

EAST AYRSHIRE COUNCIL

COMMUNITY SERVICES COMMITTEE – 7TH FEBRUARY 2001

**GALLEON LEISURE CENTRE – MARKET TESTING AND PROGRESS
REPORT**

Report by Director of Community Services

1. PURPOSE OF REPORT

- 1.1 To advise the Committee of the outcome of a Market Testing Exercise for the Galleon Leisure Centre and provide a progress report for the current financial year.

2. BACKGROUND

- 2.1 The current financial arrangement for support for the Kilmarnock Leisure Centre Trust will change from April 2001 when the capital payment requirement relating to the construction of the building is completed. The Trust are now seeking financial support for the ongoing revenue cost of the Galleon Centre and a programme of investment to improve and develop facilities to keep pace with customer requirements and maintain market share.
- 2.2 In preparation for the implementation of a new financial agreement a market testing exercise was carried out to test whether or not the existing management arrangements offer Best Value.
- 2.3 As part of the 2000/01 budget process the Committee agreed to provide funding for the Galleon Leisure Centre, a progress report on the Centre's activities is therefore included in this report to assist in the monitoring of the Centre's performance.

3. MARKET TESTING EXERCISE

- 3.1 The Market Testing Exercise was carried out in conjunction with the Council's Contracting and Technical Services unit and followed European Procurement guidelines. The aim of the process was to invite interested companies to put forward proposals to improve on current performance with a view to offering a formal contract if sufficient interest existed.
- 3.2 The Market Testing Exercise was advertised on 25th August in the European Journal as a Pre-Information Notice. The notice invited expressions of interest for the management of the whole building. Fourteen companies replied and were sent a detailed information pack

containing facility description, publicity material, usage statistics, financial information and an outline of the Councils expectations from the process.

- 3.3 Having considered the information pack and the current level of performance achieved by the Trust only one company indicated an interest in submitting a detailed proposal. However, this company was not interested in the management of the whole building and therefore it was inappropriate to consider them further. As the company had specific ideas regarding elements of the management of the Galleon they will be referred to the Trust in due course to assess whether or not there is potential for further development.
- 3.4 Informal contact with several companies which had expressed an initial interest identified that in their view current levels of performance could not be improved and therefore they declined to put forward detailed proposals.
- 3.5 In view of the lack of confirmed, competitive, options the Market Testing Exercise was concluded in November having established that the current management arrangements offer Best Value and that the Council should continue to work with the Kilmarnock Leisure Centre Trust in delivering the wide range of services offered by the Galleon Leisure Centre.
- 3.6 The exercise also established that companies were unwilling to commit significant capital investment to the facility without the offer of a long term contract and the ability to cover any borrowing costs through a management fee arrangement. It is now becoming increasingly clear to many councils that direct investment in facilities from their own funds is more cost effective than through a management contractor. It should however be borne in mind that centres such as the Galleon require on-going investment in facility refurbishment and development if they are to maintain income levels and compete effectively.

4. PROGRESS REPORT

- 4.1 The Galleon Centre continues to offer a wide range of leisure and sports activities with a level of operating costs that is far lower than its competitors and equivalent facilities throughout Scotland.
- 4.2 The performance of the Excels Fitness Suite continues to meet and exceed targets and generate significant income for the centre. Swimming income has also improved this year against national trends which continue to show a decline in swimming numbers. Holiday activities for children also remain very popular.
- 4.3 Recent investment in a new bowling carpet has improved standards for bowlers. There remain however several areas that require significant investment, these include plant and boilers, swimming pool changing areas, reception and circulation areas and bars/catering facilities. Without

investment the centre will not be able to maintain its current income levels and its net subsidy will increase.

- 4.4 Mr Donaldson, General Manager, offered his resignation in January, this was accepted by the Trust. Mr D Carey, Operations Manager, has been appointed as acting General Manager until such time as a permanent replacement is appointed.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report, the Councils financial support for the Kilmarnock Leisure Centre Trust will be considered as part of the 2001/02 budget process. The Market Testing Exercise indicates that the Kilmarnock Leisure Centre Trust offer Best Value in their management of the Galleon Leisure Centre.

6. LEGAL AUTHORITY/IMPLICATIONS

- 6.1 Nil

7. POLICY IMPLICATIONS

- 7.1 Whilst the Galleon Leisure Centre is not a Council service and is not subject to the Council's own Service Review process the Market Testing Exercise has ensured that current performance has been tested in the open market.

8. CONCLUSIONS

- 8.1 The Market Testing Exercise clearly showed that the current level of performance achieved at the Galleon Leisure Centre could not be improved on by private sector companies and the cost advantages of Trust Management are bringing considerable benefits.
- 8.2 The current level of service offered by the Galleon Leisure Centre represents value for money particularly now that the capital repayment requirement is due to end.
- 8.3 Future financial arrangements should include appropriate allowances for refurbishment and development to ensure that the facility continues to meet customer expectations and income targets.

9. RECOMMENDATIONS

9.1 The Committee is asked to note the contents of this report.

William Stafford
Director of Community Services

WS/JAG/SAM
16 January 2001

LIST OF BACKGROUND PAPERS

1) Market Testing documentation – August/November 2000.

Any person wishing to inspect the paper listed should contact John Griffiths,
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AGENDA