

Inquiry into the COVID-19 outbreak and its impact on culture, creative industries, heritage, communications and sport | Response by Community Leisure UK (Wales)

19 June 2020

Introduction

Community Leisure UK (Wales) is a members' association representing registered charities, societies, and community interest companies (with a public benefit asset lock) –commonly called trusts– managing public leisure, sport, arts and/or culture facilities and services for communities across Wales. Public leisure and sport are managed by trusts in 50% of Welsh local authorities. In five Welsh local authorities, trusts manage public arts and culture, primarily libraries, theatres and arts venues.

1. What has been the immediate impact of Covid-19 on the sector?

1.1 Prior to Covid-19, charitable trusts across leisure, sport, arts, and culture had been encouraged to become self-sufficient against a backdrop of increasing local authority financial pressures. The result is that trusts are now victims of their own success, with a far greater reliance on income through trading, which has entirely stopped since the closure of facilities as part of the Covid-19 response.

1.2 While they are mostly closed, Welsh trusts continue to incur an average of c. £222,000 in monthly costs (excluding Job Retention Scheme and negotiated expenditure reductions) while missing out on an average of over £420,000 of monthly income. These costs include utilities, significant pension contributions (not recoverable from the Job Retention Scheme above the 3% threshold) and ongoing building maintenance. These are paid for by reserves and advanced management fees from Local Authority partners, which is not a sustainable solution. Combined, Welsh trusts across public leisure and culture – in our membership – face an estimated £11.7 million deficit for the current financial year (31 March 2021).

1.3 Because of these pressures, according to a members' survey from 16 June 2020, 40% of Welsh trusts will reach an "insecure" position by October 2020. There are significant concerns around the financial viability after the Coronavirus Job Retention Scheme ends in October with 70% of Welsh trusts reaching an "insecure" position in the next 6-9 months. Alarmingly, within nine to twelve months from now, 90% of Welsh trusts will have become "non viable" or be in an "insecure" position.

1.3.1 To manage these pressures, trusts are doing everything they can to reduce costs and remain solvent. This includes reducing non-essential expenditure and depleting reserves. They are preparing for reopening with limited hours, managing facilities and services with minimum staff required, rationalising and closing facilities, and keeping some facilities closed while social distancing remains in place. Yet even with these measures in place, their future is at significant risk.

1.4 If trusts are no longer a going concern, or if they open too soon to operate in a financially viable way, the entire community infrastructure for leisure, sport, arts and culture is at risk of collapse. As trusts work closely with their Local Authority partners, it will significantly restrict Local Authorities' capacity to meet their statutory duties under the Wellbeing of Future Generations Act.

- 1.5 While trusts strive for the current pressures to have limited impact on their employees and their job security, they are worried that they will be unable to afford redundancy, yet equally unable to retain staff financially. The current pressures will impact casual staff directly, with the majority of trusts across leisure, sport, arts and culture indicating that they will be unable to offer work to their casual staff upon initial reopening (likely not before the end of this calendar year).
- 1.6 Almost half of trusts indicate that they have either started discussions with their trade unions or will likely do so soon with regards to redundancy, where voluntary redundancy will likely be the first option. This would mean a loss of highly skilled, specialist and professional employees e.g. curators, health and exercise professionals, librarians, HR professionals etc. This presents a significant challenge: how can the sector and organisations' rebuild, without those skilled and trained professionals?
- 1.7 There is a significant threat to people's mental health as well as a threat of widening inequality gap through social exclusion and loneliness, exacerbated by the fact that people have not been able to go into their local community centre and access the social support network that is offered by trusts, above and beyond physical activity classes, book lending, or performances.

2. How effectively has the support provided by the Welsh Government, the UK Government and arms-length bodies addressed the sector's needs?

- 2.1 The Coronavirus Job Retention Scheme is by far the most effective support provided. All trusts make use of the scheme and most pay furloughed staff 100% of their salaries. This is being funded through a combination of reserves and advanced management fees from Local Authority partners. However, with the announced changes from August, the extent to which this scheme is helpful will be significantly reduced. The change in support comes at a time when costs will increase upon reopening, income limited, and reserves depleted, resulting in immediate loss of staff.
- 2.1.1 This squeeze is further increased as not all aspects of trusts' businesses will be able to return due to the phased approach to reopening and business viability considerations. Some sites have also been repurposed for the local Covid-19 response and may be required to support Local Authorities in providing local services while social distancing remains in place. Specifically, in the arts sector, due to social distancing and the nature of the sector, there may be no return until the end of this year or into next.
- 2.2 There is a perception that charitable trusts benefit from all or many of the support programmes while this is not true, as evidenced below.
- 2.2.1 A third of Welsh trusts have been declined or do not intend to use the Welsh Government's Economic Resilience fund. None are currently accessing this fund. The criteria of proving a 60% or higher loss of income is being unfairly judged, therefore making the fund inaccessible to charitable trusts. Trusts' income has reduced significantly, however, because they still receive some public funds through management fees from local authority partners, this is included in their current income position. This creates a misleading picture. The trust model operates on small margins, and any profits generated are reinvested back into the organisation.
- 2.2.2 Only half of Welsh trusts have used the business support grants for the leisure and hospitality sector. The limitation with this support measure is that the grant is capped at buildings rateable value (under £51,000). Most trusts' buildings have a higher rateable value.
- 2.2.3 While 70% of trusts are accessing the government-backed 100% rate relief for buildings, this is not making a massive difference for them. As charities or societies, they will already receive business rate relief, mostly at 100%.

- 2.2.4 No Welsh trusts are currently using the Coronavirus Business Interruption Loan scheme. 40% indicate being declined or not intending to use the scheme due to the challenges of accessing CBILS. This is a general pattern seen across the UK – only four of our 110 members have been successful – those that do wish to apply are being deemed “ineligible” or have had their applications declined. As charities, our members are not able to build up Reserves of a level that would cope with zero income, continued costs (as explained in 1.2) and resource reopening and recovery. Furthermore, for many, a large part of their reserves is restricted and therefore not available to organisations to use freely to support the business.
- 2.2.5 Trusts are not making use of the Third Sector Resilience Fund and the Voluntary Services Emergency Fund as they do not currently deliver any services (due to closure) and are expected to benefit from other business support measures.
- 2.3 Support from arms-length bodies Sport Wales and the Arts Council of Wales has been limited to date, though more support is coming as they have been open to feedback and for collaborative working.
- 2.3.1 Sport Wales’ initial emergency funding was not accessible by trusts as it only targeted sport clubs. However, Sport Wales have been flexible in allowing existing funding to be repurposed and we have been working closely with them to design the upcoming Sport Resilience Fund. We welcome and appreciate that Sport Wales has committed £1 million for non-profit distributing leisure trusts.
- 2.3.2 The Arts Resilience Fund managed by the Arts Council of Wales has been limited in its effectiveness. Trusts were not encouraged to apply to the emergency funding due to the eligibility criteria of not being on the brink of collapse in the immediate term, yet no consideration was given to the long-term challenge. However, we fully support Arts Council of Wales’ input to the Welsh Parliament, which demonstrates their understanding of the current challenges of the sector. We strongly urge the Welsh Government for future financial support for the sector to aid the lengthy recovery process.

3. What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

- 3.1 Trusts estimate that it will take at least 12-18 months from the point of reopening to recover to their position prior to Covid-19, though for the arts this can take up to three years.
- 3.1.1 There is significant worry about the economic viability of reopening facilities and services. This is because social distancing will limit the number of people being able to engage in the sport, leisure, arts or cultural activity, therefore limiting the possibility to generate levels of income for those activities to be viable. Public confidence to return is currently also low as demonstrated by insights from [BVA-BDRC Covid-19 Tracking Consumer Sentiment](#) on the Impact of Covid-19: consumers take, on average, four months to return to a gym-based activity, and five months before returning to a museum. There will also be increased costs once resuming operation due to enhanced cleaning and safety protocols, PPE expenses, and re-mobilisation costs including staff re-training and support.
- 3.1.2 There needs to be a recognition that some facilities, and indeed staff, have been repurposed or re-employed for the local Covid-19 response. Some of these repurposed leisure centres have already been told they will not return to their original purpose before the end of this calendar year. This significantly limits organisation’s possibilities to operate and generate income, as in some cases the repurposed sites account for 40% of the usual income.
- 3.1.3 For theatres and arts performance venues, there is the prospect that they might not return before the end of this calendar year. Large companies like the [Wales Millennium Centre](#) are already announcing not to reopen before January 2021. Most presenting areas rely on mass gathering to generate the revenue required to sustain the programmes and acts. Theatre performances are often booked at least six months in advance; plans for touring even longer. For artists and performers themselves it is

impossible to rehearse and perform with social distancing in place. Reduced audiences paying to attend will render almost all performances non-viable unless funded through a subsidised means.

- 3.1.4 As outlined earlier, the Coronavirus Job Retention Scheme (CJRS) is currently the most helpful government measure and without it, charitable trusts will reach an insecure position – completely depleting their reserves and risk no longer being a going concern. We would welcome Welsh Government and First Minister Mark Drakeford to publicly call for the CJRS to be extended.
- 3.2 We are significantly worried about the widening inequality gap during the lockdown period, the likelihood that the hidden costs to communities will be felt for decades and, in the long run, cost enormous amounts to local services and the NHS.
- 3.2.1 [Sport Wales' insights](#) show that there is a net decrease in physical activity levels for those aged 35-54 and 55+. For both children and adults, people from lower socio-economic backgrounds report to be less physical activity than those from higher socio-economic backgrounds. These are the groups that usually would be invited through sports development and specific health programmes run by trusts. The sports development programmes take place in schools and community settings, which will be restricted by social distancing and the engagement with a young and energised population, for whom it will be most difficult to adhere to social distancing measures. Other programmes like NERS, cardiac and cancer rehab programmes are already delayed or cancelled due to the lockdown.
- 3.2.2 Trusts may face challenges in balancing the delivery of their charitable objects in a financially pressured environment with a need to generate income. For example, leisure centres, arts venues, libraries and other cultural spaces offer more than an individual opportunity to be active, lend a book or watch an artistic performance – they are hubs where Dementia groups meet, knit & natter activities take place, youth groups practice, a person can come in for a cuppa and a chat, etc. These activities will be inevitably impacted by social distancing and public health guidelines and will be competing for space with profit-generating activities, essential to remain viable.
- 3.3 This can be mitigated by recognising the value of charitable trusts' work and their position as community hubs. There is a need to rethink the support and delivery for these services, in collaboration with Local Authority partners. Trusts have a key role in supporting the physical, mental and social health and wellbeing of their local communities and this will be even more critical as communities emerge from the current crisis. If they are unable to remain solvent and reopen their doors, there will be an insurmountable loss of charitable trust run facilities and services, which are likely never to return.
- 3.4 The majority of local authorities are advancing management fee payments to support their sport, leisure, arts and culture delivery partners through lockdown and the first steps into recovery. However, they are also under significant financial pressure, and while the [Procurement Policy Notes 02/201 \(PPN 02/20\)](#) and the WLGA [guidance note](#) on supporting leisure and culture partners are much welcomed support mechanisms, Councils need ring fenced funding for leisure and culture to enable them to effectively support their partners during the long recovery period ahead.
- 3.5 Equally, Welsh Government needs to set the example of how the Well-being of Future Generations (Wales) Act (2015) can be more effectively applied at a local level, taking into consideration the [policy recommendations](#) set out by the Future Generations Commissioner for Wales as part of the Future Generations Report 2020.
- 3.6 The application of the Act warrants the inclusion of charitable trusts, not least because of the recognition it gives to arts, culture, sport and leisure as the wider determinants of health, but because the trust model is founded on cross-subsidy to ensure those communities who are in most need of inclusive activities and services, can access them. Trusts i) cross-subsidise services i.e. more profitable activities will subsidise some health, community, library activities etc., and ii) cross-subsidise access i.e. using income from those who can afford to pay, to support reduced cost or free activities for those with less disposable income.

3.7 Considering the Future Generations Commissioner for Wales' new policy recommendations in light of the Covid-19 challenges, Welsh Government should:

- 3.7.1 Develop a national wellness system to improve the nation's health and wellness and reduce demand on services.
- 3.7.2 Use the wider determinants of health to enable a whole-system approach to improving health and wellness.
- 3.7.3 Demonstrate how they are applying well-being economics in all of their policy, funding arrangements and interactions with the public, private and voluntary sector.
- 3.7.4 Meaningfully apply their definition of prevention and preventative spend and use it in conversations between government and public bodies about performance management and finance.
- 3.7.5 Channel funding for prevention through Public Services Boards to reflect the wider determinants of health.
- 3.7.6 Put in place arrangements to provide practical support to businesses across Wales, working closely with the public sector and the Office of the Future Generations Commissioner, to jointly work towards meeting Wales' well-being goals.
- 3.7.7 Incentivise and encourage proper application of the Act and flexibility to innovate through capital and revenue funding programmes.

4. What lessons can be learnt from how the Welsh Government, the UK Government, arms-length bodies and the sector have dealt with Covid-19?

- 4.1 We welcome the Welsh Government's approach to the phased reopening of the sport, leisure and physical activity sector. The guidance groups that have been set up in collaboration with Welsh Sports Association and Sport Wales are working well, and ensure that all perspectives – NGBs, clubs, leisure trusts, elite sports – are considered. A similar approach to reflect the diverse ecology of the arts and cultural sector, however, is missing. While we are aware that Welsh Government is consulting with arms-length bodies including the Arts Council of Wales, Creative Wales and Cadw, as well as sector specific bodies like the Society of Chief Librarians, the operator and the freelancer perspectives – both crucial to the arts and culture ecology – are left out.
 - 4.1.1 While there has been criticism of the UK Government's Department for Digital, Culture, Media and Sport, their approach to set up a Taskforce and several thematic Working Groups that informs their decision-making and planning for a phased reopening of this sector was made public knowledge, and therefore could undergo the necessary scrutiny. This is missing in Wales.
- 4.2 As mentioned earlier, we welcomed Sport Wales' approach to working with the sector to design and adapt the funding streams of the Sport Resilience Fund. This inclusive approach means that all parts of the sector are being considered, and that there is recognition and support available in both the immediate and longer-term. Yet, although welcome, the resources are not sufficient to fully support the significant financial risk within the sector.
- 4.3 While Welsh trusts are actively trying to reach out to their communities during lockdown, this has been challenging and restricted. Trusts are encouraging people to stay active online, or use online book lending services from the library, but the reality is that there is a large proportion of the Welsh population that cannot access these services as they do not have any digital access at home.

4.3.1 It must be noted, however, that the First Minister allowed library services to reopen early on, with his announcement on 8 May 2020. This included click and collect services, and a home delivery option. The decision to reopen was, understandably so, left to the discretion of the Local Authority and their partners. However, we are seeing that most libraries did not reopen until mid-June, if indeed they did at all. When they did or do reopen, it is with a limited service at only the main library branches.

5. How might the sector evolve after Covid-19, and how can the Welsh Government support such innovation to deal with future challenges?

- 5.1 There is a role for Welsh Government to support public leisure, sport, arts and culture operators in addressing the public perception of safety and managing expectations of how services and facilities will be different upon reopening. This will influence how quickly customers will return, which in turn will impact business viability and recovery. It is suggested therefore that Welsh Government develops a national campaign to build public confidence and raise realistic expectations about engaging with newly reopened businesses and public spaces.
- 5.2 The Covid-19 pandemic is the first time that national governments across the world have publicly recognised and highlighted the benefits of physical activity. This momentum needs to be harnessed and the positive messages need to translate into proactive policies that support operators of public leisure, sport and physical activity facilities and services, recognising these activities as some of the wider determinants of health.
- 5.3 Equally important, the impact of artistic and cultural activities on (mental) health and wellbeing is being nationally recognised, and this momentum should be built upon.
- 5.4 Here, again, we would like to direct Welsh Government to the recommendations set out by the Future Generations Commissioner for Wales, where in addition to the recommendations as outlined in 3.7, Welsh Government should consider:
- 5.4.1.1 Developing a national strategic communications campaign to promote the benefits of culture on the wider determinants of health.
 - 5.4.1.2 Developing cultural corridors across Wales that encourage public, private and voluntary sectors to connect cultural and creative sites, programmes and institutions to widen well-being opportunities, reach and prosperity.
 - 5.4.1.3 Exploring how they can use budgets to give greater long-term financial certainty to other public and voluntary sector bodies to ease the short-termism challenges faced by procurement. This could include facilitating longer-term (minimum 5 years) contracts with break clauses built in to allow ongoing flexibility.

End.