The Tendering Process

What is a Pre-Qualification Questionnaire?

Usually organisations will be required to fill in a pre-qualification questionnaire (PQQ). This is a form which is used to create a shortlist of organisations who will then be asked to complete a tender for a contract. By using a PQQ, public bodies aim to reduce the number of organisations bidding for a contract to a manageable amount. This is the first stage of the tendering process.

A PQQ asks for information about your organisation. There are no standard PQQs but they will generally ask for information about your legal and financial status, management and the technical capacity of your organisation (e.g. previous experience and skills, quality assurance, policies on Equality and Diversity, Health and Safety, environmental policies, staff qualifications, facilities etc.).

Usually public bodies use the same PQQ for any kind of organisation that provides goods or services to them. This means PQQs can be written with private sector businesses in mind and use language that is more familiar to them, and less familiar to voluntary and community organisations.

Not all public bodies require you to go through a PQQ, but many do. Also, **some** public bodies **may** ask you to complete an initial form which is based on a PQQ, but is simpler and more appropriate for voluntary and community organisations.

The PQQ is very important – it can take a long time to get all the information together, so the more prepared you are, the better. However, once you've done one PQQ, it should be easier the next time. The PQQ can also be used to shortlist organisations to go on a preferred supplier list – if so, it is very important to get on it!

It is also possible that your organisation is unable to meet PQQ requirements (e.g. quality standards, health and safety policy and procedures, etc.). If you want to get involved with commissioning in future, you will need to plan ahead and ensure you will be able to meet the essential requirements of most PQQs.

Please see examples:
www.wrc.org.uk/resources/help_for_your_organisation/developing_your_organisation/resource_to_accompany_sustainable_funding_guides/pqqs.aspx

Completing a PQQ:

Please look at examples of PQQs before reading the points below.

- Contact person: This needs to be someone senior in the organisation

- Describe your 'business activity': this involves talking about the services or activities your organisation provides. Make sure you word emphasise the aspects of your work that match what they are looking for
- List previous 'contracts': if you have never had a contract before, list your previous funders and the projects they have funded.
- Financial information: public bodies want to be reassured that your organisation has enough income and manages its money well. Sometimes they will specify a minimum income level, but if not, they are usually looking for organisations where the contract will represent no more than 20% of your total income. This is difficult for new or small organisations – but you may be in a stronger position if your organisation is the only (or one of a few) specialist organisations or your MC and staff have specialist skills and experience. Another way to overcome this barrier is to get involved in a consortium bid (see section on partnerships and consortia below).
- Insurance: You usually need employers liability and public liability that provides £10 million cover for your organisation.
- Risk management: You need to show how your organisation (particularly your management committee/board of directors and senior staff) manages risk – e.g. risk assessment, level of reserves, policies and procedures, business planning etc.
- Health and Safety policy: For organisations with more than five members of staff, this is a legal requirement anyway. You must have health and safety policies and procedures – for further information, see the Health and Safety Executive website: www.hse.gov.uk
- Equality and diversity policy: If possible try to relate your policy to their equality duties and equality 'schemes'
- Quality standards: This can be tricky for smaller organisations. Public bodies are looking for organisations that can provide evidence of their efficiency, high standards, good management, clear and consistent procedures etc. An externally accredited quality standard helps to show this. However, there is no point in going through an expensive and time consuming quality assessment unless it is appropriate and beneficial for your organisation; don't do this simply to meet PQQ requirements. Depending on the contract and/or commissioner, different quality standards will be acceptable; it is important to find out what your particular commissioner is looking for. Examples of quality standards are: PQASSO, Investors in People, ISO900, Advice Quality Mark, Investors in Volunteers, Supporting People quality standard, NVQs gained by staff related to specific fields of work, etc.
- Environmental policy: Increasingly this is requested; you need to show the steps your organisation is taking to reduce its impact on the environment, reduce waste etc. For further information, see NCVO website: www.ncvo-vol.org.uk
- Experience and credentials: It is important to show that your management committee/board members and staff have the right skills, qualifications and experience, and if possible, show that you've run this kind of service before. Also, make sure you have good references.

Note: If the commissioner is not using a PQQ, they may still require organisations to complete a simpler form which asks for background information about the organisation, and aims to check that your organisation has the capacity to deliver a service. See examples of forms above.

Invitation to tender

Once you get through the PQQ stage, you will be sent an 'invitation to tender' (ITT) for a contract. This may happen automatically or you may have to submit an 'expression of interest'. You will then be sent a tender pack.

A tender pack would usually include:

- An introductory letter (providing some background information about the service and why it is being commissioned)
- Timetable and arrangements (including key stages, deadlines, how to get more information etc.),
- The service specification (including aims and/or outcomes the commissioner wants to achieve, who the beneficiaries are, description of service, expected standards, length of contract and how much the public body will pay)
- Instructions for completing the tender (guidance on what organisations need to do if they want to bid for this contract, format they should use, the information they should provide etc.)
- A draft copy of the main terms and conditions of the contract
- Evaluation criteria (how the tenders will be assessed and this should also include their scoring system)
- Tender label or envelope

Specifications vary considerably in style, length and format. Some are very specific about what is needed; others are more open requests for proposals. Some describe the outcomes they want to see achieved, and want providers to show how they would deliver the services; others specify in detail the way they want the services delivered as well. Sometimes they will include an application form to complete or they will give you a list of questions to answer.

It is very important to **read everything thoroughly**! It is also very important for staff and management committee/board members to decide whether you want to bid to run this specific service. Please see 'Things to consider' section below.

You will have a limited period of time to ask questions – so if you are unclear about any aspect of the specification, the contract, terminology, etc. – **you must ask right away.**

It is likely that you will need to submit questions in writing or online or attend a meeting. Any questions asked by any of the organisations who are tendering (and the answers) will be sent to everyone. This to ensure the process is fair and equal. It's important to read these questions and answers (including those asked by other organisations) as they may provide some important information.

Commissioners should give you information on how they will score tenders; if they don't it is important to ask for this because then you can write your answers in a way that will give you the highest possible score.

You must follow their instructions exactly:

- If your tender is late (by even a minute) it won't be considered
- **Use the label/envelope provided** – if you write anything on the envelope the tender won't be considered as this could identify your tender from others. (Don't use guaranteed next day delivery – as it has sender's name on it.)
- Sign all the documents that need a signature
- Include any documents requested (e.g. copies of policies, annual accounts etc.)

Make sure you give yourselves enough time to write and send in the tender – usually there will be problems so it is best to allow more time than you think you will need.

Note: If the commissioner is using a simpler process resulting in a grant, they will still send out a letter explaining the application process, service specification, assessment criteria, timetable etc.

See examples of service specifications:
www.wrc.org.uk/resources/help_for_your_organisation/developing_your_organisation/resource_to_accompany_sustainable_funding_guides/specifications.aspx

Writing the tender

Tenders come in different formats depending on the size of the contract, and the tender process. Some commissioners will ask you to complete a form; others will give you a set of questions to answer and some will leave you to decide how to write your bid.

You will need to explain how you will deliver the service (this is sometimes called a 'method statement'). This is where you need to make a strong case for why your organisation is the best one to deliver the service:

- Explain what is unique about your organisation's experience
- Show your track record – your experience of delivering similar services, achieving similar outcomes, meeting deadlines, etc.
- Show that you have previous experience of working with the particular group of service users
- (if relevant) show your knowledge of the local area and local issues
- Emphasise and show your specialist knowledge and experience of issues, policies and good practice relating to this type of service
- Show that your organisation has the capacity, skills and experience to manage the service well
- Explain your links and experience of partnership working with others, especially if this improves the service (e.g. quicker, better referrals)
- Show your commitment to high quality standards and ensuring continuous improvement
- Show that you understand the commissioner's goals, policy objectives and strategies and refer to these in your tender. Explain how your service will help achieve these goals (and targets if relevant).

Similar to a successful grant application, a good tender will clearly explain what a good service looks like and why it is the best way of delivering positive outcomes for the service users.

Make sure your plans for delivering the service are realistic – if you are successful these plans will become part of your contract and usually, you cannot negotiate changes.

When you are writing about what your organisation does or plans to do for a new service, back up your case with evidence and examples (e.g. case studies, quotes from service users or other providers, photos etc.).

You will also need to explain how you will manage the transition to delivering a new service or introduce changes to an existing service (this is sometimes called a 'transition plan'). Sometimes, you may be bidding to take over an existing service currently run by another organisation or the contract could involve a significant expansion of your current services. If so, you need to explain your plans for ensuring this expansion happens smoothly.

Please see 'costing' section below re: taking on staff from other organisations.

Practical tips for completing a tender:

(Many of these are very similar to filling in a grant application.)

- Be clear, use plain English and avoid jargon
- Keep to the word limits (your tender could be disqualified otherwise)
- Make sure your bid is well laid out and presented, structured and easy to read
- Assume those assessing your tender have no knowledge of your organisation or your work.
- Answer all the questions, even if they don't seem completely relevant to you.
- Give complete answers to all questions – don't refer to previous answers in later questions. This is because different people could be assessing different questions.
- Don't attach additional documents unless these are specifically asked for
- Be very careful of 'cutting and pasting' from other applications or tenders - this can lead to disasters!
- Put the name of your organisation on every page
- Ask someone to proofread your work
- Get help if needed – if you know someone who has completed tenders before, get advice and support.

Added Value:

Although women's organisations may not be able to compete with others on the basis of cost, they do have other strengths such as specialist experience and knowledge – and the 'added value' they can bring to a service.

'Added value' is the extra benefit you can offer *as part of your core work*. This does not mean extra work.

Example:
Women survivors of sexual violence receive advice and support from staff at an evening drop-in session. The women directly benefit from the service by increasing knowledge about legal options and improving their confidence, self esteem and well-being. However, because the women come to the drop-in session at the same time each week, they also meet and get to know each other and develop an informal network, gain additional support and a sense of community. This adds value to the service and its outcomes.

Features of women's organisations which contribute to their added value[1]:

- Women-only space
- Focus on empowerment and independence
- High level of service user involvement (this is very important to emphasise as most commissioners will be looking for this – give examples of how you involve service users)
- Integrated 'one-stop shop' services
- Needs-based approach
- Reaching (and meeting the needs of) 'hard to reach' women

It is important to focus on the outcomes of these features – for example:

- Provision of women-only space enables women to feel safe, develop a sense of community

[1] see WRC 'Why Women?' report 2006

- Enabling women to contribute to the community and have a greater voice, through access to local services, consultations etc.
- Increased self-esteem, confidence and improved mental and physical health could lead to paid employment
- Increased self-esteem, confidence and improved mental and physical health could impact on children and young people
- Increased self-esteem, confidence and improved mental and physical health reduce costs for wide range of statutory services (e.g. health, social care, prisons and probation, employment etc.)
- Services provided by women staff and volunteers who have shared experience with service users helps to ensure services are relevant, and leads to more positive outcomes

Other features that contribute 'added value' (not specific to women's organisations):

- Involvement of volunteers enables an organisation to provide a wider range of services to greater numbers of service users in a cost effective way
- If your organisation can provide fast track referrals to legal advice, this could provide additional benefits for service users
- If your organisation has established referral systems with a statutory service, this could provide additional benefits for service users
- If your organisation has an 'Artist in Residence', this could provide additional benefits for service users
- Access to free training or venues provided by another organisation will make your project more cost effective

Outputs and outcomes

Commissioners will expect you to show how you will achieve 'outputs' and 'outcomes' (and sometimes 'impact'). So it is important that you have a good understanding of these terms. Many grant funders (e.g. Big Lottery, Comic Relief) also ask organisations to describe the outcomes of their work, so these terms are useful for any kind of fundraising.

Sometimes commissioners will already have identified the outcomes (and even outputs) they want you to deliver. You will need to explain in your bid how you will achieve these outputs and outcomes and how you will monitor their achievement.

Definitions:[2]

Outputs: The services, activities and products that your organisation provides e.g. what you are actually going to do – describe the type of service and how you will run it, for how many people, for how long, how often and where.

Examples:

- Befriending service for isolated women
- One to one counselling service
- Job search training

[2] These are the definitions used by the Charities Evaluation Service www.ces.org.uk
Also, please see the WRC Guide:' An Introduction to Measuring Outcomes', http://www.wrc.org.uk/resources/help_for_your_organisation/developing_your_organisation/sustainable_funding_resources.aspx

Outcomes: All the changes, benefits, learning or other effects that happen as a result of your activities.
e.g. the positive changes you support service users to make – describe the benefits of your services using words that show changes: increased, decreased, improved etc.

Examples:

- Increased confidence and self-esteem
- Improved mental health and well-being
- Increased numbers of women taking up voluntary work

Impact: The Performance Hub says there is no clear consensus about exactly what impact means! It is usually used to mean the broader, wider changes that your organisation creates. The impact is usually longer term and includes effects that go beyond the immediate group of people you are working with.

- Decrease in numbers of women admitted to the local mental health hospital
- Increase in rates of employment among local women

Outcomes should be SMART (specific, measurable, achievable, realistic and time-based)

Be aware that commissioners *themselves* are not always clear about defining outcomes:

Example of a question from Brent Children's Fund specification:
Children's Fund Outcome: To enable access to appropriate services for survivor/victims and their children

[note: this is really an aim, not an outcome! An outcome would be: Increased access to appropriate services for women survivors of domestic violence and their children.]

You need to describe the service you will run to achieve this outcome

This might include a needs/risk assessment for a specific number of women, support services (counselling, group support, face to face and email advice and information, etc.) for a specific number of women and children.

It is very important that you are realistic about the outputs and outcomes you plan to achieve – these are likely to be included in your contract if you are successful. *If possible*, it is good to be aware of the services that your 'competitors' run and ensure that the services you plan to run compare favourably.

Costing and Pricing

An essential part of tendering for a contract is to calculate the costs of the service you are offering to run. In fact, many people start with working out the costs of the service, as this will be an essential factor in deciding whether to bid for the contract in the first place.
You are not likely to have the option to change your budget later, so it is very important that the service is carefully planned and that you aim to cover all your costs.

Ideally, organisations should aim for 'full-cost recovery'.[3] This means funding the direct costs of delivering a service and the indirect costs of supporting the service and managing the organisation. Of course, in reality commissioners may be unwilling to meet full costs. Whatever the case, it is very important that you understand what your full costs are – as this will be crucial in your decision about whether to bid for a contract.

Any costs that are only for running a service would be direct costs. These include for example: staff costs, equipment, materials or resources only used by the service, staff supervision, IT costs to set up a database for the service, publicity for the service, etc.

Any costs for organisational functions would be indirect costs. They are not directly involved with the delivery of the service but the service could not run unless the organisation was able to operate smoothly. These costs include for example: rent and bills, finance and admin staff, audit, management committee member travel expenses, insurance, etc. These are usually called 'running costs', 'overheads' or 'core costs'.

It is very important to understand your costs fully and ensure you include an appropriate portion of your indirect costs in your bid. There are different ways to allocate indirect costs – the most important thing is to be able to have a clear and justifiable method for doing this and to explain this in your tender.

Possible ways of calculating an appropriate portion of indirect costs for a specific project (or service):

- Based on the number of hours project staff work as a portion of total staff hours in the organisation (e.g. if your organisation has 5 staff working a total of 140 hours per week, and the worker for this specific project works 28 hours per week, this is 20% of total staff hours in the organisation, so you allocate 20% of indirect costs to this project)
- Based on an analysis of indirect staff time spent on each project (e.g. find out how many hours managers, admin or finance staff spend on a particular project, allocate a portion of their salary costs according to the number of hours they spend supporting this specific project)
- According to the estimated or actual use of the overhead (e.g. telephone used 20% by Project A, 30% by Project B and 50% by Project C)
- Each project is allocated a standard management and administration cost (e.g. 20%) and this is added to all project budgets
- A combination of these methods
- Using any other method based on common sense!

Some commissioners will ask for budgets based on 'unit costs' (the cost of providing a service to an individual person) – this is common in the domestic violence sector.

For more information about unit costs, see Cash-on-Line (www.cash-online.org.uk) or SITRA (www.sitra.org.uk)

If a tender is for more than one year, do not forget possible increases in staff or other costs. Generally, 3% increases are added for inflation; however, check the current rate of inflation. Also, there may be set up costs (such as recruitment) that won't be needed in second or third years.

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[3] See ACEVO model for 'full-cost recovery' www.acevo.org.uk

Some contracts will involve an organisation taking on an existing service, including staff. In this case TUPE regulations apply.

[TUPE: Transfer of Undertakings (Protection of Employment) regulations 2006]

The employees of the previous organisation have the right to keep the same salaries and employment conditions (e.g. hours of work, salary scales, holiday, pension) as they had in the previous organisation.

When tendering for a contract it is very important to find out if the service will require transferring staff (and TUPE) and if so, to find out all the necessary information to assess the costs involved.

Pricing a tender

Often the commissioner will set the amount they are willing to pay for a service. In this case, organisations must ensure that the cost of the service they are offering to run is realistic and outcomes are achievable within the budget.

Sometimes, the commissioner does not set the amount they are willing to pay or gives an approximate figure. This means the organisation has to set a price for running the service.

You might think that **cost** and **price** are the same thing but in fact, deciding on the price of your bid is a process of finding out about the average cost of similar services ('benchmarking') and judging how much the commissioner will be willing to pay, the price your competitors are likely to charge and the state of the market.

There are three approaches to pricing:

1. At cost or slightly more than the cost: the organisation putting in a tender works out how much the service will cost to run and adds a bit extra to cover the possibility of costs rising and/or allowing it to earn a profit
2. Under cost: an organisation is prepared to take on a contract knowing that it does not meet the full costs (Sometimes big organisations do this in order to get into a new area of work or even 'drive out the competition'.)
3. The market sets the price: commissioners will say how much they expect to pay or in some sectors there is a 'going rate' (e.g. domestic violence sector – see SITRA website: www.sitra.org.uk)

Whatever approach you take, you must know your costs in order to make a judgement about prices or decide whether to bid. It is also very important that your Board approves every aspect of your tender, because when you put in a tender, it is often as though you are signing the contract – you can't go back on it!

How tenders are assessed

Commissioners will have a process for evaluating the tenders they receive. Although there is no set process, this involves scoring the tenders against a set of criteria (decided in advance) and giving the contract to the organisation that has the highest score. The criteria will usually include cost, previous experience of delivering a similar service, the quality of the service and its outcomes.

If the public body is complying with European Union procurement rules, the contract can be given to the cheapest tender or to the 'Most Economically Advantageous Tender' (known as MEAT). This involves criteria combining quality with the cost of the service. In the UK, most tenders are evaluated according to MEAT, so although it may not seem to be the case, the cheapest tender is not always the one that wins the contract.

Some criteria will be given greater 'weighting' (or importance) than others: the weighting of price against quality criteria will be very important. For example for some tenders price will have a 30% weighting and quality 70%, other tenders will have a 70% price weighting and quality 30%. It is essential to find out about this before you put in a tender, because it might influence your decision to bid and/or it will help you to write your tender, putting more emphasis on the higher scoring criteria.

All tendering processes must comply with the EU Treaty principles of fairness and transparency. This means evaluation criteria and weightings must be clearly stated in advance and used consistently throughout the evaluation process.

It's important to understand the evaluation criteria and scoring system – sometimes it can be all about points!

For an example of evaluation criteria that follow the MEAT process, see: 'Procurement and tendering for domestic and sexual violence service providers'. www.womensaid.org.uk

Presentations and interviews

Once all the tenders have been sent in, the commissioners may invite a shortlist of organisations to take part in an interview where questions will be asked about their tender. This might involve giving a presentation to the interview panel.

Details of the interview should be outlined in a letter; if not, ring and find out what is expected. The interview will be a scored process (like the tender) – so it is important to find out about the scoring system before the interview.

You need to decide who should attend the interview. Usually, it is good for two or three people to attend. It is important that a senior member of staff (usually the director/chief executive) and if possible, the person who would actually be managing the service attend. You could also involve a member of front-line staff and/or a service user.

It's very important to ensure everyone is well prepared for the interview and everyone answers questions. If only the senior person answers questions this suggests lack of confidence in the staff and/or lack of real experience of the service.

If doing a presentation, use the slides for photos and a few words – it's better to talk, get the panel members to concentrate on the speaker and believe in you and your organisation.

It's good to have photos, quotes, graphs etc. (visuals) – so you need to have these prepared well before the interview.

Aim for 3-5 key points about your tender that the panel will remember. Focus on your strengths, what you can do that is different from other organisations and back up what you say with evidence of actual experience.

Aim to engage in conversation with members of the panel – don't talk too much and allow time for questions and discussion.

What happens next?

If you are not successful, make sure to get feedback as this will help you with your next tender. If the commissioner follows a full procurement process, it should be possible to see the final scores – this will give you useful information about your strengths and weaknesses in relation to your competitors.

If you are successful, you will be given a grant, a 'Service Level Agreement' or a contract. This will be based on the service and outcomes you outlined in your tender. At this point, there is usually very little room for negotiation and it is difficult or impossible to pull out. This is why it is very important to put in a realistic tender and be sure that your organisation is happy with the terms and conditions of the contract before you bid for it. (The tender pack will usually include a model contract or agreement). See 'Things to consider' section below.