

## Report to Cabinet

26 September 2019

By the Cabinet Member for Leisure and Culture/  
Nick Mowat, General Manager – The Capitol

### DECISION REQUIRED



**Horsham  
District  
Council**

Not Exempt

## Approval for the Operation of the Café and Bar at The Capitol to be managed directly

### Executive Summary

On 31 March, 2019 the contract for the operation of the café and bar at The Capitol ended. The contract had been let for 5 years and subsequently extended by 15 months. Following the completion of the extension, as previous tender exercises had resulted in few applications, it was proposed to trial managing the service in-house. The trial began on 1 April, 2019 with an expectation that the net return to the venue would be significantly increased.

Over the eight years of the most recent external contract, the average net income per annum was £24,000. The expected net income from the direct management is £72,000. An increase of almost £50,000.

So far, the new direct management has delivered £16,100 net income which is in-line with projections and suggests that the target will be hit at the end of the year. The bar and café level of business fluctuates in-line with the programme of shows and films at The Capitol. A significant percentage of income comes in through the Christmas period whilst the pantomime is playing and at which time there are also particularly popular films.

A number of improvements have been made to the offer since the service has been managed directly. These include the quality of the coffee and teas on offer, the fresh popcorn and the selection of draft beers from Firebird, a local brewery. Feedback from customers has been very positive, particularly on the variety of drinks on offer.

The café and bar operation at The Capitol is an integral part of the offer to customers and is intrinsic to its overall success.

This report seeks approval to permanently run the bar and café in-house in order to assist in reducing the running cost of the Capitol and enabling flexibility to improve the customer experience.

### Recommendations

For Cabinet to

- i) To recommend to Council that the café and bar at The Capitol are managed directly in-house.

### Reasons for Recommendations

- i) To enable the development of the café and bar offer in order to further improve customer service and increase net return thus reducing the overall cost of running The Capitol.

## **Background Papers**

None

**Wards affected:** Town

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## **Background Information**

### **1 Background – previous contract**

- 1.1 The café and bar at The Capitol are an essential part of the customer offer. It is expected by everyone who visits the venue that they will be able to purchase hot and cold, alcoholic and non-alcoholic drinks together with some kind of snack food.
- 1.2 Since the major refurbishment of the venue in 2002, the operation of the café and bar has been outsourced via a contract awarded through a procurement process. This resulted in two contracts. The first to DC Leisure (now Places Leisure) and more recently in 2013 to Adele and Adele Ltd who also have a contract to run the Conservatory Café in the Park. The latter contract was awarded following a procurement process when there were only two bids.

The income structure for the contract began with a rent-free period of three months on commencement and then the remainder of the 5 years at £1,500 per month. For the extension, the rent was reviewed and agreed at £1,000 per month plus 5% of net profit. The net income for the last five years ranged between £21,000 and £24,000.

- 1.3 The opportunity to manage the café and bar directly was considered the best option to trial following the end of the previous contract. It was agreed that initially this trial would commence on 1 April, 2019 with the appointment of a Bar and Catering Manager.

### **2 Relevant Council policy**

- 2.1 Corporate Plan 2016-19: Economy – Improve and support the local economy  
Efficiency: Great value services

### **3 Details**

- 3.1 The breakdown of income and expenditure for the first five months of the trial is set out in Appendix 1, together with the forecast for the remainder of the current financial year. The net position at the end of the year is expected to result in a net increase in income of £50,000 compared to the previous contract.

- 3.2 During the trial, the separate café and bar have been combined into a single sales point utilising the bar, as this has better access to storage and more space. This has enabled a reduction in the daytime use of casual staffing, whilst upselling the bar products alongside those of the café offer.

Whilst the location of the bar is somewhat hidden away from the foyer area, new signage indicates a way through to the bar seating area for new patrons. In addition, having a single sales point open to the public at all times means that if a customer wants to purchase an alcoholic drink during the day, the full choice is available to them. It is recognised that the location of the bar isn't ideal, both from the point of view of it not being visible from the foyer, but also the bar itself is very deep and therefore not as functional as it could be. However, for the time being the area has been improved with better product displays. It is expected that any future refurbishment of The Capitol will include a detailed look at how the ground floor layout could be improved.

- 3.3 In order to run the café and bar The Capitol needs specialist staff with in-depth industry knowledge. Therefore as part of the trial – we employed an experienced bar and catering manager. A single member of staff transferred under TUPE from the previous contractor, however at the time of the transfer, they were on maternity leave, so a temporary post was created to cover the maternity leave period. It is expected that this role will develop into that of a Supervisor in order to support the Manager in the day-to-day running of the service.
- 3.4 The current ground floor layout of The Capitol is not as functional as it could be. With a small kitchen sited behind the café servery in the foyer, a separate kiosk which historically has served ice creams and sweets and the main bar which is now a multi-functional area, there are a number of improvements that could be considered as part of a wider refurbishment. For the immediate future, under the management and supervision of experienced staff, Capitol customers will be provided with a good choice of quality products and a high standard of service.
- 3.5 Historically, the procurement processes have not brought a wide range of potential offers to consider, so the choice has been very limited. Property Services have been consulted both in terms of the current market and the detail contained in this report and support the proposal to manage the service directly.

## **4 Next Steps**

- 4.1 For the next few months, in the run up to Christmas, the service will continue to develop the range of products on offer and maximise sales. There will be special promotions, for example, a 'Downton Tea' offer for audiences who book that particular film. The kiosk will also be reinstated for the pantomime season in order to offer a second sales point.

The Capitol will undertake a customer survey – for visitors to the café and bar to feedback on their experience and suggest improvements. This will form the basis of an action plan for the next two years – looking at opportunities to trial food and drink offers and where income can be improved.

A review of the kitchen facilities and whether there is the market for a more extensive food offer will be incorporated into the wider review of the building as a whole.

## **5 Views of the Policy Development Advisory Group and Outcome of Consultations**

5.1 The Policy Development Advisory Group were also consulted on 18/09/2019

## **6 Other Courses of Action Considered but Rejected**

6.1 Three alternative courses of action were considered but not progressed.

6.1.1 Do nothing. This could not be a realistic option as the contract with the previous operator was due to end on 31 March 2019 and continuous service was essential

6.1.2 Go out to tender. Property Services confirmed that following the comparatively poor responses to two previous tender processes for this contract, nothing significant had changed in the market.

6.1.3 Extending the existing contract. As this had happened once already, it was not considered prudent to do so again. In order to drive income, it was seen as more important to improve and rejuvenate the offer.

## **7 Resource Consequences**

7.1 Two permanent posts, a manager and supervisor together with budget for casual staff are all contained within existing budgets.

7.2 The Director of Corporate Resources has been consulted on the content of this report and agrees with the proposals.

7.3 The Head of HR & OD has been consulted on the proposals with staffing implications contained in this report and agrees with the proposals.

## **8 Legal Consequences**

8.1 There are no legal implications of the proposals in the report.

8.2 Cabinet is asked to approve as the annual spend going forward is above the key decision threshold.

## **9 Risk Assessment**

9.1 The risk assessment for the Café and Bar operation are contained as Appendix 2

## **10 Other Considerations**

10.1 The direct management of the Café and Bar at the Capitol has been successful in the first few months of this year and shows every sign of hitting target income by the end of March 2020.

**Capitol Café & Bar income & expenditure 2019/20**

	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	TOTAL
Gross Income	£17,986	£26,231	£10,789	£16,715	£9,584	£20,500	£23,500	£25,000	£37,000	£25,000	£20,000	£22,000	£254,305
Cost of sales	£6,500	£7,400	£3,561	£5,515	£3,528	£6,765	£7,755	£8,250	£12,210	£8,250	£7,260	£7,260	£84,254
Wages	£3,165	£3,183	£3,183	£3,022	£3,387	£3,300	£3,500	£3,500	£4,600	£3,200	£3,200	£3,400	£40,640
Salaries	£5,651	£4,642	£4,642	£4,642	£3,123	£4,642	£5,326	£5,326	£5,326	£5,326	£5,326	£5,326	£59,298
Net + / -	£2,670	£11,006	-£597	£3,536	-£454	£5,793	£6,919	£7,924	£14,864	£8,224	£4,214	£6,014	£70,113
Cumulative	£2,670	£13,676	£13,079	£16,615	£16,161								


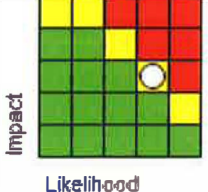
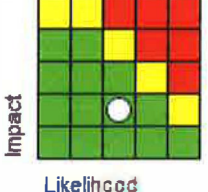
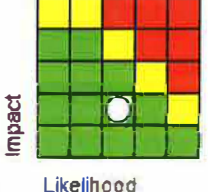
Actual  
Projection

## Appendix 2 Risk Management

The proposals for direct management of the café and bar at the Capitol carry risks that need to be considered and actions identified to mitigate the risks.

The risks associated with direct management of the café and bar have been assessed as low, other than one risk which has been identified as medium. The medium risk covers the impact the Everyman Cinema may have on secondary spend at the Capitol. It is not feasible to remove this risk, and its impact therefore is being mitigated by tracking any impact of the Everyman on attendances at the Capitol and also focussing on the Capitol providing a more defined film offer.

### Risks Associated with the direct management operation of the Café and Bar at the Capitol:

Risk		Mitigation
<p><b>Cause:</b> Financial projections are based upon previous usage figures and different delivery arrangements</p> <p><b>Risk:</b> Net income projections not realised</p> <p><b>Effect:</b> Reduced income</p>		<ul style="list-style-type: none"> <li>• Projections are based on profiled income across the year.</li> <li>• Proposals being considered to rationalise layouts which will improve secondary spend opportunities</li> <li>• More varied offer</li> </ul>
<p><b>Cause:</b> Due to impact of new Everyman cinema, film attendances may reduce, and therefore secondary spend also.</p> <p><b>Risk:</b> Secondary spend reduced due to lower film attendances</p> <p><b>Effect:</b> Reduced income, requirement to review offer at the Capitol</p>		<ul style="list-style-type: none"> <li>• More defined film offer</li> <li>• Income and attendance figures are managed on an ongoing basis to track impact of Everyman.</li> <li>• Ongoing reviewing of the Capitol – targeting new audiences and how the centre is used</li> </ul>
<p><b>Cause:</b> The two permanent members of staff have specialist knowledge</p> <p><b>Risk:</b> Over-reliance of key officers, particularly back office</p> <p><b>Effect:</b> Inability to adequately administer the service</p>		<ul style="list-style-type: none"> <li>• Upskill other officers to provide the services if needed</li> </ul>
<p><b>Cause:</b> Service is predominately provided by casual staff, who need to be supervised</p> <p><b>Risk:</b> Inconsistent level of service</p> <p><b>Effect:</b> Mixed level of service provided</p>		<ul style="list-style-type: none"> <li>• Clear supervisory procedures and staff training</li> <li>• Consider employment on a different basis</li> </ul>