

Subject:	Transfer of CLAW facilities and The Whitaker	Status:	Report for Publication – Appendix confidential
Report to:	Council	Date:	24 th February 2021
Report of:	Director of Communities	Portfolio Holder:	Health & Leisure
Key Decision:	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	no	Attached: no
Biodiversity Impact Assessment	Required:	no	Attached: no
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1. RECOMMENDATIONS

- 1.1 Council agree to a request from the Community Leisure Association Whitworth (CLAW) to surrender their leases to the Whitworth Leisure Centre and The Riverside.
- 1.2 Council grant new leases to the Rossendale Leisure Trust for the Whitworth Leisure Centre and The Riverside.
- 1.3 Council agree that outstanding CLAW debt transfer to the Rossendale Leisure Trust and be rescheduled to better enable repayment.
- 1.4 Council agree that the remaining £70k capital balance earmarked for Whitworth Leisure Centre be used at the discretion of Rossendale Leisure Trust to maximise future income for the facility.
- 1.5 Council agree a joint proposal from The Whitaker Community Interest Company and Rossendale Leisure Trust to merge and the existing lease on the Whitaker Museum amended to allow this.
- 1.6 Council agree to provide Rossendale Leisure Trust with the following specific support:
 - £100k revenue funding from the council's allocation of Government funding.
 - A lease payment holiday until 31 March 2023.
 - The rescheduling of debt/arrears repayment over a ten-year period ending 31 March 2033.

2. PURPOSE OF REPORT

This report explores requests from the Community Leisure Association Whitworth (CLAW) and The Whitaker Community Interest Company to transition into a closer working relationship with the Rossendale Leisure Trust. This will effectively mean an amalgamation of these organisations for operational management of some of the borough's key leisure/cultural assets.

3. BACKGROUND

- 3.1 Nationally leisure providers have been severely affected by the Covid pandemic. This has resulted in extended and erratic closures, reduced operating capacity and, consequently, reduced income. This report provides an update on the current difficult financial position faced by Rossendale Leisure Trust, CLAW and The Whitaker Community Interest Company (CIC) and provides recommendations as to how the council

proposes to support the Trust through Covid whilst managing financial risk to itself. The report recommends consolidation of these Rossendale leisure assets under a single Trust. This follows formal requests to the council from both the Whitaker Board and CLAW Board.

3.2 The full financial position provided by the Trust and accompanying detailed business cases for CLAW and The Whitaker are included in Appendix 1 and should be read in conjunction with this report.

3.3 The sudden and unexpected impact of Covid required an intensive and urgent response from both the council and the Trust. Urgent action was required to minimise the financial impact and to shift focus to supporting vulnerable people and communities. Both the council and Trust played a major role in this response. The Trust and council have been working together to establish a clear and more cohesive vision for the sustainable future of leisure assets post Covid. This work is brought together in this report and it seeks member approval for a range of measures that will consolidate key Rossendale leisure and culture organisations into one larger more sustainable organisation.

4. CURRENT FINANCIAL POSITION OF THE TRUST

4.1 The Trust manages two council owned facilities under a lease and management agreement. These are the Adrenaline Centre in Haslingden and Marl Pits in Rawtenstall. The Trust also have a private agreement to operate the Pioneer Gym in Bacup and they manage bookings for schools and the council's football and bowling facilities. The Trust were instrumental in the borough's response to Covid and establishing Rossendale Connected. The Trust are also a key partner in the local health and wellbeing sector and are currently working with the council in developing a partnership health strategy.

4.2 In late March 2020, all leisure facilities nationally were closed. The majority of Trust staff were furloughed under the Government scheme. In August 2020, facilities re-opened in a Covid safe manner, although this resulted in reduced income. The council successfully lobbied Government for leisure centres to be excluded from tier three restrictions in Lancashire. However, a full national lockdown in November resulted in a further full closure. After a short period of re-opening before Christmas, centres were again closed under tier 4 and are now subsequently closed due to a further national lockdown. It is not known when the current lockdown will end. However, a working assumption of 1st July 2021 has been used for scenario planning in this report. This is considered a conservative estimate, but will be kept under review. The financial position does not change dramatically if a partial opening occurs prior to July 1st. This is a result of the furlough scheme covering the wages of staff which is the largest aspect of operating costs.

4.3 The erratic nature of lockdowns and restrictions have made strategic planning extremely difficult. In July 2020 the council commissioned a study from KKP consultants to assess the impact of Covid on leisure facilities. In addition, Council agreed in July 2020 for Ski Rossendale to transfer to the Trust rather than enter administration. In the limited time Ski Rossendale has been able to operate, attendance figures and income have increased on previous years. The findings of the KKP study have been presented to members at briefings and are summarised below:

- The Trust is effectively managed and was in a strong financial position pre-Covid, operating with a surplus and no direct subsidy from the Council.

- The council do currently provide Finance, IT and HR support to the Trust through prior agreement. Significantly, the council pay all Trust wages and invoices and reclaim these from income achieved. This leaves the council vulnerable to any Trust lost income or increased expenditure.
- There is a need to strengthen governance to ensure the financial independence of the Trust over time and limit risk to the council.
- Increased partnership working and financial monitoring should be implemented to ensure that the strongest possible response to Covid and its impact has been implemented. This includes council officers attending Trust Board meetings and the Trust's financial sub-committee. The Trust are fully engaging the council in decisions that affect their financial position.
- The CLAW and Ski Rossendale facilities are a good match with the expertise of the Trust and could benefit by merging with the Trust. The Whitaker will provide additional challenges due the specialist disciplines required, such as curatorial skills and especially the food and beverage offer which underpins the business case.

4.4 All recommendations in the report are being implemented and the key activities underway include:

- Partnership working and financial monitoring - council officers attend Trust Board meetings and the Trust's financial sub-committee. The Trust have fully engaging the council in decisions that affect their financial position.
- Annual delivery plan - this will be completed for the coming financial year and will include key performance measures.
- Service level agreement – this is being refreshed to clarify the level of support services provided to the Trust and costs associated with this. This is to be completed once there is more certainty on the outcome of the Covid impact and will include a formal agreement for the debt repayment.
- Feasibility for future health and leisure facilities - this work is underway and due for completion in June 2021.
- Trust Board - council officers are working closely with councillors nominated to the Trust Board.
- Mergers - further mergers are evaluated (and form the substantive part of this report).

4.5 The Trust entered the pandemic in a strong position with a cash reserve of £325k. The projected position at April 1st 2021 is an overall deficit of approximately £530k and an overall trading loss for the year of approximately £850k. An application for financial support through the DCMS National Leisure Recovery Fund is anticipated to provide approximately £100k for the Trust (subject to approval). This is included in the projections and it is hoped further Government support will be forthcoming in 2021 as the national lockdown has been extended.

4.6 A summary of the financial position and projections for all facilities is shown in the table below:

	2020/21		2021/22 Forecast						
	Forecast	Year	Open	1st April	Open	July	Open	July	with no
	End	Position	on	Phased	with	CJRS	Open	July	with no
			return		Funding		CJRS	with no	
							funding		
RLT	(530,322)		(598,050)		(749,455)		(869,455)		
CLAW	(79,641)		(86,180)		(109,542)		(133,542)		
Ski Rossendale			(26,000)		(24,098)		(32,098)		
The Whitaker	16,000		-		(4,408)		(4,408)		
Combined Group Position	(593,963)		(710,230)		(887,503)		(1,039,503)		
Less RBC Covid Grant re RLT	100,000								
Less RBC Rent Relief re RLT	151,000		151,000		151,000		151,000		
Combined position after proposed support	(342,963)		(559,230)		(736,503)		(888,503)		

5. CONSIDERING OPTIONS

5.1 Following the onset of Covid restrictions, work has been undertaken to examine the options for both minimising the impact of Covid on our leisure and cultural facilities and planning for an effective and financially sustainable future. Strategic options include:

- Closing all RLT, CLAW and Whitaker facilities for the medium to longer-term
- Seeking a new commercial operator for CLAW and Whitaker facilities
- Transferring operation of CLAW and Whitaker facilities to the Trust
- The council taking CLAW and Whitaker facilities in-house

5.2 All options have been considered. The first and fourth options would have significant strategic negative financial implications for the Trust (with option one) and for the council (with options one and four). These options would likely incur significant costs associated with closure, mothballing and future reopening of facilities, TUPE transfer of staff, redundancy and pension implications. Option two would involve a procurement exercise in an environment where leisure providers are either likely to have very limited interest or be seeking a significant management fee to operate the facilities. With option three, the current Trust model has been found to be efficient and effective by independent experts. It retains strong local interest, passion and expertise in managing the facilities. In exploring this option in depth the council has sought reassurance that the Trust's

proposals are sound, financially viable and that any council support is proportionate and limits the council's exposure to long-term financial risk.

- 5.3 The council have been actively engaged in the Trust's decision-making following initial lockdown. During initial lockdown, furloughed salaries were topped up to 100% rather than the standard 80% of furlough. For all following closures it was decided in partnership that there would be no top up payments to reduce losses. The Trust have been successful in obtaining external funding for the part payment of senior management posts, which has helped them retain capacity. It is considered that the Trust have taken the necessary steps to reduce losses which are within their control.
- 5.4 The Trust's projections have been assessed and constructively challenged. It is not possible to predict accurately when closures will end and what the operating conditions will be like. This does not make it possible to accurately determine whether it is better to pursue option one (mothballing the buildings) or continue with the option of furloughing staff and temporarily closing facilities. Best estimates have been provided by the Trust for both options and these are shown in Appendix 1 (pages 20 and 21). It is estimated that pursuing option one with an associated redundancy programme and then a reopening later is likely to cost the council between £1m and £2m (depending on duration of closure and level of staff redundancy costs).
- 5.5 This report sets out an expected deficit position of between £900k and £1.2m over the next two years for all facilities. This does not include possible further Government grant support which may have a positive impact. The Trusts' projections do include a substantial events programme within 21/22 for the Whitaker and the Riverside, which will rely on larger gatherings being allowed. This is considered an over-optimistic projection which the council would recommend is adjusted downward.
- 5.6 The Trust has and will continue to incur a deficit. The deficit the Trust incurs will be repaid through a formal repayment agreement as part of a wider Service Level Agreement. Projections assume that the Trust achieve a surplus position by 2023/24. The council is faced with a difficult choice. None of the options are without risk. The council considers transferring operation of CLAW and Whitaker facilities to the Trust is most likely to incur less financial risk to the council as well as being the option most likely to provide the facilities with a sustainable future in the current climate. However, this is based on a range of assumptions and estimations against an ever-changing backdrop.
- 5.7 CLAW's outstanding debt will be absorbed by the Trust, making the financial position of the Trust worse in the short term. The overall losses of CLAW however will be reduced through bringing in the Trusts' expertise and resource. The council strongly recommends that all leisure and cultural facilities should only reopen when it is considered financially beneficial to do so in order to minimise losses. This position should be reviewed on a monthly basis.
- 5.8 The council is aware that a private gym is anticipated to open in Rawtenstall shortly. It is unknown as to what impact this will have on the Trusts' gym memberships but it is likely to result in reduced income.
- 5.9 The Trust has been able access the Government's business grants scheme. So far they have received £88k. However, the grant schemes are ongoing.
- 5.10 The council have no legal obligation to provide the Trust with additional funding. However,

the council has a keen interest in ensuring facilities are open and able to be used by local people. The Trust would benefit significantly from some targeted financial support from the council. This report proposes the specific following financial support be provided to the Trust:

- That £100k of the Government funding provided to the council for managing the impact of Covid be allocated to the Trust in 2020/21.
- That the current lease repayments to the council by the Trust of £151k per annum be paused for 21/22 and 22/23. This would not reduce the total repayment amount but it would defer them for an extra two years, with a lease payment holiday until 31 March 2023.
- The rescheduling of debt/arrears repayment over a ten-year period ending 31 March 2033. The council provide the payment function for Trust invoices and wages. The balance is repaid by the Trust monthly. This is likely to result in the Trust owing the council approximately £346k by April 2021 if mergers take place as proposed in this report. The council is proposing to defer repayment of this deficit and the Trust pay this back overtime when it is deemed that normal operations have recommenced. In practice this will mean that the Council will support the Trust to have a cash balance of over £150k at all times.

5.11 The Trust projects that losses up to March 2022 could be between £900k and £1,200k for all facilities with between £165k and £213k of this attributable to CLAW. A possible further loss in 22/23 of £200k is projected if the customer base does not recover as expected. This projection for future years is based on a number of assumptions, which includes no further Government grant funding and no furlough scheme. Members should be aware that the Trust are likely to be repaying this accumulated loss over a long period of time up to ten years. Members should also be aware that the replacement or refurbishment of key facilities is planned in the medium term. This is likely to have a positive financial impact and it could provide an opportunity to increase income and restructure repayments in the longer-term. Once the level of losses are more certain a repayment plan will be established as part of a Service Level Agreement, the details of which will be finalised by the Director of Communities in consultation with the Portfolio Holder for Health and Leisure.

6. TRANSFER OF CLAW FACILITIES

6.1 This section provides a brief overview of CLAW and the implications of any merger for the Council. The full background, financial position and proposal are included in Appendix 1. CLAW was established in 2002 after the closure of Whitworth Baths. Through community contributions and external funding CLAW was created and were able to re-open the baths as a leisure centre and have since been able to include a gym. When the old Civic Hall burnt down in 2003, CLAW worked with the council and the community to re-open a new Civic Hall called The Riverside in 2006. Both buildings are in the ownership of the council and are leased to CLAW.

6.2 Whitworth Leisure Centre is on a 12 years full repairing lease from 1st April 2015 and The Riverside is on a 7 years full repairing lease from 29th October 2013 (subject to a 99-year lease to the Whitworth Town Council). The term of the lease for the leisure centre expired in October 2020 and is currently rolling over pending the outcome of this report. These full repairing leases placed the responsibility for all maintenance and repair on to CLAW. The Trust are requesting that the new leases issued are on a partial repair and

maintenance responsibility which would mean some risk transferring to the council for major large-scale repairs. The council contribute an annual grant of £50K to CLAW to subsidise operating costs.

- 6.3 CLAW has been successful historically in re-opening and operating these facilities over the past 18 years. Unfortunately, however, in the view of the CLAW Board at this time they are not financially sustainable under the current operating model. Rossendale Leisure Trust have worked closely with CLAW in the past two years and were considering a merger prior to Covid. The trustees of CLAW now consider a transfer of their facilities to the Trust to be the best option for sustaining the facilities in Whitworth. It is estimated that losses were between £25k-£50k per month in the first lockdown and CLAW are now in a negative financial position when debts are considered. A restructure including redundancies has reduced the losses per month to an estimated £5k-£10k. The CLAW Board formally wrote to the Council on 6th January 2021 requesting the transfer. If the facilities are not transferred, it is likely that CLAW would have to cease trading and that the facilities would be returned to the council with no operator in place.
- 6.4 By transferring the facilities to the Trust it will be possible to bring in additional expertise and through economies of scale in staffing and supplies, it will be possible to operate the facilities more efficiently. At the time of transfer, the Trust will absorb the outstanding debt of CLAW and the business case shown in Appendix 1 shows the facilities reaching a sustainable position over time.
- 6.5 In the arrangement proposed by CLAW and RLT, the CLAW Board may decide to remain in some form but the current leases for the two facilities would be voluntarily surrendered by CLAW concurrently with new leases being entered in to with the Trust. Two trustees from CLAW would be invited to join the Trust's board and the existing CLAW board would have the option to continue and act as an advisory body. Following transfer, there will be no legal agreements between the council and CLAW or between the Trust and CLAW.
- 6.6 New leases that meet the needs of all parties will be completed as part of the transfer of operation. It is proposed that the heads of terms for the leases shall be agreed by the Director of Communities, Head of Legal and Head of Finance in line with current delegations.
- 6.7 The KKP report suggested that CLAW is likely to perform better through a merger with the Trust. It also highlighted the poor long-term sustainability of the leisure centre due to its condition and age. The centre was built in 1972 and is reaching the end of its useful life. A feasibility study on the future of health and leisure facilities is now underway. This will inform a decision on Whitworth Leisure Centre.
- 6.8 In March 2020 the council approved capital funding of up to £110k for replacement boilers and an air handling unit. Circa £40k has been spent on the new boilers. This report proposes that the balance of this agreed funding – approximately £70k - be used flexibly to give the centre the best chance of sustainability by investing in areas that will increase income.
- 6.9 The general poor condition of Whitworth leisure centre does pose a risk and the Trust have requested that a new lease should be a partial repair and maintenance lease (focused on small-scale day-to-day repairs). This would emulate closely the current leases that the council have with the Trust for Haslingden and Marl Pits. This arrangement does transfer some risk to the council. It is recommended that any

maintenance liability for the Whitworth Leisure Centre over an accumulative £50k in any 12-month period be subject to review and approval by Cabinet as part of a full options appraisal.

- 6.10 The council currently provide CLAW with an annual subsidy of £50k. It is proposed that the council continues to pay this subsidy, now to the Trust, for the next two financial years and stops for the financial year 23/24. This saving will contribute to the council's Medium Term Financial Strategy and maintains the principle of the council reducing its financial subsidy for leisure facilities.

7. MERGER OF THE WHITAKER AND ROSSENDALE LEISURE TRUST

- 7.1 The Whitaker is a Community Interest Company (CIC) with three directors. The directors have worked closely with the council to secure over £2m National Lottery investment into the facility. The works are expected to be completed in April 2021 with re-opening taking place in July 2021. The museum is a council owned building leased to The Whitaker CIC on a 25-year lease, signed in 2017. There is also a management agreement in place which stipulates the expectations of the Council in respect of the operation of its facility.

- 7.2 The Whitaker, prior to the refurbishment, has relied on some subsidies from the council in the form of utilities and similar running costs. These costs will transfer to The Whitaker in April 2021. The council also make an annual payment of £50k to The Whitaker in return for the management of the council's exhibits and art collection. This curatorial fee will reduce to £30k from April 2021 onwards. The Whitaker are due to start paying the annual running costs of c£20k from April 2021, however they have requested that both these reductions be deferred until April 2022. A further ask has been made to defer payment of the £10k per annum rent that was due to commence in December 2020. This has been proposed in the February 2021 MTFS

- 7.3 A loan from the council to The Whitaker of £80k has previously been approved. £20k of this will be used for a lift as an addition to the scheme and the remainder will be used for start-up costs. The Whitaker will continue to be bound by the terms of this agreement in the event that council is minded to approve the merger.

- 7.4 The council have received a request from the Whitaker Board to merge with Rossendale Leisure Trust. The full proposal for the merger submitted by The Whitaker and the Trust is included in Appendix 1.

- 7.5 Unlike other culture and leisure facilities in Rossendale, The Whitaker has not been adversely affected by the Covid pandemic up to this point. The refurbishment has fortunately coincided with the pandemic, meaning lost income has been kept to a minimum. A primary aim of the substantial investment in the facility is to allow The Whitaker to increase income and become self-sufficient. This will be achieved through a strong food and beverage offer and an events offer for weddings etc. The investment will create two distinct and mutually supportive operations. Firstly, a revitalised museum and cultural community hub and secondly a modern café and events space with dedicated kitchen and amenities.

- 7.6 It is imperative that the café, retail and events generate sufficient income to support the cultural activities and as such The Whitaker will not need to seek future subsidy from the council. The Lottery bid business case showed a surplus income that would be split between investment in the facility and income for the council. These projections have been revised now the food and beverage offer has become clearer and the operating

circumstances for the facility will be different in the short to medium term due to Covid. The most up to date business case is included in Appendix 1. If a merger takes place, additional income will be allocated to the Trust as a parent company, to the creation of a cultural fund for Rossendale and to provide a modest income for the council.

7.7 The Whitaker is requesting that previously agreed reductions to the subsidy are delayed by one year to allow them to establish the new offer. This would require variations to both the lease and management agreement which presently also allows for a £10k rental income from December 2020. If this deferment were agreed, it will defer the achievement of the £50k savings for the council from 21/22 to 22/23. This has been included in the Medium Term Financial Strategy.

7.8 Under the existing management agreement, The Whitaker may not without the prior written consent of the council, assign all or any benefit, right or interest or sub-contract the provision of the museum services. It is proposed that following the merger, the management agreement as it stands currently will continue, as will the lease. These agreements will remain the responsibility of The Whitaker. However, if the Trust is to benefit financially from The Whitaker, then the terms of this will have to be agreed and written into a revised agreement. The overall benefits of the merger are:

- Providing additional strategic and managerial capacity to support the operation of The Whitaker.
- Shared delivery capacity e.g. provision of a food and beverage offer and facilities operation.
- Enhance the governance of The Whitaker through the appointment of additional directors from the Trust board.
- The Whitaker will remain an independent legal entity, meaning there is limited financial risk to the council or the Trust.
- Having all the Council's leisure facilities under one trusted parent group, allows for a better long-term strategic partnership with the council.

7.9 The potential risks associated with the merger include:

- It is proposed that a Trust trading subsidiary is established to oversee non-charitable activities. It is unknown at this stage how this will work in detail. Due diligence will be completed following this report and a merger will only be agreed to if robust arrangements are in place to protect the council's interests.
- Part of the income generated by The Whitaker is allocated to the Trust rather than invested in The Whitaker or passed to the council. If a merger is agreed in principle by Council, the Portfolio Holder for Health and Leisure and the Director for Communities will only agree a final arrangement if suitable due diligence is reached.
- The capacity of the Trust is stretched and the challenges for the Trust due to Covid should not be under-estimated. The Trust has employed a temporary partnerships manager to support the transfer of The Whitaker and other facilities.
- The food and beverage offer is critical to the long-term sustainability of The Whitaker and increased income to the council. The Trust and The Whitaker have engaging consultants to develop a high quality offer and to assist in the employment of a qualified Head of Hospitality.

- The Whitaker is currently a Community Interest Company with an ambition to convert to charitable status. This may have implications on how any additional income from the catering function is used. The Trust is looking to develop a separate trading arm for the catering and events function, providing more flexibility in how any profits can be allocated.
- The proposal includes a projected high number of events for the financial year 21/22. These events will be large gatherings which may remain unlawful under Covid guidance well into the financial year. In this respect, the business plan proposed is deemed over-optimistic by the council and projections should be revised downwards.

8. RISK

The risks are outlined in the body of this report. The key risks and mitigations are summarised below:

- 8.1 It is difficult to accurately predict what the overall losses for leisure facilities will be due to the ongoing nature of Covid. It is unknown when reopening will be possible and whether additional restrictions on the use of the facilities will be in place. It is also difficult to estimate accurately what the exact costs of closing our facilities and folding the existing organisations would be in order to provide an accurately costed options appraisal. A number of scenarios have been worked on and the most probable scenarios included within this report.
- 8.2 The proposals require the council temporarily supporting the Trust's and other facilities debts with a plan to repay these debts over a longer term. The council is not writing off any debt. For debt to be repaid it is necessary for the facilities to generate a surplus. With a new gym opening in Rawtenstall and aging facilities it is not guaranteed that a surplus position will be reached or in what financial year this might take place. If refurbished or new facilities are introduced in the next few years and the Trust continue as operator, this will be the best opportunity to recover the position.
- 8.3 The Trust share a finance function with the council and the Council pays all Trust invoices and is repaid via Trust income. If the Trust under achieve financially it will leave the council exposed to increased cost. A range of mitigations have been put in place such as strengthening monitoring and governance.
- 8.4 The addition of the CLAW and The Whitaker facilities to the RLT portfolio will require capacity and expertise to transfer and manage. With the support of the council, the Trust have taken on an additional post to manage the mergers.

9. FINANCE

- 9.1 The council currently supports CLAW through the provision of a grant of £50k per annum. The grant was reduced from £60k to £50k in 2020/21 as part of the council's Medium Term Financial Strategy. The February 2021 MTFS is proposing to withdraw this funding fully from April 2023. In addition, the council provides a financial management service to CLAW free of charge. CLAW currently owes the council £202k. On re-opening of the leisure centre, it will be necessary to profile the repayment of this debt over a period of 6 months or more.
- 9.2 In March 2020 the council approved capital funding of up to £110k for replacement of the

boilers and air handling unit at Whitworth Leisure Centre. This report asks that the balance of this allocation be used flexibly to focus on schemes that will help generate more income and minimise losses. Any future investment will be subject to review and considered in due course.

- 9.3 Covid 19 has had a significant impact on both the Trust and CLAW. The council provide the finance function for both organisations, providing the day-to-day cash flow. Pre-Covid both organisations repaid their debt to the council monthly. However, since the pandemic this has not been the case. RLT and CLAW are repaying monthly an element of the debt. Currently neither organisation has the funds to repay the council in full. Therefore, the council is supporting both RLT and CLAW with the intention that post Covid they repay the debt over an extended period. There is a risk that due to the ongoing impact of Covid, neither the Trust or CLAW will be in a position to repay this debt for a number of years. However, the economies of scale gained from the merger will help mitigate against this risk for CLAW, but it may increase the overall risk to the Trust which is in a financially vulnerable position.
- 9.4 The Government announced a £100m fund to support the not for profit leisure sector. In December the council applied for the funding on behalf of the Trust. We are still awaiting to hear whether we have been successful.
- 9.5 The Whitaker, prior to the refurbishment, has relied on some subsidies from the council by all utilities being paid. These costs are due to transfer to The Whitaker in April 2021. The council make an annual payment of £50k to The Whitaker in return for the management of the council's exhibits and art collection. This curatorial fee will reduce further to £30k from April 2021 onwards. As previously stated the MTFs proposes the implementation of both these proposals be pushed back until April 2022.
- 9.6 A loan from the council to The Whitaker of £80k has previously been approved. It is estimated that £20k of this will be used for a lift as an addition to the scheme and the remainder will be used for start-up costs.
- 9.7 Covid 19 has had a significant impact on the council's leisure facilities. The Whitaker has avoided a significant impact through closure for refurbishment. It is hoped that restrictions will be lifted prior to the opening of the refurbished facility in June 2021, however we do not know at this stage how visitor figures may be affected next some and future years.

10. LEGAL

- 10.1 The leases for the Whitworth Leisure Centre and The Riverside will be redrafted both in terms of the length of lease and clauses within. It is proposed that a 25 year lease be agreed with a break clause after 5 years and every subsequent 5 years. The Service Level Agreement will be redrafted to ensure this remains relevant and to ascertain and confirm what efficiencies are to be achieved through the merger with RLT, in line with the approach outlined in this report.
- 10.2 The council approved a spend of up to £110k for the boiler and air handling unit only. Council need to confirm that this amount can be used flexibly as stated in the report.
- 10.3 The current agreements with The Whitaker will require variation. It is understood that The Whitaker Organisation CIC is looking to achieve charitable status and in the event of such status being attained, it should be agreed in principle that the transfer to the charitable organisation is not for the purposes of the legal agreements a breach to their terms and

conditions and will be supported by the council.

10.4

If the council is desirous for the merger to take place it is in its gift to agree amendments and variations with the agreement of The Whitaker to ensure all necessary leases and legal agreements reflect the position of the parties and continues to protect this council owned facility.

11. POLICY AND EQUALITIES IMPLICATIONS

Rossendale Leisure Trust is a trusted partner of the council and a key influencer in improving the health and wellbeing of residents. It is considered that this proposal provides the most cost effective option for sustaining our leisure facilities which provide affordable leisure opportunities for all residents. There are no significant policy or equalities implications.

12. CONCLUSIONS

12.1 This report explored the requests from CLAW and The Whitaker CIC to transition into a closer working relationship with the Rossendale Leisure Trust. This will effectively mean an amalgamation of these organisations for operational management purposes. The council has worked with the Trust and taken steps to explore the options for the future management of these leisure facilities and constructively challenged the proposals. The focus of the approach is to establish a sustainable long-term vision for the borough's culture and leisure facilities.

12.2 However, even with this extensive mitigation, the Trust and other leisure facilities pose a real financial risk to the council. The relationship with the Trust has allowed for a true partnership response to the pandemic and a clear partnership vision for the future, but our close links especially our shared finance function means that any negative financial impact on the Trust could end up impacting the council.

12.3 This report sets out the known situation as it stands at this moment in time and estimates as accurately as is possible the cost and implications of supporting facilities. There is no risk free option for the council. Significant work has been undertaken to examine the options for both minimising the impact of Covid on our leisure and cultural facilities and planning for an effective and financially sustainable future. Options have been considered. The proposed option utilising the Trust retains strong Rossendale interest, passion and expertise in managing the facilities. In exploring the proposal the council has sought and received reassurance that the Trust's proposals are sound, financially viable and that any council support is proportionate and limits the council's exposure to long-term financial risk.

12.4 Both the council and the Trust must continue to monitor the operating environment for leisure and cultural facilities throughout 2021 and 2022. As well as continuing to lobby Government for additional meaningful financial support to cover the Trust's Covid related losses.

Background Papers	
Document	Place of Inspection
Appendix 1 - Rossendale Leisure Trust Detailed Proposal	Part II - confidential