

REPORT FOR: **CABINET**

Date of Meeting:	22 June 2011
Subject:	Provision for a Café at Harrow Arts Centre
Key Decision:	Yes
Responsible Officer:	Andrew Trehern, Corporate Director Place Shaping Brendon Hills, Corporate Director Community and Environment
Portfolio Holder:	Councillor Thaya Idaikkadar, Portfolio Holder for Property and Major Contracts Councillor David Perry, Portfolio Holder for Community and Cultural Services
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Plan showing the land to be let (for identification purposes only)

Section 1 – Summary and Recommendations

This report sets out a proposal to provide a commercially operated café and catering service at the Harrow Arts Centre (HAC). The new facility will improve the offer to customers at HAC, making it more competitive, increasing new and repeat business; and provide a complete package for new areas of business such as conferences. HAC will benefit from the provision of a fully refurbished café/bar area at no cost to the council and a guaranteed annual rental plus a profit share arrangement.

Recommendation:

To approve the appointment of JAMS Kitchens Ltd for the operation of a café and catering business at Harrow Arts Centre and to delegate authority to the Corporate Director – Place Shaping to grant a lease of suitable premises at Harrow Arts Centre for a period of fifteen years.

Reason: (For recommendation)

The proposal is in response to an identified business opportunity to support the operation of the Arts Centre and to customer feedback.

Section 2 – Report

2.1 Introduction

Harrow Arts Centre currently offers a part-time café in the Studio (outbuilding) and a performance bar operated in-house with HAC stewards volunteering in the café. There is currently no catering offer to support venue hire and the bar facilities during performances just break even whilst not satisfying customer expectations. In addition, the café has stimulated customer demand for a full-time provision on-site. The proposal contained within this report will deliver a commercially operated Café and catering service from a local business, as integral to the Harrow Arts Centre campus and to support the activity and operation of the Arts Centre as a visitor destination.

2.2 Options considered

2.2.1 Three options were considered:

Option 1. To continue as at present with a minimal break-even service. This has proved less than satisfactory to existing customers and does not bring in income to offset against the Council's revenue subsidy to the Arts Centre.

Option 2. To invest in the building alterations and purchase of professional catering equipment through the Council's capital programme, and run the new service in-house. Funding is not available within the constraints of a tight capital programme for the borough. Importantly HAC does not have in-house expertise in providing a commercially sustainable catering operation.

Option 3. Seeking a commercial partner to make the capital investment and run the service in partnership. This would provide the necessary capital investment and also provide professional expertise of running a

catering operation in a host venue. This option would minimise the risks to the Council whilst providing a bespoke operation.

2.2.2 The third option of engaging a commercial partner selected through an open tender process is deemed to be the most beneficial. The café will be run by an established local business. The business partner will occupy designated kitchen and bar areas at HAC (shown for the purposes of identification only on the attached plan) under a fixed term lease. JAMS Kitchens Ltd will be responsible for the fit-out, staffing and day-to-day operation of all café and catering functions on the HAC site. The company will provide Harrow Council a guaranteed minimum income of £18,000 per annum, and, in future years, increase this figure to 5% of the total café and catering income.

2.3 Background

2.3.1 The Harrow Arts Centre (HAC) site also hosts Hatch End Library, Hatch End Swimming Pool, Children's Play Area and Green Space, Playing Fields and a Doctors Surgery. The provision of a full time cafe/bar would serve all of these community facilities, provide inter-service marketing and generate secondary spend.

2.3.2 An open tendering exercise has been undertaken with JAMS Kitchens Ltd chosen on the basis of a five-year business plan. JAMS have been operating Daisy's in the Park at West House in Pinner. The operation of Daisy's has exceeded its business plan targets by over 60%, and demonstrates the companies ability to work in partnership with a cultural destination to the mutual benefit of both organisations.

2.3.3 JAMS Kitchens Ltd will be required to fit-out the kitchen, preparation, servery and customer areas of the facilities leased to an agreed specification. Very little serviceable equipment exists on site; some alteration to temporary walls is required as well as total redecoration. In order to enable the operator to recoup this capital outlay, a fifteen year lease is proposed. The lease will include a break-clause in order to respond to unforeseen future changes to the operation of the site. A profit-share clause will also reassure the tenant that HAC will be proactive in promoting and selling the services of the catering operator.

2.4 Current situation

2.4.1 A limited bar service is provided for events utilising agency staff and HAC steward volunteers. Similarly a limited cafe service is available only on the busiest days of the week again utilising agency staff and volunteers. Whilst this limited service runs on a break-even basis, it provides a far from satisfactory service to address the needs of visitors to the site, audiences or venue hirers.

2.5 Why a change is needed

2.5.1 HAC could be generating direct income which will reduce revenue expenditure overall. This can be achieved at no risk to the Council and

will support the HAC Business plan aim to reduce the cost of the facility to the Council.

2.6 Implications of the Recommendation

2.6.1 Financial Implications

2.6.2 Current catering operations at HAC operate at break-even. This proposal allows the cessation of expenditure on staff and stock for catering whilst increasing income to a guaranteed rent of £18,000 per annum plus profit-share projected to total an additional £30,000 in the first 30 months of operation. Income will begin four months after the commencement of trading on site by the business partner.

2.6.3 This will support the efficiency savings outlined in the HAC business plan and the Council's Medium Term Financial Strategy.

2.7 Performance Issues

2.7.1 HAC attracted 141,975 attendances (exclusive of visitors to the library and pool) in 2010/11 and saw a 29% increase in audience figures in the same period. Feedback from customers is already collected through staff interaction, comment cards, questionnaires, emails and phone calls. Customer response to the new café/ catering facility will be recorded both by HAC and by the business partner as part of the monthly monitoring process.

2.7.2 The aim of the proposal is not only to obtain a guaranteed income from the catering operation, but also to increase overall attendances at the Arts Centre. Monthly monitoring meetings between HAC and the business partner will measure the income being generated. Increased audiences and increased business bookings are already monitored on a quarterly basis and the impact of this change will be monitored from the commencement of trading on site by the business partner.

2.8 Legal Implications

28.1 The council has the general power under section 123(1) of the Local Government Act 1972 to lease land and property in any manner. The Secretary of State's consent is not required provided that the lease is for the best consideration that can reasonably be obtained.

2.9 Environmental Impact

2.9.1 The selected business partner is required to provide an environmental policy statement and evidence to support that this is being implemented in the operation of their business and delivery of their service.

2.10 Risk Management Implications

2.10.1 The major risk is that the café and catering business fail to thrive and therefore either does not deliver on the financial profit-share or will need to terminate early. However the interim in-house operation has operated at a minimum of break-even position and a café has successfully operated on the site between 1989 and 2006, giving a clear indication that there is demand for this service in this location.

2.10.2 The lease will include a break-clause linked to a minimum level of income generation. The break-clause will also allow for any future changes of use to the Harrow Arts Centre site that may impact on the provision of such a facility.

2.11 Equalities implications

2.11.1 The selected business partner is required to provide an Equal Opportunities policy statement and evidence to support that this is being implemented in the operation of their business and delivery of their service

2.12 Corporate Priorities

2.12.1 This recommendation will bring two local businesses, Harrow Arts Centre and a local catering business, into a mutually beneficial partnership with each other in one of Harrow's local shopping centres therefore contributing to the Council's priority of:
'Supporting our Town Centre, our local shopping centres and businesses'

Section 3 - Statutory Officer Clearance

Name: Anthony Lineker	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 20 May 2011		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 31 May 2011		

Section 4 – Performance Officer Clearance

Name: Wayne Longshaw



on behalf of the
Divisional Director
Partnership,
Development and
Performance

Date: 27 May 2011

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director
(Environmental
Services)

Date: 26 May 2011

Section 6 - Contact Details and Background Papers

Contact: Marianne Locke, Divisional Director Community and Culture

Tel: 020 8736 6530

Background Papers: None

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]