

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
The Correspondence and Enquiry Unit
1 Horse Guards Road
London
SW1A 2HQ

17th March 2022

Dear Chancellor of the Exchequer,

I am writing in my capacity as CEO of ukactive, the membership body for the fitness, leisure, and physical activity sector, to ask for your support in helping the sector manage rising energy costs. Our sector is the engine room of health, fitness and physical activity in this country, and these rising costs pose a threat to the viability of the essential services our sector provides.

The pandemic was an extremely difficult time for the sport and leisure sector, with enforced closures, reduced capacity and ongoing costs. Following the sector's full reopening in July 2021, it has made a full effort to return to pre-pandemic operating levels, and provide the essential opportunity for physical activity to the country. However, this recovery has been far from straightforward, and the impact of the pandemic is still being felt keenly by operators across both the public and private sector. Many facilities are still facing reduced footfall, and are delivering reduced services in order to continue operating.

With the steady recovery of the sector, recent rises in energy costs could scarcely have come at a worse time, and we acknowledge that this is something being experienced across all sectors. Following consultation with our members over the past few weeks, we estimate that the cost impact for the sector is an approximate 100% increase in energy costs for 2022 compared to 2019. This figure goes up to approximately 150% for certain parts of the sector, such as those operating big sites, swimming pools, and floodlit pitches. This equates to a financial increase from approximately £500m in 2019 to between £1bn - £1.25bn in 2022. The whole sector will feel the implications of this but some will feel it more than others. Our members will want to avoid passing on these cost pressures to their customers, especially when their own budgets are becoming tighter, but this might become unavoidable. Facilities could also be forced to review energy intensive operations such as swimming pools, with potential implications on their availability to local communities if the costs pressures do not lessen. This will have an impact not just on facilities themselves, but the community sports clubs that use them. Thousands of community sports clubs also own their own facilities and will be directly responsible for rising energy costs.

We are keen to work with you and your team on finding a solution to the current, and future challenges, these facilities will be facing around energy costs. We know this is an important agenda for the Government given health's central role within the Levelling-Up White Paper. As you will be aware, gyms, pools, and leisure facilities are used by 17 million people for exercise, making them the third most common form of physical activity. Increasing levels of physical activity reduces the likelihood of heart disease, strokes, and developing long-term health conditions, meaning this sector is crucial to the Government's Levelling-Up aim of increasing healthy life expectancy. These facilities also provide key economic and social value, with every £1 invested in community sport generating almost £4 in return. Particularly in the context of the Commonwealth Games and the Women's European Championships later this year, sporting facilities and community clubs must be protected in order to create a lasting legacy of sporting achievement in the UK.

This is why ukactive is proposing the following measures to most effectively support the sector:

- A VAT exemption – provided to other sectors during covid – finally extended to gyms. This would help ease some of the costs pressures they're facing, including a resolution to commercial rent arrears, that sees a fair 'sharing of the burden' between commercial tenants and landlords.
- Local and central government to work with public leisure operators to not only address the short-term financial pressures they face, exacerbated by running swimming pools, but come up with a long-term strategy to keep them open.

Ahead of the Spring Statement next week, it is important to reaffirm the fitness and leisure sector as the engine room of activity in this country, driving levels of exercise into the tens of millions each week. It is part of the sport and physical activity ecosystem – alongside walking, cycling, and running – that will help the Government turnaround the long-term decline in activity we have witnessed and successfully level up communities across the UK. Without necessarily planning and support, the loss of facilities is more likely to lead to greater inactivity, and not displacement to other activities.

We look forward to working with you and your team to find solutions to the significant challenge this sector faces, thereby supporting the Government's Levelling-Up agenda and the health of the nation.

Best wishes,



Huw Edwards
CEO
ukactive



Lisa Wainwright MBE
CEO
Sport and Recreation Alliance



Tara Dillon
CEO
CIMSPA

cc: Rt Hon Nadine Dorries, Secretary of State for Digital, Culture, Media and Sport
Rt Hon Kwasi Kwarteng, Secretary of State for Business, Energy and Industrial Strategy
Rt Hon Michael Gove, Secretary of State for Levelling Up, Housing and Communities