



# COTSWOLD DISTRICT COUNCIL

Council Name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>SPECIAL COUNCIL - 29 JULY 2020</b>
Report Number	<b>AGENDA ITEM (3)</b>
Subject	<b>RE-OPENING OF LEISURE FACILITIES</b>
Wards Affected	ALL
Accountable Member	Councillor Jenny Forde - Cabinet Member for Health and Wellbeing Email: <a href="mailto:jenny.forde@cotswold.gov.uk">jenny.forde@cotswold.gov.uk</a>
Accountable Officer	Christine Gore - Interim Chief Executive Tel:01285 623605 Email: <a href="mailto:christine.gore@cotswold.gov.uk">christine.gore@cotswold.gov.uk</a>
Summary / Purpose	To make a decision on the arrangements for the reopening of Leisure Centres across the district and the Corinium Museum in Cirencester following the relaxation of the Covid-19 lockdown, and to agree to the financial support package to be provided to SLM Everyone Active (SLM), the Council's leisure management contractor.
Annexes	Annex A - Reopening Options Annex B - Post Lockdown Recovery Survey Exempt Annex C - Legal Advice
Recommendation/s	<p>a) <i>That the phased re-opening of the District's Leisure Centres as outlined in the report (Annex A. Option 3) be approved;</i></p> <p>b) <i>That the re-opening of the Corinium Museum in Cirencester as outlined in the report (Annex A. Option 3) be approved;</i></p> <p>c) <i>That the financial support package for SLM for August-October, at an estimated cost of £222,140, be approved;</i></p> <p>d) <i>That the requirement for SLM to pay the Council a £8,773 monthly management fee for the period 1st April 2020 to 31st October 2020 (total lost income to the Council of £61,411) be waived;</i></p> <p>e) <i>That authority to finalise and sign an agreement with</i></p>

	<p><i>SLM confirming the terms upon which this financial package is based, be delegated to the Interim Chief Executive in consultation with the Deputy Leader of the Council or in his absence with the Leader of the Council and the Cabinet Member for Health and Wellbeing.</i></p> <p><i>f) That the lost income referred to in (d) above be part-funded from the Government Grant promised to compensate the Council for income lost as a direct result of the impact of Covid-19;</i></p> <p><i>g) That the financial impact of the lost income from SLM which will not be funded through Government grant, and the impact of the SLM support package be included in the revised Budget for 2020/21, which is due to be considered by Council in September 2020;</i></p> <p><i>h) That Council note that the 2020/21 Budget report to its meeting in September will include all Covid-19 costs and income pressures together with expected Government funding for the year, and will recommend how the overall funding gap will be financed.</i></p>
Corporate Priorities	<ul style="list-style-type: none"> <li>● Help residents, businesses and communities to access the support they need to ensure a high level of health and well-being.</li> <li>● Ensure that all services delivered by the council are delivered to the highest standard.</li> </ul>
Key Decision	No
Exempt	Yes
Consultees / Consultation	N/A

## **1. BACKGROUND**

- 1.1.** SLM Everyone Active (SLM) is a not for profit trust that provides the management of the council's leisure centres across the district and the Corinium Museum in Cirencester which is also owned by the Authority.
- 1.2.** SLM were forced to close all of the Council's Leisure Centres and the Corinium Museum under the Coronavirus Regulations. Most of the SLM employees were furloughed but SLM approached the Council for financial support to help cover their ongoing costs through shut down when very limited income could be generated.
- 1.3.** Leisure Operators, including SLM, have been unable to access most forms of government financial support during this period of forced closure with the exception of the Coronavirus Job Retention Scheme where employers can claim 80% of their current employees salary, up to £2,500, and can choose to top this up to 100%. With ongoing unavoidable costs for: employee costs (net of furlough support), utilities, maintenance, insurance, IT costs and a contribution towards corporate overheads (based upon a turnover) and significantly reduced income there was a risk that they could not survive financially. SLM therefore requested that the Council (and other Councils that they have contracts with) support their ongoing costs during shutdown and throughout their recovery programme. Without support from the Council, it is highly likely that SLM would need to end staff contracts of employment (which local authority leisure providers in other areas have done) and potentially hand back the facilities to the Council (terminate the contract). This would result in significant costs to the Council for items such as: loss of profit for the remaining term of the contract, contribution towards corporate overheads, redundancy costs, recovery of capital investment and pension liabilities. In addition there would be significantly less leisure provision for residents of the district until such time that a new contract could be put in place.
- 1.4.** The Council agreed to waive the management fee payments (monthly payment of £8,773 from SLM to the Council) and to provide a sum of £18,500 a month to SLM to support the ongoing maintenance and running costs during the period of closure of April, May, and June. The waived management fee and the monthly payment of £18,500 was extended to cover the period of July as the lockdown period was extended.
- 1.5.** On the 9<sup>th</sup> July the Government announced that indoor leisure facilities would be permitted to open again from 25th July. Extensive discussions have taken place between council officers and SLM representatives over the last two weeks to discuss the options and associated risks which are outlined in Annex A. The conclusion from this work is that there are a number of significant unknown

factors. Financial modelling has been undertaken alongside scenario planning. The reopening of the District's Leisure Centres is highly likely to carry an ongoing cost to the Council due to the risk that the leisure centres will not generate the same level of pre-Covid revenue because residents cannot use the facilities in the same way due to the need to pre-book and social distance and because some former users may be reluctant or unable to return.

- 1.6. The Government's position on the funding of council leisure services is currently being discussed between the Ministry of Housing, Communities and Local Government and the Department for Culture, Media and Sport. The Government has announced that income losses will be supported subject to an initial 5% threshold and then financial support provided for 75% of the losses above the 5% threshold. For this Council, that means that £75,000 of the £105,000 income from the SLM management fee will be funded by the Government. The additional costs payable to SLM will have to be funded from other Government funding related to Covid-19 or the Council's own resources. The Council has included an estimate of additional costs associated with the SLM contract within monthly returns to Government.
- 1.7. To date the Council has received £1.062 million of Government funding, this compares to overall expenditure pressures reported to the Government of £1.090 million. Income losses are forecast at £2.423 million and additional Government grant of £1.416 million is anticipated from the income loss grant. Overall income and cost pressure resulting from Covid-19 is forecast to be £3.513 million and Government grant is anticipated to be £2.478 million. The net impact of Covid-19 on the Council is therefore around £1.035 million. All figures include the estimated impact of the leisure contract.

## **2. LEISURE CENTRE AND MUSEUM USE**

- 2.1. Clearly the Council's leisure services play a significant role in the physical and mental wellbeing of residents of the district and support the council priority - *Help residents, businesses and communities to access the support they need to ensure a high level of health and well-being.*
- 2.2. The council owns a range of leisure facilities with leisure centres in Cirencester, Bourton-on-the-Water and Chipping Campden that provide dryside and wetside activities including gym, group exercise, holistic and therapeutic activity classes, public and club swimming, indoor sports, crèche, and cafe facilities.
- 2.3. The leisure centres at Bourton and Chipping Campden are sited on school sites, and are operated under a Dual Use Agreement (DUA). The DUA for each site has been reviewed by CDC legal officers to identify any requirements for opening when the schools return in September. Dryside activities can be provided by the schools in accordance with their own Covid-19 protocols, and wetside plans will

have to be reviewed to ensure that school protocols tie in with SLM operating procedures.

- 2.4.** Last year (2019) a cumulative total of 622,000 visits were made to the three leisure centres and they have a total of 3,920 members (as of 29/2/20) across the District; the table below outlines the number of members at each facility. Through the closedown SLM have provided these members with a virtual fitness programme at 25% of the normal membership cost. During the recovery period the virtual programme will continue to be offered as a free additional offer to members who renew their membership; it will also be available for members who choose not to return to full membership in the short term.

<b>Centre</b>	<b>No of Members</b>
Cirencester	2,895
Bourton	822
Chipping Campden	203
<b>Total</b>	<b>3,920</b>

- 2.5.** The Council also owns the Corinium Museum in Cirencester which holds large and internationally significant collections of archaeology, social and rural history. It operates two major sites: the Corinium Museum in Cirencester and the Resource Centre (reserve collections store) at Northleach. A Visitor Information Centre (VIC) also operates at the museum. The Museum has arguably the finest and most extensive Romano-British collection relating to a town and its hinterland in the world. In 2019 there were 37,000 visitors to the Museum (excluding school groups).
- 2.6.** The Council has invested £315,000 towards the Stone Age to Corinium project to make improvements to the Museum and this work has been delayed during the lockdown. It is now scheduled to be completed in November 2020. Despite this, the Museum could still open and provide access to the various galleries and the VIC.

### **3. CONTRACTUAL AND LEGAL STATUS**

- 3.1.** The initial term of the contract between the Council and SLM is from 31st July 2013 to 30th July 2023 (i.e. 10 years). It may then be extended for a further period of up to 3 years. The contract requires a minimum of one-year notice to

extend or end the contract on 30th July 2023. There is no short term option to end the contract and bring the service in-house.

- 3.2.** Legal advice has been sought. This report has been drafted in line with the advice which is summarised in the Exempt Annex C. If Council wish to discuss the advice in Annex C, there will be a requirement to exclude the public and press.
- 3.3.** Given the very significant uncertainty and risk to the leisure sector nationally, external advisors (Max Associates) have been commissioned, using a grant from 'Sport England', to review the current contract arrangements and future risks to leisure services. This work will enable the Council to determine the most appropriate way to deliver leisure services in the future. In addition, the Council has also been undertaking a survey with residents to help inform a leisure strategy for the Cotswolds. This work will be the subject of future reports to the Cabinet.

#### **4. OPERATIONAL STATUS**

- 4.1.** SLM is a not-for-profit trust and does not hold large reserves, the majority of its profit is reinvested in the leisure service. As outlined above, with ongoing costs but significantly reduced income during lockdown, there was a risk that SLM would not survive financially and they requested that the Council (and other Councils that they have contracts with) support their ongoing costs during lockdown and help fund their recovery programme.
- 4.2.** The easing of restrictions allowing leisure centres to open adds a time pressure to the decision by the Council as to whether or not to fund SLM going forward as they are looking for short term assurances until October before they incur additional costs by opening and starting to un-furlough employees.
- 4.3.** The "dry side" activities can open 7 days from the point that agreement is reached between SLM and the Council. The "wet side" activities will take up to 3 weeks to be ready to open. There is a significant lead time in reopening the pools due to a number of factors including the speed at which the water and pool tank can be heated to the required temperature and suitable chemical levels can be achieved; un-furloughing of staff including training and re-inducting those staff for lifeguard duties; and provision of new cleaning equipment and regimes for the staff and customers to ensure their safety. If agreement can be reached it will mean that the leisure centres and the Corinium Museum will be able to open during the summer holidays, whereas any delay could mean they are not ready to open until the summer holidays are over.
- 4.4.** It is very difficult to predict what demand for indoor leisure facilities or the Museum will be over the coming months, so there is significant risk associated

with user and financial modelling. Demand for leisure and museum services normally changes in the summer holidays and dry side use could drop off as people exercise outside in the warmer weather, go on holiday, or do not have access to childcare whilst children are off school.

- 4.5.** The cost to the Council is estimated to be approximately £20,000 higher to start reopening centres than to keep them closed, as running costs will increase but demand could remain low initially and government financial support through the furlough scheme will stop as staff are un-furloughed and return to work.
- 4.6.** If the Council agrees a financial support package with SLM on 29th July and the legal documentation is completed by 31st July, then it is anticipated that SLM will be able to open gym and group exercise activities in accordance with prescribed Covid-19 measures (social distancing, enhanced cleaning, reduced changing room provision, pre-booked sessions etc.) on the 1st August. Following the opening of the dry-side facilities, swimming pools would reopen from 14th August for programmed lane swimming and swimming club use, and swimming lessons on the 22nd August. The remaining dryside facilities will open as soon as it is practical and safe to do so. Any delay in reaching a decision will adversely impact upon the opening date and therefore SLM's ability to retain income from memberships. The level of financial support will therefore increase according to income losses.
- 4.7.** The Museum can be reopened from 3rd August subject to current building works for the Stone Age to Corinium project completing on time which they are currently scheduled to do. A reduced service will be provided to focus on income generating activities with a part un-furloughed staff team initially.
- 4.8.** A number of surveys have been carried out nationally by leisure sector experts including a survey by LeisureNet in partnership with 4Global and Max Associates. A customer attitude survey of 65,000 people has been conducted to ascertain customers current levels of activity, how they are accessing physical activity and what likely behaviour patterns will be post lockdown. A summary of this report is attached at Annex B. One of the key findings of this is that 88% of people surveyed said they will use their leisure centre/club more or the same when it reopens with 8% using it less and only 4% saying they will not return. In recent days SLM have published information on the internet and social media indicating that the leisure centres in Cotswold will not be open on 25th July. The response to this has generally been positive with people saying they are looking forward to returning and they are content that there is a delay because they want the council facilities to be safe. If a decision on a financial support package with SLM is agreed on the 29th July and the legal documentation is completed by 31st July then an extensive communications campaign will be delivered to members and residents.

- 4.9.** On announcement of the flexible furlough scheme by the Government, SLM reviewed the services to be provided to ascertain whether leisure centres could only be opened at traditional busy times and closed at quiet times. The company felt that as the facilities cannot be used at full capacity and the number of visits will be reduced, and all sessions will need to be pre-booked, that usage will be more constant and spread throughout the day. 5,150 one hour long bookable slots for dryside activities will be available for each week across the centres. With the forecast reduction in members it will provide for at least two sessions per member per week. Group exercise class numbers will remain the same for Cirencester and Chipping Campden as the classes will take place in a larger hall to accommodate social distancing. Group exercise classes at Bourton will be reduced to 12 members per class as space is limited.
- 4.10.** During the lockdown an item of concern was raised at Cirencester Leisure Centre, with areas of paint flaking from steel support columns in the swimming pool hall. A specialist contractor has been commissioned to carry out an investigation on the condition of the paint and the steelwork - this survey was carried out on 22nd July. Depending on the results of the survey it is possible that further remedial works will be required to the steel columns and these works could require that the swimming pool is closed to allow works to take place above the water. Whilst the intention will be to plan these works for a suitable future date to allow for a scheduled shutdown of the pool - with overnight works, etc to minimise the duration and impact on customer use - there is a risk that the survey findings require a more imminent shutdown. Initial estimates are that required works could take between 6-8 weeks to complete. The outcome from the survey is not available at the time of preparing this report. If the survey report is received in advance of the Council meeting, Councillors will be updated accordingly.

## **5. OPTIONS APPRAISAL**

- 5.1.** Extensive discussions have taken place between council officers and SLM representatives to discuss the options and associated risks which are outlined in Annex A.
- 5.2.** There are risks (financial and reputational) with each option. There are still a number of unknown contributing factors; the main one is the risk that the leisure centres will not generate the level of income used in the estimates.
- 5.3.** The recommended option (3) is to open all dry-side and wet-side facilities and the Corinium Museum. This would open the Gyms & Group Exercise activities at Cirencester Leisure Centre, Bourton Leisure Centre and Chipping Campden Leisure Centre on 1st August. The opening of wet-side activities would follow on 14th August once swimming pools have been recommissioned. The Corinium Museum would open for customer visits from 3rd August. There is less



reputational risk with this option than any of the others and it would support the council priority to “Help residents, businesses and communities to access the support they need to ensure a high level of health and well-being.” This option would also enable SLM to undertake a direct debit run and obtain members’ fees for August and start to generate income. This option would also require SLM to un-furlough a significant number of staff and lose the associated financial benefit although they would use the new flexible furlough arrangements where applicable.

- 5.4. The recommended initial 3 months of recovery funding will provide the opportunity for SLM and Council officers to monitor take up of services through operating the service in the Cotswolds and the experience of SLM in other centres nationally. This in turn will enable SLM and Council officers to establish the most viable model for running leisure services in the future and report this to the Cabinet or Council as appropriate.
- 5.5. Should members choose an alternative option the level of support will vary depending upon the opening date and mix of services chosen.

## **6. FINANCIAL IMPLICATIONS & PROPOSED FINANCIAL PACKAGE**

- 6.1. All of the future costs are modelled predictions not actual costs. There is a significant risk to the Council that a decision is made based on modelled costs but actual costs are higher if demand for leisure services is not as high as projected. The Council would be committing to meeting the cost of the losses that SLM incur, so that they break even. SLM will operate under open book accounting arrangements enabling the Council to have access to and scrutinise their financial records.
- 6.2. Leaving some or all of the facilities closed will also result in unavoidable costs being borne by SLM including employee costs net of furlough funding (which is only available until October 2020), utilities, maintenance, insurance, IT and a share of corporate overheads which have been allocated on a turnover basis.
- 6.3. A process of open book accounting will be applied so that only the actual costs incurred will be met by the Council. To date the actual costs have been lower than the forecast costs but this is not guaranteed going forward. SLM will be required to produce timely draft accounts followed by final accounts (signed off by the company Finance Director) to allow a clear ongoing review of the open book arrangement, and the extent of the financial recovery.
- 6.4. Council officers have investigated the option of including a cap to limit this risk. SLM would prefer to run with the open book accounting process and have agreed that following the initial recovery period (until 31st October) that the option of a cap will be re-considered based on the experience and information at that point.

- 6.5.** It should also be noted that the support has been modelled on an initial period of recovery until 31st October. Any additional support package would need to be reconsidered and approved by the Council for the period from 1 November 2020. There is certainly a possibility that there will be an ongoing need to subsidise leisure provision into the next financial year. It should also be noted that it is in both parties' interests to reach a profitable position as soon as possible.
- 6.6.** The Council's capital programme includes a budget of £380k to purchase gym equipment for the leisure centres in 2020/21. Given the recent closures and expected reduced use of equipment, it is proposed that this expenditure is reviewed and considered for inclusion in the revised Budget 2020/21, which is due to be considered by Council in September 2020.
- 6.7.** It is recommended that the financial support package for SLM for August-October, at an estimated cost of £222,140, be approved and that the monthly management fee due from SLM of £8,773 for the period 1st April 2020 to 31st October 2020 is waived. The financial support package will be in addition to the £74,000 (£18,500 for four months) of financial support awarded for the period April to July 2020.
- 6.8.** The Government has announced that local authorities will be able to claim for income losses which are higher than 5% of the revenue budget. Of these income losses in excess of 5%, 75% will be supported by the Government and 25% will need to be funded by the local authority. In respect of the lost leisure management fee, the Government is expected to fund £43,755 and the Council will need to bear £17,656 of the loss.
- 6.9.** The total estimated financial impact for the period April to October 2020 is set out in the table below:

	April	May	June	July	Aug	Sept	Oct	Total
Management Fee Waiver	8,773	8,773	8,773	8,773	8,773	8,773	8,773	61,411
Financial Support for SLM	18,500	18,500	18,500	18,500	80,079	70,946	71,116	296,141
Anticipated Government Grant (lost income)	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(6,255)	(43,755)
<b>Overall Financial</b>	<b>21,023</b>	<b>21,023</b>	<b>21,023</b>	<b>21,023</b>	<b>82,602</b>	<b>73,469</b>	<b>73,634</b>	<b>313,797</b>

<b>Impact</b>								
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**6.10.** The Council will consider a revised Budget for 2020/21 in September 2020. The revised budget will include the financial impact of this decision, together with other income losses and cost pressures resulting from Covid 19. The report will include details of Government financial support both announced grant funding and forecast grant expected as a result of the Government income support scheme detailed at 6.8. The financial impact is expected to exceed Government funding and will require funding from the Council's General Fund Balance and/or revenue reserves.

**7. RISK ASSESSMENT**

**7.1.** The risks associated with the recommendations are outlined throughout the report.

**8. EQUALITIES IMPACT ASSESSMENT**

**8.1.** The main impact of this proposal will be to improve access for all residents, including those with disabilities, to leisure facilities in the Cotswolds.

**9. CLIMATE CHANGE IMPLICATIONS**

**9.1.** The opening of leisure centres in the Cotswolds will reduce the need for residents to travel to leisure centres outside the district.

**10. ALTERNATIVE OPTIONS**

**10.1.** These are set out within the body of the report and Annex A.

**11. BACKGROUND PAPERS**

**11.1.** None.

(END)