



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Officer Delegated Decision

3 April 2024

Richard Wyles - Deputy Chief
Executive and s151 Officer



Extension of Leisure Contract with LeisureSK Ltd

This report recommends the extension of the Council's leisure management contract with LeisureSK Limited from 01 April 2024 until 31 December 2025.

Contact

Michael Chester, Team Leader – Leisure, Parks and Open Spaces

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Decision made by:	Richard Wyles, Deputy Chief Executive and s151 Officer
Decision:	To extend the Council's leisure management contract with LeisureSK Limited by a further 21 months to 31 December 2025.
Public or Exempt:	Public
Reasons for exemption:	Not applicable
Conflicts of interest:	No
Policy compliant:	Yes
Details of delegation:	The Deputy Chief Executive and s151 Officer has the appropriate delegation to extend the contractual arrangement.

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 Under the contractual arrangement with LeisureSK Ltd the Council provides a management fee which is equal to the operational deficit if income does not meet expenditure. An assessment of the support required for LeisureSK Ltd for the financial year 2024/25 has been undertaken and an allocation of £446,672 has been included within the Council's budget. The extension to the current contract will provide the Council with sufficient time to explore and evaluate alternative delivery models to operate the Council's leisure services.

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

Procurement

- 1.2 The Council's leisure contract arrangement with LeisureSK Ltd commenced on 1 January 2021, the contract being for a maximum term of five years, an initial contract term of two years plus the potential to extend for a further three years.
- 1.3 The initial contract period ended in December 2022 and the contract was subsequently extended for a period of 15 months by way of an Officer Delegated Decision on 19 December 2022. The current extension is due to end on 31 March 2024 and the contract can be further extended to 31 December 2025. Past this date a new arrangement will need to be in place.

Completed by: **Helen Baldwin, Procurement Lead**

Legal and Governance

- 1.4 LeisureSK Ltd was established as a Teckal company which allowed the Council to directly award a contract to the company. This Teckal exemption remains compliant as long as no less than 80% of the company's work is provided on behalf of the Council. The business of LeisureSK Ltd remains 100% focussed on managing the Council's leisure facilities.
- 1.5 The contract between the Council and LeisureSK Ltd which commenced on 1 January 2021 provides that an extension can be granted to the contract for a maximum of three years. An additional extension of 21 months is the maximum extension period remaining.

- 1.6 Should the Council wish to terminate the contract with LeisureSK Ltd sooner than the 31 December 2025 then six months' notice must be provided in line with the contract terms and conditions.

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

2. The Purpose of the Report

- 2.1 Included within the Council's Corporate Plan (2024 – 2027) is the key priority of 'Connecting Communities' with a focus on delivering and facilitating a sustainable leisure and cultural offer, as well as encouraging sport and physical activity to support healthy lifestyles and reduce health inequalities.
- 2.2 LeisureSK Ltd, a Teckal company wholly owned by the Council, was established in September 2020 and the Council subsequently entered into a management contract with LeisureSK Limited which commenced on 1 January 2021.
- 2.3 The contract term was for an initial two years with the ability to extend this for a further three years, the final contract end date being 31 December 2025.
- 2.4 The contract was initially extended for a period of 15 months by way of an Officer Delegated Decision on 19 December 2022. This contract extension is due to end on 31 March 2024.

3. Available Options Considered

- 3.1 The arrangement with LeisureSK Ltd was initially seen as a short to medium term measure which would allow the Council to assess how the leisure market recovered following the COVID pandemic, and assess whether a longer-term contract with a commercial operator would prove a better value for money solution.
- 3.2 The issues caused by COVID-19 within the leisure industry have been far reaching and have changed the appetite of providers in terms of bidding for contracts and taking on any financial risk. Nationally, many Councils are continuing to provide their leisure operators with financial support following the pandemic, this situation is being exacerbated by current inflationary pressures and utility prices rises.
- 3.3 LeisureSK Ltd will continue to require a management fee from the Council in financial year 2024/25 to support its operational deficit, particularly in meeting the cost of utilities and irrecoverable VAT.
- 3.4 An options appraisal on the future management arrangements for the Council's three leisure facilities is currently ongoing. This contract extension will allow this work to be completed and, if appropriate, alternative arrangements to be put in place.

4. Preferred Option

- 4.1 Given the prevailing financial circumstances and the ongoing work being undertaken on future management models, the preferred option is to extend the current contractual arrangement with LeisureSK Limited for a period of 21 months from 01 April 2024 to 31 December 2025.
- 4.2 In doing so it should be noted the Council may terminate the agreement with LeisureSK Ltd by giving at least six months' written notice, as per clause 21.4.1 of the leisure services contract.

5. Reasons for the Decision(s)

- 5.1 The arrangement with LeisureSK Ltd provides the Council with full flexibility on how the leisure facilities are operated, including the financial support being provided whilst alternative options are explored which may prove more beneficial.

6. Consultation

- 6.1 A review of LeisureSK Ltd's business plan and budget for 2024/25 has been undertaken by the Sport and Leisure Consultancy (SLC), following the actions required requested by Cabinet at a meeting of the Culture and Leisure Overview and Scrutiny Committee held on 9 January 2024.

Signed by: **Richard Wyles**

Dated: **3 April 2024**