

REPORT TO: STRATEGY & RESOURCES
Date: 05 October 2020
TOPIC: LEISURE CONTRACT PAYMENTS
REPORT BY: CONTRACTS DELIVERY MANAGER

1 INTRODUCTION

- 1.1 An urgent decision was taken by the council on 3rd August 2020 to pay Parkwood Leisure £40,000 towards losses they had incurred during the month of May as a result of government restrictions imposed on leisure centres due to the COVID pandemic. The council had previously paid £40,000 to Parkwood for similar, COVID related losses for the month of April. To date therefore, support of £80,000 has been provided for the months of April and May.
- 1.2 Under the terms of the interim leisure contract between Parkwood Leisure and North Devon Council (NDC) in line with Government PPN Guidance, Parkwood can claim for financial support from NDC to help cover losses between April and June 2020, with scope to extend this period by mutual agreement.
- 1.3 Parkwood have issued claims to the council for further payments for the months of June and July and have indicated that further financial assistance is likely to be required for August, September and beyond in order to keep North Devon's leisure facilities viable and open to the public as the COVID crisis continues.

2 RECOMMENDATIONS

- 2.1 That North Devon Council makes a grant payment of £80,000 to Parkwood Leisure to cover losses experienced in the month of June & July due to Covid 19.
- 2.2 That North Devon Council considers extending the COVID Relief period as defined in the interim leisure contract to maintain the provision of leisure services throughout the COVID crisis.

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure continuation of service, prevent job losses and provide community leisure facilities for thousands of North Devon residents.

4 REPORT

- 4.1 The interim leisure contract between NDC and Parkwood Leisure contains clauses to address difficulties caused to both client and contractor by the COVID 19 pandemic. These clauses were added to the leisure contract through a deed of variation in accordance with central government Public Procurement Guidance Note PPN02/20.
- 4.2 The clauses mentioned at 4.1 provide a mechanism for Parkwood to submit monthly claims to NDC for losses experienced during the months of April – June 2020 (defined as the COVID Relief Period). The COVID Relief Period can be extended by mutual agreement between the two parties.
- 4.3 Parkwood's recent claims show a loss of just under £38,000 in June and £54,000 in July. NDC's Head of Resources has scrutinised the claim and is agreeable to a payment of £80,000 to Parkwood for June losses and July losses incurred.
- 4.4 At the end of August, Parkwood Leisure are showing losses of £255,000 against the North Devon Leisure Contract. They are very grateful for the £80,000 support already received from NDC to date but without further support from either central government or NDC, the contract is clearly not sustainable unless COVID restrictions are lifted.
- 4.5 Nationally as a company, Parkwood have outlined in a formal letter to NDC how they have suffered in the last six months since the COVID crisis began:
 - 45.1 £10m cash reserves "burnt" since March 2020
 - 45.2 99% staff furloughed since 25th July with 1,000 still furloughed
 - 45.3 Maximum CBiL application submitted
 - 45.4 Headcount reduction resulting in 33% of employees leaving the company by the end of October (equates to 20% reduction of FTE staff).
 - 45.5 The early exit from two leisure contracts where no local authority financial support could be provided.
- 4.6 In relation to the North Devon contract, Parkwood's Managing Director has have said "August saw revenue down by 79% compared to last year and despite the reopening of the pools in September income for this month is expected to be down 65% in comparison to last year. This is mainly due to a 35% cancellation rate of the highest category health and fitness memberships. With net margins in the sector notoriously low at circa 1% and high fixed costs, this is a pattern we anticipate will continue, with recovery unlikely to be until at least March 2021".
- 4.7 Parkwood have received some additional Government support during the crisis including a Leisure, Retail and Hospitality Grant and benefitted from the Coronavirus Job Retention Scheme (CJRS). Despite this support 14 members

of the North Devon team have been made redundant and a further 27 staff members are in consultation over redundancies.

- 4.8 With the CJRS scheme tapering off and due to end in October, if there is no further financial support from NDC, Parkwood will have to close the leisure facilities in North Devon again, starting with the closure of the pools in Ilfracombe and Barnstaple. Longer term Parkwood may have to instigate the termination clause of the interim leisure contract, closing all facilities and resulting in the loss of 127 jobs.
- 4.9 If the pools were to close there would be an immediate impact on nine swimming clubs including Ilfracombe Swimming Club, Barnstaple Swimming Club, Saunton Surf Life Saving Club, Croyde Surf Life Saving Club and Woolacombe Surf Life Saving Club (totalling some 1500 individual members.)
- 4.10 Since the reopening at the end of July, three schools have returned to swimming at our facilities with six more scheduled to return shortly. If the pools close again, then 400 local, schoolchildren will miss their weekly swimming sessions.
- 4.11 Since the pools reopened at the start of September 2,000, public swimming lane sessions have been booked and attended and 681 children have returned to their weekly out of school swimming lessons.
- 4.12 Parkwood outlined in their letter to NDC that whilst they have successfully reopened and received tremendous positive feedback, had they known there would be potentially no further financial support from the Council they would have made significantly different decisions about re-opening the facilities, particularly the swimming pools which are currently operating at a loss.
- 4.13 The Council have an extremely positive working relationship with Parkwood and the continuity of the existing contract and smooth transition into the contract for the new Leisure Centre provision is crucial to both parties for a viable start position in April 2022.

5 RESOURCE IMPLICATIONS

- 5.1 The financial support for June and July had been included in NDC financial projections and can be covered in part using some of the £1million Covid-19 support grant from central government provided to NDC towards additional costs being incurred.
- 5.2 Private Leisure Contractors who provide services for the Local Authority are unable to claim government support for losses in revenue, unlike Leisure Centres that are provided and run in-house directly by Councils whereby irrecoverable losses in income are being compensated to those Councils through the recently announced government scheme.

6 EQUALITIES ASSESSMENT

- 6.1 No equality issues anticipated.

7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?
Part 3, Annexe 1.1(d)	“Delegated”

8 STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9 BACKGROUND PAPERS

9.1 The following background papers were used in the preparation of this report:

- Urgent Decision Notice dated 30th April 2020
- Urgent Decision Notice dated August 2020

The background papers are available for inspection and kept by the author of the report.

10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

Author: Mark Kentell
Reference: Document5

Date: 23/09/20