

## **Appendix A – Evaluation Summary Report - Part 11**

### **Three Rivers District Council (TRDC) Invitation to Submit Detailed Solutions (ISDS)**

**19 December 2016**

#### **Introduction**

TRDC has asked four bidders to submit detailed solutions as part of the leisure management procurement following the pre-qualification stage, across the three Lots as set out below.

- Lot 1 – the South Oxhey Facility Design, Build, Operate and Maintain (DBOM) plus leisure management for William Penn and Rickmansworth Golf Course.
- Lot 2 – the South Oxhey Facility DBOM Only
- Lot 3 – Leisure management for William Penn and Rickmansworth Golf Course

Four bids were received from Fusion Lifestyle, Hertsmere Leisure Trust, Places for People Leisure and SLM for lot 1 and three bids each were received for lots 2 and 3 from Hertsmere Leisure Trust, Places for People Leisure and SLM. All three lots and bids have now been evaluated by the evaluation team.

The purpose of the evaluation is to

- Shortlist a maximum of three bidders to progress to the final tender stage
- Identify whether to proceed with Lot 1 or Lots 2 and 3 at final tender stage

This report sets out the process undertaken and the key recommendations, with supporting evaluation matrices as appendices providing the detailed evaluation.

#### **Evaluation Process**

An evaluation matrix has been used throughout the procurement and evaluates the bids against the key outcomes set out by the Council across

- Services – the quality of service, operation and how well the delivery meets the outcomes
- Technical – the quality and fit for purpose nature of proposed designs and investment
- Commercial – the financial offer and risk of delivery

Across these three key areas there is a range of detailed evaluation criteria which link up to a weighting for each area as set out below

Table 1 – Evaluation Criteria

Level 1 Criteria	%	Level 2 Sub Criteria	Level 3 Sub Criteria
Services	40%	<ul style="list-style-type: none"> <li>Outcomes</li> <li>Quality/Customer Care</li> <li>Operational Delivery</li> </ul>	<ul style="list-style-type: none"> <li>Specific areas, such as Sports Development, Staffing, Health &amp; Safety</li> </ul>
Technical	10%	<ul style="list-style-type: none"> <li>Development/ Design</li> <li>Planning Risk</li> <li>Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Design and maintenance proposals</li> <li>Environmental Approach</li> </ul>
Commercial	50%	<ul style="list-style-type: none"> <li>Usage, Expenditure &amp; Revenue</li> <li>Affordability</li> <li>Contract Acceptance</li> <li>Capital Costs</li> <li>Delivery &amp; Risk</li> </ul>	<ul style="list-style-type: none"> <li>Deliverability of financials, financial, risk</li> </ul>

For the purposes of evaluation of the ISDS submissions, the Council has evaluated the submissions using the Level 2 and 3 sub criteria, set out at Table 1 above using the scoring mechanism, on a weighting of 0-10 as illustrated in the table below

Table 2 – Evaluation Scoring

Score	Rating	Criteria for Assessing Score
1	Unsatisfactory / Unacceptable	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution does not meet any of the Requirements
2	Poor	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution falls far short of meeting the Requirements
3	Very Weak	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution falls significantly short of meeting the Requirements
4	Weak	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution falls moderately short of meeting the Requirements
5	Acceptable	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution does appear to meet Requirements but some inference needed where not fully demonstrated or evidenced
6	Satisfactory	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution does

Score	Rating	Criteria for Assessing Score
		satisfactorily meet Requirements and is supported by clear evidence
7	Good	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution does meet Requirements <b>and</b> will bring some added value / benefit
8	Very Good	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution exceeds Requirements <b>and</b> will bring added value / benefit
9	Outstanding	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution significantly exceeds Requirements <b>and</b> will bring significant added value/ benefit
10	Exceptional	The Authority and its advisers are confident, in their professional judgement, that the Bidder's proposed solution significantly exceeds Requirements in all respects <b>and</b> will bring very significant added value / benefit

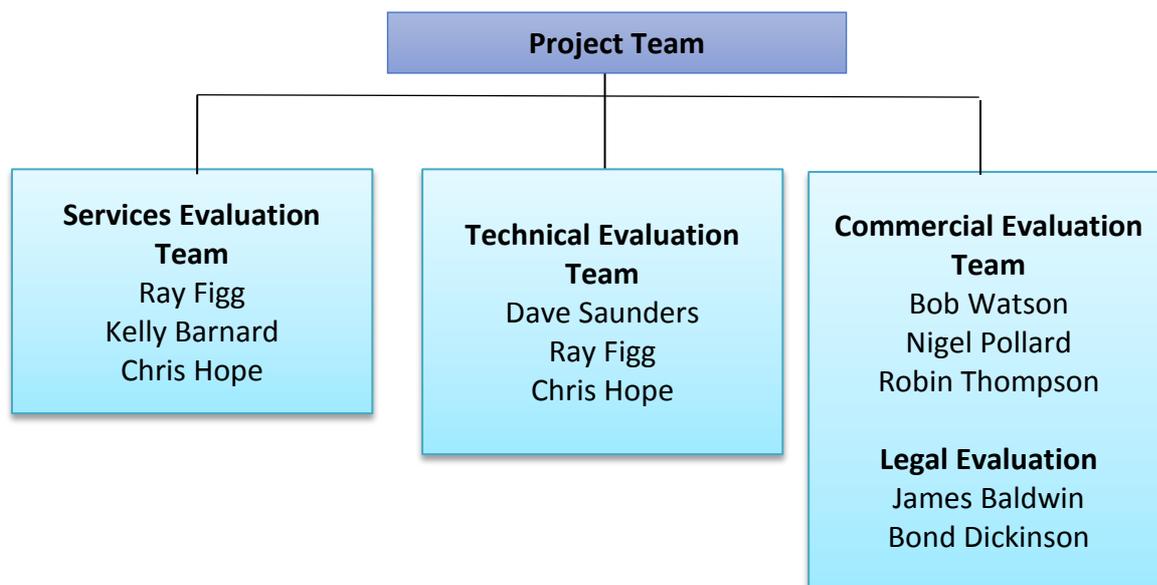
For the reporting and Contract Acceptance scoring the following scoring mechanism was used.

Score	Rating	Criteria for Assessing Score
1	Unacceptable/ Unsatisfactory	The Authority and its advisers are confident, in their professional judgement, that the submission is unacceptable or unsatisfactory. No comments or information provided or a rejection of fundamental principles, or mark-up and comments made demonstrate little or no appreciation of the issues and risks involved in the Project. The Bidder does not accept the broad principles in the draft Contract and any amendments to risk allocation do not demonstrate any benefit/savings to the Authority. Comments and information submitted are unsatisfactory or unclear in more than one key area.
3	Poor	The Authority and its advisers are confident, in their professional judgement, that the submission has identifiable shortcomings. Mark-ups and comments made demonstrate a very basic appreciation of the issues and risks involved in the Project. The Bidder's approach does not accept the broad principles in the draft Contract and any amendments to risk allocation do not demonstrate any benefit/savings to the Authority. Comments and information submitted are unsatisfactory or unclear in more than one key area
5	Satisfactory	The Authority and its advisers are confident, in their professional judgement, that the submission is satisfactory. Mark-ups and comments made demonstrate a basic appreciation of the issues and

Score	Rating	Criteria for Assessing Score
		risks involved in the Project. The Bidder's approach indicates a broad acceptance of the principles in the draft Contract and any amendments to risk allocation demonstrate some limited benefit/savings to the Authority. Comments and information submitted are sufficiently detailed in key areas
7	Good	The Authority and its advisers are confident, in their professional judgement, that the submission is good. Mark-ups and comments made demonstrate a good appreciation of the issues and risks involved in the Project. The Bidder's approach indicates acceptance of the principles in the draft Contract and any amendments to risk allocation demonstrate a number of benefits/savings to the Authority. Comments and information submitted demonstrate a good appreciation of the issues and risks involved and are designed to improve the delivery of the Project. Comments and information submitted are sufficiently detailed in key areas
10	Excellent	The Authority and its advisers are confident, in their professional judgement, that the submission is excellent. Mark-ups and comments made demonstrate an excellent appreciation of the issues and risks involved in the Project. The Bidder's approach indicates detailed acceptance of the principles in the draft Contract and any amendments to risk allocation clearly identify a number of benefits/savings to the Authority in a clear and credible fashion. Comments and information submitted demonstrate an excellent appreciation of the issues and risks involved and are demonstrably improve the delivery of the Project. Comments and information submitted are detailed in key areas

The affordability evaluation was undertaken based on a calculation of how far below the affordability levels the bidders scored, with a maximum score of 10 if they were £500,000 per annum lower than the affordability level. This is based on an assessment of the average annual management fee including the cost of any capital required. The scores were then pro-rated if bidders were below the affordability level but didn't deliver savings up to £500,000.

An agreed process for evaluation was undertaken based on the following structure, with the evaluation teams reporting to the Project Team and subsequently Committee & Cabinet.



Each evaluation team is responsible for undertaking the evaluation of the particular area and will ultimately provide the scores to the Project Team. Under Commercial Evaluation the legal evaluation team will evaluate the Contract Acceptance.

Robin Thompson supports all the teams but does not score the evaluation (except for the Commercial Evaluation). Otherwise Robin acts as an objective reviewer to challenge and test the scores and also provide analysis of the submissions to help with the scoring.

The process for the overall evaluation comprises of

- Each team member reviews submissions and identifies clarification questions and initial draft scoring and rationale
- Evaluation Teams meet to score the criteria and agree a draft score for each criteria
- Scores and rationale are sent to RPT Consulting to input into matrix and for objective review
- Evaluation Moderation Day – all teams meet together to go through the scores and rationale and agree on final draft scores

The results of this process are set out in this paper.

### **Financial Overview**

Each of the bidders presented their financial submissions which included the management fee they were seeking to either pay to or receive from the Council and in addition the cost of financing the capital that they required. For the purposes of evaluation a cost of £60,000

per annum per £1 million was used for the cost of borrowing. The financial overview for each lot are summarised in the table below.

*Table 3 – Financial Overview*

<b>Lot 1 (£'000's)</b>	<b>Places for People</b>	<b>Hertsmere Leisure</b>	<b>SLM</b>	<b>Fusion</b>
Annual Management Fee (Average)	(461)	(578)	(543)	(871)
Cost of Capital	715	418	535	434
Total Cost/(Receipt) to the Council	253	(160)	(8)	(437)
<b>Amount above/(below) Affordability</b>	<b>253</b>	<b>(160)</b>	<b>(8)</b>	<b>(437)</b>

<b>Lot 2 (£'000's)</b>	<b>Places for People</b>	<b>Hertsmere Leisure</b>	<b>SLM</b>
Annual Management Fee (Average)	(288)	(174)	(239)
Cost of Capital	637	363	516
Total Cost/(Receipt) to the Council	349	189	277
<b>Amount above/(below) Affordability</b>	<b>219</b>	<b>59</b>	<b>147</b>

<b>Lot 3 (£'000's)</b>	<b>Places for People</b>	<b>Hertsmere Leisure</b>	<b>SLM</b>
Annual Management Fee (Average)	(174)	(347)	(276)
Cost of Capital	78	55	0
Total Cost/(Receipt) to the Council	(96)	(293)	(276)
<b>Amount above/(below) Affordability</b>	<b>34</b>	<b>(163)</b>	<b>(146)</b>

Note: Figures in brackets for the Annual Management Fee are a payment to the Council and if not in brackets then the payment is from the Council

As can be seen from the table with the exception of Places for People all the other bidders present affordable solutions for Lots 1 and 3, with Fusion presenting a saving of circa £437,000 per annum after capital costs are financed for Lot 1.

None of the bidders present an affordable solution for Lot 2. These financial proposals have been factored into the evaluation scoring.

### **Evaluation of Bids**

All of the bids received presented a good quality of submission and were submitted by organisations with significant track record in the industry of both operating and developing new facilities.

The bids present different solutions to a number of issues such as the design of the new South Oxhey Leisure Centre and these have been evaluated to present scores as follows.

The detail underpinning these scores is presented in Appendices A – C, with the scores for reporting and Contract Acceptance within Appendix D

*Table 4 – Evaluation Summary*

<b>Lot 1</b>	<b>Places for People</b>	<b>Hertsmere Leisure</b>	<b>SLM</b>	<b>Fusion</b>
Services (40%)	28.7%	24.9%	27.9%	26.2%
Technical (10%)	7.0%	6.6%	6.8%	6.0%
Commercial (50%)	21.0%	25.9%	24.3%	37.2%
<b>Total</b>	<b>56.6%</b>	<b>57.3%</b>	<b>59.0%</b>	<b>69.4%</b>
<b>Rank</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

<b>Lot 2</b>	<b>Places for People</b>	<b>Hertsmere Leisure</b>	<b>SLM</b>
Services (40%)	28.7%	24.9%	27.9%
Technical (10%)	7.0%	6.6%	6.8%
Commercial (50%)	21.0%	16.9%	20.9%
<b>Total</b>	<b>56.6%</b>	<b>48.3%</b>	<b>55.6%</b>
<b>Rank</b>	<b>1</b>	<b>3</b>	<b>2</b>

<b>Lot 3</b>	<b>Places for People</b>	<b>Hertsmere Leisure</b>	<b>SLM</b>
Services (40%)	28.7%	24.9%	27.9%
Technical (10%)	7.0%	6.6%	6.8%
Commercial (50%)	21.7%	26.1%	29.3%
<b>Total</b>	<b>57.4%</b>	<b>57.6%</b>	<b>64.0%</b>
<b>Rank</b>	<b>3</b>	<b>2</b>	<b>1</b>

As can be seen from the table Fusion scores 69.4% and is the top ranked bid for Lot 1 with SLM and Hertsmere Leisure ranked 2 and 3 respectively. Three of the bids (Fusion, Hertsmere Leisure and SLM) are within the Council’s affordability limits for Lot 1, with Places for People significantly outside the affordability limit.

For Lot 2 Places for People scores 56.6% and is the top ranked bid for Lot 2 with SLM and Hertsmere Leisure ranked 2 and 3 respectively. All three bids for Lot 2 are outside of the Council’s affordability limit.

For Lot 3 SLM scores 64% and is the top ranked bid for Lot 3 with Hertsmere Leisure and Places for People ranked 2 and 3 respectively. Two of the bids (Hertsmere Leisure and SLM) are within the Council’s affordability limits for Lot 3, with Places for People outside the affordability limit.

## Lot Comparison

Within the ISDS, the Council has set out a process by which they will decide which Lot to progress with as set out below.

### **Process for determining which Lot (from ISDS)**

In order for the Authority to decide on whether to progress with either Lot 1 or Lots 2 and 3 it will assign the Lots the following weightings following completion of the evaluation of ISDS Bids:

- Lot 1 – 100%
- Lot 2 – 50%
- Lot 3 – 50%

The Bid scoring the highest evaluation mark for each Lot will be multiplied by the appropriate percentage weighting to give a score. The total of Lots 2 and 3 will be added together and compared with the Lot 1 total. The Lot with the highest total will then progress as the preferred Lot(s) approach for the Project – with up to three Bidders will be taken forward to the Final Tenders (either 3 Bidders for Lot 1 or 3 Bidders for each of Lots 2 and 3). A worked example is shown below:

- Lot 1 highest ranked bid scores 82%, Lot 2 highest ranked bid scores 78% and Lot 3 highest ranked bid scores 84%, which means that the total of Lot 2 is 39% (78 x 50%) and Lot 3 is 42% (84 x 50%) meaning that the total of Lot 2 and Lot 3 is 81% which is lower than the 82% for Lot 1. In this case Lot 1 would be progressed to Final Tender stage and the procurement for Lots 2 and 3 would be cancelled.

For clarity when deciding on the Lot to take through, the Authority will consider the Standard Bid, Mandatory Variant Bid and any Optional Variant bids it decides to accept when determining which is the highest score for each Lot.

Bidders should therefore recognise and acknowledge that there is a risk that the Lot(s) for which they are bidding may not progress to Final Tenders stage and may be cancelled after this ISDS stage.

Based on this approach the weighted scores for each Lot are summarised below

Table 4 – Lot Comparison

Lot (highest scorer)	Highest Score	% Weighting	Weighted Score
1 (Fusion)	69.4%	100%	69.4%
<b>Weighted Score Lot 1</b>			<b>69.4%</b>
2 (Places for People)	56.6%	50%	28.3%
3 (SLM)	64.0%	50%	32.0%
<b>Weighted Score for Lots 2 &amp; 3</b>			<b>60.3%</b>

Thus Lot 1 scores highest with 69.4% when comparing Lot 1 against a weighted score for Lots 2 and 3 (60.3%) and it is therefore recommended that the Council progress with Lot 1 to the final tender stage.

In addition to the bids presented there were a number of optional variant bids presented, in particular two options which are summarised below

- Replacement of the squash courts at William Penn Leisure Centre with a health and wellness centre
- Replacement of 2 badminton courts in the Sports Hall at William Penn with a climbing facility and soft play

There is the opportunity for these options to deliver a better financial return to the Council however there would be a loss of sporting facilities. It is proposed that at the next stage bidders are asked to present these as additional options but with the costs of retaining the sports hall and squash court also presented.

In this way members can consider the difference in financial impact versus the impact of losing certain facilities, such as squash and sports hall. If however members prefer to retain these facilities then this option won't be asked for at the next stage.

## Summary

The Council have had four bids in which all deliver on the Council's outcomes with the exception of Places for People who have not delivered to the Council's affordability levels.

The evaluation process has robustly scored the bids and in particular reviewed the bids against the evaluation matrix. Some of the key points from the bids include

- Three of the bidders have met the Council's affordability limits for Lot 1, although none of the bidders met the affordability levels for Lot 2
- Three of the bidders have presented a development scheme for South Oxhey which seeks to add the pool to the existing building (The Centre) and remodel the existing building to create additional commerciality including increased health and fitness and climbing
- All of the bidders presented a good approach to service delivery
- Lot 1 will provide better value for the Council as opposed to Lots 2 and 3

- Applying the process for determining which lot(s) to take forward. Lot 1 has provided the highest score compared against Lots 2 and 3.

It is recommended that

1. The Council progress to Final Tender with Lot 1 (South Oxhey DBOM and Leisure Management)
2. The Council select Fusion, Hertsmere Leisure and SLM to progress to the Final Tender stage
3. Bidders are given the opportunity to present options at the next stage based on removing the need to provide squash or to only have a two court sports hall at William Penn.

Prior to the issue of final tender further dialogue may be held with the bidders to refine and develop their proposals before formally closing dialogue.