



**Executive**  
15 February 2011

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

For Action

Wards affected:  
Not applicable

**Authority to award contract for a server-based desktop  
solution**

**Appendix 4 to this report is Not for Publication**

**1.0 Summary**

- 1.1 This report requests authority to award a contract for the supply of a server-based desktop solution for the council through an eAuction as required by Contract Standing Order 88.
- 1.2 This report summarises the process being undertaken to procure this contract through a mini competition, under an existing pre-tendered local authority Framework established by Eastern Shires Purchasing Organisation ("ESPO"), 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 a server-based desktop solution via the ESPO framework.
- 2.2 The Executive to agree the evaluation process for the award of the server-based desktop solution contract as outlined in paragraphs 3.15 – 3.25 of this report and Appendices 1 and 2.
- 2.3 Subject to 2.5 below, the Executive to agree the award of contract for a server-based desktop solution for an initial term of three years with a twenty-four 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 Services in consultation with the Director of Legal and Procurement to formalise the contract award following the eAuction results in accordance with the council's Contract

## Standing Orders and Financial Regulations.

- 2.5 The Executive to authorise the Director of Finance and Corporate Services to withdraw from the procurement process at any time prior to signing the call-off contract in exceptional circumstances as further explained in paragraphs 3.25 and 3.26 below.

### **3.0 Detail**

#### ***Background***

- 3.1 The council currently has approximately 3,500 desktop PCs. These have been on a 5-year replacement cycle, however this was frozen two years ago, and therefore their age varies between 3 and 8 years old.
- 3.2 New technologies around server-based client computing are now mature and these provide a number of benefits, including better support for flexible working, enhanced home working experience, significant power saving, increased security and ease of support.
- 3.3 The design for the new Civic Centre requires that a minimum 80% of all desktops are not conventional PCs, as the power and cooling provision for the building would not be able to support them. A PC will consume a minimum of 70W-80W, while a desktop device that utilises a server-based client session will consume between 5W and 30W.
- 3.4 The council plans to replace all desktop PCs with a new server-based desktop solution. As mentioned in paragraph 3.3 this is a mandatory requirement for the Civic Centre, and given the benefits of such a solution as mentioned in paragraph 3.2 it makes sense to do the same for all other Council offices.
- 3.5 The solution procured will consist of server hardware, software licences, client devices, implementation services and maintenance costs.
- 3.6 The server hardware and the devices that will be replacing PCs have a higher life-expectancy, and that will allow for the desktop replacement cycle to be increased from five to seven years. The project therefore will be funded from the existing PC replacement budget for a period of 7 years. This will include all hardware, software and services procured, as well as the maintenance payments for the solution over this period.
- 3.7 ESPO is a purchasing and distribution consortium owned by a number of local authorities in the east of the country. It acts as a purchasing agent for its member authorities and other customers and provides a professional cost effective procurement and supply service. ESPO provides a number of ICT Framework agreements and local authorities can order directly from any of the suppliers in these frameworks.
- 3.8 In using the ESPO 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.

- 3.9 The council plans to run a mini-competition under an ESPO ICT Framework. The mini competition will incorporate an eAuction for the pricing element of the evaluation.
- 3.10 Brent's participation in previous eAuctions for PCs and laptops in 2007 and 2010, as well as for servers in 2007 was a success, with competitive prices secured resulting in significant savings to the Council. The 2007 PC eAuction saved the Council approximately £500k over the contract period, while the datacentre eAuction in the same year achieved a similar saving. Although the 2010 PC eAuction managed to maintain our low PC pricing, this did not result in significant savings simply because we had frozen the PC replacement cycle and therefore did not buy any significant number of PCs in the last year.

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

- 3.11 It is intended that new contract(s) that the server-based desktop solution will be let for an initial term of 3 years with a twenty-four month extension, totalling a 5 year contract period.
- 3.12 The process being used for the procurement of these supplies is a call off agreement under the existing ESPO tendered Framework (ICT Network Solutions), in compliance with the Public Contracts Regulations 2006.
- 3.13 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 solution.
- 3.14 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 eAuction then follows.

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

- 3.15 All suppliers on the ESPO Framework Agreement for ICT Network Solutions will be invited to take part in the mini-competition.
- 3.16 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)

- 3.17 Evaluation scores will be weighted as follows:
- Price 30%
  - Qualitative 70% (assessed against the criteria identified in Appendix 1)
- 3.18 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.
- 3.19 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
- 3.20 Responses are expected to be submitted by the 11<sup>th</sup> of February. 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 either a test environment that will be facilitated by each supplier at its own premises or a reference site. Prior to receipt of responses, a decision will be made as to whether 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 3.17 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, Officers can demonstrate that the prices of the supplier ranked first do not represent value for money, the council 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 the council's budget range.
- 3.27 Following the eAuction, the council will contract directly with the successful supplier. The contract will commence from the eAuction date of 31 March 2011 and the council will be obligated to source from that supplier for the contract period.
- 3.28 An option has been included to enable Brent to undertake regular price reviews to determine if prices under this contract are still in line with the market. This is to account for price reductions that are inherent in the IT industry and also 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 subject to significant exchange rate fluctuations or similarly for Brent to request price decreases on the same basis.
- 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 council's 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.
- 4.3 The total cost of the contract will be covered by the existing desktop PC replacement budget.
- 4.4 This arrangement will derive a number of benefits, not least meeting the requirements for the Civic Centre. It will also contribute to achieving a more stable IT infrastructure, reduce the council's carbon footprint, support flexible working, increase security, enhance IT support and provide an overall improved user experience to council staff.

## **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 Contract 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 ESPO. 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.
- 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 Director of Legal and Procurement 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 Services. The Director of Legal and Procurement and the Director of Finance and Corporate Services 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 ESPO 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. The tender documentation specifies that the solution will need to be fully accessible and support all accessibility aids in use on desktops.

## **8.0 Background Papers**

Invitation to Offer documentation

## **9.0 Contact Officers**

- 9.1 Tony Ellis, Assistant Director - ICT, Finance and Corporate Services, Brent House, 349-357 High Road, Wembley, Middlesex, HA9 6BZ

**Clive Heaphy**  
**Director of Finance and Corporate Services**

**APPENDIX 1**  
**CLIENT-BASED DESKTOP SOLUTION CONTRACT**  
**TENDER AND TESTING ENVIRONMENT EVALUATION CRITERIA**

- All Technical and General requirements as defined in the ITO
- Cost effective and management benefits of utilising technologies already in use in the Council
- Relevance of the functionality and capability of the solution
- Ease of administering and supporting the solution 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 CLIENT-BASED DESKTOP SOLUTION 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 70 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% / 0.30 = 20%
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 20%), giving a factor of 120%. Therefore its £100 bid will be transformed into a monetary value of £120.00.
  - By contrast supplier C, who performed better than average on the qualitative evaluation, will have a raw bid of £100 multiplied by (100% - 20%) to give a transformed bid of £80.00.
  - 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 70% 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%	28%	6%	20%	120%	£100.00	£120.00	3
B	50.00%	35%	0.00%	0.00%	100%	£100.00	£100.00	2
C	60.00%	42%	(6%)	(20%)	120%	£100.00	£80.00	1

**APPENDIX 3**  
**CLIENT-BASED DESKTOP SOLUTION CONTRACT**  
**Technical detail**

We are looking for a solution to provide server-based client computing, to replace a minimum 80% of PCs in our environment. We expect to have a need for a maximum of 2700 concurrent user sessions with both data centres up and running or 2000 concurrent user sessions in a DR scenario where only one data centre is available. This is a forecast of our requirement based on our current environment, however with changes in the authority and budget pressures these numbers may decrease. Equally working hours may spread, so concurrency may drop further. From a procurement perspective we would be looking to buy licenses to run 1000 concurrent sessions in the first instance (on the basis of the solution being available to 1250 users) and buy the remaining licenses in batches of 100 during the rollout of the solution across the council as and when required.

The requirement of this procurement exercise is to buy everything required to provide the above server-based client computing environment including:

- All server & storage hardware and software licenses required to run this solution – existing available resources (for example storage controllers) can be utilised if the supplier sees fit
- Any additional interconnecting hardware required (eg SAN fibre) to build this solution (with the only exception that the solution will be connected to an existing network available within our data centres)
- Desktop devices to be used (the requirement is that the desktop devices will have minimal power consumption, expected to be under 30W)
- Services to produce a complete design for the solution
- Services to implement the solution capable to manage the first 250 sessions, with knowledge share to allow us to continue the project in-house
- Services to configure all core applications ,and a minimum of one application for each of the application technologies we use, to operate in this environment, with knowledge share to allow us to continue the project in-house
- List of costed training options recommended for our staff to support this solution
- Warranty and software maintenance costs for this solution – 5 years to be included in the original purchase, the annual cost for extending after that period to be provided



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For Action

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Not applicable

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**Appendix 4**

**Not for Publication**

This Appendix is not for publication as it contains the following category of exempt information as specified in paragraph 3, Schedule 12A of the Local Government Act 1972, namely:  
“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”

**APPENDIX 4  
CLIENT-BASED DESKTOP SOLUTION CONTRACT**

The total cost of the technical solution described in appendix 3 above is expected to be between £1.1m and £1.3m. The desktop PC replacement budget is £210k and we expect to fund the solution over 7 years, giving us a total budget of £1.47m.