

Contract Value Estimate Guidance

This document outlines the process for estimating contract values and determining the appropriate procurement process.

Background

Public Contracts Regulations (PCR) 2015 specify the rules public bodies must follow when determining the value of a contract. These are replicated in the Council's Contract Procedure Rules (CPR).

Following the end of the transition period the UK introduced a new e-notification service where notices for new procurements are required to be published in place of the Official Journal of the European Union's (OJEU) tenders. The new e-notification service is called Find a Tender (FTS).

The estimated value of a procurement shall be based on the total amount payable, **exclusive** of VAT, for the purposes of the CPR and delegated approvals, but **inclusive** of VAT in relation to the FTS thresholds and publication requirements in relation to transparency notices on Contracts Finder and FTS.

This total amount should be calculated by taking into account all elements of expenditure, total lifecycle costs and the length of the contract (including extensions) at the time the procurement procedure commences, i.e., when publishing on the Council's e-tendering system.

This applies to all procurements including establishing Framework Agreements and Dynamic Purchasing Systems (DPS).

To support with the estimating of a contract value pre-market engagement with potential Providers prior to finalising the tender documents should be considered to understand the marketplace in addition to analysing historic spend on the goods, services or works.

Estimated Value

It is important that every project has an estimated value attached to it before the procurement commences.

The estimated value needs to be the best assessment of the value of the contract at the time with the information available and should consider all elements of what will be required to deliver the services or works for the duration of the contract. This would include things like;

- Facilities costs
- Staff costs

- Equipment costs
- IT costs
- Profit for the provider.

FOR EXAMPLE

A service contract for consultancy support should consider the number of staff required to deliver the services in scope for the duration of the contract, the overheads for the organisation delivering the services, such as office space and IT equipment and software and an element of profit as well.

The estimated value of the contract must be the maximum potential value of the contract including all available extensions.

The estimated value should consider spend on the same types of goods and services by different services in the Council.

This value should include all elements of the expected costs for the duration. If the contract is recurring or for a term period with extension options Stakeholders may also need to consider the requirement for cost increases over the duration as well.

FOR EXAMPLE

A contract has a three year initial term, with option to extend by 2 x 12 months subject to certain conditions being met should have an estimated value based on the full five year contract term, even though the potential extensions may not be utilised.

Pre Market Engagement and Past Contracts

Previous agreements which are the same or of a similar nature should be used as a reference point to assess the estimated value of a new contract. When using this information the Procuring Officer should consider any market changes since this contract was established. This should include consideration of;

- Levels of inflation
- Changes in markets – increased materials costs or changes in national wages
- Changes in demand for services or works of this nature.

It is recommended that wherever possible pre-market engagement is undertaken with providers to understand current rates and charges, potential overheads to be considered and also expected profit margins to inform the estimated contract value.

Budget Setting

The Budget Manager and Procuring Officer must ensure that market intelligence is used where possible to inform the budget setting process and includes consideration for all costs associated with the requirement.

FOR EXAMPLE

When a budget is developed for a new asset, such as vehicle then the budget must consider requirements for ongoing maintenance and repair.

Approval Process

The Stakeholder must ensure there is budget available for the contract based on the estimated value for the duration of the contract before appointing a provider. The approval of the budget must be aligned to the approval threshold outlined in the Constitution;

Up to £250,000 – Delegated Officer Approval

£250,000 - £500,000 – Cabinet Spokesperson Approval

£500,000 and above – Cabinet Approval.

Competitive Process

The total potential value of the contract will determine the procurement process to be undertaken in accordance with the Councils CPR's and legislation.

The estimated value should be used to advertise the contract so tenderers can assess whether they would be interested in bidding for the contract based on the potential value.

As stated, the value should be used to determine what procurement process should be undertaken;

Under £50,000 a single quotation and value for money checks

£50,001- £100,000 a minimum of three quotations, with two local
(Goods and Services) organisations invited to bid (where possible).

£50,001- £250,000 a minimum of three quotations, with two local
(Works) organisations invited to bid (where possible).

For goods and services (Not subject to the light touch regime)

£100,000 up to an open tender process which shall not involve a
£189,330 shortlisting stage

Above £189,330 FTS tender must be performed (Aligned to allowed
processes)

For works contracts

£250,001 up to an open tender process which shall not involve a
£4,733,252 shortlisting stage

Above £4,733,252 FTS tender must be performed (Aligned to allowed processes)

For light touch regime

£100,001 - £663,540 an open tender process which shall not involve a shortlisting stage

Above £663,540 FTS tender must be performed (Aligned to allowed processes)

All procurement competitions above £100,000 for goods and services and £250,000 for works must be led by the Strategic Procurement Team.

Estimated values must be a true reflection of the value of a contract as best as possible and must not be determined by avoiding trying to avoid a procurement or a particular procurement process.

It should be noted that the FTS threshold changes every 2 years.

FOR EXAMPLE

A contract that is worth £115,000 should not be valued at £95,000 to avoid a tender process led by the Strategic Procurement Team.

A contract for works at £4,900,000 should not be valued at £4,500,000 to avoid a FTS tender.

In addition contract periods should be set that are most appropriate for service provision for the Council and its citizens and not reduced to bring the procurement into a lower threshold.

If there is the potential for price inflation due to market volatility during the procurement process which would increase the value of the contract significantly, it may be more appropriate to undertake a tender process rather than a request for quote.

Budget Approval

Where a competition results in the proposed contract award that exceeds the budget, then the award of the contract should not proceed until the revised budget has been agreed and the appropriate decision record has been completed for the correct amount.

This must be done in consultation with Finance.

Consideration also needs to be given as to whether any estimated value misrepresented the contract to the market and discouraged potential bidders in which case retendering should be considered.

Further guidance and support should be obtained from Strategic Purchasing, Procurement & Contract Management (procurement@barnsley.gov.uk)