Methodology Note for Economic Benefits Infographic

Premier Inn, St Davids

May 2017

1. This Economic Impact Statement utilises Turley's Local Economic Benefits (LEB) methodology established by Turley Economics, providing a robust logical framework for evaluating the economic impacts of development proposals. The economic assessment has been undertaken in accordance with best practice guidance, namely the HCA's Additionality Guidance (4th Edition) and the Employment Densities Guide (3rd Edition). The following methodology has been applied to the assessment.

Construction Phase

2. The construction phase impacts within the assessment include construction expenditure, Full Time Equivalent (FTE) construction jobs and Gross Value Added (GVA) impacts[1]. In order to calculate these impacts the following methodology has been used:

- **Construction Employment** – The estimated construction cost[2] and is divided by the average employee turnover in the construction sector for Wales[3] in order to calculate the likely direct employment. The total number of employees generated directly by the construction programme is then divided by the number of years over which the construction of the project is envisaged[4], to give gross FTE jobs. Assumptions are applied about the "additionality" of new construction jobs. Firstly, it is assumed that not all employees will live inside Pembrokeshire or Wales (based on labour market data from 2011 Census data). Therefore some of the employment benefits will be taken elsewhere (referred to as "leakage"). Another assumption is made that some jobs will be filled by employees already working on construction projects in the local area (referred to as "displacement")[5]. A multiplier is applied to estimate additional indirect/induced employment through factors such as supply chain expenditure[6].

- **Construction Productivity** - The average GVA per FTE worker is calculated using Experian local market forecasts[7]. This is applied to the net FTE construction jobs estimated to be generated by the Proposed Development.

[1] 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.
[2] Based on costs per bedroom provided by the client (includes professional fees and infrastructure costs)
[3] Department for Business, Innovation and Skills (2015) Business Population Estimates
[4] Estimated construction period of 10 months (provided by the client)
[5] HCA (2014) Additionality Guide 4th Edition
[6] *Ibid*
[7] Experian (June 2016) Local Market Forecast Quarterly

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Operational Phase

1.1 Operational impacts refer to the impacts that will be generated during the 'lifetime' of the Proposed Development. The following indicators have been assessed:

- **Hotel Employment** – Direct jobs associated with the operation of the Proposed Development are calculated by applying Premier Inn's standard assumptions regarding employment in a hotel with an integral restaurant. Consideration of appropriate allowances for leakage (number of jobs taken by those living outside the respective impact area) and displacement (number of jobs taken by those already working within local hotels) are made in line with national guidance[8] in order to calculate a net figure of FTE job creation. A multiplier is applied to the employment generated to estimate indirect and induced effects[9].

- **Hotel Productivity** – The average GVA per employee for the appropriate activity has been sourced from Experian[10]. This figure has been applied to the existing jobs supported and the operational phase jobs estimated to be generated by the Proposed Development.

- **Business Rates** – The anticipated uplift in non-domestic rates (known as business rates) through the operation of the Proposed Development have been estimated based on evidence obtained from the Valuation Office Agency (VOA)[11]. In April 2013 the Government introduced a Business Rate Retention Scheme (BRRS), enabling local authorities to keep at least 50% of the growth in business rates revenue that is generated in their administrative area. It provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and local services. The government announced in October 2015 that as of 2020, local authorities will retain 100% of the uplift in business rates collected. A system of top ups, transfers and tariffs will continue to operate to help even out inequalities between the level of business rates generated by individual local authorities.

- **Impact of Visitor Expenditure** – The number of visitors staying in the proposed hotel is calculated by applying hotel occupancy rates and average guests per room[12] to the number of hotel rooms. This is then multiplied by the estimated visitor spend per night[13], utilising spend data that is specific to Wales. The expenditure is then divided by the average employee turnover in the sectors for Wales[14] to calculate the level of employment supported.

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[8] HCA (2014) Additionality Guide 4th Edition
[9] *Ibid*
[10] Experian (March 2017) Local Market Forecast Quarterly
[11] Valuation Office Agency (2016) Business Floor space
[12] Based on data from an equivalent Premier Inn scheme in Tenby provided by the client
[13] Visit England, Visit Scotland, Visit Wales (2014) The GB Tourist 2014
[14] Department for Business, Innovation and Skills (2016) Business Population Estimates

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