

Report to: **Council**

Date: **30th March 2021**

Title: **Leisure – Fusion support on Re-opening**

Portfolio Area: **Health and Wellbeing – Cllr Leech**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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It is recommended to Council:

1. To passport through to Fusion, the £85,493 of the National Leisure Recovery Fund (NLRF) funding, to enable Fusion to meet the costs of preparing and carrying out the re-opening schedule from 12th April 2021 onwards, in line with the national roadmap.

1. Executive summary

- 1.1. The Covid-19 pandemic and a lack of central Government support has created very challenging conditions for Fusion, the Council's Leisure provider. The crisis has had a huge impact on all aspects of life and business.
- 1.2. The recommendation of this report is made in response to three key drivers; an existing support package predicated on a single lockdown not three (S1.4 -1.6), a slower forecast usage uptake due to the duration of closure, seasonality of re-opening and changes in participant behaviour (S1.8) and clear guidance that the NLRF funding should be paid across to leisure providers as a matter of urgency to support re-opening (S2.10).
- 1.3. Where Health and Wellbeing is outsourced within the Local Government sector to a leisure contractor, for a while there had not been any specific Government support other than the furlough scheme and the availability of Government loans for providers. Further to specific national and regional lobbying on this, the Government announced a £100million National Leisure Recovery Fund (NLRF), to which the Council applied (in partnership with Fusion). The Council was notified in early March 2021 of its successful application and was awarded £85,493 from the fund.

- 1.4. The original financial forecasts from Fusion that were presented to the Council in 2020 were planned around the first lockdown in March 2020, and the re-opening of sites in July/August. The forecast did not take into account the subsequent closures of sites in November and December (Lockdown 2) and from January 2021 onwards (Lockdown 3). These additional National Lockdowns and tiers dramatically stunted both participation, income from the sites and financial growth.
- 1.5. The Council has worked very closely with Fusion, our leisure partner, to support them through the pandemic, including a significant amount of revenue funding (£435,000 in 2020/21). Those decisions were taken by Council and the relative merits debated at the time, which recognised the perilous position all leisure operators found themselves in, with no income and high standing costs.
- 1.6. Those decisions were also made based on a set of assumptions of usage uptake, opening duration and staffing levels, which, as a result of a two subsequent lockdowns have proved inaccurate.
- 1.7. Having agreed a support package with Fusion up until March 2021, based on open book accounting and monthly management accounts, the costs of "standing still" coupled with a significant loss of Direct Debit membership payments have been challenging for Fusion. The Accounts to date show a small surplus may be returned to the Council for the position up to March 2021, based on the level of funding provided to date. This position will be finalised over the next month or two and reported back to Members in the Summer.
- 1.8. We now have some greater certainty over the future and having taken updated national modelling of usage uptake and applied local factors to it, Fusion are now modelling a negative cashflow into the financial year 2021/22. Fusion's projections of Income and Expenditure for April, May and June 2021 show a projected loss of £116,000 over the three months. This is even after the core costs of the business are covered by the Government Coronavirus Business Interruption Loan Scheme (CBILS)(as set out in 2.6).
- 1.9. Fusion have asked that the Council passport through the £85,493 from the National Leisure Recovery Fund (NLRF) to support Fusion re-open in line with the national roadmap. This request is consistent across all areas of the country and all leisure operators, so it is not unexpected. It is recommended in this report that the Council passports this funding through to Fusion.

2. Background

- 2.1. In 2016, the Council signed a Design Build Maintain and Operate (DBOM) contract with Fusion for the two leisure centres in West Devon.
- 2.2. The contract is for 25 years, ending in 2041. In signing the contract, the Council was able to bring in private sector expertise in leisure management and cost effectiveness, such that it could continue to offer this discretionary service in a way that was affordable for the Council.
- 2.3. A report was presented to Council on 22nd September 2020 and Council agreed to continue with the Fusion contract as being the most appropriate means of supporting health and wellbeing objectives within the Borough. Further financial support through to March 2021 was also approved to enable the leisure centres to re-open and the service to be maintained.
- 2.4. For West Devon the overall funding provided is £435,000 for 2020/21. This was approved at Council on 28th April 2020, 29th July 2020 and on 22nd September 2020 (Minute Ref CM13).
- 2.5. The additional National Lockdowns and tiers dramatically stunted both participation and financial growth as described in 1.3.
- 2.6. Fusion have made numerous changes to their operating protocols and cost base, which has been fundamental to enabling Fusion to meet the challenges from the pandemic. Fusion have also used all measures available to sustain the charity's financial position this far through the pandemic, to ensure they are in a position to restart. This has included applying for, and being approved for, a Government Coronavirus Business Interruption Loan. Fusion have also furloughed their staff during the lockdowns. They will continue to face financial challenges as recovery gets underway.
- 2.7. The Council, in partnership with Fusion, submitted its application for the National Leisure Recovery Fund (NLRF). A total of £100million was made available to the leisure sector and covered the period of December 2020 to March 2021. West Devon Borough Council was successful in its application for funding and has received £85,493 in March 2021 (slightly more than the £80,000 anticipated).
- 2.8. Fusion's projections of Income and Expenditure for April, May and June 2021 show a projected loss of £116,000 over the three months. Fusion have requested that the £85,493 of NLRF Lottery funding is passed through to them, to enable them to re-open all the centres and operate whilst Covid restrictions are still in place. Fusion's aim is to work in partnership with the Council to provide a safe re-opening to all the centres during the short term.
- 2.9. This request is consistent across all areas of the country and all leisure operators, so it is not unexpected, although Fusion have only recently requested this from the Council and produced their financial forecast for April 2021 onwards.
- 2.10. Recent guidance from the NLRF explicitly states that *'funding is expected to be released now to support mobilisation and set up*

activities that will be required to enable re-opening'. This was notified in an email to the Council from NLRF on 16th March, entitled 'clarification on use and payment of funding'. The guidance set out that the funding is specifically to help support the costs of reopening and recovery of the public sector leisure sector. It states that 'Local Authorities should pay suppliers as quickly as possible to maintain their cash flow and to support leisure suppliers to resume regular service once possible'.

- 2.11. It is clear from the NLRF advice recently received that the expectation is that the funding will be passported through to the leisure service provider to support the recovery of the public sector leisure sector. Given the Council's commitment to work in partnership with Fusion for the Health and Well-being for the Borough, it is recommended that the Council supports this approach.
- 2.12. The Budget Monitoring report presented to Hub Committee on 16th March, recommended to Council that the NLRF funding was put into an Earmarked Reserve at 31.3.2021, with a further report on its use being brought back to Members (this is an unstarred Minute on this Council agenda – Minute HC68). As the Council is now in receipt of Fusion's re-opening plans and the associated net costs, this report is recommending that this funding is passported through to Fusion, in accordance with the recent NLRF guidance.
- 2.13. A further report will be brought back to Members in the Summer on the wider issues of re-opening after the lockdown period. The report in the Summer will review the success of the re-opening plans and usage figures for the first quarter.

3. Re-opening Plans

- 3.1 Whilst Fusion have experience in remobilising the leisure centres following lockdowns, each mobilisation presents its own unique challenge. An all Member Briefing was arranged for 18th March to set out Fusion's re-opening plans for the centres.
- 3.2 Fusion will continue to operate the facilities in a Covid secure environment, in line with the latest Government and industry guidance. This of course has a commercial impact on Fusion's ability to drive revenue and income due to the capacity restrictions and their ability to provide a full-service offering. It also adds additional costs to the operation.
- 3.3 Fusion will continue various operational measures to best protect against Covid-19 by the following initiatives:
 - A Covid secure risk assessment remaining live and operational. This risk assessment is based upon Government guidance, supported by Public Health England recommendations and also with important updates from the trade industry body UK Active and all key National Governing Bodies such as Swim England.

- The risk assessment includes (but is not limited to) items such as one way systems, restricted capacity numbers, online bookings system and cashless payments. High touch cleaning checks are completed every two hours and recorded, with compliance daily audits.

3.4 In line with the Government roadmap, **it is proposed to re-open both leisure centres on 12th April.**

3.5 Driven by the Covid-19 restriction that will still be in place as Fusion reopen, opening hours will be as listed below. However, this is subject to constant review, and may be updated as necessary:

April – August:

Monday to Friday: 8am – 8pm;

Weekends: 8am – 4pm;

Previous agreements made for extended opening hours in relation to swimming clubs/sporting clubs etc.;

Fusion will continue to be flexible to other changes required relating to demand.

September – March:

Fusion will continue with similar operating hours as April – August during this period, but subject to discussion with the Council and based upon demand and revenue growth, Fusion will aim to increase the hours accordingly.

3.6 As part of this remobilisation, Fusion will look to re-launch a similar programme in each centre similar to October 2020, which included the following:

- Casual swimming;
- Health and fitness;
- Swim school;
- Group exercise (main hall uses subject to social distancing);
- Specific club use where it is safe and where applicable based upon NGB and National Government guidelines;
- Outdoor activity programmes where possible and subject to any restrictions implemented by the Government.

3.7 From re-opening, Fusion will continue to evaluate their activity programmes and will look to increase these based upon demand and income generation. This will take place from September 2021 onwards and will be done in consultation with the Council.

3.8 A comprehensive and updated customer communication plan which covers social media, emails and notifications will go through Fusion’s digital application. Fusion’s customer service team will facilitate all customer enquiries over 7 days per week. Prior to re-opening, Fusion

will provide the Council with a detailed customer communication plan.

4. Proposed Way Forward

- 4.1. It is clear from the NRLF advice recently received that the expectation is that the NRLF funding of £85,493 will be passported through to the leisure service provider to support the recovery of the public sector leisure sector. Given the Council's commitment to work in partnership with Fusion for the Health and Well-being for the Borough, it is recommended that the Council supports this approach.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>Officers have taken legal advice during 2020 on the impact the Government's decision has on the contract and therefore the Council.</p> <p>The contract contains a change in law clause which has been triggered by the Government's actions and as such, it is a requirement under the contract for the Council to provide support during the forced closure period. The Council has provided this support.</p>
Financial implications to include reference to value for money		<p>It is clear from the NRLF advice recently received that the expectation is that the NRLF funding of £85,493 will be passported through to the leisure service provider to support the recovery of the public sector leisure sector. Given the Council's commitment to work in partnership with Fusion for the Health and Well-being for the Borough, it is recommended that the Council supports this approach.</p>
Risk		<p>Details of the risk assessments undertaken by Fusion are set out in 3.3.</p>

		All Fusion staff will re-undertake and complete online training developed by the organisation to ensure they are aware of updated COVID-19 measures to prepare them for re-opening and to support the local communities on re-entering centres. This training was successfully accepted by CIMSPA (the Chartered Institute of Management for Sport and Physical Activity) so that Fusion staff could then receive industry accreditation.
Climate Change		Contract targets to reduce energy usage
Comprehensive Impact Assessment Implications		
Supporting Corporate Strategy		Health and Wellbeing
Equality and Diversity		Whilst private sector facilities are available within the Borough, opportunities for equality and diversity are improved through the re-opening of public sector leisure centres.
Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		<p>One of the Council's adopted strategic priorities is Health and Wellbeing and it has a history of providing these services, which is why it has entered into a long term contract to do so.</p> <p>It is not the case that the Council's leisure centres are the only services available in the area.</p> <p>However they are the biggest and most complete in the offer that they provide. This includes, swimming (casual, club and swim school), gym & personal training and group fitness classes.</p>
Other implications		

Background Information

Hub Committee – 16th March 2021 – Month 10 Budget Monitoring report 2020/21

Overview and Scrutiny Committee – 2nd March 2021 – Leisure Contract, Fusion Annual Report 2020

Council – 22th September 2020 – Fusion Support and Alternative options

Special Council – 29 July 2020 – Fusion Interim support

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Head of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes