

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF EXECUTIVE DIRECTOR ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	24 AUGUST 2020		
TITLE:	GREENWICH LEISURE LIMITED - FINANCIAL SUPPORT		
LEAD COUNCILLORS:	CLLR BROCK / CLLR GRAEME HOSKIN	PORTFOLIO:	LEADER / HEALTH, WELLBEING & SPORT
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1. EXECUTIVE SUMMARY

- 1.1 This report sets out a recommendation to provide financial support to Greenwich Leisure Limited (GLL) following a request for assistance from the Council relating to the impact of Covid-19. The terms of the financial support are also set out.
- 1.2 The Covid-19 pandemic and the Government's lockdown resulted in the temporary closure of Rivermead Leisure Centre. GLL are seeking financial support from partners in order to remain financially viable as the centres reopen to the public.
- 1.3 The Government confirmed that indoor gyms, swimming pools and sports facilities were allowed to reopen from 25 July 2020. Rivermead reopened on 25 July 2020. The support package will enable Rivermead to remain open.
- 1.4 It is recommended that the Council provide GLL with additional financial support up to a limit of £410k to secure the opening and continuation of their operation this financial year based on open book accounting.
- 1.5 Elsewhere on this meeting's agenda in closed session commercial information in relation to this decision was presented and this should be considered when making a decision as regards the recommendation.

2. RECOMMENDED ACTION

- 2.1 That Policy Committee authorises the Executive Director of Economic Growth and Neighbourhood Services to provide financial support of a maximum of £410k to Greenwich Leisure Limited within the terms set out at paragraph 4.4 of this report to address the impact of COVID-19.

3. POLICY CONTEXT

- 3.1 Reading has a range of leisure facilities that are of mixed quality and the Council recognises that the provision of suitable and readily accessible sports facilities underpins participation in sports and physical activity and supports the delivery of the social and economic benefits that can be attributed to an active community. With over 750,000 people using the Borough's sports and leisure facilities across the town each year, Reading needs a leisure offer that reflects its needs and aligns with the Council's wider policies and priorities, including public health objectives and tackling inequality.
- 3.2 Greenwich Leisure Limited (GLL) currently runs the Rivermead leisure facility and are contracted to do so until 31 December 2022. In 2018 the Council and GLL reached a mutual agreement to allow an early break in their contract which allowed Rivermead Leisure Centre to be included in a new integrated borough-wide leisure offer for residents.
- 3.3 The Council was in the process of finalising a Design Build Operate and Manage (DBOM) contract terms with GLL, when the Covid-19 pandemic arose in March 2020. This resulted in a Government 'lockdown' and the closure of all leisure centres, swimming pools and gyms including those run by the Council and GLL. Currently, the DBOM contract has not been signed as there were some key terms outstanding, predominantly related to the cost implications of any planning conditions and the need to complete detailed survey data.
- 3.4 GLL has also advised the Council that they do not wish to enter into the DBOM contract at this stage due to the uncertainty arising from Covid-19. GLL would, however, wish to proceed to seek planning approval in order to signal their intent to enter the DBOM contract and to minimise any potential impacts on the timeline that was originally agreed. This would involve entering into a separate Planning Costs Agreement (PCA) with GLL to progress the designs and seek to achieve planning consent. A report seeking approval to enter into a PCA is to be presented to this Policy Committee.
- 3.5 The Government has confirmed that indoor gyms, swimming pools and sports facilities were allowed to reopen from 25 July 2020. Officers agreed in principle with GLL to re-open the centre subject to taking into account Covid-19 health and safety requirements which will impact on the type and level of service which can be offered and the income levels achievable while social distancing rules remain.

4. THE PROPOSAL

Current Position:

- 4.1 GLL has written to the Council seeking financial support of £504k up to the end of December 2020. This consists of £254k for the closure period to cover the fixed costs of operating the pool and overheads and £250k as a further subsidy to reflect lost income in the remaining period. They had furloughed the majority of their staff and are paying them the balance of 20% from their own resources.

- 4.2 GLL has made it clear that they cannot maintain the operation of the centre without financial support and would terminate the current contract if the Council does not fund ongoing costs when the centre was shut.
- 4.3 It is in the Council's interests for the Rivermead site to remain open, with GLL operating it under their current contract, as there would be additional costs associated with Rivermead coming back into the Council's direct management or the Council setting up its own Leisure Trust. The leisure sector is competitive with a number of operators in this mature market. However, the sector is under significant pressure following the closure of all leisure centres in March due to Covid-19. Sport England and the Local Government Association (LGA) have lobbied government to ask for more support for the sector and have encouraged councils to support their leisure partners. LGA offered to link authorities with the same provider to share thinking, which the Council signed up to. Sport England has offered funding for consultancy support to negotiate agreements with councils who decide to offer financial support.
- 4.4 Officers have negotiated the following level of financial support with GLL and agreed to limit the duration of this support to minimise the financial impact on the Council as follows:
- The Council will pay GLL a capped amount of £410k for the rest of this financial year based on GLL opening on 25 July 2020. Payments will be made as follows:
 - RBC will pay GLL up front for costs incurred to date
 - the balance will be paid in instalments in arrears to December 2020.
 - Open book accounting has been agreed with any spend less than this shared between RBC and GLL.
 - The Council has agreed to be flexible in respect of GLL's operational decisions to open the centre safely. This may mean that the full pre-covid leisure offer cannot be provided including the use of the leisure pool (where social distancing rules makes this unviable at present). Concession rates will continue to be honoured.
 - GLL will aim to run 1,000 swimming lessons per week down from 1,400 due to the need for social distancing but are expecting a reduction in demand, any spare demand will be moved to RBC pools with capacity.
- 4.5 Officers have contacted some of GLL's other local authority partners to find out their respective positions. Others have confirmed they are providing financial support. One has confirmed they have offered financial support including deferred management fees, which has yet to be accepted by GLL.
- 4.6 GLL has asked the Council to follow the supplier relief PPN (PPN02/20) guidance to cover the net cost of providing the service. The Supplier Relief PPN asks public bodies to ensure suppliers will continue to be paid as normal (even if service delivery is disrupted or temporarily suspended by the pandemic) until 25th July. However, the Council does not pay a management fee to GLL and the PPN is non statutory guidance.

4.7 A summary of options is set out at below:

Options	Factors to consider	Financial implications
<p>Option 1: No financial support</p> <p>This carried the risk of GLL terminating the contract and returning Rivermead to the council.</p> <p><u>NOT RECOMMENDED</u></p>	<p>Difficult for GLL to succeed in loss of income claim under the terms of the Contract.</p> <p>Termination of the Contract may be brought about by GLL through the force majeure clause in the Contract.</p> <p>Supplier relief PPN (PPN02/20) is non statutory guidance.</p> <p>Reputational risk</p>	<p>Cost of Rivermead coming back in-house or the Council setting up its own Leisure Trust other costs/expenses e.g. tupe, redundancies, novation of third-party contracts, transfer of assets/property, termination of leases etc which will need to be considered and costed.</p>
<p>Option 2: financial support based on an open book accounting until March 2021.</p> <p><u>RECOMMENDED</u></p>	<p>Allows the centre to open to the public and a level of service resumed.</p> <p>Termination of the Contract may be brought about by GLL through the force majeure clause in the Contract</p> <p>Shows commitment to the intention of a long term partnership with GLL.</p> <p>May be able to recover costs via central government.</p> <p>Actual costs may be better than those forecast.</p>	<p>£410k for 2020/21</p>

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The Council’s Corporate Plan 2018 - 2021 (refreshed in June 2019) sets out the key priorities for the Council which include ‘Securing the economic success of Reading’ and ‘Promoting health, education, culture & wellbeing’. The proposals and recommendations set out in this report directly contribute to these priorities by supporting the reopening of the Rivermead Leisure Centre and its ongoing viability.
- 5.2 The Council has also agreed its strategic priorities for the recovery phase of the pandemic. The overall vision is to ensure Reading can be a thriving, virus-resilient community:

- To ensure the Council is resilient and fit for the future.
- To help people be safe and communities thrive
- To secure the economic future of Reading

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).
- 6.2 There are no direct environmental and climate change implications within this report although the decision to provide financial support will be key to the long term relationship of the Council with GLL as part of the proposed DBOM contract which will improve the quality of leisure services and increase participation rates. The current leisure facilities are ageing and do not have the benefit of being built to modern standards including current energy efficiency standards. GLL has committed to developing the designs for Rivermead and Palmer Park to BREEAM Excellent standards, to use renewables where possible to achieve building control compliance and to help reduce carbon emissions and improve environmental efficiency.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 No direct consultation on the decision taken in this report has been undertaken.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 In addition to the Human Rights Act 1998 the Council is required to comply with the Equalities Act 2010. Section 149 of the Equalities Act 2010 requires the Council to have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 8.2 An Equality Impact Assessment is not applicable to this decision.

9. LEGAL IMPLICATIONS

- 9.1 The Council has a power to provide sport and recreation facilities in its area.
- 9.2 Pursuant to its powers, the Council entered a contract to provide leisure service on its behalf with GLL dated 23 May 2008. In the absence of COVID-19 related financial relief, GLL has indicated that it will determine the Contract and cease to provide the sport and recreation facilities thereunder at Rivermead Leisure Centre prior to the expiry date of 31 December 2022. Any offer of financial relief by the Council to avoid the situation at this paragraph 9.2, should be properly documented by way of a variation to the Contract, to be drafted in line with the Cabinet Office's Model

Interim Payment Terms Procurement Policy Note 02/20 requiring the parties to act in good faith, with integrity and through open book transparency.

10. FINANCIAL IMPLICATIONS

10.1 The current contract with GLL for Rivermead is provided at nil cost. The £410k capped subsidy for 2020/21 will therefore mean that the service overspend will increase. However, the subsidy is within the amount included in the forecast costs of Covid-19 included in reports on this issue, budget monitoring reports and returns to government.

10.2 Financial risks have been limited through a capped subsidy.

11. BACKGROUND PAPERS

11.1 None