

LOTI Housing Services IT Procurement

Tender Evaluation Guidance

Purpose

This guide to evaluation accompanies the [outcomes-led specification template](#) developed to support London Boroughs to standardise their efforts to procure Housing Management Solutions and technologies.

The purpose of setting an evaluation approach is to easily identify the most economically advantageous tender (MEAT) submitted for a project. MEAT may not always be the lowest cost bid, and are determined by evaluating suppliers' bids against published award criteria.

Evaluation is not only about the final award decision. It encompasses the design and execution of the award process, including proper documentation of the process.

There is excellent guidance published in 2021 by the Government Commercial Function on evaluation processes. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987130/Bid_evaluation_guidance_note_May_2021.pdf

1. Setting Award Criteria

Price vs. Quality

Government policy is to award contracts on the basis of value for money, which means securing the best mix of quality and effectiveness for the least outlay over the period. To achieve this, it is essential to effectively determine quality as well as price (quality, in this context, means all non-price factors including social value).

The weighting of price and quality should reflect the characteristics of the service and potential outcomes should be tested with the market before the weighting is fixed. For example, an **80/20%** quality/price weighting sends a clear signal to suppliers that quality is significantly more important than price.

Example: This is the approach employed by Hounslow in May 2020. *[This is indicative, and councils should always consider their own weightings and test them with the market based on requirements.]*

Criteria (and sub-criteria)	Weighting for Evaluation
Price	25%
Quality	75%
<i>of which...</i>	
<i>A1. General Outcomes and capabilities</i>	<i>10%</i>
<i>A2. Homelessness & Housing Needs</i>	<i>10%</i>
<i>A3. Tenancy & Leaseholder Management</i>	<i>10%</i>
<i>A4. Asset Management and Repairs</i>	<i>10%</i>
<i>A5. Finance & Payments</i>	<i>10%</i>
<i>A6. Non-Functional Requirements</i>	<i>10%</i>
<i>S1. Resourcing, Implementation and Risks</i>	<i>15%</i>
<i>PF1. Insurance</i>	<i>Pass / Fail</i>
TOTAL	100%

Social Value

Social value is typically evaluated in most government procurements, particularly of a certain size. Evaluation of social value must ensure it is related and proportionate to the subject-matter of the contract.

The Government Commercial Function released in December 2020 updated guidance on applying social value within contracts that should be consulted to define your approach. It provides example questions and scoring criteria that are easily consulted and used to evaluate suppliers. Available here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940826/Social-Value-Model-Edn-1.1-3-Dec-20.pdf

When using the model, it is recommended that a 10% minimum overall weighting is ascribed to social value. For example, the contracting authority might split the weightings as 30% for price, 60% for quality and 10% for social value.

2. Designing Supplier Response Process

The evaluation of bidders' responses should align to the outcomes-led specification approach that has been adopted. This means enabling suppliers to outline their solution to the stated outcomes, rather than simply indicating compliance with a range of pre-defined requirements.

Open Form Responses

For Housing Management technology, given the scale of the solutions, space should be given to enable suppliers to respond openly and creatively - likely tied to a document or presentation, and followed up with a demonstration or interview for clarification.

The specification's Capability Areas provide a natural grouping that buyers can use to divide responses into sections. Each Capability Area can be weighted so as to enable some areas to be given greater influence over the total quality score.

As an example, a simple question format is *although buyers are free to incorporate their own approaches here*:

QA1. Homelessness and Housing Needs	
<ul style="list-style-type: none"> Please describe how your solution will enable us to achieve the Desired Outcomes and meet the User Stories described in the specification. Please also describe how the solution meets the 'must have' and 'should have' Capabilities, including indicating if you 'Meet', 'Partially-Meet', or 'Do Not Meet' them in the rows below. [Optional] Please reference the scenario within your answer. <p><i>Maximum Score (10), Weighting (10%). Limit: 5 A4 pages, Arial font 11, 5 A4 page appendices for images / screenshots.</i></p>	
QA1. Capabilities	Return
The solution must :	
Enable the Council to meet the Homelessness Reduction Act requirements and MHCLG statutory reporting needs	e.g. Meet
Enable accurate, automatic matching of property and individual applicant's needs against multiple criteria: (i) Match against detailed	e.g. Partially Meet

information on property, e.g. shower, adaptations, floor levels, pets status, household members	
Enable accurate, automatic matching of property and individual applicant's needs against multiple criteria: (ii) Match against detailed information on people, e.g. mobility needs	e.g. Do Not Meet
Ability to match or allocate a property that has not yet completed the voids process or is decanted	
Enable prioritisation of need (i.e. banding)	
Provide a record of all service users, including customers provided only advice	
Record referrals from various sources	
Provide an online form to enable initial contact from the resident	
The solution should:	
Provide a housing applications eligibility checker, for tenants to use prior to making an application	
Manage offer and viewing of properties	
Manage the on-boarding of new tenants, including setting up direct debits online and supporting self-service virtually or over-the-phone	
Enable applicants to upload or attach evidentiary documents	

Using Scenarios

Scenarios can be helpful in establishing how a supplier will treat key variables (e.g. data migration in implementation). They should be oriented toward achieving an outcome. Scenarios are not helpful in distinguishing between suppliers on common components (e.g. cloud-based systems), and should be avoided if simply re-establishing the evaluation criteria.

Details about the scenario should be included within the specification, and drawn out further within the evaluation approach. This includes details about the Council's service, teams, partners and process, as well as systems and data requirements.

Example: As demonstrated by Hounslow's recent evaluation model, using a scenario is helpful, particularly when thinking about your organisation's specific implementation needs. Hounslow expects to use a scenario that asks suppliers to discuss how they would create a solution that (i) integrates to key line of business systems (e.g. finance), (ii) migrates data from legacy HMS (iii) customises workflow and training requirements for key housing service teams.

An example is provided below *[this is for demonstration purposes - Councils should use their own data to create bespoke scenarios to test with suppliers]*.

QS1. Resourcing, Implementation and Risks

1. Provide details of your organisation's dedicated management and operational team highlighting their skills, experience and professional attributes.
2. Give details on how you intend to structure your delivery. Including: information on timescales, key milestones, project management.
3. Outline any mitigating actions relating to risks you anticipate and integration and implementation stage.

Your response should relate to the **scenario** below:

At implementation, we expect the supplier to help us to:

- *Create integrations from the HMS to our finance, customer support and web portal systems [re-insert details of systems].*
- *Extract, transform/cleanse and load 20,000 property and 5,000 unique person records from our HMS legacy system.*
- *Support development of tailored workflows for Housing Officers in: case management, task allocation, and business intelligence reporting.*

It should also include:

- Roles, responsibilities, and lines of authority – or clear escalation route
- An organisational chart identifying staff against the service areas / roles of this contract you expect them to hold responsibility for.
- Supporting CVs detailing relevant qualifications and experience of your project delivery team to include.
 - Senior Management
 - Maintenance team
 - Project Managers
 - Design engineers
- Timescales. key milestones and implementation stages
- Risks and mitigation actions

Maximum Score (10), Weighting (15%). Limit: 10 A4 pages, Arial font 11, 2 A4 page appendices for diagrams / charts / images.

Pass / Fail Criteria

If it is mandatory that a particular threshold is met then it is necessary to exclude any bidder that doesn't meet it. You should therefore consider carefully whether the requirement in question is significant enough to merit rejecting a bid regardless of its other benefits.

Assessing 'Capabilities'

In this case, 'Capabilities' could be used as pass / fail criteria. However, given the breadth of capabilities sourced and the complexity of the source systems they refer to, we recommend that:

- **'Must have'** capabilities: are not used to fully exclude non-compliant bids, but rather reduce or cap the total score a bid failing to meet some or all of the criteria can achieve.
- **'Should have'** capabilities: are tallied as an additional scoring component, but are not used to reduce or cap the total score.

Insurance and Financial Requirements

Commonly, insurance and/or financial criteria are used to exclude non-compliant suppliers. It should be noted that financial requirements (e.g. minimum revenue history) can be a significant barrier to procuring innovative solutions, where SMEs are still small or inexperienced. As such, we encourage their careful and proportionate use, in line with Cabinet Office guidance, such as [Policy Notice 01/12](#).

Insurance and indemnities are a more common requirement, and a standard requirement in many public contracts. Almost all qualifying suppliers should be expected to meet these requirements reasonably.

For example *[though other template language is available online]*:

Q.PFI – Insurance Requirements (pass/fail)

Please self-certify whether you already have, or can commit to obtain, prior to the commencement of the contract, the levels of insurance cover indicated below. If you answer no to question 1 this will result in an automatic fail and your submission will not be evaluated any further:

- Employer's (Compulsory) Liability Insurance = £5,000,000 any one occurrence on a non-aggregated basis.

*It is a legal requirement that all companies hold Employer's (Compulsory) Liability Insurance of £5 million as a minimum. Please note this requirement is not applicable to Sole Traders.

- Public Liability Insurance = £5,000,000 any one occurrence on a non-aggregated basis.
- Professional Indemnity Insurance = £1,000,000

*It is a legal requirement that all companies hold Employer's (Compulsory) Liability Insurance of £5 million as a minimum. Please note this requirement is not applicable to Sole Traders.

3. Scoring Responses

Evaluation Process

Due attention should be paid to understanding how best to interact with suppliers as part of the evaluation process. This could include:

- pre-market engagement
- clarification interviews or product demonstrations
- and/or, negotiation stages (depending on the route to market approach you're using).

To complement the open form initial response stage recommended, it's helpful to consider using shortlisting to follow up in clarification interviews or product demonstrations with a handful of the preferred suppliers.

Pricing Scoring

Balancing Price and Quality Scores

Scoring should be risk-based, to account for assumptions inherent in the procurement and therefore the differences in price or quality that might occur between suppliers. This is particularly true for assessing implementation plan costs.

A helpful tool to score bids on a like-for-like basis is to use **'price per quality point' scoring (PQP)**. PQP provides an absolute standard against which bids are evaluated, and is simply established by dividing each bidder's price by their quality score. This enables true comparison of what the department will pay between per quality point and bidders are not being compared against each other, but only assessed based on their own bid.

Relative price scoring is a common approach based on awarding the lowest price full-marks, and others proportionately less relative to the price difference. This approach should be treated with caution as it has the potential to increase the risk of "bid-bunching" and can benefit bidders hoping to win by submitting the lowest price rather than focusing on quality. It may also result in scores that do not take account of the real difference in price between bids where there are only a few bidders.

Fixed vs. Variable Pricing

It can be helpful to ask suppliers to offer a fixed price to make sure there are no hidden costs that aren't fully disclosed.

Example: Hounslow's recent tender used the following approach at the outset.
[Councils should create their own version of their costs table based on the specific solution elements they would like individually priced]

Q.PFI – Insurance Requirements (pass/fail)			
<p>Please provide a fixed price to deliver all the project requirements and deliverables as described in the Project Brief. A detailed breakdown of your fixed price must be provided in the table below, all costs must be included in your fixed price. The price will remain fixed for the duration of the contract.</p> <p><i>Note: Submission must be without qualification and or caveats. Any attempt to qualify any of the foregoing provisions in this section, either expressly or impliedly, may result in the bidder being disqualified.</i></p>			
Cost Item	Price, Y1 (£)	Price, Y2 (£)	Price, Y3 (£)
Core Software			
Data Hosting			
Maintenance & Support			
Training			
Integrations			
Other fees (please detail)			
TOTAL			

Abnormally Low Priced Bids

An abnormally low bid is a bid with a price so low as to make the department question whether it is correct and/or deliverable. Where a bid appears to be abnormally low, the buyer should ask the supplier to explain their proposed price. The buyer may reject the bid where the evidence supplied is not satisfactory in accounting for the low price. In particular, buyers should be cautious of how abnormally low bids can create uncompetitive processes for other competing suppliers, especially SMEs.

4. Maximising Contract Value

Going further than a basic specification and tender evaluation approach, there are additional requirements that can be used to assess suppliers at tender or interview stages (which may also be embedded within performance schedules in the contract). As outlined in PUBLIC & LOTI's [Innovation in Procurement Toolkit](#), these are advanced techniques that boroughs can use to extract maximum value from their supplier base, particularly larger, established suppliers.

Capturing pan-London demand. Large suppliers will provide better value if demand is aggregated in a clear commercial construct.

- *We recommend you insert a clear clause to stipulate that a contract can be replicated by authorities pan-London.*

Interoperability-by-design. Interoperability is key to 'future-proofing' your HMS and enabling additional services to be built around it flexibly.

- *We recommend you utilise the contract terminology created by LOTI [on Data Access and API Availability](#).*
- *We recommend you assess your interoperability requirements fully - our [guidance on interoperability](#) can help.*
- *You could include an enforcement clause that penalises suppliers for not enabling integration with suppliers.*

Unified performance standards. There are a range of performance management approaches and standards - see our basic [overview here](#).

- *We recommend establishing common 'best practice' performance standards and KPIs, and co-creating them with suppliers (particularly for standardised cloud-based services, as unrealistic service credit schedules will simply be priced in as 'risk'.)*

Embed continuous improvement. Formal continuous improvement clauses can be agreed and embedded, though may increase price. An informal approach enables more flexibility, though is less outcomes oriented. See [our guidance](#) on this topic.

- *If formally, we recommend you negotiate a continuous improvement plan, and insert it into the contract.*
- *If informally, we recommend you require an allocation of 'developer days' to prioritise common feature development.*

Managing suppliers collectively. If you procure collectively, you can manage suppliers together, too. This can enforce better accountability.

- *We recommend contracts require suppliers to set up a dedicated London-based User Group - [our guidance](#) provides advice.*