

	<p style="text-align: center;"><b>Executive</b> 16<sup>th</sup> April 2007</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
<p>For Action <span style="float: right;">Wards Affected: ALL</span></p>	
<p><b>Authority to award contracts for IT Hardware (PCs &amp; Laptops)</b></p>	

Forward Plan Ref: F&CR-06/07-41

## 1.0 Summary

- 1.1 This report requests authority to award contracts for supply of IT hardware through an eAuction as required by Contract Standing Order 88
- 1.2 This report summarises the process being undertaken to procure these contracts through a mini competition, under an existing pre-tendered OGC Catalist Framework, and recommends approval of the processes and mechanisms of the mini competition and award to successful eAuction bidders.

## 2.0 Recommendations

- 2.1 The Executive to note the process being undertaken for the procurement of IT hardware via the OGC Catalist framework.
- 2.2 The Executive to agree the evaluation process for the award of the IT hardware contracts as outlined in this report and Appendices 1 and 4.
- 2.3 Subject to 2.5 below, The Executive to agree the award of the contract(s) for IT hardware (for all lots detailed with Brent volumes in Appendix 2) for an initial term of 18 months with two twelve month extensions to the successful suppliers determined in accordance with the evaluation process (referred to in paragraph 2.2 above) following the eAuction. .
- 2.4 The Executive to authorise the Director of Finance and Corporate Resources in consultation with the Borough Solicitor to formalise the

contract award following the eAuction results.

- 2.5 The Executive to authorise the Director of Finance and Corporate Resources to withdraw from the procurement process prior to the eAuction commencing if, following the quality evaluation, it is considered that the process will not meet the Council's requirements.

### **3.0 Detail**

#### ***Background***

- 3.1 The Council currently procures approximately 600 PCs and 300 laptops every year through the Office of Government Commerce (OGC) Catalist Framework.
- 3.2 Catalist is a series of Framework agreements which have been set up by the OGC for different categories of supplies and services. The framework agreements have been set up in compliance with the requirements of the Public Procurement Regulations 2006 and are available for all contracting authorities (including the Council) to call-off during their lifetime, thus removing the need to separately advertise our individual contracts.
- 3.3 The Office of Government Commerce and the London Centre of Excellence are running a mini competition within this Catalist Framework (IT Client Devices) for the procurement of IT Hardware with the collaboration of Local Authorities and an NHS Confederation. The mini competition will incorporate an eAuction for the pricing element of the evaluation.
- 3.4 It is anticipated that Brent's participation in this mini competition will benefit from the combined forecast volume of all participants and will benefit from more competitive pricing than if we tendered on our volume alone. We would also avoid the time and cost related to duplicate procurement activity, tendering and eAuction fees and gain from the OGC expertise in this area.
- 3.5 Participants will be involved in, and agree, all stages of the process.
- 3.6 The specification of the equipment has been agreed by all participants including Brent, and is equivalent or better than what we currently procure.
- 3.7 The eAuction will have reserve pricing for all lots, set to the minimum current purchasing price that any of the participants currently pay. We are therefore guaranteed to protect our current pricing and, given the experience of the previous 6 eAuctions run by the Office of Government Commerce, we hope to significantly improve it.
- 3.8 The estimated volumes through this mini competition for the Brent and other participants can be seen in Appendix 2.

### **3.9 The Tender Process**

- 3.10 It is intended that new contract(s) for IT Hardware (for the lots identified with Brent volumes in Appendix 2) will be let for an initial term of 18 months with two 12 month extensions.
- 3.11 The process being used for the procurement of these supplies is a call off agreement under the existing OGC tendered Catalist Framework (IT Client Devices), in compliance with the Public Procurement Regulations 2006. The Catalist Framework for IT Client Devices has been in effect since 1 May 2006 and expires 28 Feb 2010. All suppliers on the framework were evaluated for price, quality, capacity and track record during the original tendering of the Catalist Framework agreement.
- 3.12 A mini competition is being undertaken to determine which of the suppliers on the Framework will provide the most economically advantageous offer to the Council for the required hardware. The mini competition is being undertaken together with 16 other participants, comprising of 15 other Local Authorities and one NHS Confederation (the 'Group Participants'), in order to achieve savings based on higher volumes of supply.
- 3.13 The process for the mini-competition is to include an eAuction which will be facilitated by the OGC and the London Centre of Excellence (LCE).
- 3.14 Officers from the Procurement and Risk Management Team and Legal Services are assisting with the procurement process.

### **3.15 The Mini-Competition**

- 3.16 Pursuant to the rules of the Framework Agreement all suppliers on the Framework Agreement (except Elonex, which is in receivership) were invited to take part in the mini-competition.
- 3.17 The invitation to take part in the mini competition stated that the contract would be awarded on the basis of the most economically advantageous offer to the Group of Participants and that in evaluating tenders, the Group would have regard to the following:
- Price – variable in the eAuction
  - Product
  - Service
- 3.18 Evaluation scores will be weighted as follows:
- Price 65%
  - Qualitative (assessed against the further criteria identified in Appendix 1) 35% (of which 40% weighting will be allocated to the tender documentation, 35% to the specification and 25% to the physical evaluation).

- 3.19 Officers are confident that quality requirements will be met under these weighting parameters as all of the bidding suppliers, and their products, are known, and there are strict requirements and thresholds set within the specification. Suppliers will need to pass a qualitative threshold before being invited to participate in the eAuction.
- 3.20 In response to the invitation to take part in the mini-competition, suppliers were required to submit information providing details of their proposed arrangements for performing the services including (but not limited to) the following:
- sustainability
  - warranties
  - order fulfilment & delivery
  - packaging
  - upgrades and downgrades
  - innovation
  - technical changes
  - asset tagging
  - escalation process
  - order and invoice payment (including electronic capability)
- 3.21 This information was required to be submitted no later than 9 March 07 by email to the OGC. The supplier responses were then copied and distributed to each member of the evaluation panel. The evaluation panel is made up of officers from each of the participants.
- 3.22 Following receipt of the supplier responses, members of the evaluation panel will individually score the qualitative evaluation stage against the criteria identified in Appendix 1, evaluating samples, tender documentation and specification against the products they intend to buy. The panel will meet on 12 April and each submission will be marked by the whole panel against the award criteria. Participants will only score products / lots that they intend to buy. References will also be taken up and given a score. Where there are wide variances in scoring, the concerned participants will discuss to agree on a consensus score.
- 3.23 A zero score will disqualify a supplier, indicating that the product is unacceptable. All suppliers which are not disqualified at this stage will then be invited to participate in an eAuction to determine the pricing for the products being tendered.
- 3.24 Prior to the eAuction, suppliers will be given feedback on the qualitative assessment and ranking in relation to other bidders.
- 3.25 Suppliers are required to provide indicative pricing in advance of the eAuction. These prices will form their opening bids for the eAuction. In order to ensure that the Group Participants do not pay more than they are currently paying for the supplies, maximum prices will be set as reserve prices prior to the commencement of the eAuction. The reserve prices for each product are set out in Appendix 3. The reserve prices are based on the lowest current prices obtained by Group participants, not an average.

- 3.26 Reserve pricing is not currently available for the Tablet and Ultra Small PC lots on Appendix 3 as the items are not currently purchased by the Group participants. Reserve pricing for these items will be calculated by the OGC based on previous eAuction prices. These calculations have not yet been completed by the OGC. In order to still provide maximum pricing for Executive approval, highest prices submitted in the tender have been entered as maximum unit prices for these two items in Appendix 3. It is highly probable that final prices will come in below these 'indicative' prices.
- 3.27 All suppliers taking part in the eAuction will be advised on reserve pricing in advance of the live eAuction.
- 3.28 The successful suppliers will be determined on the basis of a combination of the qualitative scores and the prices submitted in the eAuction, weighted in accordance with paragraph 3.18 above. The eAuction will show a ranking throughout the process that is a combination of the suppliers' qualitative results and their bid. The methodology for determining overall supplier ranking in the eAuction is detailed in Appendix 4.
- 3.29 Once the eAuction commences the Council be locked into entering into a contract with the successful suppliers for each of the products. The deadline for opting out of the contract is the day before the eAuction (2 May 07). Following the eAuction, supply agreements will be set up directly between the Council and the successful suppliers for any 'lots' that the Council participated in. The contracts will commence from the eAuction date of 3<sup>rd</sup> May 2007.
- 3.30 An option has been included to enable participants to undertake price reviews to determine if prices under the framework agreement are still in line with the market. This is to account for price reductions that are inherent in the IT industry and to provide a mechanism for price fluctuations so that Group Participants are not held to premium pricing for the full contract term. Provision has also been made in the contract for suppliers to be able to request price increases if there are exceptional circumstances where there are material cost increases that are beyond the supplier's control. This increase would be in exceptional circumstances only and would be subject to our agreement.
- 3.31 As the Council will be locked into purchasing from the successful suppliers of the eAuction, it will not be possible to report back to the Executive for the award of contracts following the eAuction. The Executive is therefore being asked to agree the award of contracts to those suppliers which are deemed to be the successful suppliers for each of the lots based on the evaluation process and reserve prices outlined in this report. Officers are confident that the evaluation process will ensure that quality thresholds are met by all suppliers which are invited to take place in the eAuction. However, the Executive is also asked to authorise the Director of Finance to withdraw from the procurement process before the e-auction commences. This will safeguard the Council should the evaluation process raise any

concerns regarding the quality of supplier equipment or should the Director of Finance have any other concerns with the process.

#### **4.0 Financial Implications**

- 4.1 The Councils Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval of the award of the contract.
- 4.2 The estimated value of this contract is £500,000 per annum for both laptops and PCs. This includes running the call off and eAuction costs, which have been provided free of charge by the London Centre of Excellence and the London Procurement Project (an NHS body) who are sponsors of the project.
- 4.3 The Council has recently put in place a 5 year replacement cycle for all PCs and a new charging model for IT services based on a Total Cost of Ownership (TCO) model. Under the arrangements put in place for the operation of this model, the IT Unit will take ownership of all PCs across the council and be responsible for all costs associated with them including maintenance and replacement. Departments will then be charged a unit cost for this service levied annually on each PC they have. This annual charge to users will be met from within their existing budgets.
- 4.4 This arrangement will derive a number of benefits, not least that replacement cycles and hardware specifications will be consistent across the council. It will also contribute to achieving a more stable IT infrastructure to support the provision of services, enhance planning and operational activities but moreover will allow for greater procurement savings, in terms of numbers and price, to be achieved. The estimated savings were included in the savings schedules agreed as part of the 2007/08 Budget setting process.
- 4.5 The eAuction and subsequent arrangements are the procurement mechanism under which these benefits and savings will be achieved.

#### **5.0 Staffing Implications**

- 5.1 There are no implications for Council staff arising from tendering the contract.

## **6.0 Legal Implications**

- 6.1 The estimated value of this contract over its lifetime is higher than the EU threshold for Supplies and the contracts are therefore governed by the Public Procurement Regulations 2006. The contracts are also subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations.
- 6.2 The contracts for IT hardware are being procured under a Framework Agreement set up by the OGC (Catalist). The Public Procurement Regulations allow the use of framework agreements (call-off contracts) and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full EU process. The mini competition process described in this report is being carried out in accordance with the requirements of the Public Procurement Regulations.
- 6.3 The Council's Contract Standing Orders state that no formal tendering procedures apply where contracts are called off under a Framework Agreement established by another contracting authority, where call off under the Framework Agreement is recommended by the relevant Chief Officer. However, this is subject to the Borough Solicitor advising that participation in the Framework Agreement is legally permissible and approval to participate in the Framework being obtained from the Director of Finance and Corporate Resources. The Borough Solicitor and the Director of Finance and Corporate Resources have given the necessary approval.
- 6.4 As a formal tendering exercise is not being undertaken officers did not need Executive approval prior to commencing this procurement. However, Executive approval is required for the Award of contracts as the estimated value of the contracts is in excess of £500,000.
- 6.5 The Council will be legally bound to purchase from the successful suppliers once the eAuction has concluded unless the Council opts out of the process prior to the eAuction commencing. The deadline to opt out of the process is 2<sup>nd</sup> May. This Executive Report therefore asks the Executive to agree the award of the contracts to whichever suppliers are successful in the mini competition based on the evaluation process detailed in this report.
- 6.6 As the procurement process is a mini competition under the Catalist framework, the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period before the contract can be awarded do not apply.

## **7.0 Diversity Implications**

- 7.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

## **8.0 Background Papers**

## **9.0 Contact Officers**

9.1 Tony Ellis, Head of IT, Finance and Corporate Resources, Brent Town Hall, Forty Lane, Wembley, Middlesex, HA9 9HD

**DUNCAN McLEOD**

**Director of Finance and Corporate Resources**



**APPENDIX 1 (a)**  
**IT HARDWARE CONTRACT**  
**TENDER EVALUATION GRID**

<b>Participant organisation name:</b>		
<b>Scored by</b>		
<b>Date:</b>		
EVALUATION CRITERIA (Referenced against relevant ITO numbering)	Vendor scores	
	Supplier x	Supplier x
2. Image stability - the components used to build the product remain consistent over time, allowing the customer's "image" to remain unchanged	0	0
2. Technology roadmap and management of component changes - a credible plan is in place to update products; where component changes take place, there is a process in place to ensure that this does not cause disruption for customers	0	0
4. Installation at Desk - clear indication of lead times, qualifications of staff and security clearances	0	0
5. Asset tagging - provide a basic asset tag with the manufacturer's own reference number. Provides upgrade option for customer's own asset number to be used and ability to send a monthly electronic report on items purchased.	0	0
6. Pre-delivery imaging - appropriate and efficient, including acceptable lead times and ability to cope with variation in requirements	0	0
7. Disposal procedures & suitability - compliant with WEEE regulations. Provides cost option for disposal of existing equipment although the supplier has no WEEE liability. Provides option to retain hard drive or the secure destruction of data on hard drive	0	0
8. Sustainability - appropriate management of carbon footprint and approach to sustainability	0	0
9. Warranty Offer - the supplier meets the specified warranty terms, and service levels	0	0
9. Warranty Process - the supplier meets the specified warranty terms, and service levels	0	0
9. KPI's - Acceptable measures within the KPI's stated	0	0
10. Reference Sites - References given and acceptable if checked	0	0
11. Order Fulfilment and Delivery proposal - including standard lead times and maximum quantity in one drop. Ability to deliver up to 10 units to a single delivery point within two working days. State which re-sellers (if any) will be used. Ability to work to ten (10) working day delivery lead times. Costed option to store hardware in a bonded warehouse	0	0
13. Account Management - In line with stated process and service level agreements	0	0
14. Escalation Process - In line with stated process and service level agreements	0	0
15. Ordering and invoice payment - there is an appropriate order placement and invoicing process, including support for eProcurement by customers	0	0
16. Innovation - score supplier on level of innovative options provided	0	0
<b>TOTAL (MAXIMUM SCORE = 80)</b>	<b>0</b>	<b>0</b>

<b>Scores are to be awarded as follows:</b>	
Unacceptable and should be disqualified	<b>0</b>
Acceptable but has important deficiencies	<b>1</b>
Acceptable but has slight deficiencies	<b>2</b>
Meets the specification	<b>3</b>
Meets the specification and has slight enhancements	<b>4</b>
Meets the specification and has significant enhancements	<b>5</b>

**APPENDIX 1 (b)**  
**IT HARDWARE CONTRACT**  
**SECIFICICATION EVALUATION GRID**

<b>Participant organisation name:</b>		
<b>Scored by:</b>		
<b>Date:</b>		
<b>Overall compliance to specification</b>		
	<b>Supplier x</b>	<b>Supplier x</b>
Tower or desktop	5	
Desktop and screen bundle	5	
Ultra-small PC	5	
Ultra-small PC and Screen Bundle	5	
Standard Laptop	5	
Power Laptop	5	
Ultra-portable laptop	5	
Tablet PC	5	
Thin client device – lower spec	5	
Thin client device – higher spec	5	
Screen	5	
<b>TOTAL (MAXIMUM SCORE = 55)</b>	<b>55</b>	<b>0</b>

<b>Scores are to be awarded as follows:</b>	
Unacceptable and should be disqualified	<b>0</b>
Acceptable but has important deficiencies	<b>1</b>
Acceptable but has slight deficiencies	<b>2</b>
Meets the specification	<b>3</b>
Meets the specification and has slight enhancements	<b>4</b>
Meets the specification and has significant enhancements	<b>5</b>

**APPENDIX 1 (c)  
IT HARDWARE CONTRACT  
PHYSICAL EVALUATION GRID**

<b>Participant organisation name:</b>		
<b>Scored by:</b>		
<b>Date:</b>		
<b>EVALUATION CRITERIA</b>	<b>Supplier x</b>	<b>Supplier x</b>
<i>Robustness of design - able to withstand normal usage and occasional knocks, etc</i>		
<i>Workmanship - acceptable quality of finish, without sharp edges or other features causing a health and safety risk</i>		
<i>Cooling ducts - positioned so that product performance and health &amp; safety will not be compromised</i>		
<i>Weight and dimensions - fall within acceptable limits and do not cause problems in the anticipated location of use</i>		
<i>User friendliness - ports and other access points well-positioned; good access for service, etc</i>		
<b>TOTAL (MAXIMUM SCORE = 25)</b>	<b>0</b>	<b>0</b>

<b>Scores are to be awarded as follows:</b>	
Product is unacceptable and should be disqualified	<b>0</b>
Acceptable but has important deficiencies	<b>1</b>
Acceptable but has slight deficiencies	<b>2</b>
Meets the specification	<b>3</b>
Meets the specification and has slight enhancements	<b>4</b>
Meets the specification and has significant enhancements	<b>5</b>



**APPENDIX 2  
IT HARDWARE CONTRACT  
ESTIMATED VOLUMES AND LOT PARTICIPATION**

Core specification	LB Barking & Dagenham	LB Brent	LB Bromley	LB Camden	City of London	LB Enfield	LB Harrow	LB Islington	RLB Kingston	LB Lambeth	LB Merton	LB Richmond	LB Tower Hamlets	Hull City Council	North Lincolnshire Borough Council	North East Lincolnshire Borough Council	Dorset and Somerset NHS Procurement Confederation	Total
Tower/Desktop and Screen Bundle																		
PC	750	600	400	1,000	250	1,270	300	50	200	595	413	450	1,100	675	450	100	1633	<b>10,236</b>
Screen	750		267		100			50	200	566	227	400	1,100	475	450		438	<b>5,023</b>
Downgraded Tower / Desktop and Screen Bundle																		
PC																300		<b>300</b>
Screen																300		<b>300</b>
Ultra-small PC and Screen Bundle																		
PC		5	100											10		450		<b>565</b>
Screen														10				<b>10</b>
Standard Laptop	80		75	500	35	110	100			234	20	150	400	175		140	293	<b>2,312</b>
Power Laptop		250			55			1,400		107	10			30	250	100		<b>2,202</b>
Ultra Portable Laptop		50			10					55				30				<b>145</b>
Tablet PC	65	20	33		5									10		50		<b>183</b>
Thin Client - Low Spec					5									10		100		<b>115</b>
Thin Client - High Spec					70									10				<b>80</b>
Screen 19"		600			20													<b>620</b>

**APPENDIX 3  
IT HARDWARE CONTRACT  
MAXIMUM RESERVE PRICING AND TENDER SUBMISSIONS**

	<b>Current Specification</b>	<b>Equivalent New Specification</b>	<b>Maximum Unit Price (£ net)</b>	<b>Estimated Quantity</b>	<b>Estimated Maximum Spend per annum</b>
Desktop PC	CPU with BAPCO Score of 211 2Gb RAM 80GB HDD DVD/CD-RW Keyboard with SmartCard Reader 19" Screen XP Pro 3Yr Warranty	This is equivalent to the Desktop & Screen Bundle lot, which includes a 5Yr Warranty	480	600	288,000
Standard Laptop	Dell Latitude D620 BAPCO Score of 280 14.1" Screen 2Gb RAM 60GB HDD DVD/CD-RW Wireless & Bluetooth Integrated Smartcard Reader XP Pro 3Yr Warranty	This is equivalent to the Power Laptop lot	685	250	171,250
Ultra Portable Laptop	BAPCO Score of 180 12.1" Screen 1.5Gb RAM 60GB HDD DVD/CD-RW (on removable media-base included) Wireless & Bluetooth Integrated Smartcard Reader XP Pro 3Yr Warranty	This is equivalent to the Ultra- portable lot, with the following upgrade options: 1.5Gb RAM smartcard reader	820	50	41,000
Tablets	No current standard	Tablet PC Lot	1261	20	25,220
Ultra Small PC	No current standard	Ultra Small PC Lot	705	5	3,525
					<b>528,995</b>

## APPENDIX 4 IT HARDWARE CONTRACT EVALUATION METHODOLOGY

The below formula shows how final qualitative scores would be incorporated into the eAuction bids, to calculate a live ranking for each supplier during the live eAuction.

### Brief Overview

The qualitative evaluation is scored for each supplier (as set out in Appendix 1) then converted into a final supplier score that accounts for the extent that the supplier varies from the average of all the suppliers evaluation scores (the mean).

These final qualitative scores are then proportionately incorporated into the price bids, to add or subtract a monetary weighting factor to the live eAuction bids.

### Detailed Example

#### **Qualitative Scoring**

1. The qualitative evaluation is individually scored (against criteria in Appendix 1a-c). For this example, scores could be:
  - Supplier A : 40%;
  - Supplier B 50%
  - Supplier C: 60%.
2. Each supplier's qualitative score is expressed as a score out of the total 35 percentage points available for qualitative evaluation.
3. The mean average qualitative score across all suppliers is calculated (50% for Suppliers A,B and C)
4. Each supplier's variance versus the mean qualitative score is calculated by subtracting their actual scores from the mean.
  - Supplier A falls 3.5 percentage points below the mean (+3.5%)
  - Supplier B precisely matches the mean so there is no variance (0%)
  - Supplier C exceeds the mean by 3.5%. (-3.5%)

#### **Combined Qualitative and Pricing Scoring**

5. In order to provide the right balance between price and quality, the percentage variances on qualitative performance are divided into the price portion of the overall sourcing criteria (65%). For example, the calculation undertaken for Supplier A would be:
  - Variance of +3.5% / 0.65 = 5.38%
6. These weighted variances are applied as a factor to the suppliers' live eAuction raw pricing (bids). For example,
  - if Supplier A submits a bid of £100, the software will automatically multiply the bid by 1 + the variance (in this case 5.38%), giving a factor of 105.38%. Therefore its £100 bid will be transformed into a monetary value of £105.38.
  - By contrast supplier C, who performed better than average on the qualitative evaluation, will have a raw bid of £100 multiplied by (100% - 5.38%) to give a transformed bid of £94.62.
  - Supplier B, which was precisely in line with the mean (and fell between the other suppliers' scores) will have a factor of 100% applied to its bid - hence its bid will not be altered from its raw monetary value.

Bidder	Qualitative score	Score out of 35% available for qualitative score	Variance to mean qualitative score	Variance to mean qualitative score / 65%	Factor applied to raw monetary bid in auction	Raw Price Bid	Adjusted Price (For evaluation purposes only)	Rank
A	40.00%	14.00%	3.50%	5.38%	105.38%	£100.00	£105.38	3
B	50.00%	17.50%	0.00%	0.00%	100.00%	£100.00	£100.00	2
C	60.00%	21.00%	-3.50%	-5.38%	94.62%	£100.00	£94.62	1