



MOD Private Finance Unit

Guidance Note

Pre-Qualification Questionnaires for PFI Contracts (Consultative Draft) Version 2

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PRE-QUALIFICATION QUESTIONNAIRES (PQQ) FOR PFI PROJECTS

Constraints

1. PFI Projects must not proceed to advertisement and PQQ without having obtained approval in accordance with Approvals Process Guidance for PFI Projects. This will be obtained by way of a Review Note to the appropriate approving authority at the end of the Assessment Phase (Stage 2) of the project.
2. The EU Public Procurement Regulations apply to MOD PFI contracts unless the nature of the work qualifies for an exemption. Reference must be made to the detailed guidance on the mandatory procedures to be followed.

Authoritative Guidance Summary

3. This guidance note is designed to assist project teams seeking to obtain and assess information from potential tenderers at the pre-qualification stage of a PFI project, regardless of whether the project is exempt from the full application of EU Public Procurement Regulations.
4. This note focuses on PFI-specific issues. Project teams should follow generic guidance on pre-qualification questionnaires produced by the Commercial Services Group available on the Acquisition Operating Framework (AOF). In this note, that guidance is referred to as 'The PQQ Guidance'.
5. As noted in The PQQ Guidance, the primary purpose of the PQQ is to obtain sufficient information to enable MOD to assess the suitability of potential suppliers to meet the subject requirement.
6. This guidance note also looks at the purpose and content of an Information Memorandum to provide more project details to potential tenderers replying to the PQQ.
7. Project teams considering a PFI project must, as with any project, ascertain whether or not they are required to apply a process entirely in accordance with the procedures set down in EU regulations, including advertisement in the Official Journal of the European Union (OJEU). Briefly, projects may be exempt from full application if they are in respect of 'warlike stores', in the interests of national security and/or fall below financial thresholds. Further detail on these exemptions is available on the AOF. Any project team seeking to apply any of the exemptions **MUST** verify its view with MOD's internal legal advisers.

Authoritative Guidance

Timetable

8. As noted in The PQQ Guidance, a notice advertising the project will have been placed in the MOD Contracts Bulletin or OJEU. Where a project is advertised will depend on whether or not the project is exempt from full application of EU regulations. If the contract in question is subject to the EU regulations it will be advertised in the OJEU. This does not prevent the contract also being advertised in the MOD Contracts Bulletin should the project team wish to publicise the opportunity to the widest possible audience.
9. Potential tenderers must be allowed a period of time from the date of dispatch of the project advertisement to inform MOD of their interest in the project. EU public procurement regulations require that this period is at least 37 days (this can be reduced to 15 days in urgent cases – project teams considering the use of an urgent procedure **MUST** seek the advice of MOD's internal legal advisers as to whether it is justifiable). Whilst no such minimum time period applies to a project which does not fall within the EU public procurement regulations, it is best practice to allow the same minimum 37 day period.

Note: Different timescales apply to projects following an 'open' procedure under the EU public procurement regulations; this is extremely rare in PFI projects and projects considering this procedure **MUST** consult the MOD PFU.

10. There is no minimum period which must be allowed to potential tenderers to respond to the PQQ. As noted in The PQQ Guidance, best practice is that a minimum of 30 days from the date of issue of the PQQ be allowed. In complex procurement such as PFI projects, a longer period may be suitable.
11. Whether an industry briefing day is held before or after the PQQ is issued is a question of judgement for the acquisition team. As a minimum, the acquisition team should have considered the relevant issues and prepared a draft PQQ before the briefing. In order to ensure control over distribution it is preferable for the PQQ not to be handed out at the industry day but for it to be posted separately. If however the PQQ is issued at the industry day, a signature must be obtained from industry representatives to record that they have received the PQQ.

Presentation

12. In most cases, the PQQ will be the first project document received by potential tenderers. It is worth ensuring that the content and presentation are of good quality, avoid the use of jargon and acronyms and that it is clear that the project team is aware of the purpose of the document and where it lies in the overall procurement process. This should give comfort to tenderers that MOD is following due process, will seek to ensure a smooth procurement and give equal and fair treatment of tenderers

Information Memorandum

13. As project advertisements are often limited in length, the responses to the PQQ can be given greater focus by issuing a 'Project Prospectus / Information Memorandum' with the PQQ that summarises the objectives and scope of the project. A suggested format for the Information Memorandum is attached at Annex A. The Information Memorandum has been drafted as a document to stand separately from the PQQ so that it can be forwarded to interested parties not only at the PQQ stage but also at any other appropriate stages of the procurement process. It could be useful to issue the Information Memorandum prior to any industry day so that potential tenderers can start thinking about the project and, as a result, ask informed questions on the day.

Standard PQQ and prior responses

14. Part 1 of the standard format of PQQ is designed to probe tenderers' technical capability, capacity and financial strength; Part 2 looks at project specific issues. Acquisition teams **MUST** use Sections 1-5 of the standard format of PQQ attached to The PQQ guidance – this should avoid projects having to recreate documentation and enable tenderers to respond quickly, consistently and cost effectively. Project teams undertaking PFI projects are unlikely to need to follow Section 6 of Part 1 of the standard format – "Supply Chain Management". Please see Annex B para 2 for details.
15. A copy of Part 1 of the PQQ, which captures the company corporate information, should be sent to Supplier Relations Group (SRG) on return (in electronic format if possible). Should a supplier notify the acquisition team that MOD already holds the Part 1 information, the project team should contact SRGSD1 for a copy. Only current PQQs are retained by SRGSD1 (i.e. those that have been received in the previous 12 months).

PQQ content

16. Part 1 of the PQQ attached to The PQQ Guidance **MUST NOT** be amended save as described in this note and the specific points set out in Annex B.
17. In drawing up a Part 2 for the PQQ, acquisition teams should create their own questions on a project specific basis, suggestions for which are included in the Appendix, considering the following:
- The PQQ is designed to assess a potential tenderer's suitability for a particular project.
 - The information sought must, therefore, be relevant to the project either from the point of view of assessing the ability of the potential tenderer to provide the service:
 - 1) from a financial/economic viewpoint (hence, for example, questions relating to financial history, business capacity) where the MOD PFU or Supplier Engagement Team (SET) are able to offer assistance.
 - 2) from a technical/operational viewpoint (hence, for example, questions relating to experience relevant to the project)
 - 3) from a general professional expertise viewpoint (hence, for example, questions relating to PFI experience).

Questions should be limited to those that are essential to assess these matters.

Who should respond?

18. In PFI projects it is likely the tenderers will comprise consortia, with members each taking a significant role, as opposed to a single entity tenderer. At the time of the PQQ, a bidding consortium may or may not have formed a legal entity (such as a special purpose vehicle company in which all or some of the members hold shares). Acquisition teams should, therefore, ensure that the PQQ makes it clear that it should be answered by all significant members of a consortium, and a suggested form of words is included in Annex B.

Assessment and selection

19. There is no requirement to set out to potential tenderers the detailed process by which MOD will assess the returned PQQs and select those to take forward. The project team is assessing capacity and suitability of the contractor, not evaluating detailed proposals on how the contractor proposes to meet the requirement. The assessment is not primarily a comparative process and all PQQs should be assessed

individually against pre-set criteria. For PFI contracts, which will tend to be more complicated than asset procurements, it is highly likely that an assessment paper could aid the process and the MOD PFU team can offer advice and assistance on this aspect. The PQQ sets out briefly the parameters of assessment for this stage (see para 24) but no further detail than this should be required. This does not mean, however, that the acquisition team should not draw up its own selection method which should essentially be a set of thresholds against each of the questions. The primary importance of this is to ensure consistency between assessors and across the various submissions. All assessments must be open, fair and objective.

20. It is unusual to want or need to interview tenderers at the PQQ stage. Project teams should consult the MOD PFU before conducting any such interviews.
21. Depending on the anticipated scale of response, acquisition teams may wish, before receiving responses, to prepare a 'filter' mechanism for inclusion in their assessment process – such filters identify obvious flaws in a response and obviate the need for detailed assessment of "non-compliant" responses and, typically, include:
 - material incompleteness of response
 - ineligible respondent (e.g. not capable of obtaining security clearance)
22. As explained above, the criteria for assessment fall into 3 categories: eligibility and security requirements, technical capability and financial standing. The areas for consideration can be summarised as follows:
 - Applicants or any of their Members (as described in Annex B) may be ineligible under the terms of Regulation 14 (criteria for rejection of services providers) of the Public Services Contracts Regulations 1993.
 - For reasons of national security, to be eligible an Applicant and its Members must be capable of obtaining security clearance.
 - The technical capability of the Applicant as an entity and its Members will be assessed for, among other things:
 - i) Capability, including capability in the following areas; design; support services and facilities and any other issues relevant to the project such as construction experience
 - ii) Quality, including: quality management, the existence of any quality assurance hierarchy separate from the production or project

management organisations; relevant accreditations; and proposals for the management of the project

iii) Managerial suitability, including: the Applicant's previous delivery track record relating to contracts for similar service provision; the prior experience of the Members working together; adequacy of project management, health and safety and risk management procedures and processes.

iv) Financial standing will be assessed for proposed equity providers (or equivalent) within the Applicant, and for contractors who will be bearing significant responsibility and risk in undertaking the project including financing the competition and intentions for financing the project itself. The MOD PFU or the PFG can assist in assessment of financial standing, including the use of independent credit ratings.

23. Failure to meet any of these assessment criteria gives MOD the right (but not an obligation) to reject the failing tenderer.
24. The project manager should determine an assessment methodology that is open, fair and objective. Notwithstanding para 19, wherever possible this assessment methodology, describing the factors that are to be assessed and their relative importance, should be published. Project managers and their commercial officers must judge the level of weighting scheme information to be revealed, given the potential for tenderers to tailor responses accordingly. PFI projects seek to maximise flexibility in the method of service delivery, however, there may be a limited number of mandatory or 'go/no go' requirements to be satisfied. Some of the most common are:
 - A contractor will require ISO 9000 series accreditation.
 - Where there are security implications, companies generally will require appropriate accreditation.
 - MOD PFU or PFG should vet the financial standing of the bidders, including all members of a proposed consortium.
25. Acquisition teams should consult the MOD PFU for any relevant scoring templates that may be available.

Debriefing

26. As it is policy to advertise requirements widely (as described in the Commercial and Contract Management section of the AMS) there will often be more potential bidders than are manageable. Respondents (whether companies or consortia) who are not selected to progress beyond PQQ should be treated sympathetically and informed in writing

by commercial branch as quickly as possible. Wherever feasible, the letters should cover the following areas:

- Brief reasons for their exclusion from the project going forward
 - Any opportunities for further involvement such as sub-contracting or forming a consortium with pre-qualified bidders
 - Future prospects for further competitions
 - Thanks for the interest shown.
27. In projects governed by the EU public procurement regulations, bidders are entitled, within 15 days of request, to a debrief on the reasons for their non-selection; it is good practice to apply a similar standard in all projects. Debriefing successful bidders may improve the quality of future submissions. In most cases, the debrief will be chaired by commercial staff, although the project manager will probably undertake most of the debrief. Acquisition teams who require further assistance in debriefing should contact the MOD PFU.

Unsuccessful pre-qualification

28. In exceptional cases, inadequate market interest or unsatisfactory responses may indicate that MOD's confidence in Industry's appetite for a PFI solution in the Concept and Assessment stages was unfounded. The requirement or shape of the project may need to be reconsidered or an alternative procurement strategy may need to be pursued. If such circumstances arise, the MOD PFU should be consulted immediately

MOD approval of PQQ outcome

29. Approval of the results of the pre-qualification will be through the appropriate management chain or project steering group. The MOD PFU will normally be represented on the Steering Group but, if it is not, it should be party to the approval of the PQQ results.

Additional Information

Further Reading

Acquisition Operating Framework/ Commercial and Contract Management/ Pre-Qualification Questionnaires

Annex A - Information Memorandum

1. Executive summary (describing the project, an indication of its value and its genesis)
2. The requirement (high level summary only but including detail of any MOD constraints)
3. Opportunities for the private sector (where already identified)
4. The process and draft timetable (indicative only)
5. Business context (outline only, to include any assessment made at that stage of MOD's requirement in respect of key commercial terms, payment mechanism and risk allocation)
6. The acquisition team and Customer(s) (including make up of the team and contact for enquiries)
7. Existing provision, assets and sites (if any, including brief details of current service delivery methods, sites that might/must be used and assets that might be available for transfer)
8. Staff transfer issues (if any)
9. Security issues (if any)
10. Unusual and/or novel features (if any)
11. Glossary of terms

Annex B – Pre-Qualification Questionnaire for PFIs – Additional Text

Treatment of standard format of PQQ

1. This Annex sets out instructions and questions that PFI project teams should consider for inclusion in their PQQ, in addition to the standard format of PQQ set out in The PQQ Guidance.
2. Supply chain management is not the main focus of PFI projects; PFI projects should, therefore, substitute relevant questions concerning track record in PFI projects and subcontractor management in place of questions addressing supply chain management. **NB: The PQQ MUST make it clear that any reliance on Part 1 information already supplied excludes Section 6 and some additional questions may need to be answered.**
3. Where there are distinct elements of the project that are likely to be delivered by separate subcontractors (e.g. building construction, building maintenance, cleaning, servicing), the project team may wish to subdivide the additional questions to enable those likely subcontractors to answer only relevant questions. The instructions for completion and assessment methodology will need to be adjusted accordingly.

Suggested additional instructions for completion

4. Given the likelihood of consortia bidding for PFI projects, as opposed to single entities (whether or not consortia have formed a special purpose vehicle at that point), some additional instructions for completion may be necessary:
 - a) For the purposes of this PQQ an **'Applicant'** is a potential project service provider, whether a single prime contractor or a consortium of organisations acting together, who seeks to undertake the whole of the Project. A **'Member'** is a member organisation of the Consortium who will:
 - i) undertake significant roles in or for the Applicant over the term of the PFI concession contract (including principal subcontractors); and/or
 - ii) own or share the ownership of the Applicant.
 - b) Recipients who wish to qualify for inclusion in the next stage of the process should complete the questionnaire as Applicants in accordance with these instructions and submit it to MOD for its consideration. In completing the PQQ, Applicants are also required to provide information relating to each of their Members.

c) All Applicants and their respective Members are required to sign the declaration in the PQQ as confirmation of their agreement to be bound by its terms.

5. If the project team wishes specifically to receive the PQQ response in electronic format, the 'Additional Information' in the standard form PQQ should be adjusted to:

Applicants must return [1] electronic copy and [*number*] paper copies of the fully completed and dated PQQ signed by all required parties for delivery no later than [*insert time and date*], to [*insert address*]

Procedure after Submission of PQQ

6. Given the potential complexity of PFI projects, it is important that bidders understand clearly the terms on which they participate and that project teams may need to clarify information contained in responses. The following additional instructions may be useful:

- a) MOD reserves the right to require an Applicant or any of its Members to clarify the submissions made in their PQQs in writing. Any such request for clarification shall be made in writing to an Applicant's authorised representative, as identified in the Applicant's response to the PQQ. Failure to respond adequately may result in that Applicant's disqualification from the process.
- b) The MOD reserves the right to reject Applicants who fail, or whose Members fail, to complete and provide all the information required in the PQQ, who otherwise fail to comply fully with the requirements set out in this PQQ, or who are discovered to have misrepresented any information supplied.
- c) It should be noted that Members of an unsuccessful consortium may, with the prior approval of MOD, join a successful consortium later in the process.
- d) Any change after the submission of the PQQ, in the identity, control of, or relationships within an Applicant or any of its Members, must be notified in writing to MOD. If, in its absolute discretion, MOD considers the changes to disqualify the Applicant in terms of meeting the agreed selection criteria, the Applicant may be disqualified from further participation in the competitive tender process.
- e) This PQQ has been prepared in good faith. It does not, however, purport to be comprehensive or to have been independently verified. Neither MOD nor any of its advisers accepts any liability or responsibility for the PQQ's adequacy, accuracy or

completeness, nor do they make any representation or warranty, express or implied, with respect to the information contained in the PQQ or on which the PQQ is based and any liability therefore is hereby expressly disclaimed.

- f) This PQQ is not an investment recommendation made by MOD or any of its advisers to any Applicant. Each recipient must make an independent assessment of the Project after making such investigation and taking such professional advice as they deem necessary
- g) Direct or indirect canvassing of any of MOD's Ministers, employees or agents by any Applicant, or any of its Members or advisers, concerning the award of the Project, or any attempt to procure information from any of MOD's Ministers, employees or agents concerning any PQQ that has been submitted may result in the disqualification of the Applicant.
- h) Applicants or their Members who enter into any form of collusion in relation to the competition with any one or more of the other Applicants or its respective Members may, at MOD's sole discretion, be disqualified from further participation in this competitive tender process, unless such involvement has the prior written approval of the MOD.

Appendix - The Pre-Qualification Questionnaire

Given the potential complexity of PFI projects, the project team should supplement the standard format of PQQ as described [*above at paras 13-15 ...*].

It may be appropriate in complex projects for bidders to be asked questions about different elements of service delivery, in which case, the relevant Member may be expressly permitted to answer only those relevant questions.

The following suggested questions may be useful:

1. Please provide details of the principal activities of each Member and the main type and range of services offered including an approximation of the number of staff in each main business area.
2. Please provide details of the skills and expertise of staff in activities of a similar type to those to be provided in this procurement and brief CVs of key personnel who are specifically employed in this area. The number of CVs is not to exceed [*number*] and each CV should include details relevant to the procurement and should be [*no more than one page*] in length.
3. Please describe up to [*number*] projects from the Applicant's experience over the past 3 years in each of the following categories; where that experience comes from one or more (but not all) Members, the participating Member(s) should be identified. Please include details of: the customer; start and end dates (including an explanation of any delay); approximate value:
 - 3.1 Defence projects under the UK Government's Private Finance Initiative;
 - 3.2 Other projects under the UK Government's Private Finance Initiative;
 - 3.3 Defence projects not conducted within the UK Government's Private Finance Initiative;
 - 3.4 Other projects not conducted within the UK Government's Private Finance Initiative.

[Note to project teams – it may be useful to set a word limit here]

PFI Experience

4. Please describe your experience of projects managed under Private Finance Initiative and/or public/private sector partnering arrangements. Include recent examples with detail of: the customer; the services procured;

stage reached/start and end dates (including an explanation of any delay); approximate value.

TUPE Experience

5.1 Please provide details of your experience of the application of the transfer of staff under the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) in the context of the projects you have already described.

5.2 Please provide an assurance that, where you do not currently provide a UK Government Actuary's Department (GAD)-certified broadly comparable pension scheme, you will do so if applicable.

Data Acquisition

6. In the context of the projects you have already described, please provide details of your experience in establishing interfaces with relevant authorities to obtain and maintain data throughout the term of the concession contract in order to provide the service.

Design and Change Control

7.1 Please provide details of any major contracts under which you have been required to manage the design process and conduct design reviews, including your approach to meeting that requirement.

7.2 In the context of the projects you have already described, please provide details of systems and procedures for managing change.

Integrated Logistic Support (ILS) / Continuous Acquisition and Life Cycle Support (CALS)

8. Please describe your experience in the past 3 years of the implementation of ILS and/or CALS and/or managing projects involving ILS and/or CALS, including details and the scope of the relevant activities.

Risk

9. In the context of the projects you have already described, please provide details of your experience of risk management techniques, risk analysis methodologies and tools including details relating to the production and implementation of risk management and risk reduction action plans.

Additional Information on Financial Support

10. Please provide details of the Applicant's and relevant Members' experience in raising finance on Private Finance Initiative and/or public/private sector partnering arrangements over the last three years, including brief details of the projects concerned.

Value Management

11. In the context of the projects you have already described, please provide details of your approach to value management and contributing to the provision of Best Value, as that term is described by the UK Office of Government Commerce i.e. in terms of the optimum combination of whole life costs and quality to meet the user's requirements.

Environment and Sustainability

12. What environmental management systems does the Applicant have in place and how do they integrate with other organisational management systems. Please provide a copy of any policy of the Applicant on environmental or sustainability issues and provide details of projects over the past 3 years where environmental management systems have been implemented, including details of any relevant accreditation obtained.

Construction based projects only:

Where projects have a significant construction content, particularly within Defence Estates or the Defence Housing Executive, specific questions on building regulation, construction fraud and the Better Defence Building Initiative should be included. Project teams should refer to the MOD PFU for details.

IM&T reliant projects

Where information management and reporting systems are likely to be important, the following questions may be useful:

- What is the Applicant's understanding and experience of the collection and secure circulation of management information across various areas of a large organisation such as MOD operating on a variety of communication systems? Specific attention should be given to the efficiency, security and integrity of such collection and circulation.
- What is the Applicant's understanding and experience of intelligent help desk facilities in the management of similar projects?

Incomplete Projects

13. Describe any projects where, in the past 3 years, the Applicant has failed to complete the project or where the project contract has been terminated and the circumstances of any such failure or termination.

Quality and Health and Safety

14.1 Do you have, or are you seeking, certification under International, European, British or other quality standards (e.g. BS5750, BS EN ISO 9000 etc)? If so, please state the relevant quality standards.

14.2 Please enclose copies of the written statement (as required by section 2(3) of the Health and Safety at Work Act 1974 and regulation 4 of the Management of Health and Safety at Work Regulations 1992) (or EU member state equivalent) of the Applicant's and relevant Members':

14.2.1 General policy on health and safety at work;

14.2.2 Allocation of organisational responsibilities at work;

14.2.3 Adopted preventive and protective measures, such as safety codes of practice and safety instructions, relevant to the type of projects proposed, and its adopted arrangements for the effective planning, control, monitoring and review of these preventive and protective measures.

14.3 Please provide the name and status of the person responsible for the implementation of the Applicant's and any relevant Members' health and safety policy.

14.4 Please give brief details of safety audits and inspections carried out in similar activities to this project, including details of frequency, whether records are kept and who is responsible for any remedial action.

14.5 Please state (and provide brief details if necessary) whether any Prohibition Notices or Improvement Notices (or EU equivalent) have been served on the organisation or any of its directors/managers in the last three years with respect to health and safety or fire safety issues in relation to Private Finance Initiative or public/private sector partnering arrangements, building projects and facilities management contracts or similar activities.

14.6 Please state the number of fatal accidents and major injury accidents (requiring immediate notification to the relevant Health and Safety enforcing authority) which have occurred to (a) the organisation's employees over the past three years arising from the

conduct of activities similar to those covered by PFI type projects, building projects or similar activities; (b) people other than its employees (e.g. members of the public) over the past three years arising from the conduct of such activities.

Open book accounting

15. Please provide details of your experience of open book accounting in respect of any of the projects referred to in your responses to the questions above.