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Date: **25 January 2021**
Our ref: **Cabinet/Supplementary Agenda**
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CABINET

28 JANUARY 2021

A meeting of the Cabinet will be held at **5.30 pm on Thursday, 28 January 2021** in the by Video Conference.

Membership:
Councillor Cllr Everitt (Chairman); Councillors: Whitehead, Albon, Duckworth and Yates

SUPPLEMENTARY AGENDA

Item No	Subject
3.	**MINUTES OF PREVIOUS MEETING** (Pages 3 - 8) To approve the summary of recommendations and decisions of the Cabinet meeting held on 14 January 2021, copy attached.
6.	**YOUR LEISURE** (Pages 9 - 18)

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CABINET

Minutes of the meeting held on 14 January 2021 at 5.30 pm by Video Conference.

Present: Councillor Helen Whitehead (Chairman); Councillors Albon, Duckworth and Yates

In Attendance: Councillors Ashbee, J Bayford, R Bayford, Kup, Pugh and D Saunders

701. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Everitt.

702. DECLARATIONS OF INTEREST

There were no declarations of interest.

703. MINUTES OF PREVIOUS MEETING

Councillor Yates proposed, Councillor Albon seconded and Members agreed the minutes as a correct record of the meeting held on 17 December 2020.

704. 2020-21 BUDGET MONITORING REPORT NO.3, 2020-21

Members were advised that the council continued to face unprecedented challenges this financial year as a result of Covid. The gross General Fund overspend of £5.2 million is largely due to Covid and is similar to the previous monitoring report. Government financial support is estimated at £3.5 million giving a net overspend forecast of £1.7 million.

Both the General Fund and Housing Revenue Account capital programmes are showing a substantial underspend. This, again, was largely due to Covid, as works contracts had been hampered and suppliers had been unable to deliver within normal timeframes. It was planned for most capital projects to catch up during the next financial year. Cabinet was asked to approve expenditure in relation to Covid and EU transition. All this expenditure would be covered by specific Government funding pots.

The government allocated £4.6bn of emergency funding nationally in 2020-21, over four tranches, to support local authorities' response to and impact of the pandemic. The Council received or had been notified of an award of £2.978m of this funding. Additional emergency funding of £1.0m was expected for 2021-22 and this was considered in more detail in the budget report elsewhere on the agenda for this meeting.

In addition the Council had to date received £476k from the Sales, Fees and Charges compensation scheme, where authorities are compensated for 75% of their losses after meeting a 5% top slice. Total funding forecast from this scheme for 2020-21 is £600k. Funding had also been announced to compensate local authorities for losses in council tax and business rates, more detail on this was also considered in the 2021-22 budget report. A further additional £100m would also be available nationally to support Local Authority Leisure Centres and formal guidance had since been received. An expression of interest by the council had been submitted and would be followed up with a bid in January.

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed:

1. To notes the following:

   i. The General Fund revenue budget 2020-21 forecast position.
   ii. The General Fund Capital Programme 2020-21 forecast position.
   iii. The Housing Revenue Account position.

2 The additional spend associated with Covid as identified at 3.5 of this report;

3. The additional spend associated with EU transition as identified at 4.1 of the Cabinet report;

4. The updated General Fund capital programme as set out in Section 6 and Annex 1 to the report.

705. MEDIUM TERM FINANCIAL STRATEGY 2021-25

Cabinet discussed the proposals for the new Medium Term Financial Strategy for 2021-25 and acknowledged the effect of Covid-19 on the public finances which had been considerable, as it created the largest peacetime shock to the global economy on record.

The pandemic had affected the collection of council tax and business rates. In response, the business rates relief and grants for businesses in the retail, hospitality and leisure sectors had been administered in line with government guidelines helping more than 3,000 businesses in Thanet, through allocating more than £40m of financial support. Additional council tax relief had been given to recipients of council tax support through the government's hardship fund.

The government funding reforms that had been in development have been deferred for various reasons, one of which was the pandemic. The implications of this review for Local Government are uncertain, but have the potential to be profound. There are also inflationary pressures of over £800,000 each year, which could not be covered by increases in Council Tax and fees and charges alone. A budget gap of £1.7 million in 2022-23 and another £700,000 in 2023-24 was anticipated. The Housing Revenue Account was under some similar inflationary pressures as the General Fund. However, the HRA is projected to return to surplus in future years, thereafter.

The proposed MTFS would aim to achieve the three key corporate priorities, which are Growth, Environment and Communities. Alongside the Corporate Statement were a number of other service-related plans that included the Housing Revenue Account (HRA) Business Plan, individual service plans and capital and asset management strategies. The proposed MTFS would provide a key link between all of these plans. It underpinned these other strategic documents by translating the plans, actions and non-financial resources into financial terms so as to evidence their affordability and sustainability.

Councillor Yates proposed, Councillor Albon seconded and Cabinet approved the Medium Term Financial Strategy 2021-25.

706. COUNCIL TAX BASE CALCULATION 2021-22

The setting of the Council Tax base was mainly a mechanical process which was based on the projected number of properties, level of discounts and collection rates. There were no options for the calculation.

Members were reminded that legislation was previously passed to allow councils to increase the Long Term Empty Premium currently being charged for domestic properties that have been left empty and substantially unfurnished for two years or more. This took effect from April 2019 and saw the premium increase from 50% to 100%. This meant that when a property had been empty and unfurnished for two years or more, an additional

100% Council Tax was charged from April 2019, making Council Tax payable at 200% from April 2019.

The legislation included further increases in the premium for future years for properties that have been empty and substantially unfurnished for longer periods. Public consultation undertaken in December 2018 resulted in respondents being in favour of further increasing the Long Term Empty Premium for properties empty for 5 years or more to 200%, (which was introduced in Thanet from April 2020), and the Long Term Empty Premium at 300% (from April 2021), for properties empty and substantially unfurnished for 10 years or more.

It was in this context that Cabinet approval was being sought to implement the 300% Council Tax premium for properties empty and substantially unfurnished for 10 years or more from 1 April 2021. It was estimated that this would affect approximately 41 properties in Thanet. Reductions in Council Tax discounts were required to be determined on an annual basis, and it was recommended that the existing Council Tax reductions/removals be continued for the year 2021-22.

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed the following:

1. To approve the District's Council Tax Base for 2021-22 as 44,155.70 and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Annex 2 to the Cabinet report;

2. To confirm the introduction of a council tax premium for all properties that have been left empty and substantially unfurnished for 10 years or more. This will take effect from 1 April 2021 and will introduce the premium at 300%;

3. To determine not to revise the Council Tax Reduction Scheme for 2021-22.

707. BUDGET 2021-22

The budget proposals had been set during a truly unprecedented period for local government. Councils across the country had to continue to support residents and businesses in exceptional ways. The Government had provided substantial funding to assist with Covid test and trace, enforcement and business grants as well as EU transition, but these challenges caused by the pandemic and EU Transition had placed a tremendous strain on the council's workforce, which itself has been diminished by Covid.

The challenges also placed a strain on local government finances, and Thanet was no exception. Not all Covid losses have been compensated, and there continued to be pressure on the council budgets. Expenditure was higher, to compensate residents and businesses and to protect people through enforcement and temporary housing. Income was lower, in respect of council fees and charges as well as council tax and business rates. The current national lockdown only added to this pressure.

Cabinet observed that it was difficult to assess the full impact of Covid and Brexit on next year's budget. There should be a reduction in Covid infection rates, nationally and locally, once the vaccines have been rolled out. The worst local effects of Brexit with the impact of Manston being used as a lorry park and latterly, as a testing station should be passing away. However the national and local economic impact will remain for a while longer. Some businesses will struggle to survive as they built up debt and a significant number of people will have lost their jobs. It was unlikely that Thanet will bounce back to its pre-Covid state, at least in the short term.

Despite all this, Thanet was not as worse off as some other councils. Whilst the reserves were relatively low before Covid, council had built up a degree of resilience. A decision had been made not to invest in commercial ventures which are typically dependent on commercial rent. The reserves had gradually grown over the previous five years, and the balance sheet showed a reduction on overall borrowing. Those authorities that were not in a similar position before Covid were now facing much larger budget gaps than TDC's £840,000.

Cabinet recommended to Council budget proposals that require savings. When considering these savings the priorities would be to minimise the impact on services, especially front line services and to minimise redundancies. Unfortunately, there are up to eight posts that will be deleted from the organisation structure and the staff occupying those posts will be going through a restructuring process. Although it was too early to say, some of those might be subject to compulsory redundancy. Every effort will be made to find alternative council employment for them.

Another objective of the Cabinet was to adopt a transparent approach to setting the budget. As part of the budget build up process, ten budget briefings for small groups of members, as well as two all-member briefings were conducted. Regular sessions were held with Shadow Cabinet.

Cabinet proposed an increase in Council Tax, at £4.99, which represented an increase of less than 10p a week for each household.

Cabinet had acted to address the legacy of poor management by East Kent Housing. The service was successfully brought in house and a substantial investment plan in the HRA capital programme was now in place. Cabinet was aware that the Government's housing rent policy stipulated an increase of CPI plus 1%, which represents a 1.5% rent increase for council tenants. The majority of this would be covered by benefit or Universal Credit, but to help ease the burden on those of our tenants not in receipt of benefit, council elected to freeze affordable rents this year.

The average rent in 2021-22 is set to be £1.98 higher than the average rent in 2020-21, not £1.89 as stated in paragraph 13.6.1 in the report.

Members thanked staff for hosting briefing sessions on the budget. This kept Members informed throughout the budget process.

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed to recommend to Council that:

1. The General Fund revenue budget estimates for 2021-22 be approved, assuming a £4.99 increase in the band D equivalent for Council Tax;

2. The HRA budget estimates for 2021-22 be approved, assuming a CPI+1% increase in social rents and a freeze in affordable rents;

3. The General Fund and Housing Revenue Account capital programmes for 2021-25 be approved;

4. The Flexible Use of Capital Receipts Strategy for 2021-22 be approved

5. The Section 151 Officer's Assurance Statement be noted.

708. TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2021-22

Cabinet acknowledged that the council was required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return. As part of the discussion, Cabinet considered the following key items in the report:

- The second main function of the treasury management service was the funding of the council's capital plans. These capital plans provided a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council could meet its capital spending obligations. capital expenditure of £35.6m forecast over the next three years (2021-22 to 2023-24 inclusive), requiring borrowing of £4.8m;

- No change to the Minimum Revenue Provision policy (policy for paying off the accumulated borrowing requirement).

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed:

1. To recommend the Cabinet report and annexes, including each of the key elements listed below, to council for approval:

    a. The Capital Plans, Prudential Indicators and Limits for 2021-22 to 2023-24, including the Authorised Limit Prudential Indicator;

    b. The Minimum Revenue Provision (MRP) Policy;

    c. The Treasury Management Strategy for 2021-22 to 2023-24 and the Treasury Indicators;

    d. The Investment Strategy for 2021-22 contained in the Treasury;

    e. Management Strategy, including the detailed criteria;

    f. The Capital Strategy for 2021-22;

    g. The Non-Treasury Investments Report for 2021-22.

Meeting concluded: 5.47 pm

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YOUR LEISURE

Cabinet: 28 January 2021

Report Author: Madeline Homer (Chief Executive)

Portfolio Holder: Cllr-Rick Everitt - Leader of Council

Status: For Recommendation

Classification: Unrestricted

Key Decision: Yes

Reasons for Key: Expenditure not in budget and exceeding virement rules/Significant effect on communities

Ward: All Wards

Executive Summary:

In late February 2020 the emergence of Covid began to impact trading performance with a substantial decline in income being evident up until the 20 March when all Your Leisure's (YL) facilities and services were required to close at which point all of their customer income ceased.

The financial impact of Covid on YL will be evident from this report. The facilities and services they provide were forced to close for five and the partial reopening resulted in substantially reduced income through meeting social distancing guidelines. This has now been further impacted by both the Tier 4 imposed restrictions and the current national lockdown requiring closure of gyms. Whilst substantial effort and actions were and continue to be taken to mitigate the impact, YL faces significant financial challenges.

In turn the council faces the prospect of facilities and services not reopening in the future and having to seek alternative arrangements to provide the services currently delivered by YL. The current climate will create challenges in finding a replacement operator particularly with the existing loan and pension liabilities. To avoid this situation, this report is proposing the following financial support strategy to maintain YL to the end of 'trading restrictions' as a result of COVID 19. The strategy will be reviewed every 3 months.

Recommendations:

1. To note the report.

2. To give authority to the s151 Officer, in consultation with the Leader to:

    a. approve a loan to Your Leisure of between £700k-£1.5m, terms to be agreed but with an interest rate equivalent to market rate.

    b. provide additional funding to the Winter Gardens to ensure that it can reopen and operate from October 2021 to address the cost of replacing and relocating the boilers at an estimated cost of £230,285 plus VAT.

    c. explore with YL the potential to refinance, through Council prudential borrowing the existing loans in respect of Ramsgate and Hartsdown Leisure Centres.

3. To agree that the Council will extend the Theatre Royal Agreement until 28 April 2022.

4. To give authority to the Director of law and Democracy to negotiate and agree any relevant legal agreements required to reflect these recommendations.

5. To bring back a further report following the review mentioned in 3.1 below.

Corporate Implications

Financial and Value for Money

As the report highlights, the financial impact of Covid-19 on the leisure industry has been profound. The council has been working closely with Your Leisure (YL) over the last nine months to try to ensure leisure facilities can remain open when Government guidance and customer appetite permits.

The council has a direct connection with YL surviving and ultimately thriving - if YL fails and goes into administration or liquidation, there are multiple risks and costs that would fall to the council. If YL failed, the council would want to take over YL's operations to ensure the continuation of leisure services in Thanet, even if, longer term, we may want to find another provider. This would require the council to accept YL staff under TUPE. The council would also inherit YL's pensions deficit and this would, at the very least, result in long term increased costs, as the council's pensions contributions would increase. At worst, KCC (who manage our pensions scheme) could insist on a lump sum payment and this could run into millions of pounds.

YL is responsible for meeting loan repayments in respect of two loans, originally for investment in our two leisure centres. These repayments are around £600,000 per annum. The council guarantees these loans; further, the loan terms stipulate that early redemption attracts penalties that are equal to the value of all principal and interest due over the life of the loans. YL's failure would present a risk that the loans would have to be redeemed, including penalties, and this could amount to £8million.

The report contains some “asks” that include financial support to YL. This support would need to pass the State Aid test and the council will need legal advice on this point. The key support is in the form of either a council guarantee for a YL overdraft with its bank, or a loan from TDC to YL, of up to £1.5m. There are ongoing discussions with YL’s bank (Lloyds) as to the best route.

There are also ongoing discussions with Lloyds regarding the punitive loan terms between YL and Lloyds - the loans that are guaranteed by TDC - with a view to attempting to negotiate an improved arrangement.

Regarding a potential council loan to YL, the council would have to be mindful of entering into an agreement that committed us to a long term relationship without the benefit of having considered all potential options for the provision of leisure services in the district.

Legal

The legal implications are set out in the report. All leases/licences etc will be reviewed by the legal team as appropriate to give effect to these recommendations.

Corporate

These are contained in the report.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

The current YL service provides for all local residents regardless of age, disability, gender, gender identity, race, religion or belief and sexual orientation and offers a programme of activities which aim to engage local people.

Engaging residents in physical activity and sport has many benefits which impact on local priorities such as improving health and well being.

However, if YL ceased trading this would impact on the local offer to ensure the provision of facilities that offer an accessible and quality, yet cost effective, service which meets the diverse needs of the district's local community.

CORPORATE PRIORITIES

- *Growth*
- *Environment*
- *Communities*

1. Introduction and Background

1.1. YL is a Registered Society, more commonly referred to as a Leisure Trust, under the Co-operative and Community Benefit Societies Act 2014 with charitable status. Within the Thanet district the company manages a range of facilities and services under 25-year lease and annual funding agreements with the council. The existing lease covering Northdown House, Margate Winter Gardens, Hartsdown Leisure Centre and Ramsgate Leisure Centre expires in October 2024. YL also provides management services at Margate Theatre Royal (currently agreed until September 2021) and manages beach huts along the coastline. In addition, although not subject to agreements with TDC, YL manages the Bluewave Hydrotherapy Pool & Gym in Margate and delivers a range of partner funded community programmes to improve health and wellbeing. YL have retained responsibility for some leisure facilities in Dover however the proposals contained in this report do not support the Dover activity as there are separate arrangements with Dover District Council to cover those.

1.2. TDC remains guarantor on the main loans relating to Hartsdown and Ramsgate Leisure centres, this equates to estimated outstanding liabilities in the region of £8m. Over and above these loans there is also a liability attached to pensions of between £2m and £5m as well as various other liabilities should Your Leisure cease trading.

2. The Current Situation

2.1. In late February 2020 the emergence of Covid began to impact trading performance with a substantial decline in income being evident up until the 20 March when all YL's facilities and services were required to close at which point all of their customer income ceased.

2.2. Beach huts were made available for public use from the 4 July and the two leisure centres opened on the 4 August. The Winter Gardens, Theatre Royal and Northdown House remain closed. Despite being able to re-open some of the facilities, customer confidence remains low, which is unlikely to change as a result of the further national restrictions being applied for an unknown period. Assuming that when they do reopen, original restrictions apply, capacity will remain significantly restricted as social distancing has been applied to all the core leisure centre services including swimming and gym, with exercise classes being suspended.

2.3. The challenge of Covid-19 is creating dire consequences for the leisure, hospitality and entertainment sector. Additional funding has been announced in the form of £100m from the National Leisure Recovery Fund. However, this is to help address losses from the beginning of December 2020 onwards, rather than earlier incurred losses. We have submitted our expression of interest and main application, which is being considered by Sport England at the time of writing.

2.4. Looking forward, the full extent of the impact on YL is still unknown, including:

a. Changes in customers' behaviour and confidence levels as a result of the continued existence of the pandemic in society.
b. Whether and at what point it will be viable to re-open the hospitality and entertainment venues.
c. The Government continues to implement measures to limit the spread of the virus and, as a result, there is a risk of further restrictions and local lockdowns.
d. The current nationwide lockdown is having a further significant impact on income.

2.5. YL has taken a range of actions in an effort to maintain liquidity (cash) in the business:

a. Taken and continue to take advantage of the Coronavirus Job Retention Scheme (CJRS).
b. Successfully applied for £200,000 in grants from the Coronavirus Retail, Hospitality and Leisure Grant Fund.
c. Secured short-term financial support from their bankers with an £800,000 loan via the Coronavirus Business Interruption Loan Scheme (CBILS). YL identified an initial requirement for a £2m loan but the maximum they were able to borrow was limited to £800,000.
d. Taken advantage of the deferral of the March 2020 VAT liability which is now due to be paid in March 2021.
e. Negotiated an instalment arrangement with HM Revenue & Customs for the payment of PAYE liabilities.
f. Negotiated payment holidays on rent, loan and utility liabilities and secured additional and advanced funding from local authority partners.
g. Facilities or services that under current circumstances are not considered viable have not re-opened.

h. Submitted an application for £930,000 grant funding through the Cultural Recovery Fund and joined a Theatre Trust national initiative to 'Save Our Theatres' and have established a crowd-funding page for Margate Winter Gardens and the Theatre Royal.
i. Completed a redundancy consultation with the hospitality and entertainment and leisure centre teams resulting in redundancies in preparation for the ending of the CJRS.

Financial Implications of Covid

2.6. Table 1 illustrates the implications for the final two months of trading for the financial year ending March 2020. The variance between 2019 and 2020 indicates a Covid trading deficit impact, for just these two months, of (£226,129).

Table 1

Trading Position February & March 2020 (based on management accounts)

Company Wide Trading Position (P&L)	Surplus/ (Deficit)
For February & March 2019 (two months combined)	(£50,723)
For February & March 2020 (two months combined)	(£276,852)
Variance and Covid Impact for February & March	**(£226,129)**

2.7. Table 2 illustrates the implications for the financial year commencing April 2020 up to November 2020. The variance between 2019 and 2020 indicates a Covid-19 trading deficit impact, for these eight months, of (£1,060,761).

Table 2

Trading Position for April - November 2020 (based on management accounts)

Company Wide Trading Position (P&L)	Surplus/ (Deficit)
For April – November 2019 (eight months combined)	£117,190
For April – November 2020 (eight months combined)	(£943,571)
Variance and Covid-19 Impact April – November 2020	**(£1,060,761)**

2.8. The overall impact for the period February – November 2020 (table 1 & 2 combined) is a non-recoverable trading deficit variance of (£1,286,890) - the implication being that compared to the "normal" period in 2019, 2020 trading was worse by £1,286,890.

2.9. YL maintaining a positive cash position is critical for its viability and continuation of services. YL's opening cash balance was £806,529 as at 12 January 2021. It is important to note this opening balance does include the benefit of many of the delivered actions listed above, as well as income previously collected for shows/performances that are currently re-scheduled and deposits for future hospitality and entertainment events. As a starting point the cashflow projections are based upon future expected cashflow with a month end improvement target factored in for the YL management team to focus upon delivering. In the current situation the degree of accuracy is uncertain and therefore a 10% positive and negative sensitivity is also applied to the month end target balance. Table 3 summarises the cashflow position outcomes.

Table 3

Summary of Cashflow Position Outcomes

	First negative month and amount	**Peak** negative month and amount
Expected cashflow projection	Mar 2021 (£47,122)	Sep 2021 (£2,306,021)
Target cashflow projection	June 2021 (£300,881)	Sep 2021 (£916,671)
10% positive variance on target cashflow	June 2021 (£270,793)	Sep 2021 (£825,004)
10% negative variance on target cashflow	June 2021 (£330,969)	Sep 2021 (£1,008,339)

2.10. YL's accounts for year ending 31 March 2020 have now been audited and approved by the Board for adoption at the Society AGM on 29 September 2020. The auditors, whilst not qualifying the accounts, have made the following statement under the Going Concern section.

'There are material uncertainties related to the events and conditions caused by Covid-19 that, together with the Society's negative unrestricted reserve position, may cast significant doubt upon the Society's ability to continue as a going concern and therefore whether the Society will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements'.

Application to Cultural Recovery Fund

2.11. The government launched a £1.57Bn Cultural Recovery Fund designed to support the arts and entertainment industry. The fund was overwhelmed with applications and YL, having applied for £930,000, was successful in securing £332,000. This money has now been accepted based on an initial delivery plan to re-open the Winter Gardens and Theatre Royal in April 2021, subject to the easing of restrictions. The Agreement requires YL to deliver the plan for 1 year following the final 10% payment which is to be received on 28 April 2022.

2.12. A specific and substantial issue relating to the Winter Gardens is the need to replace and relocate the boilers in the Main Hall and Queens Hall. Without this work being completed the building cannot be heated. A quotation received from YL's contractor totals £230,285 plus VAT. YL does not have the available resources to address this matter.

Financial Support Required

2.13. The financial impact of Covid on YL is evident. The facilities and services they provide have been forced to close for ten months now, and despite the partial reopening of the leisure centres there is substantially reduced income through meeting social distancing guidelines. Whilst substantial effort and actions were and continue to be taken to mitigate the impact, YL faces an uncertain future and the possibility of insolvency and liquidation.

2.14. In turn the council faces the prospect of facilities and services not reopening in the future and having to seek alternative arrangements to provide the services currently delivered by YL. The current climate will create challenges in finding a replacement operator particularly with the existing loan and pension liabilities. To avoid this situation, YL is requesting the following financial support and contractual amendments:

a. Access for YL to draw upon, as required, either a guaranteed overdraft with Lloyds or a loan from TDC of between £700k-£1.5m, repayable over a 15 year period at an interest rate equivalent to market rate. This requirement is due to the factors described in this report, but can be more easily attributed to the £1.2m shortfall in the amount requested (£2m) in comparison with the £800,000 received through the Coronavirus Business Interruption Loan.

b. To ensure the Winter Gardens can reopen and operate from October 2021 onwards, additional funding is provided to address the cost of replacing and relocating the boilers at an estimated cost of £230,285 plus VAT.

c. To facilitate YL protecting much of the advanced income for shows/performances and to meet the obligations of accepting the cultural recovery funding.

d. To explore with YL the potential to refinance, through Council prudential borrowing the existing loans in respect of Ramsgate and Hartsdown Leisure Centres. Having had early conversations with Lloyds, an additional payment break has been agreed for 3 months in order to allow the time to further review this.

Consideration of removing the Winter Gardens and the Theatre Royal from the YL operations.

2.15. We have considered in discussion with YL whether removing the Winter Gardens and Theatre Royal would improve the financial position and enable YL to focus on the core leisure facilities.

2.16. The Winter Gardens, in addition to the urgent replacement of boilers and heating system as mentioned above also requires very substantial repairs and improvements to the building, estimates of £3-4 million pounds have been discussed, this is for necessary repairs to maintain the building and improve the facilities, something that can not currently be supported by YL or TDC

2.17. TDC have applied for funding under the Margate Towns Fund initiative for the Winter Gardens. If initial approval is obtained in March 2021 then a detailed business case will need to be developed to include match funding and a possible joint venture partners will need to be considered. This would include exploring enhanced uses for this iconic building. This process would take several months.

2.18. If the Margate Towns Fund Grants are not available, TDC would have to consider other options for the Winter Gardens which might include the sale of the building, (which would require specific member agreement in accordance with the Council's disposal process) a new commercial letting to a business that would develop the building further, or various forms of joint partnership development, although during the continued uncertainty of the Covid-19 Pandemic 2021 is not an optimal time to be going to the private sector market.

2.19. It should also be noted that any change in the operation of the Winter Gardens before April 2022 would impact on the Cultural Recovery Fund Grant.

2.20. The Theatre Royal is also subject to a Margate Towns Fund bid. The timescales are also as mentioned above in respect of Winter Gardens, for developing and exploring opportunities, if initial approval is forthcoming.

2.21. The Theatre Royal is held by YL on an annual licence but would also mean that in practical terms it would be necessary to agree to any taking back of this property with YL.

2.22. In view of the issues outlined above, the recommendation would be to look at the options for Winter Gardens and Theatre Royal over the next twelve to eighteen months, whilst they remain under the YL agreement, subject to the financial and Pandemic issues outlined earlier.

3. Options

3.1. To adopt the recommendations as set out in the report and review the strategy in 3 months.

3.2. To reject the recommendations and instruct officers to come back with an alternative strategy for YL

Contact Officer: Madeline Homer, Chief Executive

Annex List

None

Background Papers

None

Corporate Consultation

Finance: Tim Willis, Deputy Chief Executive & S 151
Legal: Estelle Culligan, Director Law and Democracy