

SENCIO COMMUNITY LEISURE - SUPPORTING THE RECOVERY OF LEISURE IN THE DISTRICT

Cabinet - 15 October 2020

Report of: Chief Officer People & Places

Status: For Consideration

Also considered by:

- People & Places Advisory Committee - 6 October 2020

Key Decision: Yes

Executive Summary: The report sets out a request from Sencio Community Leisure for financial assistance to mitigate current financial difficulties related to the impact of the Coronavirus outbreak and subsequent recovery period.

Portfolio Holder: Cllr. Lesly Dyball

Contact Officer: Sarah Robson, Ext.7129

Recommendation to People & Places Advisory Committee: To consider Sencio's request for an extension to the current payment holiday on Sencio's loan repayments to the Council by a further 6 months to March 2021.

Recommendation to Cabinet: To consider the information provided in the report and advice from People & Places Advisory Committee and reach a decision on the request for an extension to the current payment holiday on Sencio's loan repayments to the Council by a further 6 months to March 2021.

Reason for recommendation: Access to leisure services plays an essential role in reconnecting with communities and bringing people together through sport and physical activities. It is therefore important that the Council considers the support Sencio Community Leisure may require to mitigate significant financial difficulties and risk during this difficult time.

Introduction and Background

- 1 On 20 March 2020 the Prime Minister announced that all leisure centres would be closed with immediate effect due to the spread of COVID -19. This was followed on 23 March with golf centres being closed.
- 2 The leisure sector across the country has been massively affected by the COVID-19 pandemic. Nationally it expected that the impact will be felt not only in the short term, but also for the medium to long term. Leisure providers have been exempt from COVID-19 emergency support funding,

including Sport England's emergency response fund, the Government's £750 million for frontline charities and the retail, hospitality and leisure grants.

- 3 Lockdown had a significant impact on the leisure sector, including Sencio Community Leisure who provide leisure services on a 25 year lease, with Sevenoaks District Council as Landlord.
- 4 During lockdown Sencio was unable to realise any income to support its operations. Sencio has estimated a total lost income of £1.8m between late March up to 31 July 2020. However, Sencio has continued to be liable for monthly outgoings of approximately £650,000, which includes utilities, supplier costs, salary costs (for non-furloughed staff) and some pension and PAYE costs.
- 5 110 of Sencio's 343 staff remain furloughed under the government's Job Retention Scheme, 17 of whom although they have returned to work are not working their full contracted hours and the shortfall is being claimed under flexible furlough. The Job Retention Scheme is due to end 31 October 2020.
- 6 The Government lifted restrictions on golf clubs, which enabled Sencio to reopen Lullingstone Park Golf Course on 1 June and more recently, leisure centres were able to reopen with Sevenoaks, White Oak and Edenbridge reopening to the public on 3 August 2020.
- 7 Industry wide, Community Leisure UK and UK Active have been working with the government and leisure trusts on formulating a corporate strategy regarding recovery for the leisure industry. It is predicted it could take 8-12 months for leisure trusts to recover and even then some programmes/ activities that were previously offered may no longer be offered for certain groups of people such as the vulnerable/over 70s.
- 8 During closure, Sencio negotiated reduced costs with its utility suppliers, organising payment holidays on leases/rentals for equipment such as fitness gym equipment, golf grounds maintenance equipment, golf buggies and photocopiers. It has also secured 6 month payment holiday from an existing loan with Big Issue/Co-operative.
- 9 To date, the District Council has agreed the following support:
 - Released the Management Fee of £26,950 for the whole year up front.
 - Provided a 6 month payment holiday on Council loan repayments up to the end September 2020, equating to £44,000 for the quarter. The terms of which, defers payment of the loan without penalty for late payment. (In 2018, the Council provided Sencio with a loan of £600,000 repayable over ten years at a rate of 6% interest. The current outstanding loan repayment is £546,186.37).
- 10 Government COVID-19 health and safety guidelines and restrictions have limited business recovery. With the further restrictions that have recently

been put in place it is highly unlikely that the government is going to lift social distancing measures in the short to medium term which will continue to limit business recovery.

- 11 Sencio's Recovery Plan (Appendix A), which is subject to change as a result of changing Government guidance, has initially projected a 12 month period for income to recover, starting at 30% of previous levels and achieving 80% by the end of the financial year. This is based on a phased approach to reintroducing activities as well as reduction in the number of classes /activities, restrictions on numbers that can attend, no events/mass gatherings, reduction of membership fees if activities/facilities are not available and potential staffing redundancies where facilities cannot be reopened.
- 12 However, Sencio's recovery model is reliant on being successful with its current loan application to the Big Issue, to help support the costs incurred during lockdown, including pension payments where applicable, the ongoing operating deficit whilst restrictions are in place and the impact once the Job Retention Scheme ends on 31 October 2020. If unsuccessful in its loan, and with the likelihood of restrictions being in place for longer than initially predicted Sencio is reviewing how long it can continue to viably operate.
- 13 To understand any future scenario planning, the Council has requested Sencio provide its income and expenditure for the previous two years and its revised estimated income and expenditure projections for each centre and the golf centre up to December 2022 as a matter of urgency.
- 14 Given the extraordinary circumstances of recent months, Sencio has requested ongoing assistance with its cash flow challenges and implications resulting from lockdown. Sencio has formally asked the Council is to consider the following:
 - To extend the current payment holiday on Sencio's loan repayments to the Council by a further 6 months to March 2021.

Other Options Considered and/or Rejected

- 15 The Council could choose not to support Sencio Leisure Community Leisure. However, the organisation will have an essential role to play to reconnect with communities and bring people together through culture, sport and physical activities once the current lockdown position changes.

Key Implications

Financial

To date, the District Council has paid the Management Fee of £26,950 to Sencio for the whole year up front. It has also delayed £44,000 of loan repayments due between April to September 2020.

Sencio has requested a further loan repayment holiday of 6 months for the period October 2020 to March 2021. Should this be approved, the Council will have delayed the receipt of a further £44,000 of payments.

The likelihood of the financial assistance that Sencio are requesting being repaid to the Council is dependent on the success of its recovery business plan and customers returning to the leisure sector over the next 12 months and beyond.

It is therefore advised that in making any further financial assistance to Sencio that the Council should be prepared to burden the costs in full, should the Leisure Trust become unable to return to profitability.

Legal Implications and Risk Assessment Statement.

Sencio Community Leisure operate three leisure centres and a golf course across the District on a 25 year lease, with Sevenoaks District Council as Landlord. There are requirements under the lease for the Council to pay a management fee each year and for Sencio to meet service and performance targets in respect of their management of the centres.

From early 2022 Sencio will cease to become the operator of one of those leisure centres.

Coronavirus has had a profound effect on the leisure industry and there is a high risk to the ongoing operation of many leisure operators, including Sencio, across the country.

This report related to the request to provide financial assistance to Sencio, based on their immediate need to meet costs for the next six months. The financial risks associated with this decision are set out in financial implications above.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Community Impact and Outcomes

Failure to provide support could result in the ultimate closure of Sencio, which would require the Council to act quickly to continue the provision of leisure services for the District. Significant costs are likely to be associated with this.

Conclusions

In line with Government guidance, Sencio Community Leisure temporarily shut down its facilities, reopening the Golf Course in June and the three leisure centres in August 2020. This has had a significant impact on its ability to achieve any income to support their operations. Consequently, Sencio Community Leisure has requested assistance from the Council to help with the cash flow challenges and implications resulting from recent COVID-19 related closures.

We are advised that failure to support could result in severe difficulties for Sencio, which could impact the services provided to our residents; therefore, Sencio's request is clearly one of considerable urgency.

At this stage, due to Government restrictions and health and safety measures in place, it is difficult to predict when Sencio will return to full operational capacity and income levels. Therefore, any decision needs to be mindful of the current instability of the leisure sector, which may impact future organisational recovery and stability and thus any loan repayment terms to the Council.

Appendices

Appendix A - Sencio Recovery Plan

Background Papers

None

Sarah Robson

Deputy Chief Executive & Chief Officer - People and Places