



# The Office of Government Commerce – Supplier Selection and Pre-Qualification: Guidance, tools and tips

## Introduction

This guidance is designed to help procuring authorities understand and apply the selection stage of a procurement process effectively and efficiently. It also explains how use of pre-qualification and Pre-Qualification Questionnaires (PQQs) can be a useful and integral part of this process.

The guide primarily focuses on where the procuring authority is undertaking the selection/pre-qualification in-house, and takes procurers through all the key steps from advertising the requirement, through assessment of expressions of interest and selection of a shortlist, to debrief and issue of the Invitation To Tender (ITT). Where the procuring authority wishes to outsource an aspect or indeed all of its selection/pre-qualification process (eg through an accredited third party), the guide also provides further information on use of third party accreditors (TPAs).

## What is 'supplier selection' and 'pre-qualification'?

Supplier selection is an essential element of the procurement process. Procurers need to assure themselves that suppliers are suitable entities with whom to contract in terms of their legal standing, financial status and technical capacity. The process of supplier selection in terms of fitness to tender for public sector contract opportunities is also often referred to as 'pre-qualification'.

Supplier selection normally involves pre-qualification via the supplier's completion of a Pre-Qualification Questionnaire template issued by the procuring authority, as an interim stage of the selection process. This provides a more structured means of capturing the information the procurer requires to select suitable suppliers.

Where a PQQ is used, it has three aims:

- to collect required 'registration' information from potential suppliers
- to ensure that remaining suppliers 'qualify' and meet or pass the threshold of competence to carry out the work, including eliminating potential suppliers from the competition who are:
  - not technically capable of meeting the requirements of the contract, or
  - do not have sufficient financial standing, or
  - are disqualified for reasons set out in the Public Contracts Regulations 2006 ('UK Regulations')
- to rank potential suppliers where necessary and select an appropriate shortlist, reducing, where appropriate, the number of suppliers invited to tender to a manageable amount

Although commonly used, not all selection processes need to involve pre-qualification/PQQs as the information requested can be included in the Official Journal of the European Union (OJEU) or contract advertisements. However, there are benefits to using a PQQ (eg it helps to make the selection process more manageable and efficient for both parties.)

## Above threshold PQQ and guidance – Below threshold PQQ and guidance

The information requested in a selection process (either with or without a PQQ stage) varies according to the type of procuring authority and the nature of its requirement. It addresses the supplier's legal status, finances, capabilities and relevant past experience. Where the value of the procurement exceeds the OJEU thresholds, and the UK regulations apply, pre-qualification is commonly used; however, it is often a feature of low value below EU threshold procurements. OGC recognises that the maintenance of a comprehensive supplier selection service is a significant overhead for procuring authorities who have to demonstrate continued efficiency savings in the face of tight budgetary constraints. Therefore, the idea of outsourcing selection/pre-qualification activity to third party accreditation service providers can be an effective option; however, there are a number of considerations and risks to take into account. (Further information on third party accreditation will be developed during 2010. In the meantime, please refer to Procurement Policy Note (PPN) 09/09.)

Now see below for a step by step selection guide for in-house supplier selection.

## Step 1: Selection step by step – What do procuring authorities need to do?

[Note: The following guidance covers procurements which may or may not be subject to the UK Regulations. Where the procurement is subject to the full UK Regulations, it is assumed that the Restricted procedure is being followed. Procuring authorities, however, need to ensure that the most appropriate and correct procedure is being adopted before they commence. Refer to the Introduction to EU Rules for guidance on other procedures such as the Open or Competitive Dialogue procedures (although procurement selection is equally valid for all procurement procedures).]

## Advertising to elicit expressions of interest

Think through the implications of your requirements very carefully before advertising. The contract notice or other advertisement/notification should make it clear what outputs are required, so that suppliers can understand the requirements and the skills and capabilities needed to deliver these.

At this stage, where the UK Regulations apply, there is normally a need to publish an OJEU notice. Notices are placed in the Official Journal of the European Union and are the official means of information delivery concerning the progress of a particular competitive procurement. Even where the UK Regulations do not apply, it is good practice to consider relevant and proportionate means of advertising requirements depending on the value, risk and complexity. (PPN 03/06 describes EC Treaty obligations in this regard.)

If a PQQ is not being used, the information needed from potential suppliers to undertake an informed selection should be included in the contract notice/advertisement.

Before issuing the OJEU notice/advertisement, it is recommended you consider the following points:

- Is there an existing framework or contract available or an opportunity to collaborate? (If so, there may not be a need for a procurement.)
- Ensure the procurement's strategy and scope is defined and agreed.
- Has an affordable business case been approved?
- Have requirements, selection/PQQ methodology and evaluation criteria been defined and agreed?
- Is the procurement potentially suitable for an SME?

## Step 2: Issue Pre-Qualification Questionnaire (Optional)

You may wish to issue a Pre-Qualification Questionnaire to suppliers who responded to the contract notice, expressing an interest, and then allow candidates sufficient time to respond to the PQQ.

For procurements where the UK Regulations apply, there is a need to take into account the minimum timescales between placement of an OJEU notice and submission of expressions of interest.

Further information on timescales: It is important to remember that pre-qualification of suppliers is optional and not always a necessary step in the selection process. Procuring authorities should consider the value and complexity of their procurement and the size of the market in order to determine whether a detailed supplier assessment stage is required.

For lower value, less complex procurements, a few short questions relating to the supplier's financial standing and a couple of references may be enough to provide assurance that the company is fit to tender. For very low value/low risk procurements, a selection of quotations may be all that is required.

By reducing the burden of pre-qualification, suppliers can focus their efforts on producing a tender that allows them to demonstrate their unique selling points and innovative ability and the added value that they intend to bring. It will also potentially encourage more suppliers to bid, which will increase competition and lead to further efficiencies in the process.

Even for contracts subject to the UK Regulations, the use of a Pre-Qualification Questionnaire is not a requirement of the rules. The Regulations only specify what information can legally be sought at the selection and tender evaluation stages (and that information taken into account during supplier selection cannot then be taken into account at the tender evaluation stage). See PPN 04/09 for further information.

Authorities may want to consider another approach, such as specifying the evidence required for selection in the OJEU notice and assessing the responses directly. Where the UK Regulations apply it is important to ensure that a PQQ only contains information that is permitted under those Regulations. Going beyond that could be a breach of the Regulations if someone is able to determine that they have been excluded because non-relevant information was taken into account.

## Construction procurements

For construction and related requirements, you may wish to consider using Constructionline as a tool to source suitable suppliers. Constructionline is BIS's accreditation scheme and is approved by Government. More details are available at <http://www.constructionline.co.uk/>

The use of accreditation and pre-qualification in the construction industry is a major area of supplier concern. The OGC has therefore welcomed the BIS/BSI initiative to develop a Publicly Available Specification (PAS) for the construction industry and will be working closely with BIS and BSI on delivery. The OGC supports industry in working toward mutual recognition of standards (as per Glover Recommendation 7). Safety Schemes in Procurement (SSIP) is an industry-led initiative to increase mutual recognition of different accreditation standards within the Health and Safety field. For more information, see [www.ssip.org.uk](http://www.ssip.org.uk)

Further information on Health and Safety: The Health and Safety Executive (HSE) have developed 12 core criteria questions which can be considered as an Annex to the PQQ for construction procurements, where these questions are relevant and proportionate to the procurement.

## Step 3: Assessment of responses to the PQQ or contract notice/advertisement

Having received completed Pre-Qualification Questionnaires or responses to the contract notice, assess the expressions of interest in response to the OJEU/PQQ/advertisement in accordance with the agreed selection methodology. The candidates' former conduct, legal status, financial standing and technical capability to deliver the requirements will need to be analysed in order to help select the suppliers to invite to tender. Refer to Step 4 for guidance on how many candidates to invite.

The assessment needs to establish which suppliers best fulfil the selection requirements and it is necessary to arrive at a manageable and appropriate number of candidates. The next stage is to notify the suppliers of the outcome of the selection stage and debrief the unsuccessful candidates. When using a PQQ, there is detailed advice and guidance on the assessment process.

## The OGC's below threshold PQQ and guidance (including scoring methodology)

For those procurements subject to the UK Regulations, there is a list of criteria which can be taken into account:

- Solvency / financial standing.
- Technical capacity and capability. This can also relate to relevant social and/or environmental aspects of the contract.
- Previous track record of similar contracts. This can also relate to relevant social and/or environmental aspects of the contract.
- Previous conduct. Consider whether suppliers should be excluded from competing on the grounds of grave professional misconduct (which may include breaches of social or environmental laws).

However, it should be noted that even for lower value procurements (not subject to the UK Regulations), these are useful criteria to inform the selection process.

## Step 4: Selection and debrief

The assessment needs to establish which suppliers best fulfil the selection requirements, and it is necessary to arrive at a manageable number of candidates. There must be enough prospective bidders to make competition meaningful, and for procurements where the UK Regulations apply, five (Restricted procedure) is the minimum. In most cases, where the Restricted procedure is being adopted, taking between five and eight suppliers through to tender stage may be an appropriate number, assuming they all appear capable of meeting the contract's requirements. It is an unfair burden on suppliers and a waste of time for the procurer, to invite bidders who are not suitable to tender or have no chance of being successful due to financial, legal or technical reasons.

If the process is designed to appoint a framework of suppliers, the number taken to tender depends on the size of the desired framework, and whether 'lots' are going to be used within the framework. Simplistically, if the target is five suppliers on the framework, taking 8-12 to tender stage is reasonable; if a framework of ten is desired, you may want as many as 20 going through to tendering stage.

To shortlist the suppliers it is essential to apply the agreed selection scoring methodology in determining the most objective way in which to arrive at the shortlist. This methodology needs to be documented, transparent, and included in the PQQs when they are sent to candidates. This will include any minimum standards which suppliers must meet, and how much weight to give to each aspect of the responses to the notice/PQQ.

Suppliers may be ruled out if they fail to comply with certain minimum standards or key legal requirements, or if they fail to provide the information requested. Decisions on de-selection should be reasonable and proportionate and the overall assessment should generally be based on

a holistic analysis of all the factors, rather than one factor carrying disproportionate weight. Scoring should be consistent, allowing clear identification of reasons for rejecting suppliers. The selection process should have a clear audit trail that can stand up to external scrutiny if required. For procurements subject to the UK Regulations there is an obligation for mandatory exclusion for some offences related to fraud, corruption and bribery.

The next stage is to notify the suppliers of the outcome of the selection stage, and debrief the unsuccessful candidates.

## Step 5: Issue Invitation To Tender (ITT)

Issue an ITT to the shortlisted candidates. The ITT should provide clear instructions on how candidates should submit their tenders, and deadlines for receipt etc. The ITT will usually include the detailed requirements, instructions to tenderers, draft contractual terms and conditions, and any associated pricing and technical schedules. The level of contract preparation required will depend on the complexity, size and value of the procurement. The draft contract needs to set out clearly the rights and obligations of the procuring authority and the contractor. Refer to OGC's recommended Model Terms and Conditions.

## Further information and guidance

Specification writing:  
[www.ogc.gov.uk/briefings\\_specification\\_writing.asp](http://www.ogc.gov.uk/briefings_specification_writing.asp)

General Model Terms and Conditions:  
[www.ogc.gov.uk/Model\\_terms\\_and\\_conditions\\_for\\_goods\\_and\\_services.asp](http://www.ogc.gov.uk/Model_terms_and_conditions_for_goods_and_services.asp)

Supplier Financial Appraisal Guidance (PDF, 862KB):  
[www.ogc.gov.uk/documents/commodities\\_database/Financial\\_Appraisal\\_Guidance.pdf](http://www.ogc.gov.uk/documents/commodities_database/Financial_Appraisal_Guidance.pdf)

To help you with the selection stage of your procurement, the following templates, guidance and best practice are available:

- OJEU Advertisement: [www.ogc.gov.uk/process\\_ojeu\\_-\\_sors.asp](http://www.ogc.gov.uk/process_ojeu_-_sors.asp)
- Pre-Qualification Questionnaire (Above threshold):  
[www.ogc.gov.uk/policy\\_and\\_standards\\_framework\\_prequalification\\_questionnaire\\_pqq.asp](http://www.ogc.gov.uk/policy_and_standards_framework_prequalification_questionnaire_pqq.asp)
- Pre-Qualification Questionnaire (Below threshold):  
[www.ogc.gov.uk/templates\\_tools\\_and\\_model\\_documentation\\_pre-qualification\\_questionnaire\\_for\\_tender\\_evaluation.asp](http://www.ogc.gov.uk/templates_tools_and_model_documentation_pre-qualification_questionnaire_for_tender_evaluation.asp)
- Introduction to the EU Rules (PDF, 288KB):  
[www.ogc.gov.uk/documents/Introduction\\_to\\_the\\_EU\\_rules.pdf](http://www.ogc.gov.uk/documents/Introduction_to_the_EU_rules.pdf)
- Policy Through Procurement:  
[www.ogc.gov.uk/policy\\_and\\_standards\\_framework\\_policy\\_through\\_procurement.asp](http://www.ogc.gov.uk/policy_and_standards_framework_policy_through_procurement.asp)

Now go to the How to Buy Guide for information and guidance on the next stages of the procurement process.

How to Buy Guide:  
[http://www.ogc.gov.uk/policy\\_and\\_standards\\_framework\\_welcome\\_to\\_the\\_how\\_to\\_buy\\_guide.asp](http://www.ogc.gov.uk/policy_and_standards_framework_welcome_to_the_how_to_buy_guide.asp)



# TRAINING MATTERS

Whatever your training needs,  
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programme tailored to fit.

For further information on the PASS service,  
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email [pass@bipsolutions.com](mailto:pass@bipsolutions.com)  
or visit [www.bipsolutions.com/pass](http://www.bipsolutions.com/pass)



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*PASS Consultancy's mission is to help you deliver the best in government procurement through:*

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- Joined-up government
- Improved performance indicators
- Strategic direction and performance
- Opportunities offered by eGovernment
- Capacity to deliver change to meet identified needs
- Continuous improvement of services and challenging poor performance
- Sustainable development within decision-making processes and delivery of services
- EU-compliant processes
- Best practice procurement training



## PASS MARK HEALTH CHECK

The *PASS* service can help your organisation examine its current procurement organisational structures, strategies, processes, practices and related strengths and weaknesses. It delivers a detailed *PASS Mark Health Check Outcome Highlight Report (OHR)* that outlines areas of strength as well as those requiring further attention, and provides an outline *Project Initiation Document (PID)* designed to deliver a more effective and efficient tendering process that will help you achieve optimum performance and better value-for-money procurement.

## PASS – HELPING YOU MEET KEY OBJECTIVES

The key objective of public procurement professionals is to ensure that the most suitable supplier is selected to provide goods and services on terms which are likely to offer the best value for money. The *PASS* service helps you meet this requirement and deliver contracts that offer best value-for-money terms with suppliers who will execute them efficiently.

## PASS TRAINING

Our consultants can provide you with bespoke training packages to suit your needs. Consultancy and training is available for the following: environmental purchasing, partnering, evaluation, eGovernment, supplier debriefing, UK legal processes and precedents, contract management, EU-compliant tendering and much more.

## PASS ONLINE GUIDANCE

The *PASS* service provides online guidances on all aspects of the public procurement process and legal requirements: [www.bipsolutions.com/html/briefing.php](http://www.bipsolutions.com/html/briefing.php)

## PASS IN-HOUSE PRESENTATIONS

*PASS* Consultancy can provide you with in-house presentations directed to buyer or supplier. Each presentation will be bespoke to your requirements, whether they be with regards to improving your tendering practices or your procurement strategy or processes. Contact: [pass@bipsolutions.com](mailto:pass@bipsolutions.com)

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