



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Cabinet

18th January 2024

Report of Councillor Ashley Baxter,
Deputy Leader of the Council and
Cabinet Member for Finance and
Economic Development

LeisureSK Limited – Urgent Funding Request

Report Author

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Purpose of Report

To request, and explain the reasons for, an immediate payment to LeisureSK Limited of £150,000 to ensure the continued delivery of leisure centre services.

Recommendations

Cabinet is requested to:

1. Approve an immediate management fee payment of £150,000 to Leisure SK Ltd.
2. Delegate to the Council's s151 Officer in consultation with the Cabinet Member for Finance and Economic Development responsibility to identify the most appropriate source of funding from which to make the payment.

Decision Information

Is this a Key Decision?

No

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Growth and our economy Housing that meets the needs of all residents Healthy and strong communities Clean and sustainable environment High performing Council
Which wards are impacted?	All 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

- 1.1 Approval of the additional £150k management fee will ensure LeisureSK Limited can meet its cashflow requirements in January. The cost of the additional management fee can be funded from the Swimming Pool Support Grant which the Council received in November 2023. However, it should be noted that this grant is currently being used to offset the Council's forecast budget deficit. An alternative funding source is the use of the Council's Local Priorities Reserve.

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

Legal and Governance

- 1.2 There are no significant legal or governance implications arising from this report. Cabinet is requested to determine approval of a management fee further to a request by LeisureSK Limited.

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

2. Background to the Report

- 2.1 Leisure SK Limited presented a report to the Culture and Leisure Overview and Scrutiny Committee (OSC) on 30th November which confirmed there was a management fee requirement of £738,942 ([LeisureSK Ltd Management Fee Request 2024 2025 Report.pdf \(southkesteven.gov.uk\)](#)) for the current financial year (which is partly offset by the approved £500k fee). This projected deficit has since

Increased to £772,949 and was included in the latest report to the OSC presented on 9 January 2024.

- 2.2 The drivers for this management fee shortfall have been reported to the OSC. They are primarily due to the impact of utility costs, the amount of irrecoverable VAT, software and professional fees and minimum wage increases.
- 2.3 A formal written request has been received from the Chair of LeisureSK Limited, for an additional £273k Management Fee to satisfy the company's financial commitments and cashflow requirements to the end of the current financial year.
- 2.4 However, due to cash flow constraints, £150k of this has been identified as an urgent requirement predominantly to meet the company's payroll liabilities for January. A full breakdown of the payroll and supplier costs, together with the company's anticipated income, up to the end of January 2024 is provided below:

Salary costs -	£120k
Payroll related costs - (mainly tax and NI payments)	£24k
Supplier payment - (including utilities £155k and insurance £55k)	£302k
Total expenditure -	£446k
Income –	£240k
Bank balance	£60k
Total income -	£300k
Deficit –	£146k

- 2.5 The report confirms the additional funding request is £273k, however £150k is being requested as an urgent item which leaves a balance of £123k. This balance is part of a budget amendment report which features elsewhere on the Cabinet agenda.
- 2.6 The funding options available for this additional fee include potentially allocating the Government's Swimming Pool Fund which was approved by Cabinet in November 2023. However, the receipt of this grant is currently being used towards the balancing of the Council's revenue General Fund and thereby reducing the need to use the Council's Budget Stabilisation Reserve. If this grant is used to fund the additional fee, then it is increasingly likely the Budget Stabilisation Reserve will be required to achieve a balanced position for the financial year.

3. Other Options Considered

- 3.1 The Council could choose not to approve the increased management fee request. However, this would mean LeisureSK Limited would not be able to meet its cashflow requirements which would result in centres facing immediate closure.

4. Reasons for the Recommendations

- 4.1 To ensure LeisureSK Limited can meet its cashflow requirements in January 2024.

5. Consultation

- 5.1 Reports were presented to the Culture and Leisure Overview and Scrutiny Committee on 30 November 2023 and 9 January 2024. Both detailed the increased deficit the company are projecting for 2023/2024.

6. Background Papers

- 6.1 Culture and Leisure OSC 30 November 2023 – LeisureSK Limited Management Fee request for 2024/25
<http://moderngovsvr/documents/s39725/LeisureSK%20Ltd%20Management%20Fee%20Request%202024%202025%20Report.pdf>
- 6.2 Culture and Leisure OSC 9 January 2024 - LeisureSK Ltd Management Fee Request and Business Plan
<http://moderngovsvr/documents/s40148/LeisureSK%20Ltd%20Management%20Fee%20Request%20Business%20Plan.pdf>