

Barnsley Retail Park, Barnsley Economic Statement

McDonald's Restaurants Ltd

12 April 2024

Lichfields is the pre-eminent planning and development consultancy in the UK

**We've been helping create great places
for over 60 years.**

lichfields.uk

Contents

1.0	Introduction	1
	Proposed Development	1
	Structure	1
2.0	McDonald's Approach to Site Selection	2
	McDonald's Store Format	2
	Site Selection Process	3
3.0	Socio-Economic Impact of Development	8
	Construction Impacts	8
	Operational Impacts	9
4.0	Summary	12

1.0 Introduction

- 1.1 This Economic Statement has been prepared by Lichfields on behalf of McDonald's Restaurants Ltd ('McDonald's'). It accompanies a full planning application in relation to the change of use of Unit 1B, Barnsley Retail Park, to facilitate the occupation of the unit as a restaurant/hot food takeaway.
- 1.2 It provides an overview of the process and key criteria applied by McDonald's in selecting the subject site as a potential location for a restaurant/hot food takeaway. In addition, it outlines the potential economic impacts that could be unlocked through the delivery of the proposed restaurant/takeaway.

Proposed Development

- 1.3 The accompanying planning application seeks permission for the change of use from a restaurant (Use Class E) to a restaurant/hot food takeaway (Class E / Sui Generis) to be operated by McDonald's and associated works at the site. It is understood that the restaurant will have a Gross External Area (GEA) of 300 sqm.

Structure

- 1.4 The remaining sections of the report are structured as follows:
- **Section 2.0: McDonald's Approach to Site Selection** – provides an overview of the site selection process adopted by McDonald's in assessing the commercial viability of the application site;
 - **Section 3.0: Socio-Economic Impact of Development** – outlines the key socio-economic impacts that could be unlocked by the delivery of the development proposals – during both the construction and operational phases; and
 - **Section 4.0: Summary** – summarises the key messages from the preceding sections of the document.

2.0 McDonald's Approach to Site Selection

- 2.1 McDonald's has a well-established methodology for selecting locations for its proposed restaurants. This section outlines the site selection process and the factors used to assess the likely commercial viability of the application site.

McDonald's Store Format

- 2.2 The McDonald's brand is globally recognised and has been trading in the UK since 1974. The company currently trades from more than 1,450 restaurants across the UK and Ireland and employs around 180,000 people.
- 2.3 The 2017 *McDonald's Serving the UK: McDonald's at 45* report¹ highlights the economic contribution of McDonald's operations at the national and regional level. In 2017, McDonald's sites across the Yorkshire and the Humber contributed £305 million to the national economy and supported 13,530 jobs. This included:
- 9,485 direct jobs within the 91 restaurants in the region;
 - 1,405 indirect jobs in the supply chain; and
 - 2,640 induced jobs within the wider economy.
- 2.4 More than 80% of McDonald's restaurants are operated as local businesses by franchisees. This provides an opportunity for local investors to benefit from McDonald's:
- Global marketing and branding;
 - Comprehensive training programmes; and
 - Established supply chains.
- 2.5 The business' network of restaurants in the UK includes four principal formats, as summarised below:
- High Street;
 - Drive Thru;
 - Drive To; and
 - Delivery Kitchen.
- 2.6 The most prevalent formats are Drive Thru and High Street, which account for approximately 1,000 sites and 400 sites respectively. The application site has been identified as a suitable location for a bespoke concept, based on a similar principle to a Drive To restaurant but with a reduced number of seats. The format is based on a significant proportion of sales being for delivery (which makes up an increasing share of McDonald's sales nationally), while also allowing customers to order in the restaurant for takeaway and for a limited number of customers to dine in.
- 2.7 This format offers greater flexibility in McDonald's overall portfolio, allowing conversion and reoccupation of an existing, unoccupied unit.

¹ [Serving the UK: McDonald's at 45 \(2017\)](#)

Site Selection Process

- 2.8 Potential sites are identified through a number of sources, including McDonald's retained commercial property agents and external referrals. Locations are then appraised using a two-stage process, as outlined below:
- **Stage 1:** potential sites are assessed using McDonald's bespoke analytical model. This is used to determine whether sites are likely to represent suitable locations for investment; and
 - **Stage 2:** for sites which progress from Stage 1, further analysis is conducted to determine the likely strength of their future trading performance. This draws upon a review of comparable sites within McDonald's existing portfolio of assets.

Stage 1: Initial Modelling

- 2.9 The analytical model used at Stage 1 is proprietary to McDonald's. Details of the modelling approach are therefore commercially sensitive and cannot be disclosed in full. The modelling framework is dynamic. As such, it recognises that interdependencies exist between key metrics and influence the importance of each. The anticipated role and market position of a site can also impact upon the relative importance of key metrics. The list of criteria, therefore – and the threshold values which must be met for a site to be considered viable – vary according to the type of site to be delivered.
- 2.10 Given the site's location at a major destination retail facility (Barnsley Retail Park), McDonald's anticipate that a significant proportion of trips to the restaurant/hot food takeaway and sales will be generated through retail related custom. In addition, McDonald's expect the application site to play an important role in easing pressure on existing restaurants in the locality, helping to support an improved customer experience as a result.
- 2.11 In recognition of the above, the key issues assessed within the model are:
- 1 Proximity to destination retail; and
 - 2 Trading performance of existing McDonald's restaurants in the surrounding area.
- 2.12 The following paragraphs provide an overview of each of these factors and how the application site performs against them. It can be seen from the list above that the model does not consider local representation of McDonald's competitors. It is understood, however, based upon discussions with McDonald's that:
- Competition is not considered to have a significant impact on trading levels of McDonald's stores; and
 - Where competition does exert some influence on trading, this can often be positive, with greater range and choice making a destination more attractive and encouraging more customers to stop/visit.

Proximity to Destination Retail

- 2.13 Barnsley Retail Park is a major regional retail park comprising of 194,225 sq.ft (GIA) of retail floorspace. The retail park is home to several national multiple retailers, including

Marks & Spencer, The Range, Argos, Halfords, and Currys PC World. It is understood that the retail park attracts footfall of c.2.3 million per annum.

- 2.14 McDonald's advise that the strength and profile of the retail offer in the immediate vicinity of the application site will be a significant driver of demand. It is anticipated that a large proportion of sales at the restaurant will be attributable to people shopping at Barnsley Retail Park.

McDonald's analysis of Visa transactions indicates that, on average 14%, of Drive Thru/Drive To sales are generated by retail-related custom (i.e. engaged in a transaction at a retail unit within 500m of a restaurant prior to their visit). With respect to the application site, 40% of sales are anticipated to be generated by nearby shoppers. This is significantly higher than the company-wide average, demonstrating the extent to which its location on Barnsley Retail Park is viewed as important to the commercial appeal of the site.

Trading Performance of Existing McDonald's Restaurants

- 2.15 Typically, in assessing sites through the Stage 1 modelling process, McDonald's aim to maximise the distance between restaurants. This reflects a desire to maximise the market penetration achieved by new restaurants. With respect to the application site, however, this is not the case. This is because the rationale for investing in a new restaurant in the Barnsley market is to provide additional capacity with a view to easing the pressure on existing restaurants in the area, which are currently overtrading.

- 2.16 The closest restaurants to the application site are listed below.

- **Old Mill Lane (Asda) Barnsley (0.2km)** – The site is situated 0.2km west of the application site along the same travel route (A61, Old Mill Lane). The site currently trades at 9% above the company average.
- **Barnsley Morrisons (1.1km)** – The site is situated on Upper New Street, adjacent to the A628 (West Way). The site is a busy restaurant, currently trading 20% above company average.

- 2.17 In addition to the above, McDonald's customer satisfaction data indicates that the Old Mill Lane restaurant currently performs below the company average in relation to both Drive Thru and delivery channel satisfaction metrics. McDonald's anticipate that providing an additional restaurant will help to bring trading performance closer to company averages and improve the customer experience.

- 2.18 It is envisaged that the new site will serve the needs of visitors to Barnsley Retail Park and process delivery orders. The Old Mill Lane site will continue to meet the needs of local residents and transient customers.

Additional Considerations

- 2.19 As outlined above, the commercial requirement to deliver a new restaurant/hot food takeaway at the application site is a reflection of the strength of the retail offer (and associated footfall) at Barnsley Retail Park, coupled with the need to ease the pressure on existing restaurants in the local area.

- 2.20 In addition, however, it is helpful to consider how the site performs with respect to the size of the local population and the volume of passing traffic. These are not considered as key drivers of demand in relation to this particular site. Both factors are often considered as part of the Stage 1 modelling, however, and help to further demonstrate the commercial appeal of the site.

Local Population

- 2.21 McDonald's recognise that every site is unique in terms of revenue generators and that the level of influence and the importance of each fluctuates. For the reasons outlined above, population has not been considered as a key criterion within the Stage 1 modelling with respect to the application site. Typically, however, sites would be required to demonstrate a population of approximately 15,000 within an 8-minute drive-time to be viewed as commercially viable.
- 2.22 In the context of the above, McDonald's analysis indicates that an 8-minute drive time from the application site contains a population of 31,370. This exceeds the typically applied population catchment criteria by a factor of almost 2.1. This illustrates the strength and scale of the Barnsley market and helps to demonstrate – at least in part – why a need to ease pressure on existing restaurants in the local area has emerged.

Traffic Flows

- 2.23 As with population data, traffic flows are have not been considered as a key criterion in the Stage 1 modelling. Nevertheless, McDonald's analysis suggests that traffic flows help to give further confidence regarding the likely commercial viability of the site.
- 2.24 The Department for Transport (DfT) records data regarding traffic flows based on Average Annual Daily Flow (AADF). McDonald's advises that, where traffic flows are included as a Stage 1 criterion, a minimum AADF of 10,000 AADF would typically be required for a location to be considered a sustainable development opportunity. McDonald's analysis draws upon a hybrid dataset, which triangulates data from DfT, TomTom and mobile phone activity. This has been used to generate an estimated AADF for the Barnsley Retail Park site, as shown in Figure 2.1.

[illegible]

2.25 Using this approach, a traffic flow figure of 17,880 AADF has been identified, which exceeds the AADF threshold typically applied by McDonald's by 70%. The traffic flow achieved by the application site reflects its location:

- At a major destination retail site (Barnsley Retail Park); and
- On Harborough Hill Road (A61), a long-distance A-road running South-North from Derby to Thirsk (via Sheffield, Barnsley, and Leeds).

2.26 Based upon the Stage 1 analysis, the application site was identified as a commercially viable location for a McDonalds restaurant/hot food takeaway as a result of its: proximity to a major retail anchor; and ability to ease the pressure on existing restaurants in the local area.

- Proximity to major retail provision;
- Proximity to existing restaurants trading significantly above the company average;
- Market/population size; and
- Traffic flows.

2.28 The estimated sales figures for any site assessed at Stage 2 are an aggregate of three individual sales estimates. This approach is intended to reflect the core customer markets served by McDonald's across all formats:

- **Retail-related sales:** which take account of the size and strength of an area's retail draw and the potential of this to drive custom; and
- **Residential and delivery sales:** which reflect the size of the residential catchment within an 8-minute catchment (as well as the relationship to existing locations in the area);
- **Transient custom:** this is based on passing trade influenced by proximity to the strategic road network, volume of traffic flows and distance to the nearest Drive Thru/To.

2.29 McDonald's assessment of the anticipated sales for the application site indicates that the proposed restaurant at the application site is expected to perform well and to be commercially viable.

2.30 It is clear from the preceding paragraphs that McDonald's have been through a comprehensive site assessment process and that this process has identified the application site as a viable commercial opportunity.

3.0 Socio-Economic Impact of Development

- 3.1 This section of the report sets out the potential socio-economic impacts associated with the development proposals. The key impacts relate to the new employment opportunities and additional economic output that will be generated by the proposals (during both construction and operation). The environmental impacts and wider community impacts associated with the scheme are also considered.

Construction Impacts

Direct Employment

- 3.2 The total cost of delivering the proposed development is estimated to be in excess of £1.6 million. This is based upon figures provided to Lichfields by McDonald's.
- 3.3 Using labour coefficients from the HCA Calculating Cost per Job Best Practice Note (2015) and the above construction cost, it is possible to estimate the number of direct construction jobs to be supported by the proposed development. Taking account of the nature of the proposals, a 'private commercial' coefficient is considered as the most appropriate for calculating the number of direct construction jobs. This coefficient assumes that 16.6 direct Full-Time Equivalent ('FTE') jobs will be supported over a year for every £1 million of construction value (in 2011 prices).
- 3.4 To use the coefficient, the construction cost of £1.6 million has been deflated from 2024 to 2011 prices using the UK Government GDP deflator (2023). Applying the labour coefficient to the deflated construction cost of £1.2 million and then adjusting for the length of the construction period (2 months weeks or 0.17 years), indicates that the proposed development could be expected to support an average of 120 gross direct FTE jobs during the construction phase.

Indirect Employment

- 3.5 The redevelopment of commercial property involves purchases from a range of suppliers, who in turn purchase from their own suppliers further down the supply chain. The relationship between the initial direct expenditure and total economic impacts is referred to as the 'multiplier effect' and demonstrates that an initial investment can have substantially larger economic benefits as this expenditure is transmitted through the economy.
- 3.6 As a result, it is anticipated that some businesses in the local and regional economy would benefit from trade linkages established during the construction of the scheme. Consequently, a number of indirect jobs would be supported through the supply of construction materials and equipment.
- 3.7 ONS data indicates that the Yorkshire and Humber construction industry has an indirect multiplier of 2.21². Applying this to the 120 direct FTE construction jobs derived above indicates that a further 145 FTE indirect jobs could be supported during the construction phase. In total, therefore, the proposed development could be expected to support 267 direct and indirect FTE jobs during the construction phase.

² ONS Detailed Input-Output Tables (2019); an employment multiplier of 2.21 implies that for every one direct job generated a further 1.21 indirect jobs supported in the supply chain.

- 3.8 It should be noted that the preceding analysis is based upon the application of a ‘Type I’ multiplier and therefore makes no allowance for any induced employment impacts associated with the proposed development. Induced employment impacts relate to jobs generated within the local economy as a result of expenditure by those direct or indirect employees associated with the scheme. On this basis, the total employment impact derived above is considered to represent a conservative estimate.

Economic Output

- 3.9 The construction phase of the development will also contribute to local economic output, as measured in terms of Gross Value Added (GVA). GVA is a measure of the difference between what is produced as output (goods and services) and the inputs (raw materials, semi-finished products etc.) used in the production of the output. It represents the additional value that is added through economic activity. In measuring economic growth, economists typically have regard to the quarterly (or annual) change in GVA for a given area.
- 3.10 Based on recent (2023) data published by Experian, it is estimated that the scheme could be expected to deliver an additional £3.1 million of (direct and indirect) GVA during the construction phase. This estimate has been derived having regard to:
- The level of direct employment to be supported during construction;
 - Average GVA per construction worker for the Yorkshire and the Humber region³;
 - An appropriate GVA multiplier for the construction industry⁴; and
 - The anticipated length of the build period.
- 3.11 It should be noted that a Type I multiplier has been applied and, as such, no induced effects are captured within the analysis. In reality, therefore, £3.1 million of GVA is likely to represent a conservative estimate of the scheme’s impact.

Operational Impacts

Direct Employment

- 3.12 McDonald’s estimate that the development could support the creation of 50 gross direct headcount jobs (or 40 gross direct FTE jobs) once the scheme is completed and operational. This estimate is underpinned by McDonald’s extensive experience of operating restaurants as well as the business model developed for this particular site.

Indirect/Induced Employment

- 3.13 In addition to the direct jobs considered above, some indirect employment would also be created by the additional supply chain expenditure by McDonald’s. The wage expenditure of direct employees, as well as those employed in the supply chain, would also support induced jobs in shops, services, and other businesses in the local economy.

³ Experian, 2023

⁴ A multiplier of 2.27 has been applied, based on ONS Detailed Input-Output Tables (2019)

- 3.14 Having regard to appropriate local and regional multipliers⁵, it is estimated that the 40 direct FTE jobs created by the proposed development could support the creation of approximately 15 'spin-off' FTE jobs in the local economy. At the regional level, an estimated 20 'spin-off' FTE jobs could be supported, including the 15 to be captured locally.
- 3.15 In total, therefore, the proposed development could support up to 60 FTE jobs (comprising direct, indirect, and induced impacts) across the wider region.

Economic Output

- 3.16 The direct operational employment to be created at the application site will also result in an increase in Gross Value Added (GVA).
- 3.17 Having regard to the level of gross direct employment associated with the scheme it is estimated that the proposals could generate in the order of £1.6 million of additional GVA per annum. This estimate has been derived having regard to:
- The level of gross direct FTE employment generated by the proposals (40 FTE jobs); and
 - Average GVA per FTE job in the 'Accommodation and Food Services' sector for the Yorkshire and the Humber⁶.

Fiscal Impacts

- 3.18 It is estimated that the proposed development could generate business rate payments in the order of £50,500 per annum. This has been calculated having regard to the following:
- The average Rateable Value (RV) of McDonald's Drive Thru/Drive To sites within a 10-mile radius of the proposed development⁷;
 - The estimated floorspace to be delivered at the application site; and
 - The application of a standard national business rate multiplier for England of 0.546.
- 3.19 Under the existing Business Rates Retention Scheme, 50% of the figure calculated above will be retained by the local authority. Whilst future changes to the Scheme are being considered, under the existing fiscal arrangements it can therefore be expected that £25,250 per annum is likely to be retained by the local authority.

Environmental Impacts

The scale of McDonald's operations presents an opportunity to have a positive impact on some of the biggest challenges facing the world today. The threat of climate change is one such challenge and McDonald's are proud of the investment they have made to reduce their carbon footprint in the UK.

McDonald's was the first global restaurant chain to set science-based greenhouse gas reduction targets at a global level. Working with all franchisees, their aim is to reduce greenhouse gas emissions related to all restaurants and offices by 2030.

⁵ HCA Additionality Guide, Fourth Edition 2014 – 'Recreation' multiplier: 1.38 local; 1.56 regional

⁶ Experian, 2023

⁷ [McDonald's Restaurant Locator Tool](#)

To meet these targets, McDonald's purchase all electricity from renewable sources and have invested in long term partnership agreements to develop the renewable energy infrastructure of the UK. In the UK and Ireland, McDonald's have committed to net zero restaurants and offices by 2030.

McDonald's as an organisation operate the following initiatives to promote environmental good practice:

- Cooking oil from restaurants is recycled into biodiesel using local collectors. The biodiesel is then used as fuel by McDonald's vehicles;
- McDonald's reuses delivery packaging wherever possible, in accordance with food safety laws. Over 80% of kitchen waste is recycled, which equates to 40% of total waste;
- All restaurants aim to recycle 100% of their corrugated cardboard, which in itself accounts for 15% of a restaurant's average total waste; and
- Customer recycling stations are installed in all new restaurants, to allow customers to separate paper cups, plastic bottles, and cups, and decant liquids.

Community Benefits

3.20 The proposed development is anticipated to provide several community benefits, including providing an additional dining option for those shopping and working at Barnsley Retail Park.

3.21 In addition to the above, McDonald's as an organisation is committed to operating as a valued and responsible member of the communities in which it operates. This is supported by a range of activity including:

- 1 **Delivering staff training programmes** – McDonald's invest more than £43 million in learning and development each year, supporting structured training including the opportunity to gain nationally recognised qualifications in hospitality, literacy, and numeracy all the way up to full business degrees. Approximately 67% of McDonald's employees are aged between 16-25, further emphasising the importance of a strong training programme to enhance the development and work experience of school leavers and young people.
- 2 **Encouraging young people to lead more active lives** – McDonald's have a long tradition of supporting community football, having provided financial support to improve the standards and growth of grassroots football across England, Scotland, Wales and Northern Ireland since 2002. McDonald's Fun Football programme is the UK's largest mass participation football programme and has successfully provided five million hours of free fun football for children across the UK. This has included impacts such as training over 30,000 new grassroots coaches, supporting over 10,000 grassroots clubs and providing over 250,000 new football kits to children's teams.
- 3 **Supporting charities** – McDonald's operate their own independently registered charity, Ronald McDonald House Charities UK, which helps support families while their children are in hospital or a hospice. As well as donating part of their profits, McDonald's and its franchisees also hold annual fundraising days and restaurants have collection boxes.

4.0 Summary

- 4.1 The development proposals seek a change of use from a restaurant (Class E) to a McDonald's restaurant/hot food takeaway (Class E / Sui Generis) at Unit 1B at the Barnsley Retail Park, Barnsley. The application site has been identified – using McDonald's bespoke analytical model – as a commercially viable location.
- 4.2 The analytical model has had regard to the following criteria, with the site performing well against each:
- Proximity to destination retail;
 - Trading performance of exiting McDonald's restaurants;
- 4.3 Modelled sales estimates for the site have also been produced, drawing upon analysis of comparable McDonald's locations. The exercise has confirmed the commercial potential of the site.
- 4.4 In addition to the commercial opportunity the development proposals present, the scheme also offers the opportunity to generate the following economic impacts:
- Support 120 direct FTE construction jobs, as well as supporting a further 145 indirect FTE jobs during the construction phase;
 - Generate an additional £3.1 million of Gross Value Added during construction;
 - Create 50 direct headcount jobs (40 direct FTE jobs) on-site, once the proposals are completed and operational. This could support a further 20 indirect and induced FTE jobs in the wider region;
 - Generate an additional £1.6 million of GVA per annum through direct operational employment; and
 - Deliver an uplift in business rates revenue in the order of £50,500 per annum – of which £25,250 would be retained locally.