

Waterperry Court, Middleton Road, Banbury

Date: November 2021

Re: **Economic impact of an 87-room Travelodge at Middleton Road, Banbury**

Summary

Construction Impacts

- **Direct and indirect temporary employment:** The Proposed Development will support an estimated 36 temporary roles on-site and in the wider economy over the 18-month build programme.
- **Contribution to economic output:** An estimated £4million of gross value added (GVA) will be generated during the 18-month construction period.

Operational Impacts

- **Job creation:** The Proposed Development will support an estimated 22 full-time equivalent jobs (FTEs) on-site once it is built and operational, rising to 30 FTEs in the wider Cherwell economy when multiplier effects are taken into account.
- **Contribution to economic output:** The additional GVA attributable to the scheme once operational and fully occupied is estimated to be £729,000 per annum.
- **Employee wages:** The Proposed Development will generate an estimated £442,000 per annum in wages for on-site staff.
- **Visitor spend:** Visitors staying at the hotel are estimated to spend around £1.2million per annum on food & drink, entertainment etc. Given the scheme is located on the edge of Banbury town centre, it is likely that businesses located in the town centre will see a significant boost in trade once the hotel is operational.

Introduction

This note presents the economic impact of developing an 87-room Travelodge on land at Waterperry Court, Middleton Road in Banbury, which is in Cherwell Local Planning Authority. It provides an overview of the local economy and calculates the economic impacts during both the construction and the operational phases of the Proposed Development.

Cherwell Economic Overview

Employment

Based on the most recent data from the Business Register & Employment Survey (BRES) published by the Office for National Statistics (ONS), in 2020 around 87,000 people – including the self-employed – worked in Cherwell.

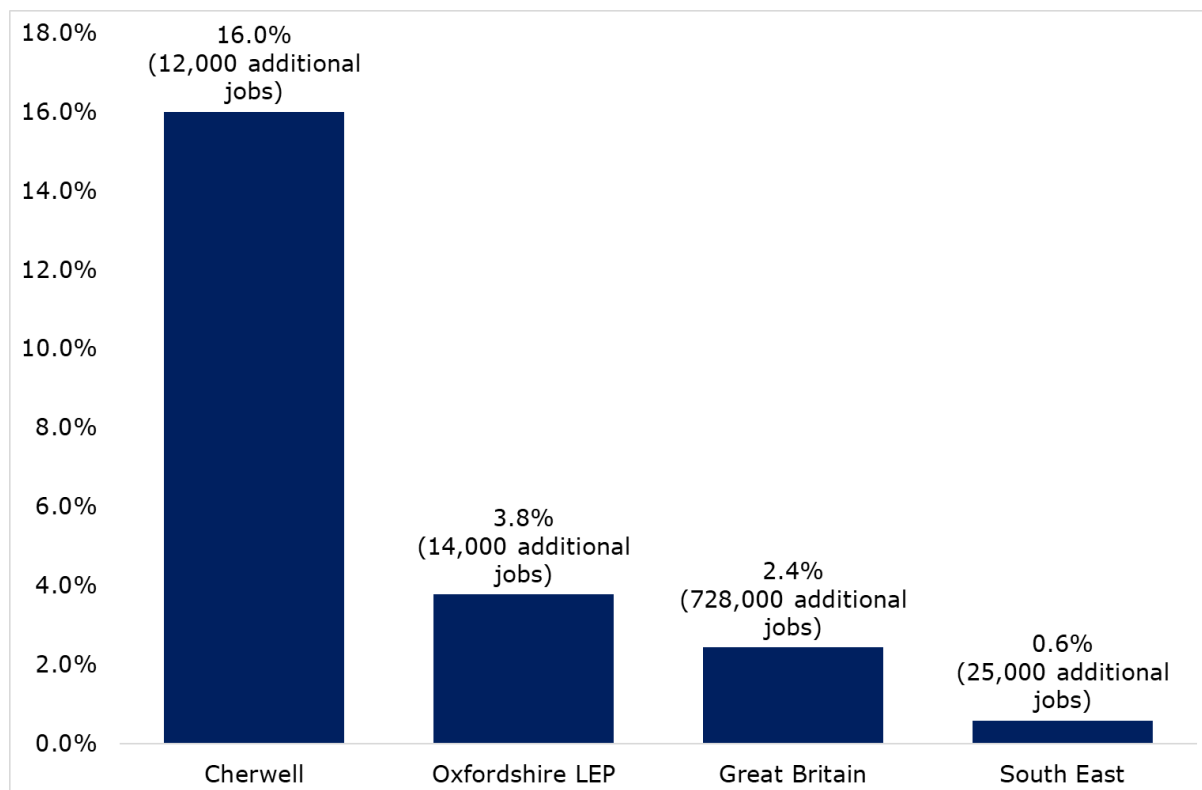
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Between 2015 and 2020, employment numbers in Cherwell increased by 16% (12,000 additional jobs). This was above the growth rates seen across all comparator areas. Oxfordshire LEP had a jobs growth rate of 3.8% (14,000 additional jobs), Great Britain’s jobs growth rate was 2.4% (728,000 additional jobs) and the South East had the lowest jobs growth rate at 0.6% (25,000 additional jobs).

Figure 1: Employment Change, 2015-20



Source: ONS, Business Register & Employment Survey

Accommodation and food services is an important sector in the Cherwell economy. As of 2020, the sector supported 5,000 jobs, which represents around 6% of all employment in the Cherwell economy. The Proposed Development will support further growth of this sector by creating direct employment opportunities at the new hotel.

Business Base

As of 2021, there are approximately 8,385 businesses in Cherwell. Table 1 shows that between 2011 and 2021, business numbers in Cherwell increased by around 1,260, a rise of 17.7%. This is above the growth rate seen in Oxfordshire LEP (13.7% – 4,515 businesses). However, it was below the business growth seen in the South East (23.4% – 91,320 businesses) and Great Britain (27% – 665,853 businesses). The Proposed Development will support new business growth because it will lead to a new hotel being developed in Banbury, bringing it more in line with regional and national trends.

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Table 1: Change in Business Numbers, 2011-21

	2011	2021	Absolute Change
Cherwell	7,125	8,385	1,260
Oxfordshire LEP	32,930	37,445	4,515
South East	390,460	481,780	91,320
Great Britain	2,464,265	3,130,100	665,835

Source: ONS, UK Business Counts

Local Economic Objectives

In 2016, Oxfordshire LEP (OXLEP) published its refreshed Strategic Economic Plan¹ (SEP) which outlines how it will achieve growth in the area. The SEP has a vision for Oxfordshire “... as a vibrant, sustainable, inclusive, world leading economy, driven by innovation, enterprise and research excellence”.

The refreshed SEP is structured around a number of priorities which define four programmes. One of these programmes is ‘People’, which recognises the importance of providing full, inclusive employment and fulfilling jobs. The proposed scheme will generate new jobs in the area, helping the LEP achieve its employment objective.

In line with the objectives set out in the OXLEP SEP, the LEP published a Strategic Investment Plan for Oxfordshire² in July 2016 which outlines how the LEP aims to achieve growth in the key sectors of creativity, culture, heritage and tourism. Tourism is a key driver of economic growth in Oxfordshire LEP and is an important target sector when they LEP are setting objectives to achieve growth. The Proposed Development will attract visitors to Cherwell and support the tourism sector in the local area to grow in line with the LEP’s targets.

Construction Phase Benefits

Supporting Construction Employment

Economic benefits will arise through the provision of temporary employment during the construction phase of the Proposed Development, which is estimated to be 18 months. Construction costs are estimated to be around £3.8million (current prices – this has been provided by the client).

To estimate construction employment supported during the build phase, the total construction cost has been divided by the average turnover per construction employee in the South East of £192,358³. During the 18-month construction phase, an estimated 13 construction jobs could be supported on site per annum.

¹ *Creating the Environment for Growth: Strategic Economic Plan for Oxfordshire 2016:* Oxfordshire Local Enterprise Partnership, 2016.

² *Creating the Environment for Growth, A Strategic Investment Plan for Oxfordshire: Creative, Cultural, Heritage and Tourism Sectors.* Oxfordshire Local Enterprise Partnership, July 2016.

³ Calculated using data for the South East construction sector from the 2020 edition of Business Population Estimates produced by the Office for National Statistics.

It is widely recognised that construction has knock-on effects for the other sectors, which leads to increased demand for building material and equipment at the construction phase, as well as furniture, 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. This suggests that as well as the 13 on-site jobs, development could support a total of 22 additional jobs during the build phase.

In total, an estimated **36 temporary jobs** could be supported by the 18-month build phase.

Contribution to Economic Output

Another way of looking at the economic impact of the construction phase is to calculate the contribution a development makes to wealth creation, as measured by the increase in the value of goods and services generated within an area. This can be done by looking at the increase in gross value added (GVA)⁴, a common proxy for economic output. Using ONS data, it is possible to calculate GVA per employee by sector at a regional level⁵. Applying these figures to the employment estimates outlined above, the construction of the Proposed Development could generate around **£4million of GVA over the 18-month build timeframe** in current prices.

Operational Phase Benefits

This section outlines the impact of the proposed scheme, in terms of generating permanent employment, economic output, estimated wages and visitor spend in Cherwell.

Estimated New Employment

The proposed scheme will create permanent employment once it is fully built and operational. To quantify jobs, a number of assumptions have to be made in terms of density of employment that would normally be expected for a hotel. This information has been sourced from the Employment Density Guide (3rd Edition, November 2015), prepared for the Homes and Communities Agency (HCA) by Bilfinger GVA. Using this Guidance, a density of one job per 4 rooms has been used⁶.

The Proposed Development is going to be an 87-room hotel. Once fully developed and occupied, it is estimated that it will support **22 gross full-time equivalent (FTE) jobs on-site.**

⁴ Gross value added is the measure of the value of goods and services produced in an area, industry, or sector of an economy.

⁵ GVA per employee estimates calculated using data from the ONS 2019 Business Register & Employment Survey, as well as regional GVA estimated for 2019 – both published by the ONS.

⁶ A density of 1 job per 4 rooms represents an average of the suggested densities for a mid-scale hotel (1 job per 3 beds) and a budget hotel (1 job per 5 beds).

Once allowance is made for the multiplier⁷, it is estimated the Proposed Development will support **30 FTEs in Cherwell and the wider economy** once fully built and operational.

Based on information provided by Travelodge, ensuring that new job opportunities are taken by local residents is a key issue and this will include the following:

- Travelodge will partner with Jobcentre Plus to arrange for candidates from sector-based work academies to be considered for roles within the hotel.
- Universal Job Match will be used to advertise job vacancies before the hotel opens and once it is operational.
- Employees at Travelodge will be provided with training, with the aim to achieve at least a level two national vocational qualification – training includes health and safety and customer service skills. Travelodge have also committed to working with Cherwell Council to meet any specific employment programme needs.
- Travelodge have a management development programme known as ASPIRE. This is open to all team members after being employed for three months and provides a six-to-nine-month programme to develop individuals' knowledge, skills and behaviours in hotel management.

Gross Value Added

The contribution of the site to economic output has been calculated by taking the job creation associated with the scheme and multiplying this by an estimate of average levels of GVA per employee for the regional economy for the accommodation and food services sector in 2019 (just over £24,000⁸).

It is estimated that once fully operational and occupied, the additional GVA supported by the Proposed Development is estimated to be around **£729,000 per annum (current prices) or £6.3million (present value⁹) over 10 years**. This includes allowance for multiplier effects¹⁰.

Wages

To estimate total wages of on-site workers, the gross number of jobs is multiplied by the median gross annual salary for full-time workers, working in accommodation and food services in the South

⁷ Multipliers are defined as 'further economic activity (jobs, expenditure or income) associated with additional local income and local supplied purchases'. For Accommodation, a local multiplier of 1.38 has been used. This is consistent with the HCA (now part of Homes England Homes England) 2014 Additionality Guide.

⁸ Based on calculations using jobs and GVA data sourced from ONS.

⁹ Where future benefits are calculated, 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%.

¹⁰ For consistency, the same multiplier of 1.38 applied to the jobs estimate has been used.

East in 2021 of £20,315¹¹. The total wages of the on-site workers are estimated to be around **£442,000 per annum** and it is not unreasonable to assume that a good proportion of these wages will be spent in the Cherwell economy.

Estimated Visitor Spend Associated with the Hotel

Based on data provided directly from Travelodge, annual occupancy at the hotel is expected to be around 80%. Applying this figure to the 87 rooms in the Proposed Development, the average number of occupied rooms per night will be 70. Converting this into an annual figure by multiplying it by 365 gives approximately 25,404 rooms occupied per annum. It is assumed that the number of people in a room per night will be 1.75. Applying this to the number of rooms occupied per annum gives a total of around 44,500 visitor nights each year.

Based on data from the Visit Britain Great Britain Tourism Survey¹² (GBTS) in 2019, the average visitor spend per night in England is £67. Applying this to the estimated annual visitor number per annum gives a total visitor spend of around £3million per annum.

To calculate how much of this spend will be on items such as food and drink, entertainment etc., expenditure data from the GBTS¹³ has been used, which indicates that approximately 41% of total visitor spend in Great Britain is on items such as this. Applying this to total visitor spend gives an estimated **£1.2million in visitor spend** on food & drink, entertainment etc. Travelodge is a limited service hotel; as a result their customers spend far more in the local economy than those staying in full service hotels. While the proposals include an on-site bar/cafe, the primary purpose of this is to provide breakfast for hotel guests. Whilst other meals are also catered for, information held by Travelodge shows that the vast majority of hotel guests visit local food and beverage facilities. It is not unreasonable therefore to expect a significant proportion of the estimated visitor spend to be spent in local businesses and provide a boost to the Cherwell economy. Given the scheme is located on the edge of Banbury town centre, it is likely that businesses located in the town centre will see a significant boost in trade once the hotel is operational.

¹¹ Sourced from the ONS Annual Survey of Hours and Earnings.

¹² Great Britain Tourism Survey: Visit Britain, 2019.

¹³ *Ibid.*