



eGuide:
Understanding Contracts

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1 What's a public contract?

The entire public procurement process starts with one essential component: need.

A public authority will identify something they need, and they'll look for a supplier to fulfil that need. To do this, they publish a contract notice.

Essentially, it's the public sector version of a wanted ad. And it's where your journey to winning new business begins.

2 What's a contract notice?

A contract notice is how a public body formally announces an opportunity. It's your first opportunity to understand what the buyer wants and, if you understand how to read a notice carefully, it's your first chance to put yourself in the running for the eventual award.

When you view a notice, it's described as either 'Below OJEU' or 'OJEU':

- **'Below OJEU'**: Also known as non-OJEU or Low Value, these are contracts where the estimated value is less than the relevant Official Journal of the European Union (OJEU) threshold – currently just over £106,000 for most supplies and services contracts from central government.
- **'OJEU'**: Contract notices advertising higher-value procurements worth more than the relevant OJEU threshold.

OJEU: The Official Journal of the European Union. The place where all tenders from the public sector valued above a certain financial value (or threshold) according to EU legislation must be published.

3 More about thresholds

Any public sector organisation publishing a contract opportunity over a certain value (known as a threshold) must advertise it in the OJEU. There are different thresholds in place depending on the type of contract being awarded and the sector the contract is being advertised for.

For regular public contract notices to provide goods, works or services, the current thresholds are :

Public Contracts Regulations – From 1 January 2016 to 31 December 2017			
	Schedule 1 Listed Authorities	Other Contracting Authorities	Small Lots
Supplies	£106,047 €135,000	£164,176 €209,000	£62,842 €80,000
Services	£106,047 €135,000	£164,176 €209,000	£62,842 €80,000
Works	£4,104,394 €5,225,000	£4,104,394 €5,225,000	£785,530 €1,000,000

¹OJEC, EC Procurement Thresholds, www.ojec.com/thresholds.aspx

In addition, the Public Contracts Regulations 2015 introduced a new category called 'Social and other specific services'. This covers a wide range of service contracts and the advertising threshold for these contracts, irrespective of who the contracting authority is, is £589,148/€750,000.

However, some contracts in more specialised sectors require their own thresholds.

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The Utilities Contracts Regulations 2015 and Defence and Security Public Contracts Regulations 2011 are used for utility companies operating in the energy, water and transport sectors and defence and security related organisations and authorities, respectively.

Due to the specialised nature of these industries and marketplaces, the following specific thresholds are used:

Utilities Contracts		
	All Authorities	Small Lots
Supplies	£328,352 €418,000	£62,842 €80,000
Services	£328,352 €418,000	£62,842 €80,000
Works	£4,104,394 €5,225,000	£785,530 €1,000,000

Defence and Security Contracts		
	All Authorities	Small Lots
Supplies	£328,352 €418,000	£62,842 €80,000
Services	£328,352 €418,000	£62,842 €80,000
Works	£4,104,394 €5,225,000	£785,530 €1,000,000

4 What's in a notice?

The contract notice will usually contain the following information:
(example checklist image)

Utilities Contracts		
	All Authorities	Small Lots
Supplies	£328,352 €418,000	£62,842 €80,000
Services	£328,352 €418,000	£62,842 €80,000

- *The name and contact details of the buying organisation*
- *Who will be entitled to use the contract (particularly if the contract is being placed on behalf of a group of public bodies)*
- *The type of contract on offer (supplies, works or services)*
- *The main commodity being procured*
- *Any other items required which are not covered by the main object category*
- *The tendering procedure which will be followed*
- *The criteria that suppliers will have to meet*
- *Whether there's an alternative way of meeting the requirements of the contract notice*
- *The total quantity or scope of the contract (One item or many? A one-time service or an ongoing package?)*
- *The economic, financial and technical capacity that will be expected of successful bidders*

The notice could provide more information than this, and that's great news for you. The more information offered, the better.

5 Other types of notice

Prior Information Notice (PIN)

Buyers may issue a Prior Information Notice (PIN). A PIN can be used in three ways by most authorities, but not all.

The first use for a PIN is merely to issue Notification to the market. This may be to identify an upcoming opportunity or could be an invitation to an open day to discuss the authority's requirements.

The second use for a PIN is for a contracting authority to advise the market that it intends to reduce the tender timescale for an upcoming opportunity. If the authority intends to use it in this fashion, it must publish the PIN at least 35 days before it publishes the OJEU notice, but using a PIN in this manner allows them to reduce the tender timescale by 20 days.

A PIN may also now be used as a 'Call for Competition' in both the Restricted Procedure and the Competitive Procedure with Negotiation, but only by non-Central Government bodies. This means that the buyer will not publish any further contract notice after the PIN so contractors will need to read the full text of the notice and respond accordingly.

- who the buyer is
- what's required
- the anticipated contract value
- the type of contract
- scheduled date for start of award procedure

PINs allow you to prepare to bid for the contract before the procurement process officially begins. The more prepared you are in advance of the contract being published, the better your eventual chances of success will be.

Framework Agreement

In some cases, a public sector authority will identify a need, maybe on a repetitive basis, but may not yet fully understand the full extent of what is required – for example, how long the need may last or how many suppliers may be needed to provide a solution.

In this case, a contracting authority may publish a Framework Agreement, either on its own or in collaboration with other buyers. This is an arrangement where the buyer selects suppliers and sets the terms and prices for a period in advance (often up to 4 years in the future), selects suppliers and then calls on those suppliers to deliver the specification when required.

Framework agreements are commonly set up to cover things required on a routine basis like construction and maintenance, various forms of consultancy, office and IT supplies, facilities operations and so on.

Although there is never a guarantee of work even if you are part of a Framework Agreement, being awarded a place on a framework is a sign to others that your business is a key player in the industry.

Contract Award Notice

An award notice gives information about a public contract which has been awarded to a supplier. It should include the following information:

- the date the contract was awarded
- the award criteria
- the number of offers received
- the name and address of the successful tenderer(s)
- the value of the contract

Award notices can be incredibly useful for a supplier. By understanding who is winning contracts you can track your potential competitors and build a clearer picture of the overall marketplace.

Perhaps more importantly, an award notice could alert you to further opportunities at a later date in the wider supply chain.

For example, if an award notice is published to build a new school and your firm can supply teaching equipment, you can use the award notice to contact the winning supplier to find out if future subcontracting opportunities will be available to provide the equipment your firm specialises in.



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