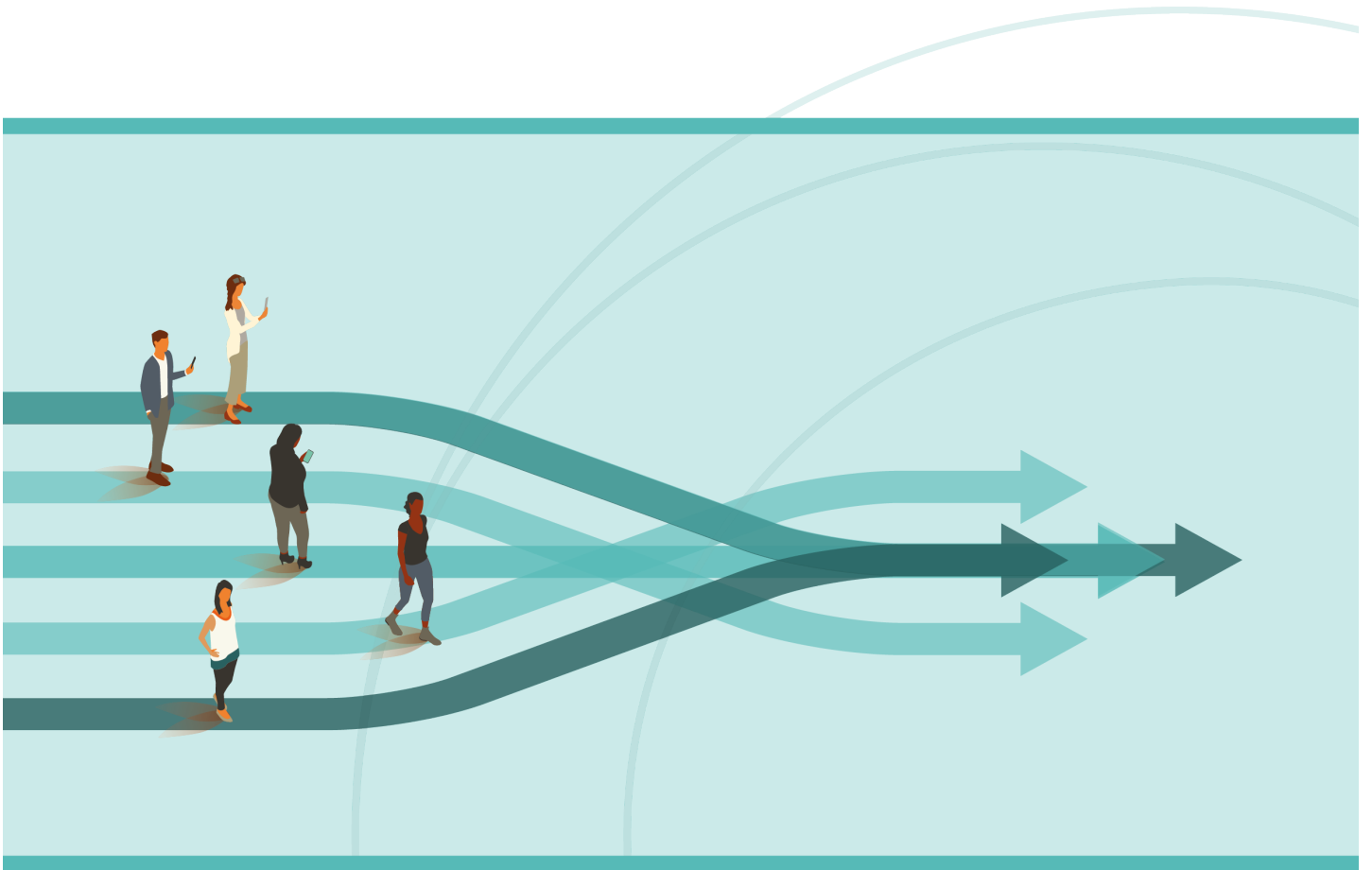




Guidance: Thresholds



Guidance on Thresholds

What are thresholds?

1. The majority of the provisions in the Procurement Act 2023 (Act) only apply to a public contract (as defined in section 3). A contract is only a public contract where it is not exempted (as set out in Schedule 2) and has an estimated value (including VAT)¹ of not less than the threshold amounts set out in Schedule 1. These thresholds are therefore critical in ensuring that contracting authorities understand when they need to comply with the standard provisions in the Act.
2. Certain contracts less than the threshold amounts in Schedule 1 are subject to the below-threshold provisions in Part 6. For further information, please see the guidance on below-threshold contracts.

What is the legal framework that governs thresholds?

3. The applicable thresholds are set out in Schedule 1 and can be grouped into three main categories:
 - a. those aligned to international agreements;
 - b. defence and security contracts; and
 - c. light touch contracts.
4. As explained in more detail at paragraph 9 below, the thresholds in the Act have since been updated to align with the UK's international obligations on public procurement. The revised thresholds were set out in Procurement Policy Note 11/23 and are replicated below. The Act will be updated when it comes into force to ensure that the revised thresholds are reflected.

Key points and policy intent

International agreements

5. The UK has a duty to give access to its public procurement markets to suppliers from states which it has a relevant trade agreement with.² These trade agreements are listed in Schedule 9 of the Act.
6. The UK's thresholds in its relevant trade agreements either align with or are higher than the thresholds in the UK schedules to the WTO Government Procurement Agreement

¹ Section 123 of the Act, 'Interpretation', explains that a reference to an amount payable or paid, receivable or received, or to be paid or received, under a contract includes a reference to any amount referable to VAT (the terms receivable and received are used to reflect the different way in which concession contracts are valued).

² This duty is only to the extent of the terms agreed within the trade agreement.

(GPA). Accordingly, the UK remains compliant with its international obligations by aligning relevant thresholds in the Act to the UK GPA thresholds.

7. The UK GPA thresholds are in Special Drawing Rights (SDRs). Every two years, the UK is obliged to provide the GPA with the sterling equivalent of its SDR thresholds. The revised threshold then takes effect from 1 January of every even year. This is to adjust for currency fluctuations.
8. To ensure the Act remains aligned to the sterling UK GPA thresholds, Schedule 1 contains a power for an appropriate authority (a Minister of the Crown, the Welsh Ministers or a Northern Ireland department) to update relevant thresholds in the Act by statutory instrument. A Procurement Policy Note is issued every two years to confirm the new sterling thresholds.
9. The thresholds listed in rows 4, 6 and 9 to 12 in Schedule 1, paragraph 1(1) correspond to the UK GPA sterling thresholds for the period 1 January 2022 to 31 December 2023. These thresholds were in place when the Act received Royal Assent on 26 October 2023. These thresholds will be updated when the Act comes into force to remain aligned with the GPA thresholds which were updated on 1 January 2024. For reference the updated thresholds are set out in the table below:

Type of contract	Thresholds (including VAT): 1 January 2024 to 31 December 2025
Utility works contract	£5,372,609
Utility contract that is not a works contract, a defence and security contract or a light touch contract	£429,809
Concession works and services contract	£5,372,609
Works contract	£5,372,609
Contract for the supply of goods or services (which may be mixed contracts that contain some works elements) to a central government authority not within any other row	£139,688
Contract for the supply of goods or services (which may be mixed contracts that contain some works elements) to a sub-central government authority not within any other row	£214,904

Defence and security contracts

10. It has been standard practice to update the defence and security thresholds to keep pace with the GPA thresholds (although there is no international obligation to do so). These thresholds will be updated when the Act comes into force to remain aligned with the GPA thresholds. The updated thresholds are set out in the table below:

Type of contract	Thresholds (including VAT): 1 January 2024 to 31 December 2025
Defence and security contract that is a works contract	£5,372,609
Defence and security contract that is a concession contract	£5,372,609
Defence and security contract that is not a works contract, a concession contract or a light touch contract (i.e. goods and services)	£429,809

Light touch contracts

11. Schedule 1 provides a power to update the thresholds for light touch contracts. These thresholds are not determined by the GPA and as such are not subject to change every two years.

12. Schedule 1 does, however, allow the light touch contracts' thresholds to be updated for different purposes, for example to allow for inflation or reflect changing priorities for this category of contract.

13. Where a light touch contract is also a concession contract, the higher threshold used for concession contracts applies. This threshold continues to align with the UK GPA threshold for construction services which is SDR 5,000,000 (currently £5,372,609) and is updated every two years.

Type of contract	Threshold (including VAT)
Light touch utilities contract	£884,720
Light touch concession contract	£5,372,609 (1 January 2024 to 31 December 2025)
All other light touch contracts	£663,540

Definition of terms

14. Schedule 1 defines the following expressions used in Schedule 1 and throughout the Act:

Term	Definition
Central government authority	<p>The Crown and each of the entities (and their successors) listed in columns 1 or 2 of the Table in Schedule 2 to the Procurement Regulations 2024.</p> <p>(Schedule 1 contains a regulation making power permitting an appropriate authority to list those contracting authorities that are “central government authorities”.)</p>
Complete work	A functioning structure that results from the carrying out of works.
GPA	The Agreement on Government Procurement signed at Marrakesh on 15 April 1994, as amended from time to time.
Sub-central government authority	A contracting authority which is neither (i) a central government authority, nor (ii) a private utility or a public undertaking.
Works	<p>The activities which fall within the CPV codes listed in Schedule 3 to the Procurement Regulations 2024.</p> <p>(Schedule 1 contains a regulation making power permitting an appropriate authority to list those categories of activity that are to count as “works” for the purposes of defining a “works contract”.)</p>
Works contract	A contract whose main purpose is either (i) the carrying out of “works” (see definition below) under that contract (whether or not resulting in a complete work), or (ii) to facilitate the carrying out of works under a separate arrangement, where those works are intended to result in a complete work that complies with specifications set out in that contract.

What other guidance is of particular relevance to this topic area?

Guidance on covered procurement

Guidance on exempted contracts

Where can I go for more information or training?

PPN 11/23: New Thresholds

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