



The Economic Impact of Sky Betting & Gaming on the region of Yorkshire and The Humber

A WPI Economics report for Sky Betting & Gaming

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 www.wpieconomics.com  info@wpieconomics.com  [@wpi_economics](https://twitter.com/wpi_economics)

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Executive Summary

This report is about Sky Betting & Gaming's economic impact on Yorkshire and The Humber in 2016/17. With the majority of its activity occurring in Leeds and Sheffield, the firm's operations are of particular relevance to the Government's objective to raise growth outside of London and the South East. Not only this, but by having an online business model Sky Betting & Gaming is developing the region's digital economy. It is in this context that the firm's contribution to employment, economic output and the public finances has been measured.

In 2016/17 Sky Betting & Gaming supported 1,549 jobs in Yorkshire and The Humber. It supported 1,073 of these directly, 159 in its supply chain and 317 through wage-financed expenditure. The breakdown of job roles within Yorkshire and The Humber highlights the firm's digital focus, with almost 40% of its employees working in its tech department. The firm's workforce is also expanding, having grown by 240 between March 2016 and June 2017.

In 2016/17, it is estimated that Sky Betting & Gaming made a £304.8m Gross Value Added (GVA) contribution to Yorkshire and The Humber. It is estimated to have directly made a £275m contribution to Yorkshire and The Humber, £10.4m through its procurement of capital and non-capital goods and £19.3m through the waged-financed expenditure that it supports.

Sky Betting & Gaming contributed £156.2m to the public finances in 2016/17. Around £152m of this was a result of the firm's own operational activity, with over half being generated from Betting and Gaming Duty. Just over £4m was contributed through a combination of supply-chain procurement and from staff spending their wages. The firm's total tax contribution would finance the planned improvements to junctions on the M621 in central Leeds twice over.

In 2016/17, Sky Betting & Gaming had a significant economic presence in the cities of Leeds and Sheffield. The firm contributed over £264m to the GVA of Leeds and supported the employment of just under 1,200 people in the city. In Sheffield, Sky Betting & Gaming contributed just under £30m to GVA and supported the employment of 183 people in the city.

In conclusion, Sky Betting & Gaming is a high growth company that is prominent in the emerging digital economy of Yorkshire and The Humber. The firm's economic impact undoubtedly contributes to the objectives of the Government to increase levels of growth outside of London and the South East. With its plans to derive greater income from its operations overseas, Sky Betting & Gaming's economic impact on Yorkshire and The Humber is likely to continue to grow.

Introduction

The objective of the Government’s modern industrial strategy is to increase productivity and economic growth across the whole of the UK.ⁱ Meeting this objective will require the levels of productivity and investment in regions across the UK to be brought closer to those of London and the South East. For instance, on some measures the northern regions of England have economic outcomes that are less than half the levels of London (See Figure 1, below).

Figure 1: GVA per head (£), 2015, by region



Source: ONS

Building on its industrial strategy, the Government has also set out a digital strategy.ⁱⁱ The aims of this include improving the digital skills of the UK’s workforce and making the UK the best place in the world to start and grow a digital business.

It is in this context – with both regional growth and the digital sector being important to policymakers – that this report assesses Sky Betting & Gaming’s impact on the economy of Yorkshire and The Humber in 2016/17. Not only is the firm a major employer in the region, but it is also a tech company that invests in the digital capabilities of the region’s workforce.

The following chapters present how Sky Betting & Gaming contributes to the employment and economic output of the region, and how its operations benefit the UK Exchequer. A quantification of Sky Betting & Gaming’s economic footprint in Leeds and Sheffield – where its headquarters and technology hub are located – is also included.

The firm's economic impact is evaluated in terms of its direct, indirect and induced effects, which are described in Box 1.

Box 1: Direct, indirect and induced economic effects

Economic impact assessments can be used to understand the effects on the wider economy of a specific activity. This activity could be the introduction of a new policy, an increase in final demand for a particular industry or the output of a particular organisation.

The economic effects of the activity are split into three categories:

- **Direct** – Sky Betting & Gaming's direct impact on the economy of Yorkshire and The Humber arises from its operational activity, the people that it employs and the tax revenue it contributes to the Exchequer.
- **Indirect** – Sky Betting & Gaming's operations require inputs from other industries within the region, such as software developers and catering services. This creates economic activity, employment and tax revenue in Sky Betting & Gaming's supply chain.
- **Induced** – The direct and indirect effects feed into household incomes in Yorkshire and The Humber, which is then spent on local goods and services.

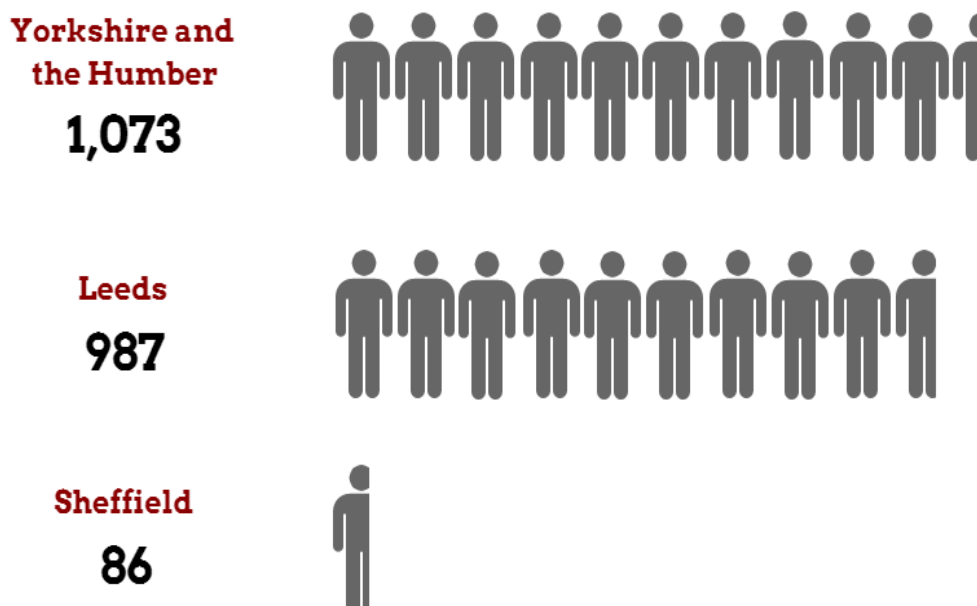
The methodology for how the economic effects are measured can be found in Annex A. The analysis is based upon Sky Betting & Gaming's activity in the year to the end of June 2017.

The employment supported by Sky Betting & Gaming in Yorkshire and The Humber

The direct employment contribution

In 2016/17, Sky Betting & Gaming employed 1,073 people in Yorkshire and The Humber. Of these, 987 were employed in Leeds and 86 were employed in Sheffield (see Figure 2, below). Almost 40% of these employees worked in the firm’s tech department, highlighting its credentials as a digital business. The next largest category of employees was those working in the operations department (23%), followed by those working in its marketing department (13%).

Figure 2: Employees of Sky Betting & Gaming by location



Source: Sky Betting & Gaming

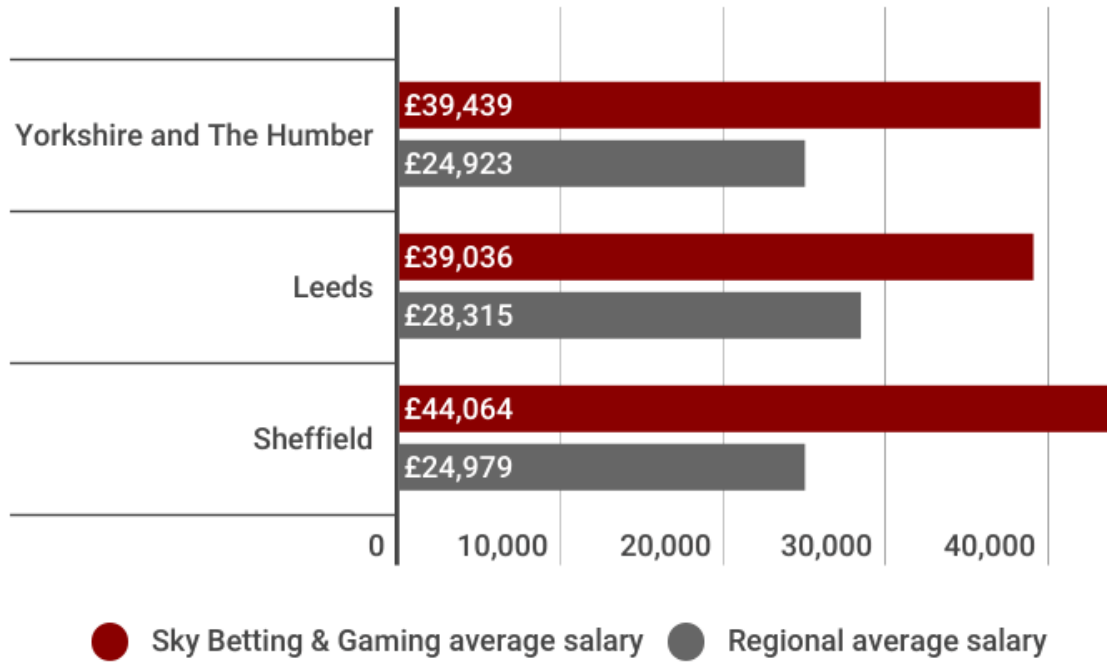
Sky Betting & Gaming’s workforce is also growing – in the year to June 2017, the number employed by the firm in Yorkshire and The Humber grew by 115. Almost 70% of this growth was accounted for by recruits to the firm’s tech department. ⁱⁱⁱ Looking over a slightly longer time period, Sky Betting & Gaming’s employee headcount in Yorkshire and The Humber grew by 240 between March 2016 and June 2017.

The profile of pay

Across its entire operations, Sky Betting & Gaming employees were paid some £46.7m in 2016/17. Of this, £20.7m was paid to employees with a home address in Leeds, £5.4m to employees with a home address in Sheffield and £11.7m to employees with a home address elsewhere in Yorkshire and The Humber.

A more in-depth analysis of the firm’s payroll data shows that the average salaries of those working in Sky Betting & Gaming’s Yorkshire and The Humber offices are significantly above the regional averages (see Figure 3).

Figure 3: Average salaries of employees in Sky Betting & Gaming’s Yorkshire and The Humber offices, and regional average for all employees (2016/17)



Source: WPI Economics analysis of Sky Betting & Gaming figures and ONS.

Sky Betting & Gaming is also investing in the future of its workforce, which will support productivity gains and economic growth across Yorkshire and The Humber. This is built upon three different programmes that will upskill the firm’s own employees and the region’s workforce (see Box 2).

Box 2: Sky Betting & Gaming’s Investment in people

- **The Tech Ninja Fund** provides each member of the firm’s technology team with £1,000 to spend on anything they like to develop their career and skills. The aim of the Fund is to stimulate innovation, empowerment and learning, and supports Sky Betting & Gaming’s ambition to become the best digital business in the UK.
- **A Software Academy** in partnership with Sheffield Hallam University. This £1m investment supports a three-year programme that leads to an MSc in Technology and Digital Skills. A key part of the approach has been to shape the content and learning experience so that the Academy is open to graduates without a degree in a technology-related discipline, thereby broadening reach and appeal to those who have studied other subjects.
- **A Learning and Development Commitment.** Employees are offered the chance to have 10% L&D time each week, with a range of internal and external opportunities on offer. This has culminated in Sky Betting & Gaming rising to 67th in the Sunday Times Best Companies to Work For rankings (up from 94th the previous year). It is the only betting and gaming company to feature in the list.

The wider employment effects

Looking more broadly, the indirect and induced employment impacts of Sky Betting & Gaming in Yorkshire and The Humber can be estimated. These are the jobs that are supported by Sky Betting & Gaming procuring from its supply chain and by the spending of wages linked to the firm's activity.

The analysis estimates that, in addition to directly employing 1,073 people in Yorkshire and The Humber, in 2016/17 Sky Betting & Gaming supported:

- The indirect employment of 159 people as a result of procurement from its supply chain in the Yorkshire and The Humber region; and
- The induced employment of 317 people as a result of the wage-expenditure linked to the firm's output.

This means that taking into account the direct, indirect and induced effects the total employment contribution of Sky Betting & Gaming to Yorkshire and The Humber is 1,549 people.

Sky Betting & Gaming’s contribution to the Yorkshire and The Humber economy

Gross Value Added (GVA) measures how an individual producer, industry, sector or region contributes to the economy; it is the value of output less the value of inputs in the production of goods or services. The addition of taxes on products (minus subsidies) to GVA is the method for calculating GDP.^{iv}

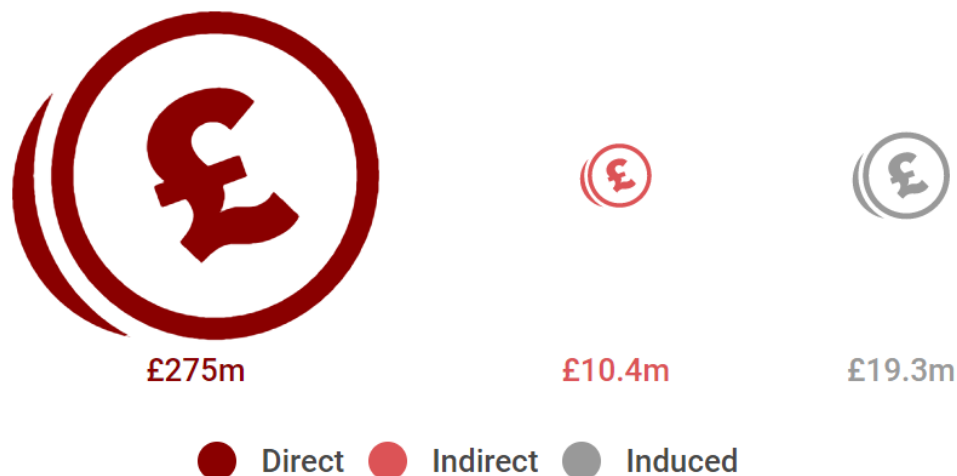
Sky Betting & Gaming contributes GVA to Yorkshire and The Humber’s economy in three different ways. The first is the result of its direct operational output. The second is the result of its procurement of goods and services within the region. The third is the result of the employees with incomes linked to Sky Betting & Gaming’s operations spending their wages in the region.

These three channels translate into direct, indirect and induced effects:

- **Direct** – Sky Betting & Gaming’s 2016/17 revenue of £516m is estimated to have directly made a £275m GVA contribution to Yorkshire and The Humber.
- **Indirect** – In 2016/17 Sky Betting & Gaming’s expenditure on non-capital and capital inputs of goods and services from suppliers within the region is estimated to have supported a £10.4m GVA contribution to Yorkshire and the Humber.
- **Induced** – In 2016/17 the wage expenditure of Sky Betting & Gaming’s staff and the wage expenditure of people in jobs supported in the firm’s supply chain is estimated to have made a £19.3m GVA contribution to the region.

This means that Sky Betting & Gaming’s overall GVA contribution to Yorkshire and The Humber’s economy in 2016/17 is estimated to have been £304.8m (see Figure 4, below).

Figure 4: GVA contribution of Sky Betting & Gaming, 2016/17



Source: WPI Economics. Note: sum of figures differs from total contribution due to rounding.

Sky Betting & Gaming’s contribution to the UK Exchequer

With its significant economic contribution, and by supporting employment across the North of England with higher than average salaries, it is no surprise that Sky Betting & Gaming also makes a large contribution to the UK Exchequer.

In 2016/17 the firm directly contributed some £152.1m to the UK’s public finances. The majority of this came from Betting and Gaming Duty, with the remainder coming from VAT, Corporation Tax, employment taxes and Business Rates (see Figure 5).

Figure 5: Sky Betting & Gaming’s direct contribution to UK public finances, by tax



Source: Sky Betting & Gaming

The indirect and induced effects of supply chain procurement and wage expenditure add £4.1m to the direct tax contribution, meaning that Sky Betting & Gaming’s total contribution to the public finances in 2016/17 was £156.2m.

The scale of tax contributions to the public finances can be difficult to judge when viewed in the abstract. It is easier to consider what the contributions could fund in terms of public services and investment. Sky Betting & Gaming’s 2016/17 tax contribution could cover each of the following Yorkshire and The Humber infrastructure projects:^v

- The recent upgrade to the M1 to Smart Motorway running between junction 32 and junction 35A around Sheffield and Rotherham (£103m);
- Planned improvements to key junctions on the M621 in central Leeds, providing safer and more reliable journeys for those travelling in the city (£40-£60m); and/or
- The planned second phase of building flood defences in Leeds (£65m).

Sky Betting & Gaming's economic footprint in Leeds and Sheffield

Sky Betting & Gaming has two offices in the Yorkshire and The Humber region – its headquarters in Leeds and its technology hub in Sheffield. The number of employees is growing in both locations. In the year to June 2017 the Leeds office grew its staff headcount by 12% and the Sheffield office grew its staff headcount by 18%.

While the previous chapter explored the impact of Sky Betting & Gaming on the Yorkshire and The Humber economy as a whole, the below presents the firm's impact on each of Leeds and Sheffield.

Sky Betting & Gaming's economic footprint in Leeds

Recent research has highlighted the strength of the digital economy in Leeds. The city recorded an average digital GVA of £688m between 2013-2015, almost 16% of its digital businesses have been classed as high growth and it averages over 314 digital start-ups each year.^{vi}

Sky Betting & Gaming plays a major role in the strength of the digital economy in Leeds. In 2016/17, it is estimated to have directly contributed almost £253m to the city's GVA, a further £2m via its procurement spend and just under £10m via its wage-financed expenditure. This sums to a total GVA contribution of £264.8m in 2016/17. All-in-all, it is estimated to have supported the employment of 1,177 people within the city.

Sky Betting & Gaming's economic footprint in Sheffield

The city of Sheffield also has significant digital attributes. It recorded an average digital GVA of £339m between 2013-15, the turnover of its digital businesses grew by 38% between 2011-15 and the number of digital businesses increased by 27% in the same period.^{vii}

Sky Betting & Gaming's contribution to the Sheffield economy reflects its growing presence in the city. In 2016/17, the firm is estimated to have contributed just under £30m to the city's GVA and supported the employment of 183 people.

Conclusion

Sky Betting & Gaming has experienced rapid growth over the last few years. The firm's customer base increased by over 70% between 2015 and 2017, and its revenues rose from £248m to £516m in the same period.

This growth as a company is behind its growing economic impact on Yorkshire and The Humber; the analysis for this report has estimated that in 2016/17 Sky Betting & Gaming's activity:

- Supported a total of 1,549 jobs in the region;
- Generated a GVA contribution of £304.8m to the region's economy; and
- Created a benefit of £156.2m to the UK Exchequer.

The equivalent figures for the 2014/15 analysis of the firm's performance were 940 jobs supported, £142.8m GVA contribution to the economy and £63.5m of tax receipts for the public finances.

While the whole economy of Yorkshire and The Humber benefits from the presence of Sky Betting & Gaming, the cities of Leeds and Sheffield receive the large majority of this benefit. This report estimates that in 2016/17 the firm's activity:

- Supported 1,177 jobs and £264.8m GVA in the Leeds economy; and
- Supported 183 jobs and £29.8m GVA in the Sheffield economy.

More broadly, Sky Betting & Gaming should be regarded as a high growth company that invests in its workforce and that is prominent in the emerging digital economy of Yorkshire and The Humber.

The consequence of this is that the firm's economic impact undoubtedly contributes to the objectives of the Government's industrial and digital strategies by creating regional growth and developing digital skills. With plans to develop its presence in overseas markets, Sky Betting & Gaming could well continue to increase its economic impact on Yorkshire and The Humber.

Annex A: Methodology

To allow comparisons of the previous figures, the methodology for this report is based upon a similar study that was conducted by Oxford Economics in 2016.^{viii} The basis for the research is input-output tables produced by the Office for National Statistics.^{ix} Put simply, input-output tables describe the sale and purchase between producers and consumers within an economy.^x They can be used to understand how output in one industry will have knock-on impacts for output in other industries, enabling a quantification of how an economy is affected overall.

Input-output tables are produced at a national level, but can be regionalised. There are various ways that this can be done. For this report, the national input-output table was converted into regional input-output tables for Yorkshire and The Humber, Leeds and Sheffield using Flegg's Location Quotient.^{xi}

The regional input-output tables are used to understand the indirect and induced economic effects of Sky Betting & Gaming's activity as a business. For the indirect effects, Sky Betting & Gaming's procurement spend is used as the starting point. For the induced effects, Sky Betting & Gaming's wage-data is used.

To estimate wider economic impact, the modelling exercise analysed how the 20 industries that contribute most to Sky Betting and Gaming's sector respond to being a supplier of the firm. Ultimately, this means understanding the concept of multipliers – for example, how much GVA is created from £1 spent by Sky Betting & Gaming. The estimates from the modelling exercise suggest that Sky Betting & Gaming has a GVA multiplier of 1.11. Likewise, the estimates from the modelling exercise suggest the firm has an employment multiplier of 1.44.

Both indirect and induced effects have to be estimated using assumptions. With no exact data available on how much Sky Betting & Gaming spent on procurement within Yorkshire and The Humber, Leeds and Sheffield, local spending within the supply-chain has been estimated using each geography's share of national GVA. The spending patterns of households within Yorkshire and The Humber has been modelled using the family expenditure survey from the ONS; this allows an estimate of how the wage-expenditure of the jobs supported by Sky Betting & Gaming transmits through the economy.

Endnotes

ⁱ Department for Business, Energy and Industrial Strategy, 2017. *Building our Industrial Strategy, Green Paper*.

Available here: https://beisgovuk.citizenspace.com/strategy/industrial-strategy/supporting_documents/buildingourindustrialstrategygreenpaper.pdf

ⁱⁱ Department for Culture, Media and Sport, 2017. *UK Digital Strategy 2017*. Available here:

<https://www.gov.uk/government/publications/uk-digital-strategy/uk-digital-strategy>

ⁱⁱⁱ Information provided by Sky Betting & Gaming

^{iv} Definitions taken from OECD and FT.com lexicon

^v Figures taken from the National Infrastructure Pipeline

^{vi} TechCity, 2017. *TechNation 2017: At the forefront of global digital innovation*. Available here:

<https://technation.techcityuk.com/download-the-report/>

^{vii} Ibid

^{viii} Oxford Economics, 2016. *The Economic Impact of Sky Betting & Gaming in Yorkshire and the Humber*.

Available here: https://skybetcareers.com/uploads/news/Final_Report_-_economic_impact_of_Sky_Betting_Gaming_on_Yorkshire_and_..._.pdf

^{ix} The latest available input-output tables are produced by the ONS for 2013 available here:

https://www.ons.gov.uk/economy/nationalaccounts/supplyandusetables/datasets/ukinputoutputanalyticaltable_setailed

^x As described by the OECD, <http://www.oecd.org/trade/input-outputtables.htm>

^{xi} An overview of different location quotient's can be found here:

www2.uwe.ac.uk/faculties/BBS/BUS/Research/Economics13/1302.pdf