

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/20/16
FROM: Councillor Derek Davis - Cabinet Member for Communities	DATE OF MEETING: 10 December 2020
OFFICER: Cassandra Clements – Assistant Director for Environment and Commercial Partnerships	KEY DECISION REF NO. CAB24

ABBEYCROFT FINANCIAL SUPPORT 2020/21

1. PURPOSE OF REPORT

- 1.1 This report updates Cabinet on the current situation in relation to Abbeycroft Leisure, the provider of leisure services at Babergh District Council's Kingfisher Leisure Centre in Sudbury and at Hadleigh Pool & Leisure Centre. In particular, the report sets out the challenging financial situation being experienced by Abbeycroft Leisure as a result of the impacts of Covid-19 and recommends additional financial support for the remainder of the financial year 2020/21.

2. OPTIONS CONSIDERED

- 2.1 Various options for the future operation and delivery of leisure activities in Babergh have been examined and risk rated to identify the potential financial, legal and reputational damage or benefits that each option could bring to Babergh District Council (BDC), Abbeycroft Leisure and the community. This is attached at **Appendix One**.

The options viewed as potentially viable include:

- a. Abbeycroft Leisure receives a loan and or grant from BDC to cover the period up to the end of March 2021 to give sufficient time for their service and financial recovery plans to take effect. This is the preferred option because it keeps a high-quality leisure service open through a partner that offers a high level of social value. It will enable Abbeycroft to continue trading through the current social distancing measures and potentially into the time where vaccinations are available.
- b. BDC funds the shortfall in Abbeycroft Leisure's operations but reviews and agrees this on a monthly basis. This is not the preferred option as it does not give the Council or the provider any stability and increases workload on both sides.
- c. Abbeycroft Leisure ends the contract with BDC and the centres remain open, with the management and operations transferring to another leisure

- organisation. This is not the preferred option as Abbeycroft has not failed in their contract with BDC as the current issues are Covid-19 related; or
- d. Abbeycroft Leisure ends the contract with BDC and the management and operations of the leisure centres transfer back to the Council. This is not the preferred option for the same reason as c above.

3. RECOMMENDATIONS

- 3.1 Cabinet resolves to agree the business case to create a £150,000 loan facility for Abbeycroft Leisure, as set out in section 9 of this report.
- 3.2 Cabinet resolves to agree the business case to provide a £270,000 grant for Abbeycroft Leisure, as set out in section 9 of this report.
- 3.3 Delegated authority be given to the Council's Section 151 Officer, in consultation with the Portfolio Holders for Finance and Communities, and the Assistant Director for Environment & Commercial Partnerships, to agree the final details of the loan and enter into a loan agreement(s) with Abbeycroft Leisure.

REASON FOR DECISION

- 3.4 The financial situation that Abbeycroft Leisure find themselves in due to the impact of Covid-19 means that they will be unable to survive without Babergh District Council intervention and support. If this were to happen the Council would be in a position of having to take responsibility for service provision.

4. BACKGROUND INFORMATION

- 4.1 Abbeycroft Leisure is a charitable trust and provides leisure services, through a service provision agreement that is set out in the Annual Delivery Plan, for a management fee. From 1st October 2018, South Suffolk Leisure Trust merged with Abbeycroft Leisure, also a charitable trust, to become known as Abbeycroft Leisure.
- 4.2 Abbeycroft Leisure also provide services for West Suffolk Council, with whom we have been liaising closely in considering the right support package for this leisure provider.
- 4.3 The Council's commitment to leisure provision is set out through its agreement with Abbeycroft along with capital investment shown at paragraph 9.2 of this report.

5. KEY INFORMATION

- 5.1 On 20th March, Abbeycroft closed its leisure centres, in line with Government guidance, and all income ceased (other than the management fee paid by the Council).
- 5.2 Abbeycroft furloughed the majority of its workforce, maintaining a skeleton team to oversee operations. The closure of the centres was undertaken by following industry guidance, with the necessary checks and maintenance regimes in place. At the same time Abbeycroft continued to offer remote, online activity opportunities to centre members, Council staff and Health.

- 5.3 The centres re-opened on 27th July 2020 with social distancing measures in place. It was a phased opening with just gym and class activity in the first phase. Capacity was reduced to around 25% of pre-covid levels. The pool at Kingfisher opened in mid-August again with social distancing measures. This meant lower capacity in the pool, and if it were a public session it was lane swimming only with bookable slots. As Abbeycroft do not have access to larger spaces such as a sports hall, there was no option to move the gym to a temporary location to increase capacity. This meant the opportunity to produce income was severely hindered.
- 5.4 At the time of writing this report, there has been an announcement made by Government about a £100 million pot of funding to support the Leisure Sector. This is a forward-facing fund and does not cover retrospective deficits. No further detail has been given on how it will be administered or timescales.

6. SUPPORTING INFORMATION

- 6.1 Whilst the post-Covid shape of the leisure market and customer demand is not known, what we can be confident of is the need to ensure that there is support for people's health and wellbeing, and that Abbeycroft will have a role to play in that so its survival is in all our interests. Babergh District Council's strategic aims, as articulated in its Leisure, Sport & Physical Activity Strategy, 2017, are: "To support and enable increased levels of sport and physical activity participation across Babergh; to support the improvement of health and well-being within our communities, particularly those from disadvantaged groups"
- 6.2 Provision of a loan facility is in line with the Local Government Association's advice: 'Options for Councils in supporting leisure providers through COVID-19'.

The LGA advice suggests a number of forms of support including:

- a. Offering leisure contractors an interest free loan or a grant to cover the months of closure and concession on future measures (proposal in this paper);
 - b. Paying an operating subsidy, as an advanced payment (the management fee for the year has been paid to Abbeycroft in advance);
 - c. Offering to fund all staff related costs that are required to attend the centres to perform building checks, therefore complying with health & safety and contractual obligations (grant of £256,000 paid to Abbeycroft for April to October 2020 and covered a wider variety of costs than suggested here);
 - d. Proposing to pay the anticipated costs of maintenance, utilities, cleaning, finance charges, professional fees, irrecoverable VAT and a proportion of central overheads, subject to an open book reconciliation being undertaken to determine the actual cost when the centres re-open (see point c above)
- 6.3 The loan facility and grant will deliver a direct social return in enabling an important leisure provider to remain viable, and to deliver essential health and wellbeing activities as part of Babergh's Covid recovery. In offering this facility BDC is requiring Abbeycroft to develop new markets and offers and innovate their leisure delivery.
- 6.4 In 2017 UKActive reported in its study "Physical Activity: A Social Solution" that nationally community leisure has a huge impact on wellbeing (£2.4bn) and health

(£715m), together with benefits for wider social issues like education and crime, not traditionally considered to be impacted by the physical activity sector.

- 6.5 Leisure centres are community assets. The range of facilities offered by them, as well as the range of users, shows how they play an important part in many people's lives. The opportunity to have them run by a Trust whose Mission is 'Inspiring Healthier Active Communities through Excellent Facilities and Services, Great Experiences and Strong Partnerships' and where any return is reinvested into community activities, is clearly positive. The work undertaken by Abbeycroft goes beyond the Council's leisure centres, delivering events in local communities such as park runs and programmes to explore outdoors. Further information can be found in [Abbeycroft Leisure's Impact Report](#)

7. ONGOING ACTIONS AND NEXT STEPS

- 7.1 Abbeycroft Leisure has carried out a strategic staffing review, resulting in some redundancies, to achieve further efficiencies and a resource structure that is more reflective of the business needs for what they consider to be a challenging period for at least the next six months and every likelihood the next financial year and beyond.
- 7.2 The extension of the government's furlough scheme until the end of March 2021 means that Abbeycroft have been able to access this for the second lockdown period.
- 7.3 Abbeycroft is further trying to mitigate costs where possible on all expenditure, as well as create new offers that may encourage people back into the centres. Externally, they are working with Health partners to offer support for both Covid-19 rehabilitation as well as health and wellbeing services. These conversations are advanced and they should hear soon if this is a viable income stream.

8. LINKS TO JOINT STRATEGIC PLAN

- 8.1 The Joint Corporate Plan (2019-27) is designed to address the challenges and seize the opportunities facing the Districts for the foreseeable future. The Council's vision is to have 'great communities with bright & healthy futures that everyone is proud to call home.'
- 8.2 The Joint Corporate Plan identifies six strategic priorities as set out in the visual below. Communities and Wellbeing are two of those six.



9. FINANCIAL IMPLICATIONS

- 9.1 As for all leisure providers across the country, centre closures meant complete loss of income for Abbeycroft, other than any financial support the Council could provide. The Council has supported Abbeycroft's cash flow position by paying the annual management fee upfront for 2020/21 (£238,000). Further, Abbeycroft has benefitted from £25k per site of government business support grants, under the retail hospitality and leisure grant scheme, for the two centres (based on rateable value being within scheme parameters).
- 9.2 In January 2019, Babergh Cabinet approved investment proposals for both Kingfisher Leisure Centre and Hadleigh Pool. The main construction of the Kingfisher scheme in Sudbury has now completed and snagging works are being carried out. Hadleigh has been impacted by Covid 19 with delays to materials and time off site but works are now expected to complete in the New Year.

9.3 Further detailed financial information is contained in the confidential appendices.

10. ENVIRONMENTAL IMPLICATIONS

10.1 Environmental and Climate Change implications are fully considered throughout this work.

10.2 Babergh District Council and Abbeycroft Leisure are committed in their efforts to reduce their carbon footprint having created a carbon reduction plan for the short and long term. A project is currently underway to convert, where possible, their partners to utilise certificated green energy. While there may be an initial transfer cost, we are looking to deliver long term benefits on climate change and the environment.

10.3 Babergh District Council has in place a Carbon Reduction Management Plan and is committed to investigating ways in which it could reduce its own emissions and to supporting the Suffolk-wide aim to become carbon neutral by 2030. Both Councils also agreed to establish a joint council, cross-party Environment and Climate Change Task Force to examine ways in which they could respond to the climate change challenge on a spend to save basis. Agreed actions include the installation of solar panels and car charging points at the leisure centres.

11. LEGAL IMPLICATIONS

11.1 Public aid to the Council's leisure providers does not qualify as State aid because it does not impact on trade between member states.

11.2 Due to the financial circumstances of Abbeycroft, the Council must secure the loan against fixed assets as a floating charge may be considered invalid (S.125 Insolvency Act 1986).

12. RISK MANAGEMENT

12.1 This report is most closely linked with the Councils' Significant Business Risk No. 18 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measure
Abbeycroft Leisure fall into liquidation.	High	Potential closure of the Babergh leisure services. High number of staff redundancies. Health and wellbeing commitments within the	BDC provides financial support to Abbeycroft Leisure. BDC is working closely with West Suffolk Council (to whom Abbeycroft also provide leisure services) on the recovery support package.

		Council's Strategy will not be met. Recent capital investments may be questioned.	Central Government support to LAs
Abbeycroft are unable to repay the loan.	High	As above	A realistic approach to the repayment period of the loan.
We enter another full or localised lockdown	High	As above	Central Government support to LAs. Potential cost savings achieved during lockdown.
Loan and grant not supported and Abbeycroft fall into liquidation. Services transfer to another provider.	High	Questions may be asked why Babergh District Council allowed Abbeycroft to fail but willing to support another leisure operator.	Strong evidence has been included in this paper to enable Cabinet to take an informed decision.

13. CONSULTATIONS

13.1 None

14. EQUALITY ANALYSIS

14.1 In preparing this report, due consideration has been given to the Councils' statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

14.2 An EQIA has been completed. See **Appendix Seven**.

15. APPENDICES

Title	Location
Appendix 1 – Confidential: Financial Impact of Covid-19 for Abbeycroft Leisure Including Loan and Grant Conditions	Attached
Appendix 2 – Confidential: Abbeycroft Group – Babergh Covid-19 Support Breakdown	Attached
Appendix 3 – Confidential: Babergh and Abbeycroft Leisure (ACL) Scenario Planning	Attached
Appendix 4 – Confidential: Summary of Fixed Assets	Attached

Appendix 5 – Confidential: Loan Repayment Profile	Attached
Appendix 6 – Confidential: Babergh Scope for Loan Repayment	Attached

16. BACKGROUND DOCUMENTS

16.1 None