



Mr Vaughan Watson  
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Date: 19<sup>th</sup> October 2016

## Living Wage/Performance Bonds Removal

Dear Vaughan,

Further to our discussions about the problems and ineffectuality of the performance bonds, I have set out what I believe to be a win/win opportunity for North Herts District Council and SLL.

Traditionally these bonds were used in the construction industry; but they have not been easily transferable to the leisure sector; have never been called upon against SLL; and given the changed emphasis of reduced risk on the Local Authority with much lower deficit funding for the leisure centres; it is even less likely that such bonds would ever be needed. SLL doesn't have any such bonds in place for any other contract or any other Local Authority and other Council's which previously had them in place have now removed them.

The cost of these bonds to SLL which ultimately has a knock on effect to NHDC, is £12,632 per annum, so for the 8 years remaining on the three contracts this would be £101,056. The Bonds also tie up SLL with a banking facility requirement of £574,200; which restricts SLL's ability to reinvest into capital projects at the sites.

The proposal is therefore to remove the bonds and replace with a capital sum which could either be an Escrow or a payment to and held by NHDC in the event of contract failure. This is what we have done recently with an agreed £40k payment to Central Beds Council. That is a large contract similar to the three NHDC contracts combined; so it would make sense for SLL to pay NHDC £40k in the same way.

Stevenage Arts & Leisure Centre  
Gordon Craig Theatre  
Stevenage Swimming Centre  
Stevenage Golf & Conference Centre  
Fairlands Valley Sailing Centre  
Saxon Pool & Leisure Centre

Flitwick Leisure Centre  
Sandy Sports & Community Centre  
North Herts Leisure Centre  
Letchworth Outdoor Pool  
Fearnhill Sports Centre  
Knights Templar Sports Centre

Hitchin Swimming Centre  
Royston Leisure Centre  
Catmose Sports Centre  
Houghton Regis Leisure Centre  
Howard Park & Gardens Kiosk

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DISTRICT COUNCIL



In addition, SLL would be prepared to share the annual saving made and we think it reasonable to allow NHDC to have the greater share of this saving 80/20. As such, SLL could pay NHDC £10,000 P/A (£80,000 over the remainder of the contracts.)

The removal of the bonds will allow SLL to invest in its Leisure Facilities and we will be prepared to commit capital sums, subject to a sound business case in NHDC leisure facilities

In terms of financial risks associated with the National Living wage. I am writing to confirm that SLL has no intention either now or in the future of making a claim against NHDC for any increases in the national living wage.

Any such increases in this area will be absorbed by SLL and included within the three individual facilities P&L accounts; accepting the existing terms of contract with the performance bonds being amended as per the previous proposal.

To ensure accuracy and transparency, the P&L accounts are currently monitored monthly by NHDC and these accounts ultimately make up the year-end P&L financial position for the North Herts facilities.

I hope this clarification is helpful, but if you need any further information please advise.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'I. Morton', with a long horizontal stroke extending to the right.

Ian Morton  
Managing Director  
Stevenage Leisure Limited (SLL)