



Author/Lead Officer of Report: *David Hollis,
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Tel: 0114 205 3125

Report of: *Executive Director Resources*

Report to: *Co-operative Executive*

Date of Decision: *24 March 2022*

Subject: *Financial Support for Sheffield City Trust*

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| Is this a Key Decision? If Yes, reason Key Decision:- | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| - Expenditure and/or savings over £500,000 | <input checked="" type="checkbox"/> | |
| - Affects 2 or more Wards | <input type="checkbox"/> | |
| Which Cabinet Member Portfolio does this relate to? <i>Finance and Resources</i> | | |
| Which Scrutiny and Policy Development Committee does this relate to? <i>Overview and Scrutiny Management Committee</i> | | |
| Has an Equality Impact Assessment (EIA) been undertaken? | Yes <input type="checkbox"/> | No <input checked="" 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 type="checkbox"/> | No <input checked="" 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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i> | | |

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| Purpose of Report: |
| <i>To update on the impact of the Council's Leisure Investment and facilities Review (approved in November 2021) on the Sheffield City Trust group of companies and to approve required funding and pension arrangements.</i> |

Recommendations:

That Co-operative Executive.

- *Note the intention of Sheffield City Trust to not bid to operate the Major Sporting Facilities from the hand back date in 2024*
- *Note and approve the intention of Sheffield City Trust to agree a concurrent hand back of the other Sheffield leisure facilities to the Council, allowing the Council to include these in delivery of its approved Leisure Strategy from 2024 Those facilities are.*
 - English Institute of Sport Sheffield
 - Ice Sheffield
 - Sheffield City Hall
 - Heeley Pool & Gym
 - Springs Leisure Centre
 - Concord Leisure Centre
 - Beauchief, Birley and Tinsley Golf Courses
- *Delegate authority to the Director of Finance and Commercial Services in consultation with the Director Legal and Governance to enter into revised funding agreement with Sheffield City Trust as outlined in this report*
- *Delegate authority to the Director of Finance and Commercial services in consultation with the Director of legal and Governance to enter into revised pension arrangements with Sheffield City Trust as outlined in this report.*
- *To the extent not covered by existing delegations, delegates authority to the Director of Finance and Commercial services in consultation with the Director of legal and Governance and Co-operative Executive Member for Finance and Resources to take such steps as deemed appropriate to achieve the objectives outlined in this report.*

Background Papers:

Report to Co-operative Executive 17 November 2021

<https://democracy.sheffield.gov.uk/documents/s48479/Form%20%20-%20Leisure%20Review%20Final%20Report%2008112021.pdf>

Lead Officer to complete:-

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| 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: <i>Ryan Keyworth</i> |
| | | Legal: <i>David Hollis</i> |
| | | Equalities: <i>Bev Law</i> |
| <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 Cate McDonald</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>David Hollis</i> | Job Title: <i>Assistant Director legal and Governance</i> |
| | Date: <i>24 March 2022</i> | |

1. PROPOSAL

- 1.1 Sheffield City Trust (SCT) was set up in 1987 as an independent charity to oversee the running of the City's sport and leisure facilities, linked to the Major Sporting Facilities (Sheffield Arena, Ponds Forge and Hillsborough Leisure Centre) that were built for the 1991 World Student Games. The Trust now runs most of the council's leisure and entertainment facilities and some of these arrangements come to an end in 2024. As part of ambitious plans for the future of Sheffield's leisure and entertainment facilities, in November 2021, proposals were approved by the council's Cooperative Executive to progress a long-term plan for major improvements and investment, creating an exciting leisure offer that will also deliver on health and wellbeing outcomes for Sheffield and our residents.
- 1.2 The strategy approved a Council procured approach to appointing an external partner, as outlined in this report to run the facilities. Cooperative Executive also approved a significant investment in our Leisure and Entertainment facilities to deliver a balanced and sustainable portfolio of facilities which support the needs of our communities alongside elite sport and events.

- 1.3 Although it is only the Major Sporting Facilities (MSF) that are required to return to the Council in 2024 (in lieu of repayment for the funding provided to SCT by the Council to service the Luxembourg Bond) SCT have advised the Council that they do not intend to bid to operate the MSF from 2024 and consequently they will no longer operate the other facilities in Sheffield and will return them to the Council at the same time. A provisional date of 31 August 2024 has been agreed for the hand back of facilities.
- 1.4 The Council's current funding for SCT is via grant under the Shortfall Funding Agreement for the MSF. Formal funding arrangements that were in place for other facilities have ended. In addition, the Council has, for many years, provided a Letter of Comfort to SCT as part of the annual audit process. This letter allows SCT's auditors to sign the accounts on a 'going concern' basis. The letter requires the Council to provide short term cash flow support should it be required to enable SCT to meet its financial obligations.
- 1.5 An end date to operations brings into sharper focus SCT's status as a going concern. To lawfully operate to that date, SCT needs to be satisfied it will have sufficient funding to meet its obligations and pay all creditors. This is not only in relation to its day-to-day operations, but also to wind up the group companies on a solvent basis and it therefore needs a net positive balance sheet by 2024.
- 1.6 The current funding arrangements with the Council (Shortfall in relation to the Major Sports Facilities) and Letter of Comfort on cash-flow are not sufficient to give the level of security SCT needs to lawfully continue trading. Decisions taken by SCT to keep the level of funding from the Council within the levels agreed with the Council over previous years (Covid impacts excepted) such as the treatment of ticket monies owed to promoters will now need to be addressed within a fixed timescale.
- 1.7 SCT is an admitted body within the Local Government Pension Scheme (LGPS). This has meant that some SCT legacy staff have had the benefit of membership of the LGPS pension scheme although it has been a scheme closed to new members for some time. There is a LGPS pension deficit valued at £4m in 2018 on the SCT balance sheet. Discussions have taken place with South Yorkshire Pension Authority (SYPA) and agreement reached for new admission arrangements that will remove any liability from the balance sheet of SCT and combine it within the Council's Fund within the LGPS.
- 1.8 The terms of a new funding agreement have been agreed with SCT. This will not commit open ended funding nor act as an unlimited guarantee. SCT has produced a Business Plan that projects all income and expenditure from operating through to the end of August 2024 and to then wind up the various group companies. The gap between income and expenditure will be funded by the Council by way

- 1.9 of grant. The Business Plan will be scrutinised, updated and agreed on a regular basis to ensure it remains affordable to the Council.

The agreement also sets out expectations of co-operation between the parties to deliver a successful hand over of facilities and assistance to be provided by SCT to the Council when a new operator is appointed in 2024.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 This decision contributes to the One Year Plan priority of Investing in our sport and leisure facilities to support better health and wellbeing. This will contribute to our Public Health objectives and the City's Move More outcomes.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 There has been no public consultation on the direct implications of this report. Consultation has taken place with SCT.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 There are no equality of Opportunity implications arising directly from the implementation of the recommendations.

4.2 Financial and Commercial Implications

- 4.2.1 The business plan proposed by SCT to accompany the agreement is considered by Council officers to be very prudent. As it stands, there is a £7m gap between the subsidy that SCT say they need between now and August 2024 and the amount the Council has available from the General Fund Revenue Budget. £3m of the gap had been provided for in the Month 10 budget monitoring. The remaining £4m revenue support will cover from a specific reserve that was set up at the year-end in 2020 to deal with expected future costs of SCT. This means that there will be no additional impact on the General Fund Revenue Budget beyond that already included in the 2021/22 Revenue Budget, the Medium-Term Financial Analysis and 2022/23 Budget that was approved at Council on Wednesday 2 March 2022. Once this agreement is in place, the council will continue working with SCT senior management and Trustees to improve on the financial performance set out in the business plan.

4.3 Legal Implications

- 4.3.1 The Council has the power under the Local Government (Miscellaneous Provisions) Act 1976 to provide, inside or outside its area, such recreational facilities as it thinks fit and may contribute by way of grant or loan towards the expenses incurred or to be incurred by any voluntary organisation in providing any recreational facilities which the authority has power to provide. SCT is a voluntary organisation for the purposes of this power.

The funding amounts to a measure but is not regarded as a subsidy for the purposes of Subsidy Control as it is purely local in its application and is unlikely to affect international trade.

4.4 Other Implications

- 4.4.1 There are no other direct implications arising from this report.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 **Not entering into revised funding arrangements**

- 5.1.1 This is not an attractive or viable option for the Council. If SCT does not have the required security of funding to operate as a going concern until it ends operation and wind up as a solvent business, then legally its Trustees would need to cease trading and the most likely outcome would be an insolvent wind up. In this situation, SCT would be operated by an insolvency practitioner and that would likely mean the closure of most of the leisure facilities before 2024. The best scenario would be hand back to the Council but due to the complexity of the arrangements that have been entered into over time, this is not guaranteed for all facilities.

- 5.1.2 Even then the Council would either have to operate the facilities or at short notice find another operator pending going to out to procurement under the Leisure Strategy. Having to enter into piece meal short term arrangements and the officer time involved could end up being less cost effective than funding SCT as set out in this report. In addition, the position of staff in SCT would be unclear and there may be redundancies whereas under this arrangement, TUPE is likely to apply.

6. **REASONS FOR RECOMMENDATIONS**

- 6.1 The recommended option allows SCT to continue the provision of leisure and entertainment services up to the hand back of facilities in 2024 whilst giving the Council the most flexible options to deliver these services from all the SCT facilities in line with the approved Leisure Investment and Facility Review strategy.
- 6.2 It avoids a potential insolvency situation that could have significant impact on the delivery of these services in the short to medium term.