

Report To: Queen's Drive Delivery Group
Date of Meeting: 25th January 2021
From: Peter Gilpin, CEO, LED Community Leisure
Subject: Ocean

In response to a question at the previous meeting, the following is a summary of the relationship between LED Community Leisure (LED) and the Ocean family entertainment centre on Queen's Drive.

LED is now into its 6th year of a 25-year lease of the Ocean building. LED is a commercial tenant of the building and this lease is entirely separate from LED's leisure centre operations for the Council and is therefore accounted for separately.

None of the Management Fee paid to LED for the management of the Council's public leisure services is used to support Ocean. Prior to the first COVID-19 lockdown in March 2020, Ocean was generating an operating surplus.

LED pays a commercial rent to its Landlord, East Devon District Council (EDDC). Until early 2020 the Landlord was Harlequinns Leisure Ltd, with whom LED took out its lease.

Due to the first lockdown in 2020, which closed Ocean for 3 months, EDDC granted a rent deferral for the period; this is to be repaid in 2021. No further deferrals have been requested or granted for the second or third lockdown periods.

LED is a charitable trust, officially a Community Benefit Society registered with the Financial Conduct Authority (FCA). Its subsidiary trading company, LED Enterprises Ltd (LEDE), deals with the non-charitable income which must be accounted for separately, derived from the soft play, events, and the sales of food and beverages at Ocean and The Pavilion. Surpluses are then transferred to the parent Trust.

Initially, soft play was accounted for as a 'charitable' activity, but due to a change in VAT status by HMRC it is now accounted for through LEDE. Ten-pin bowling is seen as a recognised sporting activity, exempt from VAT, and is therefore accounted for through LED. This is a 'profitable' activity providing a contribution to the parent Trust, along with the income from the SEGA entertainment centre.

LEDE is a limited company registered at Companies House. The accounts for LEDE, which deal with the commercial, non-charitable activities, show the following for the last 3 years:

2017	£34,712	profit before tax
2018	£8,983	profit before tax
2019	£46,147	profit before tax

2020 has yet to be accounted for but will inevitably show a loss due to 4 months of enforced closure due to COVID-19, particularly during some peak summer months. This is expected to be recouped once trading returns to pre-COVID levels.

LED Leisure Management Ltd produces group accounts showing a total figure for income and expenditure from its sports and leisure activities and the above non-charitable income from the trading subsidiary, LEDE.

Ocean's turnover is over £2 million pa, employs around 75 local people and purchases from predominantly local suppliers, thereby putting circa £1.5 million back into the local economy.