

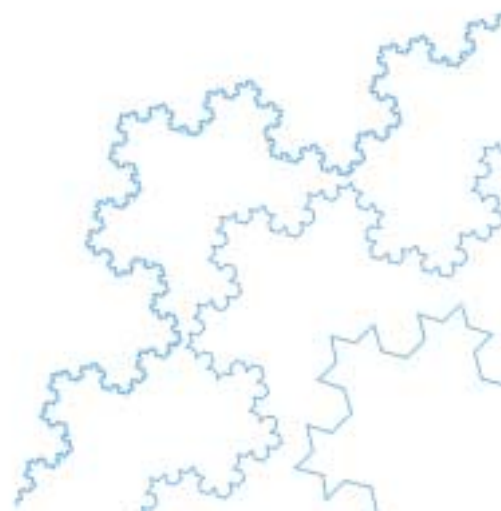
# **The Value of the Sports Economy in the Regions**

A study on behalf of Sport England by Cambridge Econometrics

## **The Case of the South West**

### **Final Report**

**June 2003**



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## EXECUTIVE SUMMARY

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This report forms part of a study that has developed a methodology for valuing the sports economy to a particular region and has applied this in a consistent way to the nine English regions.

### HOW IMPORTANT IS SPORT IN THE SOUTH WEST?

#### What is the economic impact of sport in the South West?

- 40,100 people are employed in sports-related activities in the South West, some 2% of all employment in the region
  - this is higher than the proportion for England as a whole (1¾%)
  - 18,500 of these jobs are in the Commercial Non-Sport sector
  - 13,900 people are employed in Commercial Sport, including 4,900 in spectator sport, 3,000 in retailing and 1,500 in sports-related manufacturing.
- Sport generates £2.5bn in annual turnover and £913m in annual value-added in the region. This accounts for about 1½% of the region's economy.
  - this is a similar proportion to that for England as a whole
- Sport generates £544m in annual household incomes, mainly in Commercial Sport and Commercial Non-Sport. These sectors account for around three-quarters of all household income earned from sport.
  - this is a similar proportion to that for England as a whole

#### What is the extent of involvement sport?

- Residents spend £1bn annually on sports-related goods and services, around 2½% of total household spending. Most of this is on sportswear, subscriptions and fees and sports-related gambling.
  - this is a lower proportion than that for England as a whole (2¾%)
- Around 575,000 people participate in organised sports clubs, which have an annual income of £344m (including bar receipts).

#### How important is sports tourism?

- 'High-profile' sports events and other sport-related activities attract over 1.3m people and nearly £90m into the region from elsewhere. Most of the related spending comes from the UK.
  - this is a larger number of people than for any other English region

### WHAT IS IMPORTANT TO SPORT IN THE SOUTH WEST?

#### What are the main sources of funding for sport?

- Within sport, most income is generated by Commercial Sport (and by media and distribution in particular), and Commercial Non-Sport. The £806m received by the Commercial Sports sector is over twice the income received by the Voluntary sector.
  - this is a similar picture to that for other regions in England
- The South West receives about £69m in sport-related grants, about £14 per person. Of this, £59m comes from Central Government and about £10m is from the lottery.
- It is estimated that Commercial Sport receives £35m from the Commercial Non-Sport sector in the form of advertising, sponsorship and corporate hospitality. This is about 4% of its total income.
- There is very little information on the characteristics of the Voluntary sector. This study has estimated that the combined income for the sector is £344m (including bar receipts), of which around 40% comes through subscriptions.
- Sport contributes £466m to Central Government through taxes, compared with £59m received in direct grants.
- People in the South West spend more money each year participating in sport than attending sport or viewing sport through the various media. Subscriptions and fees account for just over one-fifth of total household spending.
  - this is a similar picture to that for England as a whole

### SCOPE AND METHOD OF STUDY

- This study has developed an economic model to identify the value of sport at a particular point in time that can be readily applied to each of the English regions to provide a consistent basis for analysis and comparison.
- It was required that the model should provide a relatively straightforward mechanism whereby the analysis can be updated over time. In order to achieve this the model has to be founded on readily-available data. It has not involved the collection of any new primary data.
- The model that has been developed is founded on the established conventions of national income accounting that underpin the UK National Accounts. This means that the model provides
  - results that are directly comparable with other economic data
  - coverage of expenditure on, and the production of, the sports industry
  - analysis of the incomes and expenditure of different groups which interact with the sports industry
- The model identifies the income and expenditure flows between the following institutions in the region
  - Households.
  - Commercial sport, including private organisations that stage spectator events financed by admission charges, commercial sports clubs and centres, sports departments of media companies and sports goods manufacturers and retailers.
  - Commercial non-sport, which includes other private sector economic activity that supplies goods and services to the sport sector and provides households with goods and services that are used in connection with sports activity, together with the HEI sector.
  - Voluntary sector: non-profit making organisations that are run by participants, typically on an amateur basis.
  - Local government, including secondary education.
  - In addition, the model considers the flows to and from these institutions in the local economy and Central Government, the rest of the UK and Overseas institutions.

# 1 CONTEXT AND PURPOSE

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There is a clear need for information about the nature of the sports economy and its value to the economy as a whole. Such information is seen as vital to support the case for securing public funding in particular. The recent movement towards greater regional determination of policy, as indicated by the work of Regional Development Agencies, Regional Cultural Consortia and indeed the strengthening of the regional focus of Sport England means that the need is increasingly for consistent information at the level of the region.

Previous studies have typically been concerned with valuing sport at the national level, or the impact of sporting events. Those which have been carried out for local areas have been specially-commissioned studies. In contrast, the purpose of this project has been to develop a standard economic model to identify the value of sport at a particular point in time that can be readily applied to each of the English regions to provide a consistent basis for analysis and comparison. It was required that the model should provide a relatively straightforward mechanism whereby the analysis can be updated over time. In order to achieve this the model has had to be founded on readily available data. The analysis presented in this report uses data relating to 2000. At the time the project commences this was the last year for which comprehensive data series, particularly those relating to spending patterns, were available. While the model framework can be updated straightforwardly as more recent data are published, the data shown probably provides a fair indication in terms of relative orders of magnitude of different areas in the sports economy currently.

In conducting the project we have met and consulted with each of the Sport England regional offices. From these discussions it has become clear that there is a desire for information looking at the future prospects for the sports sector and the contribution it can make to regional economic growth. The model provides evidence to help quantify and explain the characteristics of the sector from which the future prospects can be considered.

## 2 THE CHARACTERISTICS OF SPORT IN THE SOUTH WEST

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The main purpose of this study is to provide a quantitative assessment of the value of the sports economy in the South West; Chapter 3 summarises this analysis. However, if the role of sport is assessed through numbers alone, much of the context of this activity is missed. Section 2.1 provides an overview of the general social and economic characteristics of the region, Section 2.2 provides a summary of the key features of sport in the region, and Section 2.3 reviews previous research on the impact of sport in the region.

### 2.1 Regional Overview

Geographically the South West is the largest of the English regions, spreading from Gloucester and Cheltenham in the north and Bournemouth in the south east and through to Cornwall and the Isles of Scilly in the south west, with a population of over 4.9 million. It is one of the most rural regions of England, although agricultural employment continues to decline, currently employing only 3.2% of the workforce. The environmental assets, which include attractive coast and moorland (and cultural centres including the city of Bath), are harnessed for tourism; the region attracts more tourist spending than any other region apart from London.

A number of dynamic urban centres contribute to the region's economic performance, principally Bristol, Plymouth, Swindon, Bath, Bournemouth, Poole, Exeter, Gloucester and Cheltenham. Economic performance is uneven, however, with the eastern part contributing most to regional economic performance and regions to the west contributing less; Devon and Cornwall are mainly lagging behind. Despite the unevenness of growth the region as a whole has experienced rapid GVA growth. In addition to agriculture, high-tech manufacturing, knowledge industries, food and drink, health, welfare and education, tourism are all important sectors.

The population has been added to by those seeking retirement locations but also by those of workforce age seeking to take up the region's employment opportunities. Over a third of the workforce works in the highest skill level occupations, due mainly to the high growth, high-tech, high value added sectors in the north and east of the region.

Important problem issues for the region include the large number of low-value-added industries, lower overall levels of business investment than the national average, and skills shortages in technical and IT areas.

## 2.2 The Characteristics of Sport in the Region

The South West has a diverse and vibrant sporting life. Among the key features of this are:

- A number of nationally-important sporting facilities including
  - seven race courses (Cheltenham, Taunton, Exeter, Newton Abbott, Wincanton, Bath and Salisbury)
  - national parks (Dartmoor and Exmoor)
- Good representation in high-profile professional sports
  - two county cricket clubs (Somerset and Gloucestershire)
  - eight football league clubs
  - three premierships rugby union clubs (Gloucester, Bath, Bristol)
- Cheltenham Race Course, home of the Cheltenham Gold Cup.
- Badminton Horse Trial, the world's most prestigious annual equestrian event.
- The centre for surfing in the UK at Newquay.
- An English Institute for Sport centre in Bath.
- St Mellion golf club has hosted the B&H International Open on six occasions.
- Nationally important centre of sports science and sports management at the University of Plymouth, sports medicine at the University of Bath, sports biology at the University of the West of England, sports psychology at the University of Exeter and health, physical activity and sports medicine at the University of Bristol.
- The natural environment, including the Cornwall and Devon coastlines, means that the region attracts many people for sailing, surfing, sports sea fishing and diving among other sports.

## 2.3 Previous Research on the Impact of Sport in the Region

There are few existing studies that look at the impact of sport in the region. Those that are available generally measure the impact of major events; no study has measured the size of the sports economy through a formal model of the type developed for this report.

The main documents are:

- *The 2001 IAAF World Half Marathon Championships & BUPA Bristol Half Marathon*, An evaluation of the economic impact place marketing effects and peoples' perceptions of Bristol, LIRC.
- *Assessment of the Potential Contribution of Marinas & Watersports to Increasing Prosperity in Cornwall*, Arup, 2001.

LIRC adopts the methodology it developed in the mid 1990s and which is adopted as standard for measuring the economic impact of major sporting events<sup>1</sup>. The aim of the report was to measure the net change to the local economy directly attributable to the World Half Marathon (WHM), including the revenues earned by the event minus the costs of staging it (for example, clearing litter, providing policing), plus all additional dependent spending (on e.g. food, accommodation). This economic impact was measured by conducting a survey on a total sample of 1,500 across all participating bodies.

LIRC found that a total of 57 nations were represented in the event by the 4,376 athletes. There were also estimated to be between 15,000 and 20,000 spectators. Additional spending was estimated to be £0.58m, including 3,084 commercial bed-nights. This total includes spending at the event and on the few days preceding, but does not include spending in the years preceding the event such as that on facility development nor the benefits Bristol received from media coverage. The figure also does not include multiplier effects; these would account for induced spending from the event (extra spending made by the beneficiaries of the event, such as hoteliers) and would remove leakages from the city such as payments to external suppliers.

The survey data also provide information on other aspects of the event: how long most spectators stayed at the event, from which source most extra spending came and how many bed-nights were created. This can be used to assess which types of event most suit a city and how the city should develop its strategy.

LIRC concluded that the city council should bring more events to Bristol, especially those that attract tourists. It should also encourage people to stay overnight. Furthermore, Bristol should co-ordinate the marketing received from such events, and promote images of the city that show it in a flattering and consistent manner.

Arup (2001) was undertaken to assess the trends in the sailing and watersports industries in Cornwall and the likely implications for its coastal development. It also assesses the economic trends within the broader marine industry to establish its importance to the Cornish economy. The report assesses three main sports-related industries: the surfing industry; the provision of marinas, and the watersports training industry. The report estimates that surfers account for around £21m of extra spending in the county; surfing is a stable market and should grow with the development of facilities such as the National Surf Centre and Artificial Reef in Newquay. The report finds that the provision of marinas offers even greater scope for development; the market is under-supplied around much of the coastline, and marinas could be built in many areas such as Mounts Bay and between Plymouth and Fowey. Although the market for watersport training centres in Cornwall grew rapidly in the mid-1990s to around 10-20,000 annual customers, as part of the boom in participation in outdoor activities, the report finds that it has been relatively depressed in the past five years; there is evidence that the market is saturated. The marine industry as a whole is healthy in Cornwall; the report also finds that despite declining across the rest of the UK, employment has grown in Cornwall by 40% due to a restructuring towards manufacture and repair of pleasure craft.

1 *Measuring Success*, a 'blueprint' for success, UK Sport 1998.

## 3 THE VALUE OF THE SPORTS ECONOMY

### 3.1 A Summary of Sport-Related Income and Expenditure

Table 3.1 summarises the level of income from, and expenditure on, sport in the South West in 2000.

Households in the region spend around £984m on sport-related goods and activities, while employment in the sports sector generates £545m in disposable income (ie income after taxes and other deductions).

Commercial sport in the region receives income totalling £800m, with media and distribution receiving around 40% of total income. Spectator sports generate the next highest income, around £170m.

There are few data on which to base estimates of incomes to the Voluntary sports sector. The methods adopted (see Appendix B for further details) estimate its income (including bar receipts) to be around £344m, with around 40% of this coming in the form of fees and subscriptions from households.

Of the other institutions identified, local government receives £21m in fees and charges from the running of its sports facilities (though this is much less than the £50m it spends doing so). Central Government receives £460m from taxes on sport-related income and expenditure in the region. Around 60% of this is from taxes on incomes. Central Government does provide income to the region's sports industry. Around £10m is provided directly to Sport England in the region and around £59m from a range of grants including grant support for local authority spending on sports services and sport-related costs of education.

**TABLE 3.1: SPORT-RELATED INCOME AND EXPENDITURE IN SOUTH WEST IN 2000**

	Income (£m)	Current Expenditure (£m)	Capital Expenditure (£m)
Households	544	984	-
Commercial sport	806	1051	38
of which			
Spectator sports	172	168	12
Participation sports	27	27	3
Media and distribution	326	138	6
Sport-related suppliers	75	16	5
Commercial non-sport	504	-	-
Voluntary sector	344	159	13
Local Government	124	153	33
Overseas	214	87	1

Source(s) : Cambridge Econometrics.

### 3.2 Employment and Output

Table 3.2 shows the estimate of sport-related employment and value-added in the region (see Appendix B for an account of the methodology used to derive these figures). For comparison, the table also reports data from the Annual Business Inquiry (ABI) for employees in employment in particular industries<sup>1</sup>.

**Sport employs  
around 40,100  
people**

It is estimated that around 40,100 people are employed in the region in jobs that are directly related to sport. This is 2% of all employment in the region. Of these some 13,900 are in the Commercial Sport (CS) sector. Approximately 18,500 jobs are estimated to be supported in the Commercial Non-Sport (CNS) sector. This sector

**TABLE 3.2: SPORT-RELATED EMPLOYMENT AND OUTPUT IN SOUTH WEST IN 2000**

	Employment (‘000)	Value-added (£m)
Commercial sport	13.9	281
of which		
Spectator sports	4.9	67
Participation sports	0.9	15
Retailing	3.0	92
Sport-related manufacturing	1.5	29
Commercial non-sport	18.5	429
of which		
Higher education establishments	1.7	42
Voluntary sector	4.3	128
Local Government	3.5	75
of which		
Sports services		2.2
All Sport-related activities	40.1	913
Total for the region’s economy	1998.0	59604.8
Sport-related activity as a % of total economy	2.0	1.5
Data from Annual Business Inquiry		
SIC 1810-1830, 1930: Clothing & footwear	4.9	
SIC 3640-3650: Manufactures	1.2	
SIC 802: Secondary education	55.2	
SIC 803: Higher education	34.8	
SIC 9261: Operations of sports arenas and stadium	7.3	
SIC 9262: Other sporting activities	11.2	

Note(s) : ABI data are for employees in employment. Model estimates are FTEs.

Source(s) : Cambridge Econometrics.

1 Further disaggregation by industry is not possible due to the confidential nature of the data for some regions at this level of detail.

includes jobs in companies that supply inputs to sport-related activities, sport-related jobs in higher education institutes, betting and gaming and jobs in the media.

Some 3,500 people are estimated to be employed in sport-related employment in the local authority (LA) sector (such as in local authority sports centres and similar facilities) with an estimated 4,300 possibly employed by the Voluntary sector.

**Sport contributes over £900m to the region's economy**

Sports-related activities are estimated to contribute £913m to value-added in the region, 1½% of the total. The distribution of value-added follows that of employment with the largest contributions from CNS (£430m) and CS (£280m).

### 3.3 Household Income and Spending

Tables 3.3 and 3.4 summarise the impact of sport on households in the region, in terms of levels of spending and income.

**2½% of household spending is sport-related**

In total, households are estimated to have spent just under £1bn on sport-related goods and services in 2000. This was around 2½% of total household spending. The main categories of spending are subscriptions and fees (£217m), sportswear (£204m) and gambling (£186m). Around £48m was spent by those in the region on admissions to spectator sports.

**TABLE 3.3: SPORT-RELATED SPENDING BY HOUSEHOLDS IN SOUTH WEST IN 2000**

Category	£m
Total sport-related spending	984
of which	
Sports clothing & footwear	204
Sports goods	100
Admissions to events	48
Subscriptions and fees	217
Sport-related gambling	186
Total household spending	39165
Total sport-related spending as % of total spending	2.5
Population ('000)	4975.1

Source(s) : Cambridge Econometrics.

**TABLE 3.4: SPORT-RELATED INCOME TO HOUSEHOLDS IN SOUTH WEST IN 2000**

	£m
Total sport-related income	544
Commercial sport	176
of which	
Spectator sports	70
Participation sports	9
Retailing & media	78
Sport-related manufacturing	18
Commercial non-sport	224
Voluntary sector	45
Local Government	52
Total income from employment	36553
Total household income	71192
Total household disposable income	49704

Source(s) : Cambridge Econometrics.

*The South West accounts for 8% of UK spending on sports goods* The UK sports goods (clothing, footwear and equipment) was estimated to be worth £3.7bn in 2000<sup>2</sup>. Spending by households in the South West accounts for just over 8% of this, a similar proportion to that which would be predicted by its population base alone.

*The Voluntary sector receives around 60% of all spending on subscriptions and fees* Household spending on subscriptions and fees covers a wide range of activities within commercial sport (eg private gyms), local authority (eg local authority sports centres) and the Voluntary sector (eg local sports clubs). It is estimated that around £20m of this type of spending is on LA facilities with the majority, some £135m, going to the Voluntary sector.

**Commercial Non-Sport generates around 40% of sport-related income** It is estimated that households in the South West receive around £540m in disposable income from sports-related employment. This is just over 1% of total household disposable income. Of this, £224m is generated from employment in CNS. A further £176m is generated by CS, with much smaller amounts coming from LA (£52m) and Voluntary (£45m).

### 3.4 The Voluntary Sector

#### Voluntary clubs have incomes of £344m

As mentioned in Section 3.1, few data exist on which to base systematic estimates of income to the Voluntary sports sector. In producing estimates for the finances of this sector we have taken a ‘bottom-up’ approach that has sought to reconcile partial information on participation in different types of club and make estimates for a typical annual spend on these different activities.

The methods used (see Appendix B for details) identify total income for the sector of £344m, with around 40% of this coming through fees and subscriptions from households, as shown in Table 3.5. Bar receipts account for £159m of income. An additional £25m comes through revenue and capital grants with other income coming from gambling. In determining these figures, it has been assumed that 575,000 people participate in such sport-related activity, around 14¼% of the region’s population aged over 15 (see Appendix B).

#### Expenditure

It is estimated that the expenditure by clubs is of the order of £270m, around 80% of their income. Of this, the largest single item is likely to be bar purchases (£112m). Payments are also made to both local authorities and the private sector (in Commercial Non-Sport) for ground rental. The other large payment is wages to the 4,300 people estimated to be employed in the sector, and other inputs from the CNS sector (including travel, ground maintenance and gaming machine hire).

#### The scale of voluntary contributions

The financial analysis shown does not identify the scale of work undertaken by club members on a voluntary basis. In 1996 it was estimated that almost 1.2m people volunteered time to governing bodies and sports clubs<sup>3</sup>, around 15-20% of the 6.5m people belonging to clubs in England<sup>4</sup>.

**TABLE 3.5: KEY STATISTICS FOR THE VOLUNTARY SPORT SECTOR IN SOUTH WEST IN 2000**

Number of members ('000)	575.4
Total income	£m 344
of which	
Subscription/fees	135
Bar receipts	159
Grants	25
Total expenditure	270
Source(s) : Cambridge Econometrics.	

3 Valuing Volunteers in UK Sport, Sports Council, 1996.

4 The 1996 General Household Survey estimates that 15½% of those aged over 15 belonged to a sports club in order to play sport.

If the current rate of volunteering in The South West is also around 15%, and time given per person is the same as the national average in 1996 (around 120 hours per year) then at a shadow wage of £12.50<sup>5</sup> this voluntary time has a value of £130m.

### 3.5 The Role of Public Funding

**Local authorities spend nearly £40m more on running sports facilities than they receive in fee income**

It is estimated that local authorities spend £58m running sports facilities in the region, which is more than the estimated £21m they receive in fee income, as shown in Table 3.6. Local authorities also receive £92m revenue from ground hire, taxes and from a range of grants, including the lottery and the Football Foundation. Part of the general grant support from CG to LA can be attributed to sport, namely that associated with the costs of running local authority services and that associated with the education services related to sport.

In total around 3,500 people in the LA sector are estimated to be employed in sport-related activities. The number of sports staff in secondary schools is estimated to be 1,300 (around 2½% of all employees in the secondary school sector).

**TABLE 3.6: SPORT-RELATED INCOME AND EXPENDITURE BY THE PUBLIC SECTOR IN SOUTH WEST IN 2000**

	Income (£m)	Expenditure (£m)
Central government	466	59
of which		
Grants		59
Income tax	288	-
Company tax	-	-
VAT and other duties	177	-
Local government	124	153
of which		
Indoor facilities	16	45
Outdoor facilities (incl Golf)	3	5
Community centres etc	0	2
Sports development	2	6
Revenue grants	57	-
Capital grants	8	-
Local taxes	27	-
Wages	-	75

Source(s) : Cambridge Econometrics.

5 The average gross hourly earnings of full-time non-manual males employed in services in Yorkshire, April 2000, New Earnings Survey 2000.

Sport in the region receives £59m from Central Government, mainly through the direct grant to local authorities. The region also receives £550,000 in Exchequer Awards through Sport England.

There are a number of different funding streams that sport can access, with those associated with lottery funding perhaps the most visible. Sport England distributed £10m in lottery funding in the region in 2000<sup>6</sup>, of which around 50% went to education and 25% went to the Voluntary sector. Among the schemes funded by the lottery is the Active Communities Development Fund (ACDF). This provides revenue funding for schemes by not-for-profit organisations specifically aimed at increasing sports participation in priority groups. In 2001/02 £620,000 was invested in ACDF programmes in the region. A similar budget (£700,000) is set for 2002/03.

Sport generates taxation income to Central Government through taxation on related incomes and expenditure. In total £470m of taxation income is identified, with a greater amount coming from taxes on income than on expenditure.

### 3.6 The Impact of Sport-Related Tourism

One source of income to the CS sector is that from sports tourism, namely spending by people who are not resident in the region. This can include people from elsewhere in the UK as well as those visiting from overseas. Table 3.7 records the spending on admissions associated with both groups (see Appendix B for details of the methodology).

According to UK Tourism Statistics<sup>7</sup>, there were over 1.87m overseas tourists visiting the region in 2000 spending £328 per person, and 20.7m visitors from the rest of the UK, spending £164 per person. We assume that 5% of visits by overseas tourists included sport-related activities and 4% of visits by UK residents. We further assume that

**TABLE 3.7: KEY STATISTICS FOR SPORT-RELATED TOURISM IN SOUTH WEST IN 2000**

	Rest of UK	Overseas
<b>Long-stay tourists</b>		
Number of tourists ('000)	828.0	93.5
as % of visitors (excl day visits)	4.0	5.0
Spending on admissions/participation (£m)	18.3	0.3
Associated spending on accommodation etc (£m)	63.7	1.7
<b>Day visitors</b>		
Number ('000)		429.9
Spending on admissions (£m)		10.7

Note(s) : Estimate of day visitors calculated on the assumption that average admission cost is £25.

Source(s) : Cambridge Econometrics.

6 Sport England Annual Report, 2000-2001

7 Key Facts of Tourism for the South West, 2000.

spending on entertainment and related activities only accounts for about 6% of total spending and, of course, spending on sport will only be a fraction of this. On the assumption that 10% of spending on entertainment etc, is sport-related<sup>8</sup>, we estimate that in 2000, UK over-night visitors spent £18m on admissions (compared to around £300,000 by overseas visitors) and £64m on associated accommodation, while day visitors spent £11m on admissions. Together these sources account for around one-third of all income from admissions.

Sports-related tourism is particularly important to the South West. The coast of Cornwall and Devon attracts many participants in watersports, stimulating strong demand for associated industries: hotels, catering and retailing. The region also regularly stages important major events, such as the Cheltenham Gold Cup, Badminton Horse Trials and the World Gig-Racing Championships, and has recently staged one-off international sporting events such as the World Pentathlon Championships and the World Half Marathon.

However, there are very little data available on the amount of spending or the extra income that these industries and events bring to the region. LIRC estimates that the World Half Marathon in 2001 generated £500,000 extra spending in Bristol. Using a similar methodology, Cheltenham Borough Council has recently estimated that the Cheltenham National Hunt Festival (which includes the Gold Cup) attracts an annual attendance of 146,000 and £15m of extra spending. This festival is also part of a wider series of festivals, involving the arts and science that, in total, attract an annual attendance of nearly 400,000 and £34m of extra spending.

### 3.7 Investment

Sport-related investment is estimated to have been £84m in the South West in 2000. Investment by commercial sport has been estimated using data from the ONS on capital

**TABLE 3.8: KEY STATISTICS FOR SPORT-RELATED INVESTMENT IN SOUTH WEST IN 2000**

	£m
Commercial sport	38
of which	
Spectator sports	12
Participation sports	3
Retailers	6
Manufacturing	5
Voluntary sector	13
Local Government	33
Central Government	1
<b>Total</b>	<b>84</b>

Source(s) : Cambridge Econometrics.

8 The assumption made in LIRC (1998).

expenditure by the broader SIC sectors. Table 3.8 shows our estimate that CS invested £38m in 2000, of which retailers invested £6m and firms involved in manufacturing, including the marine sports industry, invested £5m. The largest commercial sport investor was by firms involved in spectator sports (£12m). Local Authorities are estimated to have invested £33m in sports facilities, while central government invested just £1m. The voluntary sector is estimated to account for around 15% of total investment (£13m).

## 4 THE WIDER INFLUENCES OF SPORT

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Although the aim of this report is to quantify the impact that sport has on spending, incomes, employment and value-added, it is important to recognise that sport benefits the economy in many other ways for which quantified estimates are difficult to make or attribute to sport. The two most important areas to which sport has contributed in this way are probably infrastructure development and social regeneration. This chapter notes some of the instances of infrastructure development and social regeneration projects that sport has influenced in the region.

### 4.1 Sport and Investment in Infrastructure

Sport has played an important role in encouraging many infrastructure developments in the South West over the last few years. For example, Cornwall's popularity as a holiday destination, which owes much to sport, has encouraged major developments such as the Eden project. Another important recent development in South West tourism has been Ryanair's decision to fly to Newquay, the centre for surfing in the UK. The move followed a major extension to the airport's terminal, a new hangar and improved car parking. Ryanair began daily flights between Newquay and Stansted in April 2002 with instant benefits to the area.

There are other stimuli for future infrastructure development in the South West. The World Class Centre of Excellence for Sailing is currently being developed at Portland harbour and has the potential to host Olympic sailing events should London win the 2012 games. It should also attract many tourists away from the Solent to become one of the major centres for sailing in England. Other projects include the National Surf Centre and Artificial Reef projects in Newquay, which should increase the attractiveness of the town as a surfing centre. In addition to encouraging improved transport links through increased tourism, first-rate sport centres often encourage other commercial development.

*Planning gain* The UK planning system is highly decentralised (most decisions are made by district councils), whereas the tax system is more centralised. As a result, local authorities gain no direct revenue benefit from economic development to help them to accommodate the consequent pressure of demand on local services. The present scope of Section 106 agreements allows local authorities to negotiate a contribution from property developers to finance infrastructure improvements required directly to support a development. As a result, local government could in theory obtain funding for infrastructure improvements required following construction of a sports stadium. However, it is likely that this will only be a small amount, and is probably too narrow to address the broader strategic infrastructure implications of new developments, be they sport-related or otherwise. Hence, areas of rapid development are likely to see a growing 'infrastructure deficit'.

## 4.2 Sport and Regeneration in the Region

The 1992 Barcelona Olympic Games has been widely cited as an example of how hosting a major sporting event can bring economic benefit and renewal when coupled with investment in more conventional regeneration activity<sup>1</sup>. The games were regarded as the catalyst for development and renewal well beyond that required for the games themselves, and in fact, investment in sports infrastructure and facilities represented only 9% of total Olympic investment, of which two-thirds came from public funds and one-third from private sources.

The only major study to date that has attempted to measure the effectiveness of sport as a tool for regeneration<sup>2</sup> found that there was little existing research on the regenerative potential of investment in sport, and much of the available evidence referred to estimates of the current economic value of one-off events. There was little evidence concerning the long-term economic effects of sports-led investment strategies and the economic benefits to local communities had not been extensively researched. It also needs to be remembered that the cost of bidding for high-profile events can be considerable.

Regeneration in the South West has in the past been encouraged through infrastructure development, improvements to business competitiveness and improvements to skills and learning, with little use of sports-participation schemes. SWRDA is now developing tourism, arts, sport and culture (TASC) schemes, to aid regeneration through sports participation. TASC will involve both community-based schemes and 'iconic' project work. The Coastal and Market Towns programme is another scheme using sports participation to aid regeneration.

1 Select Committee on Culture, Media and Sport, 1997.

2 Coalter, F, M Allison and J Taylor (2000), The Role of Sport in Regenerating Deprived Urban Areas, Scottish Executive Central Policy Unit.

## 5 A COMPARISON OF THE ENGLISH REGIONS

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### 5.1 Output and Employment

**Sport accounts for a higher proportion of the region's economy than it does in England as a whole**

Table 5.1 shows that sports-related GVA in the South West as a proportion of total output is slightly above the English average and about 0.3 pp above the region with the lowest proportion, East of England.

The composition of sport-related value added is different in the South West to the English average. Commercial Sport accounts for just 30% of total sport-related value added, below the English average of 36%, although manufacturing accounts for 11% of sports-related value added, a higher proportion than in most other regions. Commercial Non-Sport accounts for around 47% of sports-related value added in the region, above the English average of 43%. The South West and the North West have the highest proportion in England of value added from the non-profit sector (14%).

**The picture is similar with regard to employment**

Table 5.2 shows that sport accounts for around 2% of total employment in the South West, slightly above the English average, and that the composition of sport-related employment is, not surprisingly, similar to that of value added. As in most regions, sport accounts for a higher proportion of employment than value added, indicating that employment is concentrated in activities which, on average, are at the lower end of the value-added range.

### 5.2 Household Income and Spending

**Sport accounts for a lower proportion of household spending than the English average**

Table 5.3 shows that sport-related expenditure by households per capita in the South West is around 86% of the English average and that spending on sport-related goods and services accounts for a lower proportion of total household expenditure in the South West (2½%) than the English average (2¾%). In no other region is sports-related spending per capita lower than in the South West.

The structure of sport-related spending in the South West is similar to that of the English average. The main difference is that spending on sports goods is higher than the English average.

**Sport is not as important to household income as it is to employment**

Table 5.4 shows that three-quarters of income is generated by Commercial Sport and Commercial Non-Sport. Because sport accounts for a higher proportion of employment in the South West than it does total income, this suggests that many of the jobs in these sports sectors in the South West are probably at the low-skill end of the range. Sport in the South West accounts for roughly the same proportion of both earned income and total household disposable income (after deductions for taxes) as England as a whole.

### **5.3 Public Funding**

Table 5.5 shows that the level of central government grants per head of population, at £12 per year, is the lowest in England. The South West received more grants per head of population from local government than most other regions although the level is very small. Even in London, where this figure is highest, the level of grants is just £4 per head.

### **5.4 Sport-Related Tourism**

Table 5.6 shows that the number of tourists visiting the South West for sport-related purposes accounts for 27% of the total for England. As a result, sport-related tourism is a far more important source of income to the South West than to all other English regions. Total spending by long-stay tourists on sport and associated accommodation in the South West was around £85m, the highest in England and nearly twice as much as in London, which received the next highest amount of tourist spending. Day visitors, meanwhile spent around £11m on sport-related activities in the region.

**TABLE 5.1: SUMMARY OF SPORT-RELATED OUTPUT IN THE ENGLISH REGIONS  
IN 2000**

	London	South East	East of England	South West	West Mids	East Mids	Yorks & Humber	North West	North East	England
Total sport-related GVA (£m)	1644	1916	987	913	1027	814	940	1140	457	9838
Commercial sport	44.5	45.1	34.4	30.8	34.4	34.7	27.4	29.7	23.3	36.1
of which										per cent of total sport-related value-added
Spectator sports	6.2	7.7	8.5	7.4	6.4	6.7	7.8	7.3	6.8	7.2
Participation sport	5.9	3.8	2.9	1.6	3.0	1.2	5.9	5.7	1.1	3.9
Retailing	9.4	9.0	9.9	10.1	11.0	8.8	9.6	11.3	9.8	9.8
Sport-related manufacturing	0.9	22.1	10.5	3.2	10.2	15.8	1.2	1.5	1.6	8.5
Commercial non-sport	37.6	37.1	42.6	47.0	42.9	43.5	50.8	46.6	53.3	43.0
Voluntary	10.3	10.8	13.8	14.0	13.6	13.4	11.3	14.1	13.1	12.3
Local Government	7.7	7.1	9.2	8.2	9.1	8.4	10.4	9.6	10.2	8.6
Total sport GVA (as % of total GVA)	1.3	1.5	1.2	1.5	1.6	1.6	1.6	1.4	1.7	1.5

Source(s) : Cambridge Econometrics.

**TABLE 5.2: SUMMARY OF SPORT-RELATED EMPLOYMENT IN THE ENGLISH REGIONS  
IN 2000**

	London	South East	East of England	South West	West Mids	East Mids	Yorks & Humber	North West	North East	England
Total sport-related employment (000s)	55	75	41	40	44	35	42	50	21	402
Commercial sport of which	48.1	48.7	38.2	34.5	36.3	36.6	32.9	33.9	26.4	39.1
Spectator sports	9.8	12.8	14.1	12.3	10.6	11.7	13.4	12.1	11.7	12.1
Participation sport	8.0	5.4	4.2	2.3	4.3	1.8	8.6	8.1	1.6	5.4
Retailing	8.2	6.5	7.3	7.5	8.1	6.2	6.5	8.1	7.5	7.3
Sport-related manufacturing	1.0	21.4	9.8	3.7	9.2	14.4	1.2	1.4	1.4	8.1
Commercial non-sport	36.0	35.6	41.7	46.1	43.6	43.4	47.0	45.3	52.3	42.1
Voluntary	7.5	8.0	10.4	10.6	10.3	10.6	8.8	10.5	10.1	9.4
Local Government	8.3	7.7	9.8	8.7	9.8	9.3	11.3	10.3	11.2	9.3
Total sport employment (as % of total employment)	1.3	2.1	1.8	2.0	1.9	2.1	2.0	1.8	2.2	1.8

Source(s) : Cambridge Econometrics.

**TABLE 5.3: SUMMARY OF SPORT-RELATED SPENDING BY HOUSEHOLDS  
IN THE ENGLISH REGIONS IN 2000**

	London	South East	East of England	South West	West Mids	East Mids	Yorks & Humber	North West	North East	England
Sport-related expenditure per capita (£)	242	266	215	198	230	207	229	226	228	230
Sports clothing and footwear	24.3	20.2	22.8	20.7	19.9	20.8	21.1	21.8	22.1	21.6
Sports goods	5.3	7.0	5.1	10.1	12.2	6.3	4.8	6.6	4.1	6.9
Admissions to events	5.7	5.8	5.2	4.9	4.8	4.6	5.6	5.3	3.4	5.2
Subscriptions and fees	25.5	25.9	23.3	22.1	21.4	20.6	25.2	24.0	15.1	23.5
Sport-related gambling	18.1	17.4	19.5	18.9	20.6	20.7	22.4	20.3	32.8	20.1
Sport expenditure (as % of total expenditure)	2.6	2.7	2.5	2.5	3.0	3.2	3.0	3.1	3.3	2.8
								per cent of total sport-related spending		
								21.8	22.1	21.6
								6.6	4.1	6.9
								5.3	3.4	5.2
								24.0	15.1	23.5
								20.3	32.8	20.1

Source(s) : Cambridge Econometrics.

**TABLE 5.4: SUMMARY OF SPORT-RELATED INCOME IN THE ENGLISH REGIONS  
IN 2000**

	London	South East	East of England	South West	West Mids	East Mids	Yorks & Humber	North West	North East	England
Total Income (£m)	957	1159	598	544	593	474	571	675	265	5836
Commercial sport of which	45.5	46.4	36.0	32.3	35.6	35.9	28.2	30.4	24.1	37.3
Spectator sports	10.8	12.8	14.5	12.9	11.3	11.8	13.4	13.0	12.2	12.5
Participation sport	6.2	3.9	3.0	1.7	3.2	1.3	6.1	6.2	1.2	4.0
Retailing	27.8	7.0	7.6	14.4	10.2	6.9	7.9	10.1	9.5	12.0
Sport-related manufacturing	0.7	22.8	10.9	3.2	10.9	15.9	0.9	1.1	1.2	8.7
Commercial non-sport	33.1	31.9	37.0	42.5	39.0	39.5	45.7	42.5	48.9	38.3
Voluntary	6.2	6.1	8.1	8.5	8.3	8.1	6.7	8.5	8.1	7.4
Local Government	9.2	8.1	10.7	9.9	11.1	10.2	12.2	11.7	12.6	10.2
Total (as % of earned income)	0.7	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
Total (as % of total household disposable income)	1.1	1.2	1.0	1.1	1.2	1.2	1.2	1.0	1.2	1.1

Source(s) : Cambridge Econometrics.

**TABLE 5.5: SUMMARY OF PUBLIC SECTOR FUNDING IN THE ENGLISH REGIONS  
IN 2000**

	London	South East	East of England	South West	West Mids	East Mids	Yorks & Humber	North West	North East	England
Central government grants	13.4	13.1	12.9	11.8	13.6	12.8	15.1	12.5	14.3	13.2
Local government grants	3.9	0.3	0.4	1.5	1.7	1.1	1.2	0.1	0.0	1.2

Source(s) : Cambridge Econometrics.

**TABLE 5.6: SUMMARY OF SPORT-RELATED TOURISM IN THE ENGLISH REGIONS  
IN 2000**

	London	South East	East of England	South West	West Mids	East Mids	Yorks & Humber	North West	North East	England
<b>UK-based Long-stay Tourists</b>										
Number ('000)	370	251	132	828	109	105	162	198	56	2211
Spending (£m)	6.0	2.6	1.2	18.3	1.8	1.7	2.6	2.2	0.5	36.8
Associated spending on accommodation etc)	25.2	17.2	8.0	63.7	6.1	5.6	9.7	14.9	3.8	154.3
<b>Overseas Long-stay Tourists</b>										
Number ('000)	526	200	90	94	73	36	46	77	22	1162
Spending (£m)	2.3	0.6	0.3	0.3	0.2	0.1	0.1	0.2	0.1	4.2
Associated spending on accommodation etc	14.9	3.7	1.8	1.7	1.3	0.6	0.7	1.3	0.5	26.6
<b>Day visitors</b>										
Number ('000)	528	956	646	430	412	419	462	450	270	4573
Spending on admissions (£m)	13.2	23.9	16.2	10.7	10.3	10.5	11.6	11.2	6.7	114.3

Source(s) : Cambridge Econometrics.

## 6 EMERGING ISSUES

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### 6.1 Recent Developments in Sport

#### TV deals and National Lottery schemes are key sources of sport-related income

There have arguably been two key developments in sport in England over the past decade. The first is the huge increase in income that professional football clubs (and above all those in the Premiership) have enjoyed as a result of lucrative TV broadcasting deals with BSkyB, the UK's dominant pay-TV broadcaster. The English Premiership is now the wealthiest league in the world. In the most recent *Deloitte and Touche Annual Review of Football Finance*,<sup>1</sup> Premiership clubs' annual turnover had risen to just under £1bn during the 2000/01 season. TV rights deals are now the most important source of revenue, representing 39% of Premiership income, and this proportion is expected to have increased further since the beginning of the 2001/02 season as revenues from current broadcasting deals came on stream. However, the financial situation of many clubs outside the Premiership remains precarious, and these difficulties were exacerbated by the collapse of ITV Digital in March 2002, while other, less high-profile sports continue to struggle to attract significant broadcasting revenues.

The second is the introduction of the National Lottery, which increased the number of funding streams and the level of funding available to support investment in sports facilities, youth coaching and development, sports events and athletics excellence. The vast majority of National Lottery grants go to voluntary clubs, local authorities and education. By February 2001, the Sport England Lottery Fund had made 532 capital awards in the South West, totalling £120m. However, both the number and value of awards have been declining in recent years.

Other sources of funding for sport are local authorities, Local Education Authorities, sport governing bodies, and planning gain (as a result of Section 106 agreements). Other potential, but as yet largely untapped, sources of funding are the EU (although sport does not typically gain directly from European regional funding) and Regional Development Agencies (although at present the level of funding from this source is relatively small).

#### Future National Lottery sources of funding

Over the past two years, the amount of lottery funds going to sport has declined as lottery ticket sales have fallen, and the downturn accelerated during 2002. Consequently, Sport England is undertaking a review of its funding position to ensure that it is able to honour funding commitments.

There are now new National Lottery funding streams that sport will be able to access in the future. An example is the New Opportunities Fund (NOF), which aims to bring improvements in the provision of PE and sports facilities in communities. Finance from the NOF will be made available in 2003 and can be accessed by LEAs for modernising existing or building new facilities and initial revenue funding to support the development and promotion of the facilities for community use. Funding has been allocated to every LEA in England, via local authorities, with those in the South West expecting to receive

<sup>1</sup> Deloitte and Touche Annual Review of Football Finance, 2000/01.

around £23m. There have been 16 awards in the South West, including £610,000 to Paignton Borough Council, £220,000 to Bristol City Council, £200,000 to Devon County Council, £200,000 to Cornwall County Council and £150,000 to Somerset County Council. In addition, other funding within NOF has been allocated to the Football Foundation and Space for Sport and Arts. Over £1.6m is likely to be available to the South West under the Playing Fields and Community Green Spaces programme, going to local authorities, schools, clubs and voluntary organisations.

**Private Finance Initiative funding of school sports facilities**

In recent years there has been an increase in both the number and the scale of Private Finance Initiative projects (PFI). Under PFI, the private sector designs, builds, finances and maintains public and private sector buildings, including hospitals, schools, prisons, roads, light rail and waste management facilities. Since PFI was introduced in 1992, construction has been completed on approximately 500 projects worth a total of £23bn, and a further 400 schemes are up and running. There have been several large PFI schools sports facilities, even though investment in sports facilities is likely to be only a small fraction of the total budget. Although the use of PFI remains politically sensitive (reflecting concerns that firms have made excess profits on some PFI contracts), the Government regards the increased use of private finance as a key tool in its attempts to boost the quality of public services. Therefore, PFI is likely to remain a key source of investment in school sports facilities and in education overall.

**Non Profit Distributing Organisations**

A recent development within sport is the growth in the number of non profit distributing (NPD) organisations that run and maintain facilities. These organisations are set up in such a way that any profits they make can be redirected towards the on-going maintenance or improving their facilities. In some instances the organisation may be running facilities that were formerly owned by local authorities. In other cases the organisation may have been established to run facilities that were developed as part of a local regeneration initiative. In some respects these NPD organisations share some characteristics with clubs and organisations currently identified within the traditional Voluntary sector that own their own facilities. However, the services they provide are similar to those currently provided by local authority and commercial operators of participation sports facilities. The expectation is that the relative importance of these organisation in sport at the local level will increase.

## 6.2 Data Gaps

While conducting the study, some clear examples of gaps in the data have emerged. In most cases, the regional Sport England offices were able to provide qualitative information regarding major sports suppliers in their regions and major professional sports clubs, and quantitative information on funding from the lottery and sports bodies, but were not able to provide data on sports participation that could be implemented in the modelling or on sources of sport-related funding from some central government funding streams. The size and composition of the voluntary sector and sources of funding from non-sport-related central government departments were therefore two areas where the data are particularly sparse.

Some data issues relate specifically to the emerging issues mentioned in Section 6.1. For example, when examining future investment in schools, we must distinguish between the capital costs and the maintenance costs of projects. In other cases, we have had to estimate regional figures based on UK data using appropriate assumptions.

**The coverage of sport may not be comprehensive**

The definition of the Commercial Sport sector is that which has been applied in other studies of this type<sup>2</sup>. Some activities which are clearly sports-related fall within sectors that are classified as ‘non-sport’, for example, the motor sports sector within the wider motor vehicles industry. We have had to make assumptions in the model for the scale of such sport-related activities that go on within industries that are not primarily sport-related, because the Standard Industrial Classification does not allow them to be distinguished separately.

**Participation and spending in the voluntary sector**

The data gaps here are discussed in more detail in Appendix A.

**Readily accessible data on some public sector funding streams**

Several studies<sup>34</sup> have found that participation in sport can provide an activity for young people who might otherwise become involved in crime, and that sport can be an effective tool when combined with programmes which seek to address wider personal and social development. As a result, an increasing number of government schemes undertaken by non-sports departments, for example the Department for Education and Skills (DfES) and the Home Office, have included a sport-related element. However, there is a lack of robust data on the scale of funding, particularly for large-scale sports developments or projects, reflecting the widespread use of short-term funding.

**The impact of sports tourism**

The number of sport-related tourists as a proportion of all tourists was based on assumptions from earlier national studies, and the composition of tourism spending was based on the assumption that patterns of spending by UK tourists and overseas tourists were homogenous across the regions. Clearly, it would be preferable to have survey evidence on which to base these assumptions.

**RDAs**

Although RDAs are regarded as a potentially important source of funding for sports in the regions, as yet there is little available data on which to make estimates. None of the English RDAs were able to provide estimates of the level of funding that they provide for sport, or indeed of the likely role of sport within their overall strategies for their regions.

2 Private organisations that stage spectator events financed by admission charges, commercial sports clubs and centres, sports departments of media companies and sports goods manufacturers and retailers.

3 Heal, K and G Laycock (1997) Preventing Juvenile Delinquency: The Staffordshire Experience, Crime Prevention Unit Paper 8, London, Home Office.

4 Deane, J (1998) Community Sports Initiatives - An Evaluation of UK Policy Attempts to Involve the Young Unemployed - The 1980s Action Sports Scheme, Sport in the City: Volume One.

## Linking with other data initiatives

### *Regional Cultural Data Framework*

The Department for Culture, Media and Sport has developed a Regional Cultural Data Framework (RCDF)<sup>5</sup>. It aims to build a practical tool for gathering data on the sectors broadly covered by DCMS at a regional level for use by a wide range of practitioners and as such its scope is much wider than sport. The RCDF raises two issues with respect to the inadequacy of the Standard Industrial Classification (SIC) for measuring economic activity in the ‘culture industry’.

The first issue is insufficient detail in the classification, so that cultural products/industries are not distinguished from ‘non-cultural’ activities in a broader group (for example, the RCDF notes that data is typically not available for 74.20/1 ‘Architectural activities’ within the broader group 74.20 ‘Architectural and engineering activities and related technical consultancy’). Conceptually this is a straightforward issue, and we support the conclusion that data at the 5-digit level, together with additional 5-digit categories, would improve the accuracy of measurement of the scale of sports activity.

The second issue is less straightforward, however. The Report notes that

‘Designating certain products and services as ‘cultural’ rather than ‘non-cultural’, is a classificatory system based on the concept of the ‘intended use’ or final market of each particular product or service. The SIC, however, uses a classificatory system that is based, largely, on the industrial process utilised in the development of each product or service. It is not likely that the SIC will change in this approach...’<sup>6</sup>.

In our view this is not so much a question of the appropriateness of the SIC method of classification, but a question of adopting the appropriate tools already available in the well-established tradition of social accounting. Products which can be identified as ‘cultural’ (or, in our more narrow focus, as ‘sport’) can be identified in the SIC. Products that fall outside of a reasonable definition of ‘cultural’, but which have been supplied in support of a cultural activity, can be identified from a classification of expenditure by function. Thus, if we know the proportion of household spending which is on, say, sports goods, we can attribute a certain proportion of retailing activity as ‘sport-related’, regardless of whether the shop is a specialised sports retail outlet or a hypermarket. This is the approach that has been followed in the present study.

The RCDF study made a number of recommendations in the area of data. In particular it recommends the establishment of a dedicated British/English ‘cultural survey’ to improve the coverage of participation in, and the social impacts of, culture. This could provide an opportunity for getting more accurate measurement of the scale and nature of activity in the voluntary and voluntary sectors.

5 Regional Cultural Data Framework - Final Technical Report, November 2002, Department for Culture, Media and Sport & The English Regional Cultural Consortia.

6 op cit page 20.

*Regional Observatories* Regional Observatories have been established in all regions. While the precise function of the observatories may vary across the regions their common function is to collect analyse and disseminate key regional information. The observatories provide another route for disseminating the results of this study. It is unlikely that the Observatories will themselves be able to fill existing data gaps within the modelling framework as they typically provide a portal to existing data. However, over time they can provide the link to addition research in this area that can complement this study to provide a more detailed picture of the sports economy in the region.

## APPENDIX A: THE MODEL FRAMEWORK

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The literature review undertaken as part of the project found that the framework used by Leisure Industry Research Centre (LIRC) to assess the economic impact of sport in the UK as a whole follows the same broad approach to previous similar studies undertaken in the UK dating back to Henley Centre (1986). Furthermore, studies undertaken outside of the UK or in the field of the arts do not suggest a method that would differ fundamentally in approach, and so the LIRC framework has therefore be considered as the starting point from which to develop a model suitable for regional analysis.

Given this position, the more detailed specification of a model for regional analysis starts with a reconsideration of what would be the ideal features of the final model. This is discussed in Section A1. The preferred model framework is then set out in Section A2.

### A1 Important Features of the Framework

It is important that the model developed should be appropriate to the task required. The overall objective of this project, clearly set out in the terms of reference, is to assess the overall economic impact of sport in a region. There are various dimensions to this single task, and so addressing it fully actually involves answering a number of related, but more specific, questions. In addition, it may be that any eventual model developed could provide information that would be beneficial to other areas of SE's work as the organisation has an interest in, and contributes to, the debate on a wide range of sport-related issues.

**What questions might be of interest?** The main areas of interest to Sport England can be grouped under two broad headings: *How important is sport?* and *What is important to sport?*

Listed below are what we currently regard as the main questions. The list has been informed by the wide ranging discussions on the work of Sport England at the Inception meeting together with other discussions between Sport England and the study team. It would be helpful to identify now if important questions are missing from the list.

*How important is sport?* Questions that could be grouped under the heading of 'how important is sport?' include:

- What is the economic impact of sport?, How large is sport-related activity in relation to the rest of the economy?, How many jobs depend on sport?
- What is the scale of involvement of the region's residents in sport?
- What do 'high-profile' sports events contribute to the economy?
- What is the scale of sport activity (spectator or participation) compared with the activity of other key parts of the 'sport economy' (eg advertising, clothing and equipment manufacturers)?
- What does sport contribute to government finances?

*What is important to sport?* Questions that could be grouped under the heading of ‘what is important to sport?’ include:

- What are the main sources of income to sport in the region?
- How important is public-sector funding to sport in the region?
- Does the pattern of sources of income to sport differ across the country?
- Does household spending on sport differ across the country?
- How important is ‘sport tourism’?

**What indicators are required?** To give an empirical answer to each of the questions listed above we require information on relevant indicators. For example, the economic impact of sport could be measured by the level of employment in sport compared to the economy as a whole, or the level of output or income that sport generates. It is these indicators that the model will need to determine estimates for. Table A1 summarises the indicators that could be appropriate measures to answer each question.

**The role of the model** Before specifying the model precisely it is important to be clear about the role or function it will fulfil. If data on the indicators shown in Table A1 were published and readily available, and this was the only information required, then there would be no need to develop a model. The information could be accessed from the various reference sources directly. However, past studies have shown this not to be the case. In this instance the model’s role is to use what information is available to infer plausible estimates for the indicators of interest. For example, there may not be data on the income to voluntary sports clubs, but an estimate could be inferred using data on the level of household spending on club subscriptions.

*An accounting framework, not a ‘causal’ model* The model therefore has two functions; to provide an accounting framework within which the separate sport-related expenditure flows are clearly identified, and to set out the rules by which estimates will be determined for the indicators that are not observed directly. In this study the model does not explain ‘causation’. For example, we would normally expect the direction of economic causation to run from, say, spending on sports activity to output and from there to employment. However, in our study we may be able to observe data on employment and use this to infer the output and spending which sustains this employment.

## **A2 The Proposed Model Framework**

**Core features** The model requires a number of core features to address the range of questions listed earlier:

- 1 Direct comparison with other economic data.

Estimates of the sport-related indicators must be capable of being compared directly with official estimates for the economy as a whole or for particular parts within it.

- 2 Coverage of expenditure on, and the production of, the sports industry.

3 Analysis of the incomes and expenditures of different groups which interact with the ‘sports industry’.

These three core features are provided by adopting the conventions of national income accounting (described in detail below). We will adopt this framework and by doing so follow the broad method used in all the UK-based studies reviewed earlier.

**The basic framework**

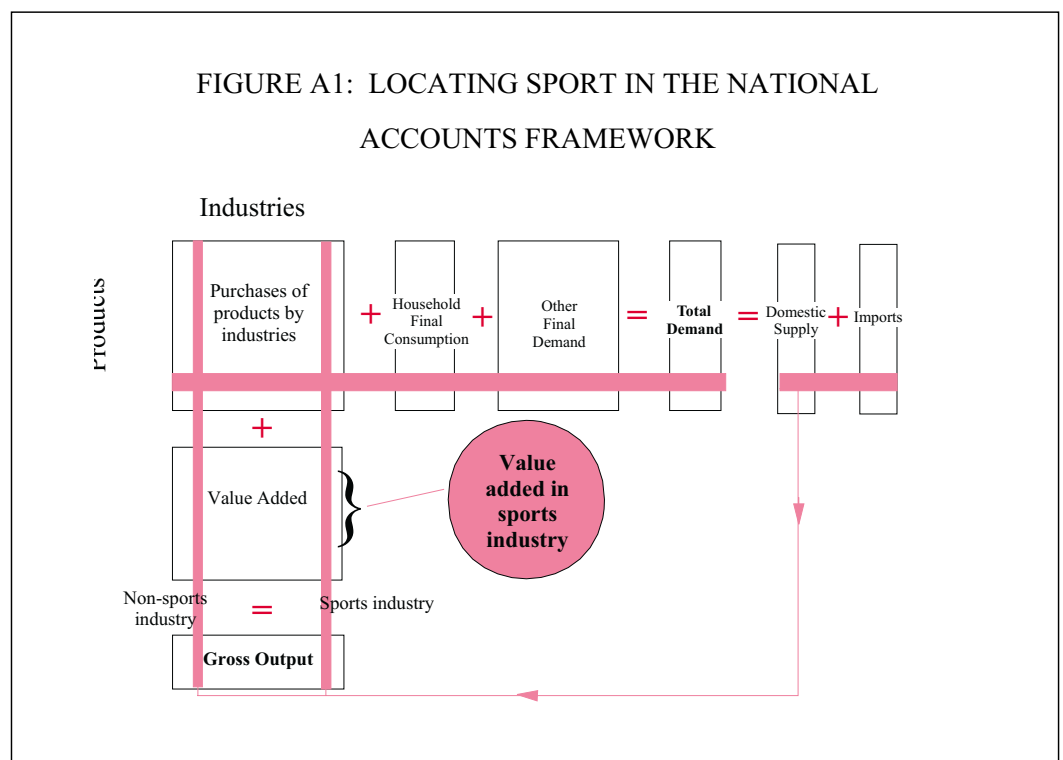
The national income accounts framework clearly identifies the separate expenditure, income and output flows in a way that avoids the risk of double-counting.

*Identifying production of and spending on sport*

Figure A1 is a stylised representation of the National Accounts framework that is used to identify the scale of production of and spending on particular goods and services and how sport is ‘located’ within it. The columns represent the different agents that could purchase goods and services. The rows represent the products they purchase. Goods and services are bought by industries in order that they themselves can produce output (so-called ‘intermediate demand’). Goods are also bought by households, government, for investment, and by firms or individuals from outside of the economy in question (ie exports). Finally, some of this demand will be met in the form of imports.

Considering the output from a particular industry (a column), part of this represents bought-in inputs while the rest represents the value added of production. Of this value-added, some is used to compensate the labour employed (ie wages) and the remainder (approximately profits) is distributed to the owners of capital.

Within this framework the output of sport and the level of spending on sport can be calculated by identifying the precise activities and good/services that constitute sport.



*Identifying sport-related income and expenditure* The framework in Figure A1 does not identify all the sports-related income and expenditure flows between economic agents. In particular it does not identify transfer payments such as grants made by local authorities to voluntary groups. Within the national accounts framework the monetary flows between different sections of the economy are identified within institutional sectoral accounts. The economy is grouped into a number of mutually exclusive institutional sectors (households, non-financial corporations, financial corporations, general government, NPISH - non-profit institutions serving households, rest of the world). Accounts are established for each institution showing receipts from, and payments to, each other institution. Table A2 shows an example of an institutional sector account.

There is clearly a link between the two sets of accounts. Consider the example where a household purchases admission to spectate at a domestic sports event: this transaction will be identified as a payment from the household account to the non-financial sector. It will appear in Figure A1 as an entry in households' purchase of 'spectator sport'.

**Refining the existing structure** While the LIRC model is seen to provide a suitable basic framework for the analysis, a number of refinements are necessary to adapt it to the purpose of regional, rather than national, analysis and to reflect recent developments in the functioning of the sports industry. These refinements involve increasing the detail of institutional sectors and specifying more detail in the sources of income and expenditure in the sectoral accounts. The rationale behind the developments are discussed below.

*The concept of 'trade'* Producers in a given region trade with other parts of the national economy as well as with overseas. In the context of this application to sport, tourists (ie people benefiting from the export of sports services) can be from overseas or from other regions of the UK. The distinction can be important, especially when considering the associated impact of an event on the local economy as these two types of tourist typically have very different spending characteristics.

The following refinements will be made to accommodate this distinction:

- 1 In the production accounts the 'exports' category of final demand will be separated into 'demand from rest of UK' and 'demand from overseas'.

*Identifying funding streams* Discussions with Sport England at the outset of the project made it clear that the number of potential sources of funding for sport has increased. This has primarily come about by recognition by government departments that sport impacts widely on different aspects of life and society, and also from the changing structure of government. Issues relating to funding feature prominently in the range of questions of potential interest above.

The following refinements will be made to allow a more detailed treatment of funding streams:

- 2 Provide greater detail of the source of funding to particular institutions.

In addition to providing greater detail, this approach is designed also to make the collection and processing of data for the regions more straightforward and transparent. It is possible that different regions will vary in their sources of government funding in particular. For a national study, it may only be important to have an estimate for 'total government funding' which may be obtainable.

However, in a regional study a better estimate of overall funding is likely to come from a bottom-up analysis of individual streams rather than a ‘top-down’ allocation of a national overall total. That said, an overall total for the region may be available.

3 Introduce an Regional Development Agency (RDA) institutional sector.

Although it may currently be the case that RDA funding of sport is relatively small, this may increase in the future. It is a relatively minor refinement to introduce an RDA institutional sector and this will build in detail that may well prove important for a subsequent updating of the model.

*Identifying sub-divisions of the sports industry*

In previous studies the sports industry (the commercial sports institutional sector) has included a wide breadth of activities<sup>1</sup>. These activities could be grouped under the following headings: participation sports, media distribution and ‘suppliers to sport’. By distinguishing these groupings within the overall commercial sport sector, we should be able to identify important differences across regions and enhance understanding of the role of sport in the region.

We therefore propose the following:

4 Provide income, expenditure and production data for sub-groupings within the overall commercial sport (CS) sector.

In practice this may just be a matter of formalising a distinction that is already implicit within the sector accounts, because there are probably few occasions where one source of expenditure is received by more than one type of CS activity. For example, household spending on admission fees to a sporting event would accrue as income to the participation sports within the CS sector while spending on subscription sports channels on television would accrue to the media distribution section.

**Other issues to consider**

Discussions with Sport England representatives through the course of the project identified a number of issues and trends within the sports industry that needed to be considered when developing the model framework.

*Use of private sector to manage LA-owned sports facilities*

In some regions local authorities are making increasing use of private sector companies to manage the facilities. The issue of the model framework is to ensure that the total level of income and expenditure attributed to these facilities is correctly estimated and that it is then being attributed to the correct institution, either the Local Authority or Commercial sport.

*Increase in facilities run by NPD groups*

There are an increasing number of sports facilities being owned and run by non-profit-distributing (NPD) organisations. In some cases these groups are running facilities that were previously owned by local authorities. In others the organisations have purchased development sites and established new facilities funded by grants. The

<sup>1</sup> For example in CASS(1995) it is defined as private sports clubs and organisations charging admissions fees, the sports media, sports retailers, sports goods manufacturers and wholesalers and sports education in independent schools.

key feature of these operators is that the profits that they generate are diverted back into the development and improvement of the facilities.

*Investment through  
planning gain*

It is possible for the planning system to be used to secure investment in a range of local community facilities, including sports facilities. The investment can come through a number of routes, including being planned within large new housing developments or by developers giving funds to local groups to determine which community facilities should be developed.

**The proposed  
model**

*The institutional  
sectors*

The institutional sectors among which sports-related financial flows are identified are:

- Household sector
- Commercial sport, within which key elements include
  - Spectator sports
  - Participation sports
  - Sport-related manufacturers
  - Sport-related retailing
  - Sport-related media
- Voluntary sector (in practice this will include the activities of both ‘traditional’ clubs and the emerging non-profit distributing organisations)
- Commercial non-sport
- Central government
- Local government
- RDAs
- Rest of UK (ie outside of region)
- Outside UK

**Identifying the  
parameters of  
sport**

With the broad framework of the institutional sectors determined, it is necessary to define the boundaries of the sports industry within which the financial flows between and within the separate institutions will be identified.

*Defining spending  
on sport-related  
goods and services*

The analysis requires a clear definition of what comprise sport-related goods and services. We propose to follow the definition used in previous studies in the UK. This takes as its core the definition of sport in Council of Europe (1976) and considers expenditure directly associated with it. Sport is therefore defined as:

- competitive games and sports
- outdoor pursuits in which participants seek to negotiate a terrain
- aesthetic movement

- conditioning activity or exercises undertaken to improve well-being

Expenditure directly related to sport, rather than just being incidental, or non-essential, includes that on

- club subscriptions and admission fees
- sports clothing and equipment
- sports computer/video games
- sports magazines and books
- sports-based holidays
- football pools, horse race betting and other sport-related betting (eg spreadbetting)

#### *Defining the sports industry*

The definition of the commercial sports industry used in previous studies has been reviewed and still seems to be appropriate. It comprises

- private sports clubs and organisations charging admission fees
- retailers of sports goods
- wholesalers of sports goods
- manufacturers of sports goods
- sports media

The Standard Industrial Classification (SIC) is the basis by which economic data are collected on an industry basis, though the degree of industrial detail varies depending on the indicators in question. The SIC does provide sufficient detail to identify some areas of the sports industry precisely, for example it identifies the activities of operating sports arenas and stadia separately from other sporting activities (which includes football clubs, activities related to the promotion and production of sporting events, activities of racing stables, hunting for sport or recreation). However, elsewhere the detail is not sufficiently precise: it identifies the activities of manufacturing or retailing clothing, say, but not sports-related clothing in particular.

#### **Developing a 'flexible' model**

The model framework provides an explanation for sport-related expenditure flows in a given year for which data are available. Given the lag in the publication of data (at the start of this project the most recent year for which data were readily available was 2000) there have been a number of recent developments in the industry that need to be provided for in order to ensure that the model does not become immediately obsolete, particularly in the area of potential funding streams.

Similarly, it was the case that information on some financial flows seen by Sport England and others as being important to sport were neither directly available nor readily estimated from other sources. These data gaps have been highlighted in this study and recommendations made as to how they can be addressed in the future. The model framework has been constructed to accommodate these data when/if they become available.

## APPENDIX B: DATA ANALYSIS

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### B1 Introduction

The sources and methods by which the data on the key sport-related income and expenditure flows that populate the model framework (discussed in Appendix A) are constructed are set out below. In some instances the necessary data are readily available from central government or other statistical bodies, and therefore likely to be updated regularly. Other data used are provided by private companies, such as market research organisations or trade associations and as such may not be updated as regularly.

The data sources used are listed in Section B2. Sections B3-B11 sets out the method by which the estimates for the main elements of sport-related income and expenditure are determined for each institution.

### B2 Data Sources

The sources of data used in the model include

- Family Spending, ONS
- Regional Trends, ONS
- Regional population by age (ONS)
- Annual Business Inquiry, ONS
- New Earnings Survey, ONS
- Regional Accounts, ONS
- Regional tourism statistics, UK Tourism liaison group
- Leisure and Recreation Statistics, CIPFA
- Annual Accounts, Sport England
- Various government departmental reports
- Public Expenditure Statistical Analysis 2002-03, HM Treasury, 2002
- General Household Survey, 1996 (enhanced survey to include questions specific to sport)
- The Lifestyle Book 2002 (WARC)

The model also uses a number of assumptions. Where no appropriate data are available to guide their value, the model has applied values used in previous studies of this type<sup>1</sup>.

<sup>1</sup> The main reference was LIRC, 1998.

## B3 Households

### Expenditure

*Admissions to sports events* Data are published for the spending on admissions to sports events in the UK as a whole but similar data are not directly available for the regions. The data for the regional breakdown are estimated from the UK data according to the region's share of overall spending in the most appropriate category for which data are available from the FES, namely sports admissions and subscriptions. This spending flows to the region's Commercial Sport sector, Central Government (VAT receipts) and the Rest of the UK (attending events outside the region)<sup>2</sup>.

*Subscriptions and fees* Similarly, estimates of spending on subscriptions and fees in the region are calculated from the estimates for the UK as a whole according to the region's share of overall spending on sports admissions and subscriptions.

This spending accrues to Local Government (use of LA sports centres), Central Government (tax), Commercial Sport in the region (eg season tickets, private gymnasiums) and the Voluntary (VOL) sector (eg local sports clubs). An estimate of spending on local authority sports facilities is available from *Leisure and Recreation Statistics*. The estimate for the proportion of spending on this category going to the VOL sector is calculated as detailed in Section B6 below<sup>3</sup>.

*Sports goods and equipment* Data are not directly available on the level of spending in a region on sports goods and equipment. Instead, data are available from the Family Expenditure Survey (FES) for spending on clothing and footwear (which includes that which is sport-related) and sports & camping equipment. An estimate for the scale of the sports goods and equipment market in the UK is available from Mintel. A particular region's share of this overall market is estimated according to its share of overall UK spending on the most appropriate category of data in the FES. In the case of sports clothing, the FES category *outwear clothing* is used, for sports footwear the FES category is *footwear* and for sports equipment it is *sports and camping equipment*.

The institutions that benefit from this spending are Central Government (through taxes), the local Commercial Sports sector (eg retailing), the Overseas sector (imports of goods being sold) and the Rest of UK (domestically produced goods that are sold<sup>4</sup>).

It is assumed that the proportion of goods to be imported into the region from overseas is the same as for the UK as a whole.

*Skiing holidays* The estimate for the UK market (ie spending) for skiing holidays, based on market research surveys, is allocated to the regions according to the estimate for spending on

2 We have followed the simplifying assumption in LIRC 1998 that none of this spending accrues to Overseas.

3 This method may include some double-counting, to the extent that LA income (identified in Leisure and Recreation Statistics) comes from the VOL sector hiring the facilities.

4 For simplicity the extent to which the goods sold may be made in the same region is not considered. It is assumed that locally-produced goods are sent to a national pool, from where they are directed to the retail sector. All the goods sold therefore are sourced either from the 'Rest of UK' or 'Overseas'. The income to sports goods manufactures in the region is discussed in Section B4 below.

overseas holidays. The spending accrues to Central Government (tax), the region's Commercial Non-Sport sector (travel agents) and Overseas.

*TV licence and subscriptions* An estimate for that part of the television licence that is sport-related is calculated from the total spend on TV licence according to the share of sport-related TV and radio production in total output. A similar estimate for the sport-related element of satellite/cable subscriptions is made separately.

The licence/subscription spending accrues to Central Government (VAT), Commercial sport (media) and the Rest of the UK (where the media bodies are located outside of the region).

*Computer games* Total UK spending on computer and video games is provide by the FES, of which only a fraction is associated with sport-related games. A region's share of this total spending is assumed to reflect the relative level of spending on a wider category of goods, namely all TV, video computers and audio equipment.

*Gambling* Estimates for regional spending on the pools, on-course betting, off-course betting and gaming are derived from UK data according to the data from the FES on all *gambling payments*. The spending accrues to Central Government (taxes) and Commercial Non-Sport (eg local race bookmakers) and Rest of UK (eg pools operators).

## **Income**

*Wages and salaries* Wages and salaries are received from the sport-related activities of the other institutions. The methods by which they are estimated are described in Sections B4-B11 below.

## **B4 Commercial Sport**

### **Income**

#### *Spectator sports*

*Admissions/subscriptions* Spectator sports receive admissions income from the region's households, households in the Rest of the UK and from Overseas. They also receive subscription income from households in the region. Total spending on admissions by households in the region is estimated as detailed in Section B3. Not all spending necessarily occurs in the region where the household lives (eg watching teams' away fixtures, attending high-profile events in other regions). Total UK spending on admissions that occur in a region other than where the household is resident is calculated as a proportion of total household admissions spending. The region's share of this total is assumed to be based on the size of its spectator sports industry<sup>5</sup>.

<sup>5</sup> Proxied by employment in Sporting activities (assuming that there are no issues of confidentiality attached to the data for any region).

Admissions income from Overseas is estimated as a percentage of total spending by overseas tourists in the region on entertainment and related expenditure. We maintain the assumption used in LIRC98 that 10% of such spending is sport-related.

- Sponsorship* An estimate of sports-related sponsorship in the UK as a whole is available from published market research. The proportion of this accruing to a region is assumed to reflect the size of its spectator sports industry.
- Advertising* Income from advertising is estimated to be a fixed percentage of total income from other sources.
- Corporate entertainment* Income from corporate entertainment is estimated to be a fixed percentage of admissions income. It is assumed to come from the Rest of UK<sup>6</sup>.
- Other income* Income from such as horseracing betting levy, rights to top football league matches and the Football Trust are estimated from published national totals according to the relative size of the spectator sports industry.
- Participation sports: - subscriptions and fees* Income to participation sports from income and fees are estimated as described in Section B3 above.
- Retailing* Income to retailing from the sale of sports goods and equipment are estimated as described in Section B3 above.
- Other clusters of activity*
- Sports goods and equipment manufacturers* Data are insufficiently detailed to identify manufactures of sports goods separately from that of, say, other areas of textiles. The income to sports goods manufacturers in the region is estimated from the income to the sector in the UK as a whole according to the region's share of employment in a relevant (typically broader) industry. Total income to UK manufacturers of sports goods and equipment is calculated from the level of sales in the UK and assumptions for the level of imports (as a share of total demand) and for the level of exports (as a share of UK production). The trade assumptions are derived from data for the appropriate industry from the UK Input-output tables. The estimate of income to sports clothing and footwear manufacturers is calculated from the UK total according to employment in the wider clothing & footwear industry (SIC 1810-1830, 1930) and for sports goods it is the manufacture of sports goods, games and toys (SIC 3640-3650)<sup>7</sup>.

6 This is a simplifying assumption, equivalent to that used for the supply of sports goods described above.

7 Note that confidentiality of data in these categories for some regions may mean that the precise industry used when all the regional applications are completed differs from that identified here.

- Motor sport* Estimates for the turnover of and employment in UK motor sport engineering is available from the MotorSport Industry Association. The regional allocation of this is made by assumption, based on information provided by RDAs.
- Marine engineering* The turnover of firms in marine engineering in the UK as a whole is calculated as an assumed percentage of that in the wider industry of boatbuilding of pleasure/sporting craft. A region's share of this national total is calculated according to its share of employment in the boatbuilding of pleasure/sporting craft industry.
- Horseracing* Turnover from horseracing stables is calculated from data on the level of employment in these activities in the region provided by the British Horseracing Board (BHB) using an estimate of turnover per worker for sports activities (excluding operations of sporting areas) for the UK.
- Media* Sport-related income to TV media in the region is estimated from the total sport-related TV income in the UK according to the region's share of employment in the industry<sup>8</sup>.

## Expenditure

- Wages* The total wage bill paid to people employed in the various sub-sectors within commercial sport are estimated as a (varying) percentage of income. In the case of spectator sports the ratio of wages and salaries to income for all football league clubs is used, for participation clubs it is the ratio used in LIRC. That for sports-goods retailers and manufacturers is determined from data from the Annual Business Inquiry (ABI) for the appropriate industry.
- Other inputs* Other inputs purchased by the groups within commercial sport are estimated as the difference between total income less wages and profits. Profits are calculated as a percentage of total income. Profits to spectator sports are determined by the ratio of profits to income of professional football clubs<sup>9</sup>. That for participation sports, retailing and manufacturers of sports goods is derived from the UK Input-Output tables for the appropriate industry.
- Investment* A similar approach is adopted for producing separate estimates are made for the level of investment by each of the sub-groupings within Commercial Sport: namely calculating it as an appropriate share of value-added by that group. For example, in the case of commercial and participation sports this share is assumed be the same as for miscellaneous (leisure-related) services in the UK as a whole, while that for sport-related retailing is assumed to be that for retailing as a whole.

8 This may overstate the income to the regions other than London as, for example, both BBC and ITV sport production operations are primarily located in London.

9 This is thought to be more appropriate than the average for the whole of recreational, cultural and sporting activities available from the UK Input Output tables.

## B5 Commercial Non-Sport

### Income

- Sales of current inputs to other sectors* The sales of inputs to the sports-related activities of the other sectors are assumed to be a given percentage of the total level of inputs to production. The remaining inputs will be sourced from Rest of UK or Overseas.
- Elements of household spending* The method for estimating sports-related spending by households accruing to the CNS sector is detailed in Section B3.
- Sales of inputs to other institutions* The methods for estimating these income streams are detailed in Section B4 and Sections B6-9.
- Income from sports tourism* The spending by overseas and UK-based long-stay tourists on food & accommodation is calculated from assumptions on the number of sport-related tourists and the profile of spending for each of the two groups. Spending on attending/participating in sports activities accrues to the Commercial Sport and Voluntary sectors.

### Expenditure

- Wages* Total wages received by households are estimated as the sum of wages accruing to sports-related staff in the region's HEIs (higher education institutions) and wages to the rest of the Commercial Non Sport (CNS) sector. The average wage rate of people employed in HEI is taken from the New Earnings Survey. The average wage rate in the rest of CNS is calculated from the average wage to total income, or turnover, ratio for the region as a whole.
- Local taxes* Rates accruing to the local authority are estimated as an assumed percentage of value-added, based on the average for the UK economy as a whole.
- Sponsorship* The value of UK sports sponsorship is published by Mintel. The amount of this that is assumed to come from the CNS in the region is assumed to reflect the size of the regional economy. An assumed proportion goes to the region's Voluntary sector. The remainder is treated as if going to a national 'pool' of sponsorship from where it is directed to the CS sectors across the regions.
- Advertising* The UK total for sports-related advertising is estimated as a percentage of UK sports sponsorship. The proportion coming from the region is assumed to reflect the size of the regional economy (as in the case for spending on sponsorship). It is assumed that this goes into a national 'pool' of sponsorship from which it is received by the CS sector in different regions.
- Corporate entertainment* The UK total for corporate entertainment is estimated as a percentage of UK sports sponsorship. The proportion coming from the region is assumed to reflect the size of its

economy. It is assumed that this goes into a national ‘pool’ of sponsorship from which it is received by the CS sector in different regions.

## **B6 Voluntary (VOL) Sector**

This sector includes the operations of both the ‘traditional’ non-profit making sports clubs which may or may not own their own facilities and those organisations that run facilities which are able to redirect all profits that are made back into their operations. This latter group is becoming increasingly important in some areas of the country<sup>10</sup>.

It is generally the case that there is little in the way of timely or comprehensive information available on the scale and characteristics of participation in sport or on the level of spending such activities generate. In previous studies of this nature information about voluntary clubs has been gathered through bespoke surveys. This approach was not possible within the resources for this study, and would have implications for the ease with which the study can be replicated at a later date. Nevertheless, the study has set out a framework which can utilise such data should it be collected at a later date.

### **Income**

*Subscription income* Income from households is determined by estimating the number of people participating in different types of voluntary sports clubs and making an assessment for their average level of (weekly) spend.

In the absence of more recent data, the overall rate of participation in the region in 2000 is calculated using the estimate from the GHS (1996)<sup>11</sup>. The number of participants in different types of sports clubs is informed by national data from the BMRB Target Group Index. Average rates of spending are by assumption, informed by the results of previous studies suitably scaled to adjust for inflation.

This estimate of income can be compared to household spending on subscriptions to ensure it is the correct order of magnitude. For example, LIRC 1998 assumes that 66% of household spending on participation and fees accrues to the VOL sector.

*Sponsorship and advertising* Sponsorship and advertising income is assumed to come from the CNS sector within the region as detailed in Section B5 above. In the absence of local data, the method applies the share of total sponsorship accruing to the voluntary sector used in LIRC 1998 (29%).

*Other factor income* The VOL sector generate income from a number of other sources, primarily bar income and raffles, lotteries and similar fund-raising initiatives. Income from these sources is estimated as a fixed proportion of income from admissions and subscriptions and is based on the findings from previous studies. For example, the previous study of sport in Wales<sup>12</sup> reported bar receipts to be 2.53 times the size of income from admissions and subscriptions, and income from other sources roughly 0.5 times.

<sup>10</sup> However, this element are not thought to have been that large in 2000, the year of the analysis.

<sup>11</sup> Analysed by Sport England.

*Other income* The VOL sector receive grant income from various sources, including local authorities, the lottery and various sports bodies, which are typically provided to part-finance capital projects. Where the end result of the project is a facility that can also have a non-sporting function (for example, club-houses can also function as community halls) then there may be other more general development funding that can be utilised (eg Single Regeneration Budget).

Discussion with Sport England (SE) regional offices indicated that the primary funding streams to consider were the various lottery-funded schemes and SRB<sup>13</sup>. Data on lottery funding came from Sport England Annual Report 2000-2001, Part 2 Lottery Statistics while that on SRB-related funding was sought from the regional SE offices and appropriate RDA. However, generally the data were not provided (see B9 below).

## Expenditure

*Wages* The VOL sector are employers, although the scale of this is small compared to the amount of time individuals devote on a non-paid basis. The overall wage bill for the sector is assumed to be a fixed proportion of the overall money income. In previous studies the factor was reported to be around 20% (range varied from 10% in Bracknell, 1989 to 26% in Wirral 1989).

*Ground hire* Ground hire is paid to both the Local Authority and Commercial Non-Sport sectors. That paid to LAs is assumed to be a proportion of the fees paid by households to LAs for using the facilities. In LIRC 1998 this proportion was set at 14%, the ratio between fees and charges. The value of ground hire to CNS is as a percentage of that paid to LAs. In LIRC this was set at 100%. Both figures are used in this study in the absence of additional information.

*Equipment* This is calculated by assumption for what it would represent as a percentage of household spending on sports equipment. In LIRC 1998 a value of 0.006% was used, and this is applied as no additional information is available.

*Bar purchases* This is calculated from an assumption for the level as a percentage of bar receipts (LIRC uses 70%).

*Rates* This is assumed to be a given percentage of rates received by commercial sport (LIRC assumes 87%).

*Other* Calculated as the difference between the total income to CNS from VOL sector (see Section B5) and ground hire payable by VOL to CNS.

12 The Economic Impact of Sport in Wales, Centre for Advanced Studies in the Social Studies, University of Wales College Cardiff, 1995.

13 This is administered by the RDA's, who are moving to 'single-pot' funding. As such in future the possible funding stream will be more general.

*Capital expenditure* The level of capital expenditure is assumed to be at a level of twice the level of capital grants received, reflecting the position that often such grants are to be accompanied by matched funding.

## **B7 Central Government**

We identify within this sector those flows to/from all central government and not just those functions that are sited in the region. For example, estimates of taxes on spending and income are identified within this sector although in practice these flows accrue to the Treasury, a body outside of all regions (except London).

**Income** Central Government receives taxation income from the income earned by those employed in sport-related jobs and on the goods and services bought in by these other sectors of the sports industry.

### **Expenditure**

*Grant aid* The regional offices of Sport England (a government agency) receive funding from the Treasury. This funding is spent on particular sports projects within the LA or VOL sectors in the region.

Central Government also provides funds for broad economic regeneration programmes. For example, RDAs administer the Single Regeneration Budget (SRB). A proportion of these funds may be spent on sports-related facilities. Information on the level of this spending is sought from the appropriate RDA (see Section B9 below).

*Non-lottery grants* Central government also provides other funding that is more focused on particular sports. The largest such scheme is probably the Football Trust. The proportion of the overall grant estimated to accrue to the Commercial Sport sector in the region is assumed to reflect the size of the Sports activities sector in the region.

*Spending by Sport England regional offices* The only operations within the region identified within this sector is that of Sport England. Data on wages, the level of employment and expenditure on other inputs have been provided by Sport England directly.

*Investment* It is possible that sport-related investment may be made by either Sport England itself (the capital spending linked to the funding streams it administers eg lottery, is identified as a source of investment by the recipient sector) or directly by central government. The latter would only be likely in the case of a major sport-related investment (such as that necessary to stage the Olympic Games). Assumptions for this expenditure are input directly<sup>14</sup>.

<sup>14</sup> Enquiries for this data were made when applying the model to the English regions, but no estimates were provided.

## B8 Local Government

### Income

- Fees from local authority sports facilities* The overall estimate of income to the LA sector from admissions etc to its sports facilities is estimated from the data published by CIPFA in *Leisure and Recreation Statistics*. The published data are adjusted to allow for a proportion of the income that does not come from admission charges<sup>15</sup>. The estimate of fee income is apportioned as to whether it derives from either Households or the VOL sector.
- Sale of equipment* The LA sector receives a small amount of income from the sale of sports equipment at their sports facilities. The method used is described in Section B3.
- Ground Hire* The LA sector receives income from hiring sports grounds to the VOL sector. The method for estimating this is flow is described in Section B6.
- Grants* The LA sector may receive grant income from a number of sources, which can include Sport England, lottery-based funding, other central government programmes (eg urban development) and specific sources for individual sports. The largest 'grant' is that from central government that supports the costs of LA services, including staff costs.
- Local taxation* The local authority sector receives taxation income (business rates) from the activities from commercial sport, the VOL sector and from commercial non-sport<sup>16</sup>.  
The method of estimating these income flows is described in Sections B4, 5 and 6 above.

### Expenditure

- Total expenditure on leisure and recreation services* Data on the total expenditure by LAs on various leisure and recreation services are published by CIPFA in *Leisure and Recreation Statistics*. These estimates include the net cost to the authority of any facilities operated by other contractors.
- Wages* The sector includes those employed in LA sports facilities and those in (secondary) education whose function is primarily sports-related. The wages of the staff at LA sports facilities are estimated to be a proportion of total expenditure on leisure and recreation.  
The wages of those within education are calculated as a proportion of total LA spending on education. Total spending in the region on secondary education is estimated from total current education expenditure on secondary education according to the region's share of identifiable regional expenditure on education. The ratio of wages to total income is calculated from the UK I-O tables.
- Other inputs* The level of spending on non-wage inputs to LA sports facilities is calculated as the difference between total expenditure on LA sports facilities and its wage bill.

15 For example, income from catering activities is included in the published income estimate.

16 We identify that part of the rates paid by CNS that can be 'attributed' to the scale of their sport-related activities.

*Grants* Estimates of grants provided by LAs to sport and recreation activities are published by CIPFA in *Leisure and Recreation Statistics*.

*Capital expenditure* Investment by local authorities in their facilities is estimated from the level of grant income received (see above) and an estimate for per-capita investment by LAs in sport-related facilities nationally.

## **B9 Regional Development Agencies**

**Income** Regional Development Agencies (RDAs) do not receive income from sports-related activities.

### **Expenditure**

*Development programmes* The RDAs have a number of roles. These include administering a series of government regeneration schemes, such as the Single Regeneration Budget as well as developing its own actions and initiatives to support the region's economy. While none of the regeneration programmes managed by the RDAs have a focus on sport, in some instances the grants are used to help in the development of sports infrastructure where it can have a more wider use (eg community centres being designed to allow sports to be used as a location for sport, or fulfilling the part-time role of clubhouse). The current importance of these streams, as a source of funding for sport was highlighted by a number of regional Sport England offices and it was stressed that the source may become more important in the future as the RDAs are given greater flexibility in their spending with the move to a 'single pot' approach to funding. However, in applying the model to the English regions our approaches to RDAs and others did not provide estimates the scale of sport-related funding. While this may be a true reflection on the use of the funds, it may instead be a reflection that the necessary information on the destination of funds is not collected.

While no data were forthcoming at this time the model framework allows for the possibility that it will be available in the future.

## **B10 Rest of UK**

### **Expenditure**

*Admissions* The level of spending by UK residents from outside the region on spectator sports in the region is estimated to be a proportion of that by the region's residents. At international sporting events the proportion of spectators from attending from outside the region can be as high as 50%. However, the level of attendance for spectator sports overall will probably be strongly influenced by the regular professional sports events (eg football, and less so rugby). At these events, perhaps 5-10% of those attending are supporters of the 'visiting' team.

*Sports tourism* The spending by long-stay tourists from elsewhere in the UK is discussed in Sections B4 and B5 above.

### **Income**

*Inputs to commercial sport and commercial non-sport* Part of the inputs commercial sport and commercial non-sport need to operate will come from elsewhere in the UK. The calculation of this is discussed in Sections B4 and B5 above.

## **B11 Overseas**

### **Expenditure**

*Admissions* The method used to estimate the income to CS in the region from overseas tourists spending on admissions is detailed in Section B4.

*Exports of sports goods* The method used to estimate the income to CS in the region from the export of sports goods is detailed in Section B4.

### **Income**

*Imports of sports goods* The method used to estimate the flow of sports goods into the region from overseas is described in Section B4.

*Imports of inputs to commercial sport and commercial non-sport* The methods used to identify the flow of goods and services used by commercial sport and commercial non-sport sourced from overseas are detailed in Sections B4 and B5 respectively.

## **B12 Other Variables**

**Value-added** The level of value-added from each sector that is sport-related is calculated from the wages and estimates of surplus (ie profit) for each sector.

**Employment** The number of people estimated to be employed in each sector of the economy as a result of sport is calculated from the total wage bill according to an appropriate level of average earnings. The assumptions for average earnings are taken from the New Earnings Survey. Data for the UK are available at greater industrial disaggregation than for the regions and this more detailed UK data is used to adjusted the available regional data to more closely reflect the characteristics of the particular industry in question.