

REPORT TO: Executive Board Sub-Committee

DATE: 2 November 2006

REPORTING OFFICER: Strategic Director Corporate and Policy

SUBJECT: Procurement: Stationery and Paper Contracts

WARDS: all

1.0 PURPOSE OF THE REPORT

To identify which of the three options set out in this report is to be preferred.

2.0 RECOMMENDATION: That the Sub Committee agrees to proceed as outlined in Option 2 below and that procurement standing orders 1.12, 2.1-2.6 and 2.8-2.16 are waived in accordance with SO 1.6 in light of the potential savings that Option 2 offers.

3.0 SUPPORTING INFORMATION

- 3.1 Each year the Council's requirements for stationery and paper amount to an estimated £120,000 and £50,000 respectively. This excludes school requirements which are handled separately. Exact requirements can only be estimated. So far as stationery is concerned the needs range from consumables such as staples, folders, ink cartridges and a massive variety of other office supplies from the most basic to the most sophisticated. The actual take-up depends on a wide spectrum of factors many of which cannot be reliably predicted.
- 3.2 For these reasons the Council has over the years entered into framework (or call-off) contracts with a supplier under which the Council can order a wide range of supplies at prices fixed throughout the contract. Potentially there can be separate suppliers for paper and for stationery.
- 3.3 Typically the contracts have been for a period of between one and two years. The contract is not an exclusive arrangement so the Council can order elsewhere if it chooses and there is no commitment that the Council will place any minimum order or indeed any order at all under the contract. Suppliers tendering for these contracts every 1-2 years tender on the basis of previous years' volumes of purchases. Details of anticipated quantities based on previous years' purchase activity are disclosed to those invited to tender. For the suppliers such contracts involve an additional level of risk associated with pricing, margins and quantities. Goods with low margins may be heavily ordered. Profitable goods with wide margins may be lightly ordered.

- 3.4 For the period 1 Sept 2006 to 31 Aug 2008 tenders have been invited in the normal way for stationery and 5 tenders went through evaluation. After appraisal against the declared criteria (a blend of price and quality) Office Depot was identified as the preferred supplier. It is of key importance to the appraisal to make the best informed judgement about likely take-up for a wide range of requirements over the life of the contract. The contract has not been awarded yet and there is no commitment on the Council to accept any of the tenders. Current stationery requirements are being met under the old contract which the current supplier (also Office Depot) has agreed to carry over. Similarly, we have been out to tender on the paper contract and tenders have been through evaluation but no contract concluded.
- 3.5 When tenders were invited for the stationery contract the list of goods for which we invited prices covered some 250 items. It has now become clear that if we extend the contract to cover a much wider spectrum of stationery items further savings in the sum of £48,000 may be achieved if volumes of purchasing in particular items and supplies over the next two years reach fixed levels. This has come to our attention through contact with OGC, the government's purchasing agency. The Council has not itself tested the market for this wider range of items and supplies through a tendering process. On the other hand it is understood that OGC did price comparisons with two of the Council's three shortlisted suppliers: Office Depot and Banner. Both provided framework prices to OGC and, of the two, Office Depot was the most competitive. The third supplier could not be involved in this process as they are not part of the OGC framework. The OGC prices under their nationwide framework agreement are the outcome of their product range having been advertised in Europe.

3.6 OPTIONS

Option 1: Accept the Office Depot stationery tender for the range of items for which the market has been tested

Option 2: Discard the tenders received and accept the OGC arrangement subject to waiver of standing orders on the grounds of loss of clear commercial or financial detriment.

Option 3: Discard the tenders received, go out to tender again on a much wider basis joining a much wider range of stationery items with all the Council's non-schools paper requirements.

3.7 OPTION APPRAISAL

Option 1 turns its back on potential savings in the sum of £48,000, although this saving will only be realised if purchases match exactly with the items priced/tested, but has the merit of transparency and market testing for stationery. We would then conclude the paper contract

separately and accept the preferred paper suppliers in the normal way. The period of the contracts to August 2008 would give time to devise a specification and contract for a future consolidated stationery and paper contract which could be advertised in accordance with the EU and domestic market testing requirements.

Option 2: Disappoints Tenderers. Requires suspension of the tendering standing orders. Delivers potential savings in the sum of £48,000 subject to volumes of spend for particular items being as anticipated.

Option 3: Loses considerable time and potential savings. Requires further waiver of tendering standing orders to allow officers to extend the existing contract with Office Depot to gain sufficient time to draw up documentation and go through a fresh tendering process. Relies on existing supplier agreeing to extend contract terms. Has advantage of total transparency in testing the market and allowing a more measured approach to the procurement process.

3.8 CONCLUSION

Realistically the Council needs to choose between 1 and 2 which both offer similar levels of savings on the basket of 250 items used traditionally to assess tenders of this nature. Option 2, however, offers further potential savings due to its much broader coverage of items. For this reason it is recommended that Option 2 be preferred over Option 1 in this instance and that the relevant procurement standing orders be suspended to allow this.

4.0 POLICY IMPLICATIONS

4.1 One of the Council's overall strategic aims set out in the Community Plan is: To create the maximum effect on the quality of life in the communities of Halton through the efficient use of the Council's resources.

5.0 OTHER IMPLICATIONS

5.1 These are corporate contracts and are governed by Procurement Standing Order 1.14: Before procuring goods or services, an officer shall ascertain whether any corporate contract has been entered into in relation to those goods or services. Where such a corporate contract exists, the officer may not enter into a separate contract except with the prior written approval of the Head of e-Procurement and Financial Support Services. In other words officers must not use any other supplier unless they have a convincing case sufficient to satisfy the Head of e-Procurement.

5.2 Halton is a Best Value Authority under section 3 Local Government Act 1999 and as such is under a statutory duty as well as the general duty to

the community to make continuous improvements in the economic, effective and efficient use of resources.

- 5.3 Both these factors together with the Gershon targets mean that intelligent use must be made of the Council's purchasing powers to secure the optimum price and quality.

6.0 RISK ANALYSIS

The key risks are that (1) predicted volumes of purchase of specific items will fall below the figure we have estimated for the next two years. Savings or actual additional expenditure is critically dependent on how actuals compare with volumes on which the contract unit prices are estimated. (2) award of the contract without competition puts the Council in breach of legal duties. The opportunities are concerned with volume savings.

7.0 EQUALITY AND DIVERSITY ISSUES

There are none.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Nil – all documents are exempt under paras 3 and 5

9.0 JUSTIFICATION FOR TAKING THE ITEM IN PART II

9.1 Which Paragraphs apply?

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

9.2 Public Interest Test

There is a public interest in disclosing as disclosure promotes public accountability on a matter concerned with best value.

The public interest in not disclosing is that to disclose would reveal legal advice which is subject to legal professional privilege and would also be likely to harm the council's and third party's commercial interests in securing the best price for its stationery and related needs.

9.3 Conclusion

That the public interest in maintaining the exemption outweighs the public interest in disclosing the information.