

Report to:	Cabinet
Date:	24 September 2020
Title:	Wave Leisure partnership support
Report of:	Robert Cottrill , Chief Executive and Phil Evans, Director of Tourism and Enterprise
Cabinet members:	Cllr Zoe Nicholson, Cabinet member for Finance and Assets and Cllr Ruth O Keeffe, Cabinet member for Tourism and Devolution
Ward(s):	All
Purpose of report:	To note the impact of Covid 19 on Wave Leisure Trust and the Trust's plans for re-mobilisation. To consider the provision of financial loan/grant support to the Trust to assist it in its recovery programme.
Decision type:	Key
Officer recommendation(s):	<p>(1) To provide a loan to Wave Leisure Trust up to a maximum of £500k.</p> <p>(2) To delegate authority to the Chief Executive in consultation with the Lead Member for Finance and Assets and the Lead Member for Tourism and Devolution to agree terms for the loan.</p>
Reasons for recommendations:	To recognise the value of the service provided by Wave Leisure Trust (WLT) as a long-term partner of the Council in the provision of leisure services across the district and to contribute to the re-mobilisation of WLT's services in the wake of the Covid 19 lockdown
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1 Introduction

- 1.1 The Council provides Wave Leisure Trust (WLT) with an Annual Service Statement that sets the framework for WLT to produce an Annual Service Delivery Plan for consideration by Cabinet. That process has been interrupted this year as a direct result of Covid 19.

On 20 March 2020 the Government instructed all leisure centres to close with immediate effect and that lock-down remained in place until 25 July 2020, at which point leisure centres could re-open, but only if strict health and safety measures including social distancing were implemented and maintained.

- 1.2 WLT is a long-term partner of Lewes District Council in the provision of local leisure services, a successful business relationship which has enabled the Council to reduce its leisure service fee from £1.1m in 2006 to zero in 2020.

WLT also provides leisure services in partnership with Eastbourne Borough Council and East Sussex County Council and several Public Health Partners including East Sussex Public Health and the NHS.

Lewes DC is however the only WLT partner which does not pay a leisure service fee.

Since 20 March 2020, at which date 95% of WLT staff were furloughed, WLT has faced a combination of zero income and limited access to financial support packages provided by the Government. Social distancing measures and reduced customer confidence mean it will take a considerable period for income levels to return to pre-Covid 19 levels.

WLT has therefore approached the Council to ask if the Council might provide financial support to assist WLT in its re-mobilisation insofar as this affects its leisure services provision for Lewes District.

2 Proposal

- 2.1 The impact of Covid 19 on WLT's financial position is such that, even after streamlining provision, WLT's accumulated non-recoverable deficit to the end of March 2021 is circa £1.5 million.

Whilst WLT's situation is not unique, its financial challenge is compounded because it falls between gaps in government support packages:

- It is not considered "small", nor is it "delivering front line services", so is ineligible for the Government's £750m for Charities
- Most of the leisure buildings have a higher rateable value than £51k, which makes them ineligible for the business support grants
- Sport England Covid 19 designated funding does not cover the financial impact on local authority services (and, by extension their leisure trust partners)
- Trusts cannot gain assistance under the Business Interruption Loan Scheme on the current criteria

It is estimated that a little under half of the nation's public leisure service operators are at risk of becoming financially non-viable or insecure over the next six months

WLT has approached the Council to request loan/grant aid. It is proposed that this be for a sum not exceeding £500k to assist in the re-start of leisure services

across the district in line with the re-mobilisation plan set out below

- 2.2 The Council could, taking into account the impact of Covid-19 on its own financial situation, decide against supporting WLT with aid, however, this would leave WLT unable to continue to operate facilities in the district; the community/financial costs of this in the short/medium term would be significant.

Cabinet has usually received the WLT CEO's Annual Service Delivery Plan report at this time of year outlining the wide-reaching benefits to the community through services offered by the Trust. Highlights from the last report showed how WLT continued to increase participation and reduce health inequality, and improve accessibility and social inclusion. Failure for WLT to continue to provide leisure services locally would impact adversely on the health and wellbeing of the community.

Other leisure operators are facing similar financial hardship and there is therefore unlikely to be a reasonable alternative operator at this time.

Holding costs for sites owned by the Council (business rates, security, maintenance and site management) would be a significant additional direct cost that is not able to be met through existing allocated budgets should WLT fail.

3 Re-mobilisation

- 3.1 During lock-down WLT continued to maintain its contractual responsibilities. All weekly building, health and safety and compliance checks were carried out, ensuring the continued security and safety of council owned premises.

A weekly schedule of online group exercise classes (both "live" and pre-recorded) were provided at no cost to participants. The content included yoga, body conditioning, cardio hit etc and was made available to key workers for free. A range of online resource packs for parents of children with special educational needs and disabilities were added to WLT's website, which parents and schools could download and use to keep children active during lock-down. A range of older people's resources were and remain available on WLT's website for seated and gentle exercise. These were also shared with health practitioners

- 3.2 Looking to the future, until such time as Covid-19 might be better managed, there will be changes in the way leisure sites operate, the range of activities on offer and how those activities are delivered. WLT has prepared a re-mobilisation plan for sites to re-open in three phases from 25 July 2020 with a significantly reduced activities programme. This is set out at Appendix 1 attached

- 3.3 In producing this plan, certain key assumptions were made:

- Operations would focus on providing gym, swim and group exercise classes
- These classes would all be "bookable" activities i.e. customers would not be able to turn up and access them without booking
- Booking and payment would be required in advance to enable cashless environments
- Team sports and activities whereby social distancing guidance could not be

respected would not be available

- 3.4 Physical changes and adaptations, together with modifications to systems and procedures are designed to “*Build Confidence*” in staff coming to work and in customers returning to in-site activities e.g.
- One-way systems
 - Removal of turnstiles, erection of screens at reception points, hand sanitiser stations, reduction in number of touch points, reduction in number of toilets
 - Restructuring of activities to respect social distancing, including staggering timing of bookable slots to minimise customers arriving/leaving at same time
 - Transferring activities to different locations within a leisure complex
 - Intro of new cleaning regimes
 - Review of equipment e.g. customers now to supply own yoga mats.
 - Staff training on Covid 19 issues, including PPE
- 3.5 WLT is currently using flexible furlough, to ask people to work part-time and be on furlough for part of the time. It is unlikely that WLT will be able to provide work for all WLT employees going into the future and it may have to make redundancies. Consultation is likely to commence towards the end of September

4 Financial Re-structuring into the future

- 4.1 WLT has produced a 3-year financial model which shows it moving from a £1.5m loss in 2020/21 to a £130k surplus by 2022/23 financial year end, based on:

2020/21: “Restart” stripped model base on re-opening 25 July 2020

2021/22: “Rebuild” based on 50% of pre lockdown non-membership income

2022/23: “Recover” return to 202/21 pre lockdown non-membership activity

- 4.2 The following assumptions have been used:

Income:

- Membership Direct Debit collection commencing Aug 2020
- Membership return assumed at 45% pf pre lockdown rate rising 2% monthly
- Swim activities returning Sept 2020
- Pay as You Go and other activities resuming Jan 2021

Expenditure:

- Employee costs include cost of restructuring
- ITC remain fully costed
- Variable cost base ,including employees, to rise with return of non-membership

Funding Opportunities:

- *Sport England in partnership with DCMS/MHCLG from Treasury*
If funding becomes available (and UK Active advises that this fund has “in principle” Treasury approval)WLT will work with LDC to submit an application
- *HLF Cultural Recovery Fund*
This is relevant to Newhaven Fort.

A water mains leak has prevented the Fort from opening to date and the 2020 season ends on 31 Oct. The Fort is likely to remain closed until the 2021 season commences.

WLT has applied to this fund for £850k. The bid envisages review and implementation of social distancing measures for safe access and reviews of the following: maintenance programme, current business plan, staff structure, marketing and engagement plan, visitor experience, educational offering, secondary spend services.

- The Resilience & Recovery Loan Fund RRLF)

This is a new fund of up to £1.5, (per application) for social enterprises and charities that are “improving people’s lives” where those bodies are experiencing disruption to their normal business model as a result of Covid 19. It has been established to make an existing government scheme (the Coronavirus Business Interruption Loan Scheme) more easily accessible to charities and social enterprises.

WLT is currently working through relevant guidance to submit an application prior to the funding deadline of end September 2020.

5 Financial appraisal

5.1 As for all leisure providers across the country, centre closures meant complete loss of income for the Wave Leisure Trust. The Trust during recent conversation with the Council, is committed to undertaken further financial modelling of a number of scenarios to show what opening with less attendance will mean, and the financial picture is very challenging. The final model will be shared with the Council following the open-book relationship that is in place.

5.2 What is very clear is that, even after taking account of its own reserves, the Trust are facing very significant medium-term losses. The losses are incurred through low footfall, albeit anticipated to increase over a six-month period, and limitations on the level of services able to reopen, combined with the increased costs of opening. This will result in a considerable financial gap that could threaten the future provision of leisure services in Lewes and other locations. Even with the Council’s support, the Trust will still have to make changes to its operating model and the services being provided as part of its recovery strategy and on-going business planning.

5.3 The Trust has provided the Council with its last three-year accounts, for the Council to be able to determine the financial robustness of the Trust and a creditworthiness health check in line with the Council’s Financial Procedure rules. The anticipated up to a maximum of £500k loan to Wave Leisure Trust will be resourced through a combination of earmarked COVID grant, borrowing and/or a realignment of existing resources. The loan terms will further be discussed and agreed following the approval of the officer recommendations contained within this report.

6 Legal Implications:

The Council does not have a statutory duty to provide or support the provision of recreational/ leisure facilities, but it has wide discretionary power to do so.

Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 states that a local authority may provide, inside or outside its area, such recreational facilities as it thinks fit. The power is drafted widely so as to allow the local authority to provide premises, staff, equipment, supplies “and assistance of any kind” in connection with the provision of such facilities.

Wave Leisure Trust is a charitable not-for-profit private company limited by guarantee, without share capital, and a long-term leisure partner of the Council. Section 19 specifically gives the Council power to “contribute by way of grant or loan towards the expenses incurred or to be incurred by any voluntary organisation in providing any recreational facilities which the authority has power to provide”.

A voluntary organisation is defined in section 19 as meaning “*any person carrying on or proposing to carry on an undertaking otherwise than for profit*”. Wave Leisure falls within this definition and so the Council may lawfully provide financial assistance to it by way of either grant or loan. Any loan may be made on such terms as the Council thinks fit. Any grant may be made to Wave on such conditions as the Council wishes to impose.

Section 19 alone provides sufficiently wide powers to permit a loan or grant, but if further power were needed then section 1 of the Localism Act 2011 (General Power of Competence) gives the Council power to do anything which an individual can do, provided it is not prohibited by other legislation. There is nothing in the 1976 Act or other legislation which suggests any limitation or constraint on the power to award a grant or loan in these circumstances.

It is not considered that a proposed loan/grant to Wave would constitute state aid. Wave Leisure is providing a series of local recreational facilities across a small community in England. This is not likely to have any effect on inter community trade. Wave does not provide a service that would attract cross-border investment or deter organisations in other member states trying to establish such services here. On this basis the Council’s financial support will not amount to state aid.

7 Risk management implications

The Trust is facing significant medium-term losses. Provision of a loan will assist in ensuring business continuity, WLT has produced a robust recovery proposal based on a series of assumptions relating to income/costs and an ability to increase public use/access. There remains uncertainty over the re-occurrence of Covid-19 infections and future lockdown measures that may further impact delivery of leisure services across the district. The pandemic is a fast moving situation and the risk of further impact on delivery will need to be balanced against the potential costs of not providing WLT with financial support.

8 Equality analysis

Equality, accessibility and equality of opportunity have for many years been key building blocks of Wave’s Service Delivery Plans. These have been designed to increase participation across a number of disadvantaged groups, reduce health

inequality, improve accessibility and social inclusion and education. If the recommendation in this report is approved, then these objectives will be furthered as a consequence of the support given to ensure business continuity

9 Environmental sustainability implications

There are none arising from this report

10 Appendices

- Appendix 1 - Re-mobilisation plan

11 Background papers

None