



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Companies Committee

23 February 2021

**Report of:** Councillor Barry Dobson

The Deputy Leader of the Council



## LeisureSK Ltd Business Plan 2021/22

This report provides an update on the successful establishment of LeisureSK Ltd and the submission of the Business Plan for 2021/22.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Growth</b>	<b>Administrative</b>	<b>Two or more Wards</b>

<b>Reviewed by:</b>	Paul Stokes, Head of Corporate Operations	5 February 2021
<b>Approved by:</b>	Karen Bradford, Chief Executive	12 February 2021
<b>Signed off by:</b>	Councillor Barry Dobson, The Deputy Leader of the Council	15 February 2021

### Recommendation (s) to the decision maker (s)

**It is recommended that Companies Committee:**

- 1. Approves the Business Plan for LeisureSK Ltd to cover the period January 2021 to March 2022.**
- 2. Agrees to undertake formal scrutiny to assess the performance of LeisureSK Ltd against the Business Plan twice a year.**

# 1 The Background to the Report

- 1.1 On the 18 August 2020 Cabinet made a decision to transfer the leisure service to a wholly-owned Council company on the expiry of the Council's leisure management contract with Leisure in the Community (trading as 1Life).
- 1.2 This decision was endorsed by Companies Committee at a meeting held on the 22 September 2020.
- 1.3 At a further meeting held on the 21 October 2020 Companies Committee:
  - a) Noted the work that had been undertaken to establish the optimal company structure for LeisureSK Ltd to ensure the company would be financially efficient and could benefit from savings in relation to VAT and business rates.
  - b) Endorsed the Articles and Association, Members Agreement and Resourcing Agreement as the main governance documents setting out the Council's relationship with LeisureSK Ltd.
  - c) Endorsed the five-year high-level budget presented.
  - d) Agreed to receive a detailed business plan from the Directors of LeisureSK Ltd at the earliest opportunity once the company had been fully established and the Directors were in place.
  - e) Endorsed the recruitment of a Non-Executive Director with leisure industry specific experience to complement the Board of Directors for LeisureSK Ltd.
- 1.4 At a meeting of the Council on the 1 October 2020 Members agreed the proposal to recruit a Non-Executive Director for LeisureSK Ltd and appointed Cllr Barry Dobson, the Deputy Leader of the Council as the initial sole Director of the company until further Director appointments could be considered.
- 1.5 At a further meeting of the Council on the 26 November 2020 the following additional Directors were appointed:
  - The Leader of the Council, Cllr Kelham Cooke
  - The Cabinet Member for Finance and Resources, Cllr Adam Stokes
  - The Cabinet Member for Culture and Visitor Economy, Cllr Rosemary Trollope-Bellew
  - Chief Executive of the Council, Karen Bradford
  - The Director of Growth and Culture once appointed (this is currently a vacant post).
- 1.6 In addition to the Director appointments, at the meeting of the Council on the 26 November 2020 delegated authority was provided to the Chief Executive to appoint the Non-Executive Director to the Board of LeisureSK Ltd on the successful completion of the recruitment process. Furthermore, the Council approved a budget not exceeding £500,000 be provided to LeisureSK Ltd to support the company for the first year (1 January – 31 December 2020) of its operation by way of a management fee.
- 1.7 The contract with 1Life ended on the 31 December 2020, this was earlier than the official contract end date, and was mutually agreed with 1Life in order to facilitate a smooth transition to the new arrangements. LeisureSK Ltd took over the management of the Council's leisure centres from the 1<sup>st</sup> January 2021.

- 1.8 In line with the current national lockdown restrictions the leisure centres have remained closed since 4 January 2021.
- 1.9 Since this time LeisureSK Ltd has had the benefit of a level of income as the table tennis centre at Grantham Meres Leisure Centre is currently being used as a Covid-19 vaccination centre. The Clinical Commissioning Group (CCG) are paying a hire fee for the facility which includes the reimbursement of the cost of staffing resources which are required to open and close the building.
- 1.10 In December 2020 the Council were successful in appointing a Non-Executive Director to complement the Board of Directors. The successful applicant is David Monkhouse, a copy of his CV is attached at Appendix One with his personal information redacted. David has a significant amount of leisure specific knowledge and experience and was formally appointed to the Board of Directors in January 2021. He has worked at a senior level within the leisure industry for a number of years, currently manages his own leisure consultancy business and is also an elected Trustee for the Chartered Institute for the Management of Sport and Physical Activity (CIMSPA).
- 1.11 Since January 2021 the Board of Directors have taken the necessary steps to ensure that the operational costs of the centres are being minimised whilst they remain closed, this includes the appropriate use of the furlough scheme. Currently the staff who remain actively employed are those who are required to undertake operational and health and safety checks across the facilities and those who are required for the vaccination centre.
- 1.12 The five-year business plan which was presented to Companies Committee on the 21 October 2020 considered the projected impact of Covid-19 on the operational and financial performance of LeisureSK Ltd and was based on the information available at the time. However, this did not account for the two subsequent periods of closure or the impact of tier restrictions.
- 1.13 In order to assess the ongoing impact of the Covid-19 pandemic the Council have commissioned Sport and Leisure Consultancy Ltd (SLC) to revisit the original budget projections and develop a revised two year business plan for LeisureSK Ltd to cover the period January 2021 to December 2022.
- 1.14 Given the uncertainty around how long the current national lockdown will remain in force, SLC have endeavoured to make an accurate assessment based on information on the previous recovery rates when the centres have been able to open, and have taken account of leisure industry benchmarks.
- 1.15 However, given the current uncertainty, it has been necessary to apply some assumptions to the operational business plan which are listed below:
- a) All leisure facilities are assumed to remain closed under lockdown or tier-based restrictions until April 2021.
  - b) Lockdown staff costs have been based on actual Job Retention Scheme costs provided by LeisureSK Ltd. National insurance costs have been added and employer pension costs have been included for all salaried staff including those on furlough.
  - c) All other income and expenditure assumptions have been based on actual performance from the period April 2020 to June 2020 when the facilities were previously closed.

- d) Income has been included for the use of Grantham Meres as a vaccination centre at £4300 per month for the hire fee, staff recharges have also been included at a rate of £1080 per week.
- e) Facilities are forecast to re-open from April 2021 and income levels have been based on the actuals for July and August 2020 when the facilities were able to open after the first period of lockdown.
- f) Expenditure levels have been forecast using the actuals from July and August 2020 and have been linked to anticipated income levels.
- g) It has been assumed that the furlough scheme will close at the end of April 2021 and therefore from May 2021 staff costs have been based on the return of salaried staff as a basis, with a gradual increase of casual staff costs and overtime over the following months. Again, this has been linked to income projections.
- h) Income and expenditure levels are forecast to return to steady state by April 2022.

1.16 The revised forecast provided by SLC can be used as the basis for the Council to agree an appropriate management fee for LeisureSK Ltd for the financial year 2021/22, and will also be used by the Board of Directors to agree the target setting and financial management of LeisureSK Ltd.

1.17 The Business Plan for LeisureSK Ltd is attached at Appendix Two. To enable the Council to assess the level of support that will be required by LeisureSK Ltd, and to bring the business plan in line with the Council's financial year, the first year of the business plan has been extended to cover the period January 2021 to the end of March 2022.

## **2 Consultation and Feedback Received, Including Overview and Scrutiny**

2.1 Companies Committee have previously considered and endorsed the establishment of LeisureSK Ltd at the meetings held on the 22 September 2020 and 21 October 2020.

2.2 At the meeting of Companies Committee held on the 21 October 2020 it was recommended that a detailed Business Plan would be presented by the Directors of LeisureSK Ltd to Companies Committee at the earliest opportunity once the company had been fully established and the Directors had been appointed.

## **3 Available Options Considered**

3.1 This report contains the Business Plan which has been developed for LeisureSK Ltd to cover the period January 2021 to March 2022. Income and Expenditure forecasts have been revisited to incorporate the ongoing impact of the Covid-19 pandemic.

## **4 Preferred Option**

4.1 That Companies Committee endorse the 2021/22 Business Plan for LeisureSK Ltd and agree to receive regular scrutiny reports on the financial and operational performance of the company.

4.2 It is proposed that Culture and Visitor Economy Overview and Scrutiny Committee will receive a report twice a year which details the company's performance against the contract key performance indicators. This information will also include details on the usage of the centres, customer comments and complaints.

## **5 Reasons for the Recommendation (s)**

- 5.1 This report and accompanying Business Plan detail the work that has been undertaken to fully establish LeisureSK Ltd as an operational business.
- 5.2 The forecasts previously submitted have been updated to include the ongoing impact of the Covid-19 pandemic on the performance of the company.
- 5.3 The Business Plan produced for 2021/22 provides a robust basis upon which Companies Committee can scrutinise the operational and financial performance of LeisureSK Ltd over the first fifteen-months of its operation.

## **6 Next Steps – Communication and Implementation of the Decision**

- 6.1 The Directors of LeisureSK Ltd will be responsible for the operational and financial performance of the company. The Business Plan and revised financial forecast will form the basis for target setting and used as a benchmark to assess the performance of the company.

## **7 Financial Implications**

- 7.1 In the current environment it remains very hard to predict the income and expenditure of LeisureSK Ltd. Expert consultancy support has been commissioned to assess the ongoing impact of Covid-19 on the business of LeisureSK Ltd and the Council can therefore be reasonably comfortable with the overall approach and assumptions that have been made in the development of the business plan for 2021/22.
- 7.2 In addition to this it is also difficult to predict how existing customers will respond when the centres are able to open once again and what the level of demand may be. Therefore, the Business Plan details some sensitivity analysis which has been carried out to assess the position if the centres perform better or worse than the assumptions that have been used.
- 7.3 The management fee of £500k for the calendar year of 2021 was based on previous trading and operational costings before the current lockdown was introduced. Therefore, it is reasonable to assume that the amount of the fee will need to be reviewed and updated once there is greater clarity of the phased re-opening of the centres and the subsequent trading performance. This review will be subject to further updates to Members at the appropriate time.

**Financial Implications reviewed by: Richard Wyles, Interim Director of Finance**

## **8 Legal and Governance Implications**

- 8.1 The Committee will need to satisfy itself that the Business Plan for 2021/22 is sufficiently robust and appropriate. The Council as owner will be required to oversee and scrutinise the company's performance through the Companies committee in the same way as it does for the other companies which are owned by the Council. Given the challenges and uncertainty around the timescales for opening the leisure facilities and the ongoing impact of Covid-19, it may be appropriate that Companies Committee requests an update on company activity at every meeting in the first year of the company's operation.

**Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance**

## **9 Equality and Safeguarding Implications**

- 9.1 LeisureSK Ltd has an Equality and Diversity Policy and a Safeguarding Policy which have been adopted by the Board of Directors.
- 9.2 The Board of Directors will need to ensure that these policies are fully implemented and that the staff employed in the leisure centres, and the customers that use them are kept safe and not disadvantaged in any way.

## **10 Risk and Mitigation**

- 10.1 The Board of Directors are developing a Risk Register for LeisureSK Ltd which will include existing and emerging risks to the business together with mitigating actions. The Directors will be responsible for maintaining the Risk Register and implementing any actions which may be required to protect LeisureSK Ltd, and the Council as owner of the company.

## **11 Community Safety Implications**

- 11.1 None arising from this report.

## **12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

- 12.1 The Council's leisure facilities currently account for 41.5% of the Council's carbon emissions. The Directors and management of LeisureSK Ltd remain committed to the efficient management of carbon emissions and will explore any future opportunities that arise to establish the associated costs and benefits.
- 12.2 As part of the Council's leisure improvement plans the introduction of carbon efficient measures will be considered as part of the planned improvements to the leisure centres.

## **13 Other Implications (where significant)**

- 13.1 None arising from this report.

## **14 Appendices**

- 14.1 Appendix One – NED CV
- 14.2 Appendix Two – LeisureSK Ltd Business Plan 2021/22
- 14.3 Appendix Three - Exempt Information from the Business Plan

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	N/A
	Previously Considered by:	N/A
	Final Decision date	23 February 2021