

<b>Committee:</b>	Governance, Audit & Performance Committee	<b>Date:</b>
<b>Title:</b>	2020/21 PFI Annual Report	Tuesday 4 <sup>th</sup> February 2021
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## Summary

1. This report provides members with an annual update on the Uttlesford Leisure PFI contract for the 2020/21 financial year. It firstly provides a summary of the history, structure and governance of the contract. Following this, an overview is provided of how the Covid-19 pandemic has affected the Uttlesford Leisure Centres; advising of Covid-19 secure measures in place and the effect upon participation and service delivery. This report then considers the future landscape of the Uttlesford Leisure PFI contract; considering the challenges for the 2021/22 year and the remaining concession years.

## Recommendations

2. None

## Financial Implications

3. There are limited financial implications associated with this report. As detailed later, Uttlesford District Council's income from the contract has been affected; both in terms of the annual profit share, and income from the monthly Operator Fee. Members should also note that the Uttlesford Leisure PFI contract is the largest General Fund contract that the council has entered into to date. This is based on the term of the contract rather than the value.

## Background Papers

4. The following papers were referred to by the author in the preparation of this report:
  - Uttlesford PFI Contract Documentation
  - Government, Audit & Performance Committee Reports, entitled Leisure Private Finance Initiative (Sept 2018), and PFI Contract Update (Sept 2019).
  - Policy & Procurement Note 02/20: supplier relief due to Coronavirus (March 2020), published by the Cabinet Office

## Impact

- 5.

Communication/Consultation	Contract governance and compliance processes have been established to ensure all necessary communication and consultation requirements within the contract structure are met. Effective governance is delivered through scheduled contract meetings, and dedicated authority resource on contract monitoring/managing.
Community Safety	None
Equalities	None
Health and Safety	Health & Safety is embedded in the governance of the contract and regularly reviewed at monthly liaison meetings and the Annual Health & Safety Meeting. UDC representatives have discussed and reviewed all operating Risk Assessments prior to the reopening of the leisure centres during the Covid-19 pandemic.
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. **Contract Structure** - On behalf of Uttlesford District Council, 1Life Management Solutions Limited operate three leisure centres under the Uttlesford Leisure PFI Contract: Lord Butler Leisure Centre; Great Dunmow Leisure Centre and Mountfitchet Romeera Leisure Centre. This contract was signed in May 2002, and has a 33 year duration, expiring in August 2035. The authority finances the PFI agreement through a Unitary Charge set at £36.2 million over the contract duration; which is paid to the Project Company (Linteum Uttlesford Limited) in monthly instalments throughout the duration of the contract. Appendix 1 provides an overview of the contract's parties, and their relationships.
7. All three centres support the authority's Health and Wellbeing priorities, by providing a range of various sport, leisure and well-being facilities and activities to a wide-ranging demographic across the district. The location of Mountfitchet Romeera Leisure Centre (adjacent to Forest Hall School) and Great Dunmow Leisure Centre (adjacent to Helena Romanes School) also provide facilities and services to enable schools in the district to meet PE

curriculum requires, and to encourage participation in sport and development of sporting potential among pupils.

8. The monitoring and management of the contract is now undertaken within the Council's Customer Service & Performance service. The Customer Services & Performance Manager has the responsibility to act on behalf of the Authority for all actions and decisions relating to the contract, whilst the PFI & Performance Officer is a dedicated resource who works on contract monitoring and management.
9. **Covid-19 pandemic** – The onset of the Covid-19 pandemic since March 2020 has proved a troubling and tumultuous time for leisure operators, both within the public and private sectors. As such, it has been essential during this period that all contract parties correspond effectively to ensure an open and honest dialogue.
10. In accordance with the government's directive, all three Uttlesford Leisure Centres closed on Friday 20<sup>th</sup> March 2020. 1Life activated pre-prepared closedown procedures; ensuring ongoing health and safety (e.g. regular water course flushing) and building insurance requirements (e.g. twice-weekly building checks) were met. The majority of 1Life staff working on the Uttlesford Contract were furloughed until further notice. All memberships were initially frozen, and 1Life partnered corporately with Les Mills OnDemand to continue to provide online fitness, and health & wellbeing opportunities to members.
11. The existing contract management framework incorporating all project parties continued to function. This framework is composed of Principals Meetings (quarterly), Liaison Meetings (monthly) and IPS Meetings (quarterly). Indeed, during the first few months of closure, some of these forums became more frequent. As an example, 1Life's Representative and the UDC's PFI Team met electronically at least once a week to ensure any issues were addressed expediently and effectively. It has also been essential to ensure that all existing Statutory Compliance and Planned Maintenance/Lifecycle Tasks remained on course despite the closure. Emcor – the Facilities Management Contractor – utilised the closure period effectively to complete both high-priority and large scale maintenance projects (e.g. replacement of lifts throughout the contract). Continuing to undertake such tasks during the closure period ensured that the buildings would be operational as soon as possible once the national directive was provided to reopen, minimising any impact on normal operation.
12. In April, UDC's PFI team commenced planning for reopening with 1Life's Executive Team. At the heart of discussions, all project parties agreed it was of paramount importance to ensure facilities were open in a Covid-19 secure manner. As such, it was decided that a phased approach to the reopening of services throughout the contract was essential; to manage the risk to both users and staff. Advice was taken from all relevant sources - inclusive of Sport England; UK Active and relevant non-governmental bodies (NGBs).
13. Ahead of reopening, Covid-19 secure measures were implemented across all three centres. This included for example; hand sanitizer stations throughout all

centres; reduced capacities of gym environments to enable social distancing; review of customer journey within the centre to reduce risk of transmission, and assessment of ventilation levels within individual zones. Risk Assessments for each area and activity were developed by 1Life, and reviewed by UDC.

14. On Monday 27<sup>th</sup> July 2020, Phase 1 of the prepared phased reopening plans was enacted. Lord Butler Leisure Centre & Mountfitchet Romeera Leisure Centres were reopened; offering reduced opening hours for gym sessions and virtual Les Mills exercises classes. The Sports Hall was also opened for activities which were determined safe by the relevant non-government body, and if financially viable. Outdoor areas including tennis courts/ATP were also reopened, subject to effective risk control. To facilitate reopening of the three Uttlesford Leisure Centres, a total of 14 staff were taken off furlough from 20<sup>th</sup> July to support reopening. The remainder of staff remained on furlough until demand for services increased. On 7<sup>th</sup> August 2020, Mountfitchet Romeera Leisure Centre also reopened, offering similar services. At this point, a number of activities still remained closed; the crèches, health suite; GP referral scheme; changing rooms and swimming pools.
15. Phase 2 of reopening commenced towards the end of August 2020, with the pool at Lord Butler Leisure Centre reactivated in September 2020, and group exercise classes reintroduced (in a Covid-secure manner). Great Dunmow Leisure Centre's pool reopened in October 2020. The decision to reopen Lord Butler Leisure Centre's pool ahead of Great Dunmow's created some complaints locally. This decision was made collectively between all project parties; to ensure the transmission risk of Covid-19 was managed as effectively as possible, and that the facilities remained commercially viable.
16. Following the announcement of the second national lockdown, all three Uttlesford Leisure Centres closed from 5<sup>th</sup> November 2020. Previous closedown procedures were implemented, and the majority of staff were furloughed again. During this second lockdown, both Helena Romanes School and Forest Hall Academy continued to use the facilities to enable fulfilment of curriculum requirements.
17. The Uttlesford Leisure Centres reopened again on 2<sup>nd</sup> December 2020, and all services open prior to the second lockdown were provided. Reopening plans then were made to relaunch additional contract services as of January 2021. Preparations to trial the reopening of dry changing rooms, offering short sessions with intensive cleaning measures in between were drafted; as were cleaning and management procedures for the reopening of the Health Suite at Lord Butler Leisure Centre. The recommencement of the GP Referral Scheme was also scheduled for January 2021; providing that valuable service to the local community.
18. Following Uttlesford District's entry into Tier 4 on 26<sup>th</sup> December, all three Uttlesford Leisure Centres however again closed for the third time, and remain closed given the current national lockdown. Whilst specific plans for the reopening of services have not been discussed with the Operator, the PFI team are still undertaking monthly liaison meetings, and where possible

participating in various industry Webinars to stay updated with relevant developments. Before reopening, it will be necessary for 1Life & Uttlesford District Council to collectively review again all risk assessments and Covid-19 secure measures, to ensure their effectiveness of the then service delivery.

19. **Participation** – The table below provides a year-on-year comparison for the most recent quarter (October 20 to Dec 20), highlighting the impact on attendance numbers and ultimately to contract income. Across the contract, this data represents a year-on-year reduction of 46% in participation:

Year	Lord Butler, SW	Great Dunmow	Romeera, Stansted	Total
Oct 19 to Dec 19	70,795	59,820	12,746	143,361
Oct 20 to Dec 20	20,588	26,215	9,474	56,277

20. Despite this reduction in participations, it is important to note that reopened services have primarily been well patronised:

- a.) Great Dunmow Leisure Centre’s gym registered as having the highest participation during some weeks in the summer across the entire 1Life portfolio.
- b.) Lord Butler Leisure Centre’s SwimSchool program created the highest percentage to return across the entire 1Life portfolio.
- c.) Group Exercise classes regularly averaged at 90% to 100% capacity throughout all three sites.

21. **Supplier Relief** - In alignment with the Cabinet Office’s publication of *Policy & Procurement Note 02/20: supplier relief due to Coronavirus*, UDC agreed to waive any availability and performance deductions which would have been incurred through the contract’s Payment Mechanism. Despite changes to services provided, the council continued to make all regular monthly Unitary Charges, to ensure service continuity throughout the Covid-19 pandemic. In consultation with Members, Senior Officers have also waived 1Life’s obligation to pay the Operator Fee (approximately £14,500 per month) for the 2020/21 year, pursuant to the PFI’s Leisure Management Fee Contract.

22. **The Future of the Contract** - As there is no determined end to the current lockdown at present, UDC Officers continue to work closely with their PFI partners to provide re-assurance of the contract’s sustainability for all parties.

23. The recent publication of 1Life’s Full Accounts (for year ending September 2019) has raised concerns given statements on their status as a going concern. However, subsequent conversations with Linteum, the Project Company, have provided further information regarding the anticipated financial

position of 1Life in the coming months. Indeed, forecasts for income and expenditure up until the end of March 2021 that have been discussed and submitted to the Project Company have shown that very little of any borrowed collateral would need to be utilised. The Board have been further encouraged in that the forecasts have been cautionary and have not included some significant funding income that may be granted in the coming months, nor proceeds from any ongoing Business Interruption Insurance claims.

24. 1Life has advised that should the need arise, they would look to protect contracts such as the Uttlesford PFI within their portfolio. The contract has vast health & wellbeing benefits for the local community, and additionally their PFI contracts are noted as the most profitable ones within their contract portfolio.

25. Following these discussions the council is assured that it will not be in a position to have to seek alternative provision of its leisure services in the short term. Should the pandemic enforce prolonged or further lock-downs, like all leisure facilities 1Life will no doubt suffer from a financial and reputational perspective. We are hoping that recent lobbying of Government may change thoughts on the opening of leisure facilities to support the general health and well-being of the nation.

26. Officers have submitted an application in partnership with 1Life to the National Leisure Recovery Fund, which is currently being processed. It is hoped the outcome of this application will soon be communicated to the Council. Further financial assistance may also be provided through 1Life's claim under the PFI contract's Business Interruption Insurance. This claim will now be progressed following the Supreme Court's judgement on the FCA's Business Interruption Insurance Claim test case; which was widely supportive of claimants despite the appeals of various insurers.

27. As the landscape of leisure industry evolves over the months ahead, all project parties will need to be flexible to ensure facilities are reopened in a Covid-19 secure manner; which is both feasible financially and provides the most extensive service provision possible in the circumstances. To this end, we will work collaboratively with all other parties to complete contract variations as necessary.

28. Officers will endeavour to update the Governance, Audit & Performance Committee as and when relevant and necessary to do so with any further developments.

## Risk Analysis

29.

Risk	Likelihood	Impact	Mitigating actions
If the council does not manage/monitor	1	2	Weekly contact with Linteum/Pario/1Life Representatives as

<p>the PFI contract effectively due to a lack of partnership working during the Covid-19 pandemic, then this may lead to a loss of reputation for the Council as the contract owner, and 1Life as the leisure operator.</p>			<p>necessary. Multi-faceted contract monitoring (both operational &amp; contract-level) by UDC of the contract.</p>
<p>If the PFI leisure contract does not provide value for money due to ineffective contract management, then there may be a negative impact on the investment made by the Council</p>	<p>2</p>	<p>2</p>	<p>Monthly monitoring of Payment Mechanism Management of governance controls relating to contract finance and operational performance; taking into account necessary variations due to Covid-19.</p>

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendix 1: COVID-19 PI Report – Contract Structure