

The Impact of National Insurance
Increases in the Sport Sector:

Pulse Survey Insights

HaysMac⁺



Introduction



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The sport sector is a vibrant and essential part of our economy and like other sectors, is facing cost challenges because of recent National Insurance and Minimum Wage increases. To understand the impact of these changes, we conducted a short and sharp pulse survey to gain some insight into how the sector is reacting. This survey aimed to gather insights into how these financial adjustments may affect the operations, workforce, and overall financial health of the sector.

To ensure an understanding of the issue, we posed five key questions to participants from different organisations within the sport sector. The survey received a total of 31 responses, providing a diverse and representative sample of the current landscape. The respondents included a mix of governing bodies, professional clubs, and businesses within the sports ecosystem.

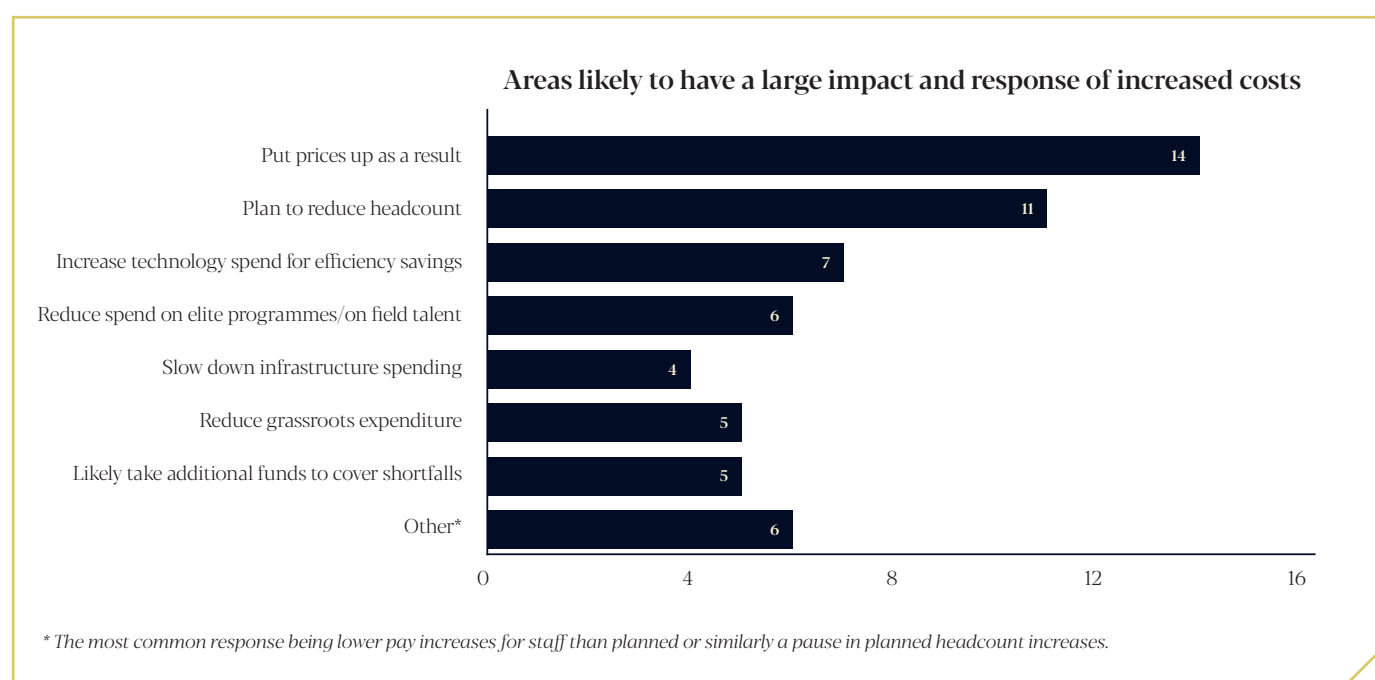
Key findings

Overall impact on the sector

First, we asked how organisations might respond to the increased costs and what areas they are likely to change.

Out of 31 respondents, only 6 organisations reported it is not likely to have a major impact on operations, meaning the vast majority, (25, or 81%), will be adapting directly because of the changes. It was interesting to note, out of the 6 who answered limited impact, all came from either the governing body or business ecosystem area of the sector. This suggests that those with greater exposure to major events, hospitality and/or high paid employees (like professional clubs) are impacted more than some areas of the sector.

Out of the 25 who responded that there would be an impact to a greater or lesser extent the following responses were received (to note respondents could answer as many as relevant):



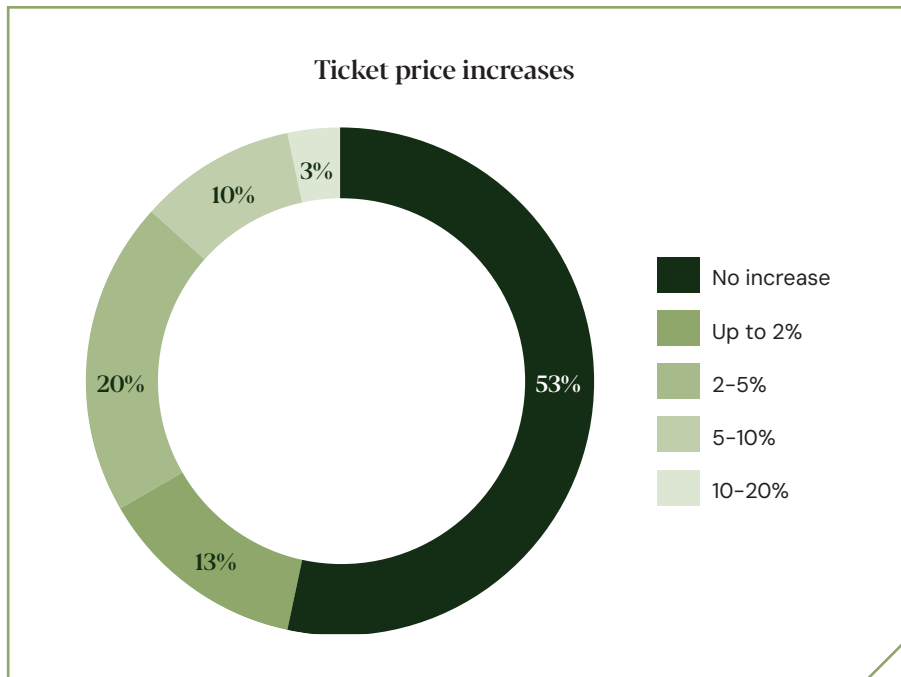
A couple of interesting trends from the data, is once you strip out some of the organisations who do not really host events, then 14 of 19 (74%) are likely to increase ticket prices to some extent. There appears to be a mixed response in the sports club market to this question, with a number not increasing prices. One observation for this appears to be geographic location and local demographics.

In most cases (55% of all respondents), organisations are taking multiple measures to address the impact of the increased National Insurance costs. This suggests that organisations in the main are trying to manage the conflicting needs of different stakeholders, from fans to owners and the staff base.

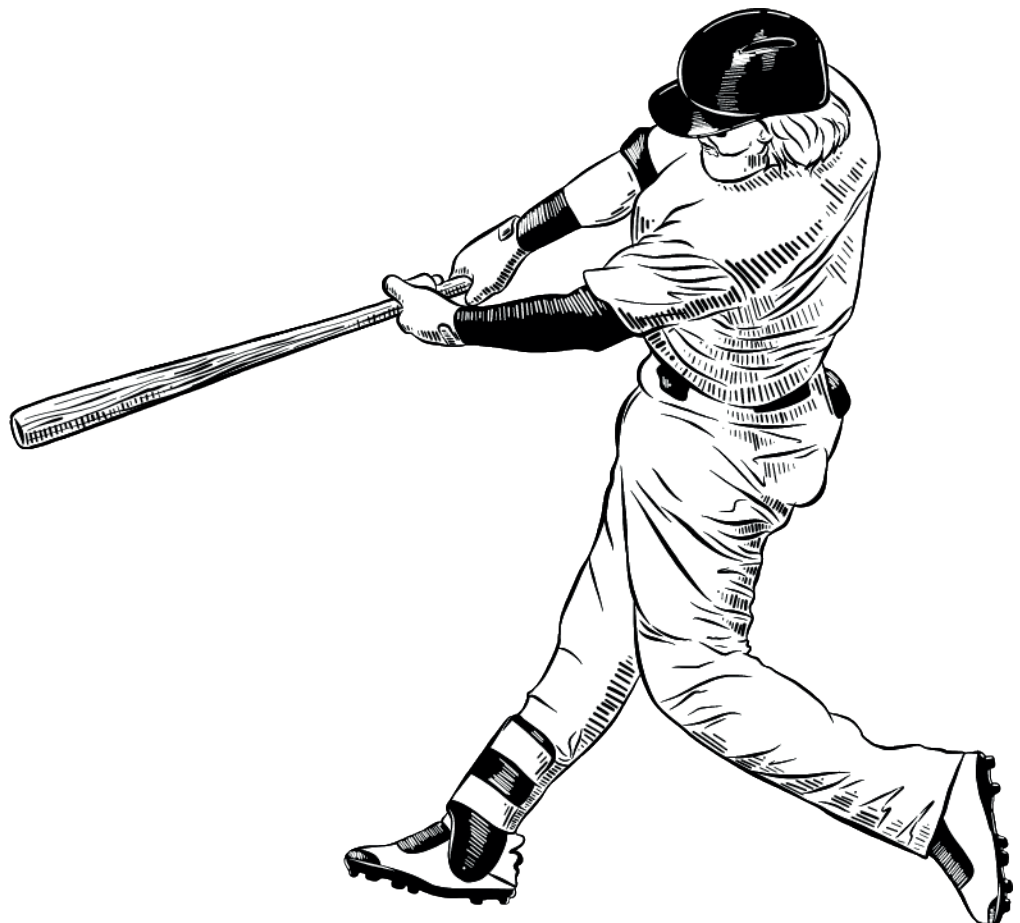
The Government has clearly stated the need to increase the tax take by these measures, but the above data does have some worrying potential implications for growth; indications of higher prices, lower wages and headcounts and a slow down in infrastructure spending are some such implications.

Increases in ticket prices

We asked how much, approximately, organisations were going to put their ticket/event prices up by, and the below graphic shows the responses:

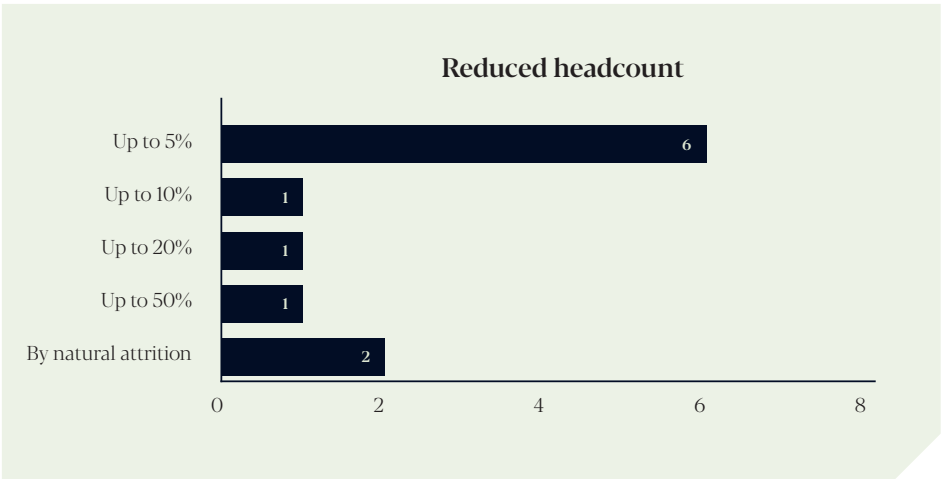


Of the 14 organisations who said they would increase ticket prices, the majority (71%) said they would be increasing prices by up to 5%. There are some organisations that will likely increase by more (up to 20%), but these are in the minority.

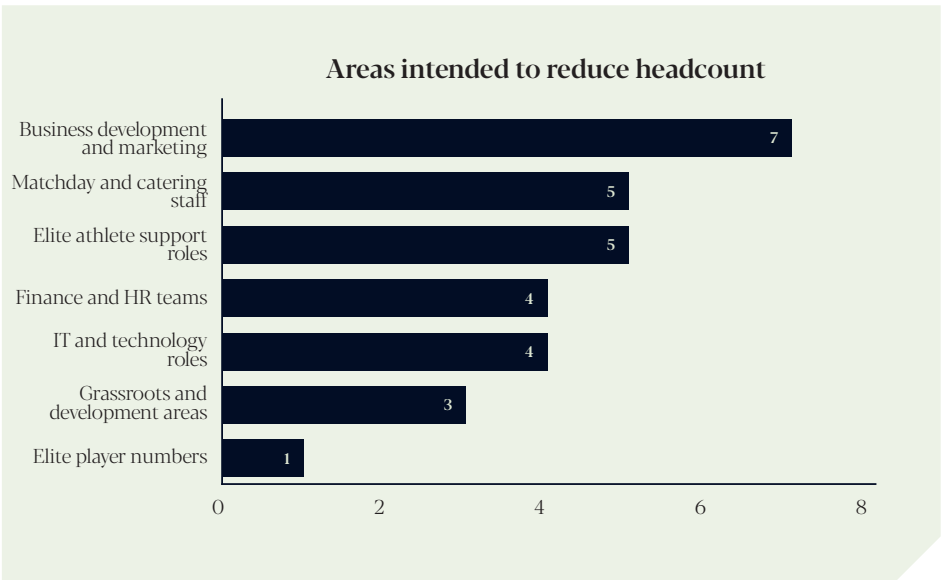


Impact on headcount

As noted above, 11 organisations reported they planned to reduce headcount. However, a further 6 reported that they would reduce the amount they intended to increase staff pay by, or scale back plans to invest in the headcount. We asked the 11 organisations who intended to reduce their headcount, by how much approximately this would be. The following was reported:



The above suggests that most organisations in the sector are trying to protect their headcount as much as possible, with those intending to reduce doing so by a relatively small percentage. As a follow-on question, we asked in what areas of the business you are expecting to reduce the headcount. There were 11 respondents who said they were going to do this (they were able to answer as many as relevant):



It should be noted that one organisation who responded to the survey stated that they intended to increase headcount.

Typically in downturns the area most likely to be impacted is marketing, but here most organisations planning to reduce headcount appear to be doing so in multiple areas across the business. This suggests, based on the above % decreases, that it is small numbers across multiple areas of operations that are being impacted.

Areas of investment

The final area we asked about was investment. Most respondents (19 out of the 28 who responded to the question) stated there would be no or limited negative impact to their investment plans. The following was noted from the data:

- ◆ 5 intended to spend less on player recruitment (but not necessarily numbers)
- ◆ 3 were likely to spend less on youth and/or women's teams
- ◆ 3 intended to reduce or pause stadium or other infrastructure spend
- ◆ There were 7 other responses relating to operating costs that were covered by the previous question responses.

In line with the first question's response, 7 organisations stated they intended to increase spend on technology projects with the aim of creating cost-efficiency savings.

Conclusions

The pulse survey provides some interesting insights into the impact of increased National Insurance and Minimum Wage on the sector. A significant proportion of respondents have reported that they will need to increase ticket prices and/or reduce headcount because of the changes. Organisations appear to be trying to balance as best they can the needs of different stakeholders by being proportionate with these factors and using multiple levers to address the challenge.

There are some worrying signs in the data that the sector's growth could be impacted. Higher costs being passed on to fans, reducing headcounts and lower infrastructure spend as a result could impact this. However, there are some organisations increasing spend across technology projects to try and create cost efficiencies. These factors will need to be carefully monitored by both organisations on the ground and government alike.



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