

The Chichester Festival Theatre Economic Impact Study 2006

Final Report



Commissioned by Chichester Festival Theatre

***From the Centre for Local and Regional Economic
Analysis at the University of Portsmouth***

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Contents

	Page
The Project Consultants	5
Acknowledgements	6
Executive Summary	7
1. Introduction	9
1.1 Aim of study	9
1.2 The methodology	9
2. Overview of Festival Theatre	11
2.1 Location and company structure	11
2.2 Funding streams	11
2.3 Main expenditure flows	12
2.4 Direct employment	14
2.5 Theatre attendance and audience dispersion	15
2.6 Historical turnover levels	17
3. Direct Expenditure into the Local Economy	19
4. Expenditures by Households	20
5. Expenditure by Theatregoers and Out-of-District Staff	23
5.1 Theatregoers and out-of-district staff expenditure	23
6. Cumulative First Round Expenditures into the Local Economy	25
7. Total Impact of the Festival Theatre on the Local Economy	27
7.1 Explanation of indirect effects	27
7.2 The value of the multiplier	28
7.3 Total output and employment resultant from Chichester Festival Theatre	29
7.4 Putting the Theatre in context	31
8. Conclusions	31
Appendices	A1 – A2

Tables

Number		Page
1.	Employment at Chichester Festival Theatre 2003/04	15
2.	Estimated total income of Chichester Festival Theatre, various years	18
3.	Major recipient sectors of direct expenditures by the Festival Theatre, and associated on-site activities, on goods and services 2006	19
4.	Estimated distribution of direct household expenditure into the Chichester local economy 2006	22
5.	Distribution of theatregoers and out-of-district staff, expenditure 2006	24
6.	Estimated cumulative first round expenditure within the Chichester local economy resultant from the activities of the Chichester Festival Theatre 2006	26
7.	Estimated output and employment in the Chichester District economy 2006	28
8.	Inputs and Outputs resulting from the activities of Chichester Festival Theatre 2006	29
9.	FTE jobs resulting from the activities of Chichester Festival Theatre 2006	31

Figures

Number		Page
1.	Chichester Festival and Minerva Theatres market performance 1999 – 2006	12
2.	Indicative income and expenditure flows – Chichester Festival Theatre	13
3.	Chichester Festival Theatre concentration of market and revenue shares	16
4.	Income patterns from main markets 1999 - 2006	18
5.	Festival Theatre generated expenditure patterns 2006	21
6.	Direct and indirect income and expenditure attributed to the activities of Chichester Festival Theatre 2006	25

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CLREA:

The Centre for Local and Regional Economic Analysis is located within the Department of Economics at the University of Portsmouth. It was established in the mid 1970s as a specialised unit researching local economies and developing appropriate economic modelling techniques to assess the impact of change on sub-regional areas, primarily in South East England. Since then it has expanded its geographical coverage, client base and research interests. Its members have a wide range of expertise in local and regional economic analysis, ranging from econometric modelling, questionnaire design and surveying, through to labour market analysis, locational and sectoral economic impact analysis as well as economic profiling, SWOT analysis and the formation of local economic development strategies.

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Any errors or omissions are the sole responsibility of the authors and not Chichester Festival Theatre.

Executive Summary

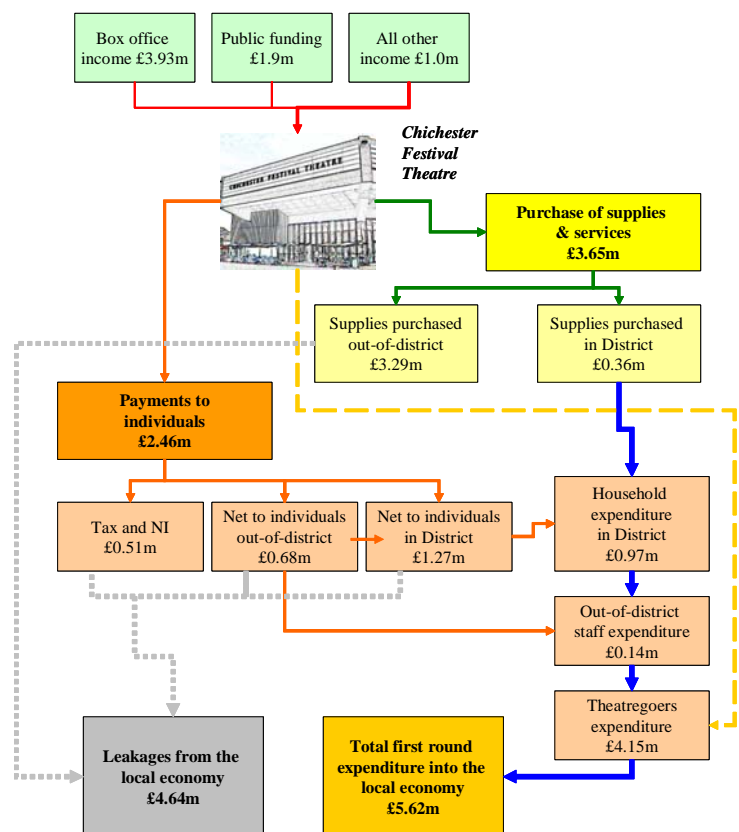
Introduction

This report has been compiled for Chichester Festival Theatre by the Centre for Local and Regional Economic Analysis at the University of Portsmouth (CLREA).

What the study seeks to achieve

The aim of the study is to determine the economic impact of the Festival Theatre upon the economy of Chichester District in both monetary and employment terms. The study calculates the value of three primary streams of expenditure:

- First, the goods and services bought by the Theatre, and their employees from other businesses within the local economy.
- Secondly, the additional income spent in the local economy by theatregoers visiting Chichester from outside the District.
- Thirdly, the substantial number of actors, musicians, creative and technical crew who stay in Chichester for the duration of the shows with which they are associated and spend a proportion of their salaries within the District.



Finally, this injection of spending is just the start, as more money is spent in the area other businesses, not directly associated with the Theatre, also benefit as demand for their goods and services increases. Those businesses, in-turn, need to re-stock and, possibly, take on additional staff to cope with increased demand. This is known as the multiplier effect and this is also calculated.

The main findings

By using detailed analysis of the Theatres accounts and payrole as well as recent survey evidence of the amount the typical theatregoers spend in the Chichester District it is possible to derive accurate estimates of the impact of the Theatre. The study reveals the following main findings:

- Accounts for the year ending December 2006 show that the theatre has improved its trading position significantly over previous years. Indeed the Theatre has had its' best Festival Season since 2000. Overall attendance topped the 223,000 mark in 2006, a 30% increase on the 2004 figure. Around 69% of this patronage was from people travelling in to the Theatre from outside the District.
- It is estimated that the Theatre, its staff and theatregoers directly spent £5.6million into the local economy in 2006. This is an increase of 20% on the 2004 figure. Most of this is as a result of spending by theatregoers into the Retail and Hotel & catering sectors of the local economy. There has been a slight reduction in the amount of directly purchased by the Theatre from local suppliers.
- The Theatre provides jobs for around 380 people of these 174 live in the District. In addition, more than 160 visiting actor and crew as well as a substantial number of people supplying artistic services such as directors and designers spend a proportion of their time working and living in the Chichester District.
- When the multiplier effect of the direct spending is also taken into account, the estimated value of the Festival Theatre to the Chichester local economy in 2006 was £9.2million. In terms of jobs, the Theatre was directly and indirectly responsible for around 330 local full-time equivalent jobs.
- To put the Theatre into perspective, it generates more income than all the Mechanical engineering and the Manufacture of office machinery, computers and domestic appliance firms in the District combined and supports more than twice the number of jobs that there are in Ship and boatbuilding.
- Finally, although impossible to measure in monetary terms, the Theatre's critical success and the impression it leaves in visitor's minds raises the profile of the District on both the national and international stage this provides a clear boost to the District's tourism offer.

1. Introduction

1.1 - Aim of the study

The main aim of the study is to determine the economic impact of the Festival Theatre upon the economy of Chichester District¹. In order to achieve this, the study has to estimate the value of three primary streams of expenditure:

- The first is the goods and services bought by the Theatre, attached on-site activities and their employees from other businesses within the local economy.
- Secondly, theatregoers visiting Chichester from outside the district spend money at other establishments in the city as well as at the Theatre. For the day visitor this might be a meal and/or drink, those staying longer may make use of, other attractions, hotels and guest houses, local transport and retail shopping.
- Thirdly, a substantial number of actors, musicians and stage technicians stay in Chichester for the duration of the shows with which they are associated and spend a proportion of their salaries in the district. In addition, they require accommodation for the period of their stay, this provides a significant direct input to the district's hotel, guesthouse and accommodation sector.

However, this is only the start of the process, once the initial direct expenditure has been made the multiplier process and indirect effects begin to take over. The primary expenditure initially benefits local industries through direct purchases from them and from the purchase of locally produced goods and services, which arise from the income derived from employment. Further impacts occur due to feedback effects – where other local firms require more labour and inputs to meet rising demand for their output, which has been stimulated by the initial expenditure.

1.2 - The methodology

The study was split into a number of phases:

¹ Throughout this study the Chichester District and District Economy refers to the spatial area covered by Chichester District Council. See Appendix 1 for details.

Phase 1.

Interviews were conducted with the management of the Festival Theatre and other on-site associated activities. Annual reports, business plans and published balance sheets from the Festival Theatre were scrutinised.

Phase 2.

Detailed statistical examinations were made of the Theatre's accounts to determine the precise value of the direct inputs made by the Theatre and its activities to the local economy.

1. The Theatre's finance department was asked to conduct a detailed examination of the management accounts for the 2006 financial year in order that exact details of local expenditures could be determined.
2. Staffing levels and costs were calculated for the 2006 financial year, these were differentiated to show the aggregated net incomes of those who live in the district and those who live outside it and their likely expenditure patterns in the local economy.
3. Spending surveys for staff and theatregoers were up-dated to reflect movement in the Consumer Price Index (CPI) and increased spending on leisure goods and activities (combined) as reported in the 2005/06 Family Expenditure Survey.
4. All expenditure data was assigned by industrial sector so that it was possible to identify detailed first round expenditure impacts.

Phase 3.

The purpose-built input-output model of the local economy used in the 2004 report was up-dated for changes in the structure of employment and output. Input expenditures were run through the model. This allowed the multiplier effect of the Festival Theatre's activities to be calculated across the different sectors of the local economy.

Phase 4.

The findings were reported.

2. Overview of Chichester Festival Theatre

This section of the report provides a general overview of the Chichester Festival Theatre including; location and company structure, main expenditure flows, direct employment, Theatre attendance, audience dispersion, and historic turnover levels.

2.1 - Location and company structure

The Chichester Festival Theatre is situated to the north of Chichester City Centre in Oaklands Park. It comprises the main Chichester Festival Theatre with a capacity of 1206 and the smaller Minerva Theatre, which is able to accommodate 285. The Minerva building also houses the Chic Café and Festival Restaurant and a small shop selling theatrical memorabilia, cards and goods.

The Chichester Festival Theatre is a company limited by guarantee and a registered charity. The company's principal object is to encourage the promotion and advancement of the aesthetic education, cultivation and improvement of public taste in drama and other forms of art. It aims to provide, present, produce, organise, manage and conduct performances of plays, opera, ballet, films, concerts, classical, educational and other similar events of cultural value to the community. It does this by presenting professional productions at the Chichester Festival and the Minerva Theatres and by an education programme. The present company was formed on 2 May 2001 under the name Chichester Festival Theatre.

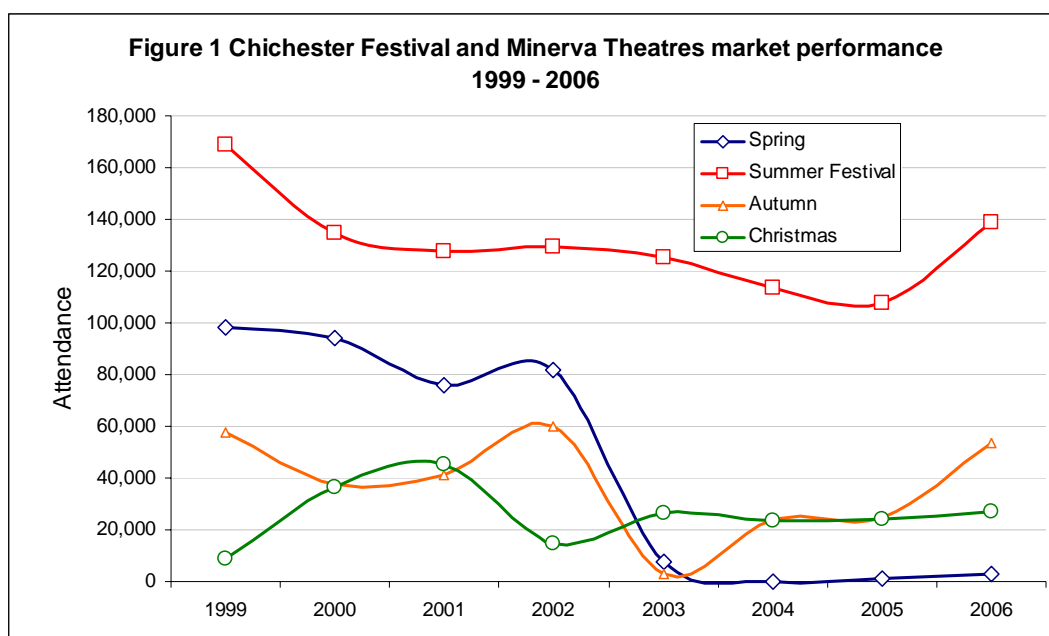
Chichester Festival Theatre itself is a production theatre with an ensemble in repertoire producing a world-class summer programme and also hosting performances and touring shows during the autumn and Christmas periods. In the past, both the Chichester Festival Theatre and the Minerva Theatre have experienced a period of restructuring due to a refocusing of their artistic policy framework. Currently (2006) a fuller programme has been re-introduced and this has been reflected in both value and volume of sales.

2.2 - Funding streams

The Theatre receives financial support from a number of public bodies including: Chichester District Council; West Sussex County Council; Chichester City Council and the Arts Council. In addition, it also receives income from the private sector in the form of

corporate sponsorship, income from “Friends” and “Individual Players”, trusts, foundations, legacies and bequests.

The most noticeable change since the last CLREA study² is the increase in attendance figures³. These have increased from 170,000 in 2004 to approximately 223,000 in 2006 (over 38%). This increase can be attributed to the re introduction of out-of-festival performances (particularly the autumn programme), a surge in attendance at the Summer Festival (this is now back to levels last seen in 2000) and the continuation of the Christmas programme which might be described as steady and growing⁴. The “out of festival” attendance figures have increased by around 72% since the dip of 2004.



Source: CFT Box Office Accounts

2.3 - Main expenditure flows

In order to assess the impact of the Theatre on the local economy it has been necessary to conduct an in-depth analysis of the Theatre’s accounts. To ensure that the estimates of local expenditure are as accurate as possible, payments in the accounts were broken down into those made inside and outside the District. Thus we were able to differentiate,

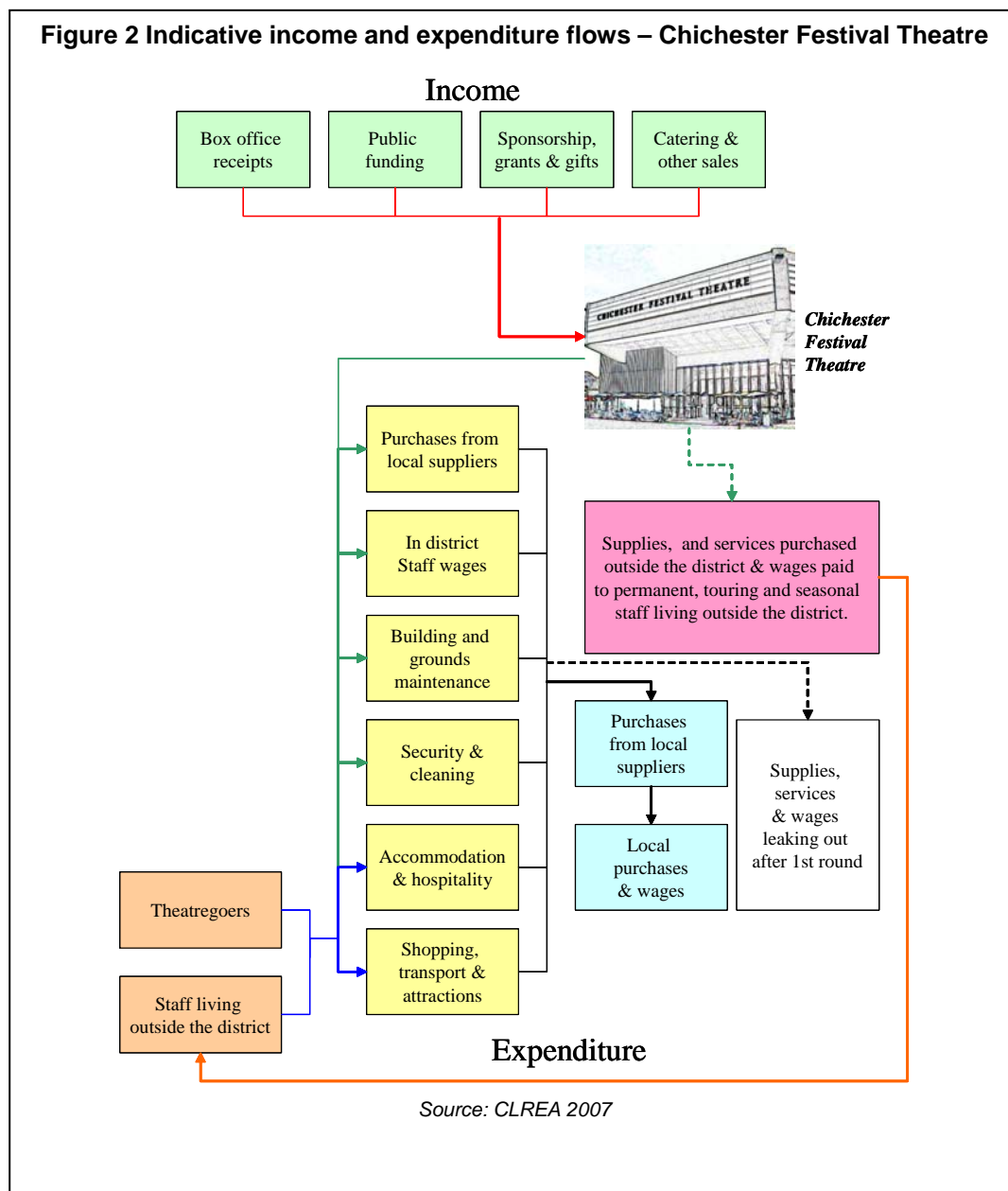
² The previous study of the economic impact of Chichester Festival Theatre was published in October 2004 and based on data from the period 1 April 2003 till 31 March 2004.

³ As in the previous CLREA report attendance figures relate to ticketed sales and do not count footfall for non-ticketed events. Anecdotal evidence suggests that non-ticketed activity such as the educational programme has been expanded.

⁴ Currently programming does not take place in the spring period, which is given over to preparation for the festival season.

for example, payments made for display advertising made locally and those made nationally.

There are a number of main flows of income and expenditure that have been identified and these are set out in Figure 2 as the solid red line. The main sources of income are ticket sales, sponsorship, grants & gifts, public funding and sales through the restaurant and “Front of House” activities.



Theatre generated expenditure splits into two main streams. The first stream (lines coloured solid green) relates to expenditures made directly by the Theatre inside the local economy. This includes items such as supplies and services from local businesses, building and grounds maintenance, accommodation and hospitality (mainly related to acting, creative and technical staff involved in productions), cleaning and the wages of security staff, permanent staff and payments to individuals.

Although expenditure not directly made by the Theatre, there are a further two sub-streams of income to the local economy which results from the presence of the Theatre in Chichester (coloured solid blue). These are expenditures made by theatregoers and theatre staff who, although they live outside the district, spend a part of their income in the district whilst at work or visiting the Theatre. In both cases these expenditures are made into a relatively small number of commercial sectors, such as, Retail & wholesale and Hotel & catering.

The other major stream of expenditure is to suppliers of goods and services from businesses located outside the district, and permanent, seasonal and touring staff who have their main residence outside the district (coloured hatched green). This in turn, creates a sub-stream of expenditure when staff who live “out-of-district” make local purchases whilst at their place of work (coloured solid orange).

The primary flows resulting from the Theatre’s location in Chichester are the first-round effects upon the local economy. However, this is only the start, because in turn recipients of primary expenditure will also purchase goods and services and pay wages and salaries to staff, a proportion of which will also be spent locally.

2.4 - Direct employment

Calculating the number of people employed by the Theatre is a little difficult because many of those employed work non-standard hours, some are only employed for part of the year and others are only employed for a relatively short period (e.g. during the “summer season or for particular shows”). In the 2004 analysis the calculations were made on the basis of the employment days of visiting actors and crew, this time pay data

has been analysed making the estimations more robust in terms of the impact on the local economy. Table 1 below shows employment in three categories, the first is on-site employees, who range from permanent full-time administrative staff to part-time employees in the two theatres. The second category are the front-of-house staff who, sell programmes, tickets, sundries etc. and act as ushers for shows, almost all of these work on a casual basis. The third category contains actors, musicians, stage management/crew and technical staff contracted for the specific shows, tours or the summer season. The figures suggest that overall the Theatre provided employment for 382 people in 2006, of these 174 lived in Chichester. The largest group is made up of actors and crew who account for over 53% of the total, most of these (around 80%) live outside the district. In addition, there are also approximately 55 people employed by the on-site restaurant many of these are part-time or casual employees of the franchisee, all of these live in Chichester. As a comparison with the 2004 study the number of permanent staff has increased by 7 but the number of seasonal actors and crew has gone up by a larger margin (50) this is mainly accounted for by touring and short-run productions in the autumn. What the table below does not fully capture is the number of people supplying artistic services to the Theatre. Directors, designers and such like spend varying amounts of time at the Theatre (often living locally) but their employment cost appears as supplies and services provided by people domiciled outside the District and is not therefore fully captured.

Table 1 – Employment at Chichester Festival Theatre

	Live within Chichester	Live outside Chichester	Total	FTE's
Permanent staff including part-time	34	27	61	45
Front-of-house staff including casuals	44	18	62	21
Seasonal and touring actors and crew	41	163	204	67
Restaurant	55		55	34
Grand Total	174	208	382	167

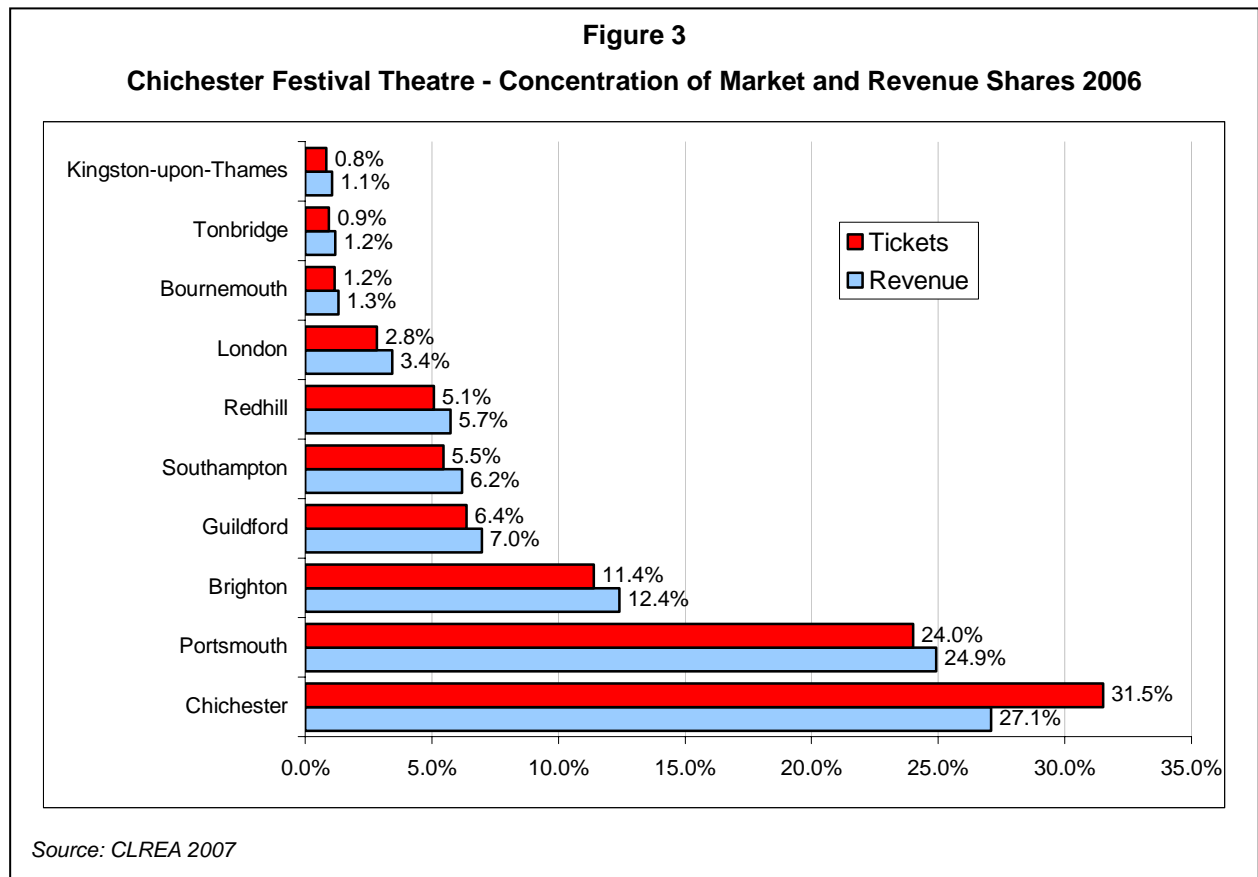
Source: Chichester Festival Theatre

Note: FTE = Full Time Equivalent job

2.5 - Theatre attendance and audience dispersion

In order to be able to make realistic estimates of the expenditure by theatregoers into the district economy it is necessary to know the numbers attending throughout the year and from where they originate.

Box office figures for 2006 were analysed by postcode in order to differentiate between those living inside or outside the district. Around 30% of all tickets sold were to people living within Chichester district. This proportion is consistent with other years stretching back as far as 1999 and suggests that local patronage, as a percentage of the total, has remained fairly stable.



As indicated earlier, around 221,000 tickets were sold in the year 2006 this figure being significantly higher than in previous years. Analysis of the 2006 box-office receipts, by postcode town, suggests that this profile has not changed dramatically. Over two out of every five tickets (42%) and 44% of income are derived from three main postcode areas adjacent to the Chichester District; Portsmouth (PO), Brighton (BN) and Guildford (GU)⁵. Figure 3 shows that (90%) of box-office income is derived from 10 main postcode areas.

Figure 3 also suggests that there is a great degree of concentration with respect to the main income generating markets for the Chichester Festival Theatre. What is more, this

degree of dependence on a few locally clustered markets seems to remain the same over the years. A cursory examination on average expenditure per ticket holder in the Chichester Festival Theatre would reveal the potential threat behind the increasing over-dependence of the Theatre to this cluster of adjacent markets. The overall average expenditure per ticket holder in the Chichester Festival Theatre during 2006 was approximately £17.5. Visitors coming from Chichester were spending considerably less than the overall average (around £15), whereas theatregoers from Portsmouth, Brighton and Guildford were spending slightly more than the overall average (£18.3, £19.2, and £19.3 respectively). Thus, the majority of the 4 major income generating markets for the Chichester Festival Theatre are either spending less or slightly more than the overall average expenditure per ticket holder.

On the contrary, markets further a field, but still close to Chichester were performing well in terms of average expenditure patterns. Hence, theatregoers coming from Crawley (£27.7), Croydon (£22.6), or even London (£22.1) and Reading (£21.4) tend to spend more than the overall average. This suggests that there is income growth potential in marketing to wider regional audience.

2.6 - Historical turnover levels

The analysis to determine the impact of the Chichester Festival Theatre upon the local economy relies substantially on the published and management accounts of the Theatre. In order to establish how the Theatre's current year performance fits with previous years the aggregated turnover for selected years back to 1998 has been analysed under broad headings.

Due to the changes in the company structure, and thus the way accounts have been presented, there is not full comparability throughout the study period however the figures did show a general trend of reducing dependency on box-office receipts up to 2003 (the period of the last study). Overall, income had declined over that period. This was due to concentration on producing in-house programmes and the reduction in visiting and touring productions. That position has been turned around and this year, the Theatre has

⁵ this is additional to the 30% of tickets and 27% of revenue derived from within the District of Chichester

recorded its highest box office receipts since 2002 and its best festival income since 1999. It is also sourcing a higher proportion of its income through the box office.

Table 2 – Estimated total income of Chichester Festival Theatre various years¹

	1998	2001	2003 ²	2006
Box office	55%	52%	45%	57%
Public subsidy % of total	-	16%	45%	28%
All other income	45%	32%	10%	15%
Total £million	£7.5	£6.6	£6.6	£6.8

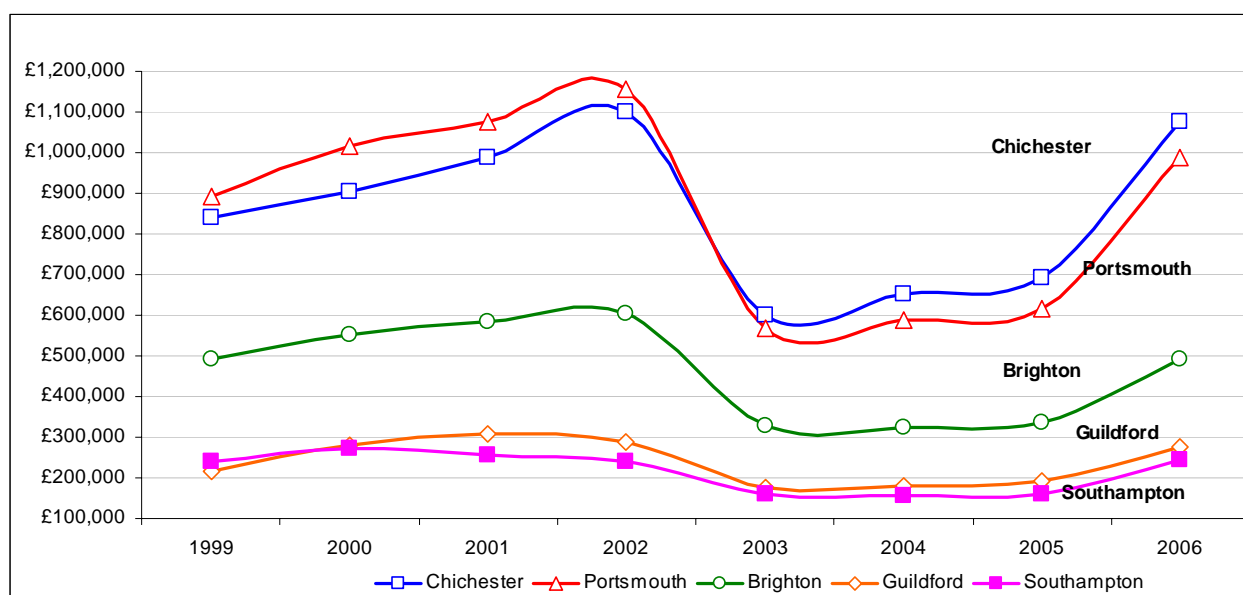
Source: Chichester Festival Theatre accounts, various years & CLREA estimates

Note: ¹ Source income is shown as a percentage of estimated annual income

² In 2003 1million of additional public funding was received in order to reduce deficits from previous years

Closer analysis of the long-run data (see Figure 4) suggests that Portsmouth and Chichester combined accounts for 55% of the revenue raised, 50% of people visiting and 51% of all the tickets sold to the Festival and Minerva Theatres over the entire period 1999 to 2006. What is more, the top 5 markets, account for 81% of all income generated.

Figure 4 Income patterns from main markets 1999 - 2006



Source: CFT Box Office Accounts

The income generating patterns for the top 5 markets for the Festival Theatre have been increasing steadily since the slump of 2004. The recovery since that period has been replicated in all the main income generating markets. The graph suggests that all markets have followed a rather symmetrical pattern in terms of income generation. Clearly 2003 was the critical year for the Theatre with all 5 markets experiencing a

considerable decrease. In fact, 2003 marked the end of a 4 year period, starting in 1999, where the Theatre experienced annual decreases in total income generated. During 2003 Portsmouth and Chichester experienced the greatest decline with falls on the previous year's income of 52% and 49% respectively. On the other hand, the London market was the least affected from this dip in generated income with a 21% decrease. Subsequent growth has been led by the Portsmouth and Chichester markets.

3. Direct Expenditure into the Local Economy

From its total expenditure of £5.73 million in the year 2006, our estimates (based on the purchase ledgers of on-site operations) suggest that the Chichester Festival Theatre and associated on-site operations spent approximately £3.3 million on supplies and services (the figure for 2004 was £2.2m). Out of this figure, around £0.36m (10%) was spent in the local economy, this represents a decrease of around £70,000 from 2004, this would be higher if it were not for the fact that the on-site restaurant also makes purchases locally and this is estimated to have increased. The other 90% of spending goes outside the local economy, much of it is for highly specialised items or payments to national suppliers such as energy companies. It is, however, clear from the accounts that a significant proportion of the external expenditure was retained in Sussex.

Table 3 - Major recipient sectors of direct expenditures[@] by the Festival Theatre and associated on-site activities on goods and services 2006

Selected Sectors	Distribution of in-district expenditure 2006	Distribution of in-district expenditure 2004	Distribution of in-district expenditure 2000 report
14 Paper and printing & publishing	2%	30%	16%
16 Construction	10%	2%	6%
17 Wholesale & distribution	26%	15%	7%
19 Hotel and catering	7%	1%	39%
24 Business services	30%	29%	19%
29 Social welfare & recreational services	12%	12%	7%
Percentage of total spend	87%	89%	94%
Total*	£0.359m	£0.432m	£1.003m

Source: Chichester Festival Theatre unpublished management accounts.

Note: [@] Estimated expenditure has been rounded to the nearest £1,000.

* A more detailed sectoral breakdown of expenditure is given in Appendix 1.

Major recipient sectors are shown in Table 3 (for more detail see Appendix 1). This shows that almost 87% of total expenditure was placed in just 6 (out of 30) industrial sectors. Within the district, the major beneficiaries were Business services and

Wholesale, which accounted for 56% of the total. The most notable change since the 2004 report is the reduction in Printing and Publishing. The biggest change over the whole period 2000 – 2006 is the reduced expenditure in the Hotel & catering sector (including B&B) this was mainly (although not exclusively) derived from the cost of accommodation for touring and seasonal actors, artists and stage management “crews”. Whilst seasonal staff still require accommodation they are most likely to make their own arrangements utilising their own subsistence allowance. This expenditure is still included in the calculations but shows up as household expenditure.

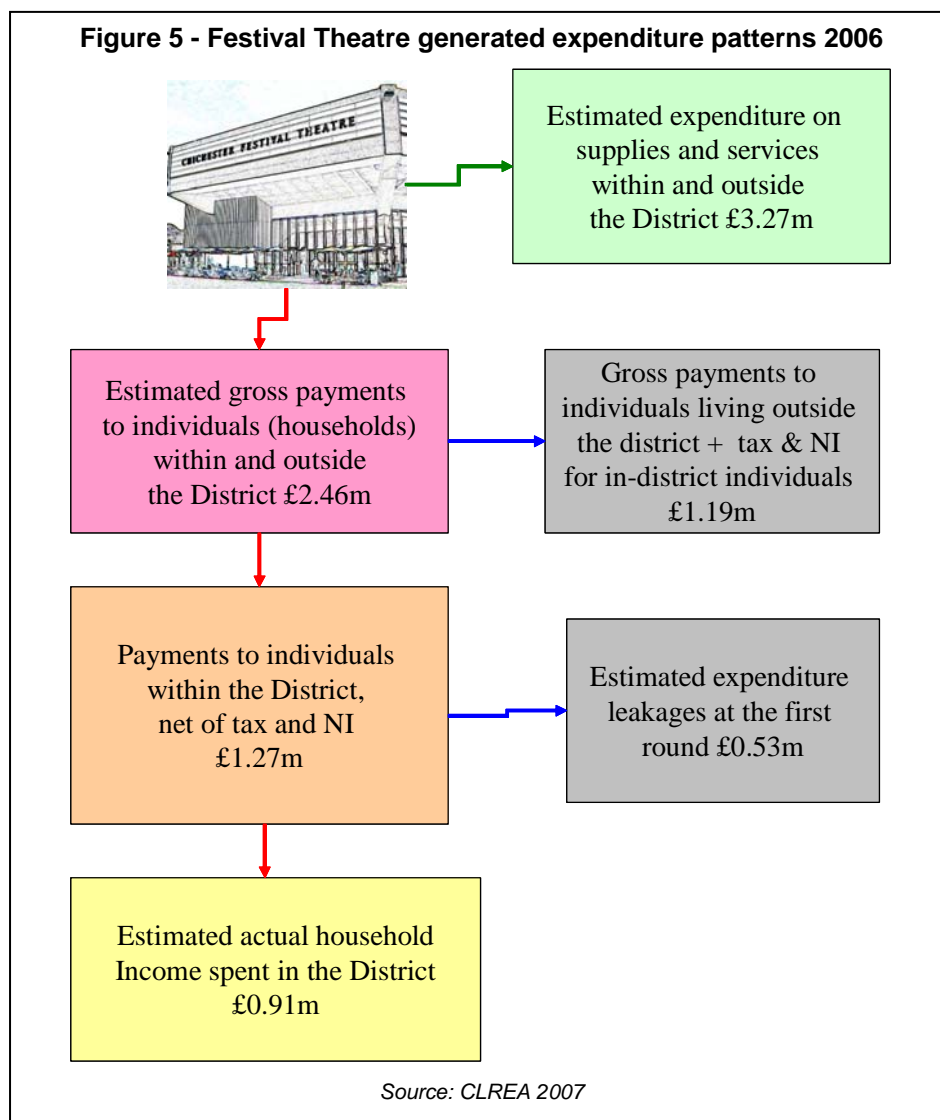
In addition to the above, around £25,000 was paid to individuals within the district for services rendered, (the equivalent figure for 2004 was £67,000, however much of this is now picked up via pay-roll information). The expenditure paid directly to individuals is treated in the same way as direct in-district and seasonal staff wages and is picked up as household expenditure to which we turn next.

4. Expenditures by Households

The main source of income for household's expenditure is from wages and salaries. There are also a small number of payments made to individuals living locally and outside the District for services provided to the Theatre. Our estimates suggest that the Chichester Festival Theatre and other on-site activities generated £2.46 million of gross household income almost all via the payroll both inside and outside the District (44% of total expenditure). This suggests a reduction of around £840,000 on the estimated figure in the 2004 study. However, there are a number of reasons for this change. The main one is that a large proportion of the cost of artistic services (production directors and designers etc.) is now shown as supplies and services (overall these have risen by £1.1million). Productions activity alone amounts to a figure of around £1.5million (mainly paid to people and agents residing outside the District). An indeterminate proportion of this may be spent in the District during the period whilst these people are in residence. The other reasons are that “front-of-house” activities were previously estimated they are now fully captured by payroll and differences in staff domicile patterns. It is assumed that all wages and other income to individuals residing in the Chichester District are spent within the District (subject to certain assumptions, see below).

In calculating the net amount available to be spent in the local economy a number of assumptions have been made as follows:

- Gross salary payments have been converted to net payments, it is assumed that the average national deductions for tax and national insurance are applicable.
- Only directly employed staff, who live in the district, are assumed to spend all their income in the district, although it is recognised that those living outside will spend a proportion of their income in the district (see following section).
- Actors, artists and theatre management “crew” associated with productions are assumed to spend 60% of their net income locally (the same assumption used in the previous study).



Taking account of the assumptions above it is estimated that £1.27 million of net household income is potentially available to be spent as a result of payments to individuals living (or temporarily residing) within Chichester District (see Figure 6). To estimate the amount actually spent in the local economy it is necessary to take account of consumer expenditure patterns⁶. In a typical economy 25% of all potential expenditure is lost to national imports and expenditure taxes. Further, some sectors do not exist in the local economy and it is assumed that this portion of consumption expenditure leaks out into surrounding areas. Applying the estimates of consumer expenditure patterns and taking account of the structure of the local economy, it is estimated that out of the £1.27 million potentially available to be spent in the district an estimated £0.530 million (42%) leaks out. This means that an estimated total of £0.91 million is actually spent by households in the district as a result of the direct presence of the Festival Theatre.

The distribution of this expenditure is relatively uneven. Our estimates suggest that the largest portion 27% goes into Financial and business services (which includes rental payments) a further 25% is spent in Retail and wholesale (the majority in Retail, for more detail see Appendix 1). Manufacturing sectors combined accounted for 16% and Transport and telecom around 10%. Hotel and catering is relatively small, accounting for 7% of the total. All other sectors except Social welfare and recreational receive less than 5% of total expenditure (see Table 4).

Table 4 - Estimated distribution of household expenditure into the Chichester District economy 2006

Sectors	Distribution 2006
Primary products (includes agriculture)	1.9%
Manufacturing	15.8%
Construction	1.0%
Retail & wholesale	25.2%
Hotel and catering	7.1%
Transport, telecom and vehicle repairs	10.6%
Financial and business services	26.8%
Public sector	5.0%
Social welfare and recreational	6.6%
Total	£0.907m

Source: CLREA, based on the Chichester Festival Theatre unpublished management accounts 2006 and assumptions above

⁶ The estimated consumer expenditure patterns in UK Input-Output Tables show proportionate expenditure spread throughout 123 industry sectors. This average expenditure pattern is assumed to exist in the Chichester District providing the sector into which that expenditure is likely to be made exists in the local economy, if not it is assumed to leak out to another area.

5. Expenditure by Theatregoers and Out-of-District Staff

In addition to the direct expenditures by the Festival Theatre and household expenditures by people dependant on the Theatre for their employment/income, there is a further stream of spending generated as a result of the Theatre's presence in the local economy. This element of expenditure is generated from two sources; first it is recognised that theatregoers do not just spend their money at the Theatre itself, they spend other amounts in the wider economy. Second, permanent staff employed at the Theatre, but living outside the district, will tend to spend a proportion of their income in the city because their place of employment is there.

5.1 – Theatregoers and out-of-district staff expenditure

In 2004 CLREA conducted a survey to determine the average theatregoer's expenditure at Chichester. It found that on average people visiting the Theatre spent an additional £22 in the local economy on each trip, with those travelling in from outside the District spending nearly £24 against an average for local residents of almost £7. The data were cross checked against figures for tourism visits in the GB Leisure Day Visits Survey and found to be broadly similar to this survey and other studies (see Chichester Festival Theatre Impact Study 2004).

The average spending figures in the 2004 survey have again been used to estimate the impact of theatregoer's expenditure on the local economy, a check on current published data suggests that there are no other more reliable sources of data at the current time. Whilst the pattern of expenditures has been kept constant the average value has been up-rated in line with inflation in average spending on leisure goods and activities (combined) as reported in the 2005/06 Family Expenditure Survey (Table 4.1) published by the ONS.

Scaling up the average expenditures to reflect the potential spending patterns of all theatregoers suggests that they contributed around £4.15 million to the Chichester District economy in 2006. This represents an increase on the 2004 figure of approximately £940,000, most of this increase is accounted for by increased numbers of theatregoers. The most significant proportion of this was into the Hotel and catering sector (£2.45 million) with a further £1.48 million spent in the Retail sector (see Table 5).

Approximately 88% of this expenditure originates from people who live outside the District and the remaining 12% can be viewed as income that may migrate outside the district if local residents decided to travel elsewhere to attend the Theatre.

In addition to the expenditure by theatregoers, out of district permanent staff will also spend a proportion of their income in the local economy. According to the 2004 staff expenditure survey, the volume of expenditure varies considerably but the sectors into which that money is spent are fairly consistent. The current study utilises the expenditure patterns from the previous survey and up-dates average expenditure by rate of inflation as defined by the Consumer Price Index (CPI). It is estimated that staff living outside Chichester spent approximately £142,000 in the local economy in the last year (this is a small reduction from the 2004 figure of around £30,000). The survey results gave an average weekly spend into five designated categories including food and drink, convenience and comparison shopping and transport. This was spent primarily in the Retail, Hotel and catering and Transport sectors, with Retail receiving more than 44% of the expenditure.

The distribution of expenditure by theatregoers and out-of-district staff is extremely uneven throughout the economy. Our estimates suggest that almost 94% was spent in just two sectors, Hotel and catering, and Retail. The levels are relatively insignificant in other areas although there is evidence that theatregoers are inclined to spend a proportion of their time, and money at other cultural and leisure attractions in the City and its environs.

Table 5 - Distribution of theatregoers and out-of-district staff expenditure 2006

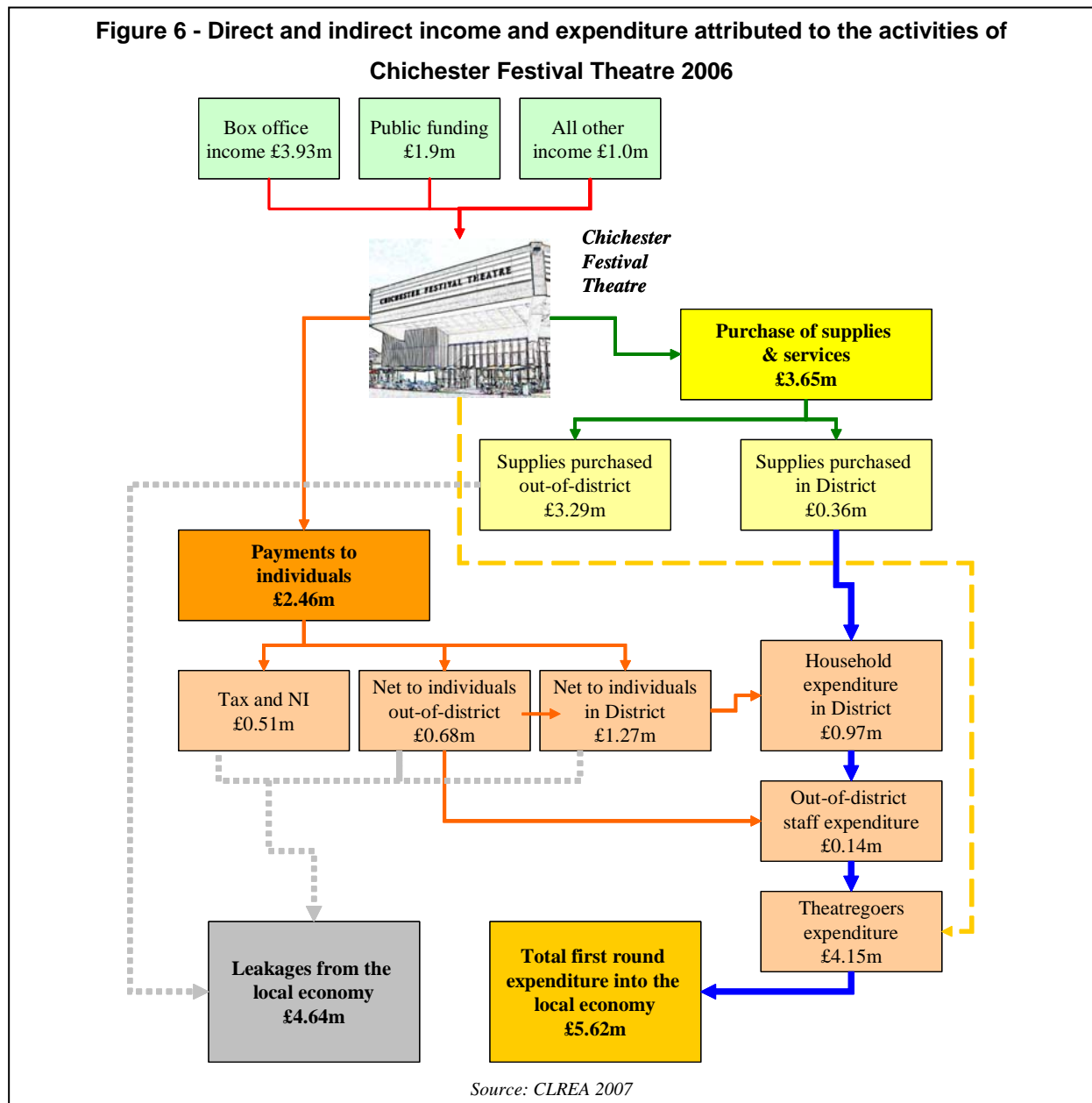
Sector	Local Theatregoers	Out-of-district Theatregoers	Out of District Staff	Total
18 Retail distribution	41%	35%	45%	36%
19 Hotel and catering	54%	60%	16%	58%
21 Transport services	0%	1%	24%	2%
29 Social welfare & recreational services	3%	3%	0%	3%
30 Other services	1%	1%	15%	2%
Total	£482,000	£3,670,000	£143,000	£4,295,000

Source: CLREA2007; based on up-rated evidence from theatregoer and staff surveys.

Note: All figures have been rounded to nearest £1,000.

6. Cumulative First Round Expenditures into the Local Economy

The preceding sections of this report have shown that in the year 2006 from direct income of £6.8m the activities of the Chichester Festival Theatre and its attraction of theatregoers generated around £9.97 million of expenditure (almost £1.30 million more than in 2004). This expenditure is made up of payments to companies and individuals and spending by theatregoers. It is estimated that in 2006 the value of the first round expenditures (direct and indirect) into the Chichester District economy as a result of the presence of the Theatre was £5.39 million (a figure over £700,000 more than in the CLREA 2004 report).



Around £4.58 million leaks out to surrounding districts and the national economy. Over 65% of the leakage (£3.0 million) is accounted for by supplies and services brought from outside the area, the rest is made up of wages and payments to individuals residing outside the District, tax and national insurance contributions and the purchase by local households of goods and services not produced locally. The leakage is higher than in the CLREA 2004 report by nearly £600,000 (see Figure 6 for details).

The distribution of the cumulative expenditure in the district is shown in aggregated tabular form below. This shows that the sectors of the local economy that benefit most from the presence of the Festival Theatre are Hotel & catering and Retail with a total income of £2.58 million and £1.86 million respectively (see Table 6). Locally, the sectors experiencing the lowest levels of direct benefit are public services, construction and primary products each received less than £100,000. However, these figures are likely to increase once the effect of the multiplier is taken into account and it is to this process we turn in the next section.

These figures clearly show that the Festival Theatre is a significant generator of economic activity, in terms of the direct jobs it provides and the indirect jobs that are dependant on direct expenditure by the Theatre and spending power of theatregoers as well as staff directly and indirectly employed by the Theatre.

Table 6 - Estimated cumulative first round expenditure[@] within the Chichester local economy resultant from the activities of the Chichester Festival Theatre 2006

Sectors receiving expenditure	Total direct expenditure in the district	Value of household expenditures in the district	Theatregoers and OOD direct employees expenditure in the district	Total expenditure generated by the Theatre and its patrons
Primary products	-	*	-	*
Manufacturing	*	£143,000	-	£150,000
Construction	£36,000	*	-	£44,000
Retail & wholesale	£104,000	£229,000	£1,548,000	£1,881,000
Hotel and catering	*	£64,000	£2,478,000	£2,566,000
Transport telecom and vehicle repairs	*	£96,000	£66,000	£166,000
Financial and business services	£106,000	£243,000	-	£349,000
Public sector	£35,000	£46,000	-	£81,000
Social welfare and recreational	£45,000	£60,000	£203,000	£307,000
Total	£359,000	£907,000	£4,295,000	£5,561,000

Source: CLREA 2007.

Notes: - Indicates no expenditure.
* Sectors receiving < £25,000.

@ Estimated expenditure has been rounded to the nearest £1,000.

7. Total Impact of the Festival Theatre on the Local Economy

Thus far the report has mainly concentrated on the direct impact of the Chichester Festival Theatre upon local employment and income. We now turn the cumulative or “multipliers” effects as the impact of the Theatre’s initial expenditure ripples out across the economy of Chichester.

7.1 - Explanation of indirect effects

It is useful to explain what is meant by the term "indirect effects". These effects are of two types: Firstly, there are indirect industrial effects. Direct demands for products and services used by the Theatre will lead to "knock on" benefits for other local firms who are not directly in the Theatre’s supply chain. These knock on or multiplier effects, are caused when firms that are in the supply chain also purchase goods and services from other firms inside and outside the district to replenish the stocks that have been purchased by the Theatre. The overall size of the local multiplier effect will depend upon the structure of the local economy and its ability to meet the supply needs of local firms. The smaller the local economy, the more likely it is that some industry sectors will either be absent or under-represented in the area. If this happens supplies and services will have to be imported from outside the area. This inability to supply from local sources is termed "leakage". The larger the leakage the smaller will be the value of the multiplier effect.

The second type of indirect effect is that associated with household spending. As shown above, the Theatre is a substantial direct employer in the district and it is also responsible for the employment of a number of people on a temporary basis. Even more importantly, a large percentage of these workers live in the area (at least during the period of their employment). This means that the Theatre provides a significant boost to local household income. This derived household income, will in turn be spent by its recipients within the district on various goods and services, many of which may be obtained locally. This spending will then be further re-circulated as local people are employed in shops and businesses to cope with the demand and in the firms that supply the goods to local shops and services. Once again, a multiplier effect is created; the value of which will be dependent upon the ability of local firms to supply the needs of local consumers.

7.2 – The value of the multiplier

Having recognised the importance of measuring these indirect effects, the next problem is to decide exactly how this can be achieved. It is generally agreed by economists that the most accurate method of tracing the various multiplier effects through an economy is by means of input-output analysis. This method was used in the 2004 study. Changes to the structure of a local economy generally occur gradually, for this reason it has been decided not to replicate the model used in the last study but to roll-forward the multipliers. In order to set the value of the Theatre in context it is desirable to quantify the current level and structure of output and employment in the Chichester District. The output figures in £m (see Table 7) relates to all transactions between firms, enterprises and individuals located within the Chichester District. This and the accompanying levels of FTE jobs relate to the employment structure of the district, as presented in the 2005 Census of Employment up-rated in line with the Population Survey and most recent gross value added (GVA) figures. It should be noted that the table shows the estimated number of **jobs and expenditure by firms that are in Chichester** (according to the Census of Employment). This is not necessarily the same as **the number of people who live in Chichester that have jobs or the amount that they might spend locally**.

Table 7 – Total estimated output and employment in the Chichester District economy 2006

Sector	Output £m @2006 prices	Jobs (FTE equivalents)
Primary products	320	2758
Manufacturing	354	3797
Construction	283	1959
Retail & wholesale	309	5974
Hotel and catering	180	3487
Transport telecom and vehicle repairs	177	2433
Financial and business services	679	6540
Public sector	451	14450
Social welfare and recreational	48	1434
Total	2,801	42831

Source: CLREA, 2007.

It is estimated that total output within the Chichester District area is over £2.8bn with the largest sectors; Financial and business services, Public sector, Manufacturing and Retail and wholesale. In terms of FTE jobs the largest sectors are; the Public sector, Financial and business services, and Retail and wholesale.

7.3 - Total output and employment resultant from Chichester Festival Theatre

The outcomes of applying multipliers derived from the structure of the CLREA 2004 model and up-dated to take account of current employment levels and output are displayed below in Tables 8 and 9. Table 8 shows estimated gross output⁷ by the Theatre's activities, benchmarked against the total for the district. This is also differentiated by the contributions of direct expenditures (theatre and theatregoers) and expenditure by households and individuals receiving direct payments from the Theatre. The total contribution of the Theatre's output (direct and indirect) is also shown as a percentage of total output in Chichester District (see final column of Table 8).

Table 9 shows estimated employment expressed as full time equivalent (FTEs). These include the direct jobs at the theatre, those resulting from indirect expenditures (theatre and theatregoers), and those generated by the expenditure of households and individuals, again this is benchmarked against the district total.

Table 8 – Inputs and Outputs resulting from the activities of Chichester Festival Theatre 2006 (in 2006 prices)

Sector	1	2	3	4	5	6
Primary products	£319.6	£0.018	£0.368	£0.126	£0.494	0.15%
Manufacturing	£354.2	£0.150	£0.879	£0.322	£1.201	0.34%
Construction	£283.0	£0.044	£0.085	£0.044	£0.129	0.05%
Retail & wholesale	£308.7	£1.881	£1.681	£0.272	£1.953	0.63%
Hotel and catering	£180.5	£2.566	£2.409	£0.102	£2.510	1.39%
Transport telecom and vehicle repairs	£176.7	£0.166	£0.491	£0.215	£0.705	0.40%
Financial and business services	£679.1	£0.349	£1.270	£0.317	£1.587	0.23%
Public sector	£450.5	£0.081	£0.103	£0.073	£0.177	0.04%
Social welfare and recreational	£48.2	£0.307	£0.348	£0.100	£0.448	0.93%
Total	£2,800.6	£5.561	£7.633	£1.571	£9.204	0.33%
Output multiplier					1.66	

Source: CLREA, 2007.

Note: All figures are in £m at 2006 prices.

Column Key:

1 = Total District output;

2 = Input from all activities of the Theatre, staff and theatregoers in the district;

3 = Output from indirect expenditures (theatre and theatregoers);

4 = Output from expenditure by households and individuals derived initially from the Theatre;

5 = Output from total expenditure resulting from Theatre activities in Chichester (columns 3 + 4);

6 = Theatre output as a percentage of total district output.

Table 8 shows that from an input of almost £5.6 million the Festival Theatre generates a total estimated output of over £9.2 million throughout the Chichester District economy.

⁷ Gross output is higher than Gross Value Added (GVA) and includes both the production input costs as well as wages and profits.

These figures are higher than the corresponding figures found in the 2004 study (£4.7 million and £7.7 million respectively). The main reason for this is the increased estimated spend by theatregoers. Given that patronage has increased by around 37% since 2004 it is not surprising that the impact on the local economy has also increased. The fillip provided by the additional theatregoer's expenditure has been to offset slightly reduced direct expenditure by the Theatre into the local economy.

As can be seen from the table above the major recipient sector is the Hotel and catering sector with output valued at over £2.5 million, other significant beneficiaries are Retail and wholesale (£1.9 million) and Financial and business services (£1.6 million). It is also evident that the activities of the Theatre ripple right through the district economy touching almost all sectors. The output multiplier is calculated at 1.66 that is to say for every £1 of direct expenditure in the local economy by the Theatre and its patron's, another additional 66p of expenditure is generated elsewhere in the local economy.

Across the whole economy its impact is a little less significant accounting for, around a third of one percent of total output in the Chichester District (the same as in the 2004 report). This suggests that the Theatre's economic contribution is growing at around the same rate as the rest of the local economy. This performance indicates that the Theatre has turned a corner and arrested the decline in revenue identified in the previous 2004 CLREA report. Examining box office figures, there is still clearly a capacity to grow, this probably amounts to a similar figure to that achieved over the last two years.

Table 9 shows that the Festival Theatre supports an estimated 331 FTE jobs either directly or indirectly. This figure is around 30 higher than in the previous report. Apart from the social welfare and recreational sector in which most of the direct jobs are located (this includes most of those associated with the Theatre itself, the majority of the jobs are in the Hotel and catering and Retail and wholesale sectors. Overall the analysis suggests that the Festival Theatre is responsible for just over 0.8% of all jobs in the district (a slightly higher figure than the last report). However, in the Hotel and catering and Social welfare and recreational sectors its influence is more significant supporting 10% of all jobs in the former and 2.4% of all jobs in the latter. The jobs multiplier is higher

than the output multiplier, with almost one additional FTE job provided in the wider economy for every FTE job at the Theatre.

Table 9 – FTE jobs resulting from the activities of Chichester Festival Theatre 2006

Sector	1	2	3	4	5	6
Primary products	2,758	0	1	1	2	0.07%
Manufacturing	3,797	0	10	3	13	0.35%
Construction	1,959	0	1	0	1	0.05%
Retail & wholesale	5,974	0	44	5	49	0.83%
Hotel and catering	3,487	34	47	2	82	2.37%
Transport telecom and vehicle repairs	2,433	0	6	3	9	0.39%
Financial and business services	6,540	0	12	3	15	0.23%
Public sector	14,450	0	6	6	12	0.08%
Social welfare and recreational	1,434	133	11	3	147	10.24%
Total	42,831	167	138	26	331	0.77%
Jobs multiplier					1.95	

Source: CLREA, 2007.

Note: All figures are in FTE jobs.

Column Key:

1 = Total FTE jobs in Chichester;

2 = Direct FTE jobs from the Theatre and on-site employment;

3 = FTE jobs from direct expenditure (Theatre and theatregoers);

4 = FTE jobs from expenditure by households derived initially from the Theatre;

5 = FTE jobs from total expenditure as a result of Theatre activities in Chichester (columns 2+3+4);

6 = Theatre dependant FTE jobs as a percentage of total district FTE jobs.

7.4 - Putting the Theatre in context

Putting the Theatre in context, the output derived from its presence in the district equates to the combined output of mechanical engineering and the manufacture of office machinery, computers and domestic appliances or 10% of all output from food, drink and tobacco manufacturing. In terms of jobs, the employment generated equates to more than twice that found in Ship and boatbuilding.

In addition, the Theatre also confers a number of intangible benefits to the district, such as, sophistication and culture its' critical success and the impression it leaves in visitor's minds raises the profile of the district on both the national and international stage.

8. Conclusions

The current study is directly comparable with the one published by CLREA in February 2005 in that it employs the same basic methodology and examines the same Theatre. It should be noted that any examination of the economic impact of the Theatre (or any other economic entity) at any point in time almost inevitably produces different results.

This is because of the changing nature of so many different variables, such as, the expenditure patterns of the Theatre itself and individual's evolving consumption patterns, as well as weather conditions and the scale and scope of the artistic programme. However, what is clear is that the Festival Theatre has a significant impact on the economy of Chichester. These impacts are set out below:

First, in comparison with the CLREA 2005 report Chichester Festival Theatre has seen both a nominal and real improvement in the amount of economic output it generates into the local economy and the number of jobs that it supports either directly or indirectly. This is against a background of rising output in the Chichester economy overall.

Second, although the direct impact from the Theatre's purchases from local companies has fallen, this has been more than compensated for by the increased throughput of patrons and their attendant spending in the local economy. The expenditure by staff is around the same magnitude.

Third, the Theatre provided the incentive for more than 151,000 theatregoer visits to Chichester by people who reside outside the district. Those visitors (who do not go straight back home) spend a significant amount of money on goods and services purchased outside the confines of the Theatre. There are also a number of intangible benefits to the district, such as, sophistication and culture, which tend to complement the other cultural assets of the district and make it a more attractive destination for the higher spending tourist.

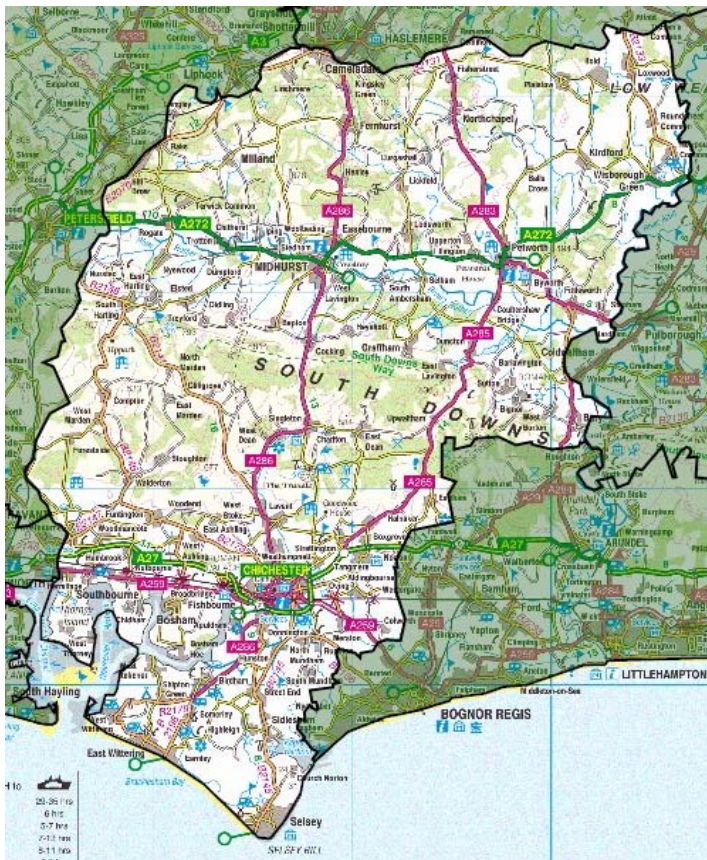
Fourth, the Theatre directly supports an estimated 167FTE jobs, and through the multiplier effect, indirectly supports a further 164FTE jobs, thus for every direct job another one is created in the wider economy. On the expenditure side, for every £1 spent directly by the Theatre, its employees or theatregoers in the local economy a further 66p of output is generated by the multiplier process.

Fifth, as in the previous study the benefits from the Theatre are highly concentrated into a number of sectors, those for whom the Theatre is particularly important are the Hotel and catering, Social welfare and recreational and to a lesser extent the Retail and wholesale

sectors. The Theatre is still a significant player in the local economy generating as much output as the mechanical engineering and the manufacture of office machinery, computers and domestic appliances combined and more than twice the jobs that the Shipbuilding and repair sector does.

Appendix 1

Map of Chichester District Council Area



Chichester District Postcodes

GU28 0 - Chichester	PO19 1 - Chichester	PO20 1 - Chichester
GU28 9 - Chichester	PO19 2 - Chichester	PO20 2 - Chichester
GU29 0 - Chichester	PO19 3 - Chichester	PO20 3 - Chichester
GU29 9 - Chichester	PO19 4 - Chichester	PO20 6 - Chichester
GU31 5 - Chichester	PO19 5 - Chichester	PO20 7 - Chichester
PO10 8 - Chichester	PO19 6 - Chichester	PO20 8 - Chichester
PO18 0 - Chichester	PO19 7 - Chichester	PO20 9 - Chichester
PO18 8 - Chichester	PO19 8 - Chichester	RH14 0 - Chichester
PO18 9 - Chichester	PO20 0 - Chichester	

**Direct Expenditures by the Chichester Festival Theatre, staff, theatregoers and other on-site operations
(2006)**

Industry sector receiving expenditure	Column 1	Column 2	Column 3	Total 2006	Total 2003/04
01 Agriculture, forestry and fishing	£ -	£ 16,576	£ -	£ 16,576	£ 19,500
02 Energy resources/power utilities	£ -	£ -	£ -	£ -	£ 5,500
03 Minerals and ores(metal & non-metal)	£ -	£ 979	£ -	£ 979	£ 1,500
04 Pharmaceuticals, chemical, plastics, rubber & man-made fibres	£ -	£ 6,706	£ -	£ 6,706	£ 10,000
05 Manufacture of metal goods	£ -	£ 591	£ -	£ 591	£ 2,000
06 Mechanical engineering	£ -	£ 820	£ -	£ 820	£ *
07 Office machinery, computers & domestic appliances	£ -	£ 4,023	£ -	£ 4,023	£ *
08 Electrical & electronic engineering	£ -	£ 1,990	£ -	£ 1,990	£ 5,000
09 Shipbuilding & repairing	£ -	£ 653	£ -	£ 653	£ 1,000
10 Manufacture: aerospace/transport/motor vehicle	£ -	£ 22,576	£ -	£ 22,576	£ 9,000
11 Instrument engineering	£ -	£ 891	£ -	£ 891	£ 500
12 Food, drink, tobacco	£ -	£ 63,008	£ -	£ 63,008	£ 90,000
13 Textiles, leather, footwear, clothing, timber & furniture	£ 545	£ 22,331	£ -	£ 22,875	£ 20,000
14 Paper and printing & publishing	£ 5,960	£ 15,576	£ -	£ 21,536	£ 140,500
15 Rubber, plastic & other manufacturing	£ -	£ 3,974	£ -	£ 3,974	£ 9,500
16 Construction	£ 35,554	£ 8,689	£ -	£ 44,243	£ 31,000
17 Wholesale & distribution	£ 91,985	£ 67,691	£ -	£ 159,677	£ 154,500
18 Retail, repair of personal and household goods	£ 11,704	£ 161,176	£ 1,548,447	£ 1,721,327	£ 1,386,500
19 Motor vehicle retail, repair & fuel	£ -	£ 39,517	£ -	£ 39,517	£ 44,500
20 Hotel and catering	£ 23,962	£ 64,333	£ 2,477,611	£ 2,565,906	£ 2,025,000
21 Transport services	£ 3,589	£ 34,294	£ 66,115	£ 103,998	£ 106,000
22 Telecommunication	£ -	£ 22,012	£ -	£ 22,012	£ 23,500
23 Financial services	£ 20	£ 62,445	£ -	£ 62,465	£ 57,700
24 Legal, real estate, R&D and business services	£ 106,078	£ 180,480	£ -	£ 286,558	£ 156,500
25 Computer & IT services	£ -	£ -	£ -	£ -	£ *
26 Public administration & defence	£ 16,951	£ 2,717	£ -	£ 19,668	£ 26,500
27 Education	£ 17,976	£ 18,190	£ -	£ 36,166	£ 32,500
28 Health and social work	£ -	£ 24,868	£ -	£ 24,868	£ 16,000
29 Recreational and cultural	£ 44,761	£ 39,968	£ 135,511	£ 220,239	£ 215,500
30 Other services	£ -	£ 20,115	£ 67,026	£ 87,141	£ 79,000
Total	£ 359,084	£ 907,189	£ 4,294,709	£ 5,560,982	£ 4,668,500

Source: Chichester Festival Theatre Economic Impact Report (2006) © University Of Portsmouth. Note1: Column may not sum due to rounding. Note 2: All figures rounded to nearest 500 * < 250.

Column Keys: **Column 1** - Total direct expenditure by the Theatre **inside** District.
Column 2 - Staff wage and household income derived expenditures **inside** the District.
Column 3 - Theatregoers and out of District direct employees expenditures **within** the District.

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