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Exemption applied: None

Review date for release N/A

Review of LED portfolio future building maintenance & investment requirements

Report summary:

The purpose of this review is to provide greater understanding of the performance of the leisure property portfolio, to allow the Council to make sound decisions, and to help inform future strategies for management of these assets.

This data and approach now exists across 95% of the Council's building assets where there is a liability on the Council. Along with informing future strategy it also enables proactive planning of works to buildings thereby relying less on reactive repairs and benefitting from cost savings, maintaining buildings in a better condition and improved planning of building works and Officer / Contractor workloads.

Stock condition survey data for each of the 12 buildings has been updated and extrapolated over a 30 year forecast.

The Net Present Value of the building maintenance & investment required over the next 30 years is minus £11.4 million (at 5.5% discount rate) and the total forecast investment required is £22.8million (or £26.6million before dual use contributions from the schools are deducted). This data is driven by maintenance, investment and Property & FM management costs and do not reflect improvements (other than standard component replacement) towards fulfilling the climate change agenda.

The current leisure portfolio property related budgets are £410,000 revenue and circa £1.5m for capital expenditure over a five year timescale (£300,000 per annum) therefore averaging at a total cost of circa £710,000 per annum.

In comparison moving forward and averaged out over the next 30 years but using current costs, the Council will need to commit circa £740,000 per annum, an increase of circa 5% reflecting the fact that buildings are getting older. Whilst this is only a marginal average increase the report shows that the required spend is weighted more heavily towards the next 10 years leading to enhanced spend required, more than £1,000,000 per year in 4 of the next 7 years.

Recommendation:

That LED Monitoring Forum note the content of this report and that this data be used to assist in forming future strategy.

Reason for recommendation:

To ensure these assets are managed in a strategic manner.

Portfolio(s) (check which apply):

- Climate Action
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Coast, Country and Environment
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

This report sets clearly for the first time the future costs required to maintain the existing stock of leisure assets over the next 30 years. This highlights the total costs for the Council of its leisure service over and above the direct subsidy payment to LED, it allows for a much clearer and accurate capital programme to be formed and gives the Council the necessary data to consider its future Strategy and ability to consider differing options and costs models.

Legal implications:

The report does not raise any specific legal implications requiring comment.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information Click here to enter links to background information; appendices online; and previous reports. These must link to an electronic document. Do not include any confidential or exempt information.

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
 - Outstanding Homes and Communities
 - Outstanding Economic Growth, Productivity, and Prosperity
 - Outstanding Council and Council Services
-

Report in full

1.0 Background

- 1.1 The LED portfolio is tenanted by LED Leisure Management Ltd (trading as LED Community Leisure), who were established in 2006. At that time, like many Local Authorities in the country, EDDC outsourced its previously in-house Leisure Service provision to a newly

created Leisure Trust. The physical assets that this Leisure Service operate within were transferred to LED by way of new 30 year leases.

- 1.2 The LED portfolio comprises the following 12 no. buildings –
 - Axminster Leisure Centre (Dual Use)
 - Broadclyst Leisure Centre (Dual Use)
 - Colyton Leisure Centre (Dual Use)
 - Exmouth Leisure Centre
 - Exmouth Pavilion
 - Exmouth Tennis Centre
 - Honiton Leisure Centre (Dual Use)
 - Honiton Swimming Pool
 - Ottery Leisure Centre including All Weather Pitch (Dual Use)
 - Sidmouth Swimming Pool
 - Sidmouth Leisure Centre (Dual Use)
 - Seafield Gardens Tennis Pavilion/Café, Seaton
- 1.3 EDDC retains direct involvement and financial investment in the leisure buildings as Landlord, through the lease repairing obligations, which are generally set out as Landlord responsible for internal and external building maintenance, with requirements on the Tenant for minor maintenance, statutory compliance, and running costs.
- 1.4 There is no rental income to EDDC from any of the leisure centres.
- 1.5 Six of the leisure centres are 'Dual use', meaning that community usage of the facilities is shared with that adjacent secondary school. These are arrangements created in the 1980's where EDDC built leisure centres on Devon County Council land, with ongoing running costs shared between the two parties, formalised by 'Dual Use agreements'. EDDC's operational roles in these agreements were subsequently formally novated to LED.
- 1.6 Due to inevitable changes in circumstances, and nature of both the leisure industry and the school environment since, the dual use agreement's suitability in current times is questionable (though is not the subject of this report).
- 1.7 Colyton Leisure Centre has a slightly different tenure setup, being built more recently (2003), where the Grammar School constructed the building, and then leased to EDDC. The principles of the usage arrangements are similar though to the other five dual use centres.
- 1.8 The stock condition survey data used is that from condition surveys carried out by external consultants, The Oak Leaf Group, in 2016. The data has been refreshed and extended to include a 30 year lifecycle forecast (year 1 = 2020/21) but does include assumptions around required spend, with accuracy becoming less reliable through the 30 year period.
- 1.9 General assumptions/caveats:
 - The Putting Kiosk at Sidmouth Triangle, Ocean in Exmouth, and Coburg Tennis Courts in Sidmouth are not included in the condition survey/cost forecast data in this report.
 - All cost estimates are based on current values and allowance for inflation has not been made.
 - We have not included extensive estimates for all potential external grounds maintenance, but we have made a small allowance at each site that has green space. For a full analysis of this element, a detailed assessment would need to be provided by the Council's StreetScene Service.

- At the six dual use sites, we have reduced net forecasted expenditure by including for the 40% contribution to all costs due from the Schools as 'income'. At Colyton, this is 50%. We assume for the purpose of this exercise, that the Schools will be in agreement with all of the works proposed.
- We have not included grounds maintenance or indirect management/overheads costs for EDDC salaried staff time in the sums being re-charged to the Schools.
- We have made an allowance for annual Landlord's statutory compliance requirements at each site, e.g. boiler servicing, electrical testing etc.
- Recognised typical lifespans in years have been used for each surveyed element of construction but they have been adjusted based on our knowledge of each site and its usage.
- Indirect management/overheads costs for EDDC salaried staff time of £181,930 have been included and divided equally across the 12 sites.
- Annual building insurance costs of £29,785 have been included and has been divided equally across the 12 sites.
- The internal Accountancy annual depreciation charges of £1,004,610 for the LED Portfolio have not been included in the indirect costs.
- No VAT is included on any costs.
- Income for works undertaken on LED behalf, are not currently included, nor are contributions from LED on projects that may include cosmetic or energy saving improvements, where cost sharing arrangements are usually sought due to consequential running costs benefits.
- We have not specifically allowed for any cost forecasts for works associated with energy saving improvements or on site renewables, except for modernisation of internal fluorescent lighting.
- For the Net Present Values (NPV), a discount rate of 5.5% has been applied, which is industry standard.
- The word 'leisure' in the context of this report refers only to the service provided through LED and the buildings it occupies under leases, and not any of the services provided directly by the Council under the 'Countryside & Leisure' service at other locations.

2.0 Condition survey cost forecast data summary and graphs

2.1 Condition survey nett costs summary per site

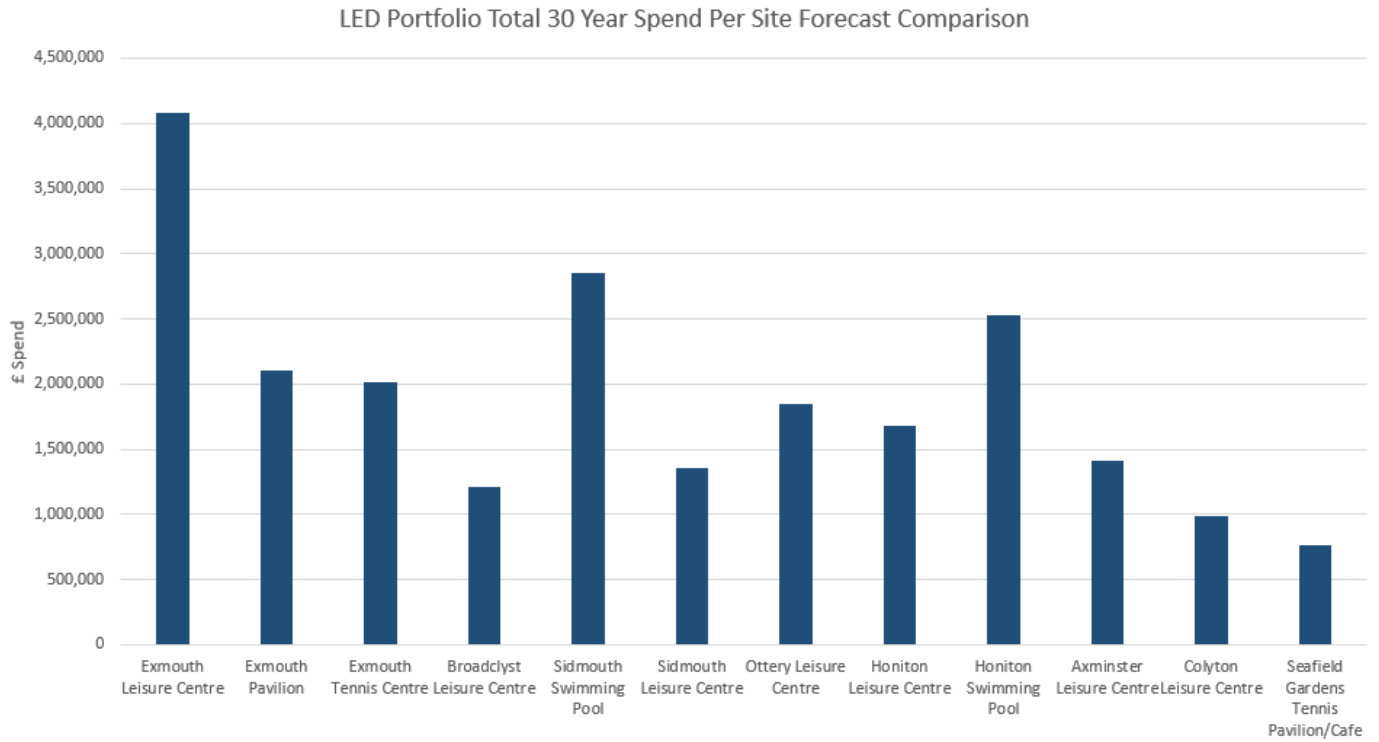
Site	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exmouth Leisure Centre	63,643	118,443	73,643	99,643	54,143	326,643	182,643	36,643	126,643	222,643
Exmouth Pavilion	32,143	44,643	102,143	113,143	127,143	53,643	91,143	49,143	103,143	33,143
Exmouth Tennis Centre	30,143	48,643	30,143	115,643	30,143	90,143	187,643	30,143	74,643	30,143
Broadclyst Leisure Centre	21,150	206,550	27,150	27,150	43,350	24,150	66,150	21,150	21,750	28,950
Sidmouth Swimming Pool	29,643	65,643	534,643	29,643	29,643	37,143	416,643	29,643	44,643	44,643
Sidmouth Leisure Centre	21,750	64,650	41,850	21,750	21,750	184,950	103,650	22,350	21,750	27,750
Ottery Leisure Centre	26,750	159,050	44,150	30,350	127,250	78,350	77,150	26,750	33,950	32,750
Honiton Leisure Centre	32,750	68,450	107,600	47,750	89,750	146,750	42,650	26,750	40,250	33,350
Honiton Swimming Pool	222,143	175,343	32,143	32,143	35,143	185,643	78,143	33,643	110,143	37,143
Axminster Leisure Centre	29,770	121,750	68,650	27,550	24,550	38,950	116,350	24,550	29,050	24,550
Colyton Leisure Centre	26,902	24,402	25,652	23,902	20,652	24,152	36,902	52,652	26,902	20,652
Seafeld Gardens Tennis Pavilion/Cafe	24,643	24,643	24,643	24,643	24,643	54,643	24,643	24,643	24,643	24,643
TOTAL	561,431	1,122,212	1,112,413	593,314	628,165	1,245,166	1,423,717	378,068	657,519	560,370

Site	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Exmouth Leisure Centre	68,643	73,443	92,643	78,643	397,143	65,643	156,643	170,143	62,643	47,143
Exmouth Pavilion	227,143	31,643	32,143	79,143	32,143	30,143	45,643	41,143	116,143	49,143
Exmouth Tennis Centre	201,643	80,143	35,143	35,143	30,143	51,143	130,143	30,143	40,143	31,643
Broadclyst Leisure Centre	21,150	99,150	21,150	28,650	21,150	29,250	64,350	31,950	21,150	36,150
Sidmouth Swimming Pool	51,143	30,143	32,643	34,643	39,643	48,143	34,643	362,143	75,143	39,643
Sidmouth Leisure Centre	24,750	24,750	21,750	28,350	25,950	39,750	56,250	33,750	109,350	25,350
Ottery Leisure Centre	29,150	243,650	27,950	33,350	29,150	26,750	41,450	32,750	45,350	128,750
Honiton Leisure Centre	93,650	34,550	26,750	34,850	33,650	26,750	48,350	102,650	50,150	32,750
Honiton Swimming Pool	45,643	32,143	36,143	317,143	138,843	35,143	75,143	47,143	59,643	83,643
Axminster Leisure Centre	52,150	37,150	33,550	24,550	24,550	25,270	101,050	70,750	24,550	42,550
Colyton Leisure Centre	53,152	74,652	21,652	23,402	20,652	22,402	95,152	25,652	28,652	20,652
Seafeld Gardens Tennis Pavilion/Cafe	24,643	24,643	24,643	24,643	24,643	24,643	24,643	24,643	24,643	24,643
TOTAL	892,871	786,072	406,173	742,524	817,675	425,046	873,477	972,878	657,579	562,080

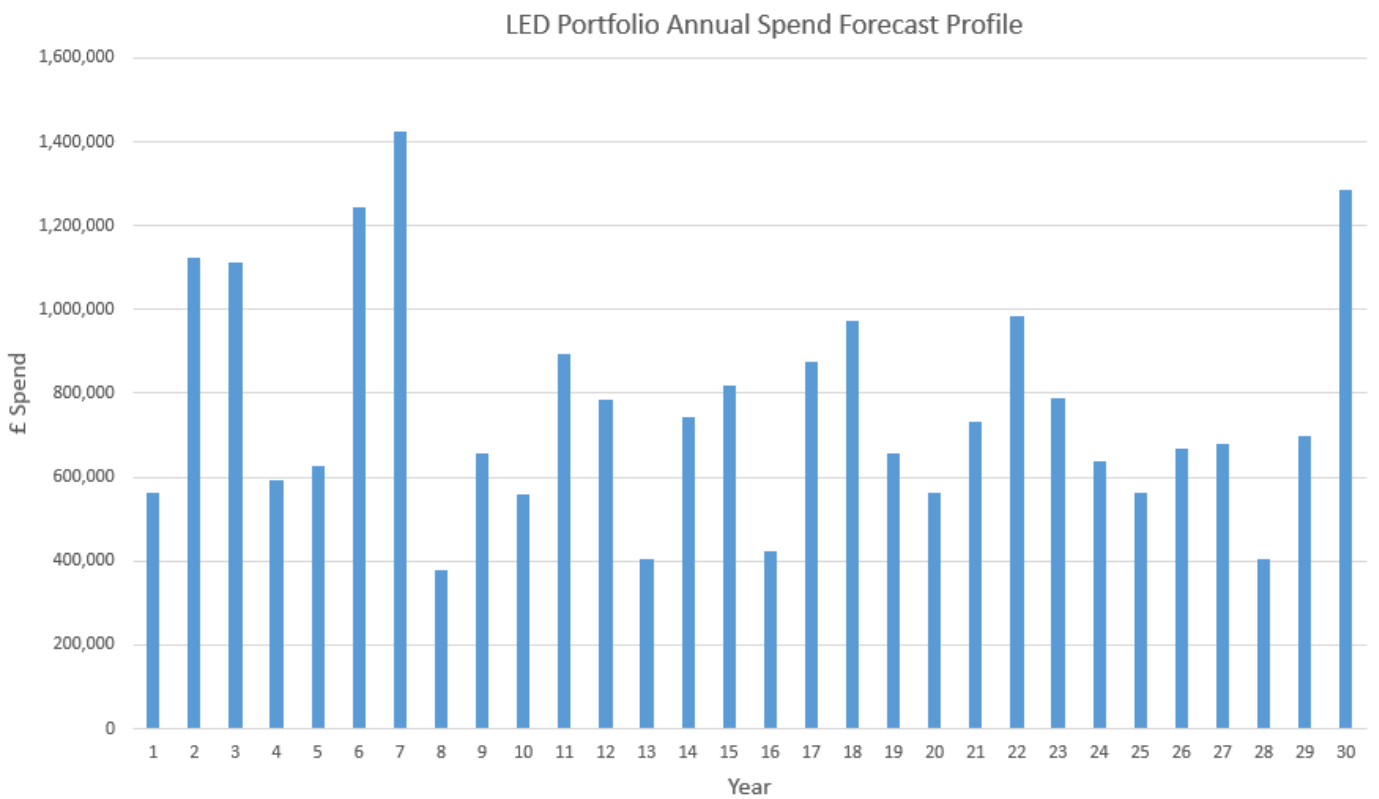
Site	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Exmouth Leisure Centre	102,143	111,443	107,643	96,643	133,643	154,643	88,643	44,643	139,643	585,643
Exmouth Pavilion	92,143	43,643	60,643	90,143	38,143	51,143	39,643	49,143	169,143	42,143
Exmouth Tennis Centre	107,643	140,143	54,643	30,143	30,143	40,143	140,143	65,143	34,143	37,143
Broadclyst Leisure Centre	21,150	48,150	21,750	25,650	21,150	28,950	27,150	22,650	28,350	105,750
Sidmouth Swimming Pool	69,643	199,643	173,643	29,643	131,143	55,143	49,643	30,643	29,643	74,143
Sidmouth Leisure Centre	23,250	144,750	25,950	23,250	21,750	88,350	30,750	21,750	21,750	31,950
Ottery Leisure Centre	64,250	41,750	30,350	181,250	26,750	29,750	47,150	26,750	27,950	92,750
Honiton Leisure Centre	96,350	66,350	89,750	49,250	38,750	33,350	41,750	30,650	88,250	28,850
Honiton Swimming Pool	63,143	98,643	42,143	32,143	36,143	37,143	132,143	42,143	51,643	185,143
Axminster Leisure Centre	42,550	39,550	110,050	33,550	32,050	105,550	35,050	24,550	24,550	28,150
Colyton Leisure Centre	25,652	25,152	48,152	23,152	27,152	21,152	21,402	20,652	56,902	50,652
Seafeld Gardens Tennis Pavilion/Cafe	24,643	24,643	24,643	24,643	24,643	24,643	24,643	24,643	24,643	24,643
TOTAL	732,581	983,882	789,383	639,484	561,485	669,986	678,137	403,388	696,639	1,286,990

Site	30 YR. TOTAL
Exmouth Leisure Centre	4,082,189
Exmouth Pavilion	2,109,789
Exmouth Tennis Centre	2,012,289
Broadclyst Leisure Centre	1,212,303
Sidmouth Swimming Pool	2,852,789
Sidmouth Leisure Centre	1,355,703
Ottery Leisure Centre	1,843,503
Honiton Leisure Centre	1,683,453
Honiton Swimming Pool	2,532,689
Axminster Leisure Centre	1,417,443
Colyton Leisure Centre	988,807
Seafeld Gardens Tennis Pavilion/Cafe	769,289
TOTAL	22,860,245

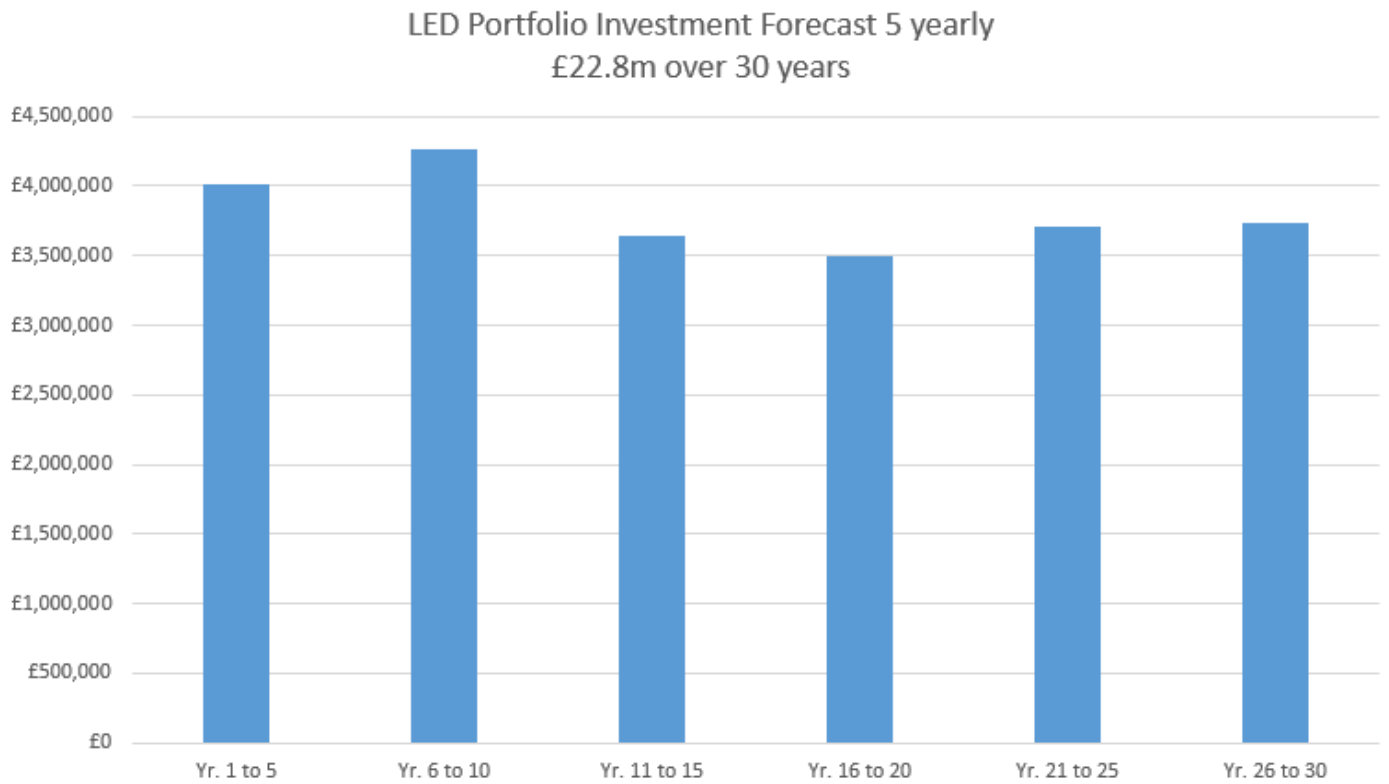
2.2 Total 30 year forecast expenditure at each asset



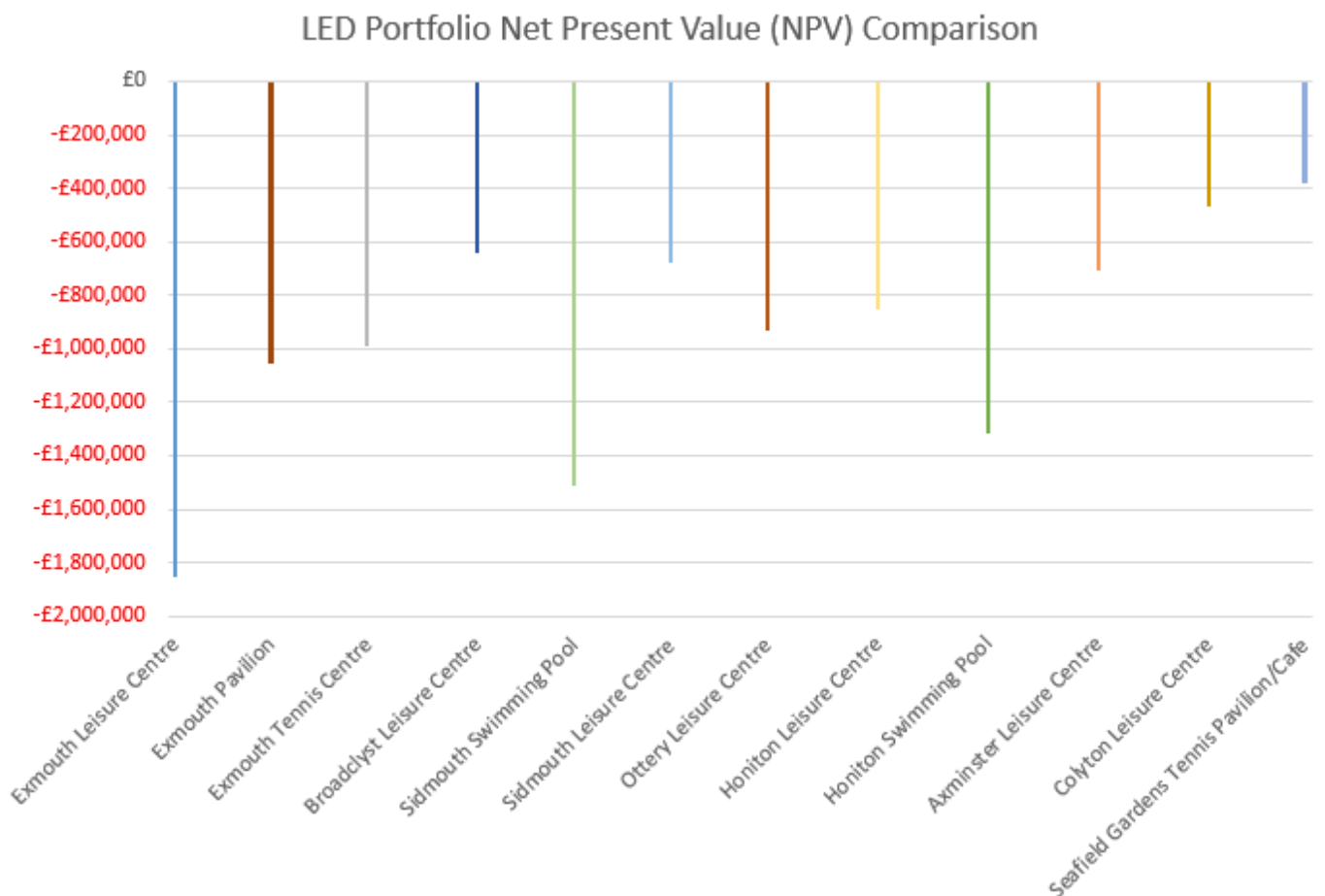
2.3 Total forecast expenditure per year over 30 years



2.4 Total forecast expenditure over 30 years in 5 yearly bands



2.5 Net Present Value (NPV) of total forecast investment in each asset (5.5% discount rate used)



3.0 Existing property budgets for leisure portfolio

3.1 Annual revenue cost budgets 2020/21

Reactive (ad-hoc) maintenance	£83,000
Planned maintenance	£84,000
Materials	£6,000
Insurance	£24,870
Total	£197,870
Indirect Management / Overhead Costs (not just Property related)	£181,930
Insurance (separate to above)	£29,785
OVERALL TOTAL	£409,585

3.2 Capital budgets (3-5 year timescale (assume 5 years for purpose of report))

Budget code	Project name	£
83130	Broadclyst and Ottery Leisure Centre re roof	296,000
83132	Exmouth Tennis Centre Mechanical & Elec	85,000
83133	Exmouth Tennis Centre + Ottery & Broadclyst Leisure Centres - Energy Act and Energy Saving/Renewables Initiatives	190,000
83134	Honiton + Sidmouth leisure centres - Energy Act and Energy Saving/Renewables Initiatives	80,000
83131	Honiton Pool and Changing Rooms	156,660
83141	LED - Leisure Centre Energy Saving	222,319
83136	Sidmouth Swimming Pool and Changing Rooms	432,557
83160	Axminster Leisure Centre - replace sports hall flooring	56,600
83161	Replacement doors to sports hall storerooms - Leisure Centres	35,500
	TOTAL	1,554,636