



**Executive
15 March 2010**

**Report from the Director of
Business Transformation**

Wards affected:
ALL

**Authority to agree a extension to the Council's existing contracts
for office supplies**

Forward Plan Ref: F&CR-09/10-23

Appendix 1 is not for publication

1.0 Summary

- 1.1 This report requests authority to agree a further three month extension to the Council's existing contracts with Office Depot (UK) Ltd and The Paper Company for the provision of office supplies.
- 1.2 This report details briefly the procedure followed the London Contracts and Supply Group in procuring a framework agreement for the provision of office supplies and explains why a three month extension of existing arrangements is sought.

2.0 Recommendations

- 2.1 The Executive agrees that there are good operational reasons for not tendering contracts for the provision of office supplies and approves a three month extension of existing contracts with Office Depot (UK) Ltd and The Paper Company.

3.0 Background

- 3.1 The Council, as a member of the London Contracts and Supply Group ("LCSG") has since 1st September 2005 purchased office supplies by way of call off contracts from a framework agreement set up by LCSG
- 3.2 The LCSG framework agreement expired on 31 August 2009. Prior to its expiry, the London Borough of Camden ("LBC") on behalf of the LCSG commenced a tendering process for a replacement office supplies framework. On 2 February 2009 it published a Contract Notice in the Official Journal of the European Union ("OJEU") seeking expressions of interests for a new framework agreement. Unfortunately the LBC subsequently withdrew from managing the tendering exercise due to a loss of procurement resources and the London Borough of Havering ("LBH") took over the process on behalf of the LCSG. As it was required to commence the tendering procedure for the framework afresh, the Council was informed by LBH that the LCSG framework agreement would not be in place until 1 April 2010.

- 3.3 Given the LCSG framework expired on 31 August 2009 with a new LCSG framework not available until 1 April 2010, the Council entered into correspondence with the Office of Government Commerce (“OGC”) regarding the use of an OGC Buying Solutions framework which was being established for the provision of office supplies. Officers were originally informed that the framework would commence on 1 September 2009, thus enabling the Council to purchase office supplies under it immediately the LCSG framework expired.
- 3.4 On 24 August the OGC contacted the Council and informed Officers that the OGC Buying Solutions framework would not in fact be available to use from 1 September. The OGC indicated that it had been decided to extend the period in which tenderers could challenge the procurement process until 7 September 2009. No indication was given as to exactly when the framework would commence.
- 3.5 As the OGC framework would not be available for use by the Council on the termination of the LCSG framework on 31 August 2009 and given the very limited notice available to the Council to arrange for the alternative provision of office supplies, Officers did not have time to seek Executive approval and instead sought Chief Executive approval for the exercise of delegated powers in cases of extreme urgency namely, an exemption from the requirements of Standing Order 86(b) (the requirement to seek at least three written quotes for a low value contract) and the award of two month contracts to its pre-existing suppliers, Office Depot UK Ltd and The Paper Company, from 1 September 2009. Chief Executive approval to enter these low value contracts was subsequently given.
- 3.6 On 9 September 2009 the Council was once again contacted and informed by the OGC that after an internal review they had reluctantly decided to withdraw from the award of the framework agreement. Given that the procurement process for the award of the OGC framework had stalled, Officers took steps to try to identify measures to meet the Council’s requirement for office supplies for the period from 1 November 2009 to 31 March 2010. Due to the lack of commercial alternatives and in order to receive continuing services and avoid the risk of operational problems, maverick spending outside a Council-wide contract, additional costs and damage to the council-wide Oracle AEP programme, Officers sought and obtained Chief Executive approval for the exercise of delegated powers in cases of extreme urgency namely, that there were good operational reasons for not tendering contracts for the provision of office supplies and for the extension of its existing office supply contracts for five months, to expire on 31 March 2009. As in the circumstances detailed in paragraph 3.5, there was not sufficient time to obtain Executive approval and for that reason Officers sought Chief Executive approval for the exercise of delegated powers in cases of extreme urgency.
- 3.7 During the five month extension period, LBH have been proceeding with the procurement of a new LCSG framework for office supplies. Officers were informed by Havering that the framework was to be awarded in February 2010, to commence on 1 April 2010. During this period there has also been progress in letting the OGC framework for office supplies and Officers had extensive discussions with the OGC where full details of the framework were provided. Following this meeting, Officers concluded that it was more likely that the LCSG framework would better meet the Council’s needs.

- 3.8 On 25 February however, Officers were advised by Havering that an error had been identified in the evaluation of quality scores for one of the suppliers and as this had been carried into the procurement auction, it meant that the outcome of the auction may not be correct. As a result, Havering indicated that they would be re-opening the auction with the error corrected. Whilst Havering indicated that the re-opened auction is likely to occur on 2 March 2010, it is unlikely that the framework will be let with Officers having sufficient time to check the framework offers best value to the Council prior to the expiry of current contractual arrangements on 31 March 2010.
- 3.9 As detailed in paragraph 3.6, the Council has previously identified that there are a lack of commercial alternatives for the supply of office supplies available to the Council. Whilst the OGC framework has now been let, with a "go live" date of 28 January 2010, suppliers are still working on imputing pricing information on the OGC database and therefore core pricing information is not yet available. Also, the OGC framework would require the Council to run a mini competition to appoint a contractor and it is doubtful whether the Council has sufficient time to do this prior to the expiry of its existing contracts. In addition to issues regarding the OGC framework, there remains the concern that switching suppliers at short notice and for a limited duration (until the re-letting of the LCSG framework) will lead to operational problems in the supply of office stationary. Any operational problems are likely to lead to stockpiling of stationary by Departments and an increased holding of supplies. Changing suppliers may also risk maverick spending outside a Council-wide contract, something that it has taken 3 years to set up. Moving from current arrangements is also likely to lead to additional costs and damage to the council-wide Oracle AEP programme. The Office Depot (UK) Ltd contract in particular is a cornerstone of the Oracle e-Procurement pilot project. Acceleration of this project has been identified as a key contributing factor to hitting the One Council report recommendations. The loss of the contract will severely impact on that project. For these reasons it is considered that a three month extension of the Council's existing contracts with Office Depot (UK) Ltd and The Paper Company to cover the period 1 April 2010 through to 30 June 2010 is appropriate notwithstanding the Legal Implications identified.
- 3.10 Officers have informally discussed the possibility of extending the contract arrangements with Office Depot (UK) Ltd and The Paper Company and in principle they are prepared to extend the existing contracts for three months on existing terms.
- 3.11 Officers consider that extending the existing contract represents value for money. At the time the existing contract was awarded, the contract was considered value for money based on prices offered and service. The situation has not changed since then. Officers therefore recommend that the existing contracts with Office Depot (UK) Ltd and The Paper Company be extended for a further period of three months.

4.0 Financial Implications

- 4.1 The estimated value of the 3 month extension to existing contractual arrangements is £81k based on average monthly spend of £27k on office supplies.
- 4.2 As it is intended that existing terms and pricing will apply to any extended contractual period, there is sufficient budgetary provision for any extension.
- 4.3 Given the original contractual arrangement was procured competitively with a number of other local authorities, it is considered that the Council is more likely to

obtain best value by extending existing arrangements than seeing quotes for a short contract to last until the further LCSG framework is let.

5.0 Legal Implications

- 5.1 The Council's existing contractual arrangements in connection with the provision of office supplies commenced in September 2005 under the former LCSG framework agreement and have already been extended on two separate occasions, initially for a period of two months from 1 September 2009 following the expiry of the LCSG framework and thereafter for a period of 5 months from 1 November 2009 to expire on 31 March 2010.
- 5.2 Each extension of contractual arrangements has been pursuant to Chief Executive approval for the exercise of delegated powers in cases of extreme urgency namely an exemption from Standing Order 86 (b) (the requirement to seek at least three written quotes for low value contracts).
- 5.3 A further extension of existing contractual arrangements with Office Depot (UK) Ltd and The Paper Company is sought for a period of three months. The estimated value of such contracts for Standing Orders purposes means that they are classed as low value contracts. In accordance with Contract Standing Order 84 (a), a further exemption from the requirement to seek at least three written quotes for low value contracts is sought for "good operational and/or financial reasons". Paragraph 3.9 details why Officers consider appropriate grounds exist for this exemption from tendering.
- 5.4 The contractual arrangements for the provision of office supplies are classed as supplies contracts for the purposes of the Public Contract Regulations 2006 ("EU Regulations"). Further information regarding EU Regulations is in Appendix 1.

6.0 Staffing Implications

- 6.1 As the current contract is being delivered by an external contractor, there are no TUPE implications for Council staff.

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