

Report to the Cabinet

Report reference: C-022-2012/13
Date of meeting: 22 October 2012



Portfolio: Leisure and Wellbeing
Subject: Guaranteed Investment – Sports & Leisure Management
Responsible Officer: John Gilbert (01992 564062)
Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) The Sport and Leisure Management's proposal of a reduction in their management fee of £88,200 per annum in lieu of the Council providing capital of £240,000 in respect of their contractually required guaranteed investment be accepted; and**
- (2) Subject to recommendation (1), to recommend to Council a supplementary capital estimate of £240,000 for the 2012/13 capital programme to enable works to be completed by the end of the 2012 calendar year.**

Executive Summary:

The leisure management contract with Sports & Leisure Management (SLM) requires that SLM has to provide a guaranteed investment of £250,000 into one or more of the facilities on two defined occasions. SLM are proposing to upgrade the changing rooms at the Loughton leisure Centre at an estimated cost of £240,000. However, as with the first tranche of guaranteed investment, SLM have proposed that the Council should provide the capital funding, in return for which SLM will reduce the management fee by £7,350 per month, equating to £264,000 over the remaining life of the contract.

Reasons for Proposed Decision:

To enable the works at Loughton Leisure to be completed in the current calendar year and to enable the management fee reduction to take effect from January 2013, thereby ensuring the greatest revenue benefit to the Council.

Other Options for Action:

To reject SLM's approach and require them to raise the capital themselves.

Report:

1. The leisure management contract with Sports & Leisure Management (SLM) requires that SLM has to provide a guaranteed investment of £250,000 into one or more of the facilities on two occasions. The first guaranteed investment provided new fitness equipment at the Epping and Ongar fitness centres. SLM intend with the second tranche to refurbish the changing rooms at Loughton Leisure Centre at an estimated cost of £240,000. This work is

required to deal with increasing public concerns over their condition and is an agreed priority between SLM and the Council. The work to the stairs, changing village and shower areas includes the following:

- conversion of the existing officials room next to poolside into a staff room and the existing staff room into a therapy room. Changes will also be made to the poolside store room to accommodate the Epping Forest District Swimming Club;
- replace the existing floor & wall tiles to the stairs; and
- the following works to the changing village:
 - stripping out all existing fixtures & fittings;
 - replace the existing floor tiles with non slip tiles & replace the wall tiles;
 - install new ceiling with humidity resistant ceiling tiles;
 - install new cubicles & seating;
 - install new lockers (these will have more solid bases to deter break-ins);
 - install new vanity units and basins;
 - install new toilets and urinals;
 - install new shower heads and mixer valves;
 - install new energy efficient lighting;
 - install new vandal proof hairdryers; and
 - replace the existing curved wall to the poolside showers with a new design and new shower heads and mixer valves.

2. SLM have approached us and asked whether the Council would prefer to fund the capital expenditure itself and receive a reduction in the annual management fee in lieu. This is the same approach as was taken with the previous guaranteed investment, alongside the structural changes made at Loughton Leisure Centre, where on the basis of the provision of around £1 million of capital, the Council received a management fee reduction of around £150,000 per annum.

3. SLM have offered a management fee reduction of £7,350 per month from January 2013 to December 2015 (the end of the current extended contract) on the basis of the Council providing capital of £240,000. The total fee reduction over that period would amount to £88,200 per annum or £264,600 over the entire remaining period of the contract. This use of capital accords with the Council's current policy of utilising capital resources to reduce revenue expenditure and represents an excellent return on that capital investment. SLM have also offered to make initial payments to facilitate the commencement of works, then be recompensed once the works are fully underway. As with previous arrangements, payments could be made in two instalments, the first when half the work is completed and one when the work is completed. Payments would be subject to confirmation of completed works and a report from Stace LLP (Quantity Surveyors and Consultants)

Resource Implications:

The use of capital in this way fully accords with the Council's policy of utilising capital in order to accrue a revenue benefit. The use of the capital for this purpose also achieves a better rate of return on the investment (around 3.5% per annum) than would otherwise be achieved at this time and in addition improves the condition of the Council's asset for the longer term. If the £240,000 were invested in the money markets at this time a rate of return of around 1% or less could be anticipated.

To enable the works to be completed by the end of the calendar year, if agreed the capital finance will need to be added, by way of a supplementary capital estimate, to the current 2012/13 capital programme, which is to be considered by Cabinet later on this agenda. The request for the supplementary estimate will have to be referred to Council at its meeting in November.

Legal and Governance Implications:

A decision to proceed as recommended will require a variation to the existing agreement with SLM. The agreement will ensure that any cost overruns are the responsibility of SLM and either met directly by them or through additional Council funding with a commensurate further reduction in the management fee. Should this be required a further report would be made to Members.

Safer, Cleaner and Greener Implications:

The changing facilities at Loughton Leisure Centre have been the subject of criticism from users and their upgrade would be a welcome improvement for users of the centre.

Consultation Undertaken:

The swimming club have indicated that they are happy with the proposed changes. Given that this is a refurbishment of existing facilities, but improving on them in a number of ways, it was not considered necessary to consult the users group

Background Papers:

None.

Impact Assessments:

Risk Management

The risks associated with ensuring value for money are dealt with through the appointment of Stace LLP to advise on costs etc.

The variation to the contract will ensure that cost overruns will be met by SLM or through additional Council provided capital expenditure associated with further reductions in the management fee. The agreement will also state that the management fee reduction will commence in January 2013 irrespective of whether the refurbishment works have been fully completed by that time.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
The refurbishment of the changing facilities will include those provided for users with disabilities.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.