



**Executive**  
8<sup>th</sup> October 2007

**Report from the Director of  
Finance and Corporate Resources**

Wards Affected:  
None

**Authority to award contracts for IT Servers**

Forward Plan Ref: F&CR-07/08-9

**Appendix 4 to this report is Not for Publication**

**1.0 Summary**

- 1.1 This report requests authority to award a contract for supply of IT servers 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 Office for Government Commerce Catalist Framework, and recommends approval of the processes and mechanisms of the mini competition and award to the successful eAuction bidder.

**2.0 Recommendations**

- 2.1 The Executive to note the process being undertaken for the procurement of IT servers via the OGC Catalist framework.
- 2.2 The Executive to agree the evaluation process for the award of the IT Servers contract as outlined in paragraphs 3.14 – 3.24 of this report and Appendices 1 and 2.
- 2.3 Subject to 2.5 below, the Executive to agree the award of contract for IT servers for an initial term of 18 months with two twelve month and one six month

extension to the successful supplier 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 at any time prior to signing the deed of agreement in exceptional circumstances as further explained in paragraphs 3.25 and 3.26 below.

### **3.0 Detail**

#### ***Background***

- 3.1 The Council currently has in the region of 200 servers situated throughout Brent's sites, which are replaced on a 5 year cycle. The majority of these servers are nearing the end of their life cycle.
- 3.2 As part of an efficiency project, the Council plans to build two new datacentres to consolidate and replace the existing server infrastructure into two central locations. The project is looking to achieve a saving of approximately £500,000 over the next 5 years whilst also improving the current provision and building in future capacity requirements. Appendix 4 (not for publication) sets out the anticipated spend for the procurement of servers and associated infrastructure.
- 3.3 Catalist is a series of Framework agreements which have been set up by the OGC (Office for Government Commerce) for different categories of supplies and services. The framework agreements have been set up in compliance with the requirements of the EU public procurement regime (under the Public Contract 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.
- 3.4 In using the Catalist frameworks it is possible to call off simply by placing an order directly with one of the suppliers within the framework. However for higher value procurements, value for money can be better delivered by running a mini-competition amongst the suppliers on the framework.
- 3.5 The Office of Government Commerce are running a mini competition within one of the Catalist Framework agreements for IT Client Devices for the procurement of IT Hardware with the collaboration of other Local Authorities, the NHS, TFL, DfID, and the Scottish Executive. For this mini competition Brent will be participating in the lot for servers only as the Council's PC and laptop requirements were secured in the last OGC eAuction (as per April 2007 Executive approval). The mini competition will incorporate an eAuction, facilitated by the OGC, for the pricing element of the evaluation. Brent is the only authority participating in the lot for servers, which means that it can shape the process to suit its own needs.

- 3.6 It is anticipated that Brent's participation in this mini competition will benefit from the combined forecast volume of all participants in all of the lots and will benefit from more interest and 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.
- 3.7 The participation in the previous eAuction for PCs and laptops (reported to the Executive on 16<sup>th</sup> April 2007) was a success, with competitive prices secured resulting in projected savings per annum of £144,131(30%), totalling £504,459 over the full contract period.
- 3.8 The specification of the equipment has been prepared by Brent, with the help of external technical consultants.

### ***Outline of Tender Process***

- 3.9 It is intended that new contract(s) for IT Servers will be let for an initial term of 18 months with two 12 month and one 6 month extension, totalling a 4 year contract period.
- 3.10 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 Contracts 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. The OGC has confirmed that an individual call-off from the framework can extend beyond the expiry of the framework itself.
- 3.11 As stated above, 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 servers.
- 3.12 Officers from the Procurement and Risk Management Team and Legal Services are assisting with the procurement process.
- 3.13 A two-stage response process is followed. The responses to the Invitation to Offer stage will contain design solutions and indicative pricing. The indicative pricing acts as the starting bids for each of the suppliers at the eAuction stage. The e-auction then follows.

### ***The Mini-Competition: Detail***

- 3.14 Pursuant to the rules of the Catalist Framework Agreement all suppliers on the Framework Agreement for Client Devices (except one, which is in receivership) were invited to take part in the mini-competition.

- 3.15 The detailed invitation to take part in the mini competition has already been despatched and is due for return before the date of the Executive's meeting. The Invitation to Offer (ITO) stated that the contract would be awarded on the basis of the most economically advantageous offer to Brent and that in evaluating tenders, Brent would have regard to the following:
- Price – variable in the eAuction
  - Product & Service (Qualitative)
- 3.16 Evaluation scores will be weighted as follows:
- Price 40%
  - Qualitative 60% (assessed against the criteria identified in Appendix 1)
- 3.17 Officers are confident that quality requirements will be met under these weighting parameters as all of the bidding suppliers 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.
- 3.18 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:
- technical design
  - technical changes
  - technical services
  - sustainability
  - warranties
  - order fulfilment & delivery
  - packaging
  - account management
  - escalation process
  - order and invoice payment (including electronic capability)
  - innovation
- 3.19 This information was required to be submitted no later than 28 September 07 through Bravo Solution's e-tendering tool. It is envisaged that the OGC will be forwarding the supplier responses to each member of the evaluation panel soon afterwards. There may therefore be an oral update for Members on the progress of the Offer stage at their meeting on 8<sup>th</sup> October.
- 3.20 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 tender documentation and specification against the products they intend to buy. They will also be evaluating a test environment that will be facilitated by each supplier at its own premises. References will also be taken up and given a score. The panel members will agree a score, or their scores will be averaged.

- 3.21 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 the eAuction to determine the pricing for the products being tendered.
- 3.22 Prior to the eAuction, suppliers will be given feedback on the qualitative assessment and ranking in relation to other bidders.
- 3.23 Suppliers are required to provide indicative pricing in their initial responses. These prices will form their opening bids for the eAuction.
- 3.24 The successful suppliers will be determined following the close of the e-auction on the basis of a combination of the qualitative scores and the prices submitted in the eAuction, weighted in accordance with paragraph 3.16 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 2.
- 3.25 If, at the end of the eAuction, we can demonstrate that the prices of the supplier ranked first do not represent value for money, we are able to withdraw from the process and purchase via another route (including tendering where necessary). The Invitation to Offer (ITO) pack as despatched to bidders stated that Brent would purchase from the most competitive bidder, following assessment as described above, except in "extraordinary circumstances". Examples given in the ITO are where the most competitive bidder is considered abnormally low, in which case award could be made to the second placed bidder, and where the most competitive bid is not value for money.
- 3.26 It would also be possible to withdraw at an earlier stage, most likely once the responses are received to the ITO. This gives the Council protection if either the designs are significantly incomplete, or if the indicative prices are unrealistic or significantly out of our budget range.
- 3.27 Following the eAuction, a deed of agreement will be set up directly between the Council and the successful supplier. The contract will commence from the eAuction date of 22 November 2007 and we will be obligated to source from that supplier for the contract period.
- 3.28 An option has been included to enable Brent 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 Brent is not held to premium pricing for the full contract term, subject to the agreement of both parties. 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. Furthermore, there is protection for Brent in either situation by

having a short initial contract term of 18 months with the possibility of 3 further short extensions.

- 3.29 As the Council will be locked into purchasing from the successful suppliers following the eAuction, except in the extraordinary circumstances explained in paragraph 3.25, 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 contract to the supplier which is deemed to be the successful supplier for the server lot based on the evaluation process 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, and that the most competitive bidder will deliver good value for the Council due to the e-auction 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 for servers is shown in Appendix 4 (below the line). This includes running the call off and eAuction costs, which have been provided free of charge by the OGC who are sponsors of the project.
- 4.3 The Council has recently put in place a new charging model for IT based on a Total Cost of Ownership (TCO) model. Under the arrangements put in place for the operation of this model, the IT Unit has taken ownership of all servers across the council and be responsible for all costs associated with them including maintenance and replacement. Departments are charged a per user cost for this service levied annually. 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 server 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 consolidation process, and the eAuction procurement mechanism and subsequent arrangements, will help achieve these benefits and savings.

#### **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 tendering of Supplies contracts and the contracts are therefore governed by the Public Contracts Regulations 2006 (“the EU Regulations”). 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 servers are being procured under a Framework Agreement set up by the OGC (Catalist). The EU 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 EU Regulations and the Catalist rules for mini-competitions.
- 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. In addition, Executive approval is still required for the award, due to this being a High Value contract.
- 6.4 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 as explained above, due to exceptional circumstances. This Executive Report therefore asks the Executive to agree the award of the contracts to whichever supplier is successful in the mini competition based on the evaluation process detailed in this report.
- 6.5 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**

Invitation to Offer Documentation

## **9.0 Contact Officers**

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**APPENDIX 1  
IT HARDWARE (SERVERS) CONTRACT  
TENDER AND TESTING ENVIRONMENT EVALUATION CRITERIA**

- All Technical and General requirements as defined in the ITO
- Compatibility and functionality with VMWare ESX 3.1 infrastructure
- Cost effective and management benefits of using a single vendor storage and blade system solution.
- Relevance of the functionality and capability of the IT storage environment
- Ease of administering and supporting the environment operationally
- Experience in similar environments
- Readily scalable
- Ease of implementation with a phased and clear road map
- Disaster recovery provision and ease of establishing business continuity
- System maintenance, product updating, and ongoing support programme
- Technological and market position of the product and the future vision
- Energy efficiency and environmental issues including friendly disposal.
- Quality and clarity of proposal

## APPENDIX 2 IT HARDWARE (SERVERS) 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 1). 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 60 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 6 percentage points below the mean (+6%)
  - Supplier B precisely matches the mean so there is no variance (0%)
  - Supplier C exceeds the mean by 6%. (-6%)

#### **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 (40%). For example, the calculation undertaken for Supplier A would be:
  - Variance of +6% / 0.40 = 15%
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 15%), giving a factor of 115%. Therefore its £100 bid will be transformed into a monetary value of £115.00.
  - By contrast supplier C, who performed better than average on the qualitative evaluation, will have a raw bid of £100 multiplied by (100% - 15%) to give a transformed bid of £85.00.
  - 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 60% available for qualitative score	Variance to mean qualitative score	Variance to mean qualitative score / 40% pricing	Factor applied to raw monetary bid in auction	Raw Price Bid	Adjusted Price (For evaluation purposes only)	Rank
A	40.00%	24%	6%	15%	115%	£100.00	£115.00	3
B	50.00%	30%	0.00%	0.00%	100%	£100.00	£100.00	2
C	60.00%	36%	(6%)	(15%)	115%	£100.00	£85.00	1

**APPENDIX 3**  
**IT HARDWARE (SERVERS) CONTRACT**  
**Technical detail**

We are looking to purchase the hardware to fully equip two datacentres. The procurement for this hardware will be phased over the length of the contract, but for the purposes of the auction we are looking at the cost our total server & storage requirements for the next 5 years. These requirements consist mainly of:

- Storage and backup solution with capacity of 25TB for file services, 5TB for email, 5TB for database servers and 30TB for email archiving. All data will be replicated on both data centres for resilience, the total requirement is therefore 65TB+65TB per data centre.
- For each of the two datacentres, blade enclosures and blades to provide the CPU equivalent of 20 blades able to achieve a SPEC CINT2006 score of 16 each, with 32Gb per blade
- Technical Services to install the initial hardware for one of the datacentres and also establish the link between the two centres
- Virtualisation software licences