Chapter One: The current and potential economic impact, GVA and productivity of the sport, physical activity, and leisure sector

Contents

Disclaimer:

> *This report has been produced for Active Lincolnshire and their partners by the Lincolnshire Open Research and Innovation Centre. The purpose of this market report is to support Active Lincolnshire and their partners with service development decisions, investment decisions, and funding applications.*
>
> ***The findings in this report are advisory only, and represent the researcher's interpretation of available data.*** *The reader is not obligated to take on any of the recommendations laid out in this report, in part or in full, and is responsible for doing their own due diligence before implementing the findings in any way, shape, or form.*

Summary

This section of the report illustrates economic impact through standard means – Gross Value Added (GVA), turnover, employability, productivity, and sizes of business – but will also examine other markers of impact, such as potential social return on investment and likelihood of future economic growth.

According to open data made available by the UK government and the Office of National Statistics (ONS), there were over 1,200 companies in Greater Lincolnshire and Rutland providing services in the sport, physical activity, and leisure sector in June 2022. Those companies had an estimated combined turnover of £453 million and employed an estimated 28,000 people. There were also a further 1,218 charities, trusts, and community interest companies providing support in the sport, physical activity, and leisure sector, with an estimated combined income of £330 million, as well as 19 societies, mutuals, and other co-operatives, with an estimated income of £3 million in their last financial year.

The sector has tremendous productivity, both economic and social, with a combined GVA of £788 million, which could grow up to £804 million over the next four quarters if current productivity trends are maintained.

Recommendations for future development include:

- Introducing more practical support for providers to cope with inflation and the cost of overheads.
- Introducing more financial support for providers to cope with inflation and the cost of overheads.
- Introducing more support for charities and small providers to access pots of funding.
- Introducing more support of charities and small providers to access business advice and experience.
- Introducing schemes for skills development and talent retention in the sector.

For more recommendations, please see the final section of this brief.

About Greater Lincolnshire and Rutland

Greater Lincolnshire and Rutland includes the councils of Lincoln City, West and East Lindsey, North and South Kesteven, South Holland, Boston, North East Lincolnshire, North Lincolnshire, and Rutland. It covers an area of approximately 7,341 km^2 and has a combined estimated population of 1,138,900 (as reported on Nomis[1], from 2020).

It is a geographically vast area, which combines urban, rural, and coastal regions, each of which has its own characteristics. As a region, Greater Lincolnshire and Rutland has some of the most and least deprived wards in England as per the Indices of Multiple Deprivation. It is an environment that both offers excellent conditions for the sport, physical activity, and leisure sector, but it is also one where opportunities to access sport, physical activity, and leisure are extremely uneven.

[1] https://www.nomisweb.co.uk/reports/lmp/lep/1925185595/report.aspx#tabrespop

Defining Greater Lincolnshire and Rutland's Sport, Physical Activity and Leisure Sector

Greater Lincolnshire and Rutland's Sport, Physical Activity, and Leisure sector encompasses both formal and informal provision of sport activities, physical activities, and active leisure. As defined by Active Lincolnshire, the sector includes:

- Local authority leisure operators
- Community and voluntary organisations
- Physical activity providers and coaches (i.e. yoga, Zumba instructors etc.)
- Coaching Agencies
- Football foundations
- Private sector operators; gyms, activity providers
- Grassroots sports
- Facilities and venues
- Adventure sport and outdoor activities, including water sports, cycling, and walking
- Events
- Elite sports clubs
- Private sector manufactures of sporting goods and equipment
- Physiotherapists, sports massage, and other physical health professionals
- Social Prescribing Link Workers
- Commissioned services utilising physical activity e.g. One You Lincolnshire programmes.

However, the reach and influence of the sector goes far beyond the organisations that operate directly in sport, physical activity, and leisure. The extended stakeholders of the sector include organisations in healthcare, education, manufacturing, tourism and the visitor economy, and more.

In management literature, stakeholders are defined as groups without whose support an organisation would cease to exist[2]. In the case of the Sport, Physical Activity, and Leisure Sector of Greater Lincolnshire and Rutland, this includes:

- Individuals engaged in the Sport, Physical Activity, and Leisure Sector as service users.
- Individuals engaged in the Sport, Physical Activity, and Leisure Sector as volunteers.
- Individuals engaged in the Sport, Physical Activity, and Leisure Sector as employees of companies.
- For-profit organisations that operate in the Sport, Physical Activity, and Leisure Sector. (e.g gyms, swimming pools, leisure centres, climbing walls.)
- Sole traders that operate in the Sport, Physical Activity, and Leisure Sector. (e.g. personal trainers, occupational therapists, coaches.)
- Charities, Community Interest Companies (CICs), Registered Societies, and Non-Government Organisations (NGOs) that operate in the Sport, Physical Activity, and Leisure Sector. Those could include umbrella organisations, organisations providing physical spaces, organisations providing human resources, and more.

[2] 1963 internal memorandum at the Stanford Research Institute

- Financial stakeholders, such as investors (for for-profit organisations), trustees and donors (for charities), as well as government funds (e.g. the Levelling Up Fund, Shared Prosperity Fund, Community Recovery Fund.)
- Non-financial stakeholders, such as county councils, city councils, and parish councils.
- Indirect stakeholders such as the NHS, schools, children's centres, social care providers and community/neighbourhood groups, who benefit from the Sport, Physical Activity, and Leisure Sector even if they don't engage with it through a specific programme or initiative.

It is important to understand the value drivers of each stakeholder group, what they needs, what tasks they are looking to fulfil, and the added value that they seek from engaging with the Sport, Physical Activity, and Leisure Sector, as these relationships can impact strategic provision considerably. It is also important to be aware of the intended and unintended consequences that might arise for different stakeholders as those decisions often drive decision-making.

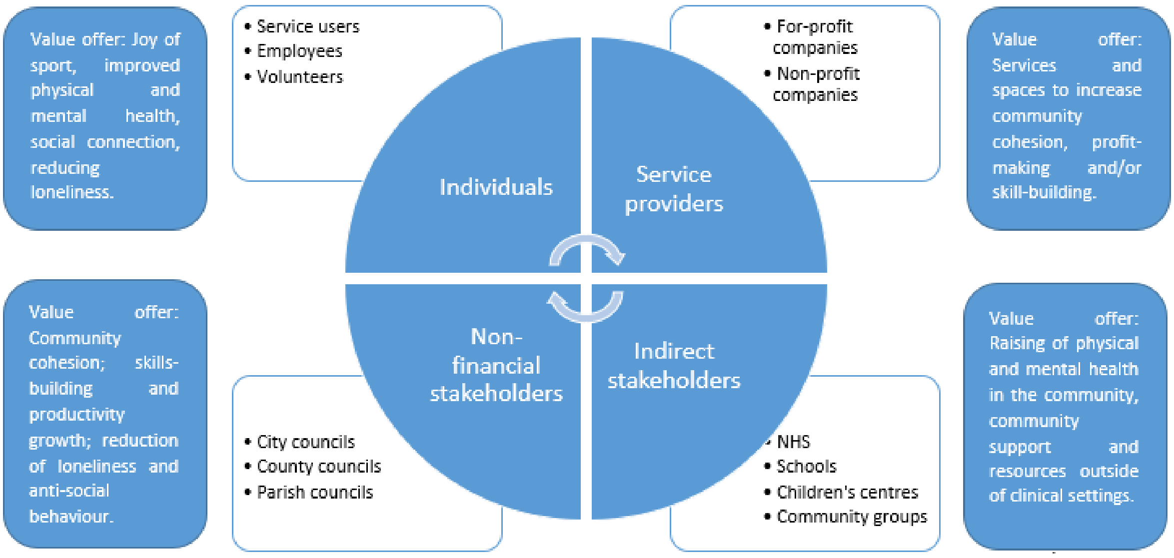


Figure 1: Stakeholder map of the Sport, Physical Activity, and Leisure Sector of Greater Lincolnshire and Rutland

By far, the biggest unifying value of the Sport, Physical Activity and Leisure Sector is the ability of services and organisations to increase community cohesion, reduce loneliness, and create resources for people to improve their physical and mental health in addition to what is available in clinical settings. This will be important later in this section when we examine the size and productivity of the sector.

Sector Participants

Registered Companies and Sole Traders

Based on data from Companies House (Summer 2022) there are 1,281 registered companies in the Greater Lincolnshire and Rutland catchment area (based on postcode and standard industrial classification (SIC) codes) that provide services in the sport, physical activity and leisure sector. Of those companies, 1164 were registered as Active and did not submit Dormant Company accounts.

Additional statistics on that dataset include:

- 22 companies submitted full accounts.
- 7 companies submitted group accounts.
- 20 submitted accounts as small companies, meaning they had fewer than 50 full-time employees, their balance sheet total did not exceed £5.1 million, and/or they had a turnover of less than £10.2 million.
- 401 submitted micro entity accounts, meaning they had less than 10 employees, their balance sheet total did not exceed £316,000, and/or their turnover did not exceed £632,000.
- 90 companies were registered as dormant.
- 26 companies submitted unaudited abridged accounts.
- 341 submitted total exemption full accounts.
- 345 submitted no accounts.
- 73 had been incorporated in 2022 (at the time of the data download), with a further 183 incorporated in 2021 and 140 incorporated in 2020.

The above statistics do not include any nation-wide providers. Nor do they include companies that misfiled or entered the wrong SIC code.

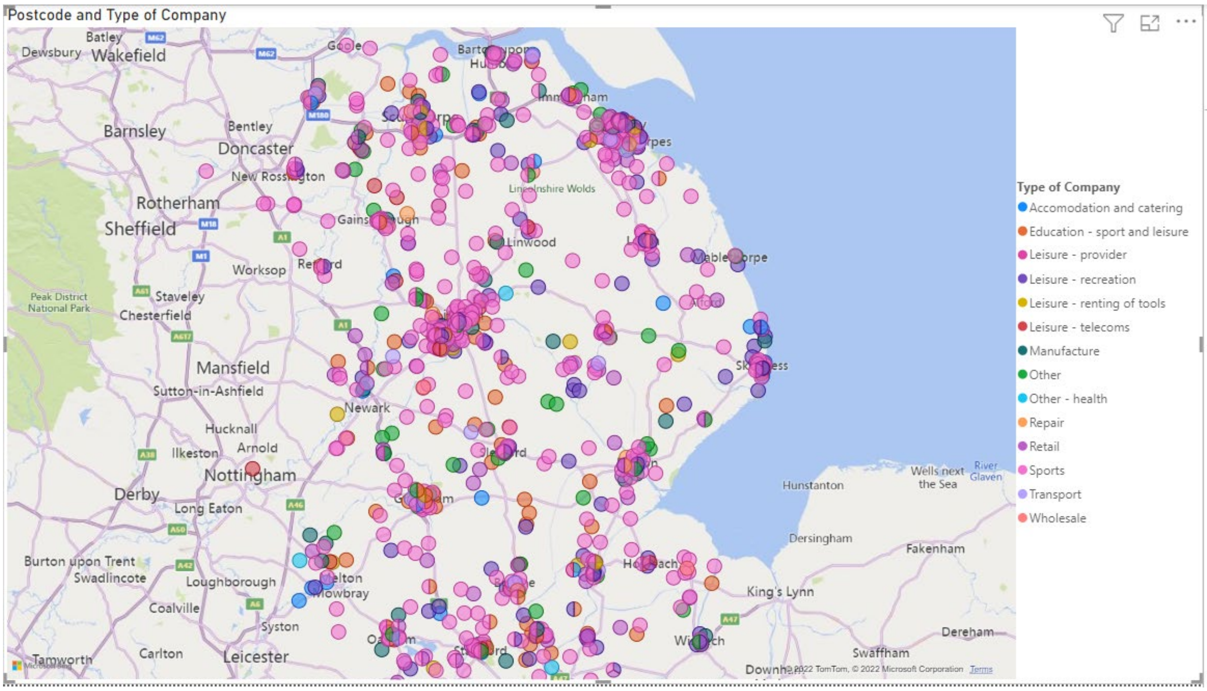


Figure 2: Distributions of for-profit companies in the region

Of the companies that submitted micro company accounts, not all were sole traders; however, it is reasonable to assume that many of them are. This includes coaches, personal trainers, occupational therapists, and other individuals who work on a freelance basis. However, that is likely not an exhaustive list and does not include coaches who work on a part-time basis and coaches who file self-assessment accounts with HMRC instead of company accounts.

The oldest incorporated companies were Lincoln City Football Club (1895) and The Grimsby Town Football Club (1891). Other long-standing companies in the sector (pre-1950s) include but are not limited to:

- The Boston Bowling Club
- Boston United Football Club
- Boston West End Bowling Club
- The Cleethorpes Bowling Club
- Grantham Town Football Club
- Lincoln City Football Club
- Lindum Sports Association
- Scunthorpe United Football Club
- Seacroft Golf Links Company
- Stamford Association Football Club
- The Grimsby Town Football Club
- The Welholme Lawn Tennis Club
- Wisbech Town Football Club
- Peterborough Milton Golf Club

The 2020-2022 period saw the incorporation of many new companies, although it is not clear whether this represents an unusual trend for the sector. An examination of the number of companies by incorporation date shows that decade-to-decade changes in the number of long-running companies even out after time. Nevertheless, the period of 2020-2022 appears to show a significant growth trend for the sector, which suggest many new entrants to the sector.

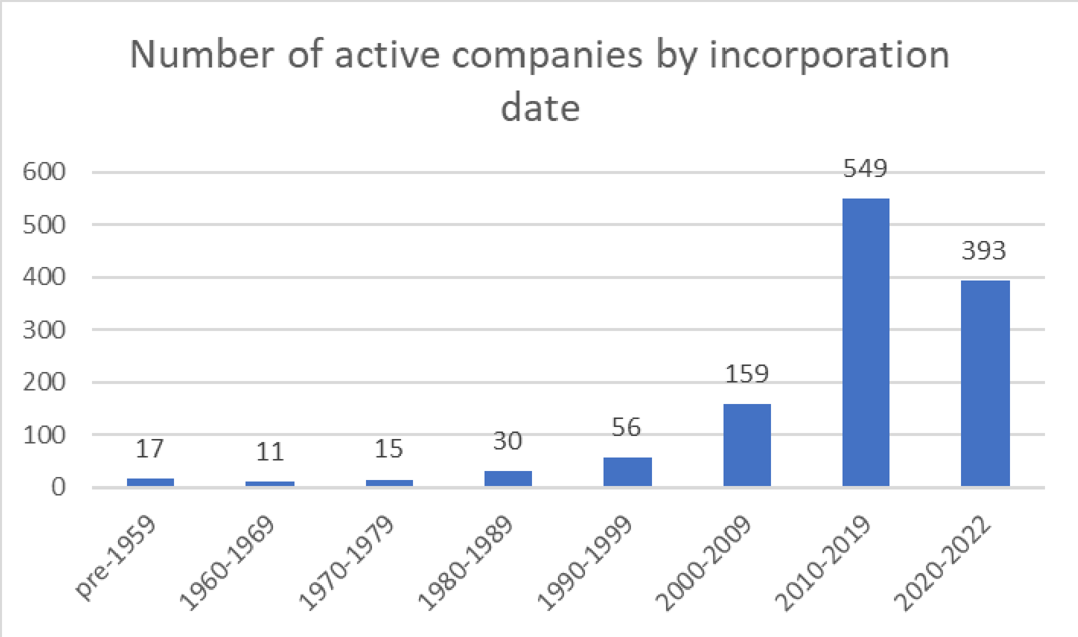


Figure 3: Decade-to-decade comparison of active companies by incorporation date

Turnover and employment data are difficult to access. Of the companies that filed full accounts, only some disclosed their turnover in their last financial year (ending 2021 or 2022, depending on when the company submits its accounts), and even less reported on their employment numbers. However, ONS data from the Annual Population Survey provides some additional information.

In the twelve-month period ending December 2021, a total of 7400 people were employed in Culture, Media, and Sports Occupations in Greater Lincolnshire and Rutland, and a further 8300 employed in Leisure, Travel and Related Personal Service Occupations. This, of course, does not include people employed in managerial, skilled, or administrative roles, but data pertaining to "Other Industries" suggests there are approximately 28,000 people employed across the sector[3] and across all occupations.

Of the companies identified in Greater Lincolnshire and Rutland, 36 reported their turnover in their filings, to a combined turnover of £100,601,714.43 in the last recorded financial year. This is, however, a very small sample size compared to the overall number of companies in the sector.

Data released by the UK government shows that the average turnovers of businesses outside of London break down as follows[4]:

Business type	**Average Turnover**
No employees	£72,461.00
1 - 9 employees	£548,027.00
10 - 49 employees	£3,086,597.00
50 - 249 employees	£20,228,523.00

[3] Annual Population Survey, Workplace Analysis: Employment by occupation sub-major group. Includes all employed in: arts, entertainment and recreation; other service activities; activities of households as employers; and undifferentiated goods and services producing activities of households for own use, and activities of extraterritorial organisations and bodies.

[4] https://www.gov.uk/government/statistics/business-population-estimates-2021/business-population-estimates-for-the-uk-and-regions-2021-statistical-release-html#:~:text=total%20employment%20in%20SMEs%20was,%C2%A30.7%20trillion%20(16%25)

Using that data and what has already been made available, we can estimate that for-profit businesses registered in Greater Lincolnshire and Rutland and Rutland have an estimated combined turnover of £453,881,214.43 in their last financial year.

Registered Charities

There were 1,218 charities registered in Greater Lincolnshire and Rutland as providing amateur sports activities, recreation activities, or activities dedicated to the "advancement of health or saving of lives". Those charities had a combined income in their last recorded filings of £330,794,681.00.

Of those 1,218 charities, their primary reported activities broke down as follows:

- 6 were acting solely as umbrella or resource bodies
- 189 make grants to individuals
- 97 make grants to organisations
- 38 provide other charitable activities
- 14 provide advocacy, advice, and information
- 507 provide buildings, facilities, or open space
- 200 provide human resources
- 29 provide other finance
- 136 provide services
- 1 sponsors or undertakes research

Over a half of all charities recorded more than one activity, meaning an entity could act as an umbrella or resource body, provide grants, and provide human resources. Only 539 charities in the Greater Lincolnshire and Rutland area reported only one activity, with over half of those being the provision of buildings, facilities, or open spaces.

Once all charitable activities were accounted for (i.e. primary, secondary, tertiary), it appears that most charities that operate in the sport, physical activities, and leisure sector do so through the provision of buildings, facilities, or open space (27% of all activities) followed by the provision of services (18%), advocacy, advice and information (12%) and human resources (11%). Further breakdown of those statistics can be seen below:

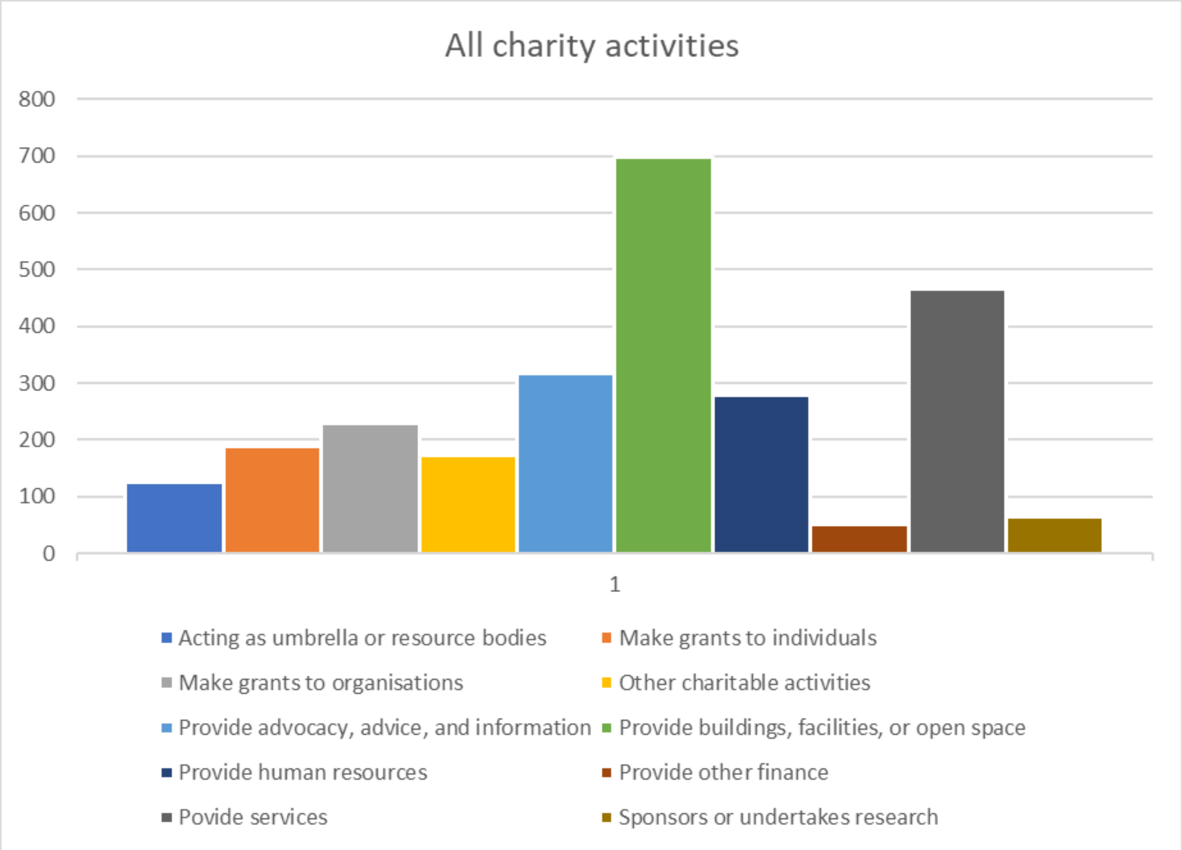


Figure 4: Charity Activities in Greater Lincolnshire and Rutland

In terms of aims and objectives of charities, most of the ones operating in the sport, physical activity, and leisure sector do so through the running of amateur sport teams, the provision of education and training, and the advancement of health and saving of lives. As with charity activities, most if not all organisations had more than one aim, and listed up to 14 different things which the charity does:

Types of charity aims	Total
Accommodation/housing	58
Amateur Sport	681
Armed Forces/emergency Service Efficiency	14
Arts/culture/heritage/science	349
Disability	292
Economic/community Development/employment	281
Education/training	609
Environment/conservation/heritage	209
General Charitable Purposes / Other Charitable Purposes	639
Recreation	428
Religious Activities	111
The Advancement Of Health Or Saving Of Lives	480
The Prevention Or Relief Of Poverty	210
Animals	55
Overseas Aid/Famine Relief	50
Human Rights/religious Or Racial Harmony/equality Or Diversity	39

Of those, the ones listing "religious activities" under their primary aim tended to be church halls and trusts that also operated in the arts/culture/heritage/science sphere and the amateur sport sphere. They mostly tended to provide buildings and grants to others.

Likewise, providers that listed "the prevention or relief of poverty," "environment/ conservation/ heritage" or "accommodation/ housing" as their primary charitable activity tended to do so though the provision of buildings and spaces.

Meanwhile, organisations that listed "amateur sport" as their primary activity tended to also list "recreation", "economic/ community/ employment development" and "environment/ conservation/ heritage" as their secondary aims and purposes. Most of these charities helped through the provision of buildings/facilities/open space, but also through the provision of grants, provision of advice, and provision of human resources.

On a similar note, organisations that listed "recreation" as their primary aim tended to deliver that through the provision of buildings, facilities and open spaces. Those organisations were less likely to provide other activities or grants and tended to be village halls and memorial trusts.

Organisations that listed disability, or the advancement of health or saving of lives as one of their primary aims, tended to operate through the provision of grants, services, or human resources. Those activities were further described as the redistribution of funds, activities aimed at aiding the healing and relief and rehabilitation of sick or wounded persons, the promotion of positive health, helping the sick of the parish, helping the activities of hospitals and rehabilitation centres, the support of people with mental health problems, and more.

The latter group of organisations are less directly related to the sport, physical activity, and leisure sector, but their activities overlap with those of private providers and are frequently needed for the purposes of reaching populations that are in poor physical and mental health, and populations that might not otherwise engage with sports, leisure, or physical activity.

Likewise, organisations that listed education and training as their primary aim tended to offer amateur sport and recreation as a secondary and tertiary aim. While they were not all directly involved in the sport, physical activity, and leisure sector, many are crucial for the development of community groups and the engagement of populations that might otherwise not engage in physical activity (such as the elderly and people with multiple and complex needs.) Examples of activities cited include:

- *"Wellbeing Service/IAPT/Counselling/Mental Health Training/Home and Community Support Service."*
- *"Involving the Sea Cadets in vocational projects, marine experience in small boats, and encouraging them to attend courses offered by the Royal Navy."*
- *"Gay & Peter Hartley's Hillards Trust makes grants to charities that support children's welfare, care for the elderly, mental/physical health, disability, & hospices. Grants are made up to £1,000 to local charities in towns in 11 counties in north and central England - mainly in Yorkshire, Lancashire, Lincolnshire, Derbyshire & Nottinghamshire. "*

- *"The hall is hired out to local community groups and acts as a base for their activities. In addition the managing trustees from time to time run fund raising activities to supplement income from hirings."*
- *"Market Overton Village Hall provides a base for the local community, regular users include Free Church, Sewing Classes, Yoga, Art Class, Slimming World, Snooker Club & Cottesmore Village Players. Also a venue for village functions & private parties."*
- *"Working within the community and voluntary sector within the Humber area to assist organisations to improve, protect and procure recreation facilities"*
- *"Girlguiding Rutland is part of the worldwide association of girl guides. The aim of guiding is to help girls and young women develop emotionally, mentally, physically and spiritually so they can make a positive contribution to their community and the wider world."*
- *"Youth and Community Centre with Sports Hall with facilities such as badminton, squash, indoor football, basketball, community and arts facilities including conference and celebration activities particularly in support of community voluntary youth work."*

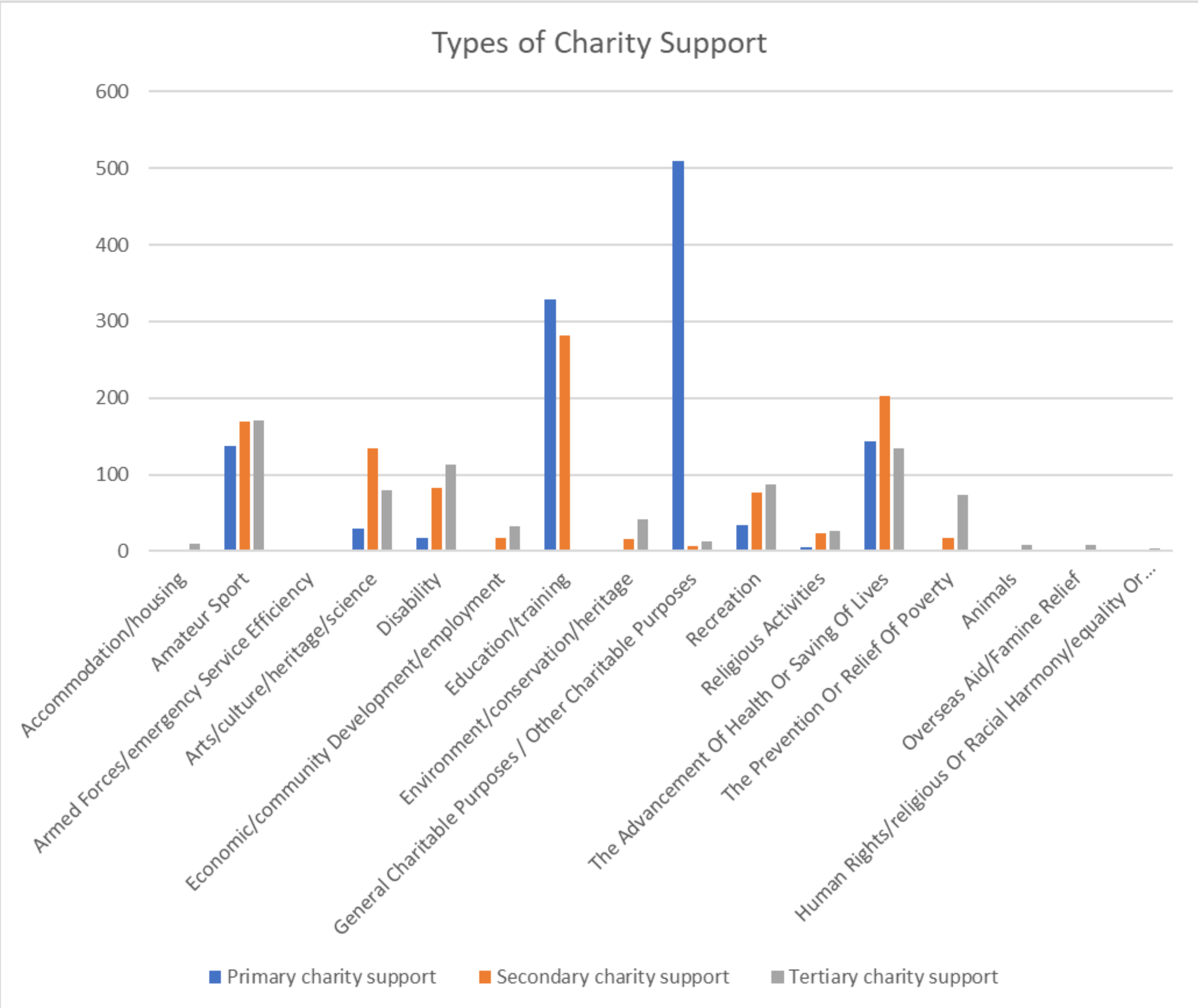


Figure 5: Types of Charity Support

When examining the beneficiaries of all these charities, the biggest groups are children and young people, the elderly, and people with disabilities.

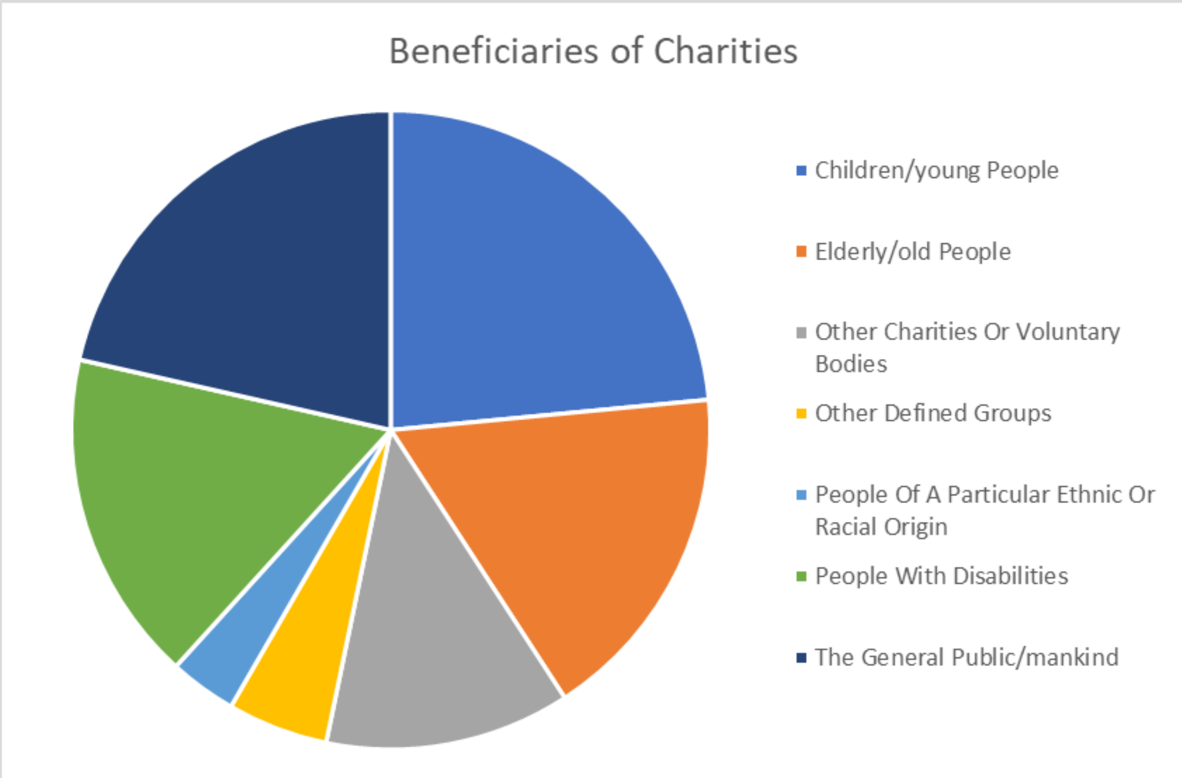


Figure 6: Beneficiaries of Charities

Of the charities, 49 included groups dedicated to the support of people of a particular ethnic or racial origin, or other defined groups. Some of those organisations were providing support for a specific parish or village; others offer women's only groups or support for family carers. Other activities included:

- Activities to support refugees;
- Activities to support those living with cancer;
- Activities to aid in the rest and convalescence of patients;
- Activities to support those who "have need because of age, infirmity, ill health or poverty";
- Activities to promote the "spiritual, moral and physical wellbeing of all seafarers, their families and dependants";
- Activities to support recently bereaved parents;

It appears that organisations are set up to tend to local needs, and provide a variety of support and activities, many of which intersect with the sport, physical activity, and leisure sector. This is further supported by the geographical distribution of these organisations, with many charities providing spaces for sports and community activities evenly dispersed throughout Greater Lincolnshire and Rutland.

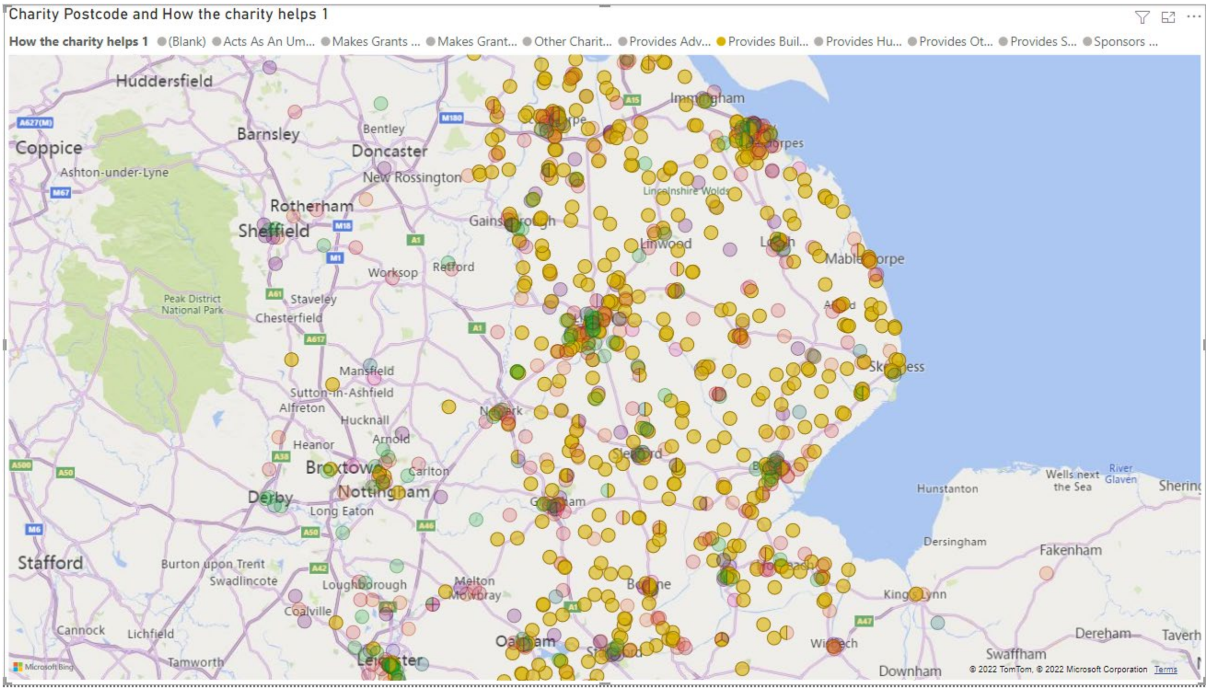


Figure 7: Distribution of charities that provide buildings, meeting space, and open space

Registered Societies

Of the registered societies and mutuals in Greater Lincolnshire and Rutland, 38 may be considered to provide services and products that relate directly to the Sports, Physical Activity and Leisure Sector. All of those societies submitted annual returns in the financial years 20/21 and 21/22, reporting a combined £3,650,507.32 of turnover and 212 full time equivalent employees.

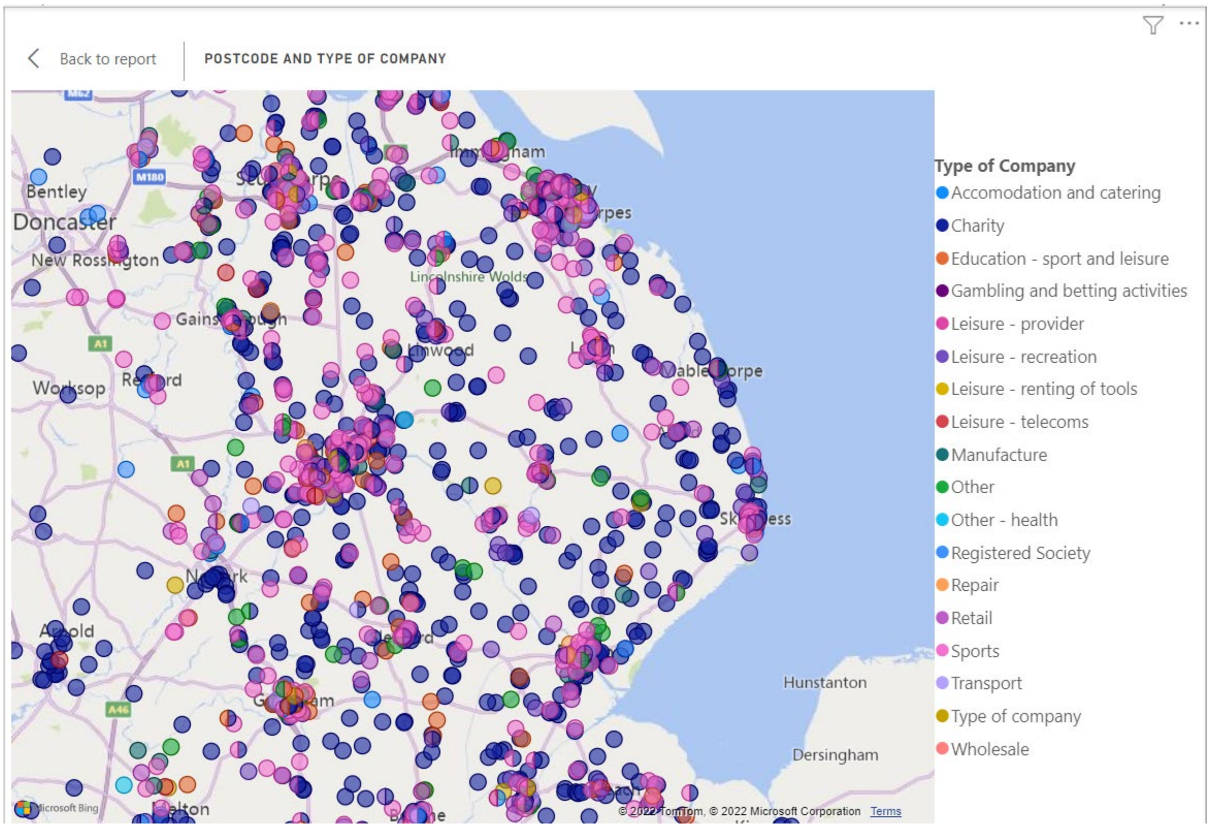
Most of these registered societies were social clubs, football and rugby clubs, or servicemen's clubs, including but not limited to:

- Blue and Gold Supporters Society Limited
- Boston and Fosdyke Fishing Society Limited
- Boston Conservative Club Limited
- Bourne and District Royal British Legion Club Limited
- Branston (Lincoln) Home Guard Social Club
- Carcroft Village Social Club Limited
- Crowle Liberal Sports and Social Club Limited
- Doncaster Rugby Football Club Limited
- East Retford Rugby Union Football Club Limited
- Grimsby Rugby Union Football Club Limited
- Grimsby Town Supporters' Society Limited

In addition to the registered societies and mutuals providing services directly to the Sports, Physical Activity and Leisure Sector are also societies that provide related services, such as Care Plus (North East Lincolnshire), Lincolnshire Co-Op, and Lincolnshire Co-Op Chemists. Taken together with the other societies and social clubs, they add up to a combined £342,508,918.32 worth of turnover and 3,639 full time employees.

Urban, coastal, and rural enterprise challenges

As seen from the data shown to this point, most businesses in the sector are clustered around towns and larger cities, although there is a sizeable population of businesses, co-operatives, mutuals, and charities in more rural and coastal settings. Specifically, charities, trusts, and community interest companies that provide buildings and open spaces seem evenly distributed throughout Greater Lincolnshire and Rutland, which shows there is the potential for delivery of sport, physical activity, and leisure to all populations.



Businesses based in more urban settings have different challenges and priorities than businesses in rural or coastal settings. The Lincolnshire coastal wards[5] for example are defined by high levels of deprivation[6] across all indices, but particularly in terms of employment, training, and access to

[5] Tetney, Marshchapel, North Somercotes, Skidbrooke with Saltfleet, Mablethorpe (North, East, and Central), Trusthorpe and Mablethorpe, Sutton on Sea (North and South) Alford, Chapel St Leonards, Ingoldmells, Winthorpe, Scarborough, Croft, Wainfleet and Friskney
[6] https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019

services. Additionally, coastal wards in Greater Lincolnshire – more so than urban or rural ones – are defined by a seasonal economy, as evidenced by historical data from the DWP.

As illustrated by Figure 8, the peaks and troughs for Jobseekers' Allowance on-flows followed the end and start of tourist season consistently, up until 2018 when Universal Credit began to be rolled out.

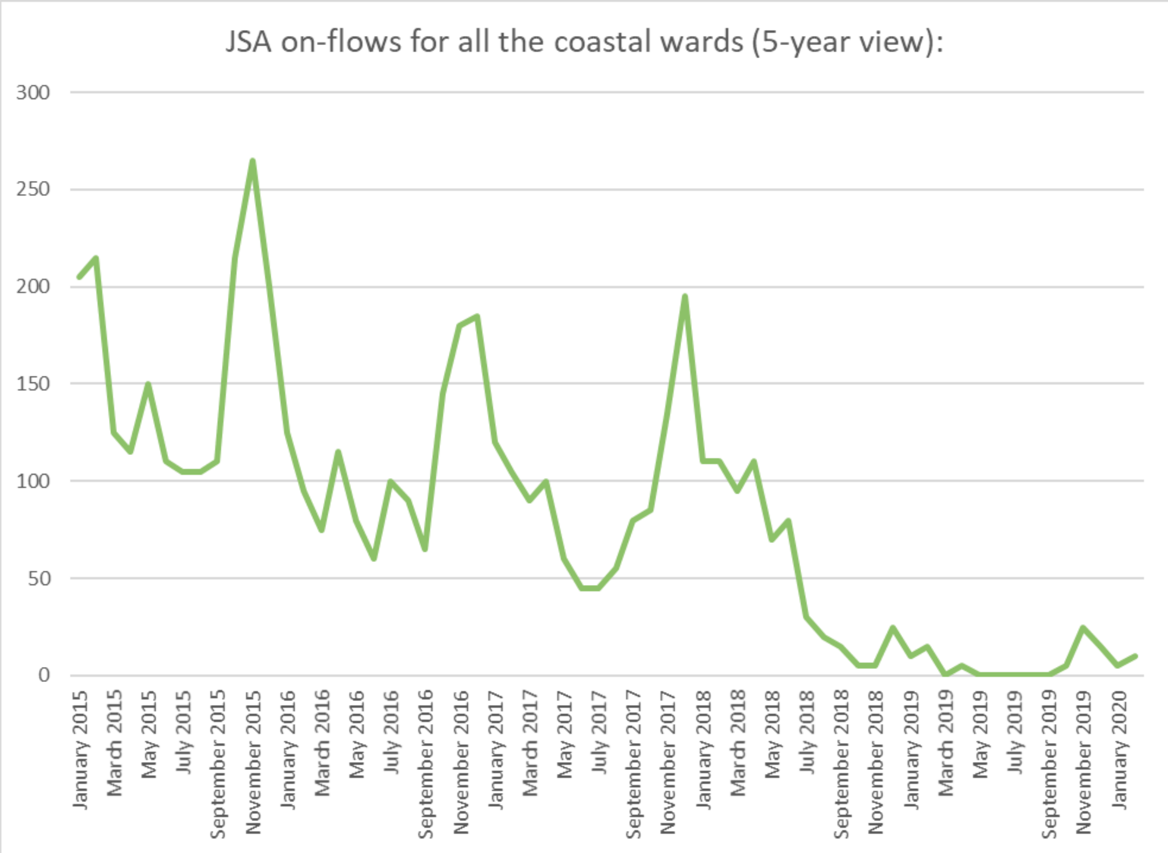


Figure 8: JSA on-flows (5-year review) coastal wards

By comparison, Jobseeker Allowance (JSA) on-flows for Lincoln city do not appear to follow similar patterns. A closer look at the data shows further that the people most impacted by that seasonality are those in sales and customer service occupations, as well as those in managerial occupations, as seen in Figure 9.

Figure 9: JSA on-flows by occupation sought (5-year review) Lincolnshire Coastal wards

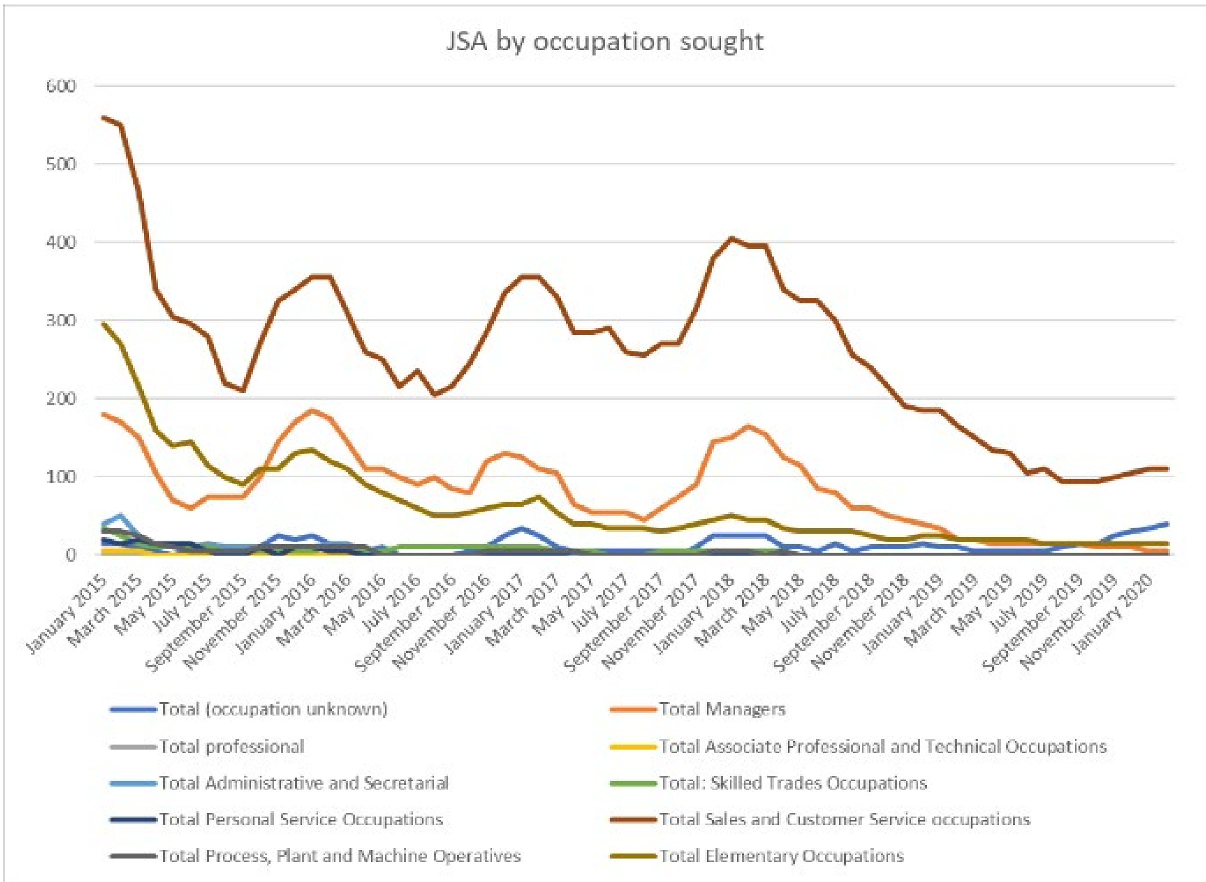


Figure 9: JSA on-flows by occupation sought (5-year review) Lincolnshire Coastal wards

The role of deprivation and regional specificities will be explored in more detail in Section 2: Forward Trends in Population Growth and Demographics. Businesses on coastal areas (and rural areas, to a lesser extent) are more likely to be impacted by the demographic factors of thearea, as well as by the overall deprivation in the area. Businesses that rely on seasonal labour have fewer incentives to invest in worker development, and by the same token, seasonal workers have fewer incentives to view their current occupation as a career. The median salary for full-time workers is also lower on the coast than it is for the rest of the county, which suggests that there are fewer monetary incentives to attract workers to these areas.

	Male Full Time Workers - Coast	**Male Full Time Workers - County**	**Male Part Time Workers - Cost**	**Male Part Time Workers – County**	**Female Full Time Workers – Coast**	**Female Full Time Workers - County**	**Female Part Time Workers – Coast**	**Female Part Time Workers - County**
Average	£478.50	£547.90	£137.30	£162.10	£387.50	£411.90	£171.90	£170.90
Median	£471.50	£541.60	£137.30	£158.90	£387.00	£405.00	£178.70	£172.00
Min	£451.60	£530.10	£127.60	£149.90	£362.60	£396.20	£151.40	£159.40
Max	£509.80	£582.60	£146.90	£180.90	£420.70	£449.70	£184.60	£180.40

In addition to the known challenges to attracting talent to non-urban areas, seasonal economies were particularly impacted by the COVID-19 pandemic. This will be explored in more detail in Section 5: Understanding the Impact of COVID-19 on the Sector, but what is pertinent to this section is the fact that a lot of seasonal workers sought employment in retail and logistics during the pandemic, in pursuit of a more stable employment. In other words, areas where businesses were traditionally reliant on seasonal labour found themselves emerging from the pandemic with a significant labour shortage, and with fewer resources to address it. That has significant impacts not only on current productivity, but also on future growth opportunities.

Productivity of the sector and future growth opportunities

There are different ways to measure productivity, from monitoring profits to customer satisfaction, from comparing labour to goods produced, and monitoring employee progress[7]. Owing to the diversity of the companies that make up the sport, physical activity and leisure sector in Greater Lincolnshire and Rutland, it can be difficult to place one measure on productivity[8] but it is possible to look at the different factors that go into measuring it.

To return briefly to the stakeholder map from the start of this section, there are several identifiable groups of individuals and organisations that determine the productivity of the sector. These includes:

- For-profit organisations who create value through their product provision and service provision.
- Non-profit organisations who create value through their product provision and service provision.
- Employees, volunteers, and sole traders who create value through their labour and fundraising efforts.

Productivity can be measured in different ways, for example by dividing turnover by employees, or dividing turnover by work hours. Productivity in the charity sector can equally be measured by dividing income by volunteers or the number of hours. Depending on the approach taken, it is possible to say that for every additional employee, the sector gains an additional £16,210.04 in turnover[9]; for every hour worked, the return is £255,563.75[10]; and for every new society, charity, or community interest company, the sector gains an average of £271,588.41[11] of social value (as evidenced by charity income fundraised through the year).

The ONS supports both output per worker and output per hour worked as methods for estimating productivity. According to their latest flash productivity estimate, there appears to be a drop in productivity from quarter to quarter[12] however, due to the volatility of the market in 2020 and 2021, the ONS recommends looking at the long-term trends.

Those long-term trends are positive overall, with quarter-to-quarter growth in hours worked (1.4 percentage points) output per worker (0.5 percentage points) and GVA (0.8 percentage points). GVA, output per hour, and output per worker were all above their coronavirus levels, suggesting a trend towards growth.

It is worth noting that these ONS trends reflect the UK economy as a whole. The statistical release spends some time reflecting on the allocation effect and how it masks sector-by-sector changes. With

[7]https://www.indeed.com/career-advice/career-development/how-to-measure-productivity
[8] https://hbr.org/1988/01/no-nonsense-guide-to-measuring-productivity
[9] Turnover / Number of employees method
[10] Turnover / Number of hours worked method
[11] Funds Raised / Number of charities method
[12] https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/gdpandthelabourmarket/januarytomarch2022#:~:text=Output%20per%20worker%20grew%200.5,of%20the%20coronavirus%20pandemic%20era.

that in mind, the ONS also notes that service industries (which include sport, physical activity, and leisure provision) experienced a growth of GVA (1.9%) and output per hour worked (3.5%) compared against pre-pandemic levels (but also a drop in hours worked of 1.6%).

Assuming growth continues at the current rates, private sector turnover for the sector in Greater Lincolnshire and Rutland stands to grow to up to £500 million; if we also include charities, trusts, financial mutuals and co-operatives in that estimate, GVA stands to grow up to 2% in the next four quarters, or up to £804 million in total.

If growth conditions will not be met for the sector, the next section explores the growth inhibitors that will heavily impact the Sport, Physical Activity, and Leisure sector in 2023-2024.

Growth inhibitors and the Cost-of-Living Crisis

Inflation has been, at the time of this writing, one of the central themes of conversation, with various aids being presented to consumers to help them cope with the rising cost of living. Disposable income has fallen significantly, which changes the purchasing decisions of potential clients of the sport, physical activity, and leisure sector. However, this is not the only way in which inflation may inhibit the potential growth of companies operating in the sector.

Several factors are seen as driving the overhead costs for organisations, including:

- Energy costs.
- Gas/heating costs.
- Costs of technology/digital tools.
- Labour costs and the cost of working.
- Inflation.

The challenge of recruitment, training, and retention will be explored in more detail in section 4 of this report. To give a flavour of the kind of impact high staff turnover can have on a company's overhead, consider training and recruitment costs: with median annual pay for Lincolnshire and Rutland at around £27,989 per annum, recruitment and training costs can go up to £2,800 per person[13]. Depending on the position being filled and the complexity of the task being carried out, new starters are likely to operate on reduced productivity during their first 10-15 weeks on the job, incurring opportunity costs for the business of between £1,519 and £3,546 per person[14]. Recruitment and retention is having a significant impact on the sector, with some participants reporting having to start over certain activities with brand new teams, after their old ones had left.

Associated with the cost of labour is also the cost of working. Participants in this project reported on the rising costs of fuel, personal transport, and childcare as some of the biggest concerns for their employees. At the time of writing, the cost of petrol in the UK is round £1.711 per litre[15], bringing the cost of filling a family car to between £80 and £120. A part-time place in a nursery for a child under two works out at £137 per week, or £263 per week for a full-time place. These are challenges for all

[13] Assuming that recruitment costs about 10% of the salary of the person being hired, either in terms of recruitment agency fees or in terms of the opportunity cost for the time spent by manager and HR.
[14] Depending on the complexity of the role and the training needed, new starters might operate at 30% to 70% productivity for their first 15 weeks.
[15] https://www.globalpetrolprices.com/United-Kingdom/gasoline_prices/

households, but they pose a particular problem for single-parent households and for young women in the workplace. As described by one of the participants, working is becoming too expensive for some. (This is on top of existing demographic trends – the most common reasons for women to be economically inactive in Greater Lincolnshire is either long-term illness, or looking after home and family[16].)

The cost of electricity and gas is also a significant growth inhibitor. In August 2022, Ofgem has raised the energy price cap for households to just under £4,000 p.a. However, the cost of electricity and gas for commercial venues is significantly higher than that of residential households. Prior to the change in the energy price cap, some of the interviewees for this project reported having to make difficult decisions about whether they should keep their facilities open; after the change of the energy price cap, participants were reporting plans to close the facilities that perform the least well.

These three factors - the cost of labour, the cost of working, and the cost of utilities – result in significant challenge for growth in the sector, in that they limit the supply and offer of high-quality service and activities. However, inflation and the cost of living also impact demand for the services of the sport, physical activity, and leisure sector.

At the time of writing, the Bank of England has announced an interest rate increase[17] as an attempt to curb inflation, which would also likely reduce discretionary spending. According to the ONS, half of UK adults have noticed the cost of living impacting their spending, with 35% of those adults making cuts to food and fuel expenditure. On a similar vein, 57% of respondents impacted by the cost of living crisis noted that they were spending less on non-essentials, 42% cut back on non-essential journeys, and 36% shopped around more.[18] All of those changes to consumer behaviours will have an impact on the sport, physical activity, and leisure sector, even if an economic recession does not occur as predicted.

With these growth inhibitors in mind, it is worth considering at the productivity statistics made available by the ONS and modelling what the impacts of all these growth inhibitors may be on the sector. Figure 10 shows three potential models, based on current growth trends (if productivity followed the trends seen during 2021), on historic data (if we saw the same trends as we did in 2008-2009), and if an economic slowdown occurred (GVA grew, but at slower rates than it had until this point.) The data was indexed against 2019.

[16] https://www.nomisweb.co.uk/reports/lmp/lep/1925185595/report.aspx#tabempunemp
[17] https://www.bbc.co.uk/news/business-57764601
[18] https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/ukeconomylatest/2021-01-25#post

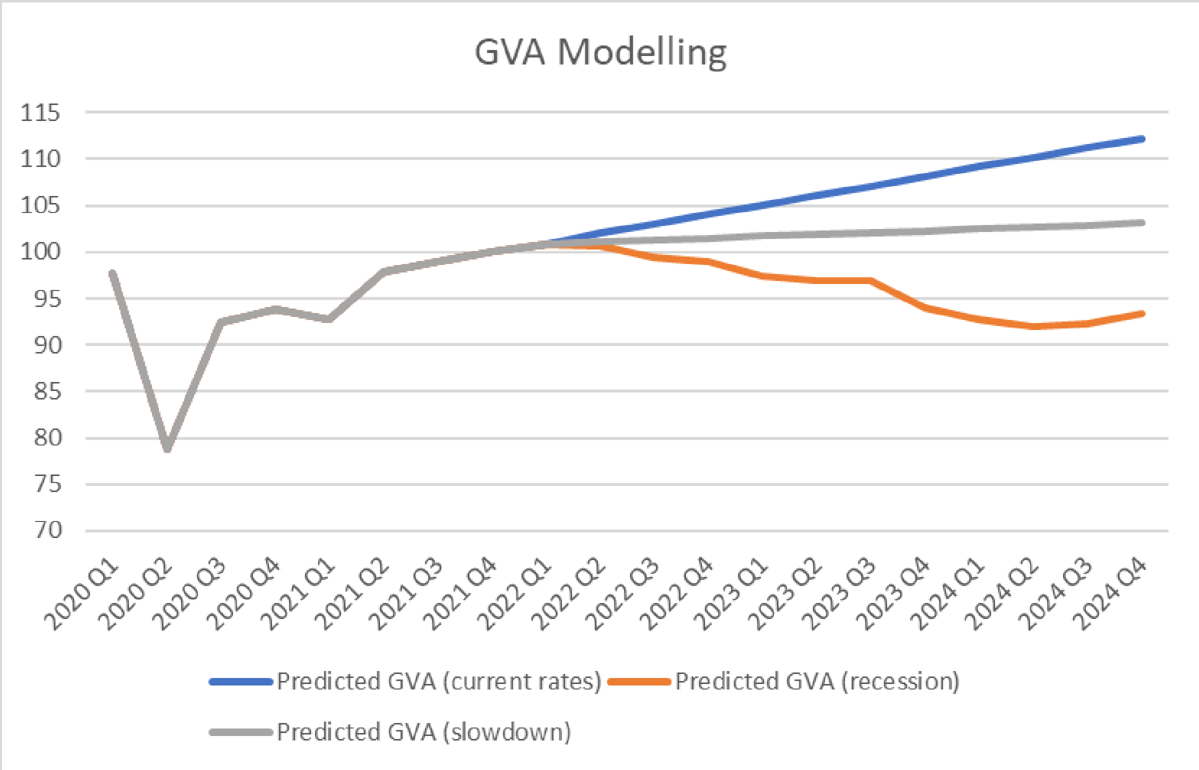


Figure 10: GVA Modelling, based on current statistics, and historic data

It is too early to tell which model is most likely to occur, but given the growth inhibitors present for the sector, it is not unreasonable to assume that an economic slowdown is highly probable. Of the companies operating in the Greater Lincolnshire and Rutland sport, physical activity, and leisure sector, the majority are micro businesses, many of which with fewer than 10 employees, which has impacts on the resilience of the company.

Recommendations

As demonstrated in this chapter, the Sport, Physical Activity, and Leisure sector of Greater Lincolnshire and Rutland is a diverse, complex environment with multiple and diverse needs. The estimated economic impact of the sector is immense, but it is facing significant growth inhibitors. As such, the recommendations of this chapter are presented as a means of addressing these inhibitors.

- Introducing more practical support for providers to cope with inflation and the cost of overheads. Examples of that include:
  - Advice and support on long-term investments, such as solar panels and insulation.
  - Advice and support on short-term energy/heating efficiencies.
  - Advice on implementing hardship support for employees.
  - Support on making the most of unused assets.
- Introducing more financial support for providers to cope with inflation and the cost of overheads. Examples of that include:
  - Grant funding schemes.
  - Hardship funds.
  - Skills development programs.
- Introducing more support for charities and small providers to access pots of funding. Examples of that include:
  - Dedicated information sessions to help charities and small providers apply for funding and tenders.
  - Dedicated helpline/website for charities and small providers.
  - Overhauling tender rules to make it easier for small providers and charities to apply for various programs.
- Introducing more opportunities for charities and small providers to access business advice and support. Examples of that include:
  - Extending the business networks to include charities and small providers.
  - Dedicated business support services to help charities and community interest companies make the most of their assets.
  - Active efforts to get business professionals on charity trustee boards.
- Introducing schemes for skills development and talent retention in the sector. Examples of that include:
  - Dedicated training and skills funds.
  - Dedicated training and skills programs.
  - Bringing the training to the employers or removing barriers to training.
  - Developing multi-skilled pathways.
  - Lobbying for and introducing programs that would encourage employee retention.
- Introducing schemes to address the cost of working. Examples of that include:
  - Schemes to address the cost of travel, particularly for entry-level workers who cannot fulfil their obligations from home.
  - Schemes to address the cost of childcare.
  - Family carer support schemes.
  - Collaborations with carer support charities, such as Carers First.

The above list is advisory and non-exhaustive.