

**West Dunbartonshire Council**

**BUILDING OUR FUTURE – SCHOOLS PPP**

**ITN EVALUATION FRAMEWORK DOCUMENT**

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### ITN EVALUATION FRAMEWORK DOCUMENT

#### *Introduction*

The return date for the ITN submission is 26 October 2006. In terms of the Public Contracts (Services) Regulations 1993 (as amended), which implement EU directives into UK law, the Authority has notified Bidders that it will award the contract on the basis of the Most Economically Advantageous Bid. The Authority must be satisfied that the proposed solution offers a value for money solution, and meets the Authority's affordability criteria and minimum requirements for the Project. This will be determined by reference to the Bid submission requirements in the Invitation to Negotiate ("ITN") and the Financial, Legal and Technical, Organisation and Operational criteria set out in Appendix 10, Section 8.6 and Appendix 11 of Volume 1 of the ITN, respectively.

#### *Evaluation Timetable*

Separate teams composed of individuals with relevant knowledge and expertise will carry out the evaluation for each of the relevant criteria. A Team Leader will be appointed for each of the relevant teams and will be responsible for the overall management of their team. The table set out in Appendix 1 identifies the personnel involved in the evaluation process.

Timescales for the evaluation process are detailed in the Evaluation Project Plan attached at Appendix 2. The plan identifies indicative dates for Review Meetings involving the Project Team and Bidder clarification meeting(s). Dates will be finalised following the receipt of the Bids.

#### *Evaluation Methodology*

An overview of the Bid evaluation process is set out in Appendix 3. As part of the overall evaluation process there are a number of stages which will be undertaken by all of the evaluation teams:

##### *Stage 1 - Compliance & Completeness Review*

Each team will undertake a compliance and completeness review of their section of the Bid submissions. This initial review will not involve a qualitative assessment of a Bidder's proposals but will simply check whether or not the requirements of the ITN have been satisfied. Any omissions will be notified to the Team Leader immediately via the Compliance & Completeness Review Schedule, as set out in Appendix 4, and forwarded to one of the Project Managers. All requests for missing information will be made to Bidders from one of the Project Managers.

The Financial Evaluation Team will undertake a high level review of the priced Bids and any Bid 10% above the affordability target may be discarded at this initial stage.

This initial pass/fail threshold may apply to the Standard Bid and any Mandatory or Non-Mandatory Variants to the Standard Bid. At this stage the Authority reserves the right to either reject any non-compliant or substantially incomplete Bids or request further information from the Bidder to address any such non-compliance or shortcomings with the Bid.

### *Stage 2 – Bid Evaluation*

Each team member will be required to review the relevant sections of the Bids. The Bid evaluation methodology is set out in Appendix 6 and 7. Any clarifications identified should be forwarded to the Team Leader for submission to the Project Leaders. At this stage team members may elect to undertake a preliminary scoring subject to amendment following Bidder Clarification. Thereafter the Project Team will meet to discuss the Bids received and finalise the Bidder Clarifications in advance of the Bidder meeting.

A minimum quality level has been set at 40% of the combined maximum score of the High and Medium grade criteria. Individual evaluation teams may elect to discard any Bids which fail to meet this minimum score and in the event of any such proposal the Team Leader will prepare a report addressed to the Project Manager – Process recommending that the Bid be discarded stating the reasons behind the recommendation.

The Project Manager - Process will consider the report and discuss the Bid in question with the Project Manager – Specification and the other Team Leaders to establish whether or not the proposal to discard is either consistent or in conflict with the assessment of the other evaluation teams. Thereafter the Project Managers together with the Project Director will make a final decision on the Bid in question.

Bidder Meetings will be held to discuss the responses received in relation to the Clarifications issued by the Authority. Prior to this meeting the teams will prepare a 1<sup>st</sup> draft of their evaluation reports for discussion. Following the meeting a 2<sup>nd</sup> Draft will be prepared. Any review of the rankings undertaken will focus only on submission requirements graded as High and Medium.

### *Stage 3 – Equalisation and Risk Adjustment of Bids*

As part of the process of evaluating the true cost of the Bids, the Project Team must ensure that the stated cost of the Bid as applied in the evaluation reflects the true cost of the Bid to the Authority and reflects a comparable project scope and risk position between Bids. Any qualifications, exclusions, or provisional sums should be identified and discussed with the Financial Evaluation Team.

In addition throughout the process teams should be aware of any points in the Bidders proposals which affect the risk transfer provisions as set out in the ITN or the price to be paid by the Authority. Evaluation teams should immediately raise any points of concern regarding risk transfer and pricing with the Financial Evaluation Team.

Evaluation teams should not reduce the price proposed by the Bidder without being certain that the anticipated reduction will in fact be incorporated as anticipated (e.g. a revised financial model should be sought).

### *Stage 4 - Ranking of Bids*

At Review Meeting 2 the Project Team will consider the results of the initial team rankings and the key issues reports (if these are required and produced). The Project Team will agree on a strategy for progressing the Bidding Process at this stage. This may involve calling for further information from Bidders, which may include further dialogue, to assist the Authority in its consideration of their proposals, or proceeding with the appointment of a Preferred Bidder.

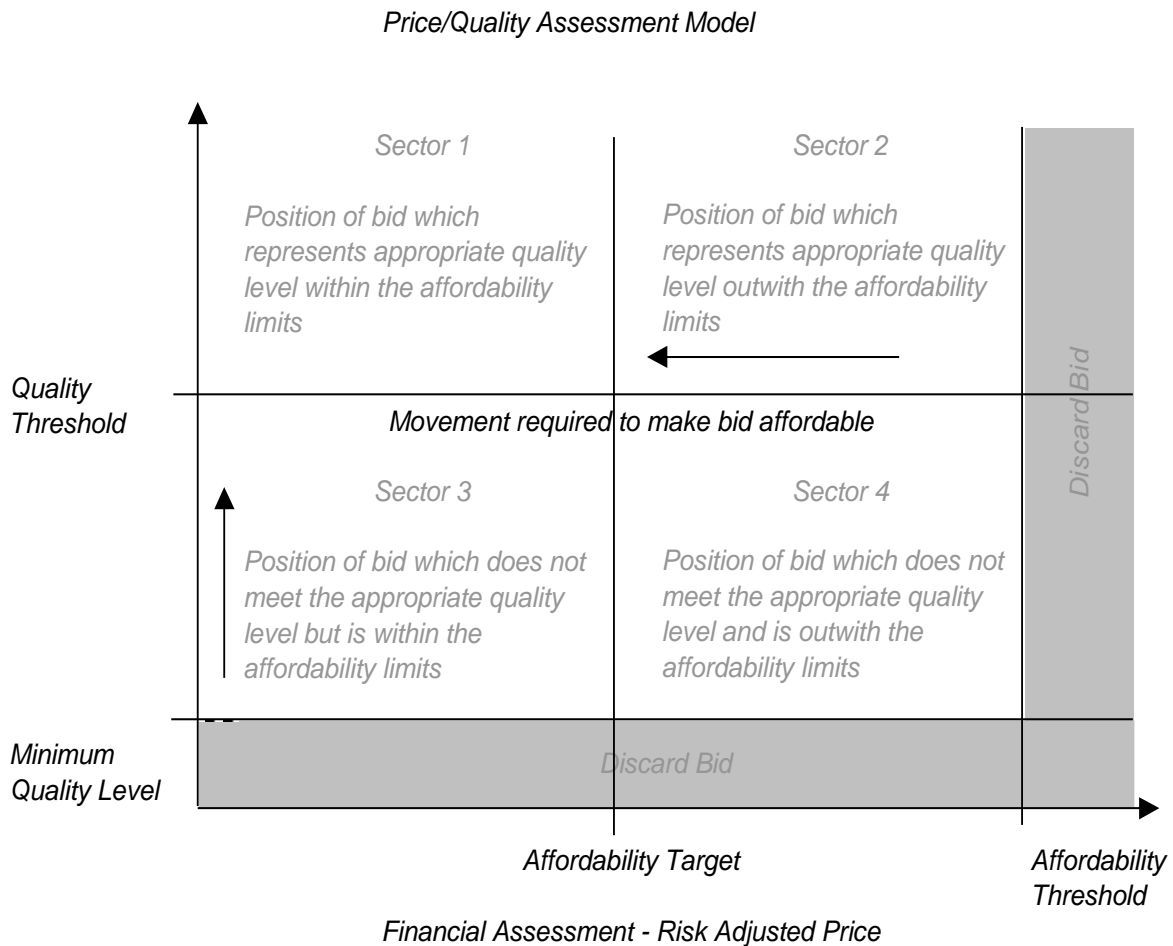
### *Stage 5 – Preferred Bidder Selection*

In agreeing the final rankings the Project Team will undertake a Price Quality Assessment of each Bid.

The Technical and Financial elements of each Bid will be assessed to determine which sector that element of the Bid lies within. The ideal situation is for each element of an assessed Bid to be positioned within the top left sector of the graph. The Project Team will be required to consider Bids which, following the assessment

process, do not appear within the top left sector but may be realigned following clarification and negotiations.

The Authority has set a quality threshold at 75% - to be agreed of the total score for each evaluation team.



The Authority must be in a position to close the deal with the Bidder whose Bid represents the best combination of price and quality and which is capable of delivering the Authority's requirements, is affordable and offers value for money. Two or more of the evaluated Bids may reside within the top left sector of the graph following completion of the evaluation process. If this occurs, the Project Team will identify the reasons for differences in price and establish any value and benefit to the Authority of adopting a more expensive solution.

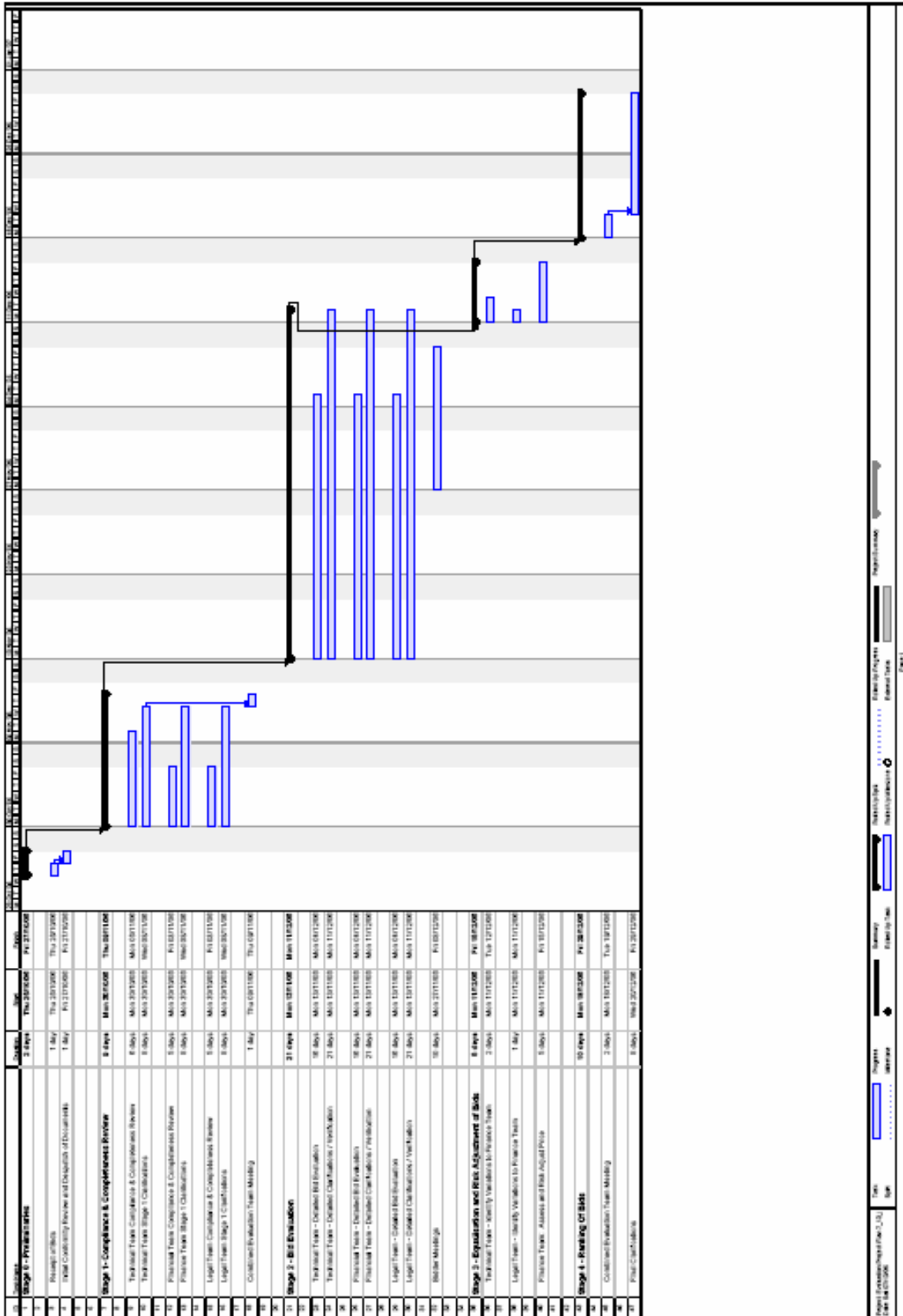
## Appendix 1

### Evaluation Teams

Section	Personnel
Overview/Project Management	<ul style="list-style-type: none"><li>• Alan Douglas – Process</li><li>• Dave Clarke – Specification</li></ul>
Financial Evaluation	<ul style="list-style-type: none"><li>• Crawford Howat (WDC) (TL)</li><li>• Alan Douglas (WDC)</li><li>• Mike Nevin (CE)</li><li>• Viv Cockburn (CE)</li><li>• Martin Finnigan (CE)</li></ul>
Legal Evaluation	<ul style="list-style-type: none"><li>• Alan Douglas (WDC) (TL)</li><li>• Rhona Harper (S+W)</li><li>• Simon Fraser (S+W)</li></ul>
Technical Evaluation	<p>Technical Evaluation</p> <ul style="list-style-type: none"><li>• Dave Clarke (WDC) (TL)</li><li>• Ian Carmichael (WDC)</li><li>• Stephen Ross (WDC)</li><li>• Evelyn McDowall (TTPM)</li><li>• Gillian Stevenson (TTPM)</li><li>• Parr Architects</li><li>• Blyth &amp; Blyth Engineers</li></ul>

Appendix 2

Evaluation Project Plan (See accompanying pdf)



*Appendix 3*

*Bid Evaluation Overview [N.B. This has been set up without including a possible BAFO stage]*

***NOT ISSUED***

**Appendix 4**

*Completeness and Compliance Review Schedule*

1. Have bids been received on time and in accordance with instructions?

Yes  No

2. Have the required numbers of each document been received in accordance with instructions?

Yes  No

3. Have all required certificates been delivered unconditionally and validly signed?

Yes  No

4. Is there documentation covering:

- o Core / Reference Bid Yes  No
- o MV1 Yes  No
- o MV2 Yes  No
- o MV3 Yes  No

5. Have all documents contained in the Financial Bid Submission Requirements (Appendix 8 to Volume 1 of the ITN) been delivered, together with any commentaries thereon?

Yes  No

6. Have all documents contained in the Technical Bid Submission Requirements (Appendix 11 to Volume 1 of the ITN) been delivered, together with any commentaries thereon?

Yes  No

7. Have all the requirements of the Legal Submission Requirements (Para 6.5 of Volume 1 of the ITN) been submitted?

Yes  No

8. If alternative funding source is proposed, has a commentary on the Project Agreement been provided detailing funder approach / requirements?

Yes  No

9. Have Interface Agreements been prepared in respect of each of the Mandatory Variants [and Catering].

- MV1 Yes  No
- MV2 Yes  No
- MV3 Yes  No

10. Where any non-mandatory variants have been submitted, are they accompanied by all supporting documentation?

Yes  No



## **Appendix 5**

### *Bid Evaluation Methodology*

#### Legal Evaluation

The legal evaluation has two primary functions:

1. To give comfort as to deliverability - demonstrated by the robustness of the legal submission and mark-up of the Draft Project Agreement, a constructive approach to resolving complex issues and a clear and good understanding of the processes involved in agreeing amendments to the SSSC via the Scottish Executive including the Bidder's proposals relating to the same.
2. To better inform the financial or technical evaluations.

#### *Legal Evaluation Criteria*

1. The legal evaluation will focus on the detailed mark-up of the Project Agreement and Schedule, the Funders Direct Agreement and the comments on any other direct agreements submitted by Bidders.
2. Bidder responses to the Project Agreement and Schedule will be evaluated in accordance with the following criteria (of equal importance):-
  - The extent to which the Bidder has accepted the conditions set out in the Contract Documents and the extent to which the Bidder has provided detailed comments on the Contract Documents and a constructive approach to project specific issues which are not dealt with in the Contract Documents;
  - The extent to which the Bidder has demonstrated the support of all members of the proposed consortium, and their funders, to its position on the Contract Documents;
  - The extent to which the Bidder has demonstrated it can meet the timetable to Financial Close;
  - The extent to which the Bidder demonstrates that it understands and accepts the risks inherent in the Project and the extent to which the Bidder's qualifications (if any) to the Risk Matrix as set out in Appendix 16 of Volume 1 to the ITN are acceptable to the Authority;
  - The deliverability of the Bidder's solution as evidenced by its approach to the management of risk and the proposed terms of the construction and FM subcontracts and the quality of the Bidder's proposals in respect of the management of risk to be borne by the Bidder.
  - The robustness of the Bidder's structure including the completeness of information on the Bidder's consortium members, clarity of roles and responsibilities and the proposal for day to day interface with the Authority throughout the Project.
  - The sufficiency of Bidder's insurance proposals and the proposed parent company guarantees and performance bonds ; and
  - Compliance with the Staffing Protocol.

#### *How the Legal Evaluation will be conducted*

Firstly, the legal evaluation team will evaluate the individual responses against the legal evaluation criteria.

Thereafter, the legal evaluation team will produce a detailed commentary on the mark-up of the Contract Documents which will allow the legal evaluation team to:

- Inform the technical and financial evaluation teams of any amendment to the Contract Documents which will have an impact on the price/risk profile or service being offered;

- Identify any deficiencies in the legal submission which they consider should be brought to the attention of the Bidder prior to completion of the evaluation to give the Bidder an opportunity to clarify and ensure that tenders are compliant from a legal submission point of view;
- Clearly identify any commercial issues which in the view of the legal evaluation team should be clarified with Bidders prior to appointment of Preferred Bidder. Clarification will be required when the Bidder's position is not clear; and
- Clearly identify any commercial issues which would benefit from some negotiation prior to appointment of Preferred Bidder. This will be the case where negotiation with the tenderer in a competitive environment may lead to an improved position for the Authority even although (in some cases) the Bidder's position is not unacceptable to the Authority.

#### *Legal Evaluation Report*

The legal evaluation team will complete a comprehensive legal report for each of the Bids evaluated, except in the case of optional variant Bids where only the differences to the legal submission (compared to the standard legal submission) will be reported.

Each legal report will contain the following:

- A summary of the legal submission including confirmation that the legal submissions were compliant;
- A summary of the quality of the responses in the legal submission against the legal evaluation criteria set out in the ITN;
- A detailed commercial commentary on the mark-up of the Contract Documents which will identify:
  - The points considered relevant to the financial evaluation (which will have already been passed to the financial evaluation team);
  - The points relevant to the technical evaluation (which will have been passed to the technical evaluation team);
  - A list of key commercial issues which, in the legal evaluation team's view, should be addressed/developed prior to continuation of the Dialogue or appointment of the Preferred Bidder (as appropriate)

In addition, at an early stage in the process, the legal evaluation team will have identified any deficiencies in the legal submission which they consider should be brought to the attention of the Bidder prior to completion of the evaluation to give the Bidder an opportunity to clarify and ensure that Bids are compliant from a legal submission point of view.

The legal evaluation team will also rank the Bids according to the quality of their responses against the legal evaluation criteria.

#### *Bidder mark-up to the SSSC*

Legal submissions will be assessed on how thorough and constructive the Bidder's responses are and on the credibility of the way in which funder and consortium support is expressed. The key concern is that the Authority is satisfied that if a particular Bid is selected on the basis of the overall evaluation, that selection is made on a full understanding of their position on all commercial issues and on the basis of the Authority being confident that the Bidder(s) thought through the implications of all commercial aspects of their Bid (both from the funder's perspective and that of the operations sub-contractor). In addition a thorough and robust analysis will provide the Authority with the confidence that the Bidder can meet Authority's timetable by anticipating the issues for pre or post preferred Bidder negotiation rather than "starting cold".

Where contract conditions are not acceptable to Bidders, consideration will be given to responses which represent constructive alternatives rather than simple rejections.

*Preferred Bidder*

The key issue in the Bid evaluation to meet the “most economically advantageous” test remains identifying the compliant affordable Bid which offers the Authority the best balance between price and quality. Much of the legal evaluation will focus on assisting that process by identifying issues which are relevant to the overall evaluation but which are expressed by the Bidder through the legal submission in respect of the Contract Documents.

Prior to appointing a Preferred Bidder the Authority will seek to ensure that there is sufficient certainty in the Bidders' commercial legal submissions to allow the Project to proceed to Financial Close within the context of the negotiated procedure.

## **Appendix 6**

### *Bid Evaluation Methodology*

#### Financial Evaluation

The primary functions of the financial evaluation are to:

- i. assess the cost of different proposals to West Dunbartonshire Council, in terms of both their price and Net Present Value (NPV), when they are compared on a like-for-like basis; and
- ii. test and confirm their affordability.

Following the diagram set out in Appendix 3, the financial evaluation will proceed in three stages:

- ❖ Stage 1: Completeness and Compliance Review;
- ❖ Stage 2: Bid Evaluation and Clarification, followed by bid adjustment as required to ensure that all bids are compared on a like-for-like basis; and
- ❖ Stage 3: Bid Ranking, based on price and NPV.

#### **Stage 1: Completeness and Compliance Review**

Financial submission requirements are set out in Volume 1 Appendix 8 of the ITN. In the Stage 1 Completeness and Compliance Review, the financial evaluation will confirm that all Bids comply with these requirements, and in particular include:

- ❖ Confirmation of the funding proposals, and terms upon which each funder is prepared to support the project, supported as appropriate with letters and term sheets from each funder confirming the terms on which funding will be made available to the project;
- ❖ Details of guarantees, performance bonds and construction wraps provide for the project;
- ❖ Full bid financial models, with supporting information on the basis of each category of costs underpinning the models, and details of the tax and VAT computations underpinning them; and
- ❖ Financial model user guides.

The purpose of this review will be to confirm that the Financial Evaluation Team has sufficient information to proceed to bid evaluation.

#### **Stage 2: Bid Evaluation**

Provided a bid meets the requirements of Stage 1, the Financial Evaluation Team will then proceed to evaluate it according to a process that is transparent, auditable and easily understood, based on the parameters set out in the Financial Evaluation Table in Volume 1 Appendix 10.

The process will incorporate the following:

1. Evaluation of the robustness of the funding proposals associated with each bid, to confirm that there is a reasonable expectation that the finance plan for the project can be completed on competitive terms, supported by term sheets for all elements of the funding which confirm funders' commitment to the project.
2. Evaluation of the robustness of the cost structure underpinning the bid price, to confirm that there is a reasonable expectation that the project can be delivered at the costs assumed in the financial model – covering both technical costs (capital, FM and Life Cycle Maintenance) and financial costs.

The review of financial costs will cover the tax and insurance assumptions underpinning each bid, as well as interest rate assumptions.

3. Confirmation that the Bidder signs up to the calibrated payment mechanism in the draft Project Agreement.
4. Confirmation that the financial model has been optimised, with respect, inter alia, to the levels of cash balances assumed, cover ratios, funding structure and set-up and administrative costs.

The purpose of this stage of the evaluation is to confirm that the bid is soundly based, with respect to the assumptions underpinning the terms on which it can be delivered, and that the unitary charge is as low as possible given the returns required by each of the parties within the bid consortium.

Bidders may be asked to clarify or confirm elements within their cost structure, and to run additional sensitivities at this stage of the evaluation. The purpose of these clarifications will be to ensure that bids are assessed on a like-for-like basis, and any inefficiencies within bid models are eliminated.

### **Stage 3: Equalisation and Risk Adjustment of Bids**

During this stage and equalisation and risk adjustment of bids will be undertaken, both discretely within the Financial Evaluation Team, and in conjunction with the other evaluation teams.

### **Stage 4: Bid Ranking**

Following the bid clarification and adjustment stage, the Financial Evaluation Team will confirm the price and total projected cost to West Dunbartonshire Council of the Core Reference bid and all Variants (except those which have been rejected at an earlier stage of the evaluation), measured as the NPV of the service payments to the Council discounted according to the methodology specified in the Treasury Green Book.

The Financial Evaluation Team will also check the affordability of each bid against the Council's affordability threshold and relatively, in comparison with other bidder's submissions.

The output of this stage will be a quantified ranking of each bid in terms of the NPV of the projected cost of each bid.

### **Financial Evaluation Report**

On completion of Stage 4, the Financial Evaluation Team will complete a comprehensive financial report for each of the Bids evaluated, setting out:

- ❖ A summary of the basis of each bid, in terms of the scope of services proposed and principal costs;
- ❖ An analysis of the cost structure associated with each bid, the finance plan and proposed funding terms;
- ❖ A commentary on the robustness and deliverability of the proposals, in financial and funding terms; and
- ❖ A statement of the first year unitary charge, NPV and affordability of each bid.

The report will draw together the results of each evaluation, to arrive at a comprehensive ranking of the bids received in NPV terms.

The results of the Bid evaluations will be presented as a summary of the price components of all Bids, comparison of each Bid price to Affordability Target as per the ITN, and equalised Bid prices.

The report will also set out key issues identified by the evaluation team, which may be used to define the key requirements Bidders are asked to address prior to appointment of a preferred bidder. This is an optional step which may or may not be required, depending on how closely the tenders are ranked.

Technical Evaluation

**1 Preliminary Technical Tender Assessment**

1.1 Purpose

In order to achieve a basic understanding of each bid and the issues addressed in those bids it will be necessary to carry out an initial assessment. This assessment together with the initial legal and financial assessments will be used to confirm the bids to take forward to the detailed assessment stage.

1.2 Technical Assessment Team

The technical team will be made up from the various disciplines that have assisted and advised at the various stages of the Project from its initial concept. In particular these parties have contributed in the design of and preparation of the ITN tender documents.

The technical team will comprise:

Architectural	–	Parr Architects; Project Team
Education	–	Project Team
Project Management, quality, construction	–	Turner & Townsend; Project Team
M&E and Structural	–	Blyth & Blyth Engineers
FM	–	Turner & Townsend; Project Team

1.3 Methodology

The initial technical assessment will consist of a two-stage approach. Stage One comprises a compliance check to ensure that the submitted compliant bids meet the mandatory requirements specified within the ITN tender documents. Stage Two will entail a comparison of all compliant and variant bids measured against the Council's requirements and aspirations.

**2 Detailed Technical Tender Assessment**

2.1 Purpose

The assessment will be undertaken to provide a fair balanced view of the technical aspects of each bidder's submission at a detailed level.

The financial and legal evaluations, together with the scores for the technical evaluation will form the basis for the method of selecting the Consortia who will progress to the Preferred Bidder stage.

2.2 Methodology

Detailed assessment will be conducted utilising the enclosed Technical Master Matrix. For the detailed assessment the submissions will be grouped under the main subject headings of the project.

Weighting of the questions will be carried out to provide a balanced assessment taking due consideration of issues important to the Council in terms of the project such as performance, quality, safety and deliverability.

In the weighted assessment a performance and quality weighting will be calculated by weighting the Submission requirements. The weightings will be based on criteria considered important in terms of the Council's objectives and aspirations for the project.

High weightings will be given to questions relating to performance, quality, safety and deliverability. Questions addressing compliance with statutory obligations and administration procedures will be given low weighting.

The tenderers coverage of and responses to each of the requests for technical submissions will be scored between 0 and 6. To achieve a satisfactory level of consistency in scoring, guidelines will be applied as described in Table 1 below.

Score	Criteria for Award
6	The proposals are seen to provide an innovative solution with added benefit to the Council. The proposals are most desirable and represent close to an optimum solution.
5	The proposals comply with Council aspirations and provide a high level of detail. The proposals also include features which will bring added benefit to the Council.
4	The proposals comply with the Council aspirations and prove a high level of detail.
3	The proposals comply with the Council aspirations covered by a general statement.
2	In general the proposals comply with the Council's aspirations, covered by a general statement, but include details in conflict with Council aspirations.
1	The proposals do not comply with Council aspirations.
0	The proposals include a solution which is unacceptable or which would seriously threaten the deliverability of the project. Alternatively this score will be awarded when the elements under consideration are omitted from the submission.

Table 1 – Score Criteria

In detailing the score for each answer due consideration will be given to the initial submission documents and the letters of clarification received from each bidder.

To ensure as transparent an assessment as possible, each question answered, for each bid, will be compared and discussed before being finalised. For questions with multiple performance specification references, answers to each reference question will be scored individually and the average score calculated to determine a final score.

Comments will be noted against each score to indicate why it was higher or lower. Additional comments will also highlight any innovations, unusual extra features and qualifications.