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20 August 2019

Response to the Low Pay Commission consultation

As discussed on the telephone on 8 August 2019, please accept this report on behalf of Community Leisure UK members.

It is appreciated and acknowledged that the open consultation period has closed, but as the association that represents charities and societies delivering public leisure and culture services across the UK, we would welcome the points raised in this report being considered.

Members stressed that consultation on the Low Pay Commission's recommendations was most welcome. Equally that ongoing dialogue and discussion between the public leisure and culture trust sector and the Commission would be beneficial.

The report responds, as appropriate, to the Low Pay Commission's consultation questions. The quotes have been taken from the members' survey carried out by Community Leisure UK to help compile this report.

1. About Us

1.1 Community Leisure UK is the trade association that represents the largest collective of deliverers of public leisure services in the UK. Equally, members are increasingly delivering cultural services and managing the associated facilities. Therefore, we are keen to ensure that trusts are engaged and contributing to such consultations.

1.2 Our 109 members collectively deliver over 45% of public leisure provision in England and Wales, and 85% in Scotland. Their reach into communities is vast, they operate over 3,900 services and facilities, and critically, for purposes of this report, employ over 91,000 staff. Not including self-employed individuals, volunteers etc.

1.3 Members typically have contracts for services with local authority partners to deliver across a breadth of leisure and culture services. The majority of our members are called a single-contract trust i.e. they deliver the services and manage the facilities on behalf of one, local authority partner. A small number of members hold multiple contracts across England and Wales.

1.4 Members are registered as Company Limited by Guarantee and registered charity, Community Benefit Society with charitable status, Community Interest Company, or Charitable Incorporated

Organisation / Scottish Charitable Incorporated Organisation. All members reinvest their surpluses into the services and facilities that they run and manage.

1.5 This report aims to provide a response on behalf of members who have a collective voice that is both important and significantly representative of the public leisure and culture perspective and its challenges.

1.6 Due to the majority of trusts having contracts with local authorities, the survey asked whether the trusts receive any financial support with regards to increases in NMW and NLW rates:

- 72% of respondents stated they receive no financial support from their local authority partner
- 16% receive part support, and
- 12% receive full financial support.

1.7 Members have varying arrangements with local authorities regarding terms and conditions for staff

- Most members are autonomous with regards to their staff terms and conditions, and their contract with the local authority does not determine staff matters. These terms will be set by legislation, trade union engagement, the needs of the organisation and its financial position, and any business development decisions.

“We have made the strategic decision to pay the voluntary National and London Living Wages, because we believe that it is an important part of our social purpose. A number of our local authority partners have made this a contractual requirement, and to that extent, they have shared the impact; however, we bear the costs in other partnerships.”

- Some members will work closely with their local authority to seek support on such additional costs, to help keep the trust and the services continuing

“Discussions now taking place with our local authority to see if they can provide additional, ongoing revenue funding support to help meet these additional costs.”

- Other members, particularly some in Scotland, are contractually obliged to mirror local authority staff terms and conditions.
- It could therefore be concluded that the 12% of trusts who receive full support, may be contractually linked to their local authority terms. However, one trust noted that they receive full protection from the local authority but

“Even though the LA has this [offered protection] we covered on last occasion.”

1.8 The survey went on to ask those who responded to receiving part or no financial support, whether the trust is expected to cover the financial impact. 100% of respondents stated they have full responsibility for managing the increases. This is particularly challenging for members due their limited revenue streams which are already underpinning their cross-subsidy model of

reinvestment. Finding and securing further revenue to cover increased staff costs, is challenging. The trust model is formed on two pillars of cross-subsidy of surpluses:

- cross-subsidy of services i.e. more profitable leisure activities e.g. fitness memberships, will subsidise some health, community, library activities, swimming activities etc
- cross-subsidy of individuals i.e. where those that can afford to pay support those who cannot

1.9 28% of members responded that they receive part or full financial support from their local authority partner. This may be because their contract with the local authority contains a form of indexation to help cover market, goods or service price changes. Or, there may be a contractual requirement to help the trust (and other service organisations) cover cost increases – these are usually staff pay awards, terms and conditions changes.

1.10 Some trusts noted that they pay the voluntary Living Wage and London Living Wage. As noted in 1.7, this is sometime a contractual obligation, yet not always. A number of trusts responded that they pay enhanced rates on top of the statutory rates as part of their social purpose.

“Our challenge is the London Living Wage at £10.20....which is something [trust name] has aspirations to move to and which the Council have recently made a commitment to.”

1.11 To conclude this ‘about us’ introduction, a response from a member trust perfectly articulates the conclusions from our members’ survey. Throughout the report, we explore this quote and context in greater detail.

“It is positive that NLW and NMW is increasing and is welcomed on behalf of colleagues. However, the impact on trusts (and other organisations) is significant”

2. Views on current leisure and culture labour market?

2.1 In our ‘Trust in Numbers Survey 2019’, we asked members about current challenges (and how they are / propose to respond). 58% of members reported that recruitment and retention of employees in the public leisure and culture labour market is a significant and current challenge. Traditionally leisure has been a low-pay sector, and not regarded as a career pathway, nor a career to be proud of.

“We struggle with appointing some roles more than others. I think leisure is seen as a short term occupation as opposed to a career for most people.”

“Still difficult to recruit at base level positions and core skills – leisure attendants, lifeguards, swim instructors.”

“....could be paid more at a national coffee shop for an easier role with a lot less H&S and legislation responsibility.”

“Entry level recruitment is a particular challenge with local competitors e.g. the local Airport paying more and offering lots of opportunities for additional overtime.”

“Challenging to recruit when competing against other local employers able to offer NLW + 10-15%”

“...leavers often leave for a higher wage”

“...staffing costs are some 60% of your organisation's expenditure are going to have the largest single impact.”

2.2 As the members' association, part of our role is to advocate the value of public leisure and culture services as significant contributors to local and national government policy and objectives. We support members by working with our sector Chartered Institute (CIMSPA), national governing bodies (e.g. Swim England, Royal Life Saving Society), fellow representative bodies (e.g. Creative Scotland) and members to highlight the career, development and training opportunities offered in leisure and culture. Equally we ensure members' views, challenges and ideas of opportunity are fed in, and actioned as far as possible.

2.3 Trusts have tried various ways to respond to these challenges, including:

- Advertising roles using images and quotations from current employees and sharing their experiences to try and encourage applications
- Providing training and development opportunities and pathways within the organisation. For example
 - Life Leisure's (Stockport) own leadership development programme where every employee is supported, developed and mentored to be a leader within their role and the wider trust.
 - Halo Leisure (Herefordshire, Bridgend, Shropshire and Wiltshire) have created a Future Managers Development Programme. This focuses on building the skills and confidence of middle-managers through specialist development and learning opportunities.
- Some trusts are establishing informal mentoring schemes within fellow trusts. This provides the opportunity for employees to experience work in a different, or larger or smaller trust
- Becoming 'Employer Partners' of CIMSPA (the Chartered Institute for the Management of Sport and Physical Activity) on behalf of their employees – this enables a light to be shone on development pathways and equally the 'how to' and 'what is possible' with regards to the opportunities. Helping to aid retention within leisure.
- A focus on internal promotion and advancement of employees within the trust
- Implementing recognition and rewards schemes e.g. employee of the month awards nominated by the public, annual staff awards ceremonies etc

- Investing in staff wellbeing, e.g. implementing a wellbeing programme for all employees including 24/7 mental health support, GP access, personal training opportunities etc (i.e. not solely work related)
- Increasing annual leave allowances or developing a more generous absence policy than is required under their statutory obligations as part of their general employment policies

“We are looking at all round pay and rewards - which will cost us more, but this approach recognises more than pay. We hope this helps make us more attractive as a recruiter and an employer of choice.”

3. Any views on how NLW has impacted upon employment, differentials, job roles, pay etc?

3.1 Building on the points made in section 2, there have been significant impacts on the differentials between job roles within the sector.

3.2 Leisure has roles that hold significant responsibility e.g. duty managers ensuring swimming pools are chemically balanced and meet Health & Safety Executive (HSE) requirements on hourly cycles, lifeguards rescuing children, fitness instructors leading cardiac rehabilitation classes, creche workers delivering to Ofsted standards in children’s care, duty managers responsible for safeguarding within changing rooms etc. These roles are accountable to the public, HSE, local Safeguarding Boards. These roles are essential and require skills, levels of training and competence.

3.3 Trusts undoubtedly want to be able to pay higher rates for these accountable roles to reflect the skills and training. However, this is under significant pressure and is increasingly challenging / impossible. Trusts are unable to match the pay increases for the National Minimum Wage and the National Living Wage across all employees, thus resulting in the gradual and continual erosion of the differential between different job roles.

“...we have lost most of the differentials between standard and supervisory roles, especially for standard roles on NLW. We are unable to afford to raise all rates of pay in line with NLW and NMW growth and in some cases we have Supervisors earning pennies per hours more than those that they are supervising.”

“The NLW is a great idea, however I have employees who are completing the same role on more money than a colleague only by age.”

“The erosion of the differentials is having a massive impact on the morale of the business as we are in no financial position to increase pay to maintain the differentials.”

“Significant squeeze on differentials with supervisory and lower management pay. When tax and NI applied a casual 25yr + cleaner nearly achieves the same net hourly rate as a 21 year old Leisure Centre Duty Manager who has the responsibility of major evacuations, potential drownings etc....”

“....it has not reduced employee turnover.”

3.4 To help manage some of the challenges, trusts are reshaping roles and responsibilities, and creating multi-role posts

*"It has created issues around pay differentials.
We are looking at changing job roles to ensure that this is mitigated."*

4. Under Low Pay Commission's latest forecasts, the target April 2020 rate for the NLW would be £8.67. Do you agree that the LPC should seek to meet this target?

"Whilst inherently in favour of NLW [increasing] I fear the ongoing impact on our business in terms of recruitment and customer pricing"

"Whilst appreciating the financial implications for business I still believe that 8.67 is appropriate."

4.1 Just over half of respondents stated that yes, the LPC target should set the £8.67 target; just under half were unsure. Some of the comments help shine a light onto why there is some uncertainty, indicating that this is focused on affordability.

"...but support needed for not for profit sector as it's not affordable/ sustainable for them"

"...a number of trusts are being driven rapidly towards unsustainability."

4.2 A suggestion was received from a member trust regarding pay rates and NLW, focusing on enabling autonomy at a local level, based on skills gaps and the employment market – this could have positive impacts on local and regional labour markets

"However would prefer if decisions on pay rates were still made locally and based on affordability/skill"

4.3 Some members stated that Living Wage Foundation calculations should be the target rate:

"We believe that all workers should receive a genuine living wage. The Living Wage Foundation calculate this as £9 outside of London."

5 What are the potential impacts of this increase?

5.1 The impact is affordability – particularly on medium to long term financial planning. This in turn will impact upon the services being provided and investment into these services, with reduced staffing numbers one likely consequence.

5.2 The impact is not purely from NLW and NWM rates, but financial pressures are coming through: increasing energy prices (e.g. a weaker pound means gas and electricity wholesale price increases being passed onto consumers), increasing water costs, pension auto enrolment rates increasing, predicted increases in carbon dioxide (for swimming pools) supply costs imported from the EU, and increasing facility maintenance costs (e.g. boiler repairs, investing in green energy etc.) with little free-cash for reinvestment.

5.3 Coupled alongside increasing costs, is the fact that most members right across the UK are receiving reduced or zero subsidy support from their local authority partner (due to their own financial pressures). This would usually be in the form of a management fee to support the delivery of the contract for leisure and / or culture services.

5.4 These are not excuses, but this “bubbling cauldron” of increasing costs makes affordability across the board challenging. If one or two of these cost increases were happening, then trusts could financially plan and manage those impacts; however, combined as they are, this makes the potential impacts concerning.

“Challenging set of circumstances to achieve any surplus for re-investment.”

“It puts a small charity leisure facility (500k turnover, with 45 employees) in a very difficult situation. How do we cope with these increases when we aren't making a profit in the current climate.”

5.5 Trusts (like many other organisations) are working to manage the associated impacts by seeking to increase income streams:

- Investing in stand-alone, profit-generating facilities e.g. gyms, soft play centres run at purely commercial rates
- Diversifying income streams – usually investing from organisational Reserves e.g. redeveloping sports halls into family attractions like climbing walls, laser tag, inflatable challenge courses etc
- Increased admission costs for their events/activities/programmes e.g. over 47% of trusts (captured in our ‘Culture Survey 2019’) have now also introduced admission costs for previously free of charge cultural events/activities/programmes.

“Need to increase income and reduce costs further”

5.6 83% of members reported in the ‘Trust in Numbers Survey 2019’ that investing in their facilities and services, including optimising facility management, accepting asset transfers and diversifying services as the main opportunity to navigating the landscape.

5.7 Members are also identifying ways to manage the financial risks e.g. over 40% of members delivering cultural services reduced their investment in innovative cultural events or programmes to reduce risks (captured in our ‘Culture Survey 2019’).

5.8 Equally, trusts are identifying areas of reducing expenditure levels

- Reducing opening hours
- Restructuring
- Investing in energy efficiency projects
- Investing in IT projects, e.g. reception kiosks rather than desks, cashless operations with concierge type services

5.9 Finally, by increasing the prominence that they are registered and value-based charities

- Seeking alternative avenues of funding, e.g. crowd funding, foundations and trusts
- Seeking social investment to support business model development or capital expenditure on energy efficiencies
- Maximising Gift Aid status

“Further challenges to the balancing of budgets/service delivery”

“What we need to do is to re-base all our salary scales - to reflect the real worth of a career in leisure - easier said than done.”

6 What are your views on the future trajectory of the NLW and other NMW rates after 2020? What considerations should inform this?

6.1 Members who responded to the survey, provided helpful suggestions regarding considerations

“There needs to be some investment made into trusts to accommodate rising rates in pay i.e. utility costs relief?”

“I think you need to consider how the economy has been effected by Brexit and allow businesses chance to absorb any post Brexit hits before increasing it further.”

“I think the LPC need to consider the current economic climate and the industries such as leisure that will struggle to cope with the increasing staffing costs.”

“I would like to see it slowed to match average pay awards across a range of sectors. Its very difficult when NMW increase by 5% and we are offering a market led 2.5%”

“We would be happy to pay staff more, however the public sector is not in a position to support increased subsidies for non profit making services. There is no evidence to show public sector funds increasing in the near future, therefore the future still appears to be one of decline in certain areas. However opportunity does exist for greater integration with health and social care agendas, ideally exploring opportunity to redirect funding support from other sectors – supporting our communities to be healthy, active and independent has a direct benefit on other funding streams – so still room for opportunity.”

6.2 A number of trusts discuss paying voluntary Living Wage

“We observe the Voluntary Living Wage – and we do so through choice and with no financial support.”

“We would like to see the NMW reflect the voluntary living wages. This would create a level playing field, reducing the scope for private operators to undercut trusts on price given that wages are such a significant proportion of total costs.”

7 Any further comments or final thoughts?

7.1 A final comment to note that arose from multiple member comments, is the wider landscape and impacts that trusts (and other organisations) are operating within.

7.2 Trusts deliver across multiple, local and national government policy objectives. Trusts contribute significantly to the public health (England and Wales) / health improvement (Scotland) agenda, they are increasingly supporting adult social care by integrating closed-day services provided by the local authority into the leisure services and facility, they are trying to keep libraries open and mobile library services operating in areas of rural deprivation, they support care-givers with dedicated activities. Trust's are working across the life-course with people with increasingly complex needs, and with strong and continued principles to support those in greatest need:

"...the customer demand on our service is ever increasing as is the demand for skilled staff."

7.3 Balancing the increasing needs of communities; being proud, good and equitable employers; and being a resilient organization in the current landscape is particularly challenging.

8 Conclusions

8.1 To conclude, it is evident that members support NMW and NLW, and support the future trajectory. However, there are significant challenges that need to be supported at a local level.

8.2 These include:

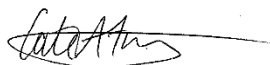
- The increasing squeeze on pay differentials in job roles and associated responsibilities
- Recruiting competent and skilled staff
- Retaining those staff
- The "bubbling cauldron" of cost pressures impacting upon mid and longer term financial planning

8.3 As discussed on the telephone, Community Leisure UK and members would welcome the opportunity to develop a relationship with the Low Pay Commission on an appropriately regular basis. Community Leisure UK has active peer-supporting groups including on HR and finance. Both groups are active in England and Wales, and Scotland. Low Pay Commission colleagues would be very welcome in joining those groups. Perhaps

8.4 Finally, thank you for considering this report and the views and experiences of member leisure and culture trusts. Members have been brave, open and honest in their responses to the Low Pay Commission, on a very sensitive topic. Members wholeheartedly support NLW and NMW and are proud and equitable employers; yet they have significant worries and challenges that do need to be considered.

8.5 If we can help in any other way please do get in contact on the details below. Thank you for your time in reading this report, and we look forward to working alongside the Low Pay Commission and the Commissioners in the near future.

Yours sincerely



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