

<p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>CABINET</b></p> <p align="center"><b>8 OCTOBER 2018</b></p>		
<p align="center"><b>BUSINESS CASE &amp; PROCUREMENT STRATEGY IN RELATION TO THE PROCUREMENT OF STATIONERY, PAPER AND OFFICE EQUIPMENT</b></p>		
<p><b>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</b></p>		
<p><b>Open Report</b></p>		
<p><b>Classification: For decision</b> <b>Key Decision: Yes</b></p>		
<p><b>Consultation:</b> Commercial and procurement, Finance</p>		
<p><b>Wards Affected:</b> ALL</p>		
<p><b>Accountable Director:</b> Lisa Redfern, Strategic Director of Social Care and Public Service Reform</p>		
<p><b>Report Author:</b> Geoff Sorrell, Procurement and Contracts Officer</p>	<p><b>Contact Details:</b> Tel: 020 8753 2583 Email: <a href="mailto:geoff.sorrell@lbhf.gov.uk">geoff.sorrell@lbhf.gov.uk</a></p>	

## 1. EXECUTIVE SUMMARY

- 1.1. The Council's current contract with Office Depot for the supply of office stationery including photocopy paper, equipment, educational and electronic supplies is due to expire on 31<sup>st</sup> October 2018. The London Borough of Havering are putting into place a new four-year framework agreement which London Boroughs and other public bodies in the Greater London area can call off from.
- 1.2. The agreement will follow a two-stage procurement process under OJEU regulations, the second stage of which will be by a reverse e-auction. A decision is sought for the Council to call off from this new framework once it is in place.
- 1.3. The strategy for the procurement of a Pan London Office Stationery contract which will replace existing arrangements, is set out in Appendix 1 attached.

## **2. RECOMMENDATIONS**

- 2.1. That in accordance with the Council's Contracts Standing Orders (CSO) the Cabinet approves the Business Case & Procurement Strategy for the procurement of office stationery, photocopy paper and office equipment as set out in Appendix 1 attached.
- 2.2. That Cabinet grants a waiver from CSO 8.11, which requires the Business Case and Procurement Strategies to detail the main provisions contained in the draft specification and to identify any significant variations to the Council's standard terms and conditions. A business case and procurement strategy has been created but as the procurement is being run by LB Havering not all the information is currently available.
- 2.3. That in accordance with CSO 17.3.1 the award decision will be delegated to the Director of Public Service Reform in consultation with the Cabinet Member for Finance and Commercial Services.

## **3. REASONS FOR RECOMMENDATIONS**

- 3.1. To comply with the requirements contained in Contract Standing Orders to seek Cabinet approval before a regulated procurement exercise is commenced.
- 3.2. To have approval to proceed with the procurement strategy (Appendix 1) of calling-off from the framework due to be set up by LB Havering, subject to legal review of the framework T&Cs and internal approvals. An awarding report will be sent for approval to the Cabinet Member for Finance and Commercial Services at the awarding stage.

## **4. PROPOSAL AND ISSUES**

- 4.1. The proposal is for the Council to call off the four-year framework agreement for the supply of office stationery including photocopy paper, equipment, educational and electronic supplies at a total estimated cost of £400,000. This is in line with the Council's procurement approach to collaborate with other Councils and public bodies where there is a clear business case for doing so to drive costs down and improve service delivery. This arrangement will benefit the Council in the following ways:
  - Lower prices achieved through the aggregation of demand across London
  - Volume rebates/ e-procurement discounts
  - Shared management arrangements across London
  - Facility for electronic catalogues on the Council's eProcurement system which streamlines ordering, improves controls and supports commitment accounting.

4.2 It is anticipated that the forthcoming LBHF desktop strategy should lead to a reduction in the use of printer/photocopier paper and support future savings.

4.3 The council currently uses approximately 6 million sheets of printer/photocopier paper per year at a cost of £30k. Figures below show potential savings on paper and associated printing costs where the use of paper is reduced by 25%, 50% and 75% based on current paper prices and quality. Further savings could be achieved by ensuring that paper is only purchased from the contracted supplier and considering the use of lower grade paper.

<b>Potential Savings with Reduction in Use of Photocopier/Printer Paper</b>				
Percentage Usage Reduction	Paper Cost Savings	Printing Cost Savings		Potential Total Savings
		Mono	Colour	
	£	£	£	£
25% Reduction	7,500	3,948	24,577	37,526
50% Reduction	15,000	7,897	49,155	72,053
75% Reduction	22,500	11,846	73,733	106,579

4.4 This procurement will work in conjunction with the current review of the operational arrangements

5.

## **AND ANALYSIS OF OPTIONS**

5.1. The Procurement Team has undertaken a review in accordance with the CSOs. Appendix 1 sets out the commercial and procurement options, together with an analysis of these options.

## **6. CONSULTATION**

6.1. Details of consultation undertaken by the Procurement Team given in Appendix 1 (see Paragraph/ Section 8.1).

## **7. EQUALITY IMPLICATIONS**

7.1. The Council has given due regard to its responsibilities under Section 149 of the Equality Act 2010 and it is not anticipated that there will be any negative impact on any groups with protected characteristics from the approval of this Business Case and Procurement Strategy.

7.2. Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

## **8. LEGAL IMPLICATIONS**

8.1. This report seeks authority for LBHF to proceed with the procurement strategy set out at Appendix 1. This proposes that the London Borough of Havering (“**Havering**”) procure a new single-supplier framework agreement for the provision of stationery and office supplies with a commencement date of 1 November 2018 on behalf of several London local authorities, including LBHF, which Procurement Services have advised will be a named authority under the framework agreement. Once the framework agreement is

awarded, LBHF will be entitled to call-off from it and enter into a contract with the successful supplier, subject to internal approvals.

- 8.2. The value of the services for LBHF exceeds the relevant procurement threshold of £181,302 and therefore the full procurement regime under the Public Contracts Regulations 2015 (the “**Regulations**”) is engaged. The Business Case and Procurement Strategy set out in this report explains that the supplier will be selected by way of the restricted procedure set out at Regulation 28. Provided this procedure is followed correctly by Havering, and in accordance with the EU Treaty principles of transparency, non-discrimination, equal treatment of bidders, and proportionality, then the requirements of the Regulations will be satisfied. Procurement Services have informed Sharpe Pritchard that LBHF is a named authority under the framework that is being let by Havering and will therefore be entitled to call off from it in accordance with its requirements.
- 8.3. Legal Services have not seen a copy of the terms and conditions of the Framework Agreement or the template call-off Contract. As the procurement of the framework agreement is being run by Havering, it is recommended that LBHF be kept sighted of the procurement procedure to ensure compliance with the Regulations and its own Contract Standing Orders (“**CSOs**”).
- 8.4. CSO 8.11 requires Business Case and Procurement Strategies to detail the main provisions contained in the draft specification and to identify any significant variations to the Council’s standard terms and conditions. This information has not been provided in this report as Havering is procuring the framework agreement; as such, it is recommended that a waiver of this requirement be obtained from Cabinet. The approval of the Business Case and Procurement Strategy set out in this report must be given by Cabinet in accordance with CSO 8.12.1.
- 8.5. For the avoidance of doubt, approval of the recommendation in this report will not authorise LBHF to enter into a call-off contract with the successful supplier. A separate approval will be required following the conclusion of the framework agreement for LBHF to call off from it, which, on the basis that the value of the supplies LBHF requires amounts to £400,000, will be required either from the Cabinet unless the decision is delegated an Officer in consultation with the Cabinet Member (as the case may be) in accordance with CSO 17.3.
- 8.6. Implications verified/completed by: Raj Shah – Associate at Sharpe Pritchard on secondment to LBHF Legal Services ([rshah@sharpepritchard.co.uk](mailto:rshah@sharpepritchard.co.uk)).

## **9. FINANCIAL IMPLICATIONS**

- 9.1. The overall contracted spend on stationery at LBHF is around £80,000 per annum, with additional non-contracted spend of £20,000. The budgets for this expenditure are distributed across the council. The expected savings delivered from the re-procurement will therefore be distributed across all

departments and shared between the General Fund, HRA and services funded from ringfenced grants (e.g. Public Health Service).

9.2. Implications completed by: Gary Ironmonger, Finance Manager 020 8753 2109.

Implications were verified by Emily Hill - Assistant Director (Corporate Finance) , tel. 020 873 3145.

## **IMPLICATIONS FOR BUSINESS**

9.3. The framework is being tendered by LB Havering under an OJEU restricted procedure and will be advertised through the Tenders Electronic Daily website ([www.ted.europa.eu](http://www.ted.europa.eu)) and also on the Governments Contract Finder website.

9.4. The project commissioning manager will identify and encourage any suitable local companies to submit responses to the Selection Questionnaire. If they pass that initial stage, will be invited to submit a tender for the contract.

9.5. Local social and economic value benefits will be explored as part of the tendering process

9.6. Implications verified/completed by: Albena Karameros, Economic Development Team, tel. 07739 316 957.

## **10. COMMERCIAL IMPLICATIONS**

10.1. This report seeks approval to call off from the Stationery Framework that is being awarded by the London Borough of Havering. It is proposed that the call off is awarded from the 1st November 2018 at an estimated cost of £400,000 over the four-year period of the contract. Table 10.2a in Contracts Standing Orders (CSO) 2016 recommends the following approach for "Supply and Service" Contracts £181,302 and greater: Use of an existing framework agreement; or Contract Notice to appear in the Official Journal of the European Union, an opportunity listing on the e-tendering system webpage and publication of a Contract Notice in "Contracts Finder.

10.2. The estimated value of the contract is over the statutory threshold for Supplies, currently set at £181,302. As a result, the contract is subject to a full procurement.

10.3. The framework agreement is being procured following the full rigorous procurement rules set out in Public Contracts Regulations.

10.4. Moreover, the previous e-auction in 2014 saw a comparative saving of just under 53% between the winning suppliers opening and final bids".

10.5. In conclusion, the recommended approach is in line with both the Council's CSOs and PCR 2015, subject to internal legal review once framework is awarded.

10.6. Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 0208 753 2284.

## **11. SOCIAL VALUE CONSIDERATIONS**

- 11.1. Details of the Social Value considerations identified by the Procurement Team under the requirements of the Public Services (Social Value) Act 2012 are given in Appendix 1 (see Paragraph/Section 6.1).
- 11.2. Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

## **12. IT IMPLICATIONS**

- 12.1. There are no IT implications.
- 12.2. Implications verified/completed by: Veronica Barella, Chief Information Officer, tel. 020 8753 2927.

## **13. RISK MANAGEMENT IMPLICATIONS**

- 13.1. The award of the contract presents a low risk to the Council but contributes to the management of financial risk through savings achieved through the Procurement Framework. This is in line with managing our Council's Commercial and Procurement risk and also with the Council Priority of Being Ruthlessly Financially Efficient. Part of the consideration of the Tendering was to ensure that efficiencies could be gained by the upload of a catalogue to the Council's Finance system. This function will be enabled once the Council has successfully migrated to the new Hampshire System. Details of the risks and issues and implications identified by the Service Review Team are given in Appendix 1 (see Paragraph/Section 3.6).
- 13.2. Implications verified by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587.

## **14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

None

## **LIST OF APPENDICES**

Appendix 1 – Business Case & Procurement Strategy

**REPORT RELATING TO  
BUSINESS CASE;  
PROCUREMENT STRATEGY; and  
PROJECT MANAGEMENT AND GOVERNANCE  
FOR THE PROCUREMENT OF OFFICE STATIONERY, PHOTOCOPY  
PAPER AND OFFICE EQUIPMENT**

**BUSINESS CASE**

**1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED**

- 1.1. The existing framework contract for the supply of office stationery and supplies expires on 31<sup>st</sup> October 2018. The London Borough of Havering (LBH) is the lead organisation for the existing framework agreement which is currently accessed by approximately 55 public bodies including most London Boroughs via individual Access Agreements and separate call-off contracts.
- 1.2. The framework agreement for the supply and delivery of office stationery was awarded to Office Depot UK Ltd for the period of four years from 1<sup>st</sup> November 2014 to 31<sup>st</sup> October 2018. This includes photocopy paper, office equipment, educational and electronic supplies and therefore a new contract needs to be procured to ensure continuity of service. The current contract has operated successfully with a total framework value of approximately £15m.
- 1.3. Under the framework agreement, no commitment is made as to the number of orders that are placed. The Council's annual estimated contracted cost is approximately £80k based on previous years expenditure, with a further £20k spent with suppliers outside of the contract. The London Borough of Havering are proposing to continue to manage the framework agreement remotely, chairing annual performance review meetings with the supplier and representatives of the London boroughs. Each participating council will manage their requirements independently including managing their own contractual/supplier relationships.
- 1.4. H&F's stationery contract with Office Depot UK Ltd via an access agreement (i.e. call-off contract) has the same contractual period as the framework and will therefore terminate at the same time.
- 1.5. The London Borough of Havering are intending to continue the current arrangement and procure a new framework agreement on behalf of the estimated 55 public bodies who are involved in the existing contract. It is expected that most or all of these bodies will participate in the new framework procurement project and then call off from the framework via access agreements (call-off contracts).

- 1.6. It is proposed that, subject to subsequent internal approvals being sought and given, H&F call off from the newly let framework agreement for the provision of office stationery commencing on 1<sup>st</sup> November 2018 for a period of four years at an estimated total call off value over that period of £400,000.

## **2. FINANCIAL INFORMATION**

- 2.1. The budget for stationery is held at departmental level.
- 2.2. Individual service managers are responsible for managing their own budget.
- 2.3. H&F's contracted spend on stationery has dropped year on year since 2010/11 from £190,000k in 2010/11 to £83,000 in 2017/18 and this trend is expected to continue.

## **3. OPTIONS APPRAISAL AND RISK ASSESSMENT**

- 3.1. Do nothing  
This is not an option because the current contract expires on 31 October 2018 and there is no further provision to extend the contract.
- 3.2. Go out to tender  
The Council could re-tender the contract but given the much lower volumes involved is unlikely to offer the best value for money.
- 3.3. Participate in another existing framework agreement managed by the Yorkshire Purchasing Organisation (YPO) or Crown Commercial Services (CCS).
- 3.4. The London Borough of Havering undertook a benchmarking exercise comparing prices available from the existing and YPO and CCS framework agreements and have concluded that the existing YPO and CCS prices are more expensive than the current prices through the LBH framework and this is expected to remain to be the case.
- 3.5. Extend the current London Borough of Havering framework. There are no provisions contained in the 2006 Regulations to extend an existing framework agreement. Under these Regulations framework agreements cannot be concluded for more than a four-year duration unless there are exceptional circumstances.
- 3.6. The award of the contract presents a low risk to the Council but contributes to the to the management of corporate risk number 1 of the Strategic Risk Register, managing budgets.

## **4. THE MARKET**



- 4.1. There are many major suppliers in the market.
- 4.2. The b2b stationery sector has seen a fall in the amount spent on traditional stationery products.
- 4.3. The stationery market is changing with more use being made of tablets and mobile devices resulting in a reduction in the demand for notebooks, diaries and paper etc.

## **PROCUREMENT STRATEGY**

### **5. CONTRACT PACKAGE, LENGTH AND SPECIFICATION**

- 5.1. The proposal is to use the same service specification re deliveries, minimum order values etc. as per the current contract. The framework will be established at a base level with individual organisations able to change specifications such as deliveries and minimum order values to suit their circumstances at the point of calling off from the framework.
- 5.2. To enhance the competitiveness of the opportunity, the proposal is to award the contract as a single lot unlike at present where there are 2 lots - stationery and toner. It is not expected that this will impact on the prospective suppliers as all the key players have capacity to provide the full range of requirements.
- 5.3. LBHF would, subject to internal approvals being given following a separate report, call off from the framework agreement via a call-off contract for a four-year period which will be co-terminus with the framework.
- 5.4. The supplier will be required, under the new contract, to comply with all relevant legislation for example relating to health and safety and information security.
- 5.5. An electronic catalogue of items will be provided by the successful supplier. This catalogue will be reviewed and edited to ensure that the products loaded into the financial system provide the best value for money and are environmentally friendly.
- 5.6. Contract Length - The framework agreement will have a duration of four years. Service contracts that are called off the framework will have a duration of up to four years.
- 5.7. H&F has participated in the regional framework for office stationery let by the London Contract and Supplies Group (LCSG) for approximately 14 years, during which time it has enjoyed the benefit that increased leverage can bring through the aggregation of expenditure on common supplies and services across London.

## **6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS**

- 6.1. The tendering documentation will include requirements around social value but these are not yet available from London Borough of Havering. Details will be added to the report when they become available.

## **7. OTHER STRATEGIC POLICY OBJECTIVES**

- 7.1. Providers will need to supply a satisfactory equal opportunities policy as part of the tender process.
- 7.2. The new contract will encourage or introduce the use of more environmentally friendly and green products.

## **8. STAKEHOLDER CONSULTATION**

- 8.1. London Borough of Havering is consulting with all London Boroughs and other public bodies in the procurement process.

## **9. PROCUREMENT PROCEDURE**

- 9.1. This procurement will be conducted using a call off from the framework agreement led by London Borough of Havering.
- 9.2. The framework is being procured through an OJEU restricted procedure.
- 9.3. Following the qualification stage, it is expected that four or five suppliers will participate in the final e-Auction.
- 9.4. The previous e-auction in 2014 saw a comparative saving of just under 53% between the winning suppliers opening and final bids.

## **10. CONTRACT AWARD CRITERIA**

- 10.1. All award criteria and scoring methodology will be included in the invitation to tender documents. Contracts will be awarded on a 100% price basis following the running of an e-Auction using a basket of goods containing the most frequently purchased products (by all organisations on the existing framework) in 2017.
- 10.2. There will be some pass/fail elements which will include documents returned by tenders, for example financial stability and insurance levels.

## **PROJECT MANAGEMENT AND GOVERNANCE**

### **11. PROJECT MANAGEMENT**

- 11.1. The management of the procurement of the framework will be carried out by LBH in consultation with the all the organisations named on the OJEU Contract Notice.
- 11.2. A review of the proposed basket of goods has been carried out to ensure that H&F needs will be reflected in the core product list.

### **12. INDICATIVE TIMETABLE**

- 12.1. The following timetable shows that the framework should be completed and supplier appointed by 30<sup>th</sup> September 2017.

	<b>Task</b>	<b>Start</b>
1	Finalise all tender documentation & publish OJEU notice	June 2018
2	Complete and return qualification responses	TBC by LBH
3	Evaluation of SQ returns (including clarifications)	TBC by LBH
4	Issue Invitation to tender	TBC by LBH
5	Run e-Auction via capitalEsourcing	TBC by LBH
6	Standstill period (10 days is mandatory) & official contract award	TBC by LBH
7	H&F governance for approval for 1. procurement strategy 2. service extension 3. delegated authority to award	September 2018
8	Obtain delegated decision from cabinet member to award and for H&F to call off from framework	October 2018
9	Commencement of new contract	November 2018

### **13. CONTRACT MANAGEMENT**

- 13.1. Each contracting authority will have its own service contract with the successful provider and each authority will have responsibility for managing this contract (including starting and ending the service). It will be possible to

negotiate local variations to each service contract, where these are required by an authority.

- 13.2. H&F's relationship with the current provider under the existing contract is currently managed by staff members within the Commercial and Procurement team of PSR and this arrangement will continue with the supplier that is selected through this procurement.
- 13.3. The existing catalogue contained more than 10,000 items, which has been reviewed and reduced to approximately 1,700 items which provide the best value for money.
- 13.4. Once the contract has been awarded there shall be further consideration when loading the new catalogue on the Hampshire financial system to ensure the following:
  - that departments will only be able to purchase from a choice of essential stationery products and if they wish to purchase products outside of the core list it will be considered on a case by case basis
  - Limiting the range of photocopier paper that departments can purchase to only those that are made of recycled material
  - Disable any other stationery suppliers on the system to eliminate any non-contracted spend.
- 13.5. There shall be a further review of the delivery and storage points within Hammersmith and Fulham to establish further efficiencies.
- 13.6. This procurement will work in conjunction with the ongoing review into the operational processes for the purchasing to gain efficiency savings.

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