

Meeting of:	Cabinet
Date of Meeting:	Monday, 02 November 2020
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Leisure Management Contract – Covid 19 implications
Purpose of Report:	To seek approval to provide continued support to the Council’s Leisure Management Contractor to mitigate against the effects of Covid 19 on the Leisure Centre services.
Report Owner:	Cabinet Member for Leisure, Arts and Culture
Responsible Officer:	Miles Punter - Director of Environment and Housing Services
Elected Member and Officer Consultation:	<p>Matt Sewell - Accountant Neighbourhood Services</p> <p>Carolyn Michael - Operational Manager – Accountancy</p> <p>Carys Lord - Head of Finance / Section 151 Officer</p> <p>Committee Reports - Legal</p> <p>Cabinet Member for Leisure, Arts and Culture</p>
Policy Framework:	This a matter for Executive decision by Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> • This report seeks Cabinet approval to make interim payments to the Council’s Leisure Management contractor whilst the service is experiencing reduced attendances and income as a result of the restrictions placed on the service due to Covid 19. • Payments were approved to the contractor during the lockdown period but with facilities reopening the costs of operating the service have actually increased as staff are released from furlough, while income takes time to reach pre lockdown levels. • The report also seeks to put in place measures as the Leisure Centres have gone into a further lockdown/ closure. • The report also acknowledges that the Leisure Management contract has less than two years remaining. Action will be required at a future date in relation to this situation as the 5-year contract extension, that was agreed in principle, may no longer be financially viable to the contractor given the current restrictions and uncertainty about full recovery. 	

- The report is for noting with a further report on the Agenda at Part II seeking a decision based on relevant financial information which is deemed commercially sensitive.

Recommendations

1. That the information is noted and considered so that a decision on this matter can be taken under Part II of this Cabinet agenda.
2. That a further report on the financial position for the Leisure Contract be provided in January 2021.

Reasons for Recommendations

1. To explain the background to current situation with regards to the Council's Leisure Centre in the reopening phase to allow for a decision to be taken on this matter under Part II.
2. To ensure that Cabinet is kept updated on the financial position as it develops.

1. Background

- 1.1 Emergency powers were granted during the lockdown phase of the Covid 19 pandemic that permitted payments to be made to legacy Leisure to assist them to remain viable as a business at a time when no income was being generated and costs such as utilities and limited personnel were still being generated. The vast majority of Leisure Centre staff were furloughed during this period and the costs incurred by the Council were recovered via the Welsh Government's Local Authority Hardship grant which assists local authorities during the Covid 19 pandemic.
- 1.2 Leisure Centres have been able to reopen since the beginning of September and discussions have been on-going with Legacy Leisure about continued financial support given that staff are no longer on furlough and income, given the restrictions on service delivery and the concern many customers have about returning to the leisure sites, being significantly reduced.
- 1.3 The current 'firebreak' controls from 6pm on 23rd October 2020 to midnight on 8th November 2020 has required the leisure centres to be closed again.

2. Key Issues for Consideration

- 2.1 All sites are now closed due to the 'firebreak' and this is another devastating blow to the leisure service provision and the contract, particularly as attendances prior to this were down considerably on pre-Covid levels. The majority of staff will again be placed on the Central Government new furlough scheme that requires employers to make a significant contribution to the furlough cost. The financial consequences of this are still being established by Legacy Leisure but the financial support provided by the Council will not, in any event, exceed the figures stated in a Part II report.

- 2.2** Unfortunately, the operation of the service, as is the case across the whole of Wales, is unsustainable at the present time under the pre-Covid financial arrangements. For the service to continue to recover, further financial support is required. However due to uncertainty in the current economic conditions it is recommended that a cap be applied to payments as applied in the original emergency powers agreed when Lockdown was applied.
- 2.3** Due to considerable uncertainty regarding the imposition of further 'lockdown' periods and concerns as to the pace of the service recovery even with all leisure centres fully operational, it is recommended that this position be reviewed in January 2021 and that a further report on the matter be provided to Cabinet at this time.
- 2.4** As the threat of further lockdown periods for the service between now and January 2021 remains a possibility, a recommendation is included in the part II report to allow delegated decisions to be made on the levels of service that should be provided should this occur.
- 2.5** Pre lockdown, the Council had been receiving a monthly income from Legacy for the operation of the leisure centres. Since lockdown this has been suspended and it is proposed that this suspension continues in parallel with the provision of financial support until the situation improves.
- 2.6** It should be noted that the costs of the operation during the reopening phase are greater than when the centre was closed as staff costs are the most expensive part of the service delivery and income will take time to rise to pre-Covid levels
- 2.7** Members will also be aware that the contract now has less than two years to operate and that a five year extension had been agreed in principle with the contractor prior to lockdown. At present, with significant unknowns about the recovery of the operation it is not feasible to agree this extension. The intention remains to extend from the Contractor but the financial environment is more certain some interim extension may need to be put in place. The Cabinet Member for Leisure, Arts and Culture is being regularly informed about developments with the proposed contract extension and further information will be provided to Cabinet in due course.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The proposals in the report are designed to help protect the short to medium future of the Leisure Centres.

Prevention: The Leisure Centres already make a significant contribution the Council's well-being objectives and further investment will provide new opportunities for residents to take up new physical activities. Remaining fit and healthy is the best prevention known for residents to enjoy healthy lives and the partnership with Legacy Leisure demonstrates the Council's commitment to long term health objectives for its residents and visitors.

- 3.2** Integration: Leisure Centres already link with a variety of other services including health services with initiatives such as the GP referral scheme and provide a base for many Sports Clubs to offer opportunities to residents for both competitive sport and well-being activities.

Collaboration: The Leisure management contract is a good example of a collaboration project within the Council demonstrating how an external 'not for profit' organisation, Legacy Leisure, and the Council can work together to provide quality services.

Involvement: Legacy Leisure regularly consults with customers about future requirements and many of the initiatives presently offered at the sites are as a direct result of this.

- 3.3** The proposals in this report are also consistent with the new Corporate Plan.

4. Resources and Legal Considerations

Financial

- 4.1** The costs of re-establishing a Leisure Centre operation are likely to be significant and will almost certainly be substantially higher than the current proposed costs based on the tenders received when the contract was first let, the need to be compliant with the workforce code, the Council's job evaluation scheme requirements and the current uncertainties in the leisure market.
- 4.2** Members are reminded that with the additional variation issued to allow the contractor to sub-contract to Legacy Leisure (a not for profit organisation) the estimated saving to the Council has been in excess of £1.5 million per annum since the commencement of the contract. The contract prior to Covid was the only known Leisure Management contract in Wales to be providing a positive revenue return to a Local Authority.
- 4.3** Additional costs and the loss of income to the Council associated with the Leisure Centres during the lockdown period have been reclaimed via financial assistance from Welsh Government, and it is the intention to continue to claim for future additional costs associated with reopening in the current economic conditions .

- 4.4** The new payment arrangements will come into place from September 2020 and we will continue to seek reimbursement from Welsh Government for the full amounts paid. Should this not be forthcoming the funding would have to be taken from Neighbourhood Services and Transport reserves

Employment

- 4.5** Without additional financial support it is likely that the current Leisure Management contract will cease, creating significant job losses.

Legal (Including Equalities)

- 4.6** The proposals contained in the reports are consistent with Welsh Government policy.

5. Background Papers

None