

Commissioning & Contracts

Voluntary and Community Sector Key Terms Glossary

Approved Provider List (APL)

This is the name given to a list of potential service providers approved by a contracting authority (such as a local authority or Clinical Commissioning Group (CCG)), who have met **pre-set criteria**.

Southwark Council has a [VCS Approved Providers List \(APL\)](#), and organisations on this list **do not** have to fill out pre-qualification questionnaires (PQQs). These are organisations that the Council deems have the necessary capability and capacity to provide services and carry out contracts. However, this APL is presently only being used by council's Community Engagement team, Housing team & Community Services team.

Best Value

The need to deliver best value is a **legal requirement** for all local authorities. By law, they need to deliver value for money across their services. This is defined as local authorities needing to 'make arrangements to secure continuous improvement in the way in which they exercise their functions, having regard to a combination of economy, efficiency and effectiveness' ([Local Government Act 1999](#)).

Block Contract

A **block contract** guarantees a given volume of business to a service provider, usually over a set period of time, and in advance of the service being delivered. Block contracts are usually larger, and therefore allow the contracting authority to obtain a **cheaper price**.

Call-Offs

The term call-off is used to describe the situation where a contracting authority procures services from a supplier who is on a **framework agreement**.

Clinical Commissioning Group (CCG)

A [Clinical Commissioning Group](#) (CCG) is a body that came into existence following the passage of the [Health and Social Care Act 2012](#). CCGs are responsible for commissioning healthcare services including hospital care, rehabilitation care, emergency care, community health and mental health services. [Southwark CCG](#) is made up of 45 GP practices from across Southwark.

Commissioning

[Commissioning](#) is the name given to the process of **exploring and mapping needs**, and then **procuring services** that address those needs. Commissioning is undertaken by public bodies such as local authorities and CCGs.

Commissioning Cycle

The commissioning cycle is the entire commissioning process from **start to finish** (although in reality it may be part of a **continuous process**). This involves analysing and mapping needs, planning service provision, building capacity and developing the market, procuring goods and services, and monitoring contracts.

Consortium

A **consortium** (consortia for plural) is an **association or combination** of **voluntary sector organisations** which have come together for the purpose of providing a service in one locality or across a wider area. A consortium is different from a partnership in that it will have a **defined structure** and **governance agreements**.

Contract Award Criteria

Contract award criteria are used as the basis on which to award a contract. These criteria are based on either **lowest price** or the [most economically advantageous tender \(MEAT\)](#) approach.

Cost/Value

The cost of services refers to its **monetary** value – the amount of money required to purchase something in purely **fiscal** terms. Value encompasses more than this; it covers what the services mean to those who use it, how useful they are, and takes into account their **quality**.

Decommissioning

This term is used to describe the situation where an existing service **ceases to be commissioned**. Decommissioning could happen for a variety of reasons. This could happen where a contract comes to an end, grant funding finishes, where national or local changes in priorities or funding result in a service review, or where poor performance needs addressing. Additionally, immediate decommissioning can happen where the provider has breached their contract.

Economies of Scale

The term **economies of scale** can be used to describe a reduction in unit cost achieved by increasing the amount of production. Put simply, this refers to the fact that if something has to be made in bulk it will, **in general**, be cheaper to produce on the whole (the cost of producing each unit will be lower).

Framework Agreement

A [framework agreement](#) is a **procurement method** that operates in a similar way to an **approved provider list**. Once the framework is agreed it usually operates as a closed system for 4 years, not allowing new entrants.

Getting listed on a framework is **not** a guarantee of future contracts.

Once a framework agreement has been established for a certain service area (for example, prevention and inclusion), when a local authority wants to procure services, they will approach suppliers listed on the agreement. They will either go directly to one provider or hold a mini-competition to determine the most suitable provider. These individual contracts are referred to as **call-offs** and do not need to be advertised.

Framework agreements are typically used where a local authority (such as Southwark) knows that it is likely to have a particular need for products or services, but is unsure of what exactly it will need, or when exactly it will need it. Framework agreements can be used by more than one authority (for instance, Lewisham and Southwark Councils may share one framework agreement). The Office of Government Commerce guidelines on framework agreements can be found [here](#).

Full Cost Recovery (FCR)

Full cost recovery (often referred to as FCR) means recovering **all the costs** of delivering a service in full. This includes not just the direct costs but also the relevant proportion of all overhead costs. These may include premises and related costs, human resources, governance and strategic development, provision for inflation and depreciation, and regulatory costs.

Gateways

Southwark Council uses **Gateway Reports** when embarking on new procurement processes. A **Gateway 1** report will seek approval for a procurement strategy for particular goods or services. A **Gateway 2** report will ask the Cabinet to approve the award of a contract to particular provider. Where a **Gateway 3** report is presented, this will ask Cabinet to approve an extension or variation of an existing contract.

Health and Wellbeing Board

[Health and Wellbeing Boards](#), like CCGs, came into existence as a result of the [Health and Social Care Act 2012](#). They have influence over commissioning decisions across health, public health, and social care. Health and Wellbeing Boards are responsible for undertaking a **Joint Strategic Needs Assessment** for an area.

Hub and Spoke Model

A **hub and spoke consortium** is also known as a **special purpose vehicle (SPV)** model. This is an arrangement where the consortium is equally and jointly owned by member organisations. Risk is spread across the whole consortium.

Invitation to Tender (ITT):

An Invitation to Tender (often referred to as an ITT) is an invitation to contractors, suppliers or service providers to **bid for the provision of works, goods or services**. This is a formal document which will outline a project, and ask those interested to submit a formal tender.

Joint Commissioning

Joint commissioning describes a situation where two or more organisations act together to co-ordinate the commissioning of services. Joint commissioning is often encouraged via **health and social care policy**, as part of the drive to better integrate health and social care.

Joint Strategic Needs Assessment

A [Joint Strategic Needs Assessment](#), carried out by Health and Wellbeing Boards, is an assessment of current and future health needs of a local area that need to be met by the local authority and CCG. This assessment **informs commissioning** of health, wellbeing and social care services.

Lead Agency Model

This is a consortium model whereby organisations **nominate a lead organisation**, and the others agree to work through this lead organisation. One organisation will lead the development of tender and enter into sub-contract arrangements with the consortium members. Lead agencies usually have a **good track record** of delivering services, along with financial resilience.

Market Position Statement

Market Position Statements are being produced by some local authorities for **adult social care**. They describe the care and support provision available in a local area, how this is likely to change over time and how commissioners may respond to this change. The provision of a Market Provision Statement may inform the voluntary and community sector of **future opportunities** and where new activities and services will be **most needed**.

Southwark Council will be producing a Market Position Statement in **September 2014**. An example of a local authority Market Position Statement (Brent's) can be viewed [here](#).

Mini Competition

A mini competition/mini tender is a **scaled down tender process** which a contracting authority will use when deciding who to award work to as part of a **framework agreement**. Following a mini-competition, the call-off contract must be awarded to the supplier that submits the best tender on the basis of the award criteria specified in the framework agreement. Mini competitions **do not** need to be advertised.

Most Economically Advantageous Tender (MEAT)

Public sector contracts are awarded on either lowest cost criteria (the contracts that costs the least) or on the MEAT criteria, which takes into account more than just cost. Southwark Council defines this as: ‘the tender that will bring the greatest benefit to the Council having taken a number of factors into consideration, including **quality** and **cost**, and may also embrace **sustainability issues**’.

Official Journal of the European Union (OJEU)

Any contract which falls within EU threshold values (and is not exempt) must be advertised for tender by placing a notice in the [OJEU](#).

Open Procedure

An open procedure is a **one-stage tender process**, where any organisation can express an interest and request tender documents. It is open to all qualified bidders, and bids are open to **public scrutiny**.

Outcome-Based Commissioning

Outcome-based commissioning is commissioning that starts with a focus on the desired **outcomes**, rather than starting with what **services** to buy. Services are then procured in line with **agreed outcomes** to make sure that the needs of service users are being met.

Part A Services

Part A services are those which need to be procured in accordance with the processes set down in the [EU Public Procurement Directive](#). These include computer and related services, accounting services, and architectural and consultancy services.

Part B Services

Part B services **do not need** to comply with all of the regulatory requirements. These include health service, education services, and recreational, cultural and sporting services.

Payment by Results (PbR)

Payment by Results (often referred to as PbR) is a system of **outcome-based commissioning**, where financial risk is transferred to the service provider. PbR mechanisms aim to create a **financial incentive** for providers to deliver a good service and ensure good outcomes. Payments will only be made if certain outcomes are achieved, and service providers need to secure money to run the service until outcome payments are triggered. PbR contracts have, to date, been used most extensively in the criminal justice sector.

Personal Budget

A personal budget is an amount of money allocated to social care service users, which they are entitled to use to choose their **care and support**. A service user can manage a personal budget in one of three ways – through a **direct payment**, through a **third party**, or through the **local authority**.

Pooled Budgets

Commissioning partners may bring money together in a separate fund to purchase agreed services, and this is referred to as a **pooled budget**. The [Better Care Fund](#) (coming in 2015) is an example of where funding will be made available through pooled budget arrangements – the government is introducing a **£3.8 billion pooled budget** for health and social care services, which will be shared between the NHS and local authorities. This will result in pooled budgets between **CCGs and local councils**, which will be used to attempt to integrate health and social care.

Pre-Qualification Questionnaire (PQQ)

Pre-Qualification Questionnaires (PQQs) are questionnaires that potential suppliers are required to fill in when bidding for work. These are used in restricted procedures (prior to the tendering stage) to shortlist bidders. The PQQ will ask organisation to answer questions around finances, environmental considerations, equal opportunities, health and safety, and ability to deliver the contract.

Restricted Procedure

This is a two-stage procurement process which is intended to limit the number of suppliers that bid for a contract. Organisations expressing an interest undergo an initial PQQ, and **only those that meet requirements** are invited to tender.

Social Value

Social value is the collective value for a community when a contract is awarded to a particular provider. The [Social Value Act 2012](#), which came into force in January 2013, places a duty on public bodies to **consider social value before procuring services**. The Act asks local authorities to consider how what is procured might improve the economic, social and environmental wellbeing of the area.

Spot Purchasing/Spot Contracting

Spot purchasing (or spot contracting) happens when a service is purchased by or on behalf of (for example, by a local authority) an **individual**. Services are purchased as and when they are needed, and are purchased on an **individual basis for a single user**.

Sub-Contractor

A sub-contractor is an organisation that is **appointed by a prime contractor** to undertake work on its behalf.

TUPE Regulations

TUPE refers to The **Transfer of Undertakings (Protection of Employment) Regulations 1981**. These are rules which protect the **rights of employees** when the organisation or service they work for transfers to a new employee. VCS organisations need to be aware of TUPE considerations if they choose to bid to deliver a service that was previously carried out by another organisation. Changes to TUPE have recently been rolled out (from January 2014) – full guidance can be accessed [here](#).

For more information or clarification on any of these terms, please contact **Rachel Clarkson, Policy Officer** at rachel@casouthwark.org.uk