

Report to the Council

Committee: Cabinet

Date: 16 February 2010

Portfolio Holder: Councillor B Rolfe
(Leisure and Wellbeing Portfolio)

Item: 12

1. SPORTS LEISURE MANAGEMENT – CONTRACT EXTENSION NEGOTIATIONS – SUPPLEMENTARY CAPITAL ESTIMATE

Recommending:

That a supplementary capital estimate of £930,000 for 2009/10 be approved for infrastructure works at Loughton Leisure Centre and replacement equipment at Epping Sports Centre and Ongar Leisure Centre with consequent reductions in management fees for Sports Leisure Management.

1. The contract for the provision of Leisure Services with Sports Leisure Management (SLM) expires in January 2013. There is provision for a three year extension with the approval of both parties. As part of the consideration of funding for the proposed new sports hall at Waltham Abbey Swimming Pool, we requested that discussions be held with SLM in respect of the financial benefits to both parties of an early extension to the existing contract with a view to the provision of the new sports hall being (at least) revenue neutral to the Council.
2. Preliminary discussions have been held with SLM and the following proposals have been put forward to reduce the revenue costs going forward as part of a three year contract extension:
 - (a) the Council to provide £800,000 of capital for infrastructure works at Loughton Leisure Centre, with a consequent reduction in management fees of £100,000 per annum; the works to comprise the present communal area and cafeteria being converted into a movement studio, the present movement studio becoming part of an extended fitness suite, and changes made to the reception area to provide a smaller communal area, with seating, vending machines etc;
 - (b) the Council to provide £130,000 of capital for new fitness equipment etc at the Epping Sports Centre and Ongar Leisure Centre with consequent reduction in management fees of between £30,000 and £50,000 per annum.
3. The Council's policy on the use of its capital assets is that, wherever possible, their use should result in the generation of income or a decrease in the use of revenue. The proposals put forward by SLM appear to meet those primary objectives in that the provision of £930,000 of capital will result in a revenue saving, through a reduced management fee, of approximately £150,000. Given current interest rates, and their likely levels over the next few years, this represents a good return on the use of those capital assets, particularly as the improvements to Loughton Leisure Centre will make the facility more attractive to any future management contractor and the fitness equipment will have a residual value.
4. We recommend as set out at the commencement of this report.