

Bellerby Economics



Economic Impact Appraisal: Perth's Winter Festival 2017

Report for Perth & Kinross Council

November 2017

Bellerby Economics

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1. Introduction

1.1 Background

The Perth Winter Festival was established by Perth & Kinross Council (PKC) in 2013 as an overarching festival for a series of events taking place from November to February. Since 2012, the winter programme has been expanded and refined in order to ensure that it is a sufficiently appealing proposition that attracts visitors from outside Perth and Kinross. The Christmas Lights event has seen significant growth in attendance and PKC see the event as key to establishing Perth as a day visit and short break destination.

PKC has commissioned Bellerby Economics to prepare an economic impact appraisal of the main 2017 Winter Festival events.

1.2 The Events

The key events that will feature in the evaluation are those that will attract visitors from outwith Perth & Kinross - from elsewhere in Scotland, elsewhere in the UK and overseas. These events are:

- The Christmas Lights Switch On;
- The St Andrew's Day Festival;
- Santas' Run; and
- Perth's Outdoor Festival of Chocolate.

1.3 Study Objectives

The overall aim of this study is to provide PKC with an economic impact appraisal of the Winter Festival events, focusing on:

- net additional expenditure in the PKC economy;
- employment impacts in the PKC economy; and
- Gross Valued Added (GVA) to the PKC economy.

1.4 Structure of the Report

The remainder of this report is structured as follows:

- **Chapter 2** details our approach and method to the economic impact appraisal;
- **Chapter 3** presents the economic impact appraisal analysis; and
- **Chapter 4** presents a brief set of conclusions.

2. Method

2.1 Introduction

This report is an *appraisal* of the economic impact of events that are of significance in the 2017 Perth Winter Festival. Economic impact appraisal differs from economic impact evaluations in that they are primarily assumption driven; evaluations have a wealth of primary data upon which to draw in reaching decision on issues such as deadweight or displacement.

In preparing this appraisal we will draw on:

- previous evaluations by Bellerby Economics in 2015 and 2016 of some of the key events that make up the Perth Winter Festival; and
- our experience of conducting numerous studies into the economic impact of events and festivals.

2.2 Approach

The eventsIMPACT¹ Toolkit provides organisers and supporters of public events with some key guidance and good practice principles for evaluating the economic impacts associated with their event.

The approach adopted by Bellerby Economics is the *advanced impact* approach as this enables the analysis to reflect the full economic impact of the event.

We will follow the approach that we have adopted recently when evaluating a range of events that have taken place in PKC area over the recent past. In addition, we will also report, in an appendix, metrics that are in keeping with VisitScotland's *Economic Measurement Framework*, which adopts a slightly different approach.

2.3 Method

2.3.1 Gross Expenditure

The initial starting point will be to estimate the gross expenditure by visitors each of the events. Based on previous evaluations we estimate that in 2017 the total number of visitors to these events will be 117,000.

Gross expenditure impacts will be measured according to the following formulae:

$$GE = nds.deds.nds + nos.deos.lov$$

Where:

GE	gross expenditure
nds	number of day visitors
deds	daily expenditure of day visitors
nds	number of days visited
nos	number of overnight visitors
deos	daily expenditure of overnight visitors
los	length of stay of overnight visitors.

¹ eventIMPACTS is the result of collaboration between Department for Culture, Media and Sport, EventScotland, London & Partners, Tourism Northern Ireland, UK Sport and the Welsh Government.

2.3.2 Gross to Net Impacts

The true measure of the economic impact of each event is the net impact. Moving from gross to net impacts will require estimation of deadweight, displacement, and multipliers, to give the **additional economic activity** directly resulting from the staging of the Winter Festival events.

Deadweight and Displacement

Deadweight is an assessment of the extent to which the events will take place in the absence of public sector support. Our expectation is that deadweight will be **zero** i.e. without support from PKC the events will not take place.

Displacement is an assessment of the level of activity (impact) that has simply been moved from one part of the local/national economy to another. Our assumption, based on previous evaluations is that:

- for PKC residents displacement will be 100% i.e. at some point in time they would have made their expenditure elsewhere in the local economy; and
- for non-PKC area residents displacement will vary according to geography of their normal residence and whether day or overnight visitors:
 - day:
 - rest of Scotland - 0.37
 - rest of UK - 1.0
 - overseas - 0.5
 - overnight
 - rest of Scotland - 0.4
 - rest of UK - 0.67
 - overseas - 0.75.

Multipliers

Multipliers are important as they measure the wider economic impact on the economy:

- **supplier effect:** an increase in sales in a business will require that business to purchase more supplies than it would have otherwise had to make. A proportion of this 'knock-on' effect will benefit suppliers in the local/national economy; and
- **income effect:** an increase in sales in a business will usually lead to either an increase in employment or an increase in incomes for those already employed. A proportion of these increased incomes will be re-spent in the economy.

Our traditional approach is to use the detailed multipliers outlined in the Scottish Tourism Multiplier Study (STMS) to measure the wider impact of the Winter Festival events. The multiplier for this appraisal will be **1.32**.

3. Economic Impact Appraisal

3.1 Visitor Numbers

Based on previous evaluations we conservatively estimate that the total number of visitors to the four Winter Festival events will be 117,000. Of these, 96% will be day visitors and 4% overnight visitors. Our assumption on their usual place of residence is outlined in **Table 3.1**.

Table 3.1: Usual Place of Residence

Origin	Total	%
PKC area	93,226	80%
Elsewhere in Scotland	21,434	18%
Elsewhere in UK	1,170	1%
Overseas	1,170	1%
Total	117,000	100%

Our experience is that expenditure levels vary according to whether a visitor includes an overnight stay or whether they are day visitors. **Table 3.2** presents our assumptions, based on our previous evaluations, on the distribution of the 117,000 visitors by origin and whether they are day or overnight visitors.

Table 3.2: Visitors by type and origin

Origin	Day		Overnight	
	Number	%	Number	%
PKC area	93,226	83%	0	0%
Elsewhere in Scotland	19,094	17%	2,340	50%
Elsewhere in UK	0	0%	1,170	25%
Overseas	0	0%	1,170	25%
Total	112,320		4,680	100%

3.2 Average Daily Expenditure Levels

Our average daily expenditures assumptions, based on our previous evaluations and uprated to take account of inflation, and rounded to the nearest pound are detailed in **Table 3.3**.

Table 3.3: Average Daily Expenditure

	Average Daily Expenditure	
	Day	Overnight
PKC area	£50.00	£0.00
Elsewhere in Scotland	£76.00	£207.00
Elsewhere in UK	£0.00	£142.00
Overseas	£0.00	£121.00

3.3 Gross Expenditure

Applying the gross expenditure formula detailed in Section 2.3.1 to the expenditure levels in **Table 3.3**, and assuming an average length of stay of 1 day/1.2 nights gives gross expenditure figures as detailed in **Table 3.4**.

Table 3.4: Gross Expenditure

Gross Expenditure	
Day Visitors	£6,112,454
Overnight Visitors	£780,624
Total	£6,893,078

3.4 Net Expenditure

Applying displacement and multipliers gives net additional expenditure resulting from visitors, as set out in **Table 3.4**.

Table 3.4: Net Additional Expenditure

	Expenditure
Gross spend	£6,893,078
Displaced Expenditure	£5,564,293
Net Direct Expenditure	£1,328,785
Multipliers	1.32
Net Additional Expenditure	£1,753,996

The total net additional economic impact generated by the 2017 Perth Winter Festival will be **£1.8m**.

3.5 Net Additional Employment

Due to the short-term nature of the Winter Festival the employment impacts will not meet HM Treasury criteria of being full-time and of 10 year in duration.

It is, instead, likely that the employment impacts will be short-lived. We have, therefore, calculated annual equivalent jobs (aejs). We have applied output: employment factors derived from the STMS up rated for inflation and rounded to the nearest pound: £55,000. Applying the output: employment factors to the net additional expenditure figures in **Table 3.4** gives employment impacts generated by the Winter Festival of **32 aejs**.

3.6 GVA

Gross value added (GVA) provides a monetary value for the amount of goods and services that have been produced, less the cost of all inputs and raw materials that are directly attributable to that production.

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We calculate direct GVA by multiplying the number of jobs supported by the visitor spend by the sectoral GVA per head - £20,205 at the PKC level. These values are estimated from data obtained from Scottish Annual Business Statistics 2014 - the latest data available - and relates to the accommodation and food service activities used as a proxy for tourism spend². Given the components of the measure it is not possible to accurately up rate to 2017 levels.

This gives changes in GVA attributed to the 2017 Winter Festival events of **£646,560**.

² <http://www.gov.scot/Topics/Statistics/Browse/Business/SABS>

4. Conclusions

4.1 Introduction

This Chapter provides conclusions for the study centred on the key aims of the appraisal. The conclusions therefore cover:

- net additional expenditure in the Perth and Kinross economy;
- employment impacts in the Perth and Kinross economy; and
- Gross Valued Added (GVA) to the Perth and Kinross and Scottish economies.

4.2 Conclusions

Table 4.1 presents an overview of the economic impact of 2017 Winter Festival.

Table 4.1: Summary of Economic Impacts

Impact	
Net additional expenditure	£1.8m
Employment impact (annual jobs)	32 aej
GVA	£0.6m

Appendix 1: Christmas Lights

The main contributor to the economic impact of the 2017 Winter Festival will be the Christmas Lights Switch On event. Over the past two years it has brought a net additional economic impact into the City of £1.6m.

The analysis in the body of the report will underestimate the impact of the Christmas Lights Switch on event, as visitors to the other events:

- will typically spend less;
- attract higher levels of displacement; and
- overnight visitors' length of stay will be shorter.

In Appendix 1 we present, in tabular format, an appraisal of the 2017 Christmas Lights Switch on event. For consistency we adopt the same methodology used in 2015 and 2016 to estimate visitor numbers.

It has been estimated, that the footfall in Perth for the 2017 event was 120,000, based on 2014's full footfall count and then increased to take account of increased footfall count by the main shopping mall in Perth. As there could be double counting as people visit the mall on more than one occasion, the 120,00 figure is likely to overestimate the actual number of people in the City. As in the 2015 and 2016 evaluations we assume that on average an individual would walk past the footfall counter on 1.5 occasions. This gives a figure of 80,000. As in previous evaluations we assume day visitors represent 97% of all visitors, and overnight visitors stay 1.5 nights to attend the event.

Visitor Numbers

Table A1.1: Visitors by type and origin

Origin	Day		Overnight	
	Number	%	Number	%
PKC area	62,080	80%	0	0%
Elsewhere in Scotland	14,744	19%	2,040	85%
Elsewhere in UK	776	1%		0%
Overseas	0	0%	360	15%
Total	77,600	100%	2,400	100%

Average Daily Expenditure Levels

Table A1.2: Average Daily Expenditure

	Average Daily Expenditure	
	Day	Overnight
PKC area	£45.24	
Elsewhere in Scotland	£57.22	£238.57
Elsewhere in UK	£82.00	
Overseas		£215.25

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Gross Expenditure

Table A1.3: Gross Expenditure

Gross Expenditure	
Day Visitors	£3,715,783
Overnight Visitors	£730,024
Total	£4,445,807

Net Expenditure

Table A1.4: Net Additional Expenditure

Expenditure	
Gross spend	£4,445,807
Displaced Expenditure	£3,218,340
Net Direct Expenditure	£1,227,467
Multipliers	1.32
Net Additional Expenditure	£1,620,257

Net Additional Employment

Applying the output: employment factors to the net additional expenditure gives employment impacts generated by the 2017 Christmas Lights Switch On event of 29.5 aejs.

GVA

The changes in GVA attributed to the 2017 Christmas Lights Switch On event will be £596,048.

Summary of Economic Impacts

Impact	
Net additional expenditure	£1.62m
Employment impact (annual jobs)	29.5 aej
GVA	£0.6m

Appendix 2: Alternative Method Results

VisitScotland has recently produce updated guidance on its favoured approach to reporting economic impact metrics³. In particular this approach:

- does not apply multipliers to expenditure;
- uses data from Scottish Government to estimate spend levels required to support employment⁴; and
- applies Type II employment and GVA multipliers derived from the Scottish Government's Input/Output tables⁵ to the employment and GVA impacts.

In **Table A2:1** below we present the key impact metrics using this method for the Winter Festival and Christmas Lights Switch On event.

Table A2:1: Key Impact Metrics

Impact	Winter Festival	Christmas Lights
Gross expenditure	£6.9m	£4.4m
Net economic impact	£1.3m	£1.22m
Employment impact (annual jobs)	38 aej	35 aej
GVA	£0.95m	£0.87m

³ See <http://www.visitscotland.org/pdf/VS-Economic-Measurment-Framework.pdf>

⁴ See <http://www.gov.scot/Topics/Statistics/Browse/Tourism>

⁵ See <http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Multipliers>.