

Tendering and Bidding Briefing: Give your tender a winning chance

NB: Please note this briefing is a working document which will be updated to include delegate feedback collected at regional seminars.



The Finance Hub

Charities Aid Foundation
St. Andrew's House
18-20 St. Andrew Street
London
EC4A 3AY
financehub@cafonline.org
www.financehub.org.uk
t (020) 7832 3016
f (020) 7832 3001



Development Trusts Association

Charities Aid Foundation
National Office
33 Corsham Street
London N1 6DR
info@dta.org.uk
www.dta.org.uk
t 0845 458 8336
f 0845 458 8337

Third Sector Leaders

acevo

acevo
1 New Oxford Street
London WC1A 1NU
info@acevo.org.uk
www.acevo.org.uk
t 0845 345 8481
f 0845 345 8482

Funded by



Abstract

The climate has changed for third sector organisations across the country. Spending public money in an open and transparent manner to achieve particular outcomes has become a natural requirement for commissioners, and has led to a “contract culture” for those they fund.

Grants are becoming less common and contracts are becoming the norm. With contracts comes formal procurement, which puts additional pressure on third sector organisations of all sizes. They must now be able to engage competitively in open tenders with public sector bodies and private organisations, as well as with each other.

This may seem a daunting prospect, but third sector providers should be actively tendering for services. The sector has been innovating and adding value for many years. As a result it has some exceptional services to offer: the difficulty lies in communicating this effectively to commissioners.

Introduction

The Government recognises the significant role already played by third sector organisations in public services and is keen for this to grow. An action plan drawn up by the Cabinet Office in 2006 set out reforms to increase third sector involvement in public services.

Further policy papers have repeatedly highlighted the desirability of a greater third sector role. This will mean more services will be tendered. The need for third sector organisations to engage effectively in competitive tendering will only increase.

You may submit a tender

- To retain the right to deliver an existing service, or to
- To win a contract for a new service.

The first point is important. In the future you may need to bid for services that you already run.

You may wish to take on new services:

- To develop your capacity, enabling more people to benefit from your service,
- To move into new geographic areas, or
- To move into working with new groups of people.

This briefing summarises the different kinds of tender processes, and explains how best to manage each.

Key points

1. Find out whether and where tenders are advertised. This is governed by various regulations and laws, so pay particular attention to the commissioners you might be interested in working with.
2. Think carefully about whether to tender for any given piece of work. Do not rush into bidding just because you are afraid of missing out on opportunities.
3. Give real thought to the pre-qualification stage of the tender process, which provides an opportunity to take a step back and examine your policies.
4. Find out as much as you can about the commissioner's objectives and requirements. If there's anything you do not understand about the tender process, do not be afraid to ask the commissioner directly.
5. Partnership working has pros and cons. Consider these and set up potential partnerships well in advance of the tendering process.
6. Follow all the rules of the process scrupulously. Getting minor details wrong can disqualify you. Prepare carefully for every stage.
7. Remember that your tender documents may form part of the contract. There may be no further opportunity to renegotiate what you have submitted, so get it right first time.

Types of tender process

As many public service contracts are commissioned by local authorities (or primary care trusts), you should look at each commissioner's contracting policies or standing orders. Commissioners interpret the requirements of EU legislation in different ways.

Open Tender

The details of an open tender are publicly advertised. The value of the contract will dictate where the advert must be placed: locally, regionally, nationally or across the European Union.

Approved Provider List or Register of Contractors

In some cases, only organisations on a particular list are invited to tender for

services. Organisations are normally checked for competence prior to being placed on the lists. Organisations can normally apply to be put on the list once each year, at the time when the opportunity is advertised. This means that the contract commissioner does not need to go through an expensive advertising process for every tender.

Single Tender

The commissioner may decide to ask for a tender from a single organisation. In these cases the value of the contract is often very low and there is usually supporting evidence as to why it is appropriate to choose a particular provider.

Case Study 1: Supporting People

This case study shows how changes in the design of funding programmes may mean competitive tendering is required.

In 2003 the Government brought in a new programme called Supporting People, which supports vulnerable people to maintain their independence in accommodation. Although many new services emerged as part of the new programme, many more had been around for years and were previously funded by various separate pots of money.

For providers this was very positive in some respects: they no longer had to report to different funders in different ways, or to seek funding from many different funding pots.

However, the new Supporting People 'Grant' came with a contract for each of their services. Many such contracts consolidated small pots of money into a bigger single pot. This meant a much larger contract value per annum.

Once the initial contract came to an end, council contract standing orders meant that the services had to go out to competitive tender.

Although service providers had been running services successfully for years, they now found they had to tender competitively to retain those services.

Finding opportunities to tender

The first challenge for any organisation is finding out when things are tendered. As shown above, the size of the contract affects where the tender is advertised. If you expect a commissioner to advertise a piece of work, you should find out where and when they intend to advertise it.

Most areas of work have a trade magazine where many of the tenders will be advertised. Many national newspapers also carry tender adverts.

Increasingly the internet is used to advertise tenders. If you type “tender portal” into any search engine you will find a whole list of different sites with information on the latest contracts to be tendered. Many sites charge for access, but others are free.

Two sites for large tenders are

- www.government-online.net/home.asp
- <http://ted.europa.eu/Exec?DataFlow=hRead.dfl&Template=TED/homepage&hpt=ALL&StatLang=EN>

This second link is to the English Language Page of Tenders Electronically Daily (TED), which lists opportunities throughout Europe. It includes all tenders above a specific size from local and national governments across Europe.

Many local councils and Government Departments advertise tenders. You will know which departments are most relevant to your work. Spend some time going through their own websites to see if their tenders are advertised.

Many of those who advertise through their own web pages offer individuals and organisations the opportunity to sign up to e-mail notifications or to receive RSS-feeds, which notify you of new information as it is put up on the website.

Should you bid?

It is all too easy to jump at every tender that comes out, for fear of missing out on an opportunity. Before you do, consider some of the key facts. A lot of hard work is required to put a tender together. You may reach the end of a long process only to discover that you don't want to, or cannot, do the work anyway.

Ask yourself:

- Does the piece of work fall within your aims and objectives?
- Does the piece of work fit with your business plan and strategy?
- Do your governing documents (e.g. your Memorandum and Articles of Association) allow you to undertake this work?
- Will it enhance or detract from other areas of your work?
- Do you have, or can you develop, the capacity and infrastructure to deliver the service?
- What do you know about the particular commissioner? Do you want to provide a service for them?
- Do you have relevant experience in the
 - Client group?
 - Geography?
 - Type of work?
- Are all the clauses in the proposed contract acceptable to your organisation?
- Is the time that will be spent in submitting a tender worth it? Consider the contract value, the overall value to your organisation, and your likelihood of winning the contract.
- Will TUPE (staff transfer) be involved if you win the contract and what are the associated risks?

If you have a negative response to any of the above questions then you should consider very carefully whether to tender. You may find it helpful to undertake a risk assessment.

The tender process

All tender processes vary but the following approach seems to be used most often.

1. Pre-tender qualification

Initially there will be a pre-tender qualification process to establish a select list. Your organisation will need to provide information on your processes, policies, and relevance for the general area of work. For example, to get placed on a list for adult services you would need to prove your charity had some experience of working with vulnerable adults, or had relevant transferable skills.

The prequalification questionnaire is your first opportunity to present yourself to a commissioner. It can give you a chance to learn how the commissioner will expect you to work. Other background information you receive may tell you how the commissioning organisation is managed.

Undertaking a prequalification questionnaire can be extremely positive for an organisation: it makes you take a step back and examine your processes. Give yourself plenty of time to complete the stage, as you may need to amend or update your processes.

At this point think about the types of work that may be tendered by the commissioner and consider possible partners for these projects. A relationship with a potential partner takes a long time to establish, so it should be worked on before the tender is advertised.

2. Tender packs and expressions of interest

Once on the select list, you will receive information about tenders from the commissioner. If you are interested in

finding out more about a specific tender, you will need to submit an expression of interest. This does not commit you to tendering.

When you have received a full tender pack you should go through it and find out exactly what is involved in the tender process and the contract itself. Ask yourself again whether it is appropriate to go for this tender.

It is often worth trying to find out why a commissioner is tendering a service and what they are hoping to achieve. It could be that they are tendering because they want to generate economies of scale; or because they are not happy with the current provider. It may be a new service where they want to see innovation. They may have to tender under their own policies and have no particular goal in mind.

There is generally a period during which questions can be asked regarding the tender. Usually questions have to be submitted in writing and answers are shared with all those who expressed an interest.

3. Writing the tender

Make sure you leave plenty of time for writing and submitting the tender. There are often unexpected problems, so allow more time than you think you will need.

Commissioners are generally obliged to give you information on how they score tenders, but they don't always send this out.

Whenever you are tendering you should ask for the scoring mechanism that is to be used as this way you can ensure that you focus your answers to maximise the points received.

Preparation

Before writing the tender it is worth taking some time to go through the following questions. Then you can work your answers into the tender later on.

The first question is: why is the service needed? Why should the service exist at all? The easiest way to demonstrate this is through an example.

Domestic Violence Refuges: the need

As an organisation you should know why a service is needed. For instance, if there were no domestic violence then there would be no need for any refuges.

- 1 in 4 women and 1 in 10 men experience some form of domestic violence at some time in their lives
- It takes an average of 35 attacks before a victim will report domestic violence to the police¹
- 88% of people saying they had experienced domestic violence in the British Crime Survey did not see it as a crime.
- There is significant under-reporting of domestic violence especially amongst some socio-economic classes and ethnic communities.

You should also know who it is a problem for, for example

- The victim,
- Children of the victim,
- Other family members,
- Neighbours,
- NHS,
- Housing Department,
- Police.

What are the demographics? Based on the figures, how many people in the area concerned could reasonably be assumed to experience domestic violence?

This sort of information makes it real. As third sector service providers we are extremely good at developing services because we have seen needs. Because we know them so well we sometimes

forget to explain them. Remembering why the service is needed in the first place will help give your tender the passion and drive required.

¹ The Times, July 9th 2007

After that consider the following questions:

<p>What are the factors that influence this tender?</p>	<ul style="list-style-type: none"> • Why is it being tendered? • What are the gaps in the current service?
<p>Why is your organisation best placed to deliver what's needed?</p>	<ul style="list-style-type: none"> • What's your experience of the client group involved? • What's your experience of the geographic area? • What else have you done that's similar? • What's your unique selling point (USP)? • How many people have you helped before? • What is the competition like? • Could you offer something significantly different to what is currently being delivered? • Would a consortium bid with other providers be favourable? • What added value can you bring?
<p>What will you actually do?</p>	<ul style="list-style-type: none"> • How will you do it? • What are the numbers of people you will work with (could be stated in the service specification)? • How long will you work with them for? • Is there a pathway/process they will go through? • Where will it take place? • Will it use new approaches / technology etc?
<p>What are the outcomes?</p>	<ul style="list-style-type: none"> • What will be the outcomes for people in the service? • What will be the outcome for the wider community? • How many people will have positive outcomes? • What will be the benefits for other relevant bodies e.g. reduced crime, lower hospital admissions? • How many people will report that they are happy with the service?
<p>Who else should be involved?</p>	<ul style="list-style-type: none"> • Which other organisations or authorities would you seek to involve, and at what stage?²

² For more information on outcomes and tendering, see the Finance Hub's Impact Briefing

Partnership models

Your organisation may wish to work with other organisations, making joint bids for work. This gives the benefit of being able to take on much bigger areas of work.

Building relationships with partners cannot be done at the tender stage. You need to have a good existing relationship in place. They should be organisations you feel comfortable working with, and who can bring a different aspect or element to the tender.

If you feel that a consortium bid may be

appropriate, then you will need to consider various issues. Think about partnership working, legal issues, dividing work and drafting the contractual documentation. Costs will probably increase, as you will need to cover the additional costs of servicing the partnership, including VAT implications³.

Assess the risks and the pros and cons of the partnership. If you decide that a partnership/consortium bid is appropriate then it is worth seeking further legal advice.

Tender format

Tenders and bids may differ depending on the size of the contract, the commissioner and the type of tender process. There may be different forms for you to fill in and submit with your tender. Some commissioners will set questions for you to answer. Others leave it to you to decide what to say.

Questions to Answer

If questions are set, then make sure you answer them all thoroughly, even if you have to repeat yourself. Sometimes tender documents are split up and given to different assessors. Assessors may not be able to take your other answers into account, so might deduct points from answers that seem incomplete.

When answering questions in a formal tender process, always try to give details of how you would actually do the work. Wherever appropriate, relate this back to previous experience to show that you really can deliver. Use a number of experiences: you don't want to seem a "one trick pony"!

No Questions to Answer

If there are no set questions, consider very carefully what to write. Look through the tender pack. There will almost certainly be a service specification which says exactly what the commissioner expects from the service. Structure your response based on this, saying exactly how you would deliver each aspect.

The pack may also say what is expected of the successful organisation, for example:

- Previous experience of working with the client group
- Knowledge of the geographic area
- Knowledge of key policies and issues for this service type
- Experience of partnership working
- Proven track record in delivering services on time
- Capacity within the organisation to manage the project
- Commitment to continuous improvement

If there is such a list, then address all its requirements. If there isn't a list, then come up with your own, based on the outline list above.

³ For more information on partnerships and VAT, see the Finance Hub's VAT Briefing:

Presentation

Follow the rules:

- If a format has been given, then stick to it.
- If the tender pack gives you a word limit, then don't go over: people actually do count them!

Costing a tender

It is important to note that the document you submit is likely to become the basis for a contract. You may not have the option to change anything at a later date should your organisation be successful. Your costings, staffing levels, and details of what you will deliver must be thought through carefully, conservatively and with the proper approval.

Very few commissioners base their tender evaluation on cost alone, but it is worth finding out how much emphasis will be put on cost.

There are several things to think about when costing a tender. Appendix A gives a list of things that you should consider. The Commissioner is likely to specify how you should break down your finances. This may be very simplistic, for example:

- Front line staff costs
- Management costs
- Overheads

Work through your own process of costing the contract before completing the Commissioner's model. That way you will know that you have factored in all your costs.

Don't forget the following:

- If the tender is for more than one year, then remember to cost in any inflation in the costs of staff and suppliers.

Make sure the document is easy to read. Give assessors a document that is well laid out, in a logical format. It will be easier for them to see how you meet the specification and therefore allocate the points you deserve.

- Explain any assumptions that you have made. That way, if the commissioner doesn't agree with the assumption, they can challenge that, rather than the price.
- It may be that you are requesting more than it actually costs you to deliver the service so that you can put a small surplus into your organisation's reserves. This is a sensible approach, but make sure you explain it.
- Remember, if your staff or office are funded by more than one project allocate the costings fairly across the different funders.
- Be wary of using round numbers, for example saying that the pension contributions will be £3,000. Round numbers suggest that you've guessed rather than actually worked it out!

Full Cost Recovery

This model costs each service fully, including the relevant portion of overhead costs. It ensures that overhead costs are covered, and that each project or service is costed fully.

You may choose to subsidise a service initially to help you to appear more competitive. If this is the case then you should know why you are doing it, what it is actually costing, and how you will cover costs in the long-term⁴.

⁴ Acevo and the Finance Hub have several other publications on achieving full cost recovery.

TUPE

TUPE standards for Transfer of Undertakings (Protection of Employment) regulations 2006.

TUPE often applies when a service is tendered and an existing provider is replaced by a new one. It means that the employees in the original services often have the right to be transferred to the new organisation. They then have all their previous rights protected, such as hours of work, pay, holiday and pension entitlement.

Organisations tendering for services will need to examine whether TUPE will apply if they win a tender and consider what this will mean in the future.

It is really important that providers consider the risk of TUPE when bidding for contracts, and receive all the

necessary information to be able to properly assess their liabilities and costs. Sometimes Providers will be asked to complete a Confidentiality Agreement before the Procurement Department will release such information.

Check whether the submission should include TUPE costs. The tender pack may be silent on the matter. Consider whether the TUPE costs lead to an uncompetitive price. Assess the likely impact on the organisation and the time and investment required to deal with culture change and changes in working practices.

Take into account the numbers of staff transferring. Assess the number of staff required to deliver the contract against the number of staff eligible for transfer, and properly cost into the bid any redundancy costs that result.

Following the tender rules

The tender process can often feel overly bureaucratic. However, the processes are generally put in place to ensure fairness, as the resulting contract is often worth significant sums of money. Follow all the guidelines carefully.

Many organisations have put significant amounts of time into preparing a document only to have it rejected before it's even been opened. If the franking machine puts the name of your organisation on the outside of the envelope, this can disqualify you!

Make sure that you:

- Return all the documents requested
- Sign all the documents that need signing
- Do not identify the organisation on the tender envelope
- Stick to deadlines – they are not negotiable
- Follow any restrictions on communicating with other organisations (especially if trying to undertake a consortium bid)
- Do not alter any of the official documentation provided.

Case Study 2: Check, check and check again!

This case study shows the importance of checking every tender carefully. Don't just cut and paste!

In 2006, an organisation (who shall remain nameless!) was tendering for several different services advertised by a local authority. The format was the same for all tenders and much of the information going into the documents was the same.

Therefore some of the information was copied and pasted between documents. Unfortunately one of the pieces of

information that was copied over was the costing. This resulted in the organisation bidding for all three pieces of work with the same breakdown and cost. Not only did this mean that the price breakdown did not support what was said in the text, but the Authority had stated upper limits for prices.

In two of the three cases, this meant that the price submitted by the organisation was higher than this and therefore instantly rejected!

4: Short listing and the evaluation panel

Following the closing date for the submission of tenders, a panel will meet to evaluate them. They tend to use a simple scoring mechanism.

If your organisation has been short listed, you will be invited to attend an interview. Full details of the interview should be contained in a letter and if they're not, don't be afraid to phone up and ask for them.

The interview will, as with the tender evaluations, be a scored process, so ensure that you find out the scoring system before you get to the interview.

Consider who from your organisation should attend the interview: generally this will be two or three people. Show that the organisation is taking this tender seriously, so a senior member of staff, such as the Chief Executive, should attend to answer questions about how the work fits with organisation's strategy.

The person who would actually be managing or delivering the service should

also attend. All too often this is where some large organisations fall down: they send a business development team who have no front-line delivery experience and therefore can only give abstract theoretical answers instead of real examples. You could also take a member of front-line staff and perhaps a user of your current services.

Make sure that you prepare well for the interview. If there is a presentation, then practice it and time it several times. Think through the questions that you are likely to be asked and how you might answer them.

All members of the team should be able to answer relevant questions. Be very wary of the Chief Executive answering too many questions. This suggests a lack of faith in the ability of the staff involved in service delivery.

Each member should understand

- their part in the interview,
- how their role fits into the organisation,

- what their part will be if the tender is won.

Use the interview to go over some of the key points you made in your tender document. Remember that some may not have seen your tender submission, so will be scoring you on what you say that day. Take the opportunity to stress what you can do that's different from others. As with the tender submission, make sure that you back up what you're saying with experience.

If you are told at the beginning of the interview how long the interview will take, make sure you tailor your answers to questions accordingly. Many

interviewees take their time over the first few questions to try and ensure maximum points, only to end up running out of time on question 7 and therefore losing all the points they could have scored on questions 8, 9 and 10.

The points system may also be weighted, with points from the tender evaluation counting as 70% of the total and points from the presentation and interview making up the remaining 30%. A high score in the tender document might therefore have more impact than a high score at the interview.

5 The final stages

Ask for feedback

Don't forget to ask for feedback from a tender process whether you were successful or not. Any feedback will be useful when it comes to tending the next time.

Room for negotiation is limited!

Remember that the tender document will probably form part of your contract. You must be prepared to deliver what you have said you will, for the price you have stated. There may be a chance for some negotiation at the pre-contract meeting, once you have won the tender. However,

this will only cover minor elements of the contract. If in doubt over what can be negotiated, then ask.

It is often assumed that you can pull out of the process if you don't want the resulting contract, but once you have submitted the document this is not always the case. If you are unsure about whether you want to undertake the resulting work, then it is best to resolve the issues before you go to all the hard work of putting the tender document together.

About the author

Nichola Goom is Chief Executive of ROCC which is an umbrella body supporting organisations in housing, care and support.

ROCC improves the lives of people requiring support by providing training, information, consultancy, research and representation to purchasers, commissioners and providers of housing, care and support.

ROCC provides:

- Support, representation and co-ordination for agencies working with vulnerable and disadvantaged people
- Expert advice and information on major issues affecting the housing, care and support sector
- Quality learning and personal development services
- Cost effective consultancy and research
- Mechanisms for the facilitation of partnership working
- Mechanisms for the direct involvement of service users in strategic planning and decision making at all levels of service

ROCC have been working with providers in developing their skills in tendering for services and to this end have develop training aimed at improving organisations ability to competitively tender.

Disclaimer

The information in this article is believed to be correct at the time of publication. It is general in nature and is not intended to be exhaustive nor to provide legal advice in relation to any particular situation, and should not be acted or relied upon without taking specific advice.

Further reading

Partnership in Public Services – An action plan for third sector involvement – Office of the Third Sector (2006)

Full cost recovery – a guide and toolkit on cost allocation – acevo (2004)

Transfer of undertakings (TUPE – CIPD (2007)

Full Cost Recovery – Finance Hub
<http://www.financehub.org.uk>

Appendix A: Some cost items

The form below is designed to be a prompt for information which may be relevant. Not all of the costs below will be

relevant to your organisation, so go through this form and complete the relevant elements.

	£
Front-line staff salary	
• Front line staff NI & Pension contributions	
• Front line staff allowances	
• Front line staff relief costs /locum cover	
Management staff salary	
• Management staff NI & pension contributions	
Redundancy payments	
Relocation expenses	
Recruitment advertising	
Staff travel costs	
Essential car user allowances	
Relocation expenses	
Medical expenses	
CRB checks	
Mobile phone costs	
Staff training	
Subsistence costs	
Actual delivery costs for the service – ie food for animals if an animal shelter etc	
Other accommodation rental	
Heating & lighting	

Photocopying & printing	
Marketing	
Telephone, internet & fax costs	
Finance costs	
Personnel costs / recruitment costs	
Insurance	
Utilities	
Office cleaning	
Refuse collection	
Gardening	
Rates	
Security services	
Rent	
Redecorations	
Equipment maintenance	
Equipment hire	
Depreciation	
Room hire	
Stationery	
Postage	
Books	
Catering	
IT supplies	
IT maintenance	
Board meeting costs	
Marketing	
Legal fees	
Audit fees	
Consultancy costs	
Bank charges	
Licences	
Registration Costs	



financehub

St Andrew's House
18-20 St Andrew's Street
London EC4A 3AY
tel 020 7832 3016

financehub@cafonline.org
www.financehub.org.uk