

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF POLICY AND FINANCE COMMITTEE ON 31 MARCH 2022

SUBJECT: LEISURE OPERATING CONTRACT

REPORT AUTHOR: Carolin Martlew – Interim Group Head of Corporate Support and S151 Officer

DATE: March 2022

EXTN: 01903 737568

AREA: Corporate Support

EXECUTIVE SUMMARY:

Arun District Council has provided support to mitigate the impact of the COVID-19 pandemic on its leisure operating contract. This report seeks Policy and Finance approval for a virement of budget for the arrangements agreed by Housing and Wellbeing Committee on 17 March 2022.

RECOMMENDATIONS:

It is recommended that Policy and Finance Committee approve the virement of £289,127 from the COVID-19 contingency budget for 2021/22 to cover the shortfall in expected income from the Council's Leisure Management Contractor during 2021/22.

1. BACKGROUND:

The Housing and Wellbeing Committee considered a report 'Leisure Operating Contract Update Report' at its meeting on 17 March 2022. The report outlined the difficulties experienced by the Council and its Contractor during the pandemic.

As one would expect, one consequence of the pandemic was a reduction in income from the Council's Leisure Facilities. Officers have had regular meetings with the Contractor to monitor the situation and the effect on the Council, both operationally and financially.

As a result of these meetings, a proposal was agreed in principle to offset the expected financial shortfall to the Council's budget for 2021/22. One of the proposals was the use of COVID19 contingency funding to offset the shortfall which requires the approval of this Committee. This is further explained below.

2. PROPOSAL(S):

The report to Housing and Wellbeing Committee explained that the budgeted income from the leisure operating contract in 2021/22 is £864,180 (Operating Fee). The table below sets out the financial implications in respect of the Council's treatment of the Leisure Operating Fee in 2021/22.

Period		Operating Fee Due £	DLUHC Compensation £	COVID19 Contingency £	Operating Fee Payable £
Q1	April to June	216,045	142,963	73,082	0
Q2	July to Sept	216,045	0	216,045	0
Q3	Oct to Dec	216,045	0	0	216,045
Q4	Jan to March	216,045	0	0	216,045
	Total	864,180	142,963	289,127	432,090
	Percentage		17%	33%	50%

In Quarter 1 the Council was able to offset its loss through the HM Government Income Compensation scheme. This scheme permitted the Council to claim back approximately 70% of the budgeted income from the leisure operating contract amounting to £142,963. The Council has now received this funding. It was proposed that £73,082 of the Council's COVID-19 contingency budget is used to meet the balance of the operating fee due in Quarter 1.

It was also proposed that the COVID-19 contingency budget is used to offset the Operating fee due in Quarter 2. This was total use of COVID19 funding of £289,127.

Freedom Leisure has achieved operating surpluses since November 2021 allowing the leisure operating fee due in Quarter 3 to be met. The forecast for the remainder of 2021/22 is that the recovery will continue and that Freedom Leisure will also meet its contractual obligation in Quarter 4.

The proposal, which is supported by the Contractor and Housing and Wellbeing Committee will effectively use government funding to offset budget shortfall while supporting Freedom Leisure.

3. OPTIONS:

The following options are available:

- Support the recommendation;
- Not to support the recommendation. However, this would result in the decision by the Housing and Wellbeing Committee to approve the proposal on 17 March 2022 not being implemented and having to be referred back to that Committee.

4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify) Housing and Wellbeing Committee	✓	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		
<p><u>Financial</u></p> <p>As explained in the report, the recommendation is to apply government funding to offset the reduction in income to the Council of £289,127 for 2021/22 through virement from the Covid 19 Contingency budget for 2021/22.</p> <p><u>Legal</u></p> <p>The recommendation is permitted in the Council's contract with freedom Leisure.</p>		

7. REASON FOR THE DECISION:
<p>To secure Policy and Finance approval for the virement from the Covid 19 Contingency Budget for 2021/22 to support the decision for the arrangements agreed by Housing and Wellbeing Committee on 17 March 2022 covering the shortfall in expected income from the Council's Leisure Management Contractor during 2021/22.</p>

8. BACKGROUND PAPERS:
<p>Report to Housing and Wellbeing Committee; 17 March 2022 – Leisure Operating Contract Update Report: (Public Pack)Agenda Document for Housing and Wellbeing Committee, 17/03/2022 18:00 (arun.gov.uk)</p> <p>A copy of the minutes from the meeting of the Housing & Wellbeing Committee held on 17 March 2022 will be circulated, when ready.</p>

