

London Legacy Development Corporation

Contract Award Recommendation

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FOR

London Aquatics Centre Operation and Maintenance Services Agreement

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COMMERCIAL IN CONFIDENCE

LLDC Protected

Template Version v2

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Value	£6,381,000
Date	21/8/2023
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Version	Version 2

London Legacy Development Corporation Record Sheet – Approval

PIPELINE Ref No: PIP-02			Contract Team Number: 0387		
Record Sheet					
<p>Endorsement is hereby sought of stakeholders for this proposed Contract Award Recommendation for London Aquatics Centre.</p> <p>The stakeholders listed below are asked to confirm their review and endorsement of the paper.</p> <p>The stakeholders below also confirm that they do not have any actual or potential conflicts of interest and will maintain the commercial confidentiality of the document, process, and any relevant decisions.</p> <p>Where any actual or potential conflicts have been identified, a separate Declaration of Interest form has been completed and mitigations agreed.</p>					
Cross Business Review with Stakeholders					
Name	Philip Hewson	Mark Camley	Ed Fane	██████████	Anthony Barnes
Job Title	Director of Procurement	Executive Director	Head of Venues	Senior Finance Business Partner	Head of Contract Management
Directorate	Financial, Commercial and Corporate Services	Park Operations and Venues	Park Operations and Venues	Financial, Commercial and Corporate Services	Park Operations and Venues
Decision / Review Outcome	Paper endorsed by Email	Paper endorsed by Email	Paper endorsed by Email	Paper endorsed by Email	Paper endorsed by Email
Are there any interests to declare?	No	No	No	No	No

Award Recommendation Checklist

Award Recommendation Checklist		
Process	The approved sourcing strategy has been followed, and any deviations noted and assured?	Yes
	The project has been executed with involvement of necessary stakeholders	Yes
	Competitive procedure followed, unless legal or procurement approval for alternative procedure	Yes
	Tender results conclusive with both Commercial and Capability scores	Yes
	All supplier correspondence documented or retained for Audit purposes	Yes
Results	Commercial position of all bidders understood considering whole life cost	Yes
	Benefits versus the baseline spend calculated	Yes

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	The Technical capabilities meet and/or exceed LLLDC's requirements and are fully understood	Yes
	Comparison of all bidders' responses is demonstrated and documented	Yes
	Award recommendation based on evaluation results	Yes
Transition	All risks inherent to the suppliers and transition are known	Yes
	Immediate action list, e.g., action for contract signature, supplier onboarding and SRM plan to be agreed	Yes
	Medium- and long-term initiatives plan to transition and implement supplier(s)	Yes

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1. Introduction / Executive Summary

This paper seeks approval to proceed with the award of PIP-02 London Aquatics Centre Operation and Maintenance Services Agreement. Authority to the value of £6,381,000 (over 8 years) is sought as part of this request. By indicating agreement, stakeholders and signatories confirm their approval of this contract award. The Authority holder, by granting approval in writing, confirms that they grant the requested Authority.

The procurement was conducted using the AWARD e-Sourcing portal, with the opportunity advertised on Contracts Finder and Find a Tender, publication reference: 2022/S 000-030243, dated 26th October 2022, noting use of the Competitive Procedure with Negotiation (CPN). This route to market ensures compliance with the Public Contracts Regulations.

Organisations expressing an interest in tendering for the contract were required to sign a confidentiality agreement and were provided access to the tender documents via AWARD e-Sourcing and a LLDC Data Room.

2. Contract Details

Contract Register & Pipeline entry:		PIP-02	
Value including any options	£6,381,000	Year 1 contract value	£1,481,000
Contract duration	8 years and 1 month with an optional extension period of 2 x 12 months		
Contract type	Bespoke Contract T&CS	Nature of the procurement	Services
If this is a new framework, is Procurement Authority required at framework level?	N/A		
Terms and Conditions used	Bespoke Contract T&CS	Special terms or considerations	N/A
Is this a call-off from a current framework?	No	If yes, which Framework?	N/A
UK Legislation that Applies (irrespective of value)	DCP2015	Number of Lots	N/A
What Category / Categories does this cover?	Operational Services	Is a Category Plan in place? If yes, which one(s)?	No
Business Units this contract will cover	Park Operations and Venues		
Contracting authority details	London Legacy Development Corporation, 5 Endeavour Square, Stratford, London, E20 1JN		
Successful tenderer details	Sports and Leisure Management Ltd, 2 Watling Drive, Sketchley Meadows, Hinckley Leicestershire, LE10 3EY Company registration number 02204085		

3. Adherence to Procurement Plan

3.1.1 Summary

The London Aquatics Centre procurement is part of the QEOP Operational Contracts Procurement Programme. The plan was developed following approval of the QEOP Operational Contract Packaging Strategy by EMT and Investment Committee in December 2021, which authorised the project to progress to the procurement stage.

The key programme driver is to ensure the full handover and mobilisation of all services, by the expiry of the Estates Facilities Management (Equans) contract and the incumbent venue operation contract (GLL) at the end February 2024. The planned contract start date is 1st March 2024.

The Procurement Plan is included in Appendix A.

3.1.2 Deviations

The deadline for receipt of ITT submissions was extended from 21st April to 5th May at the request of bidders. This had a commensurate impact on the dates for evaluation. However, this did not delay the mobilisation period or contract start date.

3.1.3 Changes

No changes occurred.

4. Supplier Selection and Evaluation

Filtering of Applicants	
Provide detail of the vendor selection process:	
Initial number of Expression of Interest	7
Initial filtering criteria	Supplier Selection Questionnaire (SSQ)
Number of applicants shortlisted to ITT	3
Number of tenderers that submitted response to ITT	2 1 tenderer did not bid at the ITT submission deadline
Number of tenderers invited to clarifications	2

4.1 Supplier Selection, Capacity & Capability

A Supplier Selection Questionnaire (SSQ) was used to assess interested parties against minimum requirements and shortlist to Invitation to Tender (ITT) stage. Three (3) tenderers were shortlisted to ITT stage:

- GLL
- Serco Leisure
- EA Business Development (Sports and Leisure Management Ltd (SLM))

The Tender List Recommendation Report is included in Appendix B.

Tenders were received from two (2) suppliers, with Serco Leisure declining to submit a response on the day the ITT responses were due (5th May), citing an internal reorganisation, which resulted in a change in their corporate direction and the opportunities they were pursuing.

4.2 Evaluation Strategy

The tender evaluation was based on Most Economically Advantageous Tender (MEAT), with the Award Criteria weighted at Commercial 40% and Technical 60%.

The Tender Evaluation Panel is detailed in Appendix C.

4.3 Technical Evaluation

Tender Results

The supporting detail for the tender evaluation is contained in Appendix D (Technical) and Appendix E (Commercial). The overall evaluation scorings as follows:

	Sports Leisure Management (SLM)		GLL	
	Weighted Score (%)	Criteria Score	Weighted Score (%)	Criteria Score
B1 Organisation Structure	11.05%	Very Good Confidence	11.05%	Very Good Confidence
B2 Customer Services Model	11.90%	Very Good Confidence	11.90%	Very Good Confidence
B3 Delivery Methodology	11.05%	Very Good Confidence	11.05%	Very Good Confidence
B4 Risks and Opportunities	1.95%	Good Confidence	2.55%	Very Good Confidence
B5 Socio- Economic	1.50%	Moderate Confidence	1.50%	Moderate Confidence

B6 Environmental and Sustainability	5.10%	Very Good Confidence	3.00%	Moderate Confidence
B7 Sports Development	3.25%	Good Confidence	4.25%	Very Good Confidence
B8 Investment	2.55%	Very Good Confidence	2.55%	Very Good Confidence
Weighted Score (60%)	48.35%		47.85%	

4.4 Commercial Evaluation

The scoring was derived from the final submissions from both bidders. The financial standing of each party was also assessed and both bidders passed the financial standing assessment.

The SLM submission did not include a Commercial Rights Income Fee and as such it is not intended for Commercial Rights to be awarded as part of this procurement.

The SLM pricing model included a client payment of £6.381m over 8 years which averages to £798k per annum, although it should be noted that the year 1 client payment is £1.481m and this reduces year on year to the final year of the initial contract term - £430k.

	EA (SLM) (£,000)	GLL (£,000)
Total Client Payment Required - Contract Duration	(6,381)	430(2)
Total Commercial Income Fee - Contract Duration	0	
Total Client Payment Scoring	35.00%	23.00%
Total Commercial Income Scoring	0.00%	5.00%
Total Scoring Available (40%)	35.00%	28.00%

4.5 Clarifications and Negotiation

The evaluation team had the opportunity to clarify with tenderers regarding ITT pricing submissions. This approach provided assurance that pricing models were completed correctly, therefore ensuring like for like comparison between bids. Clarifications were sent back to both tenderers on lifecycle costs and commercial and technical elements of each bid.

The evaluation team invited tenderers to attend commercial pricing model meetings on 13th June 2023. All information shared in meetings was consistent across all tenderers. The purpose of the

meetings was to discuss the initial pricing model tender submission and focused on: Income-revenue assumptions and investment/phasing, risks, lifecycle- combination of lifecycle/FM costs profile and assumptions made on catering, merchandising, staffing costs, Profit & Overheads, and commercial rights.

Following these, both tenderers had the opportunity to review and revisit their initial tender pricing model and to submit a final tender through AWARD e-Sourcing portal by 26th June. The responses were reviewed by the commercial evaluators and is detailed below.

Agendas for commercial meetings, along with technical post tender clarifications, can be accessed in Appendix F.

4.7 Overall Evaluation

Tenderer	Technical	Commercial	TOTAL	Rank
EA Business Development	48.35%	35.00%	83.35%	1
GLL	47.85%	28.00%	75.85%	2

4.8 Conflicts of Interest

Conflicts of Interest forms were completed by all evaluators with no conflicts recorded.

5. Financial Authority

5.1 Availability of Funding

The contract is part of the QEOP Operational Contract Packaging Strategy, presented to EMT and Investment Committee in December 2021, which authorised the project progress to the procurement stage. Further approval for Contract Award will be sought at LLDC Board in September 2023. This was agreed following the presentation of the packaging strategy to Investment Committee in December 2021 and was requested due to the high-profile nature of the venue operation contracts.

5.2 Spend Commitment

Committed spend for this contract is over an 8-year, 1 month duration for the initial contract period. The Contract Client Payment due from LLDC of £6.381m over 8 years and 1 month would be fixed with a single variable element of Utility costs. The client payment is the operational trading deficit from SLM using their income and expenditure assumptions. The liability for not hitting income targets or

overspending on expenditure is solely with SLM except for the utilities (for which there is a Utility Benchmarking Procedure included in the Contract) which adjusts the price based on actual tariff costs.

There is a further mechanism in the Contract relating to any potential surplus made by the successful tenderer after they have received the Contract Client Payment – this Client Rebate would be 70% of any surplus.

5.3 Variances

N/A

5.4 Guarantees and Indemnities

A guarantee (PCG) will be requested from the parent company of SLM, Castle View Holdings Ltd.

5.5 Value for Money / Savings / Benefits

The Final Project Approval (FPA) outlines full Financial Implications of the Contract Award as well as comparisons to current trading and the QEOP Operational Contracts business case that was approved by the Investment Committee.

It should be noted that the SLM submission includes a £684k financing cost for £1.078m of capital investment. LLDC may wish to investigate what other financing options may be available to bring down the total cost. This was discussed in the clarification meeting held with SLM and they were amenable to looking into different options alongside LLDC.

5.6 Savings

The Final Project Approval (FPA) outlines full Financial Implications of the Contract Award.

5.7 Indexation / Foreign Exchange

The Contract allows for indexation of the expected operator costs and modelled income (which effectively indexes the modelled Contract Client Payment) effective from the first review date (1st April 2025) and each year thereafter. The indexation increase is the Service Commencement Base CPI to February (current year) CPI increase.

5.8 Main Risks and Mitigation Activities

Risks	Mitigations
<p>Transition of services from incumbent supplier: The provision of FM services will transition from Equans. The provision of venue operation services will transition from GLL.</p>	<p>A mobilisation period of 6 months has been incorporated into the programme to assist transition. The successful tenderer has returned a draft mobilisation plan as part of ITT submission.</p> <p>The incumbent supplier has also produced a detailed exit plan.</p>
<p>TUPE:</p>	<p>LLDC’s legal support partner has provided advice and support, along with assistance in responding</p>

<p>Obligations for TUPE transfer is placed on SLM for the services transitioning from Equans and GLL (if applicable). This is an administrative process and, although the contracted service must be maintained during this time, LLDC may see disruption to service continuity and impact on retention of the team.</p>	<p>to bidder clarifications during the procurement process. LLDC have offered a reconciliation mechanism on TUPE within the contract, and tenderers were provided with TUPE detail to assist with assumptions in bids.</p>
<p>Utilities Price and Consumption: Supplier does not fully meet energy reduction targets.</p>	<p>A robust utility benchmarking procedure has been included in the Agreement. This is capped at target consumption and rates above this. The procedure also adjusts the price based on actual cost and the supplier takes the consumption risk.</p>

6 Contract Management

6.1 Contract Management Plan

The Contract will be managed on a commercial and operational basis by the Park Operations and Venues directorate and by the Head of Venues. The plan has been drafted as part of the tender and will be refined and updated during the mobilisation period.

6.2 Construction Design and Management Regulations (CDM)

N/A

6.3 Special Terms and Conditions (T&Cs)

No unusual terms and conditions were identified in Procurement Strategy or identified during the procurement.

6.4 Key Performance Indicators

LLDC shall monitor the supplier's performance against KPIs using monthly self-assessment reporting. Payments are awarded for KPI incentive achievements, and deductions for KPI failures. KPIs are detailed in Schedule 5 of the Agreement and includes measured aspects such as Service Standards e.g. (Event Delivery, Customer Service, Asset Compliance, External Areas, Cleaning and LAC response times), Participation (number of LAC users), Sports Development (working with target groups), High performance sport (hours worked with groups) and Reporting (requirements).

The total amount at risk to the Operator is capped at £100,000. per Contract year. KPI Incentive Payments are capped at £30,000 and can be applied for performance that is above the KPI Stretch Target in respect of each KPI.

6.5 Subcontracting

The successful tenderer has identified that they will subcontract the car parking services, and external landscaping to a specialist subcontractor (idVerde), although they have no obligation to use this supplier. SLM are responsible for supervision of all subcontractors, and fully accountable for all performance measures.

7 Transition

The ITT requested tenderers submit a Mobilisation Plan which outlines the following:

- programme for mobilisation
- to include continuity of service
- mobilisation and demobilisation of staff and equipment
- interface with client to understand requirements

The Mobilisation Plan will be inserted into the Agreement as Schedule 4.

As part of the Mobilisation, the supplier shall hold a contract familiarisation meeting to familiarise itself with its obligations under this Agreement.

8 Next Steps

Activity	Responsible	Time Limits
Award Recommendation Paper	Procurement (Madeleine Bromley)	August 2023
EMT Paper Submission	Park Operations and Venues (Anthony Barnes)	August 2023
EMT Approval	Park Operations and Venues (Anthony Barnes)	August 2023
Issue Outcome Letters	Procurement	September 2023
LLDC Board Final Approval	Park Operations and Venues (Anthony Barnes)	September 2023
Award Contract	Procurement	September 2023
Contract Execution	Procurement	September 2023
Inception Meeting	Park Operations and Venues (Anthony Barnes)	October 2023
Contract Commencement	Park Operations and Venues (Anthony Barnes)	1 st March 2024

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Appendices (available upon request)

Appendix A: Procurement Plan

Appendix B: Tender List Recommendation Report

Appendix C: Tender Evaluation Panel

Technical	Weighting (%)	Evaluator Names
B1 Organisation Structure	13%	Peter Tudor [REDACTED] s40 [REDACTED]
B2 Customer Services Model	14%	Peter Tudor Ed Fane Anthony Barnes
B3 Delivery Methodology	13%	Anthony Barnes s40 [REDACTED] Ed Fane
B4 Risks and Opportunities	3%	s40 [REDACTED] s40 [REDACTED] s40 [REDACTED]
B5 Socio Economic	3%	s40 [REDACTED] s40 [REDACTED]
B6 Environmental and Sustainability	6%	Ben Coulter s40 [REDACTED]
B7 Sports Development	5%	[REDACTED] Edward Fane Layla Conway
B8 Investment	3%	Anthony Barnes s40 [REDACTED] s40 [REDACTED]
Commercial	Weighting (%)	Evaluator Names
Pricing Model	40%	s40 [REDACTED] s40 [REDACTED]

Appendix D: Detailed Tender Results (Technical)

ITT evaluator scores
Moderation final scores and commentary

Appendix E: SLM Final Commercial Pricing Template Submission (Commercial)

Appendix F: Documentation detailing communications with tenderers

Approval Emails