Community Leisure Scotland Update 23 April 2020

We continue to acknowledge the significant measures introduced by both the UK and Scottish Governments, but we urgently need to raise the critical financial position of leisure, sport and culture organisations in Scotland. Their future across Scotland is at serious financial risk; they **fall into the gaps of all Government support programmes.**

Key challenges and asks

1. Cash flow

A members' survey carried out this week indicated, in Scotland, they continue to incur an average of almost £900,000 of monthly costs (excludes Job Retention Scheme and any negotiated expenditure reductions). These costs include utilities, significant pension contributions (not recoverable from the Job Retention Scheme above the 3% threshold) and ongoing building maintenance. In addition, members report they are losing £1.1m of income per month.

2. Viability

Members reported grave concerns about their viability of the next 18 months. The period of 'lockdown' is not the most significant challenge for our members. Most are relatively secure for the next two months. However, 47% are "not viable" or "insecure" over a 2-6 month period; 76% report the same over 6-9 months and 82% are "not viable" or "insecure" 9-12 months from now.

3. Access to financial support programmes

There is a perception that leisure, sport and culture charities (of all shapes and forms) are and can access all or many of the support programmes. This is simply not true, and we can evidence this.

- ***Coronavirus Business Interruption Loan Scheme:*** 78% of members in Scotland have been deemed "ineligible" to access these loans, with only 22% intending to use them, and no members in Scotland currently using. Why is this?
    - 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 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.
    - ***Key ask:*** 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.

- ***Government led support (both UK and Scottish Governments)***: 38% are intending to use this support, with 8% currently using, however, **54% are ineligible** for the financial support provided.

- ***Grants from national agencies (e.g. sportscotland, Creative Scotland):*** 33% are intending to access grants from national agencies (predominantly members with cultural assets), however, **67% are ineligible.**

- ***Business Support from local authorities***: Only 25% are intending to use, with **75% again not being ineligible** to access this. However, it is worth noting that many local authorities are advancing management fee payments to support their sport, leisure and culture delivery partners.

Members are also seeking to minimise costs and ensure their sustainability through a range of other approaches, significantly the Coronavirus Job Retention Scheme. Other approaches include exhausting reserves, minimising contracted costs, local authority support and VAT holidays/deferrals.

The majority of members are using the Coronavirus Job Retention Scheme, and of these, 81.5% are choosing to pay furloughed staff 100% of their salaries, clearly demonstrating value and importance of the workforce across our membership. This is being funded through a combination of reserves and support from local authority partners. Those that are not 'topping up' the salary are unable to do so due to financial pressures, with a need to prioritise the sustainability of their organisation in the long-term.

Finally, members are reporting positive, supportive relationships with their local authority partners (88% "supportive" or "very supportive"), where there is a contractual relationship. We welcome the close working and support, however, it is vital to ensure that local authorities are adequately resourced and enabled to support their local partners.

There is still a challenge around perceptions e.g. the level of financial support available to sport, leisure and culture charities. As we have outlined, this is clearly not the case and there must be consideration of the viability and fragility of this sector, both in the immediate and long term future.

4. Reopening considerations

Members are exhausting all possible financial methods and mechanisms to remain solvent over the next two to 12 months. Over this period, phased re-opening of facilities and spaces, with social distancing measure, will commence Once they re-open, the 'cost tap' will be on fully, if not at a higher level as a result of social distancing measures, enhanced cleaning, and start-up costs including staff re-training, from day one. However, the income from customers and service delivery will not be generated at the same level as prior to the shutdown, with members predicting anything from 10 – 60% drop in customer income upon reopening. The Government can support organisations, like our members, with ***three key asks***:

- 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.

It is clear from the above that 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.

Notes - our membership base

To recap, Community Leisure UK is 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. All members in Scotland are registered charities. Members provide physical activity, cultural engagement and social opportunities and are significant partners within their local communities. In Scotland, we have a total of 26 members, operating over 1200 facilities that received over 77m customer visits last year, with over 18,000 staff and over 12,000 volunteers.

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 charity 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.

Community Leisure UK (Wales) Update 24 April 2020

We continue to acknowledge the significant measures introduced by both the UK and Welsh Governments as well as the Welsh Government's framework for recovery, but we urgently need to raise the critical financial position of leisure, sport and culture organisations in Wales. Their future across Wales is at serious financial risk; they are **gravely concerned about the recovery period** and **fall into the gaps of all Government support programmes**.

Key challenges and asks

1. Cash flow

A members' survey carried out this week indicated that Welsh leisure and culture trusts continue to incur an average of nearly £168,000 of monthly costs (excluding Job Retention Scheme and any negotiated expenditure reductions). These costs include utilities, significant pension contributions (not recoverable from the Job Retention Scheme above the 3% threshold) and ongoing building maintenance. This is while leisure and culture trusts are losing £460,000 of income per month. These remaining costs are paid for by trusts' reserves and advanced management fees from their local authority partners, which is not a sustainable solution.

2. Viability

Members report grave concerns about their viability of the next 12 months. The period of 'lockdown' is not the most significant challenge for our members. The challenge comes when the 'lockdown' is lifted while social distancing measures stay in place and currently helpful financial support ends. In this likely scenario, a third of Welsh trusts will reach an "insecure" position within 6 months; 44% of Welsh trusts will reach this position within the next six to nine months. In nine to twelve months from now, 77% of Welsh trusts will have become "non viable" or be in an "insecure" position. If this scenario endures for longer than a year, without additional financial support a third of trusts will become non-viable with most remaining trusts in an "insecure" position. Once trusts run out of cash, the services will then have to be returned to the respective Local Authority and their costs will increase significantly.

3. Reopening considerations

Members are exhausting all possible financial methods and mechanisms to remain solvent over the next two to 12 months, including negotiating repayment holidays on leases, supplier renegotiations, and reducing all non-essential expenditure. Over this period, phased re-opening of facilities and spaces, with social distancing measures, are expected to commence. Once they re-open, the 'cost tap' will be on fully, if not at a higher level as a result of limited use of re-opened spaces and cancellations of services where social distancing is simply not possible, enhanced cleaning, and start-up costs including staff re-training, from day one. For some trusts, their facilities and staff might still be repurposed or redeployed by the NHS and Local Authorities which delay re-opening to the public. Consequently, income from customers and service delivery will not be generated at the same level as prior to the shutdown. The Welsh Government can support organisations, like our members, with ***three key asks***:

- Advocate to the UK Government for an extension of 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. Alternatively, the Welsh Government might extend financial 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 to allow organisations to conduct the necessary health and safety checks and to remobilise staff, and for the Government to simultaneously release clear guidance on the expected social distancing measures that will be in place. We acknowledge the Welsh Government's framework for recovery published today, and would welcome involvement in a related consultation of the Culture, Sport and Tourism sector to update on how other recovery plans might impact leisure and culture trusts.

4. Access to financial support programmes

There is a perception that leisure, sport and culture trusts are and can access all or many of the support programmes. This is not true, which is evidenced by research amongst our membership.

Welsh Economic Resilience Fund: 44% of Welsh trusts say they are not eligible for this fund. The criteria of proving a 60% or higher loss of income is being unfairly judged. Trusts' income has reduced significantly – £460,000 on average per month is lost, as noted above. However, because they still receive some public funds, for example management fees from local authority partners and grant funding for the free swimming initiative (currently on hold), this is included in their current income position, but is misleading. Trusts are non-profit distributing organisations, in normal circumstances they operate on small margins, as any profits that they do make are reinvested in their business delivery. Therefore, calculations based on their current position are not representative of their normal – pre Covid-19 – operating balance, because those funds are critical to delivering services or else trusts would run negative books.

Grants from national agencies (e.g. Sport Wales, Arts Council of Wales): 56% of Welsh trusts are "intending to use" these grants, though currently they are not available. The Sport Wales' Economic Relief Fund was not designed for leisure trusts. We are working with Sport Wales, however, on designing the Sport Resilience Fund to ensure it can support leisure trusts. The Arts Resilience Fund is not helping our members who manage cultural services. Currently, trusts members are not encouraged to apply because they are not on the brink of collapse in the immediate term.

Business Support (£25,000 grants) from Local Authorities: Only a third of trusts are currently using this measure. 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 and they manage more than two buildings (another cap). Therefore, this support is not reaching far and wide enough. However, it is worth noting that many local authorities are advancing management fee payments to support their sport, leisure and culture delivery partners.

Rate Relief Support: 56% of Welsh trusts report to make use of the rate relief. However, 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.

Coronavirus Business Interruption Loan Scheme: Due to the semi-stable position for Welsh trusts currently, none report to be using this scheme yet. Although, two Welsh trusts have and have been deemed not eligible. This is a general pattern seen across the UK – just one of our 110 members has been successful - those that do wish to apply are being deemed "ineligible" or their applications declined. 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". As charities, trusts 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. Trusts are further reporting that the commercial lending rates of CBILS are too high after the 12 months 0% support and they cannot take the risk, especially with a lengthy recovery period ahead.

Third Sector Resilience Fund and the Voluntary Services Emergency Fund: We await further information on this fund from members and hope that they can access this support. However, we are concerned that member trusts may not be eligible as they do not currently deliver any services (due to closure) and are expected to benefit from other business support measures, which is not the case.

All members are using the ***Coronavirus Job Retention Scheme***, and of these, almost all are choosing to 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, a third of trusts mention that they might need to change this from May or June onwards to ensure they are viable for the mid to longer term.

Finally, members are reporting positive, supportive relationships with their local authority partners. We welcome the close working and support, however, it is vital to ensure that local authorities are adequately resourced and enabled to support their local partners. There is also a growing worry among member trusts about the future recognition of the value of public leisure and culture services – a need to rethink the support and delivery for these services in collaboration with their Local Authority partners now that the public has acknowledged its immense value to improve their mental wellbeing, keeping them physically active, and culturally stimulated during the lockdown.

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 they fully reopen. To allow this to happen, it is vital that their concerns are listened to and their challenges addressed.

We thank you for your time and support.

Notes - our membership base
To recap, Community Leisure UK is 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. Members provide physical activity, cultural engagement and social opportunities and are significant partners within their local communities. In Wales, member trusts include Aura Leisure & Libraries (Flintshire), Freedom Leisure (Powys, Swansea, Wrexham), Aneurin Leisure Trust (Aneurin), Torfaen Leisure Trust (Torfaen), Newport Live (Newport), Halo Leisure (Bridgend), Awen Cultural Trust (Bridgend), GLL (Cardiff), and Celtic Leisure (Neath Port Talbot). They operate over 140 facilities, received over 27m customer visits last year, and work with over 3,000 staff and over 200 volunteers.

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 charity run facilities and services, which are likely never to return.

Community Leisure UK - England Update 24 April 2020

We continue to acknowledge the significant measures introduced by the Government, but we urgently need to raise the critical financial position of leisure and culture trusts in England. Their future across England is at serious financial risk; they **fall into the gaps of all Government support programmes.**

Key challenges and asks

1. Cash flow

A members' survey carried out this week indicated, in England, they continue to incur an average of almost £415,000 of monthly costs (excludes Job Retention Scheme and any negotiated expenditure reductions). These costs include utilities, significant pension contributions (not recoverable from the Job Retention Scheme above the 3% threshold) and ongoing building maintenance. In addition, members report they are losing £1.36m of income per month.

2. Viability

Members reported grave concerns about their viability of the next 18 months. 27% of members are "not viable" or "insecure" with regards to the next one to two months, 62% report the same over a 2-6 month period, 68% over 6-9 months, and 79% are "not viable" or "insecure" 9 to 12 months from now.

3. Access to financial support programmes

There is a perception that leisure and culture trusts are and can access all or many of the support programmes. This is simply not true, and we can evidence this.

- ***Coronavirus Business Interruption Loan Scheme:*** one member (out of 78) has been accepted for a loan. 20 are considering applying but are expressing growing doubts. 26 have actively applied but have been told they are not eligible or been declined. Why is this?
    - 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 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.
    - ***Key ask:*** 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.

- ***Country-specific Government support e.g. resilience or economic funds***: 73% of members have been told they are not eligible to apply for these grants.

- ***Retail, Hospitality & Leisure Grant fund***: 70% are accessing this funding in some capacity, but 33% have been told they are not eligible – yet they are all "leisure".
    - The £25,000 grant is welcome but capped at buildings rateable value (under £51,000). Most trusts' buildings have a higher rateable value, and the grant is capped at two buildings.
    - ***Ask***: 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 alone are £44,000. Some members' individual energy and utility costs are into the hundreds of thousands of pounds per month.

- ***Rates relief support***: 27% of trusts have been told they're ineligible or been declined by their local authority. 50% of trusts are accessing rate relief support, this is mainly for smaller leisure and cultural venues.
    - As charities or societies, they will already receive business rate relief**.** Those who currently receive the 80% mandatory will be supported now through automatically obtaining 100%. It is welcomed, however, the 20% in additional relief is too small to positively impact upon a leisure and culture trust.

- ***Outside of Government-led support e.g. Sport England and Arts Council England led programmes*** – only 4% of members have been able to access these.

- The Sport England funding is deemed not for leisure nor local authorities.
- The Arts Council England support is very positive, and we absolutely acknowledge that, yet this is not enough on this own to significantly impact on organisations' viability.

Equally, we acknowledge and welcome 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.

Members are also seeking to minimise costs and ensure their sustainability through a range of other approaches, significantly the Coronavirus Job Retention Scheme. Other approaches include exhausting reserves, minimising contracted costs, seeking local authority management fee / payment support and VAT holidays/deferrals.

Finally, trusts are reporting varying levels of engagement and support from their local authority partners. Most members originated from within a single local authority who c. a decade ago decided to establish a local trust or outsource their services to another provider, to deliver those public services. We need to highlight that if trusts are no longer solvent, the liability will likely sit with the local authority. Our absolute aim is to ensure that trusts do not go insolvent and remain present, effective and meaningful partners to local authorities, for communities. The additional finance allocated to local authorities is not being directed to support leisure, sport or culture – and understandably so. But the issue of myths is a real issue and blocker for support e.g. local authorities expect the Government programmes to support, and vice versa. It is ***vital that local authorities are effectively and fully resourced*** to enable them to support their delivery partners, like our members now but also in the future months. Also, that they utilise the ***Procurement Policy Note 02/20*** to its full ability.

There is still a challenge around perceptions e.g. the level of financial support available to sport, leisure and culture charities. As we have outlined, this is clearly not the case and there must be consideration of the viability and fragility of this sector, both in the immediate and long term future.

4. Reopening considerations

Members are exhausting all possible financial methods and mechanisms to remain solvent over the next two to 12 months. Over this period, phased re-opening of facilities and spaces, with social distancing measure, will commence Once they re-open, the 'cost tap' will be on fully, if not at a higher level as a result of social distancing measures, enhanced cleaning, and start-up costs including staff re-training, from day one. However, the income from customers and service delivery will not be generated at the same level as prior to the shutdown, with members predicting anything from 10 – 60% drop in customer income upon reopening. The Government can support organisations, like our members, with ***three key asks***:

- 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 facilities and services – as deemed locally and financially appropriate - to importantly contribute financially to both national and local economies.

It is clear from the above that 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.

Notes - our membership base

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 is 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.

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 charity 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.