A Challenging Landscape for Community Leisure UK Members

Further to our December 2021 report highlighting the fragile landscape for public leisure and culture, our latest insight shows that the threat of a delayed recovery is becoming reality. This report, focusing on England, pulls together insights from member responses[1] to a survey conducted in early January 2022 in addition to qualitative member responses as collected via email and member check ins.

Public leisure and culture trusts are still excluded from most support packages and additional grants, with the exception of the Culture Recovery Fund. The lack of recognition, for public leisure in particular, is wholly unacceptable. Throughout the pandemic public leisure and culture have shown their value more than ever, yet are receiving very limited support and no recognition from Government.

This report highlights:

- ★ **Leisure and culture trusts are witnessing and projecting significant reductions in income due to reduced customer footfall at a traditionally key time for trading.**
- ★ **Energy costs are soaring to unprecedented levels and, combined with the increase in National Living Wage and National Insurance contributions, are adding unsustainable additional costs.**
- ★ **The employment crisis continues, with an average of 486 unfilled hours each week. Members also report an average of 142 unfilled hours per week as a result of staff members self-isolating.**
- ★ **A fifth of members anticipate that, in 6 to 9 months' from now, their business will be insecure or non-viable. This increases to more than a third of members in 9 to 12 months' time.**
- ★ **Two thirds of members anticipate that it will take at least one to three years from now (January 2022) until their business will be operating normally, though 'normal' may look different to pre-pandemic.**
- ★ **Single sites are in a stronger financial position than the average within the membership, yet still half of them expect recovery will take another 2-3 years.**

Business viability and customer confidence

While the full impact of Omicron is not yet known, there are early indications of a significant income reduction for leisure and culture trusts following lower customer footfall. The projected recovery period for members will therefore be severely impacted as December and January are key trading months for culture and leisure respectively.

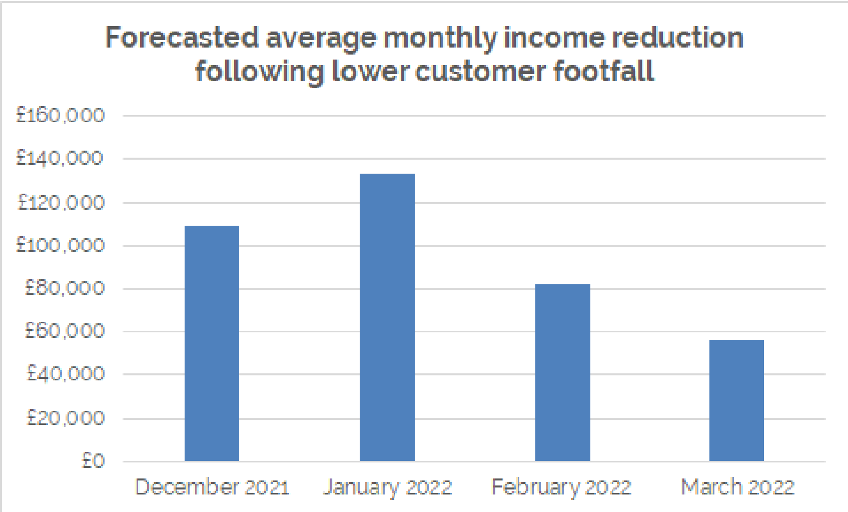
Most members are in a stable position at the moment yet, as a result of forthcoming financial pressures and continuing insecurity, leisure and culture trusts anticipate a difficult period in about 6 to 9 months' time from now, with a fifth of members indicating

[1] We received 28 responses from our membership in England, indicating a 35% response rate from the membership. While the data is not representative, it does give a strong indication of where the public leisure and culture sector is heading.

their business to be insecure or non-viable. This increases to more than a third of members in 9 to 12 months' time.

Leisure and culture trusts have, on average, lost 48% of their unrestricted reserves during the pandemic so far, and are expected to have lost 56% of their reserves by the end of this financial year (March 2022). In addition, they are forecasting an average deficit of £337k per organisation by March 2022. While this figure is lower than predicted in our earlier reports, it is still significant and, when combined with a continued reduction in unrestricted reserve levels, indicates that trusts' recovery continues to be incredibly fragile.

With regard to customer confidence, the greatest impact on footfall and income is expected to be in January 2022 with an average loss of income of £133,665 per organisation. However, in December 2021, leisure and culture trusts had already witnessed a decreased average income for the month of £109k. While it is anticipated that customers will return in the next few months, recovery will be significantly delayed as current projections for March 2022 still show a forecast of an average loss of £56k in income, as compared with projections pre-Omicron.



Members commented on the impact that Omicron has had on their customer footfall, and consequent insecurities for recovery:

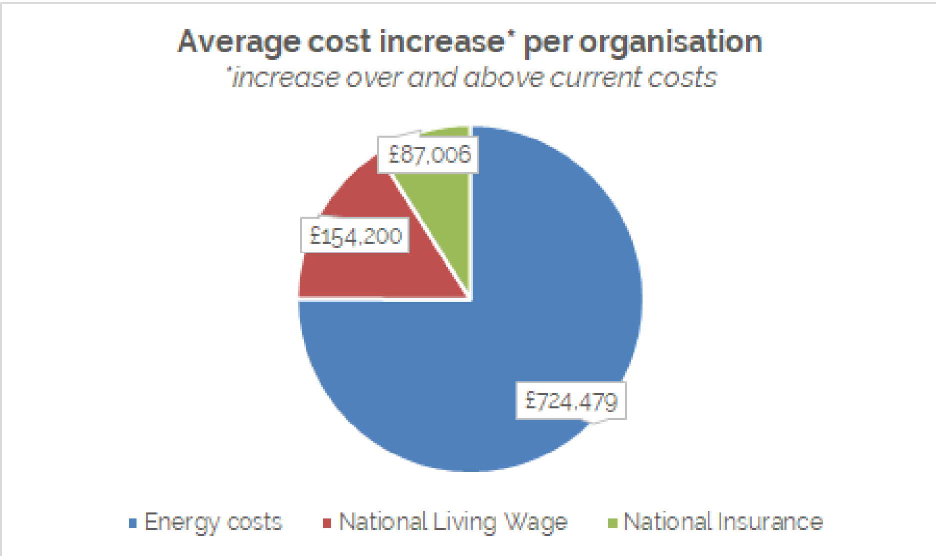
"Prior to this new variant, Omicron, our recovery was going really well with some areas of the business exceeding numbers pre COVID, however with the uncertainty and people's hesitation and fear, numbers and income have started to reduce again. We are operating at about 80% pre COVID levels."

"It remains challenging, particularly as 30% of our income comes from hospitality and entertainment, which has been significantly impacted as a result of Omicron. [...] We are very reliant on meeting our target for fitness membership sales throughout January to maintain positive cash balances in line with our projections."

Financial and employment pressures

As we progress through the turbulent recovery period, the fragile landscape for leisure and culture trusts will face significant, and potentially catastrophic, financial challenges resulting from energy costs soaring to unprecedented levels, a 6.6% increase to the rate of the National Living Wage from April 2022, and increases in National Insurance contributions.

These additional costs will add an average of £965,685[2] per organisation over and above current costs. Previously the forecast rise in National Living Wage was one of the singlest largest pressures facing our members, however, this has undoubtedly been overshadowed by the hike in energy costs. This is particularly acute as many of our members operate venues and spaces that are expensive to run, notably swimming pools and ice rinks, large sports halls, heritage buildings and vast museum and theatre spaces. This is illustrated by a member commenting: *"I fear energy prices are now going to become as great a challenge as the pandemic."*



The employment crisis affecting many sectors across the UK is continuing to impact across public leisure and culture. There is an average of 486 unfilled hours across our membership. Our members are also reporting 142 unfilled hours as a result of staff members self-isolating. Some members are managing to fill hours resulting from sickness absence by relying on casual workers or other staff members, but this is not always possible.

To illustrate this challenge, they comment: *"Staff absences are starting to hit and we certainly had some spikes of infections and isolations over the festive period. [...] Swimming Teachers is still a huge pressure in the region and this is causing major problems with delivery of lessons. We are working with other Local Authorities and Swim England to try and find ways to attract, train and employ more teachers."*

[2] Of the £965,865, million increase in cost 75% comes from increased energy costs, 16% from National Living Wage increases, and 9% from increased National Insurance contributions.

The impact of the employment crisis and unfilled hours goes beyond the operational challenges of running services, but significantly impacts on the wellbeing of the workforce, as illustrated by a member stating: *"What is affecting us the most is the uncertainty around customer and staff confidence. We are already running the staff team as lean as possible and trying to recover from COVID. This means that when we have staff illness plus COVID isolation it is putting huge pressures on the current team. As a manager I'm concerned about burnout followed by the impact on the service we offer."*

Recovery

While in the short-term leisure and culture trusts are feeling relatively secure, the current rate of recovery is still masked by significant uncertainties as members' comments illustrate:

"we have already seen a reduction in footfall (Especially in December) since the Omicron variant. One issue that has stretched us is that a number of individual staff have tested positive (some with or without symptoms) and staff have had to go above and beyond just to keep the centre open. [...] We are expecting energy prices to be at least 40% higher in 2022 which will stretch us to the limit."

"Footfall across the arts centre and museum has been low since mid December, 30% of previous covid levels."

"Swimming Teachers is still a huge pressure [...] and this is causing major problems with delivery of lessons. We are working with other Local Authorities and Swim England to try and find ways to attract, train and employ more teachers."

These continued insecurities, combined with the increased costs and delayed recovery as explained earlier in this report, will have an impact on service delivery
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"We have increased our prices with effect from 1st Jan to help mitigate the reduced footfall - this is the first increase for some time."

"Library use is very low and people tend to visit monthly and borrow 20 books rather than visit weekly and borrow 5. A real challenge for getting people back into the buildings for events and activities, despite a massive outreach and engagement campaign for libraries delivered in November and December to increase footfall."

Consequently, two thirds of members anticipate that it will take at least one to three years from now (January 2022) until their business will be operating as normal again, with the understanding that 'normal' may look different to pre-pandemic.

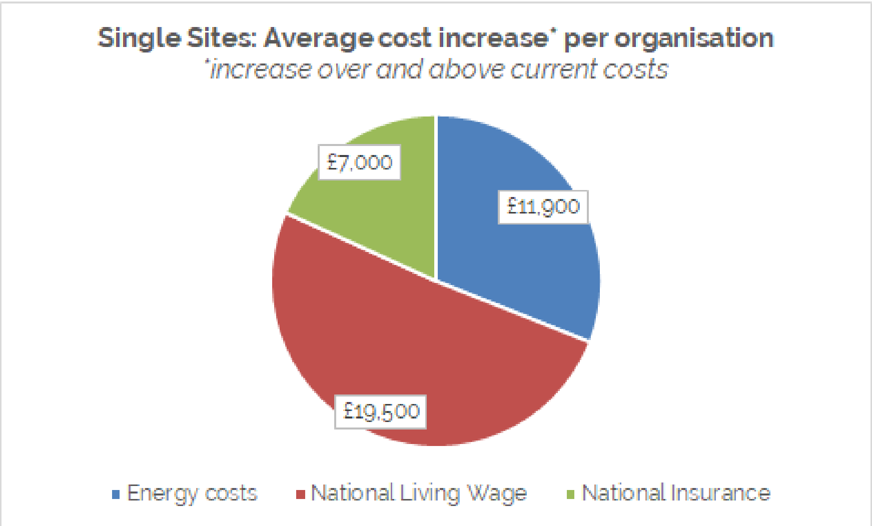
Single sites

Similar to larger trusts, single sites[3] have seen a significant income reduction, particularly in December 2021 and January 2022, due to reduced footfall following the spread of the Omicron variant. In December 2021, they lost an average of c. £15,400 monthly income. While the reduction in income is expected to level off in the next few months, by March 2022, forecasts are for income to be, on average, £6.5k lower than pre-Omicron forecasts.

However, currently, single sites are indicating a more secure position than the medium to large sized members. By the end of the current financial year, average reserves are expected to be c. £286k, having lost 12% compared to pre-Covid-19 levels. The average anticipated deficit by this point is predicted to be £258,400.

While their current financial position may provide some short-term security, half of single sites who responded to our Covid-19 survey in January 2022, expect to be in an insecure position in 12-24 months' time. Consequently, their recovery outlook is divided too. Half of single sites anticipate that they may be able to recover within the next year, whereas others believe it will take another two to three years.

Single sites are also facing challenges with increased financial pressures, with the increase to the National Living Wage posing the biggest challenge, accounting for over 50% of additional costs. They further report an average 68 unfilled hours at present, with a further 51 hours as a result of Covid-19 illness or self-isolation.



January 2022.

[3] Single sites within the Community Leisure UK membership are independent non-profit operators who operate without a Council contract and manage no more than two community facilities.