

Richard Baldwin MBE – Written evidence (NPS0010)

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1. Details of the respondent

1.1 I am a tax adviser specialising in the taxation of the sport sector since 1981. Until 2005 I was tax partner leading Deloitte's UK sports tax practice. I have advised the whole spectrum of sports organisations at all levels and provided general tax technical advice and support largely on a voluntary basis to many of the estimated 151,000 (1) community sports clubs which make the UK a healthier place to live in. I have also developed ideas to make the taxation of sport fairer.

1.2 I have professional qualifications as an accountant and tax adviser, am a member of HMRC's Charity Tax Forum representing sport and honorary tax adviser to the Sport and Recreation Alliance (SRA). I was part of the London 2012 Bid Team and after the Bid was won by London warned of the danger that there might be no "soft legacy" unless positive action was taken to make one a reality (2). Unfortunately this did not materialise and an ideal opportunity to support grass roots sport, specifically through the tax system, and increase participation was lost (3).

1.3 In the last 5 years I have been in direct contact with over 600 community sports clubs either by email, meetings or telephone calls. I have also presented 28 Workshops and webinars on tax attended by over 1,000 club representatives. Sports clubs and leisure facilities may not survive the pandemic especially where funded by local authorities (4). The continuation of the lockdown from 6th January 2021 is making the finances of gyms, swimming pools and leisure facilities even more precarious. The new analysis from ukactive estimates that £90million of combined revenue will be lost each week by those facilities during the vital months of January and February (5). The Government needs to provide adequate funding as a priority.

1.4 I am submitting a personal response as an expert in the sport sector, mainly from the financial and related tax perspectives.

2. The importance of sport and recreation

2.1 Sport delivers significant value in terms of community, social development and well being. This has been recognised by the Government's sport strategy "Sporting Future" with its stated aims to support the sports sector particularly through the tax system. However, in the last 40 years there has been a failure of successive Governments to recognise and harness the beneficial social impact of sport particularly from participation. Opportunities to reap major benefits in criminal justice, education and health are still being missed.

2.2 Sport should be given a higher profile across all Government departments, particularly HM Treasury, to maximise its social impact. In its written evidence to the Digital, Culture, Media and Sport Committee in 2019 (6) SRA stated -

"Having an active nation is important as it delivers huge benefits to society and the millions of participants, volunteers, staff and spectators."

2.3 SRA's evidence on the value of sport has been reinforced by a recent study which found that for every £1 spent on community sport and physical activity nearly £4 was generated for England's economy and society. This investment brings £85.5 billion to the country through social and economic benefits (7). Many of these social and economic benefits are delivered by National Governing Bodies of Sport (NGB's) and their community sports club members.

2.4 In order to maintain its contribution to the economy and to increase its value in terms of community well being and social development sport needs to increase grass roots participation. To do this it needs more funds to invest. The impact of COVID-19 has made an already tight financial position for sport worse. In its evidence to the DCMS Select Committee Inquiry the report of which has been recently published SRA stated in its May evidence (8) that-

"The financial impact of the current restrictions is severe and is being felt at all levels of the sporting pyramid".

2.5 In its commentary on the Government's Obesity Strategy published at the end of last July (9) SRA commented that "Government should fund a national sport and physical activity infrastructure plan". The Strategy contained little reference to the role of sport even though it says "together we want to empower people to live the healthy lives they want to live".

3. The financing of sport and recreation

3.1 I find it surprising that the call for evidence questions do not specifically address the financing of sport since having sufficient funding is essential to meeting the objectives of any National Plan. Every element of that Plan should be costed and supported by an analysis of how those costs are going to be met.

3.2 Government funding of sport is fragmented and in my view uncoordinated, largely administered on the Government side by a Government Department, DCMS, which is inadequately funded, lacks the necessary financial skills and has a broad portfolio. The position on the sport sector side is dominated by the financial strength of football with a wide group of NGB's which can pursue their own financial interests and struggle to find adequate funding for their grass roots.

3.3 I would propose a change in approach based on a detailed needs analysis; the creation of a realistic National Plan could provide the catalyst for this with the public and voluntary sectors working closely together. The Plan should encourage financial self sufficiency in sport based on a more favourable tax regime and less reliance on public funding.

3.4 This has become critically urgent due to the impact of COVID-19; sport is facing a financial crisis with NGB's facing substantial losses, reducing staffing (particularly staff supporting community sports clubs) and with little targeted direct Government help. Community sports clubs have experienced significant reductions in fund raising income which balances the books offsetting losses from providing sport to the public. Community sport is also suffering from a lack of affordable Local Authority facilities many of which are not open and others increasing their hire charges (4)(10).

3.5 A vital part of any financial review is the impact of tax on the voluntary sports sector since tax is a barrier to meeting any National Plan objectives. Community sports clubs find it particularly difficult to deal with the complex, and often illogical, tax system which they face. Changes should be made to address this complexity and the current unfairness of many of the rules affecting sport at all levels. Despite many proposals to HM Treasury over the last 40 years successive Governments have done little to remove this unfairness and provide tax incentives for sport to invest, specifically in sport for our children.

3.6 These comments on the importance of sport, particularly community sport, and its funding provide the underlying basis for my responses to the call for evidence questions.

4. Response to questions raised by the Committee

1. Local delivery of sport and recreation

4.1 Much of community sport and recreation relies on the sporting pyramids established by the NGB's which regulate competitive sport at grassroots level. Most provide support in the form of funding and guidance to clubs without which local delivery of community sport could not exist. A town or village will have clubs delivering sport; these clubs are the heart of their communities but are run by volunteers who have to deal with significant red tape mostly created by public sector regulation and requirements. These community clubs need to be financially sustainable, which is getting more difficult daily with the continuing Coronavirus pandemic. NGB's have less funds to provide advice and financial support to their member clubs.

4.2 Sport working together and coordination with public sector funded bodies such as Local Authorities and Active Partnerships does not seem to me to be very successful in practice. The public sector should confine its role to funding community sport where justified and providing adequate sports facilities where the need arises. This should be carried out by working closely with the NGB's and their County/Regional Associations.

4.3 NGB's should be the primary point of contact with their member clubs providing support, advice and funding to them to enable sport to be provided by them locally on a financially stable basis. This approach will ensure that support

is received in the right places since the NGB's have their own strategic plans and will ensure that it is provided where it is most needed. There seems to be a tendency to by-pass NGB's by public sector funders e.g. Sport England and deal directly with clubs. The awarding of grants can then become a post code lottery.

4.4 The NGB support structure could be improved; many NGB's could usefully consider the approach to club support provided by the Rugby Football Union which in my view provides very good guidance and financial support to its community rugby clubs. Specifically many NGB's could -

- a. Encourage their member clubs to incorporate thus providing legal liability protection for members of their management committees who will be volunteers, and
- b. Make clubs aware of the tax and other benefits which can be obtained by registering either as a charity or Community Amateur Sports Club (CASC) with HMRC delivering potentially significant cash rewards.

4.5 The support could take the form of website guidance, workshops and webinars and most importantly help lines which the club treasurer could use to get practical advice and training.

2. Participation by young people

4.6 In my view participation in sport by children and young people is best achieved through community sports clubs, working closely with local schools. Often the latter do not have the requisite range of coaching skills, time or incentives to promote sport. This can be more usefully delivered by coaches engaged by community sports clubs. These clubs are already engaging young people in their activities on a massive scale in some sports e.g. rugby and football but need further encouragement and funding to increase participation among young people in their communities.

4.7 An idea I have put to HM Treasury for some time which has never been taken up is to make gift aid available for junior membership subscriptions to clubs registered as charities or CASC's. This would provide a 25% tax rebate from HMRC on these subscriptions and create both the incentive and funding for increasing junior participation. It would also create a level playing field with other sectors. Annual subscriptions to charities for the protection of property, plants and animals currently qualify for gift aid. Somehow Treasury Ministers of all parties have not regarded the health and well being of our young people to be as important as old houses, animals and plants!

3. Encouraging more active lifestyles

4.8 I am not sure what more sport can contribute to this other than to continue to provide valuable opportunities for the public to participate in enjoyable sporting and recreational activities. The issue is more of a general issue for the

Government and wider population to address. Community sport through local sports clubs does a good job of encouraging people of all ages to participate; it is in a club's interest to do so. Increasing local participation makes for a more successful and enjoyable club. Government should encourage these community clubs not provide barriers as noted above.

4. *Sporting Future: priorities and outcomes*

4.9 My comments on the Sporting Future Plan published in December 2015 start with my comments on the earlier Consultation. The latter was written in a very academic way with, in my view, insufficient knowledge of how sport operates in the real world. It was far too aspirational not founded on the reality of how people participate in sport. It largely ignored the voluntary sector operating through around 151,000 clubs throughout the UK. Neither did it give adequate recognition to the NGB's for their valuable work in the community.

4.10 It should come as no surprise that, in my view, the final strategy document was not useful and that has proved to be the case in the outcomes it has achieved. Governments generally do not deliver outcomes; they rely on the private and voluntary sectors to deliver these in the case of sport. The emphasis of Sporting Future should have been on encouraging and incentivising the voluntary sector to provide high quality sport and recreation in local communities through existing structures; yet the Plan does not do this.

4.11 With my financial and tax background I was specifically interested in Chapter 8.1 on Financial Sustainability particularly since it was lead by a comment from David Gauke, then Financial Secretary to HM Treasury. His aspiration was for Government and the sector to find new ways of ensuring the long term financial sustainability of the sector building on public funding. I do not believe that his aspiration has been achieved (although to be fair along with a number of Ministers for Sport he is no longer in Government!).

4.12 The Plan has not achieved the financial sustainability it said it would deliver since-

- a. There has been no effort to ensure that the tax system works as effectively as possible for the sector and incentivises it as promised. The tax changes delivering tax relief for grass roots sport spending only puts sport to where it should have been. In the current loss making environment it provides no tax relief for current grass roots spending now or in the future. No proper consideration has been given by HM Treasury to proposals to improve the tax system.
- b. There has been no progress on increasing commercial funding for sport e.g. by providing tax incentives; indeed during the current pandemic less commercial funding is likely to be available.

- c. The Plan mentions FC United which made use of Social Investment Tax Relief (page 55). I am not aware of any other sports organisations which have used SITR; Government has consulted on SITR because of its very low take up generally but has not taken any steps to improve it.
- d. The Government did set up the Sports Business Council (page 58) which met a few times, appears to have achieved nothing and is now defunct.

4.13 The lack of achievement of the Plan on these financial issues is confirmed by the two Annual Reports on its progress published to date. A third Report was given in a Written Statement to Parliament on 7th February 2019 which concentrated on the work of Sport England and cross departmental working within Government. None of these Annual Reports or the Plan itself gives me any confidence in the Government's priorities or its likely success in helping to deliver the right sport and recreation outcomes.

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4.14 I have no comments to make on these questions.

8. Elite sport

4.15 The biggest challenge for elite sport in the UK is its survival during the continued pandemic and current extended national lockdown. Some of the major spectator sports have broadcasting money to rely on but there is no other income from major events where spectators are not allowed or numbers severely restricted. This lack of funding is critical to the support elite sport provides to the grass roots via NGB's which can be of funding or advice and guidance. Reductions in headcount to support grass roots have been common among NGB's. The absence of support adds to the existing burdens of volunteer officials at community sports clubs which deliver the majority of organised community sport creating additional personal risks and liabilities for many.

4.16 Government funding to avoid sport's financial cliff edge has been poor compared with other sectors. Neither have there been any tax measures to encourage NGB's to maintain their investment in the grass roots. The introduction of tax relief in 2017 is of no help in a loss making period. Consideration should be given to introducing enhanced tax relief for such expenditure; the Creative Industries have enjoyed such enhanced tax relief for core expenditure for many years receiving substantial cash rebates.

4.17 As regards accountability etc. of NGB's surely this is a matter for their membership? Most are companies and so have to deal with Companies Act requirements and reporting. If the Government is concerned that an NGB does not meet the requirements required then it can withdraw or restrict its funding. An alternative would be not to use the "stick" but the "carrot" and reward those that meet the desired outcomes rather than penalising them.

9. International experience

4.18 I have no comments to make on this question.

10. Should there be a national plan?

4.19 In my view there should be a national plan for sport and recreation since if nothing else it would demonstrate Government's commitment to the sector and provide a platform for real cooperation. However it would be very different from the current Plan which appears academic and reliant on Sport England. A new plan would involve the existing sporting structures particularly through the delivery of community sport via local clubs. Hopefully my observations might help formulate such a national plan.

5. Notes:

- (1) Source - estimated by Sport and Recreation Alliance.
- (2) I raised concerns about the mass participation legacy at a meeting of The Olympic Oversight Committee meeting in May 2007 which was attended by David Cameron and Lord Coe.
- (3) "One thing is certain : in my view, the Coalition has not delivered on a London 2012 legacy as far as CASC's are concerned." My article published by World Sports Law Report; April 2014 edition.
- (4) Jane Nickerson, Chief Executive of Swim England, News story, 22nd October 2020 - 200 public swimming pools still closed after they were allowed to open on 25th July.
- (5) Article by Sean Ingle in The Guardian 7th January 2021.
- (6) Written evidence to DCMS Committee submitted by SRA February 2019.
- (7) Sport Industry Research Centre at Sheffield Hallam University "Social and Economic Value of Community Sport and Physical Activity in England" August 2020.
- (8) Written evidence to DCMS Select Committee Inquiry "Impact of COVID-19 on DCMS Sectors: First Report" - The Sport and Recreation Alliance submission May 2020.
- (9) "Obesity Strategy- A case of more carrots, less hockey sticks" published on 31st July 2020 available on the SRA website www.sportandrecreation.org.uk.
- (10) BBC Sport 19th August 2020 reported on research by Playfinder a major national online booking service provider.

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