



**Executive  
23 June 2010**

**Report from the Director of  
Business Transformation**

Wards affected:  
ALL

**Authority to Award a contract for Office Supplies**

**1.0 Summary**

- 1.1 This report requests approval to award a contract in the form of a call off contract from a framework agreement established by the London Contracts and Supply Group for office supplies.
- 1.2 This report details briefly the procedure followed leading to the award of the framework agreement and why there has been a decision to call off from the framework agreement.

**2.0 Recommendations**

- 2.1 The Executive approve the award of the contract for office supplies to Office Depot (UK) Ltd for a term of 3 years 9 months commencing on 1 July 2010.

**3.0 Background**

- 3.1 The Council, as a member of the London Contracts and Supply Group ("LCSG") has since 1<sup>st</sup> 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. LBC subsequently withdrew from managing the tendering exercise 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 calling off from the OGC framework that was being established. The OGC subsequently contacted the Council and informed Officers that the OGC Buying Solutions framework would not be available to use from 1 September as originally intended.
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- 3.4 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.
- 3.5 On 9 September 2009 the Council was informed by the OGC that it had 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.
- 3.6 During the five month extension period, LBH proceeded with the procurement of a new LCSG framework for office supplies using an EU compliant procurement process involving advertising the framework in the Official Journal of the European Union. Officers were informed by LBH that the framework was to be awarded in February 2010, to commence on 1 April 2010. Following a review of alternative frameworks available, Officers concluded that the LCSG framework was the most suitable framework to use.
- 3.7 On 25 February 2010, Officers were advised by LBH that an error had been identified in the evaluation of quality scores for one of the suppliers and as a result, LBH indicated that they would be re-opening the auction with the error corrected. Whilst LBH indicated that the re-opened auction was likely to occur on 2 March 2010, it was unlikely that the framework would be let and available for use by expiry of the Council's current contractual arrangements on 31 March 2010.
- 3.8 Given delay in letting the LCSG framework, Officers 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 was appropriate. Officers therefore sought and obtained from the Executive on 15 March 2010 approval to not tender contracts for the provision of office supplies on the basis of good operational reasons and for the extension of its existing office supply contracts for three months to 30<sup>th</sup> June 2010.
- 3.9 Despite the fact that LBH had indicated they were unlikely to be able to let the framework by 1 April 2010, this date was achieved, with LBH appointing a single contractor to each of the 4 different lots under the framework. The Council has subsequently obtained pricing and contractual information from LBH in relation to the various lots. This has confirmed Officer's original views that the LCSG framework is the most suitable framework for the Council to use and offers the Council best value
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for money. In the circumstances Officers recommend the award of a call off contract for the supply of office stationary, office machines and electronic office supplies to the single contractor appointed to the relevant LCSG framework lots, namely Office Depot (UK) Ltd. The call-off contract shall commence on 1 July 2010 and shall terminate on 31 March 2014.

- 3.10 It is proposed that it will be mandatory for all Officers in all service areas who have responsibility for the purchase of office stationary to use the call-off contract. Purchases of office stationary would be through the Oracle AEP system and will assist the Council to closely monitor spending on stationary. The anticipated savings over the duration of this contract are £35 640, based on an annual saving of £9720. This information has been reported on the Strategic Procurement Units savings workstream spreadsheet, which is provided by the Category Manager responsible for the Office Services Category.

#### **4.0 Financial Implications**

- 4.1 The Council's Contract Standing Orders state that contracts for supplies exceeding £500k shall be referred to the Executive for approval of the award of the contract.
- 4.2 The estimated annual value of this call-off contract with Office Depot (UK) Ltd is £276k giving an estimated annual value over the contract term of £1.035 million. The value of the call-off contract is thus over this threshold.
- 4.3 It is anticipated that the cost of this contract will be funded from existing budgets.
- 4.4 In accordance with Contracts Standing Order 86(d)(ii), the Director of Finance and Corporate Resources has given approval to participate in this framework.

#### **5.0 Legal Implications**

- 5.1 LBH has confirmed that the procurement of the LCSG framework has been in accordance with the Public Contracts Regulations 2006 ("EU Regulations") and LBH's own Standing Orders. A restricted procedure was used for the procurement with appointment of a single contractor to the 4 lots under the framework on the basis of the most economically advantageous tender. The procurement of the framework was advertised in the Official Journal of the European Union in May 2009, the Contract Notice indicating that the framework agreement would be available for use by all LCSG members. Following the decision to award, LBH observed a standstill period in accordance with EU Regulations and received no notification of potential challenge to the award. In accordance with the EU Regulations, the LCSG framework agreement is for a term of 4 years commencing on 1 April 2010 and as a member of LCSG, the Council is permitted to call off from the framework agreement at any time during this term.
- 5.2 Officers wish to call off from the LCSG framework a contract for a term of 3 years 9 months from 1 July 2010. The value of the call off contract for the entire term is estimated to be in excess of £500k. As the estimated value of the contract is above the Council's Standing Orders threshold for High Value Supply Contracts (of £500k), the award of the call-off contract is subject to the Council's Standing Orders and Financial Regulations in respect of High Value contracts and Executive approval is required for the award of the contract.
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5.3 In accordance with Contracts Standing Order 86(d)(ii), the Borough Solicitor has confirmed that participation in the LCSG framework agreement is legally permissible.

## **6.0 Diversity Implications**

6.1 It was a requirement of all companies wishing to tender to have a suitable equal opportunities policy in place. Each organisation that submitted a PQQ was required to submit a copy of their relevant policies, and only organisations that provided evidence that they met the selection criteria passed to the next stage. An Equalities Impact Assessment will be carried to highlight any potential issues and the relevant steps will be taken to mitigate against these as appropriate.

## **7.0 Staffing Implications**

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

### **Background Papers**

Report to Executive – 15 March 2010

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