Best Value for Money Procurement

Statement of Intent
This Procurement Direction outlines Government’s requirement for Best Value for Money procurement and establishes the minimum Assessment Criteria and Percentage Weightings that will assist achievement of Best Value for Money procurement.

Main Features
Section 11 of the Procurement Act 1995 (NT) requires Accountable Officers and employees of Agencies to comply with the Procurement Directions.

Best Value for Money
Best Value for Money is the expected outcome of a planned procurement process when all key requirements are considered.

Assessment Method
Assessment will be carried out using a comparative analysis of the weighted scores.

Assessment Criteria
Assessment Criteria which may be applied to Quotations and Tenders:

- Past Performance
- Local Content
- Timeliness
- Capacity
- Innovation
- Scope Specific
- Price

The Assessment Criteria against which Quotations/Tenders will be assessed must be included in all Request for Quotation and Request for Tender documentation.

Contents
Best Value for Money
Assessment Method
Assessment Criteria and Percentage Weightings:

- Past Performance
- Local Content
Procurement Direction PO1 (Best Value for Money Procurement)

- Timeliness
- Capacity
- Innovation
- Scope Specific
- Price

**Authorities**

*Procurement Act 1995 (NT).*

Procurement Regulations
Best Value for Money

PO1.1 Best Value for Money is the expected outcome of a planned procurement process when all key requirements are considered.

I. Best Value for Money is not a separate assessment criteria but the outcome of a comprehensively planned and appropriately conducted procurement process where all key Government requirements are considered.

II. Best Value for Money is not about selecting the successful Respondent/Tenderer based on price alone. Price is one factor which is taken into consideration in the assessment process.

III. The objectives of achieving Best Value for Money are:

a. Rigorous assessment process which recognises enhancement of industry and business capabilities in the Northern Territory.

b. The selection of a preferred Supplier on predetermined Assessment Criteria which would result in the best outcome for Government.

c. The achievement of broader Government strategic outcomes, including, but not limited to, the enhancement of local business capability and competitiveness.

IV. To achieve Best Value for Money, Agencies need to:

a. Undertake appropriate planning before commencing procurement activities (refer Procurement Direction PO3).

b. Accurately and comprehensively define the scope of Supplies to ensure there is no ambiguity in the requirement Government seeks (refer Procurement Direction PO4).

c. Incorporate Assessment Criteria directly linked to the scope of the requirement which will facilitate assessment of Quotations/Tenders (refer Procurement Direction PO4).

d. Estimate the value of the requirement taking account of all relevant cost factors to provide a robust benchmark against which Quotations/Tenders can be compared (refer Procurement Direction PO4).

e. Undertake a procurement process that is open, transparent, competitive and non-discriminatory to ensure that all Suppliers with capacity to deliver the requirement are able to submit an offer.

f. Assess all eligible Quotations/Tenders with impartiality and fairness based on the predetermined Assessment Criteria (refer Procurement Direction PO8).

Assessment Method

PO1.2 Assessment is to be carried out using a comparative analysis of the scores given to each Quotation/Tender against each weighted criteria.

I. Percentage Weightings totalling 100% are to be allocated to the Assessment Criteria that are applicable to each procurement activity.
II. All conforming Quotations/Tenders are assessed against the Assessment Criteria applicable to the Request for Quotation/Tender and awarded a score in accordance with the predetermined scoring scale and relative to the criteria weighting.

III. A calculation is applied to the scores for each Quotation/Tender and the one with the best value for money score is selected as the preferred Quotation/Tender.

IV. In the case of period contracts or where part offers are to be considered, the “price” used must correspond to the pricing structure allowed for in the Request for Quotation/Tender pricing schedules. This may mean that separate calculations will be necessary for each part offer allowed.

V. Prior to finalising their decision, Assessment Panels may undertake a final validity check of the outcome produced to ensure the result can be justified.

Assessment Criteria and Percentage Weightings

PO1.3 The following Assessment Criteria may be applied to all Quotations and Tenders:

- Past Performance
- Local Content
- Timeliness
- Capacity
- Innovation
- Scope Specific
- Price.

PO1.4 In planning each procurement Agencies must develop Assessment Criteria that are appropriate to the specific procurement activity.

PO1.5 The Response Schedule to each Request for Quotation/Tender must be framed in a logical, clearly articulated, comprehensive manner so as to solicit relevant information that will allow assessment against the Assessment Criteria that are considered appropriate for the specific procurement activity.

PO1.6 All relevant Assessment Criteria against which a specific Quotation/Tender will be assessed are to be included in the Request for Quotation/Tender.

PO1.7 Percentage Weightings are to be applied to Assessment Criteria used in relation to the procurement. The total percentage is to equal one hundred.

PO1.8 A minimum 25% weighting must be allocated to the Assessment Criterion of Local Content.

PO1.9 The Assessment Criterion of Price is to be weighted for Tier Three, Tier Four and Tier Five procurement activity.
PO1.10 Percentage Weightings are to be disclosed for Tier Three, Tier Four and Tier Five Requests for Quotation/Tender documentation.

PO1.11 Accountable Officers (or their delegates) are responsible for determining appropriate weightings on price and non-price criteria on a case by case basis for each procurement activity (refer Procurement Direction PO4).

I. The Percentage Weighting allocated to each Assessment Criterion will differ depending on the Agency’s specific requirements (for example importance/complexity/risk) in relation to each procurement activity.

II. Assessment Criteria not considered relevant to a procurement activity may be set to zero weighting (except Local Content) when recorded in the Agency Purchase Requisitions Online system.

Past Performance

III. A Respondent’s/Tenderer’s previous performance can be informed by Contractor Performance Reports or Referee Reports.

IV. When considering the Percentage Weighting to be applied to the Assessment Criterion of Past Performance, the following may be relevant and weighted and scored accordingly:

   a. Standard of work – was previous work at the standard expected and contracted for?

   b. Product quality – was the quality of previous products at the standard expected and contracted for?

   c. Project delivery – has the Respondent/Tenderer successfully completed work of a similar nature and size in the past?

   d. Extent of Contractor supervision required – did the Respondent/Tenderer require a high level of supervision in the past?

   e. Performance history – extent to which the Contractor delivered on claims made in previous Tender documents (for example use of local suppliers and sub-contractors, jobs for Territorians and Indigenous opportunities provided).

   f. Previous disputes and claims – does the Respondent/Tenderer have a good history regarding resolution of disputes and claims?

   g. References (including Contractor Accreditation Limited if applicable) – what are the views of other parties who have previously contracted with the Respondent/Tenderer, and would they recommend the Respondent/Tenderer for the purpose of this Contract?

   h. Safe and fair workplace record – has the Respondent/Tenderer adhered to relevant workplace and occupational health and safety laws and regulations?

   i. Local Benefits – consideration of any advantage, relevant to this criterion, as a result of local presence, local supply chain, local sub-contractor network base and local environmental knowledge.

Local Content

V. A minimum 25% weighting must be allocated to the Assessment Criterion of Local Content.
VI. Enhancing the capability of business and industry in the Northern Territory is one of the Government’s five Procurement Principles which requires a minimum 25% of the Assessment Criteria be allocated in a way that enhances capacity building of business in the Northern Territory. The degree to which this assessment criterion is relevant will vary between supplies.

VII. When considering the Percentage Weighting to be applied to the Assessment Criterion of Local Content, the following may be relevant and weighted and scored accordingly:

   a. Enhancement of industry and business capability in the Northern Territory – the extent to which the offer will improve the Northern Territory business environment and subsequent benefits to Northern Territory consumers.

   b. Improved capacity and quality in supply and service response – for example improved practices and training or a local presence.

   c. Accredited training programs supported by the Respondent/Tenderer.

   d. Proposed level of usage of apprentices and trainees.

   e. Proposed number of jobs for Territorians – this may have a specific focus on the employment of Indigenous Territorians or persons residing in the region of the Supplies.

   f. Proposed level of usage of local Indigenous enterprise.

   g. Regional development opportunities.

   h. Northern Territory research and development being undertaken or proposed.

Timeliness

VIII. The importance of Timeliness will vary significantly between Supplies. In many cases, Timeliness can be directly related to the requirement for a local presence or local industry capacity.

IX. A lack of planning, resulting in increased urgency of supply, will not justify increased weighting applied to this category of Assessment Criteria.

X. When considering the Percentage Weighting to be applied to the Assessment Criterion of Timeliness, the following may be relevant and weighted and scored accordingly:

   a. Completion/delivery time offered – being available immediately may be an overriding factor in some instances. In other instances, when the Supplies can be completed/delivered may not be as important. Agencies need to consider the operational and financial effects of a delayed completion/delivery of Supplies in determining the importance of timing.

   b. Length or vulnerability of the supply chain – whether this is important or relevant will depend on the nature of the Supplies.

   c. Compliance with timeframes sought by Government – this needs to be considered with the timing requirements of the Agency and evaluated accordingly.
d. **Local Benefits** – consideration of any advantage, relevant to this criterion, as a result of local presence, local supply chain, local sub-contractor network base and local environmental knowledge.

**Capacity**

XI. The Capacity of Suppliers to deliver supplies is critical in every assessment.

XII. When considering the Percentage Weighting to be applied to the Assessment Criterion for Capacity, the following may be relevant, and weighted and scored accordingly:

a. **Ability to carry out the works, perform services or supply products** – this relates to the experience of the Respondent/Tenderer and the personnel nominated to undertake the procurement activity in accordance with the Contract and could include:

   i. demonstrated managerial expertise

   ii. technical expertise

   iii. knowledge of best practice methods or products

   iv. use of performance/quality/workplace health and safety management systems/processes in relation to the proposed Contract.

The extent to which this is important depends on the nature of the procurement activity.

b. **Number and value of Contracts in progress** – the number and value of Contracts the Respondent/Tenderer already has in progress relative to the resources of the Respondent/Tenderer will be an indication of the Respondent’s/Tenderer’s physical capacity to deliver the Supplies according to requirements.

c. **Contractor Accreditation Limited accreditation** – this may be applicable in construction and some service contracts for Tier Three and above procurements.

d. **Legal action pending** – this may be an indication of the Respondent’s/Tenderer’s ability to provide the Supplies according to requirements.

e. **Financial capacity** – the extent to which this is important depends on the nature of the procurement activity and is directly related to the value of the Contracts already in progress by the Respondent/Tenderer. Financial capacity is important where it can affect the successful completion of the Quotation/Tender.

f. **Local Benefits** – consideration of any advantage, relevant to this criterion, as a result of local presence, local supply chain, local sub-contractor network base and local environmental knowledge.

**Innovation**

XIII. Where an Agency seeks Innovation it should be aware that the method or solution offered may constitute an alternative offer. The Agency needs to ensure that the Request for Quotation/Tender allows for alternative Quotations/Tenders to be submitted.
XIV. Agencies need to structure Quotation/Tender Assessment Criteria and processes to consider Alternative Quotations/Tenders wherever possible.

XV. When considering the Percentage Weighting to be applied to the Assessment Criterion for Innovation, the following may be relevant and weighted and scored accordingly:

a. New technology – Agencies may be aware of this from market testing conducted and have built this into their definition of the Supplies required. There is also potential for Respondents/Tenderers to respond with “leading edge” technology.

b. Alternative solutions – Agencies may be aware of this from market testing. Respondents/Tenderers should be encouraged to respond with innovative solutions that would still achieve the same outcome.

c. Local Benefits – consideration of any advantage, relevant to this criterion, as a result of local presence, local supply chain, local sub-contractor network base and local environmental knowledge.

Scope Specific

XVI. Scope Specific Criteria are those criteria that are considered relevant to the nature of the Supplies.

XVII. When considering the Percentage Weighting to be applied to the Assessment Criterion for Scope Specific, the following may be relevant, and weighted and scored accordingly:

a. Environmental requirements - particular Supplies require consideration of environmental issues or requirements and may include, but are not limited to:
   i. Environmental impact during manufacture, use and disposal of the Supplies.
   ii. Respondent's/Tenderer's evidence of environmental management plans, practices or systems and compliance with ISO14001 requirements.
   iii. Sustainability – examples include:
      - Use of renewable resources such as timber sourced from plantations and managed forests.
      - Use of recycled or recovered materials.
      - Product reusability, recyclability and durability.
      - Energy, water and fuel efficiency and consumption.

b. Technical requirements - Respondents/Tenders may be called whereby the Supplies being offered must meet specific technical requirements (for example Australian Standards).

c. Specific experience and expertise - Certain classes of Supplies (for example consultancies) require Respondents/Tenderers to provide details of the experience and expertise of the resources offered for the procurement activity in order that an informed assessment can be
Procurement Direction PO1 (Best Value for Money Procurement) undertook as to the relevance of the experience and expertise to the project.

d. Local Benefits – consideration of any advantage, relevant to this criterion, as a result of local presence, local supply chain, local sub-contractor network base and local environmental knowledge.

Price

XVIII. Agencies must allocate an explicit weighting to price for all procurement at Tier Three and above.

XIX. Agencies may assess price on the basis of upfront costs only, or on a combination of upfront costs and through-life costs.

XX. In determining through-life costs, Agencies need to consider whether costs of operation and/or internal implementation costs should be taken into account as part of the evaluation. Internal implementation costs may differ significantly between Respondents/Tenderers depending on the solution being offered.

XXI. When considering the Percentage Weighting to be applied to the Assessment Criterion for Price, the following may be relevant:

a. Upfront costs.

b. Through-life costs may be relevant for particular Supplies such as equipment/machinery which requires regular servicing or upgrading (for example photocopiers, computer hardware, software licence arrangements, property leases, etc).

When considering through-life costs for Supplies, provision must be made in any schedule of pricing for the Respondent/Tenderer to submit prices to allow comparative Net Present Value (NPV) analysis of the Tenders received.

Factors such as the following may be relevant:

i. Costs of training Agency staff, operating and/or maintaining/servicing the Supplies over a specific time.

ii. Costs of upgrades to the Supplies.

iii. Warranties – cost and life of any extended warranties offered are relevant in many cases.

iv. Costs associated with transition in/out or implementation from one Supplier to another and may include, for example, new equipment, new systems, new leased premises, etc.

c. Any other factors that might impact directly on costs to the Government.
<table>
<thead>
<tr>
<th>Amendment</th>
<th>Details</th>
<th>Effective Date</th>
</tr>
</thead>
</table>
| General   | Amend the application of Assessment Criteria to ensure it can be directly linked to the scope of Supplies to facilitate procurement outcomes  
Amended to reflect new Tier levels and Quotation requirements                                                                                                                                             | 30 March 2009   |
| General   | Corrected references to Industry Capability Network (NT) Office to reflect name change  
Amendments to remove the use of acronyms in the Directions and maintain consistency in the use of defined terminology  
Removed duplication of the Direction in the following explanations  
Introduced a sixth Procurement Tier                                                                                                                                                                           | 1 July 2012     |
| PO1.2     | Added new Direction – Assessment Method covering the explanation and treatment of weighting price in assessments (this has resulted in consequential adjustments to Direction numbering)                                                                                                               | 1 July 2012     |
| PO1.4 – PO1.6 | New Directions associated with the introduction of Procurement Reforms changes                                                                                                                                                                                                                                            | 1 July 2012     |
| PO1.9 – PO1.10 | Applying explicit weighting on price and mandatory minimum 20% weighting for local development and value adding assessment criterion                                                                                                                                                                      | 1 July 2012     |
| PO1.12 – PO1.15 | Disclosure of Assessment Criteria Percentage Weightings for all procurement activity from Tier Three and greater (that is $50 000+)                                                                                                                                                                | 1 July 2012     |
| Assessment Criteria | Changed criterion of “Whole of Life Costs” to “Price”  
Amendments to clarify considerations under each criterion including omitted treatment of Industry Procurement Plans under Local Development and Value Adding Criterion                                                                                     | 1 July 2012     |
| Attachment A | Removed                                                                                                                                                                                                                                                                                                                               | 1 July 2012     |
| General   | Formatted for WCAG2.0 accessibility – changes to formatting, spelling, grammar and punctuation                                                                                                                                                                               | 1 January 2013   |
| PO1.14 XIX | Inserted to clarify the requirements for weighting Price                                                                                                                                                                                                                       | 1 February 2013   |
| PO1.13 – PO1.14 | Corrected numbering error                                                                                                                                                                                                                                               | 20 March 2013     |
| General   | Amended to reflect Procurement Reforms changes                                                                                                                                                                                                                             | 1 July 2014     |
### Table of Amendments

<table>
<thead>
<tr>
<th>General</th>
<th>Amended to reflect Buy Local plan - substituted “Local Development and Value Adding” with “Local Content” and increased minimum assessment weighting for Local Content to 25%.</th>
<th>15 February 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Amended to reflect the Buy Local Plan – introduction of local benefit considerations in all Assessment Criteria</td>
<td>18 April 2016</td>
</tr>
</tbody>
</table>