

15.1 Expressions of Interest - Seaford, Hub and Hill Recreation Centres

This report provides the outcomes of the Seaford, Hub and Hill Recreation Centres Expression of Interest (EOI) and seeks Council's approval of the preferred registrant for the management of the Seaford, Hub and Hill recreation Centres.

This is a new proposal, concept or issue.

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Attachments: 1. Expression of Interest evaluation summary (5 pages)

1. Recommendation(s)

1. That:

- a. under the provisions of Section 90(2) of the *Local Government Act 1999* an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.
- b. the Council is satisfied that it is necessary that the public be excluded to enable the Council to consider the report at the meeting on the following grounds:

Section 90(3)(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which -

- (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
- (ii) would, on balance, be contrary to the public interest;

The Council is satisfied that it is reasonably foreseeable that the public disclosure or discussion of information at the meeting may:

- prejudice the commercial position of the companies that supplied the information; or
- confer a commercial advantage on a third party; or
- prejudice any ongoing negotiations with the preferred supplier potentially causing damage to the interests of the Council.

- c. accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.
2. That Council approve Wellness Lifestyle (SA) Pty Ltd (as trustee of the Wellness Lifestyle Trust) as the preferred respondent for negotiating a final lease agreement for the management of the Seaford, Hub and Hill Recreation Centres.

3. **That Council delegate authority to the Chief Executive Officer to finalise a lease agreement with Wellness Lifestyle (SA) Pty Ltd (as trustee of the Wellness Lifestyle Trust) to manage the Seaford, Hub and Hill Recreation Centres, subject to the Chief Executive Officer's satisfaction of negotiated outcomes with the preferred registrant.**
4. **That Council delegate authority to the Mayor and Chief Executive Officer to execute and affix the Council Seal to all relevant documentation to complete the transaction.**
5. **That the matter of the Expressions of Interest – Seaford, Hub and Hill Recreation Centres having being considered in confidence under Section 90(3)(d) of the *Local Government Act 1999* an order be made under the provisions of Section 91(7) and (9) of the *Local Government Act 1999* that the Expressions of Interest – Seaford, Hub and Hill Recreation Centres and the minutes and the report of the council relating to discussion of the subject matter, be kept confidential until the contract expiration.**
6. **That, pursuant to Section 91(9)(a) of the *Local Government Act 1999*, Council delegates the duty to conduct an annual review of the confidentiality order to the Chief Executive Officer, or their sub-delegate.**
7. **That, pursuant to Section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke the confidentiality order to the Chief Executive Officer, or their sub-delegate.**

2. **Background**

In 2003, council entered into an agreement with Casa Leisure Pty Ltd to manage the Seaford, Hub and Hill Recreation Centres (the Centres) for a cumulative term of ten years. Currently, Casa Leisure continues to operate and manage the Centres on a monthly basis.

In order to align with council's strategy to implement management models that increase usage, commercial returns and service levels across our commercial facilities, it was decided to undertake an expression of interest (EOI) process towards the end of Casa's management agreement of the Centres. This enabled council to identify potential suppliers in the open market that are interested in, and capable of, working with council to deliver its strategic objectives, especially in the current dynamic and volatile economic environment.

3. **Financial Implications**

Expenses associated with the management and lease of the Centres, including professional fees, will be funded by the Commercial Management program 2013/2014 financial year budget.

4. Risk and Opportunity

Key risks	Risk details and analysis
Centre Management	<p>If negotiations fail or if the preferred registrant withdraws their interest to manage the Centres, then council may have to:</p> <ul style="list-style-type: none"> a) Seek an alternative means to deliver the service to the local community b) Re-tender the management of the Centres c) Request Casa Leisure Pty Ltd to continue to manage the Centres on a monthly basis
Key opportunities	Opportunity details and analysis
Programs and activities	Wellness Lifestyle Trust was able to clearly demonstrate their ability to provide a diverse and targeted portfolio of programs and activities that meet council and local community expectations and values.

5. Discussion

Consultation

Council has engaged the services of Norman Waterhouse Lawyers to provide legal advice and contract documentation including the preparation and draft of the EOI documentation.

We will continue to communicate with key stakeholders throughout the EOI process.

EOI Evaluation Process

Council received three conforming registrants to operate and manage the Centres. The registrants were Casa Leisure Pty Ltd, Belgravia Leisure Pty Ltd, and Wellness Lifestyle Trust (Trading as Spa Clubs Fitness). Consistent with provisions, procurement and EOI processes, the selection criterion was based on mandatory and desirable outcomes as determined by officers.

EOI submissions were reviewed by an evaluation panel in line with Council's Administration Procedure 'Procurement'. The evaluation process involved four separate rounds of clarifications to the EOI registrants, which ensured that the evaluation panel was able to make an informed comparison between the submissions. The scoring of each submission against the individual criteria is contained at Attachment 1. Points of clarification included:

- Proposed contract term
- Provision of financial details
- Nominating preferred terms and conditions of contract, introducing incentives
- Level of subsidy sought
- Clarification of commencement dates
- Provision of implementation plans

These points of clarification were sought to ensure that council would receive maximum value for money from the registrants i.e. minimising the financial contribution to the Centres by Council (higher commercial returns), providing maximum benefit to the community including opening times, membership fees, and innovative and targeted programs (particularly for existing user groups).

EOI Assessment and Outcomes

Subsequent to a thorough evaluation process, the evaluation panel selected Wellness Lifestyle Trust as the preferred registrant to manage the Centres, and meet Council's strategic objectives. Council has also reserved the right to conduct, if required, further negotiations with the preferred registrant to ensure Council achieves value for money for the Centres.

Based on the results of cumulative weighted selection criteria to obtain optimum value for money, Wellness Lifestyle Trust demonstrated and achieved a higher value for money score (being a combination of quality, quantity, risk, timeliness on a whole-of-contract and whole-of-asset life basis), compared to the other registrants, and a resulting improvement in the provision of services to the local community (as depicted in Table 1).

Criteria	Casa Leisure Pty Ltd	Belgravia Leisure Pty Ltd	Wellness Lifestyle Trust
Proposed financial arrangements	4.1	4.0	17.0
Proposed annual business plan and budget	11.7	15.0	15.7
Demonstrated ability and relevant experience	13.0	19.0	10.5
Direct or indirect benefit to the community	3.5	3.0	5.5
Total	32.3	41.0	48.7

Table 1: Combined weighted scores for the recreation centres.

Non-financial assessment

Wellness Lifestyle Trust provided innovative and targeted community programs and activities for the Centres that will significantly benefit the community compared to the other registrants (direct or indirect benefit to the community). However, Wellness Lifestyle Trust scored low in their commercial capacity to manage the Centres (demonstrated ability and relevant experience) including management of risks and financial capacity compared to the other registrants. In order to have confidence in this outcome, Wellness Lifestyle Trust provided, at council's request, further evidence demonstrating their capability, experience and financial capacity to operate and manage all the Centres to our satisfaction.

Financial assessment

Wellness Lifestyle Trust was able to demonstrate superior capability (proposed annual business plan and budget) and whole-life-costs (financial arrangements) including management and operating costs compared to the other registrants. Wellness Lifestyle Trust provided a higher cost benefit analysis outcome (positive cash flow to council), and did not require a subsidy from council to operate the Centres. The other registrants provided a lower cost benefit analysis outcome (negative cash flow to council), including a request for significant subsidies from council to operate the Centres.

Risks

In order to manage Wellness Lifestyle Trust's commercial capacity risk to manage the Centres, council will request as part of the negotiation process, that they provide a guarantee (bank or a director's guarantee) as security for performance to manage the Centres. Wellness Lifestyle Trust has already demonstrated their ability to provide guarantees to manage a council recreation centre.

Conclusion

Based on the above, the evaluation panel recommends that Council award the management of the Centres to Wellness Lifestyle Trust and continue to proactively monitor their ability to efficiently and effectively manage the Centres in line with Council and community expectations. This will also strengthen a productive stakeholder relationship including trust, openness and transparency.

Subject to Council approval it is proposed to negotiate the final lease agreement with the preferred registrant immediately.

Attachment 1



Tender evaluation summary

Contract No: 13002, 13003, 13004
Contract Name: Expression of Interest for the management and lease of the Seaford, Hub and Hill Recreation Centres

Tenders were invited by open tender process.

Tenders closed at 2.00pm 12 February 2013 at which time three tenders were received from the tenderers who are listed in table 1 (below):

Table 1 – Tenders received from:

Name of Tenderer	ABN
Casa Leisure Pty Ltd	24 111 082 814
The Trustee for Belgravia Leisure Unit Trust, trading as <i>Belgravia Leisure Pty Ltd</i>	18 118 940 063
The Trustee for Wellness Lifestyle Trust, trading as <i>Spa Clubs</i>	80 170 220 313

The Tenders were assessed in accordance with Clause 23 "Evaluation of Tenders" of Council's Administration Procedure "Procurement". This procedure requires that tenders are assessed by an evaluation panel using a weighted matrix to rank the tenderers in order of preference.

The evaluation panel comprised the people listed in table 2 (below):

Table 2 – Evaluation Panel Members

Name	Position Title
Alison Hancock	Manager Commercial Management
Terra Lee Ranson	Manager Community Capacity
Geoff Norris	Team Leader Community Assets
Duro Kolar	Commercial Officer - Property and Business
Karen Reed	Business Analyst – Property

The tender and evaluation process has been observed by Kathryn Kuchel, Contracts Engineer, Procurement Services.

Scores for the evaluation criteria were allocated qualitatively by agreement of the evaluation panel using standard procedure based on scoring in the range of 0 to 10, with 5 being acceptable. A full summary of the evaluation criteria, weightings and allocated scores is provided as table 3 (next pages).

The evaluation panel has selected Wellness Lifestyle Trust as the preferred supplier and recommends that their Tender be accepted.

Table 3 – Evaluation Criteria, Weightings and Scores

Criteria	Weighting %	Tenderer					
		Casa Leisure Pty Ltd		The Trustee for Belgravia Leisure Unit Trust, trading as Belgravia Leisure Pty Ltd		The Trustee for Wellness Lifestyle Trust, trading as Spa Clubs	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Proposed financial arrangements	40%						
Respondent achieves (at a minimum) a cost neutral result to the Council	20%	0	0	0	0	0	0
Payment of lease fee to Council on a profit share/dease fee basis	10%	3	3	2	2	2	2
Capital contribution to the facility	5%	2.33	1.17	4	2	6	3
Any value adding financial incentives	5%	0	0	0	0	0	0
Proposed Annual Business Plan and Budget	25%						
Assessment of proposed service model to be implemented	10%	3.67	3.67	6	6	6.67	6.67
Proposed provision of programs and activities	10%	5	5	6	6	8	8
Proposed fee structure to be charged to patrons of the facility	5%	6	3	6	3	2	1
Demonstrated ability and relevant experience	25%						
Demonstrated experience in operating a similar facility/s	10%	6	6	8	8	4	4
Adequate resources to provide the proposed programs and services to council's expectations	5%	5	2.5	6	3	5	2.5
Appropriate financial capacity and backing to provide proposed programs and services	5%	4	2	8	4	2	1
Management of risk (and quality, WHS, public health, environment)	5%	3	2.5	8	4	4	2
Direct or indirect benefit to the community	10%						
Assessment of any 'value added' benefit to be derived from the contract relationship in respect of the services	5%	3	1.5	5	2.5	6	3
Capacity to facilitate gymnastics clubs	5%	4	2	1	0.5	5	2.5
Total	100%		32.33		41.0		35.67

Seaford Recreation Centre		Criteria	Weighting %	Tenderer					
				Casa Leisure Pty Ltd		The Trustee for Belgravia Leisure Unit Trust, trading as Belgravia Leisure Pty Ltd		The Trustee for Wellness Lifestyle Trust trading as Spa Clubs	
				Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Proposed financial arrangements			40%						
Respondent achieves (at a minimum) a cost neutral result to the Council			20%	0	0			0	0
Payment of lease fee to Council on a profit share or lease fee basis			10%	3	3			2	2
Capital contribution to the facility			5%	4	2			6	3
Any value adding financial incentives			5%	0	0			0	0
Proposed Annual Business Plan and Budget			25%						
Assessment of proposed service model to be implemented			10%	4	4			6	6
Proposed provision of programs and activities			10%	6	6			8	8
Proposed fee structure to be charged to patrons of the facility			5%	6	3			2	1
Demonstrated ability and relevant experience			25%						
Demonstrated experience in operating a similar facility/s			10%	6	6			4	4
Adequate resources to provide the proposed programs and services to council's expectations			5%	5	2.5			5	2.5
Appropriate financial capacity and backing to provide proposed programs and services			5%	4	2			2	1
Management of risk (and quality, WHS, public health, environment)			5%	5	2.5			4	2
Direct or indirect benefit to the community			10%						
Assessment of any 'value added' benefit to be derived from the contract relationship in respect of the services			5%	3	1.5			6	3
Capacity to facilitate gymnastics clubs			5%	4	2			2	1
Total			100%		34.5		Not tendered		33.5

Hub Recreation Centre	Criteria	Weighting %	Tenderer					
			Casa Leisure Pty Ltd		The Trustee for Belgravia Leisure Unit Trust, trading as Belgravia Leisure Pty Ltd		The Trustee for Wellness Lifestyle Trust trading as Lifestyle Trusting as Spa Clubs	
			Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
	Proposed financial arrangements	40%						
	Respondent achieves (at a minimum) a cost neutral result to the Council	20%	0	0			0	0
	Payment of lease fee to Council on a profit share/lease fee basis	10%	3	3			2	2
	Capital contribution to the facility	5%	3	1.5			6	3
	Any value adding financial incentives	5%	0	0			0	0
	Proposed Annual Business Plan and Budget	25%						
	Assessment of proposed service model to be implemented	10%	3	3			6	6
	Proposed provision of programs and activities	10%	5	5			8	8
	Proposed fee structure to be charged to patrons of the facility	5%	6	3			2	1
	Demonstrated ability and relevant experience	25%						
	Demonstrated experience in operating a similar facility/s	10%	6	6			4	4
	Adequate resources to provide the proposed programs and services to council's expectations	5%	5	2.5			5	2.5
	Appropriate financial capacity and bonding to provide proposed programs and services	5%	4	2			2	1
	Management of risk (and quality, WHS, public health, environment)	5%	5	2.5			4	2
	Direct or indirect benefit to the community	10%						
	Assessment of any 'value added' benefit to be derived from the contract relationship in respect of the services	5%	3	1.5			6	3
	Capacity to facilitate gymnastics clubs	5%	4	2			4	2
	Total	100%		32.0	Not tendered			34.5

Hill Recreation Centre	Criteria	Weighting %	Tenderer					
			Casa Leisure Pty Ltd		The Trustee for Belgravia Leisure Unit Trust, trading as Belgravia Leisure Pty Ltd		The Trustee for Wellpass Lifestyle Trust trading as Lifestyle Trust trading as Spa Clubs	
			Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
	Proposed financial arrangements	40%						
	Respondent achieves (at a minimum) a cost neutral result to the Council	20%	0	0			0	0
	Payment of lease fee to Council on a profit share/lease fee basis	10%	3	3			2	2
	Capital contribution to the facility	5%	0	0			6	3
	Any value adding financial incentives	5%	0	0			0	0
	Proposed Annual Business Plan and Budget	25%						
	Assessment of proposed service model to be implemented	10%	4	4			8	8
	Proposed provision of programs and activities	10%	4	4			8	8
	Proposed fee structure to be charged to patrons of the facility	5%	6	3			2	1
	Demonstrated ability and relevant experience	25%						
	Demonstrated experience in operating a similar facility/s	10%	6	6			4	4
	Adequate resources to provide the proposed programs and services to council's expectations	5%	5	2.5			5	2.5
	Appropriate financial capacity and backing to provide proposed programs and services	5%	4	2			2	1
	Management of risk (and quality, WHS, public health, environment)	5%	5	2.5			4	2
	Direct or indirect benefit to the community	10%						
	Assessment of any 'value added' benefit to be derived from the contract relationship in respect of the services	5%	3	1.5			6	3
	Capacity to facilitate gymnasiums clubs	5%	4	2			9	4.5
	Total	100%		30.5	Not tendered			39.0