

The Cheltenham Trust,  
Cheltenham Festivals, and  
the Gloucestershire  
Everyman Theatre

## Economic Impact

Analysis of Economic Impact in  
Cheltenham and Gloucestershire

Draft Final Report

August 2019

—  
**BOP**  
Consulting



# Credits

## Written and prepared by

Jonathan Todd, Richard Naylor, Marta Moretto, BOP Consulting

## Data credits

The Cheltenham Trust, Cheltenham Festivals, the Gloucestershire Everyman Theatre, Office of National Statistics (ONS)

## Image credits

Cheltenham Festivals

# Contents

<b>Executive summary</b> .....	<b>1</b>
<b>1. Introduction</b> .....	<b>4</b>
1.1 Our brief .....	4
1.2 How cultural organisations generate economic impact .....	4
1.3 Overview of economic model .....	5
1.4 Visitor surveys .....	7
<b>2. Visitors</b> .....	<b>8</b>
2.1 Visitor numbers.....	8
2.2 Visitor composition.....	8
<b>3. Visitor expenditure</b> .....	<b>11</b>
3.1 Visitor expenditure by cultural organisation and visitor type .....	11
3.2 Gross expenditure .....	12
3.3 Additionality analysis and net expenditure .....	12
<b>4. Organisational expenditure</b> .....	<b>15</b>
<b>5. Overall economic impact</b> .....	<b>17</b>
5.1 Multipliers.....	17
5.2 Gross Value Added (GVA) and Employment .....	17
5.3 Overall results.....	18
<b>6. Economic comparisons and projections</b> .....	<b>19</b>
6.1 Comparison with cultural organisations elsewhere .....	19
6.2 Projections .....	19

## List of Figures

Figure 1: Economic impact of Cheltenham’s cultural organisations upon Cheltenham and Gloucestershire (2018) .....	1
Figure 2: Projected economic impact of Cheltenham’s cultural organisations upon Cheltenham and Gloucestershire (2023) .....	2
Figure 3 How cultural facilities generate economic and social impact.....	5
Figure 4 Model for assessing economic impact of cultural facilities .....	6
Figure 5 Ticket sales to paid events, average number of paid events per attendee, and unique visitors to paid events at Cheltenham Festivals (2018) ....	8
Figure 6 Origin of visitors to Cheltenham Festivals, Cheltenham Trust and Gloucestershire Everyman Theatre (% of responses to BOP survey).....	9
Figure 7 Total average non-ticket spend per visit in Gloucestershire by type of visitor and cultural organisation (£, 2018) .....	12
Figure 8 Gross expenditure in Gloucestershire on tickets and non-ticket items by visitors to cultural organisations (£, 2018).....	12
Figure 9: Additionality categorisation by type of visitor, model and motivation..	13
Figure 10: Average proportion of expenditure that is additional by model and by type of visitor to Cheltenham Festivals 2018 .....	14
Figure 11: Average proportion of expenditure that is additional by model and by type of visitor to Cheltenham Trust 2018 .....	14
Figure 12: Average proportion of expenditure that is additional by model and by type of visitor to the Gloucestershire Everyman Theatre 2018.....	14
Figure 13: Total gross expenditure and net visitor off-site expenditure for cultural organisations (£m, 2018).....	15
Figure 14 Wage and procurement expenditure in Cheltenham and Gloucestershire (2018, £m).....	16
Figure 15: Economic impact of cultural organisations upon Cheltenham and Gloucestershire (2018).....	18
Figure 16: Projected economic impact of cultural organisations upon Cheltenham and Gloucestershire (2023) .....	20

# Executive summary

In Autumn 2018, BOP Consulting was commissioned to assess the economic impact of culture in Cheltenham. The commissioning partners in Cheltenham were:

1. The Cheltenham Trust
2. Cheltenham Festivals
3. Gloucestershire Everyman Theatre

For the purposes of this analysis and report, culture in Cheltenham is defined as the activities of these three organisations, though clearly we acknowledge that the cultural sector in Cheltenham is much broader than simply these organisations.

Collectively in 2018, these three cultural organisations attracted just over 409,000 visits and **total gross visitor expenditure** made on these visits within Gloucestershire of £27.0m. This breaks down as follows across the three organisations:

- £11.7m was generated by Cheltenham Festivals
- £8.3m was generated by the Everyman Theatre
- £7.2m was generated by Cheltenham Trust

What is often little understood is that the large bulk of this economic impact is not captured by the organisations themselves. Tickets and other on-site expenditures accounted for only 41% of the £27m. The remaining 59%, or £15.9m, was spent by the organisations' combined visitors in the rest of the Gloucestershire economy, principally on accommodation and food and drink.

However, robust economic impact assessment does not stop with simple estimates of total gross visitor expenditure. By accounting for economic concepts like displacement and deadweight, as well as leakage, and carefully avoiding double counting – all economic impact assessments that are essential to, and fully compliant with, HM Treasury's *Green Book* – we can isolate the

extent of economic activity that is additional to local economies. Secondly, the additional expenditure needs to be converted from output into Gross Value Added (GVA), to account for intermediate consumption and thereby avoid double counting money across the economy.

Taking this more detailed and robust approach produces overall estimates of **net economic impact**. Using this method, in 2018 the organisations collectively generated:

- £5.0m in GVA for Cheltenham
- £6.2m in GVA for the wider Gloucestershire area.

**Figure 1: Economic impact of Cheltenham's cultural organisations upon Cheltenham and Gloucestershire (2018)**

	Cheltenham			Gloucestershire		
	Additional output (£m)	Additional GVA (£m)	Additional FTE	Additional output (£m)	Additional GVA (£m)	Additional FTE
Cheltenham Festivals	4.7	2.0	67	6.2	3.2	88
Cheltenham Trust	2.9	1.2	41	2.4	1.0	28
Everyman	4.5	1.8	55	5.0	2.0	55
<b>Total</b>	<b>12.1</b>	<b>5</b>	<b>159</b>	<b>13.6</b>	<b>6.2</b>	<b>171</b>

Source: BOP Consulting (2019)

These results compare favourably with other cultural organisations that BOP Consulting has analysed on the same basis. For instance, the local economic impact of the Cheltenham Festivals compares well with that of the Liverpool Biennial and outstrips the Edinburgh International Film Festival, for example.

When comparing the economic impact of cultural organisations, it is crucial that this is done on an equivalent basis. Central to the approach used here are the uses of weighted averages when assessing visitor spending and analysis of the extent of additionality involved with this visitor spending. These weighted



averages group together different kinds of visitors (e.g. those local to Cheltenham, those travelling from elsewhere in Gloucestershire, and those travelling from outside Gloucestershire) and these are central to the analysis. The three organisations each have different visitor profiles.

- The Cheltenham Festivals are an effective generator of visitors to Cheltenham from outside Gloucestershire. 39% of visitors to the Cheltenham Festivals originate from outside Gloucestershire – in contrast to 12% at the Everyman Theatre and 10% at the Cheltenham Trust.
- The Everyman Theatre has a strong attraction across Gloucestershire – with over half of visitors to the theatre coming from places in Gloucestershire outside of Cheltenham.
- Visitors that are local to Cheltenham form most of the visitors to the venues run by the Cheltenham Trust – with 59% of visitors originating in Cheltenham.

Across all three cultural organisations, in terms of additionality (i.e. the extent to which visitor spending would occur within the local economy in the absence of these cultural organisations), we find:

- The additionality of local visitors is low, both to the Cheltenham economy and to the Gloucestershire economy.
- The additionality of visitors from elsewhere in Gloucestershire is high to the Cheltenham economy but low to the Gloucestershire economy.
- The additionality of visitors from outside of Gloucestershire is high, both to the Cheltenham economy and to the Gloucestershire economy.

In this sense, therefore, visitors from outside Gloucestershire tend to be most important in driving the economic impact of cultural organisations in Cheltenham. Moreover, such visitors tend to spend more than local visitors – with, for example, the average overnight visitor to the Cheltenham Festivals spending £572 in Gloucestershire.

Its capacity to attract visitors from outside Gloucestershire – who tend to spend significant amounts in the local economy, which otherwise would not be

there (i.e. is additional) – explains the power of the Cheltenham Festivals as a generator of local economic impact.

Both the Cheltenham Festivals and other cultural organisations in Cheltenham are optimistic about their capacity to grow economic impact in coming years. Below we present the results of our projections up to 2023 of the local economic impact of these organisations.

**Figure 2: Projected economic impact of Cheltenham’s cultural organisations upon Cheltenham and Gloucestershire (2023)**

	Cheltenham			Gloucestershire		
	Additional output (£m)	Additional GVA (£m)	Additional FTE	Additional output (£m)	Additional GVA (£m)	Additional FTE
Cheltenham Festivals	5.2	2.2	74	6.8	3.5	97
Cheltenham Trust	3.7	1.5	52	3.0	1.3	35
Everyman	4.7	1.9	58	5.3	2.1	58
Total	13.6	5.6	184	15.2	6.9	191

Source: BOP Consulting (2019)

By 2023, it is anticipated that the three cultural organisations of Cheltenham will contribute nearly £7m in GVA and approaching 200 FTE jobs to the economy of Gloucestershire. While such an economic contribution would be impressive, it is both plausible and also not the full contribution made by these cultural organisations.

It is plausible in the sense that we have worked with cultural organisations that have achieved quicker increases in economic contribution over the same kind of timescale (e.g. Wolverhampton Grand).

It is not the full contribution made by these organisations because it does not capture the full range of contributions made by these organisations – for instance, the pride that local people feel in having these organisations in

Cheltenham; the personal development that volunteering with these cultural organisations builds; and the extent to which, as a result of improvements to quality of life brought about by these cultural organisations, Cheltenham is a more attractive proposition for inward investment. Unfortunately, such contributions are harder to credibly quantify and attribute to cultural organisations and do not feature in this analysis.

## 2. Introduction

### 2.1 Our brief

Cheltenham is commendably ambitious for its cultural and creative economy. Key local cultural organisations are working together to create a vibrant place for residents and visitors. For the purposes of this analysis and report, culture in Cheltenham is defined as the activities undertaken by:

- The Cheltenham Trust
- Cheltenham Festivals
- Gloucestershire Everyman Theatre

Three attractions compose the Cheltenham Trust within our analysis:

- Cheltenham Town Hall
- Pittville Pump Room
- The Wilson (formerly known as Cheltenham Art Gallery and Museum)

There are four Cheltenham Festivals:

- Jazz
- Literature
- Music
- Science

This range of cultural organisations generate economic impact within Cheltenham and across the broader geography of Gloucestershire. We have quantified the economic impact of these cultural organisations within the economies of Cheltenham and Gloucestershire. We have done so in terms of additional output, Gross Value Added (GVA) and Full Time Equivalent (FTE) employment.

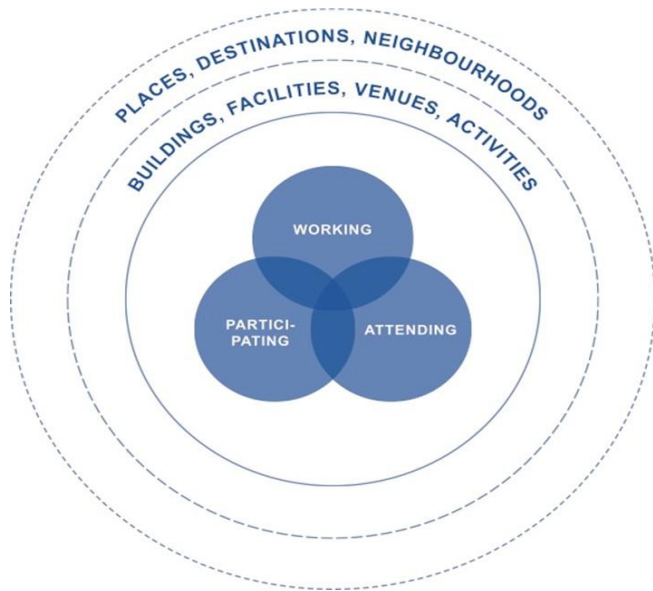
### 2.2 How cultural organisations generate economic impact

As well as cultural impact, cultural facilities generate social and economic impact. An overview of these social and economic impacts is provided in Figure 1. Cultural facilities (labelled in Figure 3 as Buildings, Facilities, Venues, Activities) provide employment (Working) and attract visitors (Attending). The spending related Buildings, Facilities, Venues, Activities (on suppliers), to those Working (i.e. via wages), and those Attending (e.g. on tickets, accommodation, food and drink, transport, etc.) generate economic impact.

Cultural organisations also generate social impact through artistic, voluntary and learning activity (i.e. by people Participating). Through these economic and social impacts, cultural facilities give character to localities (Places, Destinations, and Neighbourhoods). This enlivening of destinations and neighbourhoods may, in turn, create further social (e.g. community cohesion and pride) and economic (e.g. inward investment) benefits – but these benefits are more downstream, less tangible and harder to quantify and attribute to cultural facilities than the more direct economic benefits associated with the provision of employment and attraction of visitors (Working, Attending).

In this economic report, it is these Working and Attending benefits that we focus upon.

**Figure 3 How cultural facilities generate economic and social impact**



Source: BOP Consulting (2019)

## 2.3 Overview of economic model

This analysis focuses on the economic impacts of culture in Cheltenham, rather than the social or cultural impacts of these facilities.

BOP Consulting has undertaken over 70 economic impact assessments on a range of different cultural institutions. In addition, BOP has developed guidance on economic impact assessment for Arts Council England (ACE). This guidance and all economic assessments undertaken by BOP are grounded in the principles and approaches of HM Treasury's *Green Book*. This is the central piece of government guidance on economic appraisal and impact assessment.

We have applied this economic modelling approach separately to each of the Cheltenham Trust, the Cheltenham Festivals and the Gloucestershire Everyman Theatre.

In each case, the framework of assessment that we apply is the same as that which we have applied in our previous economic impact assessments. This framework brings together, within our economic model, these two strands:

- **Organisation impact:** Cultural facilities as economic organisations (both the Working impact illustrated in Figure 1 and the procurement spend on suppliers; and
- **Visitor impact:** The economic impact of visitors to these organisations (the Attending component of Figure 3).

These two strands are reflected in the structure of the economic model illustrated in Figure 4 below – with the visitor impact summarised on the left-hand side and the organisation impact summarised on the right-hand side.

We have conducted the impact assessment at two geographic levels – Cheltenham and Gloucestershire. These are two separate economic models, Cheltenham is not a subset of Gloucestershire as the assessment of the additionality of all expenditures needs to be treated differently at these two different geographic levels.

In respect of the organisation strand, each of the organisations in the analysis (the Cheltenham Trust, the Cheltenham Festivals and the Gloucestershire Everyman Theatre) make expenditures on suppliers and wages. This spending feeds into the organisation analysis.

Within the model in Figure 4 below, 'visitors' refers to visitors to each of the organisations under analysis (the Cheltenham Trust, the Cheltenham Festivals and the Gloucestershire Everyman Theatre). Visitor spend on facilities run 'in-house' by each of these organisations will help to sustain the wage and supplier spending captured in the other side of this model, the organisation strand. Therefore, to avoid double counting between the organisation and visitor strands, the audience strand is only concerned with audience spending that does not occur at such 'in-house' facilities.



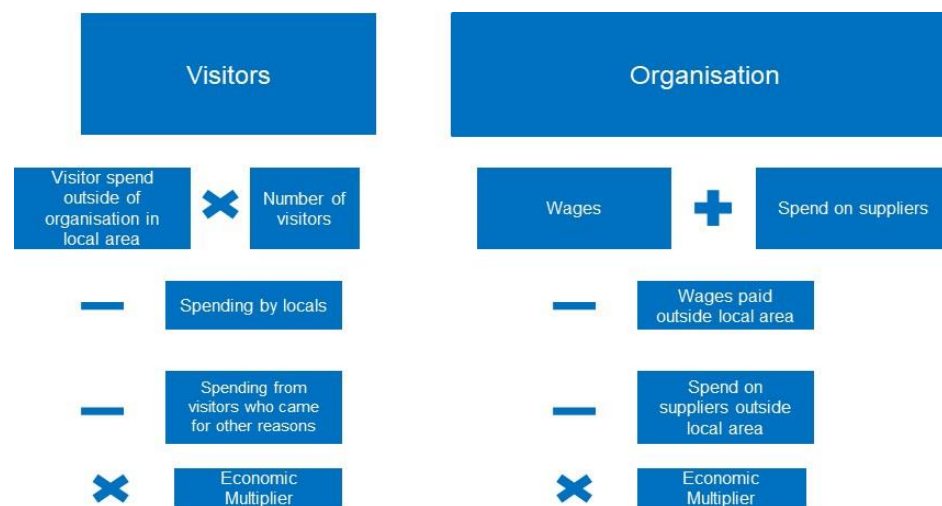
In addition to avoiding such double counting, the model also accounts for key concepts within HM Treasury’s *Green Book* in the following ways:

- **Leakage:** which, as stated in the *Green Book*, “is the extent to which effects “leak out” of a target area into others”, e.g.
  - Wage and supplier spend by the organisations outside of the target area (Cheltenham or Gloucestershire, depending on the economic model), which we account for in the way we have collected information on wage and supplier spend from these organisations
  - Audience spend outside of the target area (Cheltenham or Gloucestershire), e.g. paying for a flight from Paris to Bristol as part of a trip to one of the cultural organisations under analysis, which we account for in the way we structured our audience surveying.
- **Displacement:** which, as stated in the *Green Book*, “is the extent to which an increase in economic activity promoted by an intervention is offset by reductions in economic activity elsewhere”. In our analysis, a regular example of displacement is the expenditure made by day visitors to Cheltenham who would have otherwise made a day trip to somewhere else in Gloucestershire. Thus, their expenditure in Cheltenham is simply displacing expenditure that they would have made somewhere else in the same county – we assess visitor motivations through a visitor survey and this feeds our additionality analysis, described in further detail in Chapter 3, and which corresponds to the deduction for ‘spending from visitors who came for other reasons’ in Figure 4.
- **Deadweight:** which, as stated in the *Green Book*, is, “refers to outcomes that would have occurred without the intervention”. In the present context, this closely relates to displacement and is also accounted for by our additionality analysis. The most regular example of deadweight is the visitor spend made by locals who would in any case have made the same expenditure in the local economy without each of the three cultural organisations being present.

Finally, the model includes these steps:

- **Economic Multiplier:** This extends our direct measures of economic contribution into *indirect* and *induced* measures, taking into account additional activities and spending along relevant supply chains, e.g. hotels in Cheltenham purchasing supplies to meet demand generated by visitors to the cultural organisations.
- **Conversion to Gross Value Added (GVA):** This converts our output measures into the more accurate and robust metric of GVA. These metrics are also converted into a figure for Full Time Equivalent (FTE) employment, which gives an indication of the number of jobs that can be sustained by a given amount of output and/or GVA.

**Figure 4 Model for assessing economic impact of cultural facilities**



Source: BOP Consulting (2019)

Given the organisations under analysis, we have repeated the modelling process 16 times: twice for the Gloucestershire Everyman Theatre at the geographies of Cheltenham and Gloucestershire, eight times for the

Cheltenham Festivals (4 festivals x 2 geographies) and six times for the relevant organisations in the Cheltenham Trust (x3 venues x 2 geographies).

## 2.4 Visitor surveys

To run our economic model, it is necessary to survey visitors to the cultural organisations. BOP provided the cultural organisations with questions to include in these surveys, which they distributed to their audiences electronically via their mailing lists.

After these surveys were run by the cultural organisations and responses cleaned by BOP, we had 975 usable survey responses from visitors to the Cheltenham Festivals, 917 from visitors to Cheltenham Trust organisations, and 1,294 from visitors to the Gloucestershire Everyman Theatre. This is an impressive volume of survey responses and is indicative of the engagement with culture among Cheltenham residents and visitors to Cheltenham.

The responses from visitors to the Cheltenham Trust organisations were subdivided by organisation and analysed within these organisational groups. This accounted for differences in visitor behaviour between the three Cheltenham Trust organisations.

Responses to the Cheltenham Festivals survey were re-weighted such that the number of survey responses relating to the Jazz, Literature, Music and Science festivals within our analysis aligned with the relative importance of each of these festivals as drivers of visitors to the Cheltenham Festivals as a whole. Then, to enable each of our analytical steps to be undertaken on each of the festivals, these survey responses were combined with the results of past surveys undertaken on each of the festivals by the Cheltenham Festivals.<sup>1</sup> Within an analysis of the economic impact of the Cheltenham Festivals as a whole, this allowed our analysis to account for differences in visitor behaviour between the festivals.

---

<sup>1</sup> These past surveys further deepened our understanding of the Cheltenham Festivals, with 964 responses being provided to the survey on the Jazz festival, 2195 on the Literature festival, 478 on the Music festival, and 591 on the Science festival.

## 3. Visitors

This chapter reviews the number of visitors to each of the relevant cultural organisations in 2018 and their profile and composition.

### 3.1 Visitor numbers

Across the three venues of the Cheltenham Trust, 82,690 ticketed attendees visited in 2018. In addition, a further 61,034 non-ticketed attendees are estimated to have visited. These non-ticketed attendees are assumed to be local to Cheltenham. Ticketed and non-ticketed attendees create a total of 143,724 unique visitors to these Cheltenham Trust venues. The Gloucestershire Everyman Theatre generated 195,543 ticket sales and the same number of unique visits.

It is less straight-forward to establish the number of unique visitors to the Cheltenham Festivals. Tickets are not purchased for the festivals, but rather for events at these festivals. In order to account for this, the survey of attendees to these festivals asked attendees to specify how many events they attended on their trip. As illustrated in Figure 5 below, it is possible to derive estimates of unique visitors to paid events at each of the festivals by combining these averages with data held by Cheltenham Festivals on the number of sales to events at each of the festivals.

**Figure 5 Ticket sales to paid events, average number of paid events per attendee, and unique visitors to paid events at Cheltenham Festivals (2018)**

<b>Festival</b>	<b>Ticket sales to paid events</b>	<b>Average no. of paid events per attendee*</b>	<b>Unique visitors to paid events</b>
Jazz	28,121	2.9	9,545
Literature	121,783	5.2	23,281
Music	13,698	3.0	4,498
Science	22,844	5.5	4,138

Source: Cheltenham Festivals / BOP Consulting (2019)

\*These numbers have been rounded to one decimal point, but the calculation of unique visitors has been made using the true values. This accounts for the small disparities that would arise if the calculation of unique visitors were to be made using the rounded figures present here.

The combined total of these unique visitors to paid events at the Cheltenham Festivals is 41,462.

There are also free events at the Cheltenham Festivals. No counts are taken of attendees at these free events. Therefore, while it is challenging to estimate the number of unique attendees at paid events at the Cheltenham Festivals, it is harder still to estimate the number of unique attendees at these free events.

For modelling purposes, we assume that the ratio of attendees at paid and free events at the Cheltenham Festivals is consistent with that established for the Cheltenham Trust venues. This implies that there are 30,603 unique visitors who only attend free events at the Cheltenham Festivals, in addition to the 41,462 unique attendees at paid events at the Cheltenham Festivals. Again, consistent with the Cheltenham Trust, we assume that all attendees at free events at the Cheltenham Festivals are local to Cheltenham.

### 3.2 Visitor composition

Different kinds of attendees typically have different kinds of spending behaviour and motivations on visits to cultural organisations. Therefore, within an economic impact assessment, it is important to analyse spending behaviour

within these different groups, rather than treating all attendees as one homogenous group. The different visitor groups are:

1. Visitors from Cheltenham
2. Visitors on day trips from elsewhere in Gloucestershire
3. Overnight visitors from elsewhere in Gloucestershire
4. Visitors on day trips from outside of Gloucestershire
5. Overnight visitors from outside of Gloucestershire

As indicated in Figure 6 below, our survey revealed the proportion of respondents in each of these categories for the Cheltenham Festivals, the Cheltenham Trust, and the Gloucestershire Everyman Theatre. As the survey samples are statistically representative, we can assume that the proportion of visitors in each of these groups holds true for all visitors to the three organisations in the analysis, not just for the survey respondents.

**Figure 6 Origin of visitors to Cheltenham Festivals, Cheltenham Trust and Gloucestershire Everyman Theatre (% of responses to BOP survey)**

Origin of visitor	Cheltenham Festivals	Cheltenham Trust	Everyman Theatre
Cheltenham	34	59	36
Elsewhere in Gloucestershire, day trip	27	30	51
Elsewhere in Gloucestershire, overnight	1	0.3	0.3
Outside Gloucestershire, day trip	25	7	11
Outside Gloucestershire, overnight	14	3	1

Source: BOP Consulting (2019)

The visitor composition analysis reveals that:

- The Cheltenham Festivals is the most effective generator of visitors to Cheltenham from outside Gloucestershire. 39% of visitors to the Cheltenham Festivals originate from outside Gloucestershire – in contrast to 12% at the Everyman Theatre and 10% at the Cheltenham Trust.
- The Everyman Theatre has a strong attraction across Gloucestershire – with over half of visitors to the theatre coming from places in Gloucestershire outside of Cheltenham.
- Visitors that are local to Cheltenham form most of the visitors to the venues run by the Cheltenham Trust – with 59% of visitors originating in Cheltenham.

Based on the percentages in Figure 6 above, the number of unique visits to the **Everyman Theatre** by origin in 2018 was:

- Visits from Cheltenham: 69,999
- Visits on day trips from elsewhere in Gloucestershire: 98,417
- Overnight visits from elsewhere in Gloucestershire: 598
- Visits on day trips from outside of Gloucestershire: 22,136
- Overnight visits from outside of Gloucestershire: 2,393

The percentages in Figure 4 imply the following numbers of ticketed visits to the **Cheltenham Trust** in 2018:

- Visits from Cheltenham: 49,055
- Visits on day trips from elsewhere in Gloucestershire: 24,978
- Overnight visits from elsewhere in Gloucestershire: 271
- Visits on day trips from outside of Gloucestershire: 6,132
- Overnight visits from outside of Gloucestershire: 2,254

In addition, as discussed above, there were 61,034 non-ticketed visitors to the Cheltenham Trust in 2018, which are all assumed to be local to Cheltenham.

The percentages in Figure 4 imply the following numbers of unique visits at paid events at the **Cheltenham Festivals** in 2018:

- Visits from Cheltenham: 14,043
- Visits on day trips from elsewhere in Gloucestershire: 11,066
- Overnight visits from elsewhere in Gloucestershire: 315
- Visits on day trips from outside of Gloucestershire: 10,191
- Overnight visits from outside of Gloucestershire: 5,848

In addition, as discussed above, we estimate that there were 30,603 attendees at free events at the Cheltenham Festivals, which are all assumed to be local to Cheltenham.



## 4. Visitor expenditure

Typically, visits to cultural organisations generate expenditures on items such as:

- transport services within the local economy
- food and beverage in local cafes, pubs and restaurants
- merchandise and other shopping
- accommodation within the local economy on overnight trips.

The extent and pattern of these expenditures varies between different kinds of visitors. Local visitors, of course, do not spend on accommodation, for example. In this chapter:

1. We report on average expenditures per trip to the cultural organisations of Cheltenham.
2. Given our estimates of the number of visits in 2018 to these cultural organisations, as reported in the previous chapter, we then report the gross expenditures associated with these visits. Gross expenditure was calculated based upon the weighted average of expenditure by each type of visitor on each category of expenditure, as opposed to a simple average within each expenditure category. Moreover, in advance of deriving our gross figures, all survey data was cleaned. In particular, the data was analysed and validated, to remove both nonsensical responses and statistical outliers in terms of the spend responses.
3. We then present our additionality analysis, which is the mechanism by which we transition from gross expenditures to net expenditures. Net is to say expenditures that have accounted for displacement and deadweight as required for robust economic impact assessment by HM Treasury's *Green Book*.

In respect of each of the three methodological steps described above, they have been undertaken at the geographic levels of Cheltenham and

Gloucestershire for each of the three cultural organisations. In the case of Cheltenham Trust, these methodological steps were performed on each of three Trust organisations: Cheltenham Town Hall, Pittville Pump Room, and The Wilson (formerly known as Cheltenham Art Gallery and Museum). With the combined results of these three organisations reported as the Cheltenham Trust. Similarly, we have undertaken each of the methodological steps on each of the four festivals that form the Cheltenham Festivals.

### 4.2 Visitor expenditure by cultural organisation and visitor type

Figure 7 below shows total average non-ticket spend per visit in Gloucestershire by type of cultural organisation and type of visitor in 2018. Across each of these cultural organisations, there are large differences in average expenditures by type of visitor – with locals typically spending less than those travelling from further afield. In the case of the Cheltenham Festivals, those travelling from outside Gloucestershire generate particularly large expenditures in the local economy.

**Figure 7 Average gross non-ticket spend per visit in Gloucestershire by type of visitor and cultural organisation (£, 2018)**

Origin of visitor	Cheltenham Festivals	Cheltenham Trust	Everyman Theatre
Cheltenham	79	38	16
Elsewhere in Gloucestershire, day trip	72	45	18
Elsewhere in Gloucestershire, overnight	573	166	53
Outside Gloucestershire, day trip	101	60	26
Outside Gloucestershire, overnight	572	226	96

Source: BOP Consulting (2019)

### 4.3 Total gross visitor expenditure

Total gross visitor expenditure on non-ticket items is calculated based upon the weighted average of expenditure by each type of visitor on each category of expenditure, as opposed to a simple average within each expenditure category. Ticket expenditure is gathered from the cultural organisation. Gross expenditure on non-ticket items and ticket expenditure are summed to quantify gross expenditure, as illustrated in the figure below. The combined total gross expenditure of the cultural organisations in Gloucestershire is £27.0m.

**Figure 8 Total gross expenditure in Gloucestershire on tickets and non-ticket items by visitors to cultural organisations (£m, 2018)**

	Cheltenham Festivals	Cheltenham Trust	Everyman Theatre
Gross non-ticket expenditure	8.9	6.3	3.8
Gross ticket expenditure	2.8	0.9	4.5
Total gross expenditure	11.7	7.1	8.2

Source: Cheltenham Festivals, Cheltenham Trust, Everyman Theatre, Source: BOP Consulting (2019)

### 4.4 Additionality analysis and net expenditure

A key component of this economic impact assessment is to isolate the proportion of total gross expenditure made by all visitor types that is genuinely additional to the target economies (i.e. to Cheltenham and Gloucestershire). The additionality varies by place of origin of visitors, combined with the geography of the economy that is being estimated.

Calculating the additionality and subsequently applying it to the gross economic impact means that what is left is the **net economic impact**. Figure 9 below shows the logic that is used to determine whether the expenditure is additional or not. The purpose of the 'gross to net conversion' process is to remove what is termed 'deadweight' (expenditures that would in any case have been made in Cheltenham or Gloucestershire even if Cheltenham's cultural organisations were not to exist), and 'displacement' (expenditures that are made in relation to these cultural organisations that simply displace expenditures that would have been spent locally elsewhere on some other activity).<sup>2</sup>

these expenditures may be associated with the Cheltenham Literature Festival, they do not pass into the local economy of Cheltenham or Gloucestershire.

<sup>2</sup> 'Leakage', that is the expenditure that is made outside of the target geographies of Cheltenham and Gloucestershire, has been removed at an earlier stage of the economic modelling. For example, expenditure on a flight from Paris to Bristol, as part of a trip to the Cheltenham Literature Festival, is leakage. This is because, while

**Figure 9: Additionality categorisation by type of visitor, model and motivation**

	Locals		Visitors from elsewhere in Gloucestershire		Visitors from outside Gloucestershire	
	Cheltenham	Gloucestershire	Cheltenham	Gloucestershire	Cheltenham	Gloucestershire
I would have stayed at home or gone to work	Not additional	Not additional	Additional	Not additional	Additional	Additional
I would have done something else in Cheltenham	Not additional	Not additional	Not additional	Not additional	Not additional	Not additional
I would have visited another part of Gloucestershire	Additional	Not additional	Additional	Not additional	Additional	Not additional
I would have visited an area outside Gloucestershire	Additional	Additional	Additional	Additional	Additional	Additional

Source: BOP Consulting (2019)

The figures below show the proportions of expenditure made by different kinds of visitors that are additional to Cheltenham and Gloucestershire.

**Figure 10: Average proportion of expenditure that is additional by model and by type of visitor to Cheltenham Festivals 2018**

Visitor type	Cheltenham	Gloucestershire
Local	4%	1%
Gloucestershire – day trip	96%	2%
Gloucestershire – overnight	100%	0%
Outside Gloucestershire – day trip	92%	92%
Outside Gloucestershire – overnight	98%	98%

Source: BOP Consulting (2019)

**Figure 11: Average proportion of expenditure that is additional by model and by type of visitor to Cheltenham Trust 2018**

Visitor type	Cheltenham	Gloucestershire
Local	4%	1%
Gloucestershire – day trip	89%	2%
Gloucestershire – overnight	67%	0%
Outside Gloucestershire – day trip	96%	93%
Outside Gloucestershire – overnight	96%	88%

Source: BOP Consulting (2019)

**Figure 12: Average proportion of expenditure that is additional by model and by type of visitor to the Gloucestershire Everyman Theatre 2018**

Visitor type	Cheltenham	Gloucestershire
Local	0%	0%
Gloucestershire – day trip	96%	1%
Gloucestershire – overnight	100%	0%
Outside Gloucestershire – day trip	95%	93%
Outside Gloucestershire – overnight	81%	62%

Source: BOP Consulting (2019)

Across each of these cultural organisations:

- The additionality of local visitors is very low, both to the Cheltenham economy and to the Gloucestershire economy.
- The additionality of visitors from elsewhere in Gloucestershire is high to the Cheltenham economy but low to the Gloucestershire economy.
- The additionality of visitors from outside of Gloucestershire is very high, both to the Cheltenham economy and to the Gloucestershire economy.

Applying these additionality ratios to the gross expenditures, enables us to undertake the gross to net conversion of expenditures, to identify only expenditure that is genuinely additional to the economies of Cheltenham and Gloucestershire. This is illustrated in Figure 13 below.

It should also be noted that while gross expenditures relate to all spend by visitors, net expenditures have both been treated for additionality and relate **only to 'off-site' expenditures**. This is because including 'on-site' expenditures within net expenditures would be to double-count monies captured in our organisational analysis. Our next chapter presents this analysis. The double subtraction (taking away non-additional spending and on-site expenditure) is why there is such a large fall-off between the gross and net expenditure totals presented in Figure 13.

**Figure 13: Total gross expenditure and net visitor off-site expenditure for cultural organisations (£m, 2018)**

	Cheltenham		Gloucestershire	
	Gross Exp (£m)	Net. Exp. (£m)	Gross Exp. (£m)	Net Exp (£m)
Cheltenham Festivals	6.8	1.9	8.8	1.7
Cheltenham Trust	6.1	1.6	6.3	0.6
Everyman	3.6	1.7	3.8	0.8

Source: BOP Consulting (2019)



## 5. Organisational expenditure

In addition to the expenditures made by visitors, we worked with the Cheltenham Festivals, the Cheltenham Trust and the Gloucestershire Everyman Theatre to quantify their own spending within the economies of Cheltenham and Gloucestershire.

The process for establishing net organiser expenditure must principally take account of leakage. This means within our Cheltenham economic modelling that expenditures made outside Cheltenham are excluded, and for calculating the net organiser expenditure within our Gloucestershire economic modelling, any expenditure made outside Gloucestershire is excluded.

It is important to avoid double counting between our analysis of organisation and visitor expenditures. Most centrally, this means that our modelling of visitor expenditure only captures spend 'off-site'. This is because spend 'on-site' directly sustains the organisational expenditures that are captured in this part of the model; to include both 'on-site' visitor expenditure and organisational expenditure would equate to double counting. For this reason, spending on tickets has been excluded from the visitor expenditure part of the model.

There is an additional nuance in respect of the relationship between the visitor and organisational halves of the model with respect to the Cheltenham Festivals. Most of the bars and other outlets operating on the sites of the Cheltenham Festivals are not run by the festival organisers. Therefore, expenditure at these bars and other outlets does not pass directly to the organisers in the same way that, for example, box office expenditure does. This expenditure at the bars and other outlets on the site of the Cheltenham Festivals is, thus, additional to the organisational expenditures that we assess and quantify here. These expenditures at bars and other outlets on the site of the Cheltenham Festivals are captured in the visitor part of the economic model, presented in our previous chapter.

At the same time, however, Cheltenham Festivals earns on-site commissions, fees and sales from the operators of these bars and other outlets at their festivals. These on-site commissions, fees and sales are financed

directly by visitor expenditures. Therefore, these on-site commissions, fees and sales create further scope for double counting between the visitor and organiser sides of our model. We correct for this by deducting the value of these on-site commissions, fees and sales from the procurement expenditures for Cheltenham Festivals reported in the figure below.

Figure 14 below indicates the scale of wage and procurement expenditure by the Cheltenham Trust, Cheltenham Festivals and the Gloucestershire Everyman Theatre in Cheltenham and Gloucestershire in 2018.

**Figure 14 Wage and procurement expenditure in Cheltenham and Gloucestershire (2018, £m)**

	Cheltenham Festivals	Cheltenham Trust	Everyman
<b>Staff:</b>			
Cheltenham	1.0	0.5	1.1
Gloucestershire	1.4	0.8	1.6
<b>Other:</b>			
Cheltenham	1.1	0.2	0.8
Gloucestershire	1.4	0.3	1.1
<b>Total: staff + other:</b>			
Cheltenham	2.1	0.7	1.9
Gloucestershire	2.9	1.1	2.7

Source: Cheltenham Festivals, Cheltenham Trust, Everyman, Source: BOP Consulting (2019)

## 6. Overall economic impact

In this chapter, the analysis of visitor expenditure is brought together with the analysis of organisational expenditure to provide an overall assessment of the economic impact of relevant cultural organisations upon Cheltenham and Gloucestershire.

### 6.1 Multipliers

Applying an economic multiplier allows the calculation to move from a direct measure of economic contribution to one that also accounts for **indirect and induced** economic impact. These impacts relate to 'knock-on' economic activity generated along via supply chains linked to the cultural organisations and their visitors, rather than just economic activity directly generated by the cultural organisations and their visitors.

The economic impact of a cultural organisation (in terms of jobs supported, expenditure or income generated) is multiplied because of knock-on effects in the local economy. There are two types of relevant multiplier:

- Further purchases along relevant supply chains triggered as a result of procurement expenditure by the cultural organisation, i.e. suppliers to the cultural organisations making purchases to service the demand of the cultural organisations. [This is represented in Figure 4 above as the economic multiplier underneath the right-hand 'organisation' column].
- Further purchases along relevant supply chains triggered as a result of uplift in local economic activity generated by visits to the cultural organisations, i.e. suppliers to the businesses meeting the demand of visitors to the cultural organisations (e.g. cafes in which they buy food on trips to these organisations) making purchases to service the demand of these visitors. [This is represented in Figure 4 as the economic multiplier underneath the left-hand 'visitor' column].

An economic multiplier of 1.25 has been applied within the Cheltenham model and 1.43 used within the Gloucestershire economic model.<sup>3</sup> The Gloucestershire multiplier is bigger than the Cheltenham multiplier because the larger geography is assumed to capture more supply chain linkages.

### 6.2 Gross Value Added (GVA) and Employment

After application of the economic multiplier, we arrive at a measure of the economic impact of the cultural organisations in output (or revenue) terms. However, assessments of economic impact tend to be presented in Gross Value Added (GVA) and Full Time Equivalent (FTE) employment terms. This is because output measures risk being 'double-counted', as monies pass around relevant supply chains and around the local economy.

GVA equates to the gains generated through trade – seen in the profits of businesses and the wages paid to workers. Not all revenue contributes to GVA as some is used to meet (non-labour costs) in the business operation. The amount of GVA generated by an amount of revenue varies by business sector. For this assessment, the Annual Business Survey (ABS) published by the Office of National Statistics (ONS) has been used to derive ratios of revenue-to-GVA for relevant sectors. We applied the Standard Industrial Classification (SIC) code, taken from the ABS closest to the category of expenditure being analysed. For example, SIC code H (Transport and Storage) was used for calculations relating to spend on transport.

To assess what contribution the additional revenues make to employment, we also use metrics derived from the ABS, as it contains data on labour costs and levels of employment by sector. Labour costs are divided by revenue within relevant sectors, to work out what proportion of revenue within these sectors is typically spent on labour. We then apply these labour-to-revenue ratios to our estimates of additional revenue generated by cultural organisations to derive estimates of additional labour spend triggered by these organisations. Taking estimates of typical labour costs per Full Time Equivalent (FTE) job by sector

<sup>3</sup> Department of Business, Innovation and Skills, *Research to Improve the Assessment of Additionality*, October 2008

from the ABS, we convert these estimates of additional labour spend into FTE terms.

## 6.3 Overall results

We present our overall results in the figure below. The cultural organisations in the analysis collectively generated £6.2m in additional GVA in 2018 in Gloucestershire, which equates to 171 FTEs. This was broken down as follows:

- Cheltenham Festivals generated £3.2m in additional GVA and 88 FTEs in Gloucestershire in 2018
- Cheltenham Trust generated £1.0m in additional GVA and 28 FTEs in Gloucestershire in 2018
- Everyman Theatre generated £2.0m in additional GVA and 55 FTEs in Gloucestershire in 2018

**Figure 15: Economic impact of cultural organisations upon Cheltenham and Gloucestershire (2018)**

	Cheltenham			Gloucestershire		
	Additional output (£m)	Additional GVA (£m)	Additional FTE	Additional output (£m)	Additional GVA (£m)	Additional FTE
Cheltenham Festivals	4.7	2.0	67	6.2	3.2	88
Cheltenham Trust	2.9	1.2	41	2.4	1.0	28
Everyman	4.5	1.8	55	5.0	2.0	55
Total	12.1	5	159	13.6	6.2	171

Source: BOP Consulting (2019)

## 7. Economic comparisons and projections

In this chapter, we set the above results in context by comparing the economic impact of cultural organisations in Cheltenham with that achieved by cultural organisations elsewhere. As requested by the commissioners of the study, we then provide a future projection for the economic impact of culture in Cheltenham through to 2023.

We find that the economic impact of culture in Cheltenham compares favourably with that achieved elsewhere, but there is scope for further growth in this economic impact.

### 7.1 Comparison with cultural organisations elsewhere

When comparing results of economic impact assessments, it is important to ensure that consistent methodologies have been used. BOP's library of economic impact assessments allows us to do just this. Below, we have selected the most appropriate comparisons from our unique database of comparable economic impact assessments.

- Jacksons Lane is “*the flagship arts and cultural venue in Haringey*” and BOP estimated that its additional GVA contribution to Haringey in 2013 was £1.2m. Updating this 2013 figure to today's money would mean an impact of £1.35m – still significantly less than that achieved for Gloucestershire by the Gloucestershire Everyman Theatre (£2m)
- The Wolverhampton Grand is an example, though, of a theatre that we have found to be generating larger economic impact than the Gloucestershire Everyman Theatre. In 2017, it contributed £4.5m in GVA to the economy of Wolverhampton. What is perhaps most striking is that this contribution is a 25% increase on the GVA contribution to Wolverhampton that BOP assessed in an earlier impact assessment in 2013. This provides evidence that impressive increases in the economic impact of culture are achievable –

in this case generated by investment in improvements in the visitor experience of the venue and the wider changes brought about via an energetic new Chief Executive.

Turning to Cheltenham Festivals, the economic impact of the festivals in Cheltenham compares well with other prestigious festivals in the UK.

- For instance, the 2016 edition of the Liverpool Biennial generated £2.4m in additional GVA for the Liverpool economy. This is slightly larger than the Cheltenham Festivals. However, as of the time it was held, this was the largest festival of contemporary art in the UK. Crucially, the Biennial also runs for a much longer period, for instance the next edition of the Biennial in 2020 will run from 11<sup>th</sup> July to 25<sup>th</sup> October, as compared with the just over a month that the Cheltenham Festivals cumulatively run for.
- In 2010, we reported upon the employment contribution of Edinburgh Festivals. We found that the Edinburgh International Film Festival sustained 61 FTE jobs. Established in 1947, it is the world's oldest continually running film festival. At a fortnight in length, it is longer than any of the festivals that compose the Cheltenham Festivals. Indeed, our estimate of the additional FTE employment contribution of the Cheltenham Festivals (88 jobs) exceeds the combined employment contribution of the Edinburgh International Film Festival and the Edinburgh Jazz Festival (87 jobs).

As the above comparisons show, when economic concepts like displacement and leakage are properly accounted for, the results that we have generated for cultural organisations in Cheltenham are impressive. But – as we discuss below – there is scope for further growth.

### 7.2 Projections

We consulted the cultural organisations on how they anticipate their visitor numbers evolving over the next 5 years. Based on these responses, we have projected forward the economic impact we anticipate for these cultural organisations through to 2023. This is illustrated in Figure 16 below. Across the organisations, this anticipates a 12% increase in GVA contribution between 2018 and 2023. However, this is less than half the 25% increase that we

identified at the Wolverhampton Grand over a slightly shorter period (2013 to 2017). The increases anticipated in the projections below therefore seem to us to be achievable.

**Figure 16: Projected economic impact of cultural organisations upon Cheltenham and Gloucestershire (2023)**

	Cheltenham			Gloucestershire		
	Additional output (£m)	Additional GVA (£m)	Additional FTE	Additional output (£m)	Additional GVA (£m)	Additional FTE
Cheltenham Festivals	5.2	2.2	74	6.8	3.5	97
Cheltenham Trust	3.7	1.5	52	3.0	1.3	35
Everyman	4.7	1.9	58	5.3	2.1	58
<b>Total</b>	<b>13.6</b>	<b>5.6</b>	<b>184</b>	<b>15.2</b>	<b>6.9</b>	<b>191</b>

Source: BOP Consulting (2019)



# **BOP** Consulting

BOP Consulting is an international consultancy specialising in culture and the creative economy.

BOP convenes the **World Cities Culture Forum** (WCCF), an international network of more than 35 cities. [www.worldcitiescultureforum.com](http://www.worldcitiescultureforum.com)

## **London**

3 – 5 St John Street, London, EC1M 4AA

## **Edinburgh**

16 Young Street, Edinburgh, EH2 4JB

## **Shanghai**

213 – 214, No. 585 Fuxing Middle Road,  
Shanghai 200025, China

## **Web**

[www.bop.co.uk](http://www.bop.co.uk)

## **Twitter**

@BOP\_Consulting

## **Blog**

[www.bop.co.uk/articles](http://www.bop.co.uk/articles)