

## Public Questions – Council, 15 March 2023

Mr Rob Gibson

*“In 2020 and 2021 a total of £892k was paid out in loans and grants to SLM. In excess of £750k was to be re-paid by SLM from profits. How much has been repayed from profits and what will happen to the residual balance should SLM not be successful with the new tender. If this money is to be written off how can this be acceptable to the public who are facing a cost of living crisis, increases in Council Tax, green bins, toilet charges and an increase in parking charges last year?”*

### Response from Cllr Mike Evemy

In the absence of central Government support for leisure operators and in common with many local authorities, financial support was requested by the operator (Sports and Leisure Management “SLM”) due to the impact on their income and expenditure from the Covid pandemic.

The Council has provided £661,504 of financial support to SLM (£841,504 prior to National Leisure Recovery Fund of £180,000) with decisions taken by Full Council in July 2020, October 2020, March 2021 and July 2021.

Period/Detail	Amount (£)	Comments
April 2020 to July 2020	74,000	
<b>Open Book Support</b>		
August 2020 to October 2020	194,053	Approved at July 2020 Council
November 2020 to March 2021	247,605	Approved at October 2020 Council
April 2021 to July 2021	178,334	Approved at March 2021 Council
Management Fee foregone	147,512	
<b>GROSS Support</b>	<b>841,504</b>	
Less: NLRF Funding	<b>(180,000)</b>	
<b>NET Support</b>	<b>661,504</b>	

The terms of the financial support, as agreed by Full Council is dependent on a profit share mechanism to recover the support offered to SLM with the Council being entitled to take a 75% share of profits in excess of the tendered financial submission until the funding is recovered.

To date, no payment has been received from SLM due to the ongoing financial losses on the contract. The Council is monitoring the financial performance closely

and the contract will end in July 2023. At the end of the contract a full reconciliation of the operator's financial position under an open book arrangement will take place and a decision on any funding that may not be recovered under the terms outlined above will need to be taken.

Annexes A to C include links to the reports considered by Council and the printed minutes indicating the nature of the debate, decision and voting record.

This support was paid to the operator to enable our leisure and culture facilities to re-open to the public when it was lawful to do so. Without this support, the operator would not have re-opened the facilities and therefore residents and visitors would have been deprived of their use in the short term and potentially in the longer term. The contract with SLM did not contain clauses regarding a global pandemic and the support provided to re-open the centres was therefore negotiated on an individual basis.

The Council is retendering all its leisure and cultural facilities against this backdrop. Many other local authorities are closing or considering reductions in their leisure and cultural offer following decisions to keep their centres and museums closed. Our decisions to provide this support gave us the best footing for a successful tender process to continue to provide these services to our residents and visitors for many years to come.

Mike Every  
Deputy Leader and Cabinet Member for Finance

## **ANNEX A – July 2020 Decision**

### **July 2020 Report to Council**

<https://meetings.cotswold.gov.uk/Data/Council/202007291900/Agenda/Agenda%20Item%2003%20-%20Reopening%20of%20Leisure%20Facilities.pdf>

### **Printed Minutes**

#### **CL.29 REOPENING OF LEISURE FACILITIES**

The Cabinet Member for Health and Wellbeing introduced the report explaining that the Leisure Centre and Museum were forced to close on 20 March 2020 due to the Covid-19 Pandemic. Work to start to re-open the Leisure Centre and Museum had been ongoing and getting residents to return to these facilities was a priority. She was recommending Option 3 of the report to Members.

Councillor Every seconded the proposal. He highlighted that a word in recommendation (e) of the report should be changed from 'and' to 'or' to read 'or the Cabinet Member for Health and Wellbeing'.

Speaking to the proposal he explained that when the pandemic first started himself and financial officers agreed to waive the management fee for the first few months and highlighted the report in relation to Government funding. He understood that the financial position is difficult but wanted to reassure Members that the costs have been scrutinised by officers and are robust. He reiterated that he would be supporting the recommendation of Option 3 in the report.

Councillor Theodoulou proposed an amendment which was seconded by Councillor Andrews.

Speaking to the amendment he highlighted that it should be a loan that is given to SLM, rather than a grant. The reason for this was that he had looked at the accounts of SLM and concluded that it was a wealthy company, with sales amounting to £270m, which was a successful company and paid a dividend to the shareholders of £10m and Director's salaries of £656,000 plus pension contributions. As such, a grant would not be appropriate, and urged members to provide a loan which would be paid back. By providing a grant the Council would never receive anything in return.

Amendment set out below:

- a) That the phased re-opening of the District's Leisure centres as outlined in the report (Annex A. Option 3) be approved;
- b) That the re-opening of the Corinium Museum in Cirencester as outlined in the report (Annex A. Option 3) be approved;
- c) That the financial support package for SLM for August-October, at an estimated cost of £222,140, be approved as a loan to SLM;

## ANNEX A – July 2020 Decision

d) 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~~ included within the loan to SLM;

e) That authority to finalise and sign an agreement with SLM confirming the terms upon which this financial package is based, including the consideration of a more detailed analysis of when the "breakpoint" of moving into a neutral or profitable position might be on the basis of a shared (CDC/SLM) business recovery plan, in order to determine what level of support might be judged equitable, shall be delegated to the Interim Chief Executive in consultation with the Deputy Leader of the Council Meeting 29 July 2020 3 Council or in his absence with the Leader of the Council and the Cabinet Member for Health and Wellbeing.

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;

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;

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) That although Tetbury and Fairford leisure centres are no longer the direct responsibility of CDC, the health and wellbeing of all Cotswold residents is the responsibility of CDC. As a result, CDC will contact relevant parties in Tetbury and Fairford and ask if we can offer any assistance.

Councillor Neill highlighted that a Task and Finish Group had been set up to look at the Tetbury and Fairford Leisure facilities.

The amendment had been given to Members just before the Council meeting. If a loan were to be offered to SLM it was unlikely that the centres would open.

Councillor Morgan believed that questions should be clarified for the public and understood that there were no immediate plans to open the Tetbury and Fairford Sports centres.

Private gyms were beginning to open and the sports hall in Tetbury remained closed and requested help to open the sports hall.

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Concern was expressed and clarification was given on the question of SLM being a successful company and requesting a grant to open the centres. This was a private company limited by shares with subsidiaries, of which Everyone Active is a wholly owned subsidiary which is a charitable trust.

Councillor Every spoke to the amendment and highlighted that if Members had concerns about the status they should have raised it earlier, as the Council has been working with SLM Everyone Active since 2013. Officers had waived management fees and undertaken negotiations with the trust. The arrangements are negotiated between now and the end of October. He urged Members to reject the amendment.

A review had been undertaken by the Overview and Scrutiny Committee, looking at the contract break point. The principal company was SLM with a subsidiary of Everyone Active which was a charitable trust.

Councillor Theodoulou again reiterated that the company was Sports and Leisure Management Limited which was a substantial organisation with Council Meeting 29 July 2020 4 substantial dividends to shareholders it was not a charitable organisation. The subsidiary which was a charitable organisation did not disperse money and was not registered with the charities commission. He was horrified to hear that the proposal had already been agreed with SLM, and questioned whether due diligence had been carried out. He recommended the amendment to all Members.

The amendment was put to the vote:

Record of Voting - for 12, against 16, abstentions 0, absent 5.

The amendment was lost.

The meeting adjourned at 8.10pm to discuss these issues and recommenced at 8.35pm.

The Cabinet Member for Health and Wellbeing spoke to the proposal recommending option 3, reiterating that it was imperative that the leisure centres and Museum should be opened. Keeping them closed would lose market share, a review can take place at a date in the future.

She thanked Councillor Theodoulou for raising these issues, but explained that the leisure centres and Museum must re-open.

### **RESOLVED that:**

**(a) the phased re-opening of the District's Leisure Centres as outlined in the report (Annex A. Option 3) be approved;**

## **ANNEX A – July 2020 Decision**

**(b) the re-opening of the Corinium Museum in Cirencester as outlined in the report (Annex A. Option 3) be approved;**

**(c) the financial support package for SLM for August-October, at an estimated cost of £222,140, be approved;**

**(d) 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;**

**(e) the 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 Leader of the Council or the Cabinet Member for Health and Wellbeing;**

**(f) 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;**

**(g) 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;**

**(h) Council note that the 2020/21 Budget report to its meeting in Council Meeting 29 July 2020 5 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.**

**Record of Voting - for 28, against 0, abstentions 1, absent 5.**

## **ANNEX B – October 2020 Decision**

### **October 2020 Report to Council:**

<https://meetings.cotswold.gov.uk/Data/Council/202010211800/Agenda/Agenda%20Item%2003%20-%20SLM%20Financial%20Support%20November%202020%20-%20March%202021%20.pdf>

Printed Minutes:

### **CL.49            SLM Financial Support November 2020 - March 2021**

Council was requested 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.

The Deputy Leader introduced the report and commented upon various aspects. He explained he wished to record his thanks to Amanda Hart, Director of the Corinium Museum, and Councillor Forde whose efforts had resulted in £111,000 being saved from the financial request of the Council and also to Councillors Andrews, Norris and Theodoulou for their correspondence with Councillor Forde and himself enabling information to be shared across parties. The Deputy Leader stated that the current situation was unprecedented and required unprecedented actions and he urged Members to support the recommendations as outlined in the report.

In seconding the recommendations, Councillor Forde explained that health and wellbeing had been raised as key objectives during the pandemic nationally and that these objectives were also a key ambition of the administration. She added that whilst recognising the Council needed to be careful when spending public funds, the Council needed to ensure leisure facilities remained open for the benefit of the District's residents and also urged Members to support the recommendations.

The Deputy Leader then advised that he wished to move an Amendment in addition to recommendations (a) to (e), so as to include a further recommendation (f). He advised that this had been added in recognition of comments received from the Opposition Group prior to the meeting. The Amendment was as follows:- ‘

(f) That in preparation for the current contract coming to an end, a Cross Party Member Working Group will be set up early in 2021 to draw up a detailed specification which will include Key Performance Indicators against which any future management arrangements will be measured; and to consider an appraisal of the options for such arrangements in Quarter 3 of 2021 when the nature of the leisure market post-Covid-19 is clearer.’

This Amendment was seconded by Councillor Forde.

Councillor Andrews was then invited to address the meeting. He extended his thanks to Councillors Evemy and Forde for their Amendment and explained that the main

## **ANNEX B – October 2020 Decision**

element of the Amendment, regarding the establishment of a Cross Party Working Group, and the focus on the commercial elements and cost saving measures of the centres, were also the main focus of his Group's intended Amendment. He added that there was a requirement to recognise that the District's leisure services needed to be provided effectively in a business-like way and that it was imperative for the Group to be established as soon as was practical. Councillor Andrews then proposed that the Amendment be altered to change:

'reference to 'Quarter 3 of 2021' to Quarter 1'.

In speaking to the proposed amendment and the comment made by Councillor Andrews, Councillor Theodoulou added that the stability of the contractor was difficult to determine and that they had 'threatened' the Council with risk of legal challenge. He explained that it made sense to therefore start work now, given the unknown future situation.

The Deputy Leader, as the Mover of the initial Amendment, was then invited to address the meeting. He explained that it was intended for the Working Group to be established early in 2021 and that he did not consider it reasonable for the Group to be established prior to then, given that the 3 existing contract ran until 2023. He also added that he did not consider it suitable for the Council to be rushing any decisions and that discussion and review by all Council Members should be allowed.

Councillor Forde, in Seconding the original Amendment, advised that she also considered Quarter 3 of 2021 was the most appropriate time for any appraisal.

On being put to the vote, the Proposition to include the Amendment regarding the addition of a recommendation (f) as originally proposed, was CARRIED. The record of voting was as follows:-

Record of Voting - for 32, against 0, abstention 1, absent 1.

Councillor Andrews then Proposed an Amendment, as follows:

'That the Working Group be set up by the November 2020 meeting of Council and that an initial report be provided by the beginning of Quarter 1 2021/22.'

This Amendment was then Seconded by Councillor Theodoulou.

Councillor Coleman, in response to the Amendment then suggested that membership of the Group could be determined within the political groups and be confirmed prior to the establishment of the Group in 2021. He also added that this would enable Group Members to be appropriately briefed prior to starting serving on the Group and therefore suggested Councillors Andrews and Theodoulou should withdraw the Amendment as it related only to specific details of the Group's working.



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The Deputy Leader and Councillor Forde as the Proposer and Seconder responded to comments and explained that they had no issues with the Group membership being determined early and research being undertaken, but added that they did not consider it realistic that a report could be prepared in January 2021, given the ongoing uncertainty both nationally and locally.

Councillor Andrews then responded to the comment by Councillor Coleman and explained that he agreed with the suggestion that Group Member nominations could be agreed prior to the establishment of the Group and that research start to be undertaken into the relationship between the Council and SLM prior to the Group being formed. Councillor Thedoulou added that he agreed with the suggestion and that the main requirement of the Group was to determine a suitable outcome for leisure facilities in the long term, which he considered would require various complexities to be investigated.

The Leader explained that he wished to place on record his thanks to the Deputy Leader and Councillor Forde and also to Amanda Hart, Director of the Corinium Museum, who had enabled significant savings to the requested funding from the Council. He added that it was expected the Leisure 4 Strategy, that was due to be launched in early 2021, would help address known issues regarding the District's leisure service and provision.

The Deputy Leader was invited to address the Council again and explained that the key requirement was to ensure the District's leisure centres remained open. He added that whilst this currently required substantial funding by the Council, Members should vote to support the recommendations for the benefit of the District's residents.

The Chair concluded that Officers would take action upon the appropriate instructions following suggestions and comments made by Members during the meeting.

### **RESOLVED that:**

**a) the financial support package for SLM for November 2020 - March 2021, at a capped cost of £291,146, be approved;**

**b) 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;**

**c) 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;**

## **ANNEX B – October 2020 Decision**

**d) 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;**

**e) 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;**

**f) in preparation for the current contract coming to an end, a Cross Party Member Working Group will be set up early in 2021 to draw up a detailed specification which will include Key Performance Indicators against which any future management arrangements will be measured; and to consider an appraisal of the options for such arrangements in Quarter 3 of 2021 when the nature of the leisure market post-Covid-19 is clearer.**

**Record of Voting - for 32, against 0, abstention 1, absent 1.**

## **ANNEX C – March 2021 Decision**

### **March 2021 Report to Council**

<https://meetings.cotswold.gov.uk/documents/s1747/Agenda%20Item%2012%20-%20SLM%20Financial%20Support%20-%20April%202021-July%202021.pdf>

### **Printed Minutes**

#### **91 SLM Financial Support - April 2021 - July 2021**

Councillor Evemy introduced this report noting that this was the third report and was very much hoping that it was the last time that the Council would be discussing financial support for the leisure contractor SLM. The facilities were very important for residents and as soon as restrictions allowed, the leisure centres would open. The request was for funding from April to July 2021, November 2020 to March 2021 were agreed in aggregate, which reflected the position at the time. The forecast did not foresee the loss in visits to the centres in January which was normally a significant month for leisure provision.

The Museum had received £110,000 from the Culture Recovery Fund. The government road map currently allowed the Gyms and Swimming provision to open on 12 April 2021, with the Museum opening on 7 May 2021. He reiterated that it was the Council's responsibility to support the leisure centres and museum, as they were in the Council's ownership. There was government grants to support this funding and a financial summary was set out in the report.

Councillor Forde seconded the recommendations.

Councillor Andrews referred back to a previous Council meeting on 21 October 2021, that resolved to set up a cross party Member working group to draw up a detailed specification which would include Key Performance Indicators, against which any future management arrangements would be measured and to consider an appraisal of the options for such arrangements in Quarter 3 of 2021 when the nature of the leisure market post-Covid-19 was clearer. He commented that this group had not yet been set up and future arrangements should be measured, in order to have a better understanding of the leisure provision. He proposed an amendment to the current recommendations:

'The cross-party working group that is to be established by June 2021 as part of the Cabinet approved Cotswold Leisure Strategy shall monitor the delivery of that agreement.'

Councillor Theodolou seconded the amendment, highlighting his concern that there should be a better understanding of the support the Council was giving to such a big company as SLM. He supported this amendment as it was incumbent on the Council to support the leisure centres.

## **ANNEX C – March 2021 Decision**

The Monitoring Officer clarified that the amendment monitored the legal agreement in paragraph (e) of the recommendations.

The meeting adjourned at 8.10pm and reconvened at 8.30pm.

Following the adjournment Councillor Every commented that the Leisure Strategy was passed by the Cabinet and the working group would look at the future leisure provision for the district, not scrutinise the finances of the existing contractor, officers would do the due diligence on the contractor. The amendment would not be accepted, as it was not considered that the working group was the appropriate methodology for monitoring the agreement, there were provisions in the Overview and Scrutiny process to scrutinise issues such as this.

Following debate, Councillor Andrews wanted the amendment to stand and a vote was taken:

On being put to the vote, the record of voting was as follows: for 14, against 17, abstention 0, absent 2; 1 Member could not vote due to technical reasons. The vote on the amendment was LOST.

Councillor Forde in seconding the proposals commented that the leisure centres needed to open as soon as possible. She thanked officers for their work on monitoring the contract and highlighted that the Council was awarded funding for the Museum to be able to reopen, in August last year, it was important for the residents of the District to have the centres reopen. She was hoping that there would be no need to discuss this issue again.

Councillor Every summed up, commenting that this had been a costly exercise for the Council, it was hoped that some Government support would be available and he, too, hoped this would be the last time this issue would be discussed, although it was right thing to do to support the centres, in order for them to re-open.

### **RESOLVED that:**

**(a) the financial support package for SLM for April 2021 - July 2021, at a capped total cost of £280,403, be approved;**

**(b) 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) 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;**

## **ANNEX C – March 2021 Decision**

**(d) 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) 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.**

**Record of Voting – for 32, against 0, abstentions , absent 2.**