

Meeting of the Culture and Leisure Overview and Scrutiny Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Tuesday, 9 January 2024, 10.00 am

Committee Members present	Other Members present
Councillor Paul Fellows (Chairman)	Councillor Richard Cleaver
Councillor Emma Baker	Councillor Phil Dilks
Councillor Harrish Bisnauthsing	Councillor Patsy Ellis
Councillor Gareth Knight	Councillor Phil Gadd
Councillor Paul Martin	Councillor Tim Harrison
Councillor Chris Noon	Councillor Rhea Rayside
Councillor Susan Sandall	Councillor Ian Selby
Councillor Ashley Baxter	Councillor Paul Stokes
Councillor Graham Jeal	
Councillor Virginia Moran	

Cabinet Members

Councillor Richard Cleaver, Leader of the Council
Councillor Ashley Baxter, Deputy Leader of the Council
Councillor Rhea Rayside, Cabinet Member for People and Communities
Councillor Paul Stokes, Cabinet Member for Leisure and Culture

Officers

Nicola McCoy-Brown, Chairman of LeisureSK Ltd
Debbie Roberts, Director of LeisureSK Ltd
Richard Wyles, Deputy Chief Executive and Section 151 Officer
Alison Hall-Wright, Assistant Director Finance and IT and Deputy Section 151 Officer
Graham Watts, Assistant Director (Governance and Public Protection) Monitoring Officer
Karen Whitfield, Assistant Director – Leisure, Culture and Place
James Welbourn, Democratic Services Manager (Deputy Monitoring Officer)
Lucy Bonshor, Democratic Services Officer

42. Public Speaking

No requests for public speaking had been received.

The Chairman notified the Committee that he had changed the Order of the agenda and that agenda item 9 – LeisureSK Ltd Management Fee Request and Business Plan would be considered after agenda item 6.

43. Apologies for absence

Apologies for absence were received from Councillor James Denniston and Councillor Matthew Bailey. Councillor Denniston was substituted by Councillor Virginia Moran and Councillor Bailey was substituted by Councillor Graham Jeal.

44. Disclosure of Interests

None disclosed.

45. Minutes from the meeting held on 30 November 2023

The minutes of the meeting held on 30 November were proposed, seconded and **AGREED**.

The Chairman advised the Committee that the next set of KPI's would be coming to a future meeting of the Committee as the Corporate Plan was still being compiled.

46. Updates from previous meeting

A question was asked in respect of the update on the HelloSK App. It was stated that discussions were taking place with the provider of the HelloSK App and a full response would come to the next meeting of the Committee. Another Member stated that he had found some issues with the App and he would send them over to the Officer.

➤ Action Note

An update on HelloSK App to the next meeting of the Committee.

47. Announcements or updates from the Leader of the Council, Cabinet Members or the Head of Paid Service

The Leader of the Council stated that he had a statement to read out when the Committee dealt with agenda item 9.

48. LeisureSK Ltd Management Fee Request & Business Plan

The Chairman reminded Members that if they wished to discuss information on the pink papers appended to the report then the meeting would need to go into closed session.

A question was asked about keeping the debate in the public domain. The Chairman replied that the meeting would be kept in the public domain, however, information contained within the pink papers was commercially sensitive and the meeting would need to go into private session if Members wished to discuss that information.

Before the report was presented, the Leader of the Council read out the following statement after receiving the urgent request for £273k from LeisureSK Ltd.

"In the short term and at the earliest opportunity, the Deputy Leader and the Leader would ask Cabinet;

- *To request officers, write to LeisureSK Ltd to request a mitigation and recovery plan for the financial years 2023/24 and 2024/25 in response to the management fee request with a view to seeking the level of management fee being requested reducing further for 2024/25.*
- *To request that the Cabinet Member for Finance and Cabinet Member for Leisure receive regular detailed budget forecast reports from LeisureSK Ltd between now and the end of the financial year 2023/24.*
- *To request an urgent independent assessment of the business plan and profit and loss account for the financial years 2023/24 and 2024/25 and propose any corrective action or mitigations that can be undertaken.*
- *To initiate an independent assessment of the existing governance model and operational financial management controls to ensure they are fit for purpose and effective.*
- *To note that an independent review of the VAT and taxation implications is underway.*
- *To ask the Council's S151 Officer to undertake a review of the financial information, a review of the Board minutes and level of financial support being provided to LeisureSK Ltd and to recommend to Cabinet any corrective actions that may be required.*

In the Medium Term to;

- *Accelerate the options appraisal for the future delivery model of SKDC's Leisure Services including insourcing and full market testing by tender with leisure providers. This to be undertaken within the shortest of timelines."*

The Chairman of LeisureSK Ltd presented the report. At the November 2023 meeting of the Committee a request had been made for more information. The report had been updated with more explanations under the mitigating items. The Board of LeisureSK Ltd had also sent additional, commercially sensitive information via email to Members which was also contained within the exempt pink papers appended to the report.

The leisure market had been struggling for a number of years and this had been reported over the years to various Committees. As well as dealing with the impact of the pandemic, the leisure market was also having to face the volatility of utility costs and increased staffing costs due to the increase in the minimum wage.

The Chairman of the Board of LeisureSK Ltd reminded Members that the company had been set up due to the struggling leisure market and in January 2021 it had not been the right time to go out to market for an external leisure provider. The Council had decided to set up LeisureSK Ltd as a short to medium opportunity, to not bring the service in house and to look again at the service once the sector had stabilised.

The Chairman of the Board assured Members that work was being carried out to mitigate and explore a range of initiatives to increase income and reduce energy consumption. Reference was made to the Leaders statement and that the impact of utility costs, unrecoverable VAT, software, professional fees and minimum wage increases had meant that LeisureSK Ltd urgently needed £150,000 to meet short-term cash flow issues and that was going before Cabinet on 18 January 2024.

Since the last meeting of the Committee, the audited accounts had been published for LeisureSK Ltd on 22 December 2023 and a link to these was provided within the report. The Business Plan was approved annually in January and was appended to the report at Appendix 4.

Members were reminded of how LeisureSK Ltd worked. The company was contracted by the Council to deliver the leisure services that the Council wished to provide. The contract worked in a way that the Council funded any deficit. The Chairman of the Board stated that she and the Board had faith in the Team at LeisureSK Ltd and introduced Matt Chamberlain, the contract Manager for LeisureSK Ltd to the Committee. The recommendations before the Committee were as shown within the report.

A discussion followed with the following questions/comments being made:

- Concern that the Council was using tax payers' money to bring the company up to operating standards, reference was made to subsidies, grants and loans – it was confirmed that the company was a subsidiary of the Council and was 100% owned by the Council.
- The Board had tried to mitigate costs as outlined within the report including restructures and reviewing all expenditure to reduce asking for a higher management fee.

Clarity was sought by the Chairman following the statement that the Leader had made and which had been circulated to Members of the Committee, were the Committee still to debate the recommendations before them.

The Deputy Chief Executive and S151 Officer stated that the report made reference at 1.10 to the Leaders statement, however, that was separate to the LeisureSK Ltd report before the Committee and was for the Cabinet to consider a budget amendment at their January 2024 meeting and was not part of formal scrutiny meeting.

Debate continued.

- One Member expressed devastation at the statement made by the Leader and its contents which he had not expected and still queried if the Committee should debate the Business Plan if this was to be reviewed by Cabinet. The Member also questioned the extension to the contract with LeisureSK Ltd and its length to which the Assistant Director Leisure, Culture and Place responded.
- The initial contract had been for a two year period, with a possible 3 year extension period. The contract had been extended for 15 months to bring it in

line with the financial year to 31 March 2024. The extension was done under an Officer Delegated Decision (ODD). If the contract was to be extended until 31 December 2025, this would need to be done at the end of March 2024.

The Leader apologised for any confusion his statement had caused but the Committee was asked to continue to scrutinise the documents before them and any views and information given would be carried forward into the review.

- The utility costs shown were queried in light of the what had been said about their increase as they were shown at only £25,050 especially as a government grant of £344,000 had just been received.
- It was stated that the grant from the government was for the current financial year and had been given due to evidence backed up by analysis costings showing an increase in costs from the previous year this also included chemicals as well as utility costs. There was no requirement to pay the funding back and it would be used to off set the management fee from the Council for 2023/24. It was noted that the figures in front of the Committee were for 2024/25 and the Swimming Support Fund was for the 2023/24 year.
- Further discussion on the utility costs followed whereby the Member felt that it was more administration costs rather than utility costs that had offset the costs. It was acknowledged that there hadn't been a significant overspend of utility costs against the budget, however, there had been an increase between 2021/22 and 2022/23 in utilities which had contributed to the £500,000 management fee requested, the budget had been amended to reflect these costs when set in 2022/23.
- A question was asked in respect of the lease for Grantham Football Club which had expired on 31 December 2021. It was stated in the report that negotiations were ongoing in respect of a 30 year lease, but the club was accruing a significant amount of debt in the hiring of the Meres Leisure Centre and the Member wanted to know what was being done to rectify the situation.
- It was stated that it was a complex situation. In the past the Council had provided a subsidy to a private organisation, however, in the current challenging times this was no longer appropriate. The right balance was required to enable the continuation of a long established football club and negotiations were on going.
- Clarity was sought in respect of the explanation given for the irrecoverable VAT charge.
- The Assistant Director of Finance and IT explained the three different categories of VAT that related to LeisureSK Ltd.
 - Normal rate – standard VAT at 20%
 - Zero rate – 0%
 - Exempt
- LeisureSK Ltd primarily provided activities that were exempt rated not zero rated. When exempt activities were provided, they were classed as partially exempt from reclaiming VAT.
- When the VAT return was produced on a quarterly basis, all purchases that related to exempt activities had to be excluded as VAT could not be claimed

back. Purchases could be claimed back but the income had to be worked out from the percentage of income from exempt activities, percentage of zero rated activities and the percentage of standard rated activities. LeisureSK Ltd primarily provided exempt activities which meant that the percentage of income received from standard activities was very low. VAT had been recorded correctly but it was a very complex.

- Further discussion on the irrecoverable VAT followed to which the Assistant Director of Finance and IT replied.
- A question was asked about the EPC certification, the Government website showed that this had expired. It was confirmed that these had been carried out in August 2022 and were up to date.
- Concern was expressed at how the VAT could be underestimated. Reference was also made to the vacancies in respect of General Managers and whether these were a necessary staffing cost.
- It was noted that dealing with partial exemptions was a complex and lengthy process, unfortunately the VAT increased forecast was established after the budget for 2023/24 had been set.

More debate followed in respect of VAT to which the Assistant Director of Finance and IT replied.

As references were being made in respect of the pink papers it was proposed that the meeting go into closed session. Clarity was sought in respect of whether the Board members of LeisureSK Ltd remained and it was felt that it would be helpful if the Board remained to answer the Committee's questions. It was also noted that the pink papers within the report did contain commercially sensitive information which was not for public circulation.

It was proposed, seconded and **AGREED** to exclude the press and public at this stage of the meeting as it was anticipated that in accordance with Section 100A(4) of the Local Government Act 1972 the likelihood that otherwise exempt information, as described in paragraph 3 of the Act would be disclosed to them.

(10:54 the meeting went into closed session excluding press and public)

(11:19 back in public session)

The Officers who were also on the Board of LeisureSK Ltd left the meeting at this point.

Concern was expressed about the leadership of LeisureSK Ltd and the continuing requests for money. The services provided by the leisure centres were also queried and how these could be improved.

Members were pleased that the Cabinet would be reviewing LeisureSK Ltd but felt that a timescale was needed.

Other Members felt that the Committee were not in a position to be able to approve the budget or Business Plan for LeisureSK Ltd as outlined in the report.

Recognition was made to those members of LeisureSK Ltd who were also Officers of the Council but the Committee had no confidence in the Board of LeisureSK Ltd and a proposal of a vote of no confidence in the Board of LeisureSK Ltd was proposed.

The Assistant Director (Governance and Public Protection) and Monitoring Officer clarified that any decision made by the Committee would be a recommendation to Cabinet.

The proposal received a seconder and on being put to the vote the proposal of no confidence in the Board of LeisureSK Ltd was **AGREED**.

Recommendation

That the Culture and Leisure Overview and Scrutiny Committee recommended to Cabinet “A vote of no confidence in the Board of LeisureSK Ltd”.

Following the vote of no confidence, the recommendations as contained within the report were considered separately.

Recommendation 1 – that the budget allocation of £446,672 is included in the Budget proposals for the financial year 2024/2025 to support the trading operation of LeisureSK Limited. This recommendation was proposed and seconded but on being put to the vote **FELL**.

Recommendation 2 to endorse the Business Plan for LeisureSK Ltd for the financial year 2024/25 failed to receive a proposer therefore, this also **FELL**.

(A short adjournment took place between 11:36 -11:46)

49. Wyndham Park Tennis Courts

The Cabinet Member for Leisure and Culture presented the report which updated Members on the refurbishment of the Wyndham Park Tennis Courts. The refurbishment works were 100% grant funded by the Lawn Tennis Association. Grantham Tennis Club had taken on the management and operation of the courts under a leasehold arrangement. It was hoped that the refurbishment would encourage more players to take up tennis. It was noted that there had been a delay due to the complex nature of the lease but this had now been addressed and the lease had been signed in November 2023.

A soft launch of the tennis courts had taken place at the beginning of December 2023 and a larger launch was planned for later in 2024.

The Cabinet Member for Leisure and Culture stated that this had been a cross council piece of work with a positive outcome.

Members unanimously agreed with the positive update in relation to the refurbishment of the Wyndham Park tennis courts and congratulated those who had made it happen.

50. Update on Street Markets

The Deputy Leader of the Council stated that the item followed on from the last meeting of the Committee when markets were discussed. It was suggested at the last meeting, that a Task and Finish Group was assembled to organise a consultation in respect of markets. The Deputy Leader stated that his intention was for a Task and Finish Group to oversee the development of a market strategy. There were Terms of Reference for the Task and Finish Group appended to the report and he welcomed the Committee's comments on the document.

The Chairman was thanked for sending a letter out as requested following the last meeting of the Committee to the Grantham Charter Trustees and also Bourne and Stamford Town Councils.

The Deputy Leader thanked Councillor Charmaine Morgan for the work that she had undertaken in respect of circulating and collating a questionnaire in respect of Grantham market and the questions posed by the letter circulated. It was disappointing that only one response to date, had been received from one Stamford Town Councillor.

Craig Rudd, the new Markets Supervisor was introduced to the Committee.

The Committee were asked to look at the Terms of Reference for the proposed Task and Finish Group which would co-ordinate the Market Strategy separate to the Committee.

The Chairman supported the recommendation contained within the report and highlighted the quick responses from Bourne Town Council and the work undertaken by the Grantham Charter Trustees to move the issue forward and come to a meaningful outcome.

In respect of the membership of the Task and Finish Group, the Deputy Leader asked that the Cabinet Member for Leisure and Culture be included.

Comments were made about past market reviews of which there had been many over the years, but it was highlighted that Councillor Tim Harrison had been instrumental in bringing the issue forward, attending the Grantham market and speaking to stall holders and he was thanked for the work that he had undertaken. Reference was also made to the email that Councillor Harrison had circulated to Members with ideas for the markets that could be pursued instantly rather than having yet another Task and Finish Group whose proposed membership was far too big.

It was felt that each market should have its own individual Task and Finish Group with a stripped back membership, such as the Ward Councillors where the markets were held, the relevant Cabinet Member and an Officer.

Further discussion followed on how each market was different and had distinctive needs. Councillor Harrison's work on markets was acknowledged by the Committee. The Deputy Leader stated that his proposal was a genuine attempt to get the right people in a room to look at aspirations to get the markets flourishing, to look at budgets and issues which

affected the individual markets and other factors such as whether the Council were the right people to manage the markets or could others manage them, look at better engagement with stall holders and promotion of the markets. The Deputy Leader was clear that this did not include privatising the markets or shutting them down.

More comments were made about reducing the membership of the Task and Finish Groups to Ward Members, an Officer and the Cabinet Member and that they should be three “micro” groups that meet as soon as possible to discuss specific proposals and due to the work done already by Grantham Members it was felt that Grantham should be the first to meet to push through ideas.

It was stated that not all Members who were interested in the markets were the specific Ward Member where the markets were held and it was felt that rather than Ward Members it should be those who had a fundamental interest in markets.

Concern was expressed that the issue would get dragged out and it was stated that the markets needed to be nurtured and they would improve. Each should have a specific group which contained local intelligence which could liaise with the right people to find solutions and this should be undertaken quickly.

The Deputy Leader took onboard what had been said and indicated that he would bring something back to the next meeting based on three individual small groups for each Town who would look at each individual market and put proposals forward.

It was proposed, seconded and **AGREED** that three small Task and Finish Groups would be established for each Town (Bourne, Grantham and Stamford) to look at proposals for improving each of the three markets.

Membership of each group to include the Ward Councillors, an Officer and the relevant Cabinet Member.

➤ Action

That three small Task and Finish Groups be established for each Town (Bourne, Grantham and Stamford) to look at proposals for improving each of the three markets. Membership of each group to include the Ward Councillors, an Officer and the relevant Cabinet Member. A report to come back to the next Committee meeting based on this.

51. Work Programme 2023-24

The Chairman indicated that a report would come back to the Committee following Cabinets deliberations in respect of LeisureSK Ltd and the statement made by the Leader and also that an update on the markets would be added to the work programme for the meeting in March 2024.

One Member asked that a full report in respect of the HelloSK App and also a review of Discover SK be included on the work programme.

A further comment was made in respect of the issue of school holiday clubs. The Chairman stated that there were issues around this topic in respect of what South Kesteven was capable of delivering within the timeframe that they had and he suggested that he and the Member meet to discuss the issue. The Assistant Director for Leisure, Culture and Place stated that she was happy to attend the meeting.

➤ **Action**

That the following items be included on the Work Programme:

- **An update following Cabinet in respect of Leisure SK Ltd**
- **A full report in respect of the HelloSK App and also a review of Discover SK**
- **School Holiday Clubs – subject to discussion meeting between Cllr Fellows and Cllr Knight and the Assistant Director of Leisure, Culture and Place.**

52. Any other business which the Chairman, by reason of special circumstances, decides is urgent

There was no urgent business.

53. Close of meeting

The meeting closed at 12:30pm.