# Community Leisure UK Covid-19 Impact Report - November 2020

*Please note that this report is based on members' responses to a survey that was issued before the announcement of the November lockdown in England and the announcement of the furlough scheme extension into March 2021. Survey responses were collected between October 27th and November 3rd and received a 40% response rate.*

## Introduction

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. We have a total of 112 members, operating over 3700 facilities:

Our members employ over 46,000 staff across leisure and culture, and are significant employers of 18-34 year olds. Over 17,000 volunteers engage with our members, participating in a wide range of opportunities to support the work of their local charitable trust. Last year, our members received over 233m customer visits.

The combined turnover across our members is in excess of £1.2bn, with financial support from local authority partners totalling £202m, with the majority of income for all members from customer receipts and memberships. Significantly, ***the collective social value for our members is £1.5bn*[1]*.***

## Impact of the second lockdown in England and the changes in the furlough scheme

The second national lockdown has come at a point when most leisure trusts in England were seeking to continue growing footfall since reopening in late July. Many venues had recently reopened and are now forced to close again. Whilst furlough will provide a vital lifeline for our members, there will inevitably be ongoing running costs throughout the closure period and an impact on consumer confidence. Significantly, reopening in early December will be challenging as this is traditionally a quieter month for leisure and physical activity.

[1] Source: 4Global Datahub

## JOB RETENTION BONUS

Most, if not all, members across England, Scotland and Wales had budgeted a payment from the Job Retention bonus in the new year into their financial plans. However, the extension of the Coronavirus Job Retention Scheme until March 2021 removed the Job Retention Bonus as a support mechanism, which means members will need to urgently rethink their financial approach for next year. The consequence of removing the bonus ranges from a loss of tens of thousands of pounds to hundreds of thousands. The only way to recover this money is through maximising the furlough scheme - beyond the enforced lockdown period. This will result in closures of facilities and services that members do not want to do, but may have no alternative.

*"The removal of the Job Retention Scheme Bonus has major and urgent repercussions for trusts in Scotland which have not been forced to close and have opened all or nearly all their facilities. In our case we had budgeted for c. £210k from the bonus to be paid Jan/Feb 2021 – vital to have any chance of keeping this year's deficit to manageable proportions."*

*"We are certainly thinking about a reduced service in December and to furlough more staff. We had a forecast of £100k from the Job retention bonus"*

*"We were assuming a figure of somewhere between 350k and 500k - while, arts, culture, theatre and community halls are closed we will be ok but ideally we need them to be closed a minimum of two months to make up for the retention bonus."*

## BUSINESS VIABILITY

There continues to be a significant proportion of members who report as being insecure or non viable in the immediate term (**a quarter of members report to be insecure or non-viable for the next 6 months**). The majority of these members are based in England. Across England, Scotland and Wales, however, the medium to long-term recovery is uncertain with 46.5% reporting to be insecure or non-viable in the next 9-12 months, and **this number increasing to 59.5% in the next 12-24 months**.

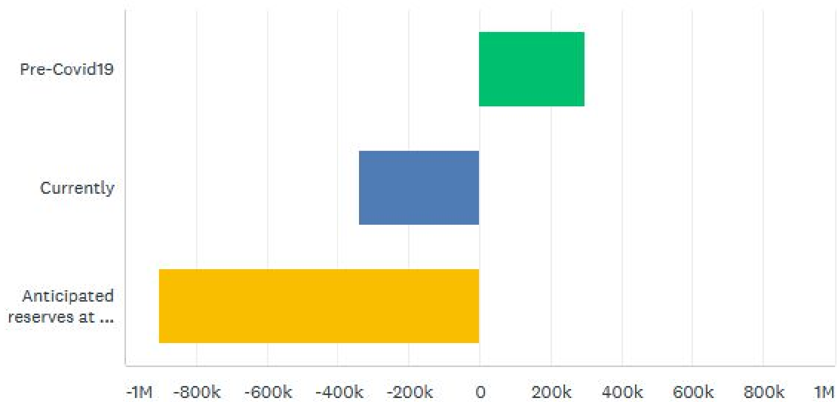
## RESERVES LEVELS

Pre-Covid19, charitable trusts had, on average, £3.59 million in unrestricted reserves. From March 2020 until late October 2020, trusts have lost 42% of their reserves. It is expected that by the end of this financial year (March 2021), unrestricted reserves will have plummeted even further, with, on average, our members having negative reserves (-£235k). **This would mean a decrease in reserves of 106.5% across our membership from the start of the pandemic.**

However, this UK-wide picture can be broken down per country, revealing quite distinct financial positions:

In England, pre-Covid19, our members had, on average, £295k in unrestricted reserves. Currently, trusts have, on average, a deficit of £336k in reserves. **It is expected that by the end of this financial year (March 2021), this will have tripled to an average of £900k reserve level deficit per organisation (-305%).**

*Change in unrestricted reserve levels from membership in England*

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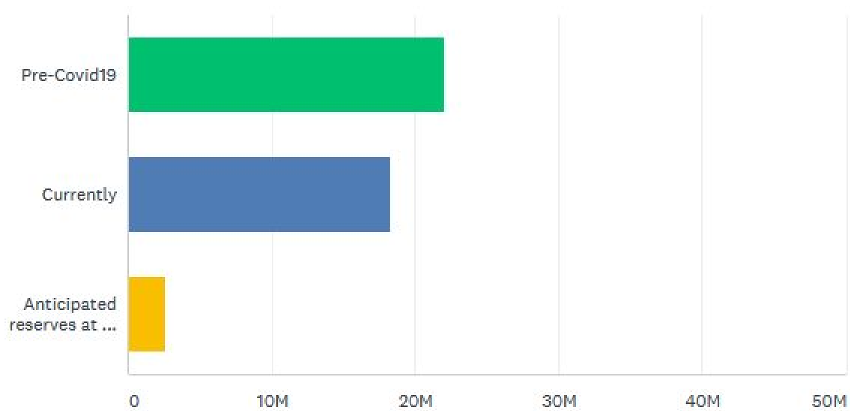
*Anticipated reserves at the end of the financial year*

In Scotland, pre-Covid19, our members had, on average, £22million in unrestricted reserves. Currently, trusts have, on average, lost 17% of their reserves. **It is expected that by the end of this financial year (March 2021), Scottish trusts will have lost 89% of their unrestricted reserve levels.**

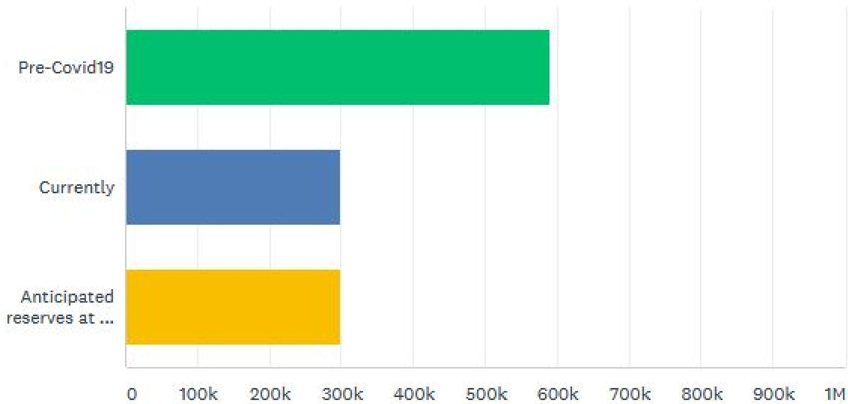
*Change in unrestricted reserve levels from membership in Scotland*




*Anticipated reserves at the end of the financial year.*

In Wales, pre-Covid19, members had, on average, £589k in unrestricted reserves. Currently, trusts have, on average, lost 49% of their reserves. It is expected that by the end of this financial year (March 2021), Welsh trusts will not have lost more of their reserves than they already have. This **stabilisation is expected thanks to the investment of the Culture Recovery Fund and the ability for leisure trusts to access the Hardship Fund for local authorities** (see: 'anticipated and received business support' on page 4)**.**

*Change in unrestricted reserve levels from membership in Wales*

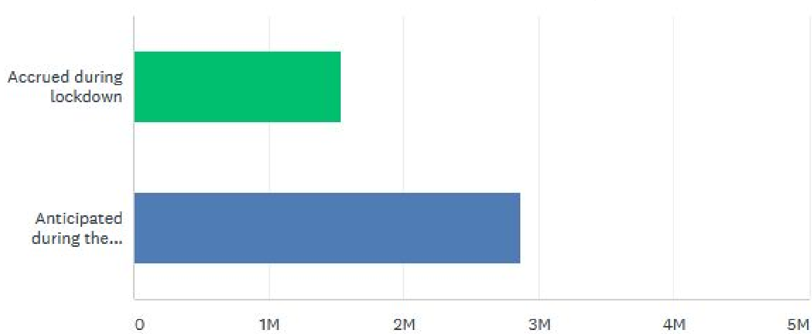



*Anticipated reserves at the end of the financial year*

## DEFICIT LEVELS

The first lockdown from March to summer has led to an average of £1.5million deficit accrual per charitable trust. After having reopened in late summer, charitable trusts continue to accrue deficit due to the restrictions on attendance numbers, facilities that can reopen, increased costs to make places Covid-19 secure and decreased customer confidence. **It is anticipated that by the end of this financial year in March 2021, our members will have, on average, accrued a total of £2.8 million.**

*Accrued deficit from entire membership in England, Scotland and Wales*



## BUSINESS SUPPORT

Members have accessed, and anticipate to access, multiple pots of funding to help manage the financial pressure caused by the pandemic and related national measures. **Overall, the number of members who have been able to access sector-specific funding remains low**.

**For England, most funding has come from Arts Council England's managed funding pots**, including their Emergency Response Fund and the Culture Recovery Fund. Some single sites have managed to access the Sport England Community Emergency Fund, **however, the vast majority of members in England have not yet received any funding for their leisure portfolio**. Many hope to access the £100 million for local authority leisure centres.

**In Wales, members have received sector-specific funding from both a culture and leisure perspective**. This includes the Arts Council of Wales' emergency funding and the Cultural Recovery Fund from a cultural perspective, and Sport Wales' Sport Resilience Funding. When the new Sport and Leisure Recovery Funding goes live, leisure trusts expect to access this funding too. In addition, **Welsh trusts managing leisure in particular have benefited significantly from the Hardship Fund** with most already having accessed this funding or expecting to access soon.

**In Scotland, the only sector-specific funding that a few members have been able to access is the Performing Arts Venues Relief Fund.** There has been no support for the leisure portfolio of Scottish members and their culture portfolio has not been actively supported. **However, local authorities have been very supportive of their trust partners,** and trusts also hope to receive support through their local authority partner from the Lost Income Scheme.

**The majority of members who work with a Council contract report that their Local Authority partners have been supportive.** This support takes form in letters of comfort, advanced payments of management fees, payment holidays, including the trust in their own recovery plans, giving access to loans, and, in Wales, giving access to the Hardship Fund

## WORKFORCE

To manage the financial pressures caused by the pandemic, trusts have made some significant changes to their staffing structure. Most commonly, staff are working on reduced hours. In addition, **the majority of trusts have planned and confirmed redundancies or, in the case of casual staff, not offered any work, affecting over 6500 people.** The age groups most affected by these changes are young people between the ages of 18 and 34.

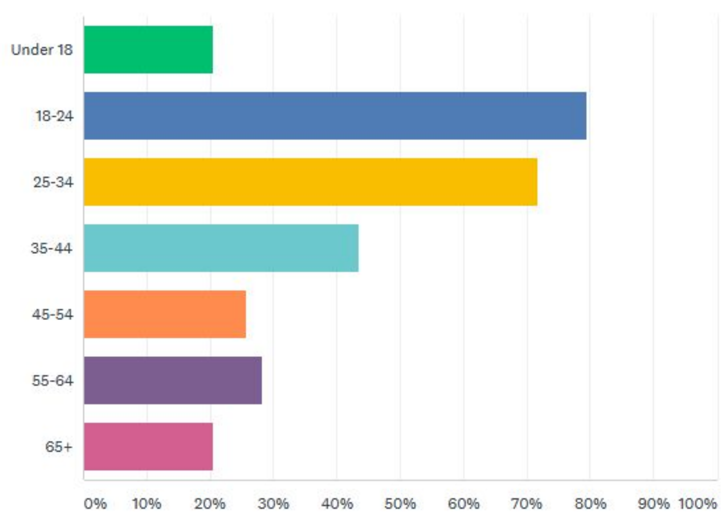
**A third of trusts are making use of the Government supported Kickstart Scheme,** notably through the Community Leisure UK network, where a group of members have come together to offer 52 placements across several regions in England. These placements will play an important role in reopening more facilities and services in the months to come.

*From November 1st, how has your staffing structure changed as compared to pre-Covid?*

| **Type of change** | **Percentage of trusts using the change** | **Total employees affected** | **Average employees affected per organisation** |
|---|---|---|---|
| Work on reduced hours | 75% | 3623 | 110 |
| Will be put on the Job Support Scheme | 75% | 2784 | 84 |
| No work offered | 66% | 5416 | 201 |
| Planned and confirmed redundancies | 59% | 1173 | 45 |
| Redeployed internally | 55% | 356 | 16 |
| Voluntary redundancy | 30% | 167 | 13 |
| Redeployed to an external partner | 18% | 77 | 10 |
| Laid off | 14% | 132 | 22 |
| Pay cuts | 11% | 557 | 111 |

*Based on responses from 44 trusts.*

*Age groups most affected by the changes in staffing structure*



## COMMUNITY IMPACT

As charitable organisations, members continue to support their diverse communities. Trusts report that individuals from **most groups with protected characteristics, including BAME groups, women only religious groups, low socio economic groups, disabled and older people, have returned to their facilities upon reopening**. However, while these groups have returned, there is a reduction in numbers due to limited reopening of facilities, leading to some specialist services, including cardiac rehab and exercise referral, not having restarted in some areas.

# Recovery and looking ahead

In terms of future delivery, 50% of members are not expecting any contract modifications with their local authority partner, while a fifth of members are discussing contract modification but will retain the service. There are some members at risk of losing their contract, either because the Local Authority intends to take services back in-house, put them out for procurement or intends to set up a Local Authority Trading Company.

At present, members report that, **on average, 18% of their facilities remain closed despite being allowed to reopen. The main reason for this being that it is not economically viable to reopen them.** For those facilities that did open, members reported that they did so with reduced hours and activities.

**75% of members are working with a strategic recovery plan.** The top four areas that need investment which would support the realisation of these recovery plans include:

1. **Digital transformation of the business**, including new technology to improve online and call centre functionality, customer facing digital interface, new till / online booking systems, and development of an ondemand / at home offer.
2. **Facility maintenance and investment** to enable upgrading and remodelling of existing facilities to improve efficiency and design.
3. **Workforce remodelling**, enabling staffing structures to be fully reviewed in order to support delivery and ensure the necessary skills are available within the workforce.
4. **Marketing and promotion strategies**, to successfully engage with local communities and raise awareness of the trust and its offer.