

## SENCIO COMMUNITY LEISURE

Cabinet - 14 January 2021

**Report of:** Sarah Robson, Deputy Chief Executive, Chief Officer, People and Places

**Status:** For decision

**Key Decision:** Yes

**Executive Summary:** The report proposes an update to the Cabinet decision made on 15 December 2020 relating to the formal request from Sevenoaks Leisure Limited t/a Sencio Community Leisure (Sencio) Board of Trustees for financial assistance to mitigate current financial difficulties related to the impact of the Coronavirus outbreak and subsequent recovery period.

**This reports support the Key Aim of** related elements of the District Council's Community Plan.

**Portfolio Holder:** Cllr. Lesley Dyball

**Contact Officer:** Sarah Robson, Ext. 7129

**Recommendation to Cabinet:**

- (a) To receive and note the report.
- (b) To approve for the Cabinet decision (15 December 2020) to be updated to reflect England being placed into a national lockdown.
- (c) To approve for the final two grant payments of £100,000 to Sencio to be reduced to £75,000 per month, paid in January and February 2021, which will cover the monthly expenditure incurred by Sencio during the enforced closure and ensure the Council's buildings are maintained and essential monitoring checks, payments to utilities and suppliers and associated staffing costs are covered. If Kent moves into a lower tier enabling the immediate reopening of leisure centres, the grant payment will be reinstated to the original monthly grant allocation of £100,000 for the remaining period.
- (d) To approve for the revised decision (see c above) to remain conditional on Sencio reopening its leisure centres as soon as is permitted in line with Government guidance and engaging in and supporting the consultancy work to be presented to Cabinet in March 2021
- (e) Any grant will be funded from the General Fund Reserve. The General Fund Reserve balance will then be reinstated by transferring the same amount from the Budget Stabilisation Fund.

**Reason for recommendation:** UK Government moved Kent into Tier 4 restrictions on 20 December 2020, remaining in this tier following a review on 30 December 2020. On 4 January 2021, England was placed into a national lockdown, resulting in the enforced closure of leisure centres and golf courses and therefore impacts the Cabinet decision made in December 2020. It is proposed that the Cabinet decision is updated to reflect current restrictions.

## Introduction and Background

- 1 Sevenoaks District Council (the Council) owns three leisure facilities and a golf course, operated and maintained under lease agreements with Sevenoaks Leisure Limited (SLL) (operating as Sencio Community Leisure). These facilities are:
  - Edenbridge Leisure Centre
  - Sevenoaks Leisure Centre
  - White Oak Leisure Centre
  - Lullingstone Park Golf Course
- 2 Sencio is a society under the Co-operative and Community Benefit and Societies Act 2014, registered with the Inland Revenue for exempt charitable status. The organisation has been set up to benefit the community as a not-for-profit organisation.
- 3 The three national lockdowns introduced by HM Government in the UK in March 2020 and again in November 2020, to tackle the spread of Covid-19, enforced a mass closure of leisure facilities across the country. This has placed leisure operators under the threat of insolvency as income streams effectively ceased, whilst continuing to incur essential costs relating to the maintenance of the facilities during closure, ongoing supplier and utility costs, furlough salary top-ups and essential staffing.
- 4 Sencio's Board of Trustees agreed at its meeting on 25 November 2020, for the three leisure centres in the district to remain closed from 2 December 2020 due to the membership arrangements and financial viability in reopening due to December being a challenging month for leisure income in 'normal' years. The golf course did reopen.
- 5 The Board also approved to formally approach the Council for urgent financial support. Sencio notified the Council that it found itself in a position that without urgent financial support it would be unable to continue to trade from as early as 31 December 2020 and would be forced to cease operating the leisure centres and golf course.
- 6 Sencio's Board of Trustees remains keen to avoid any continued closure, as from their customer feedback, it is evident how important the leisure centres are for the health and wellbeing of the district's local communities and the impact the closures have had on their mental health.

- 7 At its meeting on 15 December 2020, Cabinet considered and approved Sencio's request for a grant of £300,000 as a result of the impact of Covid-19 on leisure, which would enable the three leisure centres to reopen on 2 January 2021. Cabinet approved for the grant payment to be paid in three equal monthly instalments, with the first being released in December 2020 and conditional on Sencio agreeing to reopen its leisure centres on 2 January 2021 and support and engage with the proposed consultancy work. Cabinet approved a further £30,000 to support the appointment of a consultant to review Sencio's business recovery plan and restructure proposal to help future proof their leisure operating model and organisational structures. Since the Cabinet decision, the Council has duly made its first grant payment of £100,000 to Sencio.
- 8 However, the UK Government announced that London, the South East and East of England would move into new Tier 4 COVID-19 restrictions from Sunday 20 December 2020, which would see the enforced closure of all leisure centres. Government reviewed the arrangements on 30 December 2020, with Kent remaining in Tier 4.
- 9 Unfortunately, Government announced on 4 January 2021 that England would be placed into a national lockdown, which has resulted in the district's leisure centres remaining closed and also forcing the golf course to close its doors to customers.

#### **Amendment to Cabinet decision**

- 10 Following Government's decision on 30 December 2020 for Kent to remain in Tier 4, Sencio was unable to reopen the Council's leisure centres on 2 January 2021 as planned.
- 11 Leisure has been further impacted by Government's announcement to place England into a national lockdown. As a result, the district's leisure centres remain closed and Sencio has been forced to close the golf course at Lullingstone Park.
- 12 As a result of the continued closure of leisure centres, this will impact the Cabinet decision made in December 2020 and it is therefore proposed that the Cabinet approval is updated to reflect the continued enforced closure due to the national lockdown.
- 13 The following amendment to the Cabinet decision is proposed as follows:
- 14 If England remains in lockdown, the final two grant payments of £100,000 to Sencio are reduced to £75,000 per month, paid in January and February 2021, which will cover the monthly expenditure incurred by Sencio during the enforced closure and ensure the Council's buildings are maintained and essential monitoring checks, payments to utilities and suppliers and associated staffing costs are covered. If Kent moves into a lower tier in January or February, which enables the immediate reopening of leisure

centres, the grant payment will be reinstated to the original monthly grant allocation of £100,000 for the remaining period.

- 15 Cabinet's revised decision would remain conditional on Sencio reopening its leisure centres in line with Government guidance and engaging in and supporting the consultancy work to be presented to Cabinet in March 2021.
- 16 It is nationally recognised that the leisure industry is facing an absolute crisis and it is anticipated that many leisure providers will fail. It should be noted that due to the current tier system restrictions and health and safety measures in place as a result of Covid-19, it is difficult to predict if the cash flow funding requested by Sencio will sustain the trust's recovery past March 2021. This will be dependent on changes in the national restrictions and Sencio's recovery in terms of its operational capacity and income levels. However, the Council is working with Sencio to submit a joint application to Government's National Leisure Recovery Fund (a notional amount of £220,000 has been allocated by Government to Sevenoaks District Council) to support lost income incurred by Sencio between 1 December 2020 and 31 March 2021. A final decision on the application is expected in late February 2021.

## 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 £88,000 of loan repayments due between April 2020 to March 2021.

At its meeting on 15 December 2020, Cabinet approved a grant to Sencio to support the impact of Covid-19 on leisure. A grant is a sum of money awarded to a business that requires no repayment. Grants are generally awarded for a specific purpose, in this case £300,000 towards day to day operating costs. The first payment of £100,000 was paid in December 2020. However, if the remaining payments are reduced as proposed, this would amount to £150,000 (or £75,000 per month), reducing the overall grant to Sencio to £250,000.

The grant will be funded from the General Fund Reserve. It would then be necessary to reinstate the General Fund Reserve to the recommended level of 10% of the net service expenditure budget. This amount would be transferred from the Budget Stabilisation Reserve. The remaining amount in the Budget Stabilisation Reserve would still be adequate to fund the agreed 10-year budget.

It is therefore advised that in making 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 as a result of future restrictions incurred as a result of Covid-19 regulations.

### 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 2022, Sencio will cease to become the operator of one of those leisure centres.

Covid-19 has had a profound effect on the leisure industry and there is a high risk to the ongoing operation of many leisure trusts, including Sencio, across the country.

This report relates to Cabinet decision responding to the request to provide financial assistance to Sencio, based on their immediate need to meet costs resulting from the pandemic. The financial risks associated with this decision are set out in financial implications above.

Until 31 December 2020 the State Aid rules permit direct grants, selective tax advantages and advance payments up to EUR 800,000 to address urgent liquidity needs arising from the coronavirus outbreak. This permitted aid is additional to that permitted under the *De Minimis* provisions. Sencio must confirm that they have not received other State Aid which would take them above that limit.

### 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.

### **Conclusion**

Following Government's decision on 30 December 2020 for Kent to remain in Tier 4, Sencio was unable to reopen the Council's leisure centres on 2 January 2021 as planned. Leisure has been further impacted by Government's announcement to place England into a national lockdown.

As a result of the continued closure of leisure centres, this will impact the Cabinet decision made on 15 December 2020 and it is therefore proposed that the Cabinet approval is updated to reflect the continued enforced closure due to current restrictions. The recommendations made to Cabinet in the report reflect these changes.

At this stage, due to the Government lockdown restrictions and health and safety measures in place as a result of Covid-19, it is difficult to predict from the information provided by Sencio, whether the grant funding requested from the Council will sustain the trust past March 2021. This will be dependent on changes in the national restrictions and Sencio's recovery in terms of its operational capacity and income levels. However, the Council will continue to work with Sencio regarding the submission of a grant application to the National Leisure Recovery Fund.

**Appendices**

None.

**Background Papers**

None.

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