



TOURISM, COMMUNITIES, CULTURE & LEISURE COMMITTEE

21st September 2023

REPORT TITLE:	FUTURE OPTIONS FOR THE SAIL LOFT COASTAL KITCHEN, WEST KIRBY.
REPORT OF:	DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT SUMMARY

This report provides members of the Tourism, Communities, Culture & Leisure Committee (TCCL) with options and recommendations on the future operating model for the Sail Loft Coastal Kitchen, a Council owned venue, currently being operated in house as a café / bistro that has its premises above the offices of the Wirral Watersports Centre in South Parade, West Kirby.

The facility was built between 2019 and 2021 and opened in July 2021 during the COVID-19 pandemic. The venue has failed to operate at a surplus and has struggled in the current macro-economic environment, like many other establishments in the catering and hospitality sector. It is incurring losses for the Council. This report is intended to present a comprehensive evaluation of the performance and opportunities for the venue and to justify a closure decision.

The report contributes to the Wirral Plan 2021-2026 by supporting the organisation in meeting its financial requirements, to provide a sustainable and balanced budget.

This is not a key decision.

RECOMMENDATION/S

The Tourism, Communities, Culture & Leisure Committee is recommended to:

1. Support the closing of the Sail Loft Coastal Kitchen, on 31st October 2023.
2. Instruct officers to identify and secure a commercial lease, to assume operation of the venue from Spring / Summer 2024.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The venue operates at a level of subsidy. There remains considerable macroeconomic instability in the economy, with no immediate indication of a long-term resolution. High inflation and rising interest rates continue to place significant pressures on Council finances and restrict the ability to forecast and plan with confidence, for the future. Many factors are also affecting the spending decisions of consumers as regards to disposable income. There is no certainty that the fortunes of the venue will improve in the foreseeable future. A decision to close the venue, however, constitutes a realistic measure and mechanism to produce a saving and enable an income via a commercial lease, whilst supporting an alternative solution for the sustained use of the facility.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Do nothing and continue to operate the venue in full as a Council owned facility. This option is not recommended due to the unknown identified economic risks. The financial position of both the directorate and the Council, needs to be closely monitored and controlled. Members must be satisfied that sufficient mechanisms are in place to ensure that savings are delivered, and that new expenditure is contained within available resources.
- 2.2 Seasonal opening only – The venue could operate on a “summer only” basis for 6 months per year, at times when revenues increase significantly, and trade is buoyant. This however would create multiple operational challenges with recruitment, supplier management and the retention of holding costs, during periods when the venue was closed. There is a likely risk that, even if the venue were to operate at a surplus during the months of high trade, this surplus would not be sufficient to cover costs incurred during the closed season. This option is not recommended.

3.0 BACKGROUND INFORMATION

- 3.1 The facility was built between 2019 and 2021 and opened in July 2021 during the COVID-19 pandemic. The venue has since been affected by rising economic costs beyond the control of the service. Improvements to areas of public open space in the immediate area, including construction of the sea defence wall has restricted parking, access, and overall trade to the venue. Consequently, the venue has failed to operate at a surplus and is incurring losses for the Council.
- 3.2 The venue is located in a prominent position on the beachfront in West Kirby and is directly above the offices and changing facilities for the Council owned Wirral Watersports Centre. The venue provides a quality dining experience seven days a week, and benefits from capturing trade from lake activities. There is a steady market for the hosting of private events.

- 3.3 The venue is however, affected by seasonal demands, and whilst trade does increase in the summer months, there is a significant and noticeable decline during winter.
- 3.4 Irrespective of the challenges the venue has faced during and post-pandemic, there is no guarantee that if the Council retained the facility, it would operate without a financial subsidy. The ability to operate solely as a commercial entity is often constrained by the policies, practices, and procedures of being a local authority. We have a duty to operate within public sector rules around recruitment and procurement. Our national terms and conditions for staff are also more costly to operate than those within the private sector. Consequently, the ability to respond to changes in the commercial market are limited, and often slow.
- 3.5 There also exists a fundamental question as to whether the Council should, or wants to be operating a service, which is both non-statutory, and within a high-risk commercial environment. In May 2023, the Financial Times reported that the number of casual-dining outlets across the UK fell 4.2 per cent to 5,160 nationwide, declining at nearly double the rate of the pub sector. This is cited as a response to both the cost-of-living crisis, high operating costs, and increased access to takeaway foods. One analyst suggests that a restaurant would require an income of circa £30,000 per week simply to be sustainable ⁽¹⁾.
- 3.6 South Parade has undergone extensive improvements its public open space infrastructure, including the construction of a new sea defence wall, resurfaced footways and carriageways, redevelopment of “The Old Baths” site and the creation of a new area of hardstanding immediately outside The Sail Loft & Watersports Centre. The opportunity for dining immediately outside the venue now exists. These improvements may have increased the value and marketability of the asset and any future opportunities.

4.0 FINANCIAL IMPLICATIONS

- 4.1 In the 2022-23 fiscal year, the Sail Loft failed to achieve its income target by C.£50,000. Non-pay items were over budget by C. £123,000. Given the income targets and accounting for cost of sales – food, beverages etc, the Sail Loft would need to generate over £400k in revenue, to end the financial year with a nil variance.

	Budget 22-23	Actual 22-23	Variance
Pay	256,868	238,674	18,194
Non-Pay	83,423	206,599	-123,176
Expenditure Total	340,291	445,273	-104,982
Income	-291,868	-240,973	-50,895
Net Total	48,423	204,300	-155,877

- 4.2 There has been no discernible change in actual income for the first quarter of the 2023-24 financial year when compared to the same period for the previous financial year. Forecasting has allowed for a slight increase in projections for increased sales to reflect the anticipated impact of the improvements in public open space and sea

wall completion. Overall income is forecast to achieve in the region of £280,000 for the financial year 2023-24, £120k short of the £400k revenue required for a nil variance.

	Budget	Forecast	Variance
Expenditure	301,276	454,695	-153,419
Income	-291,868	-281,013	-10,855
Forecasted Overspend			-164,274

- 4.3 The table below provides all support service and premises costs for the Marine Lake complex. Recharges of £44,408 are charged directly to the Sail Loft. A proportion of costs for utilities, business rates and insurance would need to be determined for the Sail Loft alone however it would be estimated to be approximately 60-70% of any totals. (C.£25K), plus recharges.

Marine Lake Complex - Premises & Recharge Costs (Total)

Subject	Amount
Repairs and Maintenance to Buildings	4,700
Electricity	9,100
Gas	3,800
Water Charges	2,500
Rates	7,900
Insurance – Premises	1,000
Insurance	6,700
Recharges	44,408
Total	80,108

- 4.4 Independent advice was provided approximately four years ago as to the marketability of this space and, whilst the facility wasn't designed with a commercial letting in mind, it was suggested that it could generate a lease / rental income, of up to £30,000 pa. Given the wholesale public open space improvements in the immediate area surrounding the Sail Loft, including a newly created area of hardstanding and opportunity for outside dining directly below the venue, the value of this asset may now have been considerably improved and in excess of the figure stated above. Officers will commission a revised valuation of the asset in advance of any marketing process.

5.0 LEGAL IMPLICATIONS

- 5.1 There are no identified legal implications associated with the closure of the restaurant venue. The Wirral Watersports Centre will continue with its normal operations as it is not co-dependant on the Sail Loft Coastal Kitchen.
- 5.2 There is no statutory requirement for the Council to provide commercial catering facilities, therefore withdrawing from this market would not be in contravention of any statutory requirement.

- 5.3 In the event of closure, the venue would be vacated and offered as an open lease opportunity to the commercial sector. The lease would not stipulate a particular business requirement and would permit for a dining offer if proposed but wouldn't control the style of offer or type of food provided.
- 5.4 Consultation with trade unions and the affected staff would be required where it is proposed to terminate the employment of those working in the café, on the grounds of redundancy.
- 5.5 TUPE may apply in the event that the premises were to re-open in the existing café/ restaurant format. There is no assurance that the venue will return in the existing café / restaurant format, nor how long any commercial letting process would take.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The Sail Loft Coastal Kitchen currently employs 13 staff (equivalent to 8.5 FTE). In accordance with the Council's redeployment policy, any employees affected by the closure would be offered suitable alternative employment within the authority where the authority has any such vacancies that may exist.
- 6.2 If let commercially, the letting would be managed through the Council Asset Management Team.

7.0 RELEVANT RISKS

- 7.1 An ongoing financial risk remains of having to provide an ongoing subsidy to the venue if no closure option is agreed. There also remains a risk of continued holding costs for the venue during any period when it remains not occupied. If a decision is not agreed, the venue could operate as a private hire establishment however this may attract some operational challenges identified in Section 2.2 of this report.
- 7.2 A risk exists that there may be no interest from the market in leasing the venue. This risk is mitigated by both the prominent location of the venue and its infrastructure. There would be an ongoing risk that if a private operator could not make the venue financially sustainable, the asset may be returned to the Council. In the event that an operator was not secured, the venue would continue to attract the holding costs identified in the table in section 4.3.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Consultation with the trade unions and the affected staff would be required where it is proposed to terminate the employment of those working in the cafe on the grounds of redundancy.
- 8.2 Although suppliers would be advised accordingly, contracts relating to supplies and services at the venue operate through a central framework that provide cross

authority provisions, therefore there would be no termination costs associated with any contracts.

9.0 EQUALITY IMPLICATIONS

9.1 At this time, there are no equality implications from this report. Wirral Council has a legal requirement to make sure its policies, and the way it conducts its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision, or activity. An EIA has been undertaken for this report, which can be viewed on the Council's website:

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments>.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 This report has no direct environmental implications; however due regard is given as appropriate in respect of procurement and expenditure decision-making processes that contribute to the outturn position.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 Any lease opportunity will consider encouraging local operators to deliver more benefits for the local area, such as good jobs, apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing. The recommended option will enable greater opportunities for local business.

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APPENDICES

There are no appendices associated with this report.

BACKGROUND PAPERS

1. <https://www.ft.com/content/90806de6-122f-4068-a885-a7f200fe9308>

TERMS OF REFERENCE

This report is being considered by the Tourism, Communities, Culture and Leisure Committee in accordance with Section (f) of its Terms of Reference.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Tourism, Communities, Culture and Leisure Committee	25 July 2023