

# STANLEY HOUSE HOTEL

SUPPORTING STATEMENT  
ECONOMIC BENEFITS STUDY







# Rural Solutions

## STANLEY HOUSE HOTEL

ECONOMIC BENEFITS STUDY

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## EXECUTIVE SUMMARY

The National Planning Policy Framework (NPPF) states that the Government is committed to securing economic growth through planning policies and decisions that help create the conditions in which businesses can invest, expand and adapt (Para 80), with significant weight placed on the need to support economic growth and productivity.

Furthermore, planning policies and decisions should support a prosperous rural economy through enabling sustainable growth and expansion of all types of business in rural areas, the development and diversification of land based rural businesses and sustainable rural tourism and leisure developments (Para 83).

The adopted Ribble Valley District Council Core Strategy 2008 - 2028 vision seeks to ensure the area sustains an 'exceptional environment and quality of life for all, sustained by vital and vibrant market towns and villages acting as thriving service centres, meeting the needs of residents, businesses and visitors'.

Pertaining Strategic Objectives include:-

- Improve the competitiveness and productivity of local businesses by safeguarding and promoting local employment opportunities.
- Co-ordinate, innovate and diversify sustainable tourism, building on our strengths and developing new initiatives.

Key Statement EC3 – Visitor Economy, states:-

- Proposals that contribute to and strengthen the visitor economy of Ribble Valley will be encouraged, including the creation of new accommodation and tourism facilities through the conversion of existing buildings or associated with existing attractions. Significant new attractions will be supported, in circumstances where they would deliver overall improvements to the environment and benefits to local communities and employment opportunities.

The Lancashire LEP Strategic Economic Plan (SEP)<sup>1</sup> identifies specific opportunities for growth and a list of stated priorities for Lancashire's Growth Sectors including key employment sectors including the visitor economy which is seen as critical to employment and productivity levels of Lancashire. The visitor economy currently represents 7% of the country's GVA and employs one in ten of the working population who serve 63 million visitors a year. Its value has grown by 15.5% since 2011.<sup>2</sup>

Lancashire's SEP and Government Growth Deal sets out a Strategic Vision to deliver an 'arc of prosperity' and to re-establish Lancashire as an economic powerhouse. The contribution of Lancashire's visitor economy and rural economies and heritage assets

<sup>1</sup> A Growth Deal for the Arc of Prosperity – March 2014

<sup>2</sup> Lancashire Visitor Economy Strategy and Destination Management Plan 2016-2020

Is acknowledged by the LEP and is the complementary role these sectors play in delivering the Lancashire Growth Deal, which is focused on restoring the county's ability to compete in the international marketplace for new investment, jobs, learners and visitors. The relevant key priorities of the LEP to this project are:-

- **Sector Development & Growth** - Realize the full potential of Lancashire's competitive economic strength and business base.
- **Skills for Growth** - Refocus Lancashire's approach to skill provision ensuring it is responsive to business needs and demands.
- **Releasing Local Growth Potential** - Create the right conditions for business and investor growth and unlock new development and employment opportunities across Lancashire.

Many of these priorities are linked to the construction sector to deliver facilities required and to make a significant contribution to the local and visitor economies, generate employment and increase GVA.

The economic performance of Lancashire is more than 20% below the national average in terms of GVA per resident. Without strategic interventions and encouraging investment, this GVA gap is predicted to increase. Although Lancashire's economy is predicted to grow by 27% over the next ten years, it will still fall behind the rest of the UK where average growth is forecast to be 33%. This will exacerbate the existing long-term trend and further deepen productivity and income gaps.<sup>3</sup>

The Stanley House development will generate a wide range of social, economic, and environmental benefits intrinsically linked to the county's growth strategy.

Specific quantifiable economic benefits assessed in this report demonstrate the creation of in the region of **£32.9 million** net additional GVA impacts arising from:

- net additional construction related GVA in Lancashire of **£14.9 million** together with a further £8 million GVA across the North West region;
- the creation of **30 net additional full-time equivalent jobs** in the local economy<sup>4</sup> together with the equivalent of **152 years of construction related employment** in Lancashire together with a **further 77 years of construction sector employment across the North West** region.
- net additional employment GVA in the accommodation, food and health and well-being sector in Lancashire of c. **£11.5 million** at 2020 prices; and,
- increased demand for goods and services from local businesses leading to an aggregated net additional expenditure in the local economy of **£6.5 million**.

<sup>3</sup> SEP & Economic Forecasts for Lancashire, Oxford Economics 2013

<sup>4</sup> This figure arises from the total number of full and part time jobs to be created [both directly and indirectly], aggregated to full time equivalents and taking into account displacement, leakages etc.

These economic impacts represent a significant investment in and boost to the Lancashire economy and the North West's hospitality sector and will make a material contribution towards its economic recovery from the Covid pandemic.

In addition to these quantifiable economic impacts will be broader qualitative impacts that will include:

- improved quality and contribution to the Ribble Valley, Blackburn with Darwen, Preston and Lancashire offer from the enhancement of existing visitor and function accommodation and the creation of a new spa,
- increased activity from visitors and business 'tourists',
- opportunities to generate improved skills and 'on the job' learning across construction, grounds maintenance, health and well-being and visitor economy sectors;
- enhancements to vitality in the local area and communities, and;
- increases to business rates.

## I. Introduction

- 1.1: Stanley House is a Grade 2\* listed building situated in extensive grounds to the south of the A677 some 3 miles to the north west of Blackburn.
- 1.2: The hotel was acquired by Monte Blackburn Ltd (Monte) in July 2020, the acquisition from the previous owners having been agreed prior to the pandemic lockdown and completed during the resulting temporary closure of the hotel and associated function venue.
- 1.3: Monte intends to develop the hotel into a 'best in class' boutique / lifestyle country hotel and spa, introducing new function space, adding a new bedroom block and a second and far larger spa & wellness facility.
- 1.4: The company has recently reopened the hotel.
- 1.5: As well as the Stanley House, Monte owns Frontier Park Blackburn where it is due to develop a new 112 bedroom hotel in association with Hampton by Hilton.
- 1.6: Monte and its parent company Euro Garages Ltd is a leading employer in the area and a major contributor to the economy of the North West. It employs a significant number of people at its Blackburn headquarters and more across the region. Based in Blackburn, Euro Garages was founded in 2001 by brothers Mohsin and Zuber Issa with the acquisition of a single petrol filling station in Bury, Greater Manchester.
- 1.7: Since then, Euro Garages has established itself as one of the UK's fastest growing and most recognisable forecourt operators, with an expanding portfolio of around 4500 sites across the UK, mainland Europe, the USA and Australia. The company employs over 8,000 people in the UK with a turnover in excess of £2.1bn.<sup>5</sup>

### Heritage

- 1.8: Stanley House has a long and chequered history, much of which has been saved following the extensive restoration project undertaken by the site's former owners the Walker family in 2003 / 2004. The ambition of this project is to add to the site's heritage by enabling a further chapter in its evolution.
- 1.9: Originally built as a small manor house, possibly as early as the 1640s (Pevsner) the property was the principal house in Mellor until the construction of Woodfold Hall c. 1799. The status of Stanley House reduced to that of a rented farmhouse and by 1877 it was in a ruinous condition.

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<sup>5</sup> Year Ended 31 December 2018

- 1.10: The property remained uninhabitable for the next 130 years, by which time it was placed on English Heritage's 'At Risk' Register. The property was saved by the creation of the Stanley House hotel by the Walker family in 2003/2004.
- 1.11: The use of the listed manor as the signature building and a luxurious suite of bedrooms provides the opportunity for members of the public and international visitors to experience and appreciate the historic significance of the property.
- 1.12: Monte takes its responsibilities as an owner of heritage assets very seriously and is committed to operating the hotel in a manner which conserves and enhances the historic significance of the asset and its setting.

### Planning History

- 1.13: Stanley House has been operated as a hotel since the restoration project in 2003 / 2004.
- 1.14: A planning consent was granted in 2008 for 'extensions and alterations to create 38no additional bedrooms, health spa/leisure facilities, new brasserie, revised routing of access, changes and additions to parking areas, ancillary buildings and ancillary landscaping'.
- 1.15: This consent was partially implemented in 2010 by the construction of a modern glass extension overlooking the Ribble Valley, complemented by a new main entrance.
- 1.16: It was further implemented in 2012 with the construction of an 18-room bedroom block and luxury spa facility.
- 1.17: It is important to note that significant elements of the implemented 2008 consent remain un-developed including a substantial extension to the spa, function and event space, revised parking areas, ancillary buildings and up to 20 additional bedrooms.

### The Project

- 1.18: Monte plans a significant investment in the Stanley House Hotel to create a viable and best in class boutique country house hotel with 70 bedrooms, modern spa & wellness facility and a banqueting venue.
- 1.19: The first element of the project will be to add a new two storey bedroom block (connecting to the existing Courtyard wing) where an additional 40 en-suite bedrooms will be created to take the bedroom numbers to 70 in total.
- 1.20: Simultaneous to this will be the re-routing of the access drive, changes to car parking and landscaping.
- 1.21: The second element of the project will see the previously consented new spa & wellness centre developed to create a world class retreat.

- 1.22: Finally, the addition of an extension to provide a new banqueting suite with adjacent walled garden will be undertaken. This will be supported by a re-design and re-development of the existing kitchens, food preparation and storage areas, together with the hotel reception.
- 1.23: The project delivers most of the extant elements from the 2008 consent, however it is important to note that the previously proposed connecting links to the listed manor house that will not be included.
- 1.24: The main difference in the proposal and the implemented 2008 consent is the addition of the new banqueting suite, which seeks to cater for growth in the market for larger weddings and gatherings (especially those held by the Asian heritage community), that is currently not well serviced by local and regional venues.

#### Investment rationale

- 1.25: The scheme delivers against much of the rationale that led to the 2008 application.
- 1.26: **Bedrooms** - The addition of bedrooms is fundamental to deliver critical mass to the business whilst the creation of a large spa & wellness facility is important to attract custom from staying visitors other than those involved in functions or events in the banqueting suites.
- 1.27: Prior to the closure of the hotel, the latest trading accounts for the operation illustrate that it was making a loss of some £250,000 p.a In 2017 the loss was £670,000.<sup>6</sup> Whilst sales revenue increased, margins were being challenged through payroll costs and building overheads, together with inflationary pressures on food costs and utilities.
- 1.28: These pressures are just as prevalent today, together with the need to establish and maintain incredibly high standards of cleanliness as a result of Covid.
- 1.29: Revenue from bedroom occupancy generally achieves the highest margins of return for hotel operations, but critical mass is needed to ensure that economies of scale are met. At a total of 70 bedrooms the hotel should achieve an economically viable supply of accommodation particularly when compared to similar operations.
- 1.30: The ability to accommodate Premiership & Championship football teams, which was previously unachievable due to room volume is of significance. With Burnley, Blackburn and Preston all in close proximity, there is a good opportunity to host away teams in a relatively private environment that also provides associated spa and treatment facilities.

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<sup>6</sup> Leehand Leisure Ltd – Strategic Report and Financial Statements – Year Ended 30 September 2018

1.31: Lancashire has circa 3,000 accommodation establishments providing approximately 137,000 bed spaces.<sup>7</sup> 54% are in serviced accommodation (hotels and bed and breakfasts) and 46% in non-serviced (self-catering, holiday parks etc). However, this bed stock is not evenly spaced across the county with nearly 75% of serviced accommodation in Blackpool. In rural Lancashire, and particularly the east of the county, demand outstrips supply. There is a need to redress the balance and the development of further accommodation in this location helps to achieve this.

1.32: **Spa and Wellness** - The new spa & wellness centre will also provide an opportunity to establish a loyal local customer base, as well as serving growth in demand for this market from visitors (both overnight and day trips).

1.33: With the introduction of the spa facilities established and further growth enabled via the 2008 consent, there is a strong will to further develop and re-configure the facilities to respond to evolving market demand for a broad range of wellness offerings.

1.34: The global wellness market has seen significant growth over the last 5 years with a more healthy and discerning middle-class customer base steering demand and change. In particular the spa sector has been growing and is projected to continue to do so set against rising incomes, growth in wellness tourism and an increasing consumer propensity to spend on wellness.

1.35: The spa sector is projected to grow by an average annual rate of 6.4% through to 2022<sup>8</sup>. In the UK, a 2017 survey showed that 8% of the population had visited a spa – an increase from 2% in 2014<sup>9</sup>, with wellness trips in the UK increasing by 6.1% during the same period.

1.36: To meet this growing demand a number of major hotel companies and operators are responding through acquisition of specialist wellness brands and the repositioning of assets<sup>10</sup>.

1.37: The key trend in wellness tourism and hotel spa development is growth from an increasing volume of people seeking mental and physical wellbeing, together with the movement of sectors of the population into peak spending brackets. There is a recognition by Monte of the need to respond to a rising demand for mental wellness and stress reduction, and the overall shift in spa design to expand offerings that present a much broader offer.

1.38: Consumer adoption and understanding of wellness is quickly evolving, and many spas are undergoing redesign/refurbishment of their facilities and offering, reflecting emerging needs and preferences.

<sup>7</sup> Lancashire Visitor Economy Strategy and Destination Management Plan 2016-2020

<sup>8</sup> GWI Global Wellness Economy Monitor Oct 2018

<sup>9</sup> GWI Global Wellness Economy Monitor Oct 2018

<sup>10</sup> AY – The Future of Wellness in Hospitality Oct 2019

1.39: Particularly prevalent today is the need to provide larger spaces in which to relax whilst maintaining adequate social distancing, that leave the customer calm and unpressurised are fundamental to any spa development particularly at this time.

1.40: The reconfigured and slightly larger spa proposal to that previously consented at Stanley House simply aligns to the change in modalities within the sector.

1.41: **Banqueting** - The addition of an extension to the banqueting facilities delivers further value. It adds to the volume of activity the business can sustain, providing critical additional revenue to support the fixed cost associated with operations, sales, and marketing.

1.42: Of key importance however is the opportunity that the addition of enhanced banqueting facilities provides to access and serve new markets which require large venues and catering capacity such as those associated with Asian weddings and celebrations.

1.43: Our research illustrates that there is a clear gap in the local market for a large-scale venue of this nature with onsite accommodation, with little supply currently. Within 20km of Stanley House there are:-

- 23 venues which have event space for over 100 guests.
- Only six of these have capacity for over 260 guests, but
- just three have onsite accommodation – being Dunkenthalgh Hotel, Mytton Fold and Mitton Hall.
- The competition close by is dominated by standalone facilities, including King Georges Hall, The Grand Venue, and Northcote at the Rovers, all of which are in the BB2 postcode area.

1.44: The addition of the new banqueting space will increase the overall capacity of Stanley House from c. 350 to c. 750 head enabling it to compete locally but also with venues in Manchester such as Victoria Warehouse and Vermillion in Manchester, Carden Park near Chester, The Mere Resort, Cheshire and Thornton Manor Estate on Wirral.

1.45: **Overall** - With a relatively seismic shift in global travel, changing patterns in leisure spending and domestic tourism, there is a clear opportunity in the UK leisure markets for destination travel. Provincial hotels such as Stanley House are well positioned to capitalise on the evolving market dynamics through an expanded offering to suit local, regional and domestic travel demands in particular.

### Delivering strategic objectives

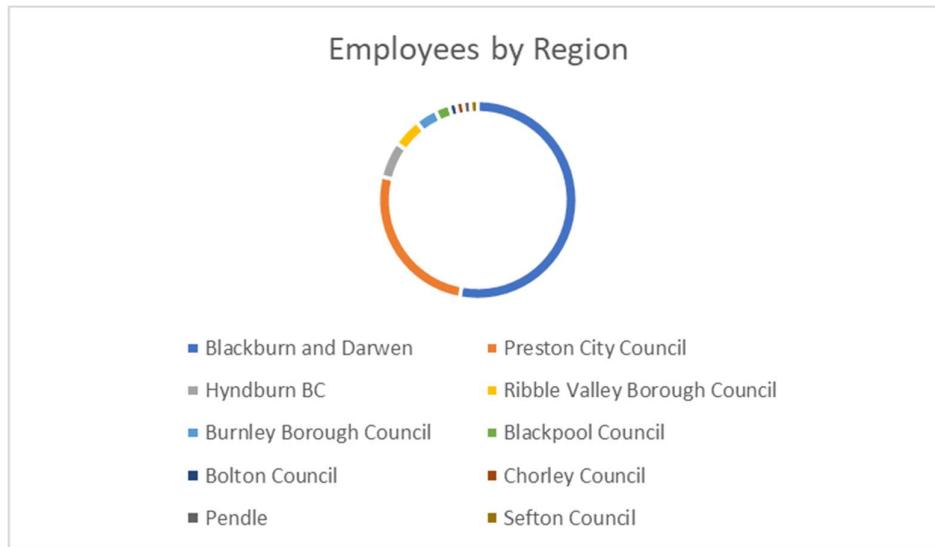
1.46: The addition of the new facilities at Stanley House Hotel will make a substantial contribution towards achieving the strategic objectives set within the Lancashire LEP SEP and Growth Deal. These focus on enhancement of the areas' offer, the

increase in the value and volume of visitors, increase in visitor expenditure, in business tourism, in net employment and the opportunity to improve skills.

- 1.47: The visitor economy of Lancashire is one of seven key business sectors that the county has identified as a provider of jobs and wealth in the future. However, with public finances tightening, particularly in the wake of C-19, a proactive approach needs to be taken to ensure the visitor economy is competitive.
- 1.48: The LEP's SEP Outcomes focus on establishing new economic opportunities that deliver jobs and economic activity, and it is committed to 'harnessing the local delivery of private and public sector partners to achieve these outcomes'. Without strategic intervention and investment Lancashire will not deliver transformational change necessary to recover much of the economic ground the county has lost over the last 50 years.
- 1.49: Overall, the net positive economic, social and environmental impact of the project will be significant.

### Operation

- 1.50: Stanley House Hotel will continue to operate as an independent business but will now do so under the ownership of and supported by the resources and team of Monte.
- 1.51: The current hotel operational budget will be significantly increased by approximately 66% (from c. £3.8 million to an estimated £6.3 million) by the end of the project. The level of growth needed to position the redeveloped operation within the luxury boutique and lifestyle hotel and spa market will require flawless guest services in an exceptional setting.
- 1.52: To achieve this transformation the hotel will continue to be open all year round with the provision of proactive enhanced service and customer care including 24 hr access facilitated by on-duty staff, full room service, multilingual receptionists, and a dedicated concierge.
- 1.53: Existing departments will be enhanced including front of house, reception and concierge, food & beverage, sales & marketing, housekeeping, back of house logistics and security.
- 1.54: The spa and leisure and function departments will be significantly expanded to meet the operational demand of these new facilities.
- 1.55: Prior to Covid, the hotel operation employed approximately 85 full time equivalent members of staff.
- 1.56: Analysis of current employees show that they travel to work from 10 local authority areas in Lancashire, the majority (53%) living in Blackburn and Darwen.



1.57: Staffing levels are forecast to increase by 35% by the end of the development project increasing staffing provision to 115 full time equivalent employees. The majority of these will be employed in the spa, function services and housekeeping.

1.58: Overall approximately **30** FTE additional roles will be created.

1.59: In addition to added expenditure on staff, there will be beneficial growth of 20% (in the region £300,000 pax) spent on regular contracts with existing and new suppliers through costs of sales and operational expenditure. Currently there are nearly 250 suppliers to the hotel, including local firms providing food supplies, flowers and PR services.

1.60: The current supply chain for the hotel includes the following local businesses:

Company	Supply	Location
GB3	Technology Solutions / IT support	Preston
Freshfields	Wholesale Foods	Preston
Penny's	Meat	Accrington
Creative Cover Hire	Chairs and event decor	Preston
The Flower Shop	Flowers	Clitheroe
Dancefloor Couture	Artists and Hosts	Leyland
Richard Wellock & Sons	Fruit and Vegetables	Nelson

Fresh Start Waste Services	Waste Management and recycling	Preston
Exchange Coffee	Coffee & Tea	Blackburn
Guide Security Services	Security	Darwen
Laundry Smart	Laundry Services	Blackburn
Bennison Sound	Sound and Lighting Engineers	Preston
Berry's	Bakery	Preston

1.61: Whilst there is no certainty that increased spend will be retained within the Lancashire LEP area it is the intention of Monte to retain all existing suppliers and source others locally wherever possible. The majority of the projected increase in the supply of goods is through food and beverage sales. These are predominantly serviced from local sources, and Monte remain keen to have a strong Lancastrian thread running through the offer and is working on opportunities to showcase local suppliers of bread, fresh foods, condiments, toiletries, cakes and pastries.

1.62: A vast array of Lancashire product is championed through top quality food producers, suppliers and retailers in the county, whose strength is in quality, freshness and flavour. Monte is dedicated to sourcing locally where it is viable to do so.

## 2. Headline Economic Impacts

2.1: This section explains the range of economic impacts that will be generated by the project and explains how they are assessed. It identifies quantifiable impacts arising from construction, employment and expenditure and explains how these can be reduced from 'gross' impacts (the total impact occurring) to 'net additional' impacts (those impacts that will be completely additional and do not include either those that would have happened anyway or those that will be felt beyond the (defined) local area of impact).

2.2: The quantifiable benefits that will arise are classified as:

- **Construction** – the value of the construction project and related jobs ;
- **Employment** – the number of net additional jobs arising and the GVA (gross value added) associated with permanent jobs created by the use and operation of the enhanced hotel and associated infrastructure; and,
- **Expenditure** – the benefits accruing from monies spent by the hotel and guests in the local economy.

2.3: The economic appraisal is based on the capital and operating costs associated with the project.

2.4: Further benefits will also arise from the project that will directly contribute towards objectives set out in the Lancashire LEP SEP and Growth Deal including net growth in visitors (particularly in the shoulder seasons), an increase in higher spending visitors, an increase in business tourism and the provision of an additional luxury destination, together with a redistribution of accommodation supply in the county.

### Capital Costs

2.5: Capital costs relating to the hotel refurbishment and wider accommodation and spa development project have been assessed by Barnfield Construction. Barnfield Construction are an established regional development partner and have extensive experience of both commercial and residential projects.

2.6: Barnfield were the contractor for the original restoration project at Stanley House, and latterly completed the contract on the new bedroom wing. Other local projects of note include the £8m Thwaites new brewery, stables and head office at Skyes Holt in Mellor Brook, and Hampton by Hilton in Blackburn which is currently under construction.

### Operating Costs

The assessment of operating costs has been made by Monte based on their operational knowledge of the existing hotel model and other operations where

their team has direct experience. The assessment includes costs of employment, purchases and associated overheads. Taiyab Sufi, who is leading the Stanley House business for Monte, was Financial Director of the hotel between 2016 and 2018.

### Benefits

- 2.7: The method adopted for assessing benefits for the proposed scheme is to determine the employment impact and value of expenditure in the supply chain in order to ascertain economic impact figures. It is important to note however that the proposals will generate other social and cultural benefits beyond its economic footprint; that is the direct impact based on employment at the site.
- 2.8: Methodologies have been developed by others to help provide a more holistic assessment of the benefits of an intervention, or total economic value. Such assessment considers the various benefits arising from use of a facility, but also acknowledges that some benefits can be derived purely from the existence of the building or facility. Examples for Stanley House might include the prestige that having the renovated and extended facilities of the hotel and new spa adds for local residents, or might be the addition that the existence of the expanded Hotel and the activities hosted from it bring to the 'value proposition' of the local area and the benefits this generates for third party businesses.
- 2.9: It is not our intention to seek to quantify these benefits, there are too many unknowns and variables, but rather to recognise that such additional qualitative benefits will arise.

### Assumptions

- 2.10: The assessment is made at 2020 prices
- 2.11: The appraisal period is 25 years; this includes a construction period over three phases of 36 months commencing in early 2021 and an operational period of 22 years starting in 2024. The period of 25 years is deemed appropriate due to the nature of works involved; once works are complete, they will directly influence the operation of the site. Capital costs are counted once<sup>11</sup>, operational costs / benefits are assessed annually and are aggregated (rolled up) into a total value based on 23 operational years within the 25-year appraisal period.
- 2.12: A discount rate of 3.5% pax is applied to all costs and benefits for the 25-year appraisal period to reflect the erosion of value from 2020 prices over time and ensure that the total benefits claimed are based on the net present value of money.

<sup>11</sup> It should be noted that it is likely that capital investment will be required on the site [beyond regular maintenance] in the future as the property ages and certain elements reach the end of their design life. We have not sought to assess or capture this future benefit within the assessment but it should be recognised

- 2.13: The impact area for quantifying the benefits is taken as the Lancashire LEP area given the scale of the project. The wider regional and national benefit from the creation of the extended hotel facilities is recognised to be significant and considered in qualitative terms.
- 2.14: Multipliers are used to assess indirect and induced as well as direct impacts. This ensures that we account for the movement of money within the local economy (money spent once will be re-spent by those that receive it). We have used a medium-level ready reckoner composite multiplier of 1.5 for regional geographies, capturing indirect and induced impacts in both the construction and operational phases.
- 2.15: Discounts are applied to reduce the gross outputs (the money actually spent) to net additional outputs; those outputs that are completely additional and which are retained within the study impact area. These include factors related to deadweight, displacement, leakage and substitution. An explanation of these factors is provided below<sup>12</sup>.

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<sup>12</sup> Paragraph 3.10 – 3.17

### 3. Benefits arising from construction & operation

- 3.1: The first benefits achieved, and therefore considered here, relate to the development works and construction project. These works will deliver important construction-related employment opportunities, which in turn will contribute GVA to the local economy with the Lancashire LEP area.
- 3.2: Construction is a significant part of the economy and is a major employer. But it is also an enabler of economic growth and job creation and has a significant impact on enhancing the built environment, in creating the facilities required of a modern economy and addresses significant social issues, such as a shortage of housing. It is also an enabler of other sectors' success by building the facilities required for commercial and industrial advances as well as the infrastructure that is, in turn, an enabler of growth.

#### Construction employment

- 3.3: The evidence records that within the Lancashire LEP area are 6,100 construction companies employing 47,210 people. Of these companies, 93% are micro (employing less than 10 people), 6% are small (employing between 10 and 49 people), 1% are medium (employing between 50 and 249 people) and 0.1% are large (employing over 250 people).<sup>13</sup>
- 3.4: There is recognition that construction is one of Lancashire LEP's skills and employment priority sectors and as such the LEP is looking to address, with partners, long term and immediate challenges that the construction industry faces in the LEP area. The need to balance the supply of construction workers and skills against future demand whilst ensuring that a well-qualified workforce is in place is key.
- 3.5: The creation of a significant construction project in the Ribble Valley represents a major opportunity to support local businesses, attract new entrants to the sector and develop skills and training.

#### Capital Project

- 3.6: The capital project is valued at £17.78 million including contingency.
- 3.7: This budget is allocated across early and enabling works, the re-routing of the access drive, development of the spa, banqueting suite and bedroom block, creation of the new car parking and associated landscaping works. These are summarised in Table One below.
- 3.8: It is anticipated that construction works will run over three years with a target start date of spring 2021 and target completion 2024. Retention release anticipated in 2025 (year 4) is also included in the computations.

Table One: Value of Construction Project (at 2020 prices)

<sup>13</sup> CITB Analysis – Construction Skills Gap Analysis for Lancashire LEP – May 2018

Element	Cost
Early & enabling & Re-routed access drive	£750,000
<b>New construction</b>	
• Spa	£7,900,000
• Banqueting suite	£2,110,000
• Bedrooms	£5,025,000
<b>Refurbishment of existing hotel areas</b>	£500,000
Contingency	£1,500,000
<b>TOTAL</b>	<b>£17,785,000</b>

3.9: The gross construction impacts will be:

A) Gross direct discounted value of the construction project; **£15.3 million**

Project value of £17.8m (before discounts) delivered over a construction period of 3 years from a start date of 2021 reduces the net present value by the overall discount factor to £15.3m

B) Gross discounted value of construction including composite multiplier equates to **£22.9 million**

The value of the project increases to **£22.9million** considering indirect and induced impacts assessed via a multiplier of 1.5 discounted over the period of construction.

C) **228** gross construction sector years of employment delivered over construction period (1 FTE for one year for each £40,000 of labour project value).

Project value of £17.8 m (before discounts), 40% allocated to labour equates to total labour value of £7.1 million. This equates to 177 construction year FTE taken as a whole. Applied over a construction period of three years reduces the net present value by the discount factor and limits direct construction employment impact to **152 FTE** over the construction period at 2020 values.

This is increased to 228 years of employment across the sector by the addition of the composite multiplier to provide for indirect and induced impacts.

### Calculating Net Impacts

3.10: The impacts set out above are the gross construction impacts of the project. To assess the net 'additional' construction impacts of the project it is important to take account of what is often known as the 'counter factual', things that would have happened anyway, perhaps on another project or perhaps somewhere else. This requires an assessment of deadweight, displacement, leakage and substitution.

3.11: **Deadweight** – the extent to which the benefits would have been achieved anyway. Given that we assume that none of the additional activity will take place at Stanley House without this project, deadweight is considered **0%**.

3.12: **Displacement** – the proportion of activity that has simply been displaced from elsewhere, rather than being additional. We assume this to be at a low level of **5%**, given that the nature and specific nature of this scheme means that it is not

likely to displace significant construction activity elsewhere in the Lancashire LEP area and that the level of unemployment and the claimant count in the Lancashire LEP area is low at 3.1% (against a national average of 3.9%)<sup>14</sup>.

- 3.13: **Leakage** – the proportion of outputs that are accrued outside of the intervention areas. Given the scale and relatively specialist nature of this project, it is quite possible that this scheme will take up a good number of the local capacity in specialist heritage and leisure facility construction.
- 3.14: Monte has a strong working relationship with Barnfield Construction, a family owned business based in Lancashire, that is likely to lead on the main 'external contract'<sup>15</sup>. Much of Monte's professional team is also from Lancashire.
- 3.15: So, whilst there may be some leakage beyond the Lancashire LEP area it is only likely to be on expenditure on specialist suppliers and contractors. Where labour is sourced from beyond the Lancashire LEP, the nature and location of the project means that workers on site are likely to spend some of their wages in the local economy (via purchases of food, beverages and accommodation).
- 3.16: Leakage beyond the Lancashire LEP area is therefore considered to be minor, at 25% of gross benefits.
- 3.17: **Substitution** – the extent to which one activity is replaced with another. Given the nature and scale of the project, substitution on the construction impacts is deemed to be very low, assessed as 5%.

#### Net Construction Impacts

- 3.18: Gross discounted value of construction project, including composite multiplier of £22.9 million at 2020 prices reduced by 35% to take account of displacement, leakage and substitution is **£14.9 million**.
- 3.19: 228 gross construction years of employment discounted to 2020 values and reduced by 35% to take account of displacement, leakage and substitution is **148 FTE construction years of employment** (over the three-year construction period).

<sup>14</sup> Nomis Labour Market Statistics, Labour Market Profile Lancashire, Claimant Count 2019

<sup>15</sup> New build, infrastructure, services and utilities.

## Operational Impacts

- 3.21: The construction impacts from project will be a 'one off'; once complete they will not be repeated. The operational impacts will continue in perpetuity, or at least for as long as the use continues. For the purposes of this assessment we have determined that this period should be taken as 25 years. This is because whilst we expect the use to go on beyond that period, it is not reasonable to extrapolate forwards indefinitely, and 25 years is a fair period over which time the cumulative benefits can be realistically assessed.
- 3.22: The operational benefits will arise primarily in the form of employment and the (indirect and induced) benefits arising from the employment as people spend money earned in the local economy. There will also be benefits arising from annual expenditure on goods and services with local suppliers and providers.
- 3.23: Expenditure in the local economy from the increased number of staying visitors will add to operational benefits arising.

## Employment Related Benefits

- 3.24: The current operation at Stanley House Hotel employs some 85 FTE year-round rising to over 120 to cater for the peak trading season and functions.
- 3.25: The number and total cost of staff will increase as the offer at the hotel grows and enters new markets particularly in the spa and banqueting / larger scale wedding sectors.
- 3.26: Once completed the new banqueting facilities, bedroom block and spa project will generate the need for additional staff to service the operational requirements of the extended business and facilities. The size of the hotel, ownership structure, age and layout and range of facilities, together with the accolades held are key determinants of the quantity and quality of staff required.
- 3.27: Monte's appraisal is that the staffing provision will need to increase from the current 85 FTE to some 115 FTE once the project is completed.
- 3.28: The core of the employment will be in primary hospitality roles including management, food and beverage and housekeeping, maintenance, and security together with a new spa and leisure facilities service lines.
- 3.29: From these gross full time equivalents, GVA impacts have been calculated using relevant data for GVA and employment by sector for filled jobs in the accommodation and food sector across the Lancashire LEP area as at 2014<sup>16</sup> of c. £21,900 per employee (£994 million GVA produced annually by c. 45,500 workers).
- 3.30: We have taken the full time equivalent roles that persist throughout the year (85 for two years rising to 115 in year three once the spa, banqueting suite and bedroom block are completed) together with an allowance for additional full

<sup>16</sup> Source: ONS & Lancashire County Council – Employment Survey - Accommodation and food service activities, plus the wider visitor economy 2014

time equivalents from the peak season workforce based on 40% of the total (to account for five of twelve months).

3.31: The seasonal FTE equivalent adds @15 FTEs for the first two years (making a total of 100), and a further 15 FTE in the remainder of the appraisal period making a total of 135).

#### Net employment GVA impacts

3.32: These GVA impacts will be created every year that the hotel is in operation. The assumption is that the Hotel will continue to be operational in its new form following the construction contract and will therefore operate for 22 years of the 25-year appraisal period (25 less 3).

3.33: The aggregated employment GVA impact over this period is c. **£10.2 million** (taking into account the discount rate to reflect net present value). This is calculated on the basis of 100 and then 135 full time equivalent staff with an average GVA per head at 2020 values of £21,900 pax over 25 years.

3.34: When this is increased to take account of indirect and induced impacts using the composite multiplier, this increases the aggregated gross employment GVA impact to **£15.3 million**.

3.35: As with the construction impacts of development works, we must also consider the extent to which operational impact are net additional. To do so we must take into account factors relating to deadweight, displacement, substitution and leakage. Given the varied nature of the operational roles different assumptions are applied.

3.36: As the 'do nothing' option creates no additional employment activity beyond third party grounds maintenance, no allowance is made for deadweight.

3.37: It is unlikely that there will be labour shortages in the visitor economy in Lancashire particularly given Covid-19 redundancies are an inevitable fallout from the pandemic. The changing operation at Stanley House will require skills that should be available within the area particularly in the current economic climate. It is however inevitable that some of the new staff attracted to work at the upgraded hotel will already be economically active in the Lancashire LEP area.

3.38: This means that there will be some, displacement of labour from within the appraisal areas, and because of COVID we assess this being low impact at 25%.

3.39: There will be no leakage. All staff working at the hotel will be economic actors within the Lancashire LEP area as assumed by the current profile of the employees.

3.40: The upgrade to the hotel, the creation of new banqueting suite, bedrooms and the creation of a new spa facility will not lead to the closure of similar facilities elsewhere in the appraisal area. Consequently, there will be no substitution.

3.41: When these discounts are applied to the aggregate value of direct, indirect and induced employment GVA impacts retained in the Cumbria LEP area is reduced by 25% to **£11.5 million**.

### Local Expenditure Benefits

- 3.42: In addition to the employment benefits, the expenditure undertaken by the hotel and spa operation and its various departments with local suppliers and businesses will generate further benefits.
- 3.43: Monte assess the increased annual value of expenditure with local suppliers and service providers as being in the region of £300,000 at 2020 prices. The aggregate value of this expenditure over 23 years is £4.4m but this must be discounted to account for the reduction in the value of money over time (to determine the Net Present Value of this aggregated expenditure).
- 3.44: The Net Present Value of this aggregated expenditure is assessed as £4.4 m. This needs to be increased by the composite multiplier of 1.5 in order to take account of wider indirect and induced benefits. This creates a gross benefit of £6.5 m (at 2020 prices).
- 3.45: Given that this expenditure is all new and additional within the study impact area and that it will all be spent locally no deduction is required to account for deadweight, displacement, leakage or substitution.

### Total Net GVA Benefits

- 3.46: The overall net construction GVA benefits arising from the project at 2020 prices is c. £14.9 million in Lancashire with a further £8 million across the north west region.
- 3.47: The overall net employment related GVA benefits arising from the project at 2020 prices is c. £11.5 million.
- 3.48: The overall net expenditure benefit to the local economy arising from the project at 2019 prices is c. £6.5 million.
- 3.49: The total net additional GVA benefit arising from the project in the Lancashire LEP area during the 25-year appraisal period is therefore in the region of £32.9 million.
- 3.50: The project will help to create a net additional **30 FTE jobs** related to the household and expenditure arising from and associated with it.
- 3.51: The renovation, extension and associated new development project will create the equivalent of **223 years** of net additional construction employment within Cumbria and an additional 121 years across the north west region.

## 4. Qualitative benefits

- 4.1: The outputs quantified above are not the total of the social, economic and environmental benefits that will arise from the Stanley House Hotel and Spa project. These will be set out in detail in the planning statement (and associated documentation). It is not the task of this report to repeat that assessment but to focus on economic outputs and we identify several qualitative benefits below that are likely to arise in addition to the core outputs arising from construction, employment and expenditure.
- 4.2: The benefits that we consider include opportunities for skills and learning, the impact of the increased demand for goods and services on the vitality of local communities and the broader impact on the brand and 'value proposition' of the Windermere local area.

### Skills and Learning

- 4.3: The Stanley House Hotel project will be a significant construction project running over a period of years. It is not a mainstream commercial or civil engineering project however, as it will take place in a sensitive environment, and combine a series of individual but connected projects that include a mixture of core building work, refurbishment and heritage conservation and the restoration of built and natural environment.
- 4.4: This combination of requirements, working environment and range of activity onsite mean that a project of this nature can be a powerful learning environment and provide the opportunity for apprenticeships and practical learning throughout the construction and operational periods.
- 4.5: The characteristics and timeline of the project mean that it should be possible to create a partnership arrangement with tertiary education organisations such as UCLAN, Preston, Blackburn and Accrington Colleges and local schools to promote and develop workplace-based training and skills transfer.
- 4.6: The introduction of a new spa and wellness facility will create the need for workplace skills and generate opportunities for training and to increase skill levels within the Lancashire Visitor Economy.

### Local Vitality

- 4.7: Stanley House Hotel will continue to build on existing strong links with communities, service providers and businesses in the local area through the extended offer. Many of the people employed on site are local (within a 10-mile radius) and it is the intention to continue to employ locally where skill sets permit. Those that are local not will quickly form links via schools, activities and clubs and using local services and facilities.

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4.8: The addition of in the region of 30 full and part time staff will add to the economically active population in the local area. The addition of working people and their families will have a positive impact on the demographic balance of the local community creating demand for services.

#### Enhanced local brand value

4.9: The ongoing investment in a boutique / Lifestyle country house hotel and spa offer at the luxury end of the market will add to the 'brand' of the local area and wider region. It offers a focal point which can be leveraged to promote and enhance the value proposition of the local area to businesses and householders. The fact that the area has been chosen for such a major investment in the hospitality sector will not go unnoticed.

4.10: Overtime this will further enhance the 'brand' of the local area which will become a driver for investment and local spending. Whilst it is impossible to quantify this enhancement, we expect it to result in a general increase local economic activity.

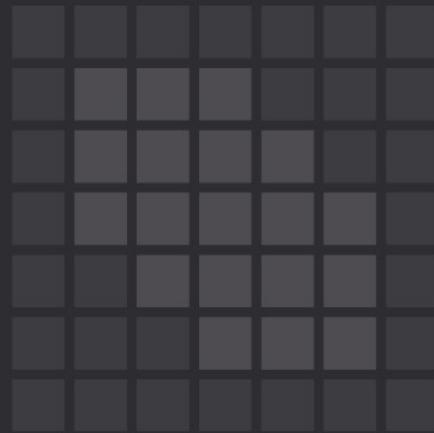
#### Local taxes and levies

4.11: The extension of the existing hotel, creating new bedrooms and leisure facilities will add to non-domestic or business rates receipts. Due to the timeline to completion the actual value of this additional benefits can only be quantified once passing rates are known.

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