

TITLE OF REPORT : “INVEST TO SAVE” HITCHIN SWIMMING CENTRE DEVELOPMENT AND EXTENSION TO THE CAR PARK

REPORT OF THE HEAD OF LEISURE AND ENVIRONMENTAL SERVICES

1. SUMMARY

- 1.1 The Council capital investment for the new multi functional facility provides improved community benefits, whilst generating additional revenue savings to the Council and provides a new asset at no cost to the Council.
- 1.2 The provision of an extension to the car park cannot be achieved until the Cow Commoners obtain approval from the Charities Commission, so that an access road can be constructed.

2. RECOMMENDATIONS

- 2.1 To note and comment on the report

3. BACKGROUND

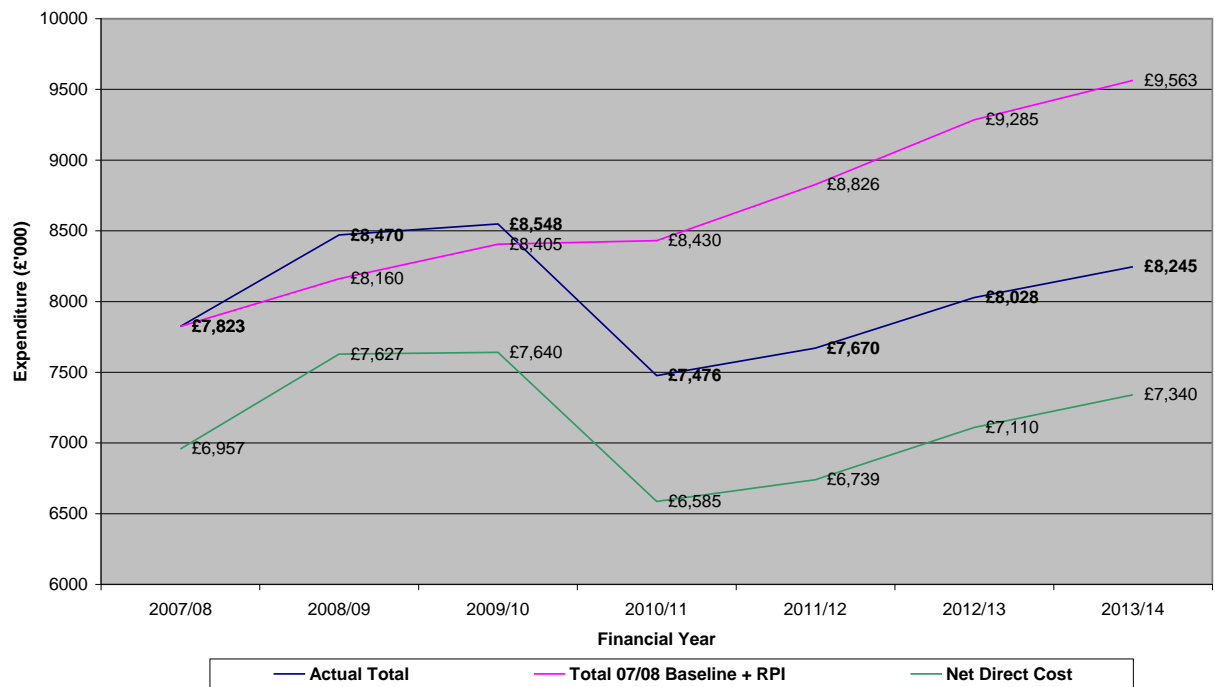
- 3.1 Finance, Audit and Risk Committee at the last meeting on the 5th December 2013 minute 46 (4) resolved:
 - 3.1.1 That the Head of Leisure and Environmental Services be requested to present a more detailed report on the “Invest to Save” scheme at the Hitchin Swimming Centre and the extension to the Swim Centre Car Park to the next meeting of the Finance , Audit and Risk Committee on the 27th January 2014

4. INVEST TO SAVE

- 4.1 As a result of the ever increasing pressure on local government finance and the need to find efficiencies year on year, the Council has encouraged greater innovation and considered ways of reducing costs without adversely affecting the quality of service. The Council has opted to optimise the use of capital funds to help reduce the pressure on the revenue fund by approving “Invest to Save” schemes.
- 4.2 Leisure and Environment has one of the largest areas of the Council's revenue budgets, providing a wide range of front line services that benefit our communities and over the years have made some significant changes that has improved services whilst controlling costs. The following graph is an extract from this years Service & Financial Plan which shows that if there were no changes in services from 2007 (base year) the

costs for L&ES would now be at £9.5m rather than the current £8.2m.

Trend in Leisure & Environmental Services Expenditure 2007 - 14



- 4.3 During the past 7 years there has been significant improvement in services that is demonstrated by the District Wide Survey and other quality measures such as “Quest” for Leisure, “Green Flag” for our Green Spaces and Green Apples for our Waste and Recycling. In addition, we have received national awards for our services.
- 4.4 “Invest to Save” is not a new concept to this Council. In 2000, the Council invested capital funds to build Archers Health & Fitness Facility, which now has over 2,500 members and has significantly helped in reducing revenue costs over the years.
- 4.5 Archers is now fourteen years old and the Swimming Centre twenty three years old. The outdoor pool was opened in the 1930’s, one of the few remaining in the country as many have closed because of the high levels of subsidy required.
- 4.6 Hitchin Leisure Management Contract was re-tendered and awarded to Stevenage Leisure Limited in 2011, making further significant savings to the Council at this time. There was an additional saving because of NNDR savings (National Non-domestic Rate relief, that is 80% mandatory relief on business rates), associated with SLL being a charitable trust. The contract was awarded for seven years with an option to extend for a further seven years (total fourteen years).
- 4.7 Cabinet at their 26th March 2013 meeting considered and agreed to two reports (Part 1 and Part 2) that provided the detail of the “Invest to Save Scheme”. In the part 2 report under “Financial Implications”
- 4.7.1 Para 11.1 states ‘the Multi Functional Rooms will be over budget’. However, this is an invest to save project and will not have a negative financial impact on the Council.
- 4.8 For the contractor to recover their costs and for the Council to also receive the financial benefits, the payback needed to be over at least 10 years, a seven year extension from

April 2014 would then take the contract up to March 2024. This is further discussed in Paragraph 11.3 of this report.

- 4.9 To demonstrate the payback the following table illustrates the payment mechanism:

Range	SLL Payments over 10 years	NHDC Capital Funding
Original Budget	£1,379,220	£720,000
Estimated outturn	£1,632,340	£1,100,000

- 4.10 The Managing Director of SLL's letter and the payment schedule attached as Appendix A to the Part 2 report provides the basis of the agreed funding and is shown in Appendix A of this report
- 4.11 The annual interest on capital employed is around 6%, in addition the Council obtain a £1m asset in the form of the multi functional rooms at no cost to the Council, i.e. SLL will reduce its management fee to cover the cost of the multi functional rooms over 10 years with 6% per annum interest. SLL have previously confirmed they can commit a maximum of £1.1m to the initial capital to cover the cost of the multi functional rooms.
- 4.12 The financial risk is with SLL as the contractor will need to achieve the additional income they are projecting from this new facility. However, SLL fully recognise the importance of operating a range of classes to compliment the range of fitness equipment provided.
- 4.13 The extension to Hitchin Swimming Centre is now nearing completion with the handover, expected on the 17th Jan 14 and open for use by the end of the month. If members wish to have a tour of the facility thi can be arranged.

5. EXTENSION TO CAR PARK

- 5.1 The Council has had capital provision for many years to provide an extension to the Hitchin Swimming Centre Car Park. However, this relies on approval from the Cow Commoners to allow access across their land as a roadway needs to be developed. Although there has been approval in principle; the legal terms have always been problematic as it relies on the Charities Commission to give their approval, to date we are still awaiting confirmation from the Cow Commoners on such approvals.
- 5.2 The Hitchin Football Club has given the Contractor permission over many years, use of their top field as a car park; this is of particular need during the fourteen weeks the outdoor pool is open to the public.

6. FINANCIAL IMPLICATIONS

- 6.1 This Invest to Save project as enabled the Council to effectively use its Capital funds to assist in making substantial savings on its revenue budget and as contributed significantly towards the 2014/15 savings.
- 6.2 The Council also obtains an additional asset at no cost to the Council and also provides additional services for the benefit of our communities.

7. RISK IMPLICATIONS

- 7.1 The financial risks are mainly with the contractor, the main risk to the Council is if the contractor becomes insolvent and the contract is terminated earlier than expected. The current financial status of SLL does not indicate this is an issue.
- 7.2 The risks to the project to develop the facilities have been identified as follows:
- failure to complete the project on budget
 - failure to complete the project on time
 - failure for the project to deliver an improved changing facility and multi functional rooms
 - failure of the new facilities to attract the projected number of users
- 7.3 Separate risks have been identified relating to the car park extension as follows:
- facilities not being used to the maximum potential
 - negative impact on people joining Archers
 - downturn in income is the risk of the contractor but this would effect any profit share and would impact on the next contract review making the contractor's fee more expensive
 - failure to meet public demand
 - failure to fully use any new facilities provided at the swim centre such as multi-functional rooms

These risks are currently being managed by the use of the adjacent Football Club for overspill car parking in the summer and by Archers members using the Lairage car park.

8. EQUALITIES IMPLICATIONS

- 8.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 8.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 8.3 The new facilities will provide better physical access,, in particular the new changing village, and provide increased opportunities for a range of user groups, abilities to engage in physical activity. However, it will be important for the project to be monitored during its development and operation to ensure that the needs of the widest range of users are met; this ongoing 'equality analysis' is required as the project exceeds £50k cost and covers users of more than two wards.

9. SOCIAL VALUE IMPLICATIONS

- 9.1 The new facilities at HSC will provide a wider range of activities for the well being of our communities and also improve access for all. Additionally there will be positive social value implications with regard to the economic opportunities afforded to local contractors/employees and employees of SLL, environmental benefits in regard to reduced use of fuel/energy, and the social value of expanding the range of facilities and activities available to the widest audience in the local community.

- 9.2 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 8 – 8.3 above.

10. HUMAN RESOURCE IMPLICATIONS

- 10.1 The contractor will need to employ more staff to manage these new facilities, but no impact on the Council.

11. LEGAL IMPLICATIONS

- 11.1 The letting of all contracts and contract extensions must comply with the Council's Contract Procurement Rules and Financial Regulations.

Letting of the Building Contract

- 11.2 The Council appointed B3 Architects by single tender to undertake the procurement of the main building contractor on behalf of the Council. B3 Architects were required to undertake the procurement process in accordance with the rules. An open procurement process was followed in accordance with the rules and the form of building contract was approved by Legal Services.

Contract Extensions

- 11.3 Reports were presented at the July 2012 and December 2012 Cabinet meetings confirming the requirement for Cabinet to approve extensions to both the Royston and Hitchin leisure management contracts. At the March 2013 Cabinet meeting, Cabinet passed a resolution confirming that the current Royston and Hitchin Leisure Management Contracts be extended for a period of seven years until 31 March 2024, to allow the scheme to be funded.
- 11.4 The rules require that contract extensions are in writing. Legal Services have approved the deeds of extension in relation to both contracts.
- 11.5 Both contract extensions are permitted by EU Procurement law because the options to extend both contracts by 7 years were declared at the time the original contracts were procured.

12. CONTACT OFFICERS

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13. BACKGROUND PAPERS

13.1 Cabinet report March 2013

14. APPENDICES

14.1 Appendix A of the Part 2 report to March 13 Cabinet – Letter from SLL

Vaughan
Head of Leisure & Environmental Services
North Hertfordshire District Council

Ian Morton
01438 242233
07810 203640

20th March 2013

Re: HSC Project and report to NHDC Cabinet

Dear Vaughan,

Thank you for your email. I understand that the tenderers are more than the budget. Therefore SLL will need to determine affordability for this project over the contract extended seven year period for Hitchin and Royston to make it viable.

That being the case, you will recall our discussions regarding reductions on the management fee of £42k p/a on the basis of NHDC putting in a capital sum of £720k for the provision of multi-functional rooms, with NHDC requiring a return on their investment at 6% p/a over the 10 year period. This requires SLL to pay NHDC circa £138k P/A over the 10 year period.

Further to our conversations, we understand that the capital required for the provision of the multi-functional rooms is in excess of the £720k previously discussed and at this time your QS is establishing the detailed costs. However to ensure there is no delay in this project and that these facilities are open by January 2014, it is important that we agree a way forward as soon as possible.

The attached payment schedule shows capital investment up to £1.1M. As NHDC will be the owners of this facility there is no additional capital asset for SLL. We therefore discussed and agreed in principle subject to your Cabinets approval, an equal sharing of the additional financial costs.

This would not mean any additional costs to NHDC, however, the further reduction on the management fee for the seven year extension of contracts for Hitchin and Royston which is currently identified at £42k P/A would be reduced in accordance with the attached schedule, as further capital investment may be required.

Clearly there is an urgent need to agree terms to ensure that there is no undue delay to the project, as it is important that this work is undertaken at the quietest time to endure the minimum effect on our customers.

If you require any further clarification, please don't hesitate to contact me at any time.

Yours Sincerely

Ian Morton

Ian Morton
Managing Director
Stevenage Leisure Limited

APPENDIX 2

**Proposed Contract variation on Hitchin and Royston Contracts for 7 yr Extension
based on NHDC Capital Investment**

NHDC Capital Investment	120 Monthly payment	Annual Cost	Further payment on Ext of Contract P.A.	Annual total reduction on Contracts for NHDC investment
£ 720,000	£ 7,993	£ 95,922	£ 42,000	£ 137,922
£ 730,000	£ 8,105	£ 97,254	£ 41,334	£ 138,588
£ 740,000	£ 8,216	£ 98,586	£ 40,668	£ 139,254
£ 750,000	£ 8,327	£ 99,919	£ 40,002	£ 139,920
£ 760,000	£ 8,438	£ 101,251	£ 39,336	£ 140,586
£ 770,000	£ 8,549	£ 102,583	£ 38,669	£ 141,252
£ 780,000	£ 8,660	£ 103,915	£ 38,003	£ 141,919
£ 790,000	£ 8,771	£ 105,247	£ 37,337	£ 142,585
£ 800,000	£ 8,882	£ 106,580	£ 36,671	£ 143,251
£ 810,000	£ 8,993	£ 107,912	£ 36,005	£ 143,917
£ 820,000	£ 9,104	£ 109,244	£ 35,339	£ 144,583
£ 830,000	£ 9,215	£ 110,576	£ 34,673	£ 145,249
£ 840,000	£ 9,326	£ 111,909	£ 34,007	£ 145,915
£ 850,000	£ 9,437	£ 113,241	£ 33,340	£ 146,581
£ 860,000	£ 9,548	£ 114,573	£ 32,674	£ 147,247
£ 870,000	£ 9,659	£ 115,905	£ 32,008	£ 147,914
£ 880,000	£ 9,770	£ 117,238	£ 31,342	£ 148,580
£ 890,000	£ 9,881	£ 118,570	£ 30,676	£ 149,246
£ 900,000	£ 9,992	£ 119,902	£ 30,010	£ 149,912
£ 910,000	£ 10,103	£ 121,234	£ 29,344	£ 150,578
£ 920,000	£ 10,214	£ 122,567	£ 28,678	£ 151,244
£ 930,000	£ 10,325	£ 123,899	£ 28,011	£ 151,910
£ 940,000	£ 10,436	£ 125,231	£ 27,345	£ 152,576
£ 950,000	£ 10,547	£ 126,563	£ 26,679	£ 153,243
£ 960,000	£ 10,658	£ 127,896	£ 26,013	£ 153,909
£ 970,000	£ 10,769	£ 129,228	£ 25,347	£ 154,575
£ 980,000	£ 10,880	£ 130,560	£ 24,681	£ 155,241
£ 990,000	£ 10,991	£ 131,892	£ 24,015	£ 155,907
£ 1,000,000	£ 11,102	£ 133,225	£ 23,349	£ 156,573
£ 1,010,000	£ 11,213	£ 134,557	£ 22,682	£ 157,239
£ 1,020,000	£ 11,324	£ 135,889	£ 22,016	£ 157,905
£ 1,030,000	£ 11,435	£ 137,221	£ 21,350	£ 158,572
£ 1,040,000	£ 11,546	£ 138,554	£ 20,684	£ 159,238
£ 1,050,000	£ 11,657	£ 139,886	£ 20,018	£ 159,904
£ 1,060,000	£ 11,768	£ 141,218	£ 19,352	£ 160,570
£ 1,070,000	£ 11,879	£ 142,550	£ 18,686	£ 161,236
£ 1,080,000	£ 11,990	£ 143,883	£ 18,020	£ 161,902
£ 1,090,000	£ 12,101	£ 145,215	£ 17,353	£ 162,568
£ 1,100,000	£ 12,212	£ 146,547	£ 16,687	£ 163,234

The above proposal is based on a £42k p.a reduction in management fee based on investment of £720k. With level of investment likely to increase, the further payment from SLL to NHDC shall be equally shared. i.e the level of additional payment is reduced by 50% of the increase in annual costs of capital