

**Report of the Cabinet Member for Finance, Performance and Core Services
9 April 2020**

Title: Sport and Leisure Management Support Package	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: Andy Knight, Head of Leisure, Parks and Heritage	Contact Details: E-mail: andy.knight@lbbd.gov.uk
Accountable Director: Mark Tyson, Director of Policy and Participation	
Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer	
Summary	
<p>Following a Government order in the face of the Covid-19 public health emergency, all leisure centres in the Borough run by Sport and Leisure Management Limited (SLM), under the Service Agreement between SLM and the Council of 2017, have been required to temporarily close to the public.</p> <p>In order to protect the employment of the staff and to ensure the continued maintenance of the leisure centre buildings, the Council has been approached by SLM to provide a financial support package of which the details are outlined in the report.</p>	
Recommendation(s)	
<p>The Cabinet is recommended to agree the proposed support package for SLM who manage the Borough's leisure centres on behalf of the Council, as detailed in the report.</p>	
Reason(s)	
<p>To assist the Council to achieve its priority of a "Well Run Organisation" in the context of its response to the Covid-19 public health emergency.</p>	

1. Introduction and Background

- 1.1 Following a government order in the face of a Covid-19 public health emergency, we have been required to temporarily suspend the operation of all leisure centres run by SLM under the service Agreement of 2017 in the Borough.
- 1.2 This has meant that SLM will face significant financial pressure whilst the Government's social distancing measure are in place.
- 1.3 In order to protect the employment of the staff and to ensure the continued maintenance of the leisure centre buildings, the Council has been approached by SLM to provide a financial support package.

1.4 SLM have been encouraged wherever possible to seek Government help and the following section outlines what support that is considered appropriate for the Council to provide at this time.

2. Proposal and Issues

2.1 In response to the outbreak the Government has launched the Coronavirus Job Retention Scheme which we believe is available to SLM to claim in respect of payroll costs while the leisure centres are closed.

2.2 However, due to the lack of income it is proposed that the Council supports SLM with their cashflow in order to pay their staff 80% of their salary in line with the Job Retention Scheme.

2.3 The cost of this cashflow shortage is estimated to be in the region of £241,000. Advancing this figure in the form of a loan is required to ensure that leisure centre staff will get paid in this month (April). This will be reimbursed to the Council when SLM receive the money from the Government under the terms of the scheme.

2.4 Other support proposed would be to suspend the management fee payments from SLM to the Council for 3 months, this in total would be approximately £439,000. These specific payments would be formally discussed once normal business activity has resumed and future payments reprofiled accordingly.

2.5 Finally, as the facilities are key Council assets it is proposed that we would contribute 50% (capped up to £30,000) of the essential building maintenance costs whilst the facilities are closed. This would be to protect the buildings and ensure that they are ready to operate as soon as the emergency legislation requiring social distancing measure are lifted.

2.6 Officers will review all the proposed support measures on a monthly basis to ensure that they are proportionate and will challenge, where possible, to reduce the costs.

3. Options Appraisal

3.1 **Option 1** - Provide the support package as outlined above

By offering this support to SLM it will enable them to maintain their business in the borough as a going concern in the borough operating during this unprecedented time. They are a key partner for the Council and like so many other organisations have been impacted significantly through no fault of their own.

These buildings are key council assets and this support will allow SLM to continue to maintain them and protect the significant investment that the Council has made over the recent years.

3.2 **Option 2** – Do Nothing

Should SLM not being able to pay its staff could lead to significant job losses of which many employees are LBBB residents. Similarly, if SLM are not financially able to maintain the buildings it could lead to them falling into a state of disrepair

and could result in the buildings transferring back to the Council, which would be a greater financial risk for the Council.

4. Consultation and Urgent Action Arrangements

- 4.1 The proposals in this report have been fully consulted on, and endorsed by, senior Cabinet Members and management.
- 4.2 In view of the implications for SLM resulting from the leisure centre closures and, in particular, the issue relating to staff salaries for the April payroll, the Chief Executive intends to approve the package of support measures as detailed in the report for immediate implementation, under the provisions of Part 2, Chapter 16, paragraph 4 of the Council Constitution.
- 4.3 Furthermore, it has been appropriate to apply the “Special Urgency” provision as set out in Part 2, Chapter 17, paragraph 15 of the Constitution as the matter qualifies as a ‘key decision’ and had not been publicised in advance on the Council’s Forward Plan in line with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.
- 4.4 In accordance with the above provisions, the agreement of the Chair of the Overview and Scrutiny Committee to the application of the Urgent Action and Special Urgency arrangements has been received and the Chief Financial Officer and the Monitoring Officer have similarly approved these arrangements.
- 4.5 Full details of this Urgent Action decision taken by the Chief Executive will be reported to the next meeting of the Cabinet on 21 April 2020.

5. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager – Service Finance

- 5.1 Prior to the transfer to SLM in August 2017 the Council operated the Leisure Centres and was wholly responsible for all costs and income and the centres often ran at a net loss. Since the transfer SLM has borne most of the operating risk and returned to the Council a net income through the Concession Fee in addition to covering some of the Council’s retained costs for capital financing and insurance. The centres therefore are funded from customer fees and charges rather than from public funding. The net income budget for 2020/21 is £2.057m or £0.171m a month.
- 5.2 As part of the emergency measures in response to the Covid-19 pandemic, the Government has instructed all Leisure centres to close thus creating a severe financial pressure. As a separate entity that is dependent on customer charging (rather than significant public funding) SLM is eligible for various kinds of support from the Government especially the Job Retention Scheme (Furlough Scheme). However, this is unlikely to cover the full costs of the closure. This report sets out three main elements of financial support. The first is a cashflow loan of £0.241m which should be recoverable at some stage. However, in these circumstances there is a higher than usual risk that this may not be recovered or may need to be recovered over a long period.

- 5.3 The second element is a contribution up to £30k towards the premises costs of the centres (which are Council assets.) This is the amount required for a three-month closure. The final element is suspension of the concession fee payment to the Council. The cost of this would be £0.439m for March, April and May and a further £0.171m for every subsequent month.
- 5.4 The total cost to the Council therefore is likely to be a minimum of £0.470m and this could increase. As an illustration, if the social distancing measures were extended for a further three months (until end of August) and the cashflow loan could not be recovered the total cost could rise to £1.158m.
- 5.5 It must be recognised that if the Council does not grant this financial support then there is still a very high risk that the Concession fee will still not be paid and there would be other risks to the Council as set out in this report.
- 5.6 Central Government has provided funding to Local Government to meet additional costs arising from the Covid pandemic and its response. The Barking and Dagenham share of this is £6.3m, some of which could be applied to meet these costs at the lower end of the estimate but if the costs are at the higher end then there is unlikely to be sufficient funding to meet this and other pressures elsewhere. MHCLG will be gathering information about the total costs incurred by Local Government and are likely to release further funding if this can be clearly shown to be required but this is not yet confirmed.

6. Legal Implications

Implications completed by: Dr Paul Field Senior Governance Lawyer

- 6.1 This report is being prepared under the urgent action procedure set out in the Council's Constitution Part 2 Chapter 16 paragraph 4. The reasoning being that there is a need for SLM to pay their employees on 14 April 2020, and that meeting is prior to the Cabinet.
- 6.2 This urgent action should be reported to the Cabinet and it has been advised that the ongoing commitment of support to SLM should be raised for decision together with this immediate position.
- 6.3 The Council has the power to make such a payment under section 1 general power of competence given to it by the Localism Act 2011.
- 6.4 Measures need to be taken to ensure the payments are strictly for the purposes set out in this report and not a line of general funding to SLM. This will require specialist drafting of a conditional loan agreement and ensuring that the payment reaches directly the employees of SLM working in the borough for the purposes of the agreement made between the Council and SLM in 2017.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None