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Report of: *Eugene Walker – Executive Director of Resources*

Report to: *Julie Dore*

Date of Decision: *11 August 2020*

Subject: *Provision of Grant Funding for Sheffield City Trust, Places Leisure to allow Leisure Facilities to re-open post CV-19.*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="checked" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="checked" type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Finance, Resources and Governance and Culture Parks & Leisure		
Which Scrutiny and Policy Development Committee does this relate to? Environmental Wellbeing Scrutiny and Policy Development Committee		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="checked" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>		
Does the report contain confidential or exempt information?	Yes <input checked="checked" type="checkbox"/>	No <input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<i>"The appendix is not for publication because it contains exempt information under Paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 (as amended), being information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information."</i>		

Purpose of Report:

To agree a package of funding support in order to begin a re-opening a number of leisure facilities operated by Sheffield City Trust (SCT) and Places Leisure (PL).

The Covid-19 pandemic has had a significant impact on the facilities ability to generate income and without additional funding from SCC it will not be possible for SCT or PL to open any leisure provision in the city.

SCT and PL therefore require urgent funding, by way of grant and contract payment, respectively, to meet additional costs and lost revenue caused by the Covid 19 pandemic.

Sheffield City Trust

Increase grant up to £15m (exclusive of exceptional pension costs related to redundancy) in 2020/21 to cover the costs of lockdown and allow for a phased re-opening of certain aspects of the following facilities:

English Institute of Sport Sheffield (EISS)

iceSheffield

Hillsborough Leisure Centre

Concord Sports Centre

Springs Leisure Centre

Heeley Pool

Golf Courses (already re-opened)

Places Leisure

Make contract payment of up to £1.6m in 2020/21 to cover the costs of lockdown and allow for a phased re-opening of the following facilities:

Graves Health and Leisure Centre

Thornccliffe Health and Leisure Centre

Wisewood Sports Centre

This package of support will enable leisure facilities to re-open whilst the Council continues the work develop a long term strategy leisure provision in the City.

Recommendations:

The Leader approves;

- the re-opening of leisure facilities in Sheffield in line with this report and notes the premises that will remain closed,
- funding of up to £16.6m for the provision of leisure services in 2020-21, which is £11.2m higher than the original approved budget and will need to be funded from reserves.
- the payment to Sheffield City Trust by way of grant or loan the sum of up to

£15m,

- the variation to the agreements with Places Leisure as set out in the legal implications section of this report and the contractual payment of the sum of up to £1.6m as set out in the financial section of this report,
- notes that in relation to Sheffield City Trust there will be additional funding required in relation to redundancy costs, and
- delegates authority to the Director of Finance and Commercial Services to identify funding (including from reserves) to pay pension costs of Sheffield City Trust where those costs cannot be met from the Trusts own resources.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Ryan Keyworth/ <i>Chris Nicholson</i>
		Legal: <i>David Hollis/Tim Hoskin</i>
		Equalities: Annemarie Johnston
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission:	<i>Eugene Walker</i>
3	Cabinet Member consulted:	<i>Cllr Terry Fox</i> <i>Cllr Mary Lea</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Lisa Firth</i>	Job Title: <i>Director of Culture</i>
	Date:	

1. PROPOSAL

- 1.1 On March 20th 2020 the UK Government took the decision to require the closure of all public leisure centres in response to the COVID-19 pandemic. As a consequence, the facilities in Sheffield stopped trading and a number of fixed costs have to date been met by the Council to ensure the buildings are safe and secure and can be activated for any civil emergency response.

The funding package identified within this report for the 2020/21 period will support the re-opening of a reduced number of venues across the city. Additional funding is required to remobilise services as some facilities remain closed and even where opened income is expected to be significantly reduced whilst social distancing measures are in place and impacting on capacity levels and the speed at which services can rebuild and recover.

- 1.2 Whilst the Council does not have a legal duty to provide leisure services there are a number of statutory duties related to leisure facilities, which includes the statutory youth provision and the need to ensure children in primary schools can learn to swim. Over and above this, the Council has received significant external capital funding over the last 20 years to modernise the leisure estate and there is a requirement for these facilities to operate in order to avoid the capital investment potentially being clawed back by funders (e.g. Ice Sheffield, EIS Sheffield, Graves Health and Sports Centre, Thorncliffe Health and Sports Centre).
- 1.3 The phased reopening of facilities identified within this report will provide a good geographical spread of provision across the city. Leisure centres provide valuable swimming lesson provision, lane swimming, gym and fitness classes for physical exercise, ice skating and athletics activities for key demographic areas.
- 1.4 Facilities proposed for re-opening are as follows:

Sheffield City Trust Facilities

Concord Sports Centre. The catchment is predominantly S5, but also takes in regular customers from neighbouring S6, S9 and S35. The venue has a large floorplan with easy separation of wet and dry side customers. There is also a lot of sports hall space and outdoor activity area, leading onto a public park. This means that it should be relatively easy to enforce social distancing in the venue and to hold group activities in a well-spaced environment. The location of the venue fits well with newer, cost-effective sites operated by Places to give a good coverage across the city and include communities in the north-east. The venue is also a key base for a lot of the partner activity in the local community by organisations such as Street Leagues and the city's football clubs.

Concord Sports Centre is one of the NCSEM bases, providing a critical link for Exercise Referral programmes for vulnerable individuals

English Institute of Sport Sheffield (EISS). Has a regular fitness membership from S9 and neighbouring S5, S2 and S13. With specialist activities in athletics, EISS draws from all Sheffield postcodes. The return to work of athletes (initially from British Boxing) training for Tokyo 2021 means that the venue is open and earning income and the addition of public fitness, school usage and other activities would be available at net income. The facility also provides administrative and training centres for National Governing Bodies; all of whom are working on their athletes' road to Tokyo 2021. EISS also provides the school physical education provision for the neighbouring Oasis Academy Don Valley for their pupils, currently 120 rising to c.600 pupils.

Ice Sheffield Provides unique activities having specific appeal for teens & younger adults with the general skating sessions being popular with teenage girls, a group that's difficult to engage in physical activity. Calculations show that the venue can be operated to generate a financial contribution to the other activities of the trust. Ice Sheffield provides administrative and training centres for National Governing Bodies; all of whom are working on their athletes' road to Winter Olympic 2022. This venue will be opened as soon as Government guidance permits.

Tinsley, Beauchief and Birley Golf Courses. These sites are already operational following an earlier phase of easing of lockdown restrictions. All 3 courses are seeing buoyant demand, across all days of the week. The required operational restrictions have reduced playing capacities, but greater flexibility in players' lives means greater uptake than normal for 'off-peak' playing times. As the season comes to a close and demand reduces it is proposed that one course will close from November 2020. Further detailed work and consultation prior to a final decision on which course to close will take place over coming weeks.

Heeley Pool. It is proposed that Heeley Pool is used to serve as a convenient central location to offer dedicated water space for School Swimming programmes, Learn to Swim and elite swimming clubs' use, relocating from Ponds Forge. The option provides a cost-effective way of replacing some of the lost capacity from Ponds Forge.

Springs The public opening of Springs Leisure Centre adds to a very strong community and swimming-focused approach widening access for a geographically tightly defined audience in the S12, S2 and S13 postcodes. The venue has a fitness membership of c.500 appealing to the oldest demographic amongst the SCT venues (36% aged over 45 years old) and a coached programme attracting 675 children each week across swimming, football and gymnastics and trampolining. As well as the general public, Springs provides services for specific community groups; offering autism-specific sessions and 'Walking' sports (Walking Football, Walking Cricket) for older adults as well as joint working with Spire Community Centre, Manor & Castle Development Trust and

Sheffield United Community Foundation to engage a wide cross section of the local community. These will be re-introduced as soon as the social distancing regulations make them feasible. In addition, the venue focuses on specific health-recovery work with Exercise Referral programmes with NHS activity for individuals living with acute health conditions.

We calculate that the operational cost of opening Springs in order to support school swimming and community use would be £228k plus £126k of necessary lifecycle expenditure. A further £27k would be required to cover redundancy costs.

Hillsborough Leisure Centre. Has a large fitness membership with the highest attended fitness class programme in the city, alongside offering additional water space for school swimming, coached swimming for learners and lane swimming for general public usage. The gym has recently been re-designed with the latest equipment and the large space will allow a large capacity for users throughout the day. The extensive group exercise programme can be delivered in a well-spaced atmosphere in the sports hall. Wet and dry side attenders can be easily separated to maximise distancing

It is not proposed to re-open Ponds Forge International Sports Centre. This is a difficult decision as it provides a large gym and group exercise programme for approx. 4,000 members as well as lane swimming and leisure swimming at weekends. It also has a significant learn to swim programme, supports school swimming lesson and is home to Sheffield's main swimming, diving and water polo squads. However, the proposal caters for school swimming lessons by opening all other pools and moves the aquatics clubs to Heeley.

As well as being a community sports venue, Ponds Forge serves as a major international swimming pool and regional conferencing and banqueting centre. In keeping with the entertainment and theatre venues in the city, it isn't possible to open up Ponds Forge for this significant activity and the lost income would lead to the net cost of the venue as a community facility being disproportionate compared with other facilities in the city.

The proposal is to mothball Ponds Forge and re-open it when regulations permit the mitigating commercial activity to operate in tandem with community usage

Places Leisure Facilities

Graves Health and Sports Centre provides fitness memberships and physical activity options including specialist indoor tennis, gymnastics & trampoline facilities, with modern and welcoming Gym, studio's and pool hall to compliment. The centre is also provides clinical services via the NCSEM, providing a critical link for Exercise Referral programmes for vulnerable individuals. Graves serves the people of Sheffield within its

immediate catchment area and neighbouring postcodes S8, S12, S17 and S18, this ranges from the Norton, Jordanthorpe & Batemoor area's to Westfield, Woodhouse, Greystones and Sharrowvale.

Thorncliffe Health & Leisure Centre provides fitness memberships and physical activity options with its modern and welcoming Gym, studio's and pool hall to compliment. The centre is also provides clinical services via the NCSEM, providing a critical link for Exercise Referral programmes for vulnerable individuals. Thorncliffe serves the people of Sheffield within its immediate catchment area and neighbouring postcodes S35, S36 and S61

Wisewood Sports Centre Provides fitness memberships and physical activity options with its modern and welcoming Gym, studio and Sports Hall, the Centre is equipped with a recently upgraded gym, fitness studios, and football pitches. Wisewood serves the people of Sheffield within its immediate catchment area and neighbouring postcodes S6 and S35.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 In agreeing to provide the funding SCT and Places Leisure will be able to re-open facilities and provide access to physical activity for the residents of Sheffield.

3. HAS THERE BEEN ANY CONSULTATION?

Since the UK Government announced the closure of all leisure facilities, the sector has come together to work collaboratively on a strategy towards recovery. The benefits of sport and physical activity are already well known and are more important than ever at this time, with evidence showing that being active and healthy can boost your immune system and reduces your risk of both contraction and the impact of Covid 19. Being active is not just good for you physically, it can do so much more, including help prevent or manage medical conditions, reduce anxiety or stress, improve a person's confidence or self-esteem, or bring people from diverse backgrounds together. Doing less than 30 minutes of moderate physical activity a week is one of the top ten causes of early mortality in England. 62% of people feel that exercise is more important during the pandemic than at other times. Extensive research has been conducted at both a national and local level to understand how people are feeling and what their likely patterns of behaviour might be as we move into the next phase. This insight has provided the evidence base for the options appraisal that has been undertaken.

Consumer commitment on returning to leisure facilities is positive, with a Leisure-net survey indicating that 88% of users stating they would use their facility the same amount or more on reopening. However 4% indicated that they would not return, the main reason for this being they will be doing outdoor independent activity.

Whilst the number of people saying they will return is largely positive, the research indicates that consumer confidence is low, with some people saying they may not all return immediately, in fact only 42% of people said they would return immediately, with 33% saying they would be likely to return when they see how facilities are complying with government regulations. Unsurprisingly 30% of people identified cleanliness as a key factor to returning. This has led to modelling predictions indicating that, if leisure centres open with social distancing measures in place for 6 months, even with reduced capacity they would not reach saturation until the winter. In addition to this, the financial impact of Covid 19 needs to be considered, a significant number of people will have been furloughed during this time and may have been or are facing redundancy further influencing their decision making process. All of these factors will have a major impact on the amount of income that SCT, Places Leisure and other providers will be able to generate.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 The funding provided will allow a phased reopening of some facilities and will provide equality of provision across the city. Leisure centres provide valuable swimming lesson provision, lane swimming, gym and fitness classes for physical exercise, ice skating and athletics activities for key demographic areas and deliver positive physical and mental health and wellbeing impacts.

With social distancing measure in place it will simply not be possible to re-instate all activity that was available pre Covid-19. The priority must be to ensure the safety of both customer and staff and ensure that venues and activities delivered comply with social distancing requirements. Wherever possible plans are being put in place to mitigate the impact of not re-opening all facilities, for example reprogramming activity across the centres that are re-opening to maximise availability for displaced school swimming session.

4.2 Financial and Commercial Implications

- 4.2.1 When the Covid-19 pandemic resulted in closure of all the facilities in March, the circa £35m income streams that supported those venues largely ceased overnight. To date (end of July), this impact has been covered through a combination of the government's furlough scheme and additional SCC funds approved through emergency procedures. Re-opening of venues with social distancing restrictions in place requires consequential reductions in capacity/usage and will result in income levels significantly below pre Covid-19 levels, whilst some costs will increase (e.g. cleaning). Re-opening will also see the furlough support reduce/cease, such that in the absence of any new specific government grant, the cost will fall on SCC to fund.

This proposal is to provide the estimated funding required in 2020-21 to cover the costs of lockdown and to allow for the phased re-opening of a number of leisure facilities operated on behalf of Sheffield City Council (SCC) by the Sheffield City Trust (SCT) and Places Leisure (PL).

The estimated funding required in 20-21 is £16.6m, which is £11.2m over and above the original approved budget of £5.4m. However, it should be noted that this estimated additional cost has been included in the Council's Revenue Budget (and Covid) monitoring reports to date.

The total includes:-

- £15m to the Sheffield City Trust (exclusive of exceptional pension costs related to redundancy).
- £1.6m for Places Leisure

The net additional cost is proposed to be funded through the authority's financial strategy for the management of the costs of Covid-19 which will use a combination of central government grants and the authority's reserves

It should be noted that this estimate assumes there will be no change to current social distancing restrictions and that venues remain open (no local lock-down /2nd wave etc.) and that no new government support becomes available

Clearly there is a risk that the income projections (therefore subsidy required) could differ significantly (up or down) from those estimated in this report should there be changes in any of the key external factors around social distancing restrictions, local lock-down/2nd wave and new government support.

Given the above risks it is vital that the position is subject to rigorous monthly monitoring of both the actual and forecast position for the remainder of the financial year.

- 4.2.2 The Council and the Trust have agreed to jointly instruct an independent accountancy firm to undertake a review of the Trusts business. This will give the Council and the Trustees the confidence that the Trust is managing its business as efficiently as it can and will give the Council the confidence that it will only be required to provide funding at a level that is absolutely required. The review will also allow the Council to understand what funding will be given as grant and to what extent it can be provided as a loan, allowing repayment of the funding where possible.

4.3 Legal Implications

- 4.3.1 The Council does not have a legal duty to provide leisure services, however there are a number of statutory duties related to leisure

facilities, which includes the statutory youth provision and the need to ensure children in primary schools can learn to swim. Over and above this, the Council has received significant external capital funding over the last 20 years to modernise the leisure estate and there is a legal requirement for these facilities to operate in order to avoid the capital investment potentially being clawed back by funders (e.g. Ice Sheffield, EIS Sheffield, Graves Health and Leisure Centre, Thorncliffe Health and Leisure Centre)

- 4.3.2 The Council has the power to provide recreational facilities under s19 Local Government Miscellaneous Provisions Act 1976. That section specifically empowers the Council 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. For these purposes SCT is a voluntary organisation. The Council may enter into a contract for the provision of recreational facilities and services under that s19 together with s1 Local Government (Contracts) Act 1997. It has entered into the Leisure Services Management Agreements (LSMAs) with PL (company name Places for People Leisure Management Limited), and will enter into the proposed Deeds of Variation with the company under those powers.
- 4.3.3 The Council can pay the grant to SCT via the existing funding agreements therefore no new agreements are required.
- 4.3.4 Deeds of Variation to the LSMAs will be produced to cover the terms of the payments to Places Leisure. The proposed Deeds of Variation are within the scope of modifications permitted under regulation 43 Concession Contracts Regulations 2016.
- 4.3.5 There are two different contractual bases for the Deeds of Variation with PL. Firstly, in relation to the closure period: this reflects PL's contractual entitlement arising from the fact that the closure of leisure facilities was a specific legal requirement under the various Coronavirus health protection regulations. For the purpose of the LSMAs, these regulatory provisions are a Qualifying Change in Law and at the Council's risk.
- 4.3.6 Secondly, for the period from re-opening to the end of March 2021. While it has been suggested that the Qualifying Change in Law provisions of the LSMAs continue to apply in this period, the Deeds of Variation are based on the practical necessity of the Council taking the risk in relation to the level of income during this period if the facilities are to re-open. The approach is encouraged by Cabinet Office guidance – in relation to concession contracts such as these, Procurement Policy Note 4/20 advises that 'authorities should work with suppliers to identify commercial solutions that are specific and appropriate to the contract', and the Deeds of Variation will follow the transparency requirements listed in that guidance.
- 4.3.7 Payment under the re-opening Deeds of Variation will be based on the

net costs of operating the facilities, with a performance incentive to reduce the net costs below the projected levels. It is hoped that this approach will support the transition back to normal operating circumstances, in which PL is able to bear demand risk in relation to the facilities. However, the Deeds of Variation and that transition are clearly vulnerable to the impact of further Coronavirus health protection measures.

4.4. Public Health Implication

Both SCT and PL have liaised with Public Health colleagues to finalise their re-opening plans, risk assessments and operating procedures to ensure that plans comply with Government Guidelines on safe re-opening and Covid-19 track and trace requirements.

4.5 Property Implications

Moving beyond lockdown and with opening restrictions easing the Council has adopted a clear approach to its differing opening and operational responsibilities as property occupier, tenant and landlord.

The facilities which are the subject of this report are leased by SCC and are subject to agreements which pass operational liability and maintenance directly to the operators (PL and SCT). As such the Council has no direct liability for making the facilities COVID secure from both a building and operational perspective.

In reopening the properties SCT and PFP will therefore be responsible for ensuring that government guidance and best practice is adhered to in reopening the buildings, making them COVID secure and in operation and management of the facilities. All measures such as signage, new layouts and one way systems, enhanced cleaning and all operational requirements will be the responsibility of SCT and PL.

Similarly SCT and PL will retain responsibility for mothballing the facilities which remain closed, and for their ongoing management and security.

4.6 HR Implications

The organisational structure required by SCT to deliver the services recommended for re-opening above will be significantly reduced by 290 (FTE) employees; affecting c 440 individuals.

Support and guidance through any redundancy process will be managed by SCT in accordance with agreed policies. SCT will provide as much information and support as possible to employees experiencing this change, including use of the Westfield Healthy Extra's scheme. SCT are working in partnership with Sheffield Credit Union, Job Centre Plus and other organisations in order to support staff. SCT's in house People Team are also providing support to employees with CV writing skills and interview techniques, should they need it.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 The alternative options considered included keeping all SCT facilities temporarily mothballed. This would reduce the estimated grant required by SCT during 2020/21 to £11.2m. This option was ruled out as the savings in keeping facilities mothballed for no service offer was relatively small when compared to re-opening. Furthermore, it is likely that there would be a detrimental impact to the health and wellbeing of residents if the facilities remained closed

5.2 Further alternative options considered included re-opening all SCT leisure facilities. This option would increase the grant required by SCT to £16.6m in 2020/21 and would see Ponds Forge and Westfield Sports Centre re-open. This option was ruled out because it is expensive and with social distancing measures in place the offer within these venues would be much reduced.

Ponds Forge in particular will be unable to deliver a range of events and services that would ordinarily contribute towards the running costs for the facility.

The Council will look to mitigate the impact of the extended mothballing of Ponds Forge and Westfield where possible by working with both SCT and Places Leisure to re-programme activity within other centres.

5.3 Further combinations of facilities were also considered, however, it was the preferred option was chosen because it offers equality of provision for residents across the city.

6. REASONS FOR RECOMMENDATIONS

6.1 The financial support to SCT and Places Leisure will allow a range of facilities to re-open and will contribute the health and wellbeing of residents.