

CABINET – 8 JULY 2002

NEW FOREST CATERERS – PROPOSAL FOR BAR AND CAFÉ CLOSURES

1. Background

- 1.1 The Council currently provides a bar and cafeteria in each of its Recreation Centres at New Milton, Ringwood, Applemore and Totton and a cafeteria only at Lymington.
- 1.2 At the time when these Centres were built, use of Recreation Centres for the more traditional sports such as badminton and 5-side football included a social element for which it was seen as important to make a provision.
- 1.3 The bars and cafeteria have operated successfully for a number of years but more recently circumstances have changed to such an extent that their continued provision needs to be reviewed.
- 1.4 The purpose of this report is to evaluate the benefits of the current café and bar provision and recommend future action.

2. Current Position

2.1 Bars

- 2.1.1 In recent years there has been a substantial decline in the use of and income derived from the licensed bars.
- 2.1.2 A number of key factors have contributed to this decline. Those factors are:
 - a) The move away from the more traditional activities to health and fitness where there is much less of a social element.
 - b) The Council's decision to ban smoking in the Recreation Centres.

The overall effect of these factors on bar income in recent years can be seen by the graph in Appendix 1, which shows a £52,428.00 reduction in bar income since 1997.

2.2 Cafeterias

- 2.2.1 The Cafeterias at the Centres have been more successful but not all are still financially robust.
- 2.2.2 Staffing difficulties have meant that the cafeteria at Lymington has been closed for over a year with the only catering income coming from the continuation of children's parties, together with an enhanced vending service
- 2.2.3 The bar and cafeteria service at New Milton were combined some time ago in order to increase efficiency. Any proposal to close the bar will mean the cessation of the café service and a move to full vending.
- 2.2.4 The current and potential business levels of the cafeterias at Applemore, Totton and Ringwood justifies their continued operation and development. Current financial performance is shown in Appendix IV.

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3. Catering Best Value Review

3.1 The Council Catering service is currently undergoing its full Best Value Review, and a key part of the review is to assess the efficiency and effectiveness of the Centre Catering operations.

3.2 As part of the challenge element of the Review and in response to the question, "Should we be providing this service at all?" a number of factors have become apparent:

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- 1) All four bars are making losses and are unlikely to recover this situation. The income trend for individual Centres is shown in Appendix 2.
- 2) The trend across Recreation Centres in the country generally is that fewer and fewer are now providing licensed bars, (for instance DC Leisure have bars in less than 25% of their sites).
- 3) Increasingly the area taken up by the licensed bars is being converted for use for other activities that generate an income to the Council.
- 4) A recent Survey of Recreation Centres showed a strong preference for a cafeteria style operation.

4. Proposals

4.1 As an outcome of the Best Value Review the proposal is to close all of the bars together with the cafes at Lymington and New Milton and use the areas for other activities as follows:

4.1.1 Totton Recreation Centre

Given that the bar occupies only a very small area, is used as crèche and is adjacent to the cafeteria which can get very busy at peak times the proposal is to integrate the two areas to effectively enlarge the size of the cafeteria. The bar servery area will be converted into much needed storage. The cost can be contained within existing budgets.

4.1.2 Applemore Recreation Centre

The lounge bar and servery occupy a large space adjacent to the catering and the proposal here is for the conversion to a Soft Play Centre with Party Rooms and conversion of the Bar and Servery to office accommodation. A summary of the project justification for this scheme is attached as Appendix 4. This indicates a 2 year payback.

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4.1.3 Ringwood Recreation Centre

A number of options are currently being considered for this area ranging from a General Activity Room for aerobics, children's parties etc to a permanent Soft Play Installation. The final proposal will come forward as part of this year's expenditure plan process. In the meantime the area will be used as a general activity and social area

4.1.4 New Milton Recreation Centre

The proposal at New Milton is to integrate the cafe and bar areas as part of the new Gym extension and to also create a Flexible Children's Party/Meeting space. The scheme will be undertaken as a design and build project and a summary of the project justification is attached as Appendix 5. This indicates a 3.6 year payback from the scheme.

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4.1.5 Lymington Recreation Centre

The cafeteria area at Lymington is currently used for a range of activities including Aerobics and Yoga. There is a strong possibility that £31,000.00 will become available by way of a grant from the Primary Care Trust for work towards Cardiac Rehabilitation and the proposal is to use the money to equip a 20 station gym in the Café area. A summary of the project justification is shown in Appendix 6 and indicates a payback of 2.1 years.

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5. Financial Implications

- 5.1 The immediate financial benefit of closing all the bars and the Lymington and New Milton Cafes would be to reduce the losses which are currently being made. Taking into account only direct costs and Income overall this is estimated at:

<u>Site</u>	<u>Savings</u>
Applemore	£1,500.00
Ringwood	£1,000.00
Totton	£2,000.00
New Milton	£3,500.00
Lymington	£3,700.00
Total	£11,700.00

These figures do not include any reductions in Support Service Costs because:

- The immediate effects are difficult to project.
- Although this would reduce the cost of catering it would not represent a saving to the Council overall.

However a pro-rata reduction in these costs would increase the savings on catering to:

<u>Site</u>	<u>Savings</u>
Applemore	£3,302.00
Ringwood	£2,704.00
Totton	£2,315.00*
New Milton	£6,855.00*
Lymington	£9,594.00*
Total	£24,770.00

- 5.2 The proposal for Bar Closures will lead to an increase in income in two ways:

5.2.1 Currently 43% of our bar sales relate to non-alcoholic products which could be provided either via the cafeteria or through vending. The opening hours of the café and the range of vending available will be reviewed in order to cater for this identified demand in order to maximise income.

5.2.2 Activity Income – The proposed closures will create opportunities for other income generating activity. The schemes proposed for the bar areas at the various Centres all generate a surplus. As follows:

- Applemore Soft Play - £ 72,450 over 3 years
- New Milton Gym Extension - £166,666 over 5 years
- Lymington Gym - £ 85,080 over 5 years

5.3 Redundancy Costs – The café and bar closures will have implications for a number of employees which will be dealt with using the agreed “at risk” procedures and redundancy costs of £170.12 have been identified. Consultation with the affected employees has not yet taken place but they will be consulted and placed on the “at risk” register, if the closures are agreed.

5.4 The capital costs of the schemes are as follows:

a) Applemore Soft Play	£ 47,000	
b) New Milton Gym Extension	£120,000	
c) Lymington Gym	£ 20,000	
	£187,000	£187,000

The funding available in the current year is:

a) Catering refurbishment:*	
Applemore Rec Centre - Kitchen Ventilation	£4,000
Applemore Rec Centre – Bar Furniture	£7,000
New Milton Rec Centre – Bar Servery	£7,000
Totton Rec Centre – Café/Bar Conversion	£20,000
b) New Milton Gym Extension	£120,000
c) Capital Receipt – Primary Health Care Trust**	£31,000
** Subject to confirmation	£189,000

*As the funds for the New Milton Gym Extension are already part of the Capital Program virement will be required only for the catering schemes which were deferred pending the outcome of the Catering Best Value Review.

5.5 Although the outcomes of the Best Value Review are still not certain, it is likely that:

a) Both New Milton and Lymington will become fully vended services and that schemes for seating areas will need to be developed as part of the Expenditure Plan process.

b) Changes will be made to the service at Appletree Court and a scheme to redesign the kitchen and servery either late this year or early next year. Funds are currently available to finance a scheme for Appletree Pantry.

5.6 Overall there is no doubt that the proposed closures will make a net contribution to the £30,000.00 savings expected from the Catering Best Value Review

6. Timescales

6.1 The programme for the closures of the bars and cafes depends on:

- a) Current levels of use
- b) The timing of the proposals for alternative use
- c) The capacity for extending the café and vending services

- 6.2 The impact will vary at different sites and it is on this basis that the following timetable is proposed:
- 6.2.1 Totton Recreation Centre
Use of the bar is extremely limited except for some use by the Swimming Club on a Friday night. It is proposed that the bar closes with immediate effect after the Swimming Club have been given due notice.
 - 6.2.2 Applemore Recreation Centre
The bar area is in serious need of refurbishment and very little use is made by Centre users. It is proposed that the bar is closed with immediate effect after giving reasonable notice to any Clubs who still make use of the facility.
 - 6.2.3 Lymington Recreation Centre
The cafeteria has been closed for public use for over a year and should officially close with immediate effect subject to consultation with the local community and Town and Parish Council who raised funds for the provision of the social facility.
 - 6.2.4 Ringwood Recreation Centre
Alternative arrangements need to be made for Squash Meals and it is proposed that the bar closes with effect from 1st July 2002 with due notice being given to any Clubs who still make use of the facility.
 - 6.2.5 New Milton Recreation Centre
As the most improved performing site and given particular issues that exist in New Milton it is suggested that this bar should close last with effect from 1st October 2002 with due notice given to any Clubs who are still making use of the facility.
- 6.3 All current liquor licence will be retained, which will enable alcohol to be provided at Special events if required.

7. Employee Side Comments

The employee side acknowledge that the Council must take action to improve the Council's financial situation and accept that changes to the usage of bars have made the bars unviable. However, consideration to employees affected by this is of concern and the employee side expect Managers to make every effort to find alternative work for those employees affected. Although the financial implications show a saving by closing the bars, additional refurbishment costs are proposed which will have a further impact on the Councils' financial situation.

8. Crime and Disorder Implications

There are none.

9. Environmental Implications

- 9.1 Although energy consumption would fall initially as a result of the bar closures any alternative use that the areas may be put to may increase energy consumption in the long term.

10. Portfolio Holders' Views

- 10.1 The Portfolio Holders for Leisure and for Finance and Support fully support the proposals outlined in this report.

11. Leisure Review Panel

- 11.1 At its meeting on 11 June 2002, the Leisure Review Panel supported the proposals set out in the report.

12. Recommendations

- 12.1 The Cabinet is recommended to approve the following actions in respect of each of the bars and cafés at recreation centres:

Totton Recreation Centre

Integrate the bar and cafeteria areas to effectively enlarge the size of the cafeteria with the bar servery area being converted into storage. The cost can be contained within existing budgets.

Applemore Recreation Centre

Lounge bar and servery to a Soft Play Centre with Party Rooms and conversion of the Bar and Servery to office accommodation.

Ringwood Recreation Centre

And make a proposal as part of this year's expenditure plan process, in the meantime using the area as a general activity and social area

New Milton Recreation Centre

Integrate the cafe and bar areas as part of the new Gym extension and to also create a Flexible Children's Party/Meeting space.

Lymington Recreation Centre

Use money from the PCT to equip a 20 station gym in the Café area.

- 12.2 That the following timetable be adopted for each of the recreation centres, as indicated:

Totton Recreation Centre

Bar to close with immediate effect after the Swimming Club have been given due notice.

Applemore Recreation Centre

Bar to close with immediate effect after giving reasonable notice to any Clubs who still make use of the facility.

Lymington Recreation Centre

Cafeteria to close with immediate effect, subject to consultation with the local community and Town and Parish Council who raised funds for the provision of the social facility;

Ringwood Recreation Centre

Bar to close with effect from 1st July 2002, with due notice being given to any Clubs who still make use of the facility.

New Milton Recreation Centre

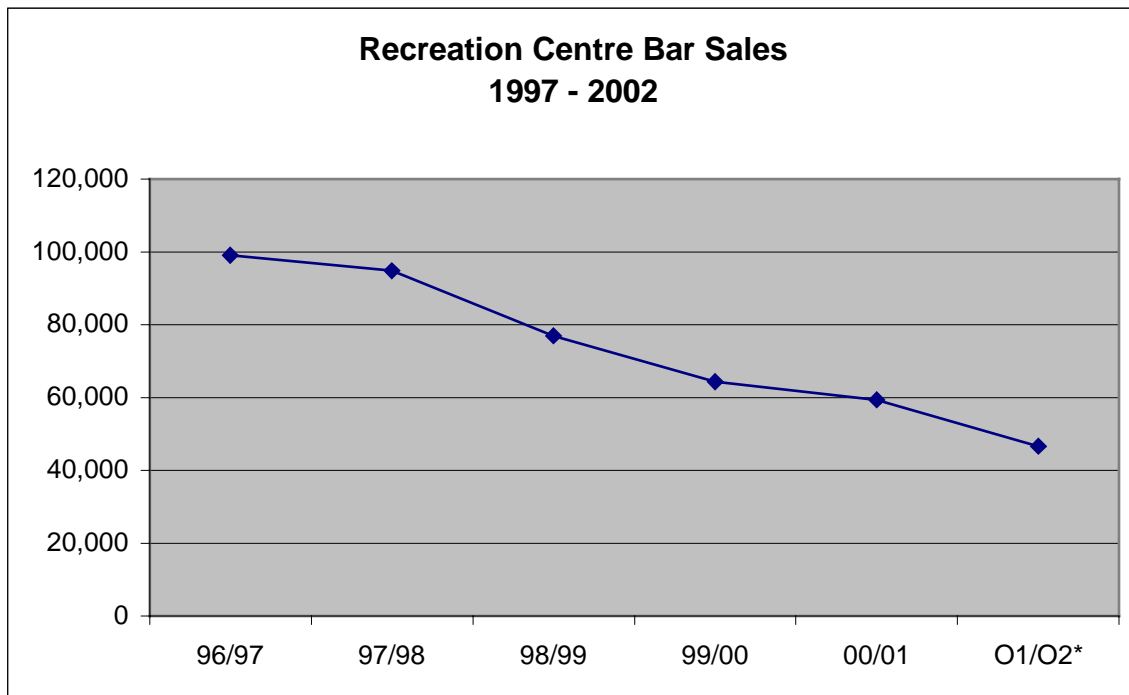
Bar to close last with effect from 1st October 2002 with due notice given to any Clubs who are still making use of the facility; and

- 12.3 That all current liquor licence be retained, which will enable alcohol to be provided at Special events if required.

For further information:

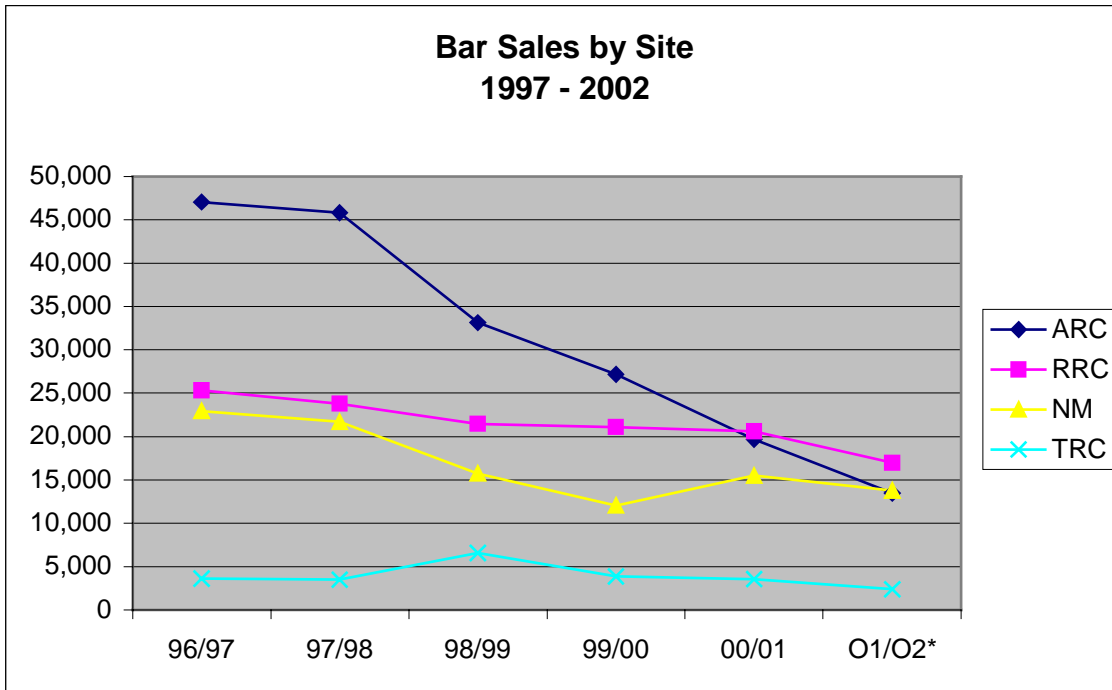
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Background Papers:



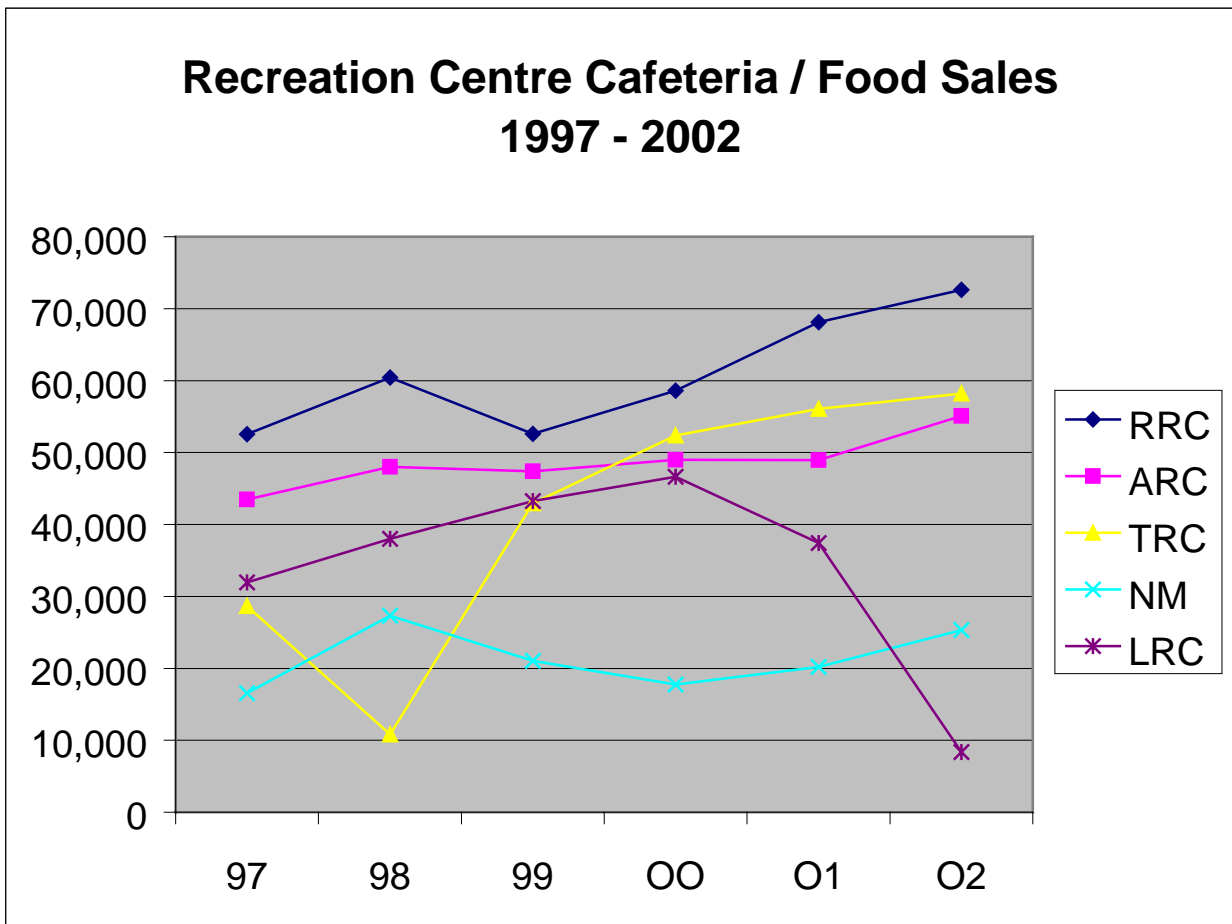
	96/97	97/98	98/99	99/00	00/01	01/02*
Sales	99,021	94,857	76,925	64,250	59,325	46,593
Purchases	40,815	39,024	33,438	29,057	25,169	18,912
Gross Profit	58,206	55,833	43,487	35,193	34,156	27,681
GP %	58.80%	58.90%	56.50%	54.80%	57.60%	59.40%

- Internal stocktaking introduced in May 2000 resulted in increase in gross profits despite falling sales
- Figures for 2001/2002 are up to period 11 (February 2002)



	96/97	97/98	98/99	99/00	00/01	01/02*
Applemore	47,072	45,807	33,139	27,205	19,672	13,442
Ringwood	25,359	23,777	21,465	21,089	20,610	16,960
N. Milton	22,940	21,740	15,749	12,067	15,497	13,778
Totton	3,650	3,533	6,570	3,889	3,546	2,413

- Figures for 2001/2002 are up to period 11 (February 2002)



	97	98	99	00	01	02
RRC	52,557	60,417	52,574	58,603	68,111	72,609
ARC	43,475	48,007	47,403	49,003	48,957	55,104
TRC	28,675	10,802	42,924	52,369	56,044	58,200
NM	16,533	27,322	21,053	17,750	20,210	25,301
LRC	31,929	38,017	43,231	46,625	37,416	8,387

APPLEMORE CAFETERIA CONVERSION – PROJECT JUSTIFICATIONProposal

- Conversion of Café into purpose built soft play centre
- Construction of two party/meeting rooms
- Relocation of offices

Background

- Bar area is very under utilised
- Area badly in need of refurbishment
- Good current base of demand
- Current provision has low profitability
- No local competition
- Trends nationally are towards permanent provision

Key Issues For Consideration

- Creates flexible party/training area
- Potential for corporate market
- Releases capacity in activity area
- Major boost to catering business
- Corporate sponsorship opportunities
- Increased demand for other activities

Financial ImplicationsCapital Costs

*Soft Play Installation and Conversion Costs £47,000.00

Revenue Costs	Year 1	Year 2	Year 3
Employees	£6,600.00	£6,800.00	£7,000.00
Overheads	£2,500.00	£2,600.00	£2,700.00
Total	£9,100.00	£9,400.00	£9,700.00
Income	Year 1	Year 2	Year 3
Parties	£9,200.00	£9,400.00	£9,700.00
Casual Use	£9,000.00	£9,500.00	£10,000.00
Catering	£6,000.00	£6,500.00	£6,750.00
Room Hire	£2,000.00	£2,100.00	£2,200.00
Additional Income	£1,000.00	£1,100.00	£1,200.00
Sponsorship	£5,000.00	£5,000.00	£5,000.00
Total	£32,200.00	£33,600.00	£34,850.00

Surplus £23,100.00 £24,200.00 £25,150.00

Payback on capital in 2 years

NEW MILTON RECREATION CENTRE – PROJECT JUSTIFICATIONProposal

- Extend existing facility to increase work stations from 35 to 60
- Incorporate Technogym “Key system”
- Incorporate “Quiet Gym”, Assessment Rooms, Office & Reception
- Close bar
- Creation of a flexible aerobics studio/children’s party/meeting space

Background

- Bar is operating at a loss
- National trends show high growth in gym usage
- Gym usage is the fastest growing activity at other Centres
- Gym income is the largest element of Centre turnover
- Local demand for the facility

Key Issues For Consideration

- Meets key corporate objectives
- Will improve financial performance
- Loss of bar facility
- Creation of aerobics studio/children’s party/meeting space

Capital Costs

Estimated cost £120,000

Revenue costs

<u>Costs</u>	Year 1	Year 2	Year 3	Year 4	Year 5
Equipment Leasing	£27 037	£27 037	£27 037	£27 037	£27 037
Instructor Costs	£9 465	£9 749	£10 041	£10 342	£10 653
Maintenance/Services	£1 500	£1 545	£1 591	£1 639	£1 688
Employee Costs	£2 980	£3 381	£3 997	£4 529	£5 077
Totals	£40 982	£41 712	£42 666	£43 547	£44 455

Income

Fitness suite	£60 278	£68 673	£75 418	£75 322	£79 410
Memberships	£500	£515	£530	£546	£563
Existing losses of bar	£1 000	£1 000	£1 000	£1 000	£1 000
<u>Aerobics studio</u>	<u>£2 500</u>	<u>£2 575</u>	<u>£2 652</u>	<u>£2 732</u>	<u>£2 814</u>
Totals	£64 278	£72 763	£79 060	£79 600	£83 787
Balance	£23 296	£31 051	£36 394	£36 053	£39 332

Total Additional Income Over 5 years = £166 666.

Pay back on capital in 3.6 years

LYMINGTON CAFETERIA CONVERSION – PROJECT JUSTIFICATION

Proposal

- Conversion of Cafeteria into 20 station Fitness gym
- Relocation of Activities to School Hall and Gym
- Negotiated use of school kitchen area

Background

- Cafeteria is a very under utilised space
- National trends show high growth in gym use
- Gym use is fastest growing activity at other centres
- Gym income is largest element of Centre turnover
- Previously identified local demand for gym facility

Key Issues For Consideration

- Major opportunity for external funding (£31,000.00)
- Meets key Corporate Objectives
- Will establish strong market prior to Phase II
- Will improve financial performance
- Improve partnership opportunities with Hampshire County Council and School
- Some displacement of other activities
- Loss of social area (replacement opportunities)

Financial Implications

Capital Costs:	Equipment (to be lease financed)	£ 82,000.00
	Café Conversion	£ 20,000.00
	Contribution from Primary Care Trust	<u>(£31,000.00)</u>
	Net Total	£ 71,000.00

Revenue Costs:

<u>Costs</u>	Year 1	Year 2	Year 3	Year 4	Year 5
Equipment Leasing	£17 050	£17 050	£17 050	£17 050	£17 050
Instructor Costs	£16 500	£17 000	£17 500	£18 000	£18 500
Employee Costs	£4 500	£5 600	£6 700	£8 800	£8 900
Overheads	£2 000	£2 060	£2 180	£2 540	£3 160
Loss of Existing Profit	£2 500	£2 600	£2 700	£2 800	£2 900
Totals	£42 550	£44 310	£46 130	£49 190	£50 510

Income

Fitness Suite	£48 000	£54 000	£60 000	£70 000	£80 000
Memberships	£1 000	£1 050	£1 100	£1 150	£1 200
Totals	£49 000	£55 050	£61 100	£71 150	£81 200
Balance	£6 450	£10 740	£14 970	£21 960	£30 690

Total Additional Income Over 5 Years £84 810

Pay Back on Capital in 2.1 years