

Joint Tendering and Collective Bidding

Small Business Guide Part 3
Finance, Insurance, Accreditation and
Procurement for Consortiums





Purpose of this Guide

This series of three handbooks are designed as a quick guide for sole traders and micro businesses working in the built environment sector who wish to work together in order to joint tender for public or private contracts or work collaboratively on shared bids.

There could be benefits for small traders from collective bidding, such as:

- the opportunity to get involved in larger contracts
- the opportunity to widen the pool of resources and skills available
- sharing of costs, burden, hassle
- being able to look and act bigger
- ability to focus on your core strengths
- more eyes to spot opportunities
- future proofing - gain awareness, skills, experience, qualifications
- networking opportunities
- lessen the necessity of employing its own staff, particularly if there is a local shortage of expertise

In this, Part 3 of the series, we outline the considerations small traders need to work through when considering finance, insurance, membership and accreditation options for a new consortium.

What You'll Find in this Guide

- ◊ Financial considerations
- ◊ Insurance
- ◊ Professional memberships, accreditations and PAS 2035 for retrofitting contracts
- ◊ Public sector procurement, assessment process, tender library

Financial Considerations

Providing evidence of good financial performance is a requirement for most construction-related tenders in the public sector and gives private sector customers confidence.

Public sector regulations in Scotland provide specific guidelines on how to assess financial performance as part of the Single Procurement Document, a standardised document for the first selection stage of a tender (previously referred to as the Pre-Qualification Questionnaire):

- Turnover with copies of accounts as evidence
- A minimum turnover level may be stipulated but this must not exceed twice the estimated contract value – this may help remove obstacles to SME involvement
- Buyers may also require bidders to meet specified values for financial ratios, based on their accounts for 1-3 years – for example, Acid Test (assets/liabilities), Cash Interest Cover, Return on Capital Employed, Profit, Gearing.

Alternative evidence of financial standing can be provided for new start companies (options must be stated in the tender documents and could include management accounts, cash flow forecasts, bank references/statements). This would also apply to a new consortium legal entity which would have no trading history.



Insurance

One of the motivators for collaborative bidding is the ability to pursue and win larger contracts. However, larger contracts sometimes require new insurance or additional cover for items such as Professional Indemnity, Product Liability, Public Liability, Employers Liability and general insurance. Collaborating small traders may not need to implement insurance cover until contract award, but must commit to doing so.

In some circumstances insurance may be:

- Required or increased by your consortium due to the potential contract size and risks, as part of risk transfer under your risk plan; or
- Requested by the procuring authority to a level beyond the thresholds currently held by your individual consortium members. You should assess if this is reasonable and discuss it with the procurement team before you prepare your bid. The procurement team may be listing standard terms for its organisation, and have some flexibility to change. On the other hand, it may be unable or unwilling to accommodate your suggestion.

Your consortium members may need to acquire additional insurance cover. You need to be very clear as to the length of the on-going future indemnity period for which this insurance might have to remain in force. This could be a significant factor in your future profit/surplus projections and so it needs to be costed in. It depends on who is the Lead Member, your consortium's legal structure and whether there are joint and several liability clauses proposed to be within the final contract.

Often the Lead Member or the consortium itself, if it is a new entity/Special Purpose Vehicle, needs headline level insurance cover for larger contracts. Insurers' terms of business often ask for information on major bids up front in order to assess the premiums and levels of cover needed. Levels of insurance are therefore really important to assess as early as possible. A pre-formed consortium has time and opportunity to obtain a quote and negotiate.

Your consortium might need to consider taking out additional insurance, to mitigate against the perceived risk of a consortium bid, at the request of the buyer side. This might be appropriate to help your consortium win its first piece of work and prove your delivery capability with a major customer. This needs consideration if your consortium is hoping to develop a long-term relationship beyond the initial contract.

Professional Memberships and Accreditations

Public sector buyers require contractors for construction, trades and energy efficiency works to hold a range of qualifications, certifications, professional memberships and trade accreditations in order to achieve a “pass” in the tender process. In the area of energy efficiency and retrofit in particular, there are specific mandatory and discretionary requirements which all bidders – including a consortium bid team – will need to be aware of. This is also pertinent in the private sector particularly if grant funding is part of a payment package.

Accreditations and Memberships for Organisations include:

- PAS2030 – 2019/BBA – covering installers in selected areas (e.g. Insulation – Loft, Floor, Draught Proofing, Flat Roof, Cavity Wall, Internal Wall, External Wall, Pitched Roof, Hybrid Wall, Room in Roof); Energy Efficient Glazing & Doors
- Trustmark – linked to PAS2030, hold the centralised database for logging installations data
- PAS2035 – contractors must confirm compliance to standard, not issued as a separate certification, standard defines retrofit roles for “whole house” works
- Microgeneration Certification Scheme (MCS)
- MCS Certified Companies carrying out Retrofit work can subcontract to non-certified tradespeople/labour, providing that they work alongside/ supervise the installation as a Certifier
- Safety Schemes in Procurement (SSIP) health and safety certification – most commonly used are CHAS, SafeContractor, SMAS Worksafe, Constructionline
- ISO 9001:2015 or suitable internally audited quality management policy and system
- ISO 14001: 2015 or suitable internally audited environmental management policy and system
- NICEIC corporate (electrical)
- SNIPEF membership (plumbing)
- Competent Roofer
- National Federation of Roofing Contractors
- GasSafe
- External Wall Schemes either BBA, Blue Flame Certification, CERTASS, Certsure, NAPIT or Stroma
- Cavity Wall Insulation - CWI Extraction Third-party scheme by BBA or equivalent
- Waste Carrier Registration

For Individuals:

- Microgeneration Certification Scheme (MCS)
- NICEIC (electricians)
- GasSafe (heating, plumbing)
- City & Guilds or SVQ Level 3 in chosen trade
- Relevant competency for system or product being installed
- Safeguarding – DBS Disclosure, Protection of Vulnerable Groups (PVG)

PAS 2035 - Retrofitting

PAS 2035 splits the fulfilment of the specification's requirements into particular roles:

- Retrofit Adviser
- Retrofit Co-ordinator
- Retrofit Assessor
- Retrofit Designer
- Retrofit Installer

Individuals in these positions must undertake training, possess qualifications and may be required to be members of professional institutions according to their role and the type of building being retrofitted. These will usually be defined in tender documents.

In a collaborative model some of these retrofit roles could be delivered by members of the consortium or by subcontractors.

The key role is the retrofit coordinator, often described as a project manager with expertise in retrofitting buildings, who is responsible for overseeing the activities of the retrofit adviser, retrofit assessor, retrofit designer, retrofit evaluator and retrofit installer. The coordinator may undertake some of these other roles (other than installer) as necessary. This will be an important role for the consortium to agree whether it will include this “in-house” or restrict its tendering to installation projects only, where another party covers all other retrofit roles and the consortium is a subcontractor to them.

Scenario	PROs	CONs
<ul style="list-style-type: none"> • Consortium company provides all retrofit roles within its team 	<ul style="list-style-type: none"> • Stronger control of project • Clear team identity • Easier to combine roles • Can compete with larger companies 	<ul style="list-style-type: none"> • Consortium bears cost of multiple certifications and training • Higher risk for consortium if handling “Whole House” projects

Professional qualifications/memberships/certifications are assessed at the Selection Criteria stage of a tender, so any bid that fails to meet the specified requirements will be rejected at this first stage before their technical submission or pricing is considered.

For smaller businesses this can be a major barrier to participation as the cost of acquiring and maintaining certifications and PAS standards is likely to be significant and not viable unless the SME has sufficient work to cover the costs.

Some Buyers may allow bidders to commit to gaining certain qualifications/accreditations if they are successful and then putting them in place before any works commence. This would not be practical for many courses which could take several months to complete.

Public Sector Procurement

Public sector procurement involves a competitive process and is regulated by the Public Contracts (Scotland) Regulations 2015 and The Procurement Reform (Scotland) Act 2014. As a result, public Buyers need to closely follow specific procedures to make sure that the tendering process is fair, transparent and compliant with all Regulations.

All regulated tenders in Scotland comprise three elements – Qualification, Technical and Price.

The Single Procurement Document (SPD) <https://www.supplierjourney.scot/supplier-journey/bid/tenders/procurement-procedures/single-procurement-document-spd> comprising a list of standardised questions which Buyers can then choose from to apply in each tender. No evidence is required to be attached at bidding stage, only at a later point and usually only for those companies who have been successful at stage 1.

Any collaborative bidding group will need to prepare SPD content for use in tenders to describe:

- The form of collaboration and who is in the group of bidders
- Lead partner or name of the consortium entity
- Any accreditation/certificates held by the consortium and/or its members
- Insurance held by consortium/members – could include Employers, Public Liability, Product Liability, Professional Indemnity, Contractors All-Risk, Motor
- Turnover past 3 years for consortium/members
- Examples of relevant works (past 5 years)

- Membership of relevant trades schemes/bodies such MSC, Trustmark, NICEIC, SELECT, GasSafe add here – held by consortium body itself and/or its members
- Standards held (PAS2030, PAS2035) by consortium members
- Profiles of key personnel (qualifications, years' experience)
- Number of personnel/management posts
- Access to external technical expertise, technical facilities
- List of plant, equipment, systems
- Quality management system/measures in place (does not need to be ISO9001 certified)
- Environmental management system/measures in place (does not need to be ISO14001 certified)
- Health & safety management system/measures in place (does not need to be ISO45001 certified but Buyers may ask for Safety Systems in Procurement SSIP such as CHAS, SMAS Worksafe, SafeContractor)

Assessment Process

Currently there is no specific legal guidance on the approach to assess pass/fail for the SPD content for a consortium legal entity in Scottish Government procurement guidelines – the only guidance is that all members of a group need to be named and each member needs to submit a separate SPD with basic company details and the business probity questions.

The Technical/ITT stage of tender submission can also be challenging for a newly formed consortiums, particularly providing evidence of:

- Proposed capacity and capability to deliver larger programmes of work including contingency
- Professional project management and IT systems to control works
- Suitable plant, materials and equipment
- Comprehensive health & safety and environmental plans and procedures
- Ability to finance upfront costs of contract operations
- Access to a secure supply chain for materials, skills, ancillary services

The Commercial/Pricing element of the tender submission can also be complex for a consortium bid as the pricing will need to be a negotiated process with a joint strategy. Consortium members will need to price their own contributions but also agree how to cover the overhead costs of the consortium.

Tender Library

In a consortium scenario there will be a larger pool of expertise available for pricing strategy decisions but there will be challenges in sharing as a group what would have commercially sensitive information for each participant. Non-disclosure/confidentiality agreements as part of the wider teaming agreements will be important at this stage for all consortium members involved in the specific tender.

The administrative aspects of public sector tendering – creating and maintaining a tender library and undertaking tender searches/market research – are very important and can influence directly the win ratios for small businesses. However few SMEs have resources available to support this activity and either miss new opportunities, find them too late to bid effectively or have to “start from scratch” with each new tender as information is not readily available.

A well-organised collaborative approach for one or more tenders can share the burden of tender content creation/management and tender search for SMEs provided there is a central coordination role to:

- Develop the shared tender content system (Teams, Sharepoint, Google Drive, DropBox or proprietary system)
- Define the content that consortium members need to contribute and what quality standards/formats
- Ensure that all consortium members provide content in a timely way
- Put in place update schedules at regular intervals
- Assist consortium members with templates for creating standard tender content (shared policies/procedures, CV/profile formats, project case studies, etc)

The cost of this central “tender library” role will need to be covered by all consortium members but could be built into tender prices as part of the overhead for works/service delivery.

Tender search and market research would normally be a shared responsibility for all consortium members, ensuring multiple “eyes and ears” for opportunities, again an advantage of a collaborative approach. The consortium or lead bidder could engage work experience placement students to assist with these activities at a low or nil cost.



This handbook series is a quick guide version of the report:

TRADES CONSORTIUM AND COLLECTIVE BIDDING
A report for Scottish Borders Construction Forum
by Gavin Tosh, Clerwood Business Support Ltd
and Gill Joy, Mackerris Consulting
2024

Read full document here:

<https://sup.org.uk/wp-content/uploads/SBCF-SUP-Report-Trades-Consortium-and-Collective-Bidding-July-2024.pdf>

**This project has been funded by the UK
Government as part of the UK Government Shared
Prosperity Fund**

Contact Information

Social Media <https://www.facebook.com/BordersConstructionForum>

Website <https://sup.org.uk/projects/scottish-borders-construction-forum/>

Email bordersconstructionforum@gmail.com
