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Research

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# The Economic Importance of Sport in Scotland 1998-2014

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A research report for  
**sportscotland** by the Sport  
Industry Research Centre,  
Sheffield Hallam University

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[sportscotland.org.uk](http://sportscotland.org.uk)

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- **Table of contents**

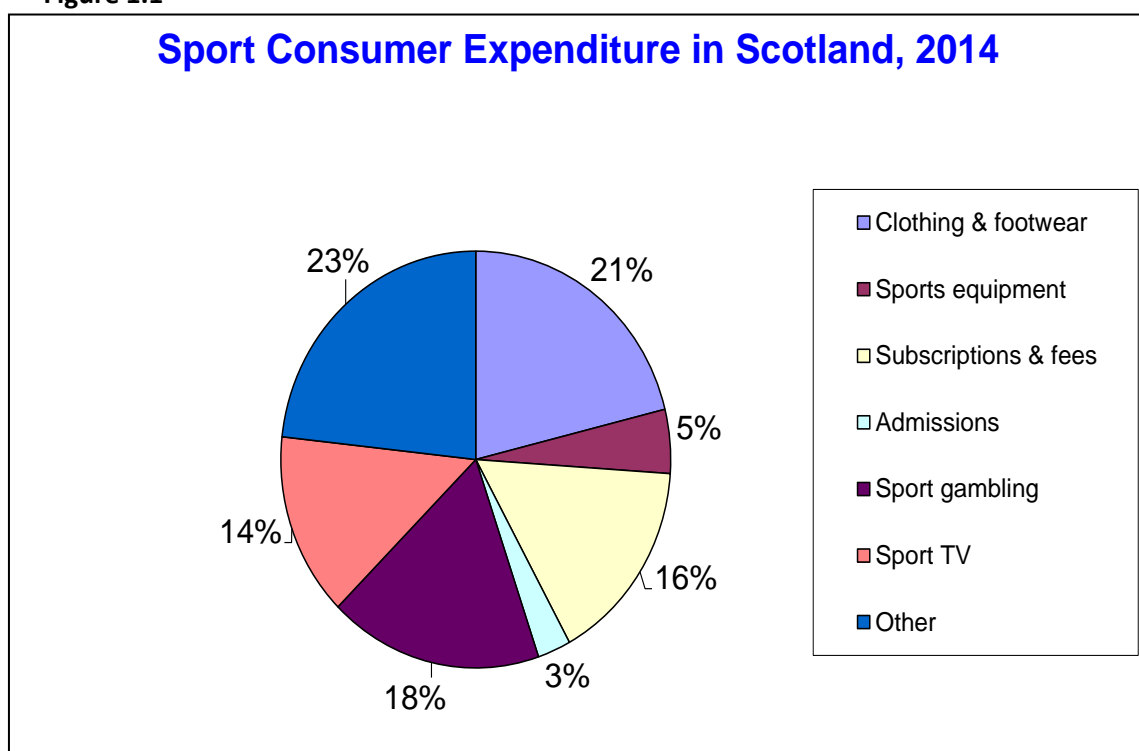
1. Executive summary .....	1
2. Introduction .....	3
2.1 Terms of reference.....	3
2.2 Methodology .....	3
2.3 Development of sport in Scotland .....	4
3. The sport economy in Scotland .....	7
3.1 Summary of key indicators.....	7
3.2 Consumer spending.....	8
3.3 Consumer spending in 2012 prices.....	9
3.4 Sport-related output .....	12
3.5 Sport-related employment.....	12
3.6 Summary of income and expenditure flows.....	14
4. The sport economy in context.....	15
4.1 Spending, output and employment.....	15
4.2 Sport within the economy.....	15
5. Appendices .....	20
A1: Statistical sources.....	20
A2: Model output.....	21
A3: Sources and methods.....	32
Consumer expenditure .....	32
A4: Definitions.....	36

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# 1. Executive summary

- This report provides an update of the economic importance of sport in Scotland using the economic model developed by the Sport Industry Research Centre for its research into the economic importance of sport. Previous economic importance of sport in Scotland research has been published for the years 1998, 2001, 2004, 2008 2010 and 2012. This report provides an update from the SIRC model for 2014 and summarises the key indicators for the economic importance of sport in Scotland.
- The economic value of sport has been assessed across Scotland for the year 2014, focusing on consumer spending, Gross Value Added (GVA) and employment. The economic impacts related to the Commonwealth Games and the Ryder Cup are an integral part of the assessment.

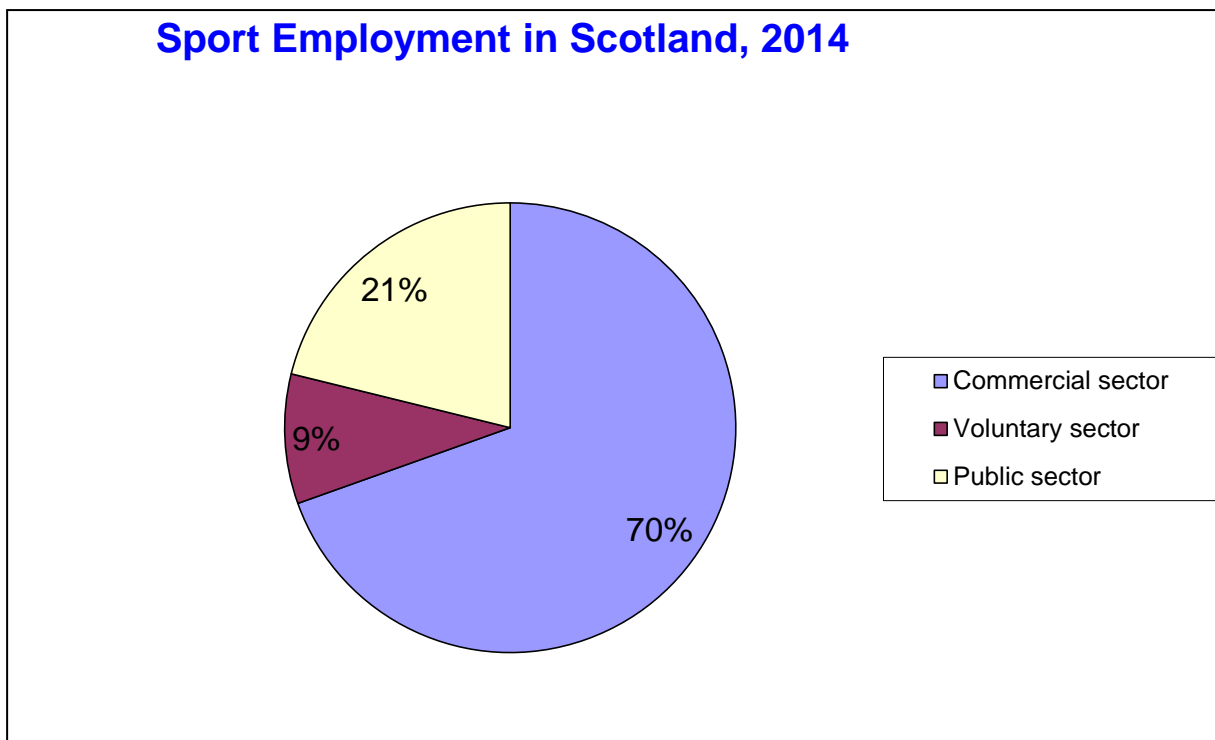
Figure 1.1



- In 2012 and 2014, Scottish consumers spent **£2,120m** and **£2,493m** on sport respectively. Consumer expenditure on sport in 2014 as a percentage of total expenditure was 2.8% compared to 2.6% in 2012.
- There has been a continuous rise in the share of sport-related employment, as a percentage of total employment, since 1998. In 2014, sport-related employment accounted for 2.6% of total employment in Scotland. The fact that this is greater than the percentage share of sport within total Gross Value Added (GVA) indicates that sport is very effective in generating employment. Furthermore, the fact that both the sport share of employment and GVA have increased since 2012 indicates that sport growth exceeds the overall growth within the economy. This is likely to be associated with large scale major events such as the Commonwealth Games and the Ryder Cup.

- Sport related economic activity generated **£2,128m** and **£2,538m** value added in 2012 and 2014 respectively. The importance of sport, in terms of GVA, increased from **1.5%** of the national economy in 1998, to **2.1%** in 2014. Sport and associated industries are estimated to account for **57,500** full time equivalent (FTE) jobs in Scotland, corresponding to **2.6%** of total employment (2014). The vast majority of sport employment is in the commercial sector.
- There is strong evidence of a legacy related to economic growth and an increase in sport related employment. During 2010-2014, sport employment, driven by the organisation of the Commonwealth Games and the Ryder Cup, increased by more than 10,000 full time equivalents (FTE), increasing the share of sport employment in the economy from 2.2% to 2.6%

Figure 1.2



## 2. Introduction

### • 2.1 Terms of reference

This report has been prepared by the Sport Industry Research Centre (SIRC) at Sheffield Hallam University on behalf of sportscotland. The purpose of the report is to provide an estimate of the economic importance of sport in Scotland for the year 2014 and to compare it with previous estimates. It builds on similar research carried out by SIRC in 1998, 2001, 2004, 2008, 2010, and 2012 that measured the value of the sport economy in Scotland. Selected comparisons have been made with previous studies to illustrate the change in the importance of sport to Scotland's economy. This report identifies the direct economic contribution of sport to the national economy, both in monetary and percentage terms, as defined by sport related consumer spending, Gross Value Added (GVA) and employment. The focus of the report is on economic activity in the year 2014, a year that coincided with Scotland hosting the Commonwealth Games and the Ryder Cup, which provided a substantial boost even when compared with 2012 when the Olympic and Paralympic Games were held in London.

### • 2.2 Methodology

The SIRC model of economic impact assessment uses economic variables from official statistics as its basic input. Hence, with the sole exception of the voluntary sector, there is no need for collection of primary data. National income accounting provides the framework for this model, which is consistent with the UK National Accounts. It enables the sport economy to be disaggregated into seven sectors as outlined below.

- **Consumers**, including the personal or household sector. Shows mainly sport-related expenditure, e.g. spending on sports clothing and footwear.
- **Commercial Sport** including spectator sport clubs, sport goods manufacturers and retailers. In this section, we would classify companies such as Nike, Goals Soccer Centres and Celtic football club. We also include a section of the media associated with sport TV, sport publications etc.
- **Commercial non-sport**, which includes suppliers involved in the production of sport-related goods and services. This sector includes commercial companies that do not provide a sport product, but which assist through the supply of inputs or revenue in its production. Examples include: a bank sponsoring a professional football club; the construction projects of sport clubs; utility requirements etc. In the case of sponsorship, the revenue received by the club represents a flow from the commercial non-sport sector to the commercial sport sector.
- **Voluntary**, including non-profit making sport organisations such as amateur sports clubs run by their participants.
- **Local government**, including income from sport facilities, sport-related grants from central government and rates from the commercial and voluntary sector. The sector has expenses such as wages for labour (a flow towards consumers) and grants to the voluntary sector.
- **Central government** including taxes, grants and wages on sport-related activities. For example, a person buying a ticket for a football match records two flows: one towards the government sector as VAT, and another towards the commercial sport sector for the remainder of the price.
- **Outside the area sector** this includes all transactions with economies outside Scotland, for example inbound golf tourism or the purchase of a professional footballer from a club outside Scotland.

We record income and expenditure flows between the seven sectors above. As a result we can draw up a set of income and expenditure accounts for each sector. The 'double entry' accounting principle is applied, so every expenditure flow from sector A to sector B is also an income flow in the sector B accounts. The income and expenditure accounts are then used to derive estimates for three economic impact indicators of the sport economy:

- Sport-related consumer expenditure;
- Sport-related employment; and
- Sport-related value added.

Sport-related value added is the most comprehensive statistic of economic value as it corresponds to the gross value added (GVA) in the economy as a whole. It shows the contribution of the sport industry to the economy. We measure it as the sum of wages and profit surplus in the sector, adjusted for the inclusion of value contributed from National Lottery projects. Note that GVA is different to total turnover; the latter, using the terminology of the Annual Business Survey (ABS) is defined as:

Total turnover  $\approx$  (Wages & salaries) + (Profits) + (Purchases of goods materials and services)

The method used is consistent with the Office for National Statistics (ONS) estimate, as reported in the publication *Consumer Trends*<sup>1</sup>. Inflation adjustment has been used for comparisons of the year 2014 with past data. The sport-generated GVA, as percentage of the total product, is an important statistic to consider as it relates directly to the headline GDP figure of the economy. Together with average wages per sector and profit margins, GVA also contributes towards producing estimates for sport-related employment. To do so, average wages per sector (full time) were recorded using the Annual Survey of Hours and Earnings. The resulting employment figures are therefore full-time equivalent (FTE) jobs, not a headcount of employees.

## • **2.3 Development of sport in Scotland**

The 2014 Commonwealth Games boosted direct investment in sport and created new jobs in the non-sport commercial sector supported by the required construction and maintenance. It was significant that the greatest share of sport spending occurred in 2013 and 2014. The 'Evaluation of Legacy from the Glasgow 2014 Commonwealth Games' estimated that the Games have contributed, in gross terms, approximately £740m to Scotland's GVA over the eight year period 2007-2014<sup>2</sup>. This included the completion of the extension of the Tollcross Aquatics Centre in Glasgow, which hosted the swimming events of the Commonwealth Games. The seating capacity of the pool is 2,000, rising to 5,000 with temporary seating arrangements. Another capital infrastructure development (overall construction cost £113m) was the Sir Chris Hoy Velodrome which combines its role as home of Scottish Cycling with providing opportunities to the public to participate in a world class venue. It has a seating capacity for 2,000 spectators, which can temporarily double during important events.

The Legacy interventions around the Commonwealth Games aimed to improve upon three key outcomes:

- Improved active infrastructure (elite and grassroots)

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<sup>1</sup> *Consumer Trends Quarter 4 2014 (ONS)*

<sup>2</sup> An Evaluation of Legacy from the Glasgow 2014 Commonwealth Games:  
<http://www.gov.scot/Publications/2015/07/5517/0>

- Increased participation
- Improved high performance sport

The idea of combining top level sport with wider participation is also in evidence in the £33m National Performance Centre for Sport, which is currently under construction. It is designed to provide Scotland's top athletes with the facilities, programmes and services required to excel on an international stage, whilst also being available to the wider public, inspiring a new generation to sporting excellence. It will house a full-sized indoor pitch with seating for 500, top-level grass and synthetic outdoor pitches, a high performance strength and conditioning centre, a high performance medical centre and hydrotherapy pool, fitness centres and studios and support services<sup>3</sup>.

The current investment policy emphasises community involvement in new facilities and, as this report shows, enhances the relative importance of sport in Scotland. In support of this approach, the Scottish Government launched a £1m fund in 2014 to help communities run their own sport facilities; a further £6m fund supported physical education in Scottish schools. If linked to increased sports participation, this type of intervention can help to safeguard a long term legacy. According to the 'Evaluation of the Legacy from the Glasgow 2014 Commonwealth Games', the Games provided a short term boost to employment, a finding also supported by the current report. Based on Input-Output analysis, employment, generated by investment towards the Games, amounted to an average 1,100 jobs per year over the period 2009-2014.

As a measure of the impact of the Commonwealth Games, attendance at local authority leisure facilities has increased overall in Scotland. In Glasgow for example, according to Audit Scotland, attendance increased by 53% over the period 2008/9 to 2013/14. Similar rises in the period 2011-2015 happened in the membership of the 17 Commonwealth Games sports governing bodies, including Netball Scotland (58%), Triathlon Scotland (49%) and Scottish Gymnastics (37%). It is worth noting that these increases are consistent with the rise in the 'participant sports subscription and fees' spending element in Scotland over the period 2012-2014 (55%), based on estimates from the publication Family Spending.

The sport sector was enhanced further by hosting the 2014 Ryder Cup. The combination of the Commonwealth Games and Ryder Cup in the same year boosted the sport economy as demonstrated by its 2.6% share of the national employment.

The Ryder Cup provided significant global exposure for Scotland generally and Gleneagles specifically: 43 broadcasters from 183 countries reached half a billion homes every day. The number of visitors to the tournament is estimated at 250,000. The wider economic benefit, which is included in this study, was estimated at £106m in cash terms in a report conducted by SIRC for the European Tour<sup>4</sup>. In addition, place marketing effects worth a notional £42m were also recorded.

The Commonwealth Games in Glasgow, together with the Ryder Cup and the Edinburgh Festival during the summer of 2014 created a momentum in inward tourism that has benefited the economy in the immediate short and its longer term growth prospects. Some 68% of attenders at the Ryder Cup who lived outside Scotland stated that they were inspired to return within a year for a leisure break. The strong links between golf and tourism were

<sup>3</sup> <https://www.hw.ac.uk/news/work-gets-underway-oriam-scotland-s-sports-21858.htm>

<sup>4</sup> <http://www4.shu.ac.uk/mediacentre/ryder-cup-worth-%C2%A3106m-scottish-economy>

further developed with flying to golf courses becoming a regular trend. The Loganair airline that links the Scottish cities and islands, promotes trips to faraway courses on Scottish islands. Consequently, investment in golf courses can be seen to be providing additional facilities and places to take part in sport.

The emphasis on community involvement will help to safeguard a long term legacy following the 2014 Commonwealth Games. There is strong evidence of a legacy related to economic growth and an increase in Scotland's sport-related employment. During 2010-2014, sport employment, driven by the organisation of the Commonwealth Games and the Ryder Cup, increased by more than 10,000 full time equivalent (FTE) jobs, increasing the share of sport in the economy from 2.2% to 2.6%, largely because of the demands imposed on the commercial non-sport sector in preparation for the Commonwealth Games and as part of the recovery from the economic recession that had slowed the sport industry's growth potential. The current growth in sport employment is in line with the Scottish Government's forecast made in the Pre-Games Report<sup>5</sup>. It must be emphasised that the construction element of the generated employment is temporary and should only be considered as a short term legacy of the Games. It is important to emphasise that sport grows at a greater rate than the average economic growth in Scotland as a whole. At the same time, Scotland has, according to the Office for National Statistics, the highest employment rate among the four nations and outperforms the UK as a whole<sup>6</sup>. This places sport at the forefront of current economic development in the UK and underlines its capability to generate further employment.

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<sup>5</sup> Scottish Government: An evaluation of Legacy from the Glasgow 2014 Commonwealth Games-Pre Games Report (2014)

<sup>6</sup> <http://news.scotland.gov.uk/News/Scottish-productivity-outperforms-the-UK-21b5.aspx>



### 3. The sport economy in Scotland

- **3.1 Summary of key indicators**

Table 3.1 summarises the most important sport-related indicators for Scotland, namely consumer expenditure, Gross Value Added and employment for the years 1998, 2001, 2004, 2008, 2010, 2012 and 2014.

	1998	2001	2004	2008	2010	2012	2014
<b>Consumer expenditure on sport (£million)</b>	<b>1,019</b>	<b>1,266</b>	<b>1,567</b>	<b>1,830</b>	<b>1,898</b>	<b>2,120</b>	<b>2,493</b>
percentage of Scottish total	2.2	2.5	2.7	2.5	2.5	2.6	2.8
percentage of Wales total	2.2		2.3		2.4		
<b>Gross Value Added by sport (£million)</b>	<b>965</b>	<b>1,196</b>	<b>1,537</b>	<b>1,737</b>	<b>1,838</b>	<b>2,128</b>	<b>2,538</b>
percentage of Scottish total	1.5	1.7	1.9	1.7	1.9	2.0	2.1
percentage of Wales total	1.7		1.8		2.0		
<b>Sport related employment (thousands)</b>	<b>37.9</b>	<b>39.3</b>	<b>43.0</b>	<b>47.2</b>	<b>46.3</b>	<b>52.3</b>	<b>57.5</b>
percentage of Scottish total	1.6	1.8	2	2.1	2.2	2.5	2.6
percentage of Wales total	1.5		1.8		1.8		

The estimates for total consumer expenditure in Scotland are derived using Family Spending and Consumer Trends statistics. According to Table 3.1, £2,493m was spent on sport-related goods and services in Scotland in 2014. In the same year, consumer expenditure on sport accounted for 2.8% of the total expenditure in Scotland, which is higher than the equivalent score for Wales (2.4%) in 2010, or any previous year when such a ratio has been estimated for Scotland. The Scottish sport economy has benefited from construction work for the 2014 Commonwealth Games and the economic impact of the Ryder Cup.

Overall, during the period 1998-2014, the proportion of consumer spending on sport within the economy increased gradually, from 2.2% in 1998, to 2.5% in 2001, and to 2.7% in 2004, before declining back to the 2.5% position in 2008 and 2010. The sport economy is back on an accelerated growth path compared with the rest of the economy, with its share in 2014 increased to a record level of 2.8%.

In 2014, sport-related economic activity added £2,538m to the Scottish economy, which, in current prices, increased by 19% from 2012. As Table 3.1 indicates, the contribution to GVA by sport in Scotland has increased from 1.5% in 1998 to 2.1% in 2014. The 2012 and 2014 shares of 2.0% and 2.1% correspondingly, coincide with the preparations of the Commonwealth Games and are the highest scores recorded for these indicators in any previous study of the economic importance of sport to Scotland.

Sport-related employment (FTE) in Scotland grew from 37,900 in the year 1998 to 57,500 in 2014, an increase of 52%. This growth was not continuous, with employment peaking at 47,200 in 2008 before the beginning of the global economic crisis and declining to 46,300 in 2010. This one-off decline has been reversed through the economic impetus provided by preparations for the Commonwealth Games. The 2014 level of employment in sport is the highest recorded, both in absolute terms and relative to sport's share of total employment. As a percentage of total employment, the contribution of sport in Scotland has increased from 1.6% in 1998 to 2.6% in 2014.

### • 3.2 Consumer spending

Table 3.2 summarises the value of sport-related consumer spending in Scotland. The estimates are consistent with the total reported in the ONS Consumer Trends publication. It shows that the total value of sport-related consumer spending was £2,493m in 2014, representing an increase of 18% relative to 2012. Sport clothing and footwear is the single largest participation-related category of consumer spending on sport, accounting for £527m or 21% of the market in 2014. In the same year, the combined participation-related sectors of subscriptions and fees (£398m), sport goods (£126m) and sportswear accounted for 42% of the market. A very significant rise over the period 2012-14 has been estimated in the 'participation subscription and fees category' (57%). This is based on the publication Family Spending<sup>7</sup> and includes spending on participant sports and subscriptions to sports and social clubs. According to Family Spending, average household spending on participation subscription and fees increased from £2.80 per week in 2012 to £4.20 in 2014.

Gambling accounted for £442m or 18% of the market in 2014. The increase (86%) in sport-related gambling expenditure during the period 1998-2004 can be explained by the abolition of gaming tax. In 2010, sport gambling was in decline (-28%) compared with 2008, although a strong recovery was observed in 2012 which was built upon in 2014.

The sector 'TV and video rental, cable and satellite subscriptions', with £355m consumer spending, accounts for over 14% of the market. Other spending categories include publications, sport-related BBC licence fee, and sport travel.

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<sup>7</sup> At the time of writing the dataset Living Cost and Food Survey 2014 was not deposited in the UK Data Archives, hence only an estimate based on the publication Family Spending could be used.

**Table 3.2: Sport-related consumer spending in Scotland, current prices**

	1998	2001	2004	2008	2010	2012	2014
	£m	£m	£m	£m	£m	£m	£m
Sport clothing and footwear	246	277	336	356	439	521	527
Sports goods	78	127	108	51	110	112	126
Participation subscriptions and fees	204	261	279	236	289	253	398
Admissions to events	51	54	62	48	52	54	69
Sport-related gambling	168	173	312	490	353	399	442
TV/video rental, cable and satellite subscriptions	83	124	167	264	251	303	355
Other sport-related spending	189	350	303	385	404	478	576
<b>Total</b>	<b>1,019</b>	<b>1,266</b>	<b>1,567</b>	<b>1,830</b>	<b>1,898</b>	<b>2,120</b>	<b>2,493</b>

### • 3.3 Consumer spending in 2012 prices

Table 3.3a summarises the value of sport-related consumer spending in Scotland using 2012 prices. The choice of the base year is consistent with the latest index used in the National Accounts (e.g. Consumer Price Index in the publication Consumer Trends). The price index used is equivalent to the ratio of consumption in current prices over consumption in constant prices (in this case constant 2012 prices). Using this approach we can compare volumes of spending on a like for like basis without being influenced by price inflation. The categories of Table 3.3a correspond to the presentation of Table 3.2. Because we have used 2012 prices, the values for 2012 in both Tables 3.2 and 3.3a are identical. The exact price indices used are presented in Table 3.3b.

To illustrate the point, the value of consumer spending on sport in 2014 (£2,493m) is equivalent to £2,396m (Table 3.3a), when using 2012 prices. During the period 2012-2014, sport-related consumer spending increased by 13% in real terms. This is a strong performance, given the strength of sport economic development enjoyed in 2012 because of the Olympic and Paralympic Games. Overall, during the period 1998-2014 sport-related consumer spending increased by 86% in real terms. However, this increase was not observed equally throughout the sport economy. The consumer market was driven by sports clothing and footwear, sports goods, and sport TV, each area increasing by 302%, 102%, and 157% respectively. During the same time, sport-related gambling grew by 51%, although at £417m it is still below the pre global economic crisis volume of spending.

'Participation subscriptions and fees' has grown by 50% during the period 2012-14, approaching the top level seen before the global economic crisis (£395m).

**Table 3.3a: Sport-related consumer spending in Scotland, 2012 prices**

	1998	2001	2004	2008	2010	2012	2014	1998/2014
	£m	£m	£m	£m	£m	£m	£m	change
Sport clothing and footwear	131	182	261	336	452	521	526	302%
Sports goods	61	106	100	51	109	112	124	102%
Participation subscriptions and fees	352	395	388	271	311	253	379	8%
Admissions to events	88	82	86	55	56	54	64	-27%
Sport-related gambling	275	262	422	570	380	399	417	51%
TV rental, cable and satellite subscriptions	129	183	218	304	270	303	332	157%
Other sport-related spending	252	458	381	434	428	478	554	120%
<b>Total</b>	<b>1,288</b>	<b>1,669</b>	<b>1,855</b>	<b>2,020</b>	<b>2,005</b>	<b>2,120</b>	<b>2,396</b>	<b>86%</b>

Table 3.3b summarises the price indices underpinning the estimation of consumer spending in 2012 prices. The indices are based on the Consumer Trends dataset (ONS). In our calculations Volume= 100 \* Value / Price.

	1998	2001	2004	2008	2010	2012	2014
	£m	£m	£m	£m	£m	£m	£m
Sport clothing and footwear	188	152	129	106	97	100	100
Sports goods	127	119	108	100	101	100	102
Participation subscriptions and fees	58	66	72	87	93	100	105
Admissions to events	58	66	72	87	93	100	107
Sport-related gambling	61	66	74	86	93	100	106
TV/video rental, cable and satellite subscriptions	64	68	77	87	93	100	107
Other sport-related spending	75	76	80	89	95	100	104
<b>Total</b>	<b>79</b>	<b>76</b>	<b>84</b>	<b>91</b>	<b>95</b>	<b>100</b>	<b>104</b>

Prices follow a general increasing trend. The only exceptions are sport clothing and footwear, and sport goods (up to 2010 and 2008 correspondingly), mainly because of the influx of cheaply produced goods from overseas in the domestic market. In this case, the sport index follows the trend of the CPI index in the general categories of clothing and sport goods. The declining prices in these categories boosted the fast growth of 'real' spending during the period 1998-2014.

- **3.4 Sport-related output**

**Table 3.4: Sport-related value added in Scotland, current prices**

	1998	2001	2004	2008	2010	2012	2014
	£m	£m	£m	£m	£m	£m	£m
Commercial sport	256	325	382	298	346	417	470
of which:							
Spectator sports	29	62	72	71	81	119	114
Retailing	156	177	215	120	170	196	212
Commercial non-sport	472	553	767	1,025	975	1,122	1,345
Voluntary sector	120	161	205	181	241	249	353
Public sector	116	159	183	233	276	339	370
<b>Total</b>	<b>965</b>	<b>1,196</b>	<b>1,537</b>	<b>1,737</b>	<b>1,838</b>	<b>2,128</b>	<b>2,538</b>

Estimates of sport-related output are based on value added by the sport sector. Value added is calculated as the sum of wages and profits generated within the sector. Table 3.4 summarises the value added by sport in Scotland. According to the table, sport-related economic activity increased from £965m in 1998 to £2,538m in 2014. The majority of this economic activity (£1,345m, 53%) is generated by the commercial non-sport sector. This has increased in importance following construction work associated with the Commonwealth Games. The next largest sector is commercial sport (£470m, 19%). More than two-thirds of the valued added in this sector is attributable to professional football clubs and retailing. The latter includes sport-related clothing and footwear, equipment and publications.

The voluntary and public sectors account for the remainder (£723m, 28%) of the sport-related economic activity in Scotland. In each case, the ratios of wages and profits out of total turnover are calculated using the Annual Business Survey and the Input Output Tables for Scotland. During the period 2012-2014, the share of voluntary sector GVA increased from 12% to 14%. Over the same period, the GVA distribution changed very little as it is governed by relationships embedded within the Scottish Input-Output Tables, which usually change over longer time periods.

- **3.5 Sport-related employment**

Table 3.5 provides estimates for sport-related employment in Scotland. The employment estimates are derived from calculations based on wage payments and average salaries per sector, as reported in the Annual Survey of Hours and Earnings (ASHE). The latter has been adopted as a basis of average wages per sector following the abolition of the New Earnings Survey (NES) which was used in previous economic studies. ASHE introduced greater detail in the definition of economic sectors. Although the GVA estimates were not affected by ASHE, employment estimates can now be derived more reliably using GVA and wages because of the improved data quality. All employment in sport and the national economy is estimated as full time equivalent jobs (FTE) where for example two part time jobs are approximately equivalent to one full time job.

	1998 ( <b>'000</b> )	2001 ( <b>'000</b> )	2004 ( <b>'000</b> )	2008 ( <b>'000</b> )	2010 ( <b>'000</b> )	2012 ( <b>'000</b> )	2014 ( <b>'000</b> )
Commercial sport	10	9.6	9.5	10	10.4	11.9	12.9
of which:							
Spectator sports	3.5	3.1	2.4	3.2	3.2	4.2	3.9
Retailing	3.5	3.7	4	4	4.5	4.9	5.1
Commercial non-sport	17.8	18.1	22.2	23.8	21.9	24.6	27.5
Voluntary sector	3.9	4.5	4.6	4.6	4.7	4.8	5.3
Public sector	6.2	7	6.7	8.7	9.3	11.1	11.8
<b>Total</b>	<b>37.9</b>	<b>39.3</b>	<b>43</b>	<b>47.2</b>	<b>46.3</b>	<b>52.3</b>	<b>57.5</b>

Sport and associated industries are estimated to account for 57,500 FTE jobs in Scotland, corresponding to 2.6% of all employment in 2014. This represents an increase of 52% since the year 1998. The relative share of employment generated within each sector is broadly consistent with their share of value added to the national economy. In 2014, as with value added, the largest sector was commercial non-sport, supporting 27,500 jobs or 48% of all sport-related employment in Scotland, including construction jobs related to the Commonwealth Games. The commercial sport, voluntary and public sectors support 22%, 9% and 21% of Scotland's sport-related jobs respectively.

Sport employment has also increased its share in the national economy significantly, from 1.6% in 1998 to 2.0% in 2010 and finally to 2.6% in 2014. In this sense, over the long term, the sport industry has increased its influence on the economy as a whole. This was achieved via growth in the commercial non-sport, voluntary, and local government sectors. Construction work up to the Commonwealth Games is a major factor for the observed growth, providing tangible evidence for a short term economic legacy. Over the years 2012-2014 sport related employment increased by 5,200 FTE employees. It is unclear how much of this is attributable to the Commonwealth Games and how much is due to endogenous growth. However, based on the past trend, it is safe to assume that at least 2,000 jobs have been created by the Games. This is in line with the legacy forecasts of around 1,000 jobs per year.

### • 3.6 Summary of income and expenditure flows

Table 3.6 summarises the income and expenditure flows for the seven sport-related sectors in 2014. The majority of income is generated in the commercial non-sport sector, accounting for £1,826m. This is followed by the commercial sport sector (£1,293m) and the consumer sector (£1,280m).

Within the commercial sport sector, £765m (59%) of the generated income comes from retailing. This consists mainly of sport equipment, clothing, footwear, and sales of sport related books, magazines, newspapers and DVDs.

On the expenditure side, by far the most important category is the consumer sector accounting for £2,493m of expenditure. This is followed by the commercial non-sport (£1,656m) and commercial sport (£1,188m) sectors.

**Table 3.6 Sport-related income and expenditure flows, 2014, current prices**

	Income £m	Expenditure £m
Consumer	1,280.1	2,492.5
Commercial sport	1,292.5	1,188.2
of which:		
Spectator sports	165.0	163.1
Participation sports	63.1	60.0
Retailing	765.0	663.0
Other	299.4	302.1
Voluntary	548.0	219.7
Commercial non-sport	1,825.8	1,655.9
Central government	1,031.4	619.8
Local government	466.3	626.5
Outside the area	721.6	287.6



## 4. The sport economy in context

### • 4.1 Spending, output and employment

Tables 4.1 to 4.3 compare Scotland (2014) with Wales (2010), and the nine English regions (2008), in terms of sport-related consumer spending (2012 prices), value added (2012 prices) and employment. Table 4.1 refers to consumer spending; Table 4.2 refers to GVA, and Table 4.3 presents the data for sport-related employment. Although we do not have English regional data for 2014, the percentages from the 2008 structure (which change slowly) can provide a basic comparison between the economic importance of sport in Scotland and England. On top of that all values in spending and GVA have been transformed in 'volumes' using 2012 prices.

From Table 4.1 it can be seen that the share of consumer spending on sport-related goods and services for Scotland ranks second (2.8%), compared with the English regions and Wales. In absolute terms the level of sport-related consumption in Scotland is £448 per person (2012 prices), greater than the reported levels in Wales and all English regions.

Similarly, in Table 4.2, the sport-related output in Scotland (£2,439m, in 2012 prices) ranks first, compared with the English regions and Wales, in terms of its share of the overall national GVA (2.1%). Hence despite Scotland having a general economic disadvantage compared with England's GVA, its sport-related share of output is leading the way in terms of sport development.

Finally, in Table 4.3, the share of sport-related employment in Scotland (2.6%) is ranked first compared with the nine English regions and Wales. This to a large extent is the result of the preparation for the 2014 Commonwealth Games, which through construction activity drove employment growth above its trend. Both the absolute and comparative statistics indicate that sport in Scotland has recovered from the recent recession and is contributing to economic growth in the national economy.

### • 4.2 Sport within the economy

Figure 4.1 below provides a comparison between the Gross Value Added produced by sport and the Gross Value Added produced by other industries in Scotland. The statistics are taken directly from the Scottish Input – Output Tables (latest year: 2013). The 2013 non-sport statistics are represented by the yellow bars while, for comparison, the 2012 and 2014 sport sectors are represented by the red and blue bars correspondingly. We considered the categories: Spirits and Wines; Textiles; Creative Services; Computer electronics; Cultural Services; Accommodation (including: hotels, holiday other short stay accommodation, and camping grounds); Telecommunications (including wired, wireless and satellite telecommunication activities); and, Travel-related services. All of these industrial activities are identified in the Input Output 2013 product by product tables (PxP)<sup>8</sup>. Sport is represented as GVA as derived by the SIRC sport economy model. For the year 2012, sport-related GVA is £2,128m, which is greater than all of the comparator industries listed above. The sport industry in Scotland has grown to £2,538m in the year 2014. Only the Spirits and Wine industry comes close to sport in terms of its generated GVA.

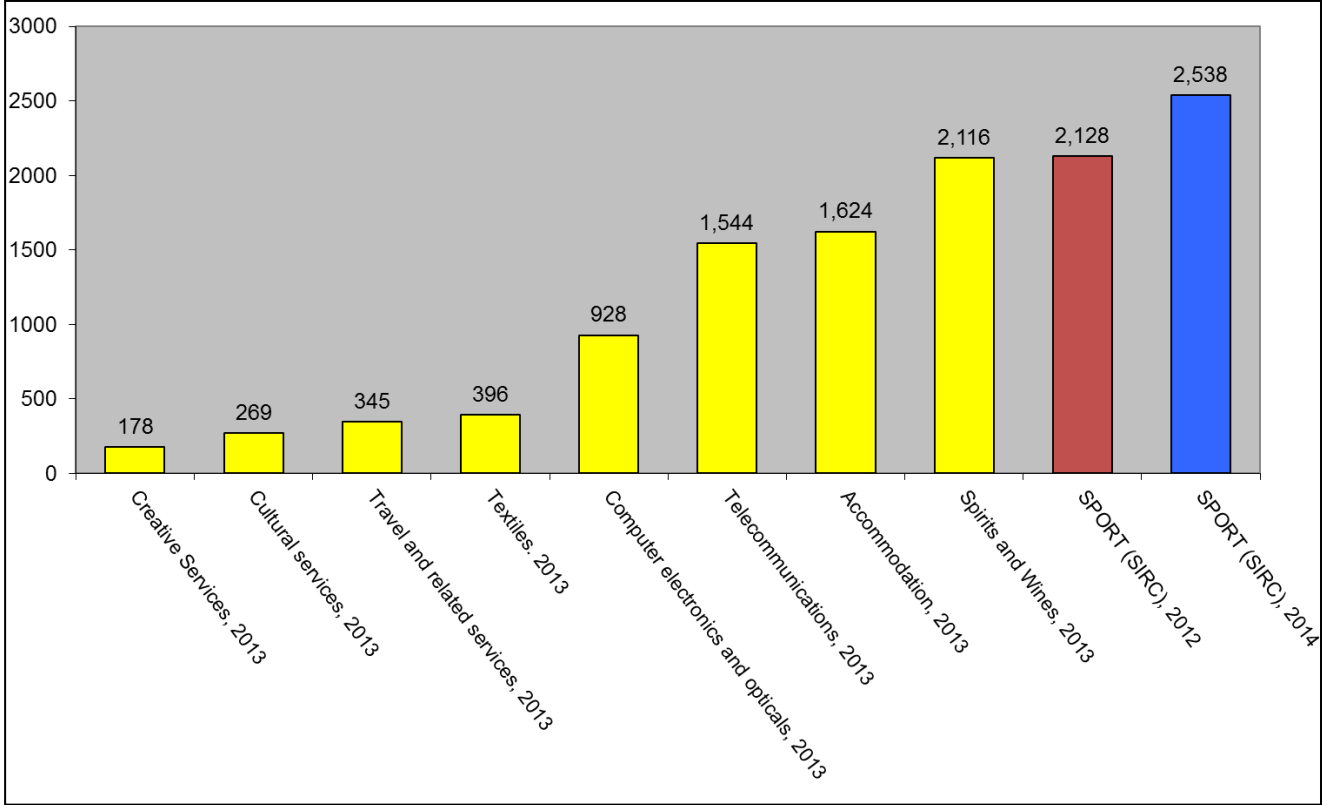
Additionally, sport has greater economic importance (in terms of GVA in 2014) than the sum of Accommodation, Travel, and Textiles, underlying its relative strength within Scotland.

In conclusion, Scotland's sport economy, in terms of GVA, has increased its relative standing within the economy as a whole. The construction activity related to the Commonwealth Games has contributed to increasing growth and economic stability. As a result, it is the first time that sport-related employment has reached 2.6% of total employment, which shows that

<sup>8</sup> <http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads/IO1998-2013Latest>

sport grew at a faster rate than the economy overall between 2012 and 2014. The fact that Scotland outperforms the UK in terms of total employment growth<sup>9</sup>, underlines the role of sport in generating and sustaining jobs and output. Further, since the proportion of sport employment (2.6%) exceeds that of GVA (2.1%), it shows that sport in Scotland is a very effective industry for generating jobs and contributing to economic prosperity.

**Figure 4.1: GVA Scotland, 2012, 2013, 2014 (selected industries), £m**



Sources: Scottish Input Output Tables (2013), SIRC

<sup>9</sup> <http://www.bbc.co.uk/news/uk-scotland-scotland-business-35357497>

**Table 4.1: Summary of sport-related consumer spending in Scotland (2014), Wales (2010), and the English Regions (2008), constant 2012 prices**

	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber	Wales	Scotland
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Sport clothing and footwear (£m)	405.7	276.7	597.7	155.7	394.3	491.2	328.2	416.8	274.4	233.7	525.9
Sports goods (£m)	155.3	118.0	228.7	44.2	133.6	136.7	115.5	100.4	80.8	61.3	123.9
Participation subscriptions and fees (£m)	509.9	285.2	596.3	144.9	435.6	602.5	455.4	321.4	297.6	134.0	379.0
Admissions to events (£m)	94.4	52.8	110.5	26.9	80.7	111.6	84.4	59.5	55.1	24.0	64.5
Sport-related gambling (£m)	407.1	276.2	429.7	249.5	407.2	448.6	323.3	710.1	353.1	151.3	417.0
Other sport-related spending (£m)	962.4	513.1	993.8	287.4	799.7	1,018.2	676.4	734.1	622.7	345.7	748.8
<b>Total expenditure on sport (£m)</b>	<b>2,534.7</b>	<b>1,521.8</b>	<b>2,956.7</b>	<b>908.7</b>	<b>2,251.2</b>	<b>2,808.9</b>	<b>1,983.1</b>	<b>2,342.4</b>	<b>1,683.8</b>	<b>949.9</b>	<b>2,396.0</b>
<b>Per capita sport spending (£)</b>	<b>442.4</b>	<b>343.3</b>	<b>388.0</b>	<b>352.8</b>	<b>327.4</b>	<b>335.2</b>	<b>380.7</b>	<b>432.9</b>	<b>323.0</b>	<b>316.0</b>	<b>448.1</b>
<b>Proportion (%) of total consumer expenditure</b>	<b>2.6%</b>	<b>2.4%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.9%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.8%</b>

**Table 4.2: Summary of sport-related output in Scotland (2014), Wales (2010), and the English Regions (2008), 2012 prices**

	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber	Wales	Scotland
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Commercial sport, including:	734.1	396.1	817.3	210.8	547.6	830.3	380.0	519.0	342.0	184.4	451.7
Spectator sports	96.4	76.8	205.4	84.7	215.2	155.7	86.9	103.4	64.0	39.9	106.5
Participation sports	77.5	36.2	140.1	17.7	64.3	92.6	69.5	50.2	30.2	12.2	33.0
Retailing	203.7	106.3	266.4	56.9	141.3	183.8	128.3	170.5	129.1	88.5	62.5
Manufacturing	85.2	51.0	83.5	27.3	65.0	72.6	43.6	60.6	64.6	23.3	65.7
TV and Radio	39.8	31.1	93.4	18.3	49.0	57.5	37.1	37.3	36.3	19.6	37.5
Commercial non-sport	1,198.6	779.2	1,429.5	491.0	1,198.5	1,405.9	947.4	1,231.2	852.9	492.6	1,293.3
Voluntary sector	334.1	177.4	368.1	101.1	273.5	367.0	287.7	236.7	183.8	103.2	339.4
Public sector	206.9	165.7	245.2	100.0	279.3	258.2	158.0	154.5	193.9	167.4	354.7
<b>Total sport-related economic activity</b>	<b>2,473.6</b>	<b>1,518.5</b>	<b>2,860.2</b>	<b>902.9</b>	<b>2,298.9</b>	<b>2,861.4</b>	<b>1,773.1</b>	<b>2,141.4</b>	<b>1,572.6</b>	<b>947.6</b>	<b>2,439.1</b>
<b>Sport GVA as % of total GVA</b>	<b>2.0%</b>	<b>1.7%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>1.7%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>2.1%</b>

**Table 4.3: Summary of sport-related employment in Scotland (2014), Wales (2010), and the English Regions (2008)**

	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber	Wales	Scotland
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
Commercial sport, including:	25.2	12.5	20.9	7.2	18.8	25.5	12.7	18.1	9.8	5.4	12.9
Spectator sports	3.9	2.9	5.5	3.7	9.0	5.9	3.7	4.2	2.9	1.7	3.9
Participation sports	3.0	1.3	3.6	0.7	2.5	3.3	2.8	1.9	1.3	0.2	1.1
Retailers	6.5	3.4	8.6	1.8	4.5	5.8	4.1	5.4	4.0	2.5	5.1
Manufacturing	2.3	1.0	1.5	0.6	1.6	1.3	0.9	1.8	0.5	0.6	1.8
TV and Radio	0.8	0.8	1.7	0.5	1.2	1.2	1.2	1.2	1.2	0.5	1.0
Commercial non-sport	23.8	16.5	20.7	11.1	25.3	26.0	20.1	26.1	18.5	11.9	27.5
Voluntary sport	6.2	3.4	4.9	2.2	5.8	7.0	5.7	4.9	4.5	2.4	5.3
Public sector	6.8	5.4	6.3	3.4	9.7	8.1	5.5	5.1	7.0	6.3	11.8
<b>Total jobs in sport</b>	<b>62.1</b>	<b>37.9</b>	<b>52.8</b>	<b>24.0</b>	<b>59.5</b>	<b>66.7</b>	<b>44.0</b>	<b>54.2</b>	<b>39.8</b>	<b>26.0</b>	<b>57.5</b>
<b>Proportion (%) of total employment in sport</b>	<b>2.2%</b>	<b>1.8%</b>	<b>1.4%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>2.6%</b>

## 5. Appendices

### • A1: Statistical sources

Sources of data used in the model include the following publications:

- Annual Survey of Hours and Earnings
- Consumer Trends
- Travel Trends
- Family Spending
- Local Government Finance statistics
- Annual Business Survey
- New Earnings Survey
- **sportscotland** Annual Report
- Regional Accounts
- National Travel Survey
- Labour Trends
- Housing and Construction Statistics
- UK National Accounts
- BBC Annual Report and Accounts
- PRODCOM Annual Industry Reports
- HM Customs and Excise Report
- Monthly Digest of Statistics
- Financial Statement and Budget Report
- Horserace and Betting Levy Board Report
- Government's Expenditure Plans
- Deloitte: Annual Review of Football Finance
- BSkyB Annual Report
- Labour Force Survey

- **A2: Model output**

<b>Consumer expenditure on sport related goods &amp; services, 2014</b>	
	<b>£million</b>
Admissions	68.7
Sports goods	125.5
Bicycles	123.5
Boats	142.3
Participants sports subscriptions & fees	397.5
Clothing sales	379.7
Footwear sales	146.8
Repairs and laundry	2.8
Travel	145.6
Books and magazines	14.3
Newspapers	45.2
Video: purchase and rental	1.4
BBC licence	41.7
TV and video rental, cable & satellite subscriptions	313.3
Internet subscriptions	8.2
Skiing holidays	78.8
Independent schools	15.5
Gambling: football pools	11.3
Horse racing	389.5
Raffles and gaming.	40.9
<b>Total</b>	<b>2,492.5</b>

### Commercial sport income, 2014

£ million

#### Spectator clubs:

Admissions	79.1
Sponsorship & advertising	28.7
Corporate entertainment	14.8
Horserace Betting Levy	5.8
	31.3
TV rights	31.3

#### Participation clubs:

Subscriptions & fees	63.1
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#### Retailers (net of Vat):

Equipment	270.4
Clothing and footwear	434.0
Books, newspapers and magazines & videos	60.6
Exports and manufacturers' sales of clothing, footwear & equipment	198.3

#### TV and radio:

BBC	41.7
Commercial	40.9
Exports	5.5
Internet subscriptions	6.8

<b>Total income</b>	<b>1,281.3</b>
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## Commercial sport expenditure, 2014

£ million

### Current factor expenditure

#### Spectator clubs:

Wages	110.6
Other inputs	52.6

#### Participation:

Wages	31.6
Other inputs	28.4

#### Retailers:

Wages	110.5
Other inputs	552.5

#### Manufacturers:

Wages	41.0
Other inputs	129.9

#### TV and radio:

Wages	38.0
Other inputs	27.5

### Total factor expenditure

Total wages	331.7
Total other inputs	790.9

Total factor surplus	138.0
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Total value added	469.7
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### Current transfers

Corporation tax	12.1
Rates	14.1

### Capital expenditure

Investment	39.4
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<b>Total expenditure leaving sector</b>	<b>1,188.2</b>
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### Voluntary sector income, 2014

£ million

#### Factor income (monetary)

Players' subscriptions and match fees	222.6
Equipment	2.0
Sponsorship and advertising	19.5
Raffles and gaming machines	40.9
Bar receipts	285.0
Subtotal (factor income)	570.0

#### Other monetary income

Grants	87.1
Employers' subsidies	60.0
Interest	9.0
Lottery awards	9.8
Lottery partnerships	11.6
<b>Total monetary income</b> (excluding bar receipts)	<b>462.5</b>

### Voluntary sector expenditure, 2014

£million

#### Factor expenditure

Wages	167.0
Ground hire and rents	21.5
Equipment	2.0
Other	6.4
(Bar purchases)	199.5
Subtotal (factor expenditure)	396.4

Rates	12.3
Interest	0.8
Investment	9.8

<b>Total monetary expenditure</b> (excluding bar purchases)	<b>219.7</b>
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### Commercial non-sport income, 2014

£million

#### Receipts net of tax from consumer spending:

Travel	82.7
Gambling	361.0
Skiing	58.4
Independent schools	12.4
TV rental, cable & satellite subscriptions	250.7

#### Sales of current inputs to:

Central government	238.3
Local government	100.2
Commercial sport	574.5
Voluntary sector	15.9

Interest from voluntary sector	0.8
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#### Sales of capital inputs to:

Local government	99.5
Commercial sport	23.7
Voluntary	7.9

<b>Total income</b>	<b>1,825.8</b>
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**Commercial non-sport expenditure, 2014**

£million

**Producers of inputs to sport:**

wages	831.0
imports	494.2
(factor surplus)	514.7
(value added)	1,345.7
Corporation tax	45.2
Rates	40.4

**Purchases of inputs from sport:**

Sponsorship and advertising	78.5
ITV and radio advertising	40.9
Corporate entertainment at sports events	14.8
Employees' sports subsidies	10.5
Horsrace Betting Levy	5.8
Interest payments to voluntary sector	9.0

**Promotion expenditure for sponsorship:**

Cost of the rights to top league matches	31.3
Lottery awards	29.6
Lottery partnerships	24.7

**Total expenditure leaving sector 1,655.9**

**Central government income, 2014**

£ million

**Taxes:**

on expenditure	499.1
on incomes generated in:	
commercial sport	97.2
voluntary sector	44.4
commercial non-sport	281.0
local government	86.9

**Total income 1,031.4**

Lottery awards	5.9
Lottery partnerships	4.0

### Central government expenditure, 2014

£ million

#### Transfer payments

Grants 70.7

Grant support for local government expenditure on:

sport (net spending) 131.4

education 103.2

#### Factor expenditure

sportscotland, capital spending, wages and other inputs 240.4

Other spending, royal parks

wages and other inputs 74.1

**Total 619.8**

### Local government income, 2014

£ million

#### Local authority sports facilities:

fees and charges 76.8

sales of equipment 42.7

ground hire 10.8

#### Grants from central government:

to fund net expenditure on sport 131.4

sport education 103.2

via sportscotland 10.6

#### Rates:

voluntary sector 12.3

commercial sport 14.1

commercial non-sport 40.4

Payments for policing 1.6

Lottery awards 13.6

Lottery partnerships 8.9

**Total income 466.3**

**Local government expenditure, 2014**

£ million

**Current expenditure**

Direct gross expenditure:

Wages 167.5

Other current expenditure 142.6

Education:

Wages 126.4

Research 5.2

Local transport and policing:

Wages and other inputs 33.5

Grants to voluntary clubs 27.0

**Capital expenditure**

Investment 124.4

**Total expenditure 626.5****Outside the area income, 2014**

£ million

Sports, clothing, footwear and equipment 149.6

Import content of skiing 4.7

TV imports 7.5

Prize income 22.6

Import content of UK production of:

Sport related goods and services 43.0

Commercial non-sport sector output 494.2

**Total income 721.6**

**Outside the area expenditure, 2014**

£ million

Sports, clothing, footwear and equipment	180.4
Admissions to sports events	30.2
TV exports	5.5
Travel	48.9
Prize income	22.6
Travel	
<b>Total expenditure</b>	<b>287.6</b>

**Value added by sport-related economic activity, 2014**

	£million	Index
<b>Commercial sport:</b>		
Wages	331.7	
Surplus	138.3	
Total	470.0	18.5
<b>Voluntary sector:</b>		
Wages	167.0	
Surplus	173.6	
Lottery projects	12.5	
Total	353.1	13.9
<b>Commercial non-sport:</b>		
Wages	831.0	
Surplus	514.7	
Total	1,345.7	53.0
<b>Central government:</b>		
Wages	22.8	
Lottery projects	5.8	
Total	28.6	1.1
<b>Local government:</b>		
Wages (education)	126.4	
Wages (sports facilities)	167.5	
Wages (transport and policing)	33.5	
Lottery projects	13.1	
Total	340.5	13.4
<b>Total value added</b>	<b><u>2,537.8</u></b>	<b>100.00</b>

**Employment, (FTE) 2014**

Employment ('000s)

**Sector****Commercial sport**

Spectator clubs	3.9
Participation clubs	1.1
Retailers	5.1
Manufacturing (exports)	1.8
TV and Radio	1.0

Subtotal *12.9*

Voluntary sport 5.3

Commercial non-sport 27.5

**Central government**

Administration 0.8

**Local government**

Sports facilities 5.9

Education 4.0

Transport/police 1.1

Subtotal *11.0*

**Total 57.5**



**The expenditure flows matrix, 2014 (£m)**

<b>Flows from:</b>	<b>Flows to:</b>						
	CON	CS	VOL	CNS	CG	LG	OV
Consumer sector	0.0	930.0	265.5	716.2	446.6	119.6	4.7
Commercial sport	243.6	0.0	0.0	598.2	108.1	15.7	222.7
Voluntary sector	122.6	1.6	0.0	24.4	48.0	23.0	0.0
Commercial non-sport	624.3	133.1	60.5	0.0	281.0	62.8	494.2
Central government	22.8	3.9	109.6	238.3	0.0	245.2	0.0
Local government	244.2	13.9	27.0	199.7	141.7	0.0	0.0
Overseas	22.6	210.0	0.0	0.0	6.0	0.0	0.0

- **A3: Sources and methods**

This section attempts to explain how the estimates are derived. Many are generated through the flows in the model. The flows among the sectors in the SIRC model are based on a double entry principle between income and expenditure. Data sources mostly relate to the expenditure side, especially in the case of consumers. The Outside the Area sector is treated as residual in the flow system. No data exist to adequately describe the Voluntary sector; however the income and expenditure relationships suggested by the **Survey of Sport Clubs for Scotland (SRA)** have been taken into account. Past studies and surveys have been used to link the Voluntary sector to the sport economy. The estimation of the remaining five sectors is explained below:

- **Consumer expenditure**

Many items of sport-related consumer expenditure are detailed in the Family Expenditure Survey (FES) at UK level. Only broader categories of spending exist for UK regions. The latter are used to extract the relative statistics from the UK figures in a proportionate manner, or directly using the Essex Archives.

**Admissions:** They are estimated from FES. Data exist for 'Spectator sports - admission charges' for the UK as a whole and for 'Sports admissions and subscriptions' for the regions. Our estimate for 2014 comes directly from the database deposited in the Essex Archives.

**Sports goods:** Expenditure is estimated from FES 'Sports and camping equipment' and annual reports of major sports companies.

**Bicycles:** The basis of the estimate comes from Consumer Trends. This is filtered regionally based on FES, and weighted according to adult use.

**Boats:** The estimate is derived from a SIRC model for the sector based on statistics from the British Marine Federation.

**Participant sports subscriptions and fees:** Expenditure is estimated using the FES categories: 'participant sports excluding subscriptions' and 'subscriptions to sports and social clubs'.

**Clothing and footwear sales:** The estimate is based on a SIRC model, annual reports from sports companies and statistics from Consumer Trends and FES.

**Sport related travel:** This is derived from a SIRC model based on NTS statistics and the publication Consumer Trends.

**Books, magazines and newspapers:** Statistics are based on FES and Consumer Trends.

**Video and DVDs purchase and rental:** Based on statistics from FES and the British Video Association.

**BBC licence:** Expenditure is derived from the sport related content of the BBC licence. It is based on data from the BBC annual report, a SIRC model and the number of households.

**TV rental, cable and satellite subscriptions:** The basic estimate is derived from FES. Its sport related element is derived by using BSkyB and BBC statistics.

**Sport related gambling:** The basis of the estimates is the UK figure which is derived from official HM Customs and Excise data. A model by SIRC is used to ensure that the value of the overall gambling sector corresponds to the Consumer Trends statistics. Subsequently the regional element is derived by using FES and the number of households.

## **Commercial sport income**

**Spectator club admissions:** This is a flow of income coming from the domestic consumer sector and from overseas visitors to Scotland. Data from FES and HM Customs and Excise have been used. Income from tourists is estimated from Travel Trends and the Digest of Tourist Statistics.

**Sponsorship:** Most of this income comes from the Commercial Non Sport sector. Various sources are used from the SIRC archive and the current KeyNote report. We also assume that the sponsorship market is associated with the size of the spectator sports industry.

**Horseshoe betting levy:** These statistics are calculated using data from the Horseshoe Betting Levy Board Annual Report and population statistics from Population Trends.

**Cost of the rights to top league matches:** The basic estimate is derived from BSkyB statistics and newspaper reports.

**Subscriptions and fees:** This is derived from the income and expenditure flows in the model.

**Retailing:** Income from retailing is associated with consumer expenditure on sport-related equipment, clothing, footwear, books, newspapers, magazines and DVDs. A part of this expenditure flows towards Local Authorities, whilst VAT reverts to central government.

**Exports:** Income from exports is estimated using trade assumptions based on Input-Output tables for wider (than sport) sections of the economy. These ratios are applied to sport-related consumer spending.

**TV and radio:** Income in the case of BBC comes directly from the licence fee. Only the sports-related component is included in our analysis.

## **Commercial sport expenditure**

**Wages:** The calculation of wages is based on the flow of income to the sector and the existing Annual Business Survey data that relate wages to total income. This method of calculating wages is repeated in all sectors of the sport economy.

**Other inputs:** In the case of spectator and participation clubs, an estimation of profits is required. Then 'other inputs' is the residual income after accounting for profits and wages. In the case of retailers, 'other inputs' can be estimated directly through statistics from the Input-Output tables and the ABS at regional level.

**Investment:** Investment is estimated as a ratio of the generated value added in each sub sector. We make some assumptions, based on Input Output Tables, so that we derive the best possible estimates given the existing information. For example, the share of investment within value added in the sport retail sector is assumed to be the same as in the retail sector as a whole.

## **Commercial non-sport income**

**Income coming from consumer spending (net of tax):** This is determined according to the flows of consumer expenditure. For example in the case of gambling, consumer spending flows to government as taxes and to the Commercial Non-Sport sector as income.

**Sales of current inputs to other sectors:** These are determined from the flows of the model. For example, in order to identify sales to the commercial sector we examine spending of commercial sport. The latter is directed either to the commercial non-sport sector or overseas, in a ratio dictated from the Input-Output Tables and the sector-specific statistics of regional ABS, deriving in this way the required sales estimate.

**Sales of capital inputs to other sectors:** They are related to the capital expenditure of the Local Government, Commercial and Voluntary sectors. Information is derived from ABS, the survey of sport clubs and Local Government accounts.

### **Commercial non-sport expenditure**

**Wages:** Spending on wages is calculated as a percentage of total income accruing to the sector. This income can be expressed as wages, profits, or imports (before tax and investment decisions). The part of turnover allocated to wages is estimated from a SIRC model based on the Annual Business Survey (regional data).

**Imports:** These are estimated using the same method as above (wages).

**Corporation tax:** It is derived from the profits accruing to the sector (factor surplus, estimated as above) and the tax rate, estimated from the National Accounts (Blue Book).

**Rates:** The estimate is based on the value added generated in the sector and a model estimating rates as a percentage of value added for the two commercial sectors.

**Sponsorship and advertising:** They are estimated using non-official statistics and a SIRC model. Some independent information can be found in Key Note and Mintel reports.

**Lottery awards:** They are estimated using data from DCMS and the Lottery Fund Accounts of the sportscotland.

### **Central government income**

Income accruing to the central government is mainly in the form of taxation. These estimates are determined from the tax rates and the flows within the model.

### **Central government expenditure**

**Grants via sportscotland:** Data are provided by the sportscotland's annual accounts.

**Wages:** Estimates are provided from the sportscotland's annual accounts.

**Support for local government expenditure:** It is determined in the local government income below.

### **Local government income**

**Fees and charges:** The estimates are based on the Scottish Local Government Financial Statistics and on a SIRC model for the sector.

**Sales of equipment:** This is derived from a part of consumer spending on sport equipment as detailed above.

**Grants from central government:** Using the HM Treasury Budget Report, an estimate of grants from central government as a percentage of Local Authority receipts is derived. This is then applied to local government expenditure categories.

**Rates:** This is tax income received from the voluntary, commercial sport and commercial non-sport sectors. The estimates are derived from the flows of the SIRC model.

### **Local government expenditure**

**Total expenditure on sport services:** This is derived from the Scottish Local Government Financial Statistics and a SIRC

model for processing the data. This is then distributed into wages and other inputs.

**Education:** Spending on Education is derived from the Blue Book and the Government's Expenditure Plans (DES).

**Capital expenditure:** This is based on statistics from the Blue Book (Table 5.3.7).

- **A4: Definitions**

- 1. National Income Accounting**

The concepts of National Income Accounting were developed for macro-economic analysis in the 1930s and 1940s. The basic principle is that there is accounting equality between total output, total income and total expenditure. The most common definitions of total output in the economy as a whole are the Gross Domestic Product (GDP) and Gross Value Added (GVA). For example, assume that the total output in a factory producing football boots is £100m. This is equivalent to the income generated as wages (say £60m) as profits (say £10m) and as flows to the companies selling inputs (£30m) required in the production. In this example, GVA is the sum of wages and profits. Further, total income will also be identical to total expenditure because output that is not sold in the current financial year is treated as investment expenditure.

- 2. Gross Value Added (GVA)**

GVA is the difference between total output (based on wages and profits) and the cost of inputs used in the production process (raw materials and services). Alternatively, it can be expressed as:

$GVA = GDP - \text{taxes on products} + \text{subsidies on products}$ .

GVA shows the contribution of the sports sector to the economy as a whole.

- 3. Sport**

We follow the definition employed in the publication Sport Market Forecasts<sup>10</sup>. Sport is divided into the following sectors: sport clothing and footwear, sport equipment, health and fitness, other participant sports, boats, spectator sports, sport gambling, sport TV and video, sport related publications and sport related travel.

- 4. Employment**

This shows full time equivalent (FTE) jobs, where for example two half-time jobs are regarded as being one full time equivalent job. Employment is derived by dividing the wage bill of a sector by the associated full time wage (excluding overtime) from ASHE.

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<sup>10</sup> Sport Market Forecasts, 2011-2015, SIRC.

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