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Land at Lane End, Kirkby in Ashfield

Economic Statement

McDonald's Restaurants Ltd

19 December 2024

LICHFIELDS

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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 development of land at Lane End, Park, Kirkby in Ashfield.
- 1.2 The Statement provides an overview of the process and key criteria applied by McDonald's in selecting the subject site as a potential location for a Drive Thru restaurant. In addition, it outlines the potential economic impacts that could be unlocked through the delivery of the proposed restaurant.

Proposed Development

- 1.3 The accompanying planning application seeks permission for the erection of a building with a footprint 264 sq.m (excluding Corral). The restaurant will be over two floors, with a total Gross External Area (GEA) of 527 sq.m. The development comprises a Drive Thru restaurant (Class E / Sui Generis) to be operated by McDonald's as well as improved vehicular access via the lane to the east, car parking, landscaping, and associated works.

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 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 1,400 restaurants across the UK and directly employs over 170,000 people.

2.3 The 2024 McDonald's at 50: Our Social and Economic Impact report highlights the economic contribution of McDonald's operations at the national and regional level. In 2023, McDonald's sites across the Yorkshire and Humber contributed £974.2 million to the national economy and supported 17,670 jobs. This included:

- 11,915 direct jobs within the 114 restaurants in the region;
- 4,205 indirect jobs in the supply chain; and
- 1,550 induced jobs within the wider economy.

2.4 Almost 90% of McDonald's restaurants are operated as local businesses by franchisees. This approach unlocks the opportunity for local investors to leverage the global marketing and branding of McDonald's, as well as benefitting from the organisation's comprehensive training programmes and well-established supply chains. As a result, the development of a new McDonald's restaurant offers the potential for immediate growth and a lower risk of failure compared to an alternative independent start-up. The anticipated employment opportunities supported by the proposals (see Section 3.0) can, therefore, be perceived as more secure than those supported by an independent alternative.

2.5 The business' network of restaurants in the UK includes four principal formats, as summarised below:

- High Street;
- Drive Thru;
- Drive Thru; 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 Drive Thru restaurant.

Site Selection Process

2.7 Potential sites are identified through a number of sources, including McDonald's retained commercial property agents and external referrals. Locations are then assessed 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 assessment draws upon a review of comparable sites within McDonald's existing portfolio of restaurants.

Stage 1: Initial Modelling

- 2.8 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.
- 2.9 McDonald's expect the application site to play an important role in serving the immediate catchment area of Kirkby in Ashfield, which McDonald's currently consider to be underserved by its portfolio of restaurants. Indeed, McDonald's consider that the proposed development would be the first to serve the local market. As a result, the proposals will help to increase the market penetration of the business.
- 2.10 Whilst sales will be driven principally by local residents, the site will also attract some (limited) transient custom. This reflects its location along the B6020 (Lane End). The B6020 runs West-East, connecting Kirkby in Ashfield to Rainworth via Ravenshead and Blidworth.
- 2.11 In recognition of the above, the key issues assessed within the model are:
- 1 Local population catchment;
 - 2 Proximity to existing network of McDonald's restaurants; and
 - 3 Anticipated volume of traffic flows.
- 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.

Local Resident Population

- 2.13 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. As a general guide, a 15,000

population within an 8-minute drive time is typically the minimum threshold sought to support a viable restaurant.

2.14 In the context of the above, the town of Kirkby in Ashfield itself – which does not currently have a McDonald’s – has a population of approximately 22,250. Within an 8-minute drive time of the site this figure rises to 36,850 residents, exceeding the population catchment criteria by a factor of almost 2.5.

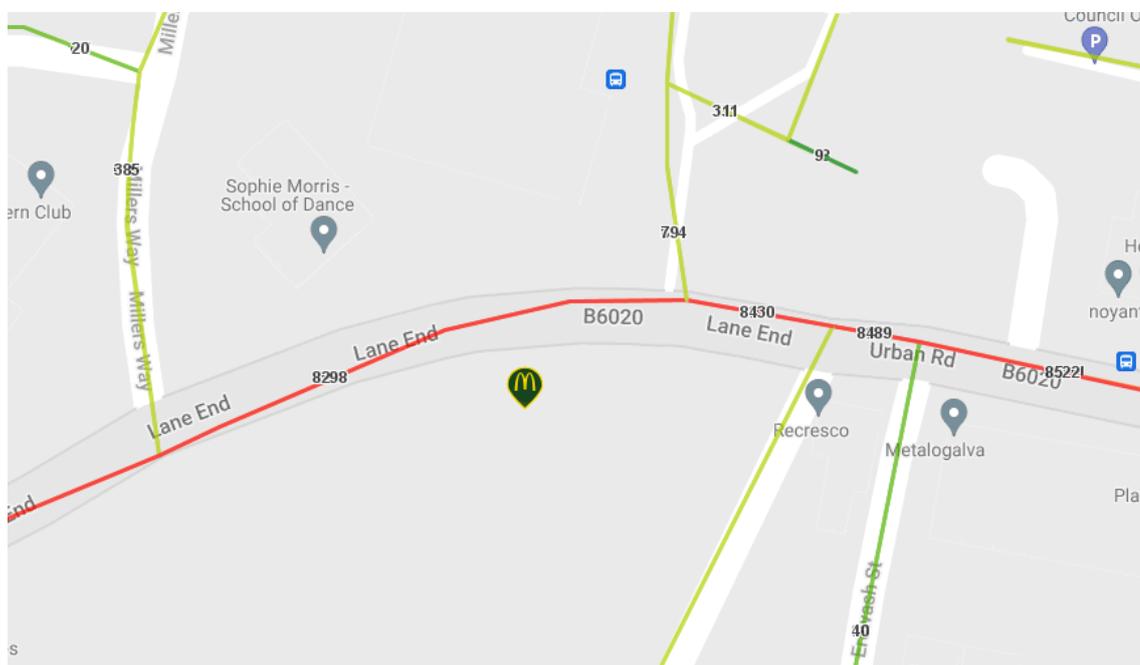
2.15 Indeed, McDonald’s anticipate that local residents will play an important role in driving demand for the proposed restaurant. It is estimated that 76% of sales will be from local residents (including visits to the restaurant and delivery channels). McDonald’s view the site as offering a more convenient option to residents in Kirkby in Ashfield, thereby helping to improve market penetration.

Traffic Flows

2.16 The Department for Transport (DfT) records data regarding traffic flows based on Average Annual Daily Flow (AADF).

2.17 The McDonald’s model uses a hybrid dataset, which triangulates data from DfT, TomTom and mobile phone activity. This provides estimates of AADF across the entire road network, with the data for the Kirkby in Ashfield site shown in Figure 2.1.

Figure 2.1 Traffic Flow Data, Proposed Kirkby in Ashfield site



Source: 2018, 2023 Precisely. © 2006-2022 TomTom. All rights reserved

2.18 Using this approach, a traffic flow figure of 8,430 AADF has been identified. The traffic flow achieved by the application site reflects its location:

- On Lane End (B6020), a West-East B-road which connects Kirkby in Ashfield to Rainworth via Ravenshead and Blidworth; and

- Proximity to both the B6021 and B6018 which are through roads connecting Kirkby in Ashfield to the A38.

2.19 While slightly below McDonald's target traffic flow threshold of 10,000 AADF, McDonald's have reviewed a number of potential development opportunities within Kirkby in Ashfield over recent months and have established that the subject site represents the best location from a commercial viability perspective.

2.20 This reflects the fact that:

- the restaurant would be an entirely new market for McDonald's;
- the catchment population (within Kirkby) is significant; and
- the site is generally accessible – including on foot - from Kirkby in Ashfield railway station and other destinations within an around the town centre.

Existing Network of Restaurants

2.21 In considering a site's relationship to McDonald's existing portfolio of restaurants, the analytical model generally seeks to maximise distance between restaurants. This helps to ensure that new developments are positioned to serve new (or less well penetrated) catchment areas.

2.22 In deriving the list of nearby sites, the analytical model considers the impact of Drive Thru and Drive To formats to be comparable.

2.23 The closest restaurants to the application site are listed below.

- **Sutton in Ashfield (3.3km)** – The site is situated in an urban area along the B6023 (Priestsic Road), a short urban through road running West-East commencing off the A38 at Fulwood running through Sutton in Ashfield to Sutton Forest Side before rejoining the A38 at Kings Mill Road/Mansfield Road. The site serves a different market (Sutton in Ashfield) to that being targeted by the application site (Kirkby in Ashfield).
- **Kings Mill Road (3.7km)** – The site is located adjacent to the A38 (Kings Mill Road East) and the B6023 (Mansfield Road), along the same travel route as the Sutton in Ashfield site above. The restaurant serves a different market (Sutton in Ashfield) to that of the application site (Kirkby in Ashfield).
- **Mansfield Factory Outlet (4.5km)** – The site is situated at Mansfield Leisure Park, just off the A60, a major A-road running South-North from Loughborough to Doncaster via Mansfield. The restaurant serves a different market (Mansfield) to the application site (Kirkby in Ashfield).

2.24 McDonald's have advised that the proximity to the closest site (3.3km away) would be considered acceptable in the case of Kirkby in Ashfield. Indeed, McDonald's are willing to deliver restaurants within 1.5km of each other in densely populated areas. McDonald's position with respect to the proposed restaurant at Kirkby in Ashfield has been arrived at having regard to:

- The scale of the local population catchment (which exceeds the threshold value sought by the business).

2.25 Indeed, McDonald's advise that a number of towns of a similar size to Kirkby in Ashfield comfortably support a Drive Thru restaurant.

Stage 2: Site Comparators

2.26 Based upon the Stage 1 analysis, the application site was identified as a commercially viable location for a Drive Thru restaurant as a result of: a large local population catchment; the opportunity to meet the needs of Kirkby in Ashfield (a town not currently served by McDonald's); and to a lesser extent the volume of traffic flows associated with the site's location along the B6020.

2.27 Stage 2 of the McDonald's assessment process generates a modelled sales estimate for sites which progress beyond Stage 1. This is used to determine the likely commercial viability of a site and draws principally upon an analysis of the trading performance of similar (existing) McDonald's locations. McDonald's advise that comparator locations have been assessed having regard to the following criteria:

- Market/population sizes;
- Distance to nearest Drive Thru/Drive Thru McDonald's; 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:

- **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/Thru; and
- **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.

2.29 McDonald's assessment of the anticipated sales for the application site relative to other similar sites indicates that the proposed restaurant at Kirkby in Ashfield is commercially viable, and one that can make an important contribution to improving the firm's market penetration in the local area. McDonald's view the application site and subsequent entrance to the Kirkby in Ashfield conurbation - which is currently not represented by McDonalds – as a key priority for growth within the region.

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) as well as environmental benefits and wider community benefits.

Construction Impacts

Direct Employment

- 3.2 The total construction cost for the development is estimated to amount to £4.0 million, 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), it is possible to calculate the number of direct construction jobs supported by the proposed development over the course of the construction phase. Taking account of the nature of the proposed development, 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 per £1 million of construction value (in 2011 prices) will be supported over a year.
- 3.4 To use the coefficient, the construction cost of £4.0 million has been deflated from 2023 to 2011 prices using the UK Government GDP deflator (2022). Applying the private commercial coefficient to the deflated construction cost of £3.2 million and then dividing the result by the length of the construction period (14 weeks or 0.27 years), indicates that the proposed development could be expected to support an average of 195 gross direct FTE jobs during the construction phase.

Indirect Employment

- 3.5 The construction 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 construction industry has an indirect multiplier of 2.21¹. Applying this multiplier to the 195 direct FTE construction jobs derived above results in a further 235 FTE indirect jobs being supported through the construction phase. In total, therefore, the proposed development could be expected to support 430 direct and indirect FTE jobs during the construction phase.

¹ 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. That is, 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 make a contribution 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 data (2023) provided by Experian, it is estimated that the scheme could be expected to deliver an additional £11.5 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 East Midlands region²;
 - An appropriate GVA multiplier for the construction industry³; 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, £11.5 million of GVA is likely to represent a conservative estimate of the scheme's impact.

Operational Impacts

Direct Employment

- 3.12 It is estimated that the proposed development could support the creation of 80 gross direct headcount jobs, once completed and operational. This could be expected to correspond to approximately 55 gross direct FTE jobs. Both employment figures have been estimated by Lichfields, drawn upon analysis of floorspace and employment data for a sample of almost 900 McDonald's restaurants across the UK. They have subsequently been verified by McDonald's, having regard to the company's business model for the application site.

Indirect/Induced Employment

- 3.13 In addition to the direct jobs considered above, some indirect employment would also be created by the additional spending on goods and services by McDonald's. The wage expenditure of direct employees, as well as those employed in those local businesses

² Experian, July 2023

³ A multiplier of 2.27 has been applied, based on ONS Detailed Input-Output Tables (2019)

supplying the site, would also support induced jobs in shops, services, and other businesses in the local economy.

- 3.14 Having regard to appropriate local and regional multipliers⁴, it is estimated that the 55 direct FTE jobs created by the proposed development could support the creation of approximately 20 ‘spin-off’ FTE jobs in the local economy. At the regional level, an estimated 30 ‘spin-off’ FTE jobs could be supported, including the 20 to be captured locally.
- 3.15 In total, therefore, the proposed development could support up to 85 FTE jobs (comprising direct, indirect, and induced impacts) across the wider region.

Economic Output

- 3.16 The direct operational employment generated by the proposals will also result in an increase in Gross Value Added (GVA).
- 3.17 It is estimated that the gross additional direct employment associated with the scheme could generate additional GVA of almost £1.1 million per annum. This estimate has been derived having regard to:
- The level of gross direct headcount created by the proposals (80 jobs); and
 - The average Gross Value Added per headcount job for McDonald’s staff within the East Midlands⁵.

Fiscal Impacts

- 3.18 It is estimated that the proposed development could generate business rate payments in the order of £51,200 per annum. This estimate 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 development⁶;
 - The estimated floorspace to be delivered at the application site⁷; 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 £25,600 per annum is likely to be retained by the local authority.

Environmental Impacts

- 3.20 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.

⁴ HCA Additionality Guide, Fourth Edition 2014 – ‘Recreation’ multiplier: 1.38 local; 1.56 regional

⁵ McDonalds at 50: Our social and economic impact (2024); £14,365 of direct GVA per headcount job

⁶ [McDonald’s Restaurant Locator Tool](#)

⁷ Second storey RV has been estimated by applying an adjustment of 50% of the ground floor base rate to second storey floorspace. This is based upon a review of VOA data for similar McDonalds restaurants with multiple storeys.

- 3.21 McDonald's was the first restaurant chain to set science-based greenhouse gas reduction targets at a global level. Working with all franchisees, their aim is to achieve net zero emissions across all restaurants and offices by 2030, as well as net zero across the entire business and value chain by 2040.
- 3.22 To meet these targets, McDonald's as an organisation operate the following initiatives to promote environmental good practice:
- Purchase 100% renewable electricity for all restaurants owned and operated by the business;
 - Cooking oil from restaurants is recycled into biodiesel using local collectors. The biodiesel is then used as fuel for McDonald's vehicles. In 2023, this helped to reduce carbon emissions by 16,250 tonnes;
 - In the UK in 2023, 97.5% of customer packaging was designed to be recyclable or compostable; and
 - Customer recycling stations are installed in all new restaurants, to encourage customers to dispose of their food packaging responsibly.

Community Benefits

- 3.23 The proposed development is anticipated to provide several community benefits. The restaurant will provide an additional food and beverage option for residents of Kirkby in Ashfield.
- 3.24 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 strong staff training programmes** – McDonald's invested more than £62 million in training in 2023. Approximately two-thirds of McDonald's employees are aged between 16-25 and for many a job at McDonald's is the first step in their career. This highlights 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 has a long tradition of supporting community football, providing financial support to grow and improve standards in grassroots football across England, Scotland, Wales and Northern Ireland. McDonald's most recent initiative, the Fun Football programme, was launched in 2019. It is the UK's largest grassroots participation programme for children aged 5-11. By 2026, the programme aims to deliver:
 - a Access to free football coaching for more than a million children; and
 - b Diversity, Equity and Inclusion training to over 800 grassroots coaches.
 - 3 **Supporting charities** – McDonald's operates its own independently registered charity, Ronald McDonald House Charities UK, which helps support families with sick children in hospital. In 2023, franchisees, suppliers and customers raised £10.3 million for RMHC, which supported 8,415 families across the UK. In addition, McDonald's franchisees donated a further £4.5 million in 2023 to support a range of local initiatives.

4.0 Summary

- 4.1 The development proposals will deliver a McDonald's Drive Thru restaurant at Lane End, Kirkby in Ashfield. 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:
- Local resident population within an 8-minute drive time;
 - Proximity to the existing network of McDonald's restaurants; and
 - Anticipated volume of traffic flows.
- 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. McDonald's view the application site and subsequent entrance to the Kirkby in Ashfield conurbation – which is currently not represented by McDonalds – as a key priority for growth within the region.
- 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 195 direct FTE construction jobs, as well as supporting a further 235 indirect FTE jobs during the construction phase;
 - Generate an additional £11.5 million of Gross Value Added during construction;
 - Create 80 direct headcount jobs (55 direct FTE jobs) on-site, once the proposals are completed and operational. This could support a further 45 indirect and induced FTE jobs in the wider region;
 - Generate an additional £1.1 million of GVA per annum through direct operational employment; and
 - Deliver an uplift in business rates revenue in the order of £51,200 per annum – of which £25,600 would be retained locally.