

Tender Recommendation – Worked Example (with Scoring and Weighting the Price and Non-Price Criteria)

Contract Details

Contract Details	File No.: SGE 4321/121
Contract Name:	Hopetown Shire Sewerage Augmentation
Contract No.:	09000513
Contract Description:	Construction of a E4000 Treatment Plan
Functional Unit/Design Criteria:	Sewage Treatment Works - Equivalent Head of Population (50,000)
Time for Completion:	54 Weeks
Project Managing Office:	North Coast Region
Cost Estimate and Funding	
- Pre-Tender Estimated Contract Price	\$2,358,240 at 12/2/2009 (including GST of \$214,436)
- Funds Available:	\$2,200,000 (excluding GST) Vote No. 09-4321 Hopetown Shire Sewerage
Client:	Hopetown Shire Council
Principal:	Hopetown Shire Council
Procurement System:	
- Tender Method:	Selective
- Delivery System:	Single Contract
- Commercial Conditions:	GC21
- Payment Method:	Lump Sum with Schedule of Rates for Variations
- Cost adjustment:	Not applicable
Submission Contact Person:	
- Name	Terry Jones
- Telephone No.	(02) 9372-8111/mobile 0413 456 789

Tenders received:

Tenders were called on 25/2/2009 and closed at Lismore at 9.30 am on 25/3/2009 with five tenders being received as follows:

Tenderer	A.B.N	Tender Amount	Assessed & Loaded Tender Amount	Score	Final Assessed & Loaded Tender Amount	Final Score	Adjusted Tender Amount
Epsilon P/L	99 587 491 488	\$1,500,000	Withdrawn				
Alpha P/L	99 123 456 789	\$1,998,780	(Late by post: postmarked 10:30 am, 25/3/09)				
Beta P/L	99 987 654 321	\$2,000,000	\$2,024,500\$	96	\$2,040,500	96	See Note B
Delta P/L (Best Practice)	99 406 579 891	\$2,068,250	\$2,028,845	100	\$2,028,110	100	\$2,069,500
Gamma P/L	99 546 732 890	\$2,050,000	\$2,260,000	88		89	-

Notes:

- A. See the Qualifications and Departures Schedule for definitions and guide notes for the calculation of the amounts, including the basis for Note B with the example.
- B. If Beta P/L had won the contract, then an Adjusted Tender Amount of \$2,027,500 would have become the Contract Price/Sum.

Examination of Tenders

Guidance Notes:

- This worked example, as completed, is only an example of how to prepare a recommendation. Circumstances differ with different tender processes and the recommendation must reflect the particular circumstances involved. The recommendation must establish that the tender process was appropriate and the tender giving the best value for money has been identified. This may not always be the lowest conforming reasonably priced tender, particularly where the prices are very close and non-price criteria relatively favours a higher priced tender. The matters addressed with appendices in this sample may be verified by demonstrating/identifying the information required by other means. Sufficient information is required to satisfy reviewing and approving officers and the Tender Review Panel that the tender process was appropriate. Statements verified by the reviewing officer would suffice for the Tender Review Panel rather than the appendices, where indicated in the notes below. Simpler explanations would be appropriate where the loadings, and Assessed Values and adjustment amounts, do not change the relativity of tenders or there are no such loadings and Values/amounts involved..

1 Pre-Evaluation actions

The Tender Opening Committee at Lismore opened the tenders received and this is confirmed in the Tender Schedule (Attached as Appendix A). No tenders were lodged in other Tender Boxes. A further tender was received on 26/03/03 by post from Alpha P/L postmarked 10.30 am. Omega Erections P/L declined to tender because the company was too busy (See letter attached as Appendix B (or use a statement for the Tender Review Panel that this has been sighted by the reviewing officer and filed).

A Tender Evaluation Plan (TEP) that allows for the price and non-price evaluation criteria identified in the tender documents, and the evaluation process to be followed, was prepared prior to the closing of tenders (Attached as Appendix C) and the TEP was followed in the evaluation.

The price relative to non-price criteria weighting identified in the tender documents is 60:40.

2 Cull of late and non-conforming tenders

The tender submitted by Alpha P/L was clearly late. The circumstances described above indicate the integrity and competitiveness of the process could be compromised if the tender was considered for acceptance and it was not considered further.

Because its Tender Amount was so low, Epsilon Engineering was asked to check and confirm the tender submitted. The tender was subsequently withdrawn in the letter attached as Appendix D.

The remaining three tenders were examined for conformance. All these tenders included the completed schedules required at tender, and acknowledged the two addenda involved. All these tenders met the other requirements of the tender documents, except for the qualifications and departures outlined in Appendix F..

3 Evaluation of non-price criteria

Each non-price criteria was weighted and scored in accordance with the TEP. The standards that were applied for each criterion and the reasons for each score are described in Appendix F.

The weighted scores were then totaled, normalised and ranked using a tender assessment spreadsheet and the formula.

4 Evaluation of price

The prices in the Schedule of Prices [The rates, quantities and amounts Schedule of Rates (This is an alternative with Schedule of Rates tenders and where any rates for variations are involved)] for each remaining tender are summarised, and compared with the pre-tender estimate, in Appendix E.

The rates are reasonable and, as indicated in Appendix E, the relativity of tenders is not sensitive to changes in the quantities in the Schedule of Rates or the extent of the work involved with variations. (This is an example for Schedule of Rates tenders and where any rates for variations are involved)

4.1 Assessment of Qualifications and Departures and Adjustment of Tender Amount

All three tenders included some qualifications and departures. Values for these were assessed, and a **Qualifications and Departures Schedule** was filled in for each contending tender (Attached as Appendix F). These Assessed Values were then used to produce an Assessed Tender Amount for each Tenderer.

The assessed qualifications and departures were considered to have no effect on the evaluation or scoring of non-price criteria (if otherwise, explain and take into account any effects with rescoring).

4.2 Determining Assessed and Loaded Tender Amounts

The Assessed Tender Amounts were then loaded to allow for the 2% price preference for best practice contractors[, imported content, relative administration costs and annual charges allowing for operating/recurrent cost relativity (use where applicable)]. The Assessed and Loaded Tender Amounts were then averaged, and used to calculate the weighted and normalised price scores using the formula.

4.3 Selection of Preferred Tenderer

Scores were obtained by adding the normalised total non-price score and weighted price score for each of the three tenders.

The tender with the highest Score, Delta P/L, a Best Practice accredited contractor, was then approached and its qualification and departures resolved as outlined in Appendix F.

The *Final Assessed and Loaded Tender Amount* offered by Delta P/L was then \$2,028,110, more than the *Assessed and Loaded Tender Amount* of Beta P/L at \$2,024,500, but less than the *Assessed and Loaded Tender Amount* of Gamma P/L.

The normalised weighted price scores were recalculated using this *Final Assessed and Loaded Tender Amount* and the other *Assessed and Loaded Tender Amounts*.

Final Scores were calculated by adding the normalised total non-price score and the recalculated weighted price score for each tender.

Since the *Final Scores* of Delta P/L and Beta P/L were only 4 points apart (1/10th of the non-price weighting percentage), the tenders from Delta P/L and Beta P/L were considered to represent equal best value for money, and Beta P/L was also approached to resolve its qualifications and departures.

After resolving these issues, using the price adjustments offered by Beta P/L where they gave the highest total amount and the Assessed Values or other true value amounts otherwise, its *Final Assessed and Loaded Tender Amount* was \$2,040,500, as is shown in Appendix F.

The normalised weighted price scores were again recalculated, and with the normalised weighted non-price scores only made a small change to the *Final Scores* and the tenders from Delta P/L and Beta P/L were still considered equal.

“Recommend the following where two or more tenders are considered as representing equal best value for money:

- *if the price weighting is 50% or more, recommend the “equal” tender with the lowest Final Assessed and Loaded Tender Amount;*
- *if the non-price weighting is greater than 50%, recommend the “equal” tender with the highest non-price score.”*

Delta P/L was identified as the Preferred Tenderer as the price weighting was 60%; it had the highest Final Score; and it had the lowest *Final Assessed and Loaded Tender Amount* of \$2,028,110 less than that of Beta Constructions at \$2,040,500, and less than the *Assessed and Loaded Tender Amount* of the other Tenderer. The Beta P/L Adjusted Tender Amount was \$2,027,500, but Delta P/L was preferred because of the loadings allowed.

5 **Commentary On Preferred Tenderer**

Delta P/L is considered capable of completing the work satisfactorily, and recent Contractor Performance Reports and the advice outlined in Appendix G indicate a satisfactory level of performance with other contracts. These matters were taken into account in the non-price criteria scoring.

The Delta P/L *Adjusted Tender Amount* of \$2,069,500 is \$288,740 (12.2%) below the pre-tender estimate. The *Amount* is reasonable considering the areas where excessive allowances were included in the estimate relative to those now understood to be required, as is described in Appendix E. Delta P/L was asked to confirm, and subsequently confirmed in writing (See Appendix F1), that the nature and extent of the contract was fully understood, and that it remained satisfied the *Adjusted Tender Amount* covers what is required.

Delta P/L has been financially assessed as satisfactory by Kingsway Financial Assessments Pty Ltd (in Report No. 0003756, dated 25/04/09, indicating a “GOOD” rating – see executive summary attached as Appendix H) and this assessment with the other Report comment has been reviewed by the Region’s Business Manager who confirms Delta P/L is considered capable financially of finalising the contract without being financially distressed, or compromising quality or good practice.

The Preferred Tenderer’s current workload and resources proposed for the contract have been checked and allowed for in the non-price criteria scoring, and the Tenderer is considered capable of completing the contract satisfactorily.

The Preferred Tenderer has provided evidence of satisfactory occupational health and safety management on previous projects.

6 **Miscellaneous**

Approval for calling tenders was obtained from the Regional Manager (or identify alternative officer with the appropriate authority) with the concurrence of the client.

Materials to be supplied by the Principal can be supplied in time to meet the contract program.

The site is available.

The client has confirmed funds covering the Preferred Tenderer's Adjusted Tender Amount, with the Completion Amount, and a contingency for contract variations are available.

The matters to be taken into account in the proposed contract award and a list of the proposed contract documents, including post-tender correspondence and completed Contract Information, are included in Appendix I (or use a statement for the Tender Review Panel that this has been sighted by the reviewing officer and filed).

7 Recommendation

It is recommended that:

- i. the tender submitted by Alpha P/L be passed over as late;
- ii. the withdrawal of the Epsilon P/L tender be accepted; and
- iii. the tender in the *Adjusted Tender Amount* of \$2,069,500 submitted by Delta P/L be accepted for Contract No. 09000513 for Hopetown Shire Sewerage Augmentation.

J.M. Brown

Project Manager
Hopetown Sewerage Augmentation
9 April 2009

1- Reviewing Officer

D. Smith

Regional Procurement Adviser
10 April 2009

2- For concurrence

I concur with the Recommendation.

A. Smirmoff

Secretary, Tender review Panel

3 - For approval

Approved.

Teresa Green

Agency Manager