Cabinet

Strategic Review of the Hotel Project

Portfolio Holder: Councillor Jim McMahon – Leader of the Council

Officer Contact – Darren Jones, Director of Development and Infrastructure

15 December 2014

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Purpose of Report

Oldham Council has an ambition to secure a Hotel operator to complement a refurbished QE Hall as part of the regeneration of Oldham Town Centre.

This report provides an evaluation of four operating models and recommends a preferred option to progress further.

Executive Summary

Oldham Council has an ambition to secure a Hotel operator to complement a refurbished QE Hall as part of the regeneration of Oldham Town Centre.

Tourism is currently worth around £242m a year to the Oldham economy; however, it is not performing to its full potential. With improved transport links to Manchester and Rochdale; new and improved public spaces and significant visitor attractions in developments such as the Old Town Hall cinema and restaurants; the new Coliseum Theatre & Oldham Heritage Centre and the recently announced Prince’s Gate at Oldham Mumps, it is thought that this creates a strong foundation to grow the tourism economy.

The hospitality industry through Hotel Future had already set out to create the first national hospitality training academy to meet the growing demands of the hospitality industry. The Council entered into discussions to bring this together with Oldham’s desire for a new Town Centre Hotel and refurbished QE Hall.

In order to ensure the viability and value for money of the developing proposal an options appraisal was undertaken.
The options appraisal considered four options to deliver a hotel and refurbished QE Hall; these were:

1. Hotel and conferencing operated by Hotel Future (National Hospitality Training Academy)
2. Hotel and conferencing operated by a commercial hotel brand
3. Hotel and conferencing operated by a commercial hotel brand with training
4. Hotel operated by a commercial hotel brand built to a standard without conferencing or training

The commercial Hotel options were each based on an industry standard management contract.

An economic analysis was also carried out to compare the wider economic benefit of each option.

With a preferred option selected, further diligence will be required to fully test the business case of the project and to ensure that the opening of the proposed Hotel and conferencing centre will be linked to other regeneration projects being operational.

It is intended that this is supported by a forthcoming Tourism Strategy which will draw together the visitor and tourism economy across the Borough.

Recommendations

The recommendations are contained within the Part B report.
1. Background

1.1 Oldham has embarked on one of the most ambitious regeneration plans for Oldham Town Centre since the 1970’s. The investment programme brings together around £500m of public and private finance including the new Metrolink tram system connecting the town centre with Manchester City Centre and Rochdale Town Centre.

The delivery of the projects outlined in the Town Centre Investment Prospectus is now tangible including:

- Prince’s Gate at Oldham Mumps including a new M&S retail store, apartments and commercial space
- Parliament Square and the Old Town Hall cinema and restaurants
- Oldham Leisure Centre
- Union Street HQ offices
- Oldham College and University Technical College
- Oldham Sixth Form College
- Yorkshire Street Independent Quarter

Work has also been undertaken to improve the visitor experience including:

- Pedestrian way-finding and maps
- Free weekend car parking
- New visitor information centre at Gallery Oldham
- New Town Centre Team office to support local businesses and investors
- Upgrading and repainting street furniture across the town centre and on key routes
- Town centre children’s play area and garden display
- Specialist markets and events

There have also been a number of private and third sector improvements including:

- Relocation of office users into the town centre
- Refurbishment of George Street Chapel
- Work commenced at Cardinal Court apartments

1.2 These projects are not being progressed purely from the perspective of physical regeneration but rather more fundamentally, building on the heritage of Oldham to drive economic renewal and growth. The economic impact therefore of the Hotel and its place within this wider regeneration context is crucial. The direct economic impact and wider economic benefit of the project has been subject to an independent assessment and is attached at Appendix 1.

1.3 The Civic Centre campus can be broadly seen as four sections. The first is the block running through the centre of site from Rochdale Road through to Cheapside. This houses the Council Chamber, Civic meeting rooms and the QE Hall facility. The other elements including the two office wings on either
side of the Council Chamber and the Civic Centre Tower have undergone some renovation to accommodate staff as other council owned buildings have closed. With the exception of minor works, the QE Hall and Council Chamber have not benefited from modernisation since their construction in the 1970’s and now show signs of age which make them more difficult to hire out in order to generate income.

1.4 Hotel Future is a new concept supported by the British Hospitality Association. The Hotel Future Team with the support of the Council has been working on a proposal to build and operate a training hotel which included leisure and conferencing. For Oldham this would provide a high quality Hotel and conferencing facility to grow the town’s tourism economy, as well as commercialising the ageing QE Hall facility. For Britain the proposal was to be capable of being replicated in other regions around the country and be branded as “Hotel Future” on behalf of the hospitality industry to attract use by multiple operators and brands.

1.5 The Council considered a number of options to fund the construction of the new facility including private and private finance. In December 2013 the Council agreed to the principle of using Public Works Loan Board borrowing to fund the development, which would be paid back through income.

1.6 In order to ensure that the project meets the strict requirements required by use of this funding source and to ensure value for public money, an options appraisal was commissioned.

1.7 Work has also been underway to secure grant funding towards the cost of the project recognising the importance of hospitality to the British economy.

2. Strategic Review

2.1 In order to provide Cabinet with clear options, the strategic objectives of the Review were established sequentially as follows:

a) To deliver a quality Hotel in the Town Centre including high quality public realm.

b) To refurbish the QE Hall to enable a viable conference and events venue.

c) To refurbish the Council Chamber.

d) The Hotel to support hospitality sector training.

e) The opening to complement the timescales of other major capital developments in the Town Centre.

The over-riding objective is to secure Value for Money for the Authority and the residents of Oldham taking into account the Council’s capital strategy and programme and the economic outputs and outcomes that flow from the scheme.

2.2 The Review seeks to:
1. Produce a feasibility study, valuation and return on investment analysis for four different Scenarios.
2. Determine the most appropriate and cost effective delivery mechanism and procurement.
3. Consider capital expenditure and risk via the production of high level Strategic Business Plans and high level financial models incorporating capital and revenue expenditure and risk.

2.3 In order to assist in delivery of the Review, HVS were engaged to work with Officers to determine the feasibility of a number of different Scenarios. HVS (a specialist hospitality sector consultancy) were employed previously by the Council to carry out work on the hospitality sector and this included a substantial amount of work on the Oldham market generally.

2.4 A number of organisations have been party to the development of an approach to hospitality sector skills training described later in this report including Oldham College; Manchester Metropolitan University (MMU); Trafford College; Hopwood Hall College and New Economy.

3 HVS

3.1 The approach taken by HVS was as follows:

3.2 The site adjacent to the QE Hall has been evaluated from the viewpoint of its physical suitability for the operation of a Hotel in the Town Centre under each Scenario, as well as access, visibility and other relevant location factors.

3.3 The four Scenarios considered by HVS reflect analysis of market demand along with operator interest determined via the soft market testing. They are:

1. Hotel and conferencing operated by Hotel Future (National Hospitality Training Academy)*
2. Hotel and conferencing operated by a commercial hotel brand
3. Hotel and conferencing operated by a commercial hotel brand with training
4. Hotel operated by a commercial hotel brand without conferencing or training

* No. of bedrooms reduced to 120 from 140 and size decreased to ensure like for like comparison.

3.4 The work included a detailed analysis of the envisaged staffing of each potential Hotel.

3.5 The initial work that HVS completed was the assessment of the optimum location for a Hotel in Oldham Town Centre. A SWOT analysis was carried out and this concluded that the optimum location is adjacent to the QE Hall. A refurbished QE Hall would increase its usage and a high quality venue would act as a good demand generator for trade to a Hotel. The site also benefits from excellent connectivity to both the Metrolink network and key arterial road routes.
3.6 In order to inform the production of realistic Scenarios, HVS carried out a high level initial soft market testing exercise. This exercise sought to ascertain operator and brand appetite for participating in a ‘beacon training and apprenticeship centre for North West England’ as well as potential interest in operating a Hotel with no training component.

3.7 The soft market testing has determined that there is a good level of interest in the market for a management contract and brand association but no appetite for any brands to self-develop or take a direct lease. There is interest amongst operators for a midrange Hotel under a management contract arrangement.

4 The Scenarios

4.1 As explained above, four Scenarios have been developed, one by Hotel Future themselves (Scenario 1) in response to a challenge set by the Council to remove costs from their original offer and three others (Scenarios 2, 3 and 4) by HVS. Scenarios 2, 3 and 4 are derived by market analysis and financial modelling carried out by HVS.

4.2 It is not considered viable under Scenarios 2 and 3 for the operator to hold responsibility for the Hotel and another party to hold responsibility for the QE Hall as the two are interconnected and rely on each other for operation. The party controlling the Hotel will require control of the QE Hall if it impacts on their ability to operate. Scenario 4 has no physical link and could sustain separate operators for the Hotel and QE Hall.

5. QE Hall

5.1 Oldham currently lacks high quality conferencing facilities with the QE Hall not up to a standard attractive to larger high-profile events. There are local Hotels that offer limited meeting space and the proximity of Manchester City Centre draws demand from the local area.

5.2 A key aim of this project is to create a high quality conference venue that can compete with and attract business from Manchester City Centre. The market is lucrative and growing as the local business climate is expected to improve in the near future. It is anticipated that the Hotel’s modern facilities will attract corporate business which will be displaced from Manchester City Centre.

5.3 If the decision is to pursue Scenario 4 or if the project is delayed for any length of time, the backlog maintenance of the Hall together with the formalisation of an Agreement for the management of the operation will be pursued.

5.4 Further consideration of a detailed Business Case would be required by Members if the conclusion of this report is to delay the Hotel project for any significant length of time or proceed with Scenario 4.
6 Delivery Options

6.1 Analysis to date suggests that the only viable route for delivery of the Hotel would be for the Council to self-develop. This would comprise the Council building the Hotel to the requirements necessary to attract a company to operate it and hold a licence agreement with an appropriate brand.

6.2 Various alternative options have been considered in establishing the viable delivery routes with key risks identified and addressed.

6.3 A full procurement exercise would be required to secure an operator/brand for all Scenarios. This process could either be a negotiated procedure or competitive dialogue to allow a level of negotiations during the procurement process to determine the operator/brands specific requirements for the Hotel design. Account will be taken of Eversheds’ legal advice and of the introduction of the new 2015 Public Contracts Regulations which could impact on which procedure is available and preferable.

6.4 A further paper will be prepared for Cabinet’s consideration outlining the detailed proposed delivery route and timescales once the preferred Scenario is determined.

7 Financial Comments

7.1 See Part B report.

8 Legal Comments

8.1 External legal advice and support from Eversheds has been provided to the Project to date and a full legal health check and update will be undertaken when the preferred option is confirmed and fleshed out in more detail to ensure the Council’s interests are protected and that all risks are mitigated as far as possible.

8.2 See Part B report for further detail.

[Rebecca Coldicott]

9 Training

9.1 Hospitality and tourism businesses employ 83,000 people (7% of total employment) across Greater Manchester, contributing over £2 billion to the local economy. Nearly 25,000 Greater Manchester residents start a publicly funded hospitality and tourism course each year but large numbers of young, part-time and migrant workers with high staff turnover rates present challenges as far as providing skills and training is concerned. The sector anticipates strongest skills needs at Levels 2 and 3 and this differs strongly from the economy overall, where demand is strongest at Level 4. It is anticipated that
some 60% of new jobs in the sector will require only Level 2 skills. The sector does train its staff, but much of the training is at a relatively low level and dominated by regulation such as around food hygiene. New Economy forecasting suggests Greater Manchester’s hospitality and tourism sector employment will grow by 13% in the years to 2022 (approximately 12,000 new jobs) and this represents 13% of all new employment to 2022.

9.2 The idea of a training element integrated within the Hotel is to provide the opportunity to educate and train apprentices and potential supervisors/managers to a recognised level of hospitality professionalism. This to be achieved through practical learning within a commercial Hotel. The concept of a training Hotel is well known internationally but there are very few examples of this type in the UK.

9.3 Officers have been working with the Hotel Future Team to develop a different approach to hospitality sector skills training; one which addresses the low level of skills training both locally and nationally. It has been recognised by the industry that there is a lack of quality provision for Level 3 skills and above and the Hotel Future concept sought to address this gap. Officers have also been working with Oldham College and Manchester Metropolitan University to enhance the proposals.

9.4 The Hotel Future training and educational programme has an internal and external programme. The internal programme is focused on Hotel Future employees and is primarily focused on providing apprenticeship placements and associated training. The external programme is focused on non-Hotel Future employees and will offer vocational and personal development courses including leaderships, executive management, FdAs in hotel and culinary management, wine tasting and accounting. The Hotel Future Team anticipate that the higher level training provision in particular will generate interest beyond the North West.

9.5 The current Hotel Future delivery model is untested and could be vulnerable to changes in apprenticeship policy and funding. At the present time, the outcomes of a series of ‘trailblazers’ arising from The Richards Review are awaited. The potential changes to the apprenticeship training model represent a significant area of risk and it is recommended that more in-depth work with both the Hotel Future Team and Oldham College is completed before the project is ultimately finalised by Cabinet.

9.6 The undergraduate and postgraduate hospitality management programmes at MMU are currently being remodelled to make them more relevant to industry needs and to give students more hands on experience. The focus is on learning taking place through experience in a live learning experience rather than just in the classroom. They already have a number of hotel partners supporting this form of delivery supported by the Manchester Hoteliers Association. They believe that a Hotel in Oldham would enable them to expand the number of locations where their students undertake paid work placements or internships of varying lengths of time.
9.6 MMU are keen also to explore additional ideas including a ‘Hospitality Innovation Hub’ and this requires further work with the Hotel Future Team.

9.7 Critical to the success of the project will be the development of systematic and enduring employer partnerships. This cannot be done in isolation given that the sector is concentrated in Manchester where a third of employees and a quarter of businesses are based.

10 Skills Capital Funding (Local Growth Fund)

10.1 A Round 2 LGF bid sought funding for hospitality training facilities in the North East of Greater Manchester. It is intended that the investment will deliver live learning environments by engaging employers from the sector and this Hotel project is included.

10.2 The second round of LGF was much more focussed on programme development around skills themes with potentially giving Greater Manchester the final say on project allocations.

10.3 The final allocation of funding will be assessed on value for money based on strategic fit, availability of match funding and deliverability. Accordingly, it is vital that if the Hotel Future proposal is to be successful, further active work is done in partnership with both Oldham College and MMU. The inclusion of MMU in particular, working alongside Oldham College and various industry bodies gives the project much more of a regional focus.

11 Options/Alternatives

• Do not proceed with a Hotel and conferencing centre.
• Progress with Option 1 – Hotel and conferencing operated by Hotel Future (National Hospitality Training Academy)
• Progress with Option 2 – Hotel and conferencing operated by a commercial hotel brand
• Progress with Option 3 - Hotel and conferencing operated by a commercial hotel brand with training
• Progress with Option 4 – Hotel operated by a commercial Hotel brand built to a standard without conferencing or training

13 Preferred Option and Conclusion

13.1 In recommending a preferred Option, the original aims of the Strategic Review needs to be considered:

a) To deliver a quality Hotel in the Town Centre.
b) To refurbish the QE Hall and Council Chamber to provide a viable conference and events venue.
c) The Hotel to support hospitality sector training.
The opening to complement the timescales of other major capital developments in the Town Centre.

With an over-riding objective of delivering Value for Money balanced with returning the greatest economic benefit to Oldham.

13.2 The soft market testing exercise undertaken by HVS demonstrates that there is interest for a management contract for a quality hotel adjacent to the QE Hall. It also demonstrates that there is significant interest in a standard commercial hotel. This would require the Council to refurbish both the QE Hall and the Council Chamber independently.

13.3 The key issue therefore becomes how the aim of developing hospitality sector training can be supported. This is important, not only because it assists Oldham residents into jobs but also because of the funding that can be secured to enable the project to proceed.

13.4 Assuming that the Hotel would be held as an asset by the Council until 2021 and Skills Capital grant is received, the lowest cost scenario would be Option 1 – Hotel and conferencing operated by Hotel Future (National hospitality training academy). If Skills Capital funding is not secured the lowest cost scenario would be Option 4. If Option 4 – Hotel operated by a commercial Hotel brand built to a standard without conferencing or training was to be pursued, the opportunities of hospitality skills training being delivered in a different manner (possibly via the QE Hall) could be investigated.

13.5 It is recommended therefore that Option 1 (Hotel and conferencing operated by Hotel Future) is the preferred option subject to:

- Securing grant income towards the cost of the training element.
- The submission of a robust hospitality sector skills training proposal. This is particularly important as there are likely changes to the apprenticeship revenue funding model which is currently fundamental to the Hotel Future approach.

13.6 The timetable for the conclusion of this work is Summer 2015. In the event of Option 1 not progressing, Officers will report further to Cabinet on the delivery route and timetable for Option 4 (Hotel operated by a commercial Hotel brand without conferencing or training).

14 Other Implications

14.1 Cooperative Agenda

The provision of hospitality skills training is aligned to our co-operative approach which seeks to ensure that residents are able to compete successfully in the labour market [Claire Nangle]

14.2 Human Resources Comments
No implications at this stage

14.3 Risk Assessments

Outlined in the body of the report in Part B [Claire Nangle].

14.4 IT Implications

No implications at this stage.

14.5 Property Implications

14.6 Regeneration Property Comments

As contained within the main body of the Part B report [Bryn Cooke]

14.7 Specific Property Comments

As contained within the main body of the Part B report [Bryn Cooke]

14.8 Corporate Property Comments

The QE Hall is well located as a potential conference venue, although requires significant investment in order to provide the required quality of offer. Development of a Hotel adjacent is likely to have a very positive affect on usage of this asset.

Confirmation of extended availability of the QE Hall for events will improve on-going management arrangements by providing a degree of certainty for the immediate term. [Cath Conroy]

14.9 Procurement Implications

Contained in the Part B report.

14.10 Environmental and Health & Safety Implications

None at this stage

14.11 Equality, community cohesion and crime implications

None at this stage

14.12 Equality Impact Assessment Completed?

No
14.13 Key Decision
Yes

14.14 Forward Plan Reference
DEVEL-06-14

14.15 Background Papers
None
Appendix 2

Proposed Oldham Hotel
Economic Impact Assessment Note
November 2014

Introduction
This note has been prepared by AMION Consulting (AMION) and sets out an initial assessment of the potential economic impact of the proposed Oldham Hotel project. It is based on discussions with Oldham Council in relation to the project proposals and draws on feasibility work undertaken by HVS. The assessment considers the potential employment impacts associated with the new hotel, both directly and in terms of the wider local economy. Four scenarios have been considered, as follows:

- **Scenario 1** – an ‘academy’ hotel (Hotel Future) that aims to become a centre for training hotel apprentices, with 120 rooms, an all-day-dining restaurant, bar, 2,350 sq m of meeting space, an indoor pool, an exercise room, a spa and a business centre;
- **Scenario 2** – an alternate internationally branded hotel, again with 120 rooms and the same facilities as under Scenario 1, but without the dedicated training facilities;
- **Scenario 3** – an alternate internationally branded hotel, with 120 rooms and the same facilities as under Scenario 2, as well as an enhanced training component; and
- **Scenario 4** – a branded limited service hotel, with 120 rooms, an all-day restaurant, a bar, 50 sq m of meeting space, a small fitness area and a business centre.

As well as the overall gross number of jobs expected to be created under each of these scenarios, the economic impact assessment also estimates the net additional employment and Gross Value Added (GVA) impact at the Oldham level. Additionality refers to the extent to which new 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.

Gross employment impact
The estimated gross employment impact that will result from the development of a new hotel beside the Queen Elizabeth (QE) Hall in Oldham is summarised below. The analysis seeks to quantify the expected number of jobs that will be created on-site, through the operation of the hotel (and associated facilities), and the off-site jobs that will be supported through expenditure in the local economy by delegates attending meetings/conferences and guests to other events at the hotel.

HVS has produced estimates of expected staffing levels at the new hotel under each of the four scenarios. These have been based on industry standards, HVS research and, in the case of Scenario 1, Hotel Future submissions. As shown in Table 1, under Scenario 1 it is estimated that some 111 full-time equivalent (FTE) jobs will be created, including 49 apprentices. Scenario 2 would create 75 FTE jobs, compared to 82 under Scenario 3 and 29 under Scenario 4.

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13
Table 1: Gross employment impact – on-site (full-time equivalent jobs)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>FTEs</th>
<th>Apprentices</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>62</td>
<td>49</td>
<td>111</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>67</td>
<td>8</td>
<td>75</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>63</td>
<td>19</td>
<td>82</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>29</td>
<td>-</td>
<td>29</td>
</tr>
</tbody>
</table>

In terms of off-site employment, reference has been made to Visit Manchester's Conference Value & Volume study. This sets out an analysis of the economic impact of business and conference events in Greater Manchester, including the contribution made to the wider destination from off-site spend by delegates. Data has also been used from the Greater Manchester Visitor Survey to estimate the average off-site spend by guests at other events at the hotel.

On the basis of this visitor information and the HVS projections in relation to delegate and event attendee numbers, it is estimated that under Scenario 1 the hotel could generate over £1.8 million of off-site visitor spend per annum, which, in turn, could support the creation of a further 43 FTE jobs. The off-site impact under Scenario 2 and Scenario 3 would be expected to be larger, with potentially 48 FTE jobs created under each scenario, while Scenario 4 would only lead to the creation of 2 FTE off-site jobs.

Table 2: Gross employment impact – off-site (full-time equivalent jobs)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Off-site jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>43</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>48</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>48</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>2</td>
</tr>
</tbody>
</table>

Overall, taking account of both the potential on-site and off-site employment impacts, the development of a new hotel beside the QE Hall could, under Scenario 1, create 154 gross FTE jobs within Oldham (see Table 2). This compares to 123 FTE jobs under Scenario 2, 130 FTE jobs under Scenario 3 and 31 FTE jobs under Scenario 4.

Table 3: Total gross employment impact (full-time equivalent jobs)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>On-site</th>
<th>Off-site</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>111</td>
<td>43</td>
<td>154</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>75</td>
<td>48</td>
<td>123</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>82</td>
<td>48</td>
<td>130</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>29</td>
<td>2</td>
<td>31</td>
</tr>
</tbody>
</table>

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3 The estimated off-site visitor spend has been converted into an estimate of jobs created by applying an average spend per employee figure of approximately £36,600 for delegates, based on Visit Manchester’s Conference Value & Volume study, and £50,000 for other event guests, derived from VisitBritain research.
Net additional employment impact
The additional impact or ‘additionality’ of a project refers to the net changes that are brought about over and above what would have taken place anyway within a specified target area. In terms of the proposed Oldham Hotel project, the target area is considered to be the local authority area of Oldham. The key adjustments that need to be taken into account in determining the net additional employment impact of the project are:

- **leakage** – the proportion of outputs that benefit those outside of the target area:

  It is expected that all of the jobs will be created within Oldham and therefore, on a work-place basis, leakage will be zero. However, some of the jobs could be taken-up by residents from outside of Oldham. Analysis of Census origin data suggests that, on average, 61% of people working within Oldham also live within the local authority area. This would suggest that the level of leakage, on a resident place basis, could be around 39%. However, the jobs created by the project are expected to be easily accessible to local residents (specifically in relation to skill level requirements). Therefore, a lower leakage rate of 30% has been applied.

- **displacement** – the proportion of the proposed development’s outputs accounted for by reduced outputs elsewhere in the target area:

  The introduction of a new hotel in Oldham will inevitably displace some activity from existing businesses within the town. However, due to the quality of the proposed hotel and its proximity to the QE Hall, it is expected that a significant proportion of demand will be drawn from outside of Oldham. In particular, the hotel’s upscale modern facilities will attract the corporate segment, which is currently being displaced to Manchester City Centre. On this basis, although the project will compete to some extent with other developments and businesses within the local area, on balance a relatively low displacement rate of 15% has been assumed.

- **multiplier effects** – further economic activity associated with additional local income and local supplier purchases:

  Alongside directly supporting employment creation, the development of a new hotel associated conference business will also lead to additional job opportunities through supply chain expenditure (indirect effects) and induced effects through employee spend on goods and services within Oldham. In order to take into account both the indirect and induced multiplier effects associated with the proposed hotel development, reference has been made to benchmarks outlined within additionality guidance produced for the Department for Business, Innovation and Skills (BIS). A composite multiplier of 1.2 has been assumed at the Oldham level;

- **deadweight** – outputs which would have occurred without the proposed development:

  In terms of deadweight, this has been assumed to be zero as the project will represent a new development on-site.

Table 3 outlines the estimated net additional employment effect under each scenario, after allowing for leakage, displacement, multiplier effects and deadweight. In total, the proposed development is expected to create 90 net additional FTE jobs within Greater Manchester. Of these, it is estimated that 74 might be taken-up by residents from within the sub-region.

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4 BIS (2009), *Research to improve the assessment of additionality.*
Table 4: Net additional employment impact (full-time equivalent jobs)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Net additional jobs (resident based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>110</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>88</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>93</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>22</td>
</tr>
</tbody>
</table>

Net additional gross value added
An assessment has been undertaken of the net additional GVA per annum that could be generated as a result of the additional jobs created by the proposed hotel development. In order to calculate the net additional GVA impact, an average GVA per employee figure of £25,000 has been applied to the estimates of net additional employment, based on ONS Annual Business Survey data. As GVA is a work-place based measure, the net additional job estimates have been adjusted to no longer take account of leakage.

In addition to new employment opportunities, value will also be created by the training element of the hotel, specifically through the provision of apprenticeships. The skills related GVA impact has been assessed based on research undertaken on behalf of the Department for Communities and Local Government (DCLG), which quantifies the benefits of skills development (as measured by qualifications) on the basis of additional earnings once the skill has been obtained. Earnings are then translated into a GVA effect.

Overall, it is estimated that under Scenario 1 the project would generate net additional GVA of around £4.7 million per annum (based on a stabilized year (2021)). The GVA impact under Scenario 2 would be £3.2 million per annum, compared to £3.7 million per annum under Scenario 3. Scenario 4 would have a much more limited impact of £0.8 million per annum.

Table 5: Net additional GVA impact per annum (£000s)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>GVA – employment</th>
<th>GVA – skills uplift*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>3,922</td>
<td>733</td>
<td>4,655</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>3,133</td>
<td>113</td>
<td>3,246</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>3,313</td>
<td>256</td>
<td>3,569</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>795</td>
<td>-</td>
<td>795</td>
</tr>
</tbody>
</table>

*Based on overall number of completed apprenticeships after five-years.