

South Oxhey Initiative  
Proposed Procurement Approach

# Contents

1	Introduction	1
2	Proposed Procurement Approach	2
3	Pre-Qualification Questionnaire	7
4	Competitive Dialogue	8
5	Submission Requirements	11
6	Evaluation Process	15

**Appendix 1 - Site Plan**

**Appendix 2 - Satellite Site Location Plan**

# 1 Introduction

## Purpose

- 1.1 This note sets out the proposed procurement approach for the South Oxhey Initiative (SOI), having regard to previous procurement guidance provided by both Deloitte (acting in a commercial capacity) and Clarke Willmott (acting in a legal capacity).
- 1.2 This note has been prepared for Three Rivers District Council (“the Council”).
- 1.3 The Council should note that this paper has been prepared in our capacity as property advisors and is not intended to offer legal procurement advice, but the comments of Clarke Willmott the Council’s legal adviser for the project have been taken into account.

## Confidentiality

- 1.4 This note is confidential to Three Rivers District Council (“the Client”), has been prepared in accordance with the terms of our Terms of Engagement with the Client dated 18 June 2012 (“the Contract”), and is subject to the restrictions on use specified in the Contract.
- 1.5 No party other than the Client is entitled to rely on this note for any purpose whatsoever and we accept no responsibility or liability to any party other than the Client in respect of the contents of this note. This note must not, save as expressly provided for in the Contract be recited or referred to in any document, or copied or made available (in whole or in part) to any other person without our express prior written consent.

# 2 Proposed Procurement Approach

## Council Aspirations

2.1 The Council has a number of ambitions for the SOI, which based upon our understanding can be summarised as follows:

- Delivery of a high quality, residential and retail development which helps enhance the attractiveness of South Oxhey to both existing and potential new residents;
- A scheme, which as far as possible, minimises the cost to the Council;
- Delivery of at least 425 residential units, to help support the Council's Core Strategy housing targets;
- Re-provision of 96 social rented units, which are currently located within the proposed site boundary;
- Delivery of a mixture of residential tenures, including units for market sale, shared ownership and affordable rent; and;
- Delivery of new retail and leisure space to complement the residential development proposed.

2.2 Delivery of all of these aspirations will be very challenging in pure market terms. For example, the level of affordable housing sought is likely to significantly impact upon the financial offer which developers are able to make to the Council. Furthermore, it is impossible to guarantee at this stage what the final financial cost of the scheme will be to the Council. With this in mind, we have developed a procurement structure which will allow for a range of offer scenarios to be tested, with provision of affordable housing, scheme density and site boundary being key variables.

## Partnership Approach

2.3 The procurement process will advise that the Council is seeking a development partner to support it in the delivery of the SOI. The following division of responsibilities is proposed:

Requirement	Council Responsibility	Development Partner Responsibility
Preparation of detailed design proposals		✓
Site investigations		✓
Preparation of a detailed planning application		✓
Preparation of a financial appraisal and cost plan		✓
Securing retail tenants		✓
Delivery of affordable housing and decant of existing tenants		✓
Securing development funding		✓
Applying for HCA Grant Funding	✓	✓
Negotiations with third parties with interests to acquire	✓	
Promotion of a Compulsory Purchase Order	✓	✓
Funding land acquisition within the Core and Satellite Sites and securing vacant possession	✓	
Construction and site management		✓
Marketing and scheme promotion		✓
Managing the completed development		✓

## Developer Considerations

- 2.4 Based upon feedback which we have received from developers and experience derived from other complex schemes such as this, we are aware that bidders are unlikely to be prepared to commit significant time and resource to the opportunity, until such point that they feel they are in a strong position – i.e. on a short list.
- 2.5 Furthermore, developers are likely to require assurance that the Council's aspirations are realistic and that there is strong political support for the project. A development of this nature is likely to be delivered over a number of years and effective partnership working will be key to the project's outcome.
- 2.6 An additional concern for some developers is the extent to which their intellectual property and ideas will be treated on a confidential basis through the procurement process. In order to allay such concerns, bidders will be advised that all dialogue meetings will be treated in confidence and that they will be given opportunity to identify material and clarification requests which they deem to be commercially sensitive.

## Procurement Routes

- 2.7 The Council has previously considered a range of potential procurement options; including use of the HCA Delivery Partner Panel (DPP) and various public procurement routes, which would be managed and regulated via the Official Journal of the European Union (OJEU).
- 2.8 Based upon a review of a delivery options and also a focused period of market testing earlier this year, the key conclusions which the Council has reached are that the project will constitute a public works contract, therefore meaning it cannot be marketed on a traditional land sale basis and that to make the opportunity attractive to the market, any public procurement campaign will need to be carefully structured.
- 2.9 The Council is seeking a procurement process which delivers a development partner swiftly and also allows for a range of offer scenarios to be considered. From a market perspective, developers will be keen to avoid a process which is overly time consuming and costly.
- 2.10 The Council has considered the use of both a Restricted Procedure and Competitive Dialogue procurement route. Our assessment of the key pros and cons of each option are summarised below:

	Competitive Dialogue	Restricted Procedure
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Flexible and allows a range of options to be considered</li> <li>• Useful for complex projects where the procuring authority wishes to develop a delivery solution with input from the market</li> <li>• Offers scope to develop proposals in a collaborative manner with bidders</li> </ul>	<ul style="list-style-type: none"> <li>• Streamlined approach and provides a fixed timetable for bidders to respond to</li> <li>• Useful when the Council's requirements have been largely predefined</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Potential high legal and professional costs to both the Council and bidders</li> <li>• Potentially a long process, particularly if the dialogue process is too open</li> </ul>	<ul style="list-style-type: none"> <li>• Process is relatively inflexible and limits the scope to develop alternative solutions through the procurement process</li> <li>• Requires the Council to undertake a significant amount of pre-</li> </ul>

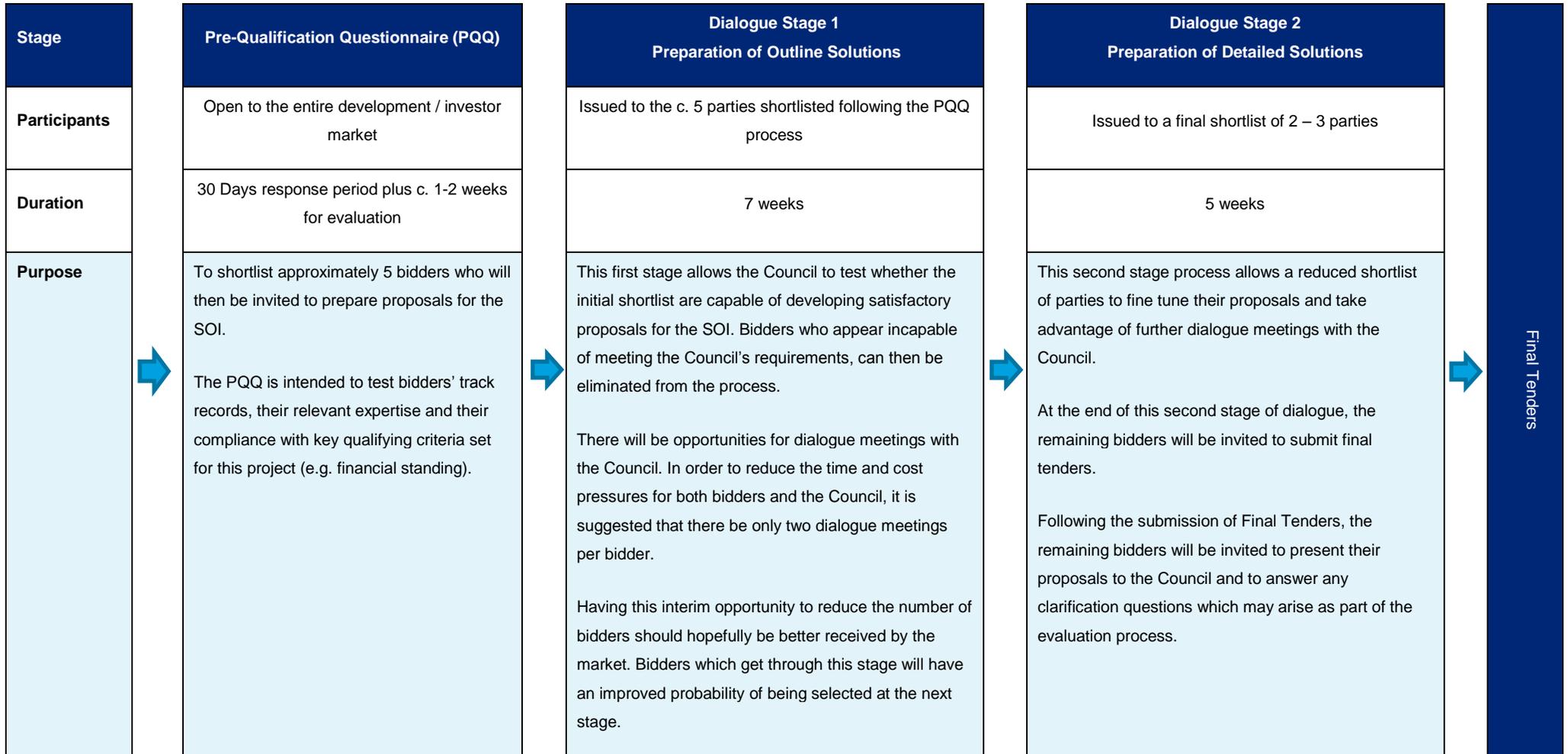
- Some market resistance, for the above reasons

procurement work to help define the parameters of its requirements

- 2.11 The initial conclusion reached by ourselves and the Council was that a Restricted Procedure route could be applied. This was on the basis that the Council's parameters have been largely defined (e.g. the proposed mix and quantum of uses) and also to help maximise the market attractiveness of the opportunity. However, through recent review of the proposed evaluation criteria with the Council, it has become evident that this approach may not offer the flexibility which the South Oxhey Project Board is seeking. For example, there is desire to test and discuss the level of affordable housing provision with developers during the procurement process, rather than to stipulate a predefined absolute quantum to be provided.
- 2.12 In this context, a Competitive Dialogue approach appears more suitable to satisfying the Council's desire for a flexible procurement process. Mindful that Competitive Dialogue can be off-putting to developers, for the reasons detailed above, we have been working with the Council's Officers in developing a procurement mechanism, which offers both flexibility and also a clearly defined programme and structure. This document sets out the proposed approach.

## Procurement Structure

- 2.13 The Competitive Dialogue process typically comprises three elements. The first element comprises an open invitation to the market, with respondents invited to complete a Pre-Qualification Questionnaire (PQQ), designed to assess their track record, financial standing and relevant experience.
- 2.14 Following evaluation of the PQQ responses, a short list of at least 3 developers are then invited to Participate in Dialogue.
- 2.15 The dialogue process can be run as either a single or multiple stage process, with the remaining parties invited to submit Final Tenders following the close of dialogue. These final tenders are then evaluated against a pre-determined set of criteria.
- 2.16 In this instance, we consider it is appropriate to split the dialogue process into two stages:
- Dialogue Stage 1 – Submission of Outline Solutions (i.e. initial proposals)
  - Dialogue Stage 2 – Preparation of Final Solutions
- 2.17 This approach assumes that the Council will seek to shortlist approximately 5 bidders following the PQQ stage. These bidders will then be invited to prepare initial design and financial proposals. This will help the Council to determine at an early stage whether any of the shortlisted bidders are likely to be able to deliver an acceptable offer and also to help crystallise matters such as affordable housing provision.
- 2.18 From a market perspective, a shortlist of 5 parties is often seen as less attractive, due to the reduced probability any one party has of success. To help mitigate against this concern, the Stage 1 Dialogue will be limited to design and financial matters, with areas such as legal discussions and detailed design deferred to the second stage, at which point the shortlist will have been reduced.
- 2.19 The proposed procurement process is summarised overleaf and described in more detail over the following sections of this report.



# 3 Pre-Qualification Questionnaire

- 3.1 The Pre-Qualification Questionnaire (PQQ) is intended to test the suitability of interested parties for this project. The PQQ has been prepared to reflect the specific considerations of the SOI project and in addition to standard compliance and regulatory matters, requires interested parties to demonstrate:
- Their financial standing, including ability to finance a project of the scale and cost envisaged for South Oxhey;
  - The companies credentials in relation to their ability to satisfy standard policies of the Council relating to environmental, sustainability, health, safety and equal opportunities.
  - Their track record of delivering similar mixed use regeneration projects;
  - Their track record of partnership and collaborative working with public sector entities;
  - Their track record of delivery private and affordable residential units, including their ability to add financial value from both elements;
  - Their experience of delivering retail development; and
  - Examples of their ability to add value to complex projects, for example through cost reduction initiatives and community engagement.
- 3.2 In anticipation that developers may opt to bid as a consortium, for example a private housebuilder partnering with a retail specialist, the PQQ has been designed to allow such delivery structures to be evaluated.
- 3.3 The Council should note that procurement regulations require the PQQ element to focus upon interested parties' track record, rather than their approach to the specific project being tendered. The purpose of the PQQ is therefore to allow the Council to select a shortlist of parties, which it considers would have the expertise and capacity to deliver the outcomes sought at South Oxhey.
- 3.4 Following on from evaluation of the PQQ responses, the Council will shortlist up to 5 developers to participate in a dialogue process.

# 4 Competitive Dialogue

## Invitation to Participate in Dialogue

- 4.1 Following the PQQ process, the shortlisted developers will be provided with an Invitation to Participate in Dialogue (ITPD).
- 4.2 The ITPD will set out the Council's requirements for the SOI project in more detail and define the criteria against which bidders will be evaluated.
- 4.3 The ITPD will also provide details of the Council's planning aspirations and the design work undertaken to date. Shortlisted parties will also be provided with background studies and drawings which have been prepared on behalf of the Council, to assist them with developing their proposals more swiftly.

## Bid Requirements

- 4.4 The ITPD will invite shortlisted parties to prepare a Mandatory proposal and up to three Variant proposals if they wish. These proposals will then be developed with the Council during the dialogue process.

### Mandatory Bid Requirements

- 4.5 Each developer will be asked to prepare a Mandatory Bid, based upon the following core parameters:

Element	Requirement
<b>Site Boundary</b>	<p>This will comprises the "Core Site", which incorporates the central retail precinct, Luffenham and Pennard Houses and the surface car park located between Bridlington Road and Oxhey Drive. The Core Site is shown edged red on the Site Plan, included at <b>Appendix 1</b>.</p> <p>In addition to the Core Site, three Satellite Sites have been included within the Mandatory Bid. These sites are shown on the plan enclosed at <b>Appendix 2</b> and have been included for the purposes of re-providing 48 of the social rented units.</p>
<b>Residential Units</b>	A minimum of 425 units and maximum of 550 units delivered across both the Core and the Satellite sites.
<b>Social Rented Units</b>	<p>96 replacement social rented units</p> <p>The ITPD will stipulate the area and rental assumptions provided by the Council and which bidders will be expected to adopt in their offer</p>
<b>Affordable Housing</b>	<p>45% of the total number of residential units, delivered across the Core Site and three Satellite Sites.</p> <p>The 96 social rented units referred to above will count towards the 45% requirement. The balance of affordable units may be provided as either social rent,</p>

	intermediate sale or affordable rent.  These affordable housing assumptions have been prepared by the Council acting as landowner and do not necessarily represent the quantum and tenure mix which may ultimately be sought by the Council's Planning Officers.
<b>Foodstore</b>	Approximately 15,000 - 35,000 sq ft (GIA)
<b>General Retail</b>	Approximately 15,000 - 35,000 sq ft (GIA)

### Variant Bids

- 4.6 In order to allow a range of proposals to be developed through the dialogue process, bidders will be offered to prepare up to three Variant Bid proposals.
- 4.7 The purpose of the Variant Bids is to allow bidders to produce proposals with either lower levels of affordable housing and/or a wider site boundary, with the expectation that this will help the Council to identify the Most Economically Advantageous Tender.
- 4.8 The potential bid scenarios set out below are for illustrative purposes only and are not intended to be prescriptive, they are summarised as follows:

Element	Mandatory	Variant 1	Variant 2	Variant 3
<b>Site Boundary</b>	Core Site	Core Site	Core Site	Core Site plus land edged and shaded blue on the site plan at Appendix 1.
<b>Minimum number of residential units</b>	425	425	425	425
<b>Affordable Housing (including provision of 96 social rented units)</b>	45%	30%	20%	Minimum of 20%
<b>Foodstore</b>	c.15,000 - 35,000 sq ft			
<b>General Retail</b>	c.15,000 - 35,000 sq ft			

## Financial Requirements

- 4.9 Following discussion with officers, we understand that the Council would like the flexibility to consider financial offers on capital and/or revenue basis. We have commented in our viability assessment, that requiring an up-front capital receipt is likely to impact upon the overall viability and market attractiveness of the project; so offering the flexibility to consider a range of financial offers should be positively received by developers.
- 4.10 The procurement process will therefore permit developers to propose financial offers which comprise:
- A capital receipt;
  - A share of development proceeds; and / or
  - A secure income stream (e.g. a ground rent from the retail element).
  - For the avoidance of doubt an overage element could be added to any of the financial proposals through the development agreement.
- 4.11 We understand that the Council does not intend to prescribe either the minimum level, or the timing of financial payment(s). However, it will expect Bidders to prepare proposals which allow it to demonstrate that Best Consideration has been achieved, within the design and use mix parameters set.
- 4.12 In order to compare financial offers on a like for like basis, a financial offer bid template has been prepared. This template allows for any revenue based offers to be capitalised in order to allow direct comparison with capital land receipt payments. On the expectation that payments to the Council are likely to be profiled over the course of the development programme (potentially a 7 to 8 year period), the financial template will discount future payments to reflect a “present value” equivalent.

# 5 Submission Requirements

## Overview

- 5.1 As set out within Section 3, we envisage that there will be two stages to the Competitive Dialogue process.
- 5.2 The Stage 1 process will be seeking to reduce the shortlist of developers to ideally 3 parties and should also be used to help test whether there appear to be proposals that are acceptable to the Council. The focus on Stage 1 will be determining the qualitative strength of each bidder's proposal, with the Stage 1 evaluation weighting more heavily biased towards matters such as design and planning.
- 5.3 The Stage 2 will allow the remaining bidders to refine their proposals, having regard to feedback provided by the Council through the dialogue process. At the end of Stage 2, final tenders will be invited which will be expected to reflect each bidder's best financial proposal. The evaluation weighting at Stage 2 therefore places a greater emphasis upon each bidder's financial offer.
- 5.4 The key stages are summarised below, with further details provided overleaf:

Stage	Stage 1 Preparation of Outline Solutions	Stage 2 Preparation of Detailed Solutions
<b>Evaluation Areas Included</b>	<ul style="list-style-type: none"> <li>Outline design proposals, including details of residential unit numbers and mix, quantum of retail space, car parking and building heights</li> <li>Provisional financial appraisal and cost plan</li> <li>Affordable Housing provision</li> <li>Brief planning and delivery statement</li> <li>Provisional Construction programme</li> <li>Draft mark-up of Heads of Terms</li> </ul>	<ul style="list-style-type: none"> <li>Detailed design proposal for the Bidder's preferred solution(s)</li> <li>Final financial appraisal and cost plan</li> <li>Final set of Heads of Terms</li> <li>Proposed Funding Strategy and Approvals Process</li> <li>Planning and Delivery Strategy</li> <li>Retail Strategy</li> <li>Construction programme</li> </ul>
<b>Dialogue Meetings</b>	<ul style="list-style-type: none"> <li>Bidders' Day held following the release of the Invitation to Participate in Dialogue</li> <li>Two Dialogue Meetings per Bidder. One meeting to discuss design and planning matters; the other to discuss commercial matters (e.g. financial viability).</li> </ul>	<ul style="list-style-type: none"> <li>Two Dialogue Meetings per Bidder. One meeting to discuss design and planning matters; the other to discuss heads of terms.</li> </ul>

## Stage 1 Submission Requirements

5.5 For the Stage 1 Submission, bidders will be expected to submit:

### Design

- Scheme sketch drawings and illustrative layout plans for the Mandatory Bid and any Variant Bid proposals
- Draft accommodation schedule
- Details of proposed building heights and car parking provision

### Team

- Details of key personnel employed on the project and the approach that each team is adopting to both develop scheme proposals and ultimately deliver the project if selected.

### Financial

- Residential and commercial sales assumptions
- Outline cost plan
- Draft financial appraisal
- Proposed approach to adding financial value through the next stage of the dialogue process

### Retail Strategy

- Details of key tenants, including the proposed foodstore operator
- Proposed approach to enhancing the quality of South Oxhey's retail offer, including strategy for attracting tenants

### Affordable Housing

- Number of affordable units
- Details of proposed Registered Provider (if applicable)

### Project Management and Delivery

- A provisional construction and phasing programme
- A brief statement setting out the bidder's proposed strategy for achieving planning permission

### Heads of Terms

- Provisional response to the Council's Heads of Terms, identifying any proposed core variances

### Funding and Approval Process

- Details of the bidder's proposed funding strategy for the scheme and level of internal board support

- 5.6 We would expect the ITPD document to contain the provision for the Council to terminate the procurement process at the end of Stage 1, without residual liability, should it not be satisfied with either the design and/or financial proposals which are emerging.

## Stage 2 Submission Requirements

- 5.7 The Stage 2 process will allow the reduced shortlist of bidders to refine their initial proposals, having regard to the feedback provided by the Council. There is an expectation that the remaining bidders will have developed at least one final scheme proposal by the end of dialogue, with the final proposals being then submitted for evaluation.
- 5.8 Final proposals will be expected to contain the following elements:

### Design

- A vision statement that demonstrates the scheme's strengths and benefits. Bidders should also describe the way the scheme supports the Council's wider regeneration objectives for the area.
- An overall site masterplan and statement that articulates the design intent and response to wider spatial relationships. This may also refer to relevant delivered or approved schemes which demonstrate a similar precedent scheme.
- Area schedules that confirm overall development capacity, number and area of individual house typologies
- Relevant example house-typology plans including numbers of bedrooms, car parking, bin stores and private space provision.
- Selected street scenes, elevations and site sections that illustrate the spatial relationship between buildings and open space.

Bidders may also wish to include the following additional material (but are not obliged to do so):

- A three dimensional massing model of the site that can be used to illustrate scale, enclosure and open space

### Financial

- Bidders will submit a development appraisal and cash flow to support their proposal for the scheme. This may be presented in a format of the Bidder's choosing, but must include an appraisal summary which clearly shows the breakdown of gross development value, development costs, finance and profit. This will be reviewed to ensure consistency with the completed Construction Cost and Sales and Revenue Schedules referred to below
- Bidders will complete a sales and revenue schedule. This will ultimately be used to benchmark overage payments against.
- Cost plan, which will be cross referenced against the design statement supplied and the development appraisal. This will help to test the validity

### Retail Strategy

- Details of key tenants, including the proposed foodstore operator

- Proposed approach to enhancing the quality of South Oxhey's retail offer, including strategy for attracting tenants

### **Affordable Housing**

- Number of affordable units and tenure mix
- Details of decant strategy for the existing social rented tenants

### **Project Management and Delivery**

- Detailed strategy for achieving planning permission and supporting a potential CPO
- Public consultation strategy and stakeholders management
- Marketing and branding strategy (scheme and wider concept)
- Programme and phasing plan
- Site Management and Construction Method Statement
- Risk Register, clearly identifying all major risks and proposing mitigating action

### **Heads of Terms**

- Final mark-up of the Heads of Terms

### **Funding and Approval Process**

- Bidders will provide a letter from their board, indicating initial internal approval for the project, along with a statement outlining the internal governance process for obtaining full permission.
- Bidders should confirm their proposed funding strategy for the Scheme, including the split of funding between internal funding and bank borrowing. In addition, bidders must provide a letter of intent confirming availability of funding and a method statement for securing final funder approval for the Scheme.
- In the case of a Special Purpose Vehicle, bidders should provide confirmation that a parent company guarantee in the form set out in the development agreement and lease can be provided. If a bidder is unable to provide a parent company guarantee in this form then an equivalent form of security should be provided.
- Bidders will be asked to sign a declaration to confirm that their financial position has not materially changed since their PQQ submission.

# 6 Evaluation Process

## Overview

- 6.1 As the Council is intending to follow a regulated procurement process, it is required to set out the criteria against which submissions will be evaluated.
- 6.2 For the purposes of fairness and transparency, it is important that the evaluation requirements and scoring mechanism are clearly defined. The Council will be expected to assess submissions against the criteria it sets at the outset of the procurement process and as such, the Council should give careful consideration to these matters before the procurement process commences.
- 6.3 In this section, we have set out suggested evaluation areas and associated weighting. This is on the expectation that the Council's officers and members will then review the extent to which they aligns with the Council's priorities and objectives.

## Evaluation Areas

- 6.4 The evaluation process outlined below is intended to allow the Council to determine the most economically advantageous tender (MEAT). We have suggested that the evaluation process be based upon the following weighting:

<b>Quality and Deliverability:</b>	<b>35%</b>
<b>Affordable Housing Provision:</b>	<b>15%</b>
<b>Financial Offer:</b>	<b>50%</b>

- 6.5 In relation to the evaluation process, and taking into consideration the benefits of pursuing the competitive dialogue route it is the intention to vary the weightings attached to the evaluation process between the first stage and second stage evaluation. This will enable the Council, in the first stage to rigorously test the quality of the bidders' proposals before in the 2<sup>nd</sup> stage focusing more heavily on the financial bid being offered by the prospective partner. This approach will enable the Council to 'get the best of both worlds' - a high quality design and delivery solution on the most economically advantageous terms.
- 6.6 Further to discussion with officers, we have established that the key priorities for the Council are the quality of the scheme design; maintaining and enhancing South Oxhey as a vibrant district centre; minimising the level of disturbance to existing residents and tenants; the delivery of affordable housing; and minimising the overall financial cost to of the project to the Council. With these considerations in mind, we have proposed the following evaluation areas and weightings:

<b>Element</b>	<b>Sub - Areas</b>	<b>Stage 1 Weighting</b>	<b>Stage 2 Weighting</b>
<b>Design</b>	Bidders will be assessed upon the compatibility of the proposed scheme layout and density with the Council's planning policies; the quality of materials proposed; the retail mix / layout; the level of car parking provided; and the quality and extent of public realm provided. All of these elements will be tested against a cost plan to be provided by bidders.	<b>15%</b>	<b>10%</b>
<b>Team</b>	Details of the bidder's team, including their specific approach to developing proposals during the dialogue process and ultimately delivering a redevelopment of South Oxhey.	<b>10%</b>	<b>n/a</b>
<b>Planning Strategy</b>	Bidders will be assessed on the robustness of their proposed planning strategy, including the compatibility of their proposals with the Council's planning policies and the approach to securing planning permission for the scheme.	<b>15%</b>	<b>10%</b>
<b>Heads of Terms</b>	An assessment of the extent to which any proposed amendments to the Heads of Terms transfer commercial risk to the Council. There is likely to also be a pass/fail element to this; applicable if the proposed transfer of risk is considered to be too great.	<b>5%</b>	<b>5%</b>
<b>Retail Strategy</b>	Details of key tenants either identified or provisionally secured and the developer's approach to delivering a quality and successful retail offer for South Oxhey.	<b>5%</b>	<b>2.5%</b>
<b>Tenant Decant Strategy</b>	Provision of a method statement advising how the decant of the existing social rented tenants would be managed.	<b>2.5%</b>	<b>2.5%</b>
<b>Project Management and Delivery</b>	Details of the developer's approach to phasing of the development, its risk mitigation strategy and approach to site management.	<b>5%</b>	<b>2.5%</b>
<b>Funding and Approval Process</b>	Bidders will need to be able to demonstrate that they have a clear strategy for securing funding for the scheme and provide details of any further internal approvals which would be required if they were to be selected as the preferred bidder.	<b>2.5%</b>	<b>2.5%</b>
<b>Affordable Housing</b>	Level of affordable housing to be scored in accordance with the following formula:  $\frac{\text{Affordable Units Offered (\%)}}{45\%}$	<b>15%</b>	<b>15%</b>

Element	Sub - Areas	Stage 1 Weighting	Stage 2 Weighting
<b>Financial Offer</b>	<p>Scores will be calculated using the following formula:</p> $\frac{\text{Bidder's Financial Offer}}{\text{Best Financial Offer Received}}$ <p>Where deferred land payments are offered, a Net Present Value calculation of the purchase price will be adopted using a discount rate of 8%.</p>	<b>25%</b>	<b>50%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>

## Quality Scoring

6.7 The evaluation questions determining the quality of the submission will be scored as follows:

Score	Description
<b>5</b>	Excellent response which demonstrates a strong understanding of the Council's objectives provides relevant detail and offers innovative solutions.
<b>4</b>	Good response which demonstrates an appreciation of the Council's objectives, with relevant detail but lacking innovation.
<b>3</b>	Satisfactory response but with limited detail.
<b>2</b>	Generally weak response which mostly lacks understanding of the Council's objectives and which lacks detail.
<b>1</b>	Weak response which fails to respond to the Council's objectives and/or causes the Council concerns.
<b>0</b>	No response.

6.8 Each evaluation question will be marked out of 5 as per the table above and then adjusted to a percentage as follows:

(Raw Score (out of 5) multiplied by 20) multiplied by a percentage weighting

Example:

A bidder who offered an Excellent response to the Design criteria would be scored as follows:

$$(5 * 20) * 10\% = 10\%$$

A bidder who offered a Satisfactory response to the Design criteria would be scored as follows:

$$(3 * 20) * 10\% = 6\%$$

## Affordable Housing Scoring

6.9 We have proposed an affordable housing scoring mechanism, which allows developer's submissions to be assessed against a policy target of 45% affordable housing. The proposed formula is as follows:

$$\frac{\text{Level of Affordable Housing Offered}}{45\%} * 100 * 15\%$$

### Worked Examples

A bidder who offered 45% affordable housing would be scored as follows:

$$((45 / 45) * 100) * 15\% = 15\%$$

A bidder who offered 30% affordable housing would be scored as follows:

$$((30 / 45) * 100) * 15\% = 10\%$$

## Financial Offer Scoring

6.10 We have proposed that the financial offer from each bidder be evaluated as a proportion of the best financial offer received. As highlighted earlier within this document, the form and timing of financial payments are likely to vary, so we have developed a methodology to allow a range of financial offers to be compared on a like for like basis.

6.11 The proposed formula for scoring financial offers is as follows:

$$\frac{\text{Bidder's Financial Offer}}{\text{Best Financial Offer Received}} * 100 * 50\%$$

*Where deferred land payments are offered, a Net Present Value calculation of the purchase price will be adopted using a discount rate of 8%.*

*Worked Example:*

Bidder	Total Financial Offer (Net Present Value)	Raw Score	Weighted Score
Bidder A	£2,000,000	<b>33.3</b>	16.7%
Bidder B	£5,000,000	<b>83.3</b>	41.7%
Bidder C	£2,500,000	<b>41.7</b>	20.8%
Bidder D	£6,000,000	<b>100.0</b>	50.0%

*All figures provided for illustrative purposes only.*

## Evaluation Considerations

- 6.12 The weightings that we have proposed, place a clear emphasis upon the level of financial offer. This is on the basis that the Council is proposing to make a significant financial commitment in potentially under writing all land assembly costs and we would expect that trying to offset this expenditure with potential proceeds arising from the development will be a priority.
- 6.13 The Council should however note that an evaluation emphasis upon price, could undermine its ability to secure other project objectives – for example affordable housing. To help illustrate this, we have set out a hypothetical example below:

### Hypothetical Evaluation Example

*In this example, the Council is assessing three final submissions.*

*Two have been prepared on a Mandatory Bid basis, offering 45% affordable and the other one offers a reduced level of affordable housing. All bids assume the same site boundary.*

*All of the bids offer the Council the same level of quality and as a result, price and affordable housing are the determining factors.*

### Summary of Bids

Bidder	Total Affordable Housing Offered (%)	Total Land Value Offered (NPV)
Bidder A	45	£2,000,000
Bidder B	25	£5,000,000
Bidder C	45	£2,500,000

### Evaluation

#### Hypothetical Example of Affordable Housing Scoring Methodology

Bidder	Total Affordable Housing Offered (%)	Raw Score	Weighted Score (15%)
Bidder A	45	<b>1.0</b>	15.0%
Bidder B	25	<b>0.6</b>	8.3%
Bidder C	45	<b>1.0</b>	15.0%

#### Hypothetical Example of Land Value Scoring Methodology

Bidder	Total Land Value Offered (NPV)	Raw Score	Weighted Score (50%)
Bidder A	£2,000,000	<b>0.4</b>	20.0%
Bidder B	£5,000,000	<b>1.0</b>	50.0%
Bidder C	£2,500,000	<b>0.5</b>	25.0%

## Evaluation Outcome

	Quality	Affordable Housing	Financial Offer	Total
<b>Maximum Achievable</b>	<b>35%</b>	<b>15%</b>	<b>50%</b>	<b>100%</b>
Bidder A	35%	15.0%	20.0%	70%
Bidder B	35%	8.3%	50.0%	93%
Bidder C	35%	15.0%	25.0%	75%

- 6.14 As the above example illustrates, the relatively high weighting afforded to the financial offer, results in the hypothetical bidder with the lowest level of affordable housing winning the selection process.
- 6.15 It is therefore important that the Council gives careful consideration to the weighting it wishes to be placed upon evaluation area. Should there be an area that warrants greater emphasis than we have suggested, the weighting could be adjusted and / or a threshold provision be put in place. For example, the Council may wish to stipulate that bidders must achieve a minimum quality score before their financial offer be considered.

## Evaluation Process

- 6.16 The proposed approach to evaluation will involve a marking panel and a moderation panel.
- 6.17 The marking panel will be drawn from the Council's technical team – the core project management team supported by external advisors. The Technical Marking panel will include:

### Council Team

Catherine Cummings - Project Manager

David Saunders - Project Manager

### External Advisors

Deloitte Real Estate (commercial and residential property)

Clarke Willmott (legal)

Terrance O'Rourke (planning)

Levitt Bernstein (urban design)

- 6.18 The recommended scores from the technical marking team will then be moderated by the Project Board, under the guidance of the Project Director. This will ensure that a robust and thorough evaluation process is in place involving, importantly the Project Board in the process.
- 6.19 When evaluating the responses, the Council will undertake the following process:
1. **Compliance check:** ensure that the responses comply fully with the conditions and requirements set out in the ITPD, including completing all questions and submitting all required information;
  2. **Scoring:** The Council's Evaluation Panel will receive feedback from technical advisors and consensus score for each response;
  3. **Clarification meeting:** clarification meetings will be held with each bidder to address any questions or clarifications that the Tender Evaluation Panel may have. Bidders should be aware that as this procurement is being conducted using the restricted procedure, these meetings will not under any circumstances be used to negotiate on bidders' responses;
  4. **Report, Recommend and Selection:** upon confirming the most economically advantageous tender, an executive report will be drafted recommending the selection of the preferred Development Partner.

## **Moderation Interview**

- 6.20 Following an initial evaluation of the Stage 2 submissions, shortlisted bidders will be invited by the Council to a moderation interview. This will allow them to present their final offer but will not allow them to make any revisions to their offer.
- 6.21 The Council will also have opportunity to raise clarification questions and if appropriate, to moderate its provisional evaluation scores.

## **Selection of Preferred Bidder**

- 6.22 The Council will be expected to select the proposal which has scored the highest against the evaluation criteria, subject to the provision that the Council will not be bound to accept any of the offers if it so chooses.
- 6.23 We have discussed this matter with Clarke Willmott who have advised that no preference should be applied to a Mandatory Bid over a Variant Bid. It will be the bid which has scored highest that should be selected and any departure from this, could present the Council with a risk of challenge.
- 6.24 It is important that the Council notes this and gives early and thorough consideration to both the evaluation criteria and weightings.

**Deloitte LLP**  
**31 July 2014**

Other than as stated below, this document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter . Therefore you should not, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities). In any event, no other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.