

COUNCIL  
26 NOVEMBER 2020

Report of the Director of Community & Environmental Services

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## **REQUEST FOR ADDITIONAL FINANCIAL SUPPORT TO FREEDOM LEISURE IN LIGHT OF COVID-19 IMPACTS**

### **PURPOSE OF REPORT**

To outline the extra funding requirements requested by Freedom Leisure in order to continue to operate the Leisure Centres, following the disruption of services since the outbreak of the COVID-19 pandemic.

### **RECOMMENDATION**

1. To note the support given to date and the information provided by Freedom Leisure on reopening the four leisure facilities and fulfilling what Freedom set out to do.
2. To support Freedom Leisure for the remaining 2 months of 2020/21 financial year to the sum of £143,815
3. To note the financial support request from Freedom Leisure throughout 2021/22 financial year with an additional £290,000 management fee and to consider this at a future committee if and when required

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

The provision of leisure facilities improves the health and wellbeing of residents linking with all the Council's corporate priorities.

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## **1 BACKGROUND**

- 1.1 The District Council has four leisure centres. These are sited in Ashbourne, Bakewell, Matlock and Wirksworth.
- 1.2 Following a review and options appraisal, the management and development of the service was outsourced to Freedom Leisure in August 2018.
- 1.3 On 20 March 2020, the Government announced the temporary closure of all gyms and leisure centres (along with pubs, clubs, restaurants, cafes) as part of its COVID-19 response to stop the spread of infection.

- 1.4 Leisure trusts such as Freedom Leisure are most at risk because they are not for profit organisations (with a public benefit asset lock) and as such do not distribute profits. Currently leisure providers are exempt from most COVID-19 emergency support funding, because they have a rateable value above £51,000 so are not eligible to receive the retail, hospitality and leisure grants.
- 1.5 As previously reported, the District Council worked closely with Freedom Leisure to negotiate and agree an initial payment to Freedom Leisure in April 2020. The costs covered by the District Council included funding the non-furloughed staff, who were required to complete building checks in the leisure centres throughout the 'lockdown' period, as well as other costs that Freedom Leisure were unable to mitigate such as repairs and maintenance, central overheads and utilities. The District Council also agreed to pay 50% of the annual management fee upfront
- 1.6 An extraordinary committee was held on 12 August 2020 where it was agreed:
- *To provide financial support to Freedom Leisure for the phased reopening of the District Council's Leisure Centres, as per Option Two of the report;*
  - *To cap the level of financial support to Freedom Leisure at £300,000;*
  - *To review the financial support provided to Freedom Leisure through an open-book accounting process.*
- 1.7 Freedom Leisure reopened Arc, Ashbourne and Wirksworth on Friday 28 August on reduced opening hours and Bakewell Pool reopened in month 3 on 23 October as agreed at committee on 12 August.

## **2 REPORT**

- 2.1 Since the reopening of the leisure centres District Council officers have worked closely with Freedom Leisure by having monthly review meetings to understand the performance of the leisure centres during this pandemic. These meetings have given officers insight into the actual performance of centres including income, expenditure and the participation figures such as current memberships compared to pre Covid-19 memberships.
- 2.2 Freedom have continued to mitigate costs throughout the centres by utilising the Job Retention Scheme to keep staffing costs down to a minimum and also maintaining reduced opening hours but having flexibility to ensure users of the centres still have access.
- 2.3 There was £300,000 agreed to support Freedom Leisure from August 2020 to January 2021 at the extraordinary committee on 12 August 2020 and this was based on the likelihood of the 6 months costing around £300,000 through Freedom Leisure's predictions. The table below shows the previous estimates (option 2) against a revised estimate:

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Total
<b>Option 2</b>	- 106,406	- 65,481	- 31,367	- 23,197	- 28,117	- 23,914	- 278,482
	Aug	Sept	Oct	Nov	Dec	Jan	
	Draft	Draft	Estimate	Estimate	Estimate	Estimate	Total
<b>Revised</b>	- 60,733	- 59,134	- 69,673	- 65,504	- 65,098	- 58,311	- 378,453
<b>Variance</b>	45,673	6,347	- 38,306	- 42,306	- 36,981	- 34,396	- 99,971

- 2.4 These predictions were originally based on the 2m social distancing rule being reduced in leisure facilities enabling more customers into the centres. However the 2m rule is still in place and will continue to be so for the foreseeable. The revised estimates reflect the current actual performance, sector intelligence and the likely effects of the continuing social distancing and reduced customer confidence.
- 2.5 It is from October onwards when the gap between the income predicted and the actual income widens and this is having a financial impact on Freedom Leisure.
- 2.6 Freedom Leisure only have financial support from Derbyshire Dales District Council up until the end of January 2021 with the remaining 2 months of the financial year unsupported. The predictions for these 2 months are based on prudent assumptions and Freedom Leisure are seeking support from Derbyshire Dales District Council for **£143,815**. Whilst this figure is still only an estimate it is following all of the current trends.

### **Financial year 2021 – 2022**

- 2.7 Freedom Leisure provided the District Council with figures and a request for further financial support throughout 2021 – 2022 financial year on Tuesday 27 October. This request would be an additional payment in the region of **£290,000** towards the management fee that the District Council already pays to Freedom Leisure.
- 2.8 These predictions and assumptions from Freedom Leisure are based on the current performance and the insight into what the next year could look like for the leisure industry.
- 2.9 As this is a continually changing situation it is still very unclear exactly what the next year for the leisure sector will look like and therefore as per recommendation 3 of this report the District Council asks you to note that further financial support may be required for Freedom Leisure. If this financial support is still required at a later date a further report will follow.

### **Additional Central Government funding**

- 2.10 On 22 October 2020 the Secretary of State for Housing, Communities and Local Government - Robert Jenrick, confirmed over £900 million of funding will be provided to councils for their ongoing work to support communities during the pandemic. As part of this £900 million there is a £100 million scheme to support local authority leisure centres. At the time of writing this report it is still unclear exactly how this fund will work and when the District Council would be able to apply for the funding. Officers are working closely with Freedom Leisure and continue to have support from FMG Consulting and will therefore be in a position to apply when the fund opens for applications.

- 2.11 Initial discussions have indicated that the fund will cover bids up to the 31<sup>st</sup> March 2021 and it will be joint applications with the Council and its operating partner.

### **3 RISK ASSESSMENT**

#### **3.1 Legal**

The legal risk is medium. If Freedom Leisure cannot operate, there is a risk that the contract could be legally terminated and the staff and facilities would be transferred back the Council with the associated costs and office time.

#### **3.2 Financial**

The additional sum of £143,815 for 2020/21 can be met from the revised revenue budget that was approved by Council on 27 August 2020, as this had included a contingency for such a request. It is hoped that there will be additional Government funding to assist with the financial support to Leisure Centres. If there is not sufficient Government grant to cover these costs, it was assumed for the revised revenue budget for 2020/21 that the costs would be financed from the General Reserve, which of course reduces the amount available for other unforeseen events and emergencies

Although the cost can be contained within the revised revenue budget the financial risk is assessed as medium to high due to the impact on the general reserve balance. It would be much higher should Freedom Leisure consider the contract no longer viable and take steps to terminate.

### **4 OTHER CONSIDERATIONS**

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

### **5 CONTACT INFORMATION**

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