

Department of Treasury and Finance

GUIDELINES ON TENDER EVALUATION USING WEIGHTED CRITERIA FOR BUILDING WORKS AND SERVICES

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1. Introduction

Government agencies should aim to achieve value for money whenever they procure building and construction industry services.

Generally speaking, a tender evaluation process using weighted criteria should be adopted to determine the tender that offers the best value.

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.

2. Principles

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

- selection criteria that reflect the critical elements of the project;
- 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.

3. Selection Criteria

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.

Examples of selection criteria include:

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

The criteria need to be relevant to the project, they must be able to be evaluated in a meaningful way and scored.

When weighting non-price evaluation criteria, agencies should 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.

Guidance information on some of the example criteria is set out below.

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 could 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 tenderer's performance in completing past projects to the quality standards required, time performance, within budget, claims history, project management, and product value can be assessed.

Extension of contract completion dates 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 information on performance of the tenderer.

Information required could include the following:

- project name;
- quality standards, target performance levels;
- tender price, variations and final cost;
- completion date and extensions of time granted;
- details of health and safety records; and
- referee contact details.

3.3 TECHNICAL SKILLS

Information required could include the following details of the proposed project team:

- names;
- function;
- technical expertise; and
- resumes to be provided.

3.4 MANAGEMENT SKILLS AND SYSTEMS

Information required could include the following:

- quality system;
- project management tools;
- program software;

- environmental management system; and
- health and safety management system.

3.5 RESOURCES

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

3.6 METHODOLOGY

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 could include the following:

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

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 should 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.

4. Weightings

An example of how criteria and their weightings might be structured is:

Range	Criteria	Minimum – Maximum
Economic and Social Benefits		25%
Non-Price / Qualitative		10-40%
<i>Examples of qualitative criteria that may be used</i>	Relevant Experience	5 – 20%
	Past Performance	5 – 20%
	Technical Skills	0 – 20%
	Resources	0 – 20%
	Management Skills	0 – 20%
	Methodology	0 – 20%
Price		40-70%

4.1 SCORING “NON-PRICE/QUALITATIVE” CRITERIA

The evaluation procedures for the non-price criteria 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 below, the weighted score for J H Sparkes, criteria I is calculated as $9 \times 10\% = 0.90$.
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 highest non-price total score is given a score of 10 and the other sums are ranked accordingly in proportion. The following formula is applied:

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

$$= \text{Normalised non-price} \times \text{total weighting non-price.}$$

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

		Lamplights Pty Ltd	Fireglow Pty Ltd	J H Sparkes
Criteria 1, weight 10%	Score	9.00	8.00	9.00
	Weighted score	0.90	0.80	0.90
Criteria 2, weight 5%	Score	7.00	8.00	7.50
	Weighted score	0.35	0.4	0.38
Criteria 3, weight 5%	Score	7.00	6.00	9.00
Total weighted sum = 20%	Weighted score	0.35	0.30	0.45
Total non-price criteria		1.60	1.50	1.73
Normalised non-price		$(1.60 \times 10)/1.73$	$(1.50 \times 10)/1.73$	$(1.73 \times 10)/1.73$
		9.25	8.67	10.00
Weighted non-price	20%	1.85	1.73	2.00

4.2 SCORING PRICE/QUANTITATIVE CRITERIA

The lowest price score is given a score of 10 and the others are ranked accordingly. 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

This score is then adjusted for the total weighting of:

$$= \text{Normalised price} \times \text{total weighting price}$$

Tenderer	Normalised Price	Weighted Price
Lamplights Pty Ltd	10	5.50
Fireglow Pty Ltd	9.62	5.29
J H Sparkes	6.66	3.66

4.3 ECONOMIC AND SOCIAL BENEFITS WEIGHTING

Scores for the Economic and Social Benefits weighting are to be calculated in accordance with the guidance information in the Economic and Social Benefits Statement. The scores are then to be normalised and weighted in the same manner as the non-price scores.

Tenderer	Economic and Social Benefits score	Normalised score	Weighted score
Lamplights Pty Ltd	6	6.67	1.67
Fireglow Pty Ltd	7	7.78	1.95
J H Sparkes	9	10	2.50

4.4 TOTAL SCORES

The normalised weighted score are combined to deliver an overall value for money outcome.

		Lamplights Pty Ltd	Fireglow Pty Ltd	J H Sparkes
Weighted non-price	20%	1.85	1.73	2.00
Weighted Price	55%	5.50	5.29	3.66
Weight Economic and Social Benefits	25%	1.67	1.95	2.50
Totals	100%	9.02	8.96	8.16

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