**Evaluate and select offers – goods and services procurement guide**

Find out how to evaluate and select suppliers’ offers for goods and services procurement.

## **On this page:**

* Evaluation methods
* Plan evaluation
* [Evaluate offers](https://www.buyingfor.vic.gov.au/evaluation-negotiation-and-selection-goods-and-services-procurement-guide#conducting-an-evaluation)
* [Select offer(s)](https://www.buyingfor.vic.gov.au/evaluation-negotiation-and-selection-goods-and-services-procurement-guide#selection)
* Transition to contract management
* [Using this guide](https://www.buyingfor.vic.gov.au/evaluation-negotiation-and-selection-goods-and-services-procurement-guide#using-this-guide)
* [Tools and support](https://www.buyingfor.vic.gov.au/evaluation-negotiation-and-selection-goods-and-services-procurement-guide#tools-and-support)

## **Evaluation methods**

Methods for evaluating value for money include:

* value for money ratio (recommended);
* cost-effectiveness ratio;
* lowest cost compliant offer;
* target or maximum price; and
* weighted cost (not recommended).

Obtain specialist evaluation skills as needed.

**Value for money ratio (recommended)**

The value for money ratio divides the total score for how well offers meet requirements (value) by the cost (money). The highest ratio score is the preferred offer.

Use weighted scoring of requirements (or groups of requirements) to reflect importance.

Consider setting minimum acceptable scores for important requirements, groups of requirements, or for the total weighted score. This may protect against a potential pitfall: an offer that has a high score and high price may be ranked similarly to an offer with a low score and low price.

To strengthen this method, also conduct:

* due diligence for requirements that are not suited to scoring such as compliance with the draft contract and suppliers’ viability as a company; and
* risk assessment of all elements in offers.

**Cost-effectiveness ratio**

The cost-effectiveness ratio is the reverse of the value for money ratio – it divides the cost of offers by their total weighted score. The outcome is the same as the value for money ratio. The lowest score is the preferred offer.

**Lowest cost compliant offer**

The lowest cost compliant offer method evaluates fitness for purpose as pass/fail and selects the fit for purpose offer with the lowest cost.

It treats all fit for purpose offers as providing the same value, with cost as the only variable. This method may be appropriate for procurement of commodities or standardised services that are low in complexity and risk.

**Target or maximum price**

A target or maximum price may be set in the invitation to supply such that value for money is represented by the most value for the specified price. This method could be used when requirements are difficult to specify or when budget is a significant constraint on the offered solution. A target price can be helpful to suppliers to pitch their offer appropriately, especially where there are different solutions or approaches available to meet requirements.

This approach is not recommended as an evaluation method because it is based on price rather than total cost of ownership. As a market approach technique, it can be used with the value for money ratio method recommended in this guide.

**Weighted cost (not recommended)**

The weighted cost method weights cost and adds it to scored and weighted requirements to produce a total value score. For example, cost may be weighted at 30% and requirements weighted 70%. The highest total value score is ranked first.

This method is not recommended because:

* it evaluates money as ‘value’, which does not enable value for money to be demonstrated;
* the value of an offer changes depending on what offer it is scored relative to leading to inconsistent outcomes; and
* it lowers the relative importance of cost, favouring higher priced offers.

## **Plan evaluation**

Develop an evaluation plan that is appropriate for the complexity of the procurement activity ([Market approach policy, section 2.1.1](https://www.buyingfor.vic.gov.au/market-approach-goods-and-services-policy)).

Plan for evaluation to ensure that:

* there are appropriate internal and external evaluation resources (capability and quantity) and time allocated;
* the evaluation methodology is appropriate for the nature and complexity of the procurement;
* probity is maintained;
* information is prepared and included in the invitation to supply:
  + process and schedule for evaluating and selecting offers (including shortlisting, clarifying, negotiating, sample testing, and trials);
  + evaluation criteria and methodology, including scoring and weighting (as applicable); and
  + response schedules (including supplier information, compliance with requirements, supplier capability, compliance with the contract, and pricing).

An evaluation plan may include:

* procurement details, including objectives, requirements and deliverables;
* governance, including decision making, [probity](https://www.buyingfor.vic.gov.au/probity-procurement-goods-and-services-procurement-guide) and administration:
  + decision making structure and responsibilities (financial delegate, procurement delegate, steering committees or control boards);
  + decision making process, including escalations of issues and management of complaints;
  + management of submissions (security and confidentiality);
  + communication management, including who is authorised to communicate, and processes and timelines for communicating with suppliers;
  + conflict of interest and confidentiality management;
  + managing changes to scope while maintaining probity;
  + records management;
* evaluation team details, roles and responsibilities;
* evaluation methodology:
  + evaluation criteria (including international or Australian standards, and broader government objectives);
  + methods to assess offers against evaluation criteria (analysis, inspection, demonstration, interviews, site visits, tests, and user trials);
  + scoring, weighting, and due diligence (as applicable);
  + consensus or average scoring;
  + price and cost evaluation;
  + process for evaluating alternative offers (if applicable); and
  + negotiation options and processes.

If applicable, detail plans to:

* separate evaluation of pricing schedules to avoid price biasing technical evaluation or to utilise financial experts;
* de-identify (anonymous) offer responses to avoid bias towards suppliers, brands or specific solutions; and
* set a target or maximum price.

Finalise the evaluation plan before the invitation period closes. If possible, complete the evaluation plan prior to issuing the invitation to supply to minimise the risk of making changes while the invitation is out to market. Issue an addendum to advise the market if the evaluation plan changes from what is notified in the invitation.

Effective evaluation of offers is critical to selecting potential value for money. The financial delegate, procurement delegate or steering committee / control board should approve the evaluation plan to ensure appropriateness and probity. Involve the probity advisor (if appointed) in this process.

**Broader government objectives**

Include broader government objectives in the evaluation plan. Use the Goods and services p[rocurement-related policies fact sheet](https://www.buyingfor.vic.gov.au/goods-and-services-procurement-related-policies-fact-sheet) to identify the applicable policies and how to evaluate them.

Ensure that evaluation of broader government objectives does not lead to selecting an offer that is not fit for purpose.

Consider the following techniques for scoring broader government objectives:

* Use mandatory requirements as appropriate to free up weighting for requirements that differentiate between offers.
* Stage evaluation through a series of gates so that 100% weighting can be used more than once to provide higher resolution of differences between offers. For example:
  + a first stage may include compliance with the specification, supplier capability and innovation with weightings totalling 100%; and
  + as a second stage, suppliers with a fit for purpose (and competitive) offer are shortlisted and assessed against requirements to meet broader government objectives with another round of scoring and weightings totalling 100%.

Note: If a procurement-related policy is prescriptive regarding scoring and weighting (such as Local Jobs First), check that this technique is compliant.

Contact the relevant [procurement-related policy owners](https://www.buyingfor.vic.gov.au/goods-and-services-procurement-related-policies-fact-sheet) for advice.

**Example – goods $5 million estimated value**

An Agency covered by international agreements conducted a strategic procurement for goods with an estimated value of $5 million. In procurement planning, the Agency identified the broader government objectives that apply and summarised what assessment is required for offer selection:

|  |  |
| --- | --- |
| **Procurement-related policy** | **Assessment** |
| Supplier Code of Conduct | Commitment letter – mandatory – supplier must have signed |
| International agreements | International agreements impact the content and conduct of the invitation to supply |
| Local Jobs First | Local Industry Development Plan – score and weight (mandatory 20%) assessed by Industry Capability Network Victoria |
| Fair Jobs Code | Pre-Assessment Certificate – mandatory |
| Social Procurement | Offer – score and weight (weighting discretionary) |
| Intellectual Property | Draft contract – due diligence |

**Example – services $200,000 estimated value**

An Agency conducted a transactional procurement for professional services with an estimated value of $200,000. The procurement used the mandated Professional Advisory Services State Purchase Contract, including its e-procurement system. In procurement planning, the Agency identified the broader government objectives that apply to this procurement and summarised what assessment is required for offer selection:

|  |  |
| --- | --- |
| **Procurement-related policy** | **Assessment** |
| Supplier Code of Conduct | Commitment letter – mandatory – supplier must have signed. Completed for the state purchase contract. |
| Administrative guidelines on engaging professional services | Requires pre-approval. Not applicable to evaluation. |
| Social Procurement | Offer – score and weight (weight is discretionary) |
| Intellectual Property | Draft contract – due diligence |

## **Evaluate offers**

Evaluate offers, including alternative offers, as detailed in the [evaluation plan](https://www.buyingfor.vic.gov.au/develop-evaluation-plan) (and published in the invitation to supply).

If the evaluation is to vary from what is detailed in the evaluation plan, such changes should be reviewed by a probity advisor and approved by the financial and/or procurement delegate.

Follow the generic evaluation steps below. The steps (and the fictitious example) are based on more complex procurement. Some steps may be abbreviated or not applied for a low complexity procurement. Regardless of complexity, some flexibility in the sequence of steps or repeating steps may be appropriate.

In the process below, shortlisting is based on whether offers are fit for purpose and demonstrate acceptable (and competitive) value, determined by evaluating scored requirements. Detailed due diligence, total cost of ownership, and risk are evaluated after shortlisting:

* as there is little benefit to conducting these evaluation steps for offers that are not fit for purpose; and
* results of these evaluation elements may be improved through negotiation and so may not be an appropriate basis for shortlisting.

**Step 1: Receive offers**

Manage receipt of offers using Agency processes that comply with the [Market approach policy (section 1.1.1)](https://www.buyingfor.vic.gov.au/market-approach-goods-and-services-policy#1-market-approach).

**Step 2: Check offers conform**

Check each offer conforms to the conditions of the invitation to supply. Do not evaluate non-conforming offers.

To conform, offers must:

* be received prior to the closing date/time (or be accepted by the Chief Procurement Officer as a late submission);
* be submitted in the specified format via the specified medium (e-mail box, e-procurement portal);
* include the required response information/schedules; and
* meet mandatory conditions of participation.

Separate pricing response schedules from the remainder of the offer (if applicable).

Check that response schedules do not contain information that may identify the supplier or products (if applicable).

Example

Four offers were received. All four offers conformed – all suppliers:

* submitted all required response schedules on time and in the correct format;
* committed to the Supplier Code of Conduct;
* had Fair Jobs Code pre-assessment certificates; and
* submitted Local Industry Development Plans.

**Step 3: Distribute offers to evaluation team**

Distribute the responses to mandatory and scored requirements.

**Step 4: Assess mandatory requirements**

Assess as pass or fail.

Do not further evaluate offers that fail mandatory requirements – these are deemed non-compliant offers.

Example

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Mandatory requirement** | **Offer A** | **Offer B** | **Offer C** | **Offer D** |
| #1 | Pass | Pass | Pass | Pass |
| #2 | Pass | **Fail** | Pass | Pass |
| #3 | Pass | Pass | Pass | Pass |
| #4 | Pass | Pass | Pass | Pass |

Offer B was non-compliant as it failed a mandatory requirement, and it was not evaluated further.

**Step 5: Assess scored requirements**

Score requirements using the specified scoring system. Conduct and score interviews (if applicable).

The evaluation plan or Agency processes should detail how scoring is conducted. Evaluation team members should initially score independently.

When all members have completed their scoring, get the evaluation team together to discuss. Use the method detailed in the evaluation plan to consolidate the scores:

* consensus scores determined through evaluation team discussion; or
* average scores after members have had the opportunity to confirm or revise their scores independently informed by a panel discussion.

Ensure that one or more members do not dominate the scoring process or undermine the contribution of other members.

Record any risk associated with the fitness for purpose of the offer and with the supplier delivering what is offered, for use at Step 13.

Example

The scoring method below was adopted. The evaluation team was encouraged to use even numbers to facilitate differentiation of offers but could use odd numbers as appropriate.

0 – no value and/or no evidence to demonstrate

2 – low value or major deficiency and/or little evidence to demonstrate

4 – moderate value or moderate deficiency and/or incomplete evidence to demonstrate

6 – satisfactory value, minor deficiency with sufficient evidence to demonstrate

8 – good value, fully meets requirement, with good evidence to demonstrate

10 – excellent value with exceptional evidence to demonstrate

The scoring method did not include ‘exceeds requirement’ to avoid rewarding unnecessary performance or features. Relevant additional value (not specified in requirements) and innovation will be scored separately.

Risk was assessed for each group of requirements based on risk for each requirement or in combination. Risk was assessed on the likelihood and consequence of an event occurring. The risk severity was not related to the score; for example, a custom solution may score higher than an off-the-shelf solution but may be higher risk, or a lower scoring offer may be proven and low risk.

The risk assessment for each group of requirements was derived from the highest level of risk in that group. All risks of medium and above were recorded for consideration later in the evaluation.

Risk severity was assessed as:

E = Extreme

H = High

M = Medium

L = Low

The table below shows raw scores against each requirement with totals for each group of requirements. It includes an assessment of risk for each group of requirements below the group total score, with comments to explain (not shown).

|  |  |  |  |
| --- | --- | --- | --- |
| **Requirement** | **Offer A** | **Offer C** | **Offer D** |
| **Specification**  #1  #2  #3  #4  Total /40  Risk | 6  4  2  4  16  L | 8  8  8  8  32  L | 10  8  10  10  38  M |
| **Capability**  #1  #2  Total / 20  Risk | 6  2  8  H | 8  8  16  L | 8  4  12  M |
| **Innovation /20**  Risk | 0  L | 6  L | 14  L |
| **Local Jobs First**  #1 Local Content  #2 Local jobs  Total /20  Risk | 6  6  12  L | 8  8  16  L | 6  6  12  L |
| **Social Procurement**  #1  #2  #3  Total /30  Risk | 8  8  8  24  L | 4  4  2  10  L | 8  6  8  22  L |

**Step 6: Apply weighting to scores (if applicable)**

Convert raw scores from Step 5 to weighted scores to reflect the relative importance of groups of requirements.

Calculation: (raw score / total possible score) x weighting

Example

|  |  |  |  |
| --- | --- | --- | --- |
| **Requirement grouping**  **(weighting)** | **Offer A**  **Weighted score** | **Offer C**  **Weighted score** | **Offer D**  **Weighted score** |
| Specification (35) | 14.0 | 28.0 | 33.3 |
| Capability (25) | 10.0 | 20.0 | 15.0 |
| Innovation (10) | 1.0 | 3.0 | 7.0 |
| Local Jobs First (20) | 12.0 | 16.0 | 12.0 |
| Social Procurement (10) | 8.0 | 3.3 | 7.3 |
| **Total (100)** | **45.0** | **70.3** | **74.6** |

**Step 7: Clarify offers**

Clarify offers to improve understanding and ensure appropriate evaluation. Do not allow suppliers to modify offers as part of the clarification process. Record clarifications.

Example

The evaluation team compiled a list of questions for each supplier, seeking clarification where there was doubt about what was offered. While this process was not an opportunity to improve offers, it was possible that scores may be adjusted based on better understanding.

Clarifications were sought in writing. Review of the clarifications did not warrant adjustment to scores.

**Step 8: Shortlist offers**

Shortlist conforming, compliant offers that are fit for purpose and demonstrate acceptable (and competitive) value.

Prepare a shortlisting report before proceeding to the next stage of the evaluation process. This should be approved by the financial delegate, procurement delegate or steering committee / control board.

The shortlisting report should include a summary of the assessed fitness for purpose of the offers and justification for the shortlist.

Advise suppliers whose offers are shortlisted.

Consider advising suppliers whose offers are not shortlisted and declining those offers. Declining offers allows those suppliers to move on without committing further resources on an unsuccessful offer. However, debriefs for unsuccessful suppliers should occur only at the end of the selection process.

Example

Offer A’s total weighted score reflects that the offer was deficient overall and significantly lower than Offer C and Offer D. The shortlisting report proposed shortlisting Offer C and Offer D only. It was considered there would be no circumstances (including a low offer price) that would result in Offer A representing value for money, so the agency advised the supplier that the offer was not shortlisted and was declined. A debrief was offered for when the selection process was completed.

**Step 9: Conduct due diligence assessment**

Apply due diligence to requirements that are not mandatory and not suited to scoring (for example, financial viability and ethical behaviour of the supplier).

Assess the level of risk for use at Step 13. For example, a higher-impact risk is non-acceptance of the draft contract (or significant departures).

Offers may be excluded from further evaluation for supplier bankruptcy, insolvency, false declarations, unresolved judicial orders relating to employee entitlements, and significant deficiencies in performance of another contract.

Example

The Agency conducted a risk assessment against individual due diligence elements with an overall assessment based on the highest individual risk rating and consideration of the combined impact of all risk.

|  |  |  |
| --- | --- | --- |
| **Requirement** | **Offer C** | **Offer D** |
| #1 | L | L |
| #2 | L | M |
| #3 | L | L |
| #4 | L | M |
| **Overall** | **L** | **M** |

The supplier that responded with Offer D was found to have a significant deficiency in performance under a prior contract with another Agency, had indicated partial compliances with several contract clauses, and a director had attracted unproven allegations of unethical behaviour in the media. These issues were each assessed as a moderate risk.

**Step 10: Assess total cost of ownership**

[Total cost of ownership](https://www.buyingfor.vic.gov.au/achieving-value-money-goods-and-services-procurement-guide) includes all costs borne by an Agency over the entire lifecycle of the goods and services being procured. It is more than the offered price.

For a low complexity procurement, if agency costs are low and/or similar for all offers, then the assessment may be confined to price.

Assess the level of risk to procuring within the costs estimated/offered for use at Step 13. While lower prices may be appropriate for low scoring offers, a significantly lower priced offer may indicate that the pricing is incorrect or that there are other deficiencies in the offer.

Example

The table below shows a high-level total cost of ownership estimation. Offer C has no transition cost as it is from the incumbent supplier and the offer is similar to the existing deliverables. Agency costs cover management of sourcing and contracts, and the cost of agency inputs to delivering the goods and services to its users.

|  |  |  |
| --- | --- | --- |
| **Cost** | **Offer C** | **Offer D** |
| #1 Offer price | $5,000,000 | $5,200,000 |
| #2 Transition | $0 | $35,000 |
| #3 Agency costs | $250,000 | $280,000 |
| TOTAL | $5,250,000 | $5,515,000 |
| **Risk** | **L** | **L** |

**Step 11: Additional verification and validation activities**

Conduct additional activities (for shortlisted offers) such as site visits or sample testing as necessary to verify that offers meet requirements. Use this information to confirm scores or due diligence, and to inform risk assessments.

Validate offers through user trials as necessary to confirm offers meet user needs.

**Step 12: Calculate the value for money ratio**

Divide the final (weighted) score representing the value of each offer by its cost.

Rank offers according to their value for money ratio from highest to lowest.

Tip

When the ratio has a zero before the decimal place, for readability consider multiplying all results by a number that places at least one non-zero digit before a decimal place. Be careful with the impact on perceptions of the differences between offers, especially if rounding figures.

Example

Calculation: weighted score/cost x 1,000,000

|  |  |  |
| --- | --- | --- |
| **Value for money ratio** | **Offer C** | **Offer D** |
| Weighted score | 70.3 | 74.6 |
| Cost | 5250000 | 5515000 |
| **Ratio\*** | 13.4 | 13.5 |
| **Preliminary ranking** (before risk and negotiation) | **2** | **1** |

**\*** Ratio multiplied by 1,000,000 for readability

**Step 13: Apply risk assessment**

Apply the risks recorded during the scoring (Step 5), due diligence (Step 9) and cost estimation (Step 10) to:

* consider how risk impacts the ranking of offers based on their value for money ratio (Step 12), for example:
  + all offers are low risk overall – minor or no impact;
  + one or more offers have medium or high risk assessments, which may impact rankings where value for money ratios are similar; and
  + high or extreme risk offers may be unacceptable and excluded from further evaluation
* identify opportunities to reduce risk through negotiation (Step 13)

Example

The table below shows the risk assessments from the prior steps and an overall risk assessment for each offer.

|  |  |  |
| --- | --- | --- |
| **Requirement** | **Offer C** | **Offer D** |
| Specification | L | M |
| Capability | L | M |
| Innovation | L | L |
| Local Jobs First | L | L |
| Social Procurement | L | L |
| Due diligence | L | M |
| Cost | L | L |
| **Overall** | **L** | **M** |

Offer C had a preliminary value for money score of 13.4 and ranked 2nd. The offer:

* met mandatory requirements
* scored requirements were consistently good, except for Social Procurement and Innovation that scored lower
* had an estimated cost closest to the estimated value of the procurement activity ($5 million)

Offer C was assessed as low risk overall.

Offer D had a preliminary value for money score of 13.5 and ranked first. The offer:

* met mandatory requirements
* scored requirements varied between satisfactory and excellent
* had the highest estimated cost, which was above the estimated procurement cost

Offer D was assessed as medium risk overall, though a high risk assessment was considered given that the offer had received three medium risk assessments.

**Step 14: Negotiate to improve value for money**

[Negotiate](https://www.buyingfor.vic.gov.au/negotiate-goods-and-services-guide-0) to improve the value for money of offers. Plan negotiation and receive approval of the plan prior to negotiating, according to the governance arrangements for the procurement.

Reasons to negotiate include:

* suppliers may bid a higher price with the expectation of reducing it in negotiation;
* target weak areas of offers for improvement;
* during negotiations suppliers may better understand the Agency’s requirements and then reduce the amount priced in for risk; and
* negotiation may be necessary for the Agency and a supplier to agree on contract departures prior to the Agency awarding a contract.

Example

The negotiation plan was approved to negotiate Offers C and D.

Offer C – the aim was to improve the low scoring areas of the offer. The incumbent supplier was considered to be comfortable with its current performance and so had not been innovative or made an effort with social procurement.

Negotiation of Offer C improved social procurement commitments and innovation, resulting in higher scores, while the offer price (and overall cost) increased by $100,000.

Offer D – the aim was primarily to reduce risk (three medium risk ratings). A secondary objective was to reduce cost.

The supplier made some concessions to comply with the draft contract, but did not make changes in other areas of medium risk. The supplier was willing to withdraw additional value but would not reduce the offer price.

Negotiation of Offer D did not result in changes to scores or the risk assessment.

**Step 15: Re-calculate the value for money ratio and rankings following any changes to offers in negotiation, and re-apply risk**

After negotiation, decide whether the residual risk for negotiated offers is acceptable.

When comparing shortlisted offers with acceptable risk severity, assess the impact of risk as simply as possible:

|  |  |  |
| --- | --- | --- |
| Value for money ratio | Risk severity level | Impact on ranking |
| Different | Same | None. Rank based on value for money ratio. |
| Similar | Different | Rank offers from lower to higher risk severity. |
| Different | Different | Adjust the value for money ratio of medium and higher risk offers to reflect the impact of the risk. |

The impact of risk on value for money ratios can be assessed by:

* Increasing cost using the probability of a risk occurring and the estimated cost of treating the risk. For example, if the probability of a risk occurring in an offer is 20% and the cost of treating that risk is estimated to be $1000, then the total estimated cost of the offer may be increased by $200. Re-calculate the value for money ratio.
* Reducing (discounting) scores. Apply a percentage discount to a score/group of scores. For example, apply no discount for low risk, and a 20% discount for medium risk.

Adjusting cost may be a more defensible method to apply than discounting scores, and it can be used to allocate contingency for contract approval. The contingency can be reduced through the contract term as risk is retired.

Example

|  |  |  |
| --- | --- | --- |
| **Value for money ratio after negotiation** | **Offer C** | **Offer D** |
| Weighted score | 79.3 | 74.6 |
| Cost | 5350000 | 5515000 |
| **Ratio\*** | 14.8 | 13.5 |
| **Risk** | **L** | **M** |
| **Final ranking** (after negotiation) | **1** | **2** |

**\*** Ratio multiplied by 1,000,000 for readability

After negotiation, Offer C’s value for money ratio was improved to 14.8 with low risk, and it became the first ranked offer. With no improvement in Offer D’s value for money ratio and risk after negotiation, Offer D was ranked second.

Since Offer D had a lower value for money ratio and medium risk, the evaluation team did not estimate the additional cost represented by the medium risk of Offer D, which would have further reduced Offer D’s value for money ratio.

**Step 16: Validate the selection outcome**

The evaluation process leads to a score for value for money, allowing offers to be compared and ranked. For assurance that the selection outcome is robust, check the following:

* Does the preferred offer meet the Agency’s need?
* Is the outcome right for the Agency? Take a “helicopter view” of the selection outcome.
* Are the scores of the high ranked offers similar? If yes, conduct a sensitivity analysis.

Sensitivity analysis may be used to test how much an offer’s scores would need to change to alter the ranking of the offer. When scores are varied within a reasonable range and the ranking of the offers remains the same then the selection decision appears robust. If the ranking changes, review the evaluation process and assessments.

Example

Sensitivity analysis was conducted. Given the difference in cost between the first and second ranked offers, one factor that may affect the selection ranking was the transition costs incurred for Offer D but not for Offer C (the incumbent). When transition costs were reduced to zero for Offer D, the value for money ratio for Offer D increased the value for money ratio from 13.5 to 13.6, which was still not competitive with Offer C’s value for money ratio of 14.8.

Offer C was confirmed to be value for money.

**Step 17: Evaluation report**

Maintain an audit trail of the evaluation decisions. Prepare a final evaluation report at the conclusion of the selection process to demonstrate value for money, including:

* business need
* market analysis and review
* market approach
* summary of the offers received
* summary of evaluation activities conducted (e.g. shortlisting, clarifications, site visits, negotiation)
* probity reports
* evaluation results and comparative analysis of offers
* how the preferred offer is value for money

If the Agency is not able to demonstrate value for money from the selection process, terminate the process without awarding a contract.

## **Select offer(s)**

Selection is the outcome of the sourcing process. The evaluation report establishes the basis for proceeding to contract with the supplier that demonstrates value for money.

The appropriate financial delegate must be satisfied that the selection outcome is value for money and approve the financial commitment by the Agency. Agency processes may require approval by a steering committee, control board or procurement delegate prior to approval by the financial delegate.

## **Transition to contract management**

Steps involved in transitioning from the sourcing phase to the contract management phase include:

* notify the supplier of the selected offer
* execute the contract
* notify the suppliers of non-selected offers, and offer all a [debrief](https://www.buyingfor.vic.gov.au/supplier-feedback-over-procurement-process-goods-and-services-procurement-guide)
* enter the contract details into the Agency’s contract management system
* handover the contract to the contract manager/contract management team
* ensure the supplier is registered on the financial system
* ensure that records of the sourcing process are kept
* [disclose contract](https://www.buyingfor.vic.gov.au/contract-disclosure-goods-and-services-procurement-guide) information on the [contract publishing system](http://www.tenders.vic.gov.au/)

**Using this guide**

This guide accompanies the [goods and services supply policies](https://www.buyingfor.vic.gov.au/goods-services-supply-policies). There are 5 supplies policies:

* Governance policy
* Complexity and capability assessment policy
* Market analysis and review policy
* Market approach policy
* Contract management and disclosure policy

This guide supports the [Market approach policy](https://www.buyingfor.vic.gov.au/market-approach-goods-and-services-policy).

## **Tools and support**

Access a document version of this guide in the [Toolkit and library](https://www.buyingfor.vic.gov.au/toolkit-and-library).

For more information please [contact the goods and services policy team](https://www.buyingfor.vic.gov.au/contact).

© State of Victoria 2023 (Victorian Government Purchasing Board)

[](http://creativecommons.org/licenses/by/3.0/au/)

This work is licensed under a [Creative Commons Attribution 4.0 licence](http://creativecommons.org/licenses/by/4.0/). You are free to re-use the work under that licence, on the condition that you credit the State of Victoria as author. The licence does not apply to any images, photographs or branding, including the Victorian Coat of Arms, the Victorian Government logo and the Department of Treasury and Finance logo.

Copyright queries may be directed to [IPpolicy@dtf.vic.gov.au](mailto:IPpolicy@dtf.vic.gov.au).