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# **Tender Evaluation Guidance**

# **Version 1.0 July 2017**

For clarification, the definition of ‘economic operator’ used within this document is taken to mean a contractor, a tenderer, a supplier, a participant, an applicant or a services provider.

For abbreviation purposes, the procurer Enquire Learning Trust is usually defined as “ELT” within this document.

# **Guide to Bid Evaluation**

The aim is to choose an economic operator that will deliver the best value-for-money over the lifetime of the contract. A numerical scoring system does tend to give the evaluation an air of objectivity. However, you should remember that all the non-financial scores are the result of subjective judgements about different potential providers. We are essentially evaluating if each bidder will deliver what they say they can and how that compares to other bidders.

## When can selection decisions be made on the basis of lowest price alone?

If all bids are compliant, then the choice between them can be determined on price alone for the supply of simple goods, where there are no maintenance requirements, no back up or support needed, and no differences in quality between suppliers which might have an impact on performance.

For all other goods, and for services, bid evaluation is more complex and will include both total cost to ELT (not just the economic operators price) and quality.

The normalised bid evaluation model described in detail in this document is considered to be best practice.

It is based on simple principles:

* The ***total lifetime cost*** of each bid will be assessed and scored out of 100 (with the lowest cost bid being awarded 100 points).
* The ***quality*** score will be assessed by establishing and then scoring a series of weighted criteria, and then adjusting each quality score to a score out of 100 (with the highest scoring bid being awarded 100 points).
* The cost and quality scores will be combined according to a cost**:** quality ratio which the tender evaluation panel agreed and fixed in advance of the tender opening.

## Evaluation criteria

The evaluation criteria is determined at the time the specification is developed. The criteria will impact on the way the documents in the invitation to tender (ITT) are written and the information we want the tenderers to provide.

We give each criterion a weighting that reflects its importance and this is the basis for our bid evaluation model. Once the weightings have been finalised and agreed they are recorded **before** we open and evaluate any of the tenders. Under current EU rules both the criteria to be used and their respective weighting factors have to be listed in the Invitation to Tender (ITT).

Our evaluation against these criteria also helps us provide insightful feedback for both unsuccessful and successful tenderers.

## Evaluation panel

As a minimum, our panel will consist of at least two people, one of whom is the contract administrator and another an ELT specialist and/or a representative of our client(s).

Any potential conflicts of interest are identified and addressed at the outset.

We also consider asking individual ELT officers to review elements of the bid if they have specialist knowledge and expertise e.g. commercial, technical compliance, financial.

Each panel member will score, sign and date their evaluation separately against the agreed award criteria.

The panel can agree, prior to opening tenders, that unless economic operators meet a minimum quality threshold their tender will not be considered, regardless of price.

## What can the panel evaluate?

The procurement project strategy of each contract will determine what the evaluation panel will evaluate. This can include:

* Tender documents from each bidder
* Past performance – directly or by references
* Bid presentations
* Visits to bidders’ sites (where appropriate)
* Visits to bidders’ customers (where appropriate)

## Weighting factors

The evaluation will look at bids under the two broad headings of ***cost*** and ***quality***:

### Cost

Establish the ***whole life cost.***  This is the total cost that ELT will pay for the service and / or goods including the cost of procuring them and the cost of disposing of them.

When calculating whole life costs we consider:

* Likely price increases or reductions over the life of contract
* The cost of any extras, back-up or support which may be needed
* The handover costs and transition costs at the start and at the end of the contract
* The cost of the in-house time and effort needed to manage the contract if this might vary with different bidders

For large or complex contracts the panel may decide to carry out a sensitivity analysis, assessing the impact on costs if there are changes in work volumes, economic conditions, type of work etc.

When the total cost of each bid has been established these costs will be converted to a score out of 100. Since the lower the cost the better, the lowest cost will be awarded a score of 100. All other bids will be scored using the formula:

Bid’s score = 100 x (lowest total cost / bid cost)

Example:

Three bids are received. The total cost for each is:

Bid A £120,000

Bid B £124,000

Bid C £142,000

The cost score for each bid is:

|  |  |
| --- | --- |
| Bid A = 100 x 120/120 = | 100.0 |
| Bid B = 100 x 120/124 = | 96.8 |
| Bid C = 100 x 120/142 = | 84.5 |

### Quality

We consider the various criteria which can be used to differentiate bidders, and which are important to the service in question, such as:

* Approach or methodology proposed
* Track record
* References, etc.

We produce a matrix and write the criteria down the side. Across the top is a tick-box scoring mechanism, with a weighting against each column, as below. We complete one grid for each bid. For each line of the grid, we tick the column which most closely relates to our view of that bid against that aspect.

A typical worked example might look like the table set out below;

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Evaluation criteria |  | Un-accept-able | Poor | Accept-able | Good | Excellent | Score |
|  | Weight | 0 | 1 | 2 | 4 | 5 |  |
| Methodology proposed | 20 |  |  |  | **✓** |  | 80 |
| Track record | 20 |  |  |  | **✓** |  | 80 |
| References | 20 |  |  |  | **✓** |  | 80 |
| Environmental issues | 10 |  |  | **✓** |  |  | 20 |
| Health & Safety practices | 10 |  | **✓** |  |  |  | 10 |
| Management style | 10 |  | **✓** |  |  |  | 10 |
| Back-up & support | 5 |  |  |  |  | **✓** | 25 |
| Fit of their team to ours | 5 |  |  |  |  | **✓** | 25 |
| Total score | | | | | | | **330** |

For example, in the grid shown, the bids methodology is judged to be “good”; that is it is better than average but not so good as to be considered excellent.

We put one tick in each row.

Then we multiply the weighting factor at the left by the figure at the top of each column to produce the score for that criterion. So, for *Methodology proposed*, this bid, which has been rated “good”, scores 20 x 4 = 80.

The panel may agree in advance that any ticks in the “unacceptable” column will lead to immediate disqualification.

## Evaluation meeting

The panel members meet to exchange views and reach an agreement on quality scoring. The objective of the meeting is to agree a score for each criterion for each bidder. We record comments that provide an audit trail of how a score was allocated.

Members of the panel will often have different views of what is a good score; this will not affect the outcome provided that each individual is consistent throughout, (since final scores are producing by taking a ratio). At the evaluation meeting panel members sign a copy of all their scores.

Individual panel member preliminary score sheets are retained as supporting evidence.

## Making the final decision

We base our final decision on:

* Tender documentation that specifies ELT needs
* Accurate and comprehensive evaluation
* Auditable records

## Adjustment of quality scoring

Since the lowest cost bid will be awarded maximum marks for cost, and it is unlikely that any tender will be awarded maximum marks for quality, the agreed ratio between price and quality scores will be altered. The Evaluation Panel will ensure that this ratio is maintained by uplifting all quality scores by an amount necessary to bring the highest quality score to 100.

This has the effect of maintaining both the ratio and the differential between the bidders.

It is done by multiplying each quality score by 100 and dividing by the best score. For example, if the three bidders’ quality scores are:

Bidder A scores 330

Bidder B scores 420

Bidder C scores 410

Then multiplying each by 100 and dividing by 420 (the best score) produces the following adjusted scores:

|  |  |
| --- | --- |
| Bidder A 100 x 330/420 = | 78.6 |
| Bidder B 100 x 420/420 = | 100.0 |
| Bidder C 100 x 410/420 = | 97.6 |
|  |  |

## Cost versus quality

The evaluation team will also decide the most appropriate balance between cost and quality.

If all bidders are deemed to be capable of doing the work then cost will be the single most important factor and will normally represent more than half of the total marks available. However more often a bidder’s *capability* is not fully assessed until after the bids have been received. If that is the case then quality may be given a higher priority.

## Combining the two scores

The two scores, cost and quality, will be combined using the ratio agreed in advance (say 60:40 in favour of quality). We do this by using the example below, which allows the cost and quality scores to be recorded, adjusted and combined

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Bidder** | **Quality score** | **Adjusted quality score** | **Cost** | **Cost score** | **60% x quality** | **40% x cost** | **Total score** |
| Company A | 330 | 78.6 | £120,000 | 100.0 | 47.2 | 40.0 | 87.2 |
| Company B | 420 | 100.0 | £124,000 | 96.8 | 60.0 | 38.7 | 98.7 |
| Company C | 410 | 97.6 | £142,000 | 84.5 | 58.6 | 33.8 | 92.4 |

**Company B, with the highest score, is the winner**.

For any questions about this guidance document please contact

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