

## EVALUATION MODEL GUIDANCE

### INTRODUCTION

- 1 The purpose of this guidance is to present a number of alternative models for the assessment of quality during:-
  - The selection of tenderers (Pre-qualification)
  - The evaluation of tenders (Evaluation of final bids)
- 2 The term “model” is used here simply to mean a pre-agreed and systematic approach. It does not necessarily imply the use of formal mathematical techniques.
- 3 For both stages, the most basic model is presented first. A number of “formal” models, with an increasing level of sophistication, are then introduced. The most complex models relate to the assessment of quality and the balancing of quality and price at the tender evaluation stage.
- 4 Each of the models is based on the following:
  - Equality of treatment
  - Transparency
  - Proper documentation
- 5 The overall aim of tender evaluation is to select the bid which offers the best value for money and serves the best interest of the Council and the people of Wirral.
- 6 No single “correct model” is recommended. The choice of model should reflect the nature of the contract being tendered and further advice, where necessary, should be obtained from the Corporate Procurement Unit (CPU).
- 7 A summary list of techniques and the constituent elements which can be combined to construct a model is given in **paragraph 97** in an attempt to clarify the decisions to be made and the choices available. Some of the issues which arise in the practical application of assessment models are illustrated in **Figure 5**.
- 8 A word of caution: the models are only an aid to decision-making. No matter how scientific their appearance, the results shown by the models depend on value judgements made by Officers when carrying out the assessment. The professionalism and quality of the assessment is the key to the whole process, not the model itself.

## **SELECTION OF TENDERERS (Pre Tender Qualification)**

- 9 The objective of this stage is to produce a shortlist of tenderers who are in general terms fit to undertake the work, supply the goods or provide the service.
- 10 Those applicants who are unsuitable or incapable of providing the required services are eliminated.
- 11 The normal operation of such a selection process is constrained by Statutory Regulations. Please refer to CPU.
- 12 The criteria selected should embody the Council's minimum requirements and not an unrealistically high standard.
- 13 It is sufficient to limit the assessment to key criteria but it is open to make an assessment against more detailed criteria.
- 14 The assessment at this stage is based on information returned within the pre-qualification questionnaires (PQQ) from interested parties. (Sample PQQ's can be obtained from CPU).
- 15 Wherever possible, the adequacy or otherwise of applicants should be assessed against benchmarks established in advance by the Council.
- 16 It is advisable to assemble a Project Team who will see the process through from selection of tenderers to tender evaluation. This is essential on high value/high risk, strategic contracts.
- 17 Assessments should be recorded in a systematic and consistent way, for example by using an assessment sheet. An assessment sheet is normally distributed to each member of the assessment panel for completion. Specialist advisers on the panel might only assess the proposals and method statements relating to their particular area of expertise. Each assessor should sign their sheet when completed. (Examples of documentation can be found on the Procurement Services Website).
- 18 It is conventional to draw up a summary sheet which reflects the consensus view among the assessors following a discussion within the Project Team of the initial findings of each assessor.
- 19 If an interview or presentation is used at this stage the applicant's performance may be:–
  - Taken into account in a general assessment
  - Assessed as a separate item: "interview performance"
  - Assessed on a separate sheet under the same criteria as the written application.

- 20 If assessed separately, a decision will need to be made with regard to the relative importance to be placed on the quality of the written application and the performance of the applicant in the interview.
- 21 References must always be taken up. The information obtained from referees can be shown separately on the assessment sheet or taken into account in the general assessment e.g. Under track record

### **Basic Model**

- 22 Since the objective is not to rank applicants but to eliminate those who are unsuitable or incapable of providing the required services, the assessment made at the selection stage is often fairly basic.
- 23 The assessment itself often takes the form of ticks and crosses (or a similar form of notation) indicating pass or fail, and little more.
- 24 It is generally advisable also to record remarks in narrative form, indicating the reason behind each decision. This is particularly important where a decision may prove controversial.
- 25 A distinction can be made between “essential” and “desirable” criteria as in recruitment and selection procedures. For example, it is unlikely that an applicant whose financial standing is poor would be invited to tender even if its track record in other respects were good. Failure on this essential criterion alone would trigger rejection.
- 26 An example of an assessment sheet for use with this model is shown in **Figure 1**. E/D indicates essential or desirable criteria. Particular criteria should be added for different services. For example, during Housing Management, comments from tenants served in previous contracts could be added under track record.

### **Formal Models**

- 27 The basic model can be developed in a variety of ways if the Council considers this to be appropriate, including:–
- The use of a rating or scoring system
  - Weighting of criteria
- 28 **Rating or scoring systems** aim to give a more refined picture than that provided by a simple pass/fail model. These systems usually consist of a mark on a scale from inadequate to excellent or a score on a scale of, say, 1 to 5.
- 29 Weighting systems are intended to reflect the fact that some criteria are relatively more important than others.

30 A score multiplied by the weighting factor produces a weighted score which reflects the importance of each criterion. An overall score for each applicant is found by totalling its weighted scores.

31 This weighted score can also be expressed as a percentage of the maximum score available.

32 Formal models using scoring and weighting are discussed further in context of tender evaluation below later in this guidance.

**Figure 1 Assessment Sheet: Selection of Tenderers**

<b>Criterion</b>	<b>Essential/Desirable</b>	<b>Assessment</b>
Status/registration		
Professional conduct		
Conflicts of interest		
Equal opportunities		
Litigation		
Financial Standing		
Capacity		
Stability		
PI Insurance claims		
Capacity		
Personnel		
Equipment/facilities		
Technical backup		
Quality of personnel		
Directors/partners		
Other key personnel		
Track Record		
Similar contracts		
Management		
Performance		
User consultation		
Safety		
Sub-contractors		
Quality Management		
Environmental Management		
Interview/Presentation		

## **TENDER EVALUATION**

- 33 The purpose of tender evaluation is to identify the tender which offers best value for money for the Council.
- 34 Value for money is a function of quality and price.
- 35 The assessment of quality is the main subject of this section.
- 36 The analysis of prices and the costs of accepting particular tenders is a specialist topic in its own right and falls outside the scope of this guidance. Please refer to CPU for specialised advice on financial evaluation where required.
- 37 However, models which enable price to be weighted against quality in the final decision are considered below.
- 38 Since they will have met the minimum selection criteria, it must be assumed that tenderers are in general terms fit organisations to undertake the work.
- 39 However, it should be borne in mind that there are circumstances in which the general fitness of a tenderer may need to be reconsidered at the tender evaluation stage:-
- New information has come to light since the selection took place (e.g. more recent accounts have been filed, or a quality assurance system has been developed or accredited).
- 40 At tender evaluation quality will be assessed primarily on the basis of the proposals made by tenderers concerning their approach to delivering the contract e.g. proposals or method statements.
- 41 Alternative models for the evaluation of bidders' proposals are presented below. These models have a number of elements in common:-
- Evaluation criteria and benchmarks established in advance
  - Assembly of an evaluation panel
  - Recording of assessment
- 42 Some of the considerations addressed in **paragraph 15** also apply to tender evaluation.
- Key criteria or detailed criteria?
  - Separate assessment of interview?
- 43 Benchmarks have an important role to play in tender evaluation. Wherever possible, a tenderer's proposals should be assessed against benchmarks established in advance for each criterion.

- 44 The assessment against important or essential criteria might be made on a pass/fail basis where failure would rule out a tender or at least raise serious questions as to whether it should be considered further.
- 45 The evaluation panel undertaking tender evaluation should have the same composition as the one which carried out the selection.
- 46 Assessments should be recorded on an assessment sheet, the practice being essentially the same at the selection stage.
- 47 It is important to bear in mind that the information recorded will provide the basis on which a recommendation is made to Members and the assessment sheets need to be designed with this in mind.
- 48 What follows is an outline of how tender evaluation models can be applied. A “basic” and two alternative “formal” models are presented as well as a discussion of risk assessment.
- 49 One of the fundamental decisions in developing an approach is whether to adopt one of the more formal techniques involving a pre-determined relationship between quality and price.
- 50 A list of tender evaluation models which can be combined according to the specific project is presented in **paragraph 97**.

### **Basic Model**

- 51 In its basic form tender evaluation consists of an analysis of each set of bidder’s proposals or method statements, recorded in narrative form.
- 52 It is important that each tender is considered against each criteria in turn, commencing with the most important criterion. Performance against benchmarks should be recorded. A summary is unlikely to be sufficient.
- 53 This approach is not well suited to the analysis and comparison of a large number of tenders.
- 54 It will produce a ranking of tenders in terms of quality, but does not provide a systematic basis for:-
  - Comparing the quality of one tender against another
  - Balancing quality against price
- 55 A number of formal models for tender evaluation have been developed. These have been designed to provide a more structured and systematic approach to the comparison of tenders and generally combine:-
  - A rating or scoring system
  - The weighting of criteria

56 Models using this system usually entail scoring or marking on a scale, for example:-

- 1 or poor/unacceptable
- 2 or acceptable
- 3 or good
- 4 or very good
- 5 or excellent

57 The relative importance of criteria can be taken into account by means of a weighting system where the importance of criteria is indicated by assigning a weighting, conventionally expressed as a percentage of the combined weight of all criteria (i.e. out of 100%).

58 The overall score for each tender is found by totalling the weighted scores attained by it.

59 The weighting attached to any particular criterion is clearly a matter of judgement depending upon the project.

60 **Figure 2** shows an assessment sheet for the evaluation of a tenderer's proposals using a weighting/scoring model.

61 An important feature of this model is that the results can be presented in tabular form, which can greatly assist decision-making especially where a large number of tenders has been received.

62 The overall weighted quality score obtained by each tender can also be expressed as a percentage of the possible total score.

63 It is possible to set a threshold for a quality score at the outset. Whereby tenders which do not achieve, say 65%, of the total possible quality score are excluded.

### **Balancing Quality and Price**

64 However it is carried out, the quality assessment will result in a ranking or scoring of tenders in terms of their quality.

**Figure 2 Assessment Sheet: Tender Evaluation**

<b>Criterion</b>	<b>Weight (%)</b>	<b>Score (1-5)</b>	<b>Weighted Score</b>
Understanding of authority's requirements, objectives etc			
Resourcing			
Staffing levels/deployment			
Key personnel – competencies			
Qualifications etc			
Key personnel – availability			
Equipment/facilities			
Technical back-up			
Workload/other commitments			
Capacity to respond to unplanned/emergency work			
Location/liaison arrangements			
Method			
Management arrangements			
Methodology/technical			
Approach			
Programme of work			
User (tenant) involvement			
Quality management system			
Health & Safety arrangements			
Environmental management system			
Equal Opportunities			
Use of sub-contractors			
Suitability			
Capability			
<b>Total</b>	<b>100%</b>		



- 65 The financial evaluation will result in a ranking of tenders in terms of price.
- 66 The most difficult task still remains: weighting quality against price to determine best value for money.
- 67 This may simply be left to professional judgement.
- 68 However, a number of formal models have been developed to assist in this process. These include:-
- 'Discounting' the price based on the quality score
  - Prior overall weighting of quality and price

### **Price Discounting Model**

- 69 The idea behind this model is simple: the price of each tender is 'discounted' to reflect how well it scored on quality. (Of course, this discounted price is used only for the purposes of comparison).
- 70 First, a limit to which prices may be discounted on quality grounds is fixed. For example, this "maximum discount" could be set at 20%.
- 71 Next, the quality score of each tender should be expressed as a percentage of the total possible quality score.
- 72 The amount by which each tender price is discounted is then calculated by multiplying the percentage quality score by the maximum discount. In the example above, a quality score of 75% and a maximum discount of 20% would result in a discount of 15%.
- 73 The tender with the lowest discounted price is recommended for acceptance. A worked example of this model is given in **Figure 3**.

**Figure 3: Example Price Discounting Model**

Tender	1 Quality Score	2 % quality score  (as % of total possible score – 200)	3 Discount limit %	4 % discount (2 x 3)	5 Price £	6 Discount (4 x 5)	7 Discounted price (rounded) (5 - 6)	8 Ranking quality (2)	9 Ranking Price (5)	10 Ranking Discounted Price (7)
A	106	53%	20%	10.6%	156,000	16,536	139,460	4	2	2
B	142	71%	20%	14.2%	169,000	23,998	145,000	2	3	3
C	165	82%	20%	16.4%	184,000	30,176	153,820	1	4	4
D	122	61%	20%	12.2%	154,000	18,788	135,210	2	1	1

- 74 A limitation of this model is that the effect of the discount depends on the overall rather than relative price of each tenderer. The level of the discount limit does not directly equate to a decision on the overall relative importance of quality as against price.
- 75 The Council might in practice be impressed by the quality offered by a particular tenderer and be prepared to pay a little more for it, even though this tenderer did not attain the lowest discounted price.

### **Prior Overall Weighting Model**

- 76 The second model seeks to address this question by determining in advance relative weightings for quality and price reflecting the importance of each to the Council.
- 77 Professional bodies advocate different ratios of quality to price depending on the complexity of the work. Some recommend as much as 80% for quality and 20% for price in the case of complex multidisciplinary work.
- 78 The Council needs to decide the appropriate balance having regard to the nature of the services and the complexity of each contract.
- 79 A system for scoring quality and price must next be devised. There are a number of alternative approaches. The discussion which follows focuses on one particular approach.
- 80 The first step is to give maximum quality score of 100% to the tender emerging from the quality assessment with the highest quality score (regardless of what that initial score might have been). The quality scores of the other tenders are then expressed as percentages of that maximum score.
- 81 Next the tender with the lowest price receives the maximum price score of 100% and the prices of the other tenders are expressed as a percentage of that maximum score.
- 82 The adjusted quality scores are multiplied by the predetermined overall weighting for quality (say 55%) to produce weighted quality scores.
- 83 Similarly, the adjusted price scores are multiplied by the overall weighting for price (say 45%) to produce weighted price scores.
- 84 Finally, the weighted quality score and the weighted price score for each tender are totalled to produce a total weighted score. The total weighted scores can then be compared.
- 85 The tender with the highest total weighted score is recommended for acceptance. A worked example of this model is given in **Figure 4**.

**Figure 4: Example – Prior Overall Weighting Model**

	1	2	3	4	5	6	7	8	9	10	11	12
Tender	Quality Score	Adjusted quality score (% of highest score)	Quality Weighting	Weighted quality score (2 x 3)	Price £	Price Score (% of lowest price) (rounded)	Price Weighting	Weighted price score (6 x 7)	Total weighted score (4 + 8)	Ranking Quality	Ranking Price	Ranking Total Score (9)
A	106	64%	55%	3520	156,000	99%	45%	4455	7975	4	2	4
B	142	86%	55%	4730	169,000	91%	45%	4095	8825	2	3	2
C	165	100%	55%	5500	184,000	84%	45%	3780	9280	1	4	1
D	122	74%	55%	4070	154,000	100%	45%	4500	8570	3	1	3

86 In the worked examples in **Figure 3 and 4** identical values for quality scores and price are used, but the application of the models lead to different recommendations. (A higher discount limit in the first model would have influenced the outcome).

87 The result of applying the discount model is the same as would have been produced by the ranking based solely on price. A ranking based solely on quality in the prior overall weighting model would have led to the same result in that case. The relative priority given to quality and price (whether through explicit weighting or a limited discount) is clearly the decisive factor.

### **Figure 5: Experience of using Assessment Models**

#### **Example 1**

The value assessment model was applied to a design contract for a school in a metropolitan authority. Weighted scores were awarded for quality and there was a formula to translate quality and price scores into an overall score.

The scoring system did not eliminate disagreements among panel members who had different scores against some of the criteria.

While the overall price/quality score did produce a clear winner (who was not the lowest bidder), when the award recommendation was put to committee, members chose to consider the two elements separately and decide to opt for the lowest price.

#### **Example 2**

A firm of management consultants were appointed to advise on the voluntary competitive tendering of a financial services contract.

A detailed list of 120 weighted criteria was drawn up and each was scored. "Soft" criteria on the tenderers' staffing, values and approach as well as interviews played an important role.

The assessment produced an overall quality score, but there was a deliberate decision not to relate this to price using one of the formal models.

The weighting of quality and price was left to the judgement of professional officers and ultimately to members.

#### **Example 3**

A pilot housing authority set weighted criteria for the assessment of 46 method statements supplied as part of the tenders. A "threshold" (pass score) of 65% of the total possible score was set.

The quality scores were converted to a discount on the price up to limit of 20%. In the event, no external tenders were received, so a ranking of nominally discounted tenders did not rise. The model was useful in that it ensured a full assessment of one tender received. Even with only one tender to evaluate, the use of this model proved to be very resource intensive. Tenants were represented on the assessment panel.

#### **Example 4**

In a voluntary competitive tendering exercise for a range of legal services, only a small number of bids from a tender list of well qualified firms was within budget and evaluated.

A point scale of 0 to 5 was used to assess quality, with points for individual criteria averaged to give a score for the three main criteria used – technical merit, quality and method.

Price as assessed on a point system as well, based on points for predetermined amounts below the highest tender and points for volume discounts. The points for price were in theory unlimited; for quality there was a maximum number. The tenderer with the highest number of points won.

Since prices were close to each other, it was the quality scores which determined the outcome. A risk assessment examining potential consequences of the decision and circumstances of the recommended contractor was carried out as well

88 It is clearly not possible to generalise from these examples. However, it could be suggested that the formal models have a limited use over and above the judgement on the relative importance of quality and price which they require organisations to make explicitly.

89 **Figure 5** outlines several experiences of applying tender evaluation models in practice. These examples illustrate that models can be a useful tool, but they should not be operated mechanically and they are not a substitute for professional decision-making.

## **RISK ASSESSMENT**

- 90 While they can undoubtedly be an aid to decision-making, none of the models discussed above provide the Council with an indication of the risk which is attached to the acceptance of particular tenders.
- 91 A high quality service for a low price may seem attractive, but only if the service provider can in fact deliver the service as specified and as proposed in their own method statements at the tendered price.
- 92 Where a tenderer has made a very low bid, there is a danger that they will:-
- Cut corners
  - Make excessive claims for loss and/or expense
  - Look continually for contract variations
  - Pull out of the contract early
- 93 In the longer term this may negate any initial savings and will create a bad working relationship between the authority and the contractor.
- 94 The Council might wish to specifically assess prices and method statements from the point of view of the risk. The magnitude of risk will depend on the size of the contract and the nature of the services to be provided. Factors particularly relevant to risk assessment include:-
- Financial backing (financial standing, parent company guarantee, performance bond)
  - Level of professional indemnity insurance
  - Previous contract failures
  - Level of resourcing proposed
  - Quality management system
- 95 Risk assessment might be particularly useful for contract based on high profile, one-off projects (such as a new IT system) but it is used in other circumstances as well.
- 96 Risk assessment can be used as an addition to the basic or more formal models that have been described.

## **SUMMARY – ELEMENTS OF TENDER EVALUATION MODELS**

- 97 There follows a list of “building blocks” in constructing evaluation models. It comprises of elements which would have to be built into even the most basic approach as well as increasingly complex steps. The list is not exhaustive. Some elements can be combined, but others are alternatives which rule out others. What is important is that the evaluation panel considers carefully its reasons for going on to the next level of complexity. Whatever model that is constructed – whether it is basic or more formal – needs to be logical and internally coherent.

## **Assessing Quality**

- Criteria
- Benchmarks against criteria (to enable absolute assessment of each tender against each criterion)
- Professional judgements made against each criterion and recorded in narrative form
- Scoring of each bid against the criteria (to enable relative and comparable judgements)
- Designation of key criteria as pass/fail or essential ones (i.e. failure eliminates tender or raises severe doubts about it remaining in competition)
- Ranking of quality criteria in order of importance (but no precise relative values)
- Weighting of quality criteria (out of 100%)
- Weighted scoring of each bid (scores multiplied by weighting)
- Expression of weighted score as percentage of total possible score or as a percentage of highest score
- Elimination of bids below a threshold score (e.g. 65% minimum quality score)

## **Balancing Quality and Price**

- Professional judgement based on quality assessment/scores and prices of the bids (presented in narrative form)
- Conversion of price into a score (as a percentage of lowest bid, or in relation to another benchmark such as available budget)
- Elimination of “rogue” low bids (following investigation in line with EC procedures)
- Relative weighting of price and quality at the outset (prior overall weighting model – e.g. quality will count for 55% and price for 45% of evaluation)
- Determination of a discount factor by which quality can influence price (prices are nominally discounted based on the quality score)
- Risk assessment (systematic examination of the areas of risk to the authority presented by quality factors and price of the bid)

98 It will be clear that it is for the Council to decide the level of detail required on the model for tender evaluation.

99 After selection of tenderers and contract award decisions, contractors have the right to ask for information on the outcome of the procedure and the reasons for the decision. In addition, within EC Procurement process, there has to be a 10 day standstill period, before award, within which, unsuccessful bidders can challenge process.



## **CHECKLIST**

100 In deciding on an appropriate model for the selection of tenderers and tender evaluation the Officers need to keep in mind the following:-

- Delivering the Council's priorities the strategic procurement strategy.
- There is no statutory requirement or other obligation to adopt any particular model
- The model should fit its purpose – no more complex than strictly necessary.
- The model should be appropriate to the nature of the services, the structure of the tender documents and the size and complexity of the contract.
- The model should bring out contracts in performance for the benefit of decision-makers.
- Regard should be had to the guidance issued by the professions.
- In all high risk/high value/strategic contracts, the Corporate Procurement Unit should be contacted for more specific guidance.

