

1. INTRODUCTION

Government agencies should aim to achieve value for money whenever they procure building and construction industry services. This requires clear project definition and selection of the best procurement method for the project.

Over the past few years, responsibility for the procurement of building assets has been devolved to public sector agencies. The *Procurement Practices Manual* sets out mandatory requirements and best practices for Government major building works and services. The *Treasurer's Instructions* and associated guidance material set out mandatory requirements and best practice procedures that apply to Tasmanian Government public works tendering undertaken by inner budget agencies.

The Government's tendering processes aim to ensure that the most suitable contractor is selected for each project. The processes are based on three principles: probity, fairness and value for money. Traditionally, building construction contracts have been awarded to the company with the lowest priced conforming tender. This method of awarding tenders will continue into the future for most projects.

Nevertheless, there are occasions when the traditional method may not result in the selection of the most suitable contractor for the project. An example is a contract for the long term maintenance of a building, where the quality of maintenance has a direct impact on the delivery of agency outputs, compliance with OHS&R legislation and the long term value of the asset.

In these situations, an alternative tender evaluation process using weighted criteria should be adopted to determine the tender that offers the best value. This process is utilised where the performance of the contractor is of crucial importance to achieving the required outcome.

The weighted criteria method of tender evaluation requires that selection criteria in addition to price are included in tender documents and form part of the tender assessment process. A system of weighting the selection criteria is used to compare tenders and identify the tenderer with the best performance record in terms of time, cost and value for money.

This Guideline has been developed to present a consistent and robust whole of Government approach for all Government major building works and services tenders that utilise the weighted criteria method for tender assessment. The Guideline will compliment the *Procurement Practices Manual* and the *Treasurer's Instructions* and provide information to assist agencies in the preparation of documentation and evaluation of tenders using weighted criteria.

2. PRINCIPLES

The weighted criteria tender assessment process is based on the following principles:

- selection criteria that reflect the critical elements of the project and that can be assigned a weighting;
- weightings that reflect the relative importance of selection criteria;
- scores that are based on information submitted with the tender bid; and
- normalising the non-price criteria and the tender price before applying the weightings to allow for the true effect and advantage of the weighting system.

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The system recognises contractors who have better performance records in terms of quality, time and cost.

Weighting on the tender price normally exceeds 60%. A lower weighting on tender price would represent extraordinary circumstances. Evaluation Committees adopting a weighting of less than 60% will be required to justify their decision to the their agency Procurement Review Committee.

The weighting for price would be lowest for tenders requiring innovative input and methodology. A lower price weighting results in a high price having a relatively low impact on the total score.

Agencies should consider whether the extra cost incurred by a very good tender submission is matched by a reduction in the overall project costs or by the project's running costs. This analysis should be carried out by the officer responsible for the project or the evaluation team.

3. SELECTION CRITERIA

Rather than automatically accepting the lowest price, the tender evaluation process applies weighting for skills, quality, experience and previous performance in a manner to ensure value for money.

To assess tenders, a system of criteria intended to encapsulate the competence of the tendering organisation to undertake a particular project is used to rate the tenderer's bids.

All relevant information requested in the tender documents and provided with the tender is used in the tender evaluation.

Selection criteria are intended to assess the competence of the tendering organisations to achieve the required project outcome and are used to rate each of the tenders.

The criteria are usually selected from the following:

- relevant experience;
- appreciation of the task;
- past performance;
- management and technical skills;
- resources;
- management systems;
- methodology; and
- price.

Generally, no more than five criteria would be used. The criteria must be relevant to the project, they must be able to be evaluated in a meaningful way and they must be able to be used to allocate a score to the tender submissions.

When weighting non-price evaluation criteria, Agencies shall ensure that any difference in scores between a good submission and a satisfactory submission does not overshadow a substantial price difference. Agencies assessing submissions with a substantial price difference must ultimately justify their selection in terms of value for money if the higher priced tender submission gets the higher score.

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The tenderer must be registered under the Contractors Pre-Qualification Scheme for the category and value of the project.

3.1 Relevant Experience

Previous experience of the tenderer needs to be assessed in relation to the fields of expertise required to achieve the intended outcomes of the project. Recent experience is more valuable than historic experience. The company's previous experience in technical areas comparable to the tendered project, the scale of past projects and the role undertaken within those projects should be considered.

Information required should include a list of relevant projects undertaken and for each project provide:

- description and relevance to the tendered project;
- role of the tenderer;
- project cost; and
- duration of project.

3.2 Past Performance

The tendering organisation's performance in completing past projects to the quality standards required, time performance, within budget, claims history, project management, and product value need to be assessed.

Extension to the contract completion date and claims for variations also give an indication of performance capability. Similarly, the satisfaction of previous clients regarding the management of the project and project outcome provide useful subjective information on performance of the tenderer.

The information required should include the following information on each project:

- project name;
- client's project manager (name and phone/fax numbers);
- quality standards, target performance levels;
- tender price, variations and final cost;
- completion date and extensions of time granted; and
- details of OHS&R records.

3.3 Technical Skills

The competence of key management, professional and technical personnel that the tenderer proposes to employ on the project needs to be assessed with particular emphasis on the skills and experience in technical areas comparable to the project.

The information required should include the following details of the proposed project team:

- names;
- function;
- technical expertise; and
- CV's to be provided.

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3.4 Management Skills and Systems

The availability within the tenderer's organisation of personnel with appropriate management skills together with effective management systems and methods appropriate to the successful management of the project.

The information required should include the following:

- quality system;
- project management tools;
- program software;
- environmental management system; and
- OHS&R management system.

3.5 Resources

The equipment, including facilities and intellectual property, which the tenderer proposes to use on the project need to be assessed.

The information required should include the following:

- specialist equipment;
- labour, by trade skills; and
- facilities.

3.6 Methodology

The procedures or innovative methods the tenderer proposes to use to achieve the specified end results, or the special processes detailed in tender documents.

The tenderer should be able to demonstrate its capability to bring the contract to a satisfactory conclusion by describing the methodology of approach to accomplish the project's required outcomes.

The information required shall include the following:

- program of works;
- key performance indicators;
- division of works into subcontracts;
- innovative procedures to be used;
- reporting and recording systems; and
- Quality Plan.

3.7 Price

The price is the sum that the agency would be required to pay to the tenderer for the work or service provided. This must include all costs over the duration of the contract. Depending on the contract, this could include:

- fixed capital cost;
- variable tender costs during the contract period;
- special adjustments during the contract period;
- maintenance costs; and
- operating costs.

Weighting on the tender price normally exceeds 60%. A lower weighting on tender price would represent extraordinary circumstances. Evaluation Committees adopting a weighting

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of less than 60% will be required to justify their decision to their agency Procurement Review Committee

4. TENDER DOCUMENTS

4.1 Selection Criteria and Weighting

The criteria and weightings to be used must be selected so that the most appropriate criteria are used to review the tenders. The best value for money outcome is the one that reflects the requirements of the particular project.

If the project is highly technical or difficult, emphasis should be placed on the weightings of the total of the non-price criteria and the sub-attributes of technical skills and methodology.

If the project is made up of multiple separable parts and requires a number of trade skills as subcontracts, then a higher weighting should be given to management skills.

Selection criteria must be comprehensive and cover all the information required to allow the tender evaluation to take place. Only information provided by the tenderer in response to the selection criteria, and other information requested in the tender documents, is permitted to be used in the tender evaluation.

The Department of Treasury and Finance pre-registers contractors to undertake works in defined categories. The selection of the evaluation criteria must take into consideration that this initial broad brush selection has already taken place. That is, the basic financial status and technical ability of the contractors has been assessed. This does not prevent requests for additional information being made for particularly complex projects.

4.2 Criteria Notification

Selection Criteria, which will be used in the tender evaluation process, must be included in the Conditions of Tendering (clause 1.17), together with the weighting to be assigned to the criteria. The tender documents may also require that additional information is to be provided for use in the tender evaluation.

4.3 Weighting

When assigning weights, the Project Manager must ensure that:

- all selection criteria to be used are assigned a weight;
- criteria weightings are to be within the range outlined below; and
- the sum of all weights totals 100.

The weighting range for Selection Criteria should be within the following:

Range	Criteria	Minimum	Maximum
Non-Price	10-40%	Relevant Experience	5-20%
		Past Performance	5-20%
		Technical Skills	0-20%
		Resources	0-20%
		Management Skills	0-20%

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	Methodology	0-20%
Price	60-90%	

5. TENDER EVALUATION

A Tender Evaluation Committee comprising three members, two of whom should be the Project Manager and the intended Superintendent or Superintendent's Representative, will assess the tender bids in accordance with the procedures noted below.

The tenders are scored according to the information provided. Only that information submitted at the time of close of tender and lodged with the tender bid shall be used in the evaluation.

5.1 Scoring “Non-Price” Criteria

The evaluation procedures are as follows:

1. Add the individual scores for each non-price criterion. Each criterion is given a point score from 0 (poor) to 10 (excellent) in increments of 0.5 .
2. Weigh the individual scores for each non-price criteria according to the pre-determined weightings. The weighted score is calculated by multiplying the score by the weight. In the example given below, the weighted score for tender 1, criteria 1 is calculated as 9 x 20% = 1.80.
3. The sum of non-price scores for each tender is then normalised to 10. Normalising is a transformation applied uniformly to each element in a set of data so that the set has some statistical property.
4. The following formula is applied to normalise the non-price scores:

$$= \frac{\text{Sum of non-price score for each tender} \times 10}{\text{Highest sum of non-price scores}}$$
5. This score is then adjusted for the total weighting of all the non-price criteria to obtain the overall weighted non-price score.

The example below shows how the weighted score is calculated and to normalise non-price scores:

		Tender 2	Tender 3	Tender 1
		Lamplights Pty Ltd	Fireglow Pty Ltd	J H Sparkes
Criteria 1, weight 20%	Score	9.00	8.00	9.00
	Weighted score	1.80	1.60	1.80
Criteria 2, weight 10%	Score	7.00	8.00	7.50
	Weighted score	0.70	0.80	0.75
Criteria 3, weight 10%	Score	7.00	6.00	9.00
Total weighted sum = 40%	Weighted score	0.70	0.60	0.90
Total non-price criteria		3.20	3.00	3.45
Normalised non-price		3.20 x 10/3.45	3.00 x 10/3.45	10.00
		9.28	8.70	10.00
Weighted non-price	40%	3.71	3.48	4.00

The highest non-price total score is given a score of 10 and the other sums are ranked accordingly in proportion.

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5.2 Scoring Price

Scores for price are based on the following method: (Note that the lower the price, the higher the score.)

$$\text{Normalised price score} = \frac{\text{lowest tender price} \times 10}{\text{tender price}}$$

Tenderer	Tenders (in ascending order)	Normalised Price
Lamplights Pty Ltd	\$1 282 000	10
Fireglow Pty Ltd	\$1 333 000	9.62
J H Sparkes	\$1 925 000	6.66

5.3 Total Scores

		Lamplights Pty Ltd	Fireglow Pty Ltd	J H Sparkes
Criteria 1, weight 20%	Weighted score	1.80	1.60	1.80
Criteria 2, weight 10%	Weighted score	0.70	0.80	0.75
Criteria 3, weight 10%	Weighted score	0.70	0.60	0.90
Total non-price criteria		3.20	3.00	3.45
Normalised non-price		3.2 x 10/3.45	3.0 x 10/3.45	10
		9.28	8.70	10
Weighted non-price	40%	3.71	3.48	4.00
Normalised price		10.00	9.62	6.66
Weighted Price	60%	6.00	5.77	4.00
Totals	100%	9.71	9.25	8.00

5.4 Equivalency Rule

When the difference between the first and second ranked scores is less than 3% the lowest price tender of the two is taken as the preferred tender unless there are extraordinary reasons for not doing so.

The “3% rule” is based on a statistical review of the variances in the subjectivity of the evaluation committees’ individual scoring.

5.5 Alternative Tenders

When the Conditions of Tendering allow for the submission of an alternative tender, provided a conforming tender is also submitted, the evaluation method will be similar. Only one tender is usually evaluated for each tenderer, you either accept or reject the alternative. Where the alternative is accepted, the conforming tender is put aside, and the evaluation made on the price and information submitted with the alternative.

6. EVALUATION REPORT

An Evaluation Report should be prepared on all tenders received.

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This report shall address the selection criteria for all tenders and make an unqualified recommendation on the preferred tenderer. All members of the Tender Evaluation Committee shall endorse the report and recommendation.

The Evaluation Report must be forwarded to the Agency Procurement Review Committee where the value of the procurement is \$50 000 or more.

The Procurement Review Committee reviews the tender process and thereafter, the Evaluation Committee makes a recommendation to the Head of Agency.

7. POST TENDER INTERVIEW - DEBRIEFING

7.1 Policy on Debriefings - Competitive Processes

The Government has a policy of offering debriefings to any tenderer who has made a submission in a competitive tendering process (refer to Treasurer's Instruction 1211). The offer of a debriefing will be specifically made in the letter to the unsuccessful tenderers informing them of the tender result.

7.2 Purpose and Scope

The object of the debriefing will be to elaborate on the reasons behind the evaluation, in general terms, regarding the good and not so good points of the tenderer's submission.

Debriefings are offered for a purpose of ensuring that industry standards continuously rise by employing feedback as a learning opportunity. While the debriefing also contributes to the notion of natural justice, it does not permit an exploration of the merits of the submissions of others. Information concerning other bids must not be disclosed under any circumstances. Debriefings are not to be confused with appeals, negotiations or debates.

A debriefing is simply an opportunity for tenderer's to hear from the agency what the Tender Evaluation Committee found good about their submission and what could have been improved.

7.3 Format

The chairman of the Tender Evaluation Committee will usually represent the agency.

A single person represents the tenderer, unless a joint venture, in which case a representative from each joint venture partner may attend. When accepting the invitation for a debriefing the tenderer must nominate the representative(s).

The normal format is for the Department representative to outline in sequence:

- the selection criteria and sub-criteria and the reasoning behind their selection;
- the weightings chosen and the reason; and
- for each criteria and sub-criteria in turn, the features of the tenderer's submission that led to a favourable and unfavourable assessment against each.

Tenderer's can ask questions of clarification about the agency's perception of their submission. Questions about the submissions of others or about comparisons made are not allowable and the agency representative should decline to answer them. While the selection process is not confidential, the judgements made on any given tender are confidential.

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8. OTHER MATTERS

Agencies will not answer queries that relate to Government tendering policy or processes used by the agency. On such matters, the tenderer shall be referred to the Department of Treasury and Finance.

The tenderer's actual scores against the selection criteria may be provided to the tenderer but not those of other tenderers. If the actual score sheets are used, the scores of others must be blanked out.

Notes or minutes of the debriefing are not normally taken and it is essential that the tenderer's submission be available for reference during the debriefing.

The agency is to note any opportunities for improvement in the processes that become apparent through the debriefing and take appropriate action following the debriefing.