

# CABINET

## Catering at The Storey, Lancaster 29 March 2016

### Report of Chief Officer (Resources)

PURPOSE OF REPORT				
To update Members on the catering/bar offer at The Storey, in context of recent changes and the forthcoming wider review of The Storey's operation.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Officer Referral
Date of notice of forthcoming key decision	N/A			
This report is public.				

#### RECOMMENDATIONS OF COUNCILLOR HANSON

1. That Cabinet endorses the principle of the Council providing the catering/bar offer at The Storey with immediate effect, following vacation by the current tenant.
2. That Cabinet receives an update report on the longer term viability of providing the catering/bar operation in-house as part of the wider formal review of The Storey operation prior to 2017/18, with updates being provided through normal quarterly monitoring arrangements in the interim.

#### 1.0 Report

- 1.1 The current catering tenant at The Storey has a five year lease dated 11<sup>th</sup> June, 2014 which allows them to operate the café, bar and restaurant plus sole catering rights within The Storey building. Following various discussions with the operator on their current lease, the operator served appropriate notice on the City Council to end the lease on 31 March 2016 and, under delegated authority, this notice has been accepted.
- 1.2 The termination of the current arrangement presents the opportunity for the Council to take on a re-modelled catering offer to suit the needs of the venue, to complement the room hire and to draw additional people into the building. The café and bar areas have been designed as an integral part of The Storey as a business and a place to visit.

- 1.3 Plans are in place therefore to bring the café/bar operation in-house to be operated and managed by the City Council, with the longer term being subject to the outcome of the wider formal review of The Storey operation prior to 2017/18. The restaurant within the building would cease to be used for its current purpose. The facility is not essential for the venue's offer and having the restaurant open, at times when most of the building is closed to the public, presents operational difficulties and cost pressures. Drawing on recent experience, it is not considered that siting a restaurant in the building presents a viable business opportunity.
- 1.4 It should be noted that there will be a short period from when the current tenant vacates to when the City Council launches the new in-house provision, i.e. the café will be closed for minor refurbishment/rebranding works but meetings and events will still be catered for by a combination of existing facilities staff and a preferred shortlist of caterers and bar operator.

## **2.0 Details of Consultation**

- 2.1 Detailed consultation has taken place with council officers in Resources (Accountancy); Regeneration and Planning; Environmental Services and Human Resources.

## **3.0 Options and Options Analysis (including risk assessment)**

- 3.1 Various options have been considered relating to the catering/bar operation including putting it out to tender or working in partnership with outside organisations. These have been dismissed at this stage, primarily for operational reasons and due to the need for a wider formal review of The Storey operation before 2017/18. The timing of the current tenant wishing to leave The Storey has therefore presented the Council with this opportunity to undertake the catering/bar operation itself.
- 3.2 For operational and property management reasons Officers consider bringing in-house the café/bar operation, with the catering of large events being undertaken initially by a preferred shortlist of outside caterers, the better option at this stage. The former restaurant space would be made available for leasing to a new tenant or for additional room hire. It is considered that an in-house operation would work much better in terms of room hire that requires catering, and it would allow other efficiency savings to be made with regard to existing facilities support / reception staffing, through more flexible job roles and working arrangements. It would also allow the Council to take more control of the building and offer more flexibility and choice to room hirers.
- 3.3 From the initial appraisal undertaken so far, bringing the operation in-house is expected to become financially viable after the initial setting up period and would help The Storey to achieve at least a break-even position - that is the budgetary target now adopted for next year and beyond. As with any such initiative, however, it is not without its risks, but these are thought to be manageable, subject to an effective staffing structure being put in place as set out at **Appendix A**.
- 3.4 In recent times the Council's other catering operations, in particular Williamson Park, have improved greatly and it is currently envisaged that the manager there will be able to provide some technical assistance with the

initial development of the in-house catering offer at The Storey.

- 3.5 Furthermore independent advice obtained when the Council was in lease negotiations with the current tenant demonstrated that the trading market is weak with potential tenants of commercial catering premises. Those that are out there would require incentives such as rent free periods; reverse premium from the landlord; limited levels of service charges and the risk of offering low rents.
- 3.6 It is unlikely that one of the big national chains would be interested in the catering offer and there is always the risk that the Council would not secure a tenant.

#### **4.0 Officer Preferred Option (and comments)**

Bringing the operation in-house will give the Council increased flexibility with the catering/bar operation and the existing facilities management staff and improved integration within the overall Storey offer. This is expected to become financially viable after the initial setting up period and would therefore assist The Storey to achieve at least a break-even budget position. This will feed into the wider forthcoming review.

#### **RELATIONSHIP TO POLICY FRAMEWORK**

The Storey operation as a whole will need to support Council's priorities and be sustainable, to fit with the Council's theme of managing its resources to deliver value for money.

The future of The Storey should be considered in context of the Council's regeneration priorities, as well as its core values of providing value for money, drawing on medium term financial and property strategies.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

None directly from this report

#### **LEGAL IMPLICATIONS**

Legal Services will deal with any necessary legal documentation once the future of these premises at The Storey has been decided

#### **FINANCIAL IMPLICATIONS**

Due to the need for a wider review of the overall Storey Business Plan before 2017/18, the surrender of the lease by the current tenant has presented the Council with the timely opportunity to assess how the catering operation is provided and so it makes sense to deliver and manage this in-house, at least until the outcome of the review is known.

The 2016/17 Storey budget assumes £7.4K rental and £17.6K service charge income in relation to the catering offer and so going forward this will need to be offset from a combination of the in-house catering/bar provision, hire of the former restaurant space, and other Storey activities generally (accepting, however, that some of the costs feeding into the

service charge will change and may be lower).

At this stage, it has not been possible to produce a detailed business plan for the in-house catering/bar operation based on information provided by the current tenant, but a high level review of comparative operating budgets within other similar existing council operations combined with increasing room bookings at The Storey help to demonstrate that it should be possible to become cost neutral or even generate a net surplus from Year 2 onwards.

The table below provides a summary of the projected budgets for the in-house catering/bar offer, however, (i.e. excluding additional room hire income and flexible working arrangements) and demonstrates that potential for a net surplus to be achievable, subject to a more detailed review post-implementation. This also includes for a new staffing structure similar to that at Williamson Park as set out at **Appendix A**. If successful, this will in turn contribute to the overall budgetary position for The Storey and help with the wider review.

<b>Storey Catering/Bar In-House Provision</b>	<b>Year 1 2016/17 £</b>	<b>Year 2 2017/18 £</b>	<b>Year 3 2018/19 £</b>	<b>Year 4 2019/20 £</b>
Employee Related	89,800	92,700	95,700	98,800
Premises Related	30,100	30,700	31,300	31,900
Supplies & Services	95,400	108,600	116,900	119,200
Income	-205,000	-242,500	-260,000	-265,200
<b>Net Deficit+/Surplus-</b>	<b>10,300</b>	<b>-10,500</b>	<b>-16,100</b>	<b>-15,300</b>
Lost Rental Income	7,400	7,400	7,400	7,400
<b>Income needed from catering/room hire/other Storey activities to break-even</b>	<b>17,700</b>			
<b>Potential Surpluses</b>		<b>3,100 Surplus</b>	<b>8,700 Surplus</b>	<b>7,900 Surplus</b>

Officers consider this level of income target to be manageable in Year 1. Further details will be reported in due course as part of normal quarterly monitoring arrangements.

Even if some level of deficit remains in Year 1, it is expected that any operating deficit potentially arising should still be an improved position compared with an external provider who would, realistically, expect incentives such as a rent-free period during the initial setting up period. Furthermore, it is anticipated that additional income can be generated either through letting of the former restaurant space to a new tenant or using as a further room hire facility to enhance the existing offer. This combined with more control over how the catering provision fits within the overall building offer and more flexible working arrangements for existing facilities/reception staff should enable the operation overall to become as near to

cost neutral as possible after the initial setting up period.

It should also be noted that during Year 1 it is unlikely that the café will open before June or July. The financial impact is expected to be minimal overall as existing facilities staff should be able to continue to provide refreshments for meetings and smaller scale events and where necessary outside caterers and bar operators will be utilised for larger scale events bookings (such as weddings and celebrations) during the interim period.

Overall, catering is critical to support The Storey's events programme and the commercial and conference offer, including large scale events such as weddings. It needs to be of a high standard with the capacity and flexibility to develop/maximise potential for future business expansion, which meet both the Council's corporate priorities as well as providing an opportunity to contribute to the overall bottom line position for The Storey itself. Recent success in developing this area has been demonstrated by other Council-run facilities such as the café operations at Williamson Park and Salt Ayre Sports Centre and the bar function at the Platform – accepting that the physical condition and layout of these facilities are less than ideal. In short, there is an existing knowledge base on which to draw upon for The Storey, if needed, albeit that resources are tight.

That said, there is still some risk attached as with any new venture and so this will need to be monitored and reported upon as part of the wider review needed for The Storey Business Plan before 2017/18, and through normal monitoring arrangements as appropriate..

Finally, line management responsibility for the in-house catering offer and associated staff will sit within Property Group, as part of their corporate landlord role, although as with the main Storey operation, this will need to be undertaken in conjunction with continued operational support from Regeneration and Planning and also additional interim support from Environmental Services (i.e. Williamson Park) to ensure the necessary expertise is in place until such time that appropriate management capacity is fully established within the catering/facilities management staffing structure at The Storey. In time, staffing changes will mean that a more corporate, better structured and resourced approach for catering may be considered in due course, as part of a facilities management package.

## **OTHER RESOURCE IMPLICATIONS**

### **Human Resources:**

The Council has completed a due diligence process in relation to employees working for the current tenant. The initial information provided to the HR Team suggested that the proposed action of the Council may result in a transfer of an employee to the Council under the Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014, known as TUPE.

Notwithstanding the fact that it might be argued that the termination of the lease does not in itself give rise to the application of TUPE, the HR Team have completed a due diligence process which secured additional information about the work activities of employees of the current tenant. This information has enabled a judgment to be made as to which employees might argue that they should be assigned to a transfer.

The information now available indicates that one employee undertakes work associated to the café operations which required due consideration in relation to TUPE. The data provided suggests that this employee work activities in relation to the café operation, do not exceed 55% of their overall employment. On that basis the assessment of the HR Team is that this does not represent a sufficient level of work to justify the transfer of this individual's employment to the Council.

Both the current tenant and the employee concerned have been advised of the Council's position and consultation is ongoing. It may be that the Council's position is disputed by the employee, who may present an argument that TUPE should apply. Any argument that is presented will be managed as a matter of process.

The proposals set out an indicative staffing structure to deliver the operational activities and this has been developed using the professional knowledge of officers within the Council who currently manage catering operations. Having compared the general duties for each post against comparable posts elsewhere in the Council, notional grades have been assigned to each post for planning purposes. Should the proposals in the report be approved then detailed Job Descriptions will need to be drawn up and formally evaluated under the Council Job Evaluation Scheme.

The Council pay and grading structure means that, in general, pay for employees working in catering roles is higher than other local catering operations. A basic assessment of current catering vacancies in the local area has highlighted that roles such as waiter and 'bar staff' attract a pay rate at or around the national minimum wage rate. For example from 1 April 2016 the based rate of pay for Council employees (excluding Apprentices) will be £8.25 per hour (the Council does not apply an age limit to this rate).

With effect from 1 April 2016 the national minimum wage will be £7.20 per hour (over 24 years of age) Lower rates apply to employees under 24 years of age.

Any recruitment process to fill the proposed posts will be conducted in line with existing procedures.

Should the Council seek to draw in staff from other service areas to address the proposed demand, care must be taken to ensure any drawing on existing capacity does not compromise the delivery of existing services or those proposed in this report. It would also be appropriate to account for any ongoing support arrangements from other services, so that the staffing time allocated to the proposed service is accurately accounted for financial management purposes.

**Information Services:**

N/a

**Property:**

These have been covered in the report.

**Open Spaces:**

N/a

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has contributed to this report, which is in her name (as Chief Officer (Resources)).

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

None

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