1. INTRODUCTION

1.1 The principal purpose of tender evaluation is to determine the tender which best meets the requirements of the Executive and delivers best value. It should be a rigorous examination and comparison of all submissions received on an equal and consistent basis without bias.

1.2 In respect of achieving the Executive's aims through procurement, tender evaluation is the most crucial/important element of the procurement process. Identifying the right tenderer for the task. A good contract or specification will not necessarily make a poor quality tenderer a good service provider.

2. PRINCIPLES

2.1 However the evaluation is carried out, there are some guiding principles that relate to all evaluation exercises. These include:-

(i) It is an absolute requirement of public sector competitions that all companies are given an equal opportunity to succeed.

(ii) The criteria for evaluation must be established prior to Invitation to Tender and remain consistent and objective throughout the process.

(iii) The reasons for rejection must be documented and if challenged, backed up by full documentary evidence that will show that the evaluation was properly conducted.

2.2 Fairness transparency and objectivity are the overriding principles.

3. AWARD CRITERIA

3.1 There are 2 types of award criteria and these are commonly referred to as:-
(i) Lowest priced compliant tender
(ii) Most economically advantageous tender (price/quality).

3.2 A determination must be made at the outset which award criteria is to be utilised.

3.3 The lowest priced compliant tender criteria is acceptable for simple procurements or where a tight input specification is utilised. It is not suitable for more complex procurements or output based specifications.

3.4 Most economically advantageous criteria strikes a balance between price and quality.

4. TYPES OF EVALUATION MODELS

4.1 It is acknowledged from the outset that no one model will fit all procurement scenarios.

4.2 Evaluation models will range from a very simple model, i.e. price only ranking, through to very complex mathematical models using pre-determined weightings and sensitivity tests. Mathematical models should not combine price and quality into a single score.

4.3 For any procurement other than a procurement of simple content or where a tight specification is given, then a price/quality evaluation model should be utilised. An example of the recommended model is given at Appendix A. This model does not rely on a strict arithmetical formulae, but requires each tender to be assessed from a quality perspective using the same criteria, and then requires price/cost to be considered with objective reasoning being given if it is proposed to accept a tender which is more expensive than a tender that meets the minimum quality standards.

5. FINANCIAL EVALUATION

5.1 The key is to assemble all the aspects of the tender that have a direct and indirect financial impact on the Executive. These should be the financial costs that the Executive will be subjected to throughout the life of the contract e.g. life cycle, ongoing maintenance costs, licences, etc. These costs may also include the consequences of selecting the supplier e.g. upgrade to IT systems.
5.2 Tender price is the only common denominator when comparing tenders and should be kept separate from the evaluation of quality.

6. ISSUES TO BE CONSIDERED WHEN EVALUATING TENDERS

6.1 Regardless of the way price is factored into the evaluation model, the quality component needs breaking down into a number of criteria. A non-comprehensive list of criteria is given at Appendix B. The criteria should be weighted to reflect the relevant importance of each criteria, the weightings set on a project specific basis. The criteria could be further broken down to a sub-criteria level to indicate what factors fall within that element of the criteria. Examples are given in Appendix C.

6.2 Who should undertake the evaluation? It is particularly important to give thought to whether the evaluation should be undertaken by one or more persons, and if more, whether they should undertake the evaluation separately and the scores be brought together in some manner. Evaluation by 2 or more members of staff takes away some of the risk of bias. It is recommended that at least 2 persons separately evaluate the tenders.

6.3 The evaluation procedure should, other than in exceptional circumstances and, in any event, for all EC procurements, be finalised prior to the issue of the Invitation to Tender. It is good practice to dispatch the evaluation model with the Invitation to Tender. Once the evaluation model has been published then this should be adhered to.

6.4 What information should be utilised to evaluate the tenders?

Examples include:-

- Method Statements
- References
- Interviews
- Tender supporting documents (sample products if relevant)
- Financial standing if not done at earlier evaluation stage, i.e. if this is not a restricted procedure, etc.
6.5 It is wise to ensure relevant experience is recent and where professional services are sought that the nominated staff have personal experience in the work areas sought.

7. **MAKING THE AWARD DECISION**

7.1 To make the final decision, the financial and non-financial evaluations need to be brought together.

7.2 The evaluation criteria methodology should be designed to ensure that the successful tenderer meets all essential requirements.

7.3 It may well be that tenders are rejected prior to the financial elements of the evaluation being incorporated due to the fact that the tender has not passed the pre-determined quality threshold for each area of work and for the project as a whole.

7.4 The evaluation methodology need not employ a pre-determined mathematical scoring to “weigh” quality differences against price differences. It must however provide a firm basis for an objective and auditable evaluation of (a) whether a tender meets the Executive’s essential requirements, and (b) the importance of qualitative differences between the tenders. Full written records are required to be kept justifying decisions that are taken.

7.5 Strong evidence is required to reject a cheaper bid that is compliant with all mandatory conditions and requirements.

8. **DISTRICT AUDITORS COMMENTS**

8.1 District Audit in their “Use of Consultants” Audit of November 2001 made specific comments in respect of tender evaluation. Three specific recommendations were made in respect of tender evaluation as follows:-

“R10 -The Executive should ensure that tender evaluation models are devised prior to inviting tenders and that sufficient details are provided to tenderers to allow them to prepare their tenders to suit the prescribed evaluation regime.

R11 -The Executive should ensure that evaluation criteria are robust and not capable of distorting outcomes in a manner which may not ensure best value for the organisation.
8.2 The methodology proposed covers the issues raised in 8.1 above.

9. EVALUATION IN THE EXECUTIVE

9.1 Directors, Management Board and Executive Boards are responsible for awarding contracts. Therefore, they need to be in a position to understand the process that has taken place and why they are being asked to recommend a particular award. They need sufficient information to be able to query recommendations and assumptions.

9.2 For contract awards which are to be based on the most economically advantageous criteria the following will be the normal process:-

- Estimated contract value established
- Expressions of interest (where restricted procedure utilised)
- Specifications/contract conditions drafted
- Draft tender evaluation model agreed
- Tenders invited
- Tenders evaluated
- Award recommended – Director, Management Board and/or Executive Board
- Contracts completed
### APPENDIX A

**TENDER EVALUATION MODEL**

**ASSESSMENT SHEET – QUALITY**

#### STAGE 1

<table>
<thead>
<tr>
<th>TENDERER: XYZ Ltd.</th>
<th>QUALITY CRITERIA (Example only)</th>
<th>ASPECT WEIGHTING (A)</th>
<th>MARKS AWARDED (B)</th>
<th>WEIGHTED MARKS (AxB=C)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Understanding of Requirements</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Added Value</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Timetable</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relevant Experience</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capability</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL SCORE:</th>
<th>ASSESSOR:</th>
<th>DATE: SIGNATURE:</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Total Score is divided by 5 to provide the Quality Assessment Mark.

Score all tenders as above in accordance with your criteria and sub-criteria using the marking system set out overleaf. Completion of the commentary sheet is also required.
## TENDER SCORE CRITERIA

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>MARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A  Very high standard with no reservations at all about acceptability.</td>
<td>5</td>
</tr>
<tr>
<td>B  High standard but falls just short of A.</td>
<td>4</td>
</tr>
<tr>
<td>C  Good standard.</td>
<td>3</td>
</tr>
<tr>
<td>D  Generally of a good standard with some reservations.</td>
<td>2</td>
</tr>
<tr>
<td>E  Basic compliance only</td>
<td>1</td>
</tr>
<tr>
<td>F  Fails to meet the minimum requirements. (Bid rejected)</td>
<td>0</td>
</tr>
</tbody>
</table>
QUALITY ASSESSMENT
COMMENTARY SHEET

TENDERER:- XYZ LTD.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>COMMENTS</th>
<th>SCORE (0 – 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding of Requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Added Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timetable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relevant Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
STAGE 2

1. Discount any bids that do not meet your predetermined quality threshold. As an example you may have a cut off that tenders that do not score [45] out of 100 will be rejected and/or on those that score 0 in any Quality will be rejected.

2. Calculate the tender price taking into account whole life costs (see section 5.1 above)

3. Rank each tender in price order, highest first, as follows:-

<table>
<thead>
<tr>
<th>RANK (by price)</th>
<th>TENDER</th>
<th>PRICE</th>
<th>QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>XYZ Ltd.</td>
<td>100</td>
<td>60</td>
</tr>
<tr>
<td>2</td>
<td>ABC Ltd.</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>3</td>
<td>JKL Ltd.</td>
<td>71</td>
<td>50</td>
</tr>
<tr>
<td>4</td>
<td>EFG Ltd.</td>
<td>65</td>
<td>49</td>
</tr>
</tbody>
</table>

4. Reject tenders which are unaffordable.

5. Reject those tenders whose price is higher than tenders with a higher quality. In the table above the XYZ Ltd. tender would be rejected.

6. Evaluate the remaining tenders to determine which tender gives the most economically advantageous solution. In the event that the lowest priced acceptable tender is not being recommended then the report recommending acceptance would need to fully justify the recommendations by demonstrating that the additional quality being procured is good value as against the lower priced acceptable tender. Full written details of the evaluation process must be retained in order to provide an audit trail. A spreadsheet should be completed in the following format.
<table>
<thead>
<tr>
<th>TENDER</th>
<th>PRICE/DIFFERENCE £'s</th>
<th>COMPARISON/JUSTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>JKL Limited</td>
<td>71 6</td>
<td></td>
</tr>
<tr>
<td>ABC Limited</td>
<td>75 10</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX B

QUALITY EVALUATION CRITERIA. (Examples Only)

- Capability
- Quality of Service
- Values of the authority
- Period for project completion or delivery
- Service characteristics
- Technical capability
- Experience of providing service
- After sales service
- User interface
APPENDIX C

QUALITY EVALUATION SUB-CRITERIA (Examples only)

Capability Assessment

- Will the service or product be delivered as per the specification
- What is the timescale of the project and can this be achieved
- Will it satisfy the needs of the authority and aspirations of the public
- Has the potential supplier experience or provided a history of their capability
- Support Services

Systems and Procedures

- Quality control systems
- Performance monitoring systems
- Working practices
- Support systems
- Good practice guides
- Adequate infrastructure

Meeting the Values of the Authority

- Policies on Health and Safety
- Impact on economy, employment
- Social inclusion
- Training and development policies
- Skill levels of existing workforce and how will gaps be addressed
- Retention and recruitment of staff
- Equal opportunities
User Interface

- Method of developing relationships with service users
- What input will be available to the community
- How will service improvements be managed
- What customer care policies are in place
- How will complaints and service failures be managed

Best Value Issues

- How will methods of service delivery be improved
- How will a self monitoring framework be established
- What continuous improvement techniques will be used
- How will future changes to specifications be managed

Environment and Sustainability Issues

- How do the proposed methods fit with local agenda 21?