

EAST AYRSHIRE COUNCIL

COMMUNITY SERVICES COMMITTEE – 31ST JANUARY 2007

LEISURE CATERING CONTRACT

Report by the Executive Director of Neighbourhood Services

1. PURPOSE OF REPORT

- 1.1 To update the Committee on the performance of the Leisure Catering contract covering the Palace and Grand Hall Complex and Dean Castle Country Park Visitor Centre, Kilmarnock.

2. BACKGROUND

- 2.1 Catering services are available at the Palace and Grand Hall Complex and the Visitor Centre in Dean Castle Country Park. From 1996 these facilities operated on the basis of a Compulsory Competitive Tendering Contract and the Council's On-site services delivered the service. These services required a financial subsidy of £44,150 in 2003/04. The subsidy was removed from the budget in 2004/05, in order to address concerns regarding value for money and service competitiveness.
- 2.2 In order to secure a new operating arrangement and remove any element of subsidy by the Council the Leisure Catering Service was examined and a new method of delivering the service was developed. Negotiations with On-site services identified that it would not be possible for On-site to take the full commercial risk of supplying the services without subsidy and therefore tenders were invited from potential private sector partners who had expressed an interest in providing this service.
- 2.3 Tender documents were developed to include the catering service at the Visitor Centre, Bar and Catering services at the Palace Theatre and 'event' bar and catering services at the Grand Hall. In order to secure a Leisure Catering Service that operates without subsidy tenders were invited to submit bids offering a payment to the Council for the right to provide the required range of services. The determination of the scope of the contract was an operational decision, made by officers with the appropriate authority, to ensure that financial targets were met under the new contractual arrangements.
- 2.4 The original tender notices were scheduled to allow a contract start in April 2005 however the first round of tendering did not attract any viable bids. Taking account of the feedback received from operators who had declined the first opportunity to bid a review of the tendering strategy was undertaken which led to a number of changes being introduced in order to improve the commercial attractiveness of the overall package and therefore promote a better return for the Council. These changes included a slight reduction in the fixed fee element payable to the Council; payment of that fee by instalment over the life of the contract (rather than in a single lump sum) and the firming up of exclusive contractual rights in respect of the provision of catering and occasional bars in

the Grand Hall (whereas the Grand Hall had previously been included in the first tendering exercise as 'open to negotiation').

- 2.5 The second round of tendering produced 16 expressions of interest and 3 competing bids. These bids were assessed using the Council's tender evaluation process and the contract was awarded to the Dickson Partnership, trading as City Eats with a start date of June 2005.

3. CONSIDERATIONS

- 3.1 The new contractor took responsibility for the elements of the service on a phased basis as the Palace Theatre bar was undergoing refurbishment. Where bookings had been taken for the Grand Hall and these involved alternative catering contractors, these bookings were honored. All bookings taken since the award of the contract have been required to use the Dickson Partnership for catering.
- 3.2 Under the new arrangement the contractor makes a quarterly payment to the Council for both venues based on a fixed fee plus a percentage of the value of total sales. This arrangement has allowed the contract to operate without a subsidy from the Council. The first full financial year of operation is 2006/07 and the contract is working effectively in terms of meeting financial targets. It should be noted that there is a projected reduction in hall hire income at the Palace and Grand Hall Complex when compared to 2005/06. It is estimated that up to £6,000 of this income reduction may be a result of prospective hirers not wishing to use the Catering Contractor.
- 3.3 The contract with the Dickson Partnership was initially for one year with the possibility of three one year extensions. As the contract was not fully operational until June 2006 when all the facilities were fully operational an extension was agreed until June 2007. Contract performance is regularly reviewed both in terms of financial outputs and customer requirements. A formal review will take place in early 2007 and a further extension of the contract will be discussed with the Dickson Partnership. Should any changes to the contractual arrangements be required it will be essential to ensure that any financial consequences are reflected in the 2007/08 budgets. If it is considered to be necessary to specify prices for catering services at the Grand Hall or remove the Grand Hall from the tender this would reduce the attractiveness of the contract to the existing contractor and any other interested parties and in addition a subsidy would have to be re-introduced into the budget. This funding could not be found from existing budgets. Any dissatisfaction with prices for catering at the Grand Hall should be balanced against the improved financial performance of the Palace Theatre / Grand Hall.

4. FINANCIAL IMPLICATIONS

- 4.1 There is no longer a subsidy in place for Leisure Catering operations at the Palace and Grand Hall Complex and the Dean Castle Country Park Visitor Centre and there is now a positive flow of income paid to the Council by the catering contractor. The projected income for the financial year 2006/07 is £21,200, compared to the subsidy of £44,150 in 2003/04, a financial

improvement of £65,350. When the estimated loss of income of £6,000 is taken into account the financial improvement amounts to £59,350.

5. LEGAL AUTHORITY/IMPLICATIONS

5.1 Nil

6. POLICY / COMMUNITY PLAN IMPLICATIONS

6.1 The Council is committed to achieving best value in the delivery of services. The removal of the subsidy for leisure catering and the development of a partnership with the Dickson Partnership to deliver these services has assisted in achieving best value for leisure catering services.

7. CONCLUSIONS

7.1 The introduction of a single contract for Leisure Catering services at the Palace and Grand Hall Complex and Dean Castle Country Park Visitor Centre has assisted in meeting financial targets and has allowed the risk associated with trading in this market to be transferred to an external partner.

7.2 While there have been some issues with the potential cost of catering at some Grand Hall functions the catering contractor has tried to be flexible and accommodate the needs of event organisers wherever possible. In order to allow the catering contractor to work without a subsidy it was necessary to allow full control of prices to pass to the contractor, however it must be remembered that the contractor is fully committed to generating sales and therefore endeavours to set prices that are competitive in the context of the local market.

8. RECOMMENDATIONS

8.1 It is recommended that the Committee note the content of this report

William Stafford
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WS/JAG

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LIST OF BACKGROUND PAPERS

Nil

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