

North West Leicestershire District Council
Proposed New Sports and Leisure Centre (“Project”)
Procurement Evaluation Approach

1. Background

Martin Vickery has prepared a very helpful paper (“Original Paper”) setting out some of the advantages and disadvantages of the three main routes to delivering this project:

- Option A: Procurement of a building contractor through the traditional route, and separate procurement of a contractor to provide operation and maintenance services (O&M)
- Option B: Procurement of a building contractor through a design and build (D&B) process, and separate procurement of O&M. For simplicity, and because it appears clearly more advantageous, we have assumed for the purposes of this paper that a “two stage” (rather than one stage) Option B is being considered. The differences between these options are set out in more detail in the Original Paper
- Option C: Procurement of one contractor to deliver the design, build, operate and maintain obligations under one contractual arrangement (DBOM).

Using the Original Paper, the Council has considered its priorities and the extent to which each option addresses them. The Original Paper sets out in more detail the key features of each Option, and we have not sought to repeat them here.

2. Method of scoring

a. The Council has set out each of its key Priorities below:

- i. value for money
- ii. linked to value (and also to the number and quality of, and innovation demonstrated by the bids received), market appetite for and familiarity with the proposed Option

- iii. costs and time involved in the relevant procurement(s)
 - iv. reduction of the risks retained by the Council, including integration risk
 - v. retention of control over the Project, including input into design and method of service delivery
- b. Each Option will be allocated a score between one and ten for each Priority, where a score of:
- i. ten indicates that the Option will completely address, and deliver upon the Priority;
 - ii. a score of one indicates that the Option entirely fails to deliver on that Priority; and
 - iii. a score of five indicates that the Option addresses and delivers upon the Priority, but with some material concerns,
- with appropriately graduated scores for interim positions.
- c. This will produce a score out of 50 for each Option. This will inform the Council’s decision making process, and the Council’s ultimate decision will take this into account matters “in the round”, along with the recommendations of officers, views of stakeholders, and any strong input gleaned from the market engagement day.
- d. For the purposes of this scoring exercise the Council has assumed that, whichever option is used, a process involving some dialogue is likely to be required between the bidders and the Council. This assumption is informed by both internal and external legal advice. Accordingly, the competitive procedure will be used and the scores have been awarded on this basis. The Council recognises that many of these Priorities, and advantages/disadvantages, are closely linked. Accordingly, this numerical scoring process can be a guide only (albeit a useful one) and is by its nature somewhat subjective.
- e. There are additional options that have not been actively considered, and which would encompass inclusion of Council land as part of a wider regeneration. However, subject to comments to the contrary during market engagement, these will not be included. Moreover additional options, such as establishing a mutual entity to deliver the services, have not been considered for the purposes of this paper.
- f. Finally, Annex A indicates the ways in which each advantage and disadvantage highlighted in the Original Paper have been taken into account in the scoring.

3. Executive summary and conclusion

- a. Option A is unlikely to be the best solution for a project of this complexity, largely due to integration risk, the need for successive procurement and resulting internal Council time and cost, and lost opportunities to drive value and innovation across the Project.
- b. Options B and C are viable choices. However, the “single procurement” approach, which integrates the risk and obligation in relation to design, build, operate and maintain under a single contract, is a significant upside to Option C and is the key reason that this route has been favoured.

4. Scoring table

| OPTION A - SEPARATE PROCUREMENTS OF A DESIGN TEAM, BUILDING CONTRACTOR AND OPERATOR | | | |
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| <u>Priority</u> | <u>Advantages</u> | <u>Disadvantages</u> | <u>Score and comments</u> |
| VfM | By greatly reducing the risk to be passed to the building contractor, build costs should be reduced when compared to Options B or C. | <p>A greater risk is potentially retained by the Council in relation to the interface between services and operations. We will be requiring the operator to “build this”, and this might present opportunities to seek additional payment - rendering the greater value derived from this Option somewhat illusory.</p> <p>It may also be that lack of integration between the design team, builder and operator will lead to increased costs.</p> <p>The “wrap” of a DBOM which encompasses both O&M and D&B may stimulate market interest and allow bidders greater opportunity to drive value across the whole package of D&B and O&M.</p> | <p>4/10</p> <p>There are both advantages and disadvantages to this method in terms of value, so a slightly below average score is appropriate.</p> |

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| | | The scope for contractor innovation is also reduced by separating these elements into discrete packages. | |
| Market appetite ¹ | <p>There is likely to be appetite both for traditional building contracts, and for provision of O&M. The market will be familiar with forms of building contract and O&M agreements.</p> <p>By approaching the market separately for building works and O&M, access to these markets may be maximised.</p> | There may be equal or greater appetite amongst the leading players in the leisure market for providing these services under the “wrap” of a DBOM. Although the aggregate pool of building and operating contractors may theoretically be greater, the pool of experienced leisure operators which the Council hopes to interest in the Project may be enhanced by a DBOM approach. | <p>3/10</p> <p>In the Council’s view, the disjointed nature of Option A is unlikely to be the most appealing to the market, and a below average score is therefore appropriate.</p> |
| Procurement costs and time | None. | <p>A major disadvantage of Option A is the “sequential” nature of the procurements (that is, the Council must procure a design team, then a builder, and also an O&M contractor).</p> <p>It is unlikely to be the speediest route or most cost effective in terms of internal management time or external fees.</p> | <p>1/10</p> <p>As there are no clear advantages to this Option, a score of 1 is the best fit.</p> |
| Retention of risk | The key advantage to this option is that the build price will be based on completed designs, and should be certain subject to employer retained risks. | A significant disadvantage of this route is that “integration risk” between the design team, building contractor and O&M contractor must be managed and largely retained by the Council. As set out in the Original Paper, there are | <p>2/10</p> <p>As the only clear advantages to this Option may be undermined by increased integration costs</p> |

¹ Scores for market appetite should of course be refined during market engagement

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| | | ways to mitigate (but not eliminate) this risk. This compares unfavourably with Option B (which brings much of the design and building risk together) and Option C (which brings design, build, and O&M risk together). | and reduction in scope for driving value and innovation across the Project, a score of 2 is the best fit. |
| Retention of control | Under this Option, the Council retains the greatest level of control over the design process and can manage quality control through direct relationships with the professional team. The Council will be fairly sure that it has the design it requires before going to market for a builder. | None. | 8/10 Control of design will be retained, although this is undermined slightly by the impact this may have on later phases of the Project. |
| TOTAL FOR OPTION A | | | 18/50 |
| OPTION B - SEPARATE PROCUREMENTS OF A DESIGN AND BUILD CONTRACTOR, AND OPERATOR | | | |
| VfM | Relative to Option A, the decision to proceed is made with firmer knowledge of final cost. | By passing risk to the building contractor, build costs may be increased when compared to Option A. It may also be that lack of integration between builder and operator will lead to increased costs. The “wrap” of a DBOM, which encompasses both O&M and D&B, may | 2/10 As there are few clear advantages in terms of VfM over either Option A or C, a low score is appropriate. |

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| | | <p>stimulate market interest and allow bidders greater opportunity to drive value across the whole package of D&B and O&M.</p> <p>The scope for contractor innovation is also reduced by separating D&B and O&M into discrete packages.</p> | |
| Market appetite | <p>There is likely to be appetite both for D&B, and for provision of O&M. The market will be familiar with forms of D&B and O&M agreements.</p> <p>By approaching the market separately for D&B and O&M, access to these markets may be maximised.</p> | <p>There may be equal or greater appetite amongst the leading players in the leisure market for providing these services under the “wrap” of a DBOM. Although the aggregate pool of D&B and operating contractors may theoretically be greater, the pool of experienced leisure operators which the Council hopes to interest in the Project may be enhanced by a DBOM approach.</p> | <p>6/10</p> <p>In the Council’s view, there will be appetite for this opportunity, but the opportunities of a DBOM may be at least as attractive. An average score is therefore appropriate.</p> |
| Procurement costs and time | <p>By avoiding a separate design phase and then procurement, the overall time and cost of delivering the Project - relative to Option A - will be reduced.</p> | <p>The requirement for two procurements - one of a D&B and one of an O&M contractor - might result in greater costs and time between inception and operation of the Project relative to Option C.</p> | <p>6/10</p> <p>An average score is appropriate given that this may not be the optimum route.</p> |
| Retention of risk | <p>A key advantage of this model is the integration of risk between design and build responsibilities - with a single point of contact for addressing any of these issues following negotiation of the professional appointments to the</p> | <p>A significant disadvantage of this route is that “integration risk” between the design and build contractor and O&M contractor must be managed and largely retained by the Council.</p> <p>This compares unfavourably with</p> | <p>6/10</p> <p>An average score is appropriate given that this may not be the optimum route.</p> |

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| | contractor. | Option C (which brings D&B and O&M risk together). | |
| Retention of control | Under this Option, the Council will retain control over appointment of a D&B and, separately, O&M contractor. | Less control over the design is possible than under Option A. | 7/10 This Option leads to a high level of control |
| TOTAL FOR OPTION B | | | 27/50 |
| OPTION C - DBOM | | | |
| VfM | Cost certainty across the Project can be achieved, and economies of scale, efficiencies and innovation may be employed to drive value. | By passing risk to the building contractor, build costs may be increased when compared to Option A. Risk of integration between D&B and O&M elements may also result in an additional “risk premium” being paid by the Council. | 5/10 There are both advantages and disadvantages to this method in terms of value, so an average score is appropriate. |
| Market appetite | There may be a smaller pool of contractors to draw from in relation to this option, when compared to either Option A or Option B. | Despite this, there is a bidding community which is both experienced in, and familiar with, the DBOM model for leisure procurements. | 6/10 In the Council’s view (again, this can be assessed further during market engagement) this model is capable of forming an appealing offer to the market, but is not clearly superior in this respect to Option B. A score of 6 is |

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| | | | therefore awarded. |
| Procurement costs and time | A single procurement process, and the implications for reduced time and costs, is a considerable advantage of this model. | None. | 10/10 This model appears to be the optimum solution for the Council in this regard, and so full marks have been awarded. |
| Retention of risk | A key advantage of this model is the ability to transfer “integration risk” between design, build and operation to the contractor. Moreover, the Sport England standard form transfers, or shares, a number of key risks with or to the contractor. | None. | 10/10 The integrated DBOM model presents greater opportunities for optimum risk transfer and allocation than either Option A or B. |
| Retention of control | Under this model, the Council has a series of contractual rights over the design, build and operation of the facilities. By framing the contract and procurement appropriately (including PQQ standards and award criteria) a significant level of control over the Project can be delivered. | However, there is less control in this model than under the separate procurement approaches of Option A or B, and the Council is sacrificing some level of control in order to obtain VfM, ease of procurement, and risk transfer. | 4/10 This option represents the greatest transfer of control to the operator, and so a below average score is appropriate. |
| TOTAL FOR OPTION C | | | 35/50 |