



**Constructionline**

# **Supplier Certification Criteria**

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## Background

Constructionline is the UK's largest pre-qualification certification scheme for construction-related contractors, consultants and material suppliers.

Its aim is to provide efficiency savings to public and private sector procurers and the construction industry as a whole by streamlining procurement procedures.

Constructionline was established in response to recommendations in Sir Michael Latham's 1994 Report, 'Constructing the Team' and Sir John Egan's 1998 Report, 'Rethinking Construction'.

Its procedures follow Government's current understanding of EU public procurement legislation and the Local Government Act and it is managed in accordance with a strict interpretation of the legal framework applicable to pre-qualification, thereby reducing associated risks for procurers.

Further information and recommendations for usage can be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/60904/CMS-for-publication-v1-2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/60904/CMS-for-publication-v1-2.pdf)

## Benefits to the supply chain

By becoming a certified member of Constructionline, suppliers are required to complete one PQQ (Pre-Qualification Questionnaire). This is stored on our central database which is accessible to our 2,500 buying organisation members.

We assess suppliers' information to a common, transparent standard, so buyers need only request project-specific information on additional criteria if appropriate.

All of the current Constructionline application forms can be found on the Constructionline website <http://www.constructionline.co.uk/static/suppliers/registered-supplier-resources.html> with the exception of the Health and Safety form which is an online form.

The criteria for registration with Constructionline are set out below. These apply to organisations in their entirety rather than individual branch offices.

# Compulsory information

The compulsory information must be provided by all suppliers on initial registration and confirmed annually or at any time there is a change in the information provided.

A supplier's failure to provide compulsory information after one or more requests or to meet the minimum criteria as detailed in this section at any time, will mean the supplier will not be allowed to register or, if currently registered, he will be put on a suspended status, or made inactive.

If a supplier is suspended, then they will not appear on any supply lists. Furthermore buyers will be warned of the issue with the supplier if the supplier appears on any of their Suppliers Lists, Supply Chains or tenders.

In the event that a supplier fails to meet the references criteria on initial application or at any time, they are registered, they will not be allocated the work category for which they are applying or will have the applicable category removed. To be registered, a supplier must have at least one valid work category.

## 1. Contact Details & Company Information

### Our Standard

All information required must be supplied. All the supplier's details must cross-reference with the information on the accounts supplied and, if a Ltd or Plc company, the certificate of incorporation. If the supplier has provided a VAT number, it must be an authentic and valid number issued by HM Revenue and Customs.

### Information Required

- Full details of a supplier's registered office, head office and branch offices, or principal business address if the supplier is not a limited company.
- Supplier's name as shown on accounts and, if appropriate, a trading name.
- VAT number and trading name, together with a copy of their registration certificate (if applicable).
- Certificates of Incorporation for all public, private limited companies and limited liability partnerships.

### The Verification

- The registration / trading name details are checked against accounts information and all other documentation that accompanies an application to ensure consistency.
- Suppliers are encouraged to provide details of all offices. These details are checked against the supplier's paperwork to ensure they are valid offices.
- For registered companies (Public Limited Companies, Limited Liability Partnerships and Private Limited Companies) the Certificate of Incorporation is checked against the accounts information and other material provided by the suppliers. In the event of any inconsistencies, the registration number is verified with Companies House and then further clarification is sought from the supplier.
- The VAT number, if appropriate should be checked against invoices or with the HMRC website. However the system has a built in system algorithm that does not allow invalid VAT numbers.

## 2. Assessment of the financial standing of established suppliers

### Our Standard

Suppliers must undergo a financial assessment to the Constructionline standard and satisfy Constructionline's in-house accountants that they are financially viable and are unlikely to expose a buyer to undue risk of financial failure if selected to be invited to tender. The financial assessment takes into account the OGC's "Supplier financial appraisal guidance". The suppliers must either pass the appropriate decision trees, detailed at appendix 1a, and 1b, or alternatively satisfy Constructionline's accountants that their finances will support a certain level of trading.

Suppliers must provide the information required on their application to be registered, and annually thereafter on the anniversary of their annual accounts date, or as soon after that date as possible but no later than any date laid down in legislation. Constructionline's accountants may request further information from suppliers.

If at any time it is established that a supplier's financial status deteriorates to the extent that Constructionline's accountants consider the risks associated with a supplier have changed, the supplier may be put on a consult status, have their notation values modified appropriately or be made inactive. Constructionline's accountants reserve the right to take into consideration any information they feel is appropriate when reaching a decision on a supplier's status and their decision is final.

Accounts information is requested annually for Private Limited Companies (Ltd), Limited Liability Partnerships and Public Limited Companies (Plc), the accounts have to be supplied to Constructionline no later than the Companies House filing date. For other businesses, they must supply their accounts no later than the latest HM Revenue and Customs (formerly the Inland Revenue) filing date.

In addition, all Constructionline suppliers are monitored daily by Experian for any changes in financial status.

### Information required

#### (a) Sole traders, partnerships and unlimited companies

- Full annual accounts (as prepared for the owners and HM Revenue and Customs) for the latest accounting period. The owners must sign and date them as a true representation of the supplier's business affairs. They must also send a signed and dated audit or accountant's report and:
  - a profit and loss account;
  - a balance sheet; and
  - notes on these
- The accounts must not be older than the HM Revenue and Customs latest return due dates (currently 31 January in the year following the tax year in which the previous accounting period ended).

#### (b) Ltd and Plc companies and Limited Liability Partnerships

- Company's full annual accounts as prepared for shareholders and Companies House including an audit report (if needed) or an accountant's report (if the supplier does not need an audit). The directors, partners and auditors or accountants must sign and date them where necessary. They must include the following:

- Directors' report
  - Auditor's or accountant's report
  - Profit and loss account
  - Balance sheet
  - Notes to the accounts
  - Any supplementary trading account
  - Consolidated or group accounts of any ultimate holding company (if these apply)
- For all established businesses, draft, abbreviated or amended accounts are not acceptable. Small businesses must send their accounts which include a detailed trading or profit & loss account that includes turnover.
  - When a supplier is a part of a group, the consolidated or group accounts of any ultimate holding company for the latest accounting period must be supplied.
  - The accounts must not be older than the Companies House latest due dates for filing (currently seven months for Public Limited Companies and nine months for others).

### **The Verification**

- Accounts are assessed using decision trees (Decision processes detailed at appendix 1a and 1b).
- Accounts which initially do not meet Constructionline's specified financial criteria are examined by our in-house accountants who may contact the suppliers for clarification or further information where considered necessary.
- If the accounts fail both the standard assessment and the accountant's investigation, the application will be formally rejected. If the accounts fail at the annual assessment, then the supplier may have their notation reduced, be placed on a consult status or made inactive on the database.
- The ongoing financial stability of a supplier is monitored through a variety of mechanisms as follows:
  - Experian carry out on going monitoring of suppliers, who are registered with Constructionline. These checks include meetings of creditors, change in the Experian Delphi score and liquidations or receiverships. (A full list of the monitoring can be found at Appendix 3).
  - Other financial newspapers and trade publications are monitored on an ad-hoc basis for adverse editorial regarding a registered supplier.
  - Feedback from national buyer network regarding a supplier's financial position.
- In the event that a registered supplier is listed in the daily updates provided by Experian or in any of the instances above the following sanctions are taken:
  - A supplier that is adversely mentioned in editorial or where adverse feedback is received would be referred to Constructionline in-house accountants who will investigate the allegations and will either dismiss them, amend the supplier's notation values, put the supplier on consult or terminate the supplier's registration.
  - A supplier that has a meeting of creditors or goes into receivership will be put on consult.
  - A supplier going into liquidation or being wound up would be made inactive on the database

### 3. Assessment of the financial standing of a new business

#### Our Standard

Special arrangements are in place for new businesses that are unable to produce their first year's accounts. A detailed financial assessment of a supplier's financial status is undertaken by our in-house accountants.

#### Information Required

If full audited or formal accounts are unavailable for a full first year of trading, at least one item from each of the two categories below will be required:

##### Category 1

- A trading and cash flow forecast as prepared for a bank or investor, preferably analysed month by month. This must demonstrate that the firm is forecast to trade profitably and generate funds.

OR

- Management accounts for an initial period of trading up to 12 months. These must comprise at least a detailed trading and profit and loss account and, if possible, a balance sheet and notes thereon.

##### Category 2

- An opening balance sheet setting out initial funding of the business when it commenced trading. This must demonstrate that funds available including any loan and overdraft facilities are adequate to support initial requirements for fixed assets and working capital (current assets less current liabilities).

OR

- A status enquiry or reference from the firm's bank and/or accountant.

AND (if applicable)

- A letter of support from an ultimate holding company, which holds the controlling interest in its applicant start up supplier subsidiary company, and which itself can meet Constructionline's financial criteria. The "ultimate holding company" itself must be able to meet Constructionline's financial criteria. The letter must be signed by a director, on headed notepaper, and state that the full and financial and technical resources of the group will be available to the start up supplier.



## The Verification

- New businesses are unlikely to pass the Constructionline decision trees, so the information provided by the supplier is passed to Constructionline's accountants for assessment.
- The information provided by the supplier must satisfy the accountants that the supplier is likely to be financially stable and have a sustainable business to be able to complete contracts and meet any ongoing associated obligations.
- If the accountants are satisfied that the supplier meets the requirements, the supplier will be allowed to register as a new supplier until it has traded long enough to be able to provide the standard accounts information.
- The supplier's records will be annotated as a new supplier' so that our buyers know that these suppliers are start-up companies.
- If the accounts fail both the standard assessment and the accountant's investigation, the application is formally rejected.
- A supplier that satisfies the accountants' assessment will be recommended a suitable notation taking into consideration the supplier's finances and risks associated with the sector and type of work for which it is registering.
- Ongoing financial stability for a new supplier is monitored by the same procedures as described in the above section for an established supplier.
- Experian may also carry out further verification checks to ensure that the start-up supplier is an authentic company

## 4. References

### Our Standard

- All suppliers are required to provide at least two references for each Work Category they wish to be registered against.
- The references must be for work completed no more than three years ago. There are 6 performance elements adjudicated in each reference.
- All performance elements must score a rating of 7 or above to be used.
- All suppliers must update each reference once they become over three years old, at which stage one reference is required.

### Information Required

- A fully completed Constructionline reference form is required for each Work Category. The reference can either be sent directly by the buyer or forwarded by the supplier to Constructionline.

### The Verification

- The reference is examined for correct completion, possible fraudulent submission and that all performance factors have achieved a score of 7 or above.
- Any reference that achieves a score of less than 7 will require further investigation and if necessary the supplier will be asked to obtain a further reference. If still unsatisfactory then the application for that category of work will be rejected.
- References are verified by Constructionline staff by contacting the referee either by phone or email.

## 5. Notations

### Our Standard

For every category, an individual notation is calculated by the database. The notation is the maximum recommended value for an individual contract for each category of work. The notation is determined by the following factors:

**Finance Factor** – calculated using 5 times net assets and 0.33 of turnover

**Reference Factor** – the highest value of the references we have per category, multiplied by a coefficient, which is dependent on the work sector

**Notation** – the average of the finance and reference factors

There are two caps that ultimately restrict the final notation; these are 125% of the averaged references' value and 75% of turnover. The notation is limited by the maximum contract value a supplier has informed Constructionline that it is prepared to undertake. Notations are reviewed yearly upon receipt of the latest accounts but can be recalculated upon receipt of any new references. For full detailed explanation of notation calculations, see appendix 2. Notations for consultants are based on the fee value.

### Information Required

- The latest accounts for the contractor, as required under financial assessment.
- References for each category applied for by the supplier, as required under the reference requirement.

### The Verification

The database will provide a provisional notation based on the Financial and Reference factors that have been calculated by the system, taking into consideration the two caps of 75% of turnover and 125% of reference factor. The allocated value will also take into account the additional cap set by the supplier on their maximum contract value. The system will not allow a member of staff to add a notation value higher than the capping figures.

## 6. Company integrity

### i) Management eligibility

#### **Our standard**

Directors, company secretaries, sole traders, partners and persons holding more than 20% of the paid-up share or loan capital must not be currently barred from holding office or be an un-discharged bankrupt. Suppliers are asked to confirm these details yearly as part of the full review.

#### **Information required**

- All limited companies must provide details of directors, company secretaries and persons holding more than 20% of the paid-up share or loan capital, including home postcodes and dates of birth.
- Sole traders and partnerships must provide details, including home postcodes and dates of birth of all those with a financial interest in the supplier

#### **The Verification**

- All individuals' details are checked against the Disqualified Directors Register at Companies House and the Individual Insolvency Register at the Insolvency Service.
- The information provided is cross-referenced on the Constructionline database to identify undeclared associations (see below). The accounts are also cross-referenced for any association.
- If associations are found, the supplier is approached for clarification and the association is shown on the database (see 'Associated Companies' for further information).

### ii) Business and Professional Standing

#### **Our Standard**

Under EU Public Procurement Directives implemented by the Public Contracts Regulations 2006 and 2009 and the Defence and Security Public Contracts Regulations 2011, contracting authorities are required to exclude (mandatory rules) or consider for exclusion (discretionary rules) from public contracts economic operators who have been convicted of certain offences as such we require to answer Business and Professional standing questions. If they are convicted of one or more of the mandatory exclusions, a supplier will be put on consult status. In the event that the supplier fails to provide full details of a conviction their application will be rejected or they will be made inactive if already registered.

### **Information Required**

- All suppliers must provide answers to the business and professional standing questions. If the supplier answers yes to any of the questions, they must provide full details.

### **The Verification**

- The supplier's application or renewal is checked to see whether they have confirmed they have been convicted. If the supplier has been convicted it is checked that they have provided full details of the conviction. If they answer yes to any of the questions the information is passed onto the Constructionline Accountants who may ask for further information and will carry out further checks.
- The OFT website is checked to see if a supplier has been subject to an OFT enquiry and subsequent action.

## 7. Associated Companies

### Our Standard

Suppliers are required to notify Constructionline of membership of any Group of companies, and to list the names and addresses for their Ultimate Holding Company and associated companies. This measure helps to avoid companies from the same Group being invited to tender for the same contract. Accounts are also assessed for the Group, to determine the financial strength of the Group and its associates.

### Information Required

The “other office” form must be completed to show holding, subsidiary and sister companies. This must be confirmed annually as part of the full review

### The Verification

- All details on associated companies are checked against the accounts provided to ensure that all known or implied members of the group/association have been declared.
- Any such relationship between companies will be shown on the database, indicating the type of relationship between companies, e.g. parent, subsidiary or associate. The supplier will be approached to clarify relationships with associated companies, which are not initially declared.
- Once the relationship is shown on the database buyers have a complete picture. This helps the production of tender lists as Buyers can see the association between companies. If an association is identified the buyers can choose not to invite companies in the same group to tender for the same contract.

## 8. Licenses & Certificates

### Our Standard

To register for some specific Work Categories, a supplier will be required to provide the appropriate license proof, e.g. asbestos removal license. Detailed requirements are listed on the work categories and in the application guidance notes.

### Information Required

- Copy of the license or appropriate registration certificate is required
- Suppliers are asked to confirm these details yearly as part of the full review
- Copy of a new license or certificate is required after expiry of old one

### The Verification

The Supplier provides copies of Certificates and licenses, which are checked to ensure the documentation has not expired. Discrepancies are addressed with the supplier. The information will be re-requested upon expiry, and any supplier failing to provide the updated certificates will have the appropriate work category notation removed from their record, i.e. a supplier cannot be on the database

## 9. Staff Skills & Qualifications

### Our Standard

Constructionline requires a company to evidence its ability to manage a contract even where a substantial part of the work is sub-contracted. Suppliers are therefore asked at the point of registration to list their directly employed members of staff, their sub-contractors, and to highlight the number of supervisors and managers within these categories.

### Information Required

- A breakdown of the staffing levels, including the management numbers.
- Consultants are asked to provide details of qualifications gained for the discipline(s) for which they wish to be considered for tender to evidence that they have the range of skills necessary to undertake work under each discipline. If the consultant fails to provide details to verify the staffing levels for a discipline, then the discipline will not be allocated.
- All Suppliers are asked to update and confirm these details yearly as part of the full review.

### The Verification

- The Constructionline database will list details of the qualifications held by the staff. If copies of the qualifications are received, then the database will show the qualifications as “verified”. In the cases of those suppliers not providing copies of the certificates, then the database will show that the qualifications are “claimed”.
- Consultants’ disciplines will not be allocated unless the consultant is a member of the appropriate professional body, i.e. to be registered for Architecture you must be a member of RIBA or equivalent.
- Work categories will not be allocated to a supplier unless they have the necessary appropriate workforce to carry out the work. For some categories, this may be a sub-contractor.



## 10. Health & Safety

### Our Standard

All companies, regardless of size, must provide evidence of having met Stage One of the Core Criteria of Construction Design & Management Regulations 2007. In the absence of a third party assessment from Acclaim Accreditation, an SSIP member scheme or Northern Ireland equivalent; suppliers are required to complete Constructionline's health and safety questionnaire.

### Information Required

- a) Suppliers **with** a third party health and safety accreditation from Acclaim Accreditation, an SSIP member scheme or Northern Ireland equivalent:
  - A copy of the H&S accreditation certificate.
- b) Suppliers **without** a third party health and safety accreditation from Acclaim Accreditation, an SSIP member scheme or Northern Ireland equivalent.
  - Suppliers are asked to complete Constructionline's health and safety questionnaire an update this on a yearly basis.
  - Suppliers are requested to maintain their own Safety Information Pack (SIP) which may be required by buyers who are conducting their own full Stage 1 Health and Safety Assessment.

### The Verification

- Suppliers **with** a third party health and safety accreditation from Acclaim Accreditation, an SSIP member scheme or Northern Ireland equivalent:
- Constructionline will check the validity of the health and safety certificate.
- Suppliers **without** a third party health and safety accreditation from Acclaim Accreditation, an SSIP member scheme or Northern Ireland equivalent.
- All questions must be completed and we will not accept the Health & Safety policy as a replacement of the completed form.
- Unless the supplier has opted for a health and safety assessment from Acclaim Accreditation, Constructionline does not check the validity of the information contained in responses to the health and safety questionnaire. In this instance, the information is provided to enable the buyer to make their own assessment of whether the supplier's health & safety practice is likely to meet their requirements. The legal duty to comply fully with CDM 2007 regulations rests with the buyer.

## 11. Equal Opportunity and Diversity

### Our Standard

- The questionnaire has been devised to incorporate the PAS91:2013 standardised question set developed by the British Standards Institute in collaboration with government and trade bodies
- It is compulsory for suppliers to answer all questions and upload any appropriate supporting documentation.

### Information Required

- Completion of all questions in this section is required
- Suppliers are asked to provide an updated questionnaire on a yearly basis.

### The Verification

- Constructionline will assess the submission to ensure that it meets the criteria provided by Equalities and Human Rights Commission. Any non-conformity in the answers to the questions are referred back to the Equalities and Human Rights Commission. They will help Constructionline assess whether suppliers that have had prior difficulties have improved sufficiently to be Constructionline registered.
- The completed questionnaires and supporting documents will be displayed by Constructionline to enable buyers to view and assess the information free of charge without the costs and time delays involved in making specific enquiries from suppliers.

## 12. Environmental Management

### Our Standard

Our questionnaire has been devised to incorporate the PAS91:2013 standardised question set developed by the British Standards Institute in collaboration with government and trade bodies.

### Information Required

- All suppliers must answer all of the questions on the form, unless they have a valid BS EN ISO 14001 or EMAS certificate then they need only complete the first questions of the application and upload a copy of the certificate.
- Suppliers are asked to provide an updated questionnaire on a yearly basis

### The Verification

- Constructionline ensures that the questionnaire is completed fully and the supplier provides supporting documentation when required.

## 13. Insurance

### Our Standard

- Suppliers must have current Public Liability insurance and if staff are employed, Employers Liability Insurance
- Consultants and contractors applying for design and build work categories must have current Professional Indemnity Insurance

### Information Required

- Copies of current Public Liability and Employer's Liability Insurance certificates and schedules showing excesses and amounts per claim
- Consultants and Contractors applying for design and build work categories should provide similar details for Professional Indemnity Insurance

### The Verification

- Information is checked for currency and details of the cover displayed to buyers

## 14. Areas of Operation

### **Our Standard**

All suppliers must declare the area(s) of the UK in which they are willing to work and the minimum value of the work they will undertake in this area. This area can be national or as small as a postcode, depending on the supplier's capability and capacity.

### **Information Required**

All suppliers are asked to complete an area of operations tick sheet, declaring the areas and the minimum value of work they are willing to undertake.

### **The Verification**

The areas declared by suppliers will be used by the buyers to determine if the supplier is capable of meeting the contract requirements.

It is strongly recommended that suppliers make a realistic assessment of their area of operation. Constructionline registration staff may query this depending upon size of company.

# Non-compulsory information

## 1. Trade Association/Professional Body Membership

### Our Standard



A supplier is asked to provide details of any Trade Association/Professional Body of which they are members.

This information will be shown on the database as “verified”, if the supplier provides documentary evidence to prove their membership. If the supplier does not provide the evidence, then the record will show this membership as “claimed”.

### Information Required

Suppliers are asked to supply details of the organisation of which they are members, the type of membership and the registration number (if this applies).

Suppliers are asked to confirm these details yearly as part of the full review.

### The Verification

The Constructionline database will show where copies of Trade Bodies membership are held and evidence of membership has been provided.

Where no proof of membership has been provided, the database will indicate that membership has been claimed but not verified.

## 2. Quality Standards

### The Standard

Suppliers are asked if they wish to answer the quality standards questionnaire or to provide details of any UKAS BS EN ISO 9001 Quality Standards (or equivalent) to claim exemption from completing the application form. This information will only be added to a supplier's record if the supplier provides copies of documents to substantiate they have obtained the Standard.

### Information Required

- Completion of the six quality based questions and supporting documentation

**OR**

- A copy of the certificate issued, along with details of the approving organisation, the part of the supplier that has been assessed.
- Suppliers are asked to confirm these details yearly as part of the full review.

### The Verification

- The Constructionline database will show the answer to the quality questions and any supporting documents.
- The Constructionline database will show the type of Standard met if a copy of the certificate has been received.
- The buyer needs to assess the document to ascertain if a Quality Standard has been issued to the part of the supplier's organisation with whom they intend to contract.

### 3. Building Information Modeling

Suppliers are asked **if they wish to** answer the **Building Information Modeling question set** or supply a copy of a 3<sup>rd</sup> party certificate of compliance with PAS11922 from an organization with a related UKAS Accreditation

#### Information Required

- Completion of the Building Information Modeling questions and provision of the supporting documentation

**OR**

- A copy of the certificate issued, along with details of the approving organisation, the part of the supplier that has been assessed.
- Suppliers are asked to confirm these details yearly as part of the full review.

#### The Verification

- The Constructionline database will show the answer to the BIM questions and any supporting documents.
- The Constructionline database will show the type of Standard met if a copy of the certificate has been received.



## 4. Unique Tax Reference Number

### **Our Standard**

We invite suppliers to provide their Unique Tax Reference Number, for the convenience of buyers.

### **Information Required**

- The Unique Tax Reference Number

### **The Verification**

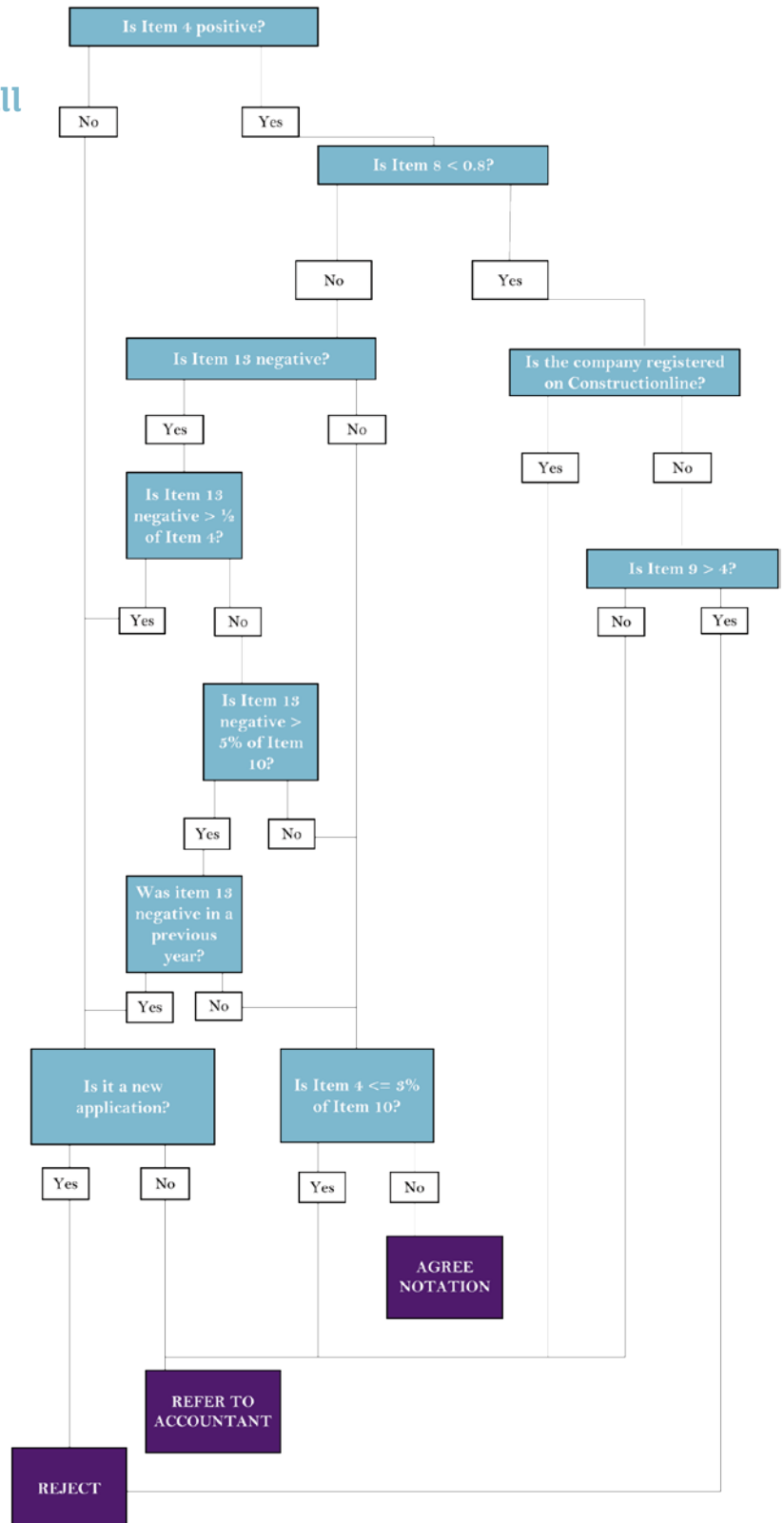
- It is the Buyer's responsibility to check with HMRC the details provided.

# Appendix 1a

## Constructionline Decision Tree 1 (all limited companies)

**Key**

- Item 4** Net assets / liabilities
- Item 8** Current ratio (current assets ÷ current liabilities)
- Item 9** Gearing ratio (total interest bearing debt ÷ net assets)
- Item 10** Turnover
- Item 13** Profit / loss before tax

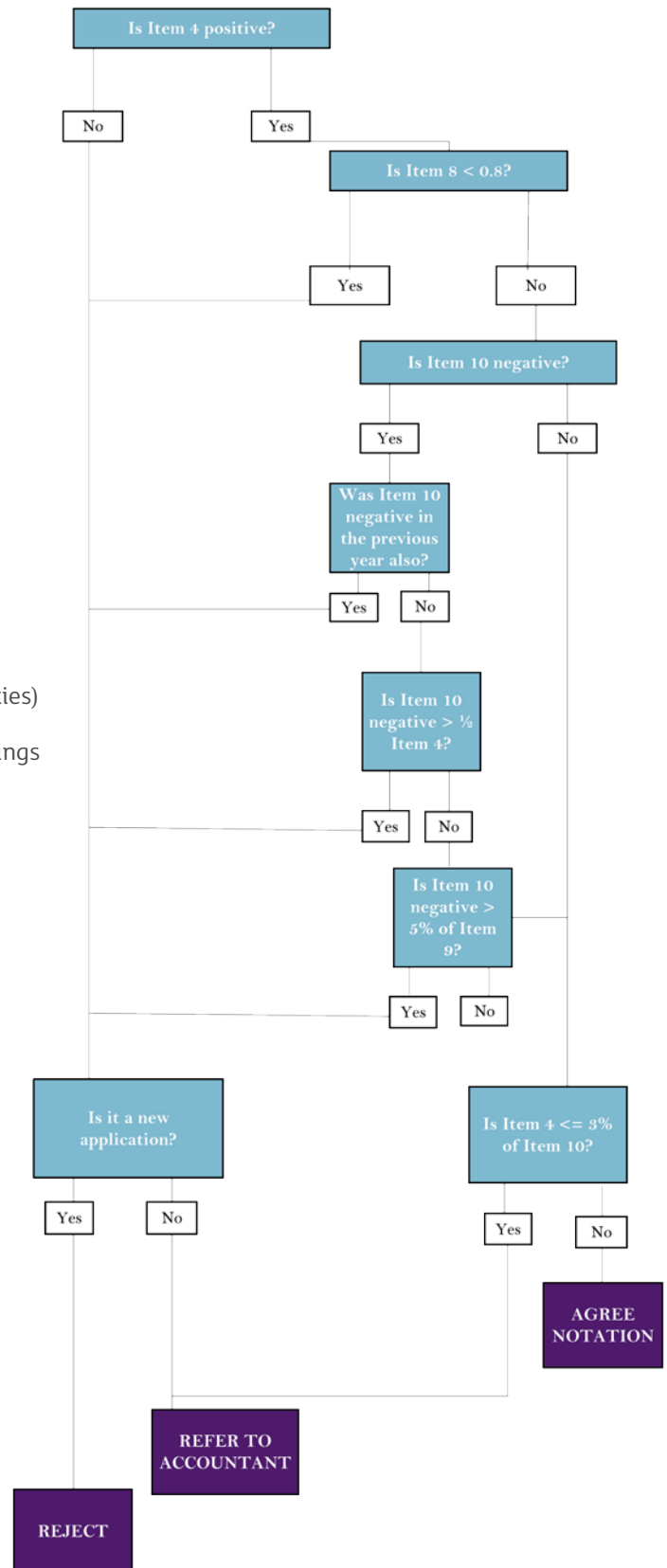


# Appendix 1b

## Constructionline Decision Tree 2 (unlimited suppliers and sole traders)

### Key

- Item 4** Net assets / liabilities
- Item 8** Current ratio (current assets ÷ current liabilities)
- Item 9** Turnover
- Item 10** Profit / loss less capita introduced and drawings



## Appendix 1c

### Constructionline manual financial assessment form for all Private and Public Limited Companies (to be used with Decision Tree 1 only)

Contractor/Consultant: \_\_\_\_\_

Group: \_\_\_\_\_

Year ending: \_\_\_\_\_

Balance Sheet	Suppliers' Accounts	Calculation	Group Accounts
1) Issued & Paid up Capital			
2) Reserves		Plus	
3) Net Assets / Liabilities		Equals	
4) Current Assets			
5) Current Liabilities		Minus	
6) Net Current Assets / Liabilities		Equals	
7) Current Ratio		Divide 5 by 6	
7 a) Long term debt			
8) Gearing (new companies)		7a divided by 4	
<u>PROFIT AND LOSS</u>			
9) Turnover			
10) Gross profit / Loss			
11) Gross profit margin %		9 divided by 10	
12) Profit / Loss before tax			

# Appendix 1d

**Constructionline manual financial assessment form for Sole Traders/Partnerships and all non-Limited Companies. To be used with Decision Tree 2 only**

Contractor/Consultant: \_\_\_\_\_  
 Group: \_\_\_\_\_  
 Year ending: \_\_\_\_\_

Balance Sheet	Suppliers' £000s	Calculation	Group £000s
1) Opening Balance (Cap/Current Acc) / (Net Assets/Liabilities)			
2a) Net Profit/Loss before Drawings		Plus	
2b) Capital Introduced		Plus	
3) Drawings		Minus	
4) Closing balance (Cap/Current Acc) / (Net Assets/Liabilities)		Equals	
5) Current Assets			
6) Current Liabilities		Minus	
7) Net Current Assets/Liabilities		Equals	
8) Current Ratio		Divide 5 by 6	
<b>Profit and Loss</b>			
1) Turnover			
2) Profit/Loss plus Capital		2a plus 2b minus 3	

## Appendix 2

### Explanation of Notation Formula

#### Introduction

Each Supplier registered as a contractor with Constructionline is awarded a notation for each category of work for which it wishes to be considered, and qualifies for. A notation is the maximum recommended financial limit applicable to each category of work that Constructionline advises its client buyers for their use in seeking tenders from that supplier in respect of any one contract. The limit is fixed at the time of the supplier's initial registration, and may be adjusted on review at Constructionline's discretion or at the supplier's request, on receipt of updated accounts, which are reviewed annually, and/or references, which are reviewed every three years.

#### Notation formula

The notation formula combines two principal factors to assess the capability of a supplier to successfully deliver contracts in particular categories of work.

- a) **Finance Factor** indicating the financial strength of the supplier, as recorded in its last accounts.

This is determined by taking the average of two elements:

- i) Net Assets x 5; and
- ii) Annual Turnover x 0.33

The result is then subject to a test such that where the percentage value of a supplier's net assets is very small compared with its annual turnover (3% or less), the case is referred to Constructionline's in-house accountants for a detailed assessment of the net assets, turnover and any other relevant factors.

- b) **Reference Factor** indicating a supplier's established track record in successfully delivering contracts in each category of work to a certain value.

This is determined by taking the highest value of 2 satisfactory independent references over the last 3 years for each of the work categories for which registration is requested. One reference per sector is accepted for a supplier that works predominantly for one client buyer. In the case of a local authority DSO, DLO or similar, the main reference may be internal.

A coefficient is allocated to each main sector, which applies also to each sub-sector category. The coefficient is calculated in recognition of the variation in the frequency of work and likely contract values. Details of the main sector work categories and corresponding coefficients are set out in the table at the foot of this memorandum.

The averaged or single reference value for a category, whichever is appropriate, is then factored by the main sector coefficient to arrive at the resultant Reference Factor.

- c) **Combining**

The average of the Finance and Reference factors, calculated as above, is used to set the recommended notation for each category. This is subject to two 'caps':

- i) The notation cannot exceed 125% of the Reference Factor for each category
- ii) The notation cannot exceed 75% of the supplier's turnover

Each recommendation is restricted further to the maximum contract value that the supplier has informed Constructionline it is prepared to undertake. It may also be subject to additional adjustment to take account of any abnormal or “one off” factors in any one year or in relation to a specific contract.

## **Commentary**

### **a) Finance Factor**

By taking the average of the net asset and turnover elements, suppliers whose business does not require highly valued owned fixed assets are not artificially penalised (e.g. contractors where much plant is leased or hired as required). Also account is taken of suppliers whose past turnover understates its implied capacity, or its ability to finance and manage subcontract work.

The risk of excessively high notation awards, when net assets are very low relative to turnover, is controlled by referring such cases to Constructionline’s in-house accountants for a detailed assessment of the supplier’s financial position.

### **b) Reference Factor**

The highest value of completed contracts is taken as the most representative indication of a supplier’s recorded and proven capability. The requested number of references for each category is set at not more than two, reflecting the diverse nature of work undertaken by contracting suppliers today.

### **c) Combining**

The notation for each category of work is set at the average of the two factors to provide a reasonable correlation between a supplier’s financial strength as indicated by its accounts, and its capability to carry out contracts of a particular value indicated by its track record.

Capping the notation at 125% of the Reference Factor reduces the risk of financially strong suppliers being approved for contracts of a size for which they have no track record. Similarly, capping the notation at 75% of turnover reduces the possibility of suppliers being recommended to take on a major contract, which can be deemed to be over-concentration rather than spreading of risks, whilst acknowledging that there are small suppliers that carry out contract maintenance or similar work for predominantly one or two client buyers.

Individual ad-hoc approval for a specific contract of a higher value than the standard notation can additionally be given to client buyers if, in the view of a Senior Assessor and/or the Accountant, the supplier is financially capable of carrying it out. This can apply in cases where notation has been restricted by a low reference factor.

## **Minimum notation**

A minimum notation of £15,000 generally applies. The work covered by such notation levels is in most cases jobbing building and maintenance, painting, decorating, plumbing, glazing, etc., and is of a short duration.

## **General**

In borderline cases of very low assets or marginal liabilities, reassurance is sought by obtaining a Banker’s or Accountant’s Reference in respect of the contractor, or obtaining Parent Company support if applicable. This provides further evidence that the contractor is financially sound and capable of completing contracts with little or no risk to the client buyer.

## Table of sectors and coefficients

Main Sector	Coefficient
1. Building Finishes- Conservation	1.5
2. Building Finishes – Doors	1
3. Building Finishes – External Walls	1
4. Building Finishes – Flooring	1
5. Building Finishes – General	1
6. Building Finishes – Insulation	1
7. Building Finishes – Internal Walls/Ceilings	1
8. Building Finishes – Painting & Decorating	1
9. Building Finishes – Roofing	1
10. Building Finishes – Waste Disposal	1
11. Building General – Building Type	1.5
12. Building General – General	3
13. Building General – Sector	3
14. Civil Engineering – Airfield Services	3
15. Civil Engineering – Drainage/Pipework	3
16. Civil Engineering – General	3
17. Civil Engineering – Landscaping/Sports	3
18. Civil Engineering – Marine/River	3
19. Civil Engineering –Piling/Ground works	2.5
20. Civil Engineering – Roads & Bridges	3
21. Civil Engineering – Site Investigation	3
22. Electrical – Aerials	1.5
23. Electrical – Comms	1.5
24. Electrical – Car Park Services and Equipment	1.5
25. Electrical – Control Systems	1.5
26. Electrical – Fire Alarms	1.5
27. Electrical – General	1.5
28. Electrical – Power Supply	1.5
29. Electrical – Security	1.5
30. Electrical – Testing	1.5
31. Electrical – Transportation	1.5
32. Electrical – External Lighting	1.5
33. Infrastructure – General	3
34. Infrastructure – Infrastructure	2
35. Infrastructure - Power Supply	1.5
36. Mechanical – Boilers	2
37. Mechanical - Building Service Equipment	2
38. Mechanical - Car Park Services and Equipment	2
39. Mechanical – Cranage	2
40. Mechanical - Fire Protection	2
41. Mechanical – General	2
42. Mechanical – Heating	2
43. Mechanical - Heating and Ventilation	2
44. Mechanical - Lift / Access	2
45. Mechanical - Mechanical Handling	2
46. Mechanical – Pipework	2.5
47. Mechanical - Tanks & Associated Services	2
48. Mechanical - Potable Water and Waste Treatment	2
49. Other Services - Building Services	1.5
50. Other Services – Cleaning	1.5
51. Other Services - General Maintenance	1.5



52. Other Services - Land Surveys	1.5
53. Other Services – Others	1.5
54. Other Services - Security	1.5
55. Other Services - Waste Disposal	1.5
56. Other Services - Waste / Water	1

**All consultants work categories have a coefficient of two.**

## Appendix 3

### Information Monitored by Experian

- Appointment of Receiver
- Approval of Voluntary Arrangement
- Cessation of Receiver
- Revocation of Voluntary Arrangement
- Winding Up Petition
- Suspension of Voluntary Arrangement
- Dismissal of Winding Up Petition
- Proposal to strike off
- Winding Up Order
- Creditor's voluntary arrangement (CVA)
- Appointment of Voluntary Liquidator
- Change of registered office
- Meeting Of Creditors
- Accounting reference date change
- Winding Up Resolution
- Bankruptcy
- Intention to Dissolve
- Individual partner insolvency
- Dissolution
- Change of business address
- Re-instatement
- Changes to directors
- Administrator Appointment
- Notification of disqualified directors
- Administrator Dismissal
- CCJ's

**N.B The above list is not exhaustive, and will be regularly reviewed and updated as required**