

Appendix 2 Procedure for contract with Teckal Companies

Where the Council does not have an existing contract in place with its teckal company for the provision of goods, services, works or concessions it must comply with this appendix in granting any new contract to the teckal company.

In addition to these rules all contracts must be awarded in line with the other rules within the constitution such as Financial Rules and rules concerning decision making.

Legal Compliance:

When we refer to a teckal company we mean a company that the Council owns which it can directly award a contract to without being in breach of procurement law, due to the company meeting the Teckal criteria.

To fall within the teckal exemption the council's wholly owned company must undertake a minimum of 80% of its business for the Council.

Meeting the Teckal criteria does not mean that it is lawful to award the contract, and therefore before granting and entering in to any new contract officers must demonstrate and record in writing that:

- All other relevant aspects of the Council's constitution have been complied with – for example the Financial Rules
- the Council is meeting all its other legal obligations and responsibilities (not just procurement law), including but not limited to
 - Best Value Duty
 - Equalities Duty
 - Construction Design and Management
 - Health and safety
 - Subsidy control
 - Competition law

Contracts to be awarded should not be artificially disaggregated to avoid compliance with these requirements.

Value (including VAT)	Contract requirements
Below £30,000	All proposed contracts must have a detailed specification. A quote should have been sought and confirmed for the provision of the works in accordance with the specification before contracts are entered into
above £30,000 up to or	All proposed contracts must have a detailed

equal to £150,000 (goods and Services)	specification. A quote should have been sought and confirmed for the provision of the works in accordance with the specification before contracts are entered into. The commissioning officer should be aware of the market price and conditions for such services. This can be shown by market quotes for the work (which may not be practical to obtain) or benchmarking information verified on a regular basis and retained for audit purposes.
£150,000 to £1m	All proposed contracts must have a detailed specification. For audit purposes, the justification that the contract is subsidy compliant must be documented, with an assessment having been carried out to show the contract is being let in line with market conditions. This can be shown by: (i) benchmarking the contractual terms and price being proposed against similar contractual offers made by third party contractors; and/or (ii) using the services of independent advisers commissioned by the Council such as an external QS to assess the commercial price or price range for the contract before the contract is let.
£1m and over	The use of external QS services is mandated. All proposed contracts must have a detailed specification. For audit purposes, the justification that the contract is subsidy compliant must be documented, with an assessment having been carried out to show the contract is being let in line with market conditions. This can be shown by: (i) benchmarking the contractual terms and price being proposed against similar contractual offers made by third party contractors; and/or (ii) using the services of independent advisers commissioned by the Council such as an external QS to

	assess the commercial price or price range for the contract before the contract is let. A formal tender evaluation process should be followed with a Cabinet report written to support the decision to award the contract. This will be a key decision.
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