

## **The story of Circa Leisure plc by Peter Johnson**

In the mid 1980's the Conservative government under Margaret Thatcher was introducing the concept of 'Competitive Tendering' for various local government services. Leisure as a specific activity was not included in the first wave of tendering but it appeared to me as the Director of Leisure at Rochford District Council that there was every likelihood that the government would seek to include the service at some future date. We, the officers, therefore undertook what we considered to be a comprehensive review of 'the competitiveness' of the department and came to the conclusion that, as we were structured at that time, it was unlikely that we would be able to develop a successful tender against any serious private sector competition.

Our concerns centred around:

- a) our view that Leisure carried a disproportionate amount of central administration charges, and
- b) the fact that Leisure was, because it wasn't a statutory service, invariably last in the queue for capital funding (at this time the government was restricting the availability of capital funding for local authorities) and this meant that we couldn't respond to the fast changing leisure market and the increasing expectation of our customers.

Having come to this conclusion I discussed my concerns with the Council's Chief Executive and it was agreed that we should wait to see whether or not the government included Leisure in any future list of services to be tested. In the meantime it was suggested that we seek to identify alternative ways in which the service could be delivered at what might be considered as a 'competitive price' whilst still maintaining what the Council considered to be a first class service to the public. Whilst doing this our attention was drawn to the arrangement that Surrey Heath District Council had come to with Crossland Leisure Ltd. for the management and operation of Camberley Heath Leisure Centre. We then set about developing a similar model that could be applied to the services that we managed for Rochford District Council. These services covered by the Leisure department included three Leisure Centres, two Function venues, a comprehensive Catering operation, the management of Parks and Cemeteries and the promotion of a wide range of special outdoor events and activities.

In late 1987 the government produced a 'green paper' which suggested that Leisure and Recreation services should be subjected to the competitive testing regime and I was in a position to share my thinking with the Council's management team who agreed, after a lot of discussion, that a comprehensive report should go to Members. The report which went to Members in December 1987 was generally well received but Members were concerned that any proposal to form a private company should have the full backing of all the staff who would be affected and that both the concept itself and the detailed business plan should be evaluated by external consultants. In the meantime the proposal was put to the department's staff who, with the exception of the Parks & Cemeteries staff, supported the proposal and the accountancy firm of Touche Ross were engaged by the Council to review the plan and advise the Council. We were subsequently advised that the Council would support our proposal subject to:

- a) Our forming a 'plc' company (a 'plc' required share capital of at least £50,000) and that the shares had to be offered for purchase to any of the staff who would transfer to the Company and that shares could not be purchased by anyone other than an employee of the Company.

- b) That the Council would grant the Company a one year contract to run from 1<sup>st</sup> April 1988 and that the Council would during this year hold a 'golden share' by which it would have the facility to recover any excess profits that may be generated (the Council, at their sole discretion, to determine what they might consider as excessive) and that the Council would have two representatives on the Board one of whom would be the Chairman in order to protect the Council's interest.
- c) That the Council would during the year prepare a comprehensive tender document for the delivery of the services and put the service out to public tender and that the tender would be awarded to the company offering the best commercial terms to the Council.
- d) The Shareholders would have to accept that if the Company was unsuccessful with its tender that in all likelihood they would lose their investment.

Fortunately the staff accepted these conditions and Circa Leisure plc was formed. A large number of staff purchased shares and the Company started operating its contract with Rochford District Council on 1<sup>st</sup> April 1988.

In late 1988 the service was tendered as a 5 year contract to commence on 1<sup>st</sup> April 1989 and a number of companies submitted tenders. These were passed to the Council's External Auditors Price Waterhouse Coopers (PwC) for evaluation and in early 1989 Circa Leisure plc was advised that their tender had been successful.

Circa operated successfully in the leisure industry winning contracts in the public sector with local authorities, in the private sector and for government departments.

In August 1999 the company was merged with Relaxion to form Leisure Connection Ltd.

The rest is history!

***Peter Johnson – former Circa CEO***