



**Your guide  
to procurement  
fundamentals**

## What is procurement?

Procurement involves acquiring goods, services, or works externally. It includes several steps such as identifying needs, selecting suppliers, negotiating contracts, and ensuring proper delivery and payment. The primary goal is to acquire resources in the most cost-effective and efficient way possible.

## Why procurement is essential to business success?

1. **Cost management** - Choosing the right suppliers and negotiating favourable terms can significantly reduce costs, positively impacting the bottom line.
2. **Operational efficiency** - Well-planned procurement processes prevent delays and optimise resource allocation.
3. **Supplier relationships** - Strong, long-term partnerships with suppliers ensure better quality, innovation, and reliability in the supply chain.
4. **Risk management** - Effective strategies help mitigate risks related to supply chain disruptions, compliance, or market changes.
5. **Strategic role** - Procurement now contributes to long-term goals such as sustainability, innovation, and gaining a competitive edge.

By focusing on these areas, procurement adds tremendous value and ensures long-term organisational success.

## Procurement vs purchasing

Procurement and purchasing are closely related but distinct. Think of procurement as the long-term strategy and purchasing as the day-to-day implementation.

Procurement	Purchasing
Procurement is strategic. It prioritises planning, analysis, long-term supplier management, and mitigating supply chain risks, such as market disruptions.	Purchasing is tactical. It handles the day-to-day buying process, focusing on placing orders, receiving goods, and ensuring orders meet immediate needs.

## Key stages of procurement

The **CIPS Procurement and Supply Cycle**, also known as the “procurement wheel,” breaks the process into 13 clear steps:

- 1 Define requirements and create specifications.
- 2 Analyse the market and decide whether to make or buy.
- 3 Develop a strategy and procurement plan.
- 4 Conduct pre-procurement market engagement.
- 5 Prepare documentation (e.g., pre-qualification questionnaires).
- 6 Select suppliers to participate in tenders.
- 7 Issue tender documents.
- 8 Evaluate bids and validate results.
- 9 Award contracts and implement agreements.
- 10 Handle warehousing, logistics, and receipt of goods.
- 11 Monitor contract performance and drive improvements.
- 12 Manage supplier relationships effectively.
- 13 Oversee asset management.

## What skills do procurement professionals need?

Procurement is a dynamic career requiring a blend of analytical, communication, and strategic skills. Procurement professionals play a vital role in managing supplier relationships, negotiating contracts, and ensuring efficient supply chains.

Here are the essential skills for success:

- 1 Analytical thinking:** Examine data to make well-informed decisions.
- 2 Communication:** Work effectively with suppliers, stakeholders, and colleagues.
- 3 Project management:** Handle procurement projects end-to-end.
- 4 Financial know-how:** Understand budgets, cost savings, and financial principles.
- 5 Supplier management:** Maintain strong supplier relationships.
- 6 Strategic thinking:** Develop procurement strategies aligning with organisational goals.
- 7 Problem-solving:** Tackle procurement challenges swiftly.
- 8 Negotiation:** Achieve the best terms and value from suppliers.
- 9 Attention to detail:** Ensure contracts and documentation are accurate.
- 10 Ethics:** Adhere to ethical and sustainable sourcing practices.



## Procurement in the public sector

The UK government spends approximately £300 billion annually on public procurement, constituting nearly 45% of GDP. Public sector procurement involves spending across central and local government, the NHS, education, housing, emergency services, and more. Taxpayers, service users, and businesses fund public sector spending.

## Key principles for public sector procurement

Transparency	Fairness	Value for money
<p>The process must be open and accessible to maintain public trust.</p>	<p>Treating all suppliers equally ensures a competitive and ethical approach.</p>	<p>Efficiently using taxpayer funds to achieve optimal outcomes.</p>

Public sector procurement teams must act with integrity and be accountable for their decisions, ensuring responsible fund management through rigorous scrutiny and reporting.



## Regulatory framework

Public procurement has traditionally adhered to EU-based rules prioritising transparency and fairness. Following Brexit, for England, Wales and Northern Ireland the **Procurement Act 2023** and **Procurement Regulations 2024** have established a more adaptable framework designed to enhance commercial outcomes and provide greater transparency.

Scottish customers continue to be governed by the Public Contract (Scotland) Regulations 2015.

Despite the existence of two regulatory regimes, there is cross-border recognition of frameworks and dynamic markets.





For both North and South of the border the rules apply with additional guidelines for contracts below thresholds. These thresholds align with the WTO Government Procurement Agreement (GPA) and are updated every two years.

Key thresholds for public procurement as of now are:

Category	Threshold (including VAT)
Central government bodies	£135,018
Other contracting authorities - Supplies & services	£207,720
Supplies & services (higher threshold)	£415,440
Defence and security contracts	£415,440
Works contracts	£5,193,000
Light touch regime services	£663,540

## Procurement Act 2023 objectives

The Act outlines core objectives for public procurement:

 Deliver value for money by efficiently using public funds.	 Maximise public benefit, focusing on achieving positive societal outcomes.	 Ensure transparency throughout the procurement lifecycle.	 Promote integrity and ethical conduct in all processes.
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Organisations should treat suppliers equally unless there is a justified reason for different treatment. The Act also emphasises supporting SMEs and creating equal opportunities for suppliers.

## Transparency and digital innovation

The Procurement Act 2023 provides public sector buyers with increased flexibility in the procurement of goods, works, and services. This allows procedures to be designed for enhanced engagement with potential suppliers and replaces transactional 'arms-length' tendering procedures with more dialogue and effective communication.

The Central Digital Platform (CDP) ensures accountability in public procurement. From planning to contract performance, notices are published for scrutiny, enabling buyers, suppliers, and the public to understand procurement decisions. These include:

Pipeline and tender notices	Contract award and performance notices	Contract change or termination notices
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# Frameworks, Dynamic Purchasing Systems and Dynamic Markets

Framework agreements, Dynamic Purchasing Systems (DPS), and Dynamic Markets (DM) streamline public procurement. They allow access to pre-qualified suppliers, reducing both the time and resources needed to award contracts.

Procurement frameworks play a critical role in structuring contracts for goods, works, and services. Let's break down the key types to make them clear and accessible.

Closed frameworks	Open frameworks
<ul style="list-style-type: none"> <li>• <b>Duration:</b> Typically awarded for up to four years unless there's a justified need for a longer term.</li> <li>• <b>Structure:</b> Divided into categories known as 'lots', each with a specified number (or sometimes unlimited) of suppliers.</li> <li>• <b>Process:</b> <ul style="list-style-type: none"> <li>• Contracts can be initiated ('called-off') by either direct award to a supplier (subject to specific rules) or through competitive tendering with all suppliers within a lot.</li> <li>• Once the framework is created, no new suppliers can join until it is re-procured.</li> </ul> </li> <li>• <b>Purpose:</b> Provides a fixed set of suppliers and terms for a defined period of time.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Introduction:</b> Introduced by the Procurement Act 2023.</li> <li>• <b>Duration:</b> Can last up to eight years.</li> <li>• <b>Flexibility:</b> <ul style="list-style-type: none"> <li>• Open frameworks allow additional suppliers to join at designated intervals during the term.</li> <li>• Suited to dynamic markets where new suppliers regularly emerge.</li> </ul> </li> <li>• <b>Advantages:</b> Flexible and adaptable to market changes, providing ongoing opportunities to innovate and engage new suppliers.</li> </ul>

Dynamic systems like DPS and DM are more flexible, allowing new suppliers to join anytime, fostering innovation and competition.

DPS (Dynamic Purchasing Systems)	Dynamic Markets (DMs)
<ul style="list-style-type: none"><li>• <b>Legacy status:</b> Originally established under the Public Contracts Regulations 2015. No new DPS agreements can be created under the Procurement Act 2023, but existing ones remain valid until they expire (all must end by 23 February 2029).</li><li>• <b>Features:</b><ul style="list-style-type: none"><li>• Always open for new supplier applications, with no limits on the number of suppliers.</li><li>• All contracts are awarded via competitive exercises, as direct awards are not permitted.</li><li>• Lower entry requirements for suppliers compared to traditional frameworks, with detailed selection criteria applied at the competition stage.</li></ul></li><li>• <b>Usage:</b> A more open and flexible approach to procurement compared to traditional frameworks.</li></ul>	<ul style="list-style-type: none"><li>• <b>Introduction:</b> A new concept under the Procurement Act 2023.</li><li>• <b>Key attributes:</b><ul style="list-style-type: none"><li>• Operate similarly to the DPS but with enhanced transparency requirements.</li><li>• Include a suitability assessment stage, which makes them unsuitable for below-threshold procurements.</li></ul></li><li>• <b>Purpose:</b> Provide an agile, transparent system to address evolving market needs.</li></ul>

## Understanding social value in procurement

Social value in procurement goes beyond the core purpose of the contract to benefit the wider community, economy, and environment. It focuses on the overall impact of purchasing decisions on well-being.

## Legislative framework

Under the Public Services (Social Value) Act 2012, public authorities are required to consider how contracts can enhance the economic, social, and environmental well-being of an area.

## Examples of promoting social value:

- **Supporting employment:** Offering apprenticeships or hiring from local communities.
- **Empowering local businesses:** Directing subcontracting opportunities to small and medium-sized enterprises (SMEs) in the area.
- **Community engagement:**
  - Hosting career talks in schools or community centres.
  - Participating in community improvement projects, like planting gardens or refurbishing public spaces.
- **Sustainability efforts:** Offering eco-friendly alternatives, focusing on recycling, waste reduction, and minimising packaging.
- **Social value rebates:** Providing financial rebates to customers based on the level of expenditure while ensuring social impact.

By actively integrating these approaches, procurement professionals can align purchasing strategies with broader societal priorities, ensuring meaningful outcomes beyond simply fulfilling contractual obligations.





## Put procurement fundamentals into practice

You've explored the essential principles, strategies, and frameworks that shape effective procurement. Now it's time to turn insight into impact.

Whether you're navigating public sector regulations, embedding social value, or building resilient supply chains PfH's team is here to support your journey.

Let's work together to deliver smarter, more sustainable procurement. Contact us today to access expert guidance, tailored frameworks, and innovative solutions that drive real results.

## Get in touch!



[01925 282 398](tel:01925282398)



[info@pfh.co.uk](mailto:info@pfh.co.uk)



[www.pfh.co.uk](http://www.pfh.co.uk)