
REPORT TO:	ETWALL LEISURE CENTRE JOINT MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	27th SEPTEMBER 2017	CATEGORY: DELEGATED
REPORT FROM:	STUART BATCHELOR DIRECTOR OF COMMUNITY & PLANNING SERVICES	OPEN
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SUBJECT:	REPAIRS AND MAINTENANCE – LIFECYCLE COSTING	REF: s/leisure/leisure centres AN/ ELC/JMC/17-18/lifecycle costing report
WARD (S) AFFECTED:	ETWALL, HATTON, HILTON, NORTH WEST, REPTON & WILLINGTON	

1.0 Recommendations

- 1.1 That the content and findings of the Etwall Leisure Centre Repairs and Maintenance Lifecycle Costing Exercise is considered and noted.
- 1.2 That options for managing the budget in relation to repairs and maintenance are considered.
- 1.3 That £28,714 originally set aside for the Pension Fund but no longer required for that purpose be transferred to the sinking fund and therefore available to replace major items of plant and equipment.

2.0 Purpose of Report

- 2.1 To update the Joint Management Committee (JMC) on issues related to an exercise examining the lifecycle costing of repairs and maintenance at Etwall Leisure Centre.

3.0 Detail

- 3.1 Etwall Leisure centre was opened in 2009 and after an initial period where the centre was operated by the original staff from the swimming pool operation a procurement exercise was undertaken to find a new operator. Further to the procurement exercise Active Nation were the successful tenderer and commenced management of the leisure facilities from April 1st 2011.
- 3.2 On behalf of the JMC, SDDC entered into a contract with Active Nation and as part of this arrangement responsibilities relating to repairs and maintenance were divided out between the employer, contractor and John Port School. The

details of the allocation of responsibilities are shown in **Appendix 1** which is an extract from the management contract. In summary the contractor is generally responsible for day to day maintenance, repairs and decoration, the employer responsible for structural items and replacement of more significant items of plant and John Port School for electrical, water and drainage supply as well as roads, parking, hard standing and grounds maintenance within the demise.

- 3.3 In terms of budget to offset the cost of the above responsibilities there is a sum of £11,500 pa to utilize for day to day requirements plus the assets within a sinking fund where a contribution of £25,000 pa is made to the fund. The sinking fund was specifically set up to replace major items of plant and equipment. In addition, a further provision of £5,000 pa is made for future decommissioning costs.
- 3.4 During 2015/16, £106,000 from the sinking fund was used towards the project to extend the fitness suite and other centre facilities as previously approved by the Committee. This means that at 31st March 2017, the balance on the sinking fund is £36,667 (with £15,000 in the decommissioning provision).
- 3.5 The Centre has now been open for eight years and given the amount of use, which far exceeds that originally envisaged, remains in good condition. However, there are a number of building related issues that have come to light during this period. These include but are not limited to: state of the air conditioning system, roof leaks, condition of squash courts, condition of new car park, condition of pool covers, flooring, condition of changing rooms, operation of front doors, capacity of electrical supply etc.
- 3.6 The reasons behind the issues are various and include quality of initial build or equipment installed, poor initial maintenance, age of and previous investment in building (squash courts) and fact centre is now 8 years old and has been heavily used.
- 3.7 Some of the issues have been addressed e.g. front doors sorted by Contractor; improved planned preventative maintenance by Contractor and improved monitoring and inspection of systems and performance; initial and partial repairs and improvements to air conditioning system; basic maintenance on squash courts; investigations and some repairs re roof leaks; maintenance to new car park and plans for future improvements; plans for investment into pool covers; floor re-laid via capital project; plans to reduce electrical consumption and investment set aside from future 106 monies to upgrade changing rooms.
- 3.8 Despite the above mix of works done and planned improvements it was still deemed sensible to undertake a lifecycle costing exercise to check requirements against resources.
- 3.9 The exercise was undertaken by ascertaining the employer and client maintenance responsibilities within the contract, examining previous annual spend on maintenance between 2012-16 to identify average annual costs (with and without outliers), identifying likely costs during a 25 year period and forecasting both annual costs and total costs over the 25 year period (again

with and without outliers). N.B. An outlier (in statistics) is an observation point that is distant from other observations.

- 3.10 The spreadsheet showing the data is attached as Appendix 2a, graphs illustrating the spend profile as Appendix 2b and an accompanying document explaining assumptions and limitations in the exercise is attached as Appendix 2c
- 3.11 The anticipated total expenditure over the 25 year period to 2041 is estimated to be between £864,010 and £941,776. The anticipated total income over the same period from the £11,500 annual revenue budget and sinking fund is £924,000.
- 3.12 The conclusion to be drawn is that if the assumptions and calculations made in the costing exercise are correct then overall then the Leisure Centre partners should have close to enough funds to manage responsibilities.
- 3.13 Analysis of the graph in appendix 2b demonstrating anticipated spikes in expenditure shows a first significant spike in 2025 but this and future spikes would appear to be covered by accumulation of funds in the sinking fund.
- 3.14 Whilst the overall analysis shows there should be close to sufficient funds to manage partner responsibilities it also indicates that the existing reactive annual repairs and maintenance revenue budget of £11,500 is less than what was required and spent in the 2012-16 period and is less than adequate going forward.
- 3.15 In light of all the above and the likelihood of changed circumstances, increased costs it would seem prudent to keep the state of the premises, the expenditure on repairs and maintenance and the balance of the sinking fund under close scrutiny and review.
- 3.16 In addition to the above proposed close scrutiny and review the JMC may also wish to consider options for managing the budget differently. For example the annual repairs revenue budget could be increased by a sum (e.g. £5,000) whilst at the same time the sinking fund amount set aside each year could be reduced by the same amount meaning the overall annual expenditure and cost to partners remained the same. Under this arrangement if the repairs budget was underspent it would also seem sensible to allocate any underspend back to the sinking fund.
- 3.17 Another option could be to retain the existing annual repairs revenue budget but transfer funds at year end from the sinking fund to cover and balance off any over spend.
- 3.18 In the Final Accounts for 2016/2017 report the section concerning Pensions Fund outlines that a provision of £28,174 was still set-aside as at 31st March 2017. This was ring-fenced in 2011 to meet any costs of past service pension deficit following the TUPE transfer of former JMC employees to Active Nation. Further, that following the latest valuation of the Derbyshire Pension Fund which reported in December 2016, no additional liability was identified and as a result this provision is available for use elsewhere at the discretion of the

JMC. The recommendation is therefore that full amount of £28,174 is transferred to the sinking fund and therefore available to replace major items of plant and equipment etc.

4.0 Financial Implications

4.1 The report considers financial requirements in relation to the repairs and maintenance responsibilities of the Etwall Leisure Centre partners. The only immediate financial recommendation is the allocation of the no longer required Pension Fund to the repairs and maintenance sinking fund. However the report does require the JMC to note and consider the findings of the Lifecycle Costing exercise and options to assist budget management regarding repairs and maintenance in the future.

5.0 Corporate Implications

5.1 A well maintained Leisure Centre is a pre-requisite for the partners core objective of providing a leisure facility for both curriculum and community use.

6.0 Community Implications

6.1 The Etwall Leisure Centre facility is extremely popular and well used and has benefitted from a variety of improvements. It is incumbent on the partners to protect their reputation and continue to provide a good customer experience by providing a well maintained facility.

7.0 Background Papers

7.1 Provided as Appendices