Community Leisure UK

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury

21 April 2020

Dear Chancellor,

Re: Urgent need to amend design of Government support package for businesses and charities

We continue to acknowledge the significant measures introduced by the Government, but we urgently need to raise the critical financial position of leisure, sport and culture trusts across the UK.

We are a members' association representing registered charities, societies or community interest companies (with a public benefit asset lock) delivering public leisure, sport and/or culture services for communities across the UK. 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.

Our members have a key role in supporting the physical, mental and social health and wellbeing of their local communities, and will be equally, if not more so, required as communities emerge from the current crisis. If our members are unable to remain solvent and reopen their doors, there will be an insurmountable loss of civil society run facilities and services, which are likely never to return. These losses will include local swimming pools, libraries, programmes to support people with long-term conditions and older people, among others. Their future across the UK is at serious financial risk; they **fall into the gaps of all Government support programmes.**

Key challenges and proposed solutions

1. Cash flow support

The **Coronavirus Business Interruption Loan Scheme (CBILS)** designed to support small and medium-sized businesses is not working for public leisure, sport and culture organisations. Of the members who have applied, 94% have been declined or told they are not eligible. 51% of trusts reported that they are currently intending to apply but there is hesitancy about to proceed.

There is a pressing need to ensure the 94% who have currently been rejected, and those who intend to apply can secure the loans, and there is a solution based on the **judgement of viability to meet repayments set out in the eligibility criteria**.

- Banks that are offering the loans must **assess and judge viability to meet repayments based on future financial projections**, and not historical financial records. Those historical records would present viability concerns for the bank because the records will 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. (*Ref. a letter sent to the Chancellor by Basingstoke & District Sports Trust, 21 April 2020, sharing their concerning example of Lloyds' decision*.)

In relation to organisations not applying, this is because

- Banks are stating that they are not willing to lend, even with the 80% Government guarantee and 20% risk; they report seeing this guarantee "as purely academic".
- Currently, our members' income levels are zero or minute. Like so many charities – their income is generated from memberships and paid for services from customers. Our members exist to deliver impact and outcomes for communities, as detailed in their charitable objectives. Therefore, they are not able to build up Reserves of a level that would cope with zero income, continued costs (e.g. utilities, non-furloughed staff, facility maintenance, bank obligations etc.) and resource reopening and recovery. Yet banks are making early screening decisions based on levels of Reserves – this is not fair nor a judge of affordability once trading resumes.
- For the majority, members are reporting that the commercial lending rates of CBILS are too high after the 12 months 0% support and they cannot take the risk. Insight from our members demonstrates that recovery – in terms of revenue recovery - will take between 9 – 12 months and this will when the higher interest rates will be applied.

2. Looking 3-6 months ahead

Members are exhausting all possible financial methods and mechanisms to remain solvent over the next two to three months. However, there are grave concerns for their financial position from June onwards. 60% of members across the

UK state that they are "insecure" or "non-viable" for the next 2 – 6 months; 69% report the same over the next 6 – 9 months.

Over this same time period, it is likely that phased re-opening of facilities and spaces, with social distancing measure, will commence. Equally, once they re-open, the 'cost tap' will be on fully from day one, but the income from customers and service delivery will not be generated at the same level as prior to the shutdown. Members tell us the recovery period could take 9 – 12 months to return to the same level of income, depending on the length of current facility and service closures.

The Government can support organisations, like our members, with three proposed solutions:

- Extend the **Coronavirus Job Retention Scheme** past June, to support organisations through this initial reopening / phased reopening period to ensure that they can survive the next 3-9 months, or, support throughout the reopening period where measures include forms of social distancing.
- With no income receipts being taken through leisure, sport and culture services, a **longer VAT deferral period past June 2020** would help significantly.
- Ensure the Government gives **at least two weeks' notice** about re-opening facilities and services, and this includes clear guidance on the expected social distancing measures that will be in place. This is important to ensure that the facilities have fully completed health and safety checks e.g. legionella checks take 10 days, materials from suppliers are available, the new measures can be tested and implemented and the staff appropriately trained, vitally, staff are supported and reassured around returning to working in facilities and delivering services, and that staff teams are fully remobilised. This notice period request is equally imperative to ensure that our members can effectively remobilise and reignite their services to importantly contribute financially to both national and local economies.

Inability to access other Government support programmes

We acknowledge the breadth of financial support enabled by Government, yet, as noted at the beginning, our members fall through the gaps. In addition, the local authority administered programmes are not truly supporting this sector.

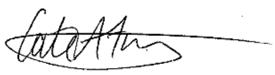
The **Business Support Grant Funding** is capped at buildings rateable value (under £51,000). Most trusts' buildings have a higher rateable value, and the grant is capped at two buildings. To help, the programme needs to offer a £25,000 grant per facility - this support would help the cashflow of a trusts' size e.g. members' average monthly utility and energy costs are £44,000. Some members' individual energy and utility costs are into the hundreds of thousands of pounds per month. 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.

We welcome and acknowledge the **Government's £750m for frontline charities**, but for our members, they are not deemed "small" nor "delivering frontline services". Therefore, they will be very unlikely to be eligible to access the grant support.

Outside of UK Government-led support e.g. Welsh Government and Scottish Government led programmes – 82% of members have been told they are not eligible. We can provide further evidence as to why, if this would be helpful. The Sport England funding is deemed not for leisure nor local authorities. The Arts Council England support is very helpful and we absolutely acknowledge that, yet this is not enough on this own to significantly impact on organisations' viability

Your awareness of the needed design changes to the Government support programme and of this sector is critical. As stated, the only support programme our members are truly accessing is the Coronavirus Job Retention Scheme and although welcome and positive, on its own, it is not enough. We know, without doubt, that our members will be fully behind rebuilding fair and equitable community services and significantly helping community wellbeing, as well as their significant contributions to national and local economies once fully reopen. However, we need your department's support, urgently, to enable this to happen.

Yours sincerely,



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CC:
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Rt Hon Oliver Dowden MP, Secretary of State for Digital, Culture, Media and Sport