

## **Report to CABINET**

### **Oldham Community Leisure – Contract (Part A)**

**Portfolio Holder:** Councillor Z Chauhan – Cabinet Member Health and Social Care

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#### **Reason for Decision**

The purpose of this report is to present options for the future of the Council Leisure Contract.

#### **Recommendations**

It is recommended that the Council extend the current contract of OCL, the current provider, with some changes to the term of this, as is allowed under the current terms of the contract.

It is also recommended that the Council continue to financially support the existing leisure provider as required within the terms of the current contract, in order to ensure its survival for the 2020/21 and 2021/2022 financial year.

Built into the contract extension negotiation would be an agreed length of extension, making good outstanding contract changes and the development of social value outcomes. A Cabinet paper to be brought back to agree the contract extension, bring forward revisions and additionally include a social value outcomes framework.

**Oldham Community Leisure Contract (Part A)****1 Background**

- 1.1 In December 2012 Cabinet approved the recommendation to appoint Oldham Community Leisure (OCL) following a competitive process as the preferred bidder for a new 10 plus 5-year contract to operate and manage the Council's leisure facilities. The contract became operational in April 2013. The current contract, without the 5-year optional extension, ends 31<sup>st</sup> March 2023.
- 1.2 Under normal circumstances, pre Covid 19, the Leisure contract was performing well. The level of subsidy the Council provides is low in comparison to other GM authorities and many nationally. The outcome and outputs stipulated in the contract were also being met. In addition, memberships were high, the external inspections of the centres were all very good or excellent, and customer feedback was also good. Overall financial performance was also positive. The Covid-19 situation has presented a number of significant issues to all Leisure providers across the country, not just OCL, and sport generally due to the two forced closures and a restriction on activity in our Leisure Centres when they have been open. In addition, strict guidance on all team sport activity and cancellations of all National Governing Body of sport has further impacted, resulting in cancellation of block bookings, a reduction in the use of facilities and an impact on income.
- 1.3 To support the monitoring of the performance of OCL, in addition to the contracted quarterly performance meetings, monthly monitoring meetings were set up specifically to look at the OCL overall financial performance. The Council has supported OCL throughout the Covid period as a result of closures as set out in the contract.
- 1.4 The Leisure contract extension, which is a 10 plus 5 years, is due for consideration this next financial year. Initial discussion had already taken place prior to Covid to look at extending this but with some changes to the contract and additional social value activity and measures added. If an additional 5-year extension was agreed the contract would finish at the end of March 2028.

**Context**

- 1.10 Physical activity and leisure have an important role to play in the borough, supporting residents physical and mental wellbeing. Keeping Oldham's residents and communities moving is especially critical throughout the pandemic where risks of inactivity and to mental health due to isolation are significant. OCL are a key organisation that support improving the health of our Borough in normal times and during the pandemic.
- 1.11 Physical inactivity is known to be the fourth leading cause of global mortality. The annual cost of inactivity in the UK is estimated to be around £7.4 billion, with 1 in 5 men and 1 in 4 women in England classed as physically inactive. Across Greater Manchester this equates to £26 million and for Oldham around £5million.
- 1.12 We know from the recent Active Lives Survey that over 29.8% of the adult population currently do fewer than 30 minutes of physical activity per week. Although this presents a more positive set of results for Oldham than from previous surveys, levels of inactivity are still higher than the national average and almost twice as high for certain target groups, including those from lower-socio economic backgrounds and people with long term health conditions or a disability.

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- 1.13 Childhood obesity levels in Oldham are higher than the national average and 67% of the adult population are classed as overweight or obese. We also know that some of the prominent public health priorities for the borough – CVD, mental health, diabetes and cancers are conditions directly attributable to lifestyle risk factors such as inactivity and obesity. OCL have been a key partner in the development and delivery of the Council’s new Obesity Strategy for Oldham. Wellbeing outcomes will be added to the new framework within the contract moving forward.
- 1.14 The leisure sector continues to feel the impact of COVID-19, with many providers facing the risk of closure. Most council leisure providers have been ineligible for much of the initial funding support due to their business models and typically charitable status. There is a national push for those councils with outsourced leisure services to be prioritised in the distribution of funding as they have not been able to claim from the Government’s income support scheme. As a Council we submitted a bid to the National Leisure Recovery Fund for £530K to cover the period 1<sup>st</sup> December 20 to 31<sup>st</sup> March 21 to support costs. This has now been approved.
- 1.15 OCL have high fixed operating costs, which they have continued to incur whilst closed and are reliant on income generation, which has been placed under pressure by closures and reduced capacity on reopening due to social distancing. Community Leisure UK indicates that as of September 2020 returning gym memberships have stalled and started to decline because of a loss of consumer confidence. Their research also showed that only 56 percent of facilities reopened when they were allowed to, with the most common reason for keeping facilities closed being the lack of economic viability of reopening. In addition to this, over a third of leisure trusts feel their future is insecure and facilities remain at risk. This is a significant concern for councils, who in England are responsible for a third of swimming pools and grass pitches; 13 per cent of sports halls; and almost of fifth of all health and fitness facilities.
- 1.16 During the lockdowns and through the pandemic OCL, as a social enterprise, have been a key partner in the Oldham community response to support our most vulnerable residents and have repeatedly demonstrated their commitment to be a provider that delivers social value. This included them offering Oldham Sports Centre as a venue to operate the foodbank from and a mass testing site with staff to support this. A proportion of these costs have been absorbed by OCL as part of the wider Covid offer. Some funding will also be allocated to OCL from the Covid funds and this will offset the loss of income claim moving forward. It is also important to recognise the wider benefit beyond leisure centres OCL bring including the work on delivering the Thriving Communities Social Action Fund, which is an essential element of our social prescribing model, specific health interventions such as, the support of the delivery of the Sport England Local Pilot programme and also the wider support they are offering to community organisations. These are all programmes aimed at supporting the least active and those who would see improved health outcomes by taking part in physical activity programmes.

## 2 **Current Position**

- 2.1 Ongoing conversations have taken place with OCL to understand the financial impact of Covid 19 and several mitigations have been put in place to reduce the running costs. The Council will need to financially support OCL’s recovery into 2021/2022. OCL have also proposed several mitigations to reduce the expenditure during the next period. Further detail is included in Part B of the Cabinet report.

Following the initial reopening in July and subsequent closures, OCL have continued to work with members to build their confidence to return and to maximise the number of

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sessions that they have on offer. A comparison to similar time periods, as a result of COVID, though does show a fall in memberships and this can be directly linked to Covid 19. In addition, due to implementing Covid safe environments they have had to restrict entries to the centres. This has been challenging given we continue to live through a pandemic, experience high rates of infection and ongoing uncertainty about and changes to national restrictions.

The current leisure contract ends in March 2023, however there is an option to extend this by a further 5 years. A decision on the extension of the contract does need to be agreed at this point. Built into any contract extension would be a strong social value outcomes framework, with improved targets around improving inequalities and with the ability to review this on a yearly basis based on changing need. In addition, written into any contract extension would be a stronger alignment to place based working and the leisure trust taking on a guardian role for physical activity in the place.

- 2.2 **GM position** – Other GM authorities, albeit they have differing contractual arrangements, are in a similar position to Oldham and they all require support from the Councils.

Greater Manchester Local Authority Chief Executives, along with GM Active, Greater Sport and Sport England recognise the importance of leisure facilities, health and wellbeing services to local communities and their potential contribution to making a difference to population health post pandemic. The Build Back Better review has been commissioned by GM Chief Executives to assist local authorities and leisure providers and the wider system to successfully respond to the crisis and adjust to this challenge by shedding light on the options they could deploy.

- 2.3 **National Recovery Fund**- The Government have confirmed that £100 million will be made available to support public leisure facilities during this financial year. The period is from December 2020 to the end of March 2021. Local authorities will be able to bid for money from the £100m fund. Along with already agreed support given this will ease the financial ask on the Local Authority and ensure OCL are financially stable until the year end.

Applications opened on the 15<sup>th</sup> December for this fund with a closing date of the 15<sup>th</sup> January 2021. Oldham has been successful in a bid of £530k.

In addition, national discussions are also taking place with further support for next financial year and early indication is this will be a national figure of £200m to £300m which again will be a bid process but also linked to deprivation and inactivity levels and subsequently again reduce the ask financially from the Local Authority.

### 3 **Options**

- 3.1 Full option implications are outlined in a separate report that will be considered in Part B of the Cabinet meeting.

### 4 **Consultation**

- 4.1 Colleagues from across the council have been in regular dialogue with OCL.

### 5 **Financial Implications**

- 5.1 Full financial implications are outlined in a separate report that will be considered in Part B of the Cabinet meeting.

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- 6        **Legal Services Comments**
- 6.1      Legal implications are considered in a separate report in Part B of the Cabinet meeting.
7.        **Co-operative Agenda**
- 7.1      The OCL contract supports the Councils cooperative values and often goes beyond what is set in the contract including running community events, supporting the leadership of the Borough and working with the voluntary sector. During lockdown OCL have been extremely supportive of our communities including allowing the use of its Oldham Leisure Centre Sports Hall to be used as a Foodbank distribution Centre. It has also supported this with its staff.
- 8        **Human Resources Comments**
- 8.1      None
- 9        **Risk Assessments**
- 9.1      The pandemic has significantly changed the financial risk profile of the leisure contract to the Council. In determining the level of support to be given to OCL the Council needs to manage a number of risks. These are outlined in Part B of the report.
- 10       **IT Implications**
- 10.1     None
- 11       **Property Implications**
- 11.1     None
- 12       **Procurement Implications**
- 13.1     If the preferred option is approved Procurement recommend a full commercial review of this service before agreeing to any contractual extension. With the dynamics of a changing customer base we would need to seek guarantee's that any new commercial model would be sustainable for the duration of the contract term. (S. Boyd Head of Procurement)
- 13       **Environmental and Health & Safety Implications**
- 13.1     None
- 14       **Equality, community cohesion and crime implications**
- 14.1     None
- 15       **Implications for Children and Young People**
- 15.1     None
- 16       **Equality Impact Assessment Completed?**
- 16.1     None
- 17       **Key Decision**
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17.1 Yes

18 **Key Decision Reference**

18.1 HSC-06-20

19 **Background Papers**

19.1 Non

20 **Appendices**

20.1 These are listed in Part B of the Cabinet Report