

CABINET

6 July 2010

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

Title: Framework Agreement for the Supply of Office Stationery, Educational Supplies, Bulk and Office Paper, Electronic Office Supplies and Office Equipment	For Decision
Summary: This report asks the Cabinet to approve the procurement of the Council's office stationery requirements over the next four years via a Framework Agreement that commenced on 1 April 2010 for the supply of office stationery and educational supplies, bulk and office paper, electronic office supplies and office equipment established by the London Borough of Havering on behalf of the London Contracts and Supplies Group (LCSG), a body comprising of all London Boroughs and public bodies. The aim of the LCSG is to work in partnership to place joint consortia contracts to obtain the best value for the supply of various goods and services Wards Affected: None	
Recommendation(s) The Cabinet is asked to approve the use of the London Contracts and Supplies Group (LCSG) framework agreement for the procurement of the Council's office stationery and educational supplies, bulk and office paper, electronic office supplies and office equipment for a period of four years.	
Reason(s) In order to accord with statutory obligations and to ensure the Council has a cost effective and value for money contract awarded for the purchase of the aforementioned office products.	
Implications Financial The value of expenditure on office products by the Council with the incumbent supplier Office Depot for the period of June - December 2009 was approximately £250,000. The cost of office products purchased under this contract is met through standard operational revenue budgets of the user areas in accordance with their own budgetary controls. Following the use of an e-auction, it is anticipated that the use of this framework agreement may realise potential revenue savings for each of the lots under the framework as detailed in Appendix A (in the private and confidential part of this agenda). Each of the different lots covers the various product types as detailed in item 2.5	

Legal

The Council has power to enter into contracts for the supply of office stationery and educational supplies, bulk and office paper, electronic office supplies and office equipment under section 1 of the Local Government (Contracts) Act 1997 on the basis that such supplies are properly required for the discharge of the Council's duties.

It is anticipated that the value of the Council's expenditure on office stationery and educational supplies, bulk and office paper, electronic office supplies and office equipment over the four-year period proposed in this report will exceed the EU threshold for supplies contracts (currently £156,442), therefore there is a legal requirement for procurement of these items to be undertaken in compliance with the Public Contracts Regulations 2006 ("the "EU Regulations").

Under EU Regulations, local councils are allowed to establish Framework Agreements with contractors and to award contracts to contractors on the Framework Agreements by way of "call-off", or following a mini-competition held with the Framework contractors.

This report is seeking the Cabinet's approval of a proposal to "call-off" the Council's office supplies requirements over the next four years using a consortium Framework Agreement established by the London Borough of Havering on behalf of the London Contracts and Supplies Group (LCSG), of which the LBBB is a member.

In compliance with the EU Regulations and the London Borough of Havering's Contract Rules, the consortium Framework Agreement was tendered in the EU, using the Restricted Procedure – a two stage procedure whereby all interested parties are invited to express an interest in tendering a contract, but only those meeting the contracting Council's selection criteria are selected to tender.

The successful tenderers were selected on the basis of the most economically advantageous tenders submitted, in accordance with Regulation 30 of the EU Regulations.

The consortium Framework Agreement, with a commencement date of 1 April 2010, was established with two suppliers – Office Depot and Talk Paper. The Agreement is open to use by the Council, as an LCSG member, for the procurement of its stationery supplies and office equipment.

The report states that economies of scale and purchasing leverage will be achieved by procuring via the Framework Agreement.

In deciding whether or not to approve procurement by the Council via the consortium Framework Agreement, the Cabinet, having regard to the Council's fiduciary duty and its duty to deliver Best Value, must satisfy itself that procuring via the Framework Agreement will represent value for money for the Council.

The Legal Partner confirms that there are no legal reasons preventing Councillors from approving the recommendations of this report, provided the Cabinet is satisfied that procuring via the Framework Agreement will represent value for money for the Council.

The Legal Partner should however be consulted in relation to the contractual aspects of the procurement.

Risk Management

Should one of the suppliers to go out of business, in order to comply with regulations the Council would utilise an alternative consortium agreement in the interim period of re-tendering for the appropriate supplies.

Staffing

No specific implications, the existing suppliers have all confirmed that there are no TUPE issues.

Customer Impact

No specific implications.

Safeguarding Children

No specific implications.

Crime and Disorder

No specific implications.

Property / Assets

No specific implications.

Options appraisal

1. Do nothing. In line with the Councils Constitution, national and European law, a formal tender process is required for the aggregated level of expenditure expected for the various products that would be procured and therefore this option is not appropriate.
2. That Barking and Dagenham formally tendered its own contract for the supply of office products. This option would be subject to the time and cost implications of full EU procurement processes and would almost certainly not deliver better value given the economies of scale and purchasing leverage the consortium agreement valued at approximately £14 million per annum is likely to achieve. Furthermore, the use of consortium contracts is encouraged by Central Government and Capital Ambition as a means of reducing purchasing costs whilst achieving better value for money.
3. That departments source their own office products in the wider marketplace. This could create a situation where there would be no guarantee of the continuity of supply, nor a guarantee of quality. Nor would there be any evidence that environmental, sustainable, health and safety, equalities and diversity or COSHH implications had been taken into consideration. This procurement route is unlikely to be cost effective and would also not be compliant with EU public procurement regulations regarding aggregation of spend within the Council.
4. Utilise a formally tendered consortium framework agreement awarded to supplier(s) that will be able to meet all of the requirements of the contract. The framework agreement would establish terms with regard to delivery, pricing and payment methods in order that goods can be ordered and called-off as and when required to an agreed contract price.

5. There is no option to extend existing contracts		
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1. Background

- 1.1 The Council utilised the previous LCSG framework agreement for the purchase of office products. This agreement expired on 1 April 2010 and is used by 30 other London boroughs and Surrey County Council.
- 1.2 The framework agreement is used to establish the terms of a contract for price, specification and quality. Products and supplies would then be called off by the Council as required and delivered and invoiced by the supplier in accordance with the terms of the agreement. There is no obligation to purchase any product or quantity under this arrangement.
- 1.3 In accordance with EU Procurement Regulations the proposed framework agreement will be for a maximum period of four years.

2. Report detail

Tender Process

- 2.1 The framework agreement was tendered in accordance with European Procurement Directive 2004/18/EC. A formal contract notice was published in the Official Journal of the European Union (OJEU) in May 2009 requesting expressions of interest from prospective suppliers.
- 2.2 Following receipt of expressions of interest from 18 companies, all were sent a pre-qualifying questionnaire (PQQ). At this stage no suppliers declined the opportunity to be further involved in the tender by failing to return the PQQ, as a result 18 PQQ's were received.
- 2.3 The PQQ's were scored against pre agreed weighted criteria and included a credit check being carried out using Experion. Those that failed either the PQQ or credit check were not invited to the tender stage. Officers from the London Boroughs of Newham, Southwark, Hillingdon, Richmond, Ealing, Hackney, Wandsworth and Waltham Forest supported Havering in evaluating the PQQ's.
- 2.4 As a result of the PQQ stage, the following six companies were invited to tender for the provision of Office Stationery to the LCSG.
 - Lyreco
 - Office Depot
 - Oyezstraker
 - Talkpaper
 - QC Supplies
 - Dixon and Roe

2.5 The tender was broken in to the following lots:-

Lot 1 – Office Stationery and Educational Supplies

Lot 2 – Office Equipment

Lot 3 – Print Room and Bulk Paper

Lot 4 – Electronic Office Supplies

The reason for breaking the tender into lots was to allow both specialist suppliers of specific commodities and the large stationery suppliers the opportunity to tender, it was also recognised that this approach would create a competitive platform and therefore help to achieve the best value available.

2.6 The tender documentation was agreed by other members of the LCSG. The tender required prospective suppliers to provide responses to six method statements which addressed a variety of quality issues and pricing schedules for each lot. The pricing schedules were based on the most popular (core) items purchased by the LCSG based on the previous contracts.

2.7 Tenders were received from all six companies invited.

2.9 The tenders were evaluated by officers from the London Boroughs of Havering, Newham, Southwark, Hillingdon, Richmond, Ealing, Hackney, Wandsworth and Waltham Forest.

2.9 The pre-determined scoring criteria used for the tender evaluation as set out in the invitation to tender (ITT) was a 70% price / 30% quality split.

3.0 The 'Quality Score' table as detailed in Appendix A shows the quality scores achieved by each supplier from the quality evaluation of the tenders. This score was then weighted into the e-auction process to give a live "true" position of a suppliers ranking during the e-auction process.

3.1 The e-auction was held on the 27 of November 2009 at Mercury House, L B Havering, lasted over two hours and was managed by Trading Partners on behalf of L B Havering and the LCSG. An e-auction is a live on-line auction where Participants bid against each other whilst able to see their position/ranking throughout the process. E-auctions are time restricted but allow extensions until the final bid is placed; this creates a platform that allows suppliers to bid against each other with purpose of achieving the lowest overall price for the contract. During the e-auction for each of the lots, the quality score achieved by each participant was weighted into the bidding process so that suppliers were able to see throughout the process their true position from an overall cost and quality perspective each time a bid was placed. The e-auction attracted over 100 individual supplier bids and was attended by representatives from nine other boroughs.

3.2 Appendix A summarises the outcome of the e-auction. The Appendix also shows the potential savings that may be achieved by the use of the e-auction.

3.3 Based on the outcome of the tender (as detailed in Appendix A) the contract awards and preferred suppliers are as follows:

Lot 1 Office Stationery and Educational Supplies - Office Depot

Lot 2 Office Equipment - Office Depot
Lot 3 Print Room and Bulk Paper – Talk Paper
Lot 4 Electronic Office Supplies - Office Depot

Savings

3. 4 As outlined in the 'Summary' table (in Appendix A), the outcome of the e-auction realised potential projected savings of between 7.2% and 17.71% for each of the lots, although this would vary in line with quantities and products purchased
3. 5 Revenue savings achieved under this contract would be distributed across the many service users and revenue budgets that use the contract.
3. 6 If directed, a careful product management programme undertaken by the Corporate Procurement team would also have the potential to make greater savings by restricting the products available to purchase by staff and officers. For example the use of "own brand" products over more expensive recognised brands and limiting purchases to core items over catalogue items. This initiative would also have the potential to increase the level of environmentally friendly office products purchased by the Council for instance by restricting the purchase of photocopier paper to environmentally friendly paper only. The Corporate Procurement team also work closely with the contractor to limit delivery days into the borough.
3. 7 The terms of the contract have a set rebate agreement within the conditions of the agreement that is not negotiable and applies to annual expenditure. This rebate is in addition and independent to any savings made on the cost of supplies. The rebate generated from purchasing under the LCSG agreement is used for the management of the contract by the Corporate Procurement team. Rebates may be claimed for the following criteria:
 - The rebate for annual turnover offered to each Participating Body is fixed at 4%. The rebate shall be paid annually based on total invoiced spend over the previous twelve months. The first payment shall be calculated using the invoiced spend from 1 April 2010 to 31 March 2011 and shall be payable by the Contractor within 30 days.
 - A rebate of 1% of annual turnover shall apply for those Participating Bodies that request consolidated invoicing from the Contractor. This will either be one monthly consolidated invoice per department or cost centre, or one monthly consolidated invoice for the whole body.
 - A rebate of 1% of turnover shall apply for those Participating Bodies which place orders using a recognised purchasing card.
 - A rebate of 1% of annual turnover shall apply for those Participating Bodies which place orders either online through the contractor's website or using an agreed e-procurement method.
 - A rebate of 1% of annual turnover shall apply where the Participating Body provides evidence that the Contractor is receiving over 90% of the total expenditure in a specific Lot (i.e. sole supplier).

- A rebate of 0.5% of annual turnover shall apply when the average order value increase by a target of 20%.
- The additional rebates as detailed in items 25.8 through 25.12 in the Instructions to Tenderers shall not exceed 3.5% on any single transaction.

Applying the Council's previous trading circumstances with Office Depot it is anticipated that the % level of claimable rebate would be 7% (of a maximum 7.5%). Based on the previously quoted expenditure levels of approximately £250,000 for the period of Jun-Dec 2009, a 7% rebate would have been claimable to an approximate value of £17,500 for the six months or £35,000 annually. However, rebate is based solely on annual expenditure figures and these may rise or fall in line with expenditure increases or decreases or financial constraints

Contract Management

- 3.8 The management of this contract falls under the responsibility of the Corporate Procurement Team and officers within that Team are responsible for the various contract management tasks. This will include monitoring supplier performance and user satisfaction, gathering environmental information for reporting to London Remade; management information reporting; monitoring pricing; uploading price information to Marketplace for use with on-line ordering;
- 3.9 Commencement prices for items listed in the Pricing Schedule shall be fixed at the prices specified by the Contractor in the completed Pricing Schedule following the reverse e-auction. The Fixed Price Periods and associated Review Dates for the review of prices under this Contract shall be as per the below timetable

Lot	Description of Lot	Appropriate Index	Price Review / Fixed Price Period / Review Date
1	Stationery (excluding paper)	All Items Retail Price Index, as published in the Office for National Statistics "Monthly Digest of Statistics	Yearly / 12 months / April 2011 Six Months / Six Months / September 2010
1	Stationery (paper products only)	Paper Market Digest	
2	Office Machines	All Items Retail Price Index, as published in the Office for National Statistics "Monthly Digest of Statistics	Yearly / 12 months / April 2011
3	Print Room Paper (and any associated paper items as agreed by the Lead Council)	Paper Market Digest	Six Months / Six Months / September 2010
4	Electronic Office Supplies	All Items Retail Price Index, as published in the Office for National Statistics "Monthly Digest of Statistics	Six Months / Six Months / September 2010

4. Links to Corporate and other Plans and Strategies

4. 1 The use of consortium framework arrangements for the supply of goods and services such as stationery is currently encouraged as best practice by Central Government, OGC Buying Solutions and Capital Ambition. This leads to hidden efficiency savings in the both time and costs in not having to go through a full EU tender procedure that would be required for this level of expenditure. There are no exact figures to calculate a value of the efficiency savings, but it is generally accepted that the costs of a full EU tender will run into tens of thousands of pounds and can take up to a year to procure
4. 2 The use of a formally tendered contract for the supply of office products will ensure that the suppliers environmental policy and supply chain is evaluated as part of the tender process and that the suppliers are able to supply environmentally friendly products. This is in line with the Councils Green Office Guide and supports the Council's Clean Community Priority by purchasing environmentally friendly products and by limiting delivery days into the borough
4. 3 In line with the One Barking and Dagenham principle of Improving Value for Money, the use of a competitively tendered consortium framework agreement will help to realise both revenue and efficiency savings. The use of a consortium framework agreement also meets several criteria as laid out in the One Barking & Dagenham Blueprint:
- Working in partnership with others
 - Joined up service delivery through in house or other service delivery options
 - Maximising the use of our assets and delivering VfM

5. Consultees

5. 1 The following were consulted in the preparation of this report:

Tracie Evans, Corporate Director of Financial and Commercial Services
Paul Ansell, Interim Strategic Procurement Manager Corporate Procurement
Yinka Owa, Legal Partner, Legal and Democratic Services
John Hooton, Strategic Financial Controller
David Robins, Group Manager Corporate Procurement
Lee Russell, Group Manager Corporate Finance
Tracy Gibson-Matthews, Procurement Officer, Corporate Procurement

London Borough of Havering

6. Background Papers Used in the Preparation of the Report:

- 2004/18/EC European Procurement Directive
- London Borough of Havering Cabinet Report 10 February 2010
- Appendix A – Price / Quality Assessment

7. List of appendices:

Appendix A – Price / Quality Assessment Scores (in the Private and Confidential part of the agenda)