DUMFRIES AND GALLOWAY LEISURE COMPLEX (DGLC) – CATERING PROVISION

1. **Reason for Report**
To consider options for the operation of the bar and catering service at the DGLC and request approval for the recommended option.

2. **Background**
2.1 With a proposed handover date of September 2007 for the DGLC, Officers require to begin the procurement process for all associated equipment and to implement, where required, a process of tendering for the supply and operation of services.

2.2 Leisure and Sport have experience of seven external catering contracts which have operated over a number of years at both Dumfries Ice Bowl and the Ryan Centre, Stranraer.

2.3 Leisure and Sport recognise that they do not have the relevant experience and knowledge of directly operating catering facilities. The appointment of external consultants for previous contracts has been required to assist in producing detailed contract specification documentation aiming to ensure high quality tenders were received resulting in a quality service to the customers.

2.4 A total of four different contractors have delivered the service at the Ice Bowl in Dumfries over a 13 year period. Throughout this time, the catering and bar service has created a number of challenges which have resulted in a significant number of dissatisfied customers particularly in respect of the catering service at the Ice Bowl. The catering service at the Ryan Centre in Stranraer is now being provided by a third different external catering contractor and is presently working well. The catering contract at the Ryan Centre is on a much smaller scale and, in the opinion of officers, is successful because the present arrangement suits both the contractor and the client. The bar provision at the Ryan Centre is provided on an ad hoc basis by Leisure and Sport direct.

A considerable amount of officer time has been required, not only in the preparation and award of catering contracts but with particular reference to the Ice Bowl, in relation to ongoing negotiation and management of customer satisfaction.

2.5 In determining a suitable bar and catering provider for DGLC Officers believe there are two options available for Members’ consideration:–

- To go out to External Tender, drawing on in-house and external advice to prepare tender documentation.
- To negotiate a service level agreement with Combined Services based on the revenue projections as detailed within the DGLC Business Plan and taking independent external advice as Officers consider necessary.
2.6 There is an additional factor for Members to consider in selecting a preferred option for the bar and catering service. If Members choose to advertise / tender the bar and catering contract and an external provider is appointed, this will have a negative impact on the Council's VAT partial exemption limit and will result in an additional £28k of exempt input tax in 2006/07 and £20k in 2007/08. This will increase the likelihood of the Council exceeding its limit principally in 2006/07 at a one off cost of around £600k.

2.7 Officers within Combined Services have provided invaluable expertise to date with regard to the design and operation of the bar and catering service at DGLC.

2.8 Following discussion with the Council's Legal Services section it has been confirmed that the option to develop an in-house bar and catering service in partnership with Combined Services can be progressed. There is no legal requirement to tender the bar and catering contract externally.

2.9 The Council does, however, require to ensure that Best Value is being achieved. The catering operation at DGLC will be on a larger scale than any facility currently provided for by Combined Services, and the Project Board recommends that the Council should make use of independent external advice, as officers consider necessary, if it is decided to proceed to negotiate an in-house service level agreement with Combined Services, as the favoured option for the delivery of a bar and catering service. It is considered that the cost of appropriate external advice will be in the order of £2,750.

3. Key factors for consideration

3.1 If a decision is taken to go out to external tender it is important to learn from the current arrangements at Dumfries Ice Bowl and the Ryan Centre, Stranraer. The following areas require careful consideration:-

- The Tender Specification requires to be balanced to ensure the Council retains control of the operation (a quality product is delivered) and the optimum financial return is achieved whilst ensuring that the tender documentation remains appealing to external bar and catering contractors.

- Control measures require to be in place to ensure that service staff employed meet the level of expertise and experience required to deliver the needs of an extensive bar and catering service. An ongoing programme of staff / service training will require to be a pre-requisite of the Tender Specification.

- A commitment from the external bar and catering provider to communicate with service users and dedicated customer groups in order to meet customer expectations. Failure to adopt a positive approach in liaising with customers in order to reach a satisfactory compromise can result in a significant amount of Officers' time spent in arbitrating these discussions and dissatisfied customers.

3.2 In developing the established partnership with Combined Services to deliver the bar and catering service at DGLC, the following areas should be considered:-
All staff will be appointed following a thorough recruitment process, which would involve all successful candidates receiving satisfactory references, and clear Occupational Health and Disclosure Scotland Clearance. They will also benefit from nationally recognised terms and conditions.

All Health and Safety legislation relevant to the catering area will fall under the Council's standard procedures and as such will be consistent with DGLC thus avoiding any potential confusion or conflict.

An internal provider will have access to Corporate support services, such as Personnel, Finance, Marketing and Health and Safety.

Customer complaints and suggestions can be dealt with in a consistent manner in accordance with Council Policy.

The achievement of Quest Quality standard for leisure facilities, as well as the Scottish Tourist Board's, Visit Scotland Scheme, can be achieved more easily by the Council operating all services within the facility, due to the standardised and consistent approach to customer care, procedures and policies.

For future career development both Combined Services and Leisure and Sport staff will be working in partnership ensuring employee learning and development needs are met.

Leisure and Sport and Combined Services are already working in partnership to develop the "Hungry for Success" initiative leading to integrate healthy vending machines in all Secondary Schools and Leisure and Sport facilities across Dumfries and Galloway.

An opportunity to develop and expand the entitlement card scheme and utilise technology to benefit the Customer will be included in this partnership.

As with an external catering provider, Combined Services will require to ensure a financially viable operation is delivered whilst adopting a cooperative approach to meeting customer expectations.

A Service Level Agreement will require to be established in order to confirm the financial requirements of the bar and catering service, together with a partnership approach in meeting the needs of the bar and catering users is achieved.

4. **Financial Summary**

4.1 Officers from Combined Services have agreed to develop and deliver a catering service at the DGLC based on the revenue figures as detailed within the DGLC Business Plan.

4.2 As detailed in the DGLC Business Plan the total annual projected Dumfries and Galloway Leisure Complex attendance figures for financial year 2007/08 are 391,158. The Business Plan details a projected net income of £24,000 from the catering and bar service in financial year 2007/08. These figures represent a full financial year projection and will require to be reduced on a pro rata basis for financial year 2007/08 depending on the opening date of the DGLC.
4.3 The award of an external tender to deliver the bar and catering service at DGLC will require to meet the financial estimate as detailed within the DGLC Business Plan.

4.4 The risk of the Council exceeding its partial exemption VAT limit would be increased significantly through the award of an external catering contract. This increased risk of adding £600k to the cost of constructing the leisure complex would appear to be the overriding financial consideration.

5. Conclusion
The Leisure Complex Project Management Board has given detailed consideration to the alternative options for the delivery of the bar and catering services at DGLC and recommends that, in the interests of efficiency, cost-effectiveness, and control of service standards, an initial service level agreement of up to three years should be negotiated with Combined Services.

6. Consultation
The following have been consulted in the preparation of this report:--

- Corporate Director of Combined Services
- Director of Finance
- Group Manager – Corporate Support and Governance
- Operations Manager – Legal Services
- Members of the Leisure Complex Project Management Board

7. Recommendations
Members are requested to agree the following option for the delivery of the bar and catering service at the DGLC:--

7.1 To authorise officers to negotiate a service level agreement for an initial period of up to three years with Combined Services based on the revenue projections as detailed within the DGLC Business Plan and taking independent external advice as Officers consider necessary

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Background Papers: 1. Draft Business Plan for DGLC 2006 - 2010