



Report Reference Number: N/A

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

Title: Leisure Services Contract – Waiving of Management Fee Payments April – June 2020

Summary:

Central Government announced the closure of all leisure facilities from 20th 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 annual management fee payments between 1 April 2020 to 30 June 2020 is waived for the Leisure Services 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 of the Government decision to close all leisure facilities and assists in mitigating the financial impact. This is so that as far as is practical the facilities can be re-opened in a managed way for the residents of the Selby District in the phase out of Lockdown. 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 waiving 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.
- 1.2 The decision to waive a portion of the annual management fee payable to the Council of £31,522 will mitigate some of the losses during the facilities closure. This decision equates to a monthly loss of income to the council of £2,627 per month of closure, total initial relief granted £7,881.
- 1.3 If the facilities are required to remain closed beyond June 2020 and staff remain furloughed the Council will review whether to waive a further portion of the annual payment fee 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 period. As more information about post lockdown requirements are known the position after that 3 month period 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 £570k, this excludes any transfers to IHL central overheads.

	APRIL	MAY	JUNE
Total Income	6,574	47,971	54,529
Total Expenditure	(100,784)	(115,376)	(109,377)
NET CASHFLOW IN MONTH	(94,211)	(67,405)	(54,848)
Cumulative Cashflow	(94,211)	(161,615)	(216,464)

SDC Revenue Implications

The annual management fee for 20/21 is budgeted at £32k, or £2.7k per month. This represents net loss of income for April to June of £8.1k, and £2.7k for any extension beyond June.

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 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. Evidence supports that without this assistance 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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