



**Report Reference Number:** N/A

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**To:** Urgent Individual Member Decision – Leader of the Council  
**Date:** May 2020  
**Status:** Key Decision  
**Ward(s) Affected:** All  
**Author:** Keith Cadman, Head of Commissioning, Contracts and Procurement  
**Lead Executive Member:** Councillor Mark Crane, Leader of the Council  
**Lead Officer:** Keith Cadman, Head of Commissioning, Contracts and Procurement

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**Title: Summit Contract – Waiving of Management Fee Payments April – June 2020**

**Summary:**

Central Government announced the closure of all leisure facilities from 20<sup>th</sup> March 2020. The closure has resulted in a loss of income to Inspiring Healthy Lifestyles (IHL) including the furlough of staff to mitigate costs, although other costs remain such as NNDR, utilities and plant maintenance and servicing. IHL have approached the Council and requested the freezing of the management fee from April to June 2020 to help sustain the organisation, retain staff on furlough and to assist with future service continuity beyond the current restrictions.

**Recommendation:**

**That the portion of the management fee payment from 1 April 2020 to 30 June 2020 be waived for the Summit Contract following the Government decision to close all leisure facilities due to COVID-19.**

**Reason for recommendation:**

To ensure the Council acting reasonably recognises the financial impact on IHL and assists in mitigating the financial impact of the closure to ensure as far as is practical the facilities can be re-opened in a managed way for the residents of the Selby District. This approach is in accordance with the latest Local Government Association Guidance for supporting leisure providers during Covid-19 appended to this report.

## **1. Report**

- 1.1 Central Government announced the closure of all leisure facilities from 20th March 2020. The closure has resulted in a loss of income and the furlough of staff to mitigate costs, although other costs remain such as NNDR, utilities and plant maintenance and servicing. IHL have approached the Council and requested the management fee be waived from April to June 2020 to help sustain the organisation, retain staff on furlough and to assist with future service continuity beyond the current restrictions.
- 1.2 The decision to waive the annual management fee payable to the Council of £291,030 will mitigate the losses during the facilities closure. This decision equates to a monthly loss of income to the council of £24,253 per month of closure, total initial relief granted £72,759.
- 1.3 If the facilities are required to remain closed beyond June 2020 and staff remain furloughed the Council will review the position. provided the Government continues to meet 80% of the staff costs. During this time the Council and IHL will continue to review the position regarding the lockdown and the specific impact on this contract and consider the practical implications for provision of the service of the easing of restrictions as they are announced by the Government.

## **3. Alternative Options Considered**

Enforcing the contract conditions is an option but is not considered to be in the wider public interest due to the adverse impact on the leisure sector if it is not sustained through this crisis. Any re-mobilisation of public leisure provision will be significantly affected, with facilities unable to open and clubs and voluntary organisations unable to re-start activities for communities. There will be additional costs to the public purse through re-procurement, TUPEing staff, or establishing new delivery mechanisms whilst facilities remain closed for longer periods. There will be an impact on the social and health benefits to communities at a time when these will be most needed.

Leisure operators face particular challenges in accessing Government support during the COVID-19 pandemic:

- critically, while they benefit from the job retention scheme, they are largely ineligible for the retail, hospitality and leisure grants or rate relief
- they are also not in a position to take out loan finance – due to the risk – because of the nature of their business model and the low margins, which are in any case reinvested in the community
- they are not eligible for the Sport England emergency response package announced, which is aimed at grassroots organisations, and it is not yet clear whether or not they will be able to access any of the £750 million package of support for charities announced by the Chancellor.

## 4. Implications

### 4.1 Legal Implications

The Council is permitted to provide relief to suppliers due to COVID 19 under the provisions of the Procurement Policy Note 02/20 issued by the Cabinet Office in March 2020. If a supplier is identified as at risk and is unable to continue fully delivering their contract due to the COVID-19 outbreak the Council can continue to pay them (or reduce a management fee) for a period of 3 months. The Council should review the position when the initial 3 months has expired. Any decision to provide relief must be taken in compliance with the provisions set out in PPN 02/20 and any other relevant updates or further guidance issued by Central Government.

The decision proposed is for an initial 3-month and to review the position at the end of that period if staff remain furloughed to ensure the service can continue once restrictions are lifted. As more information about post lockdown requirements are known the decision will be reviewed.

### 4.2 Financial Implications

#### IHL Projections April – June

IHL have provided detailed cashflow estimates for the year, (extract for April to June below). Based on current assumptions around a phased recovery period, the expectation is that by the end of the financial year, losses will accumulate to around £900k, this excludes any transfers to IHL central overheads.

	APRIL	MAY	JUNE
TOTAL Income	-	21,110	24,861
TOTAL Expenditure	(74,986)	(73,643)	(75,771)
NET CASHFLOW IN MONTH	(74,986)	(52,533)	(50,910)
<b>Cumulative Cashflow</b>	<b>(74,986)</b>	<b>(127,519)</b>	<b>(178,429)</b>

#### SDC Revenue Implications

The annual management fee for 20/21 is budgeted at £291k, or £24k per month. Loss of income for April to June will be £72k, and £24k per month for each month extended beyond June 2020.

It is proposed that the loss of income is funded from Business Equalisation Reserve.

The S151 Officer is satisfied that on the information available the supplier is at risk as a result of the Covid-19 outbreak for the purposes of PPN 02/20.

#### **4.3 Policy and Risk Implications**

Not providing this support risks the future sustainability of leisure services beyond the Covid-19 restrictions and the ability to re-open in a managed way.

#### **4.4 Corporate Plan Implications**

Waiving of the management fee for 3 months directly supports the Councils corporate priority to make Selby District a great place to enjoy life.

#### **4.5 Resource Implications**

None directly arising from this report

#### **4.6 Other Implications**

These have been considered within the body of the report

#### **4.7 Equalities Impact Assessment**

None arising directly from this report

### **6. Conclusion**

- 6.1 The recommendation supports the sustainability and future delivery of this service beyond the current Covid-19 restrictions, as evidence supports that the service is at risk due to the Government's direction to closedown leisure facilities.

### **7. Background Documents**

None

### **8. Appendices**

LGA Options for Councils in supporting leisure providers through COVID-19 guidance.

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