



“The Handy Guide”

to

Tendering and Procurement

Updated March 2012



Project Development & Support Ltd

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The Handy Guide to Tendering and Procurement

Guidance on the principles which underpin tendering and procurement.

The purpose of this guide is to provide information for those who may not be directly involved in the preparation of tenders, but nevertheless need to be well informed with regard to the legal basis for tendering and procurement. For example:

- Trustees and Directors of Charities;
- Directors of Companies;
- Senior and Middle Managers;
- Those engaged in advising other organisations on the tendering and procurement processes.

Whilst this guide offers some indicators to the operation of the processes, as well as a "Do and Don't" list, its principal purpose is to offer organisations tendering for public sector contracts a simplified reference to legislation surrounding procurement and related regulations and guidance. It does not set out the full detail of tendering and procurement, but it focuses on the principles which apply most of the time. There are special cases and exceptions when the principles do not apply, and are dealt with in general terms rather than great detail.



Who are the "Buyers"? — Selling to the Public Sector

When your services are purchased by a public sector organisation, or an organisation which receives 50% or more of its income from a public source, then those who purchase your services will have public sector related obligations. Regardless of their job title these then are taken to be the buyers.

It is important to recognise that the rules and regulations which surround tendering and procurement are developing rapidly, with new legislation under development or about to be implemented — at the time of updating this guide in March 2012 we are expecting the European Commission to publish an updated version of the rules later in 2012 — a new Directive which should become law in the UK. A previous example was the publication, in May 2009, of the Remedies Directive 2007/66/EC which was implemented in UK law on 20th December 2009.

In addition there are ongoing reviews of European legislation and regulation which can impact on the procurement process, not just as a result of new guidance and legislation but, more importantly, arising from judgements in the UK and European Courts — principally the European Court of Justice (ECJ). It is for the Courts to interpret the law, any other legal opinion provided by a lawyer is just that — an opinion. However, significant changes can occur at any time; it is therefore essential that organisations keep themselves updated on developments on a frequent and regular basis.



The Treaty of Europe applies to public sector contracts

If you trade with another organisation, that is they pay you to provide goods or services, the word “contract” applies – regardless of whether the agreement to provide the goods or services is in writing, verbal or called something else. This means that contract law applies.

The Treaty, otherwise known as the Treaty of Maastricht, amends and updates the Treaty of Rome and was signed by all of the Member States of the EU, including the UK. It requires the buyers to behave in ways which are non-discriminatory, fair, transparent and even handed with their suppliers or prospective suppliers. Therefore they must:

- not limit the breadth of any market to local suppliers;
- advertise their requirements in forms which are accessible to providers in the member states. Where the full EU rules apply this is in the Official Journal of the European Union (OJEU). Where the full rules do not apply then the advertising must be “adequate”. This might be in the press and on an appropriate website.

Special rules apply to State Aid (the use of public funds) if the use of such funds would distort competition. There are exemptions to the use of State Aid, but in general buyers cannot give public money to local providers, through grants for example, although there are specified criteria with which the buyer must comply in order for these gifts to be exempt. If you wish to find out about the rules for grant giving by a particular public authority or body administering public funds it is a good idea to read their Standing Orders. These are the public authority’s “rule book” and can usually be found on their website.

Standing Orders set out exactly what the buyers are allowed to do when spending public money. In addition, the Localism Act requires Authorities to publish a Code of Conduct for Elected Members and Employees.



The Regulations

The Regulations to be followed by the buyers are set out in a European Directive – 2004/18/EC. The Directive entered into UK law through Statutory Instrument (SI Number 5) The Public Contracts Regulations 2006, dated 9th January 2006. These came into force on 31st January 2006 and were amended on 20th December 2009. It is the Public Contracts Regulations 2006 (PCRs) which set out the full Regulations in the UK.

The PCRs place a requirement upon public sector contracting authorities to categorise the services they purchase into two groups. These are known as the Part A and Part B categories. Schedule 3 of the PCRs lists all Part A or Part B services through a set of codes known as the Common Procurement Vocabulary, or CPV codes.

The PCRs and the full EU procurement regulations apply to services designated as Part A. The procurement of those services designated as Part B is required to comply with some of the regulations only. A large proportion of the money spent by Local and Health Authorities is classified under Part B, and includes most services relating to health, education and social care. The new Directive (see page 4) is expected to remove the Part b exemption from all except Health and Social Care contracts.

As the buyers purchasing Part B services have much more flexibility in terms of the procedures they can use, it is important that suppliers understand the system and check from the outset of a tendering exercise that these procedures have been properly applied. If the service has been incorrectly categorised, or not categorised at all, there may be grounds for a legal challenge.

NB *One of the problems with Tenders under Part B rules is that deadlines which apply to all other types of tender DO NOT apply – so a Part B tender which give 1 or 2 days to respond is compliant.*



The process for identifying Part B services is described on the TfC website –
<http://www.tenderingforcare.com/news/new-cpv-codes> from where the necessary documents may be downloaded.

If a Local Authority buyer is purchasing services which are classified as Part A, then all of the PCRs apply if the total contract value is more than £139,893. This is known as the "threshold". If the buyer is acting on behalf of a Government Department then the threshold above which the PCRs apply is set at £113,057. Buyers may not split or artificially separate elements of a contract in order to avoid meeting the threshold, and therefore the regulations. There is a "rule of aggregation" which requires authorities to take into consideration the total "value" of similar purchases. For these and other reasons there is a current trend towards bigger and broader contracts. For example, it is not unusual to see contracts for services which cover "vulnerable people" or be described as a "generic tender". It is reasonable to expect that this trend will continue in the future.

A key aspect for Part A contracts at a value above the threshold is that the tender must be advertised in the OJEU and thus subject to possible cross-border competition. For all service contracts where the total value falls below the threshold the PCRs do not apply. However, regardless of whether a service is classified as Part A or Part B, all public sector contracts remain subject to the provisions of the Treaty of Maastricht and the Treaty of Lisbon 2009, in particular to those Articles which relate to competition.



The Competition Act 1998

The Competition Act is derived from Article 85 of the Treaty of Maastricht and Articles 81 and 82 of the Treaty of Lisbon – collectively known as the “Competition Articles”. In general the Act says that the buyer is prohibited under UK domestic law from “abusing a dominant position” by:

- imposing unfair purchase or selling prices;
- restricting production or technical development in ways which would put consumers at a disadvantage;
- applying dissimilar conditions to similar transactions thus putting suppliers at a disadvantage;
- making contractual conditions which require the supplier to accept obligations which are not connected with the subject of the contract.

In general the Act prohibits buyers from making any decisions which would in any way prevent, hinder or distort competition. All organisations submitting a tender must be treated in exactly the same way regardless of their corporate structure, e.g. plc, private company, sole trader, registered charity, etc.

The Act excludes all types of price-fixing and collusive tendering. This means that in general there should be demonstrable competition for all public money. It may not be necessary for the competition to comply with the PCRs, and may be at a minimal level, depending upon the requirements set out in the purchasing authority's Standing Orders.

There is currently considerable encouragement for organisations to tender in a collaborative way, possibly through various models of consortium. Suppliers should be very careful that their arrangements cannot be interpreted as “collusive”. Because of the potential risks and the rules for tendering as a consortium it is important that Trustees/Directors become involved in discussions and potential arrangements from the outset. The Office for the Third Sector produced a Guide to Working in a Consortium



which was edited by TfC and can be downloaded from the TfC website along with the TfC "12 Golden Rules for Tendering as a Consortium" :

<http://www.tenderingforcare.com/news/working-in-a-consortium-and-tfc-12-golden-rules>

The Office of Fair Trading provides the definitive guidance on competition law and produces a number of excellent documents which are available on their website. Their "Advice for businesses" section is a good place to start:

http://www.oft.gov.uk/advice_and_resources/small_businesses/



General Compliance

All purchasing must comply to some extent with requirements of the EU Treaty. The basic principle is that public spending must be undertaken in a manner which is non-discriminatory, fair and transparent. It is important to understand that the regulations are being interpreted and re-defined by the ECJ and the UK Courts on almost a weekly basis. For example a judgement in the UK courts late in 2008 has resulted in the requirement for all buyers to provide the criteria, sub-criteria and weighting which will be used to score the tender. These and other judgements provide options for organisations who feel that they have not been dealt with fairly, to challenge the buyers' decisions. Often this does not mean going all the way to court; a strongly worded letter setting out the perceived failure in compliance may be sufficient to secure procedural changes so that organisations can compete fairly.

All tenders must be selected on the basis of Value for Money (VfM). This usually means that during selection the quality of the tender itself will be scored and the price will be scored separately. Then a proportion of each of the two scores are added together and used to construct the final ranked list. The balance of the two scores can vary considerably, with 60% of the quality score + 40% of the price score being typical. Although selection on the basis of "lowest price" is allowed in the PCRs, until recently this process has rarely been applied in tenders for Part B contracts. In recent months however there has been a discernable increase in the number of tender processes employing lowest price.

All tenders, Part A and Part B, must be subject to an "adequate" degree of advertising — sufficient to enable the services market to be opened up to competition, to ensure an impartial procurement award procedure, and to ensure that buyers achieve VfM. An adequate degree of advertising may vary according to the significance of the eventual contract in the market place. This means that factors will be taken into account, such as the subject matter of the contract, the sector concerned, and the location for the



delivery of the service. Part B tenders must include a technical specification describing the service to be offered. Buyers must also provide tenderers with feedback after the contract award.

A new EU Directive was published by the European Commission on 9th December 2009. Known as the Remedies Directive 2007/66/EC, these new European rules led to an update of the UK rules through The Public Procurement (Miscellaneous Amendments) Regulations 2011. This is important because the new rules formalise European and UK case law with regard to the opportunities to challenge the use by buyers of unfair processes.

Now, when the decision has been made as to the successful tenderer(s), there must be a standstill period to provide opportunities for challenge. When the notice is sent by post the standstill period lasts for 15 days from the date of the letter, and 10 days when it is delivered electronically. If all tenderers are satisfied with the result, believe that that there have been no errors and there is no challenge by the end of the period the contract may be awarded.

If the buyer publishes a Voluntary Ex-Ante Transparency Notice in the OJEU, then dissatisfied tenderers have 10 days from the date of the notice in which to challenge. If no challenge is made to the decision of the buyers within in this timescale, then no later challenge can be made that would lead to a contract being declared by the Courts as ineffective and cancelled. Although the buyers implement the standstill period, unfortunately (for the buyers) the majority do not publish VEAT notices.

For more on VEAT please go to
<http://www.tenderingforcare.com/veat-notice>



Specification

There is a formal requirement in the Directive and the PCRs which applies when purchasing Part B services.

This confirms the underlying principle that the services which are being purchased should be "specified", that is to say set out in functional terms, where appropriate using European standards and requirements. This means that providers should be excluded from any involvement in the process of the production or writing of a specification unless this is done in an open and transparent way. The principle being that the services as set out in the specification cannot be seen to distort competition.

This requirement means that it is the service "as specified" which is being purchased.

It may be the case that a service has been delivered by one provider for a number of years, but the specification used in the tendering process for a contract to continue to deliver the service does not match the historic content of that previously delivered.

A rough measure over recent months, on a contract by contract basis, has been a reduction in the level of services specified at re-tendering of around one third.

It is often the case that organisations that previously delivered re-tendered contracts fail to retain them and are informed at feedback that they were "too expensive". Such a result can usually be attributed to proposing to deliver and pricing the service as historically delivered rather than "as specified".



Risk

For a service provider, the successful outcome of a tendering exercise is entering into a commercial contract with the buyer. Such contracts come with a multitude of areas of potential risk. Failure to comply with any one contractual condition may give rise to the possibility of a breach of contract action in the courts, with a further risk of a requirement to pay damages plus the opponent's costs if the court finds against the provider, or, even if successful, a requirement to meet a considerable level of cost in successfully defending any action. Trustees, Directors and Senior Managers should be acutely aware of the risks and dangers in this area and take appropriate action to protect themselves personally and their organisation. There is currently a spate of threats of breach of contract actions arising from contractors failing to comply with contractual terms.

Trustees and Directors should also be aware of the implications of breaching Competition Law, which can have serious repercussions for them at a personal level.

For the foregoing reasons a high proportion of the tendering process involves an assessment of the ability of an organisation to accept responsibility and liability for the delivery of a public sector contract. This has little to do with the size of the organisation. Very small providers can often compete very successfully with large and even very large organisations. The process is more about the ability of the organisation when tendering to demonstrate, and evidence, that they have both the capacity and the capability to accept and manage all aspects of risk. For these reasons it is usually the strength of governance and quality of management which scores highly, and is often looked at with much more care than the delivery of the service itself.



Do's

- Do** ensure that you have an accredited quality management system in place which is recognised by the majority of buyers;
- Do** have insurance cover in place sufficient to cover as many risks as possible;
- Do** ensure that tenders are priced on the basis of the services specified;
- Do** ensure that all tenders are signed by a Trustee or Director;
- Do** have arrangements in place for legal advice to be obtained as soon as the draft contract is received.
- Do** have a Business Continuity Management Programme in place which enables the organisation to be *contract compliant* in all circumstances.

Don'ts

- Don't** assume that the specification for a re-tendered contract will be on the same basis as the service historically being delivered;
 - Don't** engage in activity which could be construed as collusion, price fixing, or otherwise anti-competitive;
 - Don't** sign a contract unless you are certain that your organisation is able to ensure that it will be able to meet all of the stated conditions;
 - Don't** assume that a contract has been correctly classified.
Always check using the CPV codes;
 - Don't** wait to question. Always consider taking legal advice/action if you feel that there has been a failure in compliance.
 - Don't** delay if you feel that a challenge might be possible.
You have 30 days from the date when you knew or should have known that a problem might exist.
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Training and Consultancy Services



Accredited Training Course

Tendering and Procurement Practice

Level 3 with six credits

Accredited by the Open College Network (London Region)

Delivered by distance learning

Tendering and Procurement Practice is the first accredited professional course for individuals involved in the preparation of tenders for public sector contracts.

This course was developed by Project Development and Support during 2008/09 and piloted with staff from small organisations and large national charities. Since then we have produced over 70 "Graduates", resulting in their organisations greatly improving their tendering success rate.

Full details go to www.tenderingforcare.com and follow the links



In 2008 Tendering for Care received a National Training Award for excellence and quality of training delivery. In order to win the award we were required to demonstrate that the training is having a positive effect on the effectiveness of the tendering activities of those trained. The organisations with whom we work have established outstanding track records of success with their tendering.

"How to Win Tenders" course series

All the training courses below can be modified to meet the requirements of specific groups and can be delivered:

- internally to staff in larger organisations;
- on behalf of organisations such as umbrella bodies arranging events such as one off training days or conferences;
- for specialist groups such as Trustees.

 - Understanding Tendering and Procurement (basic course)
 - Preparing Effective Tenders (practical, group work based)
 - Winning Tenders
 - Preparing an effective PQQ
 - Presentations for tenders (practical, group work based)
 - Tendering as a Consortium (basic course)
 - How to work in a Consortium (includes model documentation for setting up a consortium)
 - Business Continuity Management for Health & Social Care



All Courses of Training are CPD Certified





Tendering Related Services

TfC provides a wide range of services and support for Organisations who are tendering for public sector contracts. These include:

- a weekly tender alert service;
- two weekly e-journals called upDATE and Staying Ahead.

In addition we provide support for organisations engaged in the preparation of tenders for public sector contracts:

- Tender review prior to submission, or after submission
- Mentoring for the team preparing the tender;
- Appraisal of accounts to demonstrate how they are likely to be scored
- Appraisal of accounts to demonstrate the effect of future loans and other borrowing on scoring
- Full organisation review for tender appraisal;
- Policy review and preparation
- Help with challenging the Tender Outcome



Contact Details

Tendering for Care
Project Development and Support Ltd
30 Gritstone Road
Matlock
Derbyshire DE4 3GB

Telephone: 01629 57501

Fax: 01629 584972

Email: info@tenderingforcare.com

Website: www.tenderingforcare.com

