

REPORT TITLE: LEISURE CENTRE UPDATE – IMPACT OF COVID-19

22 JULY 2020

REPORT OF CABINET MEMBER: Cllr Malcolm Prince

Contact Officer: Chas Bradfield Tel No: 01962 848308 Email
cbradfield@winchester.gov.uk

WARD(S): ALL

PURPOSE

The two leisure centres operated by Places Leisure on behalf of the council have been closed since the start of lockdown in March 2020. The COVID-19 crisis has significantly altered the economics of leisure centre operations in the short term by massively reducing the income they can generate whilst still incurring significant ongoing building, security, energy, maintenance and staffing costs. This means that the cost to the council will significantly increase, even if centres remain closed.

Access to sports and leisure facilities is crucial for the residents of the district to support health and wellbeing in these difficult times. This is a key priority in the Council Plan. This report details actions to enable continuity of leisure centre service provision as well as supporting the long term success of the new Winchester Sport and Leisure Park and Meadowside Leisure Centre in Whiteley.

The report recommends urgent short term changes to the leisure operator management arrangements for River Park Leisure Centre and Meadowside Leisure Centres. This will be informed by Government guidance and will ensure provision of service prior to the opening of new Winchester Sport & Leisure Park in spring 2021.

The severe financial implications of the COVID-19 pandemic on the leisure sector is a serious national issue that has been raised at government level by local government and private sector representatives. It has affected all public leisure centres in the UK, whether they are outsourced or still managed in-house. Despite the government announcement on 9 July that centres may open from the 25 July, at time of publication of the report there has been no specific financial support for this sector. Councils, leisure operators and trusts are suffering severe financial issues across the country.

The council has analysed a number of options, including keeping facilities closed until the new centre opens. Even this option would incur an additional in-year cost in

excess of £800,000. This is the “base case” financially when considering how best to ensure leisure centre services are made available, and considering the additional costs of re-opening the centres. .

The council’s aim is to ensure leisure centre provision is available to our community in a safe way, in accordance with Government guidance, in spite of the financial challenges that this presents as well as supporting the long term success of the new Winchester Sport and Leisure Park and Meadowside Leisure Centre in Whiteley. We will aim to re-open our centres from 1 September 2020.

RECOMMENDATIONS:

1. Approve the termination of the existing operator management contract with Places for People Leisure Management Ltd (Places Leisure) for River Park and Meadowside Leisure Centres due to circumstances related to the COVID-19 emergency from 31 August 2020 based on the heads of terms set out in exempt appendix 3.
2. Approve the budget of up to £345,000 expenditure associated with the leisure centre contract termination, which includes maintaining the River Park and Meadowside Leisure Centres during the closure period and up until 31 August 2020.
3. Delegate to the Strategic Director – Place in consultation with the Cabinet Member for Sport, Leisure and Communities and Deputy Leader and Cabinet Member for Finance and Risk, final negotiation of a settlement agreement based on the heads of terms in exempt appendix 3 and the Service Lead Legal to prepare, agree and enter into the relevant contractual arrangements to terminate the operator contract with Places for People Leisure Management Ltd and associated agreements such as any lease and/or licence or transfer or novation arrangements.
4. Approve the interim appointment of Sports and Leisure Management Ltd (Everyone Active) as operator of River Park and Meadowside Leisure Centres from 1 September 2020 based on the heads of terms in exempt appendix 2 until the procurement of a new operator in Meadowside Leisure Centre and the transition of operation from River Park Leisure Centre to the new Winchester Sport and Leisure Park.
5. Delegate to the Strategic Director – Place in consultation with the Cabinet Member for Sport, Leisure and Communities and Deputy Leader and Cabinet Member for Finance and Risk, the finalisation of interim contract terms with Sports and Leisure Management Ltd (Everyone Active) based on the draft

Heads of Term in exempt appendix 2 and the specification set out in exempt appendix 4 and the Service Lead Legal to prepare and enter into the relevant contractual arrangements for an interim operator contract with Sports and Leisure Management Ltd (Everyone Active) as necessary until permanent arrangements are put in place, inclusive of associated agreements such as temporary lease and/ or any licence or transfer or novation arrangements.

6. Approve a budget of up to £790,000 for the management and operational expenditure to enable the opening River Park and Meadowside Leisure Centres in September 2020 until the procurement of a new operator in the Meadowside Leisure Centre and the transition of operation from River Park Leisure Centre to the new Winchester Sport and Leisure Park.
7. Delegate to the Strategic Director Places and the Service Lead Legal authority to use the negotiated procedure without prior publication process under s32 (2) (c) of the Public Contract Regulations 2015 for the appointment a new operator until the procurement of an operator for Meadowside Leisure Centre and the transition of operation from River Park Leisure Centre to the new Winchester Sport and Leisure Park and to issue a VEAT notice notifying of a direct award of an interim contract on the basis of urgency.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 The global pandemic of coronavirus has resulted in unprecedented challenge to the nation on a scale not experienced since the outbreak of WWII. Families and communities have suffered heart breaking personal loss and financial crisis. The council responded to this outbreak by maintaining council services, providing support to local businesses, supporting the most vulnerable in our communities and delivering national funding packages. The themes of the Council Plan could not be more relevant as we look forward how to best support our district to recover over the coming months.
- 1.2 This report underpins the Living Well priority in the Council Plan as the Council's leisure centres encourage participation in physical activity and support our communities by extending the range of sporting facilities across the District enabling residents to enjoy a wide range of activities.

2 FINANCIAL IMPLICATIONS

- 2.1 This report sets out the potential financial impacts of COVID-19 on the provision of leisure facilities and their impact on the 2020/21 budget and medium term financial strategy. It should be noted that there are closure period costs which the Council has to meet in these circumstances regardless of whether the centres are reopened or who the operator is.
- 2.2 The financial impacts are made up of a number of components:
- a) Closure period costs
 - b) Interim operator forecast for re-opening of the leisure centres
 - c) Termination costs (including additional costs for equipment transfer above that currently budgeted).
- 2.3 The closure period costs are those incurred by Places Leisure for the period when the leisure centres were unable to open following the instruction from Government on 21 March 2020. For financial modelling purposes, it has been assumed that these continue until 31 August 2020. Under change in law provisions within the contract, Places was permitted to enter into discussions with the Council over a significant additional net cost of managing the centres given the temporary inability to generate income. The net monthly cost for this period averages £47,000. These relate to essential costs in key areas as set out below. It should be noted that these have been carefully scrutinised and verified by officers and supported by professional advice in leisure management provided by The Sports Consultancy. The cost include:
- essential staff costs where not covered by furlough payments from government;

- the ongoing maintenance and security of the building;
- energy costs which are vital in terms of ensuring that the condition of the water in pools is maintained thus allowing them to be usable once reopening happens;
- Undertaking their statutory obligations, e.g. swimming pool water testing; and
- ongoing unavoidable contract costs, such as pool treatment specialists, alarm contracts and payment / finance systems.

2.4 The interim operator cost forecast is based on detailed negotiations with Everyone Active as interim operator and covers two areas:

- b) A guaranteed monthly payment of £17,000 to cover their central and contract costs (these include amongst other things central office support for finance, administration, ICT infrastructure, training and support, human resources, membership, purchase ledger departments, sales and marketing, health and safety) and hardware (ICT) installation and support costs.
- c) The net operational cost of the centres, which has been estimated to be circa £79,000 per month.

In practice, the interim operational cost forecast would function on an open book basis. It is an estimate of the net cost of re-opening the centres during the period from 1 September 2020 (when it is likely that some social distancing restrictions will still be in place). As a consequence, the operator's ability to generate normal levels of income will still be constrained. At the end of each month, a review of actual performance would be undertaken on an open book basis and any necessary financial adjustments would be made to reflect variations from the estimates. The interim operator recognises the financial pressures that both parties face, so have agreed to a review of financial performance after a 3 month period with the potential to share the financial risk from that point on.

2.5 The costs relating to the termination of the existing contract with Places Leisure include costs which Places Leisure will incur in order to prepare for demobilisation of the contract and handing over to the new operator. Also included are costs relating to the asset value of equipment which won't have reached the end of its useful economic life at the end of the contract. In agreeing the contract for the new WSLP, the Council had already agreed to pay the existing centre operator the remaining book value of the assets; the termination costs assume the additional book value of the assets due to them transferring to council ownership sooner. Some of the gym equipment may still have a financial value if a suitable alternative use or a purchaser can be found for it, but there will be little value in other equipment and fixtures.

2.6 Overall, the estimated net cost for the period 21 March 2020 until 30 April 2021 is £1,141 million. This is made up as follows:

- | | | |
|----|--|----------|
| a) | Interim operator forecast net cost: | £765,000 |
| b) | Closure period net cost: | £280,000 |
| c) | Termination cost : | £64,000 |
| d) | COVID-measures (PPE and other equipment) | £19,000 |

2.7 These above estimated costs relate to an interim operation contract for River Park and Meadowside leisure centres up to the end of April 2021. For each additional month this would incur an estimated monthly cost of £90,000.

2.8 See Exempt appendix 1 for further breakdown of costs.

2.9 Financial impact of COVID on the leisure operation

2.10 Option analysis – financial summary

- a) A variety of scenarios have been modelled, outlined later in the report. If the Council were to choose to go ahead with options D or E, resulting in the continued closure of the leisure centre, it is probable that the impact of losing staff (option D) and centre membership numbers (options B, D and E) will cause the operator of the new centre to renegotiate the basis of the management fee for the WSLP. A real risk is that a significant number of existing centre members may be likely to join other centres rather than transfer to the new centre when it opens. Initial estimates suggest this could result in a cost to the Council of up to £900,000 over the first three years of the new contract. It is unlikely the impact of the early closure of RPLC would result in ongoing costs at the WSLP beyond the initial three year period. However, there is much uncertainty in the leisure operator sector resulting from COVID-19 and its impact on customer numbers; so the risk of renegotiation of the WSLP operator contract remains even if the Council ensures RPLC reopens to customers under a contract with either the existing or a potential new operator.
- b) The recommended option is the cheaper of the two options A and C which involve re-opening the leisure centres in September. It is important to consider the future running and financing of the new Sport and Leisure Park at Bar End. The smooth transfer of staff and customers from one operation to the other is a vital factor in the business case and hence the financing of the debt for the construction costs of the new facility. It is considered that having Everyone Active being in place to run RPLC when it reopens will assist this objective greatly. Everyone Active will also be well placed, financially and operationally, to run Meadowside until a new operator is procured as

they run other centres near by and therefore have a base for operation and suppliers already in place. .

- 2.11 The period leading up to the opening of the new Sport and Leisure Park is therefore very significant; if the process is not managed carefully and the Council's Leisure Centres do not reopen and are well managed in the interim period then the risk of significant longer-term financial implications is increased.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council has wide ranging authority under the 'general competence' provision of s1 of the Localism Act 2011 which enables it to take actions to the benefit of its area which is commonly available to other private sector bodies. S19 of the Local Government (Miscellaneous Provisions) Act 1976 enables the Council to provide recreational facilities for the benefit of the community.
- 3.2 Due to the recent pandemic circumstances the Coronavirus Act 2020 and associated regulations and amendments established new ways of living and working, including social distancing, home working, school closures and protection of key workers and the vulnerable. The Health Protection (Coronavirus, Business Closure) (England) Regulations 2020 (SI 2020/327), set out the restrictions which applied from 2pm on 21 March requiring the closure of certain retail, hospitality and leisure businesses. As a consequence of this legislation, River Park and Meadowside Leisure centres were required to close with the operator maintaining the centres on behalf of the council to ensure health and safety compliance requirements were met.
- 3.3 The Council has responsibility to ensure compliance with all legal requirements in relation to these leisure centres which are managed on its behalf by the current operator. Compliance is monitored by the council's environmental health officers. Places Leisure has maintained the centres in accordance with the legislative requirements on behalf of the Council and should be compensated for their work to ensure that the Council met these obligations.
- 3.4 The options discussed in this report to enable ongoing management of the Council's leisure centres are based on a contractual sum above the procurement threshold in the Public Contract Regulations 2015 (PCRs).
- 3.5 An additional consideration is the cabinet decision which approved the deed of variation (dated 21 June 2018) and early termination of the operator contract of River Park due to the provision of the new leisure centre. This cabinet report considers an early termination of the operator contract due to the current Covid-19 circumstances as it is considered that continuation of the existing contract is no longer viable. The current contract includes a term which enables both parties to terminate on 28 days notice, where there is a reasonable belief that the Centre will not be fully open before the end of the 26 week period. The termination of this contract is for reasons not contractually foreseen and affects both River Park and Meadowside. The

serving of notice pursuant to this clause is not considered to gain any advantage above the agreed settlement which avoids a claim for compensation. Termination costs should and do include factors such as the operator acting to ensure that the Council's statutory obligations were and are met, and the financial termination requirements under the current contract such as asset depreciation. The financial liabilities negotiated in this settlement remain similar should the council effect termination through the contract.

- 3.6 A further consideration is the staff at the leisure centres, the majority of whom are currently on the central government furlough scheme. An early termination of the contract by way of mutual agreement and an emergency procurement with an interim operator must involve the correct TUPE transfer of all staff between operators. The procurement of the new Leisure centre operator contract included the transfer of staff under a TUPE arrangement. The council should ensure that the terms of any agreement do not alter the former procurement of the new leisure operator.
- 3.7 In respect of procurement, if the decision is made to terminate the current operator contract relating to River Park and Meadowside earlier than anticipated for the reasons in this report, then it is appropriate for the Council to consider using the negotiated procedure without prior publication process of under s32 (2) (c) of the Public Contract Regulations 2015 for the appointment a new operator.
- 3.8 A direct award is the most feasible option to enable the Council to put in place a temporary solution. This recommendation is based upon necessity in order to appoint an interim operator due to the unforeseeable event of the pandemic together with the urgency of the situation until the procurement of an operator for Meadowside Leisure Centre is concluded, to manage the closure of the River Park Leisure Centre appropriately and to enable transition of membership to the new leisure centre.
- 3.9 In order to provide transparency to operators in relation to this decision a notice for voluntary *ex ante* transparency, (VEAT Notice) which sets out as clearly as possible the grounds for this award should be published. A VEAT Notice provides an opportunity for any operators interested in the short-term contract to respond to the Notice and enables the Council to be seen to have regard to the general principles governing public procurement: equal treatment, non-discrimination, mutual recognition, proportionality and transparency.

4 WORKFORCE IMPLICATIONS

- 4.1 The River Park Leisure Centre employs 58 full time equivalent personnel and Meadowside Leisure Centre employs 23. In terms of overall headcount this is much more significant involving around 700 part and full time staff in total across the two centres. The staff is an asset to the leisure centre operation, and are essential to the effective delivery of leisure centre services. The

operators and the council need to ensure that staff is kept informed, and appropriately consulted through this transfer process. The staff are also essential for the future running of both the new Leisure Centre currently under construction and Meadowside Leisure Centre at Whiteley

- 4.2 Existing staff have received regular communications with regards to the government guidance on the re-opening of leisure centres. At the time of writing the report no guidance was available on the date for this.
- 4.3 There are implications for the workforce at the leisure centres who are subject to TUPE regulations. Any option whereby the Council takes running of the leisure centres back in house but doesn't reopen them will necessitate either continuing to pay the staff once the furlough scheme ends or making them redundant. Neither of these options is recommended as they are both inefficient financially and they do not consider the longer term financial implications of running the centres in the future or the significant investment made in the Sport and Leisure Park. There is a need to have well motivated, trained and experienced staff to run the centres, thus providing an excellent new facility and service to the whole district and also, importantly, to make them work commercially.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The combination of the physical configuration of River Park Leisure Centre and Meadowside Leisure Centre, and the social distancing restrictions, will impact on the ability to generate revenue from the leisure centres once they are allowed to open.
- 5.2 Currently the existing operator is responsible for the maintenance and repairs of both leisure centres up to a limit of around £11,000 (RPLC) and £1,250 (Meadowside).
- 5.3 The RPLC building has reached the end of its useful life and has in recent years continued to be maintained on an essential repairs only basis to reflect the fact that it is due to close shortly. However it has been maintained in good order to enable it to function properly and to provide a safe and clean facility for customers. It is recognised that with a building which is 40 years old it may not always look pristine and issues such as stained tiles in changing areas are impossible to address but the Council and the operator has made sure that they are cleaned regularly and inspected by Council staff on a monthly basis,
- 5.4 The interim arrangement recommended in this report will ensure that cleaning and maintenance of RPLC and Meadowside will continue in a similar way and will be closely monitored by Council staff in partnership with the new operator. It will be in Everyone Active's interest to keep customers happy so that they maintain membership and satisfaction levels moving to the new Centre at Bar End.

6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation has taken place with the relevant leisure centre operators to produce the financial data required for this report.
- 6.2 Leisure centre staff received communications with regards to the latest government guidance.
- 6.3 Places Leisure has briefed existing staff on the proposals being considered by the council. They will also communicate with existing members and users.
- 6.4 An all-member briefing took place on 13th July to brief members on the proposals in advance of the cabinet meeting.
- 6.5 Media briefings will be held as appropriate.
- 6.6 Members of the Open Forum Panel were briefed on 14 July when the report was published.
- 6.7 It is extremely important that communications with existing users and future customers is maintained and this will be undertaken in a variety of ways and through all available mediums in partnership with the interim operator. This will be a key area of focus for the Council.

7 ENVIRONMENTAL CONSIDERATIONS

There are no new environmental issues as a result of continuing to run RPLC. If the centre remains closed then the lighting, power and heating energy consumption is considerably reduced. Any appropriate energy efficiency measures will be considered during the short re-opening period until the centre finally closes in 2021.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 One of the main principles adopted during the COVID-19 outbreak was to provide services for as long as possible at usual service levels. However, restrictions on social distancing did mean that some services, such as the provision of leisure facilities were required to stop. The government will now allow leisure facilities to re-open from 25 July 2020 with social distancing restrictions in place.
- 8.2 In terms of impact of the closure and re-opening, there is potentially disproportionate impact on those with protected characteristics. The council's approach is to try to get these services back into operation in a way that provides equality of access. However, this is restricted by the government order to close, and the re-opening process will be controlled by government guidance on when re-opening can be, and also the access restrictions there will be when that occurs.

- 8.3 The council is currently undertaking community impact assessments in relation to the impact of COVID-19 on the services we provide, and the output from that will be fed into action planning for the recovery period.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 The existing contract between the council and Places Leisure states that on termination of the contract, the contractor will supply the operational database to the council's Data Protection Officer. The Council will transfer to the interim contractor data related to members who have confirmed that they want their membership to continue with the interim contractor. Therefore the Council is responsible for communicating with existing members and regular bookings to inform them of this arrangement and will write to all members to provide an explanation in advance of the transfer.

10 RISK MANAGEMENT

- 10.1 The risks in dealing with the effects of the pandemic are far reaching and this report starts to set them out with regards to leisure centre provision from the council's perspective in the subsequent sections below. The aim of the Council's Gold Command provides the framework to mitigate and minimise risk for the district as a whole during the outbreak.

Risk	Mitigation	Opportunities
<i>Reputational - The leisure centres do not re-open. Impact of health and wellbeing for residents, clubs and members is significant</i>	Agree a plan to reopen the centres which offers the best outcome in terms of health and wellbeing and the future transition to the new Sport and Leisure Park and for Meadowside	Bringing in Everyone Active earlier than envisaged will provide the basis for continuity longer term and enable earlier staff transfer to the new Centre. Share the financial risk of reduced income levels with the interim leisure centre operator
<i>Property – Maintenance issues</i>	There are existing capital works and maintenance budgets for RPLC and MLC which will be utilised carefully.	Only health and safety repairs and maintenance to be considered at RPLC and this will be done in conjunction with the Interim operator.

<p><i>Energy Performance Certificate (EPC)</i> A change in occupation (operator) will require a new EPC to be commissioned</p>	<p>Continue to regularly inspect the building for repairs and structural integrity and for cleanliness and effective operation</p> <p>Investigate obligations and whether an exemption from the requirements is viable as such investment for such a short period of time will not be paid back.</p>	<p>Short term energy efficiency improvements may be achievable if cost effective. This is being explored.</p>
<p><i>Financial / The main financial issue is that Leisure Centres cost money to run and maintain and this is funded through income from paying users of the centre. If there is no or less income these costs fall, to differing degrees, to the Council.</i></p>	<p>During the lockdown costs have been kept to a minimum through prudent management of the centres and their equipment and by furloughing staff.</p>	<p>Re-opening of the centres will be the best way to generate usage and hence income to offset costs.</p> <p>On going staff costs will be accrued along with ongoing running costs whilst centres remain closed.</p>
<p><i>Legal – If statutory compliance is not met with requirements such as the Health and Safety legislation and staff do not TUPE across correctly to a new operator leaving the Council open to claims and staff left in an unknown position. Requirements under the procurement regulations are not met.</i></p>	<p>Re-open the leisure centres in a controlled manner ensuring compliance with all relevant statutory considerations and not leaving the council open to a judicial review or compensation claim.</p>	<p>Ensure continued employment for those working at the leisure centres and leisure centres re-open in accordance with the Coronavirus Act 2020 and associated regulations. The staff are a key asset to the Council and critical to the ongoing success of its Leisure Centre.</p>

11 SUPPORTING INFORMATION

On 20 March 2020, measures to close entertainment, hospitality and indoor leisure premises, as well as certain outdoor recreational facilities, were put in place, from the end of trading, to limit the spread of Coronavirus. Both River Park Leisure Centre and Meadowside Leisure Centre were closed on this date as a result of this Government advice. New Government advice is awaited in relation to reopening.

The pandemic is challenging the partnerships between local authorities and leisure centre operators, typically charitable trusts, which run gyms and swimming pools on their behalf. UK Active and Sport England, who represent this sector, are lobbying the government to encourage further financial support for this sector and to allow the re-opening of these facilities. The Department for Digital, Culture, Media & Sport are continuing to work with representatives from the gym and leisure centre sectors on plans for a safe, phased reopening with the ambition for this to happen soon, depending on public health guidance.

- 11.1 The new Winchester Sport & Leisure Park, currently under construction at Bar End, will be run by Everyone Active who were appointed following a competitive tendering process. It was planned that the Places Leisure contract to run both of the Council's leisure centres would be terminated when the new centre opens. The management of Meadowside Leisure Centre in Whiteley currently run by Places Leisure was to be subject to a competitive tendering process due to start in September.
- 11.2 In light of these unusual on-going circumstances it is considered prudent to review the situation and to consider options for leisure centre management once these centres are permitted to reopen.
- 11.3 A number of scenarios have been assessed in terms of how well they address both the financial and operational issues for the period of closure and the potential re-opening phase of the centres. The ongoing effect on the future operation of Winchester Sport & Leisure Park has also been considered.
- 11.4 The options are as follows:
 - A – Places Leisure continue to run both centres from when they are permitted to re-open until the new Winchester Sport & Leisure Park opens and a new Operator is appointed and takes over the management of Meadowside Leisure Centre.
 - B – Places Leisure's contract to continue (to oversee the buildings) but both centres to remain closed until the procurement of a new operator for Meadowside Leisure Centre and the opening of the Winchester Sport & Leisure Park. It is intended to start the procurement process for Meadowside in September.
 - C – A settlement be negotiated and agreed and Places Leisure's contract be terminated by 31 August 2020 and an interim contract with a new operator agreed for the intervening period between re-opening of both centres and the procurement of a new operator for the Meadowside Leisure Centre and the opening of the Winchester Sport & Leisure Park.
 - D – Places Leisure's contract to be terminated by 31 August 2020, the Council takes back responsibility for the centres but they remain closed until the

procurement of a new operator for Meadowside Leisure Centre and the opening of the Winchester Sport & Leisure Park.

E – Places Leisure’s contract to be terminated by 31 August 2020, the Council takes the service back in-house and maintains the staff on existing terms and conditions. The centres remain closed until the opening of Winchester Sport & Leisure Park.

11.5 Option C is considered to be the preferred and lowest risk option as it would:

- Enable the centres to re-open when government guidance permits in order to benefit the health and wellbeing of local residents.
- Enable the interim operator to work with existing staff, customers and partners at both leisure centres for a significant period prior to the opening of Winchester Sport & Leisure Park.
- Be the best net operational cost option to enable the centres to re-open.
- Generate the least amount of reputational damage to the Council and the operators.
- Benefit the future operation of Winchester Sport & Leisure Park.

11.6 It should be noted that the management of Meadowside Leisure Centre will be put out to competitive tender in September 2020 if market conditions are favourable, CAB 3192 decision in Dec 2019, and this new contract will commence when River Park Leisure Centre closes permanently.

11.7 The Government has recently announced that Leisure Centres in England can reopen from 25th July under certain conditions. The proposal in this report will allow the Council’s centres to reopen from the 1st September which is the earliest date achievable to allow for a change of operator and taking into account the requirements around completing the contractual paperwork, staff TUPE requirement in terms of consultation and notice periods, and preparing the centre for re-opening in COVID safe way. The Council will utilise this period to see if there is any learning from other centres which do reopen earlier.

11.8 The Government also announced on 2nd July a financial support package for local authorities. (<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-pressures-and-cover-lost-income-during-the-pandemic>)

11.9 Further details are awaited on how this funding will be provided and for which Local Authority services it can be applied to. It is, however, anticipated that in the case of Leisure that the funding will come to Local Authorities rather than to operators as the buildings are still owned by Local Authorities. It is hoped that this funding will help to offset the costs set out in this report. The council

will make it clear in the settlement agreements that any such funding will be used to offset council costs and not be passed to leisure operators.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Option A is for the centres to re-open in September 2020 and for the Places Leisure contract to continue until the procurement of a new operator for Meadowside Leisure Centre and the permanent closure of the River Park Leisure Centre. This is the simplest option but is more costly than Option C and a settlement agreement has previously been negotiated with Places Leisure to terminate their contract early with WCC. Operational transition would occur when RPLC closes and WSLP opens which make this less viable for a new operator to deal with as contract transition and contract mobilisation occur simultaneously.
- 12.2 Option B considers keeping the leisure centres closed with the Places Leisure contract to continue until the procurement of a new operator for Meadowside Leisure Centre and the permanent closure of the River Park Leisure Centre. Although this is a simple option, and the cost is estimated to be less than Option C, there would be a negative impact on community health and wellbeing and the operation of the new leisure centre as well as potential reputational damage due to facilities remaining closed. Operational transition will occur when RPLC closes and WSLP opens which make this less viable for a new operator to deal with as contract transition and contract mobilisation occur simultaneously. The Council's leisure facilities will remain closed until the new centre opens which will have an impact on the start up of the WSLP as customers will move to leisure centres in neighbouring districts. Also, a settlement agreement has been negotiated with Places Leisure to terminate their contract early with WCC.
- 12.3 Option D proposes that the leisure centres remain closed until the Winchester Sport and Leisure Park opens in 2021, with the Council taking on their operation making existing centre staff redundant or continues furlough until the new centre opens. This is the option with the lowest cost for the council in the current financial year but it would have a negative impact on community health and wellbeing and the operation of the new leisure centre as well as risk of reputational damage to the Council for the potential loss of jobs. Making the staff redundant would involve additional costs for the Council. This could have implications for the WSLP contract as they will need to undertake full staff recruitment which would have knock on financial implications for the new contract. The council's leisure facilities will remain closed until the new centre opens which will have an impact on the start up of the WSLP as customers will move to leisure centres in neighbouring districts. The new operator at WSLP would have a legitimate claim that the Council have fundamentally changed the basis on which they bid for the new WSLP contract and on which their financial offer was predicated. As such this would undoubtedly trigger a benchmarking exercise under the agreed contract with EA to recalculate the management fee around change of staff availability and

loss of memberships. This would impact on the agreed business case and is therefore not considered a sensible option.

- 12.4 If the Council were to choose to go ahead with option D or E, resulting in the closure of the leisure centre, it is probable that the impact of losing staff and centre members could cause the operator of the new centre to renegotiate the basis of the management fee for the WSLP. There is much uncertainty in the whole leisure operator sector resulting from COVID-19 and its impact on customer numbers; so the risk of renegotiation of the WSLP operator contract remains even if the Council ensures RPLC reopens to customers under a contract with either the existing or a potential new operator.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3242 Decommissioning of RPLC - 24 June 2020

CAB3192 Southern Parishes Sports Facilities - 23 December 2019

CAB2914 RPLC Essential Repairs - 10 March 2017

Other Background Documents:-

None

EXEMPT APPENDICES:

Exempt Appendix 1 Financial Analysis

Exempt Appendix 2 Heads of Terms – Interim Contractor

Exempt Appendix 3 Heads of Terms – Places Leisure

Exempt Appendix 4 Interim Contract Specification