

**NEW FOREST DISTRICT COUNCILS' CATERING SERVICE – FINANCIAL POSITION
2003/04 AND 2004/05****1. INTRODUCTION**

1.1 The Council's catering service made a loss against budget in 2002/03 of £122,000. This has been reported to Members together with the reasons for the loss which were:

1.1.1 Loss of income on Civic Catering food sales following the change in Member and Officer protocol (£15,000). However, this was offset by savings of £12,000 in client subsistence budgets.

1.1.2 The inclusion of a £10,000 income budget for the cost of single status reimbursement that should have been deleted when the client and contractor budgets were merged.

1.1.3 Increased entitlement of employees to sickness and holiday pay, the effect of which was not taken account of in the employee budgets (£24,000).

1.1.4 A Corporately agreed Expenditure Plan saving of £30,000 from the Catering Best Value Review, which was not achieved.

1.1.5 Redundancy costs associated with the catering restructure resulting from the Best Value Review (£3,000).

1.1.6 Projected savings from the bar and café closures which were not achieved (£66,000).

1.2 These losses were to some extent mitigated by a £14,000 saving in the amount of performance related pay awarded in that year and savings of £12,000 in other operational costs.

1.3 Although the catering business operated at this loss in 2002/03 the Best Value Review identified alternative uses for some of the catering areas which once implemented would generate an additional £115,000 for the Council in a full year. These have now been implemented, and income is currently slightly ahead of target.

2 FINANCES 2003/04

2.1 For the current year, savings of £27,500 were included within the budget, relating to the recreation centre bar closures and the conversion of the Pantry to a deli-bar. No amendments were made to reflect the operating position in 2002/3, although proposals were made to change the methods of catering with a view to maintaining a reasonable level of service but reducing the cost of catering overall.

2.2 The proposals were

- Totton, Lymington, New Milton – a move to a fully vended service managed by the Recreation Centres.
- Ringwood, Applemore - a move to a retail style outlet also managed by the Recreation Centre.

- 2.3 These proposals were considered and agreed in principal by the Corporate Management Team in May 2003. Since then an Action Plan to implement proposals has been in place including consultation with all employees involved and the employee side and relevant Portfolio holders.
- 2.4 Implementation of the proposals has reached a stage where the fully vended sites became operational from September with the retail site at Ringwood becoming operational in October and Applemore in November.
- 2.5 There will therefore only be a part year effect of the forecasted savings and given that the factors which influence performance previously are still having an effect, the Council's catering service will operate at a loss against budget in the current year.
- 2.6 It is therefore necessary to request a supplementary estimate of £106,000 to meet the budget shortfall for 2003/04.

3. FINANCES 2004/05

- 3.1 2004/05 will see a full year effect of the new catering operation and will improve performance by an estimated £44,000. In addition a reduction in Council wide subsistence budgets of £12,000 will further reduce the deficit. This will result in an Expenditure Plan bid for Catering in 2004/05 of £50,000.
- 3.2 This may be further reduced by an ongoing review of catering administration support costs as the full integration of catering in to the Centres management structure takes place.
- 3.3 Allowing for inflationary increases only from 2003/04, the original catering budget for 2004/05 would show a surplus of £57,000. The proposed bid of £62,000 would change the surplus to an overall deficit to the Council of £5,000. However, this would be reduced by any further savings arising from paragraph 3.2 or through any agreed reductions in support services charges.
- 3.4 It should be noted that income in excess of £80,000 per annum is generated by the Recreation Centres from children's' parties of which catering is a key element. However, the catering element of parties does not currently generate a surplus.

4. EMPLOYEE SIDE COMMENTS

- 4.1 The proposals have affected Employees at all centres resulting in redundancies and income losses, due to new structures in the second phase of reviews.
- 4.2 The ongoing review of Catering administration is of concern as it could upset the morale of Employees which is of great concern for Employee Side and the Employer.
- 4.3 Given that to date the Pay and Reward Package has still not been accepted Performance Related Pay is still an element for consideration in the Catering Finances
- 4.4 We recommend the investment but also recommend constant consultation with Employee Side.

5. CRIME AND DISORDER IMPLICATIONS

5.1 There are none

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no environmental implications resulting directly from this report.

7. PORTFOLIO HOLDERS COMMENTS

7.1 The shortfall against budget in 2002/03 is substantial but mainly comes about as a result of ambitious cost savings (partially imposed) not being achieved although the project has successfully enabled the annual generation of income in other areas at a greater value than the shortfall. Further, the council wide single status and minimum wage negotiations affected the pay and conditions of employees which further impacted on the service.

7.2 The shortfall in 2003/04 is essentially the result of the ambitious budget for 2002/03 being used to estimate its level and unless this is corrected it will be repeated again in next year's budget. This repetition over three years serves to mask the improvements that have undeniably been achieved.

7.3 As mentioned in 3.4 above catering is a key element of any successful leisure centre but it is not always possible without going to more expense to accurately identify the "profit" element that should be attributed to catering.

8. RECOMMENDATION

8.1 It is recommended that the Council approve a supplementary estimate for catering in 2003/04 of £106,000 and an Expenditure Plan bid for 2004/05 of £50,000.

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Background Papers: