



Scrutiny

20th December 2004

Deputation from
Ruskin Private Hire



Issues

- Tender Process
- Depot
- Tender Evaluation
- Pre Tender Events
- Post Tender Events



Tender Process

- The tender process was extended by three days, one day before the original deadline.
- There was no consultation on this.
- Ruskin were told that one of the tenderers required more time, but not who it was.
- Ruskin had to chase the tender panel for a visit to their premises.
- No checks were made regarding eg. ISO 9001, staff training, health and safety.
- Was this process followed with other tenderers?



Depot

- Ruskin were informed that the Council depot at Spa Road would not be available for the successful tenderer.
- Olympic were awarded the tender with no depot.
- Was this reflected in their proposed price?
- In a meeting with council staff, Olympic stated that they would be using Spa Road and that this had been arranged by a Council Manager
- A depot in Southwark can cost up to £3million to purchase and £500,000 per annum to rent.



Tender Evaluation

- The Office of Government Commerce, defines Best Value as:
 - The best combination of whole – life costs and quality to meet the public sector organisation needs.
 - Right Price / Whole life cost
 - Right quality
 - Right quantity
 - Right time
 - Right place

Financial Capacity of Olympic

- Technically insolvent as at 30.04.04 by £389,072
- Losses brought forward 400k. Could be due to incorrect pricing of contracts.
- Creditors include
 - Customs & Excise (100k)
 - Bank (491k)
 - Shareholder Loans (426k) – Mr Howard
- Three shareholders. Majority shareholder is Mr Tony Howard
- Since 1st April main shareholder has lent Olympic more money
- Fixed Assets – £10,334 including £6,750 for vehicles
- Debtors - £554k
- Net Current Assets - £36,882 ie they could pay all of their short term creditors but could not repay Mr Howard's loan.

Source: Olympic (South) Ltd - Accounts for the year ended 30th April 2004. Available from Companies House.



What does this mean?

- Cannot fund expansion from within company resources ie must borrow even more.
- Is at risk of bankruptcy
- At risk of defaulting on rental agreements
- Dependant on funding from Mr Howard



Financial Checks

- When Olympic became approved contractors was their financial position evaluated?
- Were their accounts evaluated by the Council Finance Department as part of the tender process?
- If not why not?
- If they were, how were they considered to be satisfactory?
- Was the risk of giving a multi million pound contract to a firm that was technically insolvent made known to the Council Executive when the contract was awarded?



Tender Evaluation -1

- Olympic currently covers 6 Southwark school runs – all with non adapted vehicles.
- Ruskin covers Southwark runs with a range of wheelchair access vehicles



Tender Evaluation - 2

■ Price

- Prices can only be compared if they include the provision of the same service.
- Did the Olympic bid include depot facilities in Southwark?
- Was the Olympic bid a fully complying tender?
- The Olympic accounts showed a loss until the year ended 30th April 2004.
- Was this considered when evaluating the price?



Pre Tender Events

- June 2002 – Ruskin requested to relinquish school runs in favour of Olympic – declined
- Summer 2002 – three further requests
- Official Complaint made by Ruskin to Council
- No response from Council. Council employee's computer stolen
- Council Manager A informed the owner of Ruskin that he was having a week off work to prepare a tender
- Ruskin have raised a number of serious health and safety issues with various members of CEA and the Council.
- These were perceived to be whistle blowing and trouble making actions.



Post Tender Events

- Olympic given use of Spa Road depot
- Council have requested that Ruskin relinquish routes from January 1st 2005 to enable Olympic “to get up to speed”.
- Evaluation of Tender Panel received on December 17th.