

Re: Inquiry - Impact of Covid-19 on DCMS sectors

21 May 2020, submitted by Community Leisure UK

Introduction

Community Leisure UK is responding on behalf of our members who deliver public leisure, sport and culture services across the UK. Commonly called trusts, they are all registered charities, societies or community interest companies (with a public benefit asset lock), often working in partnership with local authorities. Our 110 members operate over 3,800 facilities that received 233m customer visits last year, with over 100,000 staff and over 17,000 volunteers. Their combined turnover in 2019 was over £2bn. Across the membership 58% of members deliver cultural services and facilities. This equates to 1,100 cultural assets - theatres, town halls, libraries, museums, cinemas etc. We estimate our culture-based members employ over 63,000 staff, engage with 12,000 volunteers, and 400 apprentices.

Thank you for welcoming a breadth of submissions.

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

1.1 For our sector, the Covid-19 impact and response can be split into three phases:

- the immediate - closedown of facilities and services and protecting jobs;
- now - preparing for reopening; and
- medium / longer term - recovery and resilience.

1.2 Although largely closed, our members are feeling the immediate and continuing impact of managing ongoing costs, with zero income being received (losing on average £925,000 of income receipts from customers per month).

1.3 Most of the income for public sport and leisure services comes from membership (e.g. gym memberships) and income from customers (e.g. bookings, hall hire, soft play etc). Income for cultural services typically comes from admission fees, ticket sales, grants, donations and gift aid, and commercial activities e.g. cafes, hospitality etc.

1.4 In addition members continue to incur, on average, £473,000 of monthly costs. Our largest member is incurring £6.5m of continued costs per month. This includes pension contributions (often well above the 3% support e.g. LGPS), utilities and standing charges, costs of non-furloughed staff, maintenance and facility checks, and keeping some services running. This figure excludes the Job Retention Scheme and any negotiated expenditure reductions e.g. leases, recharges etc.

1.5 To manage this current situation, members are using all levers available. Including using a significant proportion of, or, their entire reserves, applying for high street bank loans and overdrafts, and requesting advanced payments on their management fees where possible. This is a high risk, unsustainable solution.

1.6 The impact of Covid-19 has pressurised them financially but also, importantly, in terms of their ability to deliver impact as per their governing documents. Their ability to deliver impact is supported by the founding financial principle behind the trust model - cross-subsidy. They utilise and reinvest the profit from those services e.g. gym memberships, to cross subsidise non-profit generating activities; and or reinvest the profit to enable subsidised or free access for communities in most need of opportunities for engagement.

1.7 Our insight survey, that concluded on 18 May 2020, evidenced that 40% of members will be non-viable or insecure over the next one to six months. This insecurity increases to 57% over 9 - 12 months; and 67% from 12 months onwards, based on an assumption of phased re-opening of facilities and spaces with social distancing measures in place.

1.8 Across the UK, if members' contracts are no longer viable and they become insolvent, the liability for services, facilities and staff lies with the local authority in 69% of cases.

2. *How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?*

2.1 We continue to acknowledge the significant measures introduced, but we urgently need to raise the continued and critical financial position of member across the UK. Currently, the support provided has not addressed the sector's needs and it continues to fall into the gaps.

2.2 Our sector needs:

- an avenue to share its insights, needs and a role for both community and economy, and to be heard;
- equitable access to the Government support programmes;
- the ability to engage in and shape arms-length bodies' support programmes;
- clarity on re-opening and social distancing measures;
- tangible strategic and political backing from Government (DCMS) that physical activity and engaging in cultural activities is fully recognised within and across Government policy, including health, social care, regeneration, local authority financing, devolution, industrial strategies.

2.3 As expressed in letters to the UK Government:

2.3.1 The *Business Support Grant Funding* is capped at buildings rateable value (under £51,000). Most trusts' buildings have a higher rateable value, and the grant is capped at two buildings. As charities or societies, they will already receive business rate relief, mostly 100%. Those who currently receive the 80% mandatory will be supported by now automatically obtaining 100%. However, the 20% in additional relief is too small to positively impact upon a leisure, sport and culture trust.

2.3.2 We welcome and acknowledge the *Government's £750m for frontline charities*, but our members are not deemed "small" nor "delivering frontline services". Therefore, they will be very unlikely to be eligible to access the grant support. The DCMS announced (20 May 2020) funding for charities and social enterprises from releasing dormant assets is welcome - and the blended finance of grant and loan (currently through Access) is helpful. Otherwise the risk remains of accumulating debt. We will need to see the detail to understand whether our members will be eligible to access some of the opportunities provided as some is ringfenced to community groups.

2.3.3 *Outside of UK Government-led support*, including Welsh Government, Scottish Government and local authority-led programmes - across the UK, 26% of members who applied have been accepted and awarded financial support. 40% of members who have applied, have been told they are not eligible or have been declined. 15% have decided not to apply mainly due to the low chances of being successful and the resource it takes to apply. The remaining 19% are intending to apply.

2.3.3.1 In England - The Sport England Covid-19 designated funding is unable to fund the financial impact on local authority services. The Arts Council England support is helpful and we absolutely acknowledge that, yet this is not enough on its own to significantly impact on organisations' viability in the long-term.

2.3.3.2 Across Wales - 44% of trusts say they are not eligible for the Economic Resilience Fund. This is because the criteria of proving a 60% or higher loss of income is being unfairly judged as crucial funds that currently keep members solvent like management fees are included in the calculation of income. To date, funding from Sport Wales has also not been available for leisure trusts. We are working with Sport Wales, however, on designing the upcoming Sport Resilience Fund to ensure it can support leisure trusts. Trusts were not encouraged to apply for the Arts Resilience Fund because they are not on the brink of collapse in the immediate term.

2.3.3.3 In Scotland, 55% of members are not eligible for Government led support, with 10% being declined. Significantly, 60% of members are not eligible for either Business Support Grants or Grants from National Agencies.

2.3.4 The *Coronavirus Business Interruption Loan Scheme (CBILS)* as it is not working for members. Of the members who have applied, 10% have been successful, whereas 30% have been declined or told they are not eligible. 50% of members are now not intending to use CBILS because of the low success rate, the complexities and time it takes to apply. There is a solution shared in section 3 as we are seeking a small amendment in the eligibility criteria. The *Bounce Back Loans*, although welcome, are currently helping four to five members. But the £50,000 scale is too small to support the vast majority of members.

2.3.5 The *Coronavirus Job Retention Scheme (CJRS)* is the pillar of support. The extension through October is welcome, yet the detail is important. It is vital that throughout the reopening period where measures will include social distancing - the CJRS needs to continue. This will likely go beyond October. We request the Government's continued support through the CJRS whilst social distancing measures are in place. This will help ensure that once leisure and cultural facilities and services re-open, they are financially supported whilst revenue levels rebuild.

2.4 It feel that charities, societies and CICs are not being given equal opportunities for support; more financial support has gone to profit-distributing organisations e.g. 100% business rate relief, grant support from local authorities etc.

2.5 With arms-length body led support, we appreciate the pressures and financial asks these partners are managing; also, that it is not their responsibility to underpin the public sector. Those partners' proactive engagement, consultation and partnership working with us, has been hugely valuable.

2.6 From a non-financial perspective with regards to support from DCMS and Government, the ability to provide Select Committee Inquiry responses has been positive. However, it continues to be challenging to get a voice heard - we are not the largest organisation in terms of financial might or staff resource; but we do have an incredibly large, experienced and at-risk membership base which deserves to be heard and supported.

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 In terms of the long-term impacts, a concrete response is unknown. Our members are working through models, scenarios, income forecasts. This mainly focuses on the length of closure, social distancing measures in place, and importantly, customers' appetite to return to facilities and services.

3.2 We are actively working with members on a recovery support programme, trying to help them make the best decisions possible. This includes helpful contributions from, and collaborations with, partners across the UK.

3.3 With the continued and immediate need to support the sector; the outlook for the medium and longer term looks starker. Members' self-reported levels of insecurity and being non-viable increases to 57% over 9 - 12 months; and 67% from 12 months onwards. So their medium and long term viability is at risk. This is a perfect storm.

3.4 Once facilities and services re-open, the 'cost tap' will be on, but income from customers and service delivery will be a fraction of that prior to the shutdown. This is demonstrated by some of the insights from this week's BVA-BDRC Covid-19 'Tracking Consumer Sentiment on the Impact of Covid-19', indicating that consumers would take, on average, five months to return to a gym-based activity, and five and a half months before returning to a museum or gallery. Similarly, according to the Indigo 'After The Interval' survey results, 41% of audiences would not consider booking for [theatre] events for at least four months. Members' scenario planning and modelling echoes the above insight, and their financial and service delivery plans indicate that it will take 12-18 months to return to a similar level of income.

3.5 If our members are unable to remain solvent, there will be an insurmountable loss of civil society run facilities and services, which will never return. These losses will include:

- local swimming pools, which deliver ante and post-natal water sessions;
- theatres, which provide high performance through to community productions;
- libraries, which are community hubs where dementia groups meet, enable internet access for those who need it;
- gyms and health programmes that prevent hospital admissions (notably diabetes prevention, weight management etc), give people the best preparation for treatment (through specialist schemes like Prehab4Cancer) and significantly aid recovery (through condition-specific programmes like cardiac rehabilitation);
- places and services that offer lifelines for isolated and potentially lonely individuals, providing safe places to meet and engage in their community.

3.6 But we do not need to incur these losses, and there are actions that could be taken to ensure the support for this vital sector is there:

3.6.1 It is vital that the Government gives an absolute minimum of two weeks' notice for re-opening facilities and services. This is important from a health and safety, and a staff training and wellbeing perspective.

3.6.2 For public leisure and non-statutory culture services, there is a growing and evident need for ringfenced funding from the UK Government for local authorities to support and protect public leisure and culture services in their locality both now and for the longer term.

3.6.3 In England, only 28% of members have been supported, financially, by their local authority partner where the authority has utilised the Cabinet Office's Procurement Policy Note 02/20. However, the PPN02/20 refers to Q1 2020 and therefore only up to June; it needs to actively enable authorities to apply flexibility and support with regards to arrangements where fees and rent are payable to local authorities, and it needs to clarify that it applies to leisure, sport and culture partners who deliver those services on the local authorities' behalf.

3.6.4 With regards to Coronavirus Business Interruption Loan Scheme (CBILS) banks that are offering the loans need to assess and judge viability to meet repayments based on future financial projections, and not historical financial records. Those historical records may present viability concerns for the bank because they would not include and demonstrate capability for CBIL repayment or similar. Whereas future financial projections would explicitly include the CBIL repayment and demonstrated expenditure and income adjustments - will accurately and effectively show how the CBIL will be repaid with low risk. This is an effective measure of affordability.

3.6.5 In relation to the Coronavirus Job Retention Scheme (CJRS) this needs to continue the salary support scheme while social distancing rules apply, providing a minimum of 50% cover for salaries, up to a maximum of £1,250 per month. And provide at least 45 days' notice before the scheme closes, to allow organisations to carry out the legally required, collective consultation for redundancy. However, members' current and remaining objective is to protect jobs, and a continued CJRS is vital.

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

4.1 A fair, equitable and inclusive approach to engagement with wider partners would be invaluable. There are risks, and indeed evidence across the UK, that those who are "largest" or have the biggest lobbying budgets can dominate conversations, capture attention and therefore shape Government opinion. However, there needs to be recognition of the value of all parts of the sector, and equal opportunity for consultation and engagement. Equally, this would help support and inform the Government's actions. Ideally meaning that design changes to schemes or gaps in financial support are avoided, making it more effective and efficient for all.

4.2 The opportunity to feed into consultations is incredibly valuable, and the creation of "task forces" is equally welcome. However, there is a note of caution in determining who the representatives on the task forces are - again this should be done on a fair and equitable basis, ensuring there is representation from across the sector.

4.3 Now, more than ever, there is an opportunity for collaborative working across sector bodies and Government. It is crucial to embrace this and work to ensure this is not lost in the post Covid-19 environment. There are many lessons to be learnt in terms of joint working, sharing of information and joint communications and we must seek to embed some of this learning for the longer term. Our experiences through Covid-19 of working with partners across the UK has been positive and includes local government representative bodies, the sports and arts councils, and sector-specific / representative organisations.

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

5.1 Ownership of leisure within DCMS would offer a sense of accountability and oversight, and facilitate conversations with the sector. It would help remove any stigma and challenge assumptions of leisure trusts being 'caretakers of facilities'. In addition, the definition of sport should be widened to include and involve leisure services and activities. These are vital physical assets and often the strategic leads for local authorities across leisure services, horizon scanning and identifying implications and solutions.

5.2 Equally the role of public leisure and culture, and its significant value, must be recognised and embedded across Government, local authorities and Public Health. Leisure and culture can and do make significant contributions but they need to be truly involved and integrated into system's thinking, planning, delivery and evaluation.

5.3 Linked to the conversations around optimising in the 'new normal' and beyond, there must be consideration of the value of public leisure and culture across national and local economies, and vitally people's health and wellbeing. Therefore, there needs to be a commitment to properly financing and resourcing these services to enable them to both survive and thrive. For public leisure there is an opportunity to politically own and care about this valuable sector. Equally for local authorities to discuss and decide what is the role of public leisure and who should public leisure services be for? This will help shape both the infrastructure locally, and the service delivery priorities.

5.4 It is rightly recognised that the sport, leisure and culture sectors will evolve and never return to the same as before the current pandemic. New and innovative approaches, largely embracing digital technology, have been implemented to engage customers whilst services are closed.

5.5 Members are actively seeking to respond to the growth in digitally accessed services and activities. For members with museums, they are speedily ensuring their collections are captured and available digitally; libraries are connecting reading groups online and investing in e-book availability. There has been an astronomical growth on-demand, streamed exercise services. This is an opportunity to capture, but query, whether this services the breadth of community needs that trusts respond to, and does not cause isolation? There are developments and trials e.g 'Text Me' by Napier University, a text-based intervention for people on exercise referral type programmes which is personalised to their condition. These types of services and engagement tools will be beneficial to ensure future challenges are met and not to the exclusion of others.

End. (2989 words)

Email: cateatwater@communityleisureuk.org

Website: www.communityleisureuk.org

Twitter: @CommLeisureUK

LinkedIn: Community Leisure UK