



Department
for Culture
Media & Sport

GVA in sport related construction activity in 2010

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Themis Kokolakis

The Sport Industry Research Centre



Introduction

This report presents an estimation of the Gross Value Added generated by the sports sector in the field of construction. There are two sources for such GVA: firstly the preparation for the London 2012 Olympic and Paralympic Games which showed a sharp increase of expenditure since 2010; secondly, the operation of the sports economy outside the Olympic Games preparations. The main source of data is the Olympic Delivery Authority Annual reports; see for example:

Olympic Delivery Authority Annual Report and Accounts 2009-10 (page 86), and
Olympic Delivery Authority Annual Report and Accounts 2010-11 (page 80)

Please note that this study is a pragmatic two-day exercise towards the aforementioned objectives.

Methodology

The main element of the Olympic Construction is estimated by using the Expenditure part of the Olympic Delivery Authority Annual Report and the Input Output Tables. We assume that the construction element within the sports industry behaves as in the rest of the economy in terms of profitability, productivity and employment. Hence, the key ratios of the Construction sector can be used to transform Expenditure into GVA and then employment. The number of people employed is estimated on a full-time equivalent basis by dividing the wage bill by the annual wage per full time employed person.

For the rest of the sport economy construction activity is approached through the rate of increase in the in some key statistics presented by sport-companies annual reports in the Companies House. This is based on approximately 37,000 entries. An alternative estimation is presented through the new orders data of ONS to verify the original approach.

Key statistics for the sports companies sector (Companies House, FAME)

The following growth rates were estimated using the FAME/Companies House datasets:

- Turnover: 6.4%
- Net Tangible Assets: 2.9%
- Number of Employees: 11.7%
- Tangible Assets: 0.7%

- Land and buildings: -0.7%
- Fixtures and Fittings: -13.0%
- Investment (Fixed Assets): 4.4%
- Fixed Assets: 0.4%

Based primarily on Investment (Fixed Assets) and Land and buildings, a growth rate for construction in 2010 is estimated at 2%. It is worth noting that the annual reports in general do not account for the exact construction expenditure. A rate of growth, such as 2%, can be considered very healthy amid a recessionary period.

Estimation of GVA

Given the existing trend in sport-related construction (as in the 2004-08 report), a 2% rate of growth outside the Olympics generates a GVA component of £190m.

Verification: the 2010 construction activity is related to past orders in the 2007-2009 periods. ONS gives a breakdown of new orders associated with entertainment.

This shows that in 2007, for example, new construction orders in entertainment reached £5.65bn. Then the following breakdown of entertainment into sport leads to an alternative estimation of the first aforementioned element:

Entertainment: £5.65bn.

Share of sport 8.4% giving sport construction: £475m.

(Note: the share of the sport market as a percentage of the leisure market is taken from the publication Sport Market Forecasts).

Sport GVA (42%- Input output tables): £199.5m.

<http://www.ons.gov.uk/ons/datasets-and-tables/index.html?pageSize=50&sortBy=none&sortDirection=none&newquery=construction+industry+accounts+>

Given the above estimations, the smallest figure is adopted.

The remaining comes directly from the Olympic Delivery Authority Accounts.

The Olympic Games Construction projects are associated with an expenditure of £1,850.6m (Olympic Delivery Authority Annual Reports).

Then, by using the Input-Output-Tables-ratio of GVA out of expenditure for the Construction industry (42%), we derive a first estimate of GVA from the Olympics for the year 2010: £777.3m

Please note that if one uses the Annual Business Survey headline figures the percentage of GVA out of turnover in construction can be much higher (almost 60%). However, the corresponding rate in London in 2010 was 36% (construction). Hence, overall the Input-Output percentage seems reasonable.

Following this we need to adjust for work done by non-UK companies and a trade-off to other sports investments. Research, published in FT suggests that this element accounts for 11% of the above expenditure.

Hence, the GVA associated with the Olympic Games amounts to: $£777.3m \times 0.89 = £691.8m$, giving a final GVA for construction of **£881.8m** (£691.8+190).

From this, we can derive employment by dividing by the average wage bill in construction:

From the Input Output Tables, in 2010 Wages are 54% of GVA corresponding to a wage bill of $£881.4 \times 54\% = £476.0m$.

From ASHE (codes 1122, 53, 814) the derived annual wage in construction in 2010, is £31,030 That implies that the full time equivalent figure in construction employment is: $476.0m / 31.03k = 15,340$ people.

Conclusion

This report suggests that the Gross Value Added generated by the construction sector in 2010 added up to £881.8m. This activity is associated with 15,340 people employed on a full time equivalent basis.