

REPORT TO	DATE OF MEETING
Cabinet	4th September 2013

Report template revised June 2008



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Commercial Services	Cllr P Hamman Shared Services & Corporate Support	Ian Parker	6

SUMMARY AND LINK TO CORPORATE PRIORITIES

Efficient, effective & exceptional council

RECOMMENDATIONS

That the Cabinet approve the following:

- (1) That transitional arrangements, identified within this report, are implemented to ensure the smooth closure of Commercial Services.
- (2) That all in-house catering services ceases; the Coppice Restaurant is closed and that external markets are investigated as a suitable alternative for the provision of catering services for:
 - a) Mayoral and Civic Events
 - b) Elected Member / Officer Teas and/or Buffets
- (4) That existing arrangements for Room Hire is migrated to Gateway.
- (5) That authority be granted to the Head of Human Resources in consultation with the Leader of the Council to resolve any Human Resource implications arising from these changes; any such decisions will be made in accordance with all relevant Council policies.
- (6) That delegated authority is granted to the Director of Business Transformation in consultation with the Cabinet Member for Shared Services and Corporate Support, to finalise alternative service provision for Elected Member Meals (plus accompanying Officers) Mayoral and Civic Events and any buffet support for room hire.

DETAILS AND REASONING

1 Commercial Services – High Level Functional Baseline

- 1.1 South Ribble Borough Council continues to provide the Coppice Restaurant facility. The Coppice is well received by staff, Elected Members and the public alike. The standard of service is very high, generally operating between 12.00pm – 14.00pm on a Monday to Friday basis. The Coppice also provides Member Teas outside of normal working hours and Buffets to support commercial room letting and evening meetings.
- 1.2 Exceptionally, the Coppice provides a silver service to support Mayoral & Civic Functions. Such events, and those where tea/coffee and/or Buffets are provided on a commercial basis, are supported by Hospitality Assistants. Other large events would include Conferences such as External User Group meetings as well as Weddings, Christenings etc.
- 1.3 The Coppice Restaurant serves around 70 meals each working day; 50 meals being served to staff and around 20 to members of the public. Fewer than 15% of the workforce uses the Coppice Restaurant on any one day.
- 1.4 Around 1200 meals per annum are provided for Elected Members; this being a mixture of hot meals and cold buffet, depending upon the type of meeting being supported.

2 Commercial Services – High Level Financial Baseline

- 2.1 A full financial breakdown is provided at Appendix A.
- 2.2 The cost of running Commercial Services is almost £370,000 per annum. The income generated through canteen sales, bar sales and additional food sales (functions and room hire) is just under £165,000. Additional income of £18,000 is also received from room hire, resulting in a net annual loss of £186,000.
- 2.3 The Council has also budgeted for an upgrade to the kitchen and canteen area in its Capital Programme. The capital budget is identified as £207,900. Depending upon what option is considered, there may be a one-off saving, but some refurbishment works will still be required.

3 High Level Options

- 3.1 Business Transformation has considered the following options:
 - (a) Continue with the 'as is' model
 - No change and accept the financial losses
 - (b) Expand in-house provision to provide a greater commercial enterprise
 - Develop additional commercial activities/functions to reduce losses
 - (c) Enter a partnership with an external provider (with continued room hire) for
 - Elected Member Meals
 - Mayoral & Civic Functions
 - Private Functions to be catered for using an external provider
 - (d) Cease provision
 - Cease all commercial activities or
 - Cease all commercial activities except for Room Hire

4 Continue with the 'as is' Model

- 4.1 Baseline financial data shows that the existing commercial activities add a cost rather than an income to the Council. The costs of maintaining the service exceed £186,000 per annum. There is an added complication in that the kitchen will soon require an upgrade. Whether that upgrade proves to be a wholesale revamp or a partial refurbishment will clearly determine the capital costs. Nevertheless it is reasonable to assume a cost and for illustrative purposes the assumption is to replace equipment rather than complete refurbishment, reducing the capital costs to circa £60,000.
- 4.2 It is not possible to reduce the staffing overhead any further; presently casual staff are recruited on an as and when required basis as backfill during busy periods.
- 4.3 Cabinet may wish to continue existing commercial activities in which case savings in excess of £186,000 will need to be identified elsewhere on a recurring basis. The capital budget w/could remain in place in readiness for any refurbishment of the facilities.

5 Expand In-House Provision to Provide Greater Commercial Enterprise

- 5.1 In order to break even, additional commercial activities must attract new income of nearly £186,000 per annum; this is more than double of what is currently being achieved. It would be impossible to increase commercial activity on that scale without increasing overheads elsewhere – particularly to staffing.
- 5.2 Commercial expansion has been tried over the last few years with only limited success. Increasing commercial activity in recent years has proved so difficult and elusive that the extra costs could no longer be supported. Posts that had been recruited to increase income streams simply failed to generate the necessary return and were therefore deleted.
- 5.3 To return to a situation where the Council actively pursued extra income through increased commercial activities would require additional resources. It is reasonable to expect at least £100,000 to be added to the overhead. In turn this places further pressure on the budget with the *new income* target rising from £186,000 to £286,000 in order to break even. The market is increasingly competitive and to date the Council's track record suggests that the necessary return will not be realised and the losses to the Council would simply increase.

6 Enter a Partnership with an External Provider (Recommended Option)

- 6.1 This recommended option would see the Coppice Restaurant close down and cease trading altogether. The essential functions - Room Hire, Elected Member Teas and Mayoral & Civic Events - would continue with the function of room hire migrating to Gateway and the rest being provided by external catering providers.
- 6.2 The market place offers a wealth of external catering providers offering:
- Fine Dining / Silver Service
 - Champagne / Cocktail Reception
 - Breakfast
 - Buffets – Hot and/or Cold
 - Business Lunches
 - Bar facilities
- 6.3 There are several providers within just a few miles of the Civic Centre. Research confirms that provision is available to cater for the high end silver service options through to wide ranging buffet selections for private events. The silver service option would be suitable for Civic or Mayoral functions with courses being served at the table.

- 6.4 The buffet options would be suitable for supporting continued room hire at the Civic Centre. External caterers have confirmed they are able to provide a range of buffet options that are price competitive, allowing those who hire rooms to select the most appropriate option for their needs, including any special dietary requirements.
- 6.5 Soft market testing has confirmed typical buffet costs being between £6 and £10 per head depending upon the option(s) selected. Silver Service offering three to five course meals cost between £25 and £45 per head plus around £8 per hour per waiter/ess.
- 6.6 Depending upon the preferred business model, food can be prepared on-site. Equipment hire has also been considered in the event that the existing kitchen was decommissioned.
- 6.7 Financial information gathered from a number of external providers shows that the existing service currently offered can be met at a net cost of circa £25,000. This would also cover any costs associated with residual functions such as arranging for Tea, Coffee and Biscuits to be brought to meetings and cleared away afterwards.

7 Cease Provision

- 7.1 To operate without any catering provision could compromise room hire income. Without the option to provide buffet and/or hot food some clients may choose alternative venues.
- 7.2 This restriction would also mean that, unless external catering services were used, Elected Member meals, buffets etc would also cease.

8 Recommend Option - Enter a Partnership with an External Provider

- 8.1 This recommended option would see the Coppice Restaurant closing down and all trading ceasing. Elected Member Teas and Mayoral & Civic Events would be supported using external catering providers.
- 8.2 This recommendation follows soft market testing that confirms a number of local catering firms can and do provide the full range of services that would support continuation of Elected Member Teas and Mayoral & Civic Functions. Additionally, if any external catering provider identified a business opportunity that provided catering services across the lunchtime period for staff, then they would be encouraged, accepting however, that all the financial risk was owned by them.
- 8.3 Importantly, the market-place also provides options to support the continuation of Room Hire. Rooms will continue to be marketed for external bookings. Providers are keen to partner arrangements that would see them provide a selection of buffet options that the hirer can consider as part of the end-to-end room hire service.

9 Staff and Trade Union Consultation

- 9.1 A consequence of this Report being approved is that the posts within Commercial Services, that are currently filled, will be deleted. Formal staff and Trade Union consultation therefore started on 29th July 2013. However, staff were provided with an informal discussion on the Friday before to allow them the weekend to absorb the news. Both this informal and the formal meetings have included officers from Human Resources.
- 9.2 The Director of Regeneration & Healthy Communities and the Director of Business Transformation have adopted an open-door policy, offering to meet with staff on an individual basis, which has been taken up. Feedback to date has been of general acceptance; there was already an understanding that Commercial Services was losing money and that it seemed 'only a matter of time' when the wider financial constraints the Council faces, would see the service being financially challenged.

10 Transitional Arrangements

- 10.1 There is widespread acceptance that the Coppice Restaurant provides excellent meals; however, subject to Cabinet's decision, if Commercial Services were to close down, such a closure would be planned to take place in a controlled manner rather than a cliff-edge cessation.
- 10.2 The recommendation would see the Coppice Restaurant continue until its stocks ran down to such an extent that it was no longer viable. Any suitable remaining stock could be transferred to a local food bank.
- 10.3 All critical bookings that have already been made would be honoured by South Ribble Borough Council. Since formal consultation started, no further bookings have been taken pending the decision of Cabinet, this was a pragmatic approach and not in any way designed to pre-empt a decision of Cabinet.
- 10.4 As the Coppice Restaurant winds down, some staff will become subject to the Council's Human Resources Policies, however, mindful of our obligations to honour existing bookings, other staff will continue until the last booking is honoured. This will see some commercial activity up to Christmas and the New Year, albeit on an ever-reducing basis.
- 10.5 This gradual transitional phase will also allow the Council to thoroughly explore any redeployment opportunities that may arise during this period.
- 10.6 Room Hire will migrate to Gateway where officers will provide the same face to face service should people want to visit the Banqueting Suite in order to assess its suitability for a wedding venue for example. More typical room hire will also be supported in Gateway should a customer telephone, but provision for self service will also be made available on-line – including a selection of buffet options offered by an external provider(s).

11 Communications

- 11.1 Full, clear and on-going communication will support any transitional period of change. Such communications will include Trade Union, Staff directly affected by any proposals, other staff within the organisation, the general public who use the Coppice Restaurant, private bookings and of course, Elected Members.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL	The recommended option to close down the Coppice Restaurant and to enter into a partnership with an external provider would result in a recurring budget saving of £177,000 per annum.
LEGAL	When resolving any human resource implications arising from the proposed changes the Council of course would act strictly in accordance with its own policies as well as any relevant legislative requirements. If approval is granted to seek an external provider for Elected Member meals and Mayoral and Civic Events, then an appropriate procurement exercise will have to be carried out.
RISK	The full risk assessment forms part of the background papers to this report. The main points for consideration are summarised here:- <ul style="list-style-type: none"> • Maintaining service standards to honour existing bookings
THE IMPACT ON EQUALITY	It is considered that there are no adverse impacts on equality issues arising from this report.

OTHER (see below)	
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<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

Risk Assessment

<u>Catering Budget 2013/14</u>			
	Original Budget 2013/14 £	Revised Budget FYE £	BUDGET EFFICIENCY SAVING £
<u>CURRENT SERVICE</u>			
Salaries			
ALL Employees, overtime and Casuals plus oncosts	256,402	0	256,402
Premises			
Cleaning materials, pest control and other	5,500	0	5,500
Supplies and Services			
Food Cost	65,000	0	65,000
Drinks costs	12,000	0	12,000
Licences	1,768	0	1,768
Publicity	2,450	0	2,450
Bulk containers	2,310	2,310	0
Laundry, uniforms, equipment, repairs, rental	22,000	0	22,000
Income			
Canteen sales	(80,000)	0	(80,000)
Bar sales	(38,000)	0	(38,000)
Equipment hire	(400)	(400)	0
Food sales	(45,000)	0	(45,000)
Room hire	(18,000)	(18,000)	0
SUB-TOTAL	186,030	(16,090)	202,120
<u>PROPOSED REPLACEMENT SERVICE</u>			
Members' Teas for committee and also Mayoral Functions	-	25,000	(25,000)
TOTAL	186,030	8,910	177,120