



COTSWOLD DISTRICT COUNCIL

Council Name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	SEPCIAL MEETING OF COUNCIL - 21 OCTOBER 2020
Report Number	AGENDA ITEM 3
Subject	SLM FINANCIAL SUPPORT NOVEMBER 2020 - MARCH 2021
Wards Affected	ALL
Accountable Member	Councillor Mike Every - Deputy Leader of the Council and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable Officer	Jenny Poole - Chief Finance Officer Tel: 01285 623605 Email: jenny.poole@cotswold.gov.uk
Summary / Purpose	To make a decision on a further financial support package to enable SLM Everyone Active (SLM) to continue the provision of leisure services across the district and operation of the Corinium Museum during a period of expected continuing Covid-19 restrictions.
Annexes	None
Recommendation/s	<p>a) <i>That the financial support package for SLM for November 2020 - March 2021, at a capped cost of £291,146, be approved;</i></p> <p>b) <i>That the requirement for SLM to pay the Council a monthly management fee of £8,773 for the period 1 November 2020 to 31 March 2021 (total lost income to the Council of £43,865) be waived;</i></p> <p>c) <i>That Council approves a profit share mechanism to recover the support offered to SLM as set out at recommendations a) and b). The Council will be entitled to take a 75% share of profits in excess of the tendered financial submission until the funding is recovered;</i></p> <p>d) <i>That authority to finalise and sign an agreement with 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 Cabinet Member for Health and Wellbeing;</i></p>

	e) <i>That Cabinet reviews the results of the open book process in January 2021 when outturn financial and visitor data from September and October 2020 and indicative data for November 2020 will be available.</i>
Corporate Priorities	<ul style="list-style-type: none"> ● Help residents and communities access the support they need for good health and wellbeing. ● Delivering our services to the highest standards.
Key Decision	No
Exempt	No
Consultees / Consultation	Interim Chief Executive, Chief Finance Officer, Monitoring Officer, Deputy Leader of the Council and Cabinet Member for Finance and Cabinet Member for Health and Wellbeing.

1. BACKGROUND

- 1.1 SLM Everyone Active (SLM) is contracted to provide the management of the Council's three leisure centres and the Corinium Museum which are owned by the Authority.
- 1.2 At a special council meeting on 29th July 2020, Council agreed to support the reopening of the leisure centres and the Corinium Museum in a phased approach from 1 August 2020 in line with Option 3 of the 'Agenda item (3) report'.
- 1.3 A financial support package for SLM was approved to cover the period August - October 2020, at a capped total cost of £222,140. Management fees of £8,773 per month (payable from SLM to the Council) during this period were also waived. The Council had previously agreed to provide a sum of £18,500 a month to SLM to support ongoing maintenance and running costs during the period of closure in April, May, June and July.
- 1.4 The Council expressed its wish to preserve the facilities and services for local residents given the importance of health and wellbeing, particularly during the COVID-19 pandemic. Legal advice received by the Council is that there is no legal basis upon which SLM could require the Council to provide financial support. However, SLM has expressed that it is likely to raise a legal challenge against the Council for breach of Contract should an agreement not be made based on legal advice that they have received. Legal proceedings from either party would be costly and may lead to an interim period of closure which would directly impact on the provision of the service.
- 1.5 If the Council does not offer financial support there is a possibility that SLM will not be able to continue to honour the contract which could place the provision of the services at risk. The Council may then be faced with having to find a solution at short notice which again may be costly and could lead to an interim period of closure.
- 1.6 The reopening phase has now taken place. As available facilities become busier, and in accordance with emerging COVID-19 protocols and guidance from sports governing bodies, further sessions are being added and additional leisure services are now being introduced.
- 1.7 During the initial 3 months of recovery SLM and Council officers have monitored user and visitor numbers in the Cotswolds and in SLM's West Region¹. This in turn has enabled SLM to amend and enhance the leisure offer based on demand to bring back services in the most efficient way possible.

¹ [Slough, Buckinghamshire, Cotswolds, Stroud, Bournemouth/Christchurch/Poole, Dorset, Bristol, Taunton, Plymouth, Stratford-upon-Avon, Warwickshire, Solihull, Manchester, and Bromsgrove]

- 1.8 On 12th October, the Corinium Museum was awarded £121,000 as part of the Government's Culture Recovery Fund. The grant was awarded to help the museum to face the challenges of the coronavirus pandemic and to ensure it has a sustainable future. Of the grant, £10,000 is for additional consultancy support and is not available to offset the Council's financial support to SLM. The grant therefore reduces SLM's reliance on the Council for financial support in this financial year by £111,000.

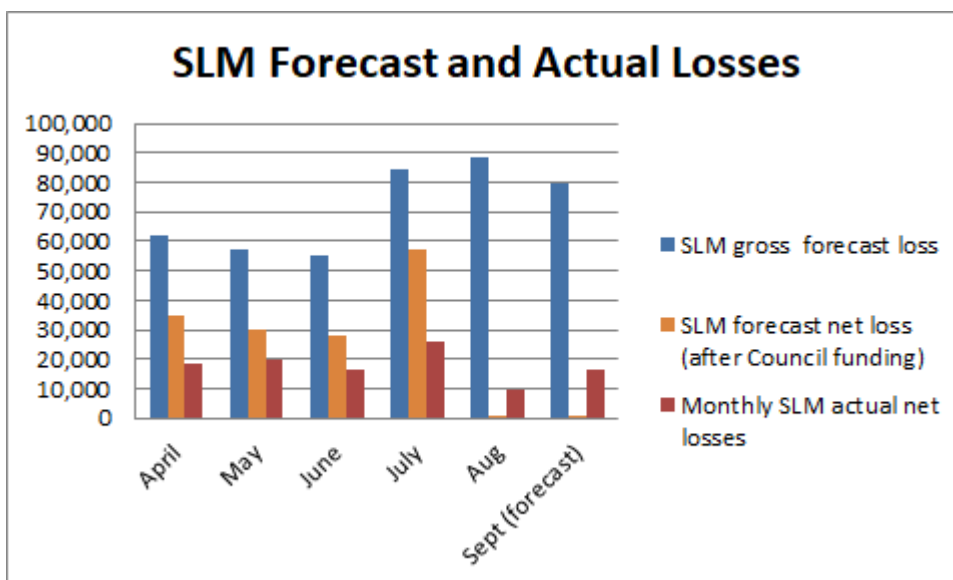
2. FINANCIAL PERFORMANCE (APRIL TO AUGUST 2020)

- 2.1 For the period from April to the end of August, the contract has produced a loss to SLM of £90,669.

Overall SLM (Surplus) or Deficit - Actuals £

	April	May	June	July	Aug	Sept (forecast)
Contribution from the Council to operational losses	18,500	18,500	18,500	18,500	80,079	70,946
Waiver of management fee payable to the Council	8,733	8,733	8,733	8,733	8,733	8,733
Cumulative Council Contribution	27,233	54,466	81,699	108,932	197,744	277,423
Cumulative SLM losses	18,188	38,281	54,994	81,192	90,669	107,297

- 2.2 SLM's total loss of £90,669 as at the end of August 2020, takes into account a saving on the management fee, payable to the Council, of £43,665 and contributions from the Council of £154,079. Without this financial support the loss to SLM would have been £288,413. SLM is not claiming for any contribution to contractor profit.
- 2.3 The chart below shows the forecast gross losses to SLM, the forecast net loss after the Council financial support, actual losses from April to August and the forecast loss for September.



For August and September, the Council has approved funding which supports the SLM operational losses in full, therefore, there is no bar for SLM forecast net loss bar for August and September.

- 2.4 For September, SLM is forecasting (final outturn figures not yet available) that the outturn will be £16,628 worse than the forecast provided to the Council. Under the current agreement, this will be funded by SLM.

3. LEISURE CENTRE AND MUSEUM USE

- 3.1 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 and communities access the support they need for good health and wellbeing."*
- 3.2 There has been a positive response from users during the initial stage of the reopening process.

	August 3rd to August 31st	September 1st to September 30th
Total Users 2019	33,403	35,190
Total Users 2020	14,608	26,621
Year onYear difference	-18,795	-8,569
Year onYear % reduction	56.3%	24.3%

3.3 The core activities that SLM have been able to deliver in compliance with Covid-19 protocols are Gym sessions, Group Exercise classes (Fitness classes), and Swimming sessions and the usage figures for these activities during August and September are:-

Site	Gym (Reopened on 3rd August)		Group Exercise (Restarted on 3rd August)		Swimming (Reopened on 14th August)	
	Aug	Sept	Aug	Sept	Aug	Sept
Cirencester LC	4,350	5,661	1,952	2,460	1,279	2,605
Bourton LC	1,950	2,319	297	420	632	1,124
Chipping Campden LC	136	335	97	142	47	161
Total	6,436	8,315	2,346	3,022	1,958	3,890

3.4 Museum Attendances were also high for this time of year, with a peak in the 4th week of August at 1,117 visits (an average of 120 per day and a hotspot on 25th August with 265 visitors):

Month	Week commencing	2019 Weekly Total	2020 Weekly Total	2019 Monthly Total	2020 Monthly Total
August	3rd Aug	913	548		
	10th Aug	1,163	760		
	17th Aug	859	929		
	24th Aug	756	1,117	3,691	3,354
September	31st Aug	501	685		
	7th Sept	540	620		
	14th Sept	852 ²	479		
	21st Sept	653	575	2,546	2,359

² 301 people visited the museum free of charge on 15th September 2019 as it was Heritage Open Day. This event was cancelled for 2020 due to COVID-19 restrictions

3.5 The most recent full week data available is from 5th October to 12th October 2020. With this data we can also see that the Cotswold contract is performing better than others when compared to the West region. As a consequence of this performance the Group Exercise programme at Cirencester leisure centre is due to be increased from 1st November.

Occupancy, Attendance, and Cancellations – Casual Gym Activity 5th Oct to 12th Oct 2020						
	Capacity	Bookings	Attendance	% Booking v Capacity	% Attendance v Capacity	# No Shows
West Region	104,018	39,937	34,600	38%	33%	5,337
Cotswold	4,990	2,773	2,409	56%	48%	364

Occupancy, Attendance, and Cancellations – Group exercise Activity 5th Oct to 12th Oct 2020						
	Capacity	Bookings	Attendance	% Booking v Capacity	% Attendance v Capacity	# No Shows
West Region	17,334	13,625	13,022	78%	75%	603
Cotswold	944	828	802	87%	85%	26

Occupancy, Attendance, and Cancellations – Fitness/Lane swimming 5th Oct to 12th Oct 2020						
	Capacity	Bookings	Attendance	% Booking v Capacity	% Attendance v Capacity	# No Shows
West Region	24,395	15,475	12,773	63%	52%	2,702
Cotswold	1,641	1,162	1011	71%	62%	151

3.6 Other activities are also returning including badminton and squash which are bookable through the Everyone Active App. A number of clubs are now also making a return under the guidance of their governing bodies and government guidelines in both wet and dry activities. The rules permitting outdoor sport are now also leading to a return of bookings at Chipping Campden.

4. FINANCIAL IMPLICATIONS AND PROPOSED FINANCIAL PACKAGE

4.1 SLM has requested the following financial support for the remainder of the year.

	Nov	Dec	Jan	Feb	Mar	Total
Funding Request	62,772	81,971	39,280	58,918	48,205	291,146

4.2 Analysis of the information provided by SLM for the period April to September has shown that the financial impact so far has been borne broadly 75% by the Council and 25% by SLM. Officers have sought to continue with a similar loss share proportion with SLM. SLM have responded that while they have absorbed some losses to this point, further losses would not be sustainable for them and they are continuing to sacrifice any profit which would normally be generated from the contract.

4.3 Financial performance for the period 1st April to 31st August indicates that the forecasts provided by SLM have been prudently based and that overall actual losses have been lower than the forecast. Under the open book accounting arrangements, the Council will provide financial support to SLM based upon

actual financial performance with the Council's liability capped. If the forecasts provided by SLM prove to be prudently based for the November to March period, the Council will provide a lower level of financial support to SLM than set out at 4.1. If SLM losses exceed the forecast at 4.1, then SLM will fund the excess losses. On this basis, it is proposed that the Council provides support capped to the level of the forecast deficit as requested by SLM at 4.1 above.

- 4.4 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.
- 4.5 The Council has proposed to SLM that when the Cotswold contract generates operational profits again, the profits are shared with the Council to enable the Council to recover the financial support provided for the November 2020 to March 2021 period. SLM has agreed to share profits in excess of the tendered financial submission on a 75% Council, 25% SLM basis. The contract would revert to the non-profit share mechanism when the funding provided is repaid.
- 4.6 During the previous set of negotiations, the Council discussed a potential loan to SLM. However, this was not acceptable to SLM due to covenants with their lenders. This remains the case. Terms of their Coronavirus Business Interruption Loan also prevent them from accepting a loan from the Council.
- 4.7 It should be noted that the support has been modelled on a period of recovery until 31 March 2021. Any additional support package requested would need to be reconsidered and approved by the Council for the period from 1 April 2021. There is certainly a possibility that there will be an ongoing need to consider subsidising leisure provision into the next financial year. It is proposed that Cabinet considers an update on the SLM contract in January 2021. Council will also consider any impact upon the 2021/22 budget as part of budget setting in February 2021.
- 4.8 The Council's capital programme included a budget of £380,000 to purchase gym equipment for the leisure centres in 2020/21. Given the recent closures and expected reduced use of equipment, this expenditure was reviewed and excluded from the revised Budget 2020/21, approved by Council in September 2020.
- 4.9 The Council approved a revised Budget for 2020/21 in September 2020. The revised budget included the estimated financial impact of this decision and the previous funding agreed, together with other income losses and cost pressures resulting from Covid 19. The report also included details of Government financial support, both announced grant funding and forecast grant expected as a result of the Government income support scheme where authorities can 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 for the twelve month period, the Government is expected to fund £75,000 and the Council will need to bear £30,000 of the loss.

5. LEGAL IMPLICATIONS

- 5.1 Members are advised that the external legal advice provided previously has not changed. However, it is subject to legal advice privilege and remains confidential. If members wish to ask questions regarding the legal advice, the Monitoring Officer will advise the Chair that Council should move into closed session.
- 5.2 This proposed funding arrangement will be conditioned on the basis that it may only be used to support operational losses and will not contribute to staff bonuses or dividends paid to shareholders. If Council is minded to agree to the proposed recommendation, a legal agreement will be concluded with SLM to reflect these interim changes to the contractual agreement.

6. RISK ASSESSMENT

- 6.1. There are still a number of unknown contributing factors, the main one being the risk that the leisure contract losses are higher than SLM forecast due to the leisure centres and museum not generating the level of income used in the estimates or because there are local lockdowns in response to Covid-19. This risk is mitigated by including the cap to the Council's financial liability and that payments are made incrementally on an open book basis. On the basis that there is no legal obligation on the Council to make payments, the commercial risk therefore remains with SLM.
- 6.2 There is a possibility that there will be an ongoing need to consider subsidising leisure provision into the next financial year. It is proposed that Cabinet considers an update on the SLM contract in January 2021. Council will also consider any impact upon the 2021/22 budget as part of budget setting in February 2021.
- 6.3 It is possible that some or all of the funding provided by the Council may not be recovered from SLM through the profit share mechanism if SLM are unable to achieve a profit in excess of their tendered contract sum for the remainder of this contract.
- 6.4 There is an ongoing risk of maintenance work requiring the closure of the swimming pool at Cirencester Leisure Centre. This would reduce income to SLM and SLM would require the Council to provide appropriate financial support for this loss under the terms of the original contract.

7. EQUALITIES IMPACT

- 7.1 The main impact of this proposal will be to provide continued access for users of the leisure facilities in the Cotswolds and for visitors to the Corinium Museum. Therefore, there are no adverse equality impacts arising from the recommendations in this report.

8. CLIMATE CHANGE IMPLICATIONS

- 8.1. Keeping the leisure centres in the Cotswolds open will reduce the need for residents to travel to leisure centres outside the District and thereby prevent a potential increase in carbon emissions from travel.

9. ALTERNATIVE OPTIONS

- 9.1. At its meeting in July, Council considered various alternatives including maintaining the closure of the centres following the Government mandated closure. Council expressed its view that it wished the centres to re-open to support residents' health and well-being, so further closures have not been considered in this report.
- 9.2 Extensive discussions have taken place between the Council and SLM representatives. These discussions will continue and will inform subsequent reports to Cabinet in January 2021 and Council in February 2021.

10. BACKGROUND PAPERS

- 10.1 None.

(END)