

# REPORT TO BUDGET AND CORPORATE SCRUTINY MANAGEMENT BOARD

07 July 2020

<b>Subject:</b>	Leisure Provision in Sandwell
<b>Cabinet Portfolio:</b>	Cllr Maria Crompton – Safer Communities
<b>Director:</b>	Dr Alison Knight, Executive Director Neighbourhoods
<b>Contribution towards Vision 2030:</b>	 
<b>Contact Officer(s):</b>	Gemma Ryan Business Manager – Sport & Leisure

## DECISION RECOMMENDATIONS

**That;**

1. The Scrutiny Management Board note the potential pressures on the Council's leisure provision as a result of the closure of leisure facilities due to COVID-19.
2. The Scrutiny Management Board are provided with assurance that the Council are working in line with both Central Government and Local Government Association guidance regarding supporting leisure providers.

## 1 PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to update the Budget and Corporate Scrutiny Management Board on the current position of Sandwell's leisure services following the closure of leisure facilities due to COVID-19. The report will primarily focus upon Sandwell Leisure Trust as they operate the majority (nine of the 10) leisure facilities in Sandwell.

## 2 IMPLICATIONS FOR VISION 2030

- 2.1 Ensuring the sustainable delivery of leisure services in Sandwell, will provide local people with local opportunities to be active and to re-engage with their local community following the period of 'lockdown'. This will contribute to ambitions 2 and 5 of Sandwell's Vision 2030.

## 3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 Sandwell has 10 leisure facilities and two leisure operators, Sandwell Leisure Trust and Places Leisure.

Facilities operated by Sandwell Leisure Trust;

<b>Facility</b>	<b>Town</b>
• Haden Hill Leisure Centre	Rowley Regis
• Hadley Stadium	Smethwick
• Harry Mitchell Leisure Centre	Smethwick
• Langleigh Swimming Centre	Smethwick
• Portway Lifestyle Centre	Oldbury
• Smethwick Swimming Centre	Smethwick
• Tipton Leisure Centre	Tipton
• Tipton Sports Academy	Tipton
• Wednesbury Leisure Centre	Wednesbury

Facilities operated by Places Leisure;

<b>Facility</b>	<b>Town</b>
• West Bromwich Leisure Centre	West Bromwich

### 3.2 Current Contractual Arrangements

#### 3.2.1 Sandwell Leisure Trust

Services are operated on behalf of the Council by Sandwell Leisure Trust under a Management and Funding Agreement (*'the contract'*). The contract commenced on the 1<sup>st</sup> April 2004 and is for a period of 30 years. The Council were under obligation to provide a unitary payment (management fee) for the initial funding period of five years, this was extended for a further four years to 31<sup>st</sup> March 2013. The Council continue to provide Sandwell Leisure Trust with a management fee of circa £3,000,000 per annum. Notwithstanding the impact of COVID-19, the agreed unitary payments for the previous, current and next financial years are as follows;

	<b>Unitary Payment</b>
<b>2019/20</b>	£2,885,000
<b>2020/21</b>	£2,914,000
<b>2021/22</b>	£2,943,000
<b>Total</b>	£8,742,000

Note, this does not include funding provided by the Council for additional services at Portway Lifestyle Centre, the Free Swimming programme (note, this ended 31<sup>st</sup> March 2020 and it has not yet been confirmed whether it will continue) or any other contracts or services that Sandwell Leisure Trust receive Council monies for.

### 3.2.2 Places Leisure

The contract for the operation of West Bromwich Leisure Centre commenced on 2<sup>nd</sup> October 2012 and is for a period of 25 years. A management fee is paid by Places Leisure to the Council on an annual basis. The minimum management fee may be adjusted in accordance with the contract but will always result in a positive figure for the Council. Therefore, the Council receive a profit from the operation of West Bromwich Leisure Centre.

- 3.3 On the 20 March 2020 the government announced that a number of public buildings and services must close. This included leisure centres, defined within the guidance as “Indoor fitness studios, gyms, swimming pools or other indoor leisure centres”.

### 3.4 Government Guidance

- 3.4.1 In March 2020 the government published ‘*Procurement Policy Note 02/20 – Supplier Relief Due to COVID-19*’ (PPN 02/20). The guidance recommendations focus upon suppliers receiving their ‘usual’ payments. For SLT, their ‘usual’ payments are the monthly management fee. The guidance recommends that local authorities provide cash flow support by continuing to pay providers despite not receiving services. To qualify, suppliers should agree to act on an open book basis and make cost data available to the contracting authority during this period. They should continue to pay employees and flow down funding to their subcontractors.

The Council have continued to provide Sandwell Leisure Trust with their usual monthly management payment. The level of monthly management fee has not been adjusted during the period of closure. Therefore, the Council have provided Sandwell Leisure Trust with financial (cash flow) support in line with the government’s guidance, PPN 02/20.

The Council have requested written assurance and agreement, from Sandwell Leisure Trust, to providing 'open book' data that enables the Council to reconcile support provided. To date Sandwell Leisure Trust have provided verbal agreement but the Council are not yet in receipt of the required level of detail.

#### 3.4.2 Further to PPN 02/20 the Local Government Association (LGA) issued sector specific guidance on 29<sup>th</sup> April 2020, '*Options for Councils Supporting Leisure Providers Through Covid-19*'

The subsequent LGA Guidance suggests a number of other measures (where possible) that Councils could also implement. The guidance does state that leisure providers are under obligation to mitigate costs as much as possible. The LGA guidance also sets out that leisure providers must work on an 'open book' basis with local authorities. Appendix 1 provides a summary of the guidance.

#### 3.5 **Request for Financial Support – Sandwell Leisure Trust**

Sandwell Leisure Trust have requested support to cover costs and losses during the period of closure and have provided further financial information as part of the Council's supplier questionnaire.

Please note that specific financial information from Sandwell Leisure Trust is commercially confidential.

The information provided was clarified and assessed by officers, whilst taking into account that Sandwell Leisure Trust had accessed the government's Job Retention Scheme to furlough the majority of their staff. Based on the specific information provided, it was felt that the continued payment of the monthly management fee would mitigate any immediate financial risk for the initial period of closure to 30<sup>th</sup> June 2020. Officers are continuing to work with Sandwell Leisure Trust to understand the impact and level of support required.

#### 3.6 **Request for Financial Support – Places Leisure**

Places Leisure have requested support from the Council for the period of closure and for the ongoing impact. Council officers are currently in regular communication with Places Leisure's senior representatives to determine the level of support required.

## 4 THE CURRENT POSITION

- 4.1 Sandwell Leisure Trust have accessed the Governments Job Retention Scheme and the majority of their staff remain furloughed.
- 4.2 Sandwell Leisure Trust launched a fundraising campaign and to enable donations from their members. They set up a fundraising link on their homepage with the slogans 'Protect your leisure trust', 'Support your SLT'.

Their website contained the following information:

*The COVID-19 Pandemic has resulted in the Government closing all of our Leisure Facilities to help delay the spread of the virus, this has had a catastrophic impact on the income we collect to run an award-winning service and with no income from our customers there is a significant threat to our financial stability.*

*How you can help – lots of you have sent messages of support and requests to help out in these uncertain times and we welcome any donation/s during this period for as long as you can, so we may continue to operate our centres in the future and help everyone to live healthy lives.*

As of 26 June 2020, a total of £3,152.00 had been raised.

- 4.3 Sandwell Leisure Trust have highlighted the anticipated ongoing financial impact of COVID-19 have requested that the Council provide assurance for ongoing support.
- 4.4 Due to the ongoing impact, Sandwell Leisure Trust have begun communication and consultation with their staff and Trade Unions regarding staff Terms and Conditions. Sandwell Leisure Trust are currently proposing a two year pay freeze for all of their staff. A deed of variation to the contract in 2012 removes Sandwell Leisure Trust's obligations to the TUPE Plus Agreement that was previously in place. This provides Sandwell Leisure Trust with the autonomy to make decisions regarding staff Terms and Conditions without approval from the Council, notwithstanding their membership with the National Joint Council.
- 4.5 As outlined in section 3.4.1 above, the Council are not yet in receipt of the required 'open book' data to enable officers to fully assess and reconcile support already provided (continued monthly management fee payments) and agree any future financial support. Sandwell Leisure Trust have committed to providing the information and it is expected that this shall be forthcoming at the earliest opportunity.

#### 4.6 Sandwell Leisure Trust Draft Re-Mobilisation Plan

In preparation for the government allowing the re-opening of leisure facilities, Sandwell Leisure Trust have presented a draft plan for the re-opening of facilities to officers, including Public Health and the Council's Reset & Recovery Board. There is an acknowledgement that this must be managed on a phased approach to balance income and expenditure, whilst ensuring residents have access to leisure services.

The rationale primarily is based upon the configuration of buildings to enable social distancing and to ensure provision in each of Sandwell's six towns. The plan has been developed in line with government and leisure sector approved guidance.

Sandwell Leisure Trust is now awaiting further Government advice on when the leisure sector will be allowed to re-open.

Note, this is a draft proposal at this stage and is subject to change.

#### 4.7 Sport England Support and Review

Sport England recognise the significant difficulties and impact that the leisure industry faces as a result of the closure of facilities. Sport England are concerned about the long-term impact on people's health and wellbeing should facilities be unable to re-open. As a result of their concerns they are offering to provide consultancy support to Local Authorities to support with the management of leisure services through the impact of COVID-19 and support with future planning. Sport England approached the Council to offer support and assigned a firm of consultants to work with Sandwell Council. Sport England are providing a grant of £5,000 towards this work.

### 5 **CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

Senior management within the Council, portfolio holder and the Leader have been regularly updated regarding the position with both operators.

Regular meetings and weekly informal discussions are taking place with both Sandwell Leisure Trust and Places Leisure. This includes weekly meetings with Places Leisure senior management representatives. Monthly meetings are taking place with Sandwell Leisure Trust and senior managers within the Council.

Sandwell Leisure Trusts Board have met with the leader of the Council and the portfolio holder.

Sandwell Leisure Trust and Places Leisure are responsible for communication with their staff and are keeping employees regularly updated.

## **6 ALTERNATIVE OPTIONS.**

A range of alternative options are being considered by officers and the consultants and a full options appraisal will be carried out. Following assessment and review of the actual financial impact of closure realistic options shall be presented to senior management and members. This will include realistic proposals for the sustainable delivery of leisure services in the short, medium and long term.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

Whilst discussions are ongoing to clarify the financial impact to both leisure providers, if requests for financial support for leisure services were paid in their entirety this would be at a significant cost to the Council.

NB: details provided are being checked with the operators to agree reasonable levels of support, therefore the total financial impact for the Council could reduce or increase.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

The contractual arrangements with both leisure operators are being considered and reviewed in line with requests for support. This includes considerations for the agreement of financial support for the period of closure and future affordable and sustainable delivery models.

## **9 EQUALITY IMPACT ASSESSMENT**

Not applicable for this report.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

All information provided by the leisure operators is commercially sensitive therefore cannot be shared publicly or with any representative or organisation outside of the Council without non-disclosure agreements in place.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

Not applicable for this report.

## **12 SUSTAINABILITY OF PROPOSALS**

Proposals currently being developed.

**13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

Consideration is being given to our leisure services current and future contribution health and wellbeing outcomes.

**14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

The Council owns all leisure facilities in Sandwell and must consider the implication of the facilities remaining closed should the operator(s) be unable to continue to operate. Long term closure due to the absence of an operator would require the council to maintain the buildings to avoid any significant maintenance issues.

**15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

1. Both Sandwell Leisure Trust and Places Leisure have been impacted by the closure period due to loss of income
2. Both operators have successfully accessed the government's Job Retention Scheme for their staff
3. Both operators are requesting significant financial support from the Council
4. An 'open book' arrangement as recommended by government and Sport England is essential in reaching an agreement regarding the provision of financial support.
5. Once a full assessment of both operator's financial requests can be concluded the level of support that the Council are able to provide can be considered.

**16 APPENDICES**

Appendix 1: Summary of LGA Guidance

**Dr Alison Knight**  
**Executive Director – Neighbourhoods**