

Additional Culture and Leisure Overview and Scrutiny Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Tuesday, 3 September 2024 at 10.30 am
Council Chamber - South Kesteven House,
St. Peter's Hill, Grantham. NG31 6PZ

Committee Members: Councillor Murray Turner (Chairman)
Councillor Barry Dobson (Vice-Chairman)

Councillor Matthew Bailey, Councillor Emma Baker, Councillor James Denniston,
Councillor Gareth Knight, Councillor Robert Leadenhams, Councillor Paul Martin and
Councillor Chris Noon

Agenda

This meeting can be watched as a live stream, or at a later date, via the [SKDC Public-1 Channel](#)

- Public Speaking**
The Council welcomes engagement from members of the public.
To speak at this meeting please register no later than 24 hours prior to the date of the meeting via democracy@southkesteven.gov.uk
- Apologies for absence**
- Disclosure of Interests**
Members are asked to disclose any interests in matters for consideration at the meeting.

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Karen Bradford, Chief Executive
www.southkesteven.gov.uk

4. **Announcements or updates from the Leader of the Council, Cabinet Members or the Head of Paid Service**
5. **Presentation of 2024/25 budgets to include all anticipated expenditure** (Pages 3 - 7)
To provide an update regarding the budget position of LeisureSK Ltd.
6. **Cashflow and mitigation plan for 2024/25** (Pages 9 - 15)
To provide an update regarding the cashflow and mitigation options of LeisureSK Ltd.
7. **Timeline for presentation of 2025/26 budget information** (Pages 17 - 18)
To provide an update regarding the timeline for requesting a management fee for LeisureSK Ltd for 25/26
8. **Any other business which the Chairman, by reason of special circumstances, decides is urgent**



Culture and Leisure Overview and Scrutiny Committee

Tuesday, 3rd September 24

Report of Debbie Roberts, Chairman of
LeisureSK Ltd

LeisureSK Ltd – Budget for 2024/2025

Report Author

Debbie Roberts, Chairman LeisureSK Ltd

 Debbie.Roberts@leisuresk.co.uk

Purpose of Report

To provide an update regarding the budget position of LeisureSK Ltd.

Recommendations

That the Committee:

1. Notes the update regarding LeisureSK Ltd.

Decision Information

Does the report contain any
exempt or confidential
information not for publication?

Yes - Exempt Appendix A - Not for publication by
virtue of paragraph 3 of Part 1 of Schedule 12A of
the Local Government Act

1. Background to the Report

- 1.1 A management fee of £450,000 was confirmed to be paid to LeisureSK Ltd for the financial year for 2024/25 after consultation with the Cabinet and Members as part of the annual budget setting process.
- 1.2 A business plan was presented and approved by the LeisureSK Ltd Board of Directors confident that the Company could deliver the service within the management fee of £450,000.
- 1.3 As part of the request for additional budget from the Cabinet earlier this year a review of the Companies management fee and budget was undertaken by independent consultants at the Sport and Leisure Consultancy (SLC).
- 1.4 The report from SLC reviewed the budget and found that two contractors had been omitted in error from the 24/25 budget setting process (Gladstone and PHS services). The Board reviewed the budget to rectify this issue and to consider how the revised budget could be presented again to the Council still within the management fee of £450,000.
- 1.5 LeisureSK Ltd have worked hard with the accounts team to ensure that the forecasting of the budget and the actual costs are as closely aligned as possible. The original and revised budgets for the Company for the year 2024-2025 are shown in **Exempt Appendix A**, along with an explanation of the changes.

2. Key Considerations

- 2.1 The contract between the Council and LeisureSK Ltd remains in place until December 2025 and the budget that has been prepared is in line with the management fee provided from the Council.
- 2.2 A report later on this agenda considers the budget monitoring and cashflow position of LeisureSK Ltd and shows that the Company will manage within the management fee for 2024/2025 for delivering the leisure service.
- 2.3 LeisureSK Ltd are committed to supporting the Council achieving its ambitions of having a sustainable leisure and cultural offer as per the new Corporate Plan 2024-27.

3. Appendices

- 3.1 Exempt Appendix A – Original and Revised Budget 2024-2025

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Culture and Leisure Overview and Scrutiny Committee

Tuesday, 3rd September 2024

Report of Debbie Roberts, Chairman of
LeisureSK Ltd

LeisureSK Ltd – Cashflow and Mitigation 24/25

Report Author

Debbie Roberts, Chairman LeisureSK Ltd

 Debbie.Roberts@leisuresk.co.uk

Purpose of Report

To provide an update regarding the cashflow and mitigation options of LeisureSK Ltd.

Recommendations

That the Committee:

1. Notes the update regarding the cashflow and mitigation options of LeisureSK Ltd.

Decision Information

Does the report contain any
exempt or confidential
information not for publication?

Yes - Exempt Appendix A - Not for publication by
virtue of paragraph 3 of Part 1 of Schedule 12A of
the Local Government Act

1. Background to the Report

- 1.1 The Council's Culture and Leisure Overview and Scrutiny Committee previously received updates at meetings on the 26th March 2024 and 18th June 2024 regarding the performance of LeisureSK Ltd.
- 1.2 LeisureSK Ltd faced operational challenges last financial year in relation to increased supplier costs and the significant increase in the cost of utilities. This aligned with the national picture and the challenges being faced by other leisure providers. A management fee of £500,000 for LeisureSK Ltd was budgeted for the last financial year 23/24, however because of difficult trading conditions during the previous year, an additional management fee of £123,000 was approved at a meeting of the Cabinet on 18 January 2024. In an extract from the minutes of that meeting it states the following point (s) be addressed: -
 - a. *To request officers write to LeisureSK Limited to request a mitigation and recovery plan for the financial years 2023/2024 and 2024/2025 in response to the management fee request with a view to seeking the level of management fee being requested reducing further for 2024/2025.*
- 1.3 In response to the point raised above all financial information has been shared with the Council and there has been correspondence between the Leader with regards to the cashflow and mitigation plan.
- 1.4 The independent review of the profit and loss account and business plan was undertaken by the Sport and Leisure Consultancy (SLC) and only highlighted one potential area for review which was to consider the latent demand for leisure and to work with Swim England on the swim school data, which is ongoing. The SLC report noted that the Companies staffing structure is lean and no savings could be made from this area.
- 1.5 The latest budget monitoring and cashflow for the Company from April to July 2024 is shown in **Exempt Appendix A**. The monitoring highlights a strong current forecast position and the impact of work the Company has undertaken to increase its income.
- 1.6 The report also highlights work undertaken to understand the current and forecast cash position and whilst the budget monitoring position provides a positive direction for the overall cash position, the Company would still require Council support or to manage the position over the year end.
- 1.7 The Company, since January 2024, made some immediate decisions to try to mitigate the financial position. These were as follows:-
 1. There was a recruitment freeze on all vacancies from January 24 - April 24
 2. A review of outstanding debts was undertaken and payments to the Company sought from external hirers and the Board of Directors of the Company agreed to cease subsidising advance bookings/events.

3. The Chairman of the Company asked the Council to explore the option of an overdraft facility for LeisureSK Ltd with the bank and one can be set up quickly should one be needed.
4. Health walks were encouraged to be led by volunteers or by partner organisations rather than LeisureSK staff, so LeisureSK supports these rather than facilitating now. There are numerous health walks throughout the District and prove to be extremely popular.
5. The Company invested in a report regarding a range of energy improvements across the leisure centres which has resulted to the Council investing in pool covers and LED light improvements at Grantham Meres which has started to have a reduction in the utility consumption. As such LeisureSK Ltd have ceased their contract (saving £40k per year) with Analytics 4 Energy which was on an energy share cost basis and have a maintenance contract so that the Company can get the benefit of the energy savings via the utility bills wholly.
6. The Bourne roof and lights are on track to be completed over the summer holidays and will also reduce utility costs from autumn 2024.
7. The Council have been successful in their SALIX funding meaning that Grantham Meres will benefit from solar PV on the roof by March 25 and new heating system in March 26 which not only reduces the carbon of the leisure centre but also the gas costs.
8. Events at Grantham Meres are better than pre-covid levels and are all running at a surplus.
9. The Board of Directors of LeisureSK Ltd are keen to highlight that the Company is still delivering high quality services for residents and achieved Quest 'Good' standard across all three leisure centres.
10. Membership sales across the centres has been strong in 2024 with new sales increasing by 197 (11.9%) against the same period last year (January-July) and are in line with the forecast in the budget.
11. As per the previous report the Company are confident that they can trade within the management fee for 24/25 and generate a level of surplus in 24/25.

1.8 A report later on this Agenda considers the timescales for the Company to present a budget and proposed management fee for the budget for 2025/26.

1.9 The Company will continue to work to maximise its income and minimise costs and work with the Council to set a budget that delivers the Council's aims and objectives for the leisure service.

2. Key Considerations

2.1 The contract between the Council and LeisureSK Ltd remains in place until December 2025.

3. Appendices

3.1 Exempt Appendix A – Budget Monitoring and Cashflow

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Culture and Leisure Overview and Scrutiny Committee

Tuesday, 3rd September 2024

Report of Debbie Roberts, Chairman of LeisureSK Ltd

LeisureSK Ltd – Timeline for 2025/2026 Budget

Report Author

Debbie Roberts, Chairman LeisureSK Ltd

✉️ Debbie.Roberts@leisuresk.co.uk

Purpose of Report

To provide an update regarding the timeline for requesting a management fee for LeisureSK Ltd for 25/26.

Recommendations

That the Committee:

1. Notes the update regarding the timeline for requesting a management fee for LeisureSK Ltd.

Decision Information

Does the report contain any
exempt or confidential
information not for publication?

No

1. Background to the Report

- 1.1 This report focussed on a timeline for requesting a management fee from the Council for 2025-2026 which will be considered as part of the budget setting process.
- 1.2 The Company will draft the management fee for 2025-2026 on a like for like basis of delivering the leisure services on behalf of the Council with some financial caveats.
- 1.3 To align to this decision-making process the Company will draft a report for consideration by this Committee with a management fee request and business plan for 25/26 so that this management fee can be considered as part of the joint overview and scrutiny budget setting meetings.
- 1.4 The Company will be working on the assumption that if LeisureSK Ltd are successful in obtaining a new contract this will be on the same basis as the existing contract and specification unless informed of any changes by the Council.

1.5 Timeline

October 2024 – November 2024 LeisureSK Ltd will review all income and expenditure to draft a management fee request and business plan

11th November 2024 – LeisureSK Ltd Board of Directors approve fee request and business plan to be submitted

28th November 2024 - Chairman of LeisureSK Ltd write a report to Scrutiny with a formal request for a management fee and business plan to be included as part of the Councils budget setting process

- 1.6 It is worth the Committee noting that if there are changes to the National Living Wages as part of the autumn budget by government this may slightly delay the request whilst modelling is undertaken on the financial implications on salaries is undertaken.
- 1.7 Finally, the Company's electricity contract runs from October 24- October 25 therefore forecasting so far in advance may not be as accurate but the management fee request will be based on best assumptions available to the Company.

2. Key Considerations

- 2.1 The contract between the Council and LeisureSK Ltd remains in place until December 2025.