

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
OFFICE OF THE DEPUTY CHIEF EXECUTIVE	EXECUTIVE COMMITTEE	19 SEPTEMBER 2023	4
YMCA OPERATIONS REPORT – ADDITIONAL SUBSIDY REQUEST			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

RELEVANT LEAD MEMBER

This item is within the remit of the Lead Member for Tourism, Leisure, and Culture (Councillor Jayne Nixon)

PURPOSE OF THE REPORT

The report provides details of the latest position with the partnership arrangement between the YMCA and the council. The report provides details of the challenges experienced by the YMCA during the post-pandemic recovery, addressing the energy price increases, managing the cost-of-living crisis, the labour cost pressures and national inflation outlining the impact on the facilities in Fylde at Kirkham and St Annes which are operated under partnership arrangements with the council.

The types of cost pressures facing the YMCA are being experienced by other leisure providers across the UK. As a result the DCMS (Department for Culture, Media, and Sport) and Sport England announced a Swimming Pool Support Fund worth £63 million, with an application process to secure financial support for public swimming. The fund has two elements, relating to both revenue and capital. The revenue stream is limited and significant demand for the funding stream may impact the council's success in securing funding. The capital element of the fund is focused on making facilities energy efficient and sustainable, and an ambitious bid will be submitted to secure significant investment in the St Annes facility.

RECOVERABILITY

This decision is recoverable under section 7 of part 3 of the constitution.

RECOMMENDATION

That the Executive Committee approve a one-year-only additional subsidy payment of £59,189 to the YMCA to support the continued operation of the St Annes facility, fully funded from a virement of existing revenue budgets in 2023/24 as detailed in the financial implications paragraph of the report to maintain the existing provision at St Annes addressing the deficit created by energy, labour, cost of living and general price increases.

REPORT

1. Fylde Coast YMCA has an agreement with Fylde Council to operate two premises in the Borough which provide public swimming pools. The arrangements have been in place since 2009 at Kirkham and St Annes after the council was unable to continue operating the facilities because of corporate cost pressures however, there are differences in the agreements to operate the facilities.
2. The St Annes premises are owned by the council with the YMCA delivering leisure provision from the facility with an annual subsidy from the council, which for 2023/24 is £141,000. This agreement is in place until 2025. The freehold of the Kirkham premises was transferred to the YMCA as part of the arrangement, the council provides an annual subsidy payment to YMCA to deliver leisure provision from the facility. On August 10th, 2023, the YMCA announced that the Closure Event in the agreement to operate the Kirkham facility had been triggered on the grounds that it was not economically viable to re-open after significant storm damage and further capital investment required to operate the facility.
3. During the COVID-19 pandemic, both facilities were required to close in March 2020, with St Annes fully re-opening in May 2021, experiencing a very difficult recovery period over the following 18 months to rebuild the membership base and income levels. The YMCA achieved full recovery with some increase but the increased cost, particularly of energy, has more than offset any additional income. The facility at St Annes is a late 70's early 80's design and build that is not energy efficient to operate and has developed several structural faults.
4. Leisure facilities and in particular swimming pools have had a challenging time with the pandemic closure, followed by the difficult recovery period then the energy price hike which hit the sector particularly hard, the increase in labour cost and the cost-of-living crisis, all having a negative impact on the operational performance of the facility in St Annes. The energy requirement to operate the pool along with the associated open space and support facilities i.e. changing rooms, is significant.
5. Whilst financial support was available during the pandemic closure the recovery was exceptionally difficult for the leisure sector and membership-based organisations, just as the recovery was complete the energy prices and other costs were hit hard with limited or no financial support. To maintain provision at the St Annes facility to the current level YMCA Fylde Coast requested an **additional** one-off subsidy from the council for the fiscal year 2023/24 of £59,189.
6. Appendix 1 is an operational report from the YMCA that details the impact on the business from the post-pandemic cost increases and national energy price hikes which are the basis for the ask of an additional one-year subsidy of £59,189 to maintain the St Annes operations. Important extracts from the report include:
 - a. Ukactive project 40% of council areas are at risk of closing leisure centres or a service reduction by March 2023, whilst 74% of facilities were classified as 'unsecured' and at risk of closure before March 2024.
 - b. Electricity increased from £54,563 in 2020 to £156,423 (estimate) in 2023*
 - c. Gas increased from £42,195 in 2020 to £90,513 (estimate) in 2023*
 - d. An estimated additional £109,337 is required between 22/23 and 23/24 for energy alone.
 - e. The 9.6% increase in the national minimum wage has added £19,350 to expenditure.

*Estimates based on known costs and forecast prices as of March 2023, assumptions are included in Appendix 1 to this report.

FINANCIAL IMPLICATIONS

7. The council has a subsidy budget to support swimming provision, there is sufficient provision on the budget for the current fiscal year (2023/24) to fund the one-off additional subsidy payment of £59,189. If the committee are minded supporting the recommendation the award would be made from the funds allocated for swimming provision support.
8. At the time of drafting this report, the bid for the swimming pool support fund had not been determined. The fund is split into two elements the first, more than £20m is available in revenue grants to support facilities with

swimming pools with increased cost pressures leading to closure or service reduction. Secondly, £40m is available for capital investment to improve the energy efficiency of these public facilities in the medium to long term.

9. There is no certainty that the bid to either scheme will be successful, and it would only be funding from the first scheme that could offset increased costs at St Anne's Pool. If every publicly owned facility applied and was made an award the financial value is likely to be minimal. However, if an award is made for the revenue funding stream this will be used to offset the council's costs in making the additional subsidy payment to the YMCA. Should a capital bid be awarded, officers will liaise with the lead member for Leisure and Tourism on the implications.
10. The team at the YMCA are committed to continuing to manage all controllable costs as efficiently as possible and are optimistic that main costs such as energy will start to reduce in accordance with national forecasts along with other consumables. However, labour costs will not be reduced, and are expected to increase further in 23/24 with an impact on direct wage cost and the procurement of repairs, maintenance, and third-party support services.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

IMPLICATIONS	
Finance	The report seeks approval for a one-year-only additional subsidy payment of £59,189 to the YMCA to support the continued operation of the St Annes facility, fully funded from a virement of existing revenue budgets in 2023/24 for swimming provision support.
Legal	There are no implications
Community Safety	There are no implications
Human Rights and Equalities	There are no implications
Sustainability and Environmental Impact	There are no implications
Health & Safety and Risk Management	There are no implications

SUMMARY OF PREVIOUS DECISIONS
<p>Cabinet 11/2/2009 – Asset Transfer – Kirkham Pool</p> <p>It was resolved:</p> <ol style="list-style-type: none"> 1. That officer be authorised to implement option 2 in the report and undertake immediate discussions with representatives from the YMCA to secure this. 2. That if the YMCA is not able to agree to the terms contained in option 2 then officers be requested to make arrangements for the closure of the pool on 31 March 2009. 3. That contract procedure rule 6 (open tendering) be not applied to the disposal of Kirkham Pool as envisaged under option 2. 4. That, in its opinion, disposing of the Kirkham Baths land to YMCA on the terms set out in the report would be likely to contribute to the achievement of the promotion or improvement of social well-being of persons residents or present in the council's area. 5. That the use of any proceeds remaining after the disposal of the asset, should the pool close, be considered at a future meeting.

6. That representative from YMCA and Rural Splash be thanked for their input into the proposed transfer and the staff at Kirkham Pool be also thanked for their dedication and hard work during these uncertain times.

Cabinet 11/3/2009 – Policy and Service Review Scrutiny Committee

Recommended to Cabinet that Option 2, regarding the operation of Kirkham Pool, be implemented that being that the Kirkham Pool operation be offered to the YMCA on a once and for-all basis, subject to the following principles:

- The site is to be leased to the YMCA for a nominal amount whilst the Council is in receipt of Department of Culture Media and Sport (DCMS) grant monies; and then transferred to the YMCA's ownership, subject to its use continuing for community and social objectives, as identified at paragraphs 5.8 and 5.9 of the report.
- That the Council's consultation with the unions and staff over TUPE transfer is satisfactorily concluded at the earliest opportunity.
- That the YMCA is willing to accept the TUPE transfer of all eligible operational staff currently employed at Kirkham Pool at the earliest opportunity.
- A grant of £74,183 for the financial year 2009/10 (Made up of £40,000 budgetary provision for redundancies during 2008/09; and £34,183 unbudgeted costs of repairs and maintenance).
- An ongoing grant of £29,507 for the subsequent four years (unbudgeted costs of repairs and maintenance)
- The DCMS grants are being passed on to the YMCA as follows:
 - £31,160 for two years from 1 April 2009 to support free swimming for people aged 60 or over.
 - £38,269 for two years from 1 April 2009 to support free swimming for people aged 16 or under.
 - £22,927 capital grant to support the modernisation of facilities or development of a capital project for the modernisation of facilities.
- That the Council will arrange, if necessary, for energy procurement via their own purchasing agreement.
- That operating stocks of consumable materials and spares will be transferred free of charge.
- That The Council will pass over copies of all documents, plans, policies, and procedures to the YMCA.
- That access and parking rights of the bowling club are recognised and protected.
- That formal Council representation on the YMCA's local management board be a requirement of transfer, so long as the Council subsidises the pool.
- That the best utilisation of the house be agreed upon with the Council's housing service, whilst it remains available for residential use.

Cabinet 29/6/2009 – Kirkham Pool – Financial Implications

It was resolved:

1. That members endorse the principles of disposal of Kirkham Pool to the YMCA which have been used as the basis of developing the transfer agreement.
2. That members approve the unfunded addition to the 2009/10 revenue budget of £10,149 to cover the shortfall in the budget as the result of the transfer of Kirkham Pool to the YMCA occurring after 31 March 2009.
3. That any proceeds of the sale of the asset, should the operation not prove viable, be used to fund possible schemes/projects which help deliver the YMCA's stated community and social objectives in rural Fylde.

Cabinet 28/4/2010 – St Annes Pool

It was resolved:

- 1) To note the outcome of the tender evaluation exercise and accept the YMCA as the preferred bidder to operate the pool.
- 2) To appoint the YMCA based on their bid for a 12-year management agreement with a lease subject to the heads of terms and costs as detailed in the report.
- 3) To agree on a revised revenue budget of £148,785 to operate the pool in 2010/11 (as set out in section 8 of the report) funded by the revenue estimate of £119,000 agreed by Budget Council along with a fully funded addition to the revenue budget of £30,000 of unallocated area-based grant.
- 4) To approve the Capital scheme for the refurbishment and reopening of St Annes pool at the level of £322,000 as detailed in section 8 and appendix 1 of the report.
- 5) To approve the retention and earmarking of the remaining £153,000 of capital to help contribute towards the cost of meeting future replacement/refurbishment needs and liabilities.

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
YMCA Operational Report	March 2023	Attached as an appendix

LEAD AUTHOR	CONTACT DETAILS	DATE
Gemma Broadley	Gemma.broadley@fylde.gov.uk	7 September 2023

Appendix 1 – YMCA Operational Report March 2023