

## **COMMUNITY SPORTS COMMITTEE**

### **Report of the Working Group on the Monitoring of Performance of Contractors at LCSD Outsourced Sports Centres and Swimming Pools**

#### **Introduction**

This paper seeks to report to the Community Sports Committee (CSC) on the work of the Working Group on the Monitoring of Performance of Contractors at LCSD Outsourced Sports Centres and Swimming Pools (the Working Group).

#### **Background**

2. At its 8th meeting held on 28 September 2005, the CSC endorsed the establishment of a Working Group to examine the performance of outsourced LCSD sports centres and swimming pools and to present a work report to the Members. The terms of reference of the Working Group are at Annex 1. Subsequently, the Working Group convened three meetings and conducted site inspections at two sports centres (Kowloon Park Sports Centre and Island East Sports Centre), one being managed by a contractor and the other by the LCSD itself. Members have examined the monitoring mechanism, service level and effectiveness of outsourcing in respect of the LCSD's existing outsourced management service at its sports centres and swimming pools, and expressed their views on the above items.

#### **Report of the Working Group**

3. Having carried out relevant examination in accordance with its stated terms of reference and after thorough discussion, the Working Group herein reports on four areas of its work, namely the monitoring mechanism, service level, effectiveness of

outsourcing services and recommendations for improvement.

## **Monitoring Mechanism**

### Criteria for Tender Evaluation

4. The ratio of the scores on price to service quality / technical assessment currently adopted by the LCSD is 70% to 30%. Members expressed their concerns about whether the current assessment criteria had led to frequent cases of contracts being awarded to the lowest tender and resulted in undermining the weight of the scores on service quality / technical assessment. Moreover, they were also concerned about whether in the service quality / technical assessment high scores were only obtained in individual assessment items, such as the management plan, work plan, contingency plan, quality assurance plan and transition plan submitted by the respective tenderers.

5. According to the LCSD's existing assessment criteria and tender evaluation record, among the successful bidders for the management contracts of 13 sports centres, seven of them are companies with higher scores in service quality / technical assessment whereas six of them are companies that have offered the lowest tender prices. In addition, five companies were eliminated from the above tender evaluation process because they failed to obtain the passing mark of the service quality / technical assessment in the Stage 1 Assessment – Mandatory Requirements, or they failed to obtain the passing mark of the technical assessment of the Stage 2 Assessment. The above tender evaluation results have reflected that the marking scheme for tender evaluation currently adopted by the LCSD (i.e. with a price to service quality / technical assessment ratio of 70% to 30%) can maintain an appropriate balance between price and service quality. This is not only in line with the principle of effective use of public resources, but can also ensure that the successful bidder has attained a certain level in facility management and is able to provide the users of sports centres with up-to-standard management services.

6. As regards whether too much emphasis will be put on individual items in the service quality / technical assessment, it is shown in the records on technical assessment of the tenders for the 13 sports centres that companies with higher score

have generally attained better marks in various items instead of merely concentrating on certain items. This indicates that companies with higher scores in service quality / technical assessment have given better performances in all aspects of their management instead of just concentrating on certain items.

### **Standing Committee on the Monitoring of Performance of Contractors at Outsourced Sports Centres and Swimming Pools**

7. At present, the Standing Committee on the Monitoring of Performance of Contractors at Outsourced Sports Centres and Swimming Pools (the Standing Committee) chaired by the Deputy Director (Leisure Services) of the LCSD listens to the reports on regular venue inspections and surprise venue checks carried out by staff in different districts and the good or poor performance of contractors etc at regular meetings with a view to mapping out more effective measures to enhance the management of the outsourced venues.

### **Questionnaire survey on customers' opinions**

8. The LCSD commissioned an independent survey consultancy firm in 2005 to conduct a customers' opinion survey covering nine sports centres with their management work outsourced, six sports centres managed by the LCSD itself, three swimming pools inside holidays camps with their management work outsourced, and four swimming pools managed by the LCSD itself. The questionnaire has adopted a scoring scale from 0 to 10 (i.e. "0 to 4 marks" represents "Unsatisfactory"; "5 marks" represents "Fair and General"; and "6 to 10 marks" represents "Satisfactory"). Members were of the opinion that the ranges of marks for "Unsatisfactory" and "Satisfactory" were too wide and suggested that the LCSD should consider reviewing the scoring scale.

9. As the term of the outsourced management contract for each sports centre is three years and the annual customers' opinion survey should maintain a sense of continuity so that the surveys conducted in different periods can be comparable with each other, the LCSD proposed that the above scoring scale of 0 to 10 should remain in use. However, the survey consultancy firm will be asked to add explanatory notes

in the appropriate parts of the customers' questionnaire in future and to explain clearly to the respondents the meaning of different marks so that they will not be unable to express their opinions explicitly due to the relatively wide range of marks. In addition, in conducting the analysis, the LCSD will ask the consultancy firm to tabulate in detail the percentages and the average values in respect of respondents giving different marks to reflect more clearly the opinions of venue users through the findings.

**To invite representatives from the trade unions concerned to sit on the Working Group**

10. Members have considered inviting representatives from the trade unions concerned to sit on the Working Group to express the opinions of the staff side on outsourcing the management service of leisure facilities. However, it is also noted that the LCSD has currently provided various channels for regular communication with representatives from the trade unions and the staff side, and that it will take appropriate measures in response to the staff's aspirations. Moreover, owing to the government policy of freezing the civil service establishment, and for the sake of maintaining the provision of leisure services to members of the public, outsourcing the management work of the newly completed or existing facilities so that manpower can be spared to handle the management of the newly completed facilities is an existing effective policy. The LCSD understands the staff side's concern about the principle of outsourcing, and will proactively maintain communication with the trade unions in order to explain to them that the outsourcing of leisure facilities will neither affect the existing staff nor lead to staff redundancy.

11. As the aim of the Working Group is to examine the performance of LCSD contractors, which is in principle different from the opinion of trade unions which are against outsourcing, it seems that the arrangement to invite representatives from the trade unions concerned to sit on the Working Group will not be conducive to enhancing the Working Group's effectiveness in examining the monitoring mechanism. Furthermore, quite a number of trade unions are concerned about the outsourcing arrangements. If the Working Group needs to interview many trade unions and deal with their aspirations at the same time, it will be neither an ideal nor

effective way of handling the matter. Members have therefore agreed not to invite the trade unions concerned to attend the meetings of the Working Group.

12. Through mechanisms such as formulation of clear and explicit service criteria, regular examination of the contractors' daily service levels and establishment of the Standing Committee on the Monitoring of Performance of Contractors at Sports Centres and Swimming Pools for monitoring the service levels of contractors, the LCSD is able to monitor the performance of contractors effectively.

### **Service Level**

13. To enable the contractors to fully understand the LCSD's requirements regarding the service level of sports centres, we have devised a series of performance indicators to help the contractors know clearly the required standards of the services. According to the service records in the past year, most contractors satisfied the requirements of the performance indicators. Among nine outsourced sports centres, four had no substantiated complaint case during the past year while the remaining five received altogether eight substantiated complaints, i.e. each receiving at least one to at most three complaints. The overall number of complaint cases is well maintained below the indicator (with each sports centre receiving less than four cases per year).

14. As regards the levels of outsourced services, consolidated findings of the customers' opinion survey on sports centre indicated that the overall average scores given by the respondents to sports centres managed by contractors and the LCSD were 7.50 and 7.65 respectively (a scoring scale from 0 to 10 marks was adopted), i.e. more or less the same. From the users' point of view, this implied that the services provided by contractors were roughly at the same level as those currently provided by the LCSD.

15. As an incentive for encouraging the contractors to further provide venue users with quality services, the LCSD introduced a year-end bonus award scheme from 2004 onwards to reward contractors who had successfully raised the rental income of their respective sports centres. One year after the implementation of this scheme,

contractors of a total of six sports centres were awarded year-end bonuses ranging from \$4,745 to \$16,635. Other sports centres did not receive year-end bonuses simply because their incomes could not exceed their highest income level during the previous three years. However, it should be noted that their rental income during the contract year was higher than that of the previous year. All in all, the management service levels of contractors at both the outsourced sports centres and swimming pools can reach the required levels set by the LCSD.

16. Through devising objective performance indicators to determine service levels, commissioning an independent consultancy firm to conduct a customers' opinion survey, and introducing a year-end bonus award scheme to encourage the contractors to further improve their services, the LCSD can effectively ensure that its outsourced services will reach the service levels set by the Department.

### **Effectiveness of Outsourcing**

17. Having examined the LCSD's criteria for outsourcing, Members assessed the effectiveness of outsourcing the management services at sports centres and swimming pools in accordance with the following benchmarks :

- a) the outsourcing is cost-effective;
- b) the outsourcing will not lower the standard of service;
- c) the contract is practicable; and
- d) there should be no staff redundancy.

18. In connection with more effective use of resources, the total savings achieved by the LCSD through outsourcing the management services at sports centres and swimming pools from 2004 up to now amounted to about \$60M as shown in our record. The amount was saved by awarding management contracts of 13 sports centres and swimming pools, with each contract on a term of three years. Findings of the customers' opinion survey indicated that members of the public regarded services provided by the contractors were more or less at the same level as those currently provided by the LCSD. As regards the staffing level, after the management

contracts of the 13 sports centres and swimming pools had come into effect, the staff originally posted in the venues were redeployed to other recreational venues under the LCSD, thereby not leading to any staff redundancy.

## **Conclusion**

19. During the last three meetings of the Working Group, Members examined the mechanism for monitoring the service levels of outsourced sports centres and swimming pools. They also agreed that the existing mechanism for monitoring the service levels of outsourced sports centres and swimming pools was in line with the Department's objective. Effective ways of monitoring the contractors' performance included regular examinations of their service levels by the Standing Committee on the Monitoring of Performance of Contractors at Outsourced Sports Centres and Swimming Pools chaired by the Deputy Director (Leisure Services), provision of explicit and precise service requirements to contractors by adopting the performance indicators, introduction of appropriate rewards and punishments measures in respect of the performance of contractors by applying the terms and conditions of the management contracts and gauging users' opinions about the service levels by conducting the customers' opinion survey, etc. The Working Group agreed that the LCSD should adopt the existing mechanism to monitor the service levels of contractors.

20. Having considered carefully the opinions and suggestions given by Members during the meetings, the LCSD has given its response and proposed follow-up actions as detailed in Annex 2. In short, the LCSD has provided detailed explanation to Members' questions regarding individual items of the monitoring mechanism. Furthermore, the LCSD has also given explanation and proposed ways for improvement on matters of Members' concern. These included the review of the existing nine performance indicators to see whether they are adequate in monitoring the contractors' service levels and consideration of adding qualitative performance indicators. In addition, the consultancy firm will be required to add some explanatory notes in the appropriate parts of the customers' questionnaire in future opinion surveys and to clearly explain to the respondents the meaning of different

marks. By so doing, it can prevent the respondents from failing to express their opinions explicitly due to the wide range of marks.

21. As a whole, the Working Group agreed that the existing arrangements for outsourcing the management services at sports centres and swimming pools could achieve the required result. The outsourcing arrangements are on the one hand in line with the government policy of “Big Market, Small Government” and can introduce more market mechanisms, enabling the management services to be more flexible without causing staff redundancy. On the other hand, the savings can be utilised for the improvement of the existing public sports facilities and service items to meet the diverse public demands for sports facilities nowadays. This will attract the community’s active participation in sports activities and further boost the development of sports in Hong Kong.

#### **Advice Sought**

22. Members are invited to give views on the paper.

Working Group on the Monitoring of Performance of Contractors  
at LCSD Sports Centres and Swimming Pools  
Community Sports Committee  
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