

Tender Evaluation Methodology

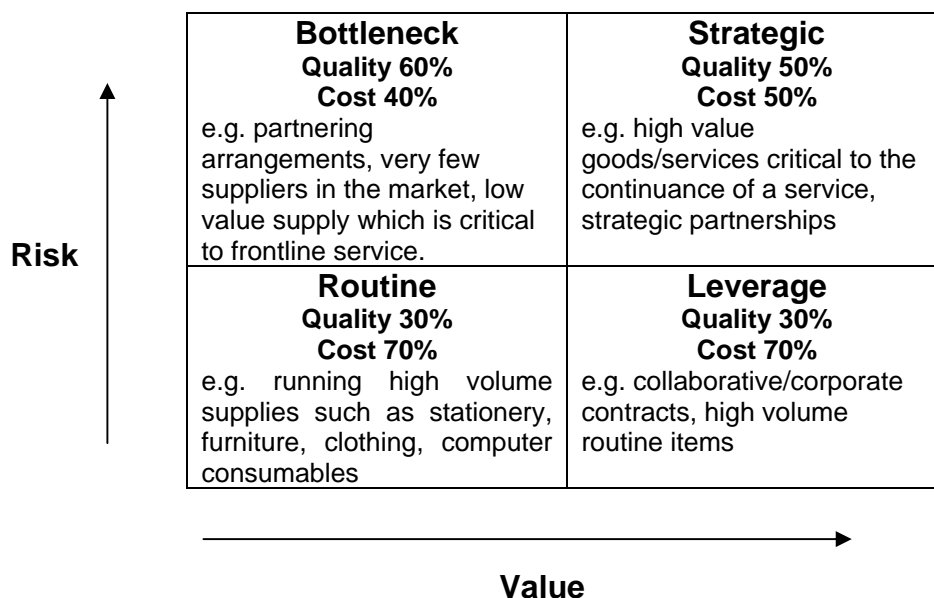
The general guiding principle is that the Most Economically Advantageous Tender will be awarded the contract based on it providing the best VFM Total Acquisition Cost.

The effectiveness of any evaluation methodology is a function of the quality of the specification itself. The Council should, where practicable, produce specifications which are outcome and performance based (thereby avoiding being prescriptive and thus restricting how the supplier can deliver the required solution).

The Council should refrain from giving higher scores to tenderers where the quality of their product/service offering far exceeds its specified requirements. The ideal specification would state a standard which is “fit for purpose” with a straightforward pass/fail decision being the quality evaluation criterion and those passing this test would then simply be ranked according to lowest Total Acquisition Cost. However in reality the majority of procurement projects will always require a degree of scoring of the technical quality of the goods/services being offered. However the goal should be to avoid awarding extra marks for superfluous quality product/service offerings (i.e. anything exceeding the minimum requirements stated in the specification).

Fundamental to any tender evaluation is the Quality:Cost ratio used. The weighting given should be a function of the business criticality/risk and the value of the goods/services being procured.

The following matrix is to be used to position the type of goods/services being procured into the classic Kraljic four box model and thus arrive at the most appropriate Quality:Cost ratio for the evaluation of each tender:



When running a competitive tender using a framework agreement let by another public sector organisation (e.g. OGC Buying Solutions) we are obliged to use whatever Quality:Cost ratio was contained within the original OJEU advertisement/Invitation To Tender for that particular contract. In such cases we are therefore restricted in our ability to flex the Quality:Cost ratios to comply with those contained in the four box model above.

More fundamental to the overall effectiveness of the Tender Evaluation Methodology is the way in which Cost is scored. A mechanism to calculate the Total Acquisition Cost of each tender will be established for each procurement project (i.e. total cost of the goods/services over the whole life of the contract including costs of implementation, running, maintenance, end of life disposal etc).

Having calculated the Total Acquisition Costs of each tender the following cost scoring methodology is to be used. This cost scoring methodology proportionately differentiates each tender compared with the lowest cost tendered to ensure that more expensive tenders (i.e. those with much higher Quality scores where their offering is way in excess of the Council's "fit for purpose" specification) do not still end up with an excessively high combined overall score compared with the lowest price tendered (which by definition will always score maximum marks for Cost). This cost scoring methodology will help prevent a higher quality/higher cost tenderer from winning the competition by helping to ensure that the best Value For Money provider is successful (assuming their technical/quality offering is fit for purpose).

The cost scoring calculation is as follows:

$$\begin{aligned} \text{Final score (percentage points)} &= \mathbf{S} \\ \text{Maximum percentage points awarded} &= \mathbf{P} \\ \text{Other tenderers cost} &= \mathbf{N} \\ \text{Lowest cost} &= \mathbf{L} \end{aligned}$$

$$\mathbf{S = P - \frac{(N - L) \times P}{L}}$$

Worked examples are as follows (where the cost element equates to 50% overall):

Supplier	Total cost	Overall %
A	£117	41.5%
B	£100	50% (maximum)
C	£138	31%
D	£210	- 5% (minus)
E	£190	5%

N.B. Costs which are twice the lowest Cost will receive a zero score. Costs which are more than twice the lowest Cost will a minus score.

Staffordshire Procurement shall develop a set of written tender evaluation guidelines to be provided for use in all competitively tendered procurement projects across all departments. As well as providing general guidance, around tender opening procedures etc, this document will show the Quality:Cost four box model and the cost scoring methodology proposed in this document. Evaluation criteria and sub-criteria for each procurement project would also be shown in the Tender Evaluation Methodology guidelines.

This guidance will explain:

- Which Goods & Services are positioned into whichever box on the Kraljic four box model (shown above);

- That those evaluating the technical/quality aspects of a tender should not have sight of the cost element until such time as the technical/quality scores have been concluded;
- Any scoring moderation process;
- Who exactly will be evaluating each section of the tender proposals received (whilst ensuring that no sections can be evaluated by a single person only);
- The decision making process in awarding lots if there is any synergistic benefit in awarding lots where the single Most Economically Advantageous Tender for a particular lot may not be awarded that lot if there are greater benefits overall by combining certain lots;
- Requirement of complete a Declaration Regarding any Conflict of Interest and Confidentiality Undertaking.

The use of this new Tender Evaluation Methodology is mandatory across the Authority for all procurement projects where the Most Economically Advantageous Tender evaluation is being followed.