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LIST OF ANNEXES

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PURPOSE

- 1 The purpose of this report is:
 - a. to briefly explain the process adopted for evaluating the tender return submitted by Serco Aerospace and Defence and [REDACTED] in response to the Invitation to Negotiate (ITN) issued for the Campus Integrator contract. and
 - b. to recommend, for endorsement by the Project Board, the company to be selected as Provisional Preferred Bidder (PPB)¹ and taken forward to final negotiation and contract award.

BACKGROUND

- 2 Three companies, Serco, [REDACTED] and [REDACTED] were selected through the Pre-qualification Questionnaire (PQQ) process to receive the ITN². ITN documents were issued in two stages: support services on 23 Jul 04 and works on 24 August. A bidders' briefing was held on 30 Jul 04 and site orientation tours for each company were held during the period 3 - 5 Aug 04.
- 3 During the ITN bid period a series of workshops were held with each of the bidders, replacing the convergence workshops that were removed to maintain the overall programme. The workshops covered support service delivery, construction projects and commercial issues. The aim of each workshop was to ensure bidders understood every aspect of the ITN, our requirements and the information they were required to submit in their return.
- 4 At the start of the workshops [REDACTED] expressed concerns over their ability to respond to the ITN in our time frame due to the complexity of the documents and the short response time requested. Following an exchange of letters [REDACTED] formally withdrew from the competition on 27 Aug 04.
- 5 Bids were returned in two parts, with Support Services Method Statements and Maintenance Plan returned on 14 Sep 04 and the full submission returned on 28 Sep 04.

EVALUATION

- 6 Evaluation was carried out in accordance with the Evaluation Strategy³ and the Evaluation Plan⁴. Technical Evaluation was split into two strands, support services and works services with two further strands covering commercial and financial issues. Members of the Technical Evaluation teams were prohibited from seeing the financial information until their evaluation was complete. Team members for each strand are listed in the individual strand reports. Whenever possible internal expertise has been used, supplemented by MOD experts and external consultants used for specialist areas.

¹ Preferred Bidder is conferred by IAB hence the use of 'Provisional'.

CDT PQQ evaluation report endorsed by Director DA on 23 Mar 04

CDT Evaluation Strategy ref D/DEFAC/CDT/530/12 dated 24 Aug 04

⁴ C/ITN Evaluation Plan ref. Annex B to D/DEFAC/CDT/530/12 dated 24 Aug 04

Technical Evaluation

7 The 2 Technical Evaluation strands were run as parallel activities as they used the same evaluation methodology and there was an overlap with individual evaluators. The conclusions from the reports are as follows:

Support Services

- a. Bidder X. Although being generally compliant (a score of at least 5) there were a significant number of method statements that gave insufficient detail to enable the evaluation panel to recommend a higher score than 2. On many occasions Bidder X missed the opportunity to include specific statements of intent and method in their tender return, and on occasion no method statement at all.
- b. Bidder Y. Their method statements were in general terms the more technically and commercially compliant when compared against the Statement of Requirement (SOR). They attempted to answer all SORs with a method statement that were both technically and commercially acceptable. On occasion they missed opportunities to demonstrate specific service intents and methods, but there was no failure to respond to each SOR.

Works Services

- a. Bidder X. Considering Bidder X is a major construction company, their response was disappointing. On many occasions they failed to provide sufficient information to convince the evaluators they were capable of delivering the construction projects. This may not be a true reflection of the company but the evaluators could only evaluate on the evidence provided in their response, which reflected the poor quality of their bid. In 3 of the 4 Works evaluation areas, Bidder X were deemed to have provided only a generic response that had not been adapted to this project, and under the specified scoring regime equated to a poor response, and therefore not considered fully compliant.
- b. Bidder Y. Bidder Y is a major construction company. Their submission demonstrated considerable effort in putting the bid together and they provided the majority of the evidence the evaluation team were seeking to satisfy them that the company is capable, committed and in position to deliver the construction projects.

Commercial Evaluation

8 The Commercial Evaluation considered the bidders' willingness to sign the draft contract issued as part of the ITN, either unchanged (the standard bid) or with changes marked up in their innovative bid. One of the aims of the commercial workshop, held during ITN, was to resolve any issues that the bidders highlighted as a difficulty in an effort to produce a standard bid was non-contentious. This evaluation also included a review of the response to the risk and insurance matrices. The conclusions from these areas are as follows:

- a. Bidder X. Bidder X's bid specifically identified that it was not inclusive and therefore was difficult to evaluate, particularly where it stated there 'may be' or 'will be' further comments, at preferred bidder. In addition, the comments provided were high level and not always sufficiently specific to be properly evaluated. Bidder X confirmed at the final workshop that their method statements were

intentionally constrained to reduce their exposure to risk, and offered a priced risk register amounting to a further £6.7M⁵ annually to fully meet the SOR.

b. Bidder Y. The standard bid from Bidder Y was submitted on the basis of the draft contract subject to only minor comments about brands and to the risk assumptions. In relation to Bidder Y's variant bid, they offered a reduction from their price for the standard bid of £6.2M in real terms over the life of the contract if the amendments are accepted as drafted in the variant bid mark-up, the vast majority of required changes were specifically drafted. In general terms the likelihood is that most of the changes suggested could be agreed if the associated price reductions were considered value for money.

Financial Evaluation

9. The financial evaluation was carried out in four parts using the following experts:

- a. Financial Stability of companies – Pricing and Forecasting Group (PFG), part of DPA.
- b. Completeness of response and accuracy of the NPV calculations – MAS(A).
- c. Works Services assessment (standard QS tender assessment)/– Faithful & Gould (Quantity Surveyor member of the Project BARRINGTON Design Team).
- d. Sensitivity analysis of the pricing model and review of the complete submission for compliance with the requirements of the ITN – IBM Business Consulting.

10. Each team member produced an individual report, the conclusions from each were amalgamated into the overall strand report to identify whether or not the companies were financially compliant with the ITN requirements. The summary of this report is as follows:

- a. Bidder X. Bidder X only provided a completed Pricing Proforma⁶ with no supporting evidence⁷ and a poorly constructed NPV calculation, and failed to submit a maximum price for the Phases 2 & 3 projects. Their support services indexation rate (HICP⁸ + 1.9%) will inflate their prices increasingly significantly faster than Bidder Y (HICP + .8%) over the duration of the contract.
- b. Bidder Y. Bidder Y completed the Pricing Proforma with very detailed supporting information, using their own financial model as the source of the input data. Their NPV model was well designed.

11. Scoring of the financial section was based on a simple mathematical proportion with the lowest price being awarded 100% and the other bid shown as a percentage in proportion. These figures were then input into the overall weighting table specified in the Evaluation Strategy to give the final score for financial evaluation.

⁵ On investigation some of the priced risks were erroneous and others were not annual

⁶ To provide consistency of comparison the ITN provided each bidder with a comprehensive financial spreadsheet to complete.

⁷ This contract is based on open book accounting

⁸ We have assumed Harmonised Index of Consumer Prices (HICP) to be 2%

OVERALL RESULT

12. The scores from each evaluations were input into the following table to establish the overall score for each bidder:

ID	Description	High Level Criteria	Available Score	Bidder X Score	Bidder Y Score
1	Service Method Statements	Business capability			
	Support Services Works Services		40% 15%	14.7% 4.1%	20.6% 8.6%
2	Service pricing	Financial Security			
	Support Services Works Services		10% 15%	7% 12.6%	10% 15%
3	Configuration Control and Change Management	Quality and Business Performance	10%	4%	6%
4	Key personnel		10%	2%	8%
		Company Values			
Total			100%	44.4%	68.2%

13. Other factors that influenced the final decision were the overall quality of the bid submitted, the attitude and responsiveness of the bid teams both at formal meetings and in responding to clarification questions raised, and the confidence of reaching satisfactory contractual position during the preferred bidder stage. Whilst none of these are scored they do have an influence on the final recommendation.

PREFERRED BIDDER NEGOTIATIONS

14. The following issues must be resolved prior to contract award during final negotiations:

- a. Construction prices – compare prices with Stage C and D drawings
- b. Risk - transfer back to MOD where is shows VfM.
- c. Insurance – reduce to self indemnification.
- d. Method Statements – legalise.

RECOMMENDATION

15. Having completed the full evaluation, strand leaders together with CDT TL and Commercial Branch (Glasgow) convened a review board to consider evidence from the strand reports and the overall results table, and to agree a recommendation for the Defence Academy Programme Board to consider.

16. The recommendation of the Review Board was that Bidder Y should be selected as provisional preferred bidder for the Campus Integrator Project.

17. A Review Note, if accepted by the Programme Board, should be sent to IAB in accordance with the conditions set at Initial Gate Approval. Once approved the preferred bidder should be informed

~~RESTRICTED COMMERCIAL~~

ENDORSEMENT

The Defence Academy Programme Board confirms acceptance of the recommendation to select Bidder Y as the provisional preferred bidder for the Campus Integrator Project.

Signed

Director Defence Academy Board Chair

Dated