

Committees:	Dates:								
Finance Committee of the Barbican Centre Board Barbican Centre Board Projects Sub Committee	08 November 2016 23 November 2016 23 November 2016								
Subject: Gateway 7 Outcome Report: Investment in Bar Operations (02100101)	Public								
Report of: Sandeep Dwesar – Chief Operating and Financial Officer	For Decision								
<u>Summary</u>									
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.								
Total Estimated Cost @ Gateway 5	£70,000 (plus staff costs of £4,500)								
Currently Approved Budget	£70,000 (plus staff costs of £4,500)								
Spend / committed to date	£64,981 (plus staff costs of £4526)								
Spend Profile	<table border="1"> <thead> <tr> <th>Year</th> <th>Amount £</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>59,415</td> </tr> <tr> <td>2016/17</td> <td>5,566</td> </tr> <tr> <td>Total</td> <td>64,981</td> </tr> </tbody> </table>	Year	Amount £	2015/16	59,415	2016/17	5,566	Total	64,981
Year	Amount £								
2015/16	59,415								
2016/17	5,566								
Total	64,981								
Overall project risk	Green								
Recommendations									
It is recommended that the lessons learnt be noted and the project is closed									

Main Report

1. Brief description of project	<p>Following a peer review the Barbican Centre Board agreed to the Centre bringing its bars operations in house. In order to make the most out of the in-house operation of the bars and thus increase income generation, the City granted the Centre an investment loan of £70,000.</p> <p>The investment was utilised to carry out improvements to the Concert Hall and Theatre Foyer Bars by:</p> <p>Phase 1 - Installation of well-lit rear wall displays and signage</p> <p>Phase 2A -Improvement of the bar refrigeration units and reconfiguration of the point of sale positions</p>
--	--

	Phase 2B - Provision and installation of the 3 digital display screens and reconfiguring the bar server doors and shelving to the Concert Hall bar.								
<p>2. Assessment of project against success criteria</p>	<p>a) Phase 1 - All works complete by November 2015 – This was not achieved until January 2016 due to revised event dates restricting access.</p> <p>b) Phase 2A – All work to be completed by November 2015 – This was achieved</p> <p>c) Phase 2B – All work to be completed by July 2016 – This was achieved</p> <p>d) Works completed within budget -This was achieved for all phases</p> <p>e) Additional income target figures obtained - This was achieved for year 1</p> <p>The Gateway 2 report anticipated additional contribution over a 5 year period (after investment repayment) of some £310,899 (See Appendix 1 – Investment summary as included at Gateway 2).</p> <p>The table below shows the original year 1 net profit projection after investment repayment and the ‘actual’ net profit obtained in the first year. This represents an increase of some 97% on the original estimate.</p> <table border="1" data-bbox="564 1081 1418 1346"> <thead> <tr> <th data-bbox="564 1081 836 1234"></th> <th data-bbox="836 1081 1075 1234">Original Projection (£70k investment)</th> <th data-bbox="1075 1081 1246 1234">Actual (31/08/15-28/08/16)</th> <th data-bbox="1246 1081 1418 1234">Variance</th> </tr> </thead> <tbody> <tr> <td data-bbox="564 1234 836 1346">Year 1 Contribution</td> <td data-bbox="836 1234 1075 1346">93,733</td> <td data-bbox="1075 1234 1246 1346">185,226</td> <td data-bbox="1246 1234 1418 1346">91,493</td> </tr> </tbody> </table> <p>Although the first year result demonstrates an exceptional return it could have been even better had we not had to close the main stalls bar on level – 1 for a prolonged period due to technical problems with the bar shutter (now resolved). Although a temporary bar was set up it did not have the capacity of the main bar.</p> <p>Some of the lost sales will have been picked up by the mobile bars and Benugo, the profit from which will be reported in the ‘Mobile Bars and Coffee Points’ Gateway 7 report. In reference to Benugo (one of our catering contractors), it should be noted that coffee points are now selling alcohol in the interest of customer satisfaction. This was not anticipated in the original projections and would have the effect of redistributing some of the income away from the in-house bars.</p>		Original Projection (£70k investment)	Actual (31/08/15-28/08/16)	Variance	Year 1 Contribution	93,733	185,226	91,493
	Original Projection (£70k investment)	Actual (31/08/15-28/08/16)	Variance						
Year 1 Contribution	93,733	185,226	91,493						
<p>3. Was the project specification fully</p>	<p>Yes For all three phases</p>								

delivered (as agreed at Gateway 5 or any subsequent Issue report)																																					
4. Programme	<p>The project was not completed within the agreed programme</p> <p>Phase 1 - The installation of the rear wall display units had to be reprogrammed due to Concert Hall event changes and the need to open the bars accordingly</p> <p>Phases 2A and 2B - The improvement of the bar refrigeration units , reconfiguration of the bar points of sale positions and provision of digital displays and new shelving/doors were completed within programme</p>																																				
5. Budget	<p>The project was completed within the agreed budget</p> <table border="1" data-bbox="571 790 1445 1619"> <thead> <tr> <th>Element</th> <th>Gateway 2 (£)</th> <th>Gateway 5 (£)</th> <th>Gateway 7 (£)</th> </tr> </thead> <tbody> <tr> <td>Main Works</td> <td>68,800</td> <td>00</td> <td>00</td> </tr> <tr> <td>Phase 1 Well-Lit Displays</td> <td>Inc</td> <td>44,591</td> <td>49,041</td> </tr> <tr> <td>Phase 2A Reconfigure Work Stations</td> <td>Inc</td> <td>24,209</td> <td>10,374</td> </tr> <tr> <td>Phase 2B Provision of digital Displays and new shelving/doors</td> <td>Inc</td> <td>Inc</td> <td>5,566</td> </tr> <tr> <td>Fees</td> <td>1,200</td> <td>1,200</td> <td>00</td> </tr> <tr> <td>Total</td> <td>70,000</td> <td>70,000</td> <td>64,981</td> </tr> <tr> <td>Staff Costs</td> <td>3,000</td> <td>4,500</td> <td>4,526</td> </tr> <tr> <td>Total</td> <td>73,000</td> <td>74,500</td> <td>69,507</td> </tr> </tbody> </table> <p>Staff costs included at project proposal stage increased due to the difficulties in sourcing the required specialist works and the need to appoint multiple contractors because the original designers withdrew from the project. This meant that the design had to be managed in-house.</p> <p>Verified</p> <p>The - Phase 1 final account has been verified.</p> <p>All other contract sums are below the threshold that requires</p>	Element	Gateway 2 (£)	Gateway 5 (£)	Gateway 7 (£)	Main Works	68,800	00	00	Phase 1 Well-Lit Displays	Inc	44,591	49,041	Phase 2A Reconfigure Work Stations	Inc	24,209	10,374	Phase 2B Provision of digital Displays and new shelving/doors	Inc	Inc	5,566	Fees	1,200	1,200	00	Total	70,000	70,000	64,981	Staff Costs	3,000	4,500	4,526	Total	73,000	74,500	69,507
Element	Gateway 2 (£)	Gateway 5 (£)	Gateway 7 (£)																																		
Main Works	68,800	00	00																																		
Phase 1 Well-Lit Displays	Inc	44,591	49,041																																		
Phase 2A Reconfigure Work Stations	Inc	24,209	10,374																																		
Phase 2B Provision of digital Displays and new shelving/doors	Inc	Inc	5,566																																		
Fees	1,200	1,200	00																																		
Total	70,000	70,000	64,981																																		
Staff Costs	3,000	4,500	4,526																																		
Total	73,000	74,500	69,507																																		
Final Account Verification																																					

	formal verification
--	---------------------

Review of Team Performance

6. Key strengths	The client department's vision of the scheme needed to enhance rear wall displays to the bars which has realised a much larger year 1 profit than anticipated.
7. Areas for improvement	<p>A detailed specification of client's overall requirements at the beginning of the scheme would have assisted in procurement and reduced the need for multiple reports and appointments and hence more staff time needed to be allocated to the project. (This occurred because the original designers withdrew and the design had to be managed in-house)</p> <p>Acceptance of 'new' events in areas adjacent to the bars caused delays in getting these works completed. Fortunately, thanks to 'understanding' suppliers and contractors this did not incur any additional costs.</p>
8. Special recognition	<p>Bringing the bar operations in-house has realised a much greater profit in the first year than anticipated. Credit for this must go to the Commercial Development Dept.</p> <p>Rear Wall Display Units - the Contractor for his understanding of the need to change his programme at short notice to suit late changes in the Centre's events.</p>

Lessons Learnt

9. Key lessons	<ul style="list-style-type: none"> • A project is more likely to succeed when a client department is able to proactively assist in specifying their requirements at an early stage. • 'Last Minute' additions to events programmes can have a detrimental effect on contractors programmes
10. Implementation plan for lessons learnt	<ul style="list-style-type: none"> • The projects office will continue to seek the full involvement and co-operation of the client departments and other stakeholders in providing a full brief • Senior Managers at the Centre will be encouraged to consider restricting availability of areas adjacent to areas of work when accepting 'new' events, providing this does

	not have a serious impact on income streams.
--	--

Appendices

Appendix 1	Investment in Bar Operations - GW 1-2 Investment Summery
-------------------	--

Contact

Report Author	Richard O'Callaghan
Email Address	richard.ocallaghan@barbican.org.uk
Telephone Number	020 7382 2331

Appendix 1 – Gateway 1 -2

Investment In Bar Operations: Investment Summary

1. A summary of the financial model is provided below illustrating the financial advantage associated with running the bars in-house rather than retaining an externally contracted agreement. This investment is required to facilitate the functioning of the in-house operation.

	CONCESSION INCOME <i>(were bars to remain contracted)</i>	NET PROFIT <i>(from in-house operation)</i>	<i>Investment Repayment</i>	NET PROFIT <i>(after investment repayment)</i>	<i>Variance against concession</i>
Actual 13/14	£120,000				
Projected Year 1	£148,733	£109,133	£15,400	£93,733	-£55,000
Projected Year 2	£154,997	£245,203	£15,120	£230,083	£75,086
Projected Year 3	£161,544	£255,529	£14,840	£240,689	£79,146
Projected Year 4	£168,387	£283,199	£14,560	£268,639	£100,252
Projected Year 5	£175,541	£301,237	£14,280	£286,957	£111,416
TOTAL (Year 1-5)	£809,202	£1,194,301	£74,200	£1,120,101	£310,899

2. The projected income in year 1 income would be below that projected if the concession model was applied. This is due to the start-up costs of the project and a gross profit % set below the optimum as the operation beds in.
3. The cost of sales, margins and labour costs from year 2 are based on industry norm (medium). Extensive research including site visits and interviews have taken place with the National Theatre, who have also assisted with analysis of profit margins. It is hoped that this provides comfort that the income projections are realistic.
4. The business plan projects that over 5 years the Searcy's concession (or that of a newly appointed contractor) would deliver c. £809,202 income for the Centre from the bars operation; a 15% concession. However, a new contract will be let in line with the City of London's London Living Wage (LLW) policy, which is likely to have an adverse implication on the percentage concession that we will be able to secure. This is hard to quantify this in advance of the tender process, however, we can estimate that the percentage concession could drop to circa 12%.