



Report of: Executive Member for Health & Social Care

Meeting of:	Date:	Ward(s):
Executive	10 th September 2020	All

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APPENDICES 1, 2, 3, 4 AND 5 TO THIS REPORT ARE EXEMPT AND NOT FOR PUBLICATION

SUBJECT: Leisure Mobilisation and Recovery Plan

1. Synopsis

- 1.1 On the 20th March 2020 at 5pm the government issued an instruction as part of the Covid-19 lockdown procedures that all Leisure Centres had to close with immediate effect. The Council issued a formal instruction for the leisure operator GLL (trading as Better) to close all 8 of Islington’s Leisure Centres. All customer memberships were suspended and the organisation that was already struggling from the trading impacts of the Coronavirus in early March and reduced usage and membership uptake went overnight to a zero income position. The closures are a qualifying change of law event under the contract.
- 1.2 There are 9 years remaining on the 15-year contract, which runs to March 2029. It is a concession contract and yields the Council a significant revenue contribution in the form of rent. The Leisure contract is to manage and deliver Leisure services from our 7 Leisure Centres and the Market Road pitches and to deliver sports development for the borough, which includes tennis and football development and schools and community outreach work.
- 1.3 The Council receives an annual rent payment from GLL for the profitable centres and pays a management fee for the one unprofitable centre and additional services; this is a VAT efficient payment system so there are two transactions per annum that yield the net income to the Council.
- 1.4 This report follows on from the Urgent Officer Key Decision made on 19th May 2020 that provided financial support for leisure services via the Council’s leisure services operator (GLL trading as Better) due to the immediate loss of income to GLL and therefore the ability to pay the rent to the Council). The financial support agreed comprised payment of the management fee, deferral of the rental and reimbursement of continuing costs to to enable GLL to continue to operate throughout March to June 30th 2020 (or later) and to enable them to resume delivery of services at the leisure centres when

the Government's lockdown on leisure centres was lifted, which was on the 25th July 2020. The re-opening of leisure centres is with restrictions to ensure social distancing measures and will impact on the amount of income that GLL is able to generate on our behalf.

- 1.5 The Urgent Officer Key Decision made on the 19th May 2020 allowed for a short-term extension of the support to cover any continued closure beyond the initial phase 1 period of support to the end of June to the end of September 2020. It authorised the Corporate Director of Environment & Regeneration in conjunction with the Corporate Director of Resources and acting Director of Law and Governance to negotiate and agree the terms of the financial support to be provided to enable GLL to continue maintain the Council's assets and to agree the deed of variation to the contract to give effect thereto, including the extension of arrangements between the Council and GLL for up to three months (until the end of September 2020).
- 1.6 On Thursday 9th July the government announced the date for the re-opening of gyms and Leisure Centres as the 25th July. Five of the centres re-opened on the 25th July as per GLL's mobilisation plan but with limited facilities. Other elements have re-opened as the guidance has allowed. The Trampoline Park re-opened on the 29th July with a limited 5 day a week programme and some Spa treatments recommenced on the 1st August.
- 1.7 GLL, in collaboration with the Council has developed a leisure facilities Mobilisation Plan. This has been based upon the industry framework for re-opening developed by UK Active¹ and guidance issued by Swim England². Specific sector guidance from the government has also been published³ and the UK Active guidance updated to reflect this. This has been implemented to ensure the centres are operating in a Covid-19 secure manner. This first phase of the mobilisation period enables the Council to restore the service and get health and wellbeing services to its residents. It is vital that GLL re-build community confidence in service provision, clearly defining service standards and positive steps to address social distancing, cleanliness, and health and safety regimes to ensure compliance.
- 1.8 The feedback from users has been very positive particularly about the new layouts the Covid secure operating systems and the new rigorous cleaning regimes. The uptake has been somewhat slower than anticipated as it coincided with both summer holidays and some very good weather which has prolonged the emphasis on people continuing with outdoor recreation in their parks. Initial usage levels and membership levels are shown Exempt Appendix 1.
- 1.9 The lockdown, as a result of Covid-19, meant the closure of leisure centres and health clubs across the UK which has been an unprecedented situation for the leisure, health and fitness sector, and has presented major challenges financially and operationally. It has had a profound and significant impact on the service and had a major financial impact on the Council. The whole Leisure and hospitality sector with the forthcoming end of the furlough scheme and the restrictions remaining in place limiting capacity, faces some difficult decisions going forwards. It is likely that there will be staffing restructures going forwards to re-balance the business to ensure sustainability with the reduced operating capacity.
- 1.10 This report seeks approval to extend the period of financial support for the Leisure service to the end of March 2021. The impact on the service is profound and with a limited operating capacity, reduced customer confidence and the risks of further spikes of coronavirus. The service requires a period of ongoing financial support to ensure that it can continue to deliver services to residents. The report sets out an analysis of the options available to the Council, provides a financial analysis of the

¹ Covid-19 – A framework for the re-opening of gym, leisure centre and wider fitness industry during social distancing, UKActive, May 2020

² Swim England – Return to the pools guidance

³ Gov.uk - Guidance for people who work in grassroots sport and gym/leisure facilities.

financial status of GLL, sets out the updated Mobilisation plan and seeks approval to continue to provide financial support to the service whilst the business recovers.

2. Recommendations

- 2.1 To note the Mobilisation Plan for re-opening of the Leisure centres from the 25th July 2020 as summarised in Section 5.
- 2.2 To note the financial viability assessment of GLL as set out in Exempt Appendix [2].
- 2.3 To agree to provide further financial support to GLL to facilitate GLL's continued provision of the Leisure service for the Council up to the end of March 2021 based on the financial projections set out in Exempt Appendix [1]. This would be a further deferral of rent for 2020/21 reflecting projected income and costs in the financial business plan reconciled through the open book process.
- 2.4 To note that a formal quarterly performance review of GLL will be implemented to monitor progress against the financial projections.
- 2.5 To agree to authorise the Corporate Director of Environment & Regeneration in consultation with the Executive Member for Health and Social Care and Corporate Director of Resources to agree changes to the mobilisation plan.
- 2.6 To note that a contract deed of variation for the first period of support has been agreed and signed by the Council and GLL.
- 2.7 To agree to authorise the Corporate Director of Environment & Regeneration in consultation with the Corporate Director of Resources and the acting Director of Law and Governance to negotiate and agree the terms of the financial support to be provided to GLL for the period up to 31st March 2021 and authorise the acting Director of Law and Governance (or officer authorised by them) to enter into a further deed of variation to the contract to give effect thereto.

3. Background

- 3.1 There are 9 years remaining on the 15 year contract with GLL which runs to the end of March 2029. It is a concession contract that provides a net revenue benefit to the Council.
- 3.2 The Council receives an annual rent payment from GLL for the profitable centres and pays a management fee for the one unprofitable centre and additional services; this is a vat efficient payment system so there are two transactions per annum that yield the net income to the Council. Further details of the finances of the contract and the recent trading positions are set out in Exempt Appendix [1].
- 3.3 Following the Government's announcement to close the Leisure Centres on the 20th March, GLL formally wrote to the Council along with its other local authority partners to request financial assistance to support it through this closure period. GLL requested that the Council suspend the rental payments for this period, continue to pay the management fee, pay the residual costs of managing and maintaining the Councils assets and the cost of topping up the remaining 20% of the staff's salary during their furlough period.
- 3.5 GLL considered that there would be 3 separate periods in terms of financial impact.
 - Period 1 – Covid-19 period - From March 2020 until services are fully reopened
 - Period 2 – Business rebuild period – Estimated 12 months
 - Period 3 – Steady state operation

There are costs that could not be eliminated even when the centres were closed. In order for GLL to manage and maintain the Leisure Centres for this temporary period and to look after the remaining customers there were costs that have been incurred. Buildings and plant still needed to be checked and serviced for example and there were underlying utility and staffing costs. Further support is required in the period after re-opening as GLL is now incurring expenditure again to operate the Leisure centres and the income will take time to recover and build up through the re-opening phase.

On the 19th May 2020, the Corporate Director of Environment and Regeneration made a key decision under the council's urgency procedure to ensure that GLL had the immediate short-term financial support so that the organisation would be in a position to resume delivery of the council's Leisure offer when the government permitted the leisure centres to re-open. The following recommendations were made and agreed:

1. To use an Open Book process to agree a financial package of support to GLL rather than invoking the 'change in law' provisions of the contract and to incorporate the agreed support measures in a deed of variation to the leisure contract.
2. To support GLL with the deferral of their rental payments (£1.274 million) in line with the Policy Procurement Note 02/20 guidance and pay them the cost of their legitimate and actual costs to maintain the assets as set out in the exempt appendix for the period from the 20th March to the end of June 2020.
3. Not to top up the additional 20% of salaries for the furloughed GLL staff.
4. To pay the contractual management fee (£0.195m) for the first quarter to the end of June 2020 immediately rather than in arrears in order to support with GLL's cash flow and to reconcile any difference through the open book account process.
5. To obtain external commercial and legal advice to support the process of assisting GLL through the period of COVID impact whilst protecting the council's interests and to explore options for the future leisure provision post COVID.
6. To authorise the Corporate Director of Environment & Regeneration in conjunction with the Corporate Director of Resources and acting Director of Law and Governance to negotiate and agree the terms of the financial support to be provided to GLL and the deed of variation to the contract to give effect thereto, including the extension of arrangements between the Council and GLL for up to three months (until the end of September 2020).

It was not agreed to cover the cost of topping up the remaining 20% of GLL salary costs beyond the 80% covered by the government's coronavirus job retention scheme. This would represent a significant additional cost to the Council that would not be recoverable from the government and would need to be borne by the Council. It would have had significant financial implications for other council contracts where suppliers are seeking or may seek similar support to top up wages. This approach is consistent with the principles agreed with many other London boroughs with GLL contracts. Although the Council welcomed GLL's decision to pay their staff in full to the end of April and May there is no obligation on the Council to top up the salaries under an open book approach. Although the 80% level does bring some staff below the London Living Wage that is not a requirement for staff who are furloughed as they are not working.

3.6 London Local Authority Director Steering Group

In April 2020, a steering group made up of the London local authorities who have contracts with GLL was established to ensure a collective and consistent approach, share intelligence and act as a single co-ordination point with GLL. There was an early consensus amongst the client Boroughs that collectively it was important that GLL was supported through this crisis and that some clear principles were agreed for doing that.

The principles that have been agreed between the Boroughs are:

1. GLL should maximise Government support, bear a reasonable proportion of the financial risk themselves and minimise demands on Local Government;
2. GLL should be treated like a private sector organisation and as far as furloughing staff are concerned and local authorities should not fund the additional 20% above the job retention scheme funding;
3. Funding from local authorities should be limited in first instance to the 3 month lockdown period where costs are known, but retaining the option to review as time goes by;
4. Where funding provided by London Boroughs is other than an interest bearing loan it should be recoverable from GLL through a clawback mechanism. Attempts should also be made for this to be recovered from Central Government as a cost of Covid-19;
5. If not recoverable from Central Government then recovery of funds should be over the remaining period of the contract where possible;
6. Boroughs should look to work with GLL to explore changes to the leisure offer to best meet community needs and mitigate the financial impact of Lockdown;
7. Boroughs should rely on their contract documents as well as PPN 02/20 in reaching local settlements based around these principles.

The emerging position across London is that all Local Authorities are in a similar position having agreed to or in the process of agreeing to provide initial financial support to their Leisure Service. Most boroughs are also considering their options and have commissioned specialist leisure advice.

3.1 External Specialist Advice

The Council has appointed Max Associates to provide specialist Leisure advice to support the Council through this period. Max Associates are a very experienced Leisure consultant and originally supported Islington in the development of the Leisure contract that GLL secured. At the same time they are supporting a number of other London boroughs. They have delivered for us an initial appraisal of the different options for proceeding; scrutiny and review of the GLL Mobilisation Plan and advice on the contract Deed of Variation. They will be providing advice to support and review the development by GLL of a new Business Plan; to support our review of the open book process agreed with GLL and to conduct a review of the Council's leisure estate to create a new Facilities Strategy and Leisure Strategy.

The Council is in addition collaborating closely with other London boroughs to share specialist advice to avoid duplication.

4.0 Contract Deed of Variation

4.1 The Council commissioned external lawyers, Sharpe Pritchard to draw up the contract variation to implement the Key Decision taken on 19th May 2020 as follows:

- The deferred rent and extra payment will be a first charge against any surplus profits GLL may make during the balance of the contract term. At present, the profit share clause (clause 30) enables GLL to set off any accumulated losses on the contract against any surplus profit. Recovery of any losses incurred by GLL on the contract since the commencement date will be postponed until after the recovery of the deferred rent and extra payment.
- The open book account will be used to ascertain GLL's actual additional costs from closure until end of June 2020 and reconciled against the extra payment with a balancing payment either way.

- GLL agreed to pay all their staff (including furloughed staff) 100% up to the end of May from their own resources and therefore the 20% salary costs should not be taken into account in the reconciliation.
- The inclusion of a requirement for GLL to draft a Mobilisation Plan in readiness for when the Government relaxes the closure of leisure centres and also a commitment to prepare a sustainable business plan for the future of the leisure centres to be discussed and agreed with the council.

The contract variation has been agreed with GLL and has been signed by both parties. The Council and GLL agreed that the forced closure of the leisure centres amounted to a Qualifying Change in Law under the contract thereby entitling GLL to seek financial adjustment. The package of financial assistance being provided to GLL is in accordance with the provisions of the contract and therefore does not amount to state aid. Although it has been accepted that it is a Qualifying Change of Law the Deed of Variation that has been agreed for the first period of support is an agreement to adopt a different approach for dealing with it and that both parties accept that they will not invoke the contract terms for that agreed period of support.

4.2 Open Book accounting is already part of the GLL contract and the key decision affirmed that the open book would be used to establish the actual costs that have been legitimately incurred by GLL during the lockdown. GLL took rapid steps in March to reduce their operating costs with the furloughing of the majority of their staff and close down of facilities but there remained a core staff team, utility costs and standing charges that needed to be funded. The additional payment that was agreed as part of the key decision was based upon the Council's evaluation of the estimates that GLL provided of the costs incurred from the 20th March when the closure came into force up until the end of June as the initial period of support. The Council has now received the open book accounts for the period of the lockdown and that has aligned very closely with the figure paid despite the lockdown lasting for a further month than anticipated. The figures are set out in Exempt Appendix [1].

4.3 The Council is currently negotiating with GLL on-going support for the Leisure provision for the period from the re-opening of the leisure centres (25th July 2020) to 31st March 2021 or if earlier, the lifting of all Covid related restrictions on the operation of the leisure centres. A second deed of variation to the leisure contract has been drafted and is the subject of ongoing discussion with GLL. It is based along very similar principles to the first deed of variation. The key principles are set out in exempt appendix [1]:

- The same clawback mechanism to ensure that any additional support payments and deferred rent are the first call on any future excess surplus on the contract until it has all been re-paid.
- Reduction of the margin allowed in the contract to allow for the re-building of reserves throughout the second period of support. During the first period of support no margin was allowed as no leisure services were being delivered.
- Formal quarterly reviews to be held with GLL to review performance against the financial projections and agreed revised performance indicators including social outcomes.
- To set a cap on the level of support reflecting the projected costs and income and to use the formal quarterly reviews to agree any required changes to the provision of the service to ensure financial sustainability.
- GLL continue to provide the sports development and outreach as part of the management fee paid by the Council.

- To develop jointly a business plan for the services to apply during and following the end of the second period of support.

5.0 Mobilisation Plan & Re-opening Strategy

- 5.1 GLL has developed and implemented a mobilisation plan. This has evolved and been adapted as guidance has emerged for other activities. This has meant that GLL could re-start the Trampoline Park on the 29th July with a reduced programme. There is also now guidance from the FA on football and so GLL are reviewing the emerging guidance and modifying their mobilisation plan in consultation with the Council.
- 5.2 The mobilisation plan is fully compliant with the UK Active framework for the re-opening of gym, leisure centre and wider fitness industry during social distancing and the government guidance.
- 5.3 The Mobilisation plan has tried to balance several different factors. Firstly, it must ensure that the re-opening is as safe an environment as possible for both customers and staff. This is important not just from a public health perspective but also a business one. It is vital that customers have confidence to return to the Centres once they are re-opened and that first customer experience will be crucial in re-building customer confidence and ensure memberships are retained and customers return. Secondly, it must do so to ensure as much accessibility to customers and users to centres and facilities as possible. Leisure centres are a key resource to ensure the health and well-being of Islington's communities. They support the Council in tackling health inequalities and provide an essential life line for many people but particularly young and old people and people with disabilities. The Coronavirus pandemic has brought into stark focus the importance of tackling underlying health conditions and physical activity is essential in achieving that. Thirdly, GLL and the Council need to balance the benefits of re-opening against the costs of re-opening. Going to full 100% operation from the start would increase the financial risk to the Council as it will take time to build up the income streams. The Mobilisation plan seeks to phase re-opening to ensure that it can be done so safely and that the costs of re-opening are minimised and the income levels can be built back up through the health and fitness element first.
- 5.4 The plan summarised here and is set out fully in Exempt Appendix [6] which is updated with the latest information but is still subject to ongoing review and change with the publishing of new guidance.

The key service headlines of the plan are:

- Opening Archway Health and Fitness without pool facilities, Islington Tennis Centre all facilities, Ironmonger Row Baths fitness and pool, Sobell Leisure Centre fitness and the fully refurbished Highbury Fitness facilities. (All without Sauna and steam facilities at each centre due to guidance).
- Trampoline park opened with 4 sessions across 5 days from the 29th July 2020.
- Restricted Spa treatments commenced 1st August 2020 at Iron Monger Row Baths and close contact services such as facials resumed on the 15th August (no steam and sauna).
- Keeping Cally Pool, Finsbury Leisure Centre, Archway Pool and Market Road closed for July and August until further restrictions are lifted so that costs are reduced and to grow Health and fitness income and customer confidence over the summer.
- All activities would be bookable with reduced capacity and social distancing measures in place.

- All Leisure centres set up as per Covid Secure guidelines and the UK Active Framework for re-opening gyms and Leisure centres, which is the industry best practice guide.
- Stringent cleaning regimes in place with continuous cleaning of all high contact areas, hand sanitizer stations and wipe down of all equipment after use. Public Health and Environmental Health will be part of the sign off process
- The remaining facilities including Finsbury Leisure Centre, Caladonian and Archway pools and the football pitches at Finsbury Leisure centre and Market Road will re-open from the 7th September.
- Currently still no date for the re-opening of the ice rink.
- Streamlined staffing model with concierge system to manage access and queueing and to be marshalling customer flows and cleaning regime
- Full staff return by October according to business needs

Since the Centres re-opened on the 25th July there has been really positive feedback from customers about the COVID secure measures put in place and the revised operating systems cleaning regimes although there has only been a slow and steady increase in the numbers of usage. There was not a release of pent up demand that had been indicated by the market research. Swimming at IRB is popular as are the fitness classes at Highbury and Sobell. Gym and fitness usage has been much lower. This may in part be due to the fact that so many people are working from home and people working in Islington form a significant part of the membership. This is particularly noticeable in the south of the borough.

5.5 Covid Secure Centres

Essential to the whole operation is that the centres are safe both for the users and the staff working there. This is critical from a public health perspective but also from a business perspective. It is vital that customers have confidence to be ready to return to the Leisure Centres and when they do come that experience must be a positive one that gives the customer full confidence to return. The mobilisation plan shows some of the detail of this.

Key elements of this are:

- Room capacities reduced to be Covid-Secure
- Equipment layouts and space repurposing plans underway
- Personal activity zones will be clearly marked
- Swimming pools will have restricted numbers and less lanes
- Heightened cleaning and sanitisation a requirement
- Each centre to have a specially trained C-19 Secure Champion
- Bulk order placed for 4 key COVID Secure elements:
 - Signage (including tape, floor and wall stickers)
 - PPE
 - Cleaning chemicals
 - Sanitizer

Cleaning is a major priority. There is continuous cleaning of high contact areas and all staff are involved in cleaning duties. Detailed operational procedures and risk assessments have been shared with the Council and Environmental Health and Public Health inspected all of the centres prior to opening and approved the plans.

The Council's Public Health team has reviewed the high level mobilisation plan, and notes the steps taken to ensure social distancing among gym/leisure centre users, including restricting bookings,

adequate spacing between users, and appropriate signage. The phased mobilisation, with full operation not achieved until January 2021 further supports a safe environment for users and staff, although should the Covid alert level increase significantly, flexibility will be required.

6.0 Financial Projections, Options to Mitigate Long Term Risk and GLL Financial Viability

- 6.1 GLL have done some financial modelling based on the above re-opening plan, taking into account the reduced capacity. This has been presented to us in Exempt Appendix [4] as part of the mobilisation plan as the Minimum Viable Offer (MVO). GLL have also done some detailed usage projections for each activity and the percentage against pre-Covid usage levels to give them a prediction of the likely income levels that they might hope to see.
- 6.2 GLL are also committed to reducing central support costs as part of a new, slimmed down business. The model currently assumes a full staff return in October. GLL have been clear that there will be a need to review their staffing structures and model at that point as the furlough scheme ends. It will depend on what they have been able to re-open and what programmes and activities they are able to run. They may have to look at re-deployment and redundancy options at this point. GLL have already written to all staff to make them aware that this may be required.
- 6.3 GLL have also projected that from January 2021 onwards the programmes expand and capacity can be increased as well as the return of the pool at Highbury Leisure Centre, they also gave members the benefit of accessing all facilities across the UK with their membership for July and August 2020. The financial projections were based upon market research into the anticipated response by Members and users to the re-opening of the centres but they are projections based upon a lot of unknowns and uncertainties. There has only been a month of trading so it is not possible to get a clear analysis of the performance. Some initial usage and membership levels are set out in Exempt Appendix [1]. Customer feedback has been positive from those that have been using the centres and usage levels are building steadily. GLL are working through continuously emerging guidance for other specific activities that will bring more income streams on-line.
- 6.4 The second Deed of Variation will include a formal quarterly review process. This will be used as a mechanism to closely monitor and scrutinise the performance of GLL against the costs and income projections and provide an opportunity to adjust the mobilisation plan to ensure that the risks and liabilities that the Council is now exposed to under the open book process are able to be managed. This may mean that decisions need to be made to cease certain activities if only temporarily if the net cost of provision is too high or to make in year price changes to activities to cover increased costs or shortfall of income. This will need to be carefully balanced with the wider social objectives of the service to reduce health inequalities and enable access to physical activity for disadvantaged groups. The council's potential financial exposure will be controlled by way of a cap on the level of support that the council is willing to offer based on the financial projections provided by GLL and verified by the council. The aim is to make a steady transfer of some of the risk back to GLL before hopefully moving back to a pre-Covid contract position. At this stage we do not know how long that will take and it will be dependent upon a number of factors many of which are external to the Leisure service such as how quickly people return to working in offices or whether there is a second wave or local lock down.
- 6.5 GLL are unlikely to be able to revert back immediately to the original contract tendered position from the date that all restrictions on the reopening of the leisure centres are lifted, as they will need a sustained period in which to build up their business again. It is recognised that the impact of the closure and restricted re-opening will extend beyond the date when all Covid related restrictions are lifted and therefore operators will require financial assistance until they build back to pre-COVID-19 position. It is not known how long it will take the business to recover. The Council will need to review

the position at the end of the current PPN notice – October 2020 and again in January 2021 to consider the future position and longer term financial risk to the Council.

6.6 A key risk for the Council is the short and long term financial viability of GLL as an organisation and their ongoing viability. GLL have provided a significant amount of financial information to the Council regarding the organisations finances and the measures that they have taken to manage short term cash flows and ensure they are not at risk. The Strategic Financial Planning Team have carried out a review and assessment of that information and the details are set out in Exempt Appendix [2] of this report.

7.0 Longer Term Business Plan

7.1 The Council will develop a new commercial strategy in collaboration with GLL and with support from an external specialist consultancy commissioned by the Council for recovering Islington's leisure business that is sense checked and subject to external challenge. The re-opening phase is much more complex and carries significant financial risk for the Council so a new business plan will help to protect the Council against the potential risks associated with the economic position and restrictions, alongside new marketplace challenges such as the growth in online classes, outdoor exercise trends and less available/disposable income. The Council has a number of assets that require long term investment and repair and this is set against the private sector who can lease shopfronts or prominently located buildings, lease equipment and capture sales by providing regular new fresh businesses that capture niche and trend markets, so the ability of the Council to sustain such assets needs factoring into the business models beyond the life of the existing contract. This will be a requirement and condition of the support to GLL set out in the second deed of variation.

7.2 Alongside the second deed of variation to the contract the Council is requiring the following from GLL and will work with the external consultants to develop the robustness of these plans and to advise on future options

- A marketing campaign in the build up to this that uses its wider reach to respond to an aggressive private sector marketplace.
- A business continuity plan for the 12 -18 months post lockdown with key financial milestones to enable authorities to have financial clarity about outlay /return on investment and the growth risk that emerges from the sector opening up for business again.
- A financial update on the quarter 1 open book and a clear plan for quarter 2. An update will also be provided on GLL Furloughed staff and LLW implications for GLL employees as the Government's job retention scheme was extended until October for sectors that may be affected such as leisure and hospitality sectors

8.0 Implications

3.2 Financial implications:

The Council has agreed to support GLL through rent deferral and residual operating costs over the initial period from 21 March until the end of June. This report recommends extending these support arrangements over the next period covering July to March 21. GLL are required to submit monthly profit and loss accounts on an open book process to verify the actual level of support that is required and this has been in line with expectations. This is detailed further in exempt appendix 1.

The government has recently announced a scheme to support local authorities for income losses that includes income loss from payments due from their leisure operators. The scheme proposes to compensate local authorities for 75% of losses, over and above the first 5% of income loss on the authority's total sale, fees and charges receipts. The details are still to be finalised but could provide a significant level of cover for the level of support being provided over the 2020-21 period.

The change in law provision, in which under the contract conditions entitles GLL to support to a 'no better nor worse' position and this will cover the period while social distancing restrictions remain in place. However, it is likely that GLL will require additional support in the medium and possibly long-term depending upon the timeline of the Covid restrictions and longer-term impact on the leisure industry and local economy that will delay recovery of the pre-Covid baseline position.

3.3 Legal Implications:

The leisure contract is a concession contract whereby GLL has the right to operate the council's leisure centres in accordance with the council's specification until end of March 2029 in return for paying the council a guaranteed net rental each financial year. The legislation requiring the closure of the leisure centres and allowing their reopening subject to compliance with social distancing requirements are Qualifying Changes of Law under the contract which enable modification of the base Financial Model to take account of changes in costs and income whilst leaving GLL in 'no better and no worse' financial position. This enables the council to modify the leisure contract to provide support to GLL as an 'at risk' supplier to ensure that it remains viable and therefore able to continue delivery of leisure services for the council and its residents following the reopening of the leisure centres.

The detailed legal implications are set out in the Exempt Appendix [1] to this report including the relevant considerations that the Executive will need to take into account when deciding whether to approve the recommendations.

8.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

Apart from the Sobell Leisure Centre which was used for the Emergency Food distribution centre for the Borough the rest of the centres have been dormant throughout the lockdown in terms of energy consumption. Daily plant checks have been carried out by a core GLL staff team to ensure that there was no leaks or service failures as the long-term implications would be significant. The only exception to the shutdown of services was the Sobell Ice Rink plant as this cannot be shut down without major risk so this was kept operational. Any long term asset strategy changes need to align to the Councils Carbon neutral targets and or ensure that there are energy efficiency measures that maximise opportunities to enhance Council buildings.

8.4 Resident Impact Assessment:

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

The Leisure Centres are having to operate within a framework that sets strict parameters on social distancing, sports to be allowed as well as several usage, management, Health and Safety and housekeeping minimum requirements.

These will form the initial goalposts that the sector can work within, this may affect protected groups, it will definitely affect capacity as there will be space restrictions that reduce and limit our ability to deliver participation levels to the Contractual KPI's.

Where possible we will ensure that a diverse range of services and facilities and innovative approaches are re-introduced this may be on a phased basis to ensure that the safety is managed in a controlled and measured way as well as building up customer confidence and ensuring the least financial risk to the authority.

A key issue is the move to on-line booking through the App. This immediately raises questions of accessibility for non-digitally savvy users or those that are digitally poor. GLL have tried to mitigate this by providing very clear instructions and walk through videos, retaining the ability for customers to book in centre when absolutely required and having concierge staff available and dedicated to providing support and assistance to customers that need it. All calls are now directed to a central call centre enabling staff in centre to be fully focused on supporting customers in centre.

The interim approach which may be necessary while the sector re-opens and the business recovers does hold the risk of widening inequalities and disproportionately impacting certain protected characteristic groups. The Council has ensured the protection of concession pricing but the reduced capacity and shift to on-line booking for all activities may mean only those with easy access to IT can participate. The council is going to monitor the impact of this closely and assess mitigations as required.

One option would be to include within any financial support agreement for the operator to include a position statement on equalities and access before and after the impact of COVID-19. For example, GLL provides a profile of all known users by gender / age and demographics (e.g. mosaic profile) pre-COVID-19 and then provide the same information each quarter, as part of any financial claim. The Council will then know the impact on user profiles. This insight can then support any service changes as we emerge to a 'new normal'.

The Council will also require GLL to state how operational plans impact access for people with disabilities and consider the impact of social distancing measures on inclusiveness and disability access as part of the Mobilisation Plan.

9.0 Reason for recommendations

- 9.1 Although not a statutory service the Leisure provision is vital in tackling health inequalities by enabling inactive communities to get active and help maintain people's health and wellbeing. The Leisure offer provided by the Council via our partner GLL offers important reduced cost access to a wide range of sport and physical activity programmes that would otherwise not be accessible to a large number of our residents. It is therefore important that the Council seeks to maintain the provision of this Leisure and physical activity offer by continuing to support GLL as the provider of that service.
- 9.2 To balance the recovery of the Leisure contract through the phased approach to re-opening to ensure Covid secure guidelines can be followed and to enable the financial risks to be managed and minimised whilst enabling access to facilities.
- 9.3 With lockdown lifted expenditure has increased but it will take time for the income levels to recover. There will need to be a further period of support, primarily in the form of a rent deferral. There will be review points for October, end of December and the end of March to review performance and options.

Appendices

- Exempt Appendix 1 – Full Financial and Legal Implications

- Exempt Appendix 2 – GLL Financial Viability Assessment
- Exempt Appendix 3 – Full Options Analysis
- Exempt Appendix 4 – GLL Financial Forecast June 2020
- Exempt Appendix 5 - Mobilisation Plan from GLL
- Appendix 6 – Resident Impact Assessment

Background papers: None

Final report clearance:

Signed by:

Janet Burgess

27 August 2020

Executive Member for Health and Social Care

Date

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