

Committee: Sustainable Communities Overview and Scrutiny Panel

Date: 4 May 2021

Subject: AFFECT OF COVID ON LEISURE CENTRES

Lead officer: John Bosley

Lead member: Councillor Caroline Cooper-Marbiah

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Recommendations:

- A. For members to note the actions taken in partnership with Greenwich Leisure Limited (GLL) following the Covid-19 outbreak in 2020.
 - B.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

To report to the committee on the impact of the Covid-19 outbreak on the Leisure Centre contract and Leisure Centre operations.

2 DETAILS

- 2.1. On the 20 March 2020, Central Government required providers of leisure facilities to close as part of their response to the Covid-19 pandemic. This requirement first came into force on the 21 March 2020, timeline below.
- 2.2. Merton's operator GLL immediately complied with this legislation and closed the three (3) leisure centres in the borough. Leisure officers and managers from GLL swiftly developed closedown plans, while the council's client team lead on activating its Business Continuity Plan (BCP) and preparing the subsequent Business Recovery Plan (BRP).
- 2.3. The closedown plans for the facilities outlined what GLL had to do to ensure centres were safely closed in line with Government requirements, the BCP set in motion the approach Public Space client team took to communicate with GLL during the closure and establish the process of support as outlined by the Government's Procurement Policy Note (PPN 02/20 & PPN 04/20) published on the 20 March 2020 to address suppliers relief due to coronavirus (COVID-19). This plan included daily updates from the GLL management who were not furloughed and were doing daily checks on the centres. The BRP focused on what the Leisure offer would be following re-opening and how the new way of working would look like to enable full and timely recovery.
- 2.4. The lockdown led the council and GLL to adopt a Covid-19 safe business model, which following reopening, involved partitioning the gyms so that social distancing was observed by users, putting in a booking system for the gym and swimming offers as well as encouraging customers to shower at home. Fitness classes were distanced and held outside where possible and dependant on weather.

- 2.5. Shortly after the initial lockdown on the 24 March, GLL alerted the council (and all other councils they had contracts with) that they anticipated a considerable financial shortfall and required financial assistance on top of the other areas of help they had used including the Government job protection scheme, business rates holidays and deferral of VAT payments.
- 2.6. Following the request, officers worked with GLL to consider how best to support them through the closure and in their development of re-opening plans whilst keeping their previous customer base supported through such measures as suspended membership fees, free online exercise classes and workout plans.
- 2.7. Once the centres re-opened on the 25 July 2020, we kept rigorous reporting procedures so we could follow the trends and appetite for customers returning to the centres until the further lockdown restrictions on the 5 November 2020 came into force.
- 2.8. Leisure centres were allowed to reopen following the four (4) week lockdown in November 2020 from the 2 December 2020, albeit for a brief period during the Christmas period until the Tier 4 lockdown on the 20 December 2020 followed by the third (3) national lockdown on 6 January 2021.
- 2.9. Following the most recent lockdown, the centres once again re-opened on 12 April 2021, and the table shows the overall usage figures for the two weeks since opening compared with December 2020 opening.

Gym usage as a percentage of maximum	Swim usage as a percentage of maximum
Week 1 4,098 attendees 34.2% of max. capacity -2.4% from Dec 2020	Week 1 1712 attendees 38.2% of max. capacity +17.2% from Dec 2020
Week 2 4290 attendees 38.2% of max. capacity +1.1% from Dec 2020	Week 2 2515 attendees 59.7% of max. capacity +21.5% from Dec 2020

- 2.10. Figures for the gym are similar to previous opening figures and swim figures are far higher than the December recovery period. It should be noted that maximum attendance was rarely achieved prior to lockdown. Swim figures for the first two *weekends* have been 88% of maximum.
- 2.11. Memberships have continued during lockdown, with people joining and leaving throughout. In April 2021 there have been 97 new members and 57 cancelling, leaving a net positive growth in new members. In addition 9% (433) of members still have frozen membership and GLL are prioritising these members to reactivate their memberships following the opening of the facilities for individual training, in anticipation for class based activities from the 17 May 2021. Supporting this, officers have developed a Transition Plan with GLL which will monitor closely GLLs transition to a full “pre-Covid-19” programme.

- 2.12. In terms of the impacts of the pandemic in achieving business recovery, the potential unpredictability of the relaxing of Covid-19 rules and potential regulations that may be imposed in the future, which impacts customer behaviour coupled with customer affordability due to external pressures on household incomes continues to fuel uncertainty in this service area.

3 ALTERNATIVE OPTIONS

- 3.1. The council has chosen to support GLL through this period of uncertainty and to provide relief funding and an additional repayable grant to support the longer term viability of the activity. Other options were to part support or provide no relief funding.

4 TIMETABLE AND SUMMARY OF ACTIONS

DATE	ACTIVITY
20 March 2020	Leisure Centres last day of trading
24 March 2020	GLL alert Merton to financial shortfall
02 June 2020	Key Decision Report Agreed to Support GLL with an interest free repayable grant of £305,555 to cover the period 20 March to 30 June 2020
09 July 2020	Government announcements on reopening of Leisure Centres
03 August 2020	Key Decision Report Agreed to Support GLL with an interest free repayable grant of £200,501 to cover the period 01 July to 30 September 2020 and to provide 'Relief' from paying the council under the contract terms
20 December 2020	Government announces closure of gyms in Tier 4 areas, this rolls into lockdown on 20 December
31 December 2020	Key Decision Report agreed regarding further financial support for GLL by way of an interest free repayable grant of £68,986 to cover the period 01 October 2020 to 31 March 2021 and to provide 'Relief' from paying the council under the contract terms.
February 2021	Sport England National Recovery Fund grants LBM £405,000 plus £1,500 for monitoring. The money is being transferred to GLL for their full recovery to the end of March 2021 as part of the funding conditions.
April 2021 to Quarter 3 2021/22	Through detailed analysis of GLL finances, we have budget projections based on activity levels and membership numbers that the business will be back to being able to pay the Management Fee as contracted by Quarter 3 2021/22.

5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1. Since March 2020 to end of March 2021, the amount of relief given to GLL from paying the monthly income to the council is £840,054.12.

- 5.2. In addition, the amount of grants given to GLL totals £575,042. However, these are repayable grants, and will be repaid over the next 10 years of the contract by changes to the profit share arrangements. The repayment terms mean that the council will receive 100% of the GLL's "Operating Surplus above Contractor Profit" each financial year until either the grants are repaid, or until the end of the contract in 2030.
- 5.3. To offset the payments, the lost monthly income from GLL is partially recoverable through the government's loss of income scheme for local authorities. Money has been paid to the council, however it is a lump sum for all affected services.
- 5.4. The monthly management fee expected this year once GLL recover is £76,566.

6 LEGAL AND STATUTORY IMPLICATIONS

- 6.1. The Health Protection (Coronavirus, Restrictions) (England) Regulation 2020 (First Regulations), provided that indoor fitness studios, gyms, swimming pools, or other indoor leisure centres "must cease to carry on that business" from 2pm on 21 March 2020. The First Regulations, which have now been revoked made it an offence to contravene the First Regulations "without reasonable excuse".
 - 6.2. The First Regulations were revoked by the Health Protection (Coronavirus, Restrictions) (No. 2) (England) Regulation 2020 (Second Regulations). The Second Regulations continue to enforce closure of businesses from 4 July 2020 for a period of six months. These regulations have now expired on 4 January 2021.
 - 6.3. The Health Protection (Coronavirus, Restrictions) (No. 3) (England) Regulation 2020 (Third Regulations) came into force on 18th July 2020 and expire 17th July 2021. The Third Regulations give the local authority powers to make directions in relation to the closing, restricting of entry and restrictions in relation to location of persons in premises. It is an offence under the Third Regulations to contravene a direction made in relation to the premises.
 - 6.4. The Council has provided financial assistance to leisure providers pursuant to guidance as noted under government issued guidance under Procurement Policy Notes with reference numbers 02/20 and 04/20 that related to the assistance and transition to re-opening. The requirement of these guidance notes was that they must be carried out lawfully and in particular in accordance with the Public Contracts Regulations 2015. The mechanisms for this support and recovery of funds are detailed in section 5 of this report which describes the mechanism that the Council and its supplier have utilised to give effect to the relevant guidance.

7 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1. Leisure Centres are important community resources in which communities can take part in community sport and social activities. These venues offer

activities and events which engage with all people of all backgrounds and they do so to generate positive community cohesion experiences

- 7.2. The appointed operator for the council's leisure centres, Greenwich Leisure Limited (GLL), is an established charitable social enterprise working on a not-for-profit basis for the benefit of our communities, enabling us to deliver cost effective activities to improve our health and wellbeing.

8 CRIME AND DISORDER IMPLICATIONS

- 8.1. Leisure Centres, on the whole, are venues where activities and events take place to bring people and communities together. They are places that provide positive activities and role models and they discourage crime and disorder by offering positive alternatives

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1. The greatest risk for the council is that GLL either does not survive the economic impact of the pandemic (longer-term) considering the national uncertainty of this service area, or seeks significant changes to the contract with the council, which has the potential, ultimately, of leaving the council without a viable operator. This would necessitate the sourcing of a new operator or alternative delivery model in a difficult market & economic climate. The council may have to, as an interim, take the direct management of the service back in-house, this would cause increased risks from a Health and Safety perspective, since GLL have been doing daily visits to check on all facilities to ensure that all plant and machinery are continuing to tick over and are in good working order as well as the buildings being safe throughout the lockdown period and are now mobilising the centres in readiness for re-opening.

10 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT – NONE

11 BACKGROUND PAPERS

- 11.1. The key decision and report for seeking approval for providing initial financial support to our provider, can be found here - <https://democracy.merton.gov.uk/mglIssueHistoryHome.aspx?IId=19597&optionId=0>
- 11.2. The key decision report for seeking approval of additional financial support to our service provider, can be found here - <https://democracy.merton.gov.uk/ieDecisionDetails.aspx?ID=1007>
- 11.3. The key decision report for the final funding to the service provider can be found here - <https://democracy.merton.gov.uk/ieDecisionDetails.aspx?ID=1107>

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