



DERBY CITY COUNCIL

COUNCIL CABINET
8 June 2010

Report of the Strategic Director for Children and
Young People

ITEM 8

BSF Programme – Appointment of Preferred Bidder

SUMMARY

- 1.1 Building Schools for the Future (BSF) is a huge opportunity to transform secondary education with significant capital investment. All schools with secondary age pupils are included in the programme. For Derby, funding has been confirmed as £206m to replace or renovate secondary schools, plus an additional £25m specifically for ICT.
- 1.2 The planning and development for BSF has been underway for over two years, and the programme remains on target. An important milestone was reached in March 2009 with government approval for BSF to enter the procurement phase, and commence the complex process of appointing a private sector partner to deliver BSF. As required by procurement regulations, a formal notice was published in the Official Journal of the European Union (OJEU) inviting interested parties.
- 1.3 The BSF procurement process follows a national approach based on competitive dialogue split into two stages. Derby's first stage of dialogue, with the three short-listed bidders, closed on 27 August 2009. During this first stage of dialogue, the BSF Dialogue Teams met with each bidder in developing proposals.
- 1.4 At the end of this stage of dialogue, as required, all three bidders submitted initial bids and the lowest scoring bidder was de-selected. The two remaining bidders – Balfour Beatty Education and Vinci Education - moved through to the second stage of dialogue and submitted their final bids in April 2010. A complex and detailed evaluation process based around the BSF standard evaluation criteria then took place.
- 1.5 The evaluation is made up of a quality assessment and a cost assessment. The proposal is for the bidder with highest overall score to be appointed as the Council's preferred bidder. It is anticipated that contractual and financial close will be completed in October 2010.

RECOMMENDATION

2. To consider the appointment of the highest scoring bidder as detailed in the confidential report.

REASONS FOR RECOMMENDATION

3. The highest scoring bidder must be appointed as the Council's preferred bidder. The proposal is to appoint the highest scoring bidder, evaluated against the scoring and evaluation criteria, which was issued to all bidders.

SUPPORTING INFORMATION

- 4.1 The Building Schools for the Future (BSF) Programme is the largest ever investment programme to transform secondary education in Derby, with £206m capital funding to replace or renovate secondary schools, plus an additional £25m specifically for ICT. All schools with secondary age pupils are part of the BSF programme.
- 4.2 The planning and development of the BSF programme has been underway for over two years. This included the development and approval of key strategic documents by central government, including the Outline Business Case which was also approved by Council Cabinet back in October 2008. For background information, a summary of the indicative investment proposals for each school is shown in Appendix 2.
- 4.3 The BSF Project Board, chaired by the Cabinet Member for Children and Young People, has been in operation for over two years with specific responsibility to oversee the development stages and the procurement phase of the programme.
- 4.4 The government agreed the BSF Outline Business Case in March 2009, giving the required approval for the Council to proceed to the procurement stage of the programme in selecting a private sector partner, and start the process of establishing a Local Education Partnership (LEP) with its supply chain to deliver BSF in Derby. Once appointed, the LEP would have exclusivity to deliver all schemes in the BSF programme in three phases.
- 4.5 As required with all large scale investment programmes, a formal notice was published in the Official Journal of the European Union (OJEU) in March 2009, inviting private sector partners to submit a Preliminary Qualification Questionnaire (PQQ) to register their interest in bidding for Derby's programme.
- 4.6 As a result of the PQQ evaluation process, three consortia were selected to be taken forward into the formal dialogue stage of the programme, which started in June 2009. The complex and detailed bid documentation known as the Invitation to Participate in dialogue (IPD), together with the evaluation criteria, were issued to the three bidders in June 2009.
- 4.7 At the end of dialogue stage 1, initial bids were submitted by all three bidders. Following a detailed evaluation process, and subsequent Cabinet approval, the lowest scoring bidder was de-selected and the two remaining bidders – Balfour Beatty Education and Vinci Education - moved through to the second stage of dialogue. The second stage of dialogue came to a close in April 2010. A complex and detailed evaluation of final bids then took place and the proposal is to appoint the highest scoring bidder.

- 4.8 BSF procurement is based on the principle that the bidders have to design and develop sample schools during the bidding process. One of these schemes has to be a Private Finance Initiative (PFI) funded new build scheme, and the other a major refurbishment scheme. These schemes then provide the benchmark for all the future schemes in the programme.

The sample schemes for our programme are:

- Noel Baker Community Language College and St Martins Special School - £38.4m PFI new build scheme (January 2008 prices)
- Derby Moor Community Sports College - £19.4m major refurbishment scheme (January 2008 prices)

- 4.9 The 'quality' evaluation process has been developed in line with procurement guidelines. The competitive dialogue process has been conducted in the following Evaluation Groups, against evaluation criteria set out by Partnership for Schools (Pfs), which is the body responsible for the national delivery of the programme:

- LEP Partnership
- PFI Sample School
- Design and Build Sample School
- ICT
- Legal and Commercial
- Financial

The sub-criteria was issued to bidders as required in order to develop their bids.

- 4.10 The 'cost' evaluation process has been developed in line with guidance provided by the external financial and legal advisers. The cost evaluation was established to ensure that bidder proposals were within the programme affordability limits.
- 4.11 A dedicated BSF Team, school representatives from Noel Baker, St Martins, Derby Moor and wider Council department representatives have been members of the evaluation groups with responsibility for evaluation. For the ICT Evaluation Group, there has been wider representation from other secondary schools as the ICT solution will be provided to all secondary schools. A dedicated ICT Working Group has also been in operation for over two years.
- 4.12 The bid documentation received has been extremely complex and detailed across the six evaluation areas. Whilst demanding, this was expected for an investment programme of this magnitude. The process of evaluating final bids has now been completed and this report sets out the outcome of that evaluation for Council Cabinet to consider and approve the appointment of a preferred bidder.

- 4.13 The evaluation of final bid submissions was carried out in line with the following six stages:
- Bid Compliance Check
 - Evaluation Teams Individual Scoring
 - Evaluation Team Review of Bids
 - Core Evaluation Team Initial Review of Bids
 - Clarification period
 - Consensus Groups Scoring
 - Moderation by the Core Evaluation Team Group
- 4.14 The BSF Project Board, at its meeting on 28 May recommended the appointment of the highest scoring bidder. Due to commercial confidentiality, this report does not contain the scoring information. Council Cabinet will consider this as a confidential item.
- 4.15 Subject to Cabinet consideration and approval of the appointment of the highest scoring bidder, final contracts will be approved at contractual close in October 2010. The lowest scoring bidder will be offered the option of a briefing meeting to feedback reasons for their non-selection. This process will be managed by the BSF Head of Service and will provide feedback from the consensus meetings.

OTHER OPTIONS CONSIDERED

5. The proposal to appoint the highest scoring bidder is in accordance with Partnership for Schools (PfS) requirements, therefore other options have not been considered. There is also a specific government requirement to establish a LEP as the default position for BSF programmes.

For more information contact:	Rita Silvester, Assistant Director, Performance and Commissioning, Children's Services Tel. 01332 716840. E-mail: rita.silvester@derby.gov.uk Gurmail Nizzer, Head of BSF, Performance and Commissioning, Children's Services. Tel 01332 716852 E-mail: gurmail.nizzer@derby.gov.uk Weblink: http://www.derby.gov.uk/EducationLearning/SchoolsColleges/bsf
Background	Appendix 1 – Implications
List of appendices:	Appendix 2 – School indicative BSF Investment Appendix 3 – BSF Programme timeline

IMPLICATIONS

Financial

- 1.1 BSF is the biggest ever investment programme to transform secondary education in Derby. Our Funding Allocation Model is confirmed at £206m capital expenditure to replace or renovate secondary schools at January 2008 prices, plus an additional £25m specifically for ICT.
- 1.2 The £206m capital expenditure includes the PFI credits which will be used to meet the charge for the new PFI schools that will be built as part of the BSF Programme. PfS have confirmed the amount of PFI credits available for Noel Baker Community School and St Martins Special School as the PFI sample schools, and this funding approval was used to calculate the Council's affordability position.
- 1.3 The cost assessment was completed by the financial evaluation team and was further supplemented by a formal financial report from the programme's external financial advisers. Due to commercial confidentiality, this report does not contain the cost evaluation information.
- 1.4 Bidders were required to submit proposals that took into account the level of funding available to ensure that their bids were affordable. The submissions received by the bidders were within the affordability limits set out in the cost evaluation criteria.

Legal

- 2.1 The evaluation process for final bid submissions has been conducted in accordance with the criteria outlined in the bid documentation, European regulations and Corporate guidance on procurement. Prior to bid submissions, all bidders were provided with details on how each bid would be scored and evaluated by the Council. All members of the team have undertaken scoring and evaluation to this criteria. The highest scoring bidder must be appointed as the Council's preferred bidder according to the criteria outlined in the bid documentation.
- 2.2 The external legal advisers are continuing to work with the BSF Team and have been involved in dialogue meetings and evaluation of contracts. Final contracts will be approved at contractual close in October 2010.

2.3 All bidders were required to submit the following legal contracts as part of their bid submission:

- Strategic Partnering Agreement
- Shareholders Agreement
- Management Services Agreement
- PFI Project Agreement
- PFI Payment Mechanism
- ICT Services Contract
- ICT Payment Mechanism
- Design and Build Contract
- Funders Direct Agreement

Personnel

- 3.1 There will be personnel implications of services to be included in the LEP, for example, cleaning, caretaking, grounds maintenance and security for the proposed PFI schools and ICT implications for a managed service to those schools within the BSF programme, together with the potential for staff transfer.
- 3.2 There will be full consultation. TUPE will apply to any staff transferring to the private sector partner.
- 3.3 There has been consultation with staff likely to be affected. Consultation events were held, and there are regular newsletter updates as the dialogue process has progressed. This consultation will continue following the appointment of the preferred bidder.

Equalities Impact

4. The BSF programme will provide significant levels of capital funding to improve and modernise school buildings. The overall objective of transforming secondary education will embrace narrowing the gaps in opportunity and achievement. It is intended that all schools will be Disability Discrimination Act (DDA) compliant on completion of the programme.

Corporate objectives and priorities for change

5. This report supports the Council's key priorities in Derby being a city that builds a brighter future for Children and Young People who enjoy a healthy, safe and happy childhood, with the opportunity to meet their full potential.

Appendix 2

Summary of indicative investment proposal for each school in BSF Programme

Name of School	Outline proposal	Procurement route - PFI	Indicative Cost (January 2008 prices) – PFI	Indicative Cost (January 2008 prices) – D&B
Noel-Baker Community School and Language College	New build	PFI	£38,400,000	-
St Martins School				
Derby Moor Community Sports College	Major refurbishment	D&B	-	£19,400,000
Lees Brook Community Sports College	New build	PFI	£22,300,000	
Bemrose Community School	Major refurbishment	D&B	-	£22,200,000
Littleover Community School	Major refurbishment	D&B	-	£20,600,000
Saint Benedict Catholic School and Performing Arts College	Major refurbishment	D&B	-	£15,800,000
St Clare's School	New build	D&B	-	£8,300,000
Kingsmead School – Bateman Street site	New build	D&B	-	£3,000,000
Chellaston School	Minor refurbishment	D&B	-	£5,400,000
Murray Park Community School	Major refurbishment	D&B	-	£8,500,000
West Park School	Minor refurbishment	D&B	-	£5,300,000
Woodlands School	Major refurbishment	D&B	-	£9,400,000
St Andrew's School	Minor refurbishment	D&B	-	£3,500,000
Kingsmead School – Southgate site	Major refurbishment	D&B	-	£2,700,000
Kingsmead School – Turnaround Centre	New build	D&B	-	£2,100,000
Kingsmead School – Bridge Street Site	ICT Only	-	-	-
Ivy House School	ICT Only	-	-	-
Sinfin Community School	ICT Only	-	-	-
Da Vinci Community College	ICT Only	-	-	-
Merrill College	ICT Only	-	-	-
Overall totals - PFI and D&B			£60,700,000	£126,200,000

Programme Funding Summary	January 08 prices
Funding of proposed schemes (PFI and D&B)	£186,900,000
Excess abnormal funding	£4,200,000
ICT infrastructure in school areas not being refurbished	£4,000,000

Contingency	£11,000,000
Total	£206,100,000
Estimated ICT funding	£25,000,000
Total estimated funding available	£231,100,000

Derby BSF Programme – Indicative timeline

Milestones	Dates
PROCUREMENT PHASE	
1. Dialogue Phase 2	
Proceed to Stage 2 of the Dialogue	Monday 9 November 2009
Conclusion of Dialogue Phase	Friday 12 March 2010
2. Final Tender Period	
Issue ITSFB	Thursday 8 April 2010
Return of Final Bids	Friday 9 April 2010
Cabinet Approval	Tuesday 8 June 2010
Appointment of Preferred Bidder	Wednesday 9 June 2010
3. CLOSE PERIOD	
Clarification and confirmation of commitments	By Friday 21 May 2010
Alcatel Standstill begins	Wednesday 9 June 2010
Alcatel Standstill period ends	Monday 21 June 2010
Submission of planning applications	w/c 28 June 2010
Receipt of planning permissions	Thursday 2 September 2010
Contract award	Wednesday 13 October 2010
Contract commencement	Thursday 14 October 2010