



## **Call for evidence**

### **Impact of Covid-19 on DCMS sectors**

The Committee invites written evidence on the impact of Covid-19 on any sectors under the Department for Digital, Culture, Media and Sport's remit (including, but not limited to, culture and the creative industries; civil society; sport; tourism; heritage; publishing, media and journalism; telecoms). In particular, the Committee is interested in finding out:

- What has been the immediate impact of Covid-19 on the sector?
- How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?
- What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?
- What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?
- How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

## **APSE Response**

### **Local Leisure Facilities**

Local authorities own the vast majority of publicly accessible swimming pools across the UK. They also provide the facilities for many sports and physical activities. Leisure, like many of the local authority non-statutory services, has suffered more than most from the significant reductions on budgets due to austerity measures and the financial pressures of an ageing population on local authority social care.

Since the era of Compulsory Competitive Tendering in the 1980's, local authorities have sought increasingly innovative solutions to the delivery of sports related leisure activities to the communities they represent. During the period 2000 to 2010, many moved their leisure services into Leisure Trusts and the associated buildings were leased to these Trusts typically on 25 year leases. Trusts were able to claim exemption from National Non-Domestic Rates (NNDR) and elements of VAT. The trusts operate independently or as a vehicle to let management contracts to larger leisure operators, some of whom were themselves charitable organisations. Initially the councils paid a management fee to the trusts, but this has been diminished over time to the point where leisure is often unsubsidised. As of 2020 approximately 50% of councils have a management contract with an external leisure operator, 24% with a local trust and 25% remain in-house. Recent changes to local authority income and legal clarification has meant that the benefits of NNDR avoidance and VAT have largely disappeared.

APSE Performance Networks has collected data from in-house leisure facilities for the past 21 years and produces yearly analysis. As at the end of the 2018/19 financial year the average

mixed facility (pool and gym) was operating close to break-even at 96.4%. Wet facilities (pools) recovery ratio stood at 71.9% and dry facilities at 76%.

## **Existing Issue**

Local authority leisure has always fallen between 2 Government departments. MHCLG looking after local government and DCMS looking after elements of sport and the charitable sector. Thus councils, whilst owning and maintaining the infrastructure, have rarely been able to access significant operational funding from DCMS and Sport England whose emphasis has been on National Governing Bodies (NGBs) and driving participation

## **Covid-19**

The pandemic required the closure of all leisure facilities. This removed all income overnight and forced all leisure operators to seek alternative revenue streams. Few have significant reserves and were it not for the Government furlough scheme, many would have become insolvent within 6 to 8 weeks. Whilst there has been significant lobbying to re-open gyms and swimming pools, the cost of reopening will outstrip the membership income, depleting reserves even faster. The requirements of social distancing and stringent cleansing regimes change the nature of operation, allowing fewer people to be able to attend at any one time and therefore vastly diminishing the attractiveness of gym membership. APSE member authorities indicate up to 40% of gym members have already cancelled their Direct Debits and are unlikely to return in numbers until confidence is restored.

The longer-term consequence of Covid-19 is the disappearance of many leisure operators and Trusts as they are economically unable to continue. The contracts will fall back to the host local authority who have their own financial pressures. We are already seeing councils mothballing facilities until resources are available and attendances likely to support re-opening. Swimming pools especially rarely operate without subsidy and are therefore particularly vulnerable. In 2018/19 the average subsidy per pool visit was £1.68.

## **Support**

Without substantial Government bridging funding over the next 18 months:

- Many swimming pools will close, possibly for good.
- Leisure facilities will rely more on 'ability to pay' rather than local need or deprivation
- Employment opportunities within the physical activity sector will diminish with significant redundancies

DCMS faces a stark choice, to support the fragile leisure operators until the crisis is over, or work with local authorities to restructure the sector from the now inevitable collapse. It is clear, that with many local authorities facing the possibility of S.114 notices they are not in a position to commit already scarce resources into financially unviable models of leisure delivery; most especially Trusts and external contracts. We would envisage that the future for leisure services will be one where some harsh decisions may inevitably have to be made, faced with the realities of the limited resources available to local councils, and most especially the uncertainty about how, and in what circumstances local authorities would be able to recover lost income.

One potential opportunity this does bring is in relation to responding to climate emergency. Many leisure facilities have significant carbon footprints and are in need of refit, however the current disconnect between an often operators perspective on the ground and council ownership of the facilities sometimes creates a gap in long term joined up corporate policy approaches. The current situation would allow local authorities to look at leisure assets from a strategic

perspective, rationalising existing facilities and upgrading or refurbishing them to provide a more relevant and environmentally friendly leisure estate moving forward.

## About APSE

APSE is the Association for Public Service Excellence; a not-for-profit organisation promoting excellence and continuous improvement in local government services. APSE provides a comprehensive network supporting our local authority members across the UK and we work with around 300 local councils through our services which includes APSE membership services, providing briefings, advisory networks and research work; APSE Performance Networks, which is the UK's largest voluntary data-benchmarking service; APSE Solutions which is our ethical not-for-profit consultancy service and APSE Training which provides bespoke support on frontline services. APSE Energy provides support for councils to fulfil their aspirations for renewables and climate change

## Further information

APSE would be pleased to expand on any of the above points and provide further oral or written commentary to the Committee. In the first instance please contact Rob Bailey on [rbailey@apse.org.uk](mailto:rbailey@apse.org.uk) who will liaise with APSE's chief executive in the provision of any further information needed.

Yours sincerely



Paul O'Brien  
Chief Executive  
Association for Public Service Excellence



## Association for Public Service Excellence

2<sup>nd</sup> floor Washbrook House  
Lancastrian Office Centre  
Talbot Road, Old Trafford  
Manchester M32 0FP

telephone: 0161 772 1810

fax: 0161 772 1811

email: [enquiries@apse.org.uk](mailto:enquiries@apse.org.uk)

web: [www.apse.org.uk](http://www.apse.org.uk)