



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**



# **Joint Finance and Economic and Culture and Leisure Overview and Scrutiny Committee**

9 January 2024

Report of Councillor Ashley Baxter,  
Deputy Leader of the Council and  
Councillor Paul Stokes, Portfolio Holder  
for Culture and Leisure

## **Deepings Leisure Centre – Request for a Financial Contribution**

### **Report Author**

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### **Purpose of Report**

To provide a recommendation to Council on a request for one-off funding which has been received from Deepings Community Leisure Centre CIC in the sum of £850,000.

### **Recommendations**

**The joint meeting of the Finance and Economic and Culture and Leisure Overview and Scrutiny Committees is asked to:**

- 1. Review the Business Plan submitted by Deepings Community Leisure Centre CIC**
- 2. Review the level of the capital costs projected relating to the refurbishment of Deepings Leisure Centre**
- 3. Review the income and expenditure projections for Deepings Leisure Centre**
- 4. Give consideration to a level of funding subject to all the following conditions:**

- a. Any funds would only be released after the statutory period for a potential challenge in accordance with the Subsidy Control Act 2022 has expired.
- b. Confirmation that the other major funding contributions set out in the Business Plan have been committed and approved by those contributors.
- c. A satisfactory undertaking of due diligence of the Deepings Community Leisure Centre CIC including a review of their Financial Regulations.
- d. Evidence that proposed refurbishment works will comply with Building Regulations.
- e. Completion of transfer of lease or freehold ownership of the site from LCC to the Deepings Community Leisure Centre CIC.

Decision Information	
Does the report contain any exempt or confidential information not for publication?	<p>Appendices 4, 5, 7, 8, 9, 10, 11, 12, 13 and 14 are not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act – financial information</p> <p>Appendices 1 and 2 are not for publication by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act – legal information</p>
What are the relevant corporate priorities?	<p>Healthy and strong communities</p> <p>High performing Council</p>
Which wards are impacted?	All Deepings Wards

## 1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

### ***Finance and Procurement***

- 1.1 A request has been received for the Council to consider making a one-off financial contribution to the Deepings Community Leisure Centre CIC as a contribution towards the refurbishment costs of re-opening the Leisure Centre. As this is currently an unbudgeted sum the Council would be required to use its Local Priorities Reserve to make the funding available if this request is supported.
- 1.2 Meetings have taken place with representatives from the CIC to provide the opportunity for Council Officers to raise clarification questions with respect to the financial information and underpinning assumptions that have been provided to

assess the financial accuracy of the proposals. These discussions have enabled the CIC to provide further information and a higher level of clarity and understanding of the underlying assumptions and information within the Business Plan and cashflow forecast.

- 1.3 There are a high number of underpinning assumptions that have been used in building the cashflow that rely on an immediate and positive customer response to the Centre. This is contradictory to the current demand in the leisure market, and therefore the Business Plan is built on income projections that if not realised, have a detrimental impact on the financial viability of the proposal.
- 1.4 A further observation is the potential for a financially detrimental impact that any customer migration from the neighbouring centres (that are operated by the 100% wholly owned company Leisure SK Ltd) will have on their operating viability. Any customer and resulting income reduction from these centres could in turn result in an increased management fee request from Leisure SK Ltd in order to fund any increase in the operating deficit.
- 1.5 There are concerns that the operating expenditure is understated in several key areas such as staffing costs, ongoing repairs and maintenance, fixed overheads and utility costs. A combination of overstated income projections and understated expenditure projections could lead to continued operating deficits with no obvious solution to how this can be recovered. This scenario would lead to the Centre operation not being viable as a trading entity. These concerns are shared by the independent external assessment undertaken by SLC which is shown at **Exempt Appendix Eight**.
- 1.6 There appears to be financial differences between the projected costs of the refurbishment works previously provided to the Council as set out in paragraph 2.24. Some of the differences are significant (as shown in paragraph 11 of **Exempt Appendix Seven**). If the higher costs are reflective of the actual costs incurred this has the potential to expose that there would be insufficient funds available to ensure a full reopening. Whilst discussions have taken place regarding potential partial refurbishment if there was a funding shortfall (and the subsequent impact this would have on the forecasted cashflow) this has subsequently been ruled out by the CIC.

**Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer**

### ***Legal and Governance***

- 1.7 To consider whether the granting of the amount of funding requested from the Council can be made under the subsidy control rules, the Council commissioned Bevan Brittan LLP to provide legal advice. As there were commonalities with the request for funding being received by Lincolnshire County Council, the two Councils

agreed to jointly commission the legal advice which is attached to this report at **Exempt Appendix One.**

- 1.8 In addition, the Council also commissioned Bevan Brittan to provide comment on the general public law considerations which should be taken into account when considering the request for funding.

### **Subsidy Control Advice**

- 1.9 The advice provided in relation to subsidy control has confirmed that the provision of funding to the CIC, in accordance with the proposal set out in its business case appended to this report, will qualify as a subsidy as it meets the four conditions that this is assessed against, namely:

- The subsidy is given directly or indirectly from public resources by a public authority
- It confers an economic advantage on one or more enterprises
- Benefit is gained by the enterprise receiving the grant over one or more other enterprises with respect to the provision of goods or services
- The subsidy has or is capable of having an effect on competition or investment within the UK.

- 1.10 The Subsidy Control Act 2022 imposes requirements on a Local Authority when it intends to provide a third party with a subsidy. If these requirements are not complied with then the subsidy will be unlawful and can be challenged in the Competition Appeal Tribunal. It is therefore necessary for the Council to assess the funding request received from the Deepings Community Leisure Centre CIC against the subsidy control principles in Schedule 1 to the Subsidy Control Act. A grant must not be provided if it is inconsistent with these principles.

- 1.11 Furthermore, as the provision of community leisure activity is typically viewed as an important health and wellbeing benefit for the community, the legal advice indicates that the proposed funding may be considered to be a Subsidy for Services of Public Economic Interest (SPEI). For the Council to designate a service as a SPEI it must be satisfied that:

- The service is provided for the benefit of the public; and
- The service would not be provided, or would not be provided on the terms required by an enterprise under normal market conditions

- 1.12 In line with the legal advice, it is considered that it would be prudent to treat the funding as a subsidy for SPEI. This places additional requirements on the Council which must be complied with should the request for funding be granted as detailed in Section 29 of the SCA. The Council will need to:

- Satisfy itself that the amount of the grant is limited to what is necessary for the CIC to deliver the SPEI services, having regard to the income and costs

plus no more than a reasonable profit. Reasonable profits should be assessed through a benchmarking exercise comparing the profits achieved by similar public service contracts which have been awarded under competitive conditions.

- Ensure that the funding is given in a transparent manner which would necessitate a written contract or grant funding agreement which clearly sets out the terms of the subsidy and provides the following information:
  - The SPEI services in respect of which the subsidy is given
  - Details of the CIC as the enterprise which is tasked with providing the services
  - The period for which the services are to be provided
  - The facility itself or geographical location
  - How the amount of subsidy has been determined
  - The arrangements in respect of reviews and steps which may be taken for recovery, for example where the funding is found to be more generous than permitted and part or all of it has to be clawed back.

- 1.13 Should a grant be provided, the Council will need to keep the grant under review, at the beginning and end of the subsidy period, and at least every three years in the intervening period, and take steps to recover the grant to the extent that the maximum permitted subsidy is exceeded. If a decision is taken to provide the grant, this would require the Council to have appropriate contract management arrangements in place.
- 1.14 There is an exemption which can be used to provide SPEI grants up to a maximum total of £725,000 but the funding requested from the Council exceeds that amount meaning that the steps outlined in this report for ensuring compliance with the subsidy control rules would need to be taken in relation to any balance of the funding in any event. For this reason, it may be more appropriate to preserve any entitlement which CIC may have remaining under this exemption so that it can be used to provide cover for the smaller grants which are being sought from other contributors as part of the business case.
- 1.15 Under Section 33 of the SCA the Council would be required to publish details of the grant on the UK's Subsidy Database within three months of the formal decision to provide it, and to maintain this record for six years or the duration of the subsidy if this is longer.
- 1.16 Under Section 70 of the SCA, any interested party who is aggrieved by the making of a subsidy decision may apply to the Competition Appeal Tribunal for a review of the decision. The challenge can be in relation to the Council not complying with the subsidy control requirements in the SCA, or on more general public law grounds, for example that the Council did not behave reasonably or rationally when deciding to provide the grant. If such a challenge was successful the Competition Appeal

- Tribunal could impose remedies under usual judicial review principles, including an order for the recovery of the unlawful subsidy with interest.
- 1.17 The period in which a challenge can be made in relation to the provision of a subsidy is typically one month from the publication.
- 1.18 To determine whether a subsidy can be lawfully given the Government has produced an assessment template which outlines the recommended advice to support the provision of a subsidy in terms of:
- Whether it supports a policy objective
  - Whether a subsidy is the most appropriate way to address the policy objective
  - What would happen if the subsidy is not provided
  - How the subsidy will change the economic behaviour of the beneficiary and achieve something which would not have occurred without it
  - Whether the subsidy is proportionate and designed to minimise any negative impact on competition
  - Whether any negative effects are outweighed by the positive impact of providing the subsidy
- 1.19 For any decision to provide the funding to be lawful, the Council will need to satisfy itself that the funding is consistent with the subsidy control principles. Whilst there is some limited scope to relax the subsidy control principles to the extent necessary to ensure that they do not obstruct the delivery of services of public economic interest, there may be a risk in relaxing the application of the subsidy control principles.
- 1.20 The proposal to provide funding to the Deepings Community Leisure CIC has been assessed against the Government template and the assessment is attached at **Exempt Appendix Two** to this report. The Council will need to satisfy itself that the Business Plan represents a sustainable model to ensure that such a subsidy granted by the Council will be able to deliver the policy objective of improving leisure provision within the district.

### **General Public Law Considerations**

- 1.21 The Council has power under section 19(3)(i) of the Local Government (Miscellaneous Provisions) Act 1976 (LGMPA) to contribute, by way of grant or loan, towards the expenses incurred or to be incurred by any voluntary organisation in providing recreational facilities which the Council has power to provide under section 19(1) of the LGMPA (which gives the Council power to provide, amongst other things, indoor facilities consisting of sports centres and swimming pools).
- 1.22 “Voluntary Organisation” is defined at section 19(3) of the LGMPA as being “any person carrying on or proposing to carry on an undertaking otherwise than for profit”. On the basis that the CIC is a company limited by guarantee, it would be considered

to be a “not for profit” company in the sense that any profit generated is used to grow and develop the business, which is benefitting the identified community, or goes directly to the benefit of that community.

- 1.23 However, in exercising any power or duty local authorities must act for proper purposes, in good faith and must exercise their powers properly, following proper procedures in a “Wednesbury reasonable” manner. In other words, the Council must act for proper motives, take into account all relevant considerations, and ignore irrelevant matters. It must not act irrationally and must balance the risks against the potential rewards. Additionally, local authorities must consider the usual fiduciary, best value, crime and disorder reduction, equalities, health and wellbeing, and other relevant overarching duties when making decisions, as well as any explicit requirements.
- 1.24 Of particular importance to the matter in hand is the Council’s fiduciary duty to taxpayers to ensure that Council funds are used in their best interests. In other words, the Council must ensure that any decision to commit Council funds is an appropriate use of those funds, is done in a commercial manner and provides genuine and tangible benefits for the community.

**Completed by: Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer**

### ***Risk and Mitigation***

- 1.25 Statutory Officers have identified a number of legal and financial issues as detailed in the body of this report. In recommending that a funding contribution should be made to the Deepings Community Leisure Centre CIC Members will need to assure themselves that the level of risks identified are acceptable.
- 1.26 The Business Plan submitted by the Deepings Community Leisure Centre CIC contains a table which has identified a limited number of risks and mitigating actions. As detailed within the comments made by the s151 Officer and Monitoring Officer, further substantial risks have been identified which will need to be considered and addressed.
- 1.27 Appropriate insurance arrangements will be required to cover the operation of a reopened Deepings Leisure Centre including Public Liability and Public Indemnity Insurance.

**Completed by: Tracey Elliott, Governance and Risk Officer**

## ***Health and Safety***

- 1.28 Health and safety of leisure facilities is covered under the Health and Safety at Work Act 1974 and the Management of Health and Safety at Work Regulations 1999. As such leisure facility operators have a legal responsibility to ensure, as far as reasonably practicable, that in the course of carrying out their business the health and safety of members of the public, employees, contractors and volunteers, is not put at risk.
- 1.29 Under the Health and Safety (Enforcing Authority) Regulations 1998 South Kesteven District Council would be the enforcing authority for a reopened Deepings Leisure Centre.
- 1.30 During the course of conversations, the Deepings Community Leisure Centre CIC have confirmed that contractors working on Deepings Leisure Centre would be required to provide their own health and safety procedures, including risk assessments and method statements, and would be required to work to these arrangements under supervision of the Project Management Team. Furthermore, they have confirmed if volunteers are used then the Project Manager will ensure that suitable health and safety measures are enforced. The Project Management Team are yet to be appointed and therefore no details have been provided to the Council on the level of experience and qualifications which will be required as part of the appointment process.
- 1.31 The Council has robust arrangements in place to ensure that any works which are undertaken on its behalf are carried out by competent persons or contractors. If funding is provided to a third party to undertake renovation works to Deepings Leisure Centre, Members may wish to consider the impact of reputational damage should these works not be carried out by competent persons or contractors, and a resulting injury, loss, or damage occurs.
- 1.32 Deepings Leisure Centre contains a significant amount of asbestos within the structure of the building. During 2021 the Council commissioned a contractor to remove the asbestos where possible, the remaining asbestos being encapsulated. If structural modifications are to be made to the building care will need to be taken not to disturb the asbestos. The first element of the hierarchy of controls for Health and Safety is to eliminate the risk. The removal of the remaining asbestos would remove the risk this material being left in situ poses and would remove the need and cost of future management arrangements, particularly if further modifications to the building were planned. There are costs identified within the Business Plan in relation to the removal of asbestos.

**Completed by: Phil Swinton, Emergency Planning and Health and Safety Manager**

## ***Safeguarding***

- 1.33 Whilst there are no safeguarding concerns for the Council in relation to the request for funding, Deepings Leisure Centre adjoins Deepings School which is managed by the Anthem Trust. The business plan does not provide details on any safeguarding arrangements to be adopted, and it will be for the Anthem Trust and Lincolnshire County Council to satisfy themselves that arrangements are appropriate.

**Completed by: Jodie Archer, Head of Housing Services and Safeguarding Lead**

## ***Building Control***

- 1.33 The Building Control Regulations help ensure that new buildings, conversions, renovations and extensions (domestic or commercial) are going to be safe, healthy and high performing. Detailed regulations cover specific topics including structural integrity, fire protection, accessibility, energy performance, acoustic performance, protection against falls, electrical and gas safety. They also lay standards for drains, ventilation, protection against the ingress of water and protection against contamination, including methane and radon gas. The building control regulations are defined by the English and Welsh Governments.
- 1.34 General building control requirements are covered under Schedule 1 of the Building Act 1984, and any modifications to the building would require building control approval with an application, supported by full plans and working drawings, checked for compliance. Advice has been provided to the CIC that an architect will be required to develop suitable working drawings and to oversee the design phase of the project.
- 1.35 A fire risk assessment will need to be carried out for Deepings Leisure Centre, which takes account of any proposed changes or modifications to the building. It is also a requirement that details of the building control application, including the working drawings, are provided to the Lincolnshire Fire Service, who may require additional measures to ensure the safety of users in the event of a fire.
- 1.36 The plans provided by Deepings Community Leisure Centre CIC include provision that existing roof layers will be removed, and a lightweight aluminium roof constructed inside the building. It is further proposed that solar panels will be installed on the original roof. Building Control Regulation 23 (1) provides that if more than 50% of a thermal element is to be replaced (ie. the roof) then the whole of the thermal element must be replaced to ensure that it complies in so far as is technically, functionally and economically feasible. The CIC have confirmed that their plans for the roof will include the appropriate levels of insulation required.

- 1.37 The plans detailed in paragraph 1.36 rely on the existing roof structure being sound. The roof survey undertaken on behalf of the Council by Siddle Grimley Hage Limited in May 2021 is attached at **Appendix Three** to this report. Whilst the report confirmed that the visual and intrusive investigations undertaken at that time did not reveal any damage to the roof structure which would render the building unsafe, it was recommended that the roof members should be checked if the current roof was to remain over the winter period when there could be additional snow loads. No further structural roof survey information has been provided to the Council and therefore no assurance can be provided that the structure is safe, particularly given the significant water ingress which has occurred since May 2021.
- 1.38 In addition, the costs provided in the Business Plan propose a change of heating status, moving away from the oil-fired boilers currently in situ to an air source heat pump and solar panels. Building Control Regulation 22 provides that if there is a change of energy status then the whole of the building would be required to be brought up to current building standards, provision for this level of upgrade is not currently built into the costs which would increase significantly.

**Completed by: Jeremy Barlow, East Midlands Building Control Manager**

### ***Climate Change***

- 1.39 The previous operation of the centre relied on the heating source of oil-fired boilers, resulting in significant carbon emissions from the centre compared with gas or electrically powered systems.
- 1.40 The proposals to refurbish Deepings Leisure Centre include the provision of solar panels to generate electricity. The ability to produce clean renewable energy on site will reduce the reliance on fossil fuel generated power, nevertheless electricity generated would only offset the carbon emissions from the main heating system by a small percentage.
- 1.41 Currently local residents who previously used Deepings Leisure Centre are having to travel further afield to access leisure provision. The reintroduction of a local leisure centre would negate the necessity for these journeys. However, the carbon saving in relation to this would in all likelihood be offset by the reintroduction of a leisure facility to the district.

**Completed by: Serena Brown, Sustainability and Climate Change Officer**

### ***Diversity and Inclusion***

- 1.42 The Council has been requested to provide funding to a community group to reopen the Deepings Leisure Centre. As the Council would not be the direct provider of the services going forward an Equality Impact Assessment is not

required as the re-opening and operation of the Leisure Centre will be the responsibility of the CIC.

- 1.43 If the Council was considering removing funding, or removing service provision, an Equality Impact Assessment would be necessary. The Council's involvement in this matter is simply as a funder, not an operator.

**Completed by: Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer**

## **2. Background to the Report**

- 2.1 The Council's Corporate Plan (2020 – 2023) contains a key priority of building 'Healthy and Strong Communities' which includes an ambition to invest in the health of our district by improving leisure provision. This ambition runs parallel to the Council's other key priority of being a 'High Performing Council' thereby ensuring that the Council's finances are managed appropriately.
- 2.2 Deepings Leisure Centre is owned by Lincolnshire County Council (LCC) and was previously operated by South Kesteven District Council (the Council) under a tenancy at will arrangement. The Anthem Trust currently manages Deepings School. Prior to the closure of Deepings Leisure Centre, the school had exclusive use of the swimming pool and sports hall during the school day under a chance to share arrangement.
- 2.3 The Council ceased operating Deepings Leisure Centre in July 2021 when the centre was closed for health and safety reasons. During the period July 2021 and November 2022, the Council attempted to obtain security of tenure over the leisure centre and carried out detailed feasibility work, accompanied by operational business plans, before agreeing a scheme of refurbishment to bring the centre back into use should a lease be secured.
- 2.4 On 24 November 2022 the Council considered a report (**See Background Papers**) and decided that the previously agreed refurbishment of Deepings Leisure Centre would not proceed as this was no longer an affordable proposition for the Council.
- 2.5 Subsequently Deepings Leisure Centre was handed back to LCC on 16 January 2023.
- 2.6 The closure of the leisure centre has had a detrimental impact on the local community who relied on the facility for a wide range of sports and leisure activity, including the learn to swim programme and the provision of school swimming. This has also had an impact on the Deepings School who used the sports hall for physical education lessons and as a venue for examinations. As a short term measure the school have erected a temporary sports hall within the school grounds.

## **Expressions of Interest**

- 2.7 On 4 July 2023 LCC's Executive agreed that they would seek expressions of interest from organisations to purchase the freehold title of Deepings Leisure Centre. Any interested organisation would be required to demonstrate a sustainable and viable business case for the refurbishment and operation of Deepings Leisure Centre and ensure that their plans would not interfere with the running of Deepings School. They were also encouraged to consider shared use with the school which has a requirement for a permanent sports hall.
- 2.8 LCC has confirmed that any transfer of the freehold interest of Deepings Leisure Centre to an independent organisation is subject to the final agreement of the Anthem Trust and ultimately a decision for the Department for Education.
- 2.9 As LCC is not in a position to take on the responsibility for the running of Deepings Leisure Centre, especially given the level of repairs required, their Executive further stated that should a third-party operator not be found then the building would be demolished, and the land transferred to the Anthem Trust.
- 2.10 Details on the expressions of interest received by LCC have not been shared with the Council, nor has the Council been involved in the evaluation process in relation to any bids which have been submitted. Therefore, the outcome of this process is currently unknown.

## **The Deepings Community Leisure Centre Business Plan**

- 2.11 The Deepings Leisure Centre Community Group (DLCCG) is a working group which was established as an unincorporated association to shape a project to reopen Deepings Leisure Centre. Subsequently a separate Community Interest Company named Deepings Community Leisure Centre CIC (CIC) has also been established to manage the refurbishment of Deepings Leisure Centre and engage an experienced third-party leisure provider to run it.
- 2.12 Representatives of the CIC have confirmed that they have submitted an expression of interest to LCC accompanied by the Deepings Community Leisure Centre Business Plan (Business Plan). The Business Plan contains details of the capital investment and modifications which are proposed to be made to the centre together with income and expenditure projections.

## **Funding Request to South Kesteven District Council**

- 2.13 The CIC also submitted the Business Plan, which is appended to this report at **Exempt Appendix Four**, to the Council for consideration alongside a funding request for £850,000. **Exempt Appendix Five** contains a 15-year cashflow projection and cashflow summary which accompanied the Business Plan and details the income and expenditure projections.

- 2.14 **Appendix Six** contains supporting information which was submitted to the Council to accompany the Business Plan titled 'Dear Councillor'. This provides details on the level of support in the local community for a reopened Deepings Leisure Centre.

### **Assessment of Business Plan**

- 2.15 It is clear that there is significant local support for the reopening of Deepings Leisure Centre. A refurbished centre would improve leisure provision in the district and provide increased opportunities for local residents to undertake exercise. The reopening of Deepings Leisure Centre may therefore positively impact levels of fitness and health and wellbeing outcomes in the local area. The Business Plan also includes provision of SEN services such as assisted pool time, including the provision of an accessible pool-lift system, and the ability to offer health and wellbeing services such as sports massage, physiotherapy and holistic therapies.
- 2.16 However, following a review of the Business Plan, Officers identified a number of concerns and issues. Therefore, further information has been sought from the CIC during a series of meetings to provide clarification and further information.
- 2.17 The remainder of Paragraph 2 of this report provides information on the analysis of the Business Plan which has been undertaken, in addition information is provided on a revised Business Plan and income and expenditure projections which were subsequently received following ongoing dialogue. For ease of reading the information has been split into the following subsections:
- A) Timeline of Actions
  - B) Analysis of Original Business Plan
  - C) Capital Costs and Refurbishment Plans
  - D) Sources of Funding
  - E) Review of Business Plan by Sport and Leisure Consultancy
  - F) Leisure Management Provider
  - G) Revised Business Plan and Income and Expenditure Projections
  - H) Proposed Timeline for Re-opening

### **A) Timeline of Actions**

- 2.18 **Table One** below details the timeline of the receipt of the CIC Business Plan and details a series of meetings which has taken place between Council Officers and the CIC together with the receipt of additional information.

**Table One** – Timeline in relation to the submission of the Business Plan, clarification meetings, and the receipt of additional information

Date	Action
31st August 2023	Initial meeting with Richard Wyles, S151 Officer and Graham Watts, Monitoring Officer to discuss the level of information which would be required to accompany a request for funding
20 September 2023	Receipt of Business Plan and formal request for Council funding
3 October 2023	Clarification meeting with CIC resulting in a series of questions submitted for response
16 October 2023	Written responses to the clarification questions received from CIC
17 October 2023	Revised cashflow information received from CIC
18 October 2023	Clarification meeting with CIC
30 October 2023	Revised cashflow information received from the CIC
1 December 2023	Clarification meeting with the CIC
10 December 2023	Receipt of revised Business Plan

## B) Analysis of Original Business Plan

- 2.19 During early discussions, Officers provided an initial series of questions to the CIC to clarify some of the information contained within the Business Plan. Details of these questions, together with the accompanying responses received, are attached at **Exempt Appendix Seven** to this report.
- 2.20 To provide an independent expert opinion Sports and Leisure Consultancy (SLC) were commissioned to provide an analysis of the information provided in the Business Plan, specifically in relation to the income and expenditure projections. SLC are leading strategic advisers in enabling inclusive, healthy and active communities, and offer specialist advice to a wide range of organisations including Sport England and local authorities. They also have an in-depth knowledge of Deepings Leisure Centre as they previously supported the Council to review the feasibility options and develop business plans for the replacement and refurbishment options for Deepings Leisure Centre which were previously considered.
- 2.21 The report provided by SLC on their findings is attached to this report at **Exempt Appendix Eight**. The income and expenditure projections have been assessed, and a series a key risks identified which could impact the overall viability of Deepings Leisure Centre.

- 2.22 Furthermore, SLC had sight of the initial questions Officers had raised in relation to the Business Plan and the subsequent responses received (**Exempt Appendix Seven**). Comments on the responses provided by the CIC are included in the report by SLC in italics for ease of identification.

## **C) Capital Costs and Refurbishment Plans**

- 2.23 A total capital requirement of £1.935 million was originally identified by the CIC as the amount required to re-open Deepings Leisure Centre and provide a swimming pool, sports hall and gym.
- 2.24 The costs identified within the Business Plan are low compared to the previous refurbishment costs developed by the Council. In 2021 the cost of a basic refurbishment with no modification to the building was identified to be £5.28 million including contingency, fees and inflation. It is widely recognised that construction costs have increased since 2021 as a result of market volatility caused by Brexit and the war in Ukraine.
- 2.25 The costed interventions in the Business Plan do not represent a full refurbishment of the leisure centre and there is a reliance on discounts being offered by local suppliers with some works being undertaken free of charge.
- 2.26 The costs identified also rely on the existing roof structure being structurally sound. The structural roof survey previously undertaken by the Council, which is provided at **Appendix Three**, recommended that the roof members should be checked if the current roof was to remain over the winter period when there could be additional snow loads. No further structural roof survey has been undertaken and therefore no assurance can be provided that the structure is safe, particularly given the significant water ingress which has occurred since May 2021.
- 2.27 A cost of £106,638 was identified by the CIC within the Business Plan to cover the installation of an air source heat pump. The Council has recently worked with Leisure Energy Ltd, who are a leading energy saving consultancy and specialise in supporting organisations to submit funding bids to improve the energy efficiency of leisure centres. With their support, a bid has recently been submitted to the Public Sector Decarbonisation Scheme (PSDS) to install an air source heat pump at Grantham Meres Leisure Centre, the total cost of the project being assessed at £4.08 million. The project not only covers the cost of the air source heat pump and its installation, but also covers the costs associated with ensuring all mechanical and electrical plant is improved, and the pipework modified to ensure these are compatible with the new heating source.
- 2.28 As there was a significant difference in the costs identified in relation to air source heat pumps Officers requested the CIC provide a copy of the quote they had received so that Leisure Energy could review this. This is attached at **Exempt Appendix Nine**, with the cost identified being increased to £148,054. Leisure

Energy have subsequently confirmed that the quote relates to wall mounted air conditioning/heating units rather than air source heat pumps.

- 2.29 They have further observed that no installation costs have been identified within the quote and it is not known whether the heating units could work with the existing air conditioning system or whether further upgrades would be required. In addition, they have commented that the heating outputs appear to be low and that, although this system would heat the air in the pool hall, it appears no provision has been made to heat the pool water.
- 2.30 Information has been received from the CIC that the pool water heating has a separate specification and is included within the pool refurbishment costs. Furthermore, their supplier is confident that the specification suggested, together with the newly installed insulated roof, will deliver the level of heat output required.
- 2.31 The quote received from the CIC in relation to the pool refurbishment is attached at **Exempt Appendix Ten** to this report. The costs for providing a separate pool water heating system are provided within the quote but this sum has not been included in the capital costings within the Business Plan. The costs of refurbishing the learner pool have not been included in the quote or the costs identified.
- 2.32 The Business Plan provides that some modifications will be made to the leisure centre building, in particular the squash courts will be reconfigured to contain a gym within two of the courts and a soft play facility and exercise area in the other two squash courts. Capital costs for providing a mezzanine floor over the proposed gym area have been included but no costs have been identified to undertake the necessary works to form the two separate areas from the original four squash courts. This issue was raised during a meeting with the CIC who provided a response that these works were included in the amount set aside for contingency.
- 2.33 An amount of £424,000 has been set aside within the Business Plan for project management contingency including scaffolding and cranes. As this amount has not been itemised it has not been possible to assess whether the amount is appropriate and whether any additional works identified within the clarification responses provided by CIC can be accommodated within this sum.
- 2.34 The costs identified to improve the swimming change areas are very low compared to the previous costs identified. Prior to the closure of Deepings Leisure Centre, the condition of the swim change areas was identified to be very poor and requiring an upgrade. As swimming income forms a significant part of the income projections, there is a risk that the centre would be unattractive to users should this area not be improved to an acceptable standard, including appropriate showering facilities.

- 2.35 Within the clarification responses provided in **Exempt Appendix Seven** the CIC have stated that converting the changing rooms to a changing village is 'not a must for opening'. Should insufficient funds not be available this may also impact on the attractiveness of the offer for families, schools and clubs.
- 2.36 No capital costs were included within the Business Plan to bring the climbing wall back into service, however income from climbing wall activity was originally included in the income and expenditure projections. The climbing wall at Deepings Leisure Centre had been out of commission for some time prior to the closure of the leisure centre as it was deemed unsafe. This income has since been removed from the updated income projections.
- 2.37 There is no provision within the Business Plan costings to upgrade, resurface or re-line the car park. These works were previously identified by the Anthem Trust to be necessary for the Council to secure a lease of Deepings Leisure Centre. The CIC have provided information within their clarification responses that they will be gifted a section of the car park, and no resurfacing works are necessary, however the costs for re-lining have been included in the contingency sum. At a subsequent meeting they advised that expenses in relation to the shared driveway will be dealt with by way of negotiation once ownership of the building has been agreed with LCC, and therefore these costs do not currently factor within the identified capital costings.
- 2.38 The Council were previously advised that all fire doors within Deepings Leisure Centre would be required to be replaced and brought up to current standards. As the amount set aside for this in the Business Plan was considered to be low at £2,014 concern was raised as part of the clarification questions. The response received was that the CIC had inspected the doors and only two required replacing, the remainder required a rubber seal to bring them up to standards.
- 2.39 In the revised Business Plan received (**Exempt Appendix Twelve**) the costs associated with fire doors has subsequently been increased to £21,565. As included in the advice of the Building Control Manager in paragraph 1.35, a fire risk assessment will need to be undertaken and the plans will need to be approved by Lincolnshire Fire and Rescue.
- 2.40 The Business Plan and clarification responses provided by the CIC appear to contain conflicting information. Assurance has been provided within the clarification responses that all costs have been confirmed, are backed up by written quotations and will be honoured. The Business Plan contains information on a local company who are willing to tender, however the clarification response confirms that costs have not yet been confirmed with the company.
- 2.41 In addition to this the CIC confirmed in a meeting with Council Officers that two main contractors were visiting Deepings Leisure Centre during week commencing 4 December 2023 to provide a quote for their services. These costs, together with

the costs associated with securing an architect, do not currently feature in the costs identified in the Business Plan.

## **D) Sources of Funding**

- 2.42 The Council has been requested to provide £850,000 of funding as part of the total amount of capital funding identified in the Business Plan which totals £2.262 million. The Council's requested contribution represents 37.5% of the total amount identified, the remaining funding is proposed to come from LCC (who have requested that their proposed amount is not disclosed), local Parish Councils, Deepings St James United Charities, a private contractor, and the Community Ownership Fund.
- 2.43 The CIC are currently working on the application to the Community Ownership Fund and have reported they are confident of receiving funding as they have been assigned a case officer to assist with the application. They have also reported that the case officer will be assisting them in sense checking the costs which have been identified.
- 2.44 The CIC are also in the process of visiting Parish Councils to agree the funding contributions attributed to them via a precept arrangement and have provided further comment that they will explore crowd funding and sponsorship arrangements once the leisure centre has been signed over to them.
- 2.45 Although the Council and LCC have jointly commissioned legal advice on subsidy control, LCC has not yet provided any information on their evaluation of the CIC expression of interest and Business Plan including whether this has been approved or whether they intend to provide the funding requested of them. Therefore, there is a risk that, should the Council agree the funding request in the sum of £850,000, the remaining funds may not be secured.
- 2.46 During conversations with the CIC they have confirmed that should the main funders not agree their contributions (ie. the Council and LCC), the project will not be able to progress as no further funding sources are available.

## **E) Review of Business Plan by Sport and Leisure Consultancy**

- 2.47 Attached to this report at **Exempt Appendix Eight** is a report provided by SLC following their assessment of the Business Plan. Whilst the focus of their review has been to assess the income and expenditure projections, they have also provided comment within the report that the capital costs identified are substantially lower than the cost estimates previously produced.
- 2.48 Furthermore they have highlighted that there is a lack of detail on plans and associated costs which could present a significant risk, especially as development costs have increased over the last 12 to 18 months.

- 2.49 The report produced by SLC in **Exempt Appendix Eight** includes a table at paragraph 2.1.5 which provides a summary of the risks identified which have then given a red or amber rating depending on the potential impact on the viability of the leisure centre.

#### Income Projections

- 2.50 The review undertaken by SLC has identified that most of the income projections contained within the Business Plan fail to take account of a period of income growth whilst a customer base is established following the extended period of closure. Leisure operators typically build in growth over a two to three year period for a refurbishment even when a centre is already operational. SLC consider this to be a major risk as income in the early years is likely to have been significantly overstated.
- 2.51 SLC has further identified that it is unlikely that the facility would be able to generate a surplus in the early years of operation and it is unclear how the CIC would manage a deficit position, particularly as they are unlikely to have reserves to manage cashflow pressures.
- 2.52 Sports hall income has been projected in the Business Plan at £58,000 per year which is comparable with the £55,000 the facility took in the year pre-Covid. However, this income projection still carries a risk that this level of income may not be achieved in the short-term as previous users will have found alternative provision.
- 2.53 The Business Plan also includes an income of £130,000 per year from the Anthem Trust for the use of sports hall. The CIC has confirmed that no agreement can be reached with the Anthem Trust around this income until they have the freehold of the leisure centre. There is therefore a significant risk over this income assumption, especially as this far exceeds the level of income previously received by the Council which was circa £38,000 per year for the use of the sports hall, swimming pool and the Linchfield Road Playing Fields during the day term-time.
- 2.54 A significant proportion of the predicted income comes from school swimming and swimming lessons. As detailed within their report SLC identified an error in how the swimming lesson income has been calculated which significantly reduced the income projections.
- 2.55 This information was subsequently provided to the CIC who were given the opportunity to recalculate their swimming lesson income projection. Subsequently this has been revised and the number of hours for swimming lessons increased from the original 11.5 to 21.5 hours per week to get them back to the same level of income as originally projected. The revised information is attached to this report at **Exempt Appendix Eleven**.

- 2.56 This information has been shared with SLC who have provided comment that these figures represent circa 1,700 pupils in swimming lessons which is far in advance of pre-Covid levels at Deepings Leisure Centre and 132 pupils more than are currently enrolled at Grantham Meres Leisure Centre. The CIC have provided comment that this level can be achieved due to the lack of provision in the current area which has been exacerbated by the closure of the Regional Pool in Peterborough. However, SLC remain of the view that these figures carry a high level of risk especially as they are not supported by any market research.
- 2.57 Whilst the number of swim hours for swimming lessons has been increased no information has been provided on how this will impact the remainder of the pool programme and the impact that this may have on the income attributed to general swimming and swimming club use.
- 2.58 The increase in the number of swimming lessons would also incur additional payroll costs for swim teaching. The CIC have provided clarification when submitting the revised swimming lesson figures that they are confident that any increase in swim school times requiring additional swim teachers will be covered as the gross margin per swim teacher is circa 50% depending on class size.
- 2.59 Overall, excluding swim memberships, a total of £705,000 to £725,000 per year was originally projected from swimming activities. This represents between 63% and 68% of annual revenue and is higher than pre-Covid levels of swimming income at Grantham Meres Leisure Centre, which has three pools.

#### Expenditure Projections

- 2.60 Included within the Business Plan is an allocation of £75,000 per year for maintenance in years one to four which reduced to £50,000 per year from year five. SLC consider that this projection was low especially given the age and condition of the leisure centre. Sport England's Affordable Sports Centre guidance recommends that an allowance of circa £130,000 per year is made for repairs and maintenance of new leisure centres. SLC has identified this as a significant risk as unforeseen repair and maintenance costs could have a significant impact on the viability of the centre, and no provision appears to have been made to establish a sinking fund to cover these eventualities.
- 2.61 This issue has been discussed with the CIC who have subsequently increased the amount projected for maintenance from years one onwards in the revised income and expenditure projections included at **Exempt Appendix Thirteen**. They have also confirmed that there will be very little requirement for replacement equipment and fixtures and fittings in the short to medium term due to the refurbishment of the building. For example, the pool filtration is expected to last 20 to 30 years and once the leisure centre is operational, and they have also stated they will be able to apply for other grants to support the operation of the leisure centre. They have also said

they will investigate securing an insurance policy to deal with any significant issues which may affect the operation of the leisure centre.

- 2.62 Energy costs within the original Business Plan were originally estimated at circa £65,000 per annum. Pre-Covid energy costs for Deepings Leisure Centre were £154,000, which would be based on lower tariffs than are currently available. SLC has reported that based on benchmarked consumption rates, for a centre with good energy performance, energy costs should be expected in the region of £200,000 based on current tariffs. In the revised income and expenditure projections detailed at **Exempt Appendix Thirteen** the costs for electricity have been reduced further.
- 2.63 Representatives of the CIC were asked to comment on this and responded that, as they will be utilising solar power and battery storage, the running costs will be lower. In addition, as the cost of solar panels has reduced recently, they may be able to increase the number of panels on the roof.
- 2.64 The staffing model detailed within the Business Plan has identified costs in this regard to be £501,000 per annum which SLC consider to be lean. In addition, they identified there is no provision within the staffing model for maintenance, administration, sales, group exercise classes or coach/instructor led activity.
- 2.65 Within the clarification responses provided the CIC has advised that fitness and gym instructors will be employed on zero hours contracts and receive commissions and referrals which suggests that the staff could be employed at no cost to the operator. SLC consider that this is not a viable model given that the projected membership base could not sustain personal training commissions at a sufficient level for instructors to receive no salary. Furthermore, although the clarification responses make reference to exercise classes, no provision for class instructors has been included.
- 2.66 This was discussed with representatives of the CIC who advised Officers that they were considering a different model and would look to hire parts of the leisure centre out for these activities. Therefore, they would receive a guaranteed hire income and the instructor would then retain the income generated from the class.
- 2.67 SLC have made a general observation that the staffing model presents a risk in terms of the level of service that can be provided may not meet customer expectations. Furthermore, this may pose health and safety risks, and nationally there are recruitment challenges in the leisure industry. Therefore, the inability to attract and retain staff may increase the costs which have been identified.
- 2.68 SLC has identified that the original costs identified to provide teachers for swimming lessons had been understated by an estimated £11,200 on without the additional swim lesson hours being added as detailed in paragraph 2.55. There are currently significant issues in the leisure industry around the recruitment of suitably qualified

swim teachers, and if these positions cannot be filled then income levels will be impacted.

- 2.69 The expenditure projections in the Business Plan do not include any provision for the central costs of a leisure management company, nor is any profit or contributions to reserves identified. SLC has advised that, typically a leisure management company would retain 10% to 12% of income to cover these costs which would equate to an additional £114,000 to £137,000 based on the current income and expenditure costs provided.
- 2.70 In addition a leisure management company may also require the payment of a management fee. This issue was raised with the CIC who have confirmed that their current view was that they would engage in a profit share arrangement with a provider, and they are confident that this can be accommodated within the income and expenditure projections. In addition, they are confident that an experienced provider would add value and therefore additional income would be generated in line with their industry knowledge and experience which would cover any management fee.
- 2.71 SLC has advised that there are some areas of expenditure which have been omitted from the business plan or have been understated. These include:
- Marketing costs which are significantly below expected levels.
  - The costs associated with irrecoverable VAT.

Until these costs have been fully accounted for there, SLC is of the view that there remains a risk that operational costs will be higher than currently identified, which may impact on the viability of the facility.

#### General Observations from SLC

- 2.72 The CIC Business Plan is built upon a feasibility study which was undertaken by the Council in January 2020, specifically in relation to the market assessment and ideal facility mix. This information is now over three years old and fails to take account of the impact of Covid in the intervening period.
- 2.73 The Business Plan details that local swim schools are over-subscribed and the recent closure of the Peterborough Regional Pool further supports their assumptions on swimming lesson income. It is SLC's view that the projected swim school numbers significantly exceed pre-Covid levels, and there are established alternative facilities to the Regional Pool which the leisure operator will seek to direct displaced demand into.
- 2.74 Officers have contacted their counterparts in Peterborough who have advised that aquatic services have been relocated across other pools in the area. The swimming

lesson programme has been reallocated to the Jack Hunt and Stanground Pools, these facilities also accommodating the City of Peterborough Swimming Club together with the Peterborough Lido. All three facilities continue to offer public swimming sessions.

## **F) Leisure Management Provider**

- 2.75 Assurance has been provided by the CIC that the Business Plan has been reviewed by more than one experienced third-party leisure provider who have provided feedback that the income projections are 'conservative'. However, none of these providers have modelled their own income and expenditure projections should they be successfully appointed.
- 2.76 As detailed within this report LCC has stipulated that, should the expression of interest submitted by the CIC be accepted, there is a requirement for them to secure an experienced provider to run the leisure centre. To secure a provider the CIC would need to run a procurement process, as part of which bidders would be required to provide their own income and expenditure projections which would then be evaluated. It is therefore unknown at this stage to what extent the income and expenditure projections will change under this arrangement, what level of contribution to company overheads will be required and whether a provider would require a management fee payment.

## **G) Revised Business Plan and Income and Expenditure Projections**

- 2.77 As a result of ongoing dialogue with the CIC a revised Business Plan has been received which includes updated capital costs. This is attached to this report at **Exempt Appendix Twelve**, the total amount of capital funding required has been revised to be £1,966,325.
- 2.78 The income and expenditure projections have also been updated within the Business Plan, for ease of reading these are provided at **Exempt Appendix Thirteen**.
- 2.79 The CIC have confirmed that their income figures have been changed to accommodate the updated swimming lesson figures, and the remainder of their projected income has been compared against other providers. However, where SLC have pointed out that their costs have been overstated these have been reduced, for example the costs associated with chemicals.

## **H) Proposed Timeline for Re-opening**

- 2.80 The timeline for reopening Deepings Leisure Centre has been confirmed within the revised Business Plan as August 2024, with the milestone actions being updated to reflect the amended actions. These are detailed in **Table Two** below:

<b>Table Two – CIC Business Plan, Key Milestones and Timeline</b>	
<b>Milestone</b>	<b>Timeframe for Completion</b>
Secure agreement in principle on freehold transfer with LCC.	January 2024
Agree funding with SKDC	
Apply for Community Ownership grant and formalise application for funding with Town and Parish Councils	January – April 2024
Progress contractual arrangements with Third Party Leisure Provider	December 2023 to February 2024
Appoint Project Management Company	March 2024
Refurbishment work commences	April 2024
Phase 1 Opening – sports hall, pool and gym	August 2024

- 2.81 Assurance has been sought from the CIC whether the timeline identified is achievable. They have subsequently confirmed that it is still their intention to be on site as soon as possible and the most important task will be to replace the roof. The roofing contractor who has provided a quote has stated they would require one months' notice to commence works.

### **3. Key Considerations**

- 3.1 Following ongoing discussion with the CIC floor plan drawings have been received, no technical drawings have been submitted to the Council to fully demonstrate the level of capital works to be undertaken. However, from the information that has been provided it is clear that not all elements of the building are proposed to be improved prior to it being reopened.
- 3.2 Prior to the closure of Deepings Leisure Centre it was widely acknowledged that the leisure centre was in need of significant uplift and improvement due to its age and condition. Therefore, with limited intervention there is a risk that a re-opened Deepings Leisure Centre will not be attractive to users and deliver the projected income levels.
- 3.3 When the Council were negotiating the terms of a Service Level Agreement with the Anthem Trust prior to November 2022, there were additional specific requirements from the Anthem Trust which have not been included in the CIC refurbishment costings. These included the installation of monitored CCTV cameras in the corridor which adjoins the leisure centre and school, and a fenced evacuation area to alleviate safeguarding concerns and allow for separation of leisure centre users and pupils from a shared fire exit.

- 3.4 The CIC have confirmed that they are unable to negotiate the terms of a Service Level Agreement with the Anthem Trust until they are informed that their expression of interest has been successful, and therefore it is currently unknown whether the Anthem Trust will insist on the same level of works previously requested, although safeguarding of the pupils will undoubtedly be of paramount importance to them. Should further works be required to secure agreement for the freehold transfer by the Anthem Trust and the Department for Education, this will result in additional cost pressures.
- 3.5 Financial projections received from the Council's previous leisure management company for January 2020 to December 2020 demonstrated that Deepings Leisure Centre was expected to deliver a small profit of £8.4k during this period. The anticipated cost to the Council for the same period was assessed as part of the decision making process to establish LeisureSK Ltd and identified to be £215k when the costs associated with business rates, central costs and repairs and maintenance were accounted for. A breakdown is provided in **Table Three** below:

<b>Table Three – Anticipated Operating Deficit for Deepings Leisure Centre January 2020 to December 2020</b>						
Centre Operating Surplus	Contract Staffing Costs	Central Support	Business Rates	Deficit	SKDC Maintenance Liability	Total Anticipated Cost to the Council
(£8,347)	£44,756	£89,695	£20,517	£146,531	£68,850	£215,381

- 3.6 LeisureSK Ltd currently manage three centres on behalf of the Council, these being Grantham Meres Leisure Centre, Bourne Leisure Centre and Stamford Leisure Pool. The contract with LeisureSK Ltd provides that the Council pays a management fee which represents the difference in expenditure and the income the company has been able to generate. Originally the company was not predicted to require a management fee payment for the current financial year however, due to the higher costs of utilities, staffing and pool chemicals it was necessary to include a budget allocation of £500,000 to support the operation of the company in 2023/2024. These are all established leisure facilities which currently rely on a subsidy.
- 3.7 Work has been undertaken to assess the management fee required for LeisureSK Ltd for financial year 2024/2025, the final amount identified will be presented to Culture and Leisure Overview and Scrutiny before being considered by Council as part of the annual budget setting process.
- 3.8 LeisureSK Ltd's budget for 2024/2025 is being developed on the basis of the existing performance of the three leisure centres. Should Deepings Leisure Centre re-open this would have an impact on the financial performance of LeisureSK Ltd, resulting in additional financial support being required by the Council. It is difficult to assess the impact that this would have on memberships as this income stream has not returned to pre-Covid levels. However, both Bourne Leisure Centre and

Stamford Leisure Pool have experienced significant growth in Swim School numbers and associated income since the closure of Deepings Leisure Centre.

- 3.9 **Exempt Appendix Fourteen** contains information on the level of Swim School growth and the amount of associated income which could be lost if Swim School pupils return to Deepings Leisure Centre.
- 3.10 On average nationally, leisure centres are around 79% recovery when compared to pre-Covid attendance levels. Moving Communities was launched by Sport England in March 2021 to support the National Leisure Recovery Fund which provided £100 million of public funding to support the leisure sector recover from the impact of COVID-19. This is the largest data set ever gathered for the local leisure sector.
- 3.11 An analysis of Moving Communities demonstrates that the level of recovery varies significantly across areas of activity. Attendance at the gym has recovered the strongest and is now back to pre-pandemic levels, whilst swimming lessons is currently at 80% recovery. Group exercise classes, sports hall use, and outdoor activities are all sitting at about 69% recovery.
- 3.12 As identified in the report produced by SLC some elements of income in the CIC Business Plan are predicted to be significantly above pre-pandemic levels.
- 3.13 Furthermore, it has been recognised nationally that the costs of operating swimming pools have risen significantly. In recognition of this central government launched the Swimming Pool Support Fund in April 2023 to help organisations operating publicly accessible pools with the increased costs. As reported to a meeting of Cabinet held on 7 November 2023 (**See Background Papers**), the Council made a successful application and were awarded £344,659 to support the operation of Grantham Meres Leisure Centre and Stamford Leisure Pool, which will be used to offset the management fee provided to LeisureSK Ltd for the current financial year.

#### **4. Other Options Considered**

- 4.1 The Council has been provided with a Business Plan and request for funding from an external organisation which has been assessed as detailed within this report. Therefore, no further options have been identified or explored.

#### **5. Reasons for the Recommendations**

- 5.1 A request for funding has been received from a community group. Members are requested to review and comment on the proposals.

#### **6. Consultation**

- 6.1 The CIC has undertaken a consultation with members of the local community, the results of which have been included within the updated Business Plan. A total of

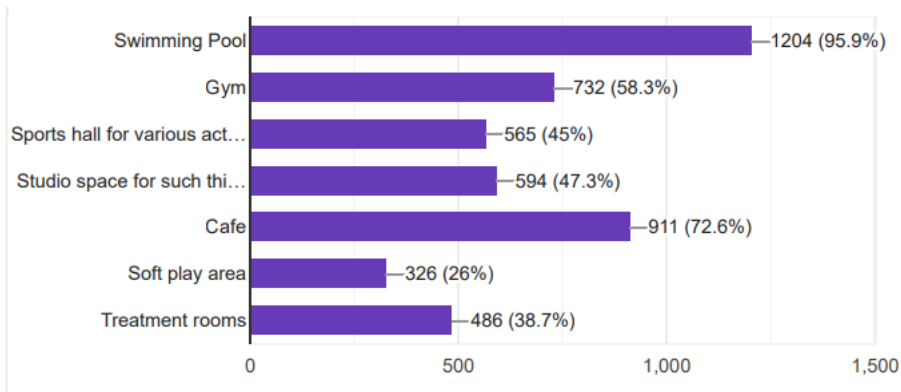
1258 responses were received, the questions which were asked and the associated results are summarised below:

**Question One:**

In the newly refurbished leisure centre which of the following would you be likely to use if they were available

**Result:**

1255 responses

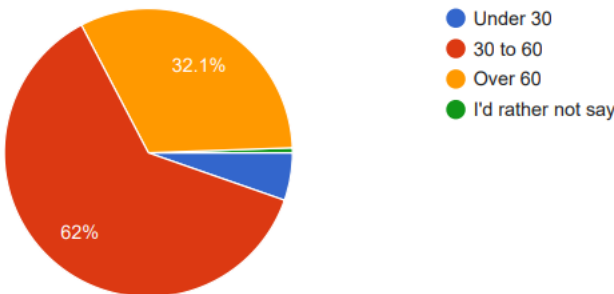


**Question Two:**

Please indicate which age range you fall into

**Result:**

1257 responses

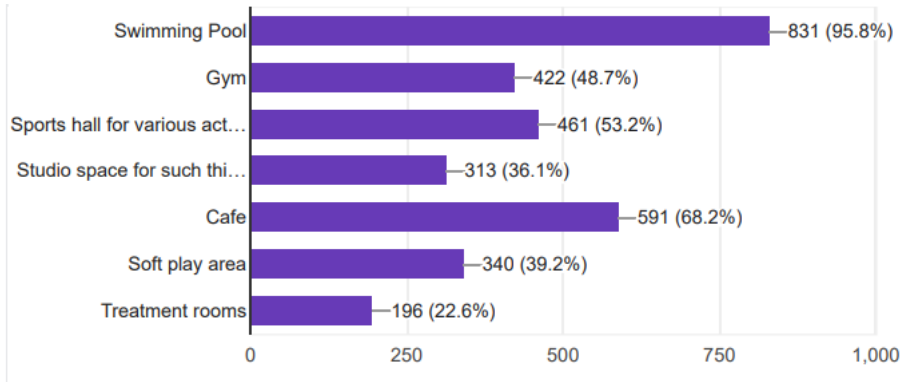


**Question Three:**

Ideally every member of your household that has an email address should complete this survey independently. However, if you have family members who do not have an email address (ie. younger children) you can answer on their behalf below

**Result:**

867 responses

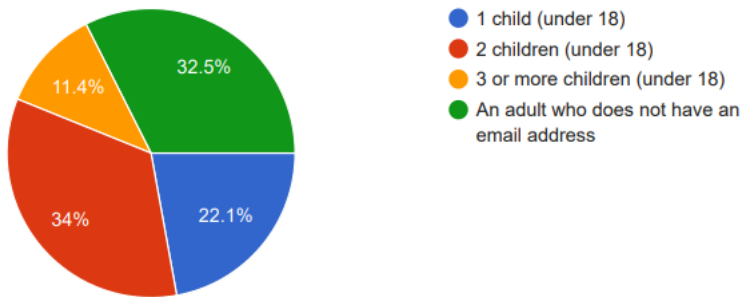


**Question Four:**

If you have completed the section above for another person in your household, please help us understand who else you are answering for

**Result:**

804 responses

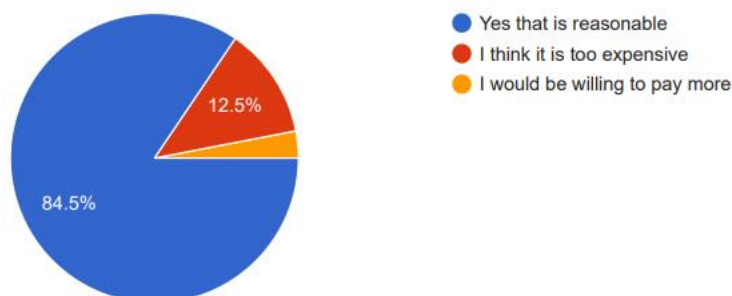


**Question Five:**

Do you think £30 a month membership for unlimited use of the gym and pool is reasonable. There will be pay as you go options

## Result:

1258 responses

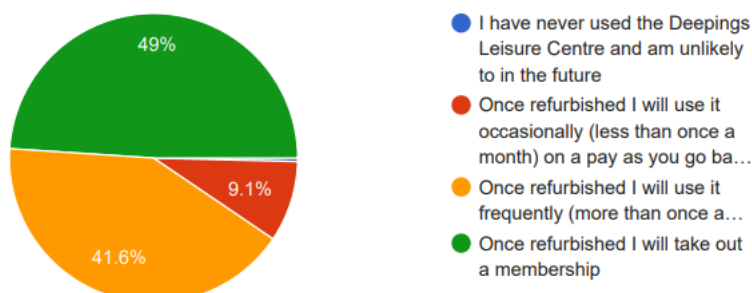


## Question Six:

Which of the following describes you best

## Result:

1258 responses



## 7. Background Papers

- 7.1 Report to Council 24 November 2022 on Deepings Leisure Centre
- 7.2 Report to Cabinet 9 November 2023  
<https://moderngov.southkesteven.gov.uk/documents/s39436/SPSF.pdf>

## 8. Appendices

- 8.1 **Exempt Appendix One** – Legal Advice provided by Bevan Brittan on subsidy control.
- 8.2 **Exempt Appendix Two** – Assessment of funding request against Government subsidy control template.

- 8.3 **Appendix Three** – Deepings Leisure Centre, Inspection of roof coverings and assessment undertaken by Siddle Grimley Hage Limited in May 2021.
- 8.4 **Exempt Appendix Four** – The Deepings Community Leisure Centre Business Plan.
- 8.5 **Exempt Appendix Five** – Income and Expenditure Projections to accompany the CIC Business Plan
- 8.6 **Appendix Six** - Communication to South Kesteven District Councillors
- 8.7 **Exempt Appendix Seven** - Questions and Responses in relation to the Deepings Community Leisure Centre Business Plan
- 8.8 **Exempt Appendix Eight** – Review of Business Plan for Deepings Leisure Centre conducted by SLC.
- 8.9 **Exempt Appendix Nine** – Quote provided to support installation of heat pumps.
- 8.10 **Exempt Appendix Ten** – Pool Refurbishment Quote
- 8.11 **Exempt Appendix Eleven** - Revised Swim lesson projections.
- 8.12 **Exempt Appendix Twelve** – Revised CIC Business Plan Nov 23
- 8.13 **Exempt Appendix Thirteen** – Revised income and expenditure projections received from CIC Dec 23
- 8.14 **Exempt Appendix Fourteen** – Impact of Reopening on the performance of LeisureSK Ltd.