

Report of Chief Officer Civic Enterprise Leeds

Report to Director of Resources & Housing & Chief Financial Officer

Date: 23rd September 2019

Subject: Design & Cost Report for Aireborough Sports Centre & Yeadon Tarn Café Investment

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- Aireborough Sports centre and Yeadon Tarn are two new sites that Catering Leeds will be developing as commercial catering cafes. Capital investment is required at these sites to enable Civic Enterprise Leeds to provide an attractive commercial catering offer taking advantage of the footfall generated at both the newly refurbished Aireborough Sports centre and Yeadon Tarn.
- Capital investment of £123k is required which will be financed by borrowing and repaid from the income generated from both cafés.
- In a full year the financing costs of borrowing £123k over 5 years at 1.79% interest rate is £25.9k per annum.

2. Best Council Plan Implications

- This project supports the Inclusive Growth priority through the £123k capital investment and the creation of new job opportunities at the 2 sites.
- In addition, the project supports both the Health and Wellbeing and Sustainable Infrastructure priorities respectively through the provision of nutritious food at 2 sites which support a healthy and physically active lifestyle and investment in the installation of new energy efficient equipment to help Leeds meet its low carbon economy objective.

3. Resource Implications

- Total capital investment of £123k is required for both sites which will be funded by borrowing to be repaid at £25.9k per annum over 5 years (at an interest rate of 1.79%) funded from the commercial income generated at both cafes. Based on the modelling, the business plan projects a net surplus over 5 years of £154k at both sites after picking up operating costs.

Recommendations

The Chief Financial Officer is asked to inject a scheme into the capital programme for 2019-20 for an estimated value of £123k funded by borrowing, and

The Director of Resources and Housing is asked to give Authority to Spend of £123k from within the approved Capital Programme 2019-20.

1. Purpose of this report

- 1.1 The purpose of this report is to outline the planned proposal for capital investment of £123k to open two new commercial catering cafes at the newly refurbished Aireborough sports centre and Yeadon Tarn funded by borrowing and seek approval from the Chief Financial Officer and Director of Resources and Housing to respectively inject the scheme into the 2019/20 capital programme and give authority to spend £123k from within the approved capital programme.

2. Background information

- 2.1 Civic Enterprise Leeds (CEL) is a part of the Resources and Housing Directorate and amongst its service mix it includes some significant income generating services which include Catering, Cleaning, Fleet Services, Passenger Transport and Facilities Management. Of the many functions which CEL covers, it provides a leading role across the Council for advice and support on commercialisation.
- 2.2 Aireborough and Yeadon Tarn are two new sites that Catering Leeds will be developing as commercial catering cafes. Aireborough is a café within the newly refurbished Aireborough Sports Centre. Yeadon Tarn is a site in need of substantial refurbishment before it can open with a café offer.
- 2.3 This outline business case seeks to demonstrate that the introduction of a new facility will allow the service to generate, upon maturity of the business plan, a surplus of 10% and 15% respectively for Aireborough and Yeadon Tarn which will pay the annual financing costs of the borrowing.

3. Main issues

There are currently no catering facilities or provision at either site. Detailed information on equipment spend and business plan forecasts for both sites are included within tables included under Appendix 1.

3.1 Aireborough Café

- 3.1.2 The proposal is to seek capital investment of £50k. This investment will be spent to create the environment of a modern stylish coffee shop which competes with the high street shops such as Costa. The cafe will sell a range of high quality freshly ground coffees together with a full range of other hot and cold beverages, light refreshments and snacks. The emphasis will be on quality, fresh produce and healthy options to complement the ethos of the Sports Centre. Investment in furniture and surroundings will create a relaxing smart ambiance that will attract some of the heavy footfall that already exist in the Centre. Civic Flavour will be working closely with the Centre staff to develop and grow this business partnership and provide a source of revenue for the Council. The café will open 7 days a week with opening hours from 8.30 to 5.00 pm. As well as the financial performance of the café, the opening hours will be kept under regular review and adjustments made where necessary. In 2016/17 the Leisure Centre annual users of approximately 266,300 which would equate to 740 daily visitors. The Leisure centre closed for extensive refurbishment in 2017/18.
- 3.1.3 The income assumptions for year 1 are based on an average of 140 visitors a day spending an average of £3.25 per person. This assumption is based on experience in other sports centres and the proposed sales mix and pricing strategy. We expect footfall to increase over the 5 year projection at a level of 10% in year 1 and 2% thereafter for 2 years to rise to 160 customers per day by year 5 and generating a surplus of £71k after the repayment of borrowing costs over the 5 years. Staffing costs include a contingency to allow for some casual cover for sickness. Food costs are expected to be in the region of £97 per day at the level of business forecast.

3.2 Yeadon Tarn

- 3.2.1 The proposal is to seek capital investment of £73k. This will allow the service to refurbish existing facilities which are limited. The level of investment at this site is reflective of the work needed for the kitchen facilities to comply with the required hygiene standards for food preparation and service. The park is open to the public 365 days a year and is extremely popular with people of all ages. Younger visitors can enjoy the playground and BMX track whilst other visitors can enjoy a leisurely stroll around the tarn, a relaxing game of bowls or spend a Sunday afternoon enjoying one of the Summer Bands in the Park with entertainment from some of the region's leading brass bands. For the more active visitor to the park the tarn, the main feature of the park, is used for various water sports activities and is the base for the Leeds Sailing and Activity Centre. The park currently has no catering facilities and this is a business opportunity to raise revenue and provide a much needed service. The café will provide a full range of refreshments served in an ambiance in keeping with the waterfront position.
- 3.2.2 The average headcount for the users of this site are approximately 12,000 per year and has increased year on year. The potential users at this site is probably understated based on the average headcount of 12,000 that actually book activities at the centre as the site attracts various other users at the site eg walkers and their families.
- 3.2.3 A survey was carried out from Parks & Countryside in 2016 which showed the number of visitors to wider the site was 745,280. This provides considerable scope to tap into a significant customer base.

The proposed tariff for Yeadon tarn will be higher than Aireborough reflecting the

potential profile for this site. Number of customers is estimated to be an average of 125 per day with a 10% increase in year 1 then 5% year on year except last year remaining constant.

Proposed opening times are: open 7 days a week, open at 8.30am till 5.00pm. As with Aireborough, the financial performance and the opening times for Yeadon Tarn will be reviewed on a regular basis.

- 3.2.4 We will be catering for all within the site and will pick up extra trading/revenue when events are held such as galas which usually treble that day's revenue and kids parties. Our prices are at a lower selling point to our nearest competition which is Costa, we will on average be around 10p per item lower on like for like items that we both may sell, with a greater emphasis on the quality of products that we may sell.
- 3.2.5 The average spend per customer has been calculated at £3.50 per customer with an average spend on provisions of £91 per day which at the end of the 5 years we should expect a surplus of £83k.
- 3.2.6 If visitor numbers were to drop by 14% or spend per customer dropped by 9% to £2.64 this would still achieve a breakeven position.
If daily numbers don't manage breakeven point/profit then the service may reduce the opening hours which will help reduce costs, also the staff and equipment can be re-deployed through Flavour and the Catering Leeds estate which has sites across the city.

4 Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Executive Member for Resources and Housing has been consulted and is supportive of the proposals. Finance colleagues in the Finance Performance Group (FPG) have been consulted and support the introduction of a £123k scheme for capital investment in Aireborough and Yeadon Tarn to enable the provision of two commercial cafes. FPG considered and provided support for the business case at their meeting of 16th September 2019.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The recommendation within this report does not have any direct nor specific impact on any of the groups falling under equality legislation and the need to eliminate discrimination and promote equality.

4.3 Council policies and the Best Council Plan

- 4.3.1 This project supports the Inclusive Growth priority through the £123k capital investment and the creation of new job opportunities at the 2 sites. In addition the project supports both the Health and Wellbeing and Sustainable Infrastructure priorities respectively through the provision of nutritious food at 2 sites which support a healthy and physical active lifestyle.

Climate Emergency

4.3.2 Investment in the installation of new energy efficient equipment to help Leeds can meet its low carbon economy objective.

4.4 Resources, procurement and value for money

4.4.1 The procurement of equipment and installation expenditure will be incurred in accordance with Contract Procedural Rules to ensure that value for money is obtained from the procurement exercise.

4.4.2 Capital Funding and Cash Flow

Funding Approval :	Capital Section Reference Number :-						
Previous total Authority to Spend on this scheme	TOTAL	TO MARCH 2018	FORECAST				
	£000's	£000's	2019/20	2020/21	2021/22	2022/23	2023 on
			£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
TOTALS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Authority to Spend required for this Approval	TOTAL	TO MARCH 2018	FORECAST				
	£000's	£000's	2019/20	2020/21	2021/22	2022/23	2023 on
			£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	123.0		123.0				
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
TOTALS	123.0	0.0	0.0	0.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL	TO MARCH 2018	FORECAST				
	£000's	£000's	2019/20	2020/21	2021/22	2022/23	2023 on
			£000's	£000's	£000's	£000's	£000's
LCC Departmental Borrowing	123.0		123.0				
	0.0						
Total Funding	123.0	0.0	123.0	0.0	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	123.0	0.0	0.0	0.0	0.0

4.4.3 Revenue Implications

Taking into account the payback of the borrowing, the proposal will have a net revenue benefit over the 5 year life of £154k over the two sites. The 2020/21 CEL budget and the Councils Medium Term plan will reflect the assumptions contained in this report.

4.5 Legal implications, access to information, and call-in

4.5.1 The proposed capital spend is below the £0.5m threshold for a key decision which means that any decision to approve the expenditure will not be subject to call in. Under the Constitution, the Chief Financial Officer has delegated authority to approve any value LCC funded capital injection and the Director of Resources and Housing can provide the authority to spend for such schemes.

4.6 Risk management

4.6.1 The business case has received support from the Finance Performance Group at their meeting of 16th September 2019 and the procurement exercise will be conducted in line with Contract Procedure Rules to further mitigate against any risks.

5 Conclusions

- 5.1 Approval of this report will enable the Authority to expand its commercial income base, provide employment opportunities and help meet some of the Best Council Priorities identified within the report.

6 Recommendations

- 6.1 The Chief Financial Officer is asked to inject a scheme into the capital programme for 2019-20 for an estimated value of £123k funded by borrowing, and
- 6.2 The Director of Resources and Housing is asked to give Authority to Spend of £123k from within the approved Capital Programme 2019-20.

7 Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

APPENDIX 1 – FINANCIAL INFORMATION

Table 1 Equipment Spend

Item	£
<u>Aireborough</u>	
Epos till system	3,000
Furniture, fixtures & fittings	9,000
Equipment	38,000
Total	50,000
<u>Yeadon Tarn</u>	
Epos system	3,000
Furniture, fixtures & fittings	9,000
Interior Café Build	15,000
Exterior Build	10,000
Equipment	36,000
Total	73,000
<u>Grand Total</u>	123,000

Revenue Implications - borrowing

Total amount to be borrowed @ 1.79% with an asset life of 5 years.

Years	Financial Year	Annuity Due - Aireborough	Yeadon Tarn	Total
1	2019/20	5,272	6,414	11,686
2	2020/21	10,543	15,393	25,937
3	2021/22	10,543	15,393	25,937
4	2022/23	10,543	15,393	25,937
5	2023/24	10,543	15,393	25,937
6	2024/25	5,272	8,979	14,251

