



COTSWOLD
DISTRICT COUNCIL

Council Name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	COUNCIL - 17 MARCH 2021
Report Number	AGENDA ITEM 12
Subject	SLM FINANCIAL SUPPORT APRIL 2021 - JULY 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 Deputy Chief Executive Tel:01285 623605 Email:jenny.poole@cotswold.gov.uk
Summary / Purpose	To make a decision on a further financial support package to be provided to SLM Everyone Active (SLM) to restart the provision of leisure services across the district and operation of the Corinium Museum in Cirencester in accordance with the Government roadmap and relaxation of the Covid-19 restrictions.
Annexes	None
Recommendation/s	a) That the financial support package for SLM for April 2021 - July 2021, at a capped total cost of £280,403, be approved; b) That the requirement for SLM to pay the Council a monthly management fee of £10,462 for the period 1 April 2021 to 31 July 2021 (total lost income to the Council of £41,848) be waived; c) That the financial support package for SLM for November 2020 - March 2021 be adjusted to be capped at a total cost of £291,000 (rather than to be capped on a monthly basis) be approved; d) 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;

	e) That authority to finalise and sign an agreement with SLM confirming the terms upon which this financial package is based, be delegated to the Deputy Chief Executive in consultation with the Deputy Leader of the Council or in his absence with the Cabinet Member for Health and Wellbeing.
Corporate Priorities	<ul style="list-style-type: none"> ● Help residents, businesses and communities to access the support they need to ensure a high level of health and well-being. ● Ensure that all services delivered by the council are delivered to the highest standard.
Key Decision	No
Exempt	No
Consultees / Consultation	Deputy Chief Executive, Monitoring Officer, Deputy Leader of the Council and Cabinet Member for Finance and Cabinet Member for Health and Wellbeing.

I. BACKGROUND

- I.1 SLM Everyone Active (SLM) is contracted to provide the management of the Council's three leisure centres and the Corinium Museum in Cirencester which are owned by the Authority.
- I.2 The Council provided a sum of £18,500 a month to SLM to support ongoing maintenance and running costs during the period from April to the end of July 2020. At a special Council meeting on the 29 July 2020, Council agreed to provide a financial support package for SLM 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) between the period April to October 2020 were also waived.
- I.3 At a Council meeting on 21 October 2020, Council agreed to provide a financial support package to enable SLM to continue the provision of leisure services across the District and the operation of the Corinium Museum during the continued Covid-19 pandemic. A financial support package for SLM for November 2020 - March 2021, at a capped cost of £291,146 was approved and management fees of £8,773 per month for the same period (payable from SLM to the Council) were waived.
- I.4 The Council wishes to preserve the facilities and services for local residents given the importance of health and wellbeing, particularly during the Covid-19 pandemic.
- I.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 would then be faced with having to find a solution at short notice and would incur unavoidable costs such as legal, financial and procurement costs. It is highly likely there would be an interim period of closure.
- I.6 The leisure centres and Museum services were resumed in August 2020 following the first national lockdown restrictions being lifted by the Government. A period of three months of recovery then took place with signs of a healthy return to use of the facilities and services - although numbers had to be limited to comply with the Covid-19 social distancing protocols. In November 2020 a second lockdown was put into place and leisure centres and the Museum service were again forced to close. There followed a short period of reopening in December 2020 before leisure centres and the Museum service were closed as Gloucestershire went into Tier 4 restrictions on 31 December 2020. The third national lockdown was announced on 4 January 2021 with closure enforced from 5 January 2021. Closures have remained in place since this date. Attendance during December has been recorded and is detailed in the report below.
- I.7 During the two periods of re-opening (August to October, and December) SLM and Council officers have continued to monitor user and visitor numbers in the Cotswolds. 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.

- 1.8 In October 2020, the Corinium Museum was awarded a grant from the Government's Culture Recovery Fund which resulted in a reduction in reliance on Council support of £110,000. A second tranche of this fund has been confirmed and applications were submitted in January 2021. Applicants will be notified by Wednesday 31 March 2021 if their bids are successful. As part of the first tranche of the Cultural Recovery Fund, a sum was allocated for the commissioning of a consultant to perform a review of the Museum service and to give advice to help improve the sustainability of the service going forward. This consultancy support is currently being procured by SLM.
- 1.9 On 19 February, following a successful application, the Council was awarded £180,000 as part of the Government's Leisure Recovery Fund. The grant has been awarded to support leisure centres that are owned by local authorities and have been adversely affected by the Covid-19 pandemic through temporary closures, social distancing requirements and consumer confidence. The grant will be applied directly by the Council to support SLM for the period 1 December to 31 March 2021 on eligible expenditure, reducing the burden on the Council of providing financial support for this period.
- 1.10 On 22 February 2021, the Government announced the proposed roadmap for removing Covid-19 restrictions. Whilst it has been confirmed that published dates are the earliest possible subject to other data that is being monitored, the headline dates for Leisure and Museum services are currently:-

Roadmap Step / Earliest Date	Leisure Service	Museum Service
Step 1 / 8 March	Closed	Closed
Step 1 / 29 March	Closed	Closed
Step 2 / 12 April	Gym & swimming at Cirencester, Bourton and Chipping Campden leisure centres	Closed
Step 3 / 17 May	Restart adult indoor sport at leisure centres. Resume indoor Group Exercise programme	Reopening of Museum
Step 4 / 21 June	Removal of legal limits on social contact	Removal of legal limits on social contact

2. Financial Arrangements 2020/21

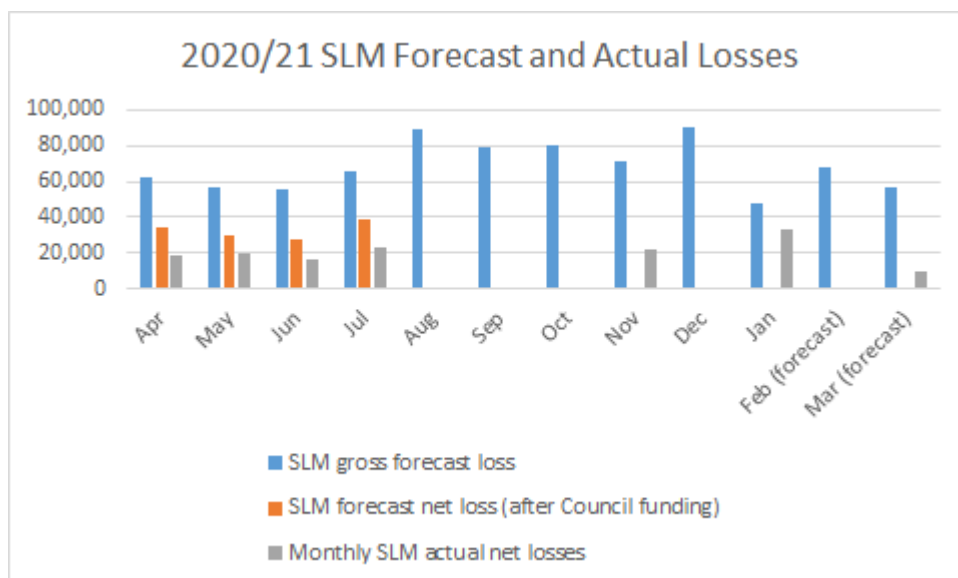
2.1 For the period from April to the end of December, the contract has produced a loss to SLM of £99,949.

Overall SLM (Surplus) or Deficit - Actuals £

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Contribution from the Council to operational losses	18,500	18,500	18,500	18,500	89,557	50,574	53,922	62,772	34,060	39,280
Waiver of management fee payable to the Council	8,733	8,733	8,733	8,733	8,733	8,733	8,733	8,733	8,733	8,733
Council Monthly Contribution	27,233	27,233	27,233	27,233	98,290	59,307	62,655	71,505	42,793	48,013
Cumulative Council Contribution	27,233	54,466	81,699	108,932	207,222	266,529	329,184	400,689	443,482	491,495
Cumulative SLM losses	18,188	38,278	54,991	78,254	78,524	78,524	78,524	99,679	99,679	132,947

2.2 SLM's total loss of £132,947 as at the end of January 2021 takes into account a saving on the management fee, payable to the Council, of £87,330 and contributions from the Council of £491,495. Without this financial support the loss to SLM would have been £624,442. SLM is not receiving any contribution to contractor profit.

2.3 The chart below shows the forecast gross losses to SLM, the forecast net loss after the Council's financial support, actual losses from April to January and the forecast loss for February and March. Forecast losses for February and March are based on revised estimates for this period which differ from the original forecasts due to the impact of the third national lockdown and subsequent closure of all leisure sites and the museum.



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

Overall SLM (Surplus) or Deficit - Estimated £

	Feb (Est) £	Mar (Est) £	Total (2020/21) (Est) £
Contribution from the Council to operational losses	54,593	48,205	506,963
Waiver of management fee payable to the Council	8,733	8,733	104,796
Council Monthly Contribution	63,326	56,938	611,759
Cumulative Council Contribution	554,821	611,759	611,759
Cumulative SLM losses	132,947	142,400	142,400

- 2.4 For the period November to March, SLM is forecasting (final outturn figures not yet available for February and March) that the outturn will be £63,876 worse than the original forecast provided to the Council. For November, the deficit was £21,155 higher than in the agreement with the Council. This loss was offset by a strong financial performance in December. January is typically a high income generating month and SLM are forecasting losses, net of

furlough income, of around £33,268. Smaller losses are forecast for February and March. The actual outturn will be monitored through open book accounting

- 2.5 Under the current agreement, these additional costs will be funded by SLM. SLM have requested that we apply the total cap for this period of £291,146 to the total deficit reported and estimated during this period of £302,786. This would result in SLM carrying estimated losses for the period November to March of £11,640 and £90,164 in losses for the full financial year. If the Council agrees to the recommendation to apply the total cap for the period November to March 2021, it is estimated that for the full financial year 2020/21 the Council would therefore provide financial support to SLM of £663,995 (including the waiving of management fees).
- 2.6 As referenced at 1.9, the Council has received £180,000 as part of the Government's Leisure Recovery Fund. The grant will be applied directly by the Council to support SLM for the period 1 December 2020 to 31 March 2021 on eligible expenditure, reducing the burden on the Council of providing financial support for this period. The Council also expects to receive a total of £74,667 through the Government income support scheme where authorities can claim for income losses which are higher than 5% of the revenue budget. This will compensate for the lost SLM management fee income of £8,733 per month during 2020/21 (£104,796 in total).
- 2.7 If the Council agrees to the recommendation to apply the total cap for the period November to March 2021 it is estimated that for the full financial year that Council would fund £559,199 (excluding the waiving of management fees), this compares to a revised 2020/21 budget of £800,140, resulting in an underspend for the year of £240,941.

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 well-being.”*
- 3.2 There was a positive response from users during the initial stage of the reopening process as reported at the Council meeting on 21 October 2020. Usage data was previously reported for the period up to September 2020 and further usage data for all 3 leisure sites is provided below:

Month	2020/21	2019/20	% of Previous Year
August	21,693	52,003	42%
September	39,615	49,970	79%
October	46,104	54,853	84%

November	Lockdown 2	53,405	0%
December	35,542	40,663	87%
January	Lockdown 3	58,890	0%
February	Lockdown 3	59,761	0%
March	Lockdown 3	42,261	0%
TOTAL	142,954	411,806	35%

(note - representative data only as lockdowns and re-openings didn't take place in whole calendar months)

- 3.3 Museum attendances were returning to good levels during 2020 and the relaunch of the Museum service following completion of the Stone Age to Corinium project was well received. Unfortunately, the second lockdown led to a low level of usage during December. This was likely influenced by a public wariness of returning to public spaces, the general desire amongst local residents to 'stay safe' so as to enjoy the proposed Christmas relaxation of social contact rules, the shorter trading month due to Christmas closures, and alternative demands on people's time in the lead up to the festive period. The Museum is also traditionally popular in the period between Christmas and New Year, however in 2020 the Museum was closed in this period due to the Tier restrictions. Usage figures up to September 2020 were reported at the Council meeting on 21 October and further figures are included below.

Month	2020/21	2019/20	Year on Year
August	3,583	4,095	87%
September	2,540	2,927	87%
October	3,601	3,810	95%
November	Lockdown 2	2,851	0%
December	476	1,871	25%
January	Lockdown 3	1,961	0%
February	Lockdown 3	3,012	0%
March	Lockdown 3	1,076	0%
TOTAL	10,373	35,689	33%

(note - representative data only as lockdowns and re-openings didn't take place in whole calendar months)

4. Financial implications and Proposed Financial Package

4.1 SLM has requested the following financial support for the first four months of the 2021/22 financial year.

	Apri	May	Jun	Jul	Total
Funding Request (£)	102,498	69,889	58,813	49,203	280,403

- 4.2 The level of financial support requested is based upon a forecast 'most likely' scenario prepared by SLM where the leisure centres, facilities and museum would open in accordance with the Government roadmap and relaxation of the Covid-19 restrictions. If the relaxation of restrictions are delayed and the furlough support scheme continues, it is likely that the level of financial support required from the Council by SLM will reduce for each month the leisure centre and museum are closed.
- 4.3 Financial performance for the period 1 August to 31 December 2020 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 April to July 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 total forecast deficit for the period 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, the profits are shared with the Council to enable the Council to recover the financial support provided for the November 2020 to July 2021 period. SLM has agreed to share profits in excess of the tendered financial submission on a 75% Council, 25% SLM basis. The contract will 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, SLM was not able to agree to this arrangement due to covenants with their lenders. The terms of their Coronavirus Business Interruption Loan also prevent them from accepting a loan from the Council. These covenants and terms continue to apply.

- 4.7 It should be noted that the support has been modelled on a period of recovery until 31 July 2021. Any additional support package requested would need to be reconsidered and approved by the Council for any period from 1 August 2021.
- 4.8 In February 2021, Council approved the budget for 2020/22. The budget included the estimated continued financial impact of the Covid-19 pandemic and government funding agreed, together with other income losses and cost pressures resulting from Covid-19. The budget included additional funding of £377,000 available under a fifth tranche of Covid-19 funding and includes a contingency for additional costs equal to the funding from the Government.
- 4.8 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 four month period, the Government is expected to fund £29,817 and the Council will need to bear £12,031 of the loss. If the financial impact of the support exceeds government support this will need to be funded from the Council's General Fund Balance and/or revenue reserves.
- 4.9 There may be a second tranche of the National Leisure Recovery Fund (NLRF) but no advice or confirmation of this has yet been released by Sport England, who are acting as custodians of this fund.
- 4.10 If the proposed financial support package for SLM for April 2021 - July 2021, at a cost of £280,403 is approved; this will be funded in part from ring-fencing the forecast underspend against the revised 2020/21 SLM leisure budget of £240,941. The balance of £39,462 will be funded from the additional funding of £377,000 available under the fifth tranche of Covid-19 grant funding
- 4.11 The waived management fee of £10,462 per month (£41,848 in total) will be part funded £29,817 from the government income support scheme. The balance of £12,031 will be funded from the fifth tranche of Covid-19 grant funding.
- 4.12 In total, the fifth tranche of the Covid-19 grant funding will fund cost and lost income of £51,493.

5. Legal Implications

- 5.1 Legal proceedings from either party may lead to an interim period of closure which would directly impact on the provision of the service. Rather than engage in a costly and disruptive legal dispute with SLM, the Council has taken a partnership approach, with a view to the leisure centres and the museum reopening as quickly as national or local Covid-19 restrictions permit.

- 5.2 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.
- 5.3 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 recommendations, a legal agreement will have to be concluded with SLM to reflect the interim changes.

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 continuing restrictions and delays in the government roadmap 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.
- 6.2 It should also be noted that the support has been modelled on an initial period of recovery until 31 July 2021. Any additional support package would need to be considered and approved by the Council for any period from 1 August 2021. It is in both parties' interests to reach a profitable position as soon as possible. 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 is unable to achieve a profit in excess of its tendered contract sum for the remainder of this contract.
- 6.3 Following a detailed survey of the pool steelwork paint covering at Cirencester Leisure Centre the previous risk of pool closure for maintenance has been further reviewed. A detailed specification for the remedial works is being prepared by Property Services who will then conduct a procurement exercise to appoint a suitable contractor. It is likely that the nature of these works will require closure of the pool - but where possible these works will be scheduled to cause minimal disruption to the running of the Leisure Centre.
- 6.4 In February 2021 there was a successful application for grant funding for a series of carbon reduction works which will now take place between March and September 2021. These will mostly involve upgrading plant and equipment behind the scenes at the leisure centres, but some works may have an impact on customer usage of certain areas i.e. temporary loss of heating during boiler works etc.
- 6.5 Whilst it would have been preferable to complete any works that will have an impact on customer usage of the leisure centres during the lockdown periods this has not been possible. The specialist nature of some works and their consequent planning and procurement lead times, and the timing of grant funding will lead to some works causing disruption to customers during the recovery period. Officers will work closely with SLM to minimise disruption and

ensure that customers are kept well informed where works will impact upon their use of the centres.

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.

9. ALTERNATIVE OPTIONS

- 9.1. At its meeting in July 2020, 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 the Cabinet or Council.

10. BACKGROUND PAPERS

- 10.1 None