Community Leisure UK Covid-19 Impact Report - August 2020

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 110 members, operating over 3700 facilities, including:

380 libraries	780 leisure centres
835 outdoor sports courts & pitches	104 parks
66 theatres	224 community and town halls

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].***

This report highlights the significant risks posed to Community Leisure UK members across England, Scotland and Wales as a result of Covid-19, and potentially disastrous long-term impacts for the sector. The data presented in this report is based on insights from our members' survey, concluded at the end of July 2020, with a c.82% response rate.

Impact of Covid-19

BUSINESS VIABILITY

Like many other sectors, public leisure and culture has been hit hard by the impact of Covid-19. Most income for leisure services comes from health and fitness membership subscriptions and income from customers (e.g. bookings, entry fees, hall hire etc). Income for cultural services typically comes from admission fees, grants, donations and gift aid, commercial activities (e.g. cafes, hospitality etc). With the closure of most venues since 23rd March, this income ceased with immediate effect.

[1] Source: 4Global Datahub

Despite the various financial support streams established to support businesses, there are serious shortfalls to ensure all non-profit-distributing organisations survive this situation in the short and medium term. Our members have continued to fall through the gaps in funding as per the below, with the Coronavirus Job Retention Scheme as the main support mechanism.:

- The Coronavirus Business Interruption Loan Scheme (CBILS) is too risky for trusts to take on. Those trusts who have accepted the risk and have applied have, in the majority, been rejected by their proposed lender. Only 9 trusts across the UK are currently using this form of support.

- The Business Support Grant Funding is capped at buildings rateable value (under £51,000) to access the £25,000 grant. Most trusts' buildings have a higher rateable value, and the grant is capped at two buildings. Moreover, the £25,000 grant does not support the size of a community trust (including utilities, insurance, suppliers etc.).

- The Third Sector Resilience Fund is another avenue of support, but has been, rightly so, prioritising organisations with the most pressing need to remain solvent. Trusts may not fall into this category, but rather face longer-term uncertainty in terms of their viability.

In order to remain solvent, trusts are using all levers available to them, including exhausting their reserves. Current reserves, compared with pre-covid levels, have dropped to 64%, with an expectation that ***only 10% of reserves will remain by the end of the current financial year*** meaning most trusts will have insufficient working capital to operate. If there is a second lockdown, trusts will have no reserves to rely on and it is unlikely they would be able to remain solvent. In addition, as ***the anticipated recovery period for our members is 12-18 months after reopening***, and longer for those with cultural facilities, there will be no reserves available to support trusts as they seek to regrow and rebuild their businesses.

As charitable organisations, members are obliged to sign off their annual accounts and confirm that they have going concern status. Trustees are currently in a challenging position of, in many cases, being unable to sign off on this basis, with the added pressure of the end of the suspension of the wrongful trading exemption on 30th September.

WORKFORCE

Without financial support for the sector, the workforce will be severely impacted. Currently ***26% of the contracted workforce (6975 jobs), and 50% of the casual workforce (9218 jobs) is at risk***. This is in addition to ***over 6000 contracted and casual staff already confirmed for redundancy or, in the case of casual workers, not offered work***.

This disproportionately affects the workforce in the 18-34 age bracket as leisure trusts are some of the biggest employers for this age group. It would therefore exacerbate the already stark and rising unemployment figures for younger people.

It is anticipated that these numbers will rise sharply as reopening progresses, due to higher operating costs, and the impacts of physical distancing and customer confidence decimating income levels.

Both the leisure and culture sectors have a high dependency on casual workers and the loss of these individuals will impact on the recovery going forward, as well as a significant loss of skills and knowledge, which may never return.

COMMUNITY IMPACT

Once it is safe for leisure and culture venues to reopen, this will be done in a phased manner, primarily due to concerns around the financial viability of facilities. According to our members' survey, ***members are only planning to initially open c.43% of venues and facilities***.

This will inevitably impact on community and club access, with reduced capacity and hours available. Inevitably some members will have to make the difficult choice to focus on commercial income as an immediate priority to ensure business survival, with charitable work, often cross-subsidised through income generating activities, being delayed.

Recovery and looking ahead

The public leisure and culture landscape will be in a fragile position for a significant period of time, with a lengthy recovery period. There is a high risk of venues and facilities closing permanently as a result of rationalisation and financial pressures. ***There are currently 342 facilities at risk of permanent closure, including 35 libraries, 85 leisure centres and 24 swimming pools***.

This ***would result in a loss of 18% of swimming pools*** run by our members, which would impact on communities, clubs and athletes. Approximately 60% of members intend to reopen for sports clubs to access facilities initially. As a result of reduced capacity and reduced opening hours to allow for physical distancing, enhanced cleaning and reduced staffing, there will be greater pressures on balancing access across members, sports clubs and community groups and the general public.

Coupled with new trends and changes in customers' routines, it is likely that the landscape will never return to the pre-covid normal, though this offers incredible opportunities to rethink the function and value of public leisure and culture and to optimise the delivery of these services to support national and local priorities. Ultimately, it is a chance to harness the incredible potential leisure and culture have to offer in terms of wellness, realising their true value as community assets. Public leisure and culture can play significant roles in supporting government policy across a range of portfolio areas, specifically an opportunity to optimise public spending by realising the double benefit of reducing demand on health and social care.

Culture

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. For trusts with both leisure and cultural services within their portfolios, there is an opportunity to optimise delivery through cross-subsidising cultural services with income from leisure. The risk to cultural venues is higher than the risk to leisure venues, particularly as they are, in the majority, non income generating.

If leisure services remain closed beyond the reopening of cultural services, there is a significant risk as there is no income to support the business. This would be further exacerbated by a second lockdown, with cultural venues likely to be hardest impacted.

Theatres are also an area of particular concern as it is anticipated that many will be unable to reopen before spring 2021, far beyond the end of the furlough scheme and having missed a significant season for theatre.

Sport and leisure

To date, there has been no financial support provided for the leisure and sport sector. This highlights a lack of understanding of the real and frightening risks to the sector; identified in this report. This is coupled with no recognition of the value and contribution of these community assets and services to support the mental and physical health and wellbeing of their local communities.

Appendix: Headlines for England, Scotland and Wales.

England (65% response rate)

- 17% of Council contracts are at risk of early termination
- 64% of members do not receive a management fee. The average management fee is £2.6 million, compared to the average turnover of trusts being £15 million (though this number because it's skewed towards the larger trusts within the membership and not representative of single sites).
- Over a third of trusts will be non viable or in an insecure position by the end of this calendar year.
- Trusts have currently lost 41% of their unrestricted reserves. By the end of this financial year (March 2021), it is estimated that they will only have 7% of their pre-Covid19 unrestricted reserves level.
- The combined deficit accrued during lockdown within our English membership is over £42.4 million. The average anticipated level of deficit per trust by the end of this financial year is £1.1 million (by March 2021).
- 4350 FTEs already made redundant or planned for redundancy. 8763 FTEs at risk. 5534 casual jobs planned for redundancy. The age categories of 18-24 and 25-34 year olds are most affected.
- Only 56% of facilities reopened when they were allowed to. The most common reason for keeping facilities closed being that it is not economically viable.
- 108 facilities (across leisure and culture) at risk of permanent closure / rationalisation.

Wales (100% response rate)

- One contract at risk of going out for procurement. Three others discussing contract modification to redesign services.
- Most trusts have received their quarterly management fee payments in advance to manage the financial impact of Covid-19. The average management fee is £2.3 million, compared to the average turnover of trusts being c. £5.7 million.
- 44% of trusts will be non viable or in an insecure position by the end of this financial year (March 2021).
- During lockdown so far, trusts have lost 7% of their unrestricted reserves. By the end of this financial year (March 2021), it is estimated that they will only have a third of their pre-Covid19 unrestricted reserves level.
- The combined deficit accrued during lockdown within our Welsh membership is over £14.7 million. The average anticipated level of deficit per trust to be accrued during the recovery period until the end of this financial year is £900,000 (by March 2021).
- 89.5 FTEs already made redundant or planned for redundancy (7% of FTE workforce). 429 FTEs at risk. 233 casual and contracted jobs planned for redundancy. 1049 more contracted and casual jobs at risk. The age categories of 18-24 and 25-34 year olds are most affected.
- A quarter of facilities will not (immediately) reopen when they are allowed to. The most common reason for keeping facilities closed being that it is not economically viable.
- 15 facilities (across leisure and culture) at risk of permanent closure / rationalisation.

Scotland (95% response rate)

- Global deficit figure of £58,701,118 (based on 22 responses)
- The average management fee is £5.5million, compared to the average turnover of trusts being £17.7 million.
- 38% of members will be non viable or in an insecure position by the end of the year (in 2-6 months from now). 70% will be non viable or in an insecure position in 9-12 months from now.

- Trusts have currently lost 15% of their unrestricted reserves. By the end of this financial year (March 2021), it is estimated that they will only have 17% of their pre-Covid19 unrestricted reserves level, in many cases zero reserves or even a deficit.
- 450 contracted and casual staff have already been made redundant or are confirmed for redundancy.
- Over 4,500 jobs are at risk. The age categories of 18-24 and 25-34 year olds are the most affected.
- Across Scotland, trusts are only planning to open a third of facilities when permitted to reopen by Government, primarily due to financial viability concerns.
- At least 116 facilities identified (across leisure and culture) at risk of permanent closure / rationalisation, significantly town halls, outdoor pitches and libraries. Most trusts do not yet know the number due to uncertainty over reopening and financial support.