

Phased Reopening of Leisure Provision		Agenda No: URGENT ITEM
Portfolio:	Finance and Performance Management Health and Wellbeing	
Corporate Outcome:	Finance and Performance Health and Communities	
Report presented by:	Councillor Peter Tattersley, Cabinet Member for Health and Wellbeing, and Councillor David Bebb, Cabinet Member for Finance and Performance Management	
Report prepared by:	James Sinclair, Commercial Manager	
Background Papers:	Public Report	
<u>DDN0007 – Delegated Decision by Chief Executive – Provision of Monetary Relief to Fusion in response to Covid-19 for April 2020</u> <u>Report and Minutes of Cabinet 13 July 2020</u>		
	Key Decision: No	
1	Executive Summary:	
1.1	The Council is working proactively to support Fusion in reopening leisure facilities across the district to ensure our residents can access this valued service, whilst ensuring all measures are put in place to protect customers.	
1.2	To enable this the Council are considering a phased reopening plan for the leisure centres within the Braintree District, as proposed by Fusion Lifestyle on 22 nd July 2020 (the Proposal). This Proposal sets out the requirement for further financial support from Braintree District Council (the Council) at a cost £483.7k for the period August 2020 to March 2021.	
1.3	As part of the proposed remobilisation, the Council would also need to agree to waive the Management Fee for the remainder of this financial year, with a further cost to the Authority of £128.8k.	
1.4	Consideration on the detail of the phased proposal will be made by Cabinet at an emergency cabinet session scheduled for 31 July 2020.	

- 1.5 To support the remobilisation of the leisure service in the District, Fusion have sought to mitigate costs through the renegotiation of key supply contracts and a reduction of between 40% and 50% of payroll costs relative to pre-crisis levels.
- 1.6 Fusion have submitted an application for the Coronavirus Large Business Interruption Loan Scheme (CLBILS). This application has been approved on the basis that Fusion's remobilisation plans are approved by the councils for which they deliver contracts. The CLBILS funding will cover the costs of the restart, including staff restructure, site configuration, and IT systems which will enable Fusion to operate more efficiently with reduced staff levels.
- 1.7 To calculate projected income levels Fusion have used the revenue growth factors published by UKActive in the Covid-19 Impact Report "the Fitness & Leisure Sector's Path to Recovery". This forecast is based on multiple data sources and provides prior year growth factors for health & fitness, group exercise and swimming. In summary the UKActive analysis envisages the overall sector trading at 30% of the normal levels during July with this improving to 60% by March 2021.

2 Background

- 2.1 On 20 March 2020 following the Government's decision to shut leisure centres as part of its actions to slow the spread of Covid-19, all Fusion operated Leisure Centres in the Braintree District closed. The result of the lockdown has significantly impacted the whole leisure industry.
- 2.2 Following the decision taken by the Chief Executive under the urgency powers on 4 May 2020 and the decision taken by Cabinet on 13 July 2020, the Council have provided monetary relief to Fusion in the sum of £55.8k per month during April, May and June 2020, to support the leisure centres for costs incurred during that period. This sum consists of the following (figures exclude VAT where applicable):
- a) Waiver of the management fee due to the Council for April, May and June totalling £48.3.k (£16.1k per month);
 - b) A grant of £113.7 k (£37.9k per month) towards the residual costs to be paid by the Council; and
 - c) A Waiver of £5.4k (1.8k per month) against the outstanding PV Panel Recharge owed by Fusion to the Council.
- 2.3 The total monetary relief provided to date is £167.4k for the months of April, May and June.
- 2.4 Since those decisions were made the Government have announced that indoor gyms and swimming pools will be allowed to reopen from 25th July 2020 so long as they adhere to strict safety procedures.
- 2.5 The Council has been working with Fusion since that announcement to support them in the remobilisation of the Leisure Service across the Braintree District. In order to enable the leisure centres to reopen as quickly as possible the Council is required to consider providing further financial support to assist Fusion with the

costs associated with the remobilisation of the service. The associated costs have only recently been made available to the Council.

3 Remobilisation of the Leisure Service

- 3.1 The Council and Fusion have engaged in a number of discussions, considering different remobilisation models. It is likely that the leisure service within the District will need to return in two phases. The first would allow for the return of the Dry sports only with phase 2 seeing the reopening of swimming facilities.
- 3.2 Negotiations are ongoing with Fusion and will be fed in to the detailed cabinet report which will be presented to Cabinet on Friday 31st July 2020.
- 3.3 In order to prepare for the reopening of the leisure centres there is a significant amount of work needed to ensure that the services offered adhere to the strict government guidelines. The facilities will need to be reconfigured to allow for social distancing on site, staff currently on furlough will need to return to work, and will need to undergo retraining where necessary. In order to ensure effective management of each centres capacities, a new booking system will be introduced through which all activities will be booked and paid for online. This will also allow for track and trace to take place.
- 3.4 In order to ensure that the Council has in place sufficient resources to provide the continued support to Fusion as it moves towards reopening, it is essential that an appropriate budget is allocated now so that the Council can respond quickly as the reopening of the centres takes place.

4 Financial Implications

- 4.1 The indicative support costs for remobilisation for both Phase 1 and Phase 2 amounts to £483.7k between August 2020 and March 2021. In line with the previous decisions taken by the Chief Executive and Cabinet, the Council would continue to waive the Management Fee for this this period, with an income loss to the Council of £128.8k.
- 4.2 It is acknowledged that it may take longer for consumer confidence to return and for Covid restrictions to reduce. Therefore financial support may change during the remainder of this year and may also be required beyond this period.
- 4.3 The issues experienced by Fusion are part of a national leisure crisis. This has been recognised and a bid was made by MHCLG and DCMS for a total support package of £770m for the leisure industry last week to HM Treasury. If successful the Council will bid for grant funding to offset the budget impacts detailed within this paper.
- 4.4 Accordingly the Council is requested to establish provision of up to £700k for the future drawdown in support of Fusion remobilisation costs between August 2020 and March 2021. This budget provision will be funded by a transfer from the Council's unallocated balance.

Recommended Decision:

Full Council is recommended to approve provision of up to £700k for the future drawdown in support of Fusion remobilisation costs between August 2020 and March 2021. Funding to be provided by a transfer from the Council's unallocated balance.

Purpose of Decision:

To enable the leisure provision to reopen within the Braintree District at the earliest opportunity; and

Support the Council's leisure provider in line with guidance provided by the Local Government Association (LGA) and Procurement Policy Note (PPN) 04/20

Any Corporate implications in relation to the following should be explained in detail.**Financial & Resource:**

The cost of support to Fusion in the first three months of the year is £167.4k and this is being accounted for as a cost of the Covid pandemic, for which the Council has received emergency funding from the Government of £1.785m. The net cost to the Council of the Covid pandemic in 2020/21 will not be fully known until the year end; when all financial support from the Government will have been received. At this time, it is anticipated that any shortfall against the costs will have to be met from the Council's unallocated balance.

The estimated cost of Fusion's phased remobilisation plan for the remainder of this financial year is £612.5k. Whilst it is possible that part of this cost may be reimbursed by the Government through two potential funding support schemes: irrecoverable fees and charges income (proposal for 75% of losses above an initial loss of 5% against budget; and the DCMS request for a fund to help meet the additional costs of leisure provision, it is considered appropriate to provide a budget provision of £700,000 to enable drawdown in support of Fusion between August 2020 and March 2021, as required. The budget provision can be funded by a transfer from the Council's unallocated balance.

The amount of the unallocated balance available in 2020/21 is £5.1m: for this transfer and to meet any other net shortfall in costs of the pandemic not covered by Government support.

Legal:

There are no legal implications arising out of this decision.

Safeguarding:	No impact identified.
Equality / Diversity / Cohesion / Engagement:	The decision impacts all groups equally. Leisure Centres are seen as key to enabling good community engagement and providing essential physical and emotional wellbeing. The recommendations made in this report are intended to safeguard these centres and ensure they are operational at the first opportunity.
Customer Impact:	The purpose of the recommendations in this report are to ensure centres reopen to customers as quickly as possible whilst mitigating the cost to both customers and the wider tax paying public as much as possible.
Environment and Climate Change:	Centres will return to operation with no change to environmental impact from previous operation.
Consultation / Community Engagement:	Consultation with <ul style="list-style-type: none"> • Knight Kavanagh Page Consultants • Local Partnerships • Active Essex • Sport England • Local Government Association
Risks:	<p>Fusion being unable to continue to provide leisure services, the Council would be required to find alternative methods through which the service could be delivered. This would result the Council facing significant costs whilst the service transitions to the new model.</p> <p>Other Local Authorities which have contracts with Fusion may decide not to provide funding to Fusion, impacting on the viability of Fusion as an organisation.</p> <p>Leisure users may not return, or not return at the levels projected resulting in additional cost requests from Fusion and the need to consider the viability of one or more leisure centres.</p> <p>Fusion do not follow Government guidance, resulting in a public health concern.</p> <p>Fusion approach this Council and the other Councils for financial support in 2021/22.</p>
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