



Implementing PPN II/20 (Reserved Contracts): A supporting guide for procurement leads

November 2022 (v1.10)

What is 'PPN II/20'?

The United Kingdom's exit from the EU means we can exercise additional 'freedoms' in relation to contract spend on goods, services and works contracts with a value below the applicable Contract Regulations thresholds.

[Procurement Policy Note II/20](#) ('Reserving below threshold procurements') is published by the Cabinet Office and sets out information and associated guidance in full on the options available to Contracting Authorities to streamline and simplify procurements under threshold.

Aims and objectives of PPN II/20:

PPN II/20 aims to address the following areas:

- economic inequality
- creation of new businesses, jobs and skills
- increase supply chain resilience
- encourage entrepreneurship
- attract new entrants to the market

Please refer to [PPN II/20](#) and the supporting [guidance document](#) published by the Cabinet Office at all times. Both documents can be found on GOV.UK [here](#).

Important: You must use the 'live' documents available on GOV.UK, rather than previously downloaded versions, to ensure any updates are correctly reflected. (Information in this document shall be superseded by the guidance published on GOV.UK in the event of conflict).

PPN II/20 does NOT alter the individual buying organisation's current procurement processes or systems used and application of PPN II/20 is within the existing approved procedures for each buying organisation.

Note: Local lower thresholds (link to TfL SharePoint only) may apply, as in the case of TfL and GLA procurement.



How to use PPN II/20:

The procurement lead should advise on the most appropriate implementation of the [PPN II/20 guidance](#) within the buying organisation's existing procurement assurance and governance processes and policies.

Specific considerations for the procurement lead have been highlighted below, but the full [PPN II/20 guidance](#) must be referred to at all times (page numbers shown below refer to the [PPN II/20 guidance](#) document).

- Reserving on the basis of SMEs (Small and Medium Enterprises) or VCSEs (Voluntary, Community and Social Enterprises) and/or Location (page 2)
- Ensuring 'value for money' in the decision to reserve the contract opportunity and documenting this (page 3)
- Identifying and managing risk (page 4)
- Contract terms: The T&Cs used should not be burdensome and be relevant and proportionate to the value and risk of the procurement (page 5)
- Developing KPI's and data reporting (page 6)
- A competitive tender is conducted (page 10)
- State how the contract is to be reserved via the procurement notice as per the PPN II/20 guidance, publishing transparency notices on [Contracts Finder](#) (page 7)

It is recommended that buying organisations identify their intention to reserve a procurement by supplier type and/or location within the Opportunity Notice. There are a number of fields in which to do this.

For example:

Description:

"Note this is a Reserved Contract"

More Information:

"This contract is reserved for [insert SMEs/VCSEs if reserving by supplier type] based in [insert UK or county if reserving by supplier location]."

How to apply:

"Please indicate the [supplier type/location] for the delivery of these [goods/services/works]."

- Highlighting that the opportunity is reserved for SMEs/VCSEs and/or by supplier location as early as possible will ensure greater interest from SMEs/VCSEs – this may be in the Title (for example, 'Reserved for xxx') or an introductory paragraph prior to document download (for example, 'This



contract is reserved for xxx, further information including supplier readiness support¹ is within the specification') to encourage greater interest

- When opting to reserve a procurement for suppliers located in a specific location, buying organisations should record the rationale/approval of their decision and keep with other procurement documentation. A sample template is provided within the [PPN II/20 guidance](#) document at Annex A: Reserving by Supplier Location Template (page 8)
- Supplier due diligence checks should be undertaken as normal (page 6)
- Thresholds as referenced in the PPN are inclusive of VAT. Note: [Local lower thresholds](#) (link to TfL SharePoint only) may apply, as in the case of TfL/GLA
- Other points such as identifying and managing risks, using model contracts, developing KPIs and data reporting, as well as FAQ are also covered within the [PPN II/20 guidance](#) document and should be reviewed and applied as appropriate

Ensuring value for money

Ensuring value for money is a fundamental principle of managing public money. It requires cost and quality to be balanced and this can be achieved by securing the best mix of quality and effectiveness for the least outlay over the period of use of the goods, works or services bought. It is not about minimising upfront prices; value for money is about securing the best whole life cost, demonstrated throughout the contract and beyond. Competition may be achieved through obtaining written quotes or through a full tender process, in line with existing procurement policies and procedures.

The considerations set out below should be documented, alongside the requirements to openly demonstrate value for money.

Buying organisations must keep appropriate records of all their procurement and commercial decisions, in line with relevant organisational document and record retention policies. Records may be checked by management, governance and assurance teams and/or buying organisations internal and external auditors.

Important: Buying organisations must not make a 'direct award' or use a framework agreement when reserving contract opportunities under PPN II/20.

You must document the rationale for decisions, paying particular attention to the need to ensure value for money will be achieved by explaining:

¹ Where relevant



- how a competitive process will be followed (through obtaining written quotes or through a full tender process, for example)
- how and why the reservation of the opportunity to SMEs/suppliers located in a specific location will achieve value for money, for example because to do so:
 - will stimulate increased competition in the market for the services/works/supplies concerned
 - affords access to a greater range of particularly specialist/niche services/works/supplies concerned that would not be possible otherwise

Note: Whilst not referenced in PPN II/20 directly, Utilities Contract Regulations and Concession Contract Regulations are not necessarily excluded from PPN II/20 but different [threshold values apply](#) (link to TfL SharePoint only).

Important: In all cases, specific legal advice should be sought by the procurement lead from the Commercial Law team as appropriate.

For [functional bodies of the Greater London Authority Group](#), further advice and guidance about PPNII/20, is available from the GLA Group Responsible Procurement team by emailing: ResponsibleProcurement@tfl.gov.uk.

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