rate revenue.

Summary

- 4.32 The operational phase of the Proposed Development is estimated to have the potential to generate the following economic impacts:
- Provision of **22 direct (gross) FTE jobs** upon completion and operation of the Proposed Development;
 - Taking additionality factors into account, **31 net additional jobs (direct, indirect and induced)** could be created within the Welsh economy, of which 22 could be local to Pembrokeshire;
 - **£1.0 million annual contribution to economic productivity (GVA)** within the Welsh economy once fully operational, of which £0.7 million could be local to Pembrokeshire;
 - Up to **44,460 additional leisure and business visitors** to Pembrokeshire every year;
 - Uplift in visitor expenditure of an estimated additional **£1.5 million** to the local economy per annum. This expenditure could potentially create and sustain, demand for circa **11 direct FTE jobs** in the leisure, tourism and restaurant industries each year locally; and

³⁷ Sandford, M. (2017) Business Rates, House of Common Briefing Paper

- Approximately **£70,000 business rate revenue per annum** is collected by Pembrokeshire County Council each year.

5. Conclusion

- 5.1 This Economic Impact Statement has been prepared by Turley Economics on behalf of Whitbread to support an application for planning permission for the construction of a 63 bed Premier Inn hotel in St Davids, Pembrokeshire. The evaluation considers the quantifiable economic impacts of the Proposed Development both during its construction phase and operational lifetime.
- 5.2 The Proposed Development will contribute towards local and wider employment generation, as well as economic productivity, with evaluation of the potential economic impact of the Proposed Development demonstrating that it will strongly reflect the sustainable development aspirations of PPW and the Wales Spatial Plan in addition to local policy and strategy ambitions.
- 5.3 The construction phase of the Proposed Development is estimated to have the potential to generate the following economic impacts:
- **59 full-time equivalent (FTE) temporary (gross) jobs** directly from construction over the build period (10 months);
 - **55 direct net additional FTE jobs** across Wales, of which 27 could be local to Pembrokeshire;
 - **A further 28 FTE indirect and/or induced jobs** generated within the supply chain and from onward employee expenditure within the Welsh economy, of which 7 could be local to Pembrokeshire; and
 - **Additional £4.1 million uplift in productivity** – measured in GVA – within the Welsh economy throughout the construction phase, of which £1.7 million could be contributed with the Pembrokeshire economy.
- 5.4 The construction industry makes a significant contribution to Pembrokeshire and the wider economy of Wales, with 5.4% of residents in Pembrokeshire working in construction (4.2% for Wales and 4.6% for Great Britain). The value of sustaining and growing this sector through new development should therefore not be understated.
- 5.5 Upon completion, the operational phase of the Proposed Development is estimated to have the potential to generate the following economic impacts:
- Direct provision of **22 (gross) FTE jobs** upon completion and operation of the hotel premises;
 - Taking additionality factors into account, circa **31 net additional jobs (direct, indirect and induced)** could be created within Wales, of which 22 could be local to Pembrokeshire;
 - **£1.0 million annual contribution to productivity (GVA)** within the Welsh economy once fully operational, of which £700,000 could be concentrated in the local economy of Pembrokeshire each year;

- Uplift in visitor expenditure worth an estimated additional **£1.5 million** to the local economy per annum. This would create, and sustain, demand for circa **11 direct FTE jobs** in the leisure, tourism and restaurant industries; and
- Approximately **£70,000 business rate revenue per annum generated directly by the Proposed Development** to be collected by Pembrokeshire County Council.

5.6 Whitbread's dedication to supporting local people and the local economy through tailored employment schemes, work placements and training programmes will make a significant difference to residents in St Davids and the wider authority of Pembrokeshire, who are struggling to find employment, particularly young people that are not in employment, education or training (NEETs).

5.7 The estimated economic benefits derived from delivery of the Proposed Development are reproduced in a summary infographic format in Appendix 1.

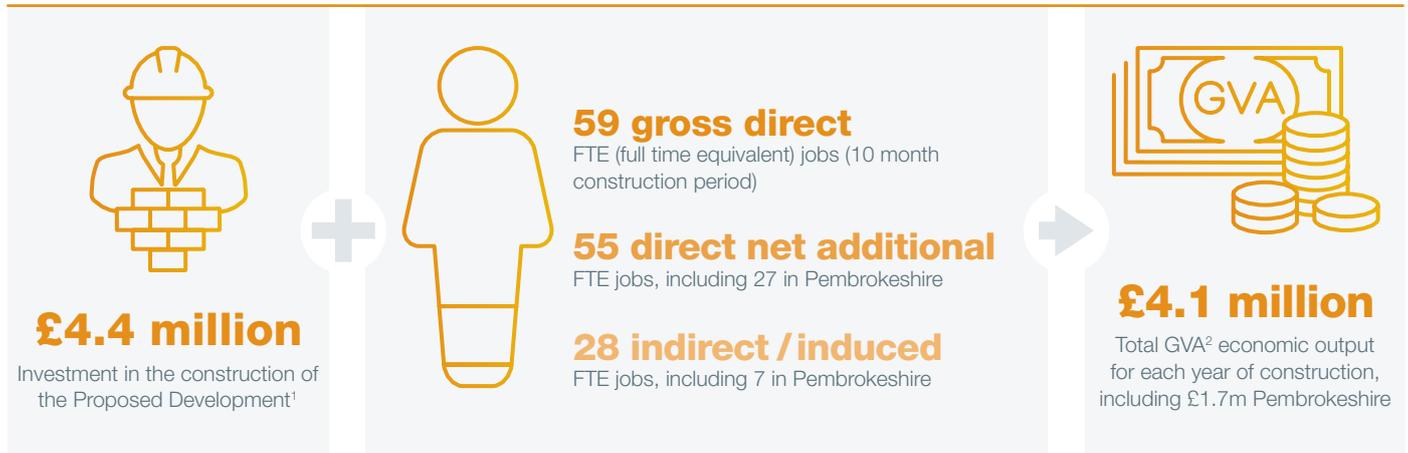
Appendix 1: Infographic

Economic Benefits Infographic

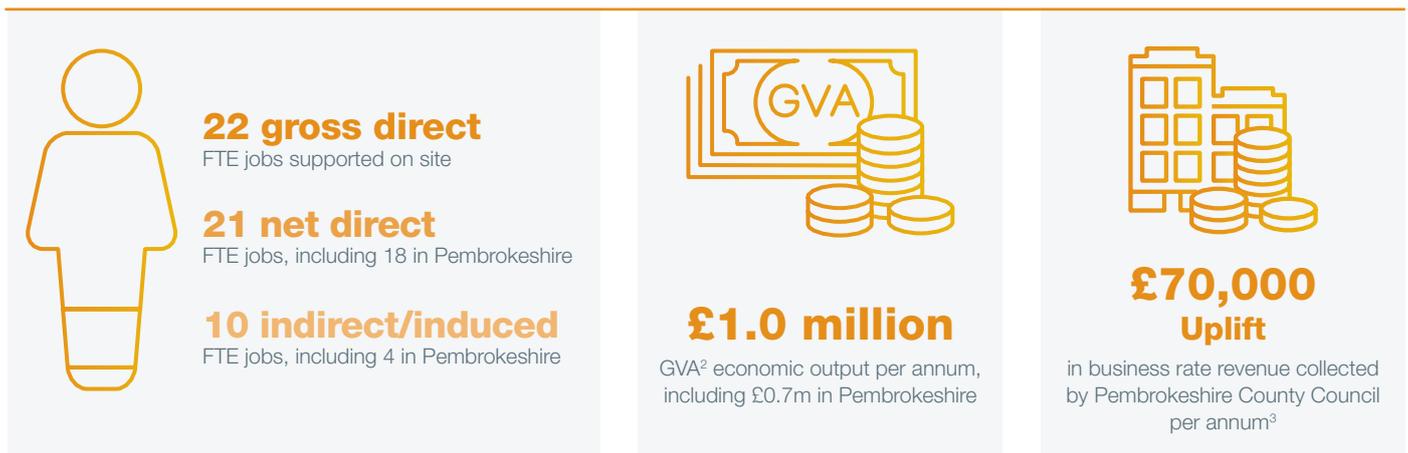
Site: Land west of Glasfryn Road in St Davids, St Davids, Pembrokeshire

Proposed development: 63 bed Premier Inn hotel with integral restaurant

Construction Phase



Operational Phase



¹ Provided by client and includes assumptions made regarding infrastructure costs and professional fees

² GVA (Gross Value Added) measure the value of output created (i.e. turnover) net of inputs used to produce a good or service (i.e. production of outputs). It provides a key measure of economic productivity. Put simply the GVA is the total of all revenue into businesses, which is used to fund wages, profits and taxes.

³ Of which the local authority can keep 50% of uplift in business rates (100% from 2020, but a system of top ups and tariffs may remain)

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