

Low Pay Commission Consultation 2021 from Community Leisure UK

We welcome the opportunity to submit evidence and a response on behalf of our members on the effects of the National Living Wage and National Minimum Wage.

We have provided responses to the Low Pay Commission's consultation questions where we can offer an informed view.

About Us

- 1.1 Community Leisure UK is the trade association that represents the largest collective of deliverers of public leisure and culture services in the UK. Therefore, we are keen to ensure that trusts are engaged and contributing to national consultations.
- 1.2 Our 112 members collectively deliver over 45% of public leisure provision in England and Wales, and 85% in Scotland. Pre-Covid19, members employed over 46,000 staff across leisure and culture. They are and continue to be 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. Prior to the pandemic, members received over 233m annual customer visits.
- 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. We also have a number of, predominantly smaller, members with no local authority relationship.
- 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 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.
 - 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
 - Other members, particularly some in Scotland, are contractually obliged to mirror local authority staff terms and conditions.
- 1.6 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 afford to pay

Where the trust is responsible for covering the financial impact of increases to the National Living Wage, it is particularly challenging due to 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.

What are your views on the economic outlook and business conditions in the UK for the period up to April 2022? We are particularly interested in:

The conditions in the specific sector(s) in which you operate.

2.1 The public leisure and culture sectors have, like many others, been severely impacted by the Covid-19 pandemic. Venues were closed for much of the last year and income from customers immediately stopped as a result.

2.1.1 Since their establishment by local authorities, charitable trusts have been encouraged to become increasingly self-sufficient against a backdrop of increasing local authority financial pressures and ever decreasing budgets. The result of this is that these charitable trusts are victims of their own success, with a far greater reliance on income through trading, which was entirely stopped since the closure of facilities.

2.1.2 Even when facilities were closed and mitigations in place, there was an ongoing net subsidy requirement as the average monthly cost of utility, non-furloughed staff, loans, repayments and standing charges etc is around £60,000 per site per month.¹

2.2 In order to remain solvent, members used 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, which has significant consequences. For example, even an advance of management fee into a prior period will increase the VAT liability for that period in due course, so none of these actions come at no cost immediately or in the longer term.

2.2.1 Throughout the pandemic, leisure and culture trusts have, on average, lost £1 million in unrestricted reserves². On average, at the start of the 2021/22 financial year, our members had a deficit of £675,000 per organisation³.

The prospects for economic recovery from the effects of the Covid-19 pandemic.

2.3 There will be a long recovery period, estimated at 12-24 months, before we see a return to any semblance of pre-covid income levels. However, it is likely that it may be closer to three years before we see a full return to normal operating as a result of ongoing social distancing, loss of customer confidence and adapting services and programmes to changed public behaviours. Reopening venues is proving more expensive than remaining

¹ Local Government Association. *Options for councils in supporting leisure providers through COVID-19*

² Community Leisure UK member surveys from April 2020 - March 2021

³ Community Leisure UK member surveys from April 2020 - March 2021

closed, and will need financial support to ensure the financial sustainability of organisations in the medium to long term.

2.4 Current recovery is slow due to continued restrictions on capacity numbers in leisure and culture venues. This is a challenge as our members cannot reduce staffing numbers to balance a reduction in income in the same way as hospitality can reduce waiting staff in line with less tables. If you have 30 or 100 people in a swimming pool you still need the same number of lifeguards, for example, so extended restrictions on social contact and physical distancing means that our members continue to operate at a loss.

2.4.1 This also limits our members in their recovery and growth as they have limited spaces which quickly fill up. Having no additional places to offer their customers, they are therefore less attractive for the public to return to.

The effects of Government interventions to support the economy and labour market.

2.5 The key pillar of support has been the Coronavirus Job Retention Scheme (CJRS), which has provided a lifeline for leisure and culture trusts, and enabled them to support their workforce as far as possible, with some of our members choosing to pay the full 100% of salaries at the beginning of the lockdown period, though the majority of members could not sustain this level of contribution due to the organisation's financial challenges, as outlined earlier, as the furlough period extended beyond original expectations.

2.5.1 There is still a high reliance on CRJS, maximising furlough to manage staff costs. According to our annual members' HR survey, an average of 348 employees have been furloughed per trust⁴. However, with the planned tapering of the Coronavirus Job Retention Scheme from July, until the end of September, coupled with the possibility of continuing restrictions and reduced footfall due to capacity and customer confidence, there is still a significant risk for the workforce as we move through the recovery period.

2.6 As a consequence of the pandemic, there have been a number of redundancies across leisure and culture trusts, with an average of 5% of staff being made redundant.⁵ In addition, over 15,000 individuals are no longer working for leisure and culture trusts - many of whom were self-employed or casual workers.⁶

The current state of the labour market, recruitment and retention.

2.7 With regard to recruitment and retention, members are reporting significant problems after reopening as many furloughed staff have found other employment and do not want to return. There is a particular shortage around some of the skilled positions, such as lifeguards, with new drives to attract people into training for these positions.

2.7.1 The largest expenditure across our members is staff salaries. Despite all being charitable organisations, with volunteers supporting the work, most of the work requires consistent and trained staff (pool plant, lifeguard, teaching staff, librarians, technicians in

⁴ Community Leisure UK 2021 HR Survey - response based on 47 members' responses

⁵ Community Leisure UK 2021 HR Survey - response based on 44 members' responses

⁶ Community Leisure UK member surveys from April 2020 - March 2021

theatres). Within leisure and culture trusts, the lowest salaries tend to be the general, day-to-day staff who are needed whenever the centre is open, such as lifeguards, centre attendants, cleaners.

To what extent have employers been affected by other major trends in the economy and labour market: for example, Brexit, the shift to homeworking or any changes in the numbers of migrant workers in the UK.

3.1 The shift to homeworking has had a significant impact on leisure and culture trusts. After a prolonged period of venue and facility closure, with homeworking for many employees, there has been an increasing sense of frustration with accessing systems and working in makeshift areas of their home. To illustrate with responses from members' employees:⁷

"Time at home was fine to start with but felt unsupported at home."

"Remote access to certain IT systems would be incredibly useful as it would mean that some tasks could be done from home, reducing the number of people in the building at any given time."

3.2 Homeworking has proved more effective for some desk-based employees, and there is an expectation that more homeworking and remote working will continue for some organisations in the longer term. However, there were clear mental health benefits of returning to work and reconnecting with colleagues and customers. To illustrate with responses from members' employees:⁸

"I don't have a lot of friends outside of work, so it was good to be back with my team and providing services to the customers again."

"I was looking forward to my mental health improving, with a return to my regular work schedule"

3.3 Brexit has impacted on the availability of staff, dependent on the geographical location of the trust, and has particularly affected the recruitment of fitness instructors, catering and seasonal staff.

3.3.1 From a culture perspective, Brexit has made touring very difficult. Most members with theatres operate these as receiving houses. If there are no productions then this will impact their operations, ability to reopen and, ultimately, their ability to keep staff on.

What is your experience over the past year in the following areas?

Prices and profits

4.1 Prices have very much remained static over the last year, as a result of the pandemic interrupting business as usual, however, as mentioned under point 2, profits have been

⁷ MyCustomerLens Employee Pulse Survey Report for COmmunity Leisure UK members. December 2020

⁸ MyCustomerLens Employee Pulse Survey Report for Community Leisure UK members. December 2020

decimated as a result of the closure of venues during lockdowns, significantly reduced capacity and customer footfall and many venues unable to reopen at all. Specifically, smaller venues, many of which are older buildings, and theatres and events spaces have been unable to open and operate for over a year.

4.1.1 Members have been reviewing their pricing policies for 2021/22, with approaches to balance the organisational need to cover operational and business costs, with the need to offer inclusive and accessible facilities and services for local communities.

4.1.2 There is also recognition that there is a need to review some concession policies, to ensure these are targeted at those who would benefit most from reduced or free access to programmes and facilities.

Productivity

4.2 Productivity has, to a large extent, been stalled over the last year as a result of lockdowns and the majority of the workforce being placed on furlough for significant periods of time.

4.2.1 Before COVID, some members were about to embark upon new strategic plans which would help to move to becoming more self-sufficient. This involved some large scale changes in the way they operate, including new IT systems, a more sales-based approach, a drive to make centres busy with community activities and a more efficient pool plant operation.

4.2.3 While some improvements and plans have been implemented, this has posed challenges for staff returning from furlough to many new ways of working, which has made that period of adjustment even more challenging for them and for the management team. Staff are finding it hard to get back into a work routine and their motivation for learning new things isn't strong. Some staff have requested reduced hours due to lifestyle and health factors that have occurred during the pandemic, yet there are significant recruitment challenges, particularly for roles that are for only a few hours per week.

4.2.4 Due to operating with skeleton staffing, trusts are unable to optimise productivity and are faced with continual staffing challenges. New staff require extensive training and induction, and existing staff have required refresher training for many of their duties, in addition to the requirements of their qualifications, i.e. NPLQ / lifesaving, safeguarding, health and safety (particularly around COVID). This again has taken time to get staff through the sheer volume of learning needs, hampering productivity.

Pay structures and differentials

4.3 In terms of basic pay, the most common criteria used by members when looking at basic pay are: National Living Wage (66%), decisions on annual pay rise made by Board of Trustees (62%), ability to pay (62%), affordability, economic climate, business performance, general market conditions (62%), and affordability and company performance (50%).⁹

⁹ Community Leisure UK 2021 HR Survey

4.3.1 In the past year, there was a wide range of total pay increases awarded across leisure and culture trusts, with the most common pay award being a 2% pay increase, followed by a 1% pay increase.¹⁰

4.4 Both leisure and culture include a range of roles that hold significant responsibility and require a high level of expertise, 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, library and 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, and local Safeguarding Boards. These roles are essential and require skills, levels of training and competence.

4.4.1 However, the annual increases in National Living Wage present a challenge as the rate of pay for lower paid roles is increasing at a faster rate than the pay increases across organisations as a whole, as evidenced in point 4.3.

4.4.2 Trusts undoubtedly want to be able to pay higher rates for 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.

4.4.3 The most challenging roles identified by trusts in terms of managing the roles are: Duty Managers/Officers, senior leisure assistants, recreation officers/assistants, swimming instructors, and child care assistance.

4.5 This erosion of differentials in pay between different job roles presents challenges in terms of staff recruitment and retention, specifically for roles with senior responsibilities where there is little reflection of the level of accountability within the pay. There are also limited job structures within leisure and culture, exacerbating the problem.

4.5.1 The erosion of differentials has a significant impact on staff satisfaction levels, with reducing satisfaction levels, particularly for salary pinch points and staff feeling very undervalued for their work.

4.6 The effect of the increases in National Minimum Wage and National Living Wage for trusts that do not have any local authority support or indeed any mechanism for the local authority to effectively pick up any shortfall between income and expenditure is simply to add a greater financial pressure to the bottom line. Particularly at a time when leisure and culture trusts are already making significant losses. Some contracts do not enable the trust to go back and ask for more money. These increases will therefore completely remove pay differentials.

4.6.1 Most pay rates for leisure and culture trusts are based on local authority pay rates and grading models, thus it is not sustainable to pay staff who score lower at the same rate as others, particularly where qualifications are an essential requirement. This

¹⁰ Community Leisure UK 2021 HR Survey

therefore has the effect of creating artificial wage inflation for roles currently being paid above the National Living Wage rate, further adding to the financial pressures.

4.7 Some trusts, particularly some of our smaller, single-site members, have not been in a financial position to be able to increase salaries for some time and therefore, every time the minimum wage increases, the pay gap between the junior staff and their managers decreases, yet the responsibilities remain the same.

4.7.1 An increase is rarely in isolation. Most members operate a grading scheme for posts with gaps between each grade. However as the baseline is lifted the gap is reduced or even removed, therefore organisations end up having to increase 2, 3 often more paygrades to retain a differential.

4.7.2 However, there is concern for many members that they will be unable to continue to increase wages further past this point without having some additional support in place. Some are trying to expand their volunteer programme to help with some of this, however, this is also increasingly challenging as there is a shortage of volunteers who wish to work unsocial hours, which are for some, the only times they can now open due to the COVID restrictions making it financially unviable to open the same hours as before COVID.

4.8 Consequently, staff retention is becoming increasingly challenging. This has become a pressure point for trusts as a result of the pandemic and large numbers of staff being on furlough. Individuals' perceived value of their role and the competition of other industries with similar wages and less stressful workloads (notably retail) has seen large numbers of staff leaving leisure and culture, or choosing not to return to work after furlough, with many having sought alternative employment, often in other sectors.

Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)

4.9 In our 2021 Members' HR Survey, 64% of respondents do not offer performance related pay or bonus to their staff, and 22% of those who do limit this to selected posts.¹¹

4.9.1 Despite the challenges around pay, and the erosion of differentials, members use a range of other benefits to incentivise and reward staff. The most popular benefits offered to staff include free gym/fitness membership (82%), TOIL (74%), staff discount (66%), free parking (62%) and cycle to work scheme (54%).¹²

4.9.2 Most trusts have a focus on supporting the health and wellbeing of their workforce, and this has been heightened, particularly with regard to mental health, by the pandemic and high pressure on staff. This includes: training more staff in mental health first aid, appointing mental health ambassadors within the workforce, offering access to mental health resources, including counselling, and supporting flexible working patterns.

¹¹ Community Leisure UK 2021 HR Survey

¹² Community Leisure UK 2021 HR Survey

Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)

4.10 There has been a marked intensification in work for many individuals within trusts as a result of working in far higher pressure situations due to reduced staffing, with many staff still on furlough, and overall reduced staff numbers within organisations, and increased responsibility.

4.10.1 Where possible, trusts are offering flexible working for their staff, recognising the challenges of remote working and work-life balance. However, due to the nature of the organisations and the services that they offer, this is not always possible and some roles are essential to be present on sites during working hours to ensure the smooth and safe operation of facilities.

Progression and job moves

4.11 The public leisure and culture sectors continue to face challenges as they are not regarded as sectors where there are opportunities for progression or career development. This links to the issues faced regarding recruitment and retention of staff, particularly in terms of recruiting quality staff.

4.11.1 Progression is also hindered by the aforementioned erosion of differentials between job roles. Where there might be opportunities for staff to grow and develop, the financial compensation for this is often not sufficient, and other sectors appear more attractive in terms of job prospects.

Training

4.12 Staff training has been rolled out across trusts in the last year, to ensure that staff are confident with regard to the new ways of working and new Covid-19 health and safety protocols.

4.12.1 Staff returning from furlough have also been offered training and induction, reflecting the need to ensure staff are confident at returning to work.

4.12.2 Some specific roles, such as lifeguards, have had to undergo training to ensure they are fully qualified to return to work and that their training and qualifications are still in force.

Investment

4.13 Trusts have been supported financially by their local authority partners, where they have a contract with the local authority. However, this has been funding aimed to keep the organisations solvent as, even whilst venues were closed, there were significant ongoing costs (average of £877k per organisation) involved in closing facilities but keeping them in 'hibernation' mode.

4.13.1 The other main sources of support funding for members were through Government Funding delivered through National Partners e.g National Leisure Recovery Fund, and the Culture Recovery Fund, which were important lifelines for organisations.

Business debt

4.14 As detailed under point 2, trusts have started the 2021/22 in a fragile financial position, with depleted reserve levels and deficits at the end of the previous financial year of £675,000 on average.

4.14.1 Importantly, all our members are non profit distributing organisations, with any profit generated reinvested back into the organisations.

4.14.2 Some members have taken out loans in order to survive the pandemic period, including CBILs, Bounce Back and Bank loans. However, this poses a threat in the medium term as repayments are due to commence at a time when the sector is still facing significant restrictions and vastly reduced customer income.

What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed in question 4.

Pay structures and differentials

5.1 As evidenced in point 4.3, the increase in National Living Wage and National Minimum Wage is above the pay award rate that leisure and culture trusts can afford across their organisations. The impact of this is a continual erosion of the differentials between job roles, resulting in lower levels of staff satisfaction and leisure and public leisure and culture not being seen as sectors with career pathways.

5.1.1 As of April this year, some members report having had to increase all job role salaries to ensure that there is recognition of the additional responsibilities and to retain those staff. This increases financial pressures on our members at a time when they are already in a precarious financial position.

How has the NLW's impact varied across different areas of the UK?

6.1 The main variation in impact from the perspective of our members, is the financial support of the local authority to enable their trust partner to pay the National Living Wage. Noticeably, in Scotland, there are closer links between trusts and local authorities, with a desire from the local authority for their partners to pay NLW.

The Government's remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.33. What are your views on this target?

7.1 An increase to £10.33, represents an increase of approximately 5% per year, which will continue to increase the pressure on trusts to afford to pay the increases year on year.

7.1.1 As previously mentioned, most trusts paid a 1% or 2% pay award this year, which is far below the proposed rate of increase of NLW.

7.1.2 This will continue the erosion of differentials between roles as this level of pay award is not feasible across the entire workforce, particularly following the financial impact of Covid-19.

At what level should the NLW be set from April 2022? Our current central projection for the on-course rate is £9.42, with a likely range of 7 pence above or below this figure.

8.1 A rate of £9.43 represents an increase of over 5% from the current NLW rate, which will be a challenge for leisure and culture trusts as this, for most if not all, will be above the pay award for other roles within the organisation. This will therefore continue the erosion of the differential between roles.

8.1.1 There needs to be consideration of employers' ability to pay the NLW increase - against the backdrop of the aforementioned precarious financial position, this will be challenging for our members.

8.1.2 There also needs to be consideration of the wider financial context, with local authorities facing significant funding challenges and limited capacity to offer further financial support to trust partners.

What is the outlook for the recruitment and employment of apprentices?

9.1 A wide range of apprenticeships are offered by trusts; the most popular apprenticeship roles offered are other (38%), lifeguards (12%) and recreation staff (9%). Examples of "other" apprenticeships included beauticians, maintenance, events, administration, coaching, swimming, support roles.¹³

9.1.1 Recruitment is a challenge in the current climate, including for apprentices, with the pressure heightened by the loss of staff during the pandemic and many leisure and culture trusts facing staff shortages.

Ends.

¹³ Community Leisure UK 2021 HR Survey