

## **Item 2 (a) – Response To Sencio Community Leisure Insolvency Position - Sevenoaks District Council Leisure Sites**

The attached report was considered by the Cabinet, and the relevant minute extract is below:

The Chairman set out that the report, which updated Members on the provision of leisure services in the Sevenoaks District following the appointment of an Insolvency Practitioner by Sencio Community Leisure (Sencio) and to agree a way forward for the reopening of leisure facilities in the District. Sevenoaks District Council own three leisure facilities and a golf course, operated and maintained under contracted lease agreements. The Council was the landlord for these sites and therefore the Council's influence over Sencio was limited to the lease and funding arrangements it had in place.

As a leisure management company, Sencio operated as a business with its own Board of Trustees and Management Team and was governed and traded independently and in its own right. Sencio's Board Members were representatives of the local community and comprised of persons with a broad range of skills, likely to contribute to the company's success. The day-to-day management, including business and financial planning was delegated to the Chief Executive of Sencio.

The Chief Officer for People & Places advised that as recently as January this year, Sencio's Senior Management had presented to the Council's Scrutiny Committee, noting their positive performance plans for the future. It now appeared that Sencio had accumulated significant liabilities in recent months, exacerbated by an insufficient cash flow since January.

In March 2023, Sencio's Management Team and its Board Members made the difficult decision to appoint an Insolvency Practitioner to act as Administrator as the Trust considered itself unable to continue trading when it realised it could no longer meet its financial liabilities obligations for March 2023.

Once provided with the full scale of the financial position by Sencio's Senior Management Team, the Board immediately stepped in and made the urgent decision to cease trading, appointing Evelyn Partners as Insolvency Practitioner, advising staff, customers and suppliers of their decision on 17 March 2023.

The Chief Officer expressed how the Council's thoughts and concerns were with Sencio's staff, customers and suppliers impacted by the decision. Leisure was incredibly important in helping to connect communities bringing people together through sport and physical activities. There were many clubs and groups, businesses and local people that depended on the facilities being open.

Members were advised that the Council's main priority was to gain access to the leisure premises at Sevenoaks, Edenbridge and Lullingstone from the Insolvency Practitioner and to open those facilities under a new operator as a matter of urgency. The Council, wished to limit the time the centres were closed to avoid existing users joining other centres and the negative health impacts on residents and local communities.

Due to the community need and extreme urgency to activate the Council's leisure facilities as soon as practical, it was intended to let a shorter-term contract rather than undergo a full procurement process at this time.

The Council was actively engaging with the insolvency practitioner appointed by Sencio, seeking to negotiate and enable a smooth transition to an interim operator. At the same time, Officers were negotiating with the Chair of Sencio, who were effectively still under lease with the Council and obliged and liable to undertake a duty of care for the Council's buildings. The Council was able and willing to take on the full responsibility and liability for each of its buildings to enable their swift reopening, but it required Sencio to fully and successfully surrender its lease to the Council.

She advised that further delay in Sencio making this decision was only causing further stress and impact to not only the local community, but Sencio's staff, suppliers, and members, who no doubt would wish to see the facilities reopen as soon as possible.

Members thanked the Chief Officer for her report.

The Chairman noted his thanks to Cllrs Clack and McArthur for being appointed to the Board for their concerns to be taken to the Management Team. He noted that other news articles highlighted the struggles that the Leisure services were facing around the UK. Members discussed the report giving consideration to the Council's robust financial framework which enabled the proposed budget for recommendation b.

The Chairman used his discretion and opened the meeting to Councillors to ask questions. In response Members were advised that the full breakdown of costs were not currently known but the Council was working with Max Associates a leisure consultancy firm, to ensure there was value for money. As part of using open book accounting there would be a greater level of transparency as records needed to show how money had been spent and the level of income. Members were also advised that a Council loan to Sencio had been to improve the building and therefore the investment had been made to the Council's own asset. He stressed the importance of getting the centres open as quickly as possible so residents could start using the facilities again.

#### Public Sector Equality Duty

Members noted that consideration had been given to impacts under Public Sector Equality Duty.

Resolved: That

- a) the events and progress to date outlined within the report, be noted;
- b) it be recommended to Council that a budget as set out in Appendix A, of up to £1.83million, be agreed for
  - i) expenditure associated with supporting the oversight, maintenance and safety of Council owned leisure facilities, whilst negotiations with the Insolvency Practitioner were finalised;
  - ii) an interim leisure operator to oversee the Council's leisure facilities for a period of two years (or until the procurement of a new operator was completed).
  - iii) Delegated authority to the Chief Officer, People & Places and Chief Officer, Finance & Trading to investigate an interim leisure operator and enter into a contact subject to consultation with the Portfolio Holder for People & Places and Portfolio Holder for Finance & Investments.
- c) the funding be borrowed from earmarked reserves in the short-term and would need to be repaid. A solution to repay the reserves would need to be agreed before the conclusion of the 2024/25 budget setting process.