

SUPPORTING THE RECOVERY OF CULTURE IN THE DISTRICT

People & Places Advisory Committee - 16 June 2020

Report of Chief Officer - People & Places

Status For Decision

Also considered by Cabinet - 9 July 2020

Key Decision Yes

Executive Summary: The report outlines the impact of the COVID-19 pandemic on the culture industry and sets out a request from Sevenoaks Town Council for financial assistance to mitigate current financial difficulties related to the closure of The Stag due to the Coronavirus outbreak.

This report supports the Key Aim of related elements of the District Council's Community Plan.

Portfolio Holder Cllr. Lesley Dyball

Contact Officer(s) Sarah Robson, Ext. 7129

Recommendation to People & Places Advisory Committee:

- (a) To consider the information provided in the report, the financial implications and risk assessment and advise Cabinet on the request to make available to Sevenoaks Town Council, a Council loan of up to £220,000 over the next 8 months towards essential recovery, maintenance and utility costs.
- (b) To advise Cabinet on the loan terms, it is proposed that the loan will be interest free, but with the stipulation that it will be paid back to the Council in financial year 2021/22. If the loan is not paid within the repayment period, any outstanding balance will accrue and be charged a rate of 6% interest with effect from April 2022.

Recommendation to Cabinet:

- (a) To consider the information provided in the report, the financial implications and risk assessment and advice from People & Places Advisory Committee and reach a decision on the request to make available to Sevenoaks Town Council, a Council loan of up to £220,000 over the next 8 months towards essential recovery, building security, liability insurance and utility costs.
 - (b) To approve that the loan will be interest free, but with the stipulation that it will be paid back to the Council in financial year 2021/22. If the loan is
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not paid within the repayment period, any outstanding balance will accrue and be charged a rate of 6% interest with effect from April 2022.

- (c) If the decision is reached to provide financial assistance to Sevenoaks Town Council, to delegate authority to the Portfolio Holder for People and Places in consultation with the Chief Officer People and Places to undertake any minor amendments.

Reason for recommendation: Access to the Arts will play an essential role in reconnecting with communities and bringing people together through cultural activities once the current lockdown position changes. It is therefore more important than ever that the Council urgently considers the support The Stag may require to mitigate significant financial difficulties and risk during this difficult time.

Introduction and Background

- 1 The culture sector across the country has been massively affected by the COVID-19 pandemic. Nationally it is expected that the impact will be felt not only in the short term, but also for the medium to long term. Locally, we are seeing considerable pressure being placed on our partner organisations, in particular The Stag.
- 2 Councils across the country are working hard to keep supporting cultural facilities during the coronavirus crisis. This includes introducing a range of emergency measures such as relaxing performance requirements, advance payments, waiving management fees and offering financial support. This is despite the impact coronavirus has had on the ability of councils to generate income.
- 3 Cultural venues are facing particular challenges accessing Government support during the pandemic and are largely ineligible for emergency response packages.
- 4 Local authorities and cultural venue operators alike should anticipate that once lockdown restrictions are lifted, it will take some time to reach full operating capacity due to social distancing requirements.
- 5 The current challenge is to consider support that can alleviate the negative impacts in the short term.

Culture

- 6 By March 2020, most cultural venues were indefinitely closed with exhibitions, events and performances cancelled or postponed.
- 7 Through this pandemic we have seen the value of culture and creativity across society through drawing, poetry, music and more. The availability of cultural content contributes to mental health and wellbeing, and many

cultural institutions have provided online and free content in recent months for that purpose.

- 8 The culture sector has an important contribution to the economy, delivering activities which create jobs and encourage communities to get involved in their local culture and provide a sense of 'place' and identity. The sector has an important role in supporting communities throughout the year and many organisations are now exploring options to ensure they are able to maximise attendance as soon as restrictions are lifted. Sustainable business models will be imperative for the sector's survival.

Local partners

- 9 Lockdown has had a significant impact on our partner organisations, in particular The Stag, in terms of its ability to realise any income to support its operations. Consequently, Sevenoaks Town Council has requested urgent assistance with The Stag's cash flow challenges and implications resulting from lockdown as they look toward the future and business recovery.

The Stag

- 10 The District Council remains in ownership of the venue. Sevenoaks Town Council signed a 25 year lease to operate the venue in 2009.
- 11 The Stag Community Arts Centre, is an independent, charitable organisation, which adds cultural value to Sevenoaks as a place to live and visit, providing a 450 seat theatre with one of the largest stages in the South East. It shows around 200 touring and community productions per annum. The venue includes The Plaza multi-function space, a cinema with two screens and various bars and café provision. As well as these facilities, The Stag also supports a wide range of art forms through its programming and venue.
- 12 An independent economic impact assessment of The Stag (dated January 2017) shows that The Stag attracts around 250,000 to 300,000 visits¹ per annum, which helps to contribute to the wider local economy.
- 13 Due to the COVID-19 pandemic and Government instruction, The Stag initially closed from 16 March to 20 March and then took the decision to indefinitely close from 21 March 2020.
- 14 There were a number of shows that had to either be cancelled or rescheduled resulting in requests for refunds for participants, which resulted in a loss of income to The Stag. However, The Stag has continued to be liable for monthly outgoings of approximately £25,000 per month, which includes utilities, building security, liability insurance, salaries (for non-furloughed staff) and maintenance costs.

¹ Source: *Project Report: Economic impact assessment of The STAG Community Arts Centre (January 2017)*

- 15 Most staff have been furloughed and it is currently operating with 3 people (2.6 FTE) with everyone else protected by the Government's job furlough scheme.
- 16 To date, there have been no grants supplied by Government for theatres throughout the pandemic.
- 17 In normal operation, The Stag (like many other theatres and virtually all cinemas) relies on ticket sales and secondary kiosk spend to operate. However, without footfall through the doors (in other words without permission to put on content) The Stag cannot operate.
- 18 It has been suggested that more than a thousand theatres in the UK will simply not re-open post-lockdown. This might represent an opportunity if The Stag was to find a route to remain open, or to remain in position to re-open in the future when social distancing rules begin to be relaxed - and as importantly, audiences return.
- 19 However, Government briefings have insinuated that theatres and cinemas will be one of the last sectors to re-open. The Stag has commenced work to identify the impact of re-opening and reshaping the business. The plan has been based on the following scenarios:
- Government guidance. If a strict 2 metre spatial isolation rule is mandated and enforced then a worst case scenario would mean The Stag's capacity will be reduced to around 12% of its maximum.
 - Investigating the feasibility and cost of converting the auditorium back to show film.
 - A partial conversion (losing one cinema screen and using an existing projectors) would cost around £20,000. A full conversion (buying a third projector to give future flexibility in using the theatre as a cinema for the biggest films) would add another £40,000.
 - Seeking external capital input - such as a grant, donation or crowd-funding.
 - Risk assessment and safe working practices in place for social distancing for staff and customers.
 - Marketing campaigns providing reassurance on health and safety provision for customers.
 - Training for staff on new safe working procedures.
- 20 Unlike many arts organisations, The Stag does has some cash reserves - put aside year on year of successful operation for improvement projects, new equipment and as an emergency fund. However, the reserves have been reduced by this crisis and will only support the next few months.
- 21 It is understood that up to £220,000 funding is required for the current financial year to enable the long term protection for this community asset which helps to considerably underwrite the local economy. Sevenoaks Town

Council and The Stag have launched a crowdfunding and public awareness campaign to raise funds.

- 22 The Stag has in place a recovery business plan to support its recovery, which is subject to Government's awaited guidance on reopening theatres and social distancing requirements. At this stage, they are unable to predict when the business will be able to recover, due to the potential Government restrictions that will be put in place, which may hinder a return to full income recovery.
- 23 Conversion work will likely need to be undertaken to meet the emerging Government guidelines and once operational, The Stag will need to meet full operating costs, whilst operating at reduced customer and therefore income capacity. Given the extraordinary circumstances, Sevenoaks Town Council's ask of the Council is to consider the following:
- To make available to Sevenoaks Town Council access to draw down from a Council loan of up to £220,000 over the next 8 months towards The Stag's essential recovery, building security, liability insurance and utility costs.
- 24 It is proposed that the loan will be interest free, but with the stipulation that it will be paid back to the Council in financial year 2021/22. If the loan is not paid within the repayment period, any outstanding balance will accrue and be charged a rate of 6% interest with effect from April 2022.

Other Options Considered and/or Rejected

- 25 The Council could choose not to support The Stag. However, the organisation will have an essential role to play to reconnect with communities and bring people together through cultural activities once the current lockdown position changes.

Key Implications

Financial

The District Council remain in ownership of the venue. Sevenoaks Town Council signed its 25 year lease to operate the venue in January 2009. The District Council provided a handover grant of £100,000 per annum for the first five years - specifically split £50,000 operations and £50,000 youth work. The Stag has re-invested more than £800,000 of its surplus in improvements since 2009.

Sevenoaks Town Council has requested a loan amount of up to £220,000, which would be paid back during the 2021/22 financial year.

The likelihood of the financial assistance Sevenoaks Town Council is requesting, being repaid to the Council, is dependent on the success of The Stag's recovery business plan and customers returning to the arts sector over the next 8 months and beyond.

Additionally, the crowd-funding exercise recently launched by The Stag and Sevenoaks Town Council, has the potential to provide further funding that would reduce the amount of financial support required from any loan facility granted by the District Council.

Furthermore, Sevenoaks Town Council who are responsible for the operator's lease, have the potential to raise the Council Tax precept to cover the additional costs associated with the operation of The Stag. Any increase in the precept would take effect from 1 April 2021.

It is therefore advised that in making any financial assistance available to The Stag that the Council should safeguard the recovery of the loan, by making it conditional on Sevenoaks Town Council entering in to an agreement to meet the costs of the loan repayments and identify how this will be achieved. For example, the Town Council has the ability to raise its precept in 2021/22 to fund the loan should it wish to.

Legal Implications and Risk Assessment Statement.

The Stag is operated by Sevenoaks Town Council on a 25 year lease, with Sevenoaks District Council as Landlord.

Coronavirus has had a profound effect on the arts and there is a high risk to the ongoing operation of many venues across the country.

This report relates to a request to provide financial assistance to Sevenoaks Town Council, based on an urgent need for certainty to meet The Stag's costs over the next eight 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 support could result in the ultimate closure of The Stag, which would not benefit the Council and would significantly limit our residents' ability to access the arts and is highly likely to have an adverse impact on the wider Sevenoaks economy.

Conclusions

In line with Government guidance, The Stag has temporarily shut down its facilities. This has had a significant impact on the ability of The Stag to achieve any income to support their operations. Consequently, The Stag 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 The Stag, which could impact the services provided to our residents, therefore The

