

Report to LED Monitoring Forum – 16th December 2020

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Topic: Review of the 5yr Service Fee

Background

LED has novated leases for the respective facilities for 30 years these were set out in 2005 with the transfer of EDDC's in house Leisure Service to the newly created Leisure East Devon (LED) Trust. There is a further 15yrs left to run on these lease agreements with the details held by EDDC's Legal documentation files.

Alongside this sits a Management Agreement with Service Level Agreements (SLAs) between both parties. This lays out what LED has to do with regards to providing the service and facilities and what EDDC also has to do, this covers facility maintenance and repairs, grounds maintenance etc. The Management Agreement will also be held with EDDC's Legal documentation files. There have been amendments to this Management Agreement over the years which will also have been documented and recorded by EDDC's Legal team.

Service fee arrangement

As part of the Management Agreement, there is a recurring 5-year service fee (subsidy) paid to LED that is reviewed every 5 years. The next one for 2021-2026 is now due for agreement. The last Service fee was reported and agreed at the Cabinet meeting on 6th January 2016 with the notes of the Leisure East Devon Joint Working Party held on the 26th November 2015. The budget forecast was presented by Peter Gilpin, LED's Chief Executive to the (then) Joint Working Party meeting of the 30th September 2015 (paper attached) that resulted in an annual service fee requirement of £986,350 for 2016-2021, an annual increase of £87,634, mainly due to the introduction of the National Living Wage.

The minutes of the meeting state:

"Members noted that it was important for the budget process that a service fee be agreed with LED and that the figures presented by Peter Gilpin, LED Chief Executive be closely considered by the Strategic Lead – Finance. A meeting to agree on a recommendation to Cabinet on the annual service fee arrangement would be held towards the end of November 2015."

Recommendation

LED will provide a Service fee requirement request for 2021-26 ahead of the forthcoming LED Monitoring Forum meeting. Peter Gilpin, CEO has also indicated that he will be proposing that there is also a potential continuation of the recent additional 'Covid-19' support payments from April 2021 until LED have returned to previous income and attendance levels. These will be closely scrutinised and monitored as agreed by Cabinet when the 'bail out' fee was agreed at its 11th November 2020 meeting.

It is recommended that the LED Monitoring Forum considers the draft Service fee 2021-26 proposal as presented by LED's Chief Executive.