

HM Treasury consultation on corporate contributions to grassroots sports

Response from the Sport and Recreation Alliance

The Sport and Recreation Alliance

The Sport and Recreation Alliance is the independent voice of the governing and representative bodies of sport and recreation in the UK. Our 320 members represent approximately 150,000 clubs across the country and some 8 million regular participants. The Alliance exists to promote the role of sport and recreation in healthy and active lifestyles and in particular to encourage a policy and regulatory environment in which grassroots sport can flourish.

General comments

We very much welcome the consultation and the opportunity to comment on the proposals. The Government's new sport strategy 'Sporting Future' makes clear that participation in grassroots sport brings many benefits, not only to individuals but also wider social benefits. The strategy also makes clear that successful delivery of the objectives in the strategy will require close cooperation between different Government departments, including HM Treasury. In this context we believe it is essential that the tax regime is supportive of grassroots sport so as to facilitate the most effective use of existing financial resources for the biggest benefit and to lever in new, additional investment where possible.

While the Alliance response represents the broad views across our membership, we recognise that individual members will wish to engage further with HM Treasury to discuss specific views on the proposals. In this context, the Alliance response should be read alongside those of our individual members.

We have provided more detailed feedback on the specific proposals regarding Corporation Tax deductibility for contributions to grassroots sport further below. However, before turning to the specific consultation questions, we would make the following general comments:

- The Alliance membership comprises a wide variety of organisations from across the sector. These include National Governing Bodies with strategic responsibility for grassroots provision within their respective sports – principally through their county and club networks – but also many other bodies involved in the provision of grassroots sport and recreation such as County Sports Partnerships (CSPs) and other community sport organisations. In some cases, National Governing Bodies have created separate charitable foundations through which they fund grassroots sport. As such, there exists a wide variety of structures through which grassroots expenditure is channelled. Many of these structures and the associated basis for paying Corporation Tax have evolved over a significant period of time.

- Given the variety of different organisations and their historic structural development, few organisations involved in grassroots sport provision will start from the same Corporation Tax footing. As a result, any changes to the treatment of Corporation Tax as it applies to grassroots sport may well result in the creation of winners and losers.
- In this context we believe it is important that a full assessment of the likely impact on affected organisations' tax liabilities is undertaken before any proposals are finalised. Further, we believe it is imperative that any changes should, at a minimum, leave affected organisations no worse off in terms of their Corporation Tax liability relative to the current position. To do otherwise would be to undermine the very investment the reform is seeking to support. This 'do no harm' principle could be achieved, for instance, by applying the changes prospectively i.e. to any newly-recognised NGB and any existing NGB wishing to opt-in to the new arrangements from a specified date.
- More broadly, we believe any reforms should be genuinely ambitious in scope and seek to lever in as much additional investment into grassroots sport as possible. In this respect:
 - If Government is serious about supporting grassroots sport and in creating grassroots organisations that are sustainable in the long term, the scheme must encourage investment that is genuinely transformational in nature. This means facilitating long-term partnerships that drive investment in new facilities, people, skills and IT systems. A narrow focus on prescribed organisations or categories of expenditure – for example pitches, playing kit and coaches – will not achieve this.
 - There is scope to consider further potential reforms to the Corporation Tax regime and in particular the potential for extending reliefs, similar to those applied to the creative industries, to sport.¹ Applying the same the approach would provide an enhanced relief by granting an additional deduction for grassroots expenditure and, in certain circumstances, could provide a payable tax credit. While we recognise that this option is not included in the consultation we nonetheless believe it is something that merits further consideration.

Comments on consultation questions

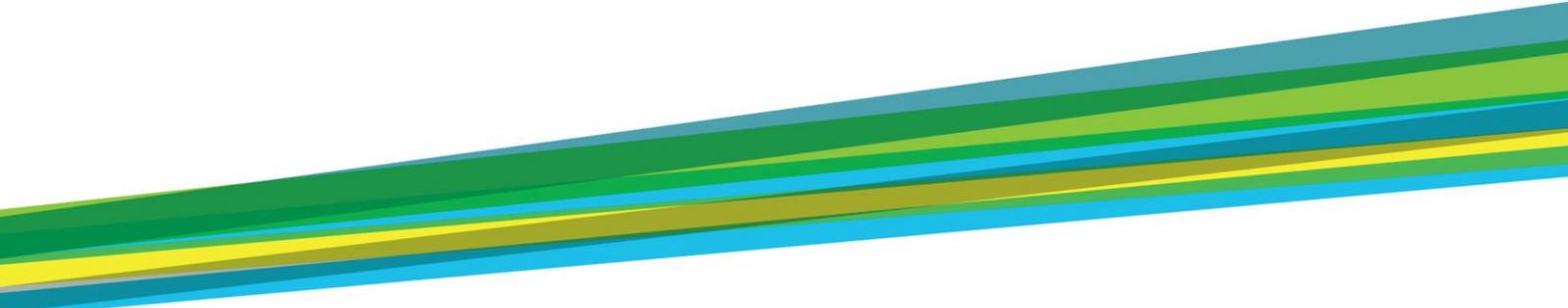
Definitions

1. Do you agree that eligible sports for the purpose of this reform should be based upon the Sport(s) Council(s) recognition process? If not, which framework(s) would you see as suitable alternative(s)?

We agree that using the Home Sports Councils' recognition framework is a sensible basis for the proposed reform. It is a well-established and clearly-understood framework that covers the majority of sport and recreation activity in the UK.

Nonetheless, there remain a number of sports that are not currently recognised by the Home Sports Councils and which we consider should potentially be covered by the scheme. These include both sports with a clear physical aspect – for example Parkour and Karate – but also mind sports such as Chess and Bridge. All of these activities engage large numbers of people and provide many of the

¹ Creative industry tax reliefs: <https://www.gov.uk/guidance/corporation-tax-creative-industry-tax-reliefs>



important wider social benefits identified in the Government's strategy. We therefore believe there should be additional flexibility built into the eligibility criteria to account for those sports and recreation pursuits that, while not officially recognised by the Home Sports Councils, nonetheless contribute to the Government's strategic objectives to get people active and, as such, should be eligible under the new rules on corporate donations.

2. Are you aware of any existing frameworks, method or criteria, which could provide useful input to the definition of grassroots sports?

NGBs and other sports organisations already have well-established methods for separating expenditure on elite/professional sport from expenditure on grassroots. As per our answer to Q4 below, we feel the proposed reforms should not seek to prescribe what counts as grassroots activity or indeed prescribe how organisations should go about distinguishing between their professional and grassroots activity. Rather, we would encourage the adoption of a purposive approach that puts the emphasis on organisations being able demonstrate, as required, that spend is directed towards the advancement of grassroots sport.

Qualifying contributions

3. Can you provide evidence of the nature and level of contributions made by NGBs and other companies to grassroots sports?

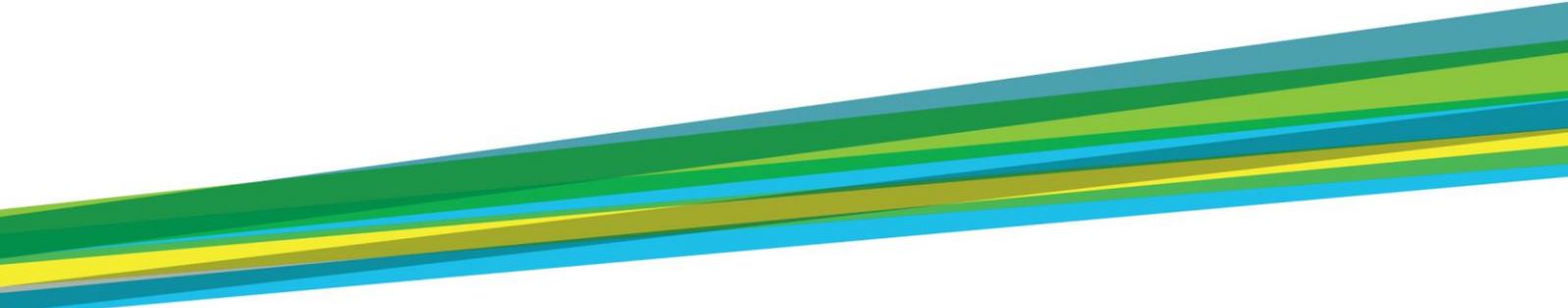
We do not have a detailed breakdown of contributions made by individual NGBs to grassroots sport. However, to provide some sense of proportion, the aggregate investment in grassroots made by those NGBs that are signatories to the Voluntary Code of Conduct for Rights Owners is in excess of £135m annually.² The total figure invested in grassroots sport across all NGBs is likely to be much higher. This investment supports a wide range of activity whose central purpose is to drive participation in grassroots sport and to realise the associated individual and wider social benefits that flow from it.

In addition to NGBs, a wide range of other organisations are involved in funding and/or delivering grassroots sport, notably County Sports Partnerships (CSPs) but also many other sport and recreation organisations. We do not have detailed data on the grassroots expenditure by these organisations but it is significant.

4. Do you think any elements should be added or deleted from the suggested list of eligible purposes for contributions? Please provide evidence supporting your response.

We believe the list proposed is too narrow and does not reflect the breadth of activity that constitutes grassroots sport. In particular, many NGBs fund a significant amount of activity at national, regional and county level – notably through the provision of dedicated NGB staff and technical support – which would not be covered by the proposed list. Furthermore, the new strategic direction set out in 'Sporting Future' points clearly towards engaging the inactive and marginalised groups in sport and physical activity. This will, by its nature, mean delivering grassroots sport in new and innovative ways in a variety

² Broadcasting of Major Sporting Events – The Voluntary Code of Conduct for Rights Owners:
<http://www.sportandrecreation.org.uk/policy/campaigns-initiatives/broadcasting-of-major-sporting-events-the-vol>



of different settings; it is difficult to envisage how all of this activity could be captured within a prescribed list.

In this context, we do not believe it is sensible to attempt to set out a prescribed list of allowable types of grassroots expenditure. Instead, we would encourage a purposive approach to be adopted whereby expenditure must be shown to be applied for the benefit of grassroots sport. This approach mirrors that which exists in the charity sector whereby organisations must ensure they fulfil certain charitable objects, for example the advancement of amateur sport.³ Given the wide range of activity that supports the delivery of grassroots sport, this sort of approach would provide much-needed flexibility and have the greatest potential for leveraging in additional investment from corporate contributions. It may indeed be even simpler to consider a full Corporation Tax exemption for recognised national governing bodies as long as this covers all their income streams; while the Corporation Tax lost by HMT would be small, it would remove a substantial bureaucratic burden for governing bodies. This would need to be discussed in full with the sector to ensure that there were no unintended consequences but we believe it merits further consideration.

Eligible recipients

5. Which option do you think is the most suitable and why?

Option 2. We believe this to be the most appropriate option in view of the wide range of organisations involved in grassroots provision and the likely further diversification of providers that may result from the new approach outlined in both 'Sporting Future' and Sport England's new strategy 'Towards an Active Nation'. In this context we believe it is important that the proposed reforms allow for contributions both to and by the widest range of organisations, including clubs, but also other organisations that deliver grassroots sport.

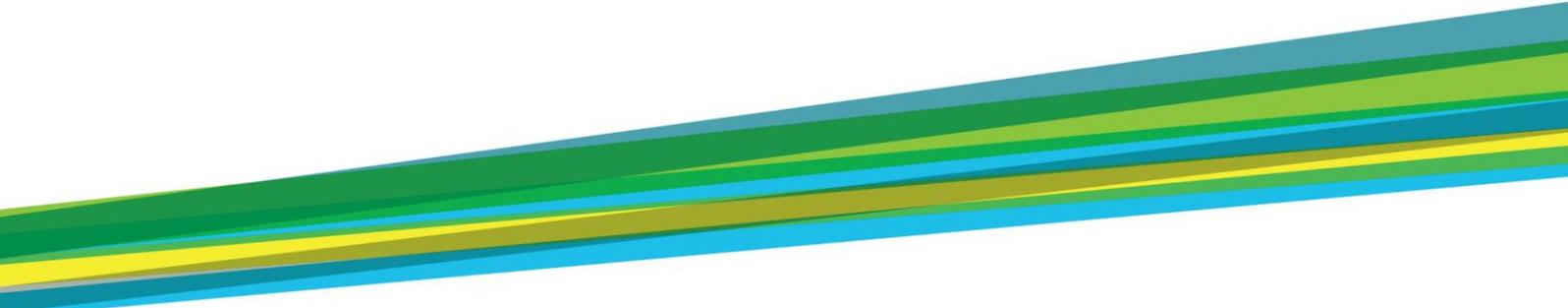
6. If the scheme is not to be limited solely to payments made to NGBs, what should be the scope and definition of an eligible recipient? What specific exclusions should be considered?

As a starting point we believe that all NGBs, their county bodies and affiliated clubs should be eligible recipients. This is because, while the CASC and Clubmark schemes provide useful frameworks, not all affiliated clubs are CASCs or have Clubmark status. In addition, some NGBs operate their own accreditation schemes for affiliated clubs that require similar operational and governance measures to be in place. In this context, we believe it would be most sensible to for any NGB-accredited club to be an eligible recipient.

In addition, we believe any not-for-profit organisation delivering grassroots sport and recreation should be eligible. Should there be a need to apply additional criteria to provide reassurance, we believe it would be sensible to require any recipient organisation to be open to all and to have measures in place that restrict the distribution of assets.

³ Charitable purposes – advancement of amateur sport:

<https://www.gov.uk/government/publications/charitable-purposes/charitable-purposes#the-advancement-of-amateur-sport>



Administration and reporting requirements

7. What reporting requirement should be placed on those making or receiving eligible payments to ensure that the deduction will benefit grassroots sports? Please provide evidence about possible one-off and ongoing costs from reporting requirements.

Reporting requirements should be as light-touch as possible. Many NGBs have well-developed mechanisms for identifying grassroots expenditure as part of their current Corporation Tax reporting requirements and their funding agreements with Sport England. In this context we do not believe additional reporting requirements should be put in place on top of these.

As far as grassroots clubs and community organisations are concerned, the vast majority are volunteer-run and, as such, it is critical that any reporting requirements attached to the making or receipt of contributions are simple to understand, easy to apply and proportionate. Burdensome requirements will simply discourage grassroots clubs from taking advantage of the new rules.

8. Do you think that an annual payment limit should be put in place under which contributions should be exempted from reporting requirements? If so, at what level do you think this limit should be set?

This appears to be a sensible option. While we do not have a particular view on the precise level of any exemption, it should be set at a level that is attractive and encourages long-term, transformative investment. If the limit is set too low, it will not be attractive to potential donors and may discourage clubs and other grassroots organisations from seeking out more ambitious investment opportunities.

Conclusion

We recognise that there will be further work required to develop more detailed policy proposals and we are keen to continue dialogue with HM Treasury as this work progresses. We would reiterate our view that any new policy proposals should:

- Be supported by a full impact assessment;
- Not leave existing organisations worse off in terms of their Corporation Tax liability and by extension their ability to invest in grassroots sport;
- Be ambitious in scope and purposive, rather than narrow and prescriptive, so as to ensure the reforms lever in as much additional investment as possible in grassroots sport;
- Consider further potential reforms to the Corporation Tax regime including the potential for extending reliefs similar to the creative industries relief to sport.

We would be happy to discuss any of the issues raised in this response further.

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