

City and County of Swansea

**Economic Impact Assessment of
Swansea City Centre
Regeneration Programme
Phase 1**

Final Report

June 2019

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1 Introduction

1.1 Overview

AMION Consulting (AMION) has been appointed by the City and County of Swansea and Rivington Land to assess the economic impact of the **first phase** of the planned Swansea City Centre Regeneration Programme on the local, regional and national economy. As part of an ambitious regeneration programme that will transform Swansea City Centre, an attractive mix of city working, living and learning is being created, supported by a diverse retail and leisure offering and improved connections between the City Centre and Waterfront. The aim is that, together, these developments will create a strong and vibrant digital city that will be the economic engine of the wider city region.

The planned investments that form the first phase of the Regeneration Programme have the potential, in the short-term, to create a significant number of new jobs and provide a boost to the local and wider regional economy, while in the longer-term delivering a scale of investment that could have a substantial catalytic effect economically, increasing investor and business confidence and stimulating further economic growth.

This short report focuses on the first phase of the regeneration programme only and builds on the previous economic impact assessment undertaken in 2017.

The key elements of Phase 1 of the City Centre Regeneration programme include:

- a new 3,500 capacity arena which will host music/entertainment events as well as conferences and exhibitions and is to be operated by ATG;
- a 150-bed, upper-mid scale hotel (not directly delivered but enabled through a site sale);
- car parking for 950 cars on two separate car parks;
- a small café/restaurant of 140sq metres;
- further commercial units for A3 usage totalling 457sq metres;
- 33 residential units for key-workers (13no. 1 bed units and 20no. 2 bed units);
- major public realm works including Digital Square and Coastal Park (outdoor events spaces, children's play and toilets); and
- infrastructure works including a pedestrian/cyclist bridge, major highway improvements and some demolition of surrounding redundant buildings (to enable Phase 2).

The economic impact assessment has focused upon the range of possible economic benefits that may arise from the development proposals set out above including the new employment opportunities that may be created, the additional economic activity (Gross Value Added (GVA)¹) generated and the resulting wider socio-economic benefits.

¹ Gross Value Added is a measure of the economic value of goods and services produced in an area.

1.2 Scope and nature of the assessment

The approach to the impact assessment has been developed in line with best practice guidance, including the HM Treasury's Green Book (*Appraisal and Evaluation in Central Government*) and the Homes and Communities Agency's (HCA's) Additionality Guide. The approach has also given regard to the HM Treasury's supplementary Green Book guidance on *Public Sector Business Cases: Using the Five Case Model* and the Department for Communities and Local Government's (DCLG's) appraisal guide.

The assessment of economic benefits has incorporated an analysis of the expected quantifiable outputs and outcomes, including:

- temporary jobs and GVA created through the construction phase;
- new permanent employment opportunities and GVA generated through the operational phase of the Phase 1 project;
- broader job creation as a result of increased expenditure and economic activity in the local economy;
- attraction of new households and household expenditure; and
- additional business rates income and Council Tax.

The assessment has sought to estimate both the gross and net additional impact of the programme, at the Swansea, City Region and Wales level, in line with appraisal guidance. Consequently, consideration has been given to who is likely to secure the benefits generated, the level of activity that might be displaced by each project and the possible multiplier effects that could be realised. The approach to calculating additionality is described further below.

2 Assessment of benefits

2.1 Construction jobs

The total construction spend associated with the Phase 1 project has been used as the basis for calculating the number of temporary construction jobs generated through the proposals. Labour coefficients sourced from guidance produced by the HCA² have been being applied to the construction spend figures to derive an estimate of the gross number of person years of employment supported during the construction phase.

2.2 Operational jobs

The level of direct on-site employment in the Arena has been derived by scrutinising the business plan provided (confidentially) by the preferred operator, ATG. For the other elements of the Phase 1 project such as the hotel and the café/restaurant units, the main approach applied to estimate the number of direct operational jobs has been to use employment density benchmarks, sourced from the HCA's employment densities guide.³ The use of employment densities provides an estimate of the number of full-time equivalent (FTE) jobs created. However, the number of actual jobs created will be higher once part-time workers are taken into account – for example, one FTE job may actually support, say, two part-time workers.

2.3 Broader job creation

As well as the direct jobs supported through the construction and operational phases of the project, there is also the potential for further job creation either through the attraction of visitors to Swansea and resulting 'off-site' expenditure.

For the arena and hotel projects which are expected to attract additional visitors to Swansea, an analysis has been undertaken of the likely number of visitors, visitor origin and spend in the local economy (based on figures provided by ATG, comparable venues and national estimates of visitor expenditure). The estimate of visitor expenditure has then been converted into an employment impact, based principally on analysis developed by Deloitte and Oxford Economics for VisitBritain, which identified that an increase in tourism revenue of circa £54,000 will support one new job.

2.4 Gross Value Added

The GVA generated has been calculated by using average GVA per FTE job figures for relevant sectors in Swansea, sourced from Experian local market forecasts.

2.5 Indirect and induced multiplier effects

Alongside directly supporting the creation of new jobs, the proposed developments will also lead to additional employment opportunities (and GVA) through supply chain expenditure (indirect effects)

² HCA (2015), *Calculating Cost Per Job, Best Practice Note*

³ HCA (2015), *Employment Density Guide, 3rd Edition*

and employee spend on goods and services (induced effects) within Swansea, the wider City Region and Wales. To take account of both the indirect and induced effects associated with each project, a composite multiplier has been applied at the local, regional and national levels.

The choice of multiplier at each spatial level has taken into account national guidance and benchmarks, including the HCA's Additionality Guide and guidance on additionality produced by BEIS, along with input-output tables for Wales.

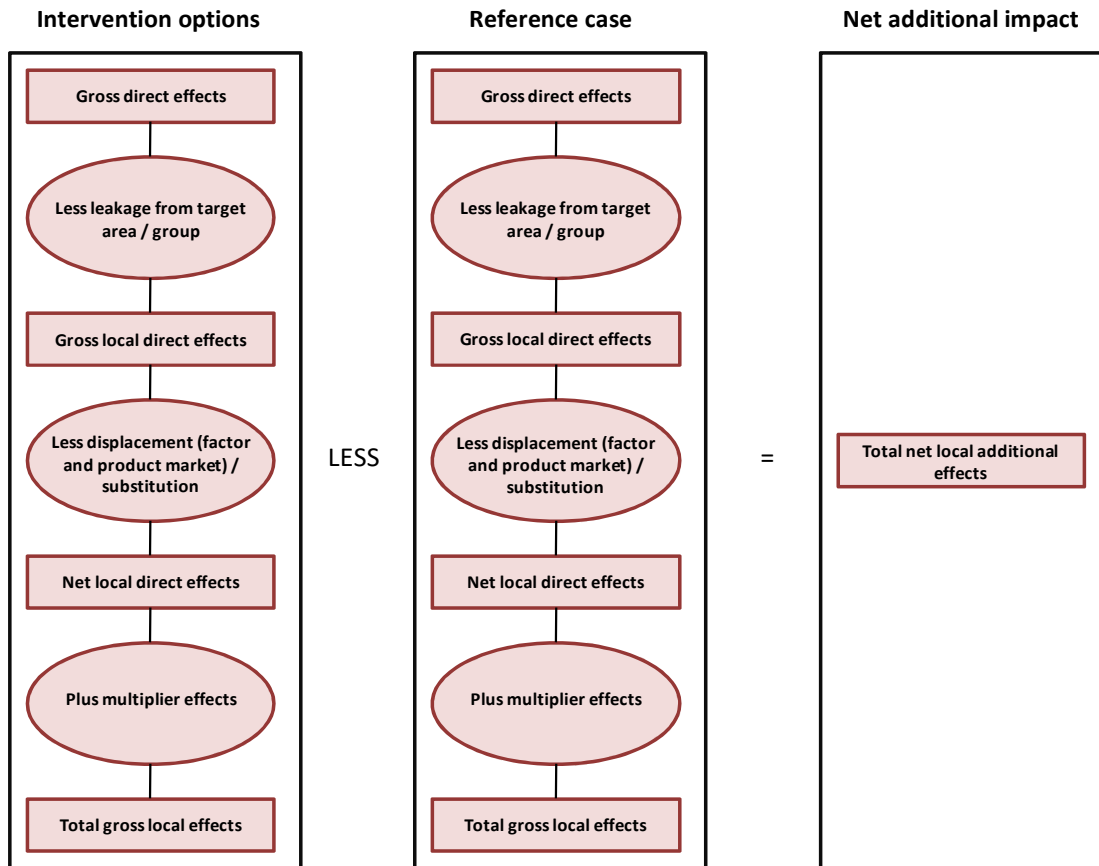
2.6 Net additional impact

In determining the net additional impact, the key issue to be addressed is the additionality of the project under consideration – in other words, the extent to which activity takes place at all, on a larger scale, earlier or within a specific designated area or target group as a result of the intervention. In order to assess the additionality of the proposals, the following factors have therefore been considered for each project:

- leakage – the proportion of outputs that benefit those outside of the project's target area or group;
- displacement – the proportion of project outputs accounted for by reduced outputs elsewhere in the target area;
- multiplier effects – further economic activity associated with additional local income and local supplier purchases; and
- deadweight – outputs which would have occurred without the project.

The approach to assessing the net additional impact of a project, taking into account the above adjustments, is shown diagrammatically in Figure 1. For the purposes of this assessment, the additionality of each project has been considered at the Swansea, City Region and Wales levels.

Figure 1: Net additional impact



2.7 Household expenditure

The first phase of the regeneration programme includes a small number of new housing units which, as new households, will generate additional local expenditure. In order to estimate the additional household expenditure that might be created as a result of the proposed development, reference has been made to the ONS Living Costs and Food Survey (LCF). This suggests that the average household in Wales spends £389 per week on goods and services that could potentially be purchased within Swansea, which equates to approximately £20,228 per year.

Not all household expenditure will be retained locally, with a proportion likely to be spent within the wider sub-region and beyond. An analysis has therefore been undertaken of the results of the Swansea Retail and Leisure Study⁴ to estimate the average household expenditure that might be retained in Swansea and the wider City Region.

2.8 Business rates

In addition to the economic impacts outlined above, it is anticipated that the delivery of new commercial accommodation will result in an increase in business rates within Swansea. The analysis

⁴ GVA (2015), *Swansea Retail & Leisure Study 2015*

of business rates has been informed by benchmarks for rateable values, derived from the Valuation Office Agency website. For standard commercial uses (including retail, food and drink and hotel floorspace), comparable evidence has been used for existing hereditaments within Swansea. For the arena, the amount assumed within the ATG business plan has been used.

The business rates income has been calculated through applying the Uniform Business Rate for 2019/20 of 0.504 with a 10% risk allowance.

2.9 Council Tax revenues

An analysis has also been carried out of the potential additional Council Tax that might be generated by the small number of residential units that will be created. The calculation of Council Tax assumes that the 1-bed units are rated Band A for Council Tax purposes and all qualify for single occupancy discount and that the 2-bed are rated Band B. A rate of £801 and £1,246 has been applied respectively in relation to Bands A and B, consistent with the published rates (and single occupancy discounts) for 2019/20.

3 Economic benefits

3.1 Project details

The main elements of the Swansea Central Phase 1 proposals are the creation of a new digital entertainments venue and conference centre (referred to in this report as the Arena) and 150 bed hotel. The preferred operator of the Arena, ATG, has prepared detailed trading projections for the venue which has enabled AMION to build a detailed picture of the number and type of events together with the number and type of visitors (day visitors v staying visitors). This information has been provided to AMION on a confidential basis for the purpose of calculating the potential economic impact. Whilst this detail has been fed into the spreadsheet version of the economic model, AMION is prevented from revealing commercially sensitive information within this report.

Assumptions regarding the origin and type of visitors (day or staying) have been used to provide a profile of the overall number of visitors projected for the Arena each year. Broadly, for concerts and other shows it is assumed that 80% of visitors will come to Swansea just for the day, while the remaining 20% will stay overnight. In relation to exhibitions, conferences and banquets, the split is 60% day and 40% staying. This is consistent with other research for the conference and events market where we have drawn on the UK Conference and Meetings Survey 2018 (UKCAMS), an economic impact study of Motorpoint Arena in Cardiff (2015) and the Greater Manchester Conference Market Research (2015).

3.2 Constructions phase impacts

It has been estimated that the proposed development could involve approximately £102.8 million of construction related expenditure (excluding professional fees) and a further (notional) £20m for the hotel development which will be constructed separately. Based on HCA Construction Labour Coefficients for public non-housing projects of 10.7 workers per £1m (HCA, Calculating Cost Per Job: Best Practice Note, 2015), this combined expenditure of £122.8m would support 1,314 person years of construction related employment (the equivalent of 1,314 people being employed on a full-time basis for 12 months). Note that this figure goes beyond the direct labour working on-site on construction and therefore does not tally with the man-hours required on-site and the estimates provided by the contractor. On the basis of the standard convention that each permanent job equates to ten person years of temporary employment, this would be equal to 131 FTE jobs.

After adjusting for deadweight, displacement and multiplier effects (see Appendix A for a breakdown of the additionality assumptions applied), it is estimated that Swansea Central Phase 1 would support the creation of 1,262 net additional person years of construction employment in Swansea. Assuming leakage of 75% and displacement of 20%, some 316 of these person years of employment would be taken-up by Swansea residents.

The total net additional GVA impact associated with the construction phase, derived from the estimates of net additional employment, would amount to approximately £73.3 million within the Swansea economy.

Table 1: Construction phase impacts			
	Swansea	City Region	Wales
Gross employment (person years)	1,314	1,314	1,314
Net additional employment (person years) – workplace based	1,262	1,196	1,052
Net additional employment (person years) – resident based	316	598	789
Net additional GVA (cumulative)*	£73.3m	£69.5m	£61.1m

*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

3.3 Operational phase impacts – employment and GVA

A confidential review of the arena business plan provided by the preferred operator, ATG, suggests that direct on-site employment will amount to 58 FTE. In addition, there would be an estimated £18.57m of off-site visitor expenditure per annum in the economy, supporting the creation of 344 gross FTE jobs.

The hotel would be expected to generate a further 75 FTE jobs on-site, based on employment density benchmarks which suggest that an upscale hotel will provide 0.5 FTE jobs for each hotel room. In addition, there would be an estimated £6.26m of off-site visitor expenditure per annum in the local economy, supporting the creation of 116 FTE jobs.

The retail units which will host cafes/restaurants are expected to generate 27.3 FTE jobs on site based on employment density benchmarks which suggest that A3 units generate 1 FTE job per 15-20 square metres of net internal floorspace.

This brings the total gross employment impact in Swansea to some 620 FTE jobs.

As with the construction phase, adjustments have been made for deadweight, leakage, displacement and multiplier effects to calculate the net additional impact – in total, Phase 1 is projected to create 593 net additional FTE jobs, of which 475 FTE jobs would be taken-up by Swansea residents. This would drive a net additional GVA impact of approximately £17.15 million per annum within the local Swansea economy.

Table 2: Operational phase impacts – employment and GVA			
	Swansea	City Region	Wales
Gross employment (FTE jobs)	620	620	620
Net additional employment (FTE jobs) – workplace based	593	507	387
Net additional employment (FTE jobs) – resident based	475	482	387
Net additional GVA per annum*	£17.1m	£14.5m	£11.2m

*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

3.4 Operational phase impacts – fiscal benefits

Along with the economic impacts identified above, the proposed Swansea Central Phase 1 scheme will also generate an increase in business rates received per annum, due to the provision of new commercial space. The project could bring an additional £279k per annum in business rates. Furthermore, the scheme will also generate additional Council Tax receipts of £35,000 per annum.

Table 3: Operational phase impacts – fiscal benefits			
	Swansea	City Region	Wales
Business rates per annum	£0.279m	£0.279m	£0.279m
Council Tax per annum	£0.035m	£0.035m	£0.035m

3.5 Operational phase impacts – additional household expenditure

The proposals include the provision of 33 new housing units which will help to generate additional expenditure in the local economy. Based on data from the ONS Living Costs and Food Survey and Swansea Retail and Leisure Study, it is estimated that the Phase 1 scheme could generate £667,524 per annum of expenditure on goods and services with £334,000 retained within Swansea. The employment impact of this expenditure has not been calculated in order to avoid double counting. However, the attraction of new households will contribute towards stimulating further economic growth and development.

Table 4: Additional household expenditure			
	Swansea	City Region	Wales
New households	33	33	33
Average spend per household (per annum)	£20,228	£20,228	£20,228
Total additional spend (per annum)	£0.668m	£0.668m	£0.668m
Spend retained in the area (per annum)	£0.334m	£0.401m	£0.601m

4 Summary of overall economic impact

The combined economic impact of the first phase of the Swansea City Centre Regeneration Programme is summarised in Table 5. Overall, it is estimated that the construction investment generated will support the creation 1,262 net additional person years of construction employment, resulting in a cumulative GVA impact of £73.3 million. Once the scheme is operational, it is projected that it will create 604 net additional FTE jobs (workplace based), generating a GVA impact of £17.4 million per annum within the Swansea economy.

The economic benefits will extend beyond these employment and GVA effects. For example, the project will generate £279k and £35k of additional business rates and Council Tax receipts per annum, respectively.

Table 5: Summary of Swansea City Centre Phase 1 Regeneration Programme economic impact

	Swansea	City Region	Wales
Construction phase			
Construction investment (inc. hotel)	£123m	£123m	£123m
Gross employment (person years)	1,314	1,314	1,314
Net additional employment (person years) – workplace based	1,262	1,196	1,051
Net additional GVA (cumulative)*	£73.3m	£69.5m	£61.1m
Operational phase			
Gross employment (FTE jobs)	620	620	620
Net additional employment (FTE jobs) – workplace based	593	507	387
Net additional GVA per annum*	£17.1m	£14.5m	£11.2m
New households	33	33	33
Additional household spend retained (per annum)	£0.334m	£0.401m	£0.601m
Business rates per annum	£0.279m	£0.279m	£0.279m
Council Tax revenues per annum	£0.035m	£0.035m	£0.035m

*The net additional GVA impact is derived from the estimate of net additional workplace based employment, as GVA is a workplace based measure and therefore does not take account of where those employed live.

Appendix A – Assessment of net additional impact

The assumptions that have been applied for each project, relating to leakage, displacement, multiplier effects and deadweight are summarised in Table A1. The scale of net additional impact has been assessed at three spatial levels: Swansea; Swansea Bay City Region; and Wales.

Table A1: Additionality assumptions				
	Leakage	Displacement	Multiplier effects	Deadweight
Construction phase (all projects)	Swansea – 75% City Region – 50% Wales – 25%	Swansea – 20% City Region – 30% Wales – 50%	Swansea – 1.2 City Region – 1.3 Wales – 1.6	Assumed to be 0% as development unlikely to come forward, at least in the foreseeable future, in the absence of the proposed regeneration programme and public sector support.
Arena (operational phase)	Swansea – 20% City Region – 5% Wales – 0%	Swansea – 12% City Region – 40% Wales – 71% (Applied only to jobs created through off-site visitor expenditure). Effectively, any resident of the target area visiting the arena is considered to be displacement (they could have spent their money at other leisure/entertainment venues elsewhere in the economy).	Swansea – 1.3 City Region – 1.4 Wales – 1.5	Assumed to be 0% as above.
Hotel (operational phase)	Swansea – 20% City Region – 5% Wales – 0%	Swansea – 6% City Region – 20% Wales – 36% (Applied only to jobs created through off-site visitor expenditure). Assumes that 50% of guests at the hotel are attending an event at the arena and therefore (for 50% of guests) displacement must be considered as with the arena above.	Swansea – 1.3 City Region – 1.4 Wales – 1.5	0% in relation to on-site direct jobs on the basis that in the absence of the proposed regeneration programme, development would not go ahead. However, 100% deadweight has been applied to the jobs created through off-site visitor expenditure on the basis that hotel guests will be in the target area for other reasons – the hotel will not be primary reason for the visit to Swansea and it is not appropriate therefore to attribute

Table A1: Additionality assumptions				
	Leakage	Displacement	Multiplier effects	Deadweight
				the jobs created as a result of off-site visitor expenditure to the hotel.
A3 units (operational phase)	Swansea – 20% City Region – 5% Wales – 0%	Swansea – 20% City Region – 10% Wales – 5%	Swansea – 1.3 City Region – 1.4 Wales – 1.5	Assumed to be 0% on the basis that in the absence of the proposed regeneration programme, development would not go ahead.
Notes on assumptions	The level of leakage applied at each spatial level has been based on Census origin destination data and reflects the nature of employment expected to be created.	Displacement has been assessed with regard to the type of activity proposed and the extent to which this is likely to compete with existing businesses. With the arena, an assessment has been made of the expected origin of visitors.	An assessment has been undertaken of the principal sectors in which employment will be created and then an appropriate multiplier has been applied, informed by benchmarks from additionality guidance, along with Wales input-output figures.	