

Sports Grounds Safety Authority

Report:

CIPFA Review – The Cost of Regulation

September 2023

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A handwritten signature in black ink, appearing to read 'C. Tidswell', with a horizontal line underneath.

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1. Introduction and background

- 1.1 The SGSA underwent an organisational review, commissioned by the DCMS which considered the role and function of the SGSA and made a number of recommendations. One of the recommendations was for the DCMS to consider a revision of the £100 licence fee to fully reflect the costs of regulation.
- 1.2 CIPFA was commissioned to undertake a review and provide support to assist in creating a robust, proportionate and transparent funding model that reflects the full cost of regulation of the safety of football grounds in England and Wales.
- 1.3 This report concludes the CIPFA review and provides details on the approach, principles, methodology and conclusions.

2. Scope

The review specification highlighted the following key areas of focus and to then draw conclusions and present recommendations:

- 2.1 How should the SGSA define the cost of regulation and determine which activities should be included?
- 2.2 Which methodology is the most appropriate for a regulator of the SGSA size to calculate the costs of regulation?
- 2.3 Once the costs of regulation have been identified, how should the SGSA allocate costs to the grounds that are regulated?
- 2.4 What options should be considered as mechanisms for recovery of a revised licence fee?

3. Design principles

At the start of a project of this nature it is important to develop a set of design principles. This provides a constant reference point to assess and ensure that the outcome delivered matches that planned. The starting point was to use a series of questions and then from these answers develop the principles.

The following questions and principles were agreed by the SGSA Leadership Team and Board.

- 3.1 How should the SGSA define the cost of regulation and determine which activities should be included?
 - Basis should be legislation.
 - Constructed on the assessment processes and activity underpinning these.
 - Recognises the non-regulatory activity to ensure there is a recognisable split.
- 3.2 Which methodology is the most appropriate for a regulator of the SGSA size to calculate the costs of regulation?

- This should be as simple and as transparent as possible, and not a burden to calculate.
 - Should recognise the time and effort as associated costs of direct and indirect activity and costs.
 - Should allow a standard process for recording and calculating regulatory costs.
 - The mechanism for cost allocation (or apportionment) will match the methodology.
 - A standard and clear basis should be agreed for each category of spend i.e., Staff FTE, direct cost apportionment, budget proportion etc., but keeping this limited and a simplified approach to application.
- 3.3 Once the costs of regulation have been identified, how should the SGSA allocate costs to the grounds that are regulated?
- The range of options should be limited to aid transparency.
 - The allocation should be based on agreed principles which could range from simply by having an inspection to time and therefore cost.
- 3.4 What options should be considered as mechanisms for recovery of a revised licence fee?
- The concept of proportionality and scale of club's resource will need to be considered. This may include introducing banding of clubs.
 - The options such as ground size, time incurred for regulating, crowd size etc., standard fee plus additional costs should be considered calculated and tested.

4. Our approach and methodology

The methodology adopted followed four development stages (1 – 4 below) followed by a stage 5, reporting to the Board. Each of the stages are below:

- 4.1 Stage 1 – Identification of direct and overhead costs.
- 4.2 Stage 2 – Allocation of overheads and calculation of cost of regulation and consulting.
- 4.3 Stage 3 – Allocation to activity areas (matchday inspections, ground assessments, local authority audits, licensing, Safety Advisory Groups, and so on).
- 4.4 Stage 4 – Alternative approaches to allocation of costs to the grounds.
- 4.5 Stage 5 – Board / Team review and next steps.

Sections 5 to 8 of this report present the details of each stage.

5. Stage 1 - Identification of direct and overhead costs – expenditure assumptions

- 5.1 The starting point was the 2022/23 expenditure budget with a line-by-line subjective analysis.

- 5.2 Through discussion of each line, we established which lines are a direct charge to regulation, consulting, or an overhead.
- 5.3 Where there was a split between two or more of regulation, consulting or overhead the proportion or % was agreed through discussion and by adopting a principle of simplicity. This related to staffing costs and travel / subsistence.
- 5.4 Staffing costs were broken down by a sub classification of Inspectors, HQ and Board. Costs used were full cost (including oncosts) and an estimation of time against the three areas (regulation, consulting or overhead) was used to apportion costs.
- 5.5 The total of direct costs to regulation and consulting and reallocated costs to overheads were then reconciled back to the total expenditure budget.

6. Stage 2 - Allocation of overheads and calculation of cost of regulation and consulting Identification of direct and overhead costs– expenditure assumptions

- 6.1 The starting point for the next stage, reallocation of overheads, was the total for regulation, consulting, and overheads. The objective was to reallocate all overheads to regulation and consulting.
- 6.2 The basis for reallocation was the aggregate allocation of staffing costs (Inspectors, HQ and Board) to regulation and to consulting. That % was then applied to the overhead total to arrive at a % split between the two areas, 74% regulation and 26% to consulting.
- 6.3 These percentages were then used to allocate overheads between regulation and consulting.
- 6.4 This then produced the total cost for regulation £1.573m and consulting £0.503m totalling £2.076m, matching the 2022/23 expenditure budget.

7. Stage 3 - Allocation to activity areas: matchday inspections, ground assessments, local authority audits, licensing & Safety Advisory Groups

- 7.1 Stage 3 was to take the total cost of regulation and apportion across the five areas of matchday inspections, ground assessments, local authority audits, licensing and Safety Advisory Groups. Essentially to triangulate the costs identified for regulation in Stage 1 and 2.
- 7.2 The approach taken was to assess the total time taken for each of these areas over a season. The time allocation was based on known or estimated time, the risk profile of clubs (which influences the frequency of inspections) to arrive at a total number of days. The number of days for each area then produced a % of the total which was applied to the total cost of regulation.

7.3 At this stage the split of regulation costs across activity areas has not been used further. This will need further debate but to introduce this factor into the costs for individual clubs would further complicate the calculation back to each club and impact on the principle of simplicity.

8. Stage 4 - Alternative options for the allocation of costs to the grounds Identification of direct and overhead costs– expenditure assumptions

8.1 The objective of stage four was to consider alternative approaches to allocation of costs to the grounds that are regulated and the mechanisms for recovery of a revised licence fee.

8.2 A number of alternative options were considered. The list of options was shared with the SGSA team to ensure it represented all options and ideas, with six options being shortlisted. These six options were also annotated with strengths and weaknesses to aid decision making on the final option.

8.3 The six options were then all modelled for the 92 PL/EFL clubs plus Wembley stadium using the latest available data. The six options are listed below:

- Equal split
- Turnover – limited data available due to financial reporting
- Regulatory effort – not modelled due to complexity and need for accurate time recording
- A) Capacity and B) banded capacity
- A) Average attendance and B) banded average attendance
- Division

8.4 The total cost of regulation £1.573m was used as the total for allocation for each approach.

8.5 The results of the modelling of the options is presented in the table below.

Total Cost of Regulation			1,573,281	Based on 92 clubs and * Wembley							
Option	Description		Prem *		Champ		EFL1		EFL2		
			Max £	Min £	Max £	Min £	Max £	Min £	Max £	Min £	
1	Equal Split	Per club	16,917		16,917		16,917		16,917		
2	Turnover		169,872	5,487	34,347	1,613	3,719	707	1,519	831	
3	Reg Effort										
4a	Capacity		65,666	8,250	35,751	7,556	28,989	3,755	18,332	3,648	
4b	Banded Capacity		30,000	13,000	25,000	13,000	25,000	8,000	20,000	8,000	
5a	Ave Attendance		74,956	9,503	35,153	9,056	25,184	2,756	16,071	1,865	
5b	Banded attendance		32,000	17,000	27,000	11,000	22,000	11,000	17,000	11,000	
6	Division	Per club	29,967		19,666		13,111		6,555		

- 8.6 It should be noted that the one option not pursued was the 'regulatory effort'. In order to determine the amount of time and resource used for each ground inspection and regulatory activity it would require a sophisticated time recording and analysis system which if adopted would not meet one of the design principles, that of being simple and understandable.

9. Methods of alternative allocation of costs to the grounds

- 9.1 The options below were generated for the purposes of this exercise and were subject to further development by SGSA.
- 9.2 **Option 1:** Equal split. Total cost divided by 93.
- 9.3 **Option 2:** Turnover – (limited data available due to financial reporting). Total turnover for all clubs calculated, then each clubs % calculated and that % applied back to each club to arrive at its proportion of regulatory cost based on turnover.
- 9.4 **Option 3:** Regulatory effort – not modelled due to complexity and need for accurate time recording.
- 9.5 **Option 4A:** Capacity. Total capacity for all clubs calculated, then each clubs % calculated and that % applied back to each club to arrive at its proportion of regulatory cost based on capacity.
- 9.6 **Option 4B:** Banded capacity. Capacity was set in to 5 bands: 1 – 0 to10,000, 2 – 10,000 to 20,000, 3 – 20,000 to 30,000, 4 – 30,000 to 40,000 and 5 – 50,000+. Each band was then set a rate per club; 1 – £8,000, 2 – £13,000, 3 – £20,000, 4 – £25,000 and 5 – £30,000.
- 9.7 **Option 5A:** Average attendance. Total average attendance for all clubs calculated, then each clubs % calculated and that % applied back to each club to arrive at its proportion of regulatory cost based on average attendance.
- 9.8 **Option 5B:** Banded average attendance. Average attendance was set in to 5 bands; 1 – 0 to10,000, 2 – 10,000 to 20,000, 3 – 20,000 to 30,000, 4 – 30,000 to 40,000 and 5 – 50,000+.Each band was then set a rate per club; 1 – £10,000, 2 – £18,000, 3 – £22,000, 4 – £27,000 and 5 – £33,000.
- 9.9 **Option 6:** Division. Each division was allocated a % proportion of total regulatory costs; Premier 40%, Championship 30%, EFL 1 20% and EFL 2 10%. Each division % was applied to the total cost of regulation to arrive at a £ for each. This was then divided equally to each club within the division.

10. Alternative approaches to allocation outliers

- 10.1 Within each division there are a number (though small) of anomalies when capacity and attendance are considered. These in the main relate to small clubs progressing through divisions without expansion of capacity (and therefore attendance) and the opposite where clubs have moved down the division and have large capacity and

as a rule corresponding attendance. These are reflected in the maximum and minimum figures.

- 10.2 At some stage the Principality Stadium will need consideration, but it has not been included at this stage as the ground is not currently hosting designated football matches.

11. Conclusions

- 11.1 The objective of the review and modelling was to provide the Sports Ground Safety Authority with an analysis and modelling of data that would assist in its approach to developing a revised licence fee. This following one of the recommendations was suggested to the DCMS to consider a revision of the £100 licence fee to fully reflect the costs of regulation.
- 11.2 This report provides that analysis and was presented to the SGSA Board earlier in 2023. It was not the purpose of the review to recommend a particular option but to present a range. It is the Board who will decide the next steps to change.
- 11.3 The Board and SGSA have since developed a consultation based on the need to revise the licence fee and the CIPFA review and this report have formed the basis for the option modelling used in that consultation.