

## Key Questions On VfM You Should Ask Through The Procurement Process

### Establishing the department's investment objectives and priorities

- Are our strategic objectives reflected in the business case and supported by the business requirement?
- Have we clearly specified our requirements and do these focus on measurable outcomes?
- Have our evaluation criteria been developed and agreed by the right departmental representatives?
- Have our priorities been reflected in the way we have identified and weighted our criteria?
- Have we thought about the whole life of the contract when setting criteria and informing a business judgement - not just the short-term issues but also the changes ahead e.g. exit strategies and re-competition?
- Are suppliers aware of what is important to us in the procurement and how delivery of the requirement relates to our business imperatives?
- Have we thought about the risks that can sensibly be transferred to suppliers and those that must be retained?

### Assessing the supplier's capabilities

- Do the competing suppliers have the required capabilities (including staff, support systems and experience) to deliver?
- Can they meet the requirement set out in the advertisement?
- How does the supplier's track record on delivery performance match the size, scope and complexity of our requirement?
- How does the supplier's track record on team-working, or partnering, relate to the cultural reality and aspirations of the department?
- Do we believe that we can achieve good working relationship with each of the suppliers?
- Are there any potential conflicts between any of the suppliers retaining their core business directions whilst fully meeting our requirements?
- Is the knowledge and experience of our in-house procurement professionals being used to their full extent in this assessment?

### Benefits in the evaluation

- Are all the criteria for non-financial factors relevant? Are they prioritised and weighted? Are measurement methodologies agreed?
- Can the suppliers deliver to appropriate quality standards?
- Do the criteria clearly reflect our current and future priorities?

### Costs in the evaluation

- Have we separated out the financial aspects in the evaluation from the non-financial aspects?
- Have we agreed the methodology for bringing the financial and non-financial aspects back together prior to award decision?
- Have we taken account of all the costs associated with the bids, such as staff training, accommodation and full lifetime costs?
- Have the costs of transition been recognised and estimated?
- Have we made intelligent use of benchmarking techniques to ensure that the bids and future service delivery represents value for money?
- Have we agreed contractual procedures to maintain value for money when major changes occur in the future e.g. legislative, functional etc?

### Revisiting the assumptions in the business case through the procurement

- Meeting business need - does the bid cover everything that is currently required, to the required quality of service?
- Most appropriate option - have all appropriate options been considered before narrowing down the choices for the way forward?
- Achievability - does the supplier fully understand the implications of implementing the service? Can the supplier support this understanding with appropriate plans for risk management and quality improvement? Do we fully understand the implications?
- Affordability - have we checked that all relevant costs are included; any likelihood of significant cost changes over the life of the contract; any proposed changes in pricing structure over the life of the contract? Are funds still available?
- Realism - can the supplier provide and maintain quality services for the quoted price? Do we believe that the supplier can make an appropriate return?
- Risk - do the risks rest with those parties best able to control them?

Openness

Criteria Separation

**BEST PRACTICE**

**Value for Money Evaluation  
in Complex Procurements**

Realism

Deliverability

Debriefing



## Value For Money Evaluation in Complex Procurements

Value for money (VfM) is defined as “the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user’s requirement”. This is rarely synonymous with lowest price.

### Commitment from the Top

• Achieving a successful outcome to a complex procurement will require visible senior departmental commitment from the very start of the process. Top Management should ensure that the right tone is set in their organisation’s relationships with potential suppliers, one of whom may eventually become a key supplier and possibly a strategic partner. It is also important for the department to present itself as a good customer; for example a commitment should be made to provide access to key staff throughout the procurement process.

### Openness

• Within the bounds of commercial good practice it is important to aim for the maximum level of process transparency throughout the procurement. Achieving this will help bidders appreciate the full nature of the business requirement and its importance to the department, increasing the likelihood of realistic bids and deliverable solutions. This openness includes the exposure of the criteria for both the selection and award processes. These criteria must have the approval of the department’s Top Management to ensure alignment with the business strategy. Therefore, when suppliers are invited to bid they will know how their offers will be evaluated and the relative priorities of the criteria.

### Accountability

• The Project Owner or Senior Responsible Owner for delivery of the business requirement should ensure the correct departmental representation on all decision-making bodies and panels. It is essential that this representation be maintained continuously throughout the procurement process to award and debriefing.

### The Business Requirement

- The business requirement, including any specified levels of quality or standards of performance and service, must be tested critically for continuing business need, cost-effectiveness, affordability and value for money over the life of the contract. Particular emphasis needs to be placed on the correct scope of the requirement and the desired outcomes and their operational and strategic relationship to the business.
- Contract development should make full use of standard terms and conditions.
- Requirements and outcomes may well change over time, therefore good governance and change management must be applied throughout the process.
- Where appropriate, the early involvement of suppliers in business requirement definition and development, or in the case of construction – design, will increase the potential for well-costed bids and deliverable solutions.
- Health & Safety issues, including legislation, must be considered at the appropriate stages of the process.

### Selection – EC Rules

• The outcome of the selection process is a shortlist of the suppliers who have proved most suitable for consideration as competitors to provide the services the department requires. Both financial and non-financial factors are likely to feature in a set of weighted selection criteria established and agreed prior to inviting expressions of interest. The suppliers must be advised accordingly. The criteria will be based on:

- financial and economic standing
- technical capacity (including track record) and ability (for services contracts only)
- ineligibility e.g. insolvency, grave business misconduct etc,

• The key non-financial factors to consider within the areas of technical capacity and ability should include:

- aspects of relationship management and teamworking relevant to the business context of the requirement
- the specific demands of a partnering approach where it is the intended relationship model
- approaches to risk allocation and management
- project delivery
- quality of products/service delivery

### Award – EC Rules

- The outcome of the award process is the identification of the supplier who has submitted the best VfM bid to meet the specified requirements.
- The set of award criteria will be a combination of both financial and non-financial factors. The financial criteria will cover the whole-life costs of the contract. Key non-financial criteria will usually include areas of deliverability, service quality, innovation, organisational culture, environmental issues, risk management and partnering/teamworking.
- To promote price realism and solution deliverability, the recommended approach to VfM evaluation is to differentiate the financial and non-financial criteria for consideration in separate strands. Attempts to balance these criteria during the process should be avoided. Via a methodology agreed by the Tender Board the two strands should be brought back together prior to the award decision. Procurement professionals within the department should be involved in this process. Unless the best quality bid is also the lowest price bid, the Tender Board must come to a judgement balancing the business risks.
- The mix of criteria and any weighting applied to each individual criterion will depend on the nature of the specific procurement, the business requirement and its context within the operations and strategy of the department. The criteria chosen must support the value for money definition and should not relate to other objectives extraneous to the specific procurement.
- As with selection, the suppliers must be advised of the criteria and their relative priorities in the context of the requirement.
- The ITT should be designed to elicit Best and Final Offers that can be fully evaluated on the basis of the financial and non-financial factors.
- The reasons for the outcome must be justified and fully documented for the purposes of debriefing and potential future challenge.

### Supplier Debriefing

- There is a general perception amongst suppliers that bids are usually won on lowest price alone, with the inevitable knock-on effect that the quality and whole life cost aspects of bids are adversely affected.
- The lack of full disclosure of decision rationale during supplier debriefings, and even absence of debriefings altogether, will tend to reinforce the misconception that price is the overriding award criteria.
- Challenging these perceptions is a contribution to improving the competitiveness of government’s suppliers and therefore of benefit to the overall UK economy.

The OGC Supervisory Board has agreed that all Requests for Proposal and Invitations to Tender for complex procurements in Central Civil Government should refer to this Best Practice and confirm compliance with it.

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