

Appendix 3a – Options Appraisal Methodology for the Management Contract Model

- The Council has worked with specialist leisure consultants to identify what factors should be considered in comparing how well each model would meet the Council's objectives, such as:
 - How well will each option perform financially? Will they generate a surplus or a deficit? How big is the difference between each option, so the Council can understand the financial implications of going with one over another? How much of the financial risk sits with the Council for each option?
 - How well does each option deliver the Council's leisure strategy? Is it flexible enough to be able to change this during the ten year period being considered?
 - Is any given option more or less likely to deliver the quality of service required, relative to other models being considered? What operational risks sit with the manager of the leisure service contractor, and which sit with the Council?
- The first stage of the evaluation was to agree a weighting for the five overall areas of evaluation. This was done as follows:
 - The weighting was split between financial and non-financial considerations 40%:60%. This is the Council's standard position for the evaluation of any procurement opportunity. Given that leisure is an important Council service, it was logical that the evaluation reflected this position.
 - The non-financial weighting (60%) was then sub-divided into the three areas based on the views of the project team. Each member was asked to rank the three areas in order of priority and these results were aggregated to derive an overall split of the weighting.
- The overall weighting agreed was as follows:
 - Net financial position - 30%
 - Level of risk transfer (commercial) - 10%
 - Service delivery - 30%
 - Operational flexibility (for the Council) - 20%
 - Level of risk transfer (operational) - 10%
- In terms of scoring, each of the options was evaluated against each of the criteria on the following basis:
 - Net financial position: scored on a scale of 0 to 5 by reference to the most economically advantageous option, with the highest scoring option receiving 5 and the lowest 0, with those between scoring as a proportion of the difference between the two extremes.
 - Other options: scored on a scale of 0 to 5, with 0 representing the lowest/no benefit to the Council and 5 representing the most advantageous for the Council.

The table below sets out the criteria and the weighting described above:

Criteria	Description	Weighting %
Financial Considerations		
Cost	Extent of Council responsibility for/exposure to:	30%

	<ul style="list-style-type: none"> • Income generation • Economies of scale for key costs, including utilities • Salary levels (not relating to LGPS) • Overhead management costs • Profit level (if appropriate) • VAT treatment • Non-National Domestic Rates (NNDR) • Pension liabilities, etc. 	
Risk Transfer (Commercial)	<p>Extent to which the Council has ownership of and influence over key risks:</p> <ul style="list-style-type: none"> • Day-to-day operations (e.g. costs resulting from unavailability of areas of a building) • Changes in customer demand • Local competition • Changes in law affecting operation/cost/facility specification • Utility cost (tariff) changes • Utility cost (consumption) changes • Uninsured risks 	10%
Non-Financial Considerations		
Service delivery	<p>Relative ability of each model to:</p> <ul style="list-style-type: none"> • Deliver the Council's current strategic objectives for the next 10 years • Work with other Council departments, e.g. Public Health, Parks, etc. • Contribute to meeting the Council's net zero objectives • Increase participation in the most economically and sustainable way • Engage with the most vulnerable groups within the borough 	30%
Operational Flexibility (for the Council)	<p>Ability to adapt to changes within a ten year period</p> <ul style="list-style-type: none"> • Opportunities for cross-Council initiatives, e.g. joined up IT solutions across leisure/IDEA stores • Extent to which arrangements protects the service in the long-term (10 years) 	20%
Risk transfer - operating	<p>Extent to which the Council has ownership of and influence over key risks:</p> <ul style="list-style-type: none"> • Health and safety • Managing, recruiting and retaining sufficient staff • Planned preventative maintenance, including compliance checks • Investment to improve the estate 	10%
		100%

The scoring against each of the above criteria used the guidance set out below:

Score	Description of score
5	The model meets the criteria fully
4	The model meets the criteria to a significant degree
3	The model meets the criteria satisfactorily and has some disadvantages
2	The model does not meet the criteria in a number of areas
1	The model does not meet the criteria in a number of key areas and has significant disadvantages
0	The model does not meet the criteria to any degree

- Four people – three officers and a member of Sports Consultancy – scored each option independently, criteria by criteria, and then met to discuss any substantial differences in scoring (e.g. to check there was a common understanding of what a criteria was seeking to measure). This moderation was not intended to, nor did it, change the outcome based on those individual scores. These scores were then added together and an average taken to represent the score for each criteria. The anonymised scores are included in Appendix 3b.