

## **Appendix 1 – Maintaining Leisure Services during the pandemic**

1. All Leisure Centres have been required to close during the national lockdowns in response to the Covid-19 pandemic, which means that they have been closed for 8 months from 20<sup>th</sup> March 2020 to 12<sup>th</sup> April 2021. Leisure centre income reduced to zero during these periods of closure. Furthermore, when they have been able to open there has been an additional impact on costs and income due to the measures required to maintain social distancing and reduced visitor numbers due to the pandemic.
2. Throughout the pandemic the council's commissioned leisure provider- Everybody Sport and Recreation has sought to reduce costs and access government support in order to remain a going concern. The majority of staff were furloughed during periods of lockdown, with a core staff retained on a flexible furlough basis with the agreement of the council for key activities including regular building inspections, membership engagement and retention, and the delivery of a new online health and fitness channel to help people to keep physically active while at home. The trust chose not to pay the % of furloughed staff wages not covered by government's job retention scheme.
3. Everybody Sport and Recreation has been ineligible for government grants and rate relief provided to businesses and front-line charities. It has been unable to access government backed commercial loans because of the nature of its business model. A claim through its business interruption insurance was also rejected. Furthermore, the lost income from leisure centres is not eligible for support under the government scheme to partially reimburse councils for income lost during the pandemic owing to the fact that the council operates its leisure facilities through a trust.
4. Despite the actions taken to reduce costs Everybody Sport and Recreation have continued to incur a net cost throughout the pandemic. This financial pressure was first reported to Audit and Governance Committee on 30<sup>th</sup> July 2020 forecasting increased expenditure for leisure services of £1m in 2020/21.
5. The Mid-Year Review reported to Cabinet on 6<sup>th</sup> October 2020 revised the forecast to £1.2m. It reported that financial support for Everybody Sport and Recreation's cashflow position had been provided through advance payments of the 2021/22 management fee, pending further announcements from government. It also reported that this support may need to be funded from the Covid-19 Emergency Grant if specific funding for local authority leisure centres was not forthcoming or insufficient. Without this financial support Everybody Sport and Recreation would not have had sufficient income to meet their costs and liabilities through to March 2021. The trust would have become insolvent and be unable to operate the council's leisure centres. This support, therefore, ensured service continuity for the council's leisure centres.

6. On 1<sup>st</sup> December 2020 Cabinet approved a Supplementary Revenue Estimate of £500,000, fully funded from the un-ringfenced Covid-19 Emergency Grant, to provide a budget for an additional management fee payment to Everybody Sport and Recreation in 2020/21. This reflected the impact of the second lockdown on income, the latest view of post pandemic recovery and the most recent financial position of the trust.
7. The Council has been awarded £961,000 through the National Leisure Recovery Fund launched in December 2020 to support the reopening of public leisure facilities following the second lockdown. Once the third national lockdown was announced later in December, it was clear that the scheme and total funding allocation of £100m was insufficient. This funding will be passed on to Everybody Sport and Recreation but the trust is likely to require additional financial support to recover to a sustainable financial position in the medium term. If there is no further funding for public leisure facilities announced by Government, it will be necessary for the council to provide further financial support.
8. The latest forecast of Everybody Sport and Recreation's financial position for 2020/21 is a net cost of £2.1m. The full 2021/22 management fee budget of £1.561m has been paid in advance as well as the additional £500,000 approved by Cabinet in December.
9. The risk articulated in the Mid-Year Review that financial support for leisure services may need to be funded from the Covid-19 Emergency Grant has now materialised. It is essential that the budget for the 2021/22 management fee that has been paid in advance is replenished in order to maintain leisure services for the borough. A Supplementary Revenue Estimate for £1,561,000, fully funded from the Covid-19 Emergency Grant, is recommended to replenish the management fee budget for 2021/22.
10. The provision of financial support for ESAR has enabled them to address the significant reductions in income resulting from the pandemic. It is to be noted that the ongoing financial support is to enable the ongoing future provision of leisure services in the Borough on behalf of the Council which is going to be a key element of future recovery from the pandemic.
11. The proposed financial support would reduce the risk of the council's leisure provider not being able to meet its financial obligations. In this scenario the day to day operational responsibilities for running leisure would transfer to the council -in addition to the strategic commissioning responsibilities it currently has. This would involve the TUPE transfer of staff and would lead to additional costs for the Council associated with the reductions non-domestic rates and VAT that the charity can currently benefit from. Harmonisation of terms and conditions with Council staff would also increase costs associated with pension liabilities. The council would also need to undertake a review of options regarding the future

delivery of services which may lead to a reduction in service provision across the Borough.