



NGB Funding :

An analysis of the funding profiles of National Sports Organisations

prepared for

CCPR

by the

Carnegie Faculty

Leeds Metropolitan University

In co-operation with

Wharton Consulting



leeds metropolitan university

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1. Executive summary

1.1 The Research Process

This research was carried out by the **Carnegie Research Institute** at Leeds Metropolitan University together with **Wharton Consulting**, at the behest of the **CCPR**. The research was carried out in the period January - March 2005.

All organisations in membership of CCPR were invited to provide a copy of their most recent accounts. Sixty NGBs/NSOs did so, of which 46 were analysed in accordance with a standard template in order to enable comparisons between organisations. Many of the members of CCPR also provided copies of their most recent Annual Report, which supplemented the information obtained through the interview process. 14 National Governing Bodies / National Sports Organisations were identified for in-depth analysis. Face-to-face semi-structured interviews were arranged and conducted with representatives of each of these organisations.

1.2 Key Findings

1.2.1. Background

- There are three principal functions at play within each sport or recreational activity:
 - Development and excellence programmes, which are driven through governing bodies and (in many cases) funded by grant-aid
 - The membership-servicing businesses which are operated by governing bodies in exchange for membership fees
 - Local activities driven by clubs and local/regional associations, and funded directly by members
- Governing bodies are presiding over a growing business – as is evidenced by the increases in membership. This growth, however, does come at a cost, as expenditure must be increased to keep pace with it, as are the levels of commitment and responsibility imposed upon those who lead the organisation. Elected officers and Board members are invariably unpaid and carry an extensive burden, both in terms of time and responsibility. This applies at all levels throughout the governing body - national, regional, county, league and club.
- The value of volunteer support is not included in any of the financial assessments. The most recent assessment places this at £1,400,000,000 per annum. It represents an enormous additional resource provided to sport and in many organisations far outweighs the total level of direct funding from all sources.

1.2.2 Membership Issues

- In many NGBs/NSOs there is the potential for a significant increase in membership fees without any significant impact on the number of current members or the opportunity to recruit new members.
- The opportunity to recruit and retain members is heavily dependent on the effectiveness of the governing bodies at sub-national (regional, county, local) level.
- NGBs/NSOs are regularly asked (and expected) to provide advice, support and information to non-members (including to public and private sector organisations, as well as to members of the public), for which they do not derive any financial benefit. This service is usually provided by the NGB/NSO, who thereby demonstrate altruism in support of their sport or activity which far exceeds their duty to their stakeholders or funding agents.
- There is often a tension between the expectations of the membership of NGBs/NSOs and the requirements of the funding agencies.
- In most sports, the development of participant numbers does not necessarily increase the membership of the NGBs/NSOs.
- National governing bodies are expected to deliver excellence, in terms of medal-winning international performers, but it is not a high-level expectation of their membership.

1.2.3 Grant Aid

- While the award of grant-aid funding is important to the development of NGBs/NSOs, it has in many instances carried a significant cost. Management time has been consumed in great quantities in sourcing it. Once received, the demands of servicing and supporting it, and the personnel and programmes it delivers, represent a substantial hidden cost which is often borne by the core operation – i.e. the operation which is supported primarily by membership income.
- Many NGBs/NSOs believe that Sports Council agendas are driven largely by Government targets which do not generally recognise the inherent benefits of sport in its own right, but relate instead to sport's ability to contribute to the fulfilment of other objectives – e.g., the improvement of the health of the nation, the need to engage disaffected youths in education, the need to reduce levels of juvenile crime, etc.
- The priorities of the Sports Councils – e.g., especially, ethics and equity – are not always matched by the priorities of the NGBs/NSOs. While these areas are seen to be important to governing bodies, they are considered to be long-term issues whereas, to the Sports Councils, they are urgent issues.
- The policies of the Sports Councils to prioritise and concentrate their investment on a few sports at the expense of others have created a culture of haves and have-nots. The have-nots are now finding themselves suffering directly at the hands of the haves: examples of this are that better provision and facilities mean that participants are lured to one sport away from

another; or that market forces determine that quality employees gravitate from underfunded sports to the well-funded.

- Whole sport plans purport to give NGBs more flexibility, but in practice are still largely defined by Sports Councils' priorities.
- There is a widespread belief that changes to improve systems of governance and management have been beneficial for NGBs/NSOs. This is because such changes have contributed to their long-term security and sustainability, and improved internal processes. There is, however, an equally widespread belief that NGBs/NSOs have in some cases been unbalanced by changes made in order to access or deliver new Sports Council programmes, rather than through the deliberate meeting of the identified and specific needs of the business.
- Ringfenced grant funding has in some cases created rich departments within otherwise poor governing bodies – which has been culturally divisive.
- Officer time in the grant application, monitoring and reporting process is considerable and not underwritten by grants received.

1.2.4 Financial Management

- Income from media and sponsorship is at very low levels, except in the case of the 6 major spectator sports (football, rugby union, rugby league, cricket, tennis, and athletics). In general, commercial strategies to generate income are under-developed.
- Outside of the major professional sports, few governing bodies have adopted a proactive and innovative approach to commercial fund-raising. Several stated that they are aware of their deficiencies in this respect; some that they had formed a commercial committee to look into it; but few can demonstrate a range of ideas that would exploit the commercial potential that they possess.
- Sports in receipt of World-Class Programme funding appear to spend relatively little of their own funds on international teams/programmes (although frequently there is significant input in terms of central management and support). Those without world-class programme funding often spend a significant proportion of their income on their national team programmes.
- Expenditure on core central services is heavily subsidised by income from NGB/NSO members. These services support development initiatives and elite performance programmes as well as services to members.
- Corporation tax is only a serious issue for those NGBs/NSOs with a high turnover (especially of commercial income) and large reserves.
- Several smaller NGBs/NSOs pay significant amounts of non-reclaimable VAT (especially where they derive a significant proportion of their income from members).
- Many NGBs/NSOs have significant cash reserves (in excess of 50% of their annual turnover). In the absence of significant levels of capital, these reserves are used to cushion unplanned deficits, or unexpected reduction in Sports Council grants. Few NGBs/NSOs have any significant fixed assets.

- The lack of asset ownership among governing bodies means that the delivery of most functions are based almost entirely on cash. Ironically, it would seem that the local level is considerably more asset-rich than the national level within almost all sports. The cash businesses that governing bodies operate are underwritten to around 40 per cent by membership subscriptions. This income, and the functions which it supports, represents their core operation. The remaining 60 or so per cent of sports' income is less secure, coming as it does from grant-aid and/or commercial activities and/or other income-generating activities – each of which is subject to the vagaries of external partners.

1.2.5 Other Issues

- Many volunteers have stopped giving their labour to the NGB/NSO because they believe that their role (or part of their role) has been usurped by a newly funded employee (often far less experienced than the volunteer they are displacing). This has not only cost governing bodies in terms of human resources, but it has also created tension between volunteers and staff.
- The provision of headquarters and regional accommodation is an area where governing bodies believe that more could and should be done centrally to assist them. In particular, there is widespread support for the House of Sport concept – not only for the mutual provision of facilities, but also to explore economies of scale which could be achieved through cross-working and the development of shared functions.

1.3 Recommendations

1. Recognition needs to be given by Government and Sports Councils of, and support provided for, sports' and members' core needs. In the quest to increase participation among those who are outside sport, and to propel the talented few to international success, the requirements of those already in the membership fold are being forgotten, and they are underwriting the others who benefit from the sport or activity.
2. Funding agents need to recognise that the delivery of specific programmes (eg. World-Class funding) is dependent on the existence of suitable core services provided by the respective National Governing Bodies. It cannot be healthy that such programmes are, in many sports, entirely dependent upon project-based third-party funding, and liable to termination in the event that this funding is withdrawn or reduced. Support should be given to these programmes as part of secure mainstream funding.
3. Sports Council grant-aid awards should be made for a longer term than one year. The shortness of this period militates against stability within governing bodies, in terms of both programmes and personnel, while the constant need to review and reapply consumes a substantial and unnecessary amount of human resources.
4. The opportunities which are afforded to some governing bodies to access funds from Governmental departments other than DCMS should be opened to all on a systematic

basis. If funds from health and education are to be made available to sport, they should be made available to all on an equitable basis.

5. National Sports Organisations should be given central assistance to research and formulate detailed and sophisticated commercial strategies, based around the profiling of their membership and the packaging of their available properties. The benefits of a collective approach to this work should also be considered, i.e., that governing bodies may pool their properties or combine their membership databases in order to exploit commercial sources which might otherwise be unavailable to them.
6. The House of Sport concept should be developed, by way of providing suitable and shared headquarters accommodation for a number of governing bodies at national and regional level. Not only would this create the possibility of sharing overheads, it might also lead to economies of scale through the sharing of central functions such as finance management and human resources.
7. New strategies for asset and capital generation within national governing bodies should be developed. The weakness of sport as a cash business should be addressed, especially through measures which encourage governing bodies to build a capital base against which growth and reinvestment may take place.
8. A collective approach should be taken to legislative issues – not only in lobbying Government, but also in the observation of requirements. For example, governing bodies would have benefited considerably in the recent past from the provision of standard templates for child protection policies which each could adapt for its own purposes; the future identification and provision of needs in similar areas should be a priority for central servicing.
9. A collective approach should be taken to the provision of VAT advice on the structures and activities of governing bodies. Currently, this is diverse and variable, and dependent upon the ability of the governing body to pay. These vagaries should be removed, and a consolidated approach taken which provides best-practice solutions to the common VAT issues within governing bodies.
10. A collective approach should be taken in response to rising insurance premiums. Governing bodies should be encouraged by a central agency to come together to present a united front to the insurance market, with a view to working mutually beneficial economies of scale.
11. A more creative approach needs to be taken to the exploitation of the charitable trusts operated by a number of governing bodies. The availability of these vehicles for the promotion of sport in education, and the amount of money which Government is making available for the same end, represents a coincidence which may be richly exploited for the benefit of sport.

2. Brief and methodology

The Carnegie National Sports Development Centre within the Carnegie Faculty at Leeds Metropolitan University evaluated the core functions of the national governing bodies of sport and other voluntary national sports organisations; and has identified the sources and uses of income to deliver these functions and the expenditure associated with them. The work was undertaken in association with Wharton Consulting, thereby bringing additional expertise and experience to the team. Further details of the consultants can be found in Appendix II.

2.1 Stages of the Research

The research was undertaken as follows:

- All organisations in membership of CCPR were invited to provide a copy of their most recent accounts. Sixty NGBs/NSOs did so, of which 46 were analysed in accordance with a standard template in order to enable comparisons between organisations. The outcomes were converted to percentages of turnover to enable comparison between different NGBs/NSOs and to enable overall percentages to be established. In addition, a sub-analysis was undertaken, by dividing the organisations into three main groups:
 - Those in receipt of world-class programme funding
 - Those which are generally competitive but are not in receipt of world-class programme funding
 - Those which are generally recreational / non-competitive
- Many of the members of CCPR also provided copies of their most recent Annual Report, which supplemented the information obtained through the interview process.
- 14 National Governing Bodies / National Sports Organisations were identified for in-depth analysis. Face-to-face semi-structured interviews were arranged and conducted with representatives of each of these organisations. During the interviews, the following aspects of the NGBs/NSOs were explored:
 - The most recent accounts and future budget intentions / expectations
 - Identification of the perceived core purposes of the organisation
 - identification of functions that have been established / developed in order to attract new funding sources
 - Funding processes and concerns with special reference to:
 - Grant Aid
 - Taxation (Corporation Tax, Value Added Tax etc.)
 - Policy re reserves

2.2 Identification of Agencies for In-Depth Study

Fourteen organisations were selected, covering 13 different activities (including one county association with a very significant membership and financial base). A range of different characteristics of national sports governing bodies/organisations were identified, and care was taken to ensure that all the identified characteristics were represented in the sample of organisations selected:

- Competitive / recreational
- World Class programme funding / no world class programme funding
- NGBs / NSOs
- English / British
- Olympic / Non-Olympic
- Media rich / media poor
- Junior participation strong / junior participation limited / no junior participation
- >50 staff / 10-50 staff / <10 staff / no staff
- Sport England admin grant / no admin grant
- >1,000,000 members / 100,000–1,000,000 members / 10,000-100,000 members / <10,000 members
- Assets >£100,000 / Assets <£100,000
- Own sports facilities / no facility base
- Financially secure / financially perilous
- Indoor / outdoor / both
- Wet / dry
- Technologically dependent / no special technological requirements
- Trade related interests / no related trade interests
- Social groups predominantly A-B / B-D / D-E / A-E

3. Statistical analysis

3.1 Introduction

The most recent annual accounts received from 46 organisations in membership of CCPR were analysed using a standard set of headings, to enable comparisons and aggregates to be determined.

The 46 organisations each represented a single sport (a further 14 members of CCPR provided their accounts, but these were multi-sport organisations or, in some cases, also dealt with other elements in addition to sport). Of the 46 organisations analysed, 12 (26%) were purely English bodies, and 33 (72%) were British or UK bodies. One English County (football) Association was also included. In total, 38 different sports and recreations were included in the analysis.

The 46 organisations were further subdivided into three main categories:

- Organisations with World Class Programme funding (16: 35%).
- Organisations of sports which are largely competitive in nature, but do not receive any funding through the World Class Programme (17: 37%).
- Organisations representing activities which are essentially recreational or non-competitive (13: 28%).

In order to enable comparisons to be made between sports with very different turnovers (ranging from less than £10,000 per annum to over £50,000,000 per annum) each section of the income for each sport was converted into a percentage of the total income – similarly for the breakdown of expenditure.

The profit (or loss) was shown as a percentage of the annual turnover. The assets were separated into fixed assets (e.g. buildings and equipment) and net current assets plus investments. Each was then expressed as a percentage of annual expenditure.

The figures quoted henceforth in this report are calculated by reference to these percentages of the income/expenditure of the NGB/NSO in question, so that every NGB/NSO carries equal weight in these calculations, irrespective of the size of its turnover.

3.2 Income

The main sources of income overall were from members, from grant aid, and from commercial activities. However, the balance of income from these sources varied enormously between the three categories¹ (see *Table 1*).

Table 1: Main Sources of Income

	NGBs with World-Class Programme Funding	NGBs with no World-Class Programme Funding	NSOs of Recreational Activities	Overall
From:	% of total income	% of total income	% of total income	% of total income
Members	26.7	61.3	68.6	51.5
Grants	56.7	15.4	11.5	28.6
Commercial	12.3	14.5	6.9	11.8
Other	4.3	8.8	13.0	8.4

Of the total income from **members**, direct membership fees account for over 62% in each category. It should also be noted that much of the income from sales and merchandising (categorised here under 'Commercial Activities') is actually derived from sales to members.²

Income from **commercial activity** directed primarily at the general public (TV and sponsorship income) represents only 4.9% overall, and just 0.4% for recreational activities.

The income from **grants** can be subdivided into three categories:

- World-Class Programme funding
- Exchequer funding via Sports Council(s).
- Other grants not from Sports Councils and not necessarily Government money.

Overall, 28.6% of the income to NGBs/NSOs³ comes from grant aid. Of the total from grant aid, over half (53%) is from World Class programme funding (but this is only distributed among 35% of

¹ Further details of the analysis of income and expenditure can be found by reference to Appendix I

² Of course, members of NGBs/NSOs are also members of clubs (and usually of a county and/or regional governing body) and make significant contributions (usually in excess of that paid for national affiliation) to these local and regional organisations. None of these local and regional contributions are reflected in any of the figures quoted herein.

³ It must be remembered that these percentages are not based on cash values, but on the breakdown of the accounts of each NGB/NSO as a percentage of their own turnover. The sports with very high turnovers derive a smaller percentage of their income from grants and so these figures significantly overstate the government funding to NGBs/NSOs if they were compared to the actual cash receipts.

the NGBs/NSOs analysed), and 29% (representing only 8.4% of the total income to NGBs/NSOs) is from Exchequer funding.

For NGBs/NSOs that receive funding from the World Class programme, the World Class programme grants represent 44% of their entire income (78% of all their grant aid) and the uncertainty of the future of this funding, and short timescales of notification of changes, can create very significant instability within these NGBs/NSOs and makes long-term planning problematical.

Of course, none of the other NGBs/NSOs receive any world class programme funding, and their support from Sports Council sources is only 9.3% of their turnover (for competitive sports) and a mere 3.3% for the recreational activities (compared with 61.3% and 68.6% respectively from their members).

Recreational NGBs/NSOs received more from investment income and interest on deposit accounts (3.7%) than they do from Sports Council grants (3.3%). For these NGBs/NSOs, the provision of technical services (e.g. the training of coaches, teachers, and leaders) and the provision of tuition for participants generate 17.9% of the income.⁴

3.3 Expenditure

The main elements of expenditure can be grouped as follows:

- HQ core costs (staffing, running expenses, honorary officers expenses and meetings)
- Membership services and activities (competitions, events, insurance)
- International activities (including team training and competition)
- Development programmes (including publicity, publications and education/training).
- Sundry (including taxation).

The largest single element of expenditure across the 46 NGBs/NSOs is on their Headquarters. Staffing (18.0%), central running expenses (17.1%) and the work of honorary officers (1.7%) make up 37% of the total expenditure.⁵

⁴ It is likely that most of this money actually comes from members of the organisation.

⁵ Generally, staffing and overheads related to world class programme funding is itemised by NGBs as part of their international team expenditure, not their HQ costs, although this is not always the case.

The breakdown of expenditure amongst the three main types of NGBs/NSOs is shown in *Table 2*.

Table 2: Main elements of Expenditure.

	NGBs with World-Class Programme Funding	NGBs with no World-Class Programme Funding	NSOs of Recreational Activities	Overall
To:	<i>% of total spend</i>	<i>% of total spend</i>	<i>% of total spend</i>	<i>% of total spend</i>
Headquarters	25.0	39.9	47.0	36.8
International Membership Services	42.5	10.3⁶	0.8	18.8
Development	10.1	25.9	19.1	18.5
Sundry ⁷	14.8	18.6	31.2	20.7
	7.6	5.4	3.3	5.3

Overall, 18.8% is spent directly on international activity (but see also footnote 6), but this varies enormously from those NGBs/NSOs with world-class funding (42.5% of their total expenditure) to recreational activities (only 0.8%).

Headquarters costs (staffing, infrastructure and running expenses) rarely exceed 50% of total expenditure, and costs attributable to honorary officers account for only 1.7% overall.

Expenditure on competitions and events (10.8% overall) generally balances against the income derived from these activities (10.4%), but it should be noted that it is normally a condition of participation for one to be a member of the NGB/NSO and for many, the opportunity to take part in a competition or event is the main catalyst to encourage their membership. For competitive sports without world-class programme funding, competitions and events make up 18.0% of their income but only 14.8% of their expenditure.

⁶ Whereas in the case of sports with world-class programme funding, the dedicated staff and overhead costs of national teams are generally included in the international section of the accounts, this is not generally the case for sports without world-class programme funding. Their staffing and overhead costs related to national teams are usually included in the Headquarters costs.

⁷ In some cases, accounts provided insufficient detail to accurately subdivide part or all of the expenditure. Therefore in some cases, figures included under sundry should rightfully have been analysed into one of the other headings.

3.4 Assets

Overall, the NGBs/NSOs make a net profit after tax of 2.2% of their annual turnover. This represents an appropriate contribution to maintain the value of their assets against inflation. There was little variation across the three main categories of NGBs/NSOs although there were individual examples of very significant profits, and, in rare cases, substantial losses (but in all these cases, there appears to have been more than adequate reserves to meet the losses). *Table 3* shows the breakdown of assets over the three main categories.

Table 3: Analysis of Assets

	NGBs with World-Class Programme Funding	NGBs with no World-Class Programme Funding	NSOs of Recreational Activities	Overall
	<i>% of total spend</i>	<i>% of total spend</i>	<i>% of total spend</i>	<i>% of total spend</i>
Fixed Assets as % of annual expenditure	18.6	25.6	46.6	29.1
Net Current Assets (incl. investments) as % of annual expenditure	16.6	34.9	77.2	40.5

NSOs of recreational activities have net current assets of, on average, 77.2% of their annual expenditure. This represents a safety net of over 9 months trading. In fact, since 68.6% of their income is derived from their members, they could realistically continue for nearly two and a half years, with no other sources of funding, without the need to sell any fixed assets (e.g. headquarters property).

In contrast, NGBs with world class programme funding have, on average, net current assets of only 16.6% of their annual expenditure, representing a safety net of less than 2 months. Even when their membership income is taken into account, and regarded as secure, they could still only continue trading at their current level for 3 months.⁸

⁸ This is an average figure. The position for some of the NGBs is far more parlous than that.

4. Core functions

4.1 Membership organisations

Almost all of the national governing bodies of sport and recreation are membership organisations (although many are registered companies, usually limited by guarantee). Constitutionally, they exist for the benefit of their membership, and must function in accordance with that responsibility. The members are the principal stakeholders in the organisations: they have the power to determine the direction and programmes of the national governing bodies through their votes at annual and other general meetings.

Almost without exception, national governing bodies levy a charge on their membership, in the form of a membership subscription, or annual fee. This serves to underline the fact of their responsibility to their members: the members are paying into the organisation both in fulfilment of their role as stakeholders, and in the expectation that they will receive benefits and services in return.

4.2 Expectations of membership

The national governing bodies who were interviewed (and also those that provided their accounts and/or Annual Reports) indicated that, in general, the expectations of their membership were as follows:

- the national governing body would manage, develop and promote the sport or activity to best effect (**'development'**)
- the national governing body would regulate the sport (**'governance'**)
- a range of competitive opportunities would be provided for the membership (**'activity'**)
- a range of other benefits and services would be provided for the membership (**'service'**)

While a number of interviewees stated their belief that the national governing bodies were expected to deliver excellence, in terms of medal-winning international performers, it was not apparent that this was a high-level expectation of the membership.

4.3 Membership numbers and fees

In almost all the national governing bodies reviewed, membership numbers have risen within the past five years. Where this has not been the case, membership numbers have remained static. There was no governing body which reported a decline in membership – other than marginally from year to year, although in some cases there were movements between different categories of membership (eg. from more formal to more informal ways of taking part).

At the same time, governing bodies reported that there were significant numbers of participants in the sport or activity which they govern, who remain outside the membership of the governing body. These may be individuals who practise their sport outside of the structured environment – e.g.,

recreational runners, swimmers or cyclists – those who are members of unaffiliated organisations, or those who do not subscribe to the benefits of membership, or do not appreciate being part of formal structures (eg. Those who participate on an informal basis using local publicly owned facilities).

Generally, this increase in membership has been established against a background of rising membership fees. Almost all of those governing bodies interviewed have raised their membership fees in recent years, in some cases by high percentages. That said, membership fees have historically been set at relatively low levels. High-percentage increases therefore represent only a small actual increase per annum.

These increases have not been resisted by memberships (at least not in so far as leading them to desert the organisation); nor have they proved detrimental to membership recruitment. This suggests that:

- Members consider that they have previously been receiving extremely good value for money from underpriced membership packages *and/or*
- Governing bodies have persuaded their membership of the value of the membership package through effective communication *and/or*
- The advantages of being within the orbit of the governing body are perceived to outweigh the costs

4.4 Packages of benefits offered to membership

In return for their membership subscriptions, members of national governing bodies receive a package of benefits which generally comprises some or all of the following:

- A licence to compete in national-level, or nationally co-ordinated, events
- Publications, such as members' handbook, regular newsletters, etc.
- Reduced-rate access to resources or services
- Insurance provision – without which the licence to compete could not be issued
- The right to vote, or to be represented, at meetings of the organisation

Not all governing bodies calculate the price of this membership package against the cost of its constituent parts; price-setting tends to be the result of an assessment of the level of increase which the membership will tolerate, over and above the current subscription levels. That said, increases in the cost of some constituent parts – e.g., insurance, publications – are generally passed on directly to the membership.

4.5 Membership spend overall on their sport

The low level of membership fees in many sports – in almost all cases less than £50 – reflects the fact that the great majority of members' spend is in the local market. This is by way of affiliation to their club or county/regional association, and the weekly cost of training and competing; also the cost of kit and equipment, which in most cases will go to commercial suppliers operating outside the immediate ambit of the sport.

National governing bodies do not possess detailed or reliable information in respect of the nature and level of members' expenditure in the local market. It seems likely from the estimates of interviewees, however, that this local spend is in a majority of cases several times the cost of the annual membership subscription to the national governing body.

4.6 Organisational provision for membership

The finances of governing bodies are generally predicated so that membership subscriptions and other direct income is sufficient to cover the costs of delivering a core operation – i.e., one that will service the membership. Indeed, in many cases, there is a remarkable corollary between levels of membership income, and the core costs of the national governing body. Generally, this will represent between 30 and 40 per cent of the national governing body's turnover.

Many, but not all, governing bodies maintain a membership services department within their organisation. This may cover a range of different activities, the nature of which varies from organisation to organisation. It is, however, seen as a useful and important way of demonstrating to the membership (a) that their interests as stakeholders are being taken care of, and (b) that there is a direct return being provided to them for their subscriptions, i.e., that they are purchasing a distinct service from their national governing body.

4.7 Core costs of organisations, and trends in these

The core costs of national governing bodies are related to headquarters operations and central services – e.g., staff salaries and benefits, office accommodation and overheads, administration and finance costs, the cost of delivering governance functions, regulations and competitions, etc.

Central office costs have increased in recent years in almost all the governing bodies which were interviewed. This is primarily because of substantial staffing increases, and the additional overheads and operational costs which these have entailed. Such increases have most obviously occurred in activities and programmes which are grant-aid dependent, and which represent 'money in, money out' – e.g., in World Class programmes, where grant-aid has been provided to allow activities to be conducted which would not otherwise be conducted. However, there have also been staff increases in other areas of activity, as governing bodies have had to adopt an increasingly professionalised approach.

While the above is true, there is at the same time a strong mood of financial prudence within governing bodies. This is occasioned by the fact that several of them have found themselves in a perilous financial position in recent years. Thus there is a determination to adopt structures and systems which militate against similar crises eventuating, to ensure that reserves are maintained which insure against disaster, and to identify and avoid any obvious risks to the business.

In the main, however, national governing bodies / national sports organisations are regularly asked (and expected) to provide advice, support and information to non-members (including to public and private sector organisations, as well as to members of the public), for which they do not derive any financial benefit. This service is usually provided by the NGB/NSO, who thereby demonstrate altruism in support of their sport or activity which far exceeds their duty to their stakeholders or funding agents.

5. Grant-aid funding

5.1 Government and Sports Council objectives and priorities

The national governing bodies which were interviewed believe that Sports Council agendas are driven largely by Government targets. These targets do not generally recognise the inherent benefits of sport in its own right, but relate instead to sport's ability to contribute to the fulfilment of other objectives – e.g., the improvement of the health of the nation, the need to engage disaffected youths in education, the need to reduce levels of juvenile crime, etc.

There is also a belief that Government wishes to oversee the creation of a 'feelgood factor' in whose reflected glory it can bask – this by the generation of success on the international sporting stage, through medal-winners at major multisport games and high-performing teams in world and continental championships.

Government targets are translated by the Sports Councils into the following priority areas, which in turn are manifested in grant-aid funding programmes:

- Increases in participation (but not necessarily increases in the membership of the NGB/NSO)
- Developing excellence
- Improving quality in governance, management and support systems

Governing bodies freely acknowledge that these objectives are not generally dissimilar to their own, except that they would wish that participation and membership were much more closely aligned). Thus, for those bodies to which support is forthcoming, it is in areas which they consider to be in the best interests of themselves and their sports.

That said, the policies of the Sports Councils to prioritise and concentrate their investment on a few sports at the expense of others have created a culture of haves and have-nots. The have-nots are now finding themselves suffering directly at the hands of the haves: examples of this are that better provision and facilities mean that participants are lured to one sport away from another; or that market forces determine that quality employees gravitate from underfunded sports to the well-funded.

5.2 Relationship with membership expectations

Government and Sports Council objectives and targets are, by and large, seen by the national governing bodies of sport and recreation as one step removed from the expectations and requirements of their members – who, as stated above, are the stakeholders whom those governing bodies must satisfy:

- Government and the Sports Councils require that the governing body delivers sporting initiatives which impact on related areas, such as health, education and social inclusion

- The membership requires that the governing body concentrates on creating an environment in which they can practise their sport for the sake of it

Thus there is often a tension behind governing bodies' expenditure of their revenues, between the expectations of their membership and the requirements of the funding agencies. In some cases this has created a distance between governing bodies and their membership/clubs, and a comparatively closer relationship between governing bodies and the Sports Councils.

Underlying this is the unavoidable fact that, for many governing bodies of sport, the revenues which they receive from Sports Council grant-aid outweigh those which they receive from their membership. The senior officers' (and especially the staff) loyalty therefore may tend to lie with the one which 'pays the piper'.

5.3 Activities and programmes funded by the Sports Councils

Many governing bodies see grant-aid funding as additional to their existing activities – 'money in, money out' (although often these programmes are not supported in full by the Sports Council, and require the NGB/NSO to supplement the costs. Certainly the increased burden these programmes place on the central management and administration is largely unrecognised in terms of grant-aided support). It seems likely that many of the activities which are funded through Sports Council grant-aid would not be continued by the governing bodies if that funding was switched off. Since the activities which the Sports Councils mainly support are development programmes and programmes for the support of elite performers, it is these which would be most at risk in the event of a change in central funding policy.

This is especially true of World Class programmes: those governing bodies which operate fully-funded Performance Directorates to oversee and drive their excellence programmes state that those departments and programmes would be terminated forthwith if and when that funding is withdrawn.

Although grant-aid funding goes to support two essential areas of activity for governing bodies – development and performance – the way in which it is provided does not always meet their core needs. Two of the governing bodies which were interviewed have been in receipt of substantial amounts of World Class funding for their elite performers, but have not been supported to build the supporting infrastructures and capacity that will underpin those World Class programmes. Through their own assessment, their greatest need at the time of the award of World Class funding was for investment in the infrastructure; their subsequent inability to secure this has had a major impact upon the sustainability of comparatively well-funded excellence programmes.

This is especially true of non-professional sports. Here there is a considerable gulf between the elite performers who have been professionalised through the receipt of World Class funding, and the amateur infrastructure which pertains in the remainder of the sport and which produced them. Only through the injection of significant levels of grant-aid funding can that gulf be bridged.

5.4 Impact of Sports Council programmes on governing body structures, and costs

Grant-aid funding has been a major driver of structural change within governing bodies. This has been in two distinct ways:

- Direct – i.e., through the intervention of the Sports Councils when governing bodies have been found unfit for purpose, or through the award of modernisation funding to achieve specific changes
- Indirect – i.e., through the reorientation of activities or personnel in order to access new funding programmes

There is a widespread belief that changes to improve systems of governance and management have been beneficial for governing bodies. This is because such changes have contributed to their long-term security and sustainability, and improved their internal processes – e.g., in the streamlining of decision-making, or the professionalisation of certain functions.

There is, however, an equally widespread belief that governing bodies have in several cases been unbalanced by changes made in order to access or deliver new funding programmes. That is to say, organisational structures have in some cases ‘grown like topsy’ in response to the initiation of new Sports Council programmes, rather than through the deliberate meeting of the identified and specific needs of the business. Where such organic change has taken place, it has of itself created a consequent requirement for additional restructuring work to redress that balance; thus the Sports Councils have been required to support the resolution of a problem which they themselves have created.

The governing bodies which were interviewed state that while the award of grant-aid funding is important to their development, it has in many instances carried a significant cost, in the following respects:

- Management time has been consumed in great quantities in sourcing it. Once received, the demands of servicing and supporting it, and the personnel and programmes it delivers, represent a substantial hidden cost which is often borne by the core operation – i.e., the operation which is supported primarily by membership income (whereas in the past, this cost has been covered through a management charge levied by the governing body on grant-aid received, this practice now seems to be being eliminated by the Sports Councils)
- Volunteers have stopped giving their labour to the NGB/NSO because they believe that their role (or part of their role) has been usurped by a newly funded employee (often far less experienced than the volunteer they are displacing). This has not only cost governing bodies in terms of human resources, but it has also created tension between volunteers and executive officers
- In some cases affiliated clubs and organisations have stopped declaring their full membership to the governing body, with a view to reducing their affiliation fees. It is felt that this has been brought about by a feeling that the governing body has become sufficiently well supported so as not to need these fees

The above is not helped by an ongoing problem for several governing bodies, which is that, while they have their World Class programmes underpinned by Sport Council exchequer investment in their governance and management systems, such exchequer awards have in many cases remained static for the past four or five years. This is in spite of inflation and the growth of the governing body.

Also, the need to institute policies and procedures relating to equity and ethics has involved all governing bodies in some kind of cost – either directly, through the employment of additional personnel and publication and distribution costs; or indirectly, through the allocation of existing staff time. Governing bodies accept that it is essential to address issues such as child protection effectively; however, to one of those interviewed, the direct cost of so doing is around £50,000 per annum.

5.5 Impact of Sports Council programmes on sports development

The priorities of the Sports Councils – e.g., especially, ethics and equity – have not always matched the priorities of governing bodies. While these areas are important to governing bodies, they are considered to be ‘tomorrow’ issues whereas, to the Sports Councils, they are ‘today’ issues. This has required the governing bodies to address these areas with more urgency than they have felt necessary in comparison with their other activities.

Thus governing bodies have often found themselves required and/or incentivised to accelerate programmes for the development of participation among women and girls, black and ethnic minorities, or the disabled, when such sectors have not represented priorities within their own perspective. To them, and to their membership, an overall increase in participation is the real objective, regardless of the identity of the participants. If this is achieved, then (a) membership revenues will rise, and the governing body’s sustainability will be strengthened; and (b) logic suggests that, the more participants there are, the more there will also be from under-represented groups.

5.6 Levels of dependency on Sports Council grant aid

Dependency upon grant-aid support varied among those governing bodies interviewed, from 25% to 85%. The average is around 55% for those with world-class programme funding (compared with only 15% overall for all other NGB/NSOs. None of the governing bodies that were interviewed believes that it is realistic to function effectively nowadays entirely on self-generated income. This belief is underwritten by the conviction that sport will always be funded by Government to some degree; it would be unconscionable for it not to be so.

5.7 Issues of sustainability

This relatively high level of dependency is not generally considered to be a risk to governing bodies. In cases where it is acknowledged as one, it is generally managed by one or both of the following:

- Applying the aforementioned principle of additionality, i.e., anticipating the termination of funded activities in the event that funding is withdrawn
- Maintaining sufficient cash reserves to ensure the future operation of the core business for around a year

The ultimate fall-back position for most of the well-supported governing bodies is the 30% or 40% of their turnover which represents membership income and servicing. If the worst comes to the worst, and external sources of funding dry up, then all operations can be trimmed back to this level, but this would involve extreme reductions in staffing levels, and a significant reduction in investment in national team programmes.

5.8 Conditions of funding

Ringfenced funding has in some cases created rich departments within otherwise poor governing bodies – which has been culturally divisive. For example, small governing bodies of non-professional sports which have been well funded through the World Class programmes have seen a wide divergence between Performance Directorate salary levels and those within the remainder of the organisation. This cannot but create friction between the two.

There are high expectations of the Sports Councils' Whole-Sport/One-Stop planning approach, and the greater degree of flexibility which this promises to offer governing bodies in the determination of their expenditure. It is hoped that differentials such as that described above will be addressed through this approach. That said, early indications suggest that governing bodies will be as closely bound to Sports Council criteria in the expenditure of their funding as they have ever been.

The period of grant awards – i.e., through rolling one-year funding agreements – is considered to be restrictive by governing bodies, in that:

- It militates against long-term planning and the structured building of programmes
- It makes heavy annual demands on staff time in reapplying for/justifying the continuation of grant-aid funding
- It undermines staff confidence, in that they do not know whether they will have a job for longer than the next 12 months – which makes the securing of mortgages, loans, rental agreements, etc., extremely difficult
- It therefore also makes staff retention difficult, as the promise of longer-term security in other organisations appears more attractive

This situation is exacerbated by the frequently short-notice renewal of funding agreements. Often governing bodies do not know until one or two months prior to the end of a funding agreement whether it will be renewed or not and, if so, in what measure. This also militates against medium- and long-term planning, and breeds insecurity among staff.

Complementary funding agreements from different Sports Councils are sometimes marked by overlapping or misaligned funding years – i.e., World Class Performance funding may run from October to September, while World Class Potential funding runs from April to March. There is a parallel issue across the winter sports, whose funding is awarded over a four-year cycle which relates to the summer Olympic Games, not the winter Olympic Games. This lack of alignment merely adds to the problems described above in respect of planning and staff security/morale.

5.9 Non-Sports Council sources of grant-aid income, and levels of exploitation

The governing bodies which were interviewed do not generally bring in significant levels of grant-aid funding from other sources – if at all. The exceptions are those larger organisations whose activities lend themselves to the direct delivery of other complementary agendas; sports such as athletics and swimming have some access to Government budgets relating to education and health, while others have delivered pilot or other initiatives on behalf of the Home Office which are designed to combat juvenile crime.

Some governing bodies have accessed the budgets of regional development agencies, especially for the staging of events, while others have drawn on charities whose objects are specifically concerned with the delivery of their sport or recreation in a particular setting.

Such exploitation is not systematic or widespread. A majority of governing bodies consider that they are sufficiently well occupied in chasing membership subscriptions, Sports Council grant-aid and other well-trodden sources of revenue, to lack the time to commit to the creative thinking that would be required to connect with these other, marginal sources.

5.10 Support at sub-national level

There is little evidence of any grant-aided support for administration or governance at sub-national (regional, county or local) level; and there are very few NGBs/NSOs with any staff working at that level in a management or administrative capacity. There is, however, a wide network of sports development officers in some sports deployed at regional and county level, but usually these SDOs report to nationally-based managers and are not always closely involved with their regional or county governing bodies.

6. Other income

6.1 Income-generating personnel

The governing bodies which were interviewed were purposefully asked how many of their personnel they considered to be involved in income-generation. Answers varied, as follows:

- Some stated only that their full-time commercial staff carried this responsibility
- Some stated that their Chief Executive was a prime mover in revenue generation, and this was a key reason behind his/her appointment
- Some broadened their response to include all staff who are not directly concerned with either spending or counting money

In particular, there emerged a divide between those which consider their development personnel to be income-generating (i.e., increasing participation with a view to increasing membership, and therefore increasing revenues); and those which see them fulfilling a more altruistic purpose (i.e., promoting the sport for its own sake). Prominent among the former were those governing bodies of sports where there is a large participant base who are outside membership of the governing body – e.g., swimming, judo, ice skating.

6.2 Income-generating activities

As stated above, membership fees generally account for between 30 and 40 per cent of governing bodies' turnover. Other principal, non-commercial sources of income are:

- Event-based revenues – such as entrance fees for competitions
- Fees received from award schemes – skills awards for participants, or coach education awards, or match officials' equivalents

Such sources of income have not altered or diversified significantly over the past decade. The biggest change that governing bodies have experienced during that period has been the introduction of large-scale grant-aid from the Sports Councils. Given the availability of this, governing bodies acknowledge that they have focused their internal resources on maximising their returns from this source, at the expense of attempting to diversify their income streams.

6.3 Commercial strategies and activities

Outside of the major professional sports, few governing bodies have adopted a proactive and innovative approach to commercial fund-raising. Several stated that they are aware of their deficiencies in this respect; some that they had formed a commercial committee to look into it; but few could demonstrate a range of ideas that would exploit the commercial potential that they possess.

A principal barrier to many governing bodies is their perception of the ineluctable link between commercial revenues and (a) television coverage, and (b) the size of their membership. In particular, few governing bodies believe that they could attract significant levels of sponsorship or advertising revenue without the benefit of television coverage. There is also a widespread conviction that low membership levels do not lend themselves to commercial exploitation – this despite those membership figures rising consistently in most cases over the past five years (see above).

As stated above, a number of governing bodies put the onus on their Chief Executive to be the principal commercial activist – often without that officer having any direct commercial experience or expertise or sufficient time to devote to the process. Such governing bodies are loath to appoint Commercial Managers, for the following reasons:

- To get an appointee of the requisite calibre would be expensive. The salary level for a high-quality operative would be around £50,000 per annum
- Such an appointee would need to be in place for two years before he/she could hope to generate sufficient revenues to cover his/her costs – let alone turn in a profit for the organisation
- There are no guarantees that such revenues will be generated
- This course of action therefore constitutes a financial risk which NGBs/NSOs do not wish to take

There are some governing bodies which have very definite and sophisticated commercial plans, which represent excellent practice within the sector. These have the following key features:

- The profiling and segmentation of membership – in demographic and socio-economic terms
- The identification of commercial interests with which the membership profile coincides, and which may therefore be exploitable
- The identification of the commercial landscape surrounding and coexisting with the sport or recreation, and the opportunities within it
- The consideration of a broad mix of commercial activities, including sponsorship (large- and small-scale), advertising, merchandising, hospitality, database marketing, etc.
- Effective packaging which acknowledges the strengths and weaknesses of the properties owned by the organisation, and the nature of the markets to which they appeal
- Effective servicing, including a recognition of the need to demonstrate a return on commercial investment to partners, and the provision of essential complementary activities such as media and public relations

However, outside of the major professional sports whose commercial activities are highly developed and finely calibrated, such strategies are the exception rather than the rule.

6.4 Commercial income, by source

The most frequently occurring commercial activities among the national governing bodies whose accounts were scrutinised, and which were interviewed, are as follows:

- Sponsorship
- Merchandising
- Sales of resources and publications
- Events

Other sources of commercial revenue, such as advertising, lotteries, or database marketing, do not routinely appear either in the accounts or in the interview transcripts.

Not taking into account the major professional sports, the income from these four commercial sources represents a low proportion of turnover.

Television revenues make up a very significant proportion of turnover only for professional sports which are regularly and extensively broadcast (e.g., soccer, both codes of rugby, cricket, athletics, tennis) and whose commercial identity is consequently well developed. Such sports tend to have their commercial portfolios, and their wider finances, well structured around those revenues – which are in several cases tied to supporting the teams or events which are televised. Thus, for example, a large part of the revenue which the Rugby Football League derives from its contract with Sky Sports is redistributed to its member clubs; a large part of UK: Athletics' television deal is predicated against the staging costs of the events which are broadcast.

While such sports could be said to be dependent upon television revenues, this is true only in respect of the professional level: the withdrawal of television revenues from this level would represent a significant threat to its viability. Other levels of these sports function in much the same way as do the non-professional sports: while they may benefit from the collateral investment of television fees, their everyday reliance is on subscriptions and small-scale commercial activities.

Other governing bodies whose sports are not the staple fare of television, but whose events are broadcast periodically, have no reliance upon television income. Where broadcast coverage can be secured, this is welcome – in that it increases popular awareness of the sport and often has a commercial spin-off, through the attraction of event-related sponsors and advertisers. But it generally brings no direct benefit in the form of fees, and in some cases its costs must be paid for by the sport or a sponsor.

7. Assets & reserves

7.1 Fixed/tangible assets

Almost all the governing bodies which were interviewed had no assets other than office and sports equipment, and cash reserves. The exceptions were the small number which owned property, in the form of either headquarters accommodation or facilities to play or promote the sport or activity.

As demonstrated by the statistical analysis, across all the governing bodies which provided accounts, fixed assets represented 29% of annual expenditure. Net current assets represented 41% on average, across all the sports analysed, but was much higher (average 77%) for recreational activities and much lower (average 16%) for sports with world-class programme funding, reflecting the ephemeral nature of that funding.

In short, the overall balance sheet for governing bodies of sport and recreation demonstrates that they represent a cash business, with no real assets to support them. (Obviously, this assessment does not apply to those governing bodies of the major professional sports which own and operate spectator facilities or equivalent – e.g., the Rugby Football Union and Twickenham, the Lawn Tennis Association and Queen's Club).

7.2 Property ownership

Almost all the governing bodies which were interviewed occupy their headquarters as tenants – albeit mainly on secure terms. However, a majority expressed a pressing desire to relocate. In particular, they wished to exercise ownership of their headquarters, in order to strengthen both their overall position and their balance sheet.

Reasons given for this desire to relocate include the impression that current premises are unsuitable in respect of both the profile and standing of the governing body, and the growing number of staff who are employed. Also, several governing bodies occupy out-of-city locations; while these result in overall savings, they can present problems in the recruitment of staff of an appropriate calibre.

However, ownership of headquarters premises has caused some problems for NGBs/NSOs whose staffing numbers have expanded rapidly, beyond the capacity of their accommodation. A frequently occurring consequence of the restraints of headquarters accommodation is that there is a percentage of governing body employees – usually Performance or development personnel – who work from home. However, such remote working can also be down to convenience, where such employees live some distance away from the headquarters and/or must travel a great deal for the performance of their duties; or down to cost.

A majority of the governing bodies interviewed maintain regional office bases, in order to function in alignment with Sports Council structures and to oversee the delivery of national strategy on a regional or localised basis (these tend to be staff who are responsible for development, rather than governance, activities or services and are not necessarily closely aligned with the regional or county governing body officers and functions). Such offices are generally located either in sporting venues as part of usage agreements with their owners/operators/funders – which will often be at discounted or nil cost – or in accommodation leased at market rate from local suppliers.

The provision of headquarters and regional accommodation is an area where governing bodies believe that more could and should be done centrally to assist them. In particular, there is widespread support for the House of Sport concept – not only for the mutual provision of facilities, but also to explore economies of scale which could be worked through cross-working and the development of shared functions.

7.3 Cash reserves

A majority of governing bodies have a cash reserve policy which dictates that they should maintain sufficient in reserve to ensure future operations for around a year, at least in respect of their core functions. Most governing bodies have formally discussed and agreed this policy through their Boards of Directors or equivalent; others use it as a more informal rule of thumb.

As has been stated above, governing bodies' core operations represent around 30 to 40 per cent of turnover – and therefore this is the approximate level of cash reserves which is maintained. In order to make up these reserves, most governing bodies rely either on prior-year trading surpluses or on cash flow. The uncertainty, and the sometimes erratic levels of grant aid, makes NGBs/NSOs especially cautious of eroding their reserves.

7.4 Capital issues

One governing body which was interviewed spoke strongly about the basic business need for capital against which to invest and grow. The absence of such capital from almost all governing bodies' balance sheets, and the "money in/money out" approach behind Sports Council funding, represents the contravention of this business principle

7.5 Cash-flow issues

No governing body which was interviewed has any significant or pressing cash-flow problem. Most have structured their income streams so that membership fees are received at the beginning of the year, and grant-aid funding paid quarterly in advance, so that cash is received prior to activities being conducted and expenditure incurred. This allows several governing bodies to maintain the cash reserves which they require to ensure their future operations for a minimum period (see above).

8. Taxation & insurance

8.1 Income tax

The governing bodies which were interviewed had few specific complaints in respect of taxation. Where there were income tax issues, these related to the remuneration of volunteers who conduct coaching and other activities on their behalf in return for the payment of expenses.

8.2 Corporation tax

Corporation tax is of little concern to a majority of governing bodies, who make infrequent and insufficient surpluses to attract it. However, other governing bodies see corporation tax as an iniquity, for the following reasons:

- Governing bodies are in effect not-for-profit organisations, in that they are usually constitutionally bound to reinvest their trading surpluses in the development of the sport. That those surpluses are subject to corporation tax means that such reinvestment is reduced to a level lower than it might otherwise be. Governing bodies therefore feel that they are being penalised for generating funds for the development of their sport
- It is a significant barrier to the establishment of reserves, which will underwrite the future security of the governing body and create capital for investment and growth

There are some governing bodies which deliberately avoid making profits so as to avoid the payment of corporation tax. Others do not wish to be seen to demonstrate trading surpluses, lest they come under pressure from:

- The Sports Councils, who may grant them less money on the basis that they ostensibly need less
- Their membership, who may demand that the surplus which is generated should be spent on programmes which benefit them in future years, or may cite this as a counter-argument to any proposal to increase fees.

8.3 Value Added Tax

Most governing bodies are VAT-registered, and enjoy partially-exempt status. This reflects the fact that they are not wholly commercial organisations – but makes the processing of VAT returns extremely complicated. Those governing bodies which are not VAT-registered state that they are happy to remain that way and to write off input tax on an annual basis; their reasoning for this is that the complications of registration are too great, and not worth the returns.

A majority of governing bodies who were interviewed are in receipt of expert VAT advice. However, there is a recognition that such advice is often subjective and interpretative, and that its quality depends upon the price that has been paid for it; several governing bodies receive VAT advice from their auditors, who may or may not be sufficiently qualified or expert to give it at the level at which it is required.

Levels of knowledge within governing bodies are too low to question the advice which they receive: governing bodies would appreciate a central and consistent corpus of VAT advice, which would eliminate the vagaries of opinion which are offered to them.

VAT issues held in common between governing bodies are:

- The need to charge VAT on sponsorships, where these are substantial
- Occasional difficulties associated with VAT chargeable on revenue grants

8.4 Trading companies and charitable trusts

A number of governing bodies utilise trading companies to process commercial activities such as merchandising and the staging of events. Such companies serve as vehicles for the reclamation of VAT and the avoidance of tax, and are generally stated in the accounts as a debtor to the governing body.

A number of governing bodies also operate charitable trusts, ostensibly for the receipt of commercial and other profits for tax purposes (see above, on corporation tax). Charity law dictates that such trusts can commit expenditure only to the delivery of sport in education. This restriction, coupled with a lack of understanding and mistrust of the charitable device, and an absence of creative thinking among governing bodies and funding agents alike, means that the potential of such trusts remains underexploited.

8.5 Insurances

A principal issue for the governing bodies which were interviewed is that insurance costs have leapt up across the board, primarily as a result of the following circumstances:

- The 9/11 disaster
- The increasing presence and effect of a compensation culture within Great Britain

Governing bodies of sports with a high element of physical risk have found it particularly difficult to secure competitive quotations, but are at the mercy of a very limited market: one sport is able to secure a quotation from only one broker, which has resulted in the doubling of its premiums over a five-year period.

Governing bodies state that they would support a co-ordinated and corporate approach to this problem – although it appears that attempts to do this in the recent past have foundered on a lack of just this kind of support.

9. Summary of conclusions and recommendations

It would appear that there are three principal businesses at play within each sport or recreational activity:

- Development and excellence programmes, which are driven through governing bodies and (in many cases) funded by grant-aid
- The membership-servicing businesses which are operated by governing bodies in exchange for membership fees
- Local activities driven by clubs and local/regional associations, and funded directly by members

The lack of asset ownership among governing bodies means that the first two of these businesses are based almost entirely on cash – with all the strengths and weaknesses which this involves. Ironically, it would seem that the local level is considerably more asset-rich than the national level within almost all sports – although it is beyond the remit of this enquiry to explore the truth of this statement.

The cash businesses that governing bodies operate are underwritten to around 40 per cent by membership subscriptions. This income, and the functions which it supports, represents their core operation. The remaining 60 or so per cent of sports' income is less secure, coming as it does from grant-aid and/or commercial activities and/or other income-generating activities – each of which is subject to the vagaries of external partners.

Governing bodies are presiding over a growing business – as is evidenced by the increases in membership which almost all of those interviewed could demonstrate. This growth, however, does come at a cost, as expenditure must be increased to keep pace with it, as are the levels of commitment and responsibility imposed upon those who lead the organisation. Elected officers and Board members are invariably unpaid and carry an extensive burden, both in terms of time and responsibility. This applies at all levels throughout the governing body - national, regional, county, league and club. It represents an enormous, uncosted additional resource provided to the sport and in many organisations far outweighs the total level of direct funding from all sources.

Recommendations

In order to address some of the issues raised by this enquiry, and in particular to strengthen the governing body sector, the following recommendations are made:

1. Recognition needs to be given by Government and Sports Councils of, and support provided for, sports' and members' core needs. In the quest to increase participation among those who are outside sport, and to propel the talented few to international success, the requirements of those already in the membership fold are being forgotten, and they are underwriting the others who benefit from the sport or activity.
2. Funding agents need to recognise that the delivery of specific programmes (eg. World-Class funding) is dependent on the existence of suitable core services provided by the respective National Governing Bodies. It cannot be healthy that such programmes are, in many sports, entirely dependent upon project-based third-party funding, and liable to termination in the event that this funding is withdrawn or reduced. Support should be given to these programmes as part of secure mainstream funding.
3. Sports Council grant-aid awards should be made for a longer term than one year. The shortness of this period militates against stability within governing bodies, in terms of both programmes and personnel, while the constant need to review and reapply consumes a substantial and unnecessary amount of human resources.
4. The opportunities which are afforded to some governing bodies to access funds from Governmental departments other than DCMS should be opened to all on a systematic basis. If funds from health and education are to be made available to sport, they should be made available to all on an equitable basis.
5. National Sports Organisations should be given central assistance to research and formulate detailed and sophisticated commercial strategies, based around the profiling of their membership and the packaging of their available properties. The benefits of a collective approach to this work should also be considered, i.e., that governing bodies may pool their properties or combine their membership databases in order to exploit commercial sources which might otherwise be unavailable to them.
6. The House of Sport concept should be developed, by way of providing suitable and shared headquarters accommodation for a number of governing bodies at national and regional level. Not only would this create the possibility of sharing overheads, it might also lead to economies of scale through the sharing of central functions such as finance management and human resources.

7. New strategies for asset and capital generation within national governing bodies should be developed. The weakness of sport as a cash business should be addressed, especially through measures which encourage governing bodies to build a capital base against which growth and reinvestment may take place.
8. A collective approach should be taken to legislative issues – not only in lobbying Government, but also in the observation of requirements. For example, governing bodies would have benefited considerably in the recent past from the provision of standard templates for child protection policies which each could adapt for its own purposes; the future identification and provision of needs in similar areas should be a priority for central servicing.
9. A collective approach should be taken to the provision of VAT advice on the structures and activities of governing bodies. Currently, this is diverse and variable, and dependent upon the ability of the governing body to pay. These vagaries should be removed, and a consolidated approach taken which provides best-practice solutions to the common VAT issues within governing bodies.
10. A collective approach should be taken in response to rising insurance premiums. Governing bodies should be encouraged by a central agency to come together to present a united front to the insurance market, with a view to working mutually beneficial economies of scale.
11. A more creative approach needs to be taken to the exploitation of the charitable trusts operated by a number of governing bodies. The availability of these vehicles for the promotion of sport in education, and the amount of money which Government is making available for the same end, represents a coincidence which may be richly exploited for the benefit of sport.

Appendix I : Statistical Data

I.i National Sports Organisations whose accounts were analysed

Amateur Swimming Association	English Schools Football Association
Amateur Swimming Federation of GB	English Table Tennis Association
British Amateur Gymnastics Association	English Women's Bowling Association
British Association of Teachers of Dance	Fitness League
British Boxing Board of Control	Grand National Archery Society
British Canoe Union	Keep Fit Association
British Cycling Federation	Ladies Golf Union
British Equestrian Federation	Lawn Tennis Association
British Fencing Association	Long Distance Walkers Association
British Judo Association	Modern Pentathlon Association of Great Britain
British Mountaineering Council	National Ice Skating Association
British Orienteering Federation	Open Spaces Society
British Water Ski Federation	Professional Golfers' Association
British Weight Lifters' Association	Ramblers Association
British Wheel of Yoga	Royal Aero Club
College of Chinese Physical Culture	Royal Automobile Club Motor Sports Association
Dalcroze Society	Royal Life Saving Society – UK
England Netball	Royal Yachting Association
English Basketball Association	Rugby Football Union
English Bowling Association	Salmon & Trout Association
English Bridge Union	Tennis & Rackets Association
English Golf Union	UK Athletics
English Indoor Bowling Association	West Riding County Football Association

I.ii Organisations who were interviewed

- Amateur Swimming Association
- British Amateur Gymnastics Association
- British Cycling Federation
- British Judo Association
- College of Chinese Physical Culture
- England Netball
- English Table Tennis Association
- Federation of Yorkshire Sport
- Grand National Archery Society
- Modern Pentathlon Association of Great Britain
- National Ice Skating Association
- Rugby Football League
- UK Athletics
- West Riding County Football Association

I.iii Analysis of accounts from National Sports Organisations (46)

Income :	Average %
Membership (registrations, entries, etc)	32.6
Sales (essential items)	1.5
Merchandise (non-essential items)	3.2
National Competitions	3.1
Events/Promotions	7.3
Media/TV	0.5
Commercial/Sponsorship	4.4
Grants – World Class	15.3
Grants – Exchequer	8.4
Grants – Other	4.9
Donations	1.1
Technical Services – Coach/Officiating	5.3
Player Performance Award Schemes	3.2
Business services	1.3
Fund Raising	0.9
Investments / Interest	1.9
Sundry	5.4

Expenditure :	
HQ Staffing	18.0
Central/Core (HQ running expenses, etc)	17.1
Meetings / Hon officers	1.7
PR / Promotion / Publications / Sales	5.8
Special Projects	3.5
Development Programmes	5.8
Domestic Competitions	8.5
Events	2.3
Membership Services	7.3
Grants	1.3
Directly Funded Projects	0.5
International Teams/Events	18.8
Technical Services (coaching / training etc)	3.8
Insurance schemes	0.4
Corporation Tax	0.2
Irrecoverable VAT	0.4
Depreciation / Disposals	1.1
Miscellaneous	3.6

Assets :	
Profit as percentage of annual turnover	2.2
Net Assets as percentage of annual expenditure	40.5
Fixed Assets as percentage of annual expenditure	29.1

I.iv Analysis of accounts from NSOs with World Class Funding (16)

Income :	Average %
Membership (registrations, entries, etc)	17.1
Sales (essential items)	3.4
Merchandise (non-essential items)	1.2
National Competitions	2.8
Events/Promotions	1.6
Media/TV	0.0
Commercial/Sponsorship	5.3
Grants – World Class	44.0
Grants – Exchequer	11.6
Grants – Other	1.1
Donations	0.0
Technical Services – Coach/Officiating	3.0
Player Performance Award Schemes	2.2
Business services	1.8
Fund Raising	0.7
Investments / Interest	0.4
Sundry	3.9

Expenditure :	
HQ Staffing	15.1
Central/Core (HQ running expenses, etc)	9.3
Meetings / Hon officers	0.6
PR / Promotion / Publications / Sales	2.7
Special Projects	3.1
Development Programmes	5.0
Domestic Competitions	3.3
Events	3.3
Membership Services	2.8
Grants	0.8
Directly Funded Projects	1.0
International Teams/Events	42.5
Technical Services (coaching / training etc)	2.2
Insurance schemes	0.7
Corporation Tax	0.3
Irrecoverable VAT	0.4
Depreciation / Disposals	0.5
Miscellaneous	6.4

Assets :	
Profit as percentage of annual turnover	2.4
Net Assets as percentage of annual expenditure	16.6
Fixed Assets as percentage of annual expenditure	18.6

I.v Analysis of accounts from NSOs of competitive sports without World Class Funding (17)

Income :	Average %
Membership (registrations, entries, etc)	39.1
Sales (essential items)	0.3
Merchandise (non-essential items)	3.9
National Competitions	5.3
Events/Promotions	12.7
Media/TV	1.2
Commercial/Sponsorship	6.7
Grants – World Class	0.0
Grants – Exchequer	9.3
Grants – Other	6.1
Donations	0.7
Technical Services – Coach/Officiating	3.0
Player Performance Award Schemes	1.2
Business services	1.7
Fund Raising	0.7
Investments / Interest	1.8
Sundry	6.0

Expenditure :	
HQ Staffing	20.3
Central/Core (HQ running expenses, etc)	16.8
Meetings / Hon officers	2.8
PR / Promotion / Publications / Sales	5.7
Special Projects	2.1
Development Programmes	6.8
Domestic Competitions	14.4
Events	0.4
Membership Services	11.1
Grants	2.0
Directly Funded Projects	0.5
International Teams/Events	10.3
Technical Services (coaching / training etc)	1.5
Insurance schemes	0.0
Corporation Tax	0.7
Irrecoverable VAT	0.6
Depreciation / Disposals	1.9
Miscellaneous	2.2

Assets :	
Profit as percentage of annual turnover	1.9
Net Assets as percentage of annual expenditure	34.9
Fixed Assets as percentage of annual expenditure	25.6

I.vi Analysis of accounts from NSOs of Recreational Activities (13)

Income :	Average %
Membership (registrations, entries, etc)	43.0
Sales (essential items)	0.7
Merchandise (non-essential items)	4.5
National Competitions	0.5
Events/Promotions	7.2
Media/TV	0.0
Commercial/Sponsorship	0.4
Grants – World Class	0.0
Grants – Exchequer	3.3
Grants – Other	8.2
Donations	2.8
Technical Services – Coach/Officiating	11.1
Player Performance Award Schemes	6.8
Business services	0.0
Fund Raising	1.3
Investments / Interest	3.7
Sundry	6.5

Expenditure :	
HQ Staffing	18.4
Central/Core (HQ running expenses, etc)	27.0
Meetings / Hon officers	1.6
PR / Promotion / Publications / Sales	9.7
Special Projects	5.9
Development Programmes	5.7
Domestic Competitions	7.0
Events	3.5
Membership Services	8.0
Grants	1.0
Directly Funded Projects	0.0
International Teams/Events	0.8
Technical Services (coaching / training etc)	8.9
Insurance schemes	0.6
Corporation Tax	-0.7
Irrecoverable VAT	0.0
Depreciation / Disposals	0.6
Miscellaneous	2.0

Assets :	
Profit as percentage of annual turnover	2.5
Net Assets as percentage of annual expenditure	77.2
Fixed Assets as percentage of annual expenditure	46.6

Appendix II - The Research Team

II.i Carnegie Research Institute

The **Carnegie Research Institute** was created by Leeds Metropolitan University in recognition of the outstanding achievement and international reputation of staff investigating a wide range of research challenges in leisure and sport. **Carnegie Research Institute** has a national and international reputation for its work with sporting bodies. The strong focus on sports organisations stems from a personal and professional commitment to promoting and supporting achievement in sport at all levels. Research team members have been involved for over twenty years in practical strategies and initiatives involving the development of sporting excellence. In addition, team members have extensive experience of working with national governing bodies of sport in a range of different positions, both within sports bodies themselves and as researchers.

Carnegie Research Institute operates alongside **Carnegie National Sports Development Centre** within the framework of the **Carnegie Faculty of Sport & Education**. They emphasise the strong commitment of Leeds Metropolitan University to sport. **Carnegie National Sports Development Centre** was created in 1991 by Leeds Metropolitan University in partnership with the Sports Council to provide education, training, research and administrative support for sport and recreation. Since that time it has established a reputation at regional, national and international level for its experience, networks and ability to deliver a wide range of contracts to sports organisations.

MEL WELCH, M.Sc., is Head of the Carnegie National Sports Development Centre. He has personal experience of running a national governing body of sport, having worked as the senior professional officer of a national governing body for over twenty years and as the Honorary Secretary of a British Federation until 2003. He was made a Fellow of the British Institution of Sports Administration in 1995. He was Chairman of National Grants Panel of the Sports Aid Foundation for several years and served as a Member of the Legal Commission of the International Basketball Federation until 2002. He performs a number of important functions in the world of sport including: Treasurer of the European Association for Sport Management; Secretary of the Federation of Yorkshire Sport and the Leeds Sports Federation; Chairman of the Outdoor Basketball Initiative Ltd; Chairman of the Regional Committee of CCPR; Life Vice-President of the English Basketball Association; Life Vice-President of the Commonwealth Basketball Federation. Mel is also a Trustee of the English Federation of Disability Sport Operating Company.

II.ii Wharton Consulting

Wharton Consulting was founded in May 2000 offering consultancy services across all sectors of the sports industry, and specialising in the following:

- strategic and business planning
- performance planning
- management and administration
- tournament planning and event management
- facilities planning and development
- minimum standards and franchise systems
- competition development
- participation development
- anti-racism programmes
- marketing, PR and sponsorship

DR. NEIL TUNNICLIFFE founded Wharton Consulting in May 2000. Neil was formerly Chief Executive of the Rugby Football League and was responsible for the RFL's first-ever business plan. He secured the 2000 Rugby League World Cup for Great Britain and laid down the blueprint for the tournament, and also negotiated new broadcast contracts with the BBC and Sky Sports. Neil also undertook a review and restructuring of the RFL's headquarters administration, instituting vertical and horizontal management structures, a new human resources function, and an information technology strategy. Concomitant with this restructuring was a review of RFL's by-laws, which led to their redrafting in full. Strategically, Neil constructed Rugby League's first World Class Plan, the 'Framing the Future' minimum standards legislation, the RFL's first facilities development programme, and the 'Tackle It' anti-racism initiative. He has also written policy documents for Government which led to the creation of both the Sports Grounds Initiative and a Voluntary Code of Conduct for all sports governing bodies for the sale of broadcasting rights.

SALLY BOLTON was formerly the Chief Executive of Wigan Warriors RLFC and Orrell RUFC. Sally has previous and significant consultancy experience garnered through a two-year spell as Marketing and Business Development Manager for the Sports Consulting Group of Deloitte & Touche. She has also worked at a high level in sports governing bodies, having been a Rugby Football League marketing executive, and Events and Operations Manager for Super League (Europe) Ltd, with responsibility for the annual Super League Grand Final at Old Trafford.

Appendix III- Analysis of accounts of National Sports Organisations

See attached

Appendix IV - Governing Body interviews : Specific areas of discussion

Core purpose and operation of NGB

- Perception of the core purpose of the governing body
- Expectations of funders and how these relate to the activities of the NGB
- Sports Council(s) objectives and their relationship to funding
- Effects of new statutory requirements (e.g. child protection, equality standards) and their impact on NGB operations and costs

NGB development

- Development and growth patterns in last 10 years
- Structural changes to the NGB
- Grant driven changes
- Commercially driven changes

Grants

- Details of grants received from Sports Councils (Sport England &/or UK Sport) including World Class, Exchequer and other
- Conditions of grant aid
- Grants received as a percentage of total income generated – dependency on grant funding
- The impact that the above has on the organisations stability
- Additional costs associated with receiving grants
- The impact of ring-fenced funding for specific purposes

Income generation

- How many staff working for/on behalf of the NGB
- How many NGB staff could be considered to be income generating and in what ways
- Changes in streams of income in the last 10 years

Commercialisation

- Income generated from commercial activities and broken down into relevant headings e.g. sponsorship, merchandise etc.
- Changes in these streams of income in the last 10 years
- TV income and as a percentage of total income
- Dependence on TV income and its impact on operations

Headquarters and Core running costs

- Security of tenure at HQ site
- Property ownership other than HQ
- HQ running costs as a percentage of total expenditure
- Trends in respect of these costs in recent years
- No. of staff employed at Headquarters
- Regional Staff / offices

Cash reserves

- Policy on cash reserves
- Fixed assets and Capital plans
- Cash-flow issues

Taxation

- Corporation tax issues
- Is the organisation VAT registered?
- VAT implications for revenue grants
- VAT implications for capital grants
- VAT implications for Sponsorship agreements
- Is VAT charged on membership fees?
- Other taxation issues

Other Items

- Any other items identified by NGB
- Any other items identified by Interviewer