



Procurement and Contract Management

Lunchtime Webinar Series 2022

2 March 2022

The session will begin at 12.30 PM ...
(sound is currently off – chat box is open so feel free to say Hello!)

Webinar Logistics and Housekeeping

- Webcams off
- Microphones off
- Session is being recorded
- Questions through chat-box

Agenda

- Upcoming Webinars
- Hot topics & technical update
- New Public Procurement Thresholds

Upcoming Lunchtime Webinars

30 March 2022 Are your Contract Standing Orders/ Procedure
12.30 – 13.15 Rules up to date?

27 April 2022 Making Sense of Tender Evaluations
12.30 – 13.15

25 May 2022 Writing Effective Service Level Agreements
12.30 – 13.15

If you would like to pre-book attendance, please email:
walter.akers@rsmuk.com or mohamed.hans@cipfa.org

About your hosts

Walter Akers

Head of Projects & Commercial, RSM

Walter specialises in advising enterprises on procurement, commercial contract risk and maximising value from complex commercial arrangements. He is a guest lecturer at University College London on their MSc and commercial training programmes and he is an accredited assessor on the UK Government's Commercial Capability Programme. Walter is a fellow of the World Commerce & Contracting Association (IACCM, International Association for Contract & Commercial Management).

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Mohamed Hans, Solicitor

Principal Procurement Advisor, CIPFA Procurement Network

Mohamed is a highly experienced procurement solicitor who manages the CIPFA Procurement Network, which has over 130 subscribing authorities. He represents CIPFA at key procurement events, organises and speaks at workshops and conferences, produces newsletters, as well as supports practitioners with legal and procurement queries.

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Technical Update

- Cabinet Office responded to Transforming Public Procurement Green Paper Consultation
<https://www.gov.uk/government/consultations/green-paper-transforming-public-procurement/outcome/transforming-public-procurement-government-response-to-consultation>
- Tender evaluations – important area to get right
- Contract Procedure Rules – are they up to date?
- Use of Framework Agreements – ensure compliance

New Public Procurement Thresholds – When the VAT Inspector Knocks on the Door!

New Thresholds from January 2022

- Note that the LTR threshold, and the set-aside for “Small Lots”, are not subject to two-yearly recalculation.
- They therefore stay the same.

| Category | New Threshold | (Old Threshold) |
|---|---------------|-----------------|
| Works | £5,336,937 | £4,733,252 |
| Concessions | £5,336,937 | £4,733,252 |
| Goods / Services - Central Government | £138,760 | £122,976 |
| Goods / Services - Sub-Central Authorities | £213,477 | £189,330 |
| Light Touch Regime | £663,540 | £663,540 |
| Small Lots - Works | £884,720 | £884,720 |
| Small Lots – Goods / Services | £70,778 | £70,778 |

Calculating the estimated value

- Key points to bear in mind when calculating the estimated value of a contract for threshold purposes:

Estimated values

- It is recognised that in some cases you will know an exact value – but in most cases you will be *estimating*.
- Estimates, by their nature, are not exact. However there should be a clear rationale underpinning the calculation (which you should put on record in Reg 84 report).
- Estimates which fall just under the threshold carry significant risk if the contract spend then goes on to exceed the threshold. If it's close, assume the threshold applies.
- For **Framework Agreements**, the value you declare will now function as a maximum spend limit for the framework.

Calculating the estimated value

- Key points to bear in mind when calculating the estimated value of a contract for threshold purposes:

Contract Duration

- The value you use for threshold purposes must be the total lifetime value of the proposed contract, and not the annual cost.
- This should include the likely value of any extension periods.

| | | |
|-----|---------------------------|--|
| So: | <i>Annual cost:</i> | £25,000 p/a |
| | <i>Contract duration:</i> | <i>Initial two-year term plus potential 12-month extension</i> |
| | <i>Estimated value:</i> | <u>£75,000</u> |

- For multi-year contracts where end date cannot be reliably defined, **multiply the monthly cost by 48.**

(for example a software licence with an annual renewal)

Notices on FTS and Contracts Finder

Example:

An authority needs to let a new **corporate catering** contract for its staff bases. Corporate catering services attract the normal 20% rate of VAT.

The estimated value of the contract is **£190,000** (ex-VAT) over a maximum three-year term.

This is **£228,000** including VAT. The services threshold is now £213,477 so they must publish a Contract Notice on the Find a Tender Service.

In the Find a Tender Service advert, however, the “estimated value” should be stated as **£190,000**, not £228,000.

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Now the tenders come in and, following the evaluation process, the winning bid has a price of **£150,000** (ex-VAT) or £180,000 inc. VAT.

When an Award Notice is then published on FTS and Contracts Finder, the contract value should be declared as **£150,000**.

Current rates of VAT

| | | |
|------------------------|-------|---|
| Standard rate | 20% | 'If in doubt, charge VAT' |
| Temporary reduced rate | 12.5% | Hospitality, holiday accommodation and attractions |
| Reduced rate | 5% | Domestic fuel and power, some building works, welfare advice or information |
| Zero rate | 0% | Food, books, children's clothes, some building works |
| Exempt | N/A | Charity, some education, financial, insurance, some land and property |
| Outside the scope | N/A | Non-business activities, statutory duties, non-economic activities, transfer of a business as a going concern, some education, place of supply not the UK |

Plenary Session - Discussion, Summary & Close

If you have any questions, please contact:

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