

# Introduction to Procurement

## Overview

- [What is procurement?](#)
- [Purchasing and the public sector](#)
- [Purchasing and procurement regulations](#)
- [Public sector values and objectives](#)
- [The procurement process](#)
- [Further information](#)

Voluntary sector organisations are increasingly seeking to diversify their income sources by incorporating strategies and techniques to achieve a sustainable funding base. Delivering goods or services under the terms of a contract is one of many options that can be considered to generate income.

The majority of voluntary sector organisations that deliver contracts do so for the public sector. This information sheet is intended to provide a brief overview of procurement within the public sector.

## What is procurement?

Each year, the public sector buys a vast amount of goods and services from external sources. This may include basic supplies to specialist services

or paying contractors to provide services to customers on its behalf. The process of sourcing and purchasing these goods and services is known as procurement.

Procurement is defined as the purchase of goods and services from a third party under legally binding contractual terms where all the conditions necessary to form a contract have been met. Procurement is also concerned with the processes and systems for managing the acquisition of goods and services from start to finish.

## Purchasing and the public sector

Procurement is an evolving process within the public sector. In recent years good practice measures have been developed to engage the voluntary sector in public service delivery as it has become increasingly recognised that voluntary sector organisations are key stakeholders in the delivery of public services. These developments have offered a variety of opportunities including the delivery of services such as:

- Community transport
- Respite or day care services
- Health treatment or therapies

- Recycling

With public sector procurement also being concerned with the effective use of financial resources as well as working and collaborating with others, voluntary sector organisations must be able to demonstrate their added value when tendering for contracts.

## Purchasing and procurement regulations

As purchasing within the public sector is concerned with the spending of taxpayers' money, procurement processes are subject to strict controls. There are both UK and European laws that define how the sector must operate with everything being subject to audit and scrutiny.

Purchasing must be done in a fair, open and transparent way so that nobody is unfairly excluded from the process. The public sector must also demonstrate at all times that anything it buys is of benefit to the public and that it provides the best value for money.

There is however a variation in the approach to procurement across the public sector. With the need for public sector organisations to be flexible according to their own circumstances, there is no single or standard approach to purchasing.

Many public sector organisations have developed their own procedures, standards and protocols within the legislative framework, and it is important that voluntary sector organisations considering public service delivery become familiar with and engage with the relevant public sector organisation from the outset.

## Public sector values and objectives

Below is an overview of the core values and objectives associated with public sector procurement.

Understanding these drivers may assist voluntary sector organisations in improving their chance of success in tendering for public sector contracts.

**Value for money** – This does not always mean at the lowest price. For example an organisation may demonstrate cost savings elsewhere or be able to create improvements such as equality of opportunity or a focus on community and individual needs.

**Sustainability** – Services bought by the public sector must be sustainable. Public sector organisations must be confident in an organisation's ability to develop, resource and deliver the service over the whole life of the contract. Organisations must demonstrate how they could change and adapt services to meet changing demands, needs and legislative requirements.

**Community benefit** – The public sector is increasingly becoming concerned with the social, economic and environmental benefits that result from the provision of their services. The voluntary sector is well placed to assist the public sector in achieving their targets of improving the quality of life for all.

## The procurement process

Even though there is variation in the approach to procurement across the public sector, the process below is typically followed when a decision has been made to put the supply of goods or services out to competitive tender.



## Introduction to Tendering

You can find out more about finding tendering opportunities on the 'Introduction to Tendering' information sheet

### **1. Defining the procurement strategy**

The purchaser defines its aims, decides what is needed, prepares the business case and then decides how the procurement exercise will be carried out. This will take account of market conditions, legislation and public sector policy.

### **2. Inviting tenders**

Suppliers are invited to put in an offer, or tender. This is usually in the form of an advert or tender notice. In some cases suppliers have to pre-qualify before being invited to tender. They do this by answering a questionnaire (PQQ) or supplying information about their financial status, previous experience, references etc.

### **3. Evaluating tenders**

Tenders are evaluated against set criteria. This process may also involve a period of time to clarify the tender.

### **4. Awarding the contract**

The purchaser then awards the contract to the supplier whose bid best represents value for money or best meets the contract criteria.

### **5. Managing how the contract is put in place**

Everyone involved works together to put operations in place for the forthcoming contract.

## **6. Managing the contract**

The supplier and purchaser manage the contract where the supplier's performance is checked and monitored.

## **7. Review and testing**

The need for the contract will be reviewed regularly and after a set period of time the contract may be advertised again.

# Code of Practice for Funding the Third Sector

The Code of Practice for Funding the Third Sector is part of the Third Sector Scheme, which outlines the relationship between Welsh Government and the voluntary sector in Wales. Work to update the Code took place in 2024, with the new version published in 2025. At the time of writing, it applies to how Welsh Government, and Local Authorities and Health Boards delivering Welsh Government funding, fund the voluntary sector. It is hoped that all Local Authority and Health Board funding in Wales will come under the Code in time.

The Code has five key principles which should be applied to grant schemes and contracts:

- Early and continuous dialogue
- Flexibility
- Equity
- Appropriate funding mechanism
- Valuing and outcomes

The Code can be used as a way for you to raise concerns with statutory grant-makers and commissioners to ensure that you have the best opportunity to deliver successfully.

## Further Information

### **Legalities**

[CC37: Charities and Public Service Delivery – The Charity Commission](#)

CC37 Charities and public service delivery, produced by the Charity Commission, sets out the considerations for charities when entering into a contract.

### **VAT for Charities**

[HMRC – Queries on the tax implications should be directed to HM Revenue and Customs](#)

0845 302 0203