

**REPORT TO THE PERFORMANCE SCRUTINY PANEL
MEETING ON 17 March 2022**

Status: For Discussion

Title: The Council's working arrangements with SLM (Everyone Active)

Originator: Steve Taylor, Health & Wellbeing Manager
Tom Day, Service Manager

Where to next: N/A

Objective: To scrutinise the Council's working arrangements and Open Book accounting with SLM and leisure performance.

1. Outcome sought from Panel

- 1.1 To consider and discuss the Council's working arrangements and Open Book accounting with SLM and leisure performance.

2 Background

- 2.1 Covid-19 has had a massive impact on our residents, businesses and communities over the last two years. Some industries and services have been particularly negatively affected by the control measures put in place to prevent the spread of the virus, and this includes the leisure industry.
- 2.2 A request for financial support for 2021/22 was received from SLM in February 2021, due to their continued inability to meet their costs for our contract. If SLM did not survive or discontinue with the leisure service provision this would have placed a significant burden and cost on the Council. The current contract was wholly reliant on income from customers to operate and was already operating at a loss due to the maintenance requirements and the opening of a private gym in Market Harborough by Serco.

The Open Book approach

- 2.3 SLM requested a continuation of the open book approach to the contract for 2021/22. This means that they forecast the deficiency they expected to incur as a result of providing our leisure contract each month. The proposal was that we pay the complete deficit. As part of this approach SLM in return would not take any commercial profit.

2.4 SLM provided a forecast for costs until the end of the financial year. The total forecast loss was £474,754.

This was based on the following assumptions;

- the centres reopen April 21
- there is a tiered approach to opening
- the current furlough scheme ends June 21
- no management fee is required

2.5 In March 2021 the Council was successful in securing funding from the National Leisure Recovery Fund. This included £140,262 to put towards the reopening of Market Harborough Leisure Centre and Lutterworth Sports Centre.

2.6 On 12th April 2021 Cabinet agreed an exempt report recommending the Open Book approach for the 2021/22 financial year based on the SLM forecast deficit. Officers undertook a series of actions to ensure the robustness of their advice to go down this route. This included;

- Liaison with Sport England who awarded HDC £5,000 to obtain expert advice on our leisure provision and recovery. Sports and Leisure Consultancy (SLC) were nominated by Sport England to provide expert advice. SLC supported the approach of the open book and advised us on the figures provided by SLM. SLC advised us on a;
 - Best case scenario, if 80% of pre-COVID income is recovered, the service would require c. £484k of deficit funding during 2021-22.
 - Worst case scenario, if only 60% of pre-COVID income is recovered, the service would require almost £1M of deficit funding during 2021-22
 - The SLM forecast was broadly in line with the Best case scenario. SLC noted some potential risk and uncertainties regarding SLM's recovery figures. SLM were projecting substantial staff costs savings from furlough but no allowance was made for any redundancy costs. The assumptions are based on the previous lockdown and recovery.
- The Council undertook a high-level assessment in relation to mothballing of leisure centres and not re-providing any replacement or relocated facilities in the district. There were significant costs identified particularly if the decision was to remain closed beyond the furlough scheme, due to the responsibilities to the employees. The staff would likely be TUPE'd across to the Council and then we would be liable for any redundancy costs etc., in addition there will be maintenance costs that continue to arise. There were 88 employees employed at Harborough and 68 at Lutterworth plus casual staff. Of these staff 39 were full time employees and 117 part time. Mothballing both leisure centres was estimated to cost £1.1M plus £7.5k per month.
- Keeping the wet side open was more costly than that of the dry side particularly with the social distancing arrangements in place at the time. However, we had many residents still using the facilities including 2,161 children actively

participating in the swim schools, and there was a concern about physical inactivity, obesity and the loss for a whole year group of children, particularly the most vulnerable, of the life skill of being able to swim. Mothballing the wetside only was estimated to cost £900k plus £6k per month.

- The advice from the LGA was also undertaken to ensure that we were following national advice.
- As part of this process sought to obtain an understanding of what support was being provided to other operators both within Leicestershire and Nationally for 2021/22. At the time authorities were supportive in their response to the operators request.
- State aid considerations - action note PPN 02/20 March 2020. This note recommends utilising an open book approach from when the service closed to when income levels have been achieved to ensure fairness and transparency. The request from SLM is in line with this recommended approach. The Covid-19 crisis resulted in a shift in the financial risk allocation from the leisure provider to the Council.

The Process

- 2.7 The following mechanisms were put in place to monitor the impact and mitigate any issues:
- Delegated authority was provided to officers in consultation with the Finance Portfolio Holder and Communities, Wellbeing and Housing Portfolio Holder to sign-off monthly accounts.
 - SLM would provide monthly accounts via an open book approach with their actual position for that month, there will then be a period of challenge and negotiation to ensure as much as possible is done to reduce the cost to the authority.
 - Utilis SLC through the government funding to verify and challenge both our and SLMs approach to the crisis and recovery.
 - Continue to lobby government to access additional funding for leisure provision.

The amounts paid (April-December 2021)

- 2.8 The process has been followed with accounts up to December 2021. Monthly accounts have been submitted by SLM with those accounts being scrutinised line by line by the Service Manager, Health and Wellbeing Manager and Finance Business Partner before being recommended to Cabinet Members for approval.
- 2.9 The monthly forecast and actuals for period April 2021 to December 2021 are set out in below in Table 1. At a high level this shows a much better financial position than originally forecast. The monthly deficits to date have been offset through HDC forgoing the management fee and through utilising the National Leisure Recovery Fund which has £9,437 left to set against deficits in the last quarter.

Table 1. SLM Forecast & Reconciliation

	2021-22												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	
SLM Actuals Year to Date	51,830	47,585	16,334	9,607	8,057	290	(1,453)	(386)	(1,039)				130,825
Less Deficit Funded from NLRG Grant	(46,807)	(46,807)	(16,334)	(9,607)	(8,057)	(290)	1,453	386	1,039	(15,238)			(140,262)
Deficit charged to HDC	5,023	778	0	(0)	0	0	0	0	0	(15,238)	0	0	(9,437)
Forecast SLM Costs for 2021/22	48,696	41,648	49,893	34,147	27,168	29,898	18,938	23,539	42,223	12,108	1,612	24,883	354,753
(Under)/ Over spend against Forecast	(43,673)	(40,870)	(49,893)	(34,147)	(27,168)	(29,898)	(18,938)	(23,539)	(42,223)	(27,346)	(1,612)	(24,883)	(364,190)

3. Outcomes achieved during Covid-19

- 3.1 The better than forecast financial position of the leisure centres is down to the levels of participation and memberships, which have gradually returned to pre-pandemic levels. This is very encouraging but there is still work to do in encouraging pay as you go members back to the sites.
- 3.2 A high-level overview of this years participation figures compared to pre-pandemic 2019 figures is set out in Appendix 1. Appendix 2 provides further detail of this years figures broken down by month.
- 3.3 Key Performance Indicators are supplied by SLM to the Council on a monthly basis. These are discussed in quarterly meetings between SLM and the Council. Appendix 8 provides the last quarters information on this detail.
- 3.4 It is important to understand the work that is done within the centre working alongside the councils Health and Wellbeing team. Appendix 3,4 and 5 provide case studies and members testimonials that demonstrate the impact of the quality work delivered within our centres.
- 3.5 Our centres remained part of the community and became integral in the delivery of covid testing utilising our bowls hall and car parks to provide the community with accessible centres within walking distance of 2 of our major towns.
- 3.6 The centres worked with local groups such as Wheels For All to deliver activity for targeted groups utilising car park space as an alternative to indoor use.

4 Points for discussion

- 4.1 To consider the response of our leisure provider in relation to the COVID-19 pandemic and how we are building on our relationship moving forward to support the communities emerging health, wellbeing and physical activity related concerns.

5 Equality Impact Assessment Implications/Outcomes

- 5.1 All current and potential issues are discussed and evaluated through the regular contract meetings.

6 Impact on Communities

- 6.1 The leisure centres play a vital role in delivering leisure and sporting opportunities to the residents of the district. The role of the centres in delivering health benefits to the community over the coming years is likely to increase with the focus of healthcare moving away from treatment and towards prevention.
- 6.2 The centres are achieving significant successes in delivering activity programmes to members of the community who have previously been inactive and at risk of poor

health for example the Cancer Prehabilitation Scheme, Cardiac Referral Scheme and GP exercise referral scheme.

- 6.3 It is of particular importance that SLM continue to work with the Council's leisure team to ensure they are involved in local and national initiatives and are looking at where they can apply for grant funding to enhance provision.
- 6.4 Both centres operate classes and activities which encourage older residents to participate in gentle exercise sessions assisting with mobility and other long term health conditions.
- 6.5 We already are seeing a rise in the number of people experiencing symptoms associated with the following:
- Mental Health
 - Physical Health relating to inactivity such as increased home accidents and musculoskeletal disorder.
 - Diagnosis of long covid

7 Uniting Communities Through Activity

- 7.1 It has been a challenging year but the lifting of regulations relating to the opening of leisure facilities and return to activity has been welcomed.
- 7.2 The new focus over the coming months is to safely work through the business plan Uniting Communities Through Activity and encouraging customers to take part in 150 minutes of exercise each week with at least 2 sessions at our leisure centres. Appendix 2 (Uniting Communities Through Activity) sets out how this will be done.

8 Legal Issues

- 8.1 HDC has a contract with SLM for the delivery of leisure services until March 2024.

9 Resource Issues

- 9.1 As a result of the COVID-19 Pandemic the council is currently operating an open book accounting approach with our leisure provider, and providing the support required to ensure the ongoing provision of our leisure service.
- 9.2 The council has been successful in securing £140,262 from the National Leisure Recovery Fund monies to support the Councils leisure centres through the current lockdown restrictions and aid their recovery.

10 Community Safety Implications

- 10.1 High participation levels in sport and physical activity amongst young people are thought to contribute towards lower levels of anti-social behaviour (ASB).
- 10.2 Physical activity is clearly important in building a cohesive community. Research from the ukactive Research Institute in partnership with the DataHub found that community leisure in the UK contributes £3.3bn in social value. This figure takes into account improved health, reduced crime, increased educational attainment and improved life satisfaction (subjective wellbeing), with activities like football having a significant social impact on education and crime reduction.

11 Carbon Management Implications

- 11.1 SLM recognise the importance of Carbon and Energy Management. Opportunities for improved energy management are constantly reviewed and implemented where feasible and financially viable.
- 11.2 Appendix 7 provides detail of our centres use of energy

12 Risk Management Implications

- 12.1 Operational risks are managed by SLM and discussed in the regular contract meetings.
- 12.2 The Council retains certain liabilities as the owner of the leisure centres and monitor these, including identifying and progressing Health and Safety action points.
- 12.3 The Corporate Health and Safety Officer carried out a Health & Safety audit of Lutterworth Sports Centre in October 2020. The audit was a comprehensive assessment and ensured documentation/records were in place and up to date.

13 Consultation

- 13.1 None.

14 Background Papers

- 14.1 None

Previous report(s):

Information Issued Under Sensitive Issue Procedure: N

Appendices:

- Appendix 1) HDC Scrutiny KPI's**
- Appendix 2) Leisure Centres KPI's 2021-22**
- Appendix 3) GP Referral Case study**
- Appendix 4) Cancer Prehabilitation Fit4Surgery Case study**
- Appendix 5) Member Testimonials**
- Appendix 6) Leisure Centres Accident Tracker**
- Appendix 7) Energy Consumption**
- Appendix 8) Harborough PMR 2021-22 Q3**

