

Management report to Council

Agenda item 6.2

**Active Melbourne Recreation Facilities Management and Operation
Services Contract: No 3475**

Council

Presenter: Graham Porteous, Manager Recreation Services

29 April 2014

Purpose and background

1. The purpose of this report is to seek approval to enter into a contract for the management and operation of the Active Melbourne Recreation Facilities with Victorian YMCA Community Programming Pty Ltd (YMCA) for a period of five years with a two year option at Council's discretion.
2. The contract is for the management and operation of six Council recreation facilities being Kensington Community Recreation Centre and its off-site facilities and services (including Kensington Community Gardens, Holland Park Skate Facilities and Kensington Banks Tennis courts), Carlton Baths Community Centre, North Melbourne Community Centre, Riverslide Skate Park and two new facilities being outdoor multi-purpose sports courts at Docklands and Flagstaff Gardens.
3. The general scope of the contract is the management, promotion and delivery of programs, activities and events, for each facility, to meet the needs of the local communities. This is aligned with Council's Active Melbourne Strategy which aims to provide a range of community sport and recreation opportunities.
4. The current contract expires on 30 June 2014. The contractor providing this service is YMCA. The tender was advertised on Council's Public Notices web page on 17 October 2013 and 'The Age' newspaper on Saturday 16 November 2013. Tenders closed on 24 January 2014.
5. Two tender submissions were received, one from the current provider, YMCA. Both tenders were compliant. The tender evaluation summary is provided at Attachment 1.

Key issues

6. The contract is complex because of the number and diversity of recreation facilities included in the one contract.
7. In evaluating and scoring the tenders the incumbent contractor was deemed superior. YMCA's overall scores were higher and in relation to the non-finance criteria were significantly higher. While the other tenderer's price was lower, when considering the non-financial aspects of their tender, the Tender Evaluation Panel (TEP) had concerns regarding their understanding of the scope and their ability therefore to deliver the specified services.
8. In addition the review of the second tenderer's schedule of costs by the independent industry expert identified concerns about their proposed income and expenditure projections.
9. YMCA's responses to the matters of clarification provided the TEP with confidence and therefore were deemed the preferred tenderer.
10. The cost to Council of appointing the recommended tenderer is \$7,661,916 over five years. The cost to Council for year 1 (2014–15) is \$1,446,583. The proposed Council budget in 2014–15 is \$1,555,000.

Recommendation from management

11. That Council awards the contract for the provision of Active Melbourne Recreation Facilities Management and Operation to Victorian YMCA Community Programming Pty Ltd for a term of five years commencing 1 July 2014 with an option to extend the contract term by a further two years, for the lump sum of \$7,661,916 for five years, with a year one lump sum of \$1,446,583 and otherwise in accordance with the negotiated terms and conditions of contract.

Attachment:

1. Supporting attachment

Supporting Attachment**Legal**

1. Pursuant to section 186 of the Local Government Act 1989 (Vic), before a Council enters into a contract for the purchase of goods or services to the value of \$150,000 or more (levels increased by Order in Council dated 7 August 2008), the Council must give public notice of the purpose of the contract and invite tenders from persons wishing to undertake the contract.

Finance

2. This contract is a lump sum contract. The cost to Council of appointing the recommended tenderer is \$7,661,916 over five years. Year 1's cost to Council is \$1,446,583 which is \$108,417 favourable compared to the current proposed 2014–15 budget of \$1,555,000.
3. The specification requested cost reduction proposals. Those endorsed by the TEP resulted in a saving of \$757,266 over the five years. They include: increasing aquatic education fees to industry benchmarks and, adjusting the length of the same program, adjusting staffing levels during off peak times, and a decrease in the management fee.

Tender evaluation summary

4. The weightings of the evaluation criteria were declared in the Invitation to Tender documents, and were Cost (50 per cent), Experience Capability and Past Performance (15 per cent), Plan for proposed services (35 per cent), Quality Assurance Pass or Fail, and Occupational Health and Safety Pass or Fail.
5. The membership of the tender evaluation panel was as follows.

Title and/or company	Generalist or Nominated Speciality	Full / Advisory Member
Manager Recreation Services, CoM	Generalist (Chair)	Full
Senior Projects Co-ordinator Co-ordinator, CoM	Recreation	Full
Facilities Development and Contract Co-ordinator, CoM	Recreation	Full
Financial Analyst, CoM	Finance	Advisory
Managing Director, Warren Green Consulting external	Recreation	Full
Protiviti (Probity Advisors) external	Probity	Advisory

6. A probity advisor and independent industry expert were included in the Tender Evaluation Panel (TEP) to minimise risk to Council by ensuring the process was conducted appropriately and to independently assess the viability of the financials being proposed. The external industry expert was appointed to ensure that Council officers had negotiated the most appropriate financial position in response to required service expectations within the industry in the event that the number of tender responses was small.
7. Protiviti, the probity advisor has reported that the procurement process has been undertaken in accordance with probity principles.
8. The contract is complex because of the number and diversity of recreation facilities included in the one contract. The diversity includes various combinations of aquatic components, dry components (gyms, fitness rooms, stadiums, meeting rooms), and indoor and outdoor facilities (skate park, tennis

courts, community gardens and multi-purpose facilities). The contract excludes Melbourne City Baths and North Melbourne Recreation Centre which are managed in house.

9. The summary of final scoring for the two conforming tenderers following contract negotiations with the preferred tenderer is shown below.

Summary of final scoring and final pricing		
	Victorian YMCA Community Programming Pty Ltd	Tenderer A
Price <i>(Refer to Note 1)</i>	\$7,661,916	\$6,273,937
Financial score	40.9	50
Non-financial score Experience, capability, past performance	12.9	8
Non-financial score Plan for proposed services	28.4	14.5
Total score	82.2	72.5
Tenderer ranking	1	2

Note 1: this price applies to the lump sum component of the service for years 1, 2, 3, 4 and 5.

10. YMCA's overall scores were higher, and in relation to the non-financial criteria were significantly higher. While the other tenderer's price was lower, the TEP had concerns regarding their understanding of the scope and therefore ability to deliver the services.
11. The key areas of difference were; experience and expertise in providing the diverse range services across multiple sites, business and marketing plans and methodology, proposed supervisory personnel and risk management plan.
12. The YMCA is recommended as their tender reflected a thorough understanding of the specification and expectations of Council in service delivery; provided a reasonable fee for service; is of a size and sophistication to be able to manage the complexity of the specification, and as the current incumbent they have proved that they have provided these services satisfactorily.

Conflict of interest

- 13 No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

- 14 The tender was advertised publicly in 'The Age' Newspaper on Saturday 16 November 2013. A visit to the venues was offered to prospective tenderers.

Relation to Council policy

15. The recommendation of this report is consistent with the Future Melbourne City of People policy
- 15.1 Within the People domain Goal 3 – A healthy community 'As a city for people, Melbourne will make health a priority. Improving the physical and mental health of our people is important, and we will give particular attention to those in our city who are disadvantaged and vulnerable'.
16. The recommendations within this report align with priorities and goals as identified in the Council Plan 2013–17:
- 16.1 Goal 1 – A City for People:
- 16.1.1 Outcome – people who are informed and supported to be healthy.
- 16.1.2 Outcome- people who participate and feel connected.
- 16.1.3 Outcome - safe high-quality and well used spaces and places.

17. The recommendations within this report also align with the Active Melbourne Recreation Strategy 2007–17:

17.1 Vision – ‘opportunities will be available for all members of the Community to participate in physical activities that contribute positively to their health and wellbeing’.

Corporate social responsibility

18. This Contract has considerable opportunity for corporate social responsibility which was part of the evaluation criteria. Tenderers had to detail any plans to incorporate social responsibility into the delivery of the services.

18.1 Social Enterprises - The YMCA referred to YMCA Rebuild and Action Sports that have a direct impact on the City of Melbourne.

18.2 Aboriginal and Torres Strait Islanders strategies - The YMCA referred to partnerships with AFL and other initiatives throughout Australia.

18.3 Environmental - the YMCA referred to work being done with specialist consultants and the desire to work with City of Melbourne to strive to achieve zero net emissions by 2020.

18.4 Local goods and services - whilst this was not specified the YMCA currently and intend to employ businesses and individuals that reflect the communities in which they are located.