

## **EAST DEVON DISTRICT COUNCIL**

### **Notes of a Meeting of the Leisure East Devon Joint Working Group held at Knowle, Sidmouth on 22 January 2014**

**Present:**

**Councillors:**  
Dave Chapman  
Pat Graham  
Tony Howard  
Geoff Pook  
Tim Wood

**Also Present**

**Councillors:**  
David Cox  
Andrew Moulding

Nigel Halford - Chairman of LED Board

**Officers:**  
Mark Williams – Chief Executive  
Simon Davey – Head of Finance  
John Golding - Head of Housing  
Charlie Plowden – Countryside & Leisure Manager  
Chris Lane – Democratic Services Officer  
Peter Gilpin – Chief Executive LED

The meeting started at 3.30pm and ended at 5.30 pm.

#### **1 Election of Chairman**

Councillor Tim Wood was elected as Chairman for the Working Group.

#### **2 Declarations of Interest**

<b>Councillor/ Officer</b>	<b>Type of interest</b>	<b>Nature of interest</b>
Pat Graham	Personal	Councillor's grandson works at Exmouth Pavilion.
Geoff Pook	Personal	Member of Colyton Sports Hall Use Committee

#### **3 Scope and terms of reference of the Joint Working Group**

To enable the Working Group to better understand its scope, the Chief Executive outlined the background to the current arrangements for leisure provision. He advised that the Council's portfolio of leisure facilities had been extended during the late 1980s and 1990s, funded from capital receipts and Government initiatives. A number of the facilities had been developed on school sites with dual-use (school/ council) agreements; others were exclusively Council owned on its own land.

### 3 **Scope and terms of reference of the Joint Working Group (cont..)**

Following a Best Value Review in 2000/2001 the authority recognised the on-going financial burden of its leisure facilities and explored how to protect its investment whilst maintaining leisure provision. Between 2002 and 2005/6 the Council looked at the successful use of charitable trusts by other authorities in running their leisure facilities. The logic of using a single purpose vehicle for delivery and the associated financial advantages resulted in Leisure East Devon (LED) being set up.

The negotiated arrangement between EDDC and LED was that the Council would provide a financial contribution equivalent to the budget cost of running the facilities as at year one of the contract. This gave LED sufficient scope to build up a level of financial security over time. By agreement, the fixed payment from the Council was not increased by inflation for the first five years of the contract which represented budget savings for the Council. During the initial contract, LED built up its reserves and now contributes to the cost of improving the facilities with the aim of increasing revenue opportunities. On the expiry of the 5 year contract, EDDC entered into negotiations with LED and has reduced its annual contribution. LED is steadily increasing its portfolio and has established a proven track-record which has helped it to secure additional contracts, for example with South Somerset District Council.

The Council currently spends about £1.5m annually, divided as £1m revenue spend and £0.5m capital spend. The purpose of setting up the working Group was to look at possible changes in the agreement between EDDC and LED and investigate ways of reducing the LED subsidy even further if possible. The current 5 year agreement runs until 2015 and includes a 5% year on year reduction in subsidy.

Peter Gilpin, LED Chief Executive, explained that LED was looking at other sources of income and diversification to become less reliant on the EDDC subsidy. The percentage of financial contribution from EDDC had been reduced from 25% to 15%. LED was a Charitable Trust and had a 30 year lease of EDDC leisure facilities. LED income during 2014/15 was budgeted to be £6m, with £1.15m coming from EDDC. The business employed 300 people in East Devon.

#### **RESOLVED 1.**

The following terms of reference were agreed:

- To recommend a new or revised strategy for the LED funding agreement for the period 2015 – 2020.
  - To make recommendations regarding the future leisure provision (including dual-use) within East Devon.
  - To consider the advantages and disadvantages, and make recommendations, in respect LED taking on the management of the council's three main cultural facilities (Exmouth Pavilion, Sidmouth Manor Pavilion and the Thelma Hulbert Gallery)
  - To consider LED's contribution towards the Council's priorities including the health and well being agenda; public health priorities; regeneration schemes; Cranbrook ; green infrastructure and tourism.
2. that members be circulated with the whole LED TaFF report and also the Best Value report from 2000/2001.

#### 4 **Relevant background information**

This included:

- the 2012 facilities performance;
- page 39 of the 2014/15 budget book;
- a confidential legal briefing noted regarding the dual use centres
- the recommendations of the LED Task and Finish Forum

Members noted that the number of attendances at LED facilities was increasing. The main revenue was from Health & Fitness Activities. Swimming pools generally struggled to break even due to their high fixed running costs. The Working Group received a breakdown of LED Facility Performance for 2012. The cost benefit of facilities such as swimming pools and the Exmouth Tennis Centre, which needed financial support to continue, was acknowledged.

Mark Williams, Chief Executive, confirmed that from EDDC's point of view, LED had been a real success, but now was the time for a further review of the agreement between the two parties.

#### 5 **Recommendations to Cabinet**

The Joint Working Party agreed that urgent recommendations needed to be referred to the next meeting of EDDC's Cabinet on 5 February 2014.

These to address the following:

- Whether to support a £120K LED Investment Proposal for Exmouth Pavilion.
- Whether to provide LED with advantageous financing arrangements through EDDC securing a Public Works Loan Board (PWLB) loan for works on Exmouth Leisure Centre totalling £1.45M; all loan interest and repayment costs to be met by LED.
- Whether to guarantee a base rent of £100k up to £200k per annum for the first five years of the Ocean Bowling Centre, Exmouth, if LED was to take on the lease of this building.

##### Exmouth Pavilion

Peter Gilpin, LED Chief Executive, explained the background of the need to support a £120k LED investment proposal for Exmouth Pavilion. The facility had been built in 1933 and had fulfilled a dual role in recent years, holding diners & dances and also larger shows. The Ocean Bowling centre had now developed its top floor and was taking away much of the Pavilion's dinner/dance bookings. The Pavilion required a significant subsidy for its maintenance and operation. It was estimated that this was in the region of £250-300K per annum. The facility had not evolved to meet the needs of the modern Exmouth community.

It was proposed to provide a new dedicated bar and lounge to serve the auditorium and additional equipment investment to provide a raised seating system. This would give the facility more the potential to accommodate larger shows and events in a range of formats. It was anticipated that these works could provide up to £20k additional revenue to the Pavilion and help reduce the increasing need for subsidy.

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**Recommendations to Cabinet (cont..)**Exmouth Pavilion (cont..)

**RECOMMENDED** that Cabinet support a £120k LED investment proposal for Exmouth Pavilion - as recommended by the Joint Working Group.

Public Works Loan Board loan for works to Exmouth Leisure Centre

Peter Gilpin, explained that he had been working for the last 2 years on a development proposal for Exmouth Leisure Centre. This included an overview of the business feasibility, design brief and inactive cost of the project. There was a need to invest in the facility to make Exmouth Leisure Centre fit for purpose for the next 15 – 20 years. The proposal emphasised the importance to the facility of health and fitness; this was the area of the business which would generate a surplus. The plan was to convert half of the existing ground floor hall to a gym - the existing gym would become a small studio. A scheme had been drawn up with a development partner.

LED was asking EDDC to provide advantageous financing arrangements through securing a PWLB loan for works on Exmouth Leisure Centre totalling £1.45m with all loan and interest repayment costs being met by LED. The PWLB would save LED £800k in interest over the 20 year term of the loan compared with borrowing money via the development partner. There were 2 further phases to the development plan, which would require additional funding. These were development of the swimming pool changing rooms and conversion of an existing estuaryside studio to a cafe.

The proposed development would significantly increase the health and fitness activities of Exmouth Leisure Centre. It was anticipated that the extra income from this facility would pay for the PWLB loan and interest over the 20 year term. The activities displaced from the reduction in size of the sports hall could be accommodated at other facilities in Exmouth, such as the Community College and Tennis Centre. Peter Gilpin confirmed that there was the possibility of profit-share with EDDC if the PWLB loan was agreed. Tim Wood, Chairman of the Working Group, reported that he would like to see a 15 – 20% reduction in EDDC spending on leisure to bring the cost of leisure facilities more into line with peer local authority spending.

**RECOMMENDED** that Cabinet agrees a £1.45 PWLB loan for works to Exmouth Leisure Centre, with all loan and interest repayment costs being met by LED.

Ocean Bowling Centre

Peter Gilpin, reported that he had been in confidential discussions with Mark Quinn, the owner of the Ocean bowling complex to take over the facility on a long term lease of 15 – 25 years. It was hoped to reach agreement in principle by the end of the month or by early February with a view to signing either Heads of Terms or an Agreement to Lease. It was hoped that the lease would commence in May in order to capture maximum income from the summer season. Peter Gilpin anticipated that there was potential profit for LED from the Centre.

5 **Recommendations to Cabinet (cont..)**

Ocean Bowling Centre (cont..)

Mark Quinn wanted confirmation from EDDC that they would guarantee the lease for the first five years of any lease agreement with LED. Members acknowledged that much more detailed information was needed on this proposal; this would be provided by LED for the February Cabinet meeting.

**RECOMMENDED** that the Chief Executive be given delegated authority, in consultation with the Leader and Deputy Leader to agree a maximum 5 year rent guarantee in respect of the proposal that LED take a long lease of the Ocean Bowling Centre, Exmouth; subject to LED producing further relevant details of the proposal including their Business Plan and any other necessary professional advice as reasonably sought by the Chief Executive.

6 **Next meeting**

**RESOLVED** that the next meeting, to be held at a date to be scheduled.