

Report to	Cabinet
Date of meeting	18 January 2022
Lead Member / Officer	Julian Thompson-Hill, Lead Member for Finance, Performance and Strategic Assets
Report author	Gary Williams, Head of Legal, HR and Democratic Services
Title	Extension of Leisure Services Contract

1. What is the report about?

1.1. This report is about the proposal to grant an extension of the leisure services contract entered into between the Council and Denbighshire Leisure Limited ('DLL').

2. What is the reason for making this report?

2.1. The reason for making the report is to seek Cabinet's agreement to extend the term of the leisure services contract by one year.

3. What are the Recommendations?

3.1. That Cabinet agrees to grant an extension for a period of twelve months to the term of the leisure services contract made between Denbighshire County Council and Denbighshire Leisure Limited on 1st April 2020 in accordance with clause 2.2 of the contract.

4. Report details

4.1. DLL was established by the Council on 28th August 2019.

4.2. The Council entered into a contract with DLL on 1st April 2020 for the provision of leisure services ('the Contract'). The Contract commenced on 1st April 2020 for a term of ten years, expiring on 31st March 2030.

- 4.3. Clause 2.2 of the Contract provides for the possible extension of the term of the Contract. The Council may extend the initial term of the Contract by up to two further periods each of up to 12 months.
- 4.4. The Strategic Governance Board ('the SGB') has been asked by DLL to consider recommending the granting an extension of the term of the Contract of 12 months. The reason for this request was that the Covid-19 pandemic response, including the shutting down of the premises that are managed by DLL, severely disrupted its ability to perform the services that it was contracted to provide and that it had, in effect, lost a year of operation.
- 4.5. The SGB was advised that the request had been prompted by DLL'S extension of a number of other contracts and frameworks from its own suppliers and partners as a consequence of Covid-19 and was common practice across the sector. The impact upon DLL in relation to obtaining grants, and future 'new business', by its effective inability to carry out the terms of the Contract within year one left DLL at a disadvantage when competing for business.
- 4.6. The SGB having considered the request made by DLL agreed, at its meeting in July 2021, to recommend to Cabinet that an extension of the term of the Contract for a period of 12 months should be granted given the business disruption that the Covid-19 pandemic had caused.
- 4.7. If Cabinet agrees to grant the extension the contract term will expire on 31st March 2031 unless further extended. The Council will have the ability, should it choose to do so, to grant one further extension of the contract for a period of up to 12 months.

5. How does the decision contribute to the Corporate Priorities?

- 5.1. The decision has no direct impact upon the corporate priorities

6. What will it cost and how will it affect other services?

- 6.1. The management fee provided to the company by the Council currently amounts to £1.872m which, taking account of transfers into / out of scope, has remained unchanged since 2020/21. Although the original intention was that this fee would decrease by agreement with the company, any review of the fee has been on hold

due to the continued financial uncertainty facing the economy and the sector due to Covid-19.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. A Well-being Impact Assessment is not required for this report.

8. What consultations have been carried out with Scrutiny and others?

8.1. The SGB has considered the request for an extension and has recommended to Cabinet that an extension of 12 months should be granted.

9. Chief Finance Officer Statement

9.1. There are no financial implications for the Council of this report as the Management Fee is agreed annually. However, the company feels that the extension may help with negotiations with external suppliers/partners and therefore the recommendation is supported.

10. What risks are there and is there anything we can do to reduce them?

10.1. There is a risk identified by DLL that it will be disadvantaged in seeking new business or funding opportunities if it is not granted an extension of the contract to give it, in effect, a full term of ten years given the time lost due to the Covid-19 pandemic. This would be mitigated by granting the extension.

10.2. The Contract provides for up to two extensions of the term, each of up to 12 months in duration. By granting an extension now the Council will have used one of those extensions and will only have one further opportunity to extend the term of the Contract should it wish to do so later in the term. This risk can be mitigated by appropriate contract management and planning towards the end of the term of the Contract.

11. Power to make the decision

11.1. Clause 2.2 of the Contract

11.2. Section 6.7 Council Contract Procedure Rules