

Report Purpose:

To Update on South Park Pavilion

Author

Town Clerk

Updates

Firstly, the Council are working with the architect designers, quantity surveyor and contractors to get to the agreed maximum price (AMP). It was anticipated there would be some negotiations and meetings have and continue to take place on savings that can be made.

Secondly, we continue to wait for a license to work and agreement to lease from CEC. In the past few days, CEC have informed us there is a charity, whose activity is supporting the park and outdoor recreation for the community of Cheshire East. Cheshire East Council are the sole trustee of this charity. CEC Legal are looking into it but it is slowing the process down. No work can take place until this is agreed.

Finally, work has taken place in detail, with a hospitality specialist about the running of the pavilion, with the recommendation to outsource the café while the Council look to run the event space on the 2nd floor. This decision is based on an analysis of operational challenges, human resource availability, capital resource availability, and long-term sustainability for the café. Below are the associated pros and cons, and the plan to mitigate potential risks.

Pros Of Tendering The Pavilion Café

Reduced Financial Risk

- The operator assumes the financial risk of running the café, including fluctuating revenue and unexpected costs.

Improved Quality and Customer Experience

- Professional operators are incentivised to provide high-quality service to attract and retain customers.

Revenue Generation

- The lease agreement and commercial agreement for public events can provide a steady income stream for the Council, contributing to the loan repayments.

Flexibility in Operations

- The Council can negotiate terms to ensure the café operates in a manner that aligns with the public's interest, such as using local suppliers where possible, maintaining affordable pricing and meeting required opening hours.

Access to Innovation

- External operators often introduce new trends, technologies, and efficiencies that the council may lack the resources to implement.

Cons Of Tendering The Pavilion Café

Loss of Direct Control

- The Council will have limited influence over the day-to-day operations and may rely on contract enforcement to comply with agreed-upon terms.

Reputation Risk

- Even though an external business will operate the café, it could reflect poorly on the Council if the operator fails to meet customer expectations or maintain standards.

Potential Community Pushback

- Some community members may prefer the café to remain publicly operated.

Revenue Limitation

- In a lease agreement, the revenue potential is capped at the agreed rental or revenue-sharing percentage.

Rationale For Tendering the Pavilion Café

Specialised Experience

- Established external operators bring industry expertise, established supply chains, and innovative approaches to menu development, customer service, operational efficiency, and marketing.

Operational Efficiency

- Running a hospitality business requires specialised knowledge of day-to-day operations, cost control, labour management, health and safety regulations, and food safety regulations.

Financial Sustainability

- Tendering reduces the financial burden on the Council for staffing, stock purchases and café facility maintenance. A fixed rental income or revenue-sharing agreement provides predictable cash flow from day one.

Focus on Core Services

- By outsourcing the café, the council can redirect internal resources to its core public services and focus on promoting and operating events for the general public while ensuring the café remains a valuable community asset.

Enhancing Community Value

- A competitive tender process allows us to select an operator aligned with community values, sustainability, and customer service expectations.

In order to mitigate the risk of outsourcing the following steps will be taken:

Comprehensive Tender Process

- Develop clear evaluation criteria, including operator experience, financial stability, alignment with community values, and sustainability. An external hospitality consultant can support the tender process to ensure the correct vetting of applicants in terms of operational efficiency and previous financial performance. The business can also be audited pre-opening to ensure accurate cost control and labour management. This will reassure the council that the company is financially sustainable and commercially driven. The Council will also require detailed business plans and customer service proposals from the bidders.

Robust Contract Terms e.g

- Ensuring the business meets the average spending requirements to meet the community's needs
- Ensure the business is open for the Council's requested opening times, including normal opening hours and additional hours for community events

Financial Safeguards

- To protect its financial interests, the Council will provide secure leases and commercial agreements with guaranteed minimum revenue. This includes clauses for inflation-based rent adjustments to ensure long-term sustainability.

Emphasis on Branding and Reputation

- The Council will require the operator to maintain a consistent and professional brand image that aligns with the café's community-focused values.

Actions:

To approve the recommendation for the café to be outsourced.