

Report of:	Director of Regeneration and Culture: Richard Horniman Executive Member for Adult Care and Public Health: Councillor Dorothy Davison
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Submitted to:	Individual Executive Member Decision Making Meeting - Executive Member for Adult Care and Public Health - 24 July 2020
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Subject:	COVID-19 Related Leisure Costs
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Summary

Proposed decision(s)
That the Executive approves the funding of any additional, unrecoverable costs relating to the phased opening of leisure centres (MSV 25 th July 2020, Rainbow 1 st September 2020 and Neptune 1 st April 2021). This would be undertaken initially on a three month trial basis.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision	Affects two or more wards	The report is not confidential	Non-urgent report

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The provision of COVID-19 secure leisure facilities will enable people to maintain or improve their health and wellbeing.	Reopening leisure centres will ensure that the facilities provided within the town continue to be well used throughout the remainder of the year.	The contract with the Council's leisure provider (SLM) requires the Council to fund additional costs relating to the safe reopening of leisure facilities in the town. Minimising these costs will limit their negative impact on the Councils Medium Term Financial Plan

Ward(s) affected
All wards in Middlesbrough are affected.

What is the purpose of this report?

1. The purpose of this report is to request approval for the additional costs that would be incurred by reopening leisure centres in a COVID-19 secure way.

Why does this report require a Member decision?

2. The costs of reopening in a COVID-19 secure way will exceed £150,000.

Report Background

Context

3. The Government has confirmed that gyms and leisure centres can open from 25th July, and our leisure provider SLM have costed the different options for doing so in a Covid secure way. This will bring significant additional cost, although a number of options are available to reduce these costs. Under the contract we have with SLM, these additional costs would ultimately fall to Middlesbrough Council. This report sets these out, and proposes a recommended course of action.

Financial Position

4. The following summarises the cost position for each centre managed by SLM:

MSV

- a. Normally runs at a profit, and is reliant upon strong gym membership sales. As customers will go elsewhere if it does not open, the sooner it reopens, the quicker it will return to profit. Forecast loss for 2020/21 is £363k.

Rainbow Leisure Centre

- b. Normally runs at a profit, and is reliant upon strong gym membership sales. As customers will go elsewhere if it does not open, the sooner it reopens, the quicker it will return to profit. The pool is going to be expensive to open safely for casual use, but the swimming lessons starting in September are profit generating, and new competitors are coming into the market. Forecast loss for 2020/21 is £449k.

Neptune Centre

- c. Normally runs at a significant loss, particularly due to the operation of the pool. Unlike the other venues, the longer it remains closed, the lower the financial impact on the longer term picture. The centre does however play a key role in the local community. Forecast loss for 2020/21 is £332k.

5. The operational costs from the first three months of the year can be offset against national schemes that will balance the books until the end of June. Losses reported above are for July 2020 to March 2021.

Options

6. To mitigate the losses, the following options are available:

Do not open all of the leisure centres

7. Keeping each centre completely closed until April 2021 would save the following amounts:

Venue	Saving
MSV	£363k
Rainbow	£449k
Neptune	£332k

8. The impact of this would be significant redundancies of staff, and loss of customers, leading to worse financial performance post April 2021.

Do not open all of the offer at the same time

9. Keeping some parts of the buildings closed, and offering a reduced range of activities would save very little, as the staffing and running costs of the facilities would remain consistent. The only exception to this is to keep the centres with swimming pools closed (Rainbow & Neptune) until the swimming lessons market picks up in September. This would save £33k. Keeping the Neptune Centre closed completely until 1st April would save a further £249k.

10. The impact of this would be a potential loss of casual customers to other facilities.

Summary of Options

Escalating Options	Reduction	Total Cost
Full opening of dry-side facilities on 25 th July, with pools open on 22 nd August	£0	£957k
Delay opening Rainbow and Neptune until 1 st September	Delaying the opening of two centres saves £33k	£924k
Delay opening Rainbow until 1 st September and Neptune until 1 st April	Delaying the opening of the Neptune to April 1 st saves a <i>further</i> £249k	£675k

Other Sources of Funding

11. As a number of industries have been subject to different support packages from Central Government, the potential for the leisure industry to benefit from such a bailout still exists. SLM would be expected to maximize any support available through external routes such as this, before the Council would be liable for any costs.

Proposed Course of Action

12. To balance cost savings and public amenity, it is proposed that the following option is pursued:

- Open MSV on 25th July 2020;
- Open Rainbow on 1st September 2020; and,
- Open Neptune on 1st April 2021.

13. This would expose the Council to additional costs of around £675k for the period up to March 31st 2021, unless further funding is made available by the Government.

14. It is however proposed that the Council enters into the arrangement on a trial basis for the first three months to ensure that actual monthly costs are in line with (or no higher than) expectations, before committing to covering the full year effect.

What decision(s) are being asked for?

15. That the Executive approves:

- a. Coverage of any additional, unrecoverable costs relating to the phased opening of leisure centres (MSV 25th July 2020, Rainbow 1st September 2020 and Neptune 1st April 2021). This would be undertaken initially on a three month trial basis.

Why is this being recommended?

16. It is important that people have access to good quality leisure facilities in Middlesbrough, but this needs to be balanced with the costs of making them COVID-19 secure. As these costs could contractually fall to Middlesbrough Council, it is necessary to have Executive approval for the necessary amounts.

Other potential decisions and why these have not been recommended

17. Other options have been considered including keeping all three facilities closed until April 1st and opening them all on July 25th. The proposed option represents the one that balances the need to provide the public with access to leisure opportunities whilst limiting the Council's potential financial exposure.

Impact(s) of recommended decision(s)

Legal

18. The additional costs will be covered by the contractual arrangements currently in place with SLM, and agreed routes for variation.
19. An initial three month trial will be put in place on a contractual basis to ensure that actual costs are in line with those forecast, before committing to the remainder of the year. A report will be brought back to Executive if costs increase by more than 10%.

Financial

20. The costs identified may be recoverable by SLM from external support packages subsequently put in place for the industry. The Council would also seek to recover the expenditure through similar schemes made available to local authorities.
21. These costs identified are at this stage an estimate, and may be affected by further lockdown arrangements, a 'second spike' or a relaxation of social distancing. The costs will be managed on an 'open book' basis with SLM and minimised wherever possible.

Policy Framework

22. The decision will not amend the Council's policy framework. The contract already in place with SLM will be varied to take account of the additional costs, and the circumstances in which they are being incurred.

Equality and Diversity

23. An initial assessment has been undertaken, which did not identify any significant issues at this stage.

Risk

24. The financial risk that the Council is being exposed to is limited by the contractual arrangement in place with SLM. All other risks would be managed externally as part of SLM's delivery role.

Actions to be taken to implement the decision(s)

25. The actions required to implement the decision will include:

- a. implement a three month trial agreement with SLM to cover the period of July, August and September; and,
- b. contractual arrangements would be implemented to cover the remainder of the year (as long as costs remain in line with projections).

Background papers

26. No background papers were used in the preparation of this report.