

ESTIMATING THE SOCIAL AND ECONOMIC IMPACTS OF THE GLOBE DEVELOPMENT PROPOSALS



For Client: Stockton-on-Tees Borough Council

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SUMMARY

This brief report provides an estimate of the social and economic impacts of a project to restore Stockton Globe to house a commercial entertainment operation in Stockton Town Centre. Economic impact appraisal techniques and established national benchmarks are used to derive these estimates. Impacts are assessed over a 10-year period from the first full year of operation.

In sum, the main estimated benefits and impacts are:

Gross impacts – that do not assume the activity replaces spend on existing local leisure offers and businesses. The total local gross impacts, adding together the impacts from the music venue’s operation and prospective visitor spend are estimated at:

- GVA: £38.3 million in total after 5-years; and £80.5 million in total after 10 years (i.e. by year five, £8.4 million in GVA per year)
- Employment: 256 jobs – 90 from the direct operation of the venue and from the supply chain; and 166 from attendee spend

Net impacts – that assume some of the expenditure made on the venue and in the trip to see live music – is expenditure that would have been made on other leisure activities and businesses:

- GVA: £13.0 million after 5-years; and £27.4 million after 10 years (i.e. by year 5, £2.9 million in net GVA per year)
- Employment: 87 jobs – 31 from the direct operation of the venue and from the supply chain; and 56 from attendee spend

Other estimated performance measures of interest are as follows:

- Visitor spend: When the Globe is fully operating and established, by 2024, the visitor spend brought to the local economy is estimated at £18.0 million per annum. As part of this, it is estimated that, on average, each attendee would spend the same value as their ticket price in the local economy¹. If some of this new spend could be retained in Stockton Town Centre, then this would be beneficial

The main headline findings for long-term impact and value for money are as follows:

- Gross GVA: Net Grant Equivalent ratio of £10.53 of Gross GVA generated for every £1 of Stockton-on-Tees Borough Council expenditure – over a 16-year period from the project start to eventual purchase of The Globe by Stockton-on-Tees Borough Council in 2033/34.
- 220 gross permanent jobs created, cost per job of £53,200.

¹ This is a very conservative estimate. This is assumed as 1.5 times the value of tickets. This is a very conservative estimate. Adding together all the projected revenue in 2024 gives a ratio of total revenue being 2.7 times the ticket revenue. A study undertaken on live music in Bristol concluded that 5.88 times the ticket price was spent in the city’s economy (Bucks New University & UK Music, Bristol Live Music Census Report, 2016).

Wider benefits

- Up to 33 of the total of 50 jobs at the venue might be considered as ‘entry level’ and suitable from unemployed/at risk local residents should they also receive the support and training that they might need to successfully apply for, enter and remain in these roles
- If the Town Centre could capture some of the new visitor spend then that would be a boost to businesses and services. It would also help to make visitor-oriented (such as restaurants, cafes, bars, entertainment and arts) services increasingly viable, thus increasing the vibrancy of the Town Centre offer – particularly the evening economy
- There may also be long term impacts such as perceptions of Stockton Town Centre from attendees at the Globe, and from improvements to the service offer due to increased visitor spend and business investment. Whilst these are not directly quantifiable, the project is another valuable Town Centre investment that could contribute towards the long-term vibrancy and vitality of the Town Centre.

INTRODUCTION

Background to the proposed Stockton Globe restoration project

The project is to restore the Globe Stockton to house a commercial entertainment operation which will have a major impact on the social, cultural and economic regeneration of the town. The Globe is historically significant and has a rich heritage relating to its past, in particular as a music venue where bands like the Beatles once performed. The local community is enthusiastic about its restoration and future use.

The total cost of the project is £13.0 million at the delivery phase of the project. Stockton-on-Tees Borough Council has an agreement to lease with the current owners with the option to purchase at 15 years and 39 years, with an intention to purchase at 15 years.

The project has three elements:

- a capital development to restore and redevelop the Globe to create a fully functional and accessible live music venue;
- a programme of heritage activities, spearheaded by Heritage Lottery Fund investment and then integrated into the future operations of the Globe;
- the operation of the Globe by an established specialist commercial venue business.

The Globe will be operated by a specialist live music venue operator. Stockton-on-Tees Borough Council will be agreeing terms with the preferred operator over the next few months. Stockton-on-Tees Borough Council has had exploratory discussions with established venue operators and is satisfied that there is sufficient commercial interest in the operation of the Globe for it to be a viable business. Each operates an individual business model depending on its owned subsidiaries and established partnerships.

About this report

In order to progress the development and to determine the viability of the scheme, Stockton-on-Tees Borough Council commissioned My Local Economy (the trading name of Athey Consulting Limited) to undertake an appraisal of the potential socio-economic benefits from the investment.

This brief report provides an estimate of the social and economic impacts of the project. Economic impact appraisal techniques and established national benchmarks are used to derive these estimates. A number of assumptions have been made in order to conduct this impact estimate. These are clearly identified through this report.

THE KEY FINANCIAL AND PERFORMANCE MEASURES USED TO INFORM THE IMPACTS AND BENEFITS APPRAISAL

Figures 1 to 3 set out the project details in terms of revenue generation, salaries and jobs. It is assumed that 24 per cent of revenues generated by venue sales are profits that get translated into GVA, as are total salaries. We have calculated that there will be 50 full-time equivalent posts at the venue.

FIGURE 1: PROJECT DETAILS

| Project year (full) | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Year end | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| Months of operation | 1 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Income from food & bar £M | 0.063 | 1.000 | 1.075 | 1.150 | 1.225 | 1.300 | 1.300 | 1.300 | 1.300 | 1.300 | 1.300 |
| Income from merchandise £M | 0.001 | 0.016 | 0.017 | 0.031 | 0.045 | 0.022 | 0.022 | 0.022 | 0.022 | 0.022 | 0.022 |
| ticket income £M | 0.303 | 4.700 | 5.100 | 5.500 | 5.900 | 6.300 | 6.300 | 6.300 | 6.300 | 6.300 | 6.300 |
| Additional revenue from attendees spend in local economy (assume 1.5x ticket price) £M | 0.455 | 7.050 | 7.650 | 8.250 | 8.850 | 9.450 | 9.450 | 9.450 | 9.450 | 9.450 | 9.450 |
| Salaries £M | 0.063 | 0.978 | 0.978 | 0.978 | 0.978 | 0.978 | 0.978 | 0.978 | 0.978 | 0.978 | 0.978 |
| FTE Jobs - employment in the venue | 0.884 | 13.744 | 14.820 | 15.909 | 16.998 | 18.049 | 18.049 | 18.049 | 18.049 | 18.049 | 18.049 |
| Total revenues generated – venue and attendees £M | 0.063 | 1.000 | 1.075 | 1.150 | 1.225 | 1.300 | 1.300 | 1.300 | 1.300 | 1.300 | 1.300 |

FIGURE 2: ESTIMATED JOBS AND EARNINGS

| Staffing (£'000) | Annual / hourly salary | Other details |
|---------------------------------|------------------------|--|
| Management / Admin: | | |
| General Manager | £50,000 annual | |
| Deputy General Manager | £35,000 annual | |
| Assistant General Manager | £25,000 annual | |
| Head of Sales and Marketing | £38,000 annual | |
| Press & PR Officer | £17,000 annual | |
| Education & Development Manager | £18,000 annual | |
| Back of House: | | |
| Stage Manager | £25,000 annual | |
| Assistant Stage Manager | £25,000 annual | |
| Chief Electrician | £25,000 annual | |
| Stage Crew (casuals) | £93,000 annual | |
| Maintenance Manager | £25,000 annual | |
| Maintenance Assistant | £25,000 annual | |
| Building & Technical Manager | £35,000 annual | |
| Front of House: | | |
| Deputy FOH Manager | £30,000 annual | |
| Cellar Person | £20,000 annual | |
| Ticketing / Box Office: | | |
| Box Office Manager | £30,000 annual | |
| Deputy Box Office Manager | £25,000 annual | |
| Box Office Sales Assistants | £45,000 annual | |
| Hourly staff | | |
| No of bar staff | 10 | £96,000 annually, if 6 days per week, 50 weeks per year |
| Shift length | 4 | |
| Hourly rate (£) | £8.00 hourly | |
| Number of ushers | 34 | £295,800 annually, if 6 days per week, 50 weeks per year |
| Shift length | 4 | |
| Hourly rate (£) | £7.25 hourly | |

FIGURE 3: OPERATIONAL REVENUES AND GROSS GVA

| Project year (full) | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Year end | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| Total income £m | 0.367 | 5.716 | 6.192 | 6.681 | 7.170 | 7.622 | 7.622 | 7.622 | 7.622 | 7.622 | 7.622 |
| Net profit (24% of income) £m | 0.088 | 1.372 | 1.486 | 1.603 | 1.721 | 1.829 | 1.829 | 1.829 | 1.829 | 1.829 | 1.829 |
| Salaries | 0.109 | 1.692 | 1.836 | 1.980 | 2.124 | 2.268 | 2.268 | 2.268 | 2.268 | 2.268 | 2.268 |
| Est gross GVA = net profit + salaries £m (venue operation only) | 0.151 | 2.350 | 2.464 | 2.581 | 2.699 | 2.807 | 2.807 | 2.807 | 2.807 | 2.807 | 2.807 |

Figure 4 presents an estimate of additional visitor spend beyond what is spent in the venue. This is assumed as 1.5 times the value of tickets. This is a very conservative estimate. Adding together all the projected revenue in 2024 gives a ratio of total revenue being 2.7 times the ticket revenue. A study (probably the most comprehensive in the UK) undertaken on live music in Bristol concluded that 5.88 times the ticket price was spent in the city's economy (Bucks New University & UK Music, Bristol Live Music Census Report, 2016).

Using data from Visit Britain in 2015, that £54,000 of visitor spend created 1 job in the local economy, we applied CPI inflation to get the value of £57,000 spend per job in 2017 values. This then calculates as a total of 196 jobs by years 5 and 10.

FIGURE 4: VISITOR SPEND, ASSOCIATED JOBS AND GROSS GVA

| Project year (full) | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Year end | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| Visitor spend £m | 0.455 | 7.050 | 7.650 | 8.250 | 8.850 | 9.450 | 9.450 | 9.450 | 9.450 | 9.450 | 9.450 |
| GVA: spend ratio | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 |
| GVA from visitor spend £m | 0.109 | 1.692 | 1.836 | 1.980 | 2.124 | 2.268 | 2.268 | 2.268 | 2.268 | 2.268 | 2.268 |
| spend per job £ | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 |
| Jobs generated from visitor spend | 24 | 154 | 164 | 175 | 185 | 196 | 196 | 196 | 196 | 196 | 196 |

The value of 57,000 in visitor spend generating 1 job in the local economy is taken from Visit England benchmarks from 2015 and has been updated for inflation, and is estimated in 2017 values.

TOTAL IMPACTS

Calculating impacts

The operational GVA is also has some supply chain (multiplier) benefits – these are calculated as 2.2 times the direct GVA from operations; and 1.8 the direct jobs from operations.

GVA from visitor spend does not conventionally have multiplier benefits associated with it.

The total local gross impacts, adding together the impacts from the music venue’s operation and prospective visitor spend are estimated at:

- £38.3 million in total after the first 5-years of full (12-month) operation; and £80.5 million after 10 years (i.e. by year 5, £8.4 million in GVA per year)
- 256 jobs

By gross impacts – we mean the total impacts calculated if we assume that the new venue does not take attendees/business from other music venues locally or regionally.

Given that the project receives public investment, we must consider the effects on other businesses and expenditure. If we were to take into account the impacts that a new music venue might have on existing local and regional businesses, then we must assume that ‘displacement’ of existing business activity has taken place – i.e. that a proportion of attendees will be those that would have otherwise spent money in other leisure activities and businesses. **The total local net impacts are estimated as follows:**

Local benefits

- £13.0 million in total after the first 5-years of full (12-month) operation; and £27.4 million after 10 years (i.e. by year 5, £2.9 million in GVA per year)
- 87 jobs

Regional benefits (assume regional displacement of 50%)

- £6.5 million in total after the first 5-years of full (12-month) operation; and £13.7 million after 10 years (i.e. by year 5, £1.3 million in GVA per year)
- 44 jobs

FIGURE 6: SUMMARY OF ESTIMATED LOCAL AND REGIONAL ECONOMIC IMPACTS

| | | 5-year cumulative 2017 prices | 10-year cumulative 2017 prices |
|-------------------------|------|-------------------------------|--------------------------------|
| <i>local impacts</i> | | | |
| GROSS | GVA | 38,280,902 | 80,497,462 |
| IMPACTS | jobs | 220 | 220 |
| <i>local impacts</i> | | | |
| NET | GVA | 13,016,000 | 27,369,000 |
| IMPACTS | jobs | 87 | 87 |
| <i>regional impacts</i> | | | |
| NET | GVA | 6,508,000 | 13,684,500 |
| IMPACTS | jobs | 44 | 44 |

In some economic impact appraisals and assessment studies, calculations are made regarding the ‘deadweight’ effects of spend – i.e. things that would have happened in the market anyway regardless of public expenditure. In this case, it is assumed that there is no deadweight. Without Stockton-on-Tees Borough Council taking the lead, and making its investment it is assumed that The Globe would not reopen and operate in the future.

WIDER IMPACTS AND BENEFITS

A number of wider impacts from the project are plausible, including:

- Entry level jobs that might be suitable for local unemployed/at risk residents
- Footfall and visitors to Town Centre; additional spend brought to town centre; image and branding

Potential job opportunities for unemployed and those further from the labour market

Out of the 50 jobs in the venue, 33 are in positions which might be considered ‘entry level’ – i.e. suited to a new employee. With support and training, it is possible that an unemployed/at risk individual could be placed into these jobs.

Footfall and visitors to Town Centre; additional spend brought to town centre; image and branding

As calculated, by 2024 £18.0 million in new spend would be coming into the locality every year from the revenue from the venue operation and concert attendees. It would be reasonable to assume that a proportion of this would be captured by Town Centre businesses. If the Town Centre could capture a substantial amount of this new visitor spend then that would be a boost to businesses and services. It would also help to make visitor-oriented (such as restaurants, cafes, bars, entertainment and arts) services increasingly viable, thus increasing the vibrancy of the Town Centre offer – particularly the evening economy.

There may also be long term impacts such as perceptions of Stockton Town Centre, and from improvements to the service offer due to increased visitor spend and business investment. Whilst these are not directly quantifiable, the project is another valuable Town Centre investment that could contribute towards the long-term vibrancy and vitality of the Town Centre.

Complementing other successful investments by Stockton-on-Tees Borough Council

The council recently invested in the development of a new 125-bed hotel development in Stockton Town Centre, and successfully leased the building to Hilton’s economy Hampton by Hilton brand. An economic impact appraisal determined that this project has the potential to deliver £33,920,000 in Gross GVA after 5-years; and £67,705,000 after 10 years (i.e. approximately £6.7 million in GVA per year). Further, the hotel will potentially generate 106 jobs – 34 from the direct operation of the hotel; 41 from supplier activities and the local expenditure of employees; and 31 from visitor spend.

NET GRANT EQUIVALENT AND VALUE FOR MONEY

Total expenditure and income has been calculated over a 16-year period from the set up in 2018/19, to final purchase of the Theatre by Stockton-on-Tees Borough Council in 2033/34 – as detailed in **Figure 7**. Total expenditure over 16 years, including purchase, is estimated at £12.980 million. Total income is estimated at £1.250 million. Therefore, the net grant equivalent – expenditure less income, stands at £11.730 million over 16 years.

Figure 8 presents the calculation of economic impacts and value for money measures over a 16-year period from the beginning of the project and operation of the venue to its purchase Stockton-on-Tees Borough Council for £1,000,000 in 2033/34.

The main headline findings for long-term impact and value for money are as follows:

- Gross GVA generated between 2018/19 and 2033/34: £123.156 million.
- Permanent jobs generated between 2018/19 and 2033/34: 220
- Total Net Grant Equivalent of £11.730 million (in current values) between 2018/19 and 2033/34.
- Gross GVA: Net Grant Equivalent ratio of £10.53 of Gross GVA generated for every £1 of Stockton-on-Tees Borough Council expenditure.
- 220 gross permanent jobs created, cost per job of £53,200.

FIGURE 7: ESTIMATED EXPENDITURE, INCOME, AND TOTAL NET GRANT EQUIVALENT OVER 16 YEARS

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 |
| Expenditure (£m) | | | | | | | | | | | | | | | | |
| Grant funding (£m) | 11.000 | | | | | | | | | | | | | | | |
| Rent (£m) | | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | |
| purchase (£m) | | | | | | | | | | | | | | | | 1.000 |
| Income (£m) | | | | | | | | | | | | | | | | |
| Rates (£m) | | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | |
| Rent (£m) | | | | | | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | |
| | | | | | | | | | | | | | | | | |
| Total expenditure (£m) | 11.000 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 1.000 |
| Total income (£m) | 0.000 | 0.075 | 0.075 | 0.075 | 0.075 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.000 |
| | | | | | | | | | | | | | | | | |
| Total over 15 years (£m) | | | | | | | | | | | | | | | | |
| Total expenditure (£m) | 12.980 | | | | | | | | | | | | | | | |
| Total income (£m) | 1.250 | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| Net Grant Equivalent (£m) over 16 years | 11.730 | | | | | | | | | | | | | | | |

FIGURE 8: CALCULATION OF ECONOMIC IMPACTS OVER 16-YEAR PERIOD UNTIL PROPERTY ACQUISITION, AND VALUE FOR MONEY MEASURES

| | GVA £ | Jobs | GVA: grant ratio | Cost per job £ |
|---|-------------|------|------------------|----------------|
| GROSS IMPACTS | 123,156,000 | 220 | 10.53 | 53,200 |
| NET IMPACTS – LOCAL | 36,131,000 | 87 | 3.09 | 134,400 |
| NET IMPACTS – REGIONAL (assumes leakage rate of 0.5%) | 18,066,000 | 44 | 1.54 | 268,800 |



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