



Borough of Oadby & Wigston

Services Committee

10th June 2008

The Food Chain @ Brocks Hill – Market Testing

Report of: Management Team

Report Number: 5 (b)

Author: Head of the Built Environment

NON-CONFIDENTIAL

This report is likely to be considered while the meeting is OPEN to Press & Public

Summary:

This report provides Members with details of the outcome of the market testing exercise undertaken for The Food Chain Café at Brocks Hill since the last Committee meeting on the 4th March 2008, as well as the 2007/08 end of year financial performance and further progress up to the 30th April 2008.

Recommendations:

That the management and operation of The Food Chain Café be contracted out to Thyme and Day Ltd from the 1st July 2008, subject to concluding final technical negotiations.

Level of delegation: Committee

Wards affected: All

Comments of Statutory Officers:

Head of Paid Service: This report has the support of Management Team.

Proper Officer for Financial Affairs: This report has the support of Management Team. Financial comments are included in the report.

Monitoring Officer: None

Impact Assessments:

Health: None

Environment: None

Community Safety: None

Equal Opportunities: None

Human Rights: None

Commentary:

1. Market Testing

At the last meeting of this Committee, the report on The Food Chain Café (the Café) stated that:

'It is recognised that there is a need to explore the alternative means by which the café could operate.'

'In assessing the future viability of the café and in seeking to embrace the ethos of Fair Trade, it is recognised that the facility is unlikely to achieve significant profit. Therefore in seeking to attain best value it is proposed that the market should be tested by means of seeking expressions of interest to operate the café, followed by the submission of tenders should suitable expressions of interest be received'

The purpose of this proposal was to ensure that the Council had considered all options for operation of the café with a view to implementing an arrangement which demonstrates value for money for the Council but is still in keeping with the objectives of Brocks Hill café as set out in the original Business Plan.

Following the Committee meeting, an advert was published requesting expressions of interest for the management and operation of the Café. This resulted in expressions of interest from 10 parties to whom the tender documentation was sent.

This process has resulted in a tender return from one contractor, as detailed below:

Contractor	Tender Price
Thyme and Day Ltd.	5% net of turnover

The tender of Thyme and Day Ltd. offers the Council an opportunity to outsource the management and operation of the café and return an income to the Council in doing so (which if based upon the Café's 2007/08 turnover would have been £4,036).

This compares with the present situation where the existing Café turnover of £80,712 results in a loss to the Council of £1,819, not accounting for senior management time. In the year to March 2007, the cost of managerial time attributed to the café totalled £7,500. Some of this related to setting up the in-house service but it is reasonable to put the annual cost of managerial time at around £5,000. Furthermore, the work carried out at the start of this year by the Business Development Consultant suggested that the Café was unlikely to exceed an annual turnover of approximately £90,000 and as such, the Council could at best expect to break even, or realise a very small profit.

The Audit Commission also highlighted in their 2007 report that the Council focussed too many resources on small operational issues, such as the café at Brocks Hill, at the expense of larger strategic issues, which could be addressed in part by the outsourcing of the Café.

It is therefore recommended that the Café be outsourced to Thyme and Day Ltd. for a period of 15 months, commencing on the 1st July 2008 (subject to satisfactory final technical negotiations being concluded between the contractor, the Director of Community Services and Head of the Built Environment). This offers the following benefits to the Council:

- A strategy for the management and operation of the Café at no financial risk to the Council.
- A guaranteed income from Café turnover.

- Retention of the Fairtrade, organic and local produce ethos.
- An opportunity to support the growth and innovation of a local business.
- Release of senior management capacity to focus on larger strategic issues.
- TUPE arrangements for all applicable existing café staff.
- An opportunity to review the working and contract arrangements upon expiry of the initial 15 month contract.

A 15 month contract period is proposed to coincide with the termination of the golf course catering contract. The Council could then combine both catering contracts if it was considered advantageous to do so.

2. Financial Performance 2007/08

The profit and loss account for the café between 1st February and 31st March 2008 is included below. This incorporates the 2007/08 year end figures within March's account.

The Food Chain @ Brocks Hill

Table 1: Profit & Loss – February 2008

Date: 10/03/08

From: Month 11
1st Feb 2008

To: Month 12
1st Mar 2008

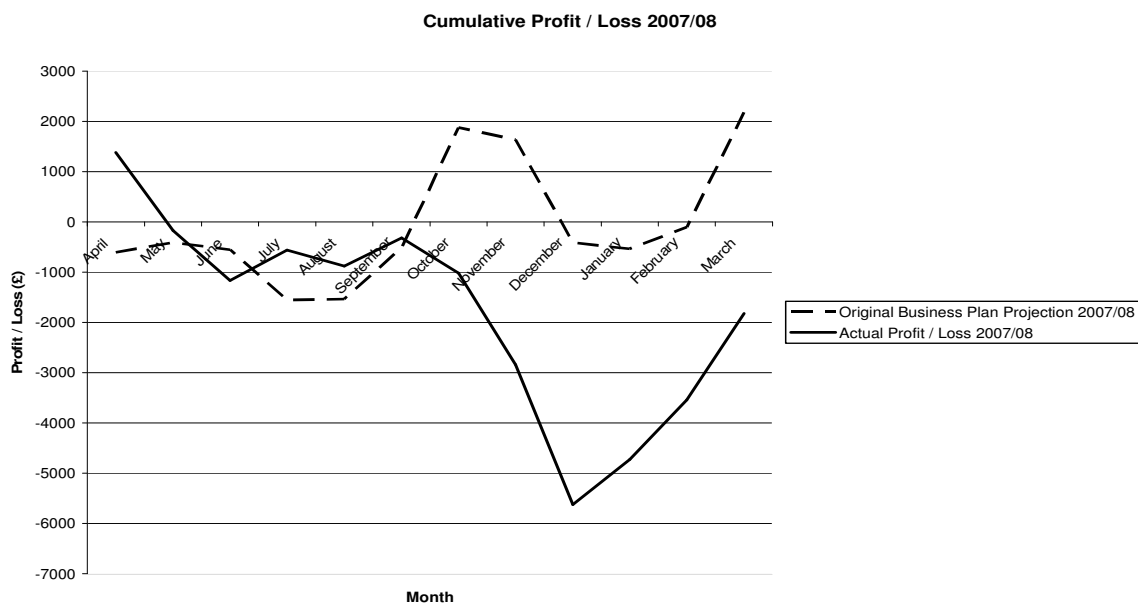
	<u>Period</u>	<u>Year to Date</u>
Sales		
Café Food & Drink		
Conference Catering External		
Conference Catering Internal	8,140	72,490
Cost of Sales		
Opening Stock	2,383	2,902
Stock Purchases	3,103	28,138
Closing Stock	(2,447)	(2,447)
	(3,039)	(28,593)
Gross Profit /(Loss)	5,101	43,897
Overheads		
Staff Costs	3,760	45,517
Training	0	0
Equipment	0	35
Plant & Equipment Maintenance	0	666
Fuel	0	738
Clothing and Uniforms	0	76
Cleaning Materials	154	405
	(3,914)	(47,437)
Net Profit / (Loss)	1,187	(3,540)

Table 2: Profit & Loss – March 2008

Date: 03/04/08
From: Month 12
 1st Mar 2008
To: Month 1
 1st Apr 2008

	<u>Period</u>	<u>Year End</u>
Sales		
Café Food & Drink		
Conference Catering External		
Conference Catering Internal		
	8,222	80,712
Cost of Sales		
Opening Stock	2,447	2,902
Stock Purchases	2,889	31,027
Closing Stock	(2,144)	(2,144)
	(3,192)	(31,785)
Gross Profit /(Loss)	5,030	48,927
Overheads		
Staff Costs	3,117	48,634
Training	0	0
Equipment	0	35
Plant & Equipment Maintenance	0	666
Fuel	12	750
Clothing and Uniforms	0	76
Cleaning Materials	180	585
	(3,309)	(50,746)
Net Profit / (Loss)	1,721	(1,819)

Chart 1: Revised Cumulative Profit / Loss 2007/08



3. Financial Performance 2008/09

Table 3: Profit & Loss – April 2008

Date: 12/05/08
From: Month 1
1st Apr 2008
To: Month 2
1st May 2008

	<u>Period</u>	<u>Year to Date</u>
Sales		
Café Food & Drink		
Conference Catering External		
Conference Catering Internal		
	6,058	6,058
Cost of Sales		
Opening Stock	2,144	2,144
Stock Purchases	3,416	3,416
Closing Stock	(2,166)	(2,166)
	(3,394)	(3,394)
Gross Profit /(Loss)	2,664	2,664
Overheads		
Staff Costs	3,961	3,961
Training	0	0
Equipment	0	0
Plant & Equipment Maintenance	0	0
Fuel	0	0
Clothing and Uniforms	0	0
Cleaning Materials	32	32
	(3,993)	(3,993)
Net Profit / (Loss)	(1,329)	(1,329)

Background Papers referred to in compiling this report: The Food Chain @ Brocks Hill – Business Plan 2007/08; The Food Chain @ Brocks Hill – Progress Report, 12th June 2007; Brocks Hill Country Park and Environment Centre Report by N. Carlson, Business Development Consultant, 22nd January 2008; The Food Chain @ Brocks Hill – Progress Report, 4th March 2008.