

**MINUTES OF THE OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY, 24 AUGUST 2011**

Councillors Councillors Bull (Chair), Browne, Ejiofor, Winskill (Vice-Chair), Butcher, Meehan, Rice and Scott

Apologies Councillors Alexander, Christophides, Engert, Helena Kania,

Also Present: **Councillors:** Diakides, Strang, Goldberg and Wilson
Officers: Kevin Bartle (Chief Finance Officer), Dorothy Simon (Deputy Monitoring Officer), David Airey (Head of IT), Michael Wood (Head of Procurement), Rob Mack (Policy Officer), Paul Dennison (Liberal Democrat Political Assistant), Natalie Cole (Clerk)

**MINUTE
NO.**

SUBJECT/DECISION

<p>OSCO34.</p>	<p>WEBCASTING</p> <p>The meeting was recorded for future broadcasting on the Council’s website.</p>
<p>OSCO35.</p>	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from: Councillors Alexander (substituted by Cllr Butcher), Christophides (substituted by Cllr Meehan) and Engert (substituted by Cllr Scott). Cllr Rice substituted as a member of the Committee for Cllr Diakides who attended the meeting as an observer.</p> <p>Apologies for absence were also received from co-opted members Sandra Young and Helena Kania.</p>
<p>OSCO36.</p>	<p>URGENT BUSINESS</p> <p>No urgent items were permitted.</p>
<p>OSCO37.</p>	<p>DECLARATIONS OF INTEREST</p> <p>The Cabinet Member, Councillor Goldberg, declared a prejudicial interest in the call-in of PROC12 as he was the chair of the Cabinet Procurement Committee, that had taken the original decision.</p>
<p>OSCO38.</p>	<p>DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS</p> <p>There were no such items.</p>
<p>OSCO39.</p>	<p>CALL-IN OF PROC12 - CONTRACT FOR THE SUPPLY OF DESKTOP AND LAPTOP HARDWARE AND ASSOCIATED PROFESSIONAL SERVICES</p> <p>The Committee received the agenda pack and second dispatch (containing the service’s response) for the call-in of the decision taken by the Cabinet Procurement Committee – PROC12 – Contract for the supply of desktop and laptop hardware and associated professional services and the exempt appendix to the report, which would be considered during a private session.</p>

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1. Introduction to the Call-in

Cllr Paul Strang introduced the reasons for the call-in, and was questioned by the Committee, and the following was noted:

- Concerns that the tendering process for the IT contract failed by not securing valid bids on two occasions from more than one supplier. Therefore there was not a range of competitive choices and the contract will not result in value for money.
- Implementation of the IT contract should be delayed by 6 months so that a review of the tendering process could take place to obtain a better understanding of the market, an improved price and lessons learnt.
- It was particularly important that the Council established why 10 of the suppliers invited to quote had not submitted bids; whether demand was out-stripping supply in market, was the Council's framework flawed (and had other options been considered) or did suppliers find Haringey's requirements unworkable or too risky, particularly because the Council could not guarantee purchasing a minimum number of units within the contract?
- The matter should be referred back to the decision maker for reconsideration.

2. Cabinet Member and Service Responses to the Call-in

The Cabinet Member for Finance and Carbon Reduction, Cllr Joe Goldberg, responded to the points raised, including:

- The procurement process had not failed but the Cabinet Member recognised that there were risks in the market; therefore less competition. The process had been compliant with legislation, the framework and had achieved a successful outcome.
- There was no evidence that re-tendering would result in a different outcome and delaying implementation of the contract would mean the Council risked losing the contract which was the only option available and, if delayed for re-tendering, inflation could mean a more expensive contract and less value for money.
- The Cabinet Member highlighted that he would have preferred to have had more tenders submitted during the procurement process. He still believed that the Council had achieved value for money because comparisons were able to be made between Bidder A and Bidder B (whose tender could not be finalised) and a reasonable price per unit and flexible contract had been achieved. The contract included hardware installation and network updates.
- The IT contract would be paid for out of capital funds (ring-fenced for capital projects) and this spend would be separate to budgets which paid for frontline services.
- While Cabinet Procurement Committees were public meetings there had been no challenges during this decision making process which began at a Cabinet meeting in July 2010 and included the item being considered at a further Cabinet meeting in September 2011 with a final decision being made in July 2011.

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- The Council was clear in its invitation to quote (ITQ) about current staffing levels of 4000 and the likelihood that this would be reduced by 1000.

In response to questions from the Committee the following was noted:

- The Council had taken steps to attract a sufficient number of bidders from the Buying Solutions framework and with a requirement for them to take part in a reverse auction where supplier's starting prices could be lowered through progressive bidding. This initial approach to suppliers resulted in only one bidder and the Council decided not to proceed with the procurement process on this basis. A number of suppliers had apparently decided not to bid because their margins were already very tight and they were not prepared to take part in a reverse auction.
- The Council subsequently re-tendered (but seeking traditional sealed bids rather than using reverse auction methods) and received only 2 priced bids, one of which could not be accepted as it was not finalised.
- The Council then went through a benchmarking process to compare the prices bid against market data plus other contract prices and officers were satisfied that the Council had achieved a very competitive Value for Money outcome.
- The Committee was given price comparison information that demonstrated significant Value for Money had been achieved against benchmarked prices. The Council was achieving prices that were 9% and 17% (desktop and laptop respectively) lower than best prices elsewhere.
- The Council had asked suppliers for reasons why they had not submitted bids and only three responded stating that they could not compete effectively on the scope of the tender and one responded stating that they did not have resources at the time to put together a bid and go through the tender process.
- Council officers stated that they were comfortable with the 12 suppliers invited to tender and recognised that whilst there was a lot of competition in the market and hardware margins were currently very tight, these suppliers were considered to be capable of delivering the whole IT package (hardware and associated support).
- The procurement process was fully compliant with procurement regulations and Council Standing Orders.
- Had Council representatives sought the advice of other local authorities or Buying Solutions (who managed the procurement process) about whether a single bid was acceptable? The Cabinet Member reported that he had discussed with other local authorities which had experienced procurement resulting in a single bidder and this was not unusual.
- Another framework had been considered before deciding to proceed with Buying Solutions.
- Joint procurement with other local authorities had been considered, although not for this contract mainly because of timings.
- Risks were not quantified in the report. It was explained that council officers needed to access key central government websites particularly in the benefits departments. The Council had an agreement with central government that it would replace its system (which was currently supported by a separate secure system) within the next 6 months and doing so on a piecemeal basis would not be cost effective.
- The Committee noted that the amount of budget approved in the IT

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Strategy was for £3.3 million however, this amount was above the actual amount of expenditure that was likely to take place.

- Officers explained that the contract being procured was a “call-off” contract, without any committed volumes; and this therefore allowed the Council to only buy what was needed and recognising and making allowances for ongoing staff reductions.
- The contract was flexible and there were no penalties if the Council did not purchase a certain number of units.

Clerk’s note: 21:35 hrs - The Cabinet Member left the meeting at this point.

The Committee debated the issue and the following was noted:

- The Committee expressed concerns that plans to replace the deteriorating IT infrastructure appeared to have been left to such a late stage that any delay could expose the Council to unacceptably high levels of risk and could have potentially serious implications to the provision of services to residents.
- The time constraints that this had imposed may have restricted the Council’s scope for exploring all available options for securing best value. Effective planning processes were required to ensure that hardware was replaced at the optimum time and in a manner that minimised potential risk and took into account the likely time required to undertake effective procurement.
- The Committee agreed with the Cabinet Member’s comments that it was not ideal to have to replace all laptop and desktop computers at once and welcomed proposals for a more phased renewal programme.
- The Committee shared the Cabinet Member’s disappointment that the procurement exercise had yielded only one valid tender from potential suppliers, despite the best efforts of the Council’s procurement team. The goods and services in question were not of a highly specialised nature but from one of the most competitive and diverse markets in the country. A competitive tendering exercise would therefore be expected to yield a substantially higher level of interest.
- The Committee was of the view that the process that was undertaken in this instance should be reviewed so that the reasons for the low response could be established and explored and, if necessary, appropriate improvements made to the procurement process. The Committee requested that the report of this be submitted to a further meeting of the Committee.
- The potential for collaboration with other local authorities in the procurement and provision of IT services should be considered.
- **ACTION NO 39: The Committee agreed that a letter should be sent to the Cabinet Member on behalf of the Chair of the Overview & Scrutiny Committee**

The Committee asked for guidance from the Deputy Monitoring Officer on the basis for the appendix to the report being exempt and whether all of the information on the two sided document should be considered as exempt. The Deputy Monitoring Officer explained that all the information in Appendix A should be considered as confidential.

RESOLVED

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	<p>1a. That the decision taken by the Cabinet Procurement Committee in relation to the contract for the supply of desktop and laptop hardware and associated professional services on 28th July 2011 was inside the Council's policy and budget Framework.</p> <p>Councillor Butcher MOVED to refer the matter back to the Cabinet Procurement Committee as the original decision maker. This was not seconded.</p> <p>The Chair MOVED that no further action be taken. This was SECONDED by Councillor Meehan.</p> <p>A vote was taken and CARRIED; 5 in favour, 1 against and 2 abstentions.</p> <p>RESOLVED</p> <p>2a. That no further action be taken in relation to the decision taken by the Cabinet Procurement Committee at its meeting on 28th July relating to the contract for the supply of desktop and laptop hardware and associated professional services.</p> <p>2b. That the Chair would formally write to the Cabinet Procurement Committee expressing the concerns raised by the Overview & Scrutiny Committee about this procurement process as noted in the minutes above.</p> <p>2c. That a review of the procurement process in this instance should be conducted so that the reasons for the low response can be established and explored and, if necessary, appropriate improvements can be made to the procurement process and lessons can be learnt. A report on this should be brought to a future Overview & Scrutiny Committee</p>
<p>OSCO40.</p>	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>RESOLVED that the press and public be excluded from the meeting during consideration of Appendix A as it contained exempt information as defined in Section 100a of the Local Government Act 1972; Paragraph 3 - namely information relating to the financial or business affairs of any particular person (including the authority holding that information).</p>
<p>OSCO41.</p>	<p>PROC12 - CONTRACT FOR THE SUPPLY OF DESKTOP AND LAPTOP HARDWARE AND ASSOCIATED PROFESSIONAL SERVICES</p> <p>A discussion followed in private session. The meeting ended at 21:55hrs.</p>

COUNCILLOR GIDEON BULL

Chair

SIGNED AT MEETING.....DAY

OF.....

CHAIR.....