

**Highways England Company Limited**

**Lower Thames Crossing - Detailed Design Services for Contestable Gas Assets**

**Volume 0**

Annex 1: Selection Questionnaire Guidance

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**Table 1- Definitions**

|  |  |
| --- | --- |
| Applicant | The potential supplier completing the SQ i.e. the legal party responsible for compiling and submitting the information provided in the SQ. The term ‘potential supplier’ is intended to cover any economic operator as defined by the Public Contracts Regulations 2015 and could be a registered company; the lead contact for a group of economic operators; charitable organisation; Voluntary Community and Social Enterprise (VCSE); Special Purpose Vehicle; or other form of entity. |
| Consortium | A group of economic operators comprising the Tenderer. | |
| Consortium Member | Is an organisation or person which is a member of a group of economic operators comprising the Tenderer, whether as a participant in an unincorporated joint venture or a shareholder in a joint venture company. | |
| Constructionline (CL) | Constructionline is a register for pre-qualified contractors and consultants used by the construction industry of the United Kingdom (https://www.constructionline.co.uk/). | |
| Contract | The contract to be entered into between Highways England and the successful Tenderer. | |
| D-U-N-S number | **D-U-N-S Number** is D&B means of identifying business entities on a location-specific basis. This is a unique nine-digit identification number, assigned and maintained solely by D&B. | |
| Dunn & Bradstreet (D&B) | A company that provides commercial data, analytics, and insights for businesses, including D-U-N-S numbers (https://www.dnb.co.uk/). | |
| Highways England | Highways England Company Limited. |
| Key Subcontractor | is a subcontractor whose economic and financial, technical and/or professional ability is relied upon in and for Tenderer’s Tender; | |
| Parent Company | Means a holding company of an Applicant or any Consortium Member (where applicable), (where the Applicant or Consortium Member (where applicable) is a subsidiary of such holding company and, for these purposes, the terms “subsidiary” and “holding company” shall have the meanings given to them in Section 1159 of the Companies Act 2006. | |
| PAS91:2013 + A1: 2017 | A publicly available specification (PAS) that sets out the content, format and use of questions that are widely applicable to prequalification for construction tendering (https://www.constructionline.co.uk/pas-91/). | |
| Public Contract Regulations (2015) (PCRs) | The Public Contracts Regulations (SI 2015/102). | |
| Self-cleaning | Evidence that the Applicant may provide, in accordance with regulation 57 of the PCRs, if it has breached certain exclusion grounds to explain how and what measures the Applicant has taken to rectify the situation. | |
| Selection Questionnaire (SQ) | The document to be completed by Applicants to be submitted in the Qualification Envelope on the Sourcing Portal in accordance with this Annex 1 - a list of questions that potential suppliers must answer to self-declare that they meet the required selection criteria to progress to the next stage of the tender process. | |
| Sourcing Portal | Highways England’s web-based system used to conduct and manage the procurement process from tender invitation, including all communications, provision of data and information and submissions. The sourcing portal used for this Tender is called Bravo and can be accessed at: (https://highways.bravosolution.co.uk/web/login.shtml). |
| SQ Response | An Applicant’s response to the SQ. | |
| Tenderer | The Consortium Member or Applicant bidding on this Contract. | |

# Guidance on Completion of Selection Questionnaire (SQ)

## General

### Please ensure that all questions are completed in full, and in the format requested. If the question does not apply to the Applicant they should state ‘N/A’. Should the Applicant need to provide additional information in response to the questions, please use the relevant Selection Questionnaire Appendix provided in Volume 0 or attach a document providing the relevant information.

### If the Applicant seriously misrepresents any factual information in filling in the Selection Questionnaire, and so induce Highways England to enter into a contract, there may be significant consequences. The Applicant may be excluded from the procurement procedure, and from bidding for other contracts for three years. If a contract has been entered into the Applicant may be sued for damages and the contract may be rescinded. If fraud, or fraudulent intent, can be proved, the Applicant or the Applicant’s responsible officers may be prosecuted and convicted of the offence of fraud by false representation, and the Applicant may be excluded from further procurements for five years.

## Instruction to Applicants

### The SQ is divided into three (3) parts:

### **Part 1** captures basic information relating to organisational details, the bidding model and subcontracting arrangements.

### **Part 2** enables the Applicant to self-certify whether any of the mandatory/discretionary exclusion grounds set out in regulation 57 of the PCRs apply.If any of the grounds of exclusion do apply to the Applicant, there is a requirement to Self-clean.

### **Part 3** covers those areas which are vital in providing the service including economic and financial standing and technical and professional ability.

### Table 2 below details the parties who must complete each part of the SQ

**Table 2** *Completion of the Selection Questionnaire*

|  |  |  |
| --- | --- | --- |
| Part 1 | Applicant Information | To be completed by |
| P1-2 | Applicant Information | A separate response must be provided by:  1) the Applicant;  2) each Consortium Member (where applicable); and  3) each Key Subcontractor (where applicable). |
| P1-3 | Bidding Model | A single, combined response must be provided by the Applicant on behalf of itself, its Consortium Members (where applicable), and any Key Subcontractors (where applicable). |
| P1-4 | Declaration and Contact Details | A separate response must be provided by:  1) the Applicant;  2) each Consortium Member (where applicable); and  3) each Key Subcontractor (where applicable). |
| P1-5 | Constructionline | A separate response must be provided by:  1) the Applicant;  2) each Consortium Member (where applicable); and  3) each Key Subcontractor (where applicable). |
| Part 2 | **Grounds for exclusion** |  |
| P2-2 | Grounds for mandatory exclusion | A separate response must be provided by:  1) the Applicant;  2) each Consortium Member (where applicable); and  3) each Key Subcontractor (where applicable). |
| Mandatory exclusion Self-cleaning |
| P2-3 | Non-payment of tax and social security contributions |
| P2-4 | Grounds for discretionary exclusion |
| Discretionary exclusion Self-cleaning |
| P2-5 | Conflict of interest |
| **Part 3** | **Supplier Information** |  |
| P3-2 | Non-collusion statement | A separate response must be provided by:  1) the Applicant;  2) each Consortium Member (where applicable); and  3) each Key Subcontractor (where applicable). |
| P3-3 | Health & Safety Policy and Capability | A separate response must be provided by:  1) the Applicant;  2) each Consortium Member (where applicable); and  3) each Key Subcontractor (where applicable). |
| P3-4 | Equal Opportunity & Diversity Policy and Capability |
| P3-5 | Environmental Management Policy and Capability |
| P3-6 | Quality Management Policy and Capability |
| P3-7 | Building Information Modelling, Policy and Capability |
| P3-8 | Modern Slavery |
| P3-9 | Economic and Financial Standing |
| P3-10 | Parent Company Guarantor (PCG) |
| P3-11 | Insurance | A single, combined response must be provided by the Applicant on behalf of itself, its Consortium Members (where applicable), and any Key Subcontractor (where applicable). |
| P3-12 | Gas Industry Registration Scheme Certification | A single, combined response must be provided by the Applicant on behalf of itself, its Consortium Members (where applicable), and any Key Subcontractor (where applicable). |

## Consortium arrangements

### Where the Applicant completes the SQ as part of a Consortium:

### responses for each part of the SQ must be provided as instructed in Table 2; and

### information shall be required within Appendix B which summarises details of the Consortium including:

### names and details of the Applicant and all other Consortium Members;

### full details of the proposed Consortium arrangement;

### the proposed percentage share participation in the contract for each Consortium Member;

### a statement from the Applicant and each of the Consortium Members to confirm that the Consortium Members shall be jointly and severally liable for the performance of the contract; and

### a letter from the registered office of each Consortium Member confirming their participation and the proposed Consortium arrangement.

### Highways England may require the Applicant and Consortium Members to assume a specific legal form if awarded the contract, to the extent that a specific legal form is deemed by Highways England as being necessary for the satisfactory performance of the contract.

### Applicants should note that Highways England may request a copy of the Consortium agreement at any stage through the procurement process.

## Subcontracting arrangements

### Where Key Subcontractors are used, information shall be required within Appendix C of the SQ which summarises:

### the details of each Key Subcontractor;

### the anticipated percentage of work being delivered by each Key Subcontractor; and

### the anticipated key contract deliverable(s) each Key Subcontractor shall be responsible for.

## Constructionline (CL)

### CL is a United Kingdom based pre-qualification certification service for construction related contractors and suppliers. Where an Applicant has provided relevant CL registration details, at Highways England’s discretion, the Applicant may be able to gain exemptions for the relevant questions in the SQ as specified in Table 3 below.

### The Applicant must provide their CL registration details at part P1-5 of the SQ in order for Highways England to consider if the relevant exemptions are applicable. It is the Applicant’s responsibility to ensure that the Applicant’s CL registration as a Gold member (Level 3) (minimum) or Platinum (Level 4) is complete and up to date. Membership and information held on CL will be verified.

### For clarity, the Applicant must be registered for the PAS91:2013 + A1: 2017 standard. Highways England will not accept exemptions if the Applicant is registered under PAS91:2013 standard.

### If any element of the Applicant’s CL account has not been verified, the Applicant must complete the relevant sections of the SQ.

### If the Applicant is not registered on CL or if the Applicant does not have the required level of membership, the Applicant will need to complete the SQ in its entirety within the Sourcing Portal.

### To gain an exemption under CL, all relevant modules and questions must have been completed and verified on the Applicant’s CL profile.

### Table 3 below details which parts of the SQ enable exemptions under CL and under what level of membership the Applicant may claim the exemption.

**Table 3** *Constructionline exemptions*

|  |  |
| --- | --- |
| **SQ Part** | **Constructionline membership level required to gain exemption** |
| **P3-3 Health & Safety Policy and Capability** | Gold or Platinum |
| **P3-4 Equal Opportunity and Diversity Policy and Capability** | Gold or Platinum |
| **P3-5 Environmental Management Policy and Capability** | Gold or Platinum |
| **P3-6 Quality Management Policy and Capability** | Gold or Platinum |
| **P3-7 Building Information Modelling, Policy and Capability** | Gold or Platinum |

### If the Applicant claims an exemption related to CL and, at the time of assessment, the Applicant’s account or the relevant information stored there is invalid/out of date/incomplete, then the Applicant may receive a "Fail" for that section and the Applicant’s SQ Response may not be assessed further.

### Where the Applicant is claiming an exemption for part P3-3 (Health & Safety Policy and Capability) of the SQ, but such exemption does not cover all the categories or roles or technical capabilities relevant to the Applicant’s SQ Response, the Applicant shall:

### complete the relevant SQ questions in respect of each relevant category or role or technical capability not covered by the exemption; and

### provide any additional information required in respect of the relevant category or role or technical capability that are not covered by the exemption.

### Where an exemption has been claimed under CL Highways England reserves the right to:

### check that the answers and information contained within CL are valid; and

### require the SQ Response to be completed in full at any time during the procurement process where Highways England deems the answers or information contained within CL to not be valid.

### The Applicant must submit a response for the exempt questions set out at Table 3 above on behalf of each Consortium Member (where applicable); and each Key Subcontractor (where applicable) where CL details have not been provided for each Consortium Member (where applicable); and each Key Subcontractor (where applicable).

### Where the Applicant submits a response on behalf of each Consortium Member (where applicable); and each Key Subcontractor (where applicable) claiming an exemption related to CL and, at the time of assessment, the relevant account or the relevant information stored there is invalid/out of date/incomplete, then the Applicant may receive a "Fail" for that section and the Applicant’s SQ Response may not be assessed further.

# Information on the Selection Questionnaire

## General

### **PART 1 – APPLICANT INFORMATION**

## Section 1- Applicant Information

### This part contains details relating to organisational details, the bidding model and subcontracting arrangements.

## Section 1 – Bidding Model

### This part of the SQ asks for details of the proposed bidding model, including the Consortium arrangement (where applicable) and Key Subcontractors (where applicable).

### Questions relating to the Consortium arrangement shall only appear where Applicants indicate they are bidding as a Consortium.

### Details of the Consortium arrangement must be provided using the form provided in Appendix B (Consortium Arrangement).

### Questions relating to Key Subcontractors shall only appear where Applicants indicate they have relied on Key Subcontractors.

### Details of the Key Subcontractors must be provided using Appendix C (List of Key Subcontractors Relied on for Selection).

### The Applicant shall be responsible for uploading their Consortium Members’ responses and their Key Subcontractors responses to Parts 1, 2 and 3 of the SQ (as required by Table 2 of this document) within this part of the SQ.

## Section 1 – Contact Details and Declaration

### This part of the SQ requires the Applicant to:

### make a declaration about the accuracy and completeness of their SQ responses;

### commit to providing evidence to support their response if/when requested by Highways England; and

### complete basic contact detail information.

## Constructionline

### This part of the SQ asks the Applicant to provide their details and level of membership where they are a registered member of Constructionline.

# Part 2 – Exclusion Grounds

## Section 2 – Grounds for Mandatory Exclusion

### This part enables the Applicant to self-certify that there are no mandatory/ discretionary grounds for exclusion.

### The Applicant should refer to regulation 57 of the Regulations before completing these parts, which sets out the detailed grounds for mandatory and discretionary exclusion (see link here for guidance).

## Self-cleaning Exemptions

### In accordance with Regulation 57 of the Regulations, if the Applicant has breached certain exclusion grounds, they have an opportunity to Self-clean.

### The Applicant is permitted to provide evidence of Self-cleaning, using Appendix D (Self-cleaning Information), if the Applicant answers ‘Yes’ to certain questions within the mandatory and discretionary exclusion parts of the SQ.

### The evidence of Self-cleaning must include:

### a summary of the circumstances; and

### remedial action that has taken place subsequently that effectively “Self-cleans” the situation.

### The Applicant is required to demonstrate that remedial action has been taken, to the satisfaction of Highways England, and in accordance with regulation 57 of the Regulations.

### If Highways England considers the remedial action taken to be insufficient (taking into account the particular circumstances of the ground for exclusion and proposed Self-cleaning), the Applicant may be excluded from the procurement process. In such circumstances Highways England shall award a "Fail" for this section, and shall provide the Applicant with a statement of the reasons for that decision.

## Conflicts of interest

### Where a conflict of interest exists, or may arise, it is the Applicant’s responsibility to inform Highways England, providing details using Appendix E (Conflict of Interest).

### The Applicant must explain:

### the actual or potential conflict of interest; and

### measures that the Applicant has taken or propose to put in place to identify, prevent and/or remedy any conflict or potential conflict of interest. Such measures could include submitting a conflict of interest mitigation plan for Highways England’s consideration and approval.

### Highways England reserves the right to require the Applicant to address a conflict of interest where Highways England deems a conflict of interest may exist.

### The Applicant is required to demonstrate that they have identified, prevented and/or remedied the conflict of interest to the satisfaction of Highways England and in accordance with regulation 24, in order to be awarded a “Pass” for this section.

### If Highways England considers the remedial action taken to be insufficient (taking into account the particular circumstances of the discretionary ground for exclusion and the proposed Self-cleaning), it may exclude the Applicant from the procurement process, awarding a “Fail” for this section, and shall provide the Applicant with a statement of the reasons for that decision. In respect of questions P2-4a-vii and P2-4a-viii of the SQ the Applicant shall only be excluded if there are no other means to ensure Highways England's compliance with its duty to treat all economic operators equally.

# Part 3 – Supplier information

# 

## Non-collusion

### This part of the SQ asks the Applicant to confirm that the Applicant, each Consortium Member (where applicable), and any Key Subcontractor (where applicable) understands and has not breached any of the principles of non-collusion.

### Highways England reserves the right to disqualify (without prejudice to any other civil remedies available to Highways England and without prejudice to any criminal liability which such conduct by an Applicant may attract) any Applicant who, in connection with this SQ:

### enters into any agreement or arrangement with any other Applicant or Consortium Member or any member of their supply chain to the effect that any other Applicant or Consortium Member or any member of their supply chain refrains from making any SQ Response;

### causes or induces any person to enter such agreement as is mentioned in the preceding section; and/or

### offers or agrees to pay, or give or does pay, or give any sum of money, inducement or valuable consideration directly or indirectly to any person for doing or having done or causing or having caused to be done any act or omission in relation to any other SQ Response.

## Health and Safety Policy and Capability

### This part of the SQ aligns to the PAS91:2013 + A1: 2017 standard. This enables Applicants to submit previously compiled responses to these questions.

### Tenderers who do not claim a Constructionline exemption must complete Appendix F (Health and Safety Response Form). Where the form requests evidence Tenderers must provide specific evidence in relation to the question, such as extracts from relevant policy and procedures rather than the Tenderer’s full policy documents.

## Equal Opportunities & Diversity and Diversity Policy and Capability

### Some of the questions of the SQ align to the PAS91:2013 + A1: 2017 standard. This enables Applicants to submit previously compiled responses to these questions. Where additional information is required Tenderers must provide specific evidence in relation to the relevant question in the SQ.

## Environmental Management and Quality Management

### This part of the SQ aligns to the PAS91:2013 + A1: 2017 standard. This enables Applicants to submit previously compiled responses to these questions. The Applicant may wish to refer to the European Commission guidance on the Eco-Management and Audit Scheme (EMAS) for this part (see link [here](https://ec.europa.eu/environment/emas/index_en.htm)).

## Quality Management Policy and Capability

### This part of the SQ aligns to the PAS91:2013 + A1: 2017 standard. This enables Applicants to submit previously compiled responses to these questions.

## Modern Slavery

### This part of the SQ must be read in conjunction with Section 54 ("Transparency in supply chains etc.") of the Modern Slavery Act 2015 prior to answering questions within this section.

## Building Information Modelling (BIM) Policy and Capability

### This part of the SQ aligns to the PAS91:2013 + A1: 2017 standard. This enables Applicants to submit previously compiled responses to these questions. The Applicant may wish to refer to the guidance on BIM Level 2 for this part (see link here).

## Economic and Financial Standing

### Regulation 58(7) of the Public Contracts Regulations 2015 allows a contracting authority such as Highways England to impose requirements ensuring that economic operators expressing an interest in bidding for an opportunity will, if successful, possess the necessary economic and financial standing to perform the contract to be awarded.

### The assessment process described in section 4.2 allows Highways England to take a proportionate, flexible, contract specific and not unduly risk averse view of the Applicant’s economic and financial standing. It takes account of the principles contained in the Guidance Note for Assessing and Monitoring the Economic and Financial Standing of Bidders and Suppliers (revised December 2020) which forms part of the government’s Outsourcing Playbook.

## Parent Company Guarantee

### Please see section 4.5.

## Insurance

### The Applicant should indicate their understanding of the insurance requirements detailed in the SQ on the Sourcing Portal. If successful the Applicant will be expected to hold the required insurances.

## Gas Industry Registration Scheme Certification

### The Applicant should confirm that they, or their Consortium, including any Key Subcontractors, are design accredited under the Gas Industry Registration scheme. Further information regarding the Gas Industry Registration Scheme including a register of accredited suppliers is available here.

### As the works that will be designed under the services agreement will be undertaken on Cadent’s network, Highways England are required to follow Cadent’s requirements to ensure the works are adopted to Cadent’s network. Cadent stipulate all designers working on below 7bar connections or diversions to Cadent’s network are Gas Industry Registration Scheme accredited.

# Selection Criteria Evaluation process

### The selection criteria for each SQ part is provided in Table 4 below.

### Where submitting the SQ as part of a Consortium, or relying on Key Subcontractors, responses to each part of the SQ will be assessed as a collective. Where assessed on a pass/fail basis, the SQ application shall be rejected in its entirety and the Applicant, as a collective, shall be disqualified should the Applicant, Consortium Member, or any Key Subcontractors fail any parts of this SQ, and Table 4 below shall be read in this context.

**Table 4** *Selection Criteria*

|  |  |  |
| --- | --- | --- |
| **Part 1** | **Applicant Information** | **Assessment** |
| P1-3 | Applicant information | This part is **for information** purposes and is not scored. Failure to provide the information requested may result in a “fail” and the Applicant’s submission may not be progressed further. |
| P5-2 | Bidding Model | This part is **for information** purposes and is not scored. Failure to provide the information requested may result in a “fail” and the Applicant’s submission may not be progressed further. |
| P1-4 | Declaration and Contact Details | This part is assessed on a **pass/fail** basis and requires confirmation of acceptance. The Applicant shall fail and be rejected if they do not confirm acceptance of the declaration. |
| P1 -5 | Constructionline | This part is **for information** purposes and not scored. |
| **Part 2** | **Grounds for exclusion** |  |
| P2-2 to P2-4 | Grounds for mandatory and discretionary exclusion | This part is assessed on a **pass/fail** basis and is not scored but failure to provide the information requested may result in a “fail” and the Applicant’s submission may not be progressed further.  If the Applicant answers “no” to all questions this will be marked as a “pass”.  If the Applicant answers “yes” to a question then the Applicant may be excluded from the process unless the Applicant can demonstrate, to the satisfaction of Highways England and in accordance with regulation 47 of the Regulations that 1) the exceptions to exclusion apply in accordance with regulation 57 of the Regulations; and/or 2) remedial action has been taken. |
| P2-5 | Conflict of Interest | This part is a **pass / fail section** and is not scored but failure to provide the information requested may result in a “fail” and the Applicant’s submission may not be progressed further.  If the Applicant answers “no” to this question this will be marked as a “pass”.  If the Applicant answers “yes” to this question then the Applicant may be excluded from the process unless Highways England determines that evidence provided by the Applicant and/or any remedial action taken is sufficient to manage and mitigate the conflict. |
| **Part 3** | **Supplier Information** |  |
| P3-1 | Part 3 Contents | This part is **for information** only and is not scored. |
| P3-2 | Non-collusion | This part is assessed on a **pass/fail** basis.  The Applicant shall fail and be rejected if they:   1. do not confirm that the Applicant understands, and have not, or will not, breach any of the principles of non-collusion as stated within this part. |
| P3-3 | Health & Safety Policy and Capability | This part is assessed on a **pass/fail** basis and is not scored. The Applicant shall fail and be rejected if:   1. The Applicant has not claimed an exemption either under Constructionline or as per the instructions within the Appendix F (Health and Safety Response Form); 2. The Applicant answers “No” to any question from C4-Q2 to C4- Q11, or from C4-Q12 to C4-Q22 in Appendix F, or are unable to provide supporting evidence on request. |
| P3-4 | Equal Opportunity and Diversity Policy and Capability | This part is assessed on a **pass/fail** basis and is not scored.  The Applicant shall fail and be rejected if they:  1) are unable to demonstrate that the Applicant is compliant, or have been found to be non-compliant, with the Applicant’s statutory obligations under the Equality Act 2010; and  2) where the Applicant is unable to demonstrate that they are compliant, or have been found to be non-compliant with the Applicant’s statutory obligations under the Equality Act 2010, the Applicant is unable to provide an explanation and details of the remedial action taken for the purposes of complying with the duty, to the satisfaction of Highways England. |
| P3-5 | Environmental Management Policy | This part is assessed on a **pass/fail** basis and is not scored. The Applicant shall fail and be rejected if:  1) they have not claimed an exemption, and do not hold a UKAS (or equivalent) accredited certificate of compliance with BS EN ISO 14001 (or equivalent) or a valid EMAS certificate; and  2) they are unable to provide relevant evidence, to the satisfaction of Highways England, which demonstrates equivalent capability. |
| P3-6 | Quality Management Policy and Capability | This part is assessed on a **pass/fail** basis and is not scored.  The Applicant shall fail and be rejected if:  1) they have not claimed an exemption, and do not hold UKAS (or equivalent) accredited independent third-party certificate of compliance with BS EN ISO 9001; and  2) they are unable to provide relevant evidence, to the satisfaction of Highways England, which demonstrates equivalent capability. |
| P3-7 | Building Information Modelling (BIM) Policy and Capability | This part is assessed on a **pass/fail** basis.  The Applicant shall fail and be rejected if:  1) the Applicant has not claimed an exemption, and does  not hold third-party certificate of compliance (with PAS1192: 2: 2013 and BS1192, or BS EN ISO 19650‑1:2018 and BS EN ISO 19650‑2:2018 from an organisation with a related UKAS accreditation (or equivalent)); and  2) the Applicant is unable to provide relevant evidence, to the satisfaction of Highways England, which demonstrates equivalent capability. |
| P3-8 | Modern Slavery | This part is assessed on a **pass/fail** basis and is not scored. The Applicant shall fail and be rejected if they:  1) are unable to demonstrate that the Applicant is compliant, or have been found to be non-compliant, with the annual reporting requirements contained within Section 54 of the Modern Slavery Act 2015 and PPN 05/19 (or equivalent); and  2) are unable to demonstrate that they are compliant, or have been found to be non-compliant with the annual reporting requirements contained within Section 54 of the Modern Slavery Act 2015 and PPN 05/19, and the Applicant is unable to provide an explanation and details of the remedial action taken, to the satisfaction of Highways England. |
| P3-9 | Economic and Financial Standing | This part is assessed on a **pass/fail** basis. Full details of the assessment are provided in section 4.2. |
| P3-10 | Parent Company Guarantee | This part is assessed on a **pass/fail** basis and is not scored. Failure to nominate a potential guarantor or alternative form of guarantee or security when required may result in a “fail” and the Applicant’s submission may not be progressed further. |
| P3-11 | Insurance Information | This part is assessed on a **pass/fail** basis and is not scored. Failure to self-certify whether the Applicant has, or can commit to obtain, prior to the commencement of the contract, the level of insurance cover means the Applicant shall fail and be rejected. |
| P3-12 | Gas Industry Registration Scheme Certification | This part is assessed on a **pass/fail** basis and is not scored. Failure to:   * self-certify that the designer is design accredited under the Gas Industry Registration Scheme and; * failure to provide the name of a fully approved and accredited supplier   means the Applicant shall fail and will be rejected. |

## Economic and Financial Standing Assessment

### Regulation 58(7) of the Public Contracts Regulations 2015 allows a contracting authority such as Highways England to impose requirements ensuring that economic operators expressing an interest in bidding for an opportunity will, if successful, possess the necessary economic and financial standing to perform the contract to be awarded.

### The assessment process described below allows Highways England to take a proportionate, flexible, contract specific and not unduly risk averse view of the Applicant’s economic and financial standing. It takes account of the principles contained in the Guidance Note for Assessing and Monitoring the Economic and Financial Standing of Bidders and Suppliers (revised December 2020) which forms part of the government’s Outsourcing Playbook.

### The assessment methodology comprises three separate economic and financial standing tests (EFSTs):

* + - Test 1 is an assessment using a Dun & Bradstreet (D&B) comprehensive report;
    - Test 2 is an assessment using the turnover figure from the Applicant’s most recent financial statements compared to the projected annual value of the contract being procured; and
    - Test 3 (if necessary – see below) is an assessment of four accounting ratios using information from the Applicant’s last two years’ financial statements.

### Each of these three tests will result in the Applicant being rated as High or Low risk. In this context “risk” means the risk of the Applicant not being able to perform the contract for its full duration were the Applicant to be successful in the procurement.

### The Applicant’s overall risk rating will be determined as follows. If the Applicant receives a Low risk rating for both Tests 1 and 2 then the Applicant’s overall risk rating is Low and Test 3 is not performed. If the Applicant receives a High risk rating for either Test 1 or Test 2 then Test 3 is performed. If the Applicant receives a High risk rating for two or more of the four elements in Test 3 then the Applicant’s overall risk rating is assessed as High.

### The information that Highways England will use to conduct Test 2 is taken from the Applicant’s most recent set of audited financial statements and for Test 3 is taken from the Applicant’s last two years audited financial statements. If no such audited financial statements are available, then unaudited financial statements will be used instead.

## Consequences of being assessed High risk

### If the Applicant is assessed as High risk Highways England will engage in dialogue with the Applicant. This will identify Highways England’s concerns and ask if the Applicant can provide any mitigation, e.g. more recent unpublished or management accounts showing an improvement in the Applicant’s financial position or details of an agreed but unannounced re-capitalisation, merger or takeover.

### If the Applicant is unable to provide any, or sufficient, mitigation Highways England reserves the right to exclude the Applicant from further participation in the procurement.

### If the Applicant can provide mitigation then unless this is sufficient to downgrade the Applicant’s risk assessment to Low the Applicant’s continued participation in the process will be made conditional upon the Applicant providing a written commitment to obtain either a parent company guarantee or other form of financial security should the Applicant be successful in the procurement.

## Consequences of being assessed Low risk

### If the Applicant is assessed as Low risk no dialogue is required and the Applicant will be allowed to continue to participate in the procurement process.

## Parent Company Guarantee or Other Form of Financial Security

### Where the Applicant’s continued participation in the procurement process is conditional upon the Applicant committing to provide a parent company guarantee the Applicant’s Parent Company must itself achieve a Low risk rating when subjected to the three EFSTs set out below. For the avoidance of doubt, if the Parent Company is assessed as being High risk, but can provide mitigation (but not enough to be downgraded to Low risk) it will be required to agree to provide another form of security consistent with its joint and several liability under the Contract (in accordance with 4.5.2) if the joint venture or Consortium would be awarded were it to be successful in the procurement.

### The parent company guarantee will be in the form of the document at Annex 16 of the Scope.

### If the Applicant is:

* + - a company without a parent company, or
    - a company whose parent company does not achieve a Low risk rating for the three EFSTs,

###### then Highways England may accept a suitable form of alternative financial security proposed by the Applicant, such as an on demand bond in a form acceptable to Highways England and issued by a reputable financial institution with a credit rating of at least equal to:

* + - long term credit rating of A or short term issues credit rating of A2 (Standard & Poor’s Financial Services LLC.),
    - long term credit rating of Aa or short term rating of Prime-1 (Moody’s Investor Service Inc.), or
    - long term credit rating of A or short term issues credit rating of F2 (Fitch Ratings Inc.),

###### and with a value of 10% of the overall contract value stated on the Find A Tender Service Contract Notice.

## The Three Economic and Financial Standing Tests (EFSTs)

### **Test 1 – Dun and Bradstreet (D&B) Comprehensive Business Credit Report**

### To conduct Test 1 Highways England will obtain a D&B comprehensive business credit report about the Applicant’s company.

### The D&B comprehensive business credit report contains D&B scores and ratings which are produced using a combination of mathematical modelling, expert rules, skilled business analysis and experience of insolvency trends. D&B carefully analyse all business failures, and compare them with the normal population of actively trading companies, to identify those events which are most significant and predictive in nature, and which could affect the status of a business.

### The D&B Risk Indicator is based on daily monitoring of the subject company's financial and other key strategic activities, and is predictive of the probability that the company will fail. The D&B Risk Indicator is a score from 1 to 4, where 1 represents a minimum risk of failure, 2 a lower than average risk of failure, 3 a higher than average risk of failure and 4 a high risk of failure.

### For Test 1:

* + - a D&B score of 4 will be regarded as High risk; and
    - a D&B score of 1, 2 or 3 will be regarded as Low risk.

### **Test 2 – Annual Turnover Relative to Annual Contract Value**

### Test 2 involves calculating a ratio by dividing the annual turnover from the Applicant’s most recent year’s audited financial statements by the estimated annual value of the contract to be awarded. Where the estimated annual contract value is expected to vary the average estimated annual contract value is used (i.e. total estimated contract value divided by number of years of contract duration).

### The estimated value of the contract is shown on the notice that Highways England has published on the Find a Tender and/or Contracts Finder portals.

### For example, if the Applicant has an annual turnover of £17 million and the average estimated annual contract value is £10 million then the Applicant’s turnover ratio will be 1.7.

### A turnover ratio of 2 or less is High risk.

### A turnover ratio of above 2 is Low risk.

### **Test 3 – Financial Ratios**

### Test 3 will only be performed if the Applicant is assessed as High risk on either Test 1 or Test 2.

### Test 3 involves an analysis of the four accounting ratios (a) -(d) below.

### Each ratio will be calculated based on the Applicant’s last two years audited financial statements. The Applicant’s overall risk rating will be determined by the highest risk rating for any individual ratio.

###### Pre-Tax Margin Ratio:

###### this ratio is calculated by dividing the Applicant company’s annual pre-tax profits by the Applicant’s annual turnover expressed as a percentage;

###### a result that is below 0% (i.e. negative) is High risk; and

###### a result that is at or above 0% is Low risk.

###### Finance Cover Ratio:

###### this ratio is calculated by dividing the Applicant’s operating profit plus finance income by the Applicant’s finance expenses. It is a test of whether the Applicant is generating enough profit to service the Applicant’s interest-bearing debt.

###### a result that is 2 or less is High risk; and

###### a result that is above 2 is Low risk.

###### Current Ratio:

###### this is calculated by dividing the Applicant’s current assets by the Applicant’s current liabilities. It is a test of whether the Applicant has sufficient liquid assets, e.g. cash, short term debtors and stock to meet the Applicant’s outstanding current liabilities, e.g. trade creditors, bank overdraft, lease payments and interest due;

###### a result that is less than 0.8 is High risk; and

###### a result that is 0.8 or above is Low risk.

###### Debt to Equity Ratio:

###### this is determined by dividing the Applicant’s total liabilities by the Applicant’s shareholder equity. It is a basic test of the Applicant’s solvency.

###### a result that is more than 4 is High risk; and

###### a result that is 4 or lower is Low risk.

## Assessing Consortia and Joint Ventures

### Where the Applicant is part of an incorporated joint venture or Consortium its economic and financial standing will be assessed in the same way as any other individual Tenderer, i.e. it will be subject to the three EFSTs described above. If it is a new special purpose vehicle it may not have audited accounts in which case the EFSTs will be applied to the best available financial data.

### Where the Applicant is part of an unincorporated joint venture or Consortium the three EFSTs will be applied to the Applicant and the other joint venture members or Consortium Members as follows.

### Test 1 - all members of the Consortium will be assessed using a D&B comprehensive report.

### Test 2 - for the purposes of calculating the ratio between turnover and annual contract value each member of the joint venture or Consortium is assessed separately. Its annual turnover will be compared against a share of the annual contract value proportionate to its participation in the joint venture or Consortium. For example, in a joint venture of three members where they each contribute in the proportion of 50%, 30% and 20% the first member’s turnover will be compared against 50% of the annual contract value, the second members against 30% and the third members against 20%. If the joint venture does not specify the proportions in which each member contributes their respective turnovers will be compared against equal shares of the annual contract value (i.e. the annual contract value divided by number of joint venture members).

### Test 3 - to calculate the ratios all of the Consortium Members are separately assessed.

### For each of the three EFSTs if any Consortium Member is assessed as High risk and cannot provide any, or sufficient, mitigation during dialogue with Highways England the entire joint venture or Consortium will be excluded from the procurement unless that member is removed or replaced by another member of the joint venture or Consortium that is not assessed as High risk or is assessed as High risk but can provide mitigation.

### If any Consortium Member is assessed as High risk but can provide mitigation (but not enough to be downgraded to Low risk) it will be required to agree to provide a parent company guarantee or other form of security consistent with its joint and several liability under the Contract if the joint venture or Consortium would be awarded were it to be successful in the procurement.

## Repetition of Economic and Financial Standing Assessment

### Highways England will repeat the EFSTs if it has any concerns that there has been a change in the Applicant’s or any of the Consortium Members circumstances or if new information becomes available since the initial assessment.

### The Applicant is reminded of section 4.8.3 of the Instructions for Tenderers which requires the Applicant to notify Highways England if their circumstances change.