

DECISION NO:	<i>For Member Services use only</i>
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Concurrence No:	066400
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Action under delegated authority of Chief Executive	
Action under delegated authority of Director of Finance and Cabinet Member for Finance	
Action taken by Chief Executive in consultation with Cabinet Member(s)	X

Subject: Catering Tender Rent Free Period

Signature and designation of officer(s) taking action:

01.06.2020	29.05.2020
Chief Executive	Director of Finance
Date	Date
	Head of Finance
Date	Date

Name of Cabinet Member(s) Consulted:	I have been consulted and concur with the proposals set out below:
Councillor S Monaghan	03.06.2020
Cabinet Member for Housing & Community Services	Signature: _____ Date: _____
	02.06.2020
Councillor P Mason	Signature: _____ Date: _____
Cabinet Member for Finance & Business Services	Signature: _____ Date: _____

Name of any member who has declared a conflict of interest in relation to this decision: _____

THIS DOCUMENT WILL BE PUBLISHED ON THE COUNCIL'S WEBSITE

The report overleaf sets out the decision to be taken, the reasons for the decision, and the details of alternative options, if any, considered and rejected.

Officer decisions are available for public inspection, both at the Borough Offices and on the Council's website. Officer decisions are kept for a period of six years at the Borough Offices and for six months on the website after the decision is made. Background papers are available for four years.

RECOMMENDED that: A rent free period to 31 March 2021 for Herts Catering Limited be agreed.

Purpose

To seek agreement to offer Herts Catering Limited (HCL) a rent free period to 31 March 2021 in lieu of a service transfer date of 1 July 2020.

The Project

At its meeting on 24 March 2020 Cabinet resolved that the Catering Services at Laura Trott Leisure Centre and John Warner Sports Centre be awarded to Hertfordshire Catering Ltd.

On 20 March 2020 the leisure centres closed for business due to COVID-19 and the staff are furloughed until 30 June 2020. It is currently unknown when eating establishments will be able to re-open.

HCL has confirmed that it still wishes to proceed with taking over the service and have provisionally agreed a contract start date and TUPE (transfer of staff) date of 1 July 2020. Clearly, however, HCL is concerned that they will be absorbing costs with no income and no certainty as to when business will return to normal and have therefore requested a rent free period for a year i.e. until 30 June 2021. A rent free period is usually applied on a change of tenancy or changes in operating circumstances and is usually for between three and six months.

On the basis there is a great deal of uncertainty over the future, a rent free period to 31 March 2021 with a review to take place in December 2020 is being negotiated. There are risks for both organisations in that business may be slow to return to normal, a second wave of the pandemic could occur or business may actually pick up quickly and it is crucial both parties work together to minimise the risks and limit the loss of income.

Offering a rent free period still leaves the Council in a better financial position than retaining the services in-house.

Financial, Legal and Risk Management Implications

Pre Covid-19 the catering services at the leisure centres were forecasting a joint deficit of £38k for the year 2019/20, HCL were proposing a first year rental of £27,693 an overall benefit to the Council of £65.7k. The financial outcome for 2020/21 is likely to be even worse if the service remains in-house with the current uncertainty so offering a rent free period to 31 March still delivers an overall benefit to the Council with food and beverage staff costs alone at approximately £136k for the year across both sites.

The transfer of staff requires a formal consultation period and this needs to commence as soon as possible to achieve a transfer date of 1 July 2020.

Alternative Options Considered and Rejected

To not agree a rent free period could cause HCL to pull out of the transfer, and revert to the service being operated in-house, which as noted is currently delivering an overall net deficit.

Contribution to the Council's Objectives

- Achieve financial self sufficiency
- Build strong partnerships to deliver more for the Borough of Broxbourne
- Assess the performance of Council services and take action to improve.

Conclusion

To recommend a rent free period to 31 March 2021, with a review in December 2020, allowing HCL to take over the catering services at LTLC and JWSC from 1 July 2020.

Contact Officer: Tracy Brannick

Ext: 5407

Date

26/05/2020

Action reported to the Cabinet on:
24th March 2020
