

**South Lakeland District Council**  
**Cabinet**

**Wednesday, 20 October 2021**

**Kendal Leisure Centre Sub lease to the NHS**

---

**Portfolio:** Economy, Culture and Leisure Portfolio Holder  
**Report from:** Director of Customer and Commercial Services  
**Report Author:** Sion Thomas – Operational Lead Delivery and Commercial Services  
**Wards:** Kendal South & Natland;  
**Forward Plan:** N/A

**Links to Council Plan Priorities:** Working across boundaries – Working with Morecambe Bay CCG to develop a population health approach.

---

**1.0 Expected Outcome and Measures of Success**

1.1 Approves the provision of an assurance and commitment to University Hospitals Morecambe Bay Trust (UHMBT) to grant UHMBT a two year (approx.) sub-lease of part of the Kendal Leisure Centre in the event that the Partnering Agreement with Greenwich Leisure Limited (GLL) is not extended in 2024 so as to allow UHMBT to lease space within the Kendal Leisure Centre to deliver physiotherapy services away from a hospital environment.

**2.0 Recommendation**

**2.1 It is recommended that Cabinet:**

**(1) Approves the grant of a sub-underlease between GLL and UHMBT for approx. 3 years (2021,2022, 2023) of part of Kendal Leisure Centre; and**

**(2) Approves the grant of a sub lease of part of Kendal Leisure Centre to UHMBT for a period of 2 years (2024 & 2025) following the grant of a sub–under lease between GLL and UHMBT for approx. 3 years of part of Kendal Leisure Centre (2021, 2022, 2023 ), to provide security for investment made in Kendal Leisure Centre if for any reason that the contract with GLL is not extended following the formal bench marking exercise in 2023 of the Leisure Services Contract and;**

**(3) Delegates authority to the Director of Customer and Commercial services in conjunction with the Lead Specialist for Legal, Governance and Democracy to agree terms and enter into appropriate agreements.**

**3.0 Background and Proposals**

3.1 University Hospitals of Morecambe Bay Trust (Muscular and skeletal services) are looking at their delivery model and are keen for a co-location at Kendal Leisure Centre to deliver physiotherapy services. The service has a desire to move away from a hospital environment and a move to a Leisure Centre is an obvious way of enhancing the role of physical activity as a viable treatment option in NHS care.

- 3.2 This is a Cumbria wide initiative which looks to bring local authorities, the NHS and other key partners from the leisure sector together to deliver shared leisure and health services that will free up much-needed space in hospitals. The proposal will also help the public to access physiotherapy services in centres at the heart of the community. This initiative and benefit has been driven as part of One Public Estate initiative.
- 3.3 Greenwich Leisure Ltd (GLL) who operates the Leisure service on behalf of SLDC currently has 3 years left on the current partnership agreement. If the partnership agreement is not extended, the agreement will expire on 31 March 2024. Consequences of termination include surrender of any underlease with GLL back to SLDC. There is an option to extend for a further 10 years but the Council must benchmark the leisure service to ensure that the Council can prove best value as part of any partnership agreement extension. UHMBT have requested that GLL grant them a 5 year sub-underlease but GLL is unable to do so for the full 5 years, due to the potential expiry of their partnering agreement (and lease) in 2024. Therefore, UHMBT has requested that the shortfall in the 5 year term - approx. 2 years (in the event that the partnering agreement is not extended with GLL) is granted by SLDC on similar terms as agreed with GLL. SLDC is unable to extend the current agreement without a formal benchmarking process which will take place in 2023. If that benchmarking exercise is unsuccessful the contract for the provision of Leisure Services will be the subject of a Tender, with UHMBT as an occupier of part of Kendal Leisure Centre.
- 3.4 Following GLL entering into a sub lease agreement for Years 1-3 with UHMBT, it is proposed to seek approval to allow SLDC to commit to enter into a sub lease agreement for Years 4-5 on similar terms with UHMBT. This will ensure that UHMBT are able to secure the 5 year lease agreement needed and ensures that the Council meets with its procurement policy.
- 3.5 UHMBT propose to take up existing office space within the Leisure Centre to create 4 treatment rooms and admin areas as shown in Appendix 1 & 2. GLL, as part of the Covid response have moved to digitise their service and the need for office space has reduced. Central office space can be shared between NHS and GLL colleagues and alternative space within the Leisure centre will be provided for staff room facilities. As part of the proposal, no studio, gym, changing room or sports hall space will be taken up by the proposal. This will not reduce the current offer given by GLL. The new staff room area will also double up as space for clubs to use at weekends such as Cycle clubs etc for meeting space. All investment in the centre will come from the UHMBT and will be agreed and monitored by the Asset and Commercial Manager in conjunction with our current property services provider.
- 3.6 To ensure the Council have considered all viewpoints, the Council have appointed Knight Kavanagh and Page (KKP) to undertake a review of the proposals to highlight the benefits, review the proposed terms, and to consider the impact of the occupation of UHMBT on the tender in 3 years' time. The report can be seen in Appendix 3. The report confirms the benefits this brings to all stakeholders.
- 3.7 In conclusion, officers are seeking authority to consent to the grant of a sub-under lease between GLL and UHMBT for approx. 3 years of part of Kendal Leisure Centre ( 2021, 2022, 2023 ). Following the grant of that sub-underlease officers are seeking further authority to enter in to a 2 year sub-lease ( 2024 and 2025) agreement between SLDC and UHMBT for Years 4 & 5 on similar terms to ensure that the Council adheres to current contract and procurement policies and to allow SLDC to provide a commitment to UHMBT now that in the event that the partnering agreement is not extended, UHMBT will secure an additional 2 year sub-lease for its required 5 year term.

## 4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Proposed Ground Floor Plan of Kendal Leisure Centre.
2	Proposed First Floor Plan of Kendal Leisure Centre.
3	KKP Report.

### 5.0 Consultation

5.1 Consultation has taken place with Greenwich Leisure Ltd, the Portfolio holder, Corporate Management team, the procurement specialist, and One Public Estate board. All are in agreement of the benefits this provides both the NHS, the Leisure service and the public.

### 6.0 Alternative Options

6.1 To not agree to the occupation of the NHS within Kendal Leisure Centre. This is not considered an appropriate when taking into account all the benefits as set out in the report as seen in Appendix 3.

### 7.0 Implications

#### Financial, Resources and Procurement

7.1 The proposed agreement will provide an income of £24,000 per annum for the service. In 2020/21, the Council agreed to support GLL due to the deficit and disruption caused by Covid 19. As part of the open book process with GLL, the Council expected GLL to adapt, streamline services, become more efficient and look at income generating opportunities to minimise the support needed from the Council moving forward as well as ensure that the level of service be maintained. This is an example of GLL being proactive and adapting to improve the service. This agreement will also provide pathways from NHS treatment to gym and swim membership as well as GLL staff being trained and funded to deliver group exercise classes. All of which will support in generating income and therefore helping the service to re-bounce strongly after Covid and look to help GLL re-invest back into the service.

#### Human Resources

7.2 There are no human resource implications with this report.

#### Legal

7.3 SLDC is the immediate Landlord to GLL. SLDC have the benefit of a long lease of the Kendal Leisure Centre from the County Council. The County Council is the freehold owner of the Kendal Leisure Centre and is SLDC's landlord. Under the terms of SLDC's lease with County Council, County Council's consent is required to the grant of any subleases. Under the terms of the SLDC lease with GLL, SLDC's consent is required to the grant of the sub-underlease by GLL to UHMBT. This is currently in progress.

Our partnering agreement for leisure services with GLL commenced 01 April 2014 with initial term of 10 years.

There are possible extensions by further period(s) of 5 years up to a max term of 20 years, i.e. 2034.

If not extended, the partnering agreement will expire on 31 March 2024. Consequences of termination include surrender of any underlease with GLL back to SLDC. UHMBT are requiring a minimum of 5 years sub-lease term as they will be

investing in their intended space and it is not viable to UHMBT to incur that expenditure for a lease term less than 5 years.

As set out above GLL can only grant a sub-underlease for the remainder of the term of its lease, which expires upon termination of the partnering agreement. The partnering agreement can be extended, but only following a successful benchmarking exercise to be carried out in 2023.

Due to the partnering agreement and lease potentially expiring on 31 March 2024, GLL cannot offer a 5 year lease to UHMBT. GLL can only grant a 3 year lease (approx.) (years 1-3) to UHMBT, with an additional potential 2 year lease (upon expiry of the 3 year lease) if the partnering agreement is extended (subject to consents).

In the event that the partnering agreement is not extended, SLDC has been asked to commit to entering in to a new lease with UHMBT direct for years 4 and 5 upon the same terms.

Without the County's consent as head landlord to the proposals above, SLDC cannot provide the assurance or commitment that UHMBT require. Legal Services have contacted County Council and it has confirmed informally, that it will be 'happy to grant Landlord's consent' to the grant of sublease between SLDC and UHMBT on similar terms as agreed with GLL for years 4 and 5 if required in 3 years' time. That consent will need to be formalised with County Council once the terms of the proposed sublease have been agreed between GLL and UHMBT.

These circumstances are unusual, in that SLDC is committing itself to the grant of a sub-lease direct to UHMBT in the event that GLL cannot secure an extension of the partnering agreement in three years' time.

### Health and Sustainability Impact Assessment

- 7.4 Have you completed a Health and Sustainability Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: Not felt that this analysis is required.

### Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 If you have not completed an Impact Analysis, please explain your reasons: Not felt that this analysis is required.

Risk Management	Consequence	Controls required
To provide UHMBT with an additional 2 year sublease on similar terms following the expiry of the initial sublease between GLL and UHMBT for a period of three years in the event that the partnering agreement is not extended in 2024.	Challenge by other leisure service providers as this may be seen to be pre-determining the proposed tender and award for the leisure service contract.	Lease agreement to be set out as noted above which means that the NHS are able to secure a 5 year agreement but that the Council meets with its current procurement policy and transparent in any lease agreement entered into.

## Contact Officers

Sion Thomas, Operational Lead for Delivery and Commercial Services, 01539 793192,  
[sion.thomas@southlakeland.gov.uk](mailto:sion.thomas@southlakeland.gov.uk)

## Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	23/09/2021	04/10/2021
Monitoring Officer	23/09/2021	05/10/2021
CMT	23/09/2021	23/09/2021

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	14.06.21
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	N/A
Council	N/A