

 Executive – 31st May 2018		Agenda Item No. 9
Title	Catering & Events Concessions Contract – Royal Pump Rooms and Jephson Gardens Glasshouse	
For further information about this report please contact	David Guilding David.guilding@warwickdc.gov.uk Phil Clarke Philip.clarke@warwickdc.gov.uk	
Wards of the District directly affected	Leamington wards – direct impact	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No other than commercially sensitive and/or legally privileged information contained in confidential appendices D-H	
Date and meeting when issue was last considered and relevant minute number	Executive 5th April 2017, Agenda Item 12, Creative Quarter Executive Report Minute 127	
Background Papers	Collaboration Agreement, Creative Quarter Project	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes 932
Equality Impact Assessment Undertaken	No
N/A – no change in policy of minimum service standards	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	4/5/18	Bill Hunt
Head of Service	9/5/18	Rose Winship
CMT	9/5/18	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	9/5/18	Mike Snow
Monitoring Officer	9/5/18	Andrew Jones
Finance	9/5/18	Mike Snow
Portfolio Holder(s)	14/5/18	Cllr Coker; Cllr Butler
Consultation & Community Engagement		
As part of its work on developing a series of proposals for the Creative Quarter, the Council’s regeneration partner Complex Development Projects Ltd has been meeting creative industries and other local stakeholders across the Creative Quarter over recent months. See below for more details.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report details proposals to improve the catering and events offer at two of the Council's key town centre assets in Royal Leamington Spa, the Royal Pump Rooms and the Glasshouse in Jephson Gardens.
- 1.2 It also proposes investment at the Royal Pump Rooms to improve the café area and the public toilets that serve both it, the Library and the Art Gallery & Museum.

2. **Recommendations**

- 2.1 That Executive note that the Collaboration Agreement, entered into between the Council and Complex Development Projects Limited (CDP) in November 2017 to deliver the masterplan for a Creative Quarter in Royal Leamington Spa, included provision for CDP to deliver, or provide through a sub-contractor, catering and events services at assets owned by the Council.
- 2.2 That Executive note that a variation to the Collaboration Agreement with CDP will be made to allow arrangements for the new catering and events offer to be put in place from 1st March 2019 in accordance with the guidance received from Warwickshire Legal Services to ensure that this is fully procurement compliant as set out in confidential Appendix D.
- 2.3 That Executive note the catering offering proposed by CDP and their preferred subcontractor, Just Inspire Hospitality & Event Management (Just Inspire), the details of which are attached as Appendices A and B and confidential Appendix E, and delegate authority to the Arts Manager and Head of Cultural Services, in consultation with the Portfolio Holder for Culture, to conclude negotiations with CDP to ensure a revised catering and events concessions contract is in place from 1st March 2019.
- 2.4 That, subject to approval of recommendation 2.3 and the outcome of the negotiations with CDP, Executive approve in-principle an allocation from the Service Transformation Reserve, as set out in confidential Appendix H if investment in the café and events areas at the Royal Pump Rooms and the Glasshouse would maximise the Council's financial return from the new contract.
- 2.5 That Executive approve an allocation of up to £150,000 from the Corporate Assets Reserve to upgrade the public toilet facilities at the Royal Pump Rooms.
- 2.6 That, subject to approval of recommendations 2.4 and 2.5, Executive delegate authority to the Arts Manager, Head of Cultural Services and Asset Manager, in consultation with the Portfolio Holder for Culture, to draw down the funding allocations as required.

3. **Reasons for the Recommendations**

- 3.1 Following an extended OJEU compliant procurement exercise the Council entered into a Collaboration Agreement with Complex Development Projects Limited (CDP) in November 2017 to deliver the masterplan for a Creative Quarter in Royal Leamington Spa. That Agreement makes provision for CDP to deliver, or provide through a sub-contractor, a catering and events service at assets owned by the Council provided that those proposals are within the scope of the Creative Quarter project and directly linked to the masterplan that

CDP are contracted to bring forward for Council approval. (The geographical area of the Creative Quarter project is included as Appendix C).

- 3.2 The Council currently has a catering concessions agreement incorporating events in place with Crown Holdings Limited (operating as Kudos) at the Royal Pump Rooms and the Glasshouse in Jephson Gardens. The six year term contract was due to cease at the end of February 2018 but, in accordance with an option provision within the contract, has been extended by a further year until 28th February 2019.
- 3.3 At the request of officers, CDP have submitted a proposal to deliver a new catering and events operation at the Royal Pump Rooms and Glasshouse once the Council's contract with Kudos ends. The provision of these catering and events services has been previously included within the procurement of the Creative Quarter development partner, to which CDP were successfully appointed. Therefore, although a variation to the agreement is required to allow CDP to deliver the catering provision sooner than previously anticipated, there is no potential risk to the Council or any legal barriers to the Council entering into a contract with CDP and (if applicable) its preferred provider to deliver the catering and events as part of that wider project (see confidential Appendix D)
- 3.4 CDP have been working with their chosen provider, Just Inspire, to create a strong offer that would improve that currently available and meet Council and community aspirations. Just Inspire have a national reputation for managing large scale venues, events and outdoor events in prestigious locations. In addition, they have a wide portfolio of operating corporate hospitality, weddings, private parties, festivals, product launches and trade shows, working with all budgets and requirements.
- 3.5 Steven Holland, the founder of Just Inspire, was raised in Royal Leamington Spa and has recently returned to the area to settle in the community with his family. CDP have chosen Just Inspire as their preferred catering and events for the Creative Quarter project as they believe they have a shared ethos on the importance of community engagement. CDP and Just Inspire are both committed to see the Royal Pump Rooms become better used by the local community on a daily basis and to promote the use of the Glasshouse. This is a significant contrast to Kudos' business model which is primarily concentrated on profitable but private functions and events, contributing to the widespread public view that both the Assembly Room at the Royal Pump Rooms and the Glasshouse are largely closed and inaccessible to them. Just Inspire have proposed increasing the amount of community events held in the Assembly Rooms and running the Glasshouse as a fully operational restaurant, which would result in increased access and use.
- 3.6 In particular, CDP have identified that the Royal Pump Rooms café offer requires development, offering a place for the local community to use whilst 'emphasising good produce, sourced locally, prepared with care, served with pride and with quality and affordability very much at the forefront'. As will be seen from 7.2 & 7.3 below, the performance of the café has declined in recent years, which officers believe is as a result of Kudos focussing increasingly on their events offering and CDP and Just Inspire are of the firm belief that the current catering operation is failing to meet its full potential.
- 3.7 The business proposal from CDP and Just Inspire is set out at Appendices A, B and confidential Appendix E. This is based on their collective experience,

observations from site visits, feedback from community consultation/soundings they have undertaken and high level indicative figures and information provided by the Council. The proposal is for a three year contract, which is a shorter duration than would normally be offered through a tendering process but one that recognises that the Creative Quarter masterplan may include proposals that impact on the Royal Pump Rooms and/or the Glasshouse and that maximum flexibility on the catering and events offer is desirable.

- 3.8 At this stage no financial or operational detail in relation to the current contract has been shared with either Just Inspire or CDP and this would not be done without approval of the recommendations in this report. As a result some further negotiation may be required with CDP and Just Inspire as the details of the contract are discussed and agreed and it is, therefore proposed that the contract is finalised under delegated authority.
- 3.9 The proposed changes to the catering and events offer also presents the Council with an opportunity to use the negotiation of the new contract to deliver investment in the Royal Pump Rooms and the Glasshouse in order to increase footfall and improve the overall offering and customer experience for residents and visitors to the district. This will begin to showcase the changes that the community can expect as the Creative Quarter develops and potentially maximise the financial return from the new catering concessions contract.
- 3.10 Currently the catering and event areas within the Glasshouse and the Royal Pump Rooms are leased to Kudos on a 'maintain and repair' basis and no significant investment has been made by the Council into the fabric of the catering operation for a number of years. It is therefore proposed that an in-principle approval of a modest allocation of funding is approved from the Service Transformation Reserve, as set out in confidential Appendix H, which could potentially be deployed when the outcomes of the negotiation process described above are known, if this would assist with ensuring that the final offer achieved through that process is optimised and/or the financial returns to the Council are maximised.
- 3.11 It is also proposed that, separate from the changes to the catering and events offer that the Council invests in the re-modelling of the public toilets in the Royal Pump Rooms. Whilst, this will be of benefit to the café in this building the main driver is to support the goal of the Council's Arts Team to increase footfall and use of the building and position it as a 'creative hub' for the town, an ambition consistent with the wider goal of creating the Creative Quarter. It is proposed that an allocation of up to £150,000 is made for these works. During this refurbishment officers shall also explore the possibility of creating a fully accessible 'Changing Places' facility for disabled adults and children. It may not be possible to accommodate this within the existing footprint of the public toilets but it is hoped that a suitable site will be found elsewhere within the building or in the vicinity as part of the wider Creative Quarter.
- 3.12 The actual spend required in relation to recommendations 2.4 and 2.5 is indicative at this stage and the proposed allocations from the respective Reserves are, therefore, maximum amounts with final requirements known when detailed surveys have been undertaken, a full inventory and condition survey has been carried out as part of the exit conditions for the current contract and, in respect of the in-principle allocation referred to in recommendation 2.4 the negotiation process to finalise the terms of the new contract as described above, has been completed. It is, therefore also proposed

that the draw down of the required funding is undertaken utilising delegated authority.

4. **Policy Framework**

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Impacts of Proposal		
Impressive cultural offering which encourages an increase in community led activities and use Re-positions the Royal Pump Rooms as a high quality 'creative hub' for Royal Leamington Spa	Area has well looked after public spaces (the Glasshouse is an integral part of the Jephson Gardens and the Pump Rooms faces onto the Pump Room Gardens) Safe and vibrant town centres where the community feel comfortable at all times	Contributes to a dynamic and diverse local economy Increases visits from day trippers and tourists to the area. Increased income levels and footfall through the site
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income

supported The right people are in the right job with the right skills and right behaviours		earning opportunities Seek best value for money
Impacts of Proposal		
	Focusing on our customers' needs and significantly improving the catering and events offering	Better return/use of our assets Maximize income earning opportunities and seek best value for money

4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies and the relevant ones for this proposal are explained here:

4.2.1 Local Plan

The Vision for the District as supported by the Local Plan (paras 1.30-1.34) is to make Warwick District a Great Place to Live, Work and Visit. Specifically the Plan delivers a Spatial Strategy that, amongst other things, focusses employment, retail, leisure and cultural activities in town centres (1.34). Furthermore, para 5.75 recognises the "multifunctional benefits" offered by sport and recreational facilities noting that "they have a positive impact on people's quality of life, particularly in terms of their health and wellbeing". Clearly any activity that reinforces the usage of these facilities is in line with these paragraphs.

4.2.2 Economic/Tourism Impact

For many visitors the Royal Pump Rooms is the first impression of Royal Leamington Spa and as such the site has a high importance for tourism in the area. The Sales & Information area within the Royal Pump Rooms is the Council's primary face to face visitor information provider. The main entrance has an annual footfall of 500,000, approximately half of which are visitors to the area.

4.3 Changes to Existing Policies

None

5. Budgetary Framework

5.1 The income to the Council from the current catering concessions contract has failed to meet budgeted annual income targets. The total annual income to the Council from the catering concessions contract is budgeted as £77,000 in 2018/19 and for the next three financial years ongoing. Net annual income after expenses is budgeted at £51,400. The financial performance of the current catering concessions contract against budget is included in confidential Appendix G.

5.2 In relation to the in-principle allocation from the Service Transformation Reserve, as set out in recommendation 2.4, the details are contained in confidential Appendix H. The current balance of the Service Transformation

Reserve (as of 31st March 2018) is £1,075,390, although the balance of unallocated funds within this Reserve stands at £251,000.

- 5.3 In relation to the refurbishment of Royal Pump Rooms public toilets, estimated to cost up to £150,000, it is proposed that funding is drawn down from the unallocated balances within the Corporate Assets Reserve. Following the approval of the 2018/19 Corporate Property Repair and Planned & Preventative Maintenance Programme budget by Executive in April 2018, the unallocated balance on this Reserve stands at £1,377,200.

6. Risks

- 6.1 Any variation to a contract poses a degree of risk. However, officers have been provided with advice from Warwickshire Legal Services in order to minimise that risk (see confidential Appendix D). The levels of investment by the Council and revenue generated by the catering operation would be closely monitored to ensure that the Council is not subsequently placed at risk.
- 6.2 As the contract for the Creative Quarter regeneration partner was procured under the Concession Contracts Regulations 2016 certain conditions must be met in order for the Collaboration Agreement to be varied, as set out in confidential Appendix D.
- 6.3 Likewise any change of contractor attracts a degree of risk. Any new catering operator would effectively be beginning a totally new enterprise. A high proportion of new businesses fail within the first three years – especially catering businesses. However, the Council would be protected by the terms of a separate catering concessions agreement, as it is presently. The Council's development partner, CDP, are extremely experienced in sourcing and supporting high quality, well run businesses as tenants within their own developments. It is also in the interests of the Council and CDP that the new catering operation flourishes and exceeds expectations. The business would also benefit from advance event bookings already scheduled post February 2019 and an established customer base. Just Inspire have requested a 6 month break from concessions commission during their first year of trading in order for the business to establish itself, which is common practice within the industry.
- 6.4 It is possible that CDP's preferred catering supplier could decline to enter into an agreement with the Council during the negotiation stages. If this were to occur before July 2018 it would still be possible for either CDP to source another catering provider or for the Council to begin its own procurement process.

7. Alternative Option(s) considered

- 7.1 The option of further extending the current arrangement with Kudos (the contract provides for one further extension) has been discounted. Whilst Kudos have made it clear that they would welcome such an extension and would be open to the inclusion of a break clause during the extension period, there have been significant issues with the operation of the contract in addition to the public perception that the focus on private functions excludes key parts of the Royal Pump Rooms and the Glasshouse from public use, as described in paragraph 3.8.
- 7.2 The quality of the Royal Pump Rooms café offering is an area where there has been considerable dissatisfaction throughout the period of the current contract

with the range of food (which has not been as originally tendered); cost of the offer and the standard of service all having been raised as issues. Over the life of the contract officers have had many meetings with the management team from Kudos asking them to enhance this area of their service and whilst it may now be slightly improved it bears no relationship to the product tendered for in 2011, and it is not of the quality that the Council wishes to offer in our prime town centre catering location.

- 7.3 Other concerns have revolved around shortfalls in the “management” of the contract that Kudos have seemed unable to address satisfactorily. These have included a lack of marketing, examples of poor customer service, and a lack of compliance with basic health & safety management in terms of how they manage the areas that they are responsible for. All of these issues have been logged in the notes of regular contract management meetings over a number of years.
- 7.4 Another option that has been discounted has been to undertake a re-procurement exercise of the existing catering and events concession contract rather than extend the incumbent contractor. However, market intelligence indicates that there would be limited interest in a contract of less than 5 years with little or no interest in one of 3 years. This is because on a contract of this size it takes 2-3 years to establish a business, build up regular trade and earn back any initial investment and/or pay back business loans.
- 7.5 Another option would be to let the new contract for a period longer or shorter than the proposed 3 years. This has been discounted for the reasons set out in paragraph 3.10. We are also aware that Just Inspire are willing to commit to a 3 year period due to their wider partnership with CDP and the potential further opportunities that could be created as part of the Creative Quarter.

APPENDICES:

A CDP Catering Proposal

B Just Inspire Catering Proposal

C Creative Quarter Red Line Map

CONFIDENTIAL APPENDICES:

D Legal Advice Note Regarding Variation to Collaboration Agreement

E Just Inspire Proposal Financials

F Creative Quarter Collaboration Agreement, Clause 9.0

G Financial Performance of Catering Contract

H In-principle allocation from the Service Transformation Reserve