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<b>Subject:</b>	<b>YOUR LEISURE COVID-19 SUPPORT FUNDING</b>
<b>Meeting and Date:</b>	<b>Cabinet – 6 September 2021</b>
<b>Report of:</b>	<b>Roger Walton, Strategic Director (Operations and Commercial)</b>
<b>Portfolio Holder:</b>	<b>Councillor Oliver Richardson, Portfolio Holder for Community and Corporate Property</b>
<b>Decision Type:</b>	<b>Non-Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To provide an update to Cabinet on the impact of the COVID-19 pandemic on Your Leisure’s business recovery following central government’s requirement to temporarily close leisure centres, and to seek agreement to the allocation of COVID support funding in respect of operations at the Tides Leisure & Indoor Tennis Centre.

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**Recommendation:** To agree:

1. To note and welcome the business recovery measures undertaken by Your Leisure in response to the COVID-19 pandemic.
2. To confirm agreement to the allocation of £80,000 COVID-19 support funding for the Tides Leisure & Indoor Tennis Centre.

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## **1. Summary**

- 1.1 Your Leisure (YL) manages Tides Leisure & Indoor Tennis Centre in Deal under a lease agreement with Dover District Council. The lease at Tides was extended to 31 March 2025 under the terms of which YL surrendered the lease of Dover Leisure Centre some three years ago. YL receives an annual grant from the Council that has reduced in recent years but currently stands at £100,350 for the year ending 31 March 2022.
- 1.2 Tides Leisure & Indoor Tennis Centre was forced to close to the public on 21 March 2020 following Central Government legislation that was aimed at dealing with the COVID 19 outbreak. Leisure Centres were permitted to re-open from 25 July 2020. However, there were two further temporary lockdowns since that time and the centre more recently re-opened on 19 April 2021 in line with government guidance.
- 1.3 Due to extended periods of closure since March 2020, like all leisure operators, there was limited income for the leisure sector, yet considerable on-going premises costs and a financial crisis faced the industry. Your Leisure has undertaken several measures to mitigate the impact of the pandemic, but it has not received any additional financial assistance directly from the Council’s resources.
- 1.4 While some funding support has been obtained through National Lottery Recovery Fund NLRF and welcomed, it is not sufficient to cover the combined effect of three lockdowns and restricted re-opening. This report seeks Cabinet agreement to the allocation of £80,000 Covid support funding to meet the expected budget deficit trading position of Tides Leisure & Indoor Tennis centre for the year ending 2021/22.

## 2. Introduction and Background

2.1 Your Leisure (YL) is a not-for-profit charitable organisation providing leisure, hospitality, entertainment and community services in the Dover and Thanet districts. YL manages Tides Leisure and Tennis Centre (Tides/Tennis) under a lease arrangement, recently extended until 31 March 2025, with Dover District Council (DDC). A separate Funding Agreement exists providing an annual grant, which has reduced in recent years, and now stands at £100,350 plus VAT for the year ending March 2022.

2.2 Prior to the opening of the new Dover Leisure Centre, YL were trading at a surplus at Tides Leisure & Tennis Centre. Since February 2019 (2018/19 year) income levels have been affected, initially, as a result of the new competition arising from the new Dover District Leisure Centre, and then substantially following the coronavirus outbreak (end of 2019/20 & 2020/21). The table below summarises income, surplus/(loss) and the level of DDC funding for the period 2016/17 to 2020/21 and for the first three months of 2021/22.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 (Apr - June)
Tides/Tennis Income	£1,418,382	£1,415,383	£1,362,869	£1,303,382	£472,051	£122,175
Tides/Tennis Surplus/(Loss)	£69,862	£67,559	£2,302	(£31,106)	(£327,890)	(£68,874)
DDC Funding (excluding VAT)	£132,500	£132,500	£132,500	£111,500	£100,350	£25,087

2.3 Much of the income is from leisure centre memberships paid either annually or monthly. A stark illustration of the pandemic impact is the overall reduction in Tides/Tennis memberships from 2260 in February 2020 to 1186 in July 2021. A decrease of 48%.

2.4 Operating in the leisure, hospitality and entertainment sector YL has faced considerable challenges as it has attempted to reduce cost and raise funding to absorb substantial loss of income from these services which have been subject to partial or complete lockdown for up to 15 months. The financial impact for the year ending March 2021 was a company-wide trading loss of £464,772 and for the period April to June 2021 a loss of £39,174.

## 3. Mitigating the impact of the COVID 19 pandemic

3.1 YL has taken a range of actions, and continues to do so, in order to try and mitigate the impact of the pandemic and not be overly reliant on key public sector partners. These being:

3.2 Actions Completed:

- (1) £1,674,510 claimed back through the Govt Job Retention Scheme (Furlough). Of this £328,030 relates to Tides/Tennis. Staff on furlough only paid at 80% and required to take annual leave to minimise cost, particularly upon re-opening facilities.

- (2) Successful application to the National Cultural Recovery Fund securing £332,000 to support Margate Winter Gardens & Theatre Royal. In addition, joined a Theatre Trust national initiative to 'Save Our Theatres' and established a crowd-funding page raising a total of £17,000.
- (3) From the National Leisure Recovery Fund £341,970 secured for Hartsdown Leisure Centre and Ramsgate Leisure Centre in the Thanet district and £66,600 for Tides/ Tennis in the Dover district.
- (4) Completion of a redundancy programme across hospitality and entertainment and indoor leisure, based on reduced demand, revised programming and new ways of working has significantly reduced future established labour costs.
- (5) Advanced funding received from both Local Authority partners and an extra £160,000 of new funding secured from Thanet District Council (TDC) for year ending March 2021.
- (6) Successfully obtained short-term financial support from Lloyds Bank through an £800,000 Coronavirus Business Interruption Loan (CBIL).
- (7) Agreement from TDC Cabinet to have access to a loan of up to £1.5M. This has not been called upon as yet.
- (8) Secured £522,066 in grants for facilities from the various Coronavirus grant funds administered through Local Authorities. £40,928 related to Tides/Tennis.
- (9) Surrendered early the lease at Dover Town Hall using the £85,000 compensation to support cashflow.
- (10) Took advantage of the deferral of VAT liability with rescheduled payments on track for being back up to date by March 2022.
- (11) Negotiated payment holidays on rent, loan and utility liabilities. These are now all paid up to date.
- (12) Secured a range of smaller grants (including from Tesco & DDC) to part cover the cost of PPE equipment, social distancing signage and sanitizer stations.
- (13) In preparation for re-opening at the end of each lockdown promoted a range of new leisure centre memberships, including a virtual workout option, intended to attract new members and increase income. Also joined Kent County Council's Reconnect programme to encourage 5 – 16-year-olds to visit Tides Leisure Centre and secured £4,160 of funding to provide free swimming lessons over the summer period.
- (14) Although unsuccessful, funding applications were also submitted to the Architectural Heritage Fund, Charities Aid Foundation and National Cultural Recovery Fund (round two)

### 3.3 Actions in Progress:

- (1) In advanced discussions with Lloyds Bank to refinance existing leisure centre loans to facilitate a lower cost of borrowing over the remaining term.

- (2) Considering relinquishing the lease for Dover Sea Sports Centre to remove future financial risk.
- (3) Applied for Local Authority Coronavirus Extension grants in the Dover district totalling £5,668.
- (4) Continuing to access the Furlough scheme until it ends in September 2021.

#### **4. Update on Your Leisure Financial Position**

- 4.1 Despite these actions the severe financial impact of the pandemic has required Your Leisure to seek additional support to meet the expected deficit trading position of certain facilities within its portfolio. In respect of the management of Tides Leisure & Indoor Tennis centre, the projected budget deficit for the year ending March 2022 is £76,399. (see Appendix 1)
- 4.2 This budget was finalised in April 2021 and at the time factored in an expected Government Restart Grant of £18,000 and a balance of £34,131 from the National Leisure Recovery Fund (NLRF) which had not been previously allocated to year ending March 2021. Both these amounts have now been received.
- 4.3 Whilst the NLRF has been welcomed the £66,500 to support Tides leisure & Indoor Tennis centre is not sufficient to cover the combined effect of lockdown and restricted opening. There continues to be much lobbying for the Government to provide a new funding round to mirror the two rounds of the National Cultural Recovery Fund which have been provided.
- 4.4 It has been identified that further support is required to address the following challenges:
  - i) The return of customers since reopening on a restricted basis from 12 April 2021 has been gradual and customer confidence is expected to take time to be rebuilt. Based on analysis by Sport England through the Moving Communities research platform leisure centre attendances in the South-East for the period 17 May – 20 June are at 67.1% compared with same period in 2019.
  - ii) Operating costs continue to escalate particularly energy prices and labour, as a result of National Living/Minimum Wage increases. In addition, there is cost pressure created through operating in accordance with Covid compliant guidelines.
  - iii) Leisure delivery providers operate on razor tight margins with limited ability to pass the above costs on to the end user through increased prices.
  - iv) The potential for further Covid restrictions, as a result of infections rising and the possibility of staff needing to self-isolate impacting on the ability to safely deliver services.
- 4.5 YL has been in regular and transparent dialogue with its bankers (Lloyds), auditors (McCabe Ford Williams) and Local Authority funding partners. Through the support secured or available the company is confident it remains a viable going concern as recorded in the audited accounts for year ending March 2020. The audited accounts for year ending March 2021 are scheduled to be approved by the YL Board on the 7 September and adopted at the AGM on the 14 September 2021.

- 4.6 The actions, both completed and in progress, combined with the additional funding requested from DDC and an expectation that customer visits and memberships will return to pre-pandemic levels soon will place YL in a stronger financial position going forward. YL's cashflow position is beginning to recover with the existing and forecast illustrated in the table below.

<b>Cash position at 3 August 2021</b>	Access to loan facility from TDC (Dec 21)	Projected balance at 31 March 2022	<b>Projected balance at 31 March 2023</b>
	(As stated in actions completed vii)	(including £80,000 requested from DDC)	<b>Assuming operations run at breakeven and annual repayment of TDC loan (15 yrs)</b>
<b>£1,025,289</b>	£1,500,000	£780,000	<b>£680,000</b>

- 4.7 Whilst it is too early to project a budget for 18 months ahead it is anticipated that Tides Leisure & Indoor Tennis Centre will move to at least a breakeven trading position for the year ending March 2023. The steps already taken throughout the pandemic including a relaunch of memberships and reduced labour provision, make this a realistic expectation.
- 4.8 Supporting YL to recover from the pandemic enables the continued delivery of social, economic and health outcomes whilst also facilitating the continued provision of affordable and accessible services at Tides/Tennis. Providing YL with additional funding also assists in maintaining their range of funded community programmes in the Dover district including Bikeability, Legacy, Aspire, Thriving Communities, You vs Train and Deal e-bikes.

## 5. Identification and Evaluation of Options

- 5.1 Option 1: To welcome the business recovery measures undertaken by YL in response to the COVID 19 pandemic and confirm agreement to the allocation of £80,000 covid support funding for Tides Leisure Centre.

This is the preferred option because YL has exhausted all channels for exploring external financial support and has made commendable progress in obtaining government grants and loans to mitigate the impact of the COVID 19 pandemic. The additional covid support of £80,000 will allow YL meet the continued challenges as set out at para 4.4 of this report and potentially reach a trading break even financial position by March 2023 at Tides Leisure & Indoor Tennis Centre.

- 5.2 Option 2: To note the business recovery measures undertaken by YL in response to the COVID 19 pandemic and not to confirm agreement to the allocation of £80,000 covid support funding for Tides Leisure Centre.

This is not the preferred option because although YL has exhausted all channels for obtaining external financial support, it is unable to sustain the financial pressures that have arisen from COVID 19 Pandemic and cannot absorb the projected financial deficit for year end 2021/22. The accumulating financial pressure could risk YL failing to maintain continuity of services at Tides Leisure & Indoor Tennis centre leading to potential closure of the facility in advance of the lease agreement expiry date.

## **6. Resource Implications**

- 6.1 Council officers has been having regular open and transparent meetings with Your Leisure and the financial team have been kept informed of regular updates, accounts and discussions. The £80,000 can be resourced from the Council's revenue budget.

## **7. Climate Change and Environmental Implications**

- 7.1 Tides Leisure & Indoor Tennis has had significant capital investment across the closure period of the COVID 19 pandemic to undertake essential maintenance issues. Works to address the on-going challenges with controlling atmosphere and pool heating temperatures will help to improve the energy efficiency of the old building and reduce energy consumption.

## **8. Corporate Implications**

- 8.1 Comment from the Head of Finance & Investment: Members are reminded that the Council's revenue and capital resources are under pressure and so they will want to assure themselves that all proposals progress the Council's priorities, are the best option available and will deliver value for money. (DL)
- 8.2 Comment from the Solicitor to the Council. The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make".
- 8.3 Comment from the Equalities Officer. This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

## **9. Appendices**

Appendix 1 – Tides Leisure/Tennis Centre Budget: 2021/22.

## **10. Background Papers**

None.

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## Appendix 1

Tides Leisure/Tennis Centre Budget: 2021/22					
Accounting Period: April 21 - March 22	Base Budget for 2020/21 (set in Feb 2020)		Forecast Budget for 2021/22		Notes
	TIDES LEISURE CENTRE	TENNIS CENTRE	TIDES LEISURE CENTRE	TENNIS CENTRE	
					Sales based on re-opening 12 April 21 with restrictions in place until 21 June 21
					Unless stated otherwise 2% uplift in expenditure applied based on 20/21 Budget
Catering and bars	129,638	0	64,819		
Vending	20,020	0	10,010		
<b>FOOD AND BEVERAGE SALES</b>	<b>149,658</b>	<b>0</b>	<b>74,829</b>	<b>0</b>	
Entertainment	0	0	0	0	
Hirings	1,695	0	0	0	
Rent	0	0	0	0	
<b>ENTERTAINMENT SALES</b>	<b>1,695</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Wetside activities	398,440	0	328,322	0	Utilising previous budget but based on 9 months full trading with social distancing
Dryside activities	32,542	38,261	28,500	52,000	Increased based on partnership arrangements with Walmer Lawn Tennis Club
Swim school	214,600	0	194,010	0	100% capacity of re-opening programme plus expansion
Other coaching	2,595	67,896	2,000	61,236	Based on current course set up post c-19 at 70% saturation
Fitness room	391,776	0	306,720	0	Based on current live membership @ approx 502 (£180,720) increasing to 1000 by 100 per month
Games Centres	0	0	0	0	
Recreation grounds	0	0	0	0	
<b>SPORTING SALES</b>	<b>1,039,954</b>	<b>106,158</b>	<b>859,552</b>	<b>113,236</b>	
Soft play/creche	1,255	0	0	0	
<b>SOFT PLAY/ CRECHE</b>	<b>1,255</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Sale of Consumables	36,374	167	36,500	0	
Other income	3,718	70	3,000	0	
Passport to Leisure	4,455	0	0	0	
KCC grant	0	0	0	0	
Other funding	0	200	17,004	500	Includes anticipated reclaim from JRS up until Sept 2021
Arts Council funding	0	0	0	0	
<b>OTHER INCOME</b>	<b>44,547</b>	<b>437</b>	<b>56,504</b>	<b>500</b>	
<b>TOTAL INCOME</b>	<b>1,237,109</b>	<b>106,594</b>	<b>990,885</b>	<b>113,736</b>	
Direct Labour	516,677	22,092	490,483	10,500	Accommodates revised establishment and an increase in NLW
Casual Labour	149,283	34,032	134,085	32,000	As above
<b>TOTAL LABOUR</b>	<b>665,960</b>	<b>56,124</b>	<b>624,568</b>	<b>42,500</b>	
Provisions and beverages	47,533	0	48,484	0	
Vending expenditure	9,797	0	9,993	0	
Event costs	480	0	490	0	

## Tides Leisure/Tennis Centre Budget: 2021/22

Accounting Period: April 21 - March 22	Base Budget for 2020/21 (set in Feb 2020)		Forecast Budget for 2021/22		Notes
Beauty products	0	0	0	0	
Day to day maintenance	30,593	4,455	31,205	4,544	
Maintenance contracts	29,229	273	29,813	278	
Equipment hire	2,679	0	2,733	0	
Facility rentals	0	0	0	0	
Marketing and promotion	1,795	181	1,831	185	
Advertising and printing	2,651	173	2,704	176	
Chemicals and cleaning	21,570	0	22,001	0	
Goods for resale	23,609	0	24,081	0	
Spa materials	0	0	0	0	
<b>TOTAL DIRECT OVERHEADS</b>	<b>169,936</b>	<b>5,082</b>	<b>173,334</b>	<b>5,184</b>	
Utilities	249,518	19,167	254,509	19,551	Contract for gas/electric expires Oct & Nov 2021. 2% uplift on 20/21 budget assumed
Company vehicle costs	0	0	0	0	
Premise hire and rental	0	0	0	0	
Insurance	24,611	2,678	25,103	2,731	
Telephone	3,376	0	3,443	0	
Stationery	6,024	0	6,144	0	
Postage	34	0	35	0	
Travel, subsistence and meeting	1,063	0	1,084	0	
Uniforms & laundry	1,131	0	1,154	0	
Disposables	13,119	0	13,381	0	
Bad Debts	0	0	0	0	
Other	9,280	878	9,466	895	
Licences	14,648	0	14,941	0	
Bank Charges and Interest	6,117	0	6,239	0	
IT Costs	20,527	630	20,937	643	
Booking fees	0	0	0	0	
Equipment replacement	5,999	548	6,119	558	
Training and other staff costs	5,646	241	5,759	245	
<b>TOTAL INDIRECT OVERHEADS</b>	<b>361,092</b>	<b>24,141</b>	<b>368,313</b>	<b>24,624</b>	
<b>TOTAL EXPENDITURE</b>	<b>1,196,987</b>	<b>85,347</b>	<b>1,166,216</b>	<b>72,307</b>	
Contribution	40,122	21,247	-175,331	41,429	
Deficit funding/ management fee	100,000	0	100,000	0	
Central Support Charges (5% of income)	61,855	5,330	49,544	5,687	
VAT write off	65,674	0	66,988	0	
Depreciation	27,098	0	27,640	0	
<b>Total adjustments</b>	<b>-54,628</b>	<b>-5,330</b>	<b>-44,172</b>	<b>-5,687</b>	

### Tides Leisure/Tennis Centre Budget: 2021/22

Accounting Period: April 21 - March 22	Base Budget for 2020/21 (set in Feb 2020)		Forecast Budget for 2021/22		Notes
<b>SURPLUS/ (DEFICIT)</b>	<b>-14,506</b>	<b>15,917</b>	<b>-219,503</b>	<b>35,742</b>	
<b>COMBINED SURPLUS/ DEFICIT</b>	2020 - 21	<b>1,411</b>	2021 - 22	<b>-183,761</b>	
	Less:	Central Support Charges	£ 55,231		
	Plus:	Govt Restart Grant	£ 18,000		
	Plus:	Balance of NLRF £66.5k	£ 34,131		
			<b>£ 107,362</b>		
			<b>Overall Deficit</b>	<b>-£ 76,399</b>	