



Potential Economic Impact of the Shambellie House Project

Final Report

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KEY FINDINGS

POTENTIAL CORE ECONOMIC IMPACT OF SHAMBELLIE HOUSE

- The research assessed the potential quantitative economic impact of Shambellie House, using data from the most recent Business Plan for the project to estimate the impact once the project is fully operational (i.e. Year 3 onwards).
- This included assessing the potential direct, indirect and induced¹ economic impacts of all of Shambellie House's activities on the Dumfries and Galloway economy and the wider Scottish economy.
- The approach adopted ensured that all aspects of activity at Shambellie House have been included – the impact of **employment** (i.e. direct employment by Shambellie House), the impact of **procurement/supply chain** (i.e. procurement/supplier expenditure by Shambellie House), and **visitor impacts** (i.e. impacts from the expenditure of visitors to Shambellie House).

Employment Impacts

- According to the Business Plan, Shambellie House will employ a total of 10 staff in a variety of full-time and part-time positions (as well as a range of casual contracts). This core employment equates to 7 FTE jobs, all of which will be located in Dumfries and Galloway.
- The study found that the direct employment at Shambellie House supports a further 5.3 indirect and induced FTE jobs in Dumfries and Galloway.
- In terms of net additional employment impacts, it is estimated that **Shambellie House will support 8.9 FTE jobs across the Dumfries and Galloway economy.**

Procurement Impacts

- In terms of procurement impacts – i.e. expenditure by Shambellie House on purchasing of various goods and services over and above expenditure on staffing - the total expenditure on procurement and supplies by Shambellie House once fully operational is expected to be more than £700,000, of which almost 80% is forecast to be spent within the Dumfries and Galloway economy (with the remaining 20% being spent within the rest of the Scottish economy).
- The study found that the direct procurement expenditure at Shambellie House will support a further £377,000 indirect and induced procurement expenditure in Dumfries and Galloway, and almost £108,000 elsewhere in Scotland.
- **Shambellie House will support almost £628,000 of procurement impact within Dumfries and Galloway – and a further £180,000 in the wider Scottish economy.**

Visitor Impacts

- The total number of annual **visitors (i.e. participants) to Shambellie House once it is fully operational is expected to be 12,510.**

¹ **Direct** Impacts – i.e. the project-specific employment, spend/turnover and GVA impacts; **Indirect** Impacts – i.e. the supplier linkage effects: spend/turnover, GVA and employment generated elsewhere in the local economy due to the project; **Induced** Impacts – i.e. the income multiplier effects: spend/turnover, GVA and employment generated in the local economy as a consequence of the spending of wages/salaries of those employed through both the direct and indirect impacts.

Potential Economic Impact of the Shambellie House Project (Shambellie House Trust)

- Based on a combination of Shambellie House-specific visitor information from the business plan and other documents about home location and spend patterns, alongside official volume and value tourism data, the study found that the **total gross visitor spend (off-site) of adult visitors to Shambellie House is likely to be £136,600 per year.**
- The results show that the **net additional economic impact of Shambellie House in terms of off-site visitor spend on the Dumfries and Galloway economy is likely to be £129,000 per annum.**

Potential Core Net Additional Economic Impact of Shambellie House

- In terms of net overall impacts, all of the various impacts have been converted to jobs (and subsequently GVA) using official, sector-specific data.
- **In total, the net additional impact of Shambellie House in terms of employment is expected to be 35.8 FTE jobs.**
- For the Dumfries and Galloway economy, the overall impact of Shambellie House will be **30.8 FTE jobs**. Additionally, Shambellie House will also support an **additional 5 FTE jobs elsewhere in the Scottish economy.**
- **In total, the net additional impact of Shambellie House in terms of GVA is £688,500.**
- For the **Dumfries and Galloway economy** the overall impact of Shambellie House is **more than £588,500 GVA**. Additionally, Shambellie House will support an **additional £100,000 GVA elsewhere in Scotland.**

ONE-OFF IMPACTS OF THE CONSTRUCTION PHASE OF THE PROJECT

- In addition to the annual potential impacts set out above, there will be one-off impacts relating to the capital/construction phase of the Shambellie House project.
- The total value of capital spend is currently estimated to be £3million once fees and VAT are excluded.
- Using the most recent Scottish Government data and applying this to the £3million capital spend shows that it will **support 27.7 temporary person years-worth of construction employment**, which can also be expressed as a **one-off GVA impact of more than £1.3million.**

FURTHER POTENTIAL ECONOMIC IMPACTS OF SHAMBELLIE HOUSE

- Consideration of the impacts resulting from the **use of off-site accommodation** - beyond what will be provided by Shambellie House - shows that **if 25% of residential course attendees request their own room** rather than sharing a twin room, the **resultant level of demand for off-site accommodation will have an off-site gross visitor spend impact of more than £46,700 per year.**
- Consideration about **Shambellie House being a stimulus for a longer or additional visit to the area by course attendees** shows that if 1% make such a trip (average of 3.1 nights per trip), this would total more than £15,800 gross visitor spend. Therefore, **if one in twenty of all course attendees at Shambellie House each year could be encouraged to return for another trip**, the **impact of these trips** – assuming visitors stay for the average of 3.1 nights - would be **almost £80,000 of gross visitor spend impacts.**

1. INTRODUCTION

Introduction and Overview of Study

- 1.1 Shambellie House Trust commissioned DC Research in April 2019 to carry out a research study into the 'Potential Economic Impact of the Shambellie House project' – the primary aim of which is to establish the potential economic impact that the Shambellie House project will have on the economy of Dumfries and Galloway once the project is fully operational.
- 1.2 As well as identifying the potential core economic impact in terms of attributable spend, FTE jobs and Gross Value Added (GVA), the study also considered some additional ways in which there could be further economic impacts as a result of the Shambellie House project – focusing on some of the additional visitor economy and tourism impacts that could occur as a result of the project.

Shambellie House

- 1.3 Shambellie House is located on the edge of New Abbey in Dumfries and Galloway, an area of Scotland characterised by hills, lochs, forests, castles, rocky coves and quiet beaches. Built by William Stewart in 1858, it was given to the Scottish nation in 1977 and became the National Museum of Costume. The museum closed in 2013. The house and lodge are listed category B and sit in 2.33 ha of land.
- 1.4 In response to the museum closure, Shambellie House Trust ran a number of community consultations to explore ideas for the future of the house. The Trust's vision is:
 - To **create a centre for day and short residential courses**
 - celebrating the environment and culture of Dumfries and Galloway
 - connecting the centre to the wider community
- 1.5 The Trust's objectives are:
 - To arrange for the buildings and grounds to be used for the advancement of arts, heritage and culture. Providing facilities for the arts and providing heritage benefit to the community by preserving the listed building of Shambellie House (including any outbuildings or associated buildings and grounds).
 - To arrange for the buildings and grounds to be used for the advancement of education, in particular arts, culture and the environment.

Overview of Approach

- 1.6 In order to fulfil the aims of the research study, a six-task method was adopted. This is summarised below, and more detail about the approach and method for, and the assumptions underpinning, the economic impact analysis is included in Annex 1:

- **Task 1: Inception Meeting.** An inception meeting was held in May 2019, with subsequent progress updates provided via email communications between the DC Research study team and Shambellie House Trust during the study.
- **Task 2: Desk based research and data analysis.** This involved a focused analysis of core data and documents, financial information and reports, marketing and potential visitor data to develop a quantitative analysis of the potential direct employment, procurement and visitor impacts. Task 2 also included discussions with key trustees on data and evidence issues to help inform the rationale used to drive the key assumptions underpinning the bespoke impact assessment model for Shambellie House.
- **Tasks 3 and 4: One-to-one discussions with Shambellie House Trust trustees and tutors.** To provide analytical context and robustness and to consider the key assumptions that underpin the economic impact model, discussions took place about the potential impacts of Shambellie House with a range of trustees, as well as a small sample of individuals that will be involved in the project as tutors. In total, 11 one-to-one discussions (using a combination of face-to-face and telephone discussions) took place - see Annex 2 for a list of consultees.
- **Task 5: Business Survey.** A survey of local businesses was carried out during July and early August 2019. The survey was an online survey which invited local businesses to consider the potential impact of the Shambellie House project both on their own business directly as well as the wider Dumfries and Galloway economy. A total of 41 valid replies were received and these have been used to underpin the analysis carried out in this report, especially in terms of informing some of the assumptions that underpin the economic impact assessment.
- **Task 6: Analysis and Reporting.** This task involved bringing together and synthesising the results and findings from the previous elements to assess the potential economic impact of Shambellie House both in terms of the core aspects of the project once fully operational and also in terms of further potential additional economic impacts of the project.

Structure of Report

1.7 This is the Final Report for the Potential Economic Impact of Shambellie House, produced in August 2019, and is structured as follows:

- Section 2 presents the findings about the **core, potential economic impact of Shambellie House** on the local (Dumfries and Galloway) and national (Scotland) economies. This focuses on setting out the quantitative economic impact of Shambellie House – assessing the direct, indirect and induced economic impacts of Shambellie House’s activities on the local economy (Dumfries and Galloway), and the wider Scottish Economy.

- Section 3 considers some **further potential economic impacts** that could occur as a result of the Shambellie House project around additional **visitor economy and tourism impacts** – drawing on findings from the desk research, supported by both the consultations and the local business survey.
- Annex 1 summarises the **approach and method** used for the Economic Impact Assessment and summarises the key **assumptions** used in the analysis.
- Annex 2 provides a list of the **individuals that were consulted** on a one-to-one basis as part of the research. This includes both Shambellie House Trust trustees as well as a sample of tutors who will be involved in the delivery of courses once the project is operational.
- Annex 3 presents a **summary of the key findings from the local business survey** carried out in July and August 2019.

2. POTENTIAL ECONOMIC IMPACT OF SHAMBELLIE HOUSE

Introduction to Section 2

- 2.1 This section of the report sets out the potential economic impact of Shambellie House, using data from the Trust's Business Plan – and in particular, from updated information about the scale of economic activity once the project is fully operational and operating at capacity – i.e. from Year 3 of the Business Plan onwards.
- 2.2 This includes assessing the direct, indirect and induced economic impacts of Shambellie House's activities on the Dumfries and Galloway economy and the wider Scottish Economy.
- 2.3 The approach adopted has sought to ensure that all aspects of potential economic activity at Shambellie House have been included in the impact assessment.
- 2.4 This has included capturing the impact of **employment** and any associated **procurement**/supply chain expenditure (i.e. direct employment at, and other employment associated with, Shambellie House), as well as **visitor impacts** (i.e. the impacts on the wider economy from the expenditure of visitors to Shambellie House)².
- 2.5 In adopting this approach, it is important to ensure that any potential for double counting is addressed. Using employment-related analysis provides a more refined and robust approach to assessing the indirect and induced impacts (than simply relying on gross visitor expenditure patterns on-site at Shambellie House). However, it does mean that the assessment of visitor impacts needs to ensure that on-site visitor impacts (i.e. spend by visitors at Shambellie House) are not included in the visitor impact assessment – as this expenditure and impact is already captured through the employment-related and procurement-related impact assessment.
- 2.6 Therefore, only off-site visitor expenditure is included in the analysis as this ensures that any potential double-counting (between Shambellie House employment and procurement impacts and on-site visitor spend impacts) is avoided, and that the various strands of analysis can be aggregated together to provide an overall potential economic impact assessment for Shambellie House.

Employment Impacts

- 2.7 According to the most recent Business Plan, Shambellie House expects to employ a total of 10 staff in a variety of full-time and part time positions (in addition to the use of casual contracts). In order to carry out the economic impact assessment, the jobs are converted into full-time

² Given the planned business model for Shambellie House it is worth highlighting that the cost (and related economic impact) of course tutors is included within the procurement spend analysis rather than the employment analysis.

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equivalent positions and the results are summarised in Table 2.1 below. In total there are anticipated to be 7 FTE jobs.

Table 2.1: Number of Jobs at Shambellie House				
	Full time	Part time	Total (Posts)	Total (FTE)
Dumfries and Galloway	4	6	10	7
Rest of Scotland	-	-	-	-
Total	4	6	10	7
Source: DC Research analysis based on Shambellie House Business Plan 2019				

2.8 These 7 FTE jobs will support further employment through indirect effects (i.e. procurement/supply chain effects) and induced effects (from the local spend out of employment income of those employed at Shambellie House). Building on the approach and assumptions set out in Appendix 1, the net additional impact of this employment has been estimated.

2.9 Table 2.2 sets out the estimated net direct, indirect and induced employment created as a consequence within the key impact area of Dumfries and Galloway.

Table 2.2: Direct, Indirect and Induced Employment Impacts of Shambellie House					
	Total Gross Direct Jobs	Total Net Direct Jobs	Indirect Jobs	Indirect & Induced Jobs	Net Additional Jobs (Net Direct, Indirect & Induced)
Dumfries and Galloway	7.0	3.5	4.6	5.3	8.9
Rest of Scotland	-	-	-	-	-
Total	7.0	3.5	4.6	5.3	8.9
Source: DC Research analysis based on Shambellie House Business Plan 2019					

2.10 Table 2.2 estimates that the direct employment at Shambellie House will support a further 5.3 indirect and induced FTE jobs in Dumfries and Galloway.

2.11 In total, in terms of employment impacts, it is estimated that Shambellie House will support 8.9 FTE jobs across the Dumfries and Galloway economy.

Procurement Impacts

2.12 In terms of procurement impacts – i.e. expenditure by Shambellie House on purchasing of various goods and services over and above the expenditure on staffing - the total expenditure on procurement and supplies by Shambellie House on an annual basis once the project is fully operational is anticipated to be just over £700,000 and is summarised (in terms of geography) in Table 2.3.

2.13 Table 2.3 shows that of the £700,000 total procurement expenditure, almost 80% is predicted to be spent within the Dumfries and Galloway

economy (with the remaining 20% being spent within the wider Scottish economy).

Table 2.3: Procurement Expenditure by Shambellie House	
	Total Procurement Spend
Dumfries and Galloway	£ 558,019
Rest of Scotland	£ 142,044
Total	£ 700,063
Source: DC Research analysis based on Shambellie House Business Plan 2019	

2.14 Table 2.4 sets out the geographic distribution of procurement expenditure and the estimated net direct, indirect and induced expenditure created as a consequence within the key impact areas of Dumfries and Galloway and the rest of Scotland.

Table 2.4: Direct, Indirect and Induced Procurement Impacts of Shambellie House					
	Direct Gross Expend.	Direct Net Expend.	Indirect Expend.	Indirect & Induced Expend.	Net Additional Expend. (Direct, Indirect & Induced)
Dumfries and Galloway	£ 558,019	£251,109	£326,441	£376,663	£627,771
Rest of Scotland	£ 142,044	£71,910	£93,483	£107,865	£179,774
Total	£700,063	£323,018	£419,924	£484,527	£807,546

2.15 Table 2.4 estimates that the direct procurement expenditure at Shambellie House will support a further £376,663 indirect and induced procurement expenditure in Dumfries and Galloway, and almost £108,000 elsewhere in Scotland.

2.16 In total it is estimated that Shambellie House will support almost £628,000 of procurement impact within the Dumfries and Galloway economy – and almost a further £180,000 in the wider Scottish economy.

Visitor Impacts

2.11 This section considers the **visitor impacts** (i.e. the overall impacts on the economy from the off-site expenditure of visitors to Shambellie House).

2.12 The evidence used in this section is drawn from specific data from the Shambellie House Project Business Plan, as well as a range of official, secondary data sources.

2.13 Information contained in the Business Plan shows that once the project is fully operational, the anticipated **total number of visitors to (i.e.**

participants in the various courses at) Shambellie House will be 12,150 per year.

- 2.14 It is this total visitor figure (12,150) that is used to estimate the expenditure impacts from visitors.
- 2.15 In assessing visitor economic impacts, it is important to make a distinction between different types of visitors – typically between local visitors, day visitors and overnight visitors, with the latter typically spending more in the local economy per visit. Analysis of the Business Plan, and the 2018 Shambellie House Trust: Market Assessment alongside official visitor statistics from Visit Scotland for Dumfries and Galloway have all been used to inform the factors and assumptions that underpin the impact model.
- 2.16 This information is important to ensure that any attribution of a proportion of a local trip, a day trip, or part of an overnight trip to Shambellie House is reasonable, justifiable, and robust.
- 2.17 Based on a combination of the aforementioned sources, the geographic location and type of visitors to Shambellie House can be estimated.
- 2.18 As set out in the Business Plan, from Year 3 onwards, Shambellie House will offer a total of 1,080 courses, split equally between day courses and the three levels of residential courses (i.e. 270 courses of each type). Using the average number of students/participants on each type of course (15 for day courses and 10 for each type of residential course) leads to the total number of anticipated students of 12,150.
- 2.19 Of this total, as Table 2.5 shows, 4,050 will be attendees at day courses (effectively day visitors), whilst 8,100 will be attendees at residential courses (effectively overnight visitors).
- 2.20 As outlined in the Market Assessment, local residents are anticipated to be the primary market for the day courses, and as such it is assumed that all attendees at day courses are from Dumfries and Galloway. Conversely, it is assumed that all of the attendees for the residential courses are from locations outside of Dumfries and Galloway³.

Table 2.5: Home Location of Visitors to Shambellie House	
Visitor Type and Home Location	Shambellie House Visitors
Visitor from Dumfries and Galloway	4,050
Visitor from elsewhere in Scotland/rest of UK	8,100
Total	12,150
Source: DC Research analysis of Shambellie House Business Plan and 2018 Market Assessment, 2019	

³ Whilst there is likely to be a proportion of day course attendees that will reside outside of Dumfries and Galloway, and also a proportion of residential course attendees that will reside within Dumfries and Galloway, there are no estimates available for this geographic split – it is therefore assumed for the moment that all day course attendees are local and all residential course attendees and from outside of Dumfries and Galloway – with these two assumptions effectively balancing each other out.

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2.21 In terms of spend by these visitors, data from Visit Scotland for Dumfries and Galloway can be used to estimate the typical spend per day for both a day visitor and an overnight visitor⁴:

- Average spend per day of a day visitor = £42.78
- Average spend per day of an overnight visitor = £62.93

2.22 Given the planned offer at Shambellie House – where the course fees for residential courses will cover accommodation, meals, and transport for trips out as part of any courses, and the course fees for day courses will cover the same (excluding accommodation) – it is important that only off-site visitor impacts above and beyond this are included in the economic impact analysis.

2.23 As such, and in the absence of any verifiable data on this, it has been assumed that, on average, participants will spend one-fifth of what a ‘typical’ day/overnight visitor would spend according to Visit Scotland data for Dumfries and Galloway. This estimate equates to assuming that a day visitor will spend £8.56 elsewhere in the Dumfries and Galloway economy as part of their visit to Shambellie House, and that an overnight visitor will spend £12.58 elsewhere in the Dumfries and Galloway economy as part of their trip to Shambellie House.

2.24 Combining these results and assumptions, Table 2.6 provides a summary of the total gross visitor spend for Shambellie House when fully operational. This is the **total gross visitor spend (off-site) of visitors to Shambellie House – more than £136,000.**

2.25 This overall total can be presented by type of visitor – Table 2.6 shows that it is estimated that almost £35,000 will be spent in the area by attendees at day courses, and almost £102,000 will be spent in the area by attendees at residential courses.

Table 2.6: Estimate of Off-site Gross Visitor Expenditure for Visitors to Shambellie House

Visitor Type	Average off-site expenditure	Number of visitors of this type to Shambellie House	Gross Expenditure (rounded)
Day	£8.56	4,050	£34,668
Overnight	£12.58	8,100	£101,898
TOTAL	-	12,150	£136,566

Source: DC Research analysis of Shambellie House Business Plan and 2018 Market Assessment, 2019

⁴ <https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers-2/regional-factsheets/dumfries-and-galloway-.pdf>

- 2.26 These results present the estimated gross spend by visitors to Shambellie House. In order to assess the net additional impact of this expenditure, it is important to only attribute the value of visitor spending relative to the role of Shambellie House as the motivation for the visit to the area, the length of time spent at Shambellie House and in the surrounding area as part of the visit, and consideration about what else participants might have done instead of attending Shambellie House.
- 2.27 Annex 1 outlines the assumptions that underpin this analysis – which has used various sources to provide estimates of attribution, deadweight and displacement⁵, as well as using best practice guidance to identify up-to-date indirect and induced multiplier values (see Annex 1 for details about the approach and assumptions), Table 2.7 sets out the results for the **net additional expenditure impact of visitors to Shambellie House**.

Table 2.7: Direct, Indirect and Induced Off-Site Visitor Expenditure Impacts for Shambellie House (rounded)

Visitor Type	Visitor (off site) gross expend.	Visitor (off site) net expend.	Visitor (off site) indirect expend.	Visitor (off site) indirect & induced expend.	Net additional off-site expend. (direct, indirect & induced)
Day ⁶	£34,700	-	-	-	-
Overnight	£ 101,900	£ 51,600	£61,900	£77,400	£129,000
Total	£136,600	£51,600	£61,900	£77,400	£129,000

- 2.28 The results show that, once the project is fully operational, the **net additional economic impact in terms of off-site visitor impacts for Shambellie House is estimated to be £129,000 per annum**.

⁵ Explanations of each of these terms are provided in the glossary included in Annex 1 to this report.

⁶ See Annex 1 for a fuller explanation on the assumptions – but it is important to note that given the attendees at day courses are expected to be people from the local area (see earlier in Section 2), then in terms of net additionality the spend of these course attendees is not additional to the Dumfries and Galloway economy as they reside there and would have spent this money in the area anyway.

Summary of Potential Core Economic Impacts of Shambellie House

- 2.29 In order to estimate the overall impacts of Shambellie House in terms of employment and GVA (Gross Value Added) impacts, all the various separate elements of analysis set out in this section are brought together. This includes the aggregation of the employment impacts, procurement impacts, and off-site visitor impacts, providing an overall assessment of the net additional impact of Shambellie House once it is fully operational.
- 2.30 In terms of net overall employment impacts, all of the various expenditure impacts have been converted to jobs (and subsequently to GVA) by using sector specific data about employment, turnover and GVA⁷.
- 2.31 Table 2.8 summarises the ratios and estimates that have been used in terms of turnover per job ratios, and GVA per job ratios to develop the overall employment and GVA estimates.

Table 2.8: Turnover: employment & GVA: employment ratios used to assess overall potential core economic impacts of Shambellie House

Industry	Turnover per job ratio (rounded)	GVA per job ratio (rounded)
'Sustainable Tourism' (Dumfries & Galloway)	£34,475	£19,102
'Sustainable Tourism' (Scotland)	£35,925	£19,976

Source:
<https://www2.gov.scot/Topics/Statistics/Browse/Business/SABS/LATables/Tourism-by-LA>
Note: Data for 2017 (released in June 2019) from this source was used to extract/develop Turnover per job and GVA per job ratios for Sustainable Tourism.

2.32 Expressing all of these impacts in terms of employment, for the **local Dumfries and Galloway economy** the overall net additional impact of Shambellie House is anticipated to be **30.8 FTE jobs**. Additionally, Shambellie House also supported an **additional 5 FTE jobs in the national economy** (i.e. elsewhere in Scotland).

2.33 In total, the net additional impact of Shambellie House in terms of employment is 35.8 FTE jobs.

2.34 Expressing all of these impacts in terms of GVA, for the **local Dumfries and Galloway economy** the overall net additional impact of Shambellie House is **£588,500 GVA**. Furthermore, Shambellie House also supported an **additional £100,000 GVA in the national economy** (i.e. elsewhere in Scotland).

2.35 In total, the net additional impact of Shambellie House in terms of GVA is £688,500.

⁷ Data from the Scottish Annual Business Survey 2016 relating to Sustainable Tourism has been used – see <https://www2.gov.scot/Topics/Statistics/Browse/Business/SABS/LATables/Tourism-by-LA>.

2.36 These results are summarised in Table 2.9 below.

Table 2.10: Summary of Overall Core Potential Economic Impact of Shambellie House – ALL ASPECTS		
	Jobs	GVA (rounded)
Local (i.e. Dumfries and Galloway)	30.8	£588,500
National (i.e. elsewhere in Scotland)	5	£100,000
Total	35.8	£688,500
Note: the two totals (jobs and GVA) reported above are two different ways of reporting the <i>same</i> impact – i.e. the impact is 35.8 jobs which can also be expressed as £688,500 GVA.		

One-off Construction Impacts

- 2.37 In addition to the annual impacts set out above, there will be one-off impacts relating to the capital/construction phase of the Shambellie House project.
- 2.38 The **total value of capital spend is currently estimated to be £3million** once fees, contingency and VAT are excluded.
- 2.39 Based on this value of construction spend, an estimate of the number of jobs and value of GVA (Gross Value Added) that this level of capital spend will support can be provided by applying turnover per job and GVA per job ratios to this total spend.
- 2.40 Using the most recent Scottish Government data⁸ and applying this to the £3million capital spend shows that this **will support 27.7 temporary person years-worth of construction employment**, which can also be expressed as a **one-off GVA impact of more than £1.3million**.

⁸ Data is from the Scottish Annual Business Statistics – Construction data, released June 2019 (most recent data is for 2017) - <https://www2.gov.scot/Topics/Statistics/Browse/Business/SABS/LabySection>. Turnover per job for Dumfries and Galloway is £108,286; GVA per job for Dumfries and Galloway is £47,171.

3. ADDITIONAL IMPACTS TO CONSIDER – FURTHER POTENTIAL IMPACTS OF SHAMBELLIE HOUSE

Introduction to Section 3

3.1 This section considers some **further potential economic impacts** that could occur as a result of the Shambellie House project around additional **visitor economy and tourism impacts** – drawing on findings from the desk research, supported by both the consultations and the local business survey.

Potential Additional Impacts from Off-Site Accommodation use

3.2 The first consideration is about the **potential wider impacts resulting from the use of accommodation above and beyond that which will be provided by Shambellie House** itself.

3.3 Whilst, according to the estimates provided in the Business Plan, it is theoretically possible for Shambellie House to offer sufficient bed-spaces for all attendees⁹ – this would rely on all attendees attending on their own (i.e. with no partners etc.) and also being happy to share accommodation (i.e. a twin room) with another course attendee.

3.4 The **Shambellie House Trust Market Assessment 2018 suggests that 25% of those interested in special interest holidays like that on offer at Shambellie would travel on their own**. If this ratio is applied to the Shambellie House assessment of provision and uptake of bed-spaces, this would result in a need for some level of off-site accommodation provision.

3.5 **Applying this 25% ratio would result in a shortfall of 743 bed-spaces for participants per annum** (4,320 rooms are available per annum, but 25% requesting their own room would mean that 5,063 rooms would be required per year).

3.6 As these are all overnight visitors on residential courses, it is **reasonable to apply the standard spend metrics for an overnight visitor to Dumfries and Galloway¹⁰ to this number** (although it is expected that some of the spend itself will be a payment from Shambellie House to the off-site accommodation providers to cover the cost of any rooms used as attendees will have paid for residential courses). As noted in Section 2, the standard spend per day for an overnight visitor to Dumfries and Galloway is £62.93.

3.7 Therefore, **this level of demand for off-site accommodation will result in an off-site gross visitor spend impact of more than £46,700 per year**.

⁹ It is understood that Shambellie House will offer 12 twin rooms (two beds per room) i.e. 24 bed spaces per night for 360 nights, equating to a total capacity of 8,640 bed spaces. Given the total number of participants for residential courses is expected to be 8,100 per year, this shows there is sufficient capacity to offer all residential course attendees onsite accommodation.

¹⁰ <https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers-2/regional-factsheets/dumfries-and-galloway-.pdf>

- 3.8 If the ratio of course attendees wanting their own room was higher – e.g. **if one-third of residential course attendees requested single occupancy – then this off-site impact would increase to almost £68,000 per annum.**
- 3.9 Furthermore, if there is the offer for partners of course attendees who would not be attending courses themselves to use the bed-spaces at Shambellie House, this would further increase the demand for bed-spaces and would resultantly increase the wider economic impacts of Shambellie House due to the greater demand for off-site accommodation provision.

Potential Additional Impacts from New/Longer Visits to Dumfries and Galloway

- 3.10 The second aspect to consider is about the **participants at Shambellie House using their course attendance as a stimulus for a longer or additional visit to the area** – i.e. staying elsewhere in Dumfries and Galloway before/after their course and/or returning on a separate trip to Dumfries and Galloway at a later time directly due to the stimulus of attending their course at Shambellie House.
- 3.11 At the current time, no verifiable data is available on the extent to which this will occur – although it is **entirely reasonable to assume that it will occur to some extent, and the findings from both the consultations and the business survey carried out for this study support this** – with it being identified in both as an anticipated outcome of the Shambellie House project.
- 3.12 Based on Visit Scotland data for 2017¹¹, the average length of stay for overnight visitors to Dumfries and Galloway is 3.1 nights, with a total average spend per visit of £198 (£62.93 per day).
- 3.13 In order to provide an estimate of the potential impact this type of trip could have on the Dumfries and Galloway economy, analysis has been carried out to consider the impact for every 1% of course attendees that make such a trip.
- 3.14 **If 1% of course attendees make such a trip, this equates to 810 attendees per year, which would total almost £5,100 gross visitor spend per day, or more than £15,800 gross visitor spend per trip** (i.e. average of 3.1 nights).
- 3.15 Therefore, **if one in twenty of all attendees (i.e. 5%) at Shambellie House courses each year could be encouraged to return for another trip to Dumfries and Galloway, the impact of these trips** – assuming visitors stay for the average of 3.1 nights - **would be almost £80,000 in terms of gross visitor spend impacts.**

¹¹ <https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers-2/regional-factsheets/dumfries-and-galloway-.pdf>

ANNEX 1: ECONOMIC IMPACT APPROACH, METHOD & ASSUMPTIONS

Our approach delivers a **robust, evidence-based, verifiable assessment of the potential core and additional impacts of Shambellie House in terms of economic impact.**

To ensure that the study is robust, we assess the economic impact by applying a **'Green Book'** approach. The Green Book is an HM Treasury approach used to make an economic assessment of the costs and benefits of new policies, projects and programmes. In terms of impact evaluation, the 'Green Book' approach compares a baseline scenario (i.e. do nothing) and the proposed intervention or investment scenario (i.e. the project). This allows an estimation of **deadweight, displacement, leakage, substitution and multiplier effects** for the project, and therefore provides an overall assessment of the **gross and net additional economic impacts** in terms of total spend, jobs created/safeguarded and GVA (Gross Value Added) providing an assessment of:

- **Direct Impacts** – i.e. the Shambellie House-specific employment, spend/turnover and GVA impacts.
- **Indirect Impacts** – i.e. the supplier linkage effects: spend/turnover, GVA and employment generated elsewhere in the economy due to Shambellie House.
- **Induced Impacts** – i.e. the income multiplier effects: spend/turnover, GVA and employment generated in the economy as a consequence of the spending of wages/salaries of those employed through both the direct and indirect impacts.

In terms of **study parameters**, the **local geographic impact** area was Dumfries and Galloway, and Scotland as the **national impact area**.

The approach adopted has sought to ensure that all aspects of potential economic activity at Shambellie House have been included in the economic impact assessment.

This has included the impact of **employment** and any associated **procurement**/supply chain expenditure (i.e. direct employment at, and other employment associated with, Shambellie House), as well as **visitor impacts** (i.e. the impacts on the economy from the expenditure of visitors to Shambellie House).

In adopting this approach, it is important to ensure that the potential for double counting is dealt with. Using employment-related analysis provides a more refined and robust approach to assessing the indirect and induced impacts (than simply relying on gross visitor expenditure patterns on-site at Shambellie House). However, it does mean that the assessment of visitor impacts needs to ensure that on-site visitor impacts (i.e. expenditure by visitors on-site at Shambellie House) are not included in the visitor impact assessment – as this expenditure and impact is already captured through the employment-related impact assessment.

As such, only off-site visitor expenditure is included in the final analysis as this ensures that any potential double-counting (between Shambellie House

employment impacts and on-site visitor spend impacts) is avoided, and that the impacts from the various strands of analysis can be aggregated together to provide an overall economic impact assessment for Shambellie House.

Method

The method adopted for this economic impact assessment included a number of key elements of primary and secondary research – all of which were designed to ensure that the economic impact assessment is bespoke to Shambellie House, relying on specific data from Shambellie House Trust supplemented by specific evidence drawn from the primary research carried out. This ensures that the assumptions that underpin the economic impact assessment are tailored to Shambellie House, and to the economic characteristics of the local economy.

The key elements of the method included:

- Detailed **review of key data and information** from Shambellie House. This included a focused analysis of core data and documents, financial information and reports, marketing and potential visitor data to develop a quantitative analysis of the potential direct employment, procurement and visitor impacts. It also included discussions with key trustees on data and evidence issues to help inform the rationale used to drive the key assumptions underpinning the bespoke impact assessment model for Shambellie House.
- **Local Business Survey** – as part of this study, a survey of local businesses took place in July and early August 2019 – supported by promotion and dissemination via Dumfries and Galloway Chamber of Commerce towards specific, relevant businesses as well as general promotion on the Shambellie House Trust Facebook page. The survey was an online survey which invited local businesses to consider the potential impact of the Shambellie House project both on their own business directly as well as the wider Dumfries and Galloway economy. A total of 41 valid replies were received and these have been used to underpin the analysis carried out in this report, especially in terms of informing some of the assumptions that underpin the economic impact assessment.
- **One-to-one discussions with Shambellie House Trust trustees and tutors.** To provide analytical context and robustness and to consider the key assumptions that underpin the economic impact model, discussions took place about the potential impacts of Shambellie House with a range of trustees, as well as a small sample of individuals that will be involved in the project as tutors. In total 11 one-to-one consultations took place – a list of consultees is provided in Annex 2.

Assumptions

There are a number of assumptions that have been made in order to estimate the economic impact of Shambellie House on the local and national economies. In general, the approach taken to the assessment is adopted and adapted from the HM Treasury's 'Green Book' approach, using Scottish Enterprise's Additionality & Economic Impact Assessment Guidance Note (2008), and informed, where relevant, by the Homes and Communities Agency (HCA) Additionality Guide (4th edition, 2014); BIS Occasional Paper No.1: Research to improve the assessment

of additionality (2009); BIS Guidance for Using Additionality Benchmarks in Appraisal (2009).

The specific evidence from the primary and secondary research has been used to adjust and augment (and where appropriate replace) the standard economic impact assumptions.

For the **multiplier effects** (i.e. the further economic activity (jobs, expenditure, or income) associated with additional local income and local supplier purchases) Scottish Government Input-Output Tables have been used. Scottish Government's 2016 Input-Output Tables were published in 22nd August 2019¹² – and these therefore provide the most up-to-date, comprehensive source of multipliers.

Multipliers from this source are available by industry sector, and the analysis for Shambellie House was carried out by identifying the relevant industry sector and adopting the most appropriate Type I (which covers the indirect effects¹³) and Type II (which covers both the indirect and the induced effects¹⁴) multipliers for each element. As such, the multipliers selected are the most relevant to the main economic activities generated by Shambellie House and are from Industry Groups: 90 (Creative services) – for the core employment and procurement analysis; as well as 55 (Accommodation); and 56 (Food & beverage services) – for the wider visitor impacts, where these are used as a proxy for tourism.

It was decided to use these multipliers rather than other multipliers (available from the other guidance documents and sources listed earlier) for a number of reasons/benefits: (i) they provide industry specific multipliers; (ii) they are the most up-to-date available (2016); (iii) they enable Type I (indirect) and Type II (indirect and induced) impacts to be separately assessed. The only note of caution would relate to the fact that these are Scotland-wide, and as such the multipliers for local impacts are likely to be lower in value. Notwithstanding this, due to the notable reasons and benefits of using these multipliers (especially the up-to-date nature of the multipliers, the ability to distinguish between Type I and Type II economic impacts, and in particular the sector specificity) it has been decided to adopt these multipliers.

The **base case/do nothing scenario** for this study assumes a scenario where Shambellie House is not developed as set out in the Trust's current business plan (2019) and remains in its current state and undeveloped in relation to the project. In comparison, the **development scenario** takes into account the economic impacts of all elements of the business plan and estimates the economic impact of the fully operational position (i.e. the position from Year 3 onwards from the Business Plan).

The net additional direct, indirect and induced economic impacts have been generated by adopting and adapting the above guidance and related assumptions and ready reckoners, tailoring these to the specific nature of Shambellie House to

¹² <https://www2.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads/IO1998-2016Latest>

¹³ The indirect multiplier, also known as the supply linkage multiplier, covers the effects of purchases made as a result of the intervention and further purchases associated with linked firms along the supply chain.

¹⁴ The induced multiplier, also known as the income multiplier, covers the effects associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the project.

Potential Economic Impact of the Shambellie House Project (Shambellie House Trust)

provide a bespoke impact model. These assumptions are summarised in the table below.

Factor	Standard Assumption	Value for Shambellie House	Rationale
Attribution (Visitors)	N/A	Local Visitors (n/a); non-local Visitors (1.0)	Assumption is that local visitors would have been in the Dumfries and Galloway economy anyway, whilst course attendees from further afield are coming specifically for the offer at Shambellie House and their full visit can be attributed to Shambellie House.
Deadweight (Visitors)	No ready reckoner – use survey driven evidence to develop assumption	Local: assume 100% deadweight; all other visitor types – assume 0%	Local visitors assumed to be 100% deadweight as it is likely their spend would have occurred in the local economy anyway. Non-local visitors assumed to be wholly additional as their visit is due to Shambellie House.
Leakage (Visitors)	Low – 0.1	0.1	Whilst it will be low, is assumed that there will be leakage of spend as some visitors from further afield will spend money outside of Dumfries and Galloway on route to/from Shambellie House.
Displacement (Visitors)	Low – 0.25	0.25	Whilst it will be low, is assumed that there will be some displacement as some visitors would have attended courses elsewhere in Dumfries and Galloway but have now decided to visit Shambellie House instead
Multiplier (Visitors)	Type I Output Multiplier (IO) - 1.2; Type II Output Multiplier (IO) - 1.5		Scottish IO Tables for Industry groups 55/56 'Accommodation' and 'Food & beverage services' used as proxy for visitors/tourism.
Deadweight (Employment and Procurement)	0	0	Deadweight is regarded as zero as the jobs would not exist in the area without the Shambellie House project, albeit some (non-specialist) activity may have happened elsewhere.

Potential Economic Impact of the Shambellie House Project (Shambellie House Trust)

Factor	Standard Assumption	Value for Shambellie House	Rationale
Leakage (Employment and Procurement)	Emp: Low - 0.1 Proc: 0.2	Emp: 0.1 Proc: 0.2 (D&G) 0.1 (Scot)	Whilst it will be low, is assumed that there will be leakage of employment effects beyond Dumfries and Galloway. Procurement uses financial plan and makes assumptions about likely location of spend to give 20% leakage.
Displacement (Employment and Procurement)	Low - 0.25	0.25	Given the offer in terms of Shambellie House in the local area, displacement is regarded as low, which guidance indicates is 25%.
Multiplier (Employment and Procurement)	Type I Output Multiplier (IO) - 1.3; Type II Output Multiplier (IO) - 1.5		Scottish IO Tables for Industry group 90 'Creative services' used.

Glossary

Additionality is a real increase in social value that would not have occurred in the absence of the intervention being appraised.

Deadweight refers to outcomes that would have occurred without the intervention. This is used to determine the difference that can be attributed to an intervention.

Displacement is the degree to which an increase in economic activity promoted by an intervention is offset by reductions in economic activity elsewhere.

Intervention refers to a policy, programme or project that is being appraised.

Leakage describes the leakage of benefits intended for a recipient group or area into another group or area.

Multiplier effects: Further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer-term effects.

Supply linkage multiplier (indirect multiplier): due to purchases made as a result of the intervention and further purchases associated with linked firms along the supply chain.

Income multiplier (consumption/induced multiplier): associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the intervention.

Reference case: the position in terms of target outputs over a set period of time if the intervention did not take place.

Substitution: where firms or consumers substitute one activity for another as a result of intervention. As economic activity changes, it may lead to productivity changes which are costs or benefits.

Target area: The area within which benefits will be assessed.

Sources: derived from HM Treasury Green Book (2018); HCA Additionality Guide (2014); and Scottish Enterprise Additionality & Economic Impact Assessment Guidance Note (2008).

ANNEX 2: LIST OF ONE-TO-ONE CONSULTEES

Consultee Name	Organisation/Role
Christine Eltherington	Shambellie House Trust – trustee
Liz Fraser	Potential tutor – spinning and natural dyeing
Frank Hayes	Potential tutor – drawing and photography
Ann Hill	Potential tutor – quilting
Tom Langlands	Potential tutor – photography
Roger Lever	Potential tutor – photography
Gordon Mann	Shambellie House Trust – Chairman
Margaret Milligan	Potential tutor – artist
Liz Niven	Potential tutor – poetry and creative writing
John Stewart	Shambellie House Trust – trustee
Kerry Thomas	Shambellie House Trust – trustee

ANNEX 3: SUMMARY RESULTS OF BUSINESS SURVEY

Which of the following best describes your business?		
	Percent	Number
Creative practice/business	39.02%	16
Accommodation provider (e.g. hotel, B&B, self-catering, etc.)	21.95%	9
Food and drink business (e.g. café, coffee shop, restaurant, pub, take-away)	7.32%	3
Retail shop/retail outlet	0.00%	0
Other (please specify)	31.71%	13
Source: DC Research Shambellie House Business Survey, 2019, n = 41		

How would you describe your awareness of the plans for Shambellie House?		
	Percent	Number
Very aware	14.63%	6
Moderately aware	34.15%	14
A little aware	34.15%	14
Not at all aware	17.07%	7
Source: DC Research Shambellie House Business Survey, 2019, n = 41		

In general, do you think the overall local economy and local businesses will benefit from the plans for Shambellie House?		
	Percent	Number
Yes	75.68%	28
No	5.41%	2
Don't know	18.92%	7
Source: DC Research Shambellie House Business Survey, 2019, n = 37		

Potential Economic Impact of the Shambellie House Project (Shambellie House Trust)

Which of the following best describes the scale of economic impact you expect the Shambellie House project to provide to the local area?

	Percent	Number
High level of additional trade	11.11%	4
Medium level of additional trade	38.89%	14
Small level of additional trade	41.67%	15
No additional trade	8.33%	3
Reduction in level of trade for local businesses	0.00%	0

Source: DC Research Shambellie House Business Survey, 2019, n = 36

More specifically, do you think your own business will benefit directly and/or indirectly from the plans for Shambellie House?

	Percent	Number
Yes	35.29%	12
No	29.41%	10
Don't know	35.29%	12

Source: DC Research Shambellie House Business Survey, 2019, n = 34

Which of the following best describes the scale of economic impact you expect the Shambellie House project to provide to your own business?

	Percent	Number
High level of additional trade for your business	3.13%	1
Medium level of additional trade for your business	15.63%	5
Small level of additional trade for your business	40.63%	13
No additional trade for your business	40.63%	13
Reduction in level of trade for your business	0.00%	0

Source: DC Research Shambellie House Business Survey, 2019, n = 32

Overall, are you supportive of the plans for Shambellie House?

	Percent	Number
Yes	87.88%	29
No	6.06%	2
Don't know	6.06%	2

Source: DC Research Shambellie House Business Survey, 2019, n = 33