

# ***Report to the Council***

**Committee:** Cabinet

**Date:** 6 November 2012

**Portfolio Holder:** Councillor Mrs E Webster  
(Leisure and Wellbeing)

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## **SUPPLEMENTARY CAPITAL ESTIMATE – GUARANTEED INVESTMENT – SPORTS AND LEISURE MANAGEMENT**

### **Recommending:**

**That a supplementary capital estimate of £240,000 for the 2012/13 Capital Programme be approved to enable the upgrading of the changing rooms at the Loughton Leisure Centre to be completed by the end of the 2012 calendar year.**

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1. The leisure management contract with Sports & Leisure Management (SLM) requires SLM 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. We have been advised that SLM propose 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.
2. SLM have approached us and asked if 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.
3. We have been 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. The use of the capital for this purpose achieves a rate of return on the investment of approximately 3.5% per annum compared with a rate of return of around 1% or less if £240,000 was invested in the money market at this time.
4. 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 can be made in two instalments, the first when half the work is completed and one when the work is completed. Payments will be subject to confirmation of completed works and a report from Stace LLP (Quantity Surveyors and Consultants).

5. To enable the works to be completed by the end of the calendar year a supplementary capital estimate is required. We recommend as set out at the commencement of this report.