

By: Head of Democratic Services
To: Cabinet Scrutiny Committee – 25 October 2006
Subject: KCC PROCUREMENT PROCESS
Classification: Unrestricted

FOR DECISION

- 1 At its meeting on 19 July, the Committee scrutinised the decision to install air-conditioning units in the Leader's office and the Chairman's Dining Room (Minute 22). Part of that consideration touched on the procurement process for the air-conditioning units. The relevant section of the Minute was as follows:-

“(d) Procurement Process

In answer to questions from Mrs Dean, Mr Law, Mr Birkett and Mr Smyth, Mr Carter said that he was very anxious to ensure that the order for the supply and installation of the air conditioning units gave the County Council the best value for money. The Property Group had obtained a quote from one company on the Council's Framework Agreement (although, at the time, he had thought that this was the best of a number of quotes). Mr Carter felt that this quote was rather expensive and suggested that another company, which his business had used in the past, should be invited to quote, having first checked with the Director of Property that this was permissible under the Council's procurement rules. The second company's quote was much lower than the original quote and so the order was placed with that company. However, in order to meet the requirements of the Council's procurement rules about using contractors only from the Framework Agreement, they had had to be appointed as sub-contractors to a contractor already in the Agreement. Mr Carter had been assured by officers that the process had complied fully with the Council's procurement rules.

Mr Carter went on to say that he had considerable concerns about the existing procurement rules and this was why one of the Towards 2010 priorities was that they should be reviewed. He was opposed to Framework Agreements because they limited competition. The County Council needed procurement processes which were open, transparent and delivered the best value for money, although he recognised that widening the supply chain required a higher level of contract management. He said that, when he had been Cabinet Member for Education,

he had opened up the market so that schools could use their local knowledge to invite local contractors to compete for jobs against contractors on KCC's approved list. This had resulted in the County Council saving millions of pounds."

2 Following the meeting, Members raised a number of queries about whether the way in which the air-conditioning units were procured complied fully with the Council's procurement rules. These queries were answered by the Director of Property and the Head of Procurement as follows.

3 The Director of Property responded:-

"KCC's Code of Practice for Tenders and Contracts requires three competitive quotes in most circumstances. Three quotes were sought in this case.

Two of these were from the List of Approved Contractors operated by Property Group. The Code of Practice for Tenders and Contracts requires the use of approved lists for all expenditure over £50,000. (The term "approved list" is the correct one, and is different from "framework providers" who provide consultancy services for a pre-defined term).

Since the procurement fell below £50,000, it was appropriate to seek a quote from [the third firm (ie the one suggested by the Leader)] as a firm not on Property Group's approved list. That list does not have a specific category for air-conditioning works and provides a limited range of suppliers in this field.

The quote from [the third firm] was the lowest of the three, and evaluated as best value.

Property Group's Operational Procedures to comply with the provisions of the Code of Practice (both documents can be seen on K-Net) also say that officers wishing to use a contractor not currently on the approved list may do so, subject to a free vetting service run by Property.

The need for and extent of vetting is carried out in proportion to the size, technical complexity and financial risk to which KCC may be exposed. We checked the basic bona fides of the [third] firm (eg they have a proper business website). The order was placed through our Mechanical and Electrical partner (Commtech) so that they could project manage the installation on our behalf. This was appropriate since Commtech will have ongoing responsibility for running and maintaining the installations, as they have with all other M&E equipment in Sessions House (the heating, lighting, lifts etc).

Commtech have guaranteed the works to us, and secured appropriate warranties from [the third firm]. [The third firm] were not paid until the works had been satisfactorily completed.

In summary, I believe that the procurement procedures followed were both correct and appropriate for these works.”

4 The Head of Procurement responded:-

“The Code of Practice on Contracts and Tenders requires procurements between £8,000 and £50,000, not already covered by existing arrangements, to be awarded after seeking a minimum of three written quotations. It does not go into detail on the quotation process. There is nothing inherently wrong in the practice of additional quotations being sought after the initial ones have been received.”

5 In the light of these responses, Mrs Dean has accepted that the procurement process for the air-conditioning units complied with the Council’s procurement rules. However, she has asked for these responses to be reported to the Committee to see if there is any consensus amongst Members to recommend any tightening up of the rules.

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Background Documents: None