

<b>Committees:</b>	<b>Dates:</b>
Finance Committee of the Barbican Centre Board Barbican Centre Board Projects Sub Committee	11 January 2017 25 January 2017 31 January 2017
<b>Subject:</b> Gateway 7 Outcome Report: Investments in Coffee Points and Mobile Bars	<b>Non-Public</b>
<b>Report of:</b> Chief Operating and Financial Officer <b>Report Author:</b> Richard O'Callaghan - Project Manager	<b>For Decision</b>

**Summary**

Project Status Compared to GW2	Budget : Green Specification: Green Programme: Red								
Project Status Compared to GW5	Budget: Green Specification: Green Programme: Red								
Timeline	The project is complete pending approval of this report and final Contractor payment.								
Total Estimated Cost @ Gateway 5	£130,000 (plus staff costs of £2,000)								
Currently Approved Budget	£130,000 (plus staff costs of £2,000)								
Spend / committed to date	£123,591 (plus staff costs of £1,568)								
Spend Profile	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Amount £</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>112,930</td> </tr> <tr> <td>2016/17</td> <td>10,661</td> </tr> <tr> <td><b>Total</b></td> <td><b>123,591</b></td> </tr> </tbody> </table>	Year	Amount £	2015/16	112,930	2016/17	10,661	<b>Total</b>	<b>123,591</b>
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<b>Total</b>	<b>123,591</b>								
Overall project risk	Green								

**Recommendations**

It is recommended that the lessons learnt be noted and, following the making good of any defects during the warranty period along with release of any retention, the project is closed

**Main Report**

<b>1. Brief description of project</b>	Improvements to the Coffee Points and Mobile Bars: a) Phase 1 - Provision of mobile bars and back units for foyer use.
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	<p>This included the provision of 4 bespoke mobile bars, a double bottle cabinet and a double door back bar unit.</p> <p>b) Phase 2 - Contribution to the refurbishment of the Coffee points by the catering provider</p>
<p><b>2. Assessment of the project against SMART Objectives</b></p>	<p>Although a list of smart objectives was not required at scheme inception, had these been included they would have been as follows:-</p> <ul style="list-style-type: none"> <li>a) provision of mobile bars and contribution towards amendments to the coffee points to improve our service to our customers</li> <li>b) to provide a total net contribution increase (after investment repayment) of £376,015 over a five year period (£239,149 relating to the mobile bars and £136,866 relating to the coffee points).</li> <li>c) all works to be completed within a budget of £130,000</li> <li>d) all works to be completed by September 2015</li> </ul> <p>As shown below with the exception of meeting the programme all these objectives were all met.</p>
<p><b>3. Assessment of project against success criteria</b></p>	<p>All works complete by September 2015 – This was not achieved for the mobile bars (Phase 1) due to changes to the unit specifications required by our client department.</p> <p>The programme was achieved for the coffee points (Phase 2)</p> <p>Works Completed within Budget -This was achieved for both phases.</p> <p>Additional income target figures obtained - This was achieved for year 1 as follows:-</p> <p><b>Phase 1 - Mobile Bars</b></p> <p>The Gateway 2 report anticipated a net contribution increase (after investment repayment) of £239,149 over a five year period (see Appendix 1 – Investment summary as included at Gateway 2).</p> <p>The mobile bars did not come into operation until April 2016 (some 7 months behind schedule – see section 6 for an explanation) therefore, the bars were only in operation for 5 months of the anticipated 12. The table below shows the original year 1 net contribution forecast along with a pro rata forecast for a 5 month period. The table indicates that, for the initial 5 month period the forecast was exceeded by £17,098 or 106%.</p>

	<b>Original Projection</b> <i>12 Months</i>	<b>Pro Rata</b> <i>5 Months</i>	<b>Actual</b> <i>(01/04/16-31/08/16)</i>	<b>Variance</b>
Year 1 Contribution (50k Investment)	£38,435	£16,010	£33,108	+£17,098

### Phase 2 - Coffee points

The Gateway 2 report anticipated a net contribution increase (after investment repayment) of £136,866 over a five year period (see Appendix 2 – Investment summary as included at Gateway 2)

The table below shows the original year 1 net contribution forecast after investment repayment and the ‘actual’ net contribution for the first year. This represents an increase of some 77% on the original estimate.

	<b>Original Projection</b>	<b>Actual</b> <i>(31/08/15-28/08/16)</i>	<b>Variance</b>
Year 1 Contribution (£80k investment)	£23,733	£42,084	+£18,351

Both phases of the project have therefore provided better than originally anticipated returns for the initial period.

At Gateway 2 it was not anticipated that the coffee points would sell alcohol, however, in the interest of customer satisfaction this was changed. This will have had the effect of redistributing some of the income away from the mobile and fixed bars.

It should also be noted that between May and August 2016 (and as referenced in the Gateway 7 report – Investment in Bar Operations), the (fixed) stalls bar on level -1 was out of operation and therefore some of the lost sales from this bar would have been picked up by the mobile bars and coffee points.

<b>4. Key Benefits</b>	<p>Phase 1 - Mobile Bars</p> <p>Provision of mobile bars in the foyer areas to improve our service to our customers and to increase net contribution</p> <p>Phase 2 – Coffee Points</p> <p>Contribution towards the structural and configurational</p>
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	<p>changes to the coffee points carried out by the catering provider to increase the service points to cope with the anticipated business growth</p>																												
<p><b>5. Was the project specification fully delivered (as agreed at Gateway 5 or any Subsequent issue report</b></p>	<p>No</p> <p>Phase 1 - The mobile bars specification was changed. The specification at Gateway 5 was for 4 bespoke bars with 2 back bar units. This was subsequently amended to exclude one of the bars and one of the back bar units so that a decision could be made on the 4<sup>th</sup> bar based on actual demand once they were in operation. As demand rose the 4<sup>th</sup> bar was subsequently added back but it was decided that the 2<sup>nd</sup> back bar unit was not required.</p> <p>Phase 2 - The Coffee point modifications were carried out by the catering provider to the agreed specification</p>																												
<p><b>6. Programme</b></p>	<p>The project was not completed within the agreed programme</p> <p>Phase 1 - The provision of the Mobile Bars was held up due to delays in agreeing the Contractor's proposals. This resulted in the Contractor missing the proposed manufacturing slot. There was a further delay after the units were delivered to site as they were too high and thus unsuitable for operation. The units had to returned to the manufacturer and were not finally delivered back to site (and put in use) until April 2016 some 7 months behind schedule. The 4<sup>th</sup> bar was delivered in October 2016.</p> <p>Phase 2 The Coffee point modifications were completed in line with the agreed programme.</p>																												
<p><b>7. Budget</b></p>	<p>The project was completed within the agreed budget</p> <table border="1" data-bbox="568 1411 1449 1966"> <thead> <tr> <th>Element</th> <th>Gateway 2 (£)</th> <th>Gateway 5 (£)</th> <th>Gateway 7 (£)</th> </tr> </thead> <tbody> <tr> <td>Phase 1 Mobile Bars</td> <td>50,000.</td> <td>44,636</td> <td>43,591</td> </tr> <tr> <td>Phase 2 Coffee Points</td> <td>78,000.</td> <td>80,000</td> <td>80,000</td> </tr> <tr> <td>Fees</td> <td>2,000</td> <td>2,000</td> <td>00.00</td> </tr> <tr> <td><b>Sub-total</b></td> <td><b>130,000</b></td> <td><b>126,636</b></td> <td><b>123,591</b></td> </tr> <tr> <td>Staff Costs</td> <td>1,000</td> <td>2,000</td> <td>1,568</td> </tr> <tr> <td><b>Grand -total</b></td> <td><b>131,000</b></td> <td><b>128,636</b></td> <td><b>125,159</b></td> </tr> </tbody> </table>	Element	Gateway 2 (£)	Gateway 5 (£)	Gateway 7 (£)	Phase 1 Mobile Bars	50,000.	44,636	43,591	Phase 2 Coffee Points	78,000.	80,000	80,000	Fees	2,000	2,000	00.00	<b>Sub-total</b>	<b>130,000</b>	<b>126,636</b>	<b>123,591</b>	Staff Costs	1,000	2,000	1,568	<b>Grand -total</b>	<b>131,000</b>	<b>128,636</b>	<b>125,159</b>
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<b>Final Account Verification</b>	<p>Verified</p> <p>Both Mobile Bars and Coffee Points final accounts have been verified</p> <p>Release of retention on the mobile bars will follow the making good of the defects.</p>
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### Review of Team Performance

<b>8. Key strengths</b>	<p>The Commercial Development Department's vision of the scheme needed to introduce mobile bars and reconfigure the coffee point facilities and thus increase the net contribution from these areas.</p>
<b>9. Areas for improvement</b>	<p>1) Detailed specification of Client's overall requirements at the beginning of the scheme would have assisted procurement and protected the overall programme.</p> <p>2) An expeditious/more thorough examination of the Contractor's proposals prior to manufacture would have prevented an overall delay of some 7 months in the putting to use of the mobile bars.</p> <p>The above relate to the mobile bars only.</p>
<b>10. Special recognition</b>	<p>The Commercial Development Dept. for having the vision to propose this investment which has exceeded income targets in the first year.</p>

### Lessons Learnt

<b>11. Key lessons</b>	<p>1) Once the project was approved there was a delay in confirmation of the specification. This could have been avoided if the client department had been more proactive.</p> <p>2) A further delay could have been avoided if the contractor's proposals had been more expeditiously/thoroughly examined for appropriate dimensions.</p> <p>The above relate to the mobile bars only.</p>
<b>12. Implementation plan for lessons learnt</b>	<p>The project team will continue to seek early confirmation of specification from the client departments' and to point out the potential consequences of putting off decisions.</p> <p>The project team will try to ensure that contractor's proposals are double checked by the client departments' before signing them off.</p>

## **Appendices**

<b>Appendix 1</b>	Investment in Mobile Bars GW 1-2 Investment Summary
<b>Appendix 2</b>	Investment in Coffee Points GW 1-2 Financial Summary

## **Contact**

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<b>Telephone Number</b>	020 7382 2331

## Appendix 1 – Gateway 1 -2 Mobile Bars Contribution Financial Summary

1. Investment of £50k in the provision of mobile bar units, and £80k on enhancements to the Coffee Points is expected to significantly improve the ability to convert a higher proportion of footfall into catering transactions (rate of penetration).
2. We believe this investment will result in Bars penetration increasing from the current rate of 30% to 33%, which will drive £99k in additional turnover in year one; a net profit increase of £49k.

<b>MOBILE BARS</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>TOTAL</b>
Projected Revenue ( <i>exc mobiles</i> )	£1,017,455	£1,058,684	£1,094,547	£1,140,870	£1,189,300	<b>£5,500,856</b>
Projected Revenue ( <i>inc mobiles</i> )	£1,116,868	£1,162,998	£1,202,242	£1,252,976	£1,306,003	<b>£6,041,086</b>
<b>Revenue Variance</b>	<b>£99,413</b>	<b>£104,314</b>	<b>£107,695</b>	<b>£112,106</b>	<b>£116,704</b>	<b>£540,231</b>
Net Profit Increase	£49,435	£57,268	£59,191	£61,778	£64,478	<b>£292,149</b>
Loan Repayment	-£11,000	-£10,800	-£10,600	-£10,400	-£10,200	<b>-£53,000</b>
<b>NET CONTRIBUTION INCREASE</b>	<b>£38,435</b>	<b>£46,468</b>	<b>£48,591</b>	<b>£51,378</b>	<b>£54,278</b>	<b>£239,149</b>
<i>Revenue growth is based on the rate of penetration increasing from 30% to 33%.</i>						

## Appendix 2 – Gateway 1 -2 Coffee Point Contribution Financial Summary

### Coffee Points

1. The coffee points struggle to achieve full potential sales during the busy periods due to the current configuration which does not allow for additional service points. This is an observation referenced by contractors multiple times during the catering tender presentation process.
2. Our expectation is that the requested investment of £80k in the Coffee points will facilitate the ability to maximise throughput during peak periods, enabling substantial increase in sales.
3. Investment in Coffee Points is therefore expected to increase penetration from 21% to 29% - resulting in sales growth of £207k in year one.

<b>Coffee Points</b>	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Projected Revenue (exc invest )	£542,542	£561,531	£581,584	£601,526	£622,579	£2,909,362
Projected Revenue (inc Invest)	£749,224	£775,447	£802,588	£830,679	£859,752	£4,017,691
<b>Revenue Variance</b>	<b>£206,683</b>	<b>£213,917</b>	<b>£221,404</b>	<b>£229,153</b>	<b>£237,173</b>	<b>£1,108,328</b>
Concession increase	£41,331	£42,783	£44,281	£45,831	£47,435	£ 221,666
Loan Repayment	- £17,600	- £17,280	-£16,960	-£16,640	-£16,320	- £84,800
<b>Net Contribution Income</b>	<b>£23,732</b>	<b>£25,503</b>	<b>£27,321</b>	<b>£29,191</b>	<b>£31,115</b>	<b>£136,866</b>
Revenue growth is based on the rate of penetration increasing from 21% to 29%						