

Sport in our Communities
University of Edinburgh response to DCMS committee call for evidence

16 November 2020

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1. We welcome the opportunity to contribute to the DCMS evidence consultation on the financial viability of community sports clubs¹. The Academy of Sport is an independent think tank dedicated to sport and located within the University of Edinburgh.
2. We note that The DCMS Committee wants to identify specific actions the Government can take to guarantee the future survival of the community sports sector. We note that the Committee is looking into sports governance, funding and the case for elite professional sports to support the lower leagues and grassroots sport.
3. This response does not intend to answer all of your specific questions, but it does respond to most of them. Recommendations are provided throughout the report.
4. **Sport, Governance and Diversity:** The committee has asked for specific observations on key areas. Are current sports governance models fit for purpose? There is a significant, robust and growing body of evidence to suggest that sports governance models need further regulation in terms of diversity. Research by UK Sport and Sport England found that black, Asian and minority ethnic (BAME) people accounted for just 5.2% of board members across their 130 funded organisations². Research by the University of Edinburgh Academy of Sport found that only 0.05% of Chairs of Scottish sports organisations were non-white³. While interventions including the hiring of headhunting firm to improve the pool of board-ready candidates from a diverse background are to be welcomed the governance of many sports organisations leaves too much to chance.
5. Within the sports governance code there is currently only a target for gender equality in the code, of a minimum 30% of each gender, while for ethnic diversity, the guidance is that organisations must show a "strong and public commitment" to progressing. This needs to be changed. The status quo is not an option and is widely recognised that public boards in particular but boards in general benefit from diversity.
6. **What are the biggest risks to the long-term viability of grassroots sport?** The cessation of community sport countrywide during lockdown has hit under-represented groups the hardest. While we welcome the announcements that some recreational sports teams can now resume play, we are concerned about gyms and leisure centres. These facilities act as community hubs, often providing subsidised facilities to those who most need them but have often been the last sport sector to re-open. Following huge levels of uncertainty, it is essential that leisure facilities are protected and have the funds to ensure that the necessary hygiene and social distancing measures can be put in place to re-open fully. The worst outcome would be for local authority funding shortfalls to translate into leisure centre closures; if this were to happen, the Government would risk abrogating its own 2015 Sport Strategy commitment to increase participation in sport by under-represented groups.
7. DCMS's Sport Working Group must work with local councils to ensure necessary funding is in place to preserve leisure centre facilities. This must be done so that leisure centres can remain

¹ See [University of Edinburgh, Academy of Sport, an independent think tank dedicated to sport.](#)

² For further information see [here.](#)

³ Who is on board? See [here.](#)

operational to provide crucial fitness opportunities for children and not just during the school holidays.

UK Generic Lessons

8. The Scottish case in principle is no different from other parts of the UK ⁴other than through the devolved nature of sport, leisure and culture⁵. A generic lesson is that the often-maligned sport, leisure and culture trusts arrangements with local authorities are essential for sport, leisure and culture provision in the most disadvantaged areas across the UK. Because of the business model sport, leisure and culture trust are often left as the key providers in disadvantaged communities because the profit margins for the private providers is not big enough.
9. The Scottish case is that 27 charitable trusts operate culture and leisure services on behalf of local authorities in Scotland⁶. The exact arrangements in place between local authorities and trusts differ across the country but the common thread is that our members use their charitable status to significantly cross-subsidise services that would not be otherwise financially viable.
10. The COVID-19 pandemic has necessitated the closure of almost all facilities and services across the country. The resulting loss in income has placed many trusts in a financially perilous position, with the very existence of many at imminent threat. Trusts are paid by a management fee by local authorities to deliver agreed services, but for most trusts this is only part of their overall turnover. For example, the average management fee in Scotland is £5.5million, compared to the average turnover of trusts being £17.7 million. Such trust need support to mitigate this loss of income.
11. A recent members survey revealed that 38% of members will be non-viable or in an insecure position by the end of the year (in 2-6 months from now), growing to 70% inside 12 months. Trusts have already lost 15% of their unrestricted reserves. By the end of this financial year, it is estimated that they will only have 17% of their pre-Covid19 unrestricted reserves level, with many having zero or negative reserves. A significant number of contracted and casual staff have already been made redundant or planned for redundancy.
12. Understanding what facilities and services are at risk is often difficult to quantify at this time due to ongoing consideration of when they can reopen, however it is clear that without strategic intervention, significant numbers of facilities and services (swimming pools, outdoor pitches, libraries, town halls) - will close. Charitable status allows trusts to ensure services are accessible for everyone in the community, and these closures will be most acutely felt by low income and deprived communities and others who face barriers to participation, such as people with disabilities. In addition, much of our work for the NHS and Health and Social Care Partnerships will also cease, as they too are cross subsidised by other income generating activities. The situation may only modestly improve when we are allowed to re-open given the significant capacity and social distancing restrictions that will be in place, combined with the increased resource required to ensure our facilities can be used safely. For some, given the mitigating impact of the Job retention Scheme, reopening may paradoxically worsen matters, with furlough support not being replaced by “normal” income levels for a considerable period of time.

⁴ For further information see Community Leisure UK Covid Impact Report [here](#).

⁵ See University of Edinburgh study (2020) building pandemic resilience within sport systems. Contact grant.jarvie@ed.ac.uk

⁶ For further information see [here](#).

13. The Scottish Government has Indicated that any support for sport culture and leisure trusts should come from within the support package agreed between COSLA and the Scottish Government. However, it is doubtful if the current settlements in place, and the financial pressures facing local authorities will be sufficient to cater for the needs of the wider local government landscape and provide adequate support for trusts. An enhanced settlement will be needed to reflect the perilous situation in which the wider local government family finds itself. Any Westminster decision for services in England and Wales may provide Barnett consequentialia that are insufficient and be too late for the sector in Scotland.
14. Grassroots sports provision provided by trusts across the UK continues to fall between gaps. The Coronavirus Business Interruption Loan Scheme (CBILS) is too risky for trusts to take on. Those trusts who have accepted the risk and have applied have, in the majority, been rejected by their proposed lender. As of August 2020, only 9 trusts across the UK are using this form of support.
15. The Business Support Grant Funding is capped at buildings rateable value (under £51,000) to access the £25,000 grant. Most trusts' buildings have a higher rateable value, and the grant is capped at two buildings. Moreover, the £25,000 grant does not support the size of a community trust (including utilities, insurance, suppliers etc.).
16. The Third Sector Resilience Fund is another avenue of support, but has been, rightly so, prioritising organisations with the most pressing need to remain solvent. Trusts may not fall into this category, but rather face longer-term uncertainty in terms of their viability.
17. On the basis of a 65% response rate to specific questions about the Covid threat to grassroots sport in England 17% of Council contracts are at risk of early termination; 64% of members do not receive a management fee. The average management fee is £2.6 million, compared to the average turnover of trusts being £15 million (though this number because it's skewed towards the larger trusts within the membership and not representative of single sites); over a third of trusts will be non-viable or in an insecure position by the end of this calendar year; trusts have currently lost 41% of their unrestricted reserves. By the end of this financial year (March 2021), it is estimated that they will only have 7% of their pre-Covid19 unrestricted reserves level; The combined deficit accrued during lockdown within the English membership is over £42.4 million. The average anticipated level of deficit per trust by the end of this financial year is £1.1 million (by March 2021); 4350 FTEs already made redundant or planned for redundancy. 8763 FTEs at risk. 5534 casual jobs planned for redundancy. The age categories of 18-24- and 25-34-year olds are most affected; Only 56% of facilities reopened when they were allowed to. The most common reason for keeping facilities closed being that it is not economically viable. 108 facilities (across leisure and culture) at risk of permanent closure / rationalisation.
18. The lessons from all of this include:
 - Grassroots sport is not seen as essential local authority provision- it is not statutory.
 - Most grassroots sport for disadvantaged communities happens through local authorities and schools.
 - The UK Government's own evidence points to segments of the UK population being affected more than others and the long-term viability of grass roots

sports provision for the disabled, women and girls or through community halls or leisure trusts must remain a key concern.

- Careful risk assessment of local provision would highlight what grassroots sport services are most vulnerable and not likely to return if closed.
- The maintenance of a skilled volunteer base unable to operate as result of closed facilities is a worry.

19. **What key measures could the Government introduce to increase the resilience of sports clubs and venues?** Countries must effectively prepare for a possible second wave and future outbreaks and directly engage the sports sector in that planning and training. Working with sports ministers to play a coordinating role in the development of such planning and training.
20. Countries must significantly invest in community sport and sport for development as a strategy of prevention. Governments should plan for, fund, monitor and evaluate community sport and sport for development as essential components of national population health⁷.
21. Sports ministers must ensure the sports sector ‘builds back better’ by applying a gender equality lens to all ongoing planning and investment.
22. In any resumption of COVID-19 and during any future pandemic, ministries of sport should be directly involved in the activation of the pandemic planning recommended and communicate clearly with the sports sector about the ways that it could be beneficially engaged.
23. Ministries of sport should take the lead in working with public health authorities and sports bodies in updating, communicating and coordinating uniform, safe ‘return to play’ guidelines that are more uniform across different parts of the UK.
24. As much as possible, governments should ensure that the public space innovations introduced in urban areas during COVID-19, such as the street closures and additional bike lanes that have enabled safe walking, running and cycling, are made permanent.
25. **Sport and Covid’s Uneven Impact:** The COVID problem at one level stems from the fact that few countries were prepared for the pandemic. No sports in United Kingdom were prepared for the pandemic. Many sports organizations, including football, responded with immediate cooperation with closures and other public health measures, heroic volunteering in emergency centres, preventive health messaging about handwashing, physical distancing and the importance of ongoing physical activity, and the re-purposing of facilities for emergency shelters and food depots.
26. The problem at another level stems from either not grasping fully or not wanting to act upon and therefore support the totality of the asset that is sport or is football. The risks associated with a football club folding in its community have never really been fully grasped, evidenced, or argued for in a way that has convinced governments or the state to view football as more than just health, the economy, a crucial part of the social contract and one of the United Kingdom’s real soft power assets but in fact all of these. Sport delivers on a number of national outcomes but is only funded to deliver on some of them. While this is a generic statement sports have to be looked at on a case by case basis. The vast majority of grassroots sports provision is at local authority or local council level.

⁷ For further information see [here](#). The Academy of Sport supported Canadian researchers to report to Commonwealth sport ministers on the impact of covid on sports development.

27. COVID-19 has caused a seismic shock throughout both the football and the industry. The ongoing pandemic has vastly altered the experience for players and fans and created the impetus for all stakeholders in the football ecosystem to adapt their business models to thrive in a post COVID-19 world. The impact of Covid has been uneven and has led to calls for the redistribution of wealth within both the football industry and the broader sports industry. This is needed.
28. The destructive impact of COVID-19 has made football clubs re-evaluate their business models and realise the need to accelerate their digital transformations. Lessons can be learned from the corporate world. In many of the success stories during lockdown (e.g. [Amazon and Netflix](#)) digital technology, data, knowing your customers and how to target them has been at the core of each story⁸. Many sports clubs and in particular football clubs, could apply suitable elements of this strategy to their future approach. Understanding your fanbase and their different personas will enable clubs to understand how best to evolve both in-stadium and at-home experiences. Furthermore, knowing your fan-base will continue to drive commercial revenue from sponsorships and partnerships, whilst potentially enabling the exploration of alternative business models and revenue streams.
29. The risk is that while football can and will adapt to circumstances the lesson from the history of clubs folding is that they don't come back. The risk is not so much a football or a sports risk but an educational risk, an inequality risk, a health risk, a social cohesion risk, a hunger risk, an unemployment risk.
30. Whilst some clubs will be better positioned to weather the storm than others, COVID-19 will undoubtedly have implications for all. Each club faces a struggle to retain and grow revenue from commercial and sponsorship agreements, whilst also navigating the future uncertainty of matchday revenues.
31. The resources to support boys and girls, men and women's sport is uneven. Women and girls' football is less resilient. It is recognised that Girls' academies can reopen during the lockdown, but many do not have the resources to do so Kelly Simmons, the FA's director of the women's professional game, has said that many academies would struggle to meet the government's elite protocol. The Women's Super League returned under elite protocols, which includes regular testing, but it would be difficult for grassroots organisations to achieve this⁹.
32. Sponsorship and commercial revenue is a major source of income for competition organisers, clubs and national teams ([28% of total revenue in the Premier League](#))¹⁰. The successful restart and completion of the 2019/20 season at the highest level of club football has averted the most serious risk facing clubs - being unable to fulfil fixtures, and therefore not comply with their commercial obligations and sponsorship agreements. However, the longer-term reaction of sponsors and commercial partners remains uncertain.
33. It is anticipated that the clubs in smaller footballing countries and those in the lower leagues of larger countries will be hit the hardest. These clubs typically have a greater dependency on matchday revenues. [Deloitte's Annual Review of Football Finance 2020](#) identified that within the Premier League matchday revenue continues to be the smallest component of total

⁸ See Financial Times [here](#).

⁹ For further information see [here](#).

¹⁰ For further information see [here](#).

revenue (13% in 2018/19), whilst for other leagues it is far more significant¹¹. In the English Football League Championship, matchday takings account for 21% of total revenue, and this increased further outside of the markets of the 'big five' European leagues. For example, in Scotland, matchday revenues equate to 47% of the clubs' total revenue in the top division.

34. The response has to be proportionately based on those most in need. In terms of football but not just football It absolutely should be focused on gate receipts as a proportion of a club's revenue. It is recognised internationally that the dependency of Scottish clubs on gate receipts is amongst the highest in Europe. The situation for England, Wales and Northern Ireland needs to address specific needs. It should in financial terms and in all cases recognise the value of the sports clubs as community assets. Some of the top clubs have managed to put an economic value on their contributions to the community but this is not the case for other clubs.

35. To what extent should elite professional sports support the lower leagues and grassroots?

At the point of the first phase onset of COVID 19 in March 2020 the four Bundesliga clubs in this season's Champions League pledged 20m euros (£18.3m) to support fellow German teams during the coronavirus¹². Bayern Munich, Borussia Dortmund, RB Leipzig and Bayer Leverkusen agreed forego their share of the national media revenue and donate the remainder from their own funds. The German Football League (DFL) decided how the money would be distributed.

36. A number of testimonies from within German football supported the move with the following being but a sample. Former West Germany striker Rummenigge: "In these difficult times, it's important that the stronger shoulders support the weaker shoulders. With this, we also want to show that football is standing together right now." Dortmund chief executive officer Hans-Joachim Watzke: "We have always said that we would show solidarity if clubs, through no fault of their own, should run into difficulties that they can no longer overcome themselves." Borussia Dortmund is currently having a major impact on society through a wide range of initiatives. And naturally we are prepared to help out other professional football clubs if it is ultimately a matter of cushioning the financial effects of the pandemic." Christian Seifert, a spokesman for the DFL executive committee said: "The initiative shows that solidarity is more than just lip service in the Bundesliga and Bundesliga 2." Bayern Munich striker Robert Lewandowski and his wife Anna **contributed one million euros** (£923,900) to fight the virus, team-mates Leon Goretzka and Joshua Kimmich set up a fund called We Kick Corona and contributed one million euros between them, while the ten Manchester City's German winger Leroy Sane has also made a considerable financial donation¹³.

37. Other examples where different sports have re-distributed funds within the sport on the basis of need can be given. Sport across the UK has really responded to those in need as a result of Covid 19. The lesson from Germany and in particular football relates to the issue of resilience and the lessons learned from this and past health crises. The English Premier League set up is without question the world's wealthiest in terms of resource but is it the most resilient? Germany's football model, which prohibits external stakeholders (e.g. corporations or businesspersons) from holding the majority of a club LIMITS investment opportunities but maintains a higher degree of local, regional, national control.

¹¹ For further information see [here](#).

¹² See University of Edinburgh study (2020) building pandemic resilience within sport systems. Contact grant.jarvie@ed.ac.uk

¹³ For further information see [here](#).

38. Proponents of this rule argue that it stops private investors from prioritising profit over supporters' interests and protects clubs against reckless owners. Critics of the rule insist it weakens German clubs' competitiveness in Europe. While the benefits of this rule remain open to question, Germany's football model has arguably encouraged more financial sustainability, leading to greater levels of resilience during the pandemic. A quick comparison of the finances of the Bundesliga 2 with the Championship shows that while Championship clubs are loss-making and overspend on wages, 14 out of 18 Bundesliga 2 clubs generated profits in 2019 and that clubs spend on average predominantly less on wages, with an average wages/revenue ratio of 30.6%. Arguably Championship clubs have been taking financial risks with owner funding being their predominant method of survival. As indicated by FIFA post-COVID-19 football requires more effective financial regulations and good governance. As such the following suggestions are worth reflecting upon in the context of making the football leagues more resilient.

- A football or sports levy on the wealthier clubs as a basis of redistributing money on the basis of need across the lower divisions.
- An effectively policed salary cap of 70% of revenue would encourage financial sustainability within the leagues and across clubs.
- While the German restrictive ownership model would be problematic for the English Premiership it still offers some key lessons in terms of governance that may generate greater levels of resilience within lower-league football and grass roots sport.
- Sports clubs including elite sports clubs must first and foremost supported as community assets and the funding models should reflect this.
- Sports clubs at all levels need to grasp the potential of technology to diversify income streams further. Clubs for example, have knowledge to exchange. Clubs, such as FC Barcelona, have income streams resulting from the harnessing of technology to distribute knowledge that result in income streams that are in excess of six figures per year¹⁴.

Concluding observations

This briefing is a contribution to the DCMS call for evidence arising from concerns about the impact of the current pandemic on community sport. It is important to communicate early, sustain and enhance joined up measures to enhance resilience and distribute resource to those parts of the sports landscape that are most vulnerable- grassroots sports provision in disadvantaged communities; targeted sections of the population, explore or place a greater emphasis on some income streams that exist but could be enhanced; recognise and close the funding gaps experienced by trusts that deliver most grassroots sport, build back better, maintain and expand safe public spaces for sport and recreation and diversify sports boards.

It is vital that sport viewed much more as statutory that enables policy outcomes and is viewed as part of the social contract.

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¹⁴ See for example FC Barcelona's innovation hub which generates significant resource and international footprint for the club, [here](#).

¹⁵ [For further information see here.](#)