

## Annex 1 - Basis for Proposed Changes to Procurement Thresholds

### 1 Current Thresholds

The current thresholds that determine the procedures that KCC Officers follow when conducting a procurement are the KCC thresholds set by the Council and the Public Contract Regulations 2015 thresholds set by Central Government. The current KCC procurement thresholds are set out below:

| Value (excl. VAT)        | Procedure  |
|--------------------------|--|
| Under £8,000             | A minimum of one written quotation that reflects value for money   |
| £8,000 - £49,999.99      | A minimum of three written quotations that reflect value for money |
| £50,000 – PCR Thresholds | A full competitive tender advertised on the Kent Business Portal   |

### 2 Public Contract Regulations 2015 Thresholds

The Public Contract Regulations 2015 (PCR 2015) govern public procurement in the UK. The regulations have a separate set of thresholds from KCC's own thresholds and any procurements that exceed these thresholds are required to follow a regulated procurement procedure that determines elements such as the way procurements are advertised and evaluated. The current PCR 2015 thresholds are set out below:

| Procurement Type                | Value Threshold (incl. VAT) |
|---------------------------------|-----------------------------|
| Supplies and Services           | £213,477                    |
| Works                           | £5,336,937                  |
| Light Touch Regime for Services | £663,540                    |

### 3 Key Considerations in Determining the New KCC Procurement Thresholds.

- The Bank of England estimates that prices (CPI) have increased by 42% since 2010 when KCC's current thresholds were published. This means our thresholds have become unintentionally stricter over time relative to the price of goods and services in the UK. The new thresholds should reflect the changes in the economy and will account for inflationary pressures.
- Any threshold changes must take account of resource requirements across the Council. This is particularly relevant in the Commercial and Procurement Team where support is provided to other Council teams for conducting procurements depending on the value of the project.
- Quotation processes, both advertised and non-advertised, are less resource intensive than advertised tender processes. Non-advertised quotation processes are the least resource intensive but are less likely to create the same level of competition as advertised processes. In addition to this, due diligence such as financial checks are less likely to be conducted following a non-advertised quotation process.
- Any threshold changes must consider the Council's appetite to increase risk from allowing operational teams more freedom and responsibility to conduct procurement processes with reduced procedures.

#### 4 Review of UK Local Authority Thresholds

In order to develop a greater picture of the application of procurement thresholds, this section summarises research conducted into other UK local authorities including the other Local Authorities in Kent. We focused on Councils in the South of the UK as they are more likely to have similar characteristics to KCC. Annual spending for County and Unitary Council's has also been provided so that we are able to compare the relative size of the Councils to KCC. The research was slightly limited by the availability of information on local authority thresholds via internet sources and from the Central Buying Consortium group.

| <b>Council</b>             | <b>Annual Spending (2020/21)</b> | <b>Thresholds Breakdown</b>   |
|----------------------------|----------------------------------|---|
| Kent County Council        | £2 billion                       | <p><b>Up to £8000</b> - One quote that reflects best value</p> <p><b>£8000 - £49,999.99</b>- Three quotes that reflect best value</p> <p><b>£50,000 – PCR 2015 Threshold</b>- Full advertised tender process advertised on e-sourcing portal.</p>   |
| Medway Council (Unitary)   | Not available                    | <p><b>Up to £5000</b> - One quote</p> <p><b>£5000 - £100,000</b>- Three quotes via an RFQ</p> <p><b>£100,000 – PCR Thresholds</b>- Full advertised tender process using the Council's e-sourcing portal</p>   |
| East Sussex County Council | £729 million                     | <p><b>Up to £24,999</b> - One quote that reflects best value</p> <p><b>£25,000 - £189,329 (PCR threshold for services in 2020)</b>- Minimum two quotes but three preferred, advertised through contracts finder</p> <p><b>Over £189,329</b> - Services must follow PCR compliant route but works can use quotation process up to Works PCR threshold.</p> |
| West Sussex County Council | £1.2 billion                     | <p><b>Up to £5000</b>- One quote that reflects best value</p> <p><b>£5000 - £100,000</b>- Three quotes via an RFQ</p> <p><b>£100,000 – PCR Thresholds</b> - Full advertised tender process using the Council's e-sourcing portal</p>  |
| Oxfordshire County Council | £795.2 million                   | <p><b>Up to £25,000</b>- One quote that reflects best value</p> <p><b>£25,000 - £75,000</b> - Minimum three quotes engaging procurement and legal teams</p> <p><b>£75,000 – PCR Thresholds</b> - Full advertised tender process using the Council's e-sourcing portal</p>   |

|   |                |   |
|---|----------------|---|
| Hertfordshire County Council  | £1.57 billion  | <p><b>Up to £5000-</b> One quote</p> <p><b>£5001 - £10,000-</b> At least two written quotes</p> <p><b>£10,001 - £100,000-</b> At least three written quotes</p> <p><b>£100,001 – PCR Thresholds -</b> Full advertised tender process (at least three tenders)</p>   |
| Central Bedfordshire Council<br><br>(Unitary)                       | £450 million   | <p><b>Up to £2000-</b> One quote that reflects best value</p> <p><b>£2000 - £60,000 -</b> Minimum three quotes engaging the procurement team</p> <p><b>£60,000 – PCR Thresholds -</b> Full advertised tender process</p>  |
| Buckinghamshire Council (Unitary)                                   | £927.5 million | <p><b>Up to £25,000 -</b> One quote</p> <p><b>£25,000 – PCR 2015 (Goods and Services)-</b> At least three written quotes that reflect best value</p> <p><b>£25,000 – PCR 2015 (Works)-</b> At least four written tenders</p>  |
| Hampshire County Council  | £1.85 billion  | <p><b>Up to £1000 -</b> One quote</p> <p><b>£1001 - £177,000 -</b> At least three written quotes</p> <p><b>£177,000 – PCR Thresholds -</b> Full advertised tender process</p>   |
| Suffolk County Council  | £853.6 million | <p><b>Up to £25,000 -</b> One quote that reflects best value</p> <p><b>£25,000 - £50,000 (Goods and Services) -</b> Minimum three, preferably five quotes</p> <p><b>£25,000 - £150,000 (Works) -</b>Minimum three, preferably five quotes</p> <p><b>£50,000 or £150,000 – PCR Thresholds</b> Full advertised tender process</p> |
| Dorset Council (Unitary)  | £710 million   | <p><b>Up to £50,000 -</b> One quote</p> <p><b>£50,000 - £99,999 -</b> Three quotations using e-sourcing portal where possible</p> <p><b>£100,000 – PCR Thresholds -</b> Full competitive tender using e-sourcing portal</p>   |
| West Northamptonshire and North Northamptonshire Councils (Unitary) | No data        | <p><b>Up to £5000 -</b> One quote</p> <p><b>£5000 - £25,000 –</b> Three quotes</p> <p><b>£25,000 - PCR Thresholds-</b> Three quotes via an RFQ</p>  |

| Kent Local Authority                  | Thresholds Breakdown  |
|---------------------------------------|---|
| Sevenoaks District Council            | <p><b>Up to £10,000</b> – One written quote</p> <p><b>£10,000 - £74,999</b> – Three written quotes</p> <p><b>£75,000 – PCR Thresholds-</b> Competitive tender procedure (at least 3)</p>  |
| Swale Borough Council                 | <p><b>Up to £30,000</b> – One written quote</p> <p><b>£30,000 - £120,000</b> – Advertised RFQ</p> <p><b>£120,000 – PCR Thresholds</b> – Competitive tender procedure</p>  |
| Folkestone and Hythe District Council | <p><b>Up to £10,000</b> – Direct award</p> <p><b>£10,000 - £100,000</b> – Three written quotes</p> <p><b>£100,000 – PCR Thresholds</b> – Competitive tender procedure</p>   |
| Tonbridge and Malling Borough Council | <p><b>Up to £5000</b> – One written quote</p> <p><b>£5000 - £100,000</b> – Three written quotes</p> <p><b>£100,000 – PCR Thresholds</b> - Competitive tender procedure (at least 3)</p>   |
| Dartford Borough Council              | <p><b>Up to £500</b> – No formal quotes required</p> <p><b>£500 - £25000</b> – One written quote</p> <p><b>£25,000 - £50,000</b> – Three written quotes</p> <p><b>£50,000 – PCR Thresholds</b> – Competitive tender procedure</p> |
| Canterbury City Council               | <p><b>Up to £25,000</b> – One written quote</p> <p><b>£25,000 - £100,000</b> – Three written quotes</p> <p><b>£100,000 – PCR Thresholds</b> – Competitive tender procedure</p>  |
| Thanet District Council               | <p><b>Up to £10,000</b> – One written quote</p> <p><b>£10,000 - £100,000</b> – Three written quotes</p> <p><b>£100,000 – PCR Thresholds</b> – Competitive tender procedure</p>  |
| Gravesham Borough Council             | <p><b>Up to £25,000</b> – One written quote</p> <p><b>£25,000 – PCR Thresholds</b> - Three written quotes</p>   |
| Ashford Borough Council               | <p><b>Up to £25,000</b> – One written quote</p> <p><b>£25,000 – PCR Thresholds</b> – Three written quotes</p>   |
| Tunbridge Wells Borough Council       | <p><b>Up to £15,000</b> – Two written quotes</p>  |

|                           |  |
|---------------------------|--|
|                           | <p><b>£15,000 - £99,999</b> – Three written quotes</p> <p><b>£100,000 – PCR Thresholds</b> – Competitive tender procedure</p>  |
| Maidstone Borough Council | <p><b>Up to £10,000</b> – One written quote</p> <p><b>£10,000 - £74,999</b> – Three written quotes</p> <p><b>£75,000 – PCR Thresholds</b> - Competitive tender procedure</p> |

## 5 Analysis Findings

From the data above, it can be clearly concluded that KCC's procurement thresholds are stricter than most other local authorities analysed in this review. The majority of local authorities studied allow quotations to be used for procurements of at least £100,000 compared to up to £49,999.99 for KCC; although, practice differs as to whether these quotation processes need to be advertised or not. Some local authorities allow the use of a quotation process all the way up to the Public Contract Regulations 2015 thresholds.

The lower threshold requiring only one quote varies significantly amongst local authorities from £1,000 to £30,000 but all have this as an option. KCC appears to be mid-range, although is the only Council using £8,000 as this threshold. We can assume that the Councils who have applied the upper value of £25,000 have done so in line with the national requirement to publish opportunities over £25,000 on contracts finder.

KCC also has the highest annual spend of the Councils in this review. Due to higher spend and stricter thresholds, it would be reasonable to assume that KCC is likely to be using greater resources to conduct its procurement activities than other local authorities. The closest comparison of annual spend can be made between KCC and Hampshire County Council who allow a quotation process to be used up to a value of £177,000 (PCR thresholds for 2022 less VAT). As mentioned earlier, quotation processes are usually much less resource intensive than full advertised tender processes.

## 6 Data Analysis of Current KCC Procurements and Impacts on Resource:

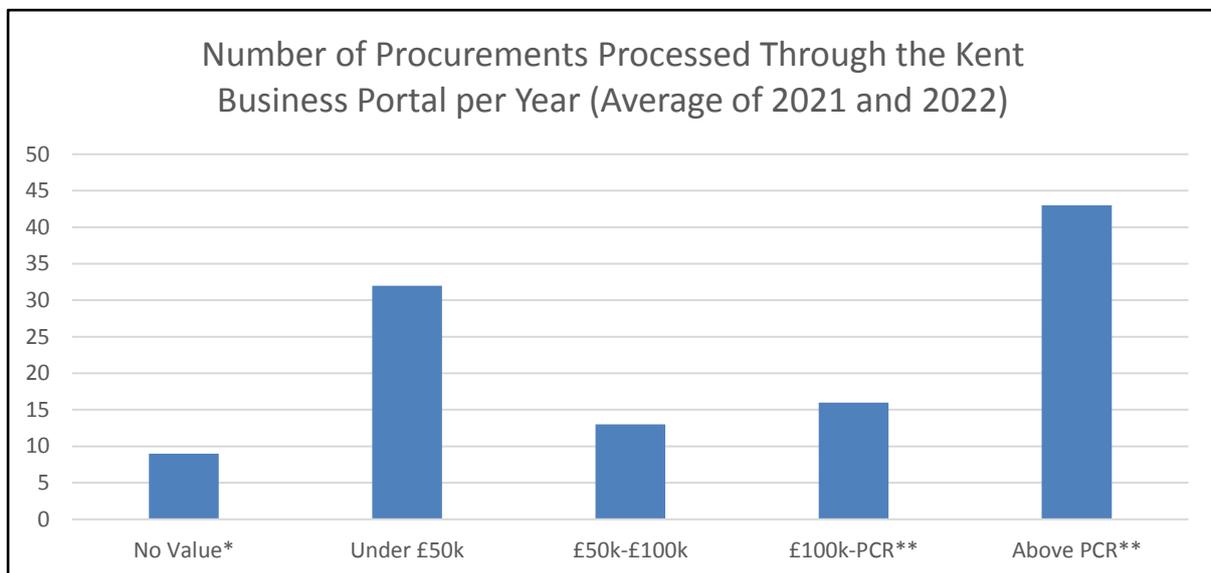
In order to understand how a change in thresholds might impact the number of procurements KCC conducts within each bracket, we have analysed the number of contracts that were let through the Kent Business Portal per year under different value thresholds. The data shows all procurements that have been carried out by Strategic Commissioning. Unfortunately, there are limitations to the usefulness of this data as many procurements that happen across the Council do not go through Strategic Commissioning and therefore are not run through the Kent Business Portal. It is difficult to estimate how many procurement processes this might be and what thresholds they would have been under.

However, with these considerations in mind, we have taken an average of the number of procurements that fell under each threshold in 2021 and 2022. This enables us to estimate the number of procurements that are likely to take place in a normal year for the Council. The data is shown below in table and bar chart form.

| Value Thresholds | Number of Procurements Processed Through the Kent Business Portal per Year (Ave 21/22) |
|------------------|--|
| No Value*        | 9  |
| Under £50k       | 32   |
| £50k-£100k       | 13   |
| £100k-PCR**      | 16   |
| Above PCR**      | 43   |

\*No Value means that the procurement was not given a value on the portal, and we were unable to retrieve the information needed to determine the value.

\*\*PCR is the current Procurement Contracts Regulation threshold



The data shows that if we increased the threshold for conducting a quotation process to £100,000, the number of projects that will require a full advertised tender to be supported by a commissioning team could fall by around thirteen per year. This equates to a reduction of around 10-15% of procurements requiring a full tender. If we increased the threshold to the PCR 2015 threshold for services, the number of projects that will require a full advertised tender to be supported by a commissioning team could fall by around thirty-nine per year. This equates to a reduction of around 35% of procurements requiring a full tender.

Both threshold changes will reduce the pressure on teams across Strategic Commissioning to support lower value tenders and increase the number of quotation processes that can be conducted by operational teams with minimal support. However, there are limitations to this assumption as Officers may still choose to conduct a low value tender where they do not have to due to complex requirements or potential benefits from increasing competition.

In addition to this, these changes are likely to ease pressure on the Indirect Procurement Team as they often support and carry our quotation procedures where Officers approach

them for help. The Commercial Indirect team launched a new £25k process in September 2022 to ensure that all procurement processes over £30k (inc. VAT) have a published Contract Award Notice as required by legislation. Data from this process indicates that the Commercial Team have supported on around 160 Contract Award Notices for purchases of up to £100k or more across the Council since September 2022.

The data supports the argument that increasing the threshold below which Officers can undertake a quotation process is likely to reduce resource strain on Strategic Commissioning allowing focus on higher value complex procurement process. It will also reduce resource used across the organisation on full advertised tender processes for low value and complexity procurements, where a quotation process could be used instead. This will be underpinned by extensive guidance and templates which will assist officers in being able to carry out their roles effectively and ensuring best value.

## 7 Proposed Threshold Change:

The proposed new thresholds are detailed below:

**Up to £25,000** – Minimum of one quote that reflects value for money

**£25,000 – PCR Threshold** – Minimum of three quotes that reflect value for money

**PCR Threshold – £1,000,000** – Full competitive tender advertised through the Kent Business Portal (in line with regulatory procedures where required) excluding Works procurements for which a competitive quotation procedure is authorised up to £1,000,000.

**£1,000,000+** - Full competitive tender advertised through the Kent Business Portal for all procurements (in line with regulatory procedures where required).

Increasing the one quote procedure threshold from £8000 to £25,000 minimises the resource required for the lowest value and complexity sourcing requirements. This will reduce the time spent on low value procurements across the organisation. To reduce risk, the Commissioning Standards team can produce guidance on ensuring quotations are good value for money.

Increasing the three quotes procedure threshold from £50,000 to PCR Threshold more closely reflects the practices of our local authority neighbours and reflects the changes in prices since these thresholds were set in 2010. By allowing quotation procedures up to PCR Threshold we reduce the resource used where the value and complexity of the procurement does not necessarily reflect the cost of the resource required to run a tender process. This will free up current resource in The Commercial Team to focus on more strategic, complex procurements.

Finally, adding an additional threshold for Works procurements, allowing competitive quotation procedures up to £1,000,000 reduces the resource requirement for these procurements in line with the flexibility allowed under the Public Contract Regulations 2015.