

Supplier Qualification Information Database (SQuID)

Part 2 – Guidance on selecting questions

SQuID DOCUMENTATION SET

This is one of three documents that describe the SQuID.

Part 1 – Introduction

Part 2 – Guidance on selecting questions

Part 3 - Question catalogue

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A - SUPPLIER ACCEPTABILITY

Regulation 57 of the Public Contracts Regulations 2015

Regulation 57 of the Public Contracts Regulations 2015 sets out the criteria for the rejection of economic operators. Subject to the exceptions described below and set out in Regulation 57 (6-7) and (13-17) a buyer **must** not select an economic operator if the contracting authority has actual knowledge that the economic operator or its directors or any other person who has powers of representation, decision or control of the economic operator has been convicted of the one of the offences list in Regulation 57 (1-7). These are known as the 'mandatory grounds'. Therefore, question SA.GEN.01 should be included in all selection questionnaires for procurements to which Regulation 57 applies. However, these mandatory exclusions are subject to a test of proportionality (Regulation 57 (6-7) and should take account of any measures taken by suppliers to self-clean (Regulation 57(13-17).

A buyer **may** decide not to select an economic operator on one or more of the grounds set out in Regulation 57(8). These are known as the 'discretionary grounds'. Question SA.GEN.02 deals with the discretionary grounds for exclusion included in the Regulations and may be included in any selection questionnaire for procurements to which Regulation 57 applies.

Some of these discretionary grounds are matters relating to the procurement in question, for example about the supplier's previous involvement in the project. Others require the buyer to investigate the circumstances before taking a decision to exclude. The new wording of SQuID question SA.GEN.02 therefore asks suppliers whether they wish to discuss any of the matters covered with the buyer, and makes clear that these grounds could cause a supplier to be excluded from the procurement at any time should they become apparent.

Where Regulation 57 does not apply to a procurement exercise, buyers will need to decide what exclusion criteria to apply, bearing in mind the general requirements to treat all economic operators equally and in a non-discriminatory way, and to act in a transparent way. Buyers may therefore include questions SA.GEN.01 and SA.GEN.02 even where it is not mandated by the regulations, as long as their inclusion can be justified.

Conflict of interest

It is normally appropriate to ask a question such as SA.GEN.03 in order to ensure there are no conflicts of interest (or perceptions of conflicts of interest) as a result of relationships between people working for the bidder and officials and officers of the buyer. This should not (other than in exceptional circumstances) be used as justification for disqualifying a bidder, since conflicts of interest can usually be dealt with by taking appropriate measures. *NOTE: the answer to this question cannot be stored for re-use on a database, as the bidder's response will depend on who the buyer is, and which staff members are involved in the procurement.*

Blacklisting

SA.GEN04 is a new question dealing with the practice of blacklisting in the construction industry. This is a practice that would come within the category of gross misconduct (a discretionary exclusion criterion). As in all discretionary exclusion criteria you will need to ensure that any action to exclude is proportionate and has taken account of any evidence provided by the supplier that they have “self-cleaned”. Please see the Procurement Policy Advice Note for more details:

<http://prp.wales.gov.uk/docs/prp/toolkit/130910blacklistingpanfinal.doc>

Tax

SA.GEN05 is a new question dealing with the bidders’ tax returns, and relates to Regulation 57 (3-4).

Summary of questions for Supplier Acceptability

Regulation 57(1-7) mandatory grounds

SA.GEN.01 *Confirming that the bidder should not be rejected for mandatory reasons laid out by regulation 57 of the Public Contracts Regulations 2006.*

Regulation 57(8) discretionary grounds

SA.GEN.02 *Asking whether the bidder wishes to raise any issue that could give the buyer grounds to exclude for discretionary reasons laid out by regulation 57 (8) of the Public Contracts Regulations 2006.*

Conflict of interest

SA.GEN.03 *(answer cannot be stored for re-use) Confirming the bid is not subject to any conflicts of interest.*

Blacklisting

SA.GEN.04 *Asking whether the bidder has been found to have employed the practice of blacklisting.*

Tax

SA.GEN.05 *Asking about the bidder’s record in relation to its tax returns.*

B - ECONOMIC / FINANCIAL STANDING

How should I address economic / financial standing?

General goods and services

There will almost always be some cost or inconvenience to the buyer if goods or services are not delivered due to a supplier's financial failure. However, the likelihood and extent (risk) of these costs and inconvenience will vary.

Often the cost to the buyer will be high. This is because a new competition will be needed to find an alternative provider, and another procurement may be needed to put in place an interim solution. The buyer may have to pay considerably more for a temporary solution and may suffer penalties, inconvenience or other costs.

However, it is possible that the cost to the buyer is low – if the buyer is able to select an alternative supplier with minimal additional work and there are low costs associated with having to wait for an alternative solution. In this case it might be possible to ignore financial stability when selecting bidders; this would reduce the costs of the procurement and might open up the competition to bidders who would otherwise be denied the opportunity to grow their business. In effect, the buyer accepts the risk that the initial procurement may fail and may have to be re-run at a later date. An example of this is shown in the box below.

A local Council is buying window-cleaning services for its offices. The procurement will be run using the open procedure using e-tendering technology. The requirement has been well specified in the tender and bidders are required to confirm only that they will deliver the required service, that they satisfy health and safety requirements and provide a price. The Council intends to award the contract to the lowest-priced tender which confirms these requirements will be met, and they plan to use a contract that will result in payment only when the service is delivered to the specification.

In this case the Council judges that the inconvenience and cost of the contractor failing to deliver the service as specified is very low. Windows will be dirty until a new contract can be successfully let, but this will only mildly inconvenience staff; a new procurement can be run very quickly and efficiently using the technology available.

The Council therefore decides not to address Financial Stability during its procurement. If the contract is awarded to someone who fails to complete the work as a result of going out of business they will not be paid and the council will cancel the contract and re-run the competition.

Other examples might include a multi-supplier framework agreement, where alternatives are readily available should one supplier fail to deliver, or a one-off piece of consultancy where payment is due upon satisfactory completion of the work.

In order to decide how to deal with financial stability you should think about the risks of a contract failing. If they are low you can afford to either check insurance only, or do a *light-touch* check. If they are significant you should do an *in-depth* check of financial stability. You can use the following guidance to help identify the risks and which approach to adopt. It is important that this is used as a guide only: in specific sectors (e.g. see construction-specific guidance below) it may be necessary to adopt a modified approach.

The approach to requesting financial information under the Public Contracts Regulations 2015

SQuID version 3 has been produced to reflect the changes in the approach to Selection stage in the new Public Contracts Regulations 2015. The question set and guidance has also been made consistent as far as possible with the Pre-Qualification Questionnaire produced by the Cabinet Office. This is to assist suppliers who are bidding for contracts in England and Wales and buying organisations that are based in Wales but not devolved functions, and are therefore subject to the Part 4 provisions in the Regulations (from which devolved functions in Wales are exempt).

Since financial information is largely numeric it should usually be possible to set thresholds of acceptability, for example against a measure of profitability, or turnover (turnover is covered in the Capacity and Capability section). Clear acceptance thresholds can be very useful to suppliers considering whether or not to bid. Using a scoring mechanism (e.g. allocating 10 marks to an analysis of company accounts), without explanation of the methodology to be used, could leave you open to challenge on the grounds of lack of transparency. In all cases, it is essential to state the thresholds to be imposed or the tests to be applied, so that bidders know in advance what they have to do and how their submissions will be assessed.

The Public Contracts Regulations 2015 state that buyers MUST accept a European Single Procurement Document (ESPD) which contains a self-declaration confirming that the supplier is not in a position to be excluded and meets the selection criteria. Although the ESPD has not yet been finalised it is clear that for a supplier to be able to self-certify the selection criteria need, wherever possible, to not be based on the judgement of the buyer. The SQuID questions have been amended to ask potential suppliers to confirm that they meet criteria set out in the guidance to the questions, and that **they MUST be in a position to produce evidence if required, to confirm this prior to contract award**. Questions are also included allowing suppliers to submit supporting information if they wish.

Regulation 59 (8) does allow for buyers to seek supporting documentation at any time should this be necessary, however the buyer would need to be able to justify why this was necessary and a self-declaration would be insufficient. For the purposes of the SQuID we have assumed that if a risk assessment in financial stability is taken and the contract is found to be high risk this might provide the justification needed to seek supporting documents (e.g. financial accounts) at an earlier stage of the procurement. Buyers should take their own legal advice on this point.

General Points

Finally, bear in mind three very important points when using the guidance:

1. The *costs of failure* (or other effects, such as inconvenience and impact on the public) are very different to the *value* of the contract: it is not difficult to think of some low-value contracts that could result in substantial costs and inconvenience in the event of the contractor failing to deliver, for example a business-critical IT system such as outsourced email or diary management.
2. The *light-touch check* does not aim to provide a comprehensive or infallible method to determine whether an organisation will stay in business to deliver the contract. Instead it provides a simple, limited check to use where the consequences of failure are lower. For example, it only considers the financial status of the entity bidding – ignoring the situation of any parent companies.

3. Conducting an *in-depth check* of financial stability will cost the buyer significant time and money during the procurement and will make it much more difficult to make clear to bidders what would constitute an acceptable response, so try and avoid simply using this approach “to be sure”.

Consortium bids

There are particular challenges associated with setting selection questions and comparing responses, from consortium bids rather than individual suppliers. It is possible for a consortium to register as a separate entity and bid using aggregate data, but equally, a lead member could bid with other partners essentially treated similarly to sub-contractors. When it comes to financial data, it should be possible for the lead member to provide assurance of financial stability (and collective turnover) using data combined from the consortium members. The questions are set out in such a way that a consortium could respond with equivalent data, but if it is possible or likely that you will receive a bid from a consortium you should check that the questions are worded sufficiently flexibly, and that the guidance to bidders is clear.

It is important to consider the type of contract you are advertising, and the types of consortia that might bid. An aggregate picture of financial stability is useful when a consortium is made up of similar organisations coming together to extend their capacity. However if consortium members are performing different roles (or covering different geographical areas) the failure of one member could pose a greater risk to project success. In this case, it may be more appropriate to analyse financial information from individual consortium members. The Welsh Government (in partnership with the Wales Cooperative Centre and the Wales Council for Voluntary Action) has published a Joint Bidding Guide. Chapter 3 contains detailed advice on analysing the financial data of a consortium.

It is also worth noting that a Partnership (see FS.GEN.02) is a particular legal form, and not the same as a consortium.

Works (contractors and professional services)

In the construction sector, the cost and inconvenience resulting from a supplier failing for financial reasons will largely depend on the nature of the work being done by the supplier.

If the supplier is providing a professional service early in the construction process (architecture, mechanical or electrical design, surveying etc) it is likely that an alternative supplier can be appointed with comparatively little additional cost and inconvenience. Delays to the project are a likely consequence, but these delays will be less significant than if a contractor fails during the construction phase.

If a construction contractor fails during construction it is likely that it will be difficult and costly to appoint an alternative contractor, and it is likely that it will prove difficult for the buyer to avoid having to take ownership of many risks that would otherwise have remained with the original contractor. Lengthy delays to the completion of the project are likely, as is inconvenience to the public. It is possible that the buyer will face additional costs in order to secure sites, maintain a safe environment and prevent the deterioration of work in progress.

Remember that an *in-depth qualification* will be more complex, and may make it more difficult for smaller companies or new providers to compete - so use this approach only when the consequences of financial failure of the contractor would be unacceptably high.

You may find it useful to use the table below, which helps to identify the cost to the buyer should a supplier fail to deliver due to financial reasons.

Alternatively, as a general rule, you can use the *light-touch qualification* approach for professional services:

- Architectural work
- Structural engineering
- Mechanical or electrical design
- Surveying

And the *in-depth qualification* approach can be used for:

- Site clearance
- Construction
- Mechanical and electrical installation

Guidance to assess implications of a contract failing

This table is for guidance purposes only; use it as an illustration of how to quantify the cost and inconvenience of having to deal with a supplier who fails to deliver against a contract.

	None = 0	Low = 1	Moderate = 2	High = 4	Very High =8
Cost of providing a temporary alternative	Less than £5,000	Around £10,000	Around £25,000	Around £50,000	Near to or over £100,000
<u>Procurement costs</u> associated with buying a temporary and/or alternative solution	Less than £5,000	Around £10,000	Around £25,000	Around £50,000	Near to or over £100,000
Impact of failure on the public (including health and safety) and/or on the reputation of the buyer.	No external impact.	Very limited impact on public; public perception unlikely to be affected.	Some impact on public; small negative impact on public perception.	Moderate impact on public; moderate negative impact on public perception.	High impact on public; significant negative impact on public perception; significant risk to public health and safety.
Other direct penalties or costs incurred by the buyer if supplier fails to deliver	Less than £5,000	Around £10,000	Around £25,000	Around £50,000	Near to or over £100,000

Instructions

1. Use each row to count the points corresponding to the likely impact of the contract failing.
2. Add the points and use the guidance below to determine your method for checking the financial stability of the bidders.
 - 0 - 3 points** (up to approx £35k impact): **check insurance only**
 - 4 – 7 points** (approx £35-85k impact): **light-touch check** of financial standing
 - 8 or more points** (approx £100k impact and over): **in-depth check** of financial standing

N.B. as stated above it is highly unlikely that any project involving construction would be classified as low risk in terms of the costs of a supplier's financial failure.

Check Insurance Only

Even if the cost or inconvenience of a supplier failing is very limited, it is important to include questions regarding the insurance held by the bidder as this provides assurance that the buyer is not taking on unnecessary risk. The specific insurances required will depend on the nature of the procurement: use the following as a guide to help decide whether each type of insurance should be required.

In most cases you should not expect your potential suppliers to have insurances paid for and in place as a condition of bidding, but you can confirm that suppliers will be in a position to show that sufficient insurance is in place prior to contract award. The question set allows suppliers to upload insurance documents if they wish.

- *Public Liability* – this is important where the work to be undertaken by the bidder carries a risk of injury to the public or damage to their property, or injury or damage to other third parties (e.g. damage or pollution/contamination to adjoining property). Where the contract involves the contractor being present on the buyer’s premises, you should require (and check) that public liability insurance includes cover in respect of injury to the buyer’s staff and loss and damage to the buyer’s property (including buildings). Also note that in the construction context, “contractor’s all risks” insurance (see below) usually only covers the works themselves and the working area, not the rest of the site or building to which a contractor does not have access. Therefore it is important to ensure that public liability insurance covers any collateral damage to these areas which may result from, for example, a fire starting in the working area.
- *Product Liability* – this covers risk of injury to users, or damage to property, caused by a faulty product.
- *Professional Indemnity* – this is needed where the contract requires the exercise of professional skill and judgment, or the giving of advice which will be relied upon, often involving qualified staff. Examples include design services of various kinds, legal, accountancy and consultancy services, health and social care-related services, and project management. In the case of IT, buying an item “off the shelf” would not require Professional Indemnity insurance, but this would be needed if there is any significant element of design or adaptation of the system by the supplier to meet the buyer’s needs, or where you are relying on the supplier’s advice to get the right product.
- *Employer’s Liability* – this is always important as it ensures the buyer does not take on any risk as a result of a supplier failing to meet a legal requirement to have this insurance. All employers (other than public sector bodies, and businesses which employ only family members and are not limited companies, and a few other minor exceptions) are required by law to have at least £5,000,000 worth of cover.

- *Contractor's All Risks* – this relates to construction works only. It typically covers all types of loss of or damage to the works themselves and the areas over which the contractor has control, except for certain specific exclusions. The theory is that if damage occurs to the insured property (such as a fire or flood) then, regardless of fault, insurance funds will be available to allow for reinstatement. Contractor's all risks insurance is normally only taken out in respect of a specific contract at or shortly before the time when the works are to start. Therefore you will not be able to check that bidders have this insurance in place at selection stage, although you may wish to ask them to provide evidence of their ability to secure contractor's all risks cover for contracts of a similar value and risk.

It is important to ensure that the required level of insurance is commensurate with the needs of the project so as to not eliminate smaller bidders unnecessarily. Include the appropriate questions under FS.GEN.07 and make sure you provide further guidance on the required levels of insurance. In many cases it may be more appropriate to ask the bidder only to purchase the necessary insurance should they be successful (and to provide evidence that they are able to do so, for example in the form of a priced insurance quotation). Alternative questions are provided for this scenario.

Working out how much insurance is needed is not straightforward – a very large industry is devoted to the subject. For the purposes of procurement, it is recommended that a similar risk-based approach is used to that set out in the table above. However, instead of looking at the risk of financial failure, you should consider the likelihood and impact of something going wrong. For example, the impact may be very severe: poor professional advice from an architect designing a flaw into a building may result in costly re-work and delay (PI and PL could apply in this case); a faulty healthcare product may cause serious risks to patients (PL may apply). Conversely, a staff training project would probably entail far lower risks (PI may apply if the training is deemed to be incorrect).

Summary of questions for checking insurance only

Insurance

***FS.GEN.06** Confirming that the supplier either has, or can commit to obtain, insurance at the level specified by the buyer prior to contract award. The question also allows suppliers to upload insurance certificates if they already have them.*

Light-touch check of financial standing

In most circumstances, the recommended approach for a light-touch check is to use *profitability* and the *availability of short-term assets* as the measures of financial stability, although some public sector buyers prefer to use an *acid-test ratio*.

In line with the Public Contracts Regulations 2015 the SQuID questions covering these areas now ask the supplier to confirm that they have been profitable in the past two years and/or that their acid-test ratio is higher than a value specified by the buyer. The questions make clear that bidders must be in a position to provide evidence to support their responses prior to contract award, and offer them the option of including financial data if they wish.

Background information

The SQuID includes some basic questions that capture useful information about the bidding organisation – you will normally find it useful to include questions FS.GEN.01 - FS.GEN.03.

Why not use turnover?

Turnover is not a good measure of financial stability for a number of reasons. First, a company with a healthy turnover can still be loss-making, and this may ultimately lead to its failure. It is also problematic because it penalises recent start-ups and special-purpose vehicles (SPVs) who do not have an established turnover but who may have strength in the form of cash and a strong balance sheet. Turnover is included in the Capability and Capacity section as it does indicate in broad terms that the bidder is able to deal with the volume of work.

Profitability & short term assets

Profitability, when combined with the availability of short-term assets to cover losses, can make a useful and simple measure of financial strength. It needs to be applied carefully when dealing with “not for profit” organisations (e.g. some third sector organisations) and companies who have recently made additional investment to enable them to grow (because this may result in a short-term loss as they invest in the business). This approach can also be difficult to apply when dealing with a group of companies that uses cross-organisation trading agreements to reduce the profitability of some trading companies for taxation reasons. It can also be difficult to compare the profitability of a consortium with that of a single organisation. Some consortia will have lead members that will provide the financial assurance on their own. Others may have set themselves up as a separate organisation to bid, or use a special purpose vehicle. The questions have been designed to make sure that it is possible for a consortium to provide a consolidated assessment of their profitability. See chapter 3 of the Joint Bidding Guide for more details: www.wales.gov.uk/jointbidding

The basic idea is that as long as a company remains profitable it is unlikely to fail and therefore the contracted goods, services or works are likely to be delivered. The level of profit is not particularly relevant, nor is the relationship between the level of profit and the size of the organisation or its turnover: the only thing that is important is that the organisation is likely to remain trading. However, even a loss-making organisation is likely to remain trading and complete on a contract providing they have the means to continue operating at a loss for the duration of the contract – this is where the availability of short-term assets comes in.

The SQuID includes questions regarding the profitability of the organisation and the availability of short-term assets. If you intend to use this method include question FS.GEN.04 in addition to questions FS.GEN.01 – FS.GEN.03. It should be noted that a degree of financial expertise is needed to analyse the responses to FS.GEN.04 from loss-making companies.

If financial expertise is not available to analyse these responses from loss-making companies, an alternative approach is to include only FS.GEN.04a and to eliminate bidders who have been loss-making in the last year. This carries some significant risks:

- Elimination of bidders on technical grounds despite them having the financial strength to overcome the short-term problems they are dealing with.
- Elimination of large numbers of bidders when market conditions temporarily make it difficult for many suppliers to be profitable.
- Poor competition due to a reduced supplier base or elimination of key suppliers.

Acid-Test Ratio

An alternative (or complementary) basic check of financial strength is to use an acid-test ratio which looks at the short-term liquidity of a company. This ratio indicates whether a company has enough short-term assets to cover its immediate liabilities without selling inventory. A ratio of greater than 1 indicates that a company can pay its current liabilities whilst a ratio of less than 1 indicates a company cannot pay its current liabilities and should be looked at with caution. Consider including question FS.GEN.05.

Acid-test ratios vary over time. In an ideal world you would be interested in the most up-to-date figure; however asking for a current or recent ratio allows bidders to manipulate the data they use to give a more favourable response. For this reason the SQuID question asks bidders to base their calculation on audited accounts. If you are planning on setting an acid-test acceptability threshold you may wish to ask a non-SQuID additional question asking for a more recent calculation and / or mitigating circumstances should the value fall below your threshold. Your question should be worded so that suppliers can self-certify that they meet the criteria.

Risks of outsourcing the evaluation of financial strength

Earlier versions of this guidance also indicated that a buyer could, instead of asking about profitability and the acid-test ratio, make use of credit and risk-rating products provided by third parties such as Dun & Bradstreet, Equifax, Constructionline and others, in order to provide a simple measure of financial risk without needing in-house financial expertise.

However, the Public Contracts Regulations 2015 have emphasised the importance of transparency in the setting of selection criteria, including ensuring that suppliers can self-certify. **Buyers are therefore advised to use third-party products only *in support of an in-house check*.**

There is a varying degree of openness in how each of the third party products undertakes its rating process and the algorithm used to calculate ratings; some methods are fairly transparent and others are more opaque. Some products are statistical in nature - with ratings compiled in a more or less automated manner by computer – whilst others rely more on evaluation by experts. This opens up three risks to the buyer:

The first risk is the risk of challenge on the basis that the selection criteria have not been fully disclosed to bidders. This is because some of the products have rating algorithms that are opaque in some degree: either the algorithm used to calculate the rating is proprietary (and therefore unpublished) or it is not clear how the rating can be improved by a bidder. There is the possibility that a court could find this incompatible with the Regulations' requirements for transparent selection criteria. At the time of writing there is some debate in the legal community as to whether a challenge on this basis would be likely to succeed, and there is no clear precedent.

The second risk is the risk of challenge due to the evaluation having been undertaken in an inappropriate way or by unqualified people. By outsourcing the evaluation of financial strength by making use of third party products, the buyer does not avoid the risk of challenge, and may be called upon to demonstrate in court that the rating was compiled and calculated in a fair and appropriate way. It may be difficult to do this without appropriate support from the third party who provided the rating.

The third risk occurs when a third party product is unable to provide a rating on a specific supplier (for example many third party products can provide a report on a straightforward limited company, but are unable to provide reports on partnerships, LLPs, sole traders or third sector organisations). It may be difficult to exercise fair and equal treatment if the test is applied to some suppliers and not all in a procurement exercise. It is therefore important to consider who your potential bidders may be when planning the financial assessment and, if a diversity of bidders is a possibility, check in advance what types of business model your third party product can report against.

Where a business is too small to be required to file full audited accounts third-party systems may need to make assumptions based on available data, such as unaudited and abbreviated accounts, which are likely to result in them being more cautious in their assessment of the smaller business.

It is strongly recommended that these risks are considered when deciding whether to use these products, and they should not be used in isolation. Some information on third party products that are frequently used by the public sector is provided in Appendix 1.

Outstanding Litigation

Some buyers have included a question at selection stage about ongoing litigation that may affect the financial position of the bidder. This line of questioning is not recommended and the SQuID does not include such a question. This is for a number of reasons including:

- Larger companies would find it very onerous to identify and explain all outstanding litigation.

- Asking for only relevant litigation introduces unacceptable subjectivity – bidders are likely to use this to put a positive answer forward.
- It is impossible to determine conclusively in advance of a court hearing what the outcome of the litigation will be and therefore very dangerous for a buyer to refuse to select a bidder on the basis of their understanding of the circumstances surrounding the litigation and its likely outcome.
- It is impossible to check whether bidders are telling the truth and in some cases, insurers require that no information about pending claims can be disclosed. Thus asking this question tends to penalise those bidders who answer truthfully and/or who are not constrained from answering by their insurers.

Insurance

See detail under “no check of financial standing” above.

Summary of questions for light-touch check of financial stability

Basic financial information	FS.GEN.01 – FS.GEN.03 <i>Collecting basic information (this will not normally be scored)</i>
Profitability	FS.GEN.04 <i>Confirming that the entity bidding has either been profitable for the last two financial years or has provided a compelling reason why any loss(es) recorded in the last two years should not be seen as representing a significant risk to the financial stability of the entity.</i>
Acid-test ratio	FS.GEN.05 <i>Confirming that the entity has an acceptable acid-test ratio.</i>
Insurance	FS.GEN.06 <i>Confirming that the entity bidding has appropriate insurance cover for public liability, professional indemnity and employer’s liability.</i>

In-depth check of financial standing

The SQuID includes some basic questions that capture useful information about the bidding entity – you will normally find it useful to include questions FS.GEN.01 - FS.GEN.03.

In order to conduct a comprehensive check of financial standing it is necessary to do an in-depth analysis of the financial accounts of an organisation bearing in mind the value, duration and other characteristics of the proposed contract. This analysis requires a high degree of financial expertise and as a result is sometimes done by external agencies such as Dun & Bradstreet or Equifax, although this information should be used together with in-house analysis wherever possible. The analysis focuses on the strength of the balance sheet of the bidding entity and parent company (where relevant) as well as the historical (and sometimes projected) cash and profitability.

When using external agencies to conduct the financial check it is worth noting that they tend to take a risk-averse stance and this can make it difficult for SMEs and less-well-established bidders. If this is likely to be a problem, consider whether alternative expertise can be made available.

Depending on the results of the initial analysis, bidders can take further mitigating steps to provide assurance, such as asking for parent company guarantees, finance guarantees, performance bonds or stage-based retentions. It is only after initial analysis that these steps can be determined.

Depending on how you intend to conduct your evaluation, consider including questions FS.GEN.07 – FS.GEN.08 in addition to questions FS.GEN.01 – FS.GEN.03.

Insurance

See detail under “no check of financial standing” above.

Project Bank Accounts

For construction projects, instead of asking for guarantees or bonds an alternative option is to use a Project Bank Account to manage the payment throughout the supply chain. As well as ensuring prompt payment for suppliers this would also help you to manage the risk of financial failure as it ensures security of payment and minimises financial costs.

The sustainability section of SQuID includes questions on Fair Payment (SU.GEN.05 and SU.CON.04). This question FS.CON.02 on Project Bank Accounts has been included to determine if potential prime contractors *are willing* to use PBAs as a mechanism for adhering to Welsh Government Procurement Policies relating to fair payment of sub-contractors. If you intend to use a Project Bank Account, instead of using this question you may wish to make this clear in the specification.

Project Bank Accounts are ring-fenced bank accounts that have trust status. They are set up specifically for payments relating to an actual project in question. At the time of writing, this practice is only being developed for construction procurements.

For more information please search for Project Bank Accounts on the Procurement Routeplanner:
<http://prp.wales.gov.uk/>

The reasons for this method of payment are to:

- ensure security of payment to all members of the supply chain;

- ensure payments are made promptly to sub-contractors; and
- minimise financial costs such as financial charges.

Summary of questions for in-depth check of financial stability

Basic financial information	FS.GEN.01 – FS.GEN.03 <i>Collecting basic identification information (this is not normally scored)</i>
Insurance	FS.GEN.06 <i>Confirming that the entity bidding has appropriate insurance cover for public liability, professional indemnity and employer's liability.</i>
Accounts	FS.GEN.07 <i>Collecting the last two years' accounts, so that they can be analysed to determine the financial strength of the entity.</i>
Mitigating options	FS.GEN.08 <i>Understanding if the bidder may be able to offer some form of financial guarantee or bond to mitigate the effect of inadequate financial strength of the bidding entity.</i>
Project Bank Accounts	FS.CON.03 <i>Seeking bidders' agreement in principle to using a Project Bank Account.</i>

C - CAPACITY & CAPABILITY

How should I address capability and capacity?

General goods and services

The cost and inconvenience to the Buyer of a supplier failing to deliver for reasons of insufficient capacity or capability will be very similar – if not identical – to that resulting from financial failure. The approach recommended here is therefore very similar to the approach recommended in the financial stability section.

When the Buyer is able to contract with an alternative supplier with minimal additional cost and inconvenience it is possible to avoid analysing capacity and capability. This reduces the cost of running the competition and of bidding. It also opens up the competition to bidders who would otherwise be denied the opportunity to grow their business or develop a new capability. It does this by accepting the risk that the initial procurement may fail and may have to be re-run at a later date. For an example of this see the box below.

A local Council is buying window-cleaning services for its offices. The procurement will be run using the open procedure using e-tendering technology. The requirement has been well-specified in the tender and bidders are required to confirm only that they will deliver the required service, that they satisfy health and safety requirements and provide a price. The Council intends to award the contract to the lowest-priced tender which confirms these requirements will be met, and they plan to use a contract that will result in payment only when the service is delivered to the specification.

In this case the Council judges that the inconvenience and cost of the contractor failing to deliver the service as specified is very low. Windows will be dirty until a new contract can be successfully let, but this will only mildly inconvenience staff; a new procurement can be run very quickly and efficiently using the technology available.

The Council therefore decides not to address Capability and Capacity during its procurement. (Health and Safety will be addressed separately). If the contract is awarded to someone who fails to deliver adequately they will not be paid and the council will cancel the contract and re-run the competition.

If, however, the cost and inconvenience of failure are significant but low, you can afford to do a *summary qualification*. If the cost and inconvenience are higher you should do a *detailed qualification*. You can use the following guidance to help you work out which approach to qualifying capacity and capability to adopt. Bear in mind that conducting a *detailed qualification* of capacity and capability will cost both the buyer and the bidder time and money during the procurement and will restrict the opportunity to more-established suppliers.

Works (contractors and professional services)

Providers of professional services such as architectural work, structural engineering, mechanical or electrical design and surveying must be capable of undertaking their work and providing a quality service. Specialist skills and knowledge are a fundamental part of this capability and it is appropriate to ask questions about this as part of the selection stage.

It is also critical that the organisations involved in the construction phase have the capability to complete the required works, and the capacity to do so within agreed timescales.

Given the different nature of professional services and construction work separate guidance has been included for each on what questions to include in a PQQ. For this reason the suggested summary set of questions for construction and professional services can be found with the summary of questions for comprehensive checks for goods and other services.

When developing this guidance the use of Constructionline was considered. Appendix 1 includes some information about Constructionline.

Guidance to assess implications of contract failing

This table is primarily relevant to generic goods and services but may also be used for other procurement categories. It is for guidance only; use it as an *illustration* of how to quantify the cost and inconvenience of having to deal with a supplier who fails to deliver against a contract.

For construction (including professional services and works), read through the guidance for both the basic and comprehensive checks, where some construction-specific guidance is also provided.

	None = 0	Low = 1	Moderate = 2	High = 4	Very High =8
Cost of providing a temporary alternative	Less than £5,000	Around £10,000	Around £25,000	Around £50,000	Near to or over £100,000
<u>Procurement costs</u> associated with buying a temporary and/or alternative solution	Less than £5,000	Around £10,000	Around £25,000	Around £50,000	Near to or over £100,000
Impact of failure on the public (including health and safety) and/or on the reputation of the buyer.	No external impact.	Very limited impact on public; public perception unlikely to be affected.	Some impact on public; small negative impact on public perception.	Moderate impact on public; moderate negative impact on public perception.	High impact on public; significant negative impact on public perception; significant risk to public health and safety.
Other direct penalties or costs incurred by the buyer if supplier fails to deliver	Less than £5,000	Around £10,000	Around £25,000	Around £50,000	Near to or over £100,000

Instructions

1. Use each row to count the points corresponding to the likely impact of the contract failing.
2. Add the points and use the guidance below to determine your method for checking the capability & capacity of the bidders.
 - 0 - 1** points (up to approx £10k impact): no check of capability and capacity
 - 2 – 4** points (between approx £10-50k of impact): **basic check** of capability and capacity
 - 5** or more points (more than £50k of impact): **comprehensive check** of capability and capacity

Basic check of capability and capacity for goods, services and works (contractors and professional services)

The recommended approach for a basic check is to ask about recent relevant experience, look for a historical turnover (in relevant services) that is commensurate with the size of your requirement, and check that the bidder has all the necessary certification.

General capability

The SQuID includes a question – CC.GEN.01 – that provides a place for bidders to provide a generic capability statement for their organisation. This question should not be scored - and you should ensure that guidance is provided to bidders to make sure they do not use their answer to this question, in a selection questionnaire, to include essential information not covered elsewhere in their submission. We have limited this to a brief summary response.

Experience

It is almost always important that the winning bidder has some relevant experience that will enable them to deliver the required goods, services or works successfully; this is a simple way of evaluating their *capability*.

Asking bidders about their experience and getting useful responses is difficult unless you are able to give them a good description of the requirement and allow them to relate their experience to it. Whether you are using a two-stage (e.g. restricted procedure) or one-stage process it is good practice to share as much information, as early as possible, with prospective bidders.

Where possible you should be careful not to exclude bidders who are capable of delivering but who have not delivered the exact same thing previously. A bidder may be expanding into new areas, but have all the basic experience needed to be successful. This will provide opportunities for SMEs to break into new markets or innovate, and may well also benefit local suppliers. On the other hand, you might be using a two-stage process as you are expecting a large number of bidders, and you would prefer to select only those with the strongest experience, in order to minimise the risk of failure. In this case the question may attract a score and be weighted relatively highly.

Whichever of these approaches you wish to take, you can include question CC.GEN.02 - or something similar if you wish to tailor it for your project. This question is designed to look for relevant experience, not necessarily experience of having delivered exactly the same goods, services or works recently.

Turnover

Turnover can be a useful and simple measure of *capacity* to deliver. However, there are a number of issues to be considered.

First, turnover is only a useful measure of capacity if the contract is to be delivered over a period of time, especially if staff need to be skilled and may be difficult to recruit quickly, or if resources are limited. If, however a bidder is able easily to outsource some of the work, and/or use temporary staff or resources, it may not need to have the existing capacity in place.

Second, the legal structure and financial status of the potential bidders should be considered before including a question on turnover. A special purpose vehicle (SPV) does not have an established turnover, for example. Also, sometimes businesses expand rapidly using new sources of funding and when doing so they can have the capacity and capability to take on significant additional work without having an historical turnover at that level.

Third, turnover is only useful if it is *relevant* to the ability of the bidder to deliver the required service (or product). Where a (typically) larger organisation offers a number of unrelated services it would be able to claim a high turnover even though very little of it is relevant to the requirement. It is important to focus the question on the turnover that is *directly relevant*. You can do this by amending the guidance for bidders to explain what you mean by relevant turnover in the context of your procurement.

Generally it is better to set a *relevant* turnover threshold appropriate to the scale of the contract and its risks, where possible allowing bidders (CC.GEN.03b) an opportunity to explain what could be done to mitigate the risk of a lower turnover. The primary purpose of the selection stage is to identify those bidders that are sufficiently financially stable and capable of delivering – a maximum score should be achievable by all firms who are considered to present an acceptable level of risk. Clear acceptance thresholds can be very useful *to suppliers* when they are considering whether or not to bid. The SQulD questions in version 3 are worded in such a way that, if you wish to include the question, you will need to specify a minimum turnover in the guidance to the questions. This allows suitable bidders to self-certify and unsuitable bidders to de-select.

Turnover for Consortia

Similarly to when analysing financial stability of a consortium, it is important to consider the type of contract you are advertising, and the types of consortia that might bid. An aggregate picture of turnover is useful when a consortium is made up of similar organisations coming together to extend their capacity. However if consortium members are performing different roles (or covering different geographical areas) the failure of one member to deliver due to lack of capacity could pose a greater risk to project success. In this case, it may be more appropriate to require that individual consortium members have sufficient capacity. The Welsh Government (in partnership with the Wales Cooperative Centre and the Wales Council for Voluntary Action) has published a Joint Bidding Guide. Chapter 3 contains detailed advice on analysing the financial data of a consortium.

For further details see www.wales.gov.uk/jointbidding

Turnover Thresholds

Historically, public sector buyers have often required that a contract does not amount to more than 40% of a potential supplier's turnover. This has proved a useful ratio, particularly, for example, in construction projects. However, it is not a useful ratio to apply across the board. For example a small company can deal with a high volume order of supplies if it is acting as an intermediary and payment is only made on delivery. Similarly, the risks of a small company delivering a one-off high-value piece of consultancy work would be much lower than the same company handling a seven-year service contract.

NB. Under the Public Contracts Regulations 2015 you should not set a limit on a suppliers' minimum turnover at more than twice the value of the contract, unless you can provide justification for doing so.

Generally it is better to set a *relevant* turnover threshold appropriate to the scale of the contract and its risks, where possible allowing bidders (CC.GEN.03b) an opportunity to explain what could be done to mitigate the risk of a lower turnover. The primary purpose of the selection stage is to identify those bidders that are sufficiently financially stable and capable of delivering – a maximum score should be achievable by all firms who are considered to present an acceptable level of risk. Clear acceptance thresholds can be very useful *to suppliers* when they are considering whether or not to bid. The SQulD questions in version 3 are worded in such a way that, if you wish to include the question, you will need to specify a minimum turnover in the guidance to the questions. This allows suitable bidders to self-certify and unsuitable bidders to de-select.

Certification and other questions

Part of the reason for including Question CC.GEN.01 (a general capability statement) is that it is an opportunity for bidders to describe their main activities in the SQulD database. Although it would not be normal to score the answer or use it to select bidders, it can be included in questionnaires to provide a context for understanding the answers to many other questions.

Requirement-specific questions will usually need to be included in the selection criteria. Often this will include requirement-specific certification (note that health and safety is dealt with in a different section), and trade registrations that the bidder must have to operate legally. You will need to determine what these questions are and write them yourself. When adding them try to maintain a consistent style and make sure you provide useful guidance to the bidders on how they will be scored.

Before you add additional questions, remember that you have decided to do only a basic check of capability and capacity. Ask yourself whether the questions are really necessary and useful, and whether they might inhibit innovation.

Welsh language

One question relating to the Welsh language is included in the SQulD. It is designed to ensure that the bidders will meet the requirements of the Welsh language measure if successful. You may wish to add a contract-specific question in cases where experience of delivering in Welsh is an important indicator of capability. You should make clear what would constitute an acceptable answer.

Tender stage

Don't forget that as well as using backwards-looking questions as part of the selection criteria it is also possible (and often desirable) to ask forward-looking questions as part of the tender evaluation to ask bidders to explain what their plans and / or methods will be. This means that you do not have to ask everything at selection; you have the opportunity to check in your tender evaluation that your bidders have robust plans for delivering your requirements. It is also simpler to cover a lot of issues within the specification, rather than asking suppliers to confirm their compliance at selection stage.

Summary of questions for basic check of capability and capacity

Capability statement	CC.GEN.01 Asking for a general capability statement for the bidding organisation.
Experience	CC.GEN.02 Checking that the bidder has recent and relevant experience showing their capability to deliver the requirement.
Turnover	CC.GEN.03 Checking that the bidder's turnover is well in excess of the contract value as a simple check that they have a capacity to take on the work.
Certification, etc	Questions similar to CC.GEN.04 Checking that the bidder has the number of suitably qualified staff required to fulfil the contract.
Welsh language	CC.GEN.08 Confirming that the bidder will meet the requirements of the Welsh language measure.

Comprehensive check of capability and capacity for goods, services and works (contractors and professional services)

If you have decided to do a comprehensive check, the recommended approach is to perform a basic check and, in addition, to ask about the availability of any specific resources (people, and facilities where important), the track record of successful delivery, any necessary certification and possibly the bidder's order book.

Firstly, read the guidance for a basic check of capability and capacity and decide which of questions CC.GEN.01, CC.GEN.02 and CC.GEN.03 to include.

For construction you may wish to replace question CC.GEN.01 with CC.CON.01 which asks more specifically about bidders' experience of delivering to different standard forms of contract.

Specific resources

Given the potential cost and inconvenience of failure it is highly recommended that as part of the tender evaluation you include questions asking bidders about their specific plans and / or methods for undertaking the work – including the resources they will make available. This will enable you to choose the tender that, as well as offering the best value for money, also provides a robust proposal. Because you will want to contract against this proposal you will want to make this part of the tender evaluation.

In addition (particularly if you are using a two-stage process), it is advisable to ask questions at selection about the resources available to bidders. This backwards-looking check ensures you only have to evaluate tenders from bidders who have the capability and capacity in principle.

Questions about resources will be specific to the requirement. Examples are given in the catalogue: CC.GEN.04 is an example of a question asking about numbers of staff with particular skills. Make sure that you tailor the scoring guidance as well as the question.

For certain types of requirement it may be useful to include a question about a specific facility or resource that the bidder will need. If this is the case you will need to include a contract-specific question.

Order Book

We have not included an Order Book question in the SQuID. This is because, whilst useful for understanding if the bidders' resources are already committed to previously-won contracts, it should be considered alongside the bidder's forward plans for delivering the contract. Not doing so risks eliminating those who could innovate, use subcontractors, short-term employees or re-prioritise other work. It is better to deal with the Order Book at the tender stage when you are able to ask them for firm plans that can then be the basis for the contract.

Certification and other questions

Part of the reason for including Question CC.GEN.01 (a general capability statement) is that it is an opportunity for bidders to describe their main activities in the SQuID database. Although it would not be normal to score the answer or use it to select bidders, it can be included in questionnaires to provide a context for understanding the answers to many other questions. You should ensure that guidance is provided to bidders to make sure they do not use their answer to this question, in a selection questionnaire, to include essential information not covered elsewhere in their submission

Requirement-specific questions will usually need to be included in the selection criteria. Often this will include requirement-specific certification (note that health and safety is dealt with in a different section), and trade registrations that the bidder must have to operate legally. You will need to determine what these questions are and write them yourself. When adding them, try to maintain a consistent style and make sure you provide useful guidance to the bidders on how they will be scored.

Successful delivery (and liquidated damages in construction)

There are two questions included in the SQuID that can be used to find out about the bidder's record of successful delivery of past projects: CC.GEN.07 looks at whether bidders have suffered a deduction for damages (but see paragraph below on construction projects) and CC.GEN.06 looks at whether bidders have had a contract cancelled for failure to perform. It is recommended that both questions are normally included as part of your selection criteria, but it is a good idea to consider whether a requirement-specific alternative can be used to avoid the subjectivity (e.g. what is "failure to perform"?) of CC.GEN.07.

For construction projects it has been past practice with some Authorities to include a question in PQQs about liquidated damages on previous contracts in order to determine whether the bidder previously failed to deliver according to contract terms. However, in construction it is common practice to negotiate liquidated damages, and the details may be confidential as part of a commercial settlement. You may still wish to include CC.GEN.07 if you need evidence that actions have been taken to address any failure to deliver to contract terms.

Disaster recovery, business continuity and cyber security.

Depending on the nature of the requirement and the likely bidders it can be useful to include a question on disaster recovery and business continuity. This will ensure that only bidders with the capability to deliver despite a disaster occurring will be selected. This is particularly important in the context of IT and other business-critical services.

However, this subject can be very technical in nature and considerable expertise is required in order to evaluate responses from bidders meaningfully. Work is underway to develop some questions and guidance on business continuity for inclusion in the SQuID.

CC.GEN.09 covers Cyber security. This is a new requirement on all Government-funded contracts covering personal information (in scope of the Data Protection Act) or information classified as OFFICIAL-SENSITIVE. It is also good practice for all public sector contracts. Cyber Essentials is the Government preferred certification scheme. Other standards must provide independent assurance that the following policies, procedures and controls are in place in order to be considered an equivalent:

1. **Boundary firewalls and internet gateways** - ensuring good setup of these devices either in hardware or software form and that they are fully effective.
2. **Secure configuration** – ensuring that systems are configured in the most secure way for the needs of the organisation
3. **Access control** – Ensuring only those who should have access to systems do have access and at the appropriate level.
4. **Malware protection** – ensuring that virus and malware protection is installed and is it up to date
5. **Patch management** – ensuring the latest supported version of applications is used and all the necessary patches supplied by the vendor have been applied.

Further information can be found at www.cyberstreetwise.com/cyberessentials

DBS checking of staff

The issue of staff DBS (Disclosure and Barring Service) checking was considered as part of the development of the SQuID question set and guidance. It is recommended that a requirement for DBS checking of staff is included in the specification of a procurement, and if any questions about this are needed they should be included at the tender stage. This is because, where this is necessary, the detailed plan for ensuring all staff are DBS-checked before they are involved in service or project delivery, or go on a construction site, should be consistent with the schedule of works and availability of resources.

Considerate Constructors (contractors)

Question CC.CON.03 should be included if it is important that the construction be conducted in a way that is considerate to local residents / neighbours.

Construction Skills Certification Scheme (contractors and professional services)

Question CC.CON.04 should be included on construction projects to ensure all site visitors will be competent.

Welsh language

See guidance in section “basic check of capacity and capability”

Tender stage

See guidance in section “basic check of capacity and capability”

Summary of questions for comprehensive check of capability and capacity

Capability statement	CC.GEN.01 Asking for a general capability statement for the bidding organisation.
Experience	CC.GEN.02 Checking that the bidder has recent and relevant experience showing their capability to deliver the requirement.
Turnover	CC.GEN.03 Checking that the bidder’s turnover is sufficiently in excess of the contract value as a simple check that they have a capacity to take on the work.

Certification etc	<i>Questions similar to CC.GEN.04 Checking that the bidder has the necessary numbers of suitably qualified staff.</i>
Successful delivery	<i>CC.GEN.06 – CC.GEN.07 Checking that the bidder has a record of successful delivery of contracts over the last three years and has taken appropriate action to prevent problems recurring.</i>
Welsh language	<i>CC.GEN.08 Confirming that the bidder will meet the requirements of the Welsh language measure.</i>
Cyber security	<i>CC.GEN.09 Confirming that the bidder will meet the requirements of the Cyber Essentials Certification Scheme.</i>

Summary of questions for professional services

Capability statement	<i>CC.CON.01 Asking about bidders' experience of delivering to different standard forms of contract.</i>
Experience (general)	<i>CC.GEN.02 Checking the bidder has recent and relevant experience showing their capability to deliver the requirement.</i>
Availability of resources	<i>CC.GEN.04 Checking that the bidder has available specific resources needed to meet the requirement.</i>
Past performance	<i>CC.GEN.06 Checking the bidder has not had a previous contract cancelled for failure to perform.</i>
Welsh language	<i>CC.GEN.08 Confirming that the bidder will meet the requirements of the Welsh language measure.</i>
Cyber security	<i>CC.GEN.09 Confirming that the bidder will meet the requirements of the Cyber Essentials Certification Scheme.</i>

Summary of questions for works (contractors)

Capability statement	CC.CON.01 Asking about bidders' experience of delivering to different standard forms of contract.
Experience (general)	CC.GEN.02 Checking the bidder has recent and relevant experience showing their capability to deliver the requirement.
Turnover	CC.GEN.03 Checking that the bidder's turnover is sufficiently in excess of the contract value as a simple check that they have a capacity to take on the work.
Past performance	CC.GEN.06 Checking the bidder has not had a previous contract cancelled for failure to perform.
Considerate Constructors	CC.CON.03 Checking the bidder has certification as required to show their capability to do the work.
Competent site visitors	CC.CON.04 Checking that all site visitors will be competent.
Welsh language	CC.GEN.08 Confirming that the bidder will meet the requirements of the Welsh language Measure
Cyber security	CC.GEN.09 Confirming that the bidder will meet the requirements of the Cyber Essentials Certification Scheme.

D - MANAGEMENT

How should I address management?

Successful delivery of the required product, service or works may be dependent on the contractor's ability to manage the consistency of the outputs that it is delivering, and having effective project management and customer communication "feedback" processes.

Use the guidance in each of the sections below to decide how to address these issues.

Quality Assurance (consistency)

As part of your tendering process you will need to specify carefully the services, products or works you require and any standards that need to be achieved. It may also be useful to check that the bidder makes use of quality-assurance techniques to enable it to control the consistency of the quality of the outputs it delivers. It is important to note that these techniques focus on ensuring that quality is consistent, and not that it is high – actual standards and quality may need to be specified separately.

In order to understand whether Quality Assurance questions should be included, answer the following question: is the nature of the product, service or works such that it is likely Quality Assurance techniques will contribute significantly to the consistency of the outputs delivered? Typically this is the case in the procurement of social care, construction and housing maintenance services and in the procurement of goods. If the answer to this question is "yes" then it is recommended that you ask a question about quality assurance.

There are two approaches to choose between when dealing with quality assurance: the first is to require a third-party certified quality management system (QMS) with appropriate scope. Please note that it is current UK and Welsh Government advice that only UKAS accredited (or other national equivalent) certification bodies should provide this service. See www.ukas.com for more details. This might be necessary where a mature and formalised QMS is necessary to meet the requirement; adopting this approach also has the advantage of minimising the evaluation effort required by the Buyer. If you want to use this approach include question MA.GEN.01, but bear in mind that, even for a small business, the costs of paying for and maintaining such a system can be typically around £10k-£20k. UK Government policy is that bidders should not be required to pay for specific third-party certification as a pre-condition of bidding (except in some circumstances, such as security and some trade accreditations when it is permissible or necessary). However, ISO 9001 is an International Standard and is widely used throughout Europe and across the world (over 600,000 certificates were issued worldwide by 2002); therefore use of the standard for procurement purposes in the UK does not *directly* discriminate against any companies. Specifying an international standard as a requirement for selection might be considered reasonable when the requirement for quality assurance can be justified.

To comply with the ISO9001 standard:

- The business has a formal quality policy which is a formal statement from management closely linked to the business plan and to customer needs. The quality policy is understood and followed at all levels and by all employees.

- Decisions about the quality system are based on recorded data and the system is regularly audited and evaluated for conformance and effectiveness.
- Records should show how and where raw materials and products were processed, to allow products and problems to be traced to the source. The business has documented procedures for dealing with actual and potential non-conformances. It must make sure no-one uses bad products, determine what to do with bad products, deal with the root cause of any problem, and keep records to improve the system.
- The business needs to review performance regularly through internal audits and meetings, and determine whether the quality system is working and what improvements can be made. It must deal with past problems and potential problems. It must keep records of these activities and the resulting decisions, and monitor their effectiveness. It needs a documented procedure for internal audits.

The cost of adopting the ISO9001 standard can be very high to business. It can require a number of processes and procedures to be documented and staff to be trained; it requires ongoing audits and management oversight. By contrast, the cost of certification by a third party can be comparatively low; it is achieved by on-site auditing and ongoing monitoring. Despite this, sometimes certification costs can be very high, even for those organisations that have good internal procedures in place. So some bidders choose to implement procedures themselves rather than using external consultants. If bidders have recognised third party certification this should be sufficient, and you should not need them to also describe these processes at length. Ask question MA.GEN.01 only.

If you are happy to consider a supplier that is working towards third-party certification, or is willing to put this in place during the lifetime of the contract, you will need to include a further question setting out the details.

Of course, companies may have a quality management system that meets some, but not all, of the requirements of ISO 9001, and it may be adequate for you to specify a lower requirement as necessary to meet the specific needs of the procurement. If you want to use this approach include question MA.GEN.02. You may simply ask bidders to confirm that their quality management system includes particular elements (e.g. MA.GEN.02a- MA.GEN.02d). Under the public contracts regulations 2015 suppliers should be asked to self-certify that they meet the selection criteria, and are only required to provide supporting evidence if they are successful. (MA.GEN.02e) allows suppliers to submit copies of their quality management procedures at an earlier stage if they wish.

You will need to decide which approach is most suitable and ask either question MA.GEN.01 or both MA.GEN.01 and MA.GEN.02.

Consortium management

MA.GEN.04 deals with the management processes within a consortium. You will not know for certain whether a consortium might apply for your contract, and so it may be useful to include this question in many contracts so you can ensure that a consortium has documented processes in place to ensure communication and dispute resolution processes have been agreed between consortium members. The SQuID question asks suppliers to confirm that these arrangements are in place, indicating that they must be in a position to produce evidence to support this, without delay, should they be successful. It allows the option of submitting this evidence at this (selection) stage.

Anti-competitive practices – works (contractors and professional services)

In construction procurement projects it is important to confirm that potential bidders have appropriate policies and procedures to prevent the occurrence of anti-competitive practices. The Office of Fair Trading, in a report dated December 2009, imposed fines totalling £129.2 million on 103 construction firms found to have colluded with competitors in breach of competition legislation. The new Public Contracts Regulations 2015 require bidders to indicate incidences of “gross misconduct” that have happened within the three years preceding the contract being advertised, so companies named in this OFT report no longer have to declare this. However it is important to ensure that these practices do not continue and so, for construction projects, it might be useful to include MA.CON.03 , which allows bidders to submit evidence if they wish, at the selection stage.

To reduce the risk of collusion you need to understand your market – how competitive is it? Are there mechanisms for communicating between bidders that could lead to collusive practices? It is just as important to consider these structural issues as it is to ask potential suppliers to confirm they have a suitable policy and procedures in place.

Summary of questions for management**Quality Assurance certification**

MA.GEN.01 *Looking for evidence that the supplier has a third-party accredited system for managing the consistency of the quality of the product or service delivered.*

Quality Assurance policy and approach

MA.GEN.02 *Looking for evidence that the supplier has an appropriate system for managing the consistency of the quality of the product or service delivered.*

Consortium management

MA.GEN.04 *Looking for evidence that the supplier has an appropriate system for managing its consortium arrangements.*

Additional works-specific management question**Anti-competitive practices**

MA.CON.03 *Confirming that potential bidders have appropriate policies and procedures to prevent the occurrence of anti-competitive practices.*

E - EQUAL OPPORTUNITIES

How should I address equal opportunities?

There are three reasons why you might need to address equal opportunities as part of your selection of suppliers: first you have a legal obligation to do so under various pieces of legislation (as a public-sector buyer); second you will want to ensure the buyer's policies are promoted throughout the procurement and third because you will want to avoid the publicity of being associated with suppliers with a poor record.

The SQuID offers two alternative approaches: for convenience they are called *light-touch* qualification, and *requirement-specific* evaluation.

- The *light-touch* approach is based on the principle that there is already robust legislation in place regarding equal opportunities that is "policed" by various public bodies including the Equality and Human Rights Commission. It assumes that it is not the job of the public-sector buyer to enforce the law, but that it is prudent to ensure that contracts are not being awarded to organisations that have broken the law without having "mended their ways".
- The *in-depth* approach is useful where the buyer has specific equal opportunities requirements for the project. This approach uses the same questions as the light-touch approach but also asks bidders to confirm that relevant staff receive equalities training. Buyers might also wish to include contract-specific questions, for example asking for evidence of experience of delivering services to people with protected characteristics. In many cases it will make more sense to state clearly what is required in the specification and then explore the issue in more detail at tender stage.

Earlier versions of the SQuID question set included questions around equal opportunities policies, and monitoring of the organisation's workforce around protected characteristics. These have been removed, because they are so rarely directly relevant to the contract and are often included in order to make sure that bidders take their responsibilities seriously. However, Recital 97 of the new Public Procurement Directive 2014 prohibits buyers from including "criteria and conditions relating to general corporate policy..."

As well as being unlawful, asking for corporate policies risks discriminating against smaller organisations which may well be good employers but unable to afford to put such mechanisms in place. In most cases it is better to meet this objective by working with successful suppliers through contract management processes. This is also in line with the guidance on procurement on the Wales section of the Equalities and Human Rights Commission's website: <http://www.equalityhumanrights.com/wales/>

Light-touch approach

Questions EO.GEN.01 – EO.GEN.02 have been designed to ensure that qualifying bidders and their subcontractors have not been found guilty of unlawful discrimination, or, if they have, that they have taken appropriate action to ensure the discrimination will not recur. It is recommended that these questions are always included as qualification criteria.

Requirement-specific approach

If you have specific equalities-related requirements for the product or service you are buying (e.g. if the contract is for services delivered directly to the public including those with protected characteristics) you will probably need to address these during the tender stage of your procurement.

As well as EO.GEN.01 and EO.GEN.02 you may wish to include EO.GEN.03, which examines whether an organisation's management staff and those with service-delivery responsibilities have received equal opportunities training. Further questions should be added if necessary asking about specific relevant experience and skills.

Summary of questions to include for light-touch approach to equal opportunities

EO record	EO.GEN.01 <i>Confirming the bidder has taken appropriate action to prevent the recurrence of any unlawful discrimination.</i>
Flow-down to subcontractors	EO.GEN.02 <i>Confirming the bidder will proactively manage subcontractors to ensure they have taken appropriate action to prevent the recurrence of any unlawful discrimination.</i>

Summary of questions for requirement-specific approach to equal opportunities

EO record	EO.GEN.01 <i>Confirming that the bidder has taken appropriate action to prevent the recurrence of any unlawful discrimination.</i>
Flow-down to subcontractors	EO.GEN.02 <i>Confirming that the bidder will proactively manage subcontractors to ensure they have taken appropriate action to prevent the recurrence of any unlawful discrimination.</i>
Training	EO.GEN.03 <i>Confirming that the bidder's staff with management and/or service delivery responsibilities have received equalities training.</i>

F - SUSTAINABILITY

How should I address sustainability?

The need to consider the environmental, social and economic impacts of procurement activity has long been established in Wales. There are several reasons why buyers need to consider sustainability when selecting suppliers:

- The buyer will need to remain compliant with relevant EU / UK legislation.
- The buyer may have its own or Welsh Government environmental targets to meet and policies to comply with.
- The buyer should consider the social, environmental and economic implications of the contracts it awards.
- The buyer should be aware of how its public image may be affected by association with suppliers with a poor record, for example due to prosecution for a breach of sustainability legislation.

Generic goods, services and works (contractors and professional services)

Sustainability Risk Assessments

Addressing sustainability requires careful consideration of the nature of the requirement, the opportunities and risks, and the most appropriate way of dealing with the risks. This will normally highlight a number of requirement-specific actions to be undertaken at various stages of the project, both during the procurement and the contract delivery.

The Sustainability Risk Assessment or “SRA” is a tool for achieving sustainable procurement, and is already in widespread use in Wales. The recommended approach to dealing with sustainability is to use the SRA when planning your procurement: it helps identify requirement-specific risks to manage during the selection and tender stages.

Care must be taken not to confuse those elements of sustainability that relate to the *technical competence* of the supplier (to be assessed at selection) with those that relate to the delivery of the contract (to be assessed at award stage).

For construction, the SRA will provide specific guidance on what should be addressed by the contractor as part of its Environmental Management System (EMS). Because this is requirement-specific, this is best addressed as part of the tender stage rather than at selection. It is therefore recommended that questions about the EMS are not included at the selection stage.

Third party accreditation and standards

For some procurement it may be necessary to ensure that bidders have an environmental management system certified by a UKAS-accredited body. However, this should not be considered a “tick box” requirement, and should only be required if it is relevant and important to the delivery of a particular contract.

ISO 14001 is an International Standard that is used widely in many parts of the world, and particularly, within Europe, in the construction industry. However there are alternatives, including EMAS, BS 8555 & Green Dragon, which, dependent upon level, can exceed requirements of ISO 14001. To comply with ISO 14001 a business has to:

- Develop an environmental policy making it clear that the business is committed to protecting the environment and improving its environmental performance.
- Establish an environmental management system (EMS) which is a network of inter-related elements including responsibilities, authorities, relationships, functions, processes, practices, procedures, and resources.
- Identify the most significant environmental aspects of its past, present, and future activities, products, and services.
- Set environmental objectives and targets for all relevant functions and levels within the business.
- Create programs to implement its environmental policy and achieve its environmental objectives and targets.
- Monitor, measure, audit, and review its EMS in order to identify corrective and preventative actions and to improve its overall environmental performance.
- Make sure its environmental policy is appropriate and is in force, and that its environmental objectives and targets are being achieved.

The approach, in the SQuID, is similar to that for ISO 9001 for quality management. You must first decide whether certification to ISO 14001 (or equivalent) is necessary to support the needs of the procurement.

Current UK and Welsh Government advice is that only UKAS accredited (or other national equivalent) bodies should provide the certification service (see www.ukas.com). Within each scheme there may be different levels, and the UKAS accreditation also categorises schemes differently (types A, B and C) depending on the degree to which implementation and auditing of the management system are separated. You will need to specify what you require.

If it is necessary, question SU.GEN.03 should be asked. If the answer is “yes”, you should indicate that this is sufficient, and you should not normally need bidders to also describe their environmental management processes at length. The certifications listed in the question are not all equivalent and you should consider carefully your own requirements and adopt a proportionate approach. If you are happy to consider a supplier that is working towards third-party accreditation, or is willing to put this in place during the lifetime of the contract, you will need to include a further question setting out the details.

If you will not accept a bidder who does not have a third-party certification you should make this clear. However, given that the answer to SU.GEN.03 may be “no”, you may wish to consider whether *also* to include some or all of the questions under SU.GEN.04 to ascertain whether bidders have components of an environmental management system in place, albeit one that is not certified to a recognised standard. It will then be for the buyer to determine whether a bidder’s response to the questions under SU.GEN.04 is sufficient to meet the needs of the procurement.

If is not considered necessary, you may simply ask bidders to confirm that their approach to environmental management includes particular elements (i.e. SU.GEN.04a- SU.GEN.04c).

Under the public contracts regulations 2015 suppliers should be asked to self-certify that they meet the selection criteria, and are only required to provide supporting evidence if they are successful. (SU.GEN.04d) allows suppliers to submit copies of their environmental management procedures at an earlier stage if they wish.

Payment of suppliers on time

The SQulD includes a question regarding the prompt payment of suppliers (SU.GEN.05). This question is included in response to the desire to show the public sector's commitment to supporting SMEs through the procurement process. In many ways it does not achieve very much as the answer is not enforceable unless this is addressed as part of the tender process and included in the contract.

If your procurement involves construction and you do not intend to use a Project Bank Account you may wish to include SU.CON.04 which sets out the fair payment commitments developed by the Wales Construction Procurement Steering Group and the UK Government. This commits suppliers to paying their suppliers and sub-contractors within 19 days of the due payment date, and requires the supplier's contractors to pay their sub-contractors within 23 days of the due payment date.

You should consider whether which, if either, of these question is useful and include appropriate.

Works (contractors and professional services)

Waste management

If the contract is for professional services involved in the design stage of a construction project consider including question SU.CON.01 in order to ensure the bidders have appropriate waste management experience. If the contract is for construction consider including questions SU.CON.02 instead.

BREEAM

Where projects are funded by the Welsh Government, attainment of BREEAM 'Excellent' rating is a core requirement. Buyers may therefore wish to assess bidders' experience in delivering projects to this standard if the project is funded by the Welsh Government. This policy is currently under review and it may be appropriate to require a 'Good' rating. For more information on BREEAM accreditation, visit the BREEAM website, and seek advice if you are in doubt:

<http://www.breeam.org/>

Summary of questions for sustainability

Past or impending prosecution

SU.GEN.01 *Checking that the bidder has not been successfully prosecuted under environmental legislation.*

Flow down to subcontractors

SU.GEN.02 *Confirming the bidder will proactively manage subcontractors to ensure they have not been prosecuted or served notice under environmental legislation.*

Environmental management accreditation	SU.GEN.03 <i>Looking for evidence that the supplier has a third party accredited system for environmental management.</i>
Environmental management policy and approach	SU.GEN.04 <i>Looking for evidence that the supplier has an appropriate system for environmental management.</i>
Payment of suppliers	SU.GEN.05 <i>Confirming the bidder will pay suppliers on time if it is successful.</i>
Benefits to local communities	SU.GEN.06 <i>Looking for confirmation that the organisation is willing to take proactive steps to provide additional socioeconomic benefits to the community in which they are working.</i>

Summary of additional questions for sustainability – contractors and professional services

Site waste management - Professional services	SU.CON.01 <i>Confirming the bidder has appropriate experience of site waste management.</i>
Site waste management – contractors	SU.CON.02 <i>Confirming the bidder has appropriate experience of site waste management.</i>
BREEAM	SU.CON.03 <i>Assessing bidders' experience of delivering projects to BREEAM 'Good' or 'Excellent' rating.</i>
Construction payment of suppliers	SU.CON.04 <i>Confirming that bidders will pay their sub-contractors within 19 days and second tier supplies will be paid within 23 days of the due payment date.</i>

G - HEALTH AND SAFETY

There are two main reasons why you will need to consider health and safety when selecting suppliers:

- The buyer has a duty of care to the public and its own staff, and needs to ensure that it buys products and services that are safe, and are manufactured and delivered safely.
- The buyer needs to consider its public image and the possible implications of being associated with suppliers with a poor health and safety record.

Health and safety risks are far higher in certain industry sectors, and you should expect to seek further information from bidders in these markets. Examples include construction, installation, civil engineering, transportation or logistics, mechanical products, food or food services and social care.

It is best practice that health and safety should be treated as a pass/fail issue at selection stage and answers should not be scored and weighted. The public contracts regulations 2015 allow for bidders being able to self-certify, so acceptance criteria need to be clear and unambiguous. This means that you should be able to specify what would constitute an acceptable response. The guidance column in the SQuID has a link to the Health and Safety Executive website for further advice

Accident records

An earlier construction-specific version of the SQuID questions asked bidders to report their accident statistics. This question has not been included due to the perverse incentives around comparing the relative performance of bidders. Each bidder may differ in the diligence with which it reports accidents, and this makes it very difficult to use the information to assess competence at selection. It is an area that may be better dealt with through contract management.

Organisations' different policies and practices around health and safety assurance at selection stage

Some public sector organisations in Wales have an in-house capability dedicated to managing the health and safety of their own operations and their suppliers. Others do not have this capability or have insufficient capacity, and use third-party accreditation providers to ensure that suppliers, contractors and service providers are competent. This is a common and accepted approach, particularly in the construction industry (see point 4 below for separate guidance on health and safety accreditation in the construction industry), and appropriate schemes are readily available under the Safety Schemes in Procurement group (www.ssip.org.uk). This is an industry-led scheme designed to allow mutual recognition of "safety competence schemes" – of which there are more than 30 at the time of writing. It was designed primarily for the construction industry but some of the providers are active in other market areas.

If you intend to insist on SSIP membership (or equivalent) you should assure yourself of the degree to which membership is common for those suppliers who may wish to bid for your contract. Where possible you should avoid specifying membership of one specific scheme within SSIP. This is because other purchasing authorities may request different schemes and the costs to suppliers of being registered with a range of different schemes can be prohibitive.

However, not all levels of membership of different schemes are equivalent, and you should check carefully what you require and ensure that you communicate this clearly with bidders. The SSIP providers cover fairly generic areas of safety competence, and you may need to include further questions, for example around working at height, specific to your requirement.

NB. Some organisations have standard and agreed procedures for health and safety assurance at selection stage. You should seek advice from your organisation's health and safety department to ensure that the approach you choose fits with your standard procedures. If you are carrying out a collaborative procurement ensure that all parties are happy with your approach before starting.

Four approaches to assessing Health and Safety at selection are suggested:

Goods, services and works

1. If the health and safety risks associated with the procurement are low, and you are permitted to do so, you may wish simply to ask questions HS.GEN.01 and HS.GEN.02. HS.GEN.01 ensures that if the bidder has been successfully prosecuted under health and safety legislation adequate remedial action has been taken. Include question HS.GEN.02a to ensure that where a bidder subcontracts part of the contract, it has processes in place to assess its subcontractors' health and safety records.
2. If third-party accreditation of health and safety is usual in the market concerned, consider asking for accreditation with a member of the SSIP group (HS.GEN.03). UK Government advice suggests that you should not require bidders to pay for accreditation with specific third-party organisations as a pre-condition of bidding, so we have included the words "or equivalent". There are some exceptions to this however, for issues such as security, and of course there are a number of trade accreditations that are legally required for carrying out certain activities, such as electrical and gas work. You may also wish to include some or all of the further questions HS.GEN.04 to HS.GEN.07 as alternatives for those that do not have third party accreditation. Bear in mind that accreditation with a member of the SSIP group may cover the information sought in questions HS.GEN.04 to HS.GEN.07. Only seek additional information if you can specify clearly what is required to allow suppliers to self-certify, and if these matters are not already covered by SSIP registration.
3. If you have the in-house capability to assess health and safety competence you may wish to use questions HS.GEN.04 – HS.GEN.07 and additional questions (as well as HS.GEN.01 and HS.GEN.02) instead of seeking third-party accreditation. Again, many organisations may *require* you to ask all of these questions. See section below for more details.

Works (contractors and professional services)

4. As well as general health and safety law, the construction industry is subject to additional regulations (CDM 2015). The approach recommended for the construction industry is to require third-party certification of the bidders' (and subcontractors') health and safety management systems. This is a common and accepted approach in the construction industry and appropriate schemes are readily available. It is recommended that you include question HS.CON.01 alongside HS.GEN.03 and seek advice from your competent source of Health and Safety Advice on how to assess responses.

Competent Subcontractors

It is recommended that you include question HS.GEN.02 to ensure the contractor has an adequate approach to monitoring the track record and health and safety competence of subcontractors. If you ask question HS.GEN.02b make sure you are clear what would constitute an acceptable answer. This issue may not be covered in sufficient detail by all members of the SSIP group.

Health and Safety Policy

Earlier versions of the SQuID included questions asking for copies of Health and Safety Policies, as well as further details, including on examples of risk assessments and on drug and alcohol misuse. Since the Public Contracts Regulations 2015 allow for bidders to self-certify that they meet specific criteria these questions have now been removed and replaced by a questions confirming that the bidder has a health and safety policy in place, and carries out training. All companies with more than five employees are obliged to have a health and safety policy, signed and dated and updated regularly. Even if a company has fewer than five employees you may require your supplier to have a health and safety policy if this is relevant to the procurement. The guidance for bidders provides a link to the Health and Safety Executive website which has short completed examples and templates for small businesses.

Works (contractors and professional services)

In addition to the above, the additional criteria below may be considered.

Public Safety

Most, if not all, construction projects will include an element of exposure to the public, which may put members of the public at risk of harm. If you feel that this information has not already been covered e.g. by SSIP accreditation, then include question HS.CON.02. This checks that, where applicable, bidders should have appropriate arrangements in place to mitigate against the risks of causing harm to members of the public.

Traffic Management

Where construction projects entail potentially negative impact on traffic flows and safety in the surrounding areas, and the information has not already been covered, it is recommended that you ask question HS.CON.03 which assesses bidders' arrangements for managing traffic and minimising disruption and risks to the public that may arise.

Contract-specific questions

For construction projects it is likely that there are other health and safety risks, such as those around working at height, or underwater, where specific experience and risk management techniques will apply. We have not been able to include all of these in the SQuID and you should add these additional questions as required. You should take care not to duplicate information already sought by the SSIP accreditation process, for example. Take care also not to examine in detail an area that you need to include at the tender stage assessment. Make sure you specify clearly what you require, allowing suppliers to self-certify wherever possible.

Summary of questions for health and safety – generic goods and services

Past prosecution	<i>HS.GEN.01 Checking that if the bidder has been successfully prosecuted under health and safety legislation they have since taken decisive action to remedy the fault that led to the prosecution.</i>
Competent subcontractors	<i>HS.GEN.02 Ensuring that bidders have appropriate procedures in place for ensuring the health and safety record and procedures of subcontractors.</i>
Health and Safety certification	<i>HS.GEN.03 Requesting details of certification with third-party accreditation providers.</i>
Health and safety policy	<i>HS.GEN.04 Ensuring that the bidder has an appropriate Health and Safety Policy in place.</i>
Health and safety training	<i>HS.GEN.05 Ensuring that the bidder has appropriate Health and Safety training in place</i>
Nominated person	<i>HS.GEN.06 Asking for details of the bidder's nominated person for Health and Safety</i>
COSHH	<i>HS.GEN.07 Checking that bidders have appropriate controls in place for dealing with chemicals and substances under COSHH Regulations.</i>

Summary of additional questions for health and safety – works (contractors and professional services)

CDM 2007 ACOP	<i>HS.CON.01 Assessing bidders' ability to meet statutory health and safety requirements, where equivalent information or certification is offered, or where organisations are able and wish to assess this independently.</i>
Public Safety	<i>HS.CON.02 Ensuring that members of the public are not exposed to risk of injury.</i>
Traffic Management	<i>HS.CON.03 Looking for evidence that bidders have appropriate traffic control measures.</i>

APPENDIX 1

Use of third-party products for financial appraisal.

There are several products that buyers may consider useful; some are described briefly below with guidance on which SQuID questions to include when using the product. Please note that this document cannot describe each product completely and does not make any specific recommendations or endorsements of the products.

This list is not exhaustive and includes the products that are already used by buyers in Wales to the knowledge of the author. In future versions of this guidance, other products may be included if they are considered useful by Welsh buyers.

Dun & Bradstreet - “failure score”

Dun & Bradstreet have a product called “D&B failure score” which aims to measure the (financial) stability of an organisation and the statistical chance of it failing within 12 months. It does this by using several sources of data to determine a rating on a percentage scale using statistical techniques. D&B claims that this rating has been shown to have a high correlation with the failure rates of companies for the 12-month period following the calculation of the rating. They argue that this product provides a much broader measure of likely failure than can be established using the information readily available to buyers during procurement or other traditional techniques.

The method used to calculate the D&B failure score is proprietary, only published in outline form, and therefore open to the accusation of not being transparent. Some organisations may have contracted with D&B and have satisfied themselves as to the transparency of the process. The ratings are available through subscription and the extent to which ratings can be provided to bidders either prior to the selection stage, or by way of debrief afterwards, is not clear at present. For these reasons it is recommended that a buyer discusses these issues with Dun & Bradstreet before using the D&B failure score for selection.

In order to make use of the D&B failure score it is necessary to obtain the D.U.N.S. number of the bidder so the score can be obtained from Dun & Bradstreet. The number is provided, free of charge, upon request by a company, and is almost always available within a couple of days if not immediately. A question (FS.GEN.02c) is already included in the SQuID asking for the bidder’s D.U.N.S number, but this question is included to assist in identifying the bidding organisation. If you intend to use the D&B failure score, or other products for selection purposes you must first ensure that you are familiar with any agreements or procedures within your own organisation. Then you need to make the planned use clear in your guidance to bidders, along with any threshold that will be set for selection.

Equifax (and other equivalents) – credit rating

A number of companies provide credit rating products that are used by suppliers and customers of organisations to determine the risk of placing a contract with them or of providing credit to them. Some of these products are used by buyers in Wales in order to select bidders.

In order to obtain a credit rating on a company it is normally only necessary to have the company's registration number, or D.U.N.S. number of the company concerned. Questions already exist in the SQuID asking for these details but the guidance against these questions does not make it clear that the information will be used to obtain a credit rating that will be used for selection purposes. If you intend to use a credit rating you should make this clear up-front and provide guidance against the relevant questions on how the credit rating will be used for selection. If that you are expecting bids from third sector organisations, you may need to provide an alternative route for financial appraisal in the event that your credit rating agency does not provide the necessary information. Some buyers set a credit rating that is deemed acceptable in the circumstances, and then do more research on those with lower ratings before excluding. If you decide to take this approach you should make this very clear in the guidance to bidders (so as not to deter interested bidders with lower ratings).

Constructionline - "notation value"

Constructionline provides a schedule of "notation values" for companies that subscribe to their service. This notation value covers financial stability as well as capability and capacity, and can be used as part of the selection process by buyers specifying the category (or categories) that they are interested in and the notation value they are looking for within those categories. If required, Constructionline will provide to buyers a list of "pre-qualified" contractors who possess the notation values specified by the buyer – this is used by some buyers as a means of selecting bidders for sub-threshold procurements.

Companies need to pay a fee in order to be assessed by Constructionline and obtain a notation value: for this reason, according to guidance from the former OGC, buyers should not make possession of a notation value a pre-requisite for being selected. However, a suitable notation value could be used as an alternative to completing some sections or questions within a selection questionnaire as appropriate, and this is a commonly-used approach in Wales

If a buyer wishes to make use of Constructionline buyers will have to include a project-specific question, and it is recommended that instructions be included to explain what notation value(s) will be accepted and which selection questions or sections can be left unanswered if the bidder possesses the specified notation value(s). Because the notation value required will depend on the needs of the procurement, there are no standard SQuID questions regarding notation values.

Whilst Constructionline has achieved widespread – but by no means universal - adoption by public sector buyers and private sector contractors within the construction sector, the concept of notation value has not yet been proved to be relevant outside of construction. In addition, its value-based approach deals with qualification very differently to the risk-based approach adopted by the SQuID. For these reasons, the notation value cannot yet be recommended for use except in construction projects.