

Report to: Cabinet



Date of Meeting 5 May 2021

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Exemption applied: None

Review date for release N/A

LED financial settlement 2021/22

Report summary:

LED has been severely impacted by the Covid-19 pandemic with interruptions to its business since the introduction of lockdown restrictions in April 2020. This as a consequence has had a significant impact on income generation and the Council agreed in 2020/21 to a support package of £1,339,000 to ensure LED remained financially solvent. This report outlines further measures required for 2021/22 as the leisure industry emerges from lockdown restrictions to ensure that it is able to “bounce back” and recover lost income and membership numbers. This additional financial support will be subject to the external auditing process put in place in 2020 to ensure that all monthly claims of additional financial support are scrutinised in an open book manner. The report makes a separate request for financial support for its outreach work which provides a hugely important role in delivering health and wellbeing directly into our communities. The leisure industry has continued to suffer due to enforced closure of premises under government restrictions and the complexities of providing Covid19 secure facilities and activities.

This report deals with the additional financial support for LED in 2021/22. Work is underway under the guidance of the LED Forum on the preparation of Leisure Strategy, this is seen as a key piece of work to help shape the Council’s future delivery of this important function and to help steer the direction of LED’s future offering to the Council that is affordable within the context of the Council’s Medium Term Financial Plan budget gap and competing service priorities. The current preparation of a new Council Plan will also play an important role in this determination.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

- (1) That Cabinet recommend to Council additional financial support to LED of up to £535,000 for 2021/22 (above the existing budgeted sum of £894k) to meet expected net losses as result of reduced income through the implications of covid.
- (2) That Cabinet recommend to Council a sum is made available up to £50,000 to LED to support an Outreach Programme for 2021/22.

Reason for recommendation:

To ensure that LED remain a viable leisure provider for East Devon DC and are able to manage the ongoing financial impacts of COVID19 and the restrictions into the 2021/22 financial year. The request for additional support for lost income will ensure that LED are able to reopen their facilities as lockdown restrictions are eased in May and June enabling recovery of membership numbers and income as expeditiously as possible.

Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Equalities impact Low Impact

Climate change Medium Impact

Risk: Medium Risk; The basis of this report and predicted costs are based on the Governments current steps to coming out of lockdown and no further periods of lockdown or additional restrictions have been factored in. Any changes to this then further consideration by LED and the Council will be required.

Links to background information

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

Report in full

1. Summary of financial support 2020/21

1.1 Cabinet agreed for budgeting purposes to identify £1,339,000 in the 2020/21 financial year to support LED's lost income from April 2020 to March 2021 to ensure that LED remain a viable organisation that can continue to operate their sites.

1.2 The creation of the LED Monitoring Forum has enabled monthly meetings to ensure that any variation to this agreement is kept under review as well as better understand the implications on LED's income projections due to the ongoing lockdown restrictions put in place by Government. Also with the appointment by East Devon DC of external Consultants (Strategic Leisure) to independently assess the monthly subsidy requests by LED has enabled the Council to ensure that an open book and transparent process has been put in place to verify all claims made for additional support.

1.3 In the meantime considerable attempts have been made by Cabinet and Officers to recover LED's lost income from Government which has resulted in a £299,244 payment received from the Government's National Leisure Recovery Action Fund (NLRF) to help mitigate the financial

burden placed on those local authorities with an outsourced leisure provision. Although the Government has recently announced that only 30% of this figure can be allocated to 2020-21 (£89,767), with the remaining 70% (£209,457) to be provided to the operator towards reopening costs in April – June 2021. This has been welcomed however has been in direct contrast to the ability of other local authority's with in-house leisure facility provision to claim 75% of lost income (above the first 5% loss) through the Covid Income Guarantee Scheme. To emphasis this position EDDC has met from its own balances £1.339m to support LED continued operation in 2020/21 and received £90k support through NLRFF; whereas a Local Authority directly run operation would have received in the same situation £954k in Government Funding!

1.4 Many Councils are as a consequence having to underwrite their leisure providers to keep them afloat but this is not a long term solution, if providers collapse Councils will have to take these services back in house without necessarily having the expertise under challenging circumstances and financial insecurity, the loss of affordable leisure services will also have a huge impact on local communities particularly for those who from deprived communities, which will lead to a widening of health inequalities

2. Proposed fee submission 2021/22

2.1 LED's gyms and pools have now reopened from the 12th April. However LED are unable to restart their indoor group exercise programme until the 17th of May, at the earliest. This is the largest income generating activity that LED provides so income generation and recovery will be significantly affected until this date. The easing of all restrictions that is currently planned for 21st June will hopefully enable a full speed income recovery enabling unrestricted access to gyms, swimming pools and exercise classes. However it is anticipated that the continuation of social distancing and use of face masks will be continued. From June onwards there will be a much clearer idea of how income is recovering and also membership recovery is faring.

2.2 The 2021/22 budget has allocated the annual Service Fee of £893,717 which has remained unchanged since LED voluntarily reduced it in 2010. The legacy of COVID-19 is that LED forecasts continued additional losses for 2021-22 of £535,000, and requests that this figure be agreed as additional financial support for the year if required and as it is proposed that the current arrangement with external auditing of monthly claims is continued through 2021/22 to ensure an open book process is continued.

2.3 The additional anticipated losses of £535,000 for 2021/22 have been predicated on the following operational modelling assessment by LED:

Year Apr 2021/March 2022 - Forecasts

The forecasts for April 2021 to March 2022 show additional losses of approx. £535,000, after including the 2016 – 2021 annual subsidy payment. A revised report for 2021-22 will be provided in conjunction with EDDC's Strategic Lead – Finance and is anticipated to be less than the current £535,000 forecast due to additional funding sources. However, the key factor will be the return of customer confidence and attendances, combined with an expectation of no further lockdowns.

The forecasts have to date been built using a prudent approach including the following assumptions:

Opening times – Leisure Services

Exmouth Leisure Centre – Fully open 12th April, no group exercise classes until 17th May.

Exmouth Tennis Centre – Opening 19th April 3.30 – 7.30pm Monday – Friday, & 8-12noon Saturday -Sunday. This is to accommodate junior tennis, which is allowed indoors; the gym will also be open for these hours. Fully open 17th May.

Sidmouth Swimming Pool – Normal opening hours from 26th April.

Sidmouth Leisure Centre – Open 6.45 – 11.30am & 16.45 -21.30. No group exercise classes until 17th May.

Colyton Leisure Centre – Closed until 17th May 2021 when group exercise classes return.

Broadclyst Leisure Centre – Closed until July 21st

Ottery St Mary Leisure Centre – reduced opening hours until 17th May

Honiton Leisure Centre – pool and centre opening 12th April – group exercise returning 17th May.

Axminster Leisure Centre – open mornings and evenings from 12th April.

Memberships

Memberships included in the forecasts only reflect the re-activation of those members who were active before the lockdown in January 2021. Members on suspend remain so and are considered a prospect once we re-open fully on the 17th of May.

Team Costs

Team costs have been presented according to the opening times and flexi-furlough will continue to be used at every opportunity.

National Living Wage and National Minimum Wage adjustments for affected operational staff and differential payments for their team leaders are included.

No LED pay awards for other staff are included for 2021/22, as they are currently considered unaffordable.

Training

Only mandatory training has been included for 2021/22, until the recovery position is understood.

Swimming Pools

Although there is a cost attached, LED believe the importance of opening swimming pools in East Devon is not only for Health and Wellbeing, but also to support younger members growing up in coastal communities and the importance of having the ability to learn to swim, as agreed with the Council last summer.

Exmouth Pavilion – Opening

Takeaway – The Ice-cream shop is now open, and the Café is providing outdoor service only. The café will open indoors on the 17th of May.

Events – Start in late May, with some free events, to support the community. All will be compliant with Social distancing regulations. The first major show planned is Robert Plant (of Led Zeppelin fame) on the 24th of June.

2.4 Providing continued Community Engagement ('Outreach') work is recognised as an essential community benefit activity, as agreed with the Council in 2020. LED's community engagement (outreach) projects include Walk this Way, Active Mums, dementia support, walking football and netball, Age UK, disability groups, FORCE cancer referrals, Ways 2 Wellbeing (social prescribing) coaches, Parkinson's disease, Connecting Actively with Nature (CAN). Some of these activities have been award-winning and recognised both locally and nationally. Although many of these activities are either part or fully funded through grants, they (and future ones) would not have been instigated nor be sustainable without the bid proposals, management and

support provided by LED's Community Engagement Manager(s), currently a full-time post job-share.

2.5 The cost of employing the full time Community Engagement Manager post is £50,000 p.a including on costs and this role is part of the additional support requested by LED for 2021/22. The Outreach team will be returning at the beginning of May and therefore the requirement for funding for 2021/22 has been reduced by 1/12th and therefore the request is pro rata'd which for the year ahead is £45,833.

LED's Outreach Programme for June – September 2021:

- Re-start Health Referrals across East Devon (GP Referral, Cardiac Rehab, Escape Pain, Strength and Balance)
- Work with Volunteers to establish a new set of Wellbeing Health Walks following Covid19 guidance – June/July Start
- Promote the “Naturally Healthy May” campaign to LED members through email, social media, Health Coaches and LED's app, linking to EDDC natural environments such as Wetlands, Wild Projects and LED's outdoor activities, such as exercise classes, tennis, mini golf etc.
- Develop a Wild Swimming project at Exmouth to start in July, in partnership with EDDC
- Work with the Imperial Medical Centre on specific walks to target inactive people
- Set up “Couch to 5K” 6-week running course at Exmouth LC – targeting inactive people, to build levels of fitness. If successful, to target specific age groups.
- Promote “Wellness Week” in June to support the community – Book a Health Screening as well as potential Nutrition and Coaching Seminars.
- NHS Health & Wellbeing Coaches – Support their clients with LED being the exercise pathway and continue to develop the “Ways2Wellbeing” social prescribing model.
- Support new opportunities with NHS physiotherapists.

2.6 The outreach work is an important part of the Council's Public Health Plan and Action Plan outputs with a significant amount of collaboration with the Council's Wild East Devon team in areas such as healthy walking initiatives, wild swimming and outdoor clubs carried out on a variety of the Council's Nature Reserves.

3. Financial Support 2022/23 and beyond.

3.1 Prior to the pandemic discussions had begun with LED on the annual service level payment which was due to be reviewed for 2021/22. The circumstances of the pandemic put those discussions to one side, however subject to a position being agreed for 2021/22 (basis of the recommendation in this report) then members consideration needs to be given to the future financial support of LED for 2022/23 onwards.

3.2 LED has indicated the standard level of support at £894k per annum was insufficient to maintain the existing level of operation provided, the suitability of the Council owned and funded leisure facilities needs consideration and all this in the context of a Medium Term Financial Plan deficit of £4.3m over the next two years (2022/24).

3.3 Members' anticipated this predicament, through the LED Forum, and instigated the development of a Leisure Strategy which includes a built facility review and sports data analysis and provision. This work will help members set out a plan for leisure provision going forward giving a LED a clear direction of what the Council requires from it. This is being formulated at the same time the Council considers a new Council Plan and leisure provision will have to be considered in the context of other Council priorities and the finances available,

Financial implications:

Details are contained in the report. In terms of the additional budget request to Council for 2021/22, total amount being up to £585k, this can be met from the unallocated budget members agreed to set aside to meet such anticipated costs in 2021/22. The total budget available was £1.316m derived from one off covid and service grant allocated to the Council as part of the 2021/22 local government finance settlement. Of this sum to date Council has ring- fenced £270k spend from this budget, if the LED funding request is met this leaves £461k for other costs in the remainder of the year.

Legal implications:

What is recommended is within the power of the authority. It is important that appropriate documentation is put in place to reflect that this is the use of public funds. Otherwise there are no implications requiring comment.