

Name of meeting: Cabinet Meeting
Date: 28 July 2020
Title of report: Kirklees Active Leisure Covid-19 Funding support

Purpose of report: To set out the irrecoverable losses directly attributed to the Covid-19 lockdown and subsequent anticipated phased re-opening faced by Kirklees Active Leisure (KAL), and proposing they be underwritten from Covid-19 funding received from the Government

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes. KAL, which operates facilities across Kirklees, require both an uplift in the annual funding from the Council to be sustainable, and a significant injection to cover losses arising from the Covid-19 pandemic.
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Key Decision – No, This is only applicable to Cabinet reports Public Report/Private Appendix – Yes, private appendix. Public report with exempt appendix. The Appendix is recommended for consideration in private in accordance with Schedule 12A of the Local Government Act 1972 namely it contains information relating to the financial and business affairs of the Council and third parties. It is considered that the public interest in maintaining the exemption, which would protect the rights of an individual or the council, outweighs the public interest in disclosing the information and providing greater openness in the council's decision making.
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	Rachel Spencer-Henshall – 15/07/2020 Eamonn Croston - 15/07/2020 Julie Muscroft - 17/07/2020
Cabinet member portfolio; Corporate	Cllr Graham Turner

Electoral wards affected: KAL operate services for the whole of Kirklees.

Ward councillors consulted: Ward Councillors have not been consulted on this matter.

Public or private: This report is public, however, the appendices contain commercially sensitive information and are private.

Has GDPR been considered? Yes, and we do not believe that any personal data is being shared in this report that would be in breach of our GDPR responsibilities.

1. Summary

The impact of Covid-19 and the subsequent lockdown of leisure facilities has seen KAL suffer virtually total income loss from customers. In addition, it is almost certain that re-opening will need to be gradual and with reduced capacities for an extended period in order to satisfy social distancing regulations.

It is proposed that KAL's irrecoverable losses be underwritten from Covid-19 funding received from the Government, in order to allow KAL to be able to re-open facilities in line with guidance and protect both jobs and the services offered to the people of Kirklees.

At the same time, officers had already been looking at the development of a 'KAL Commission', so that we could review the outcomes KAL are working towards and ensure they were meeting the key priorities. Again, the impact of the pandemic and the disproportionate effect that the virus and / or lockdown has had on groups who suffer from the largest health inequalities or levels of inactivity has reinforced the need to look at this and ensure that, in return for our funding, KAL are supporting these priority groups with their health and wellbeing. This work will follow in due course.

2. Information required to take a decision

KAL operate 12 leisure facilities on behalf of the Council but have been experiencing financial pressures from a combination of market forces and increasing national living wage cost pressures on a largely low paid KAL work force. The arrangements for an increased Council funding contribution to KAL, which were discussed prior to the Covid-19 outbreak, have been incorporated into the 2020-23 approved budget plans.

The Covid-19 pandemic, and the subsequent lockdown has further impacted KAL's financial position, with all usual income streams effectively stopping overnight. This requires additional, urgent financial support to help them to remain solvent and manage their cash flow.

The nature of the pandemic, and the subsequent Government guidance on social distancing means that KAL will have to re-open sites gradually and with a reduced capacity for the foreseeable future. This further limits their ability to return to usual levels of income.

To mitigate the losses, officers are satisfied that KAL has utilised the furloughing scheme and other available Government financial support as far as it is able. KAL has also supported the response to Covid-19 and worked closely with the Council to re-deploy some staff into critical Council services to support the Covid-19 response effort, and we would expect continuing flexibility in this regard.

Current KAL projections indicate that the Council may need to underwrite irrecoverable losses of up to £4m. This figure assumes no KAL redundancies, no extension of current furloughing scheme by Government beyond October 2020, and a partial and gradual resumption of some leisure activity from August within presumed social distancing guidelines. We recognise, however, that the landscape is changing rapidly and this timescale may change depending on Government guidance, and KAL will continue to provide us with revised projections should any of these expectations change. The projection also assumes that KAL reserves will have reached the minimum figure of £500k at year end, which it needs as a minimum contingency as a hitherto £16m annual turnover operation.

It had already, as part of previous discussions about KAL funding, been considered that KAL ought to play an increasing role in helping to address some of the health and activity inequalities that exist. The impact and significance of those inequalities has been exposed even more starkly during recent months. The mutual objectives of the partnership are, therefore, being reviewed by officers and will be presented in due course as a 'KAL Commission'. At the same time, KAL have themselves been looking at how they might be seen as more of a 'health and wellbeing' provider, and so this opportunity to support their transition into that arena is timely, albeit under the most unfortunate of circumstances.

We do not know yet the true health impact of Covid-19 on people who have suffered from it, and there may become a significant need to support people with a longer term recovery to full health. In addition, there are also a significant number of people who, for a variety of reasons, have been inactive for an extended period of time, and for whom becoming active might be challenging or daunting. The consequences of inactivity if left unchecked could cause tremendous problems in the future if we do not address these as soon as possible.

Failure to support KAL in this challenging time leaves them vulnerable and with the likelihood that some sites may have to close, and possibly even lead to the demise of KAL. This would have serious consequences to both the Council, who may have to pick up a number of liabilities, and for the public, with the loss of the major operator of leisure facilities (and the health and social consequences thereof). In particular, KAL is the main provider of swimming pools in Kirklees, and the prolonged closure of these would have a knock on impact on the ability for schools to meet statutory school swimming obligations as well as meeting the swimming needs of the wider population.

For the avoidance of doubt, however, it should be noted that the only justification for providing this support is that through the adoption of a new 'KAL Commission' which is currently under development, we will be expecting KAL to be transformed and change their offer significantly and work in very different ways. We will expect KAL to demonstrate a much greater focus on engaging with, and supporting, the target groups and those who suffer the most from inequalities, and through that engagement, redesign their offer and approach to ensure it supports those people to be more physically active and improve their health outcomes. We also expect to see KAL embrace a systems working approach with a range of partners so that this support can be joined up and we can maximise resources jointly. In so doing, KAL will play a bigger role in helping to address this key agenda.

3. Implications for the Council

- **Working with People**

KAL facilities draw staff and customers from all corners of Kirklees, and the facilities play an important role in their communities. This ranges from being a social space where people may meet up with friends to supporting local community sports clubs with appropriate facilities. KAL regularly seeks and reviews feedback from their customers to help shape their offer, and the customer satisfaction rate is high. Through the 'KAL Commission' we will also explore how they might canvass and respond to the views of those who suffer from health inequalities, who are inactive or who come from some of our most deprived communities.

- **Working with Partners**

KAL are a key local partner, who contribute to the economic performance of Kirklees and are a major employer, in particular of young workers. This financial support will enable them to overcome the shock to their business of Covid-19, and through the proposed commission, encourage them to develop new and broader partnerships within the health sector, so that collectively a number of organisations can work together to achieve mutually desired outcomes.

- **Place Based Working**

KAL runs a number of facilities across the borough and we will encourage KAL to shape the offer in their sites to meet the needs of the various local communities. In particular, where noted health or other inequalities exist, we believe that there is an opportunity to work together to tackle these.

- **Climate Change and Air Quality**

The immediate proposal doesn't make any changes to climate change and / or air quality, although the impact of fewer sites operating and fewer customer visits for the foreseeable future, may well contribute to that goal.

Longer term, through the emerging KAL Commission and considering how it can both support the active travel agenda and also work to tackle the health inequalities in the communities around the facilities, we hope to be able to promote more local access, and through more sustainable means.

Finally, KAL have for a long time been committed to reducing energy costs and operating facilities as efficiently as possible and are committed to continuing to do so.

- **Improving outcomes for children**

KAL operates the bulk of the swimming pools in Kirklees, and manages the School Swimming programme, which allows schools to fulfil their responsibilities regarding ensuring children can swim. They also have a wide offer of other activities which are either aimed at, or open to children to support them in being active.

- **Other (e.g. Legal/Financial or Human Resources)**

Based on current financial projections, which are fluid as the Government guidance changes, it is proposed that the Council underwrite KAL's forecast income loss of up to £4m, with that funding coming from Covid-19 funding we've received to date from Government. It is also proposed that this support should protect primarily against the need for redundancies. Given the likely extended phasing of re-opening of KAL facilities, this will be heavily predicated on a flexible KAL workforce conditionality if the Council wishes to re-deploy staff in the interim. There is also an expectation that KAL will continue to review all available financing packages available going forward, with the industry currently lobbying Government for an enhanced support package, and should additional funds become available to KAL the quantum of actual Council funding underwrite will flex accordingly.

The provision of financial assistance is not considered to constitute State aid, and the legal powers for the council to underwrite /fund costs of Kirklees Active Leisure subject to acting reasonably in public law terms will be Section 19 (3) of the Local Government (Miscellaneous Provisions) Act 1976.

Do you need an Integrated Impact Assessment (IIA)?

No. The current proposals do not set out any operational changes for KAL, however, it is proposed that the review of the 'KAL Commission' will seek to identify ways in which groups who suffer health inequalities and inactive people can be supported to be more active and use physical activity as a means of reducing those inequalities or better managing their conditions, and an Integrated Impact Assessment may be required as part of that work. It is also expected that KAL will continue to seek and adopt policies which impact positively on the environment, in particular about energy efficiency and the use of active travel where possible by staff and customers.

4. Consultees and their opinions

This proposed financial support package has been the subject of detailed discussions between KAL and the Council's Service Director for Finance and also the Consultant in Public Health, who are supportive of this approach. It also has the support of the wider Council Executive Team.

5. Next steps and timelines

If Cabinet approves the financial support to KAL, then arrangements for the transfer of funds can be made to ensure that KAL are able to meet their financial obligations and retain the minimum level of reserves required as a charity.

The arrangements for increased Council funding contribution to KAL, which were discussed prior to the Covid-19 outbreak, have been incorporated into the 2020-23 approved budget plans. This

was on the understanding that we would review this further in the next budget round, where it can be aligned with the outcomes of the proposed 'KAL Commission'.

Officers will continue to work on finalising the 'KAL Commission' and, once concluded, be brought to Cabinet for consideration, as part of a forthcoming review of the broader Council Medium Term Financial Strategy.

6. Officer recommendations and reasons

Officers recommend that Cabinet authorise:

- a) The Council commit to underwrite irrecoverable KAL income loss as a direct consequence of Covid-19 to current financial year end 31 March 2021 of up to £4m in order to help KAL through the financial challenges caused by Covid-19.
- b) As part of the forthcoming Medium Term Financial Strategy review, officers will review the Council commissioning brief with KAL in line with emerging priority outcomes, including consideration of attendant resourcing implications, and will bring the details of this work to Cabinet in due course.

7. Cabinet Portfolio Holder's recommendations

The cabinet portfolio holder, Cllr Graham Turner, recommends that the Cabinet commit to underwrite irrecoverable KAL income loss as a direct consequence of Covid-19 to current financial year end 31 March 2021 of up to £4m.

To note that as part of the forthcoming Medium Term Financial Strategy review, officers will review the Council commissioning brief with KAL in line with emerging priority outcomes, including consideration of attendant resourcing implications, and will bring back further proposals to Cabinet in due course.

8. Contact officer

Martin Gonzalez, Development Manager martin.gonzalez@kirklees.gov.uk

9. Background Papers and History of Decisions

10. Service Director responsible

Rachel Spencer-Henshall, Strategic Director - Corporate Strategy, Commissioning & Public Health