

MAIDSTONE BOROUGH COUNCIL

**CABINET MEMBER FOR ECONOMIC DEVELOPMENT AND
TRANSPORT**

**REPORT OF ASSISTANT DIRECTOR OF REGENERATION AND
CULTURAL SERVICES**

Report prepared by John Foster

Date Issued: 15 December 2011

1. Museum Café Tender

1.1 Key Issue for Decision

1.1.1 To consider the Museum Café tender and appoint a café operator.

1.2 Recommendation of Assistant Director of Regeneration and Cultural Services

1.2.1 That The Barge Limited be granted a contract to operate a café facility cum concession at the Maidstone Museum and Bently Art Gallery, St Faiths Street, ME14 1LH, Kent subject to satisfactory financial, Health and Safety checks and agreement on terms.

1.2.2 That delegated authority be given to the Director of Regeneration and Communities to agree the terms of the Contract.

1.3 Reasons for Recommendation

1.3.1 The existing café is located in the Brenchley Room and is operated by the Museum's Customer Service Advisors (CSA). The café was co-located with the shop until recently enabling a single member of staff to serve both the shop and the café. The shop has now been relocated next to the new reception and main entrance to increase its visibility and improve sales.

1.3.2 The continuation of the café in its current form would require a member of staff to be available in the Brenchley Room to serve customers. Income from the café would not make this viable, once staffing costs have been taken into account. Table 1 sets out the income from the Café over the last 5 years but does not include costs related to staffing, utility or Non Domestic Rates.

Table 1

	<u>2006/07</u> <u>Actual</u>	<u>2007/08</u> <u>Actual</u>	<u>2008/09</u> <u>Actual</u>	<u>2009/10</u> <u>Actual</u>	<u>2010/11</u> <u>Actual</u>	<u>As at</u> <u>28/09/11</u>
Items for Resale	6,895	6,914	7,250	7,619	6,883	3,641
Coffee Shop	-10,520	-8,995	-10,362	-11,425	-8,740	-3,785
Net Income	-3,625	-2,082	-3,112	-3,806	-1,857	-144

- 1.3.3 Clearly the café once staffing and other costs have been taken into account is not financially viable. However with investment, a broader range of food and drink and increased visitor numbers following the opening of the East Wing a café might be viable. Soft market testing confirmed some interest in the proposition from the private sector and it was decided to offer the opportunity to operate the Museum's Café to the market. The opportunity was advertised in the Kent Messenger, sent to Town Centre Management members, the Federation of Small Businesses, The Improvement & Efficiency South East (IESE) Business Portal, The Council's website, and other online tender sites.
- 1.3.4 The tender required operators to invest in the servery to increase the range and quality of the café offer in the first year. No payment would be expected to the Council in the first year in exchange for this investment. The tender documentation asked bidders to propose a profit share arrangement in following years. The contract term offered was 5 years, with the opportunity to extend the contract by a further 3 years in 2017, subject to satisfactory performance. The tender document is set out in Appendix 1.
- 1.3.5 63 expressions of interest were received but no tenders were submitted by the deadline of 31st October, except one which was late, and deemed not valid.
- 1.3.6 In the absence of bidders, following market testing, the Council's procurement policy enables the Council to negotiate terms with any operator. Tenders were going to be scored against the following: Experience and track record; vision and imagery for café; level of investment in first year; proposed profit share; delivery timetable; flexible working.
- 1.3.7 Voluntary Action Maidstone was approached, as was Mid Kent College to see if there was interest in operating a café but no interest materialized.
- 1.3.8 The tender submission that was late and not valid was revisited. The proposal was submitted by The Barge Limited, of the Barge Restaurant located next to the Archbishop's Palace. The proposal is being assessed against the criteria set out in the procurement process (as

stated in 1.3.6) and will be expected to achieve satisfactory ratings against the criteria.

1.3.9 The Barge Limited currently operates in Maidstone and is a local company. Discussions with the Managing Director have taken place and the company stands by their tender submission and will work flexibly with the Museum to create a quality café offer. This includes investing in the café servery, providing staff and catering for functions and events held at the Museum. A table setting out the initial capital investment, sales projection and profit share is available in the Exempt Appendix.

1.4 Alternative Action and why not Recommended

1.4.1 There are four alternatives which have been rejected.

1.4.2 The Museum's CSA staff could continue to run the café as it is but this would require additional staffing resource, capital investment and focus on building up the business. There are not the in house skills to successfully achieve a viable café and this option exposes the Council to more risk than the preferred option.

1.4.3 The café could be closed and alternative activities could take place in the Brenchley Room. These include:

- using it as a community art space, allowing more community groups to display their work;
- using it as a space available for hire (business use, weddings, lectures, events etc). This use may generate revenue. If a café does operate from the room it would still be possible to hire the space out but on a more limited basis;
- Using it as a permanent gallery to display the collections.

1.4.4 However it is considered that a café adds to the Museum's appeal as a visitor destination, and could provide a revenue stream.

1.4.5 Vending machines could be installed however this service does not reflect the quality and vision the Museum aspires to following the completion of the East Wing.

1.4.6 The opportunity could be retendered however it is felt there is no evidence to suggest it would produce a different result and would mean a delay in the process.

1.5 Impact on Corporate Objectives

1.5.1 The report supports the Corporate Objective that "By 2015 Maidstone continues to be a clean and attractive environment for people who live in and visit the Borough" and the action "Maximise our leisure and cultural offer to enhance the quality of life for our residents whilst attracting visitors, new residents and businesses."

1.5.2 It also supports the Corporate Objective that "By 2015 the Council will continue to have and demonstrate value for money services that residents are satisfied with" and the action "Seek out and implement new ways of delivering services that are not our core business, such as the Theatre and the Museum."

1.6 Risk Management

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
The Barge Limited does not make a profit in line with their submission.	D	3	Regular formal review meetings will be held to monitor progress and action taken to mitigate lower than expected income targets. The Visitor Economy Business Unit and Museum will work with The Barge to drive up visitor numbers and market the Museum .
The Café is loss making and closes down	D	3	There will be a close working relationship with the café operator, formal review meetings and regular monitoring will give early profits warning and action taken to mitigate this risk e.g. terms could be renegotiated, marketing campaign launched. If the café closes the fixtures and fittings will remain the ownership of the Council. A new operator could be sought which could benefit from a more modern improved servery.

(Likelihood: A = very high; B = high; C = significant; D = low; E = very low; F = almost impossible) (Seriousness or Impact: 1= catastrophic; 2 = critical; 3 = marginal; 4 = negligible)

1.7 Other Implications

1. Financial	x
2. Staffing	
3. Legal	X
4. Equality Impact Needs Assessment	

5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management

1.7.1 Financial: The Barge will make a capital investment in the café servery at no cost the Council. If in profit the Council will receive a share of this profit. The cost of utilities used by the café will be covered by the Council. The Brenchley Room is not separately heated, so room lighting, power to and water will be the main costs. These costs will be estimated to provide a clear financial picture of the value of the operation. The cost of telephone line and calls will covered by the café operator. The café area will not be separately rated for Non Domestic Business Rates (NNDR) purposes. The café area represents 3.6% of the Museum’s floor space and on a pro rata basis NNDR attributed to the café would be £1,470. This proportion of the rates will continue to be paid by the Council.

1.7.2 Legal: The Head of Legal Services will be required to prepare and complete the contract.

1.8 Relevant Documents

1.8.1 Appendices

1.8.2 Appendix 1 Tender Document.

IS THIS A KEY DECISION REPORT?

Yes

No

How to Comment

Should you have any comments on the issue that is being considered please contact either the relevant Officer or the Member of the Executive who will be taking the decision.

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