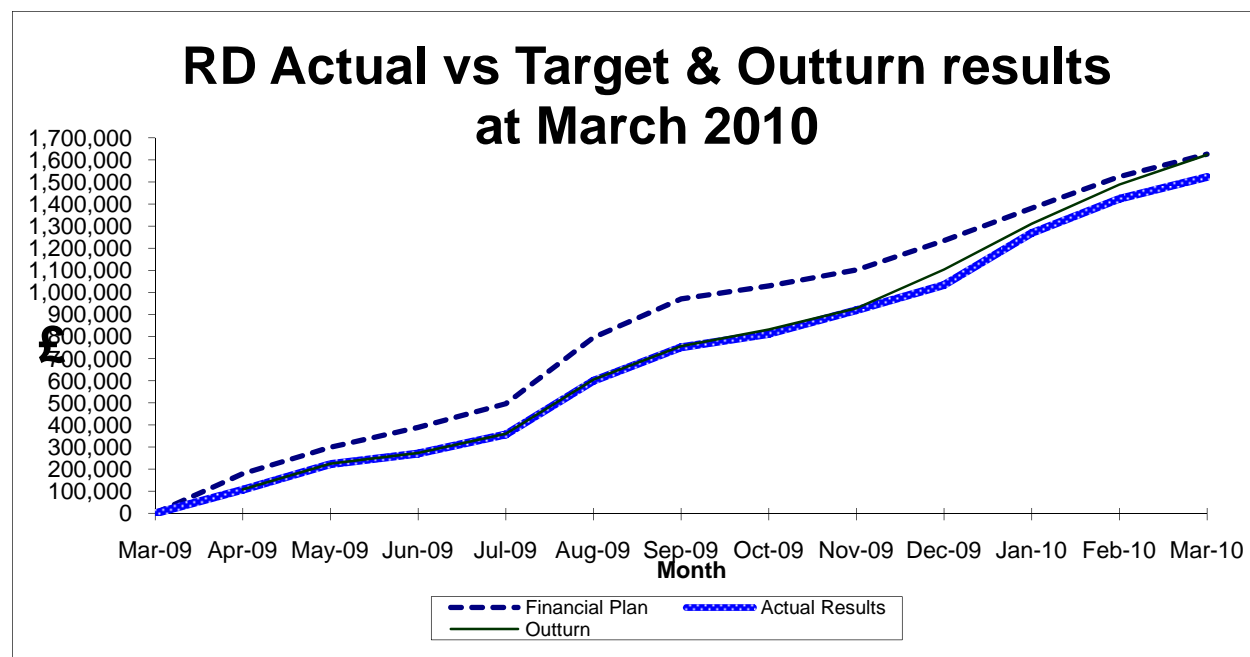


REFRESHMENT DEPARTMENT PROFITABILITY SUB-GROUP: 4th REPORT

REPORT TO THE MANAGEMENT BOARD

NOTE This paper contains a recommendation. However, since the matter is now on the agenda for the June meeting, this paper will be taken below the line, for information only at this stage.

Last year



1. As the above chart shows, the Refreshment Department has beaten the subsidy target set by the Board in May 2009. RD's actual subsidy over 2009/10 (unaudited) comes to £1.523m. This is on the right side of the target of £1.627m, and is indeed lower than the previous year's actual total of £1.592m. It is 23% lower than the figure for 2007/08 which was £1.989m. All figures exclude capital expenditure.
2. This is a considerable achievement, for which the Board will wish to congratulate the Head of Catering Services and his team. As the graph shows, it was achieved by steady steering throughout the year, rather than by wild swings on the tiller. It should be noted that the target was not adjusted to reflect the pay award or any other contingency.
3. Key contributors to this change in subsidy over the last two years are as follows:

	£k
Function services revenue increase due to higher additional charges	229
Improvement of gross profit from other sources	230
Reduction in costs due to new bicameral cleaning contract	136

4. Overtime, and spending on agency and casual staff, are major drivers of costs, and have all been reduced over the period.

£k	Overtime	Agency	Casual
2007/08	296	235	235
2008/09	297	177	220
2009/10	262	125	198

5. A share of the credit goes to the Finance Department, who provide RD management with detailed and timely management information. Another share goes to the HR Department, who provide vital support, particularly in the areas of absence management and vacancies.

This year

6. We recommend that this Sub-Group should continue in its current format, as RD managers consider that it has been a valuable tool in helping to reduce the subsidy. Should the Board agree, recommended terms of reference and membership are set out below. The proposed target of £1.620m is the figure in the RD Business Plan. The Board may wish to adjust the remit, depending on what it decides to do in the light of the review of outlets.

ANDREW MAKOWER, Chairman
28 April 2010

REMIT

To assist Refreshment Department management to achieve their objective “to reduce the overall cost of providing refreshment services to the House (the subsidy)”, and to achieve a subsidy for 2010/11 of not more than £1.620m; and to report quarterly to the Management Board on progress.

MEMBERSHIP

Andrew Makower (Chairman)
Carl Woodall (Director of Facilities)
Tim Lamming, Stephane Portes, and Mark Thatcher (Refreshment Department)
Jonathan Smith and Angela Greenfield (Finance Department)
Jonathan Seller (HR)
Andrew Mackersie (Head of Strategy)