

**Evaluation of Construction Contract Tenders**

**General**

The AS 4120―1994 Code of tendering (Code of Tendering) forms the basis upon which the evaluation of Department for Infrastructure and Transport (DIT or the Department) construction contract tenders is to be conducted. The principles of this document are incorporated in the Code of Practice for the South Australian Construction Industry (Code of Practice) and this document is also a basis to the evaluation.

The Code of Tendering and the Code of Practice require that the Principal shall not engage in unconscionable conduct by trading off a tenderer’s prices against other tenderers’ prices in an attempt to seek lower prices. It requires the Principal to firstly exhaust negotiations with the initially preferred tenderer before negotiating with a subsequent tenderer.

The Department’s tender documents identify the evaluation process that will apply to the tender and any offered alternative bids. The Department includes an overview of the evaluation process in any tenderer briefing that may be provided.

**Evaluation of Tenders – Overview**

Tender evaluation will be managed by the Department’s Project Risk Manager who will establish a

Tender Evaluation Panel (Panel) generally consisting of at least three of the following.

 DIT Project Risk Manager (Chair)

 Lead Agency Representative

 End User Representative

 Lead Professional Service Contractor

 Project Manager (if applicable)

 Cost Manager.

The Panel will use the evaluation criteria stated in the conditions of tendering to conduct the evaluation process and agree, by consensus, on the preferred tender to be recommended to the Principal for acceptance.

Initially it will determine matters of conformity including:

 that the tenderer is registered in the required Departmental Building and Construction Project

Prequalification System (Prequalification System) category

 that the required Statutory Declaration has been provided

 compliance with the Code of Practice

 that a fully completed and correct tender form, and submissions under the Workforce

Participation and Industry Participation policies (as applicable) are provided.

Refer to the guide note Tender Conformity Evaluation (G8) which is available for download from the Building Project Information Management System (BPIMS).

The Panel will then determine whether any tenders include alternatives. If any alternatives are included these will be evaluated in accordance with the Alternative Proposals Evaluation clause in the Conditions of Tendering. Alternatives from **all tenderers** are evaluated first as there may be revision to the price and a change in relativity. Refer to ‘Alternative Proposals’ below.



If the conditions of tendering include value selection, the Panel should refer to the separate guide note Value Selection of Construction Tenders (G13) which is available for download from BPIMS.

**Low Bid Selection**

The Panel will then consider:

 Price (or Revised Price)

 Capability (The tenderer’s Prequalification System performance score for the specified category will be provided by the Prequalification Registrar to the Panel).

Tenderers are advised in the Conditions of Tendering of the relative weighting of Price and

Capability generally as follows.

 Price - up to 100%

 Capability - up to 10%.

At the conclusion of the evaluation of price and capability criteria the Panel will determine the initially preferred tender. The initially preferred tender and tenderer will then be considered in regard to some or all of the following.

 Tender qualifications

 General conformity with the tender documents

 List of prospective subcontractors

 Submitted outline construction program

 Other commitments affecting capacity to carry out the contract through review of current and pending DPTI contracts and, where relevant, contracts as advised by the tenderer

 Schedules of technical data

 Priced Bill of Quantities

 Schedule of rates

 Estimated monthly cash flow schedule

 Other matters as determined by the Panel.

Notwithstanding any other requirement the Panel may consider information submitted by the preferred tenderer in regard to the following.

 Experience in performing work of a similar nature or comparable value

 Proposed construction methodology and resources.

At the conclusion of the evaluation the Panel will recommend the preferred tender for acceptance.

**Value Selection**

**Pre-tender**

The Department’s Project Risk Manager convenes Panel at which they will provide an explanation of the method used to score the tender submissions and a general overview of the scoring regime. Details of the supporting measures used to score each of the sub-criteria and a checklist of issues to look for in the tender submissions will also be provided.

The Panel agrees by consensus the:

 Services criteria

 weightings for Price, Services and Capability criteria

 sub-weightings for Price sub-criteria

 sub-criteria and sub-weightings for Services criteria

and incorporates criteria, sub-criteria and an indication of the relative weightings of criteria into registration of interest/tender documents.

**Tender Close**

 The Department’s Contracts Management receives and schedules tenders.

 The Department’s Project Risk Manager reviews tenders to ensure conforming bids have been submitted.

 The Department’s Project Risk Manager and Budget Risk Adviser review tender sums submitted to determine whether there are any unacceptably low bids. In this event tender evaluation is deferred until confirmation is received from the tenderer(s) that the bid is conforming.

 The Department’s Budget Risk Adviser reaches consensus with project cost manager on the Price Benchmark.

The Panel will then consider the three major evaluation criteria:

 Price (or Revised Price)

 Services (Project specific objectives)

**Scoring Price**

The Department’s Value Selection Matrix includes built in formula that create a score for the two price sub-criteria of tender price and price risk based on the tender sum.

The **tender price** sub-criterion compares the tender sum with the lowest acceptable tender sum received. The lowest acceptable tender submitted always receives the highest score of 10.

|  |  |
| --- | --- |
| **Range of scores**(Sliding score to 2 decimal points) | **% greater than the lowest acceptable tender sum** |
| Up to 10 points | 0-9% |
| Up to 8 points | 10-19% |
| Up to 6 points | 20-39% |
| Up to 4 points | 40-69% |
| Up to 2 points | 70-99% |
| 0 points | 100 or greater |

The **price risk** sub-criterion compares the tender sum with a Price Benchmark. The benchmark is established by the Department’s Budget Risk Advisor in consultation with the project’s cost manager and takes into consideration the pre-tender estimate (as the professional assessment of the

construction cost) and the submitted tenders (as the market assessment of the construction cost). Based on the assessment of the Department’s Budget Risk Advisor and project’s cost manager, the Price Benchmark reflects a full but competitive price for the contract.

Tender sums close to the benchmark receive the highest scores. Tender sums percentages below or above the Price Benchmark receive increasingly reduced scores. A tender sum 25% below or above the benchmark receives a score of 0.

|  |  |  |
| --- | --- | --- |
| **Range of scores**(Sliding score to 2 decimal points) | **% Below****Price Benchmark** | **% Above****Price Benchmark** |
| 10 points | 0-5% | 0-5% |
| Up to 10 points | 5-10% | 5-10% |
| Up to 9 points | 10-15% | 10-15% |
| Up to 6 points | 15-20% | 15-20% |
| Up to 3 points | 20-25% | 20-25% |
| 0 points | >25% | >25% |

The matrix then applies the agreed weightings of tender price and price risk to calculate the final weighted score for price.

**Scoring Services**

Scoring produces a spread of points that reflects the relative merits of each tender submission. This guide note recommends a generic scoring method for project specific services criteria. Scores are allocated across a range from 0 to 10. The score is determined by assessing submissions, for example as follows.

|  |
| --- |
| **Range of scores (0 to 10 points)** |
| 9-10 | Demonstrates excellent level of capability |
| 7-8 | Demonstrates good level of capability |
| 5-6 | Demonstrates adequate capability |
| 3-4 | Demonstrates some capability |
| 1-2 | Does not adequately demonstrate capability |
| 0 | Fails to address criterion |

The matrix then applies the agreed weighting of each services criteria to calculate the final weighted score for services criteria.



**Scoring Summary**

The use of the Department’s Scoring Matrices ensures that there is accurate calculation and recording of selection criteria scores. This is crucial for an accountable and transparent tender evaluation process.

The output from Scoring Matrix at the completion of the process is a weighted score (out of 100) for each tender. The highest score generally represents the tender that is best overall value for money and the preferred tender.

The Panel considers the results of the evaluation and scoring, all information submitted, the project context and risks and any other information which contributes to a final judgement on best value, and determines the initially preferred tender.

At the conclusion of the evaluation of conformance, alternatives, price, services and capability criteria the Panel will determine the initially preferred tender. The initially preferred tender and tenderer will then generally be considered in regard to the following,

 General conformity with the tender documents

 List of prospective subcontractors

 Submitted construction program

 Other commitments affecting capacity to carry out the contract through review of current and pending DPTI contracts and, where relevant, contracts as advised by the tenderer

 Schedules of technical data

 Priced Bill of Quantities

 Schedule of rates

 Estimated monthly cash flow schedule

 Other matters as determined by the Panel.

At the conclusion of the evaluation the Panel will recommend the preferred tender for acceptance.

**Tender evaluation details**

**Prequalification**

As part of the process of opening and scheduling tenders, the Department will identify any tender which does not conform to the specified Departmental prequalification criteria. These tenders will be listed at the end of the schedule of tenders with the name of the tenderer but not the tender price. These tenders are identified as non-conforming and are not considered further.

**Alternative Proposals**

An Alternative Proposal (Bid) is defined in the Construction Glossary as “amount stated in the bid to be added to or deducted from the amount of the base bid if the corresponding change in project scope, alternative materials, or method of construction is accepted by the owner”.

The Conditions of Tendering included in the tender documents for major projects contain clauses titled Alternative Proposals, Alternative Proposals Assessment and Principal’s Alternative Proposals in which the process for evaluating alternative bids is outlined. The process steps are detailed below.

Evaluation of Construction Contract Tenders

1. The Department to detail in the tender documents the assessment process which will apply to any offered alternative bids.

2. The Department to provide an overview of the assessment process at any tenderer briefing which may be provided.

3. After close of tenders the Department convenes the Panel to consider alternative bids.

4. The Panel will evaluate all alternative proposals offered by all tenderers and agree those that will be considered further. Generally the alternative proposals listed below will not be considered further:

 alternatives that delete scope only

 alternatives with insufficient detail resulting in the Panel being unable to make an evaluation without further reference to the tenderer

 alternatives that are not priced

 alternatives priced with qualification.

5. The Panel assesses the impact of each remaining alternative bid on the proposed asset in regard to:

 function

 aesthetics

 life cycle costs

by consensus agreeing a score out of 10 for each of these aspects for each alternative bid with a maximum of 30 possible.

6. The agreed scores are totalled. The Panel agrees to consider further those alternative bids with a total score greater than 15 (50%) provided the alternative bid does not contain a component score of 4 or less.

7. The Panel assesses whether the short listed alternative bids represent value to the lead agency by comparing the offered saving/extra with the cost manager’s assessment of the appropriate saving/extra.

8. The Panel determines the final alternative bids to be recommended for acceptance to the lead agency and identifies the initially preferred tenderer. The acceptance of alternative proposals may change the relativity of tenders and this issue is to be resolved as part of determining the initially preferred tender.

Where tenders include alternatives the Panel will be provided with the Alternative Evaluation matrices by the Department’s Contracts Management.

**Provision of Information**

The Panel may request additional information from the initially preferred tenderer. Ensure that the request is in writing, is detailed and unambiguous and states the date and time by which the information must be provided to the Principal. All formal correspondence with tenderers must

be through the Department’s Project Risk Manager.

**Conformity with the Contract Documents**

If the initially preferred tender has qualifications the Panel must determine whether the qualifications must be withdrawn or are acceptable. Where a tender does not comply, the tenderer shall be given one opportunity to comply without alteration to the tender sum except as provided below.

Page 6 of 8

Evaluation of Construction Contract Tenders

Uncertainty on the scope of work in the tender documents may have resulted in qualifications of a technical nature forming part of the tender. Also, after tenders have closed, errors, omissions, ambiguities or discrepancies may be found in the tender documents. The Code of Tendering provides for minor changes to the tender documents to be dealt with in precontract negotiations. Where it is agreed that the tender documents are unclear the Principal’s requirements are to be clarified in writing and the initially preferred tenderer is provided an opportunity to adjust its tender.

Where the tender documents are clear and unambiguous the initially preferred tenderer is required to withdraw the qualification without adjustment to the tender price.

Qualifications of a contractual nature should be withdrawn or, if necessary, be referred to the Department’s Contracts Management for direction.

Ensure there is preferred tenderer compliance with Clause 25 CONTRACTOR’S REPRESENTATIVE of the AS 2124—1992 General conditions of contract in regard to a full time Contractor's Representative and that the initially preferred tender is evaluated for conformance with the Code of Practice.

If through the process of tender evaluation the initially preferred tenderer fails to comply with the requirements the Panel will repeat the evaluation process with the second ranked tenderer or

as required until a preferred tenderer is identified.

**Increase in Scope of Work**

When tenders received are lower than the funding allocation or projected budget the lead agency may elect to increase the scope of work.

Where the increase is beyond what could reasonably be interpreted as the original scope of work, but in monetary terms is not anticipated to exceed the preferred tender sum by 10%, the initially preferred tenderer is to be provided with revised documents and provided an opportunity to submit a revised tender.

Where the increase is anticipated to exceed the preferred tender sum by more than 10%, tenders will generally be recalled. Refer to the Department’s Contracts Management for direction prior to commencing detailed discussion with the initially preferred tenderer.

**Decrease in Scope of Work**

When tenders received are higher than the approved project budget the lead agency may elect to decrease the scope of work.

Where the decrease in monetary terms is not anticipated to decrease the preferred tender sum by more than 10%, the initially preferred tenderer is to be provided with revised documents and provided an opportunity to submit a revised tender. The tenderer may also be invited to submit savings proposals for consideration by the Principal.

Clause 6.5 Evaluation of tenders of the Code of Tendering states that where a tenderer offers an alternative proposal, comparable prices for the alternative shall not be obtained by the Principal from other tenderers. Under no circumstances will the initially preferred tenderer be requested to price alternatives other than those that are the intellectual property of the Principal or the tenderer.

Where the decrease is anticipated to reduce the preferred tender sum by more than 10%, tenders will generally be recalled. Refer to the Department’s Contracts Management for direction prior to commencing detailed discussion with the initially preferred tenderer.

Page 7 of 8

Evaluation of Construction Contract Tenders

**Conclusion of Tender Evaluation Process**

If, at the conclusion of the tender evaluation process the Panel is satisfied with tender conformity and all other tender evaluation issues, the Panel agrees by consensus the preferred tender for recommendation.

**Confidentiality**

Information provided in and subsequent to the tender is confidential and the professional service contractor or any other member of the Panel is not to make it available to any person other than those directly involved with the tender evaluation. All documents associated with tenders shall be delivered from and to the Department in a secure manner.

**Tender Validity**

The Department’s construction contract tenders generally remain valid for acceptance for a period of sixty days from the date on which tenders close.

Page 8 of 8