

7. Finding and getting money

7.7.1 Introduction to tendering

Overview

Third sector organisations are increasingly seeking to diversify their income sources by incorporating strategies and techniques to achieve a sustainable funding base. Tendering for the delivery of goods or services under the terms of a contract is one of many options that can be considered to generate income.

This information sheet is intended to provide a brief overview of tendering and issues that third sector organisations should consider before deciding to tender.

From grants to contracts

The funding environment in Wales has changed radically in recent years. There has been a strong drive towards increased public service delivery by third sector organisations but due to pressures on public sector budgets, many traditional grants for service delivery are now being offered as competitive tenders.

The public sector market offers a variety of opportunities for third sector organisations. Services delivered under contract might include:

- Community transport
- Respite or day care services
- Health treatment or therapies
- Meals on wheels
- Recycling

What is tendering?

When a purchasing body, such as a local authority, wishes to appoint a third party to deliver a specific service under the terms of a contract, a strict procurement process is followed.

Procurement is defined as the purchase of goods or services from a third party that is delivered under the terms of a legally binding contract.

The procurement process followed by a purchasing body will involve issuing an Invitation to Tender (ITT), inviting any interested parties to bid, or tender, for this work.

Tendering is the competitive process of bidding for the delivery of goods or services under the terms of a contract. It involves preparing a written tender to demonstrate your capability, as a potential supplier, of meeting the purchasing body's requirements.

What is a contract?

If successful at tendering, you will be required to deliver the goods or services under the terms of a legally binding contract. A contract is an agreement between two or more parties which is recognised by law and enforceable through the courts. In general, there is no set form for a contract; contracts can be written, oral or implied by conduct.

Before submitting a tender you should carefully check all conditions of the ITT. It may be the case that by submitting a tender you are agreeing to meet all terms put forward by the purchasing authority if successful.

Before entering into a contract you should conduct a thorough risk assessment to ensure that entry into the contract is in your organisation's best interests and always seek professional legal advice.

Is tendering for you?

Before considering tendering for the first time, you must have confidence in your organisation's ability to:

- Compete with others on the open market
- Deliver services on time and to required standards
- Maintain a sound financial and commercial reputation
- Offer value for money

You should also consider the following points when deciding if delivering services under contract is appropriate for your organisation:

- Core mission – Does what you are proposing to deliver fit with your core mission and aims? Delivering services outside this remit may have implications for your organisation. You should find the balance between being driven by your mission and being driven by a financial incentive.
- Current activities – The services that you may decide to deliver will be dependent on your organisation's current activity, experiences and reputation. Are you able to deliver this service better or more efficiently than the competition?
- Capacity – The amount of work it can take to put together a successful tender and manage a contract once awarded should not be underestimated. Do you have the capacity to deliver?
- Organisational change – Is your organisation ready to adopt new ways of working? Tendering involves a high level of scrutiny, does your organisation have the policies and procedures in place to meet these demands?
- Financial impact – If the delivery of a particular service under contract does not contribute to an organisation's primary purpose thus preserving tax exemption, it

may result in the organisation having to register for and charge VAT where appropriate. Do you understand these regulations?

- Legal framework – Does your governing document allow you to trade or deliver services? There are also many rules and regulations relating to charities delivering public services and trading. It is important to be aware of the legal frameworks and the extent to which they impact on your organisation.

Finding opportunities

Tender opportunities are advertised in a wide range of places. Finding opportunities involves a combination of research and networking to make the right connections.

Depending on the size, scale and nature of these contracts, tender notices may be found through the sources listed below. The list is not exhaustive and is intended as a starting point only.

- Press – Advertisements in national, regional and local newspaper or trade journals.
- ‘Meet the buyer’ events – Organised by purchasing bodies or support agencies to bring together purchasers of services with potential suppliers. A useful way to find out about forthcoming opportunities and how best to engage with the relevant purchasing departments.
- www.sell2wales.co.uk allows you to register free of charge to receive notifications of public sector contracts (usually over £25,000).
- www.buy4wales.co.uk allows the Welsh public sector to advertise contracts and tender opportunities.
- www.wefo.wales.gov.uk publishes a list of EU-funded projects and highlights those which contain tender opportunities.
- <http://ted.europa.eu> – the Official Journal of the European Union (OJEU) publishes all public sector opportunities over a specified EU threshold.
- www.sustainablefundingcymru.org.uk – the Third Sector Funding Portal provides updates on European funded and public sector tenders.

Evaluating opportunities

When considering tender notices, you must think carefully before deciding to tender for an individual piece of work:

- Mission – does the proposed work fit with your organisation’s mission?
- Capacity – do you have the time, resources and capacity to prepare a winning tender? Could you deliver the contract if successful?
- Financial feasibility – is there a financial gain from delivering the contract?
- Competitors – what do you know about potential competition?
- Risks – what are the risks and liabilities, and are they risks you are prepared to take?
- Business development – would the contract allow your organisation to grow?
- Collaborative working – what is the potential for joint working?

- Contract management – are the terms of the contract acceptable to you?

The tender process

There is sometimes variation in a purchasers' approach when putting the supply of goods or services out to competitive tender. Many purchasers develop their own procedures, standards and protocols however you will typically follow a process similar to that below.

1. Advert / Invitation to tender (ITT)

A purchasing body advertises its tender notice in the appropriate media.

2. Expression of interest

Interested parties request further information or offer an 'expression of interest' by the required date, as stated within the advert. Some online tender notices will allow you to download tender documents directly from the advert.

3. Tender documents

The purchaser sends all interested parties a complete set of tender documents. Suppliers are asked to complete this paperwork and return all documents by the required date. In some cases suppliers have to pre-qualify before being invited to tender. They do this by completing a pre-qualification questionnaire (PQQ), supplying information about their financial status, previous experience, references etc.

4. Opportunity to discuss tender

Where appropriate, purchasers offer an opportunity to discuss the tender at a clarification meeting to allow interested parties to understand the requirements in full and assess their own suitability before bidding. However nothing will be done at this stage which would give a particular supplier an unfair advantage in competing for a specific contract.

5. Submit tender

Suppliers then complete the tender documentation and return all paperwork by the required date.

6. Evaluation

At this stage the purchaser evaluates all submissions. Further clarification is often sought through competitive interviews before awarding the contract to the successful supplier.

7. Contract award

The purchaser then awards the contract to the supplier whose bid represents best value for money or best meets the contract criteria. Everyone involved works together to put operations in place for the forthcoming contract.

Further information

Information sheets

3.7 Commissioning

3.8 Contracts

7.7 Introduction to procurement

7.7.2 Writing and presenting tenders

7.7.3 Costing your tender

Legalities

- *CC37 Charities and public service delivery*, produced by the Charity Commission, sets out the considerations for charities when entering into a contract. It is available to download from www.charity-commission.gov.uk
- Queries on the tax implications should be directed to HM Revenue and Customs. 0845 302 0203
www.hmrc.gov.uk/charities/vat/intro.htm

Support

- County Voluntary Councils (CVCs) in Wales provide information on a wide range of funding and financial issues including tendering. See information sheet '1.7 Where to go for help' for details of your local CVC.
- Sustainable Funding Cymru's Third Sector Funding Portal is a one-stop shop for funding advice and opportunities
www.sustainablefundingcymru.org.uk
- WCVA's 3-SET team provides guidance on tendering for European funded opportunities.
0800 2888 329
3SET@wcva.org.uk
- The Welsh Government's Supplier Development Service aims to give businesses from all sectors a better chance of winning public sector contracts.
www.business-support-wales.gov.uk

Training

- *Introduction to tendering* – details of a one-day introductory course available at www.coursesforcommunities.org.uk
- *How to tender* – details of a two-day practical course following the stages involved in writing and submitting a tender available at www.sustainablefundingcymru.org.uk

Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

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