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**REPORT TO: MORAY COUNCIL ON 8 MAY 2019**

**SUBJECT: MORAY LEISURE CENTRE (MLC) DEVELOPMENTS**

**BY: ACTING CORPORATE DIRECTOR (EDUCATION AND SOCIAL CARE)**

**1. REASON FOR REPORT**

- 1.1 To update Council regarding Moray Leisure Limited's development plan and to seek approval for an extension of a year to their lease.
- 1.2 This report is submitted to Committee in terms of Section III (D) (15) of the Council's Scheme of Administration relating to exercising the Council's statutory powers to support activities related to the development of recreation, sport, culture and heritage.

**2. RECOMMENDATION**

**2.1 It is recommended that Council approve:**

- (i) an extension to Moray Leisure Limited's lease for a further year to 30 June 2020 and month to month thereafter; and
- (ii) that discussions are held with the Moray Leisure Board regarding a longer term service level agreement and lease and that a report is submitted to a future meeting of Council.

**3. BACKGROUND**

- 3.1 At a special meeting on 16 May 2018 Moray Council approved extension of one year and month to month thereafter of the lease of Moray Leisure Centre (MLC), additional deficit funding to Moray Leisure Limited' if required, of up to £120,000 for the period 28 July 2018 to 27 July 2020 and an associated recovery plan (para 3 of the minute refers).
- 3.2 At the meeting of the Moray Leisure Limited Board of 5 June 2018 members accepted the extension of the lease for a period of 1 year from 28 July 2018 and then month to month thereafter. The Board also accepted the additional £120,000 deficit funding together with the attached conditions.
- 3.3 At a special meeting on 28 June 2018 Moray Council approved additional capital funding of up to £500,000 for upgrading of MLC's fitness suite and that

the company's revenue grant would be reduced annually to recoup this (para 28 (ii) of the minute refers). In addition members were also informed of progress on MLC's recovery plan which was progressing well.

- 3.4 Updates have been provided to members as part of regular reports to Children and Young People's Services Committee and monthly accounts have been made available via the Committee Management Site.
- 3.5 A letter has been received from the Board of Moray Leisure Centre requesting a further one year extension of their lease (**Appendix 1**) and that formal discussions on longer term arrangements are entered into. The letter identifies that the company are unable to operate as a solvent organisation with only a month left on the lease.
- 3.6 MLC's progress on the recovery plan and their financial situation has been monitored on a monthly basis with updates provided to the Children and Young People's Services Committee. In terms of the recovery plan MLC have made very strong progress. They have met all of the required elements and have substantially exceeded the target for Fitlife memberships. The MLC board and management team have also developed a positive and constructive working relationship with the Councils leisure service.
- 3.7 The latest Management Accounts available (28 February 2019) show the performance of Moray Leisure Limited (MLL) - the trading company of Moray Leisure Centre - has strengthened throughout the year. There have been a number of financial challenges, particularly concerning utility costs which were impacted by CHP issues, but overall for the 11 months to 28 February 2019, MLL has posted a surplus. With regards to the cashflow position of the centre, although this has improved from the opening position it continues to present a daily test to the centre management, however, it is anticipated that the cashflow will continue to improve with an expectation of moving to a positive position in the second half of the financial year 2019/20.
- 3.8 It is also noted that iESE have been engaged to undertake an appraisal of options for the future operation of leisure services and that this exercise is expected to be completed by the end of the Summer recess which will enable consideration by Council in the Autumn. Moray Leisure Board will be one of the stakeholders interviewed as part of the options appraisal exercise.
- 3.9 From the above it is evident that MLC have significantly improved the position of the organisation from 12 months ago. It is also believed that the company is being professionally managed and whilst risks remain it is continuing to move towards a sound financial and operational position. In view of the above it is proposed that Council agree to the extension of MLC's lease to 30 June 2020 and on a month by month thereafter. This would also assist the MLC board to input constructively into the leisure review process.

#### **4. SUMMARY OF IMPLICATIONS**

##### **(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

None arising directly from this report.

**(b) Policy and Legal**

None arising directly from this report.

**(c) Financial implications**

An annual reduction in the support grant of £70,000 commenced 1 April 2019 as payment towards the gym refurbishment cost. There is also a one-off reduction of £60,000 in the 2019/20 support grant as a contribution from MLC towards the Council's budget savings target.

**(d) Risk Implications**

None arising directly from this report.

**(e) Staffing Implications**

None arising directly from this report.

**(f) Property**

None arising directly from this report.

**(g) Equalities/Socio Economic Impact**

None arising directly from this report.

**(h) Consultations**

In preparing this report, consultations have been undertaken with Education and Social Care SMT, the Head of Legal and Democratic Services, Paul Connor, Principal Accountant, the Estates Manager, the Democratic Services Manager and the Equal Opportunities Officer whose comments have been incorporated into the report.

**5. CONCLUSION**

- 5.1 That significant progress has been made in respect of the recovery plan for Moray Leisure and that Council agrees to an extension of one year to Moray Leisure Limited's lease of the premises.**

Author of Report: Nick Goodchild, Educational Resources Manager

Background Papers:

Ref: