



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL



# Culture and Leisure Overview and Scrutiny Committee

Tuesday, 18 June 2024

Report of Debbie Roberts, Chairman of  
LeisureSK Ltd

## Performance of LeisureSK Ltd – March and April 2024

### Report Author

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### Purpose of Report

To provide an update regarding the performance of LeisureSK Ltd.

### Recommendations

#### That the Committee:

1. Notes the update regarding the performance of LeisureSK Ltd.

### Decision Information

Does the report contain any exempt or confidential information not for publication?	Yes - Exempt Appendix A and B- Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act
What are the relevant corporate priorities? ( <i>delete as appropriate</i> )	Connecting communities Effective Council
Which wards are impacted?	All Wards

## 1. Background to the Report

- 1.1 The Council's Corporate Plan 2024 to 2027 sets out the key priorities for the Council and its leisure service. Encouraging sport and physical activity to support healthy lifestyles by reducing health inequalities and delivering a sustainable leisure offer helps to support the Council's corporate ambition and provides opportunities for improved health and wellbeing outcomes for local communities. The Council's leisure contract with LeisureSK Ltd focusses on embedding an approach that seeks to continuously improve service delivery and customer experience.
- 1.2 The Council's Culture and Leisure Overview and Scrutiny Committee previously received a six-monthly update on the performance of LeisureSK Ltd at the meeting held on 05 September 2023. Subsequent reports relating to the LeisureSK Ltd and the request for a management fee for 2024/2025 have also been presented to Members of this Committee on 30 November 2023, 09 January 2024 and the previous meeting on the 26 March 2024.
- 1.3 This report covers activities which have taken place between March 2024 and April 2024.
- 1.4 LeisureSK Ltd continues to face operational challenges in relation to increased supplier costs and the significant increase in the cost of utilities. This aligns with the national picture and the challenges being faced by other leisure providers. A management fee of £500,000 for LeisureSK Ltd was budgeted for the last financial year, however because of difficult trading conditions during the previous year, an additional management fee was approved at a meeting of the Cabinet on 18 January 2024. A management fee of £450,000 was paid to LeisureSK Ltd at the start of the new financial year for 2024/25.
- 1.5 The forecasted deficit for the Company at the end of the financial year of March 2024 is shown in **Exempt Appendix A**. A copy of the April 2024 Budget Monitoring Statement can be found in **Exempt Appendix B**. The Committee requested financial information regarding May 2024 but this information has not

been reconciled by the accounts department or presented to the LeisureSK Board of Directors.

- 1.6 As a result of the increase in management fee and given the financial concerns around the management of LeisureSK Ltd which was discussed in the previous Culture and Leisure Overview and Scrutiny Committee on 09 January 2024 and the 26 March 2024 it was agreed a further report will be provided to this Committee.
- 1.7 To clarify the end of year accounts position of the company, there was a deficit position, but the company is bearing this overspend and is not requesting any additional management fee from the Council at this point in time.
- 1.8 Since the new Board of Directors of LeisureSK was formed (which now includes Cllr Philip Knowles, Cllr Patsy Ellis and Paul Sutton for a period of 6 months) the focus at the first meeting with the new Directors on the 22 May 2024 was the end of year position of the Company.
- 1.9 There are a number of things for the Committee to note regarding the end of year position to the 31 March 2024:-
  1. Fitness income received at 31 March 2024 was more than the original budget
  2. Swimming income received at 31 March 2024 was more than the original budget and continues to perform strongly.
  3. Children Income received at 31 March 2024 was below budget as parties and other children's activities were being coded to other cost centres. This has been rectified.
  4. Indoor activities income received at 31 March 2024 was very strong and above expected budget which is primarily due to the receipt of room hire income at The Meres and an increase in income from main hall activities at The Meres and Bourne Leisure Centre.
  5. Gross Profit was above budget at 31 March 2024 primarily due to the variances detailed above.
  6. Total Payroll Costs - the overspend at year end was due to increased costs for Swim School wages which is linked to the increased income from swimming and insufficient budget for National Insurance. Salaries have also been reforecast to include redundancy and restructure costs.
  7. Utilities – the overspend at year end was due to utility costs being higher than originally budgeted.
  8. Premises costs were underspent at year end.
  9. Marketing and Communications Costs were overspent at year end, but this overspend relates to the campaign in January 2024 with Big Wave.
  10. Central costs – there was an overspend at year end. This primarily was due to an increase in the amount of irrecoverable VAT and the budgets for software and professional fees not being sufficient to cover the costs of the Gladstone system, the charges from Analytics 4 Energy relating to energy savings and the support

provided by the Council to the company for Finance and IT. The company have since reviewed the Building Management System contract and have since cancelled it.

- 11. Contract Surplus/Deficit – the deficit at 31 March 2024 was an overspend on the budgeted deficit but as stated earlier in this report the company are reviewing this and bearing this cost.

- 1.10 The Committee should note in Exempt Appendix B that the April 2024 budget monitoring was positive but without a full quarter of actual costs it is difficult to provide certainty that the cashflow for the management fee will suffice.
- 1.11 At the request of the Committee reporting on the performance of the Company is a standard agenda item and a further update will be provided at the next meeting.
- 1.12 **Performance March and April 2024**
- 1.13 Fitness memberships increased by 110.
- 1.14 March and April membership sales were in line with expectations. As part of January's membership offer, new joiners were given April for free. This accounts for the shortfall against budget.
- 1.15 Swim school decreased by 35 but overall the swim school income was above expected.
- 1.16 Bourne and Grantham Quest assessments have been completed, we are waiting on the results but expected to be Good or Very Good.

## **2. Key Considerations**

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

## **4. Other Options Considered**

- 4.1 The Council are reviewing the future options for leisure provision.

## **5. Appendices**

- 8.1 Exempt Appendix A – Year end 23/24  
Exempt Appendix B – April Budget Monitoring