

Introduction to Procurement

Contents

1. [Introduction to Council funding](#)
2. [Why does the Council use procurement?](#)
3. [Commonly used contract procedures: open and restricted](#)
4. [Important things to remember about contracts](#)
5. [Contract termination](#)
6. [Commonly used contract types](#)
 - [Summary table](#)
 - [Examples](#)
7. [Further information](#)

Introduction to Council funding

The Council procures services according to what commissioners have determined the **residents** of **Southampton need**. The funding that the Council can offer depends on which services would **benefit local residents** and what **money** is **available**.

Some of the types of funding which the Council provides are in the form of **contracts** and **grants**. The Council's approach to voluntary sector funding is that **grants** are more likely to be used for **small, community funding** and **short-term one-off projects**. **Contracts** are more likely to be used for **longer-term funding** for services. The most appropriate funding route for each service will be decided during the commissioning process.

Before applying for funding, organisations should consider which services will be provided with it and for contracts they must consider if they can deliver the services to the Council's specification. If organisations are unsure whether certain types of funding are best for their organisation, then you they are encouraged to seek advice.

For more information on finding the right type of funding for your organisation, visit [Knowhow Nonprofit's website](#).

Why does the Council use procurement?

Local authorities are obligated to spend public money only where **necessary** and where **best value** will be achieved. They also have a duty to secure continuous improvement in **efficiency, economy** and **effectiveness**. In order to achieve this the Council commissions goods and services to help ensure the best **balance** of **quality** and **value** for money is secured. This is stated in the Council's Contract Procedure Rules,

which form part of the Council’s Constitution (available on the [Council’s website](#), 10 Part 4 – Contract Procedure Rules). ‘10.1 Contract awards must be based on the identification of the Most Economically Advantageous Tender of quotation and the evaluation criteria must reflect this.’

The Council’s procurement services are governed by **four principles** to ensure fair and thorough procurement processes, which meet public expectation, are carried out.

1. **Equal treatment**
2. **Non-discrimination**
3. **Proportionality**
4. **Transparency**

Procurement procedures vary according to the **value** and **specification** of the contract, with stricter, more rigorous procedures usually being associated with higher value transactions. Qualification requirements will be **proportionate** yet **thorough** to ensure best value.

For more information regarding EU procurement directives and the UK regulations, visit this [Government guidance website](#).

Also, when purchasing goods or securing services above a certain **threshold** (regularly updated on the [government’s website](#)) the Council is subject to **EU laws** and **must** go out to procurement, unless the Council feels that this is inappropriate. For example, if there is only one possible provider that could deliver the service or if there is no value in undertaking a competitive process. This does not override the requirements of EU Procurement Guidelines; however, the Council must demonstrate that it has taken a considered view on whether the decision not to go to market is justifiable if challenged.

The following table demonstrates the relevant procedures (subject to change and exemptions) to be followed for different levels of contract value:

Estimated Contract Value	Procedure to be followed
<p>£181,302 or over for goods and services</p> <p>£4,551,413 or over for works</p>	<p>The OJEU procurement procedure</p>
<p>£615,278 or over for certain services mainly related to Health and Social Care</p>	<p>There are some specific services that come under the Light Touch Regime, where although the principles of the EU Contract Regulations apply there is a lot more flexibility for specific service areas mainly in the Health and Social care area. Tenders can be more flexible in their timeframes and evaluation criteria requirements as long as they remain open, fair and transparent to the marketplace.</p>
<p>£100,000 up to £181,301 for goods and services</p> <p>£100,000 up to £4,551,412 for goods, services and works</p>	<p>High-value transactions procedure. This applies when the transaction value exceeds £100,000. Due to the higher risk associated with high value, contract monitoring will be stricter.</p>

£1,000 up to £99,999 for goods, services and works	Intermediate-value transactions procedure. This covers transactions for between £1,000 and £99,999, and uses a lighter-touch procurement process than with high-value transactions. For contracts valued below £10,000, The Council will get at least 3 quotes from capable providers before awarding the contract. For contracts with a value of over £10,000, the contract opportunity will be advertised on Supply Southampton Portal.
Up to £999 for goods, services and works	Low-value transactions procedure. These are procured as a 'spot purchase' based on one quote and are often one-off items or purchases.

Commonly used contract procedures

Whilst other contract procedures exist, **open** and **restricted** are the procedures **most commonly used** by Southampton City Council. For an overview of alternative procedures, visit [Your Europe's website](#).

Name	Open	Restricted
When is it commonly used?	When the service market is small or relatively unknown .	When the market is better known or potentially larger .
Number of stages	1	2
Details of stages	As with all procurement procedures an initial qualification threshold exists; however, after this qualification the ability to tender is open to all .	Pre-qualifications must be passed before potential service providers are invited to tender . This often takes the form of a PQQ (Pre-Qualification Questionnaire). Qualifications may be more detailed with higher value contracts and the level of risk associated with them.

Important things to remember about contracts

A contract is a **legal agreement** between Southampton City Council and a service provider setting out both parties' **obligations** and **rights**.

- No one party holds control over the other, **both** parties have **responsibilities** to fulfil.

The Council understands that sometimes **performance targets cannot be met** due to various circumstances.

- A process of **remediation** and **discussion** is usually followed to decide how best to continue in order to get back on track towards targets.
- During these discussions, contract **payment** will **continue**.
- The service provider will **not** be subject to **immediate financial penalties**; however, if they do not show a willingness to address the issues which have caused the unmet targets, the Council may decide to end their contract.
- The procedure in the case of unmet targets is set out in a contract's **Agreement**.

Normally, if both parties agree, there can be some **variation** in the way that a contract is carried out.

Contract termination

Either party can **usually end** their involvement in a contract due to the **no-fault termination clause** written into most contracts.

- This enables either party to exit out of a contract if they have given the specified notice period.

Whilst the Council's first response to any service provision problems is **discussion**, there are some uncommon circumstances when the Council will cease payment and a contract will be terminated. In the following cases, the Council can end a contract immediately once they have given written notice to a service provider, if the provider:

- **Breaches the contract Agreement**, and fails to address this breach within the period discussed with the Council.
- Is subject to an **insolvency event**.
- Pays any **commission, fees, or grants rebates** to any employee, officer or agent of the Council.
 - Providers must make sure also that their **subcontractors** abide by this.
- **Favours** any employee, officer or agent of the Council with gifts or entertainment of significant cost or value nor enter into any business arrangement with employees, officers, or agents of the Council other than as a representative of the Council, without the Council's prior written approval.
 - Providers must make sure also that their **subcontractors** abide by this.
- Commits an offence under the [Bribery Act 2010](#).
- Gives any **fee** or **reward** which is considered an offence under Section 117(2) and (3) of the [Local Government Act 1972](#).
- Fails to complete or implement a **Remediation Plan** or **repeats a default** (breach of contract).
 - A Remediation Plan sets out how a default will be put right and how the provider will make sure it does not re-occur.

Some contracts may have variations in their termination clause. Read a contract's **Agreement**, provided in the tender pack, for an explanation of any other times when contract payment could be reduced or terminated.

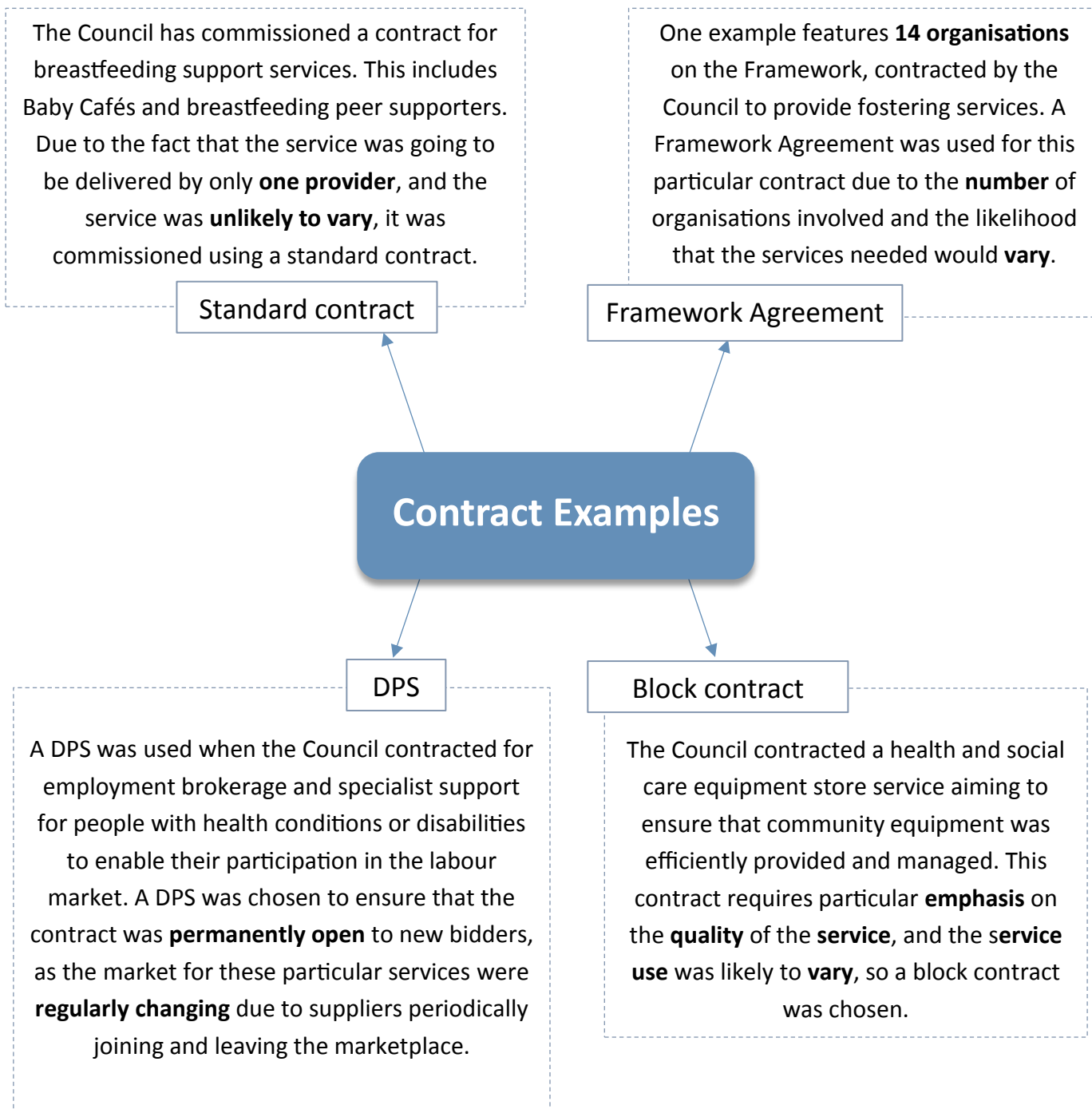
Commonly used contract types

Whilst other contract types exist, the following are those **most commonly used** by Southampton City Council. For an overview of alternative contract types, visit [Knowhow Nonprofit's website](#).

- **Standard contract**
- **Block contract**
- **Framework agreement**
- **Dynamic purchasing system**

Type of contract	Overview	Advantages to organisations	Potential disadvantages	When is it used?
Standard contract	<ul style="list-style-type: none"> • Awarded for a specified period of time to a supplier. • The Council asks for a Pricing Schedule and answers to the Method Statement Questions, then the bidder with the best balance of quality and price is awarded the contract. 	<ul style="list-style-type: none"> • Costs and volumes are known at the beginning of the contract. • The contract term will be stated in the tender documents, and it can be as long as needed. 	<ul style="list-style-type: none"> • Potentially difficult to adapt in reaction to changes in demand. 	<ul style="list-style-type: none"> • Used when the contract is unlikely to change nor be awarded to more than one provider.
Block contract	<ul style="list-style-type: none"> • Awarded to a single supplier for a fixed period of time. • The Council pays the agreed amount per year to the service provider. • A block contract is a form of standard contract. 	<ul style="list-style-type: none"> • Encourages service providers to focus on the quality of their service. • Paid in a fixed amount per month. 	<ul style="list-style-type: none"> • How the value of a block contract is calculated varies widely, and may be based on historical expenditure on a particular service. 	<ul style="list-style-type: none"> • Used when encouraging emphasis on service quality, and when a variable service use is expected.

Framework agreement	<ul style="list-style-type: none"> • A framework is a list of providers eligible to bid for certain contracts with the Council. • It can be between the Council and 1 or more service providers. • Once an organisation has passed the qualification process, they become part of a framework. • Contracts are awarded to providers on the framework either directly or through mini competitions depending on the terms of the agreement. • Sometimes the contract will be split into multiple smaller contracts, called 'Lots', for which a series of more service-specific, short qualification questions are asked. 	<ul style="list-style-type: none"> • Allows a range of service providers according to market needs. • Encourages different types and sizes of service providers to co-exist. • Means that service providers do not need to repeatedly complete qualification documents for different contracts on the framework 	<ul style="list-style-type: none"> • Framework lifetime cannot exceed 4 years. • No contract is guaranteed, although where there is a large body of work it is likely that most service providers on the framework will receive something. • Organisations can only apply to be on the framework at the beginning, then the framework is closed for the rest of its lifetime. 	<ul style="list-style-type: none"> • Used when the services needed may change from year to year or need to be provided by more than one organisation.
Dynamic purchasing system	<ul style="list-style-type: none"> • Similar to a framework arrangement, however, a DPS will stay open for the whole duration for supplier to apply to join. 	<ul style="list-style-type: none"> • No fixed time limit as the market remains open. A DPS can be run for as long as is needed. • Anyone can apply to join or leave the DPS at any time. 	<ul style="list-style-type: none"> • Contracts are not guaranteed to any one service provider for a substantial period of time. 	<ul style="list-style-type: none"> • Used for fast-moving contracts where there is likely to be lots of change.



Further information

BMA, [Models for paying providers, block contracts](#)

Gov.uk, [EU procurement directives and the UK regulations](#)

Gov.uk, [Procurement policy note 04/17: new threshold levels 2018](#)

Knowhow Nonprofit, [Contract types](#)

Your Europe, [Tendering rules and procedures](#)