



**Report of: Executive Member for Finance, Performance and Community Safety**

<b>Meeting of:</b>	<b>Date:</b>	<b>Ward(s):</b>
Executive	11 July 2019	List wards: All

<b>Delete as appropriate</b>		Non-exempt
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**THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION**

## **SUBJECT: Procurement Strategy and Contract Award for End User Computing (EUC) Hardware**

### **1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of End User Computing (EUC) Hardware in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 The Council seeks to acquire 4,500 EUC laptop devices over a period of 12 months through the HealthTrust Europe framework agreement – Lot 1.

### **2. Recommendations**

- 2.1 To approve the procurement strategy for EUC Hardware as outlined in paragraph 3.4 of this report, utilising the HealthTrust Europe framework agreement – Lot 1.
- 2.2 To approve the award of a direct-call contract from the HealthTrust Europe framework agreement – Lot 1 to XMA Limited to deliver the 4,500 EUC laptop devices over a period of 12 months with a total value of £3,264,943.

### 3. Background

#### 3.1 Nature of the service

Islington Council has approximately 4500 staff using Windows hardware devices such as laptops and desktops, which are up to seven years old. The business objective of this procurement is to source the replacement of these devices with appropriate laptops as part of the Council's on-going refresh of hardware.

These devices are intended for business use and therefore have additional features for corporate use such as chips to manage security certificates, assured device drivers and consistent components. These devices are more expensive than consumer laptops. Consumer laptops are not suitable for corporate use as: they don't meet the security standards required; have higher support costs; and are more likely to vary in design and features during their product lifecycle - meaning functional suitability cannot be assured.

Hardware replenishment is a continuous process and is based on using devices while economic, which means a four-year replacement cycle. Hardware items are only replaced where necessary. This strategy ensures that the Council achieves the best use of Islington's IT funding.

The required goods and associated services are currently supplied through an existing XMA call-off contract on framework agreement EA16, which is due to end in 2020. EA16 does not permit leasing as a payment mechanism and so is not appropriate for this procurement. At this point a direct replacement for replenishment has not been identified, it is also unclear if the EA16 group will continue to collaborate in new procurements.

#### 3.2 Estimated Value

Values of existing call-contracts (for full 24-month term) are detailed below (based on 2016 data, as 2018/2019 data is not representative due to Shared Digital arrangements). The existing call-off contracts are based on the higher volumes of hardware refresh required in 2014, due to the 'Working Without Walls' Windows 7 upgrade project. This was not a full device refresh and our estate has devices in use from 2012.

No desktops or monitors will be acquired under this procurement, but a significant number of desktops will be replaced by laptop devices. The proposed procurement will replace the total of 4,500 devices which would normally be a four-year cycle. Spend below reflects a two-year refresh:

- Supply of Desktop and Monitors      £58,719
- Supply of Laptops                              £1,530,760

Funding will come from existing revenue ICT budgets. The intention is that at the end of year three of this agreement, a new procurement is undertaken with the goal of refreshing all devices during years four and five (reflecting the four-year economic and useable lifecycle of the devices).

Following the results of the bidding process originally held under EA16 in 2018 and 2019, it is proposed that the maximum value of the contract will be £3.5m, based on forecasted demand over the five-year period. The contract term will be for five years.

The total value of the procurement through the new Health Trust Europe framework agreement is £3,264,943. The minimum commitment under this procurement is 4,500 devices. Should the Council decide at a later date that circumstances warrant an alternate approach, as the result of a change to the Digital Service strategy, there is no further obligation to purchase via the framework agreement once the commitment has been achieved.

For the purpose of this procurement, the estimated value is based on maximum forecasted level of laptop hardware to be acquired. The estimate was arrived at in consultation with Digital Services colleagues.

The procurement has been benchmarked by the Interim Enterprise Architecture Strategy Manager within Islington Digital Services, following a process to obtain two manufacturers' bids independent benchmark figures for each device type in February 2019. The costs and specifications are shown in the comparison table within the exempt appendix.

The comparison table illustrates the best offer from each manufacturer and their bid price through XMA, our chosen supplier as selected under the Shared Digital arrangement.

The preferred payment mechanism for the procurement is a residual value lease arrangement, which means the actual cost incurred by the Council is £3,264,943. This figure represents a saving of approximately £141,000, removing the Council's costs in disposing and wiping of equipment at the end of its serviceable life, which provides a predictable cost forecast

### 3.3 Timetable

Device type recommendations and benchmarking has occurred. The proposed timetable is:

Action	Date
Executive Decision for Procurement Strategy and Contract Award	11 July 2018
Contract Implementation	Commencing 18 July 2018 and continuing for 12 Months

### 3.4 Options appraisal

Following the establishment of a sovereign Council Digital Services function, the Council has taken this process forward to ensure it acquires appropriate devices for its staff and members that reflect value for money and for a cost that is within its revenue budget provisions.

The procurement will be for the provision of EUC hardware devices for a four-year agreement to the suppliers under the HealthTrust Europe framework agreement Lot-1. This framework agreement was selected as it is compliant with the Official Journal of the European Union

(OJEU). The framework agreement has been successfully used by the Council previously and the lots it offers are an ideal requirements match to this need.

The HealthTrust Europe framework agreement permits a variety of payment mechanisms, including leasing. Leasing has the potential to offer lower and predictable total cost of ownership (TCO). Leasing includes arrangements for removal and safe disposal of equipment at the end of its useful life, as a residual value mechanism, which reduces the Council's overlay to less than the capital cost of the equipment.

The Council looked at other frameworks agreements, including the EA16, in which it has been a participant for some years. Alternative framework agreements did not meet the needs, either because they:

- were insufficiently flexible in the mix of equipment they could supply;
- had a fixed catalogue, which was aged; or
- did not permit the range of payment mechanisms.

When the Council returned to a sovereign Digital Services function, the option of undertaking a full OJEU based procurement was considered. The option was not feasible on two grounds: the cost of doing so would be disproportionate when compliant frameworks agreements were available; and the time to undertake a full process would exceed requirements. The Council needs update its desktop and laptop estate to Windows 10 before the current software, Windows 7, goes out of support on the 14th of January, 2020. The council needs to update to Windows 10 to reduce the risk of being susceptible to cyber-attack, such as the Wannacry attack, that badly impacted the NHS.

### 3.5 Key Considerations

The requirement for London Living Wage to be considered is not expected to have a financial impact in this instance. Staff associated with this type of contract will typically be Technical Service Account Managers, who are likely to be paid in excess of the London Living Wage.

The use of appropriate equipment ensures officers can efficiently meet the goals of the Council, deliver services to citizens and provide flexibility as needs evolve in the borough.

As part of the arrangement, the equipment will be returned to the manufacturer. They have "state of the art" facilities within the United Kingdom to securely wipe equipment. They will then either repurpose the equipment for further use if the specification of devices meets needs or they will recycle and recover materials such as metals, glass, plastics in a sustainable manner. The Council will be provided with certification of this disposal.

This is an arrangement to supply equipment only and as such there is no Islington-based engineering or support personnel from the vendors. As such, there is no opportunity to leverage any engineering personnel to enhance other activities such as community-interest projects or social value add-ons.

There are no TUPE, pensions or other staffing implications identified.

### 3.6 Evaluation

The Council will call-off utilising the HealthTrust Europe framework agreement Lot-1. Prices have been sought from the two organisations on lot 1 of the framework agreement. HP via XMA Limited was the most advantageous offer. That evaluation was based on the lowest overall cost for a single manufacturer's set of devices, as this provides industry standard commonality in build and support. The starting point for costs comparison was the purchase costs of the equipment as this is the sum that would be funded under a lease arrangement.

Following the decision to return to a sovereign Islington Digital Services function, a review of requirements was undertaken to ensure they focused on the Council's needs. A report of these recommendations was endorsed by the Council's 2020 board and the Interim Chief Digital Information Officer.

The device type bundle was selected following a review of Council work-styles. The market was tested for devices that met the Council's role-based needs. Comparisons with other manufacturers were made and all other criteria being equal, the costs of the HP set of devices provide the council with best value for money for the required specification.

The devices were tested to ensure compatibility with the needs of the Council. The one device set had a slight advantage (in terms of SIM support for mobile working). All other aspects were considered equal. The cost of the required mix of devices was lowest with equipment manufactured by HP. XMA Limited are the reseller HP work with under this framework agreement. HP do not sell equipment directly without a reseller.

A comparison of costs and the retail prices is included within the exempt appendix. The preferred payment mechanism for the procurement is a residual value lease arrangement. This means the actual cost incurred by the Council is £3,264,943, saving approximately £141,000. This also removes the Council's costs in disposing and wiping of equipment at the end of its serviceable life.

### 3.7 Business Risks

Business risks associated with this procurement have been largely mitigated by the fact that:

- the Council has ensured its specific requirements were the consideration for this procurement
- an OJEU compliant framework agreement will be used for the procurement to meet the Council's requirements
- HealthTrust Europe has been previously used successfully by the Council in other procurements
- the volume of devices is significant, and this procurement will fix the device costs for the 4,500-minimum commitment, providing a known TCO to the council.

3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be

required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.8 of the Procurement Rules:

<b>Relevant information</b>	<b>Information/section in report</b>
1 Nature of the service	Procurement of 4,500 EUC laptop devices over a period of 12 months through a leasing arrangement.  See paragraph 3.1
2 Estimated value	The value of this procurement is £3,264,943.  See paragraph 3.2
3 Timetable	Contract implementation shall commence 18 July 2018 and continue for 12 Months.  See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	The options appraisal recommends the use of the HealthTrust Europe framework agreement Lot 1  See paragraph 3.4
5 Key Considerations	Outlined within the report.  See paragraph 3.5
6 Award criteria	The Council shall call-off utilising the HealthTrust Europe framework agreement Lot-1.  The evaluation is based on the lowest overall cost for a single manufacturer's set of devices.  See paragraph 3.6
7 Any business risks associated with entering the contract	Outlined within the report.  See paragraph 3.7
8 Any other relevant financial, legal or other considerations.	See paragraph 4.1 – 4.4

## **4. Implications**

### **4.1 Financial implications:**

Leasing offers greater value to the Council as the lease term reflects the useful life of the equipment to the Council (due to technological obsolescence of the equipment and the need to stay updated due to security and compatibility issues), after which it would look to dispose and replace. The nominal payments over the lease term is expected to be less than the required outlay to purchase outright. The leasing option additionally saves the Council the increasing costs of safely and environmentally responsibly disposing of the equipment at the end of its life. This option also aids financial planning and management; a consistent lease payment allows the Council to accurately and consistently budget for the annual costs of the equipment.

### **4.2 Legal Implications:**

The Council has power to acquire laptops which are required to enable its staff to carry out its statutory functions (section 111 of the Local Government Act 1972 together with the relevant statutory functions). Accordingly, the Council may enter into a contract with the successful supplier to secure the provision of laptops (section 1 of the Local Government (Contracts) Act 1997). The Council may acquire the laptops through leasing contract rather than purchasing them outright.

The proposed contract is a public supply contract. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £181,302 for supply contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The Council's Procurement Rules also require contracts over the value of £164,176.00 to be subject to competitive tender.

The proposed procurement strategy is to use the HealthTrust Europe framework agreement for the supply of EU hardware devices which was procured in compliance with the Public Contracts Regulations following an OJEU advertisement. The framework agreement is available to all local authorities and therefore may be accessed by the Council for the supply of EUC laptops and a contract(s) may be awarded in accordance with the provisions set out in the framework agreement. The framework agreement includes arrangements for hardware to be leased rather than purchased.

### **4.3 Environmental Implications**

The Environmental impact assessment is an appendix to this paper.

### **4.4 Resident Impact Assessment:**

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed in May 2019 and the complete Resident Impact Assessment is appended

## 5. Reason for recommendations

- 5.1 Procurement of a contract is required to provide replenishment of the Council's EUC hardware as it is no longer fit for purpose. Much of the existing hardware will not be compliant with security standards after 14 January 2020.
- 5.2 It is recommended to award under HealthTrust Europe framework agreement and implement a call-off contract for the term of contract (four years) from the winning bidder of HP equipment, which is supplied by distributor, XMA Limited.
- 5.3 It is recommended that a residual value leasing arrangement is used as the payment mechanism.

## Appendices

- Resident Impact Assessment
- Exempt Appendix
- Environmental Impact Assessment

## Background papers:

- None

Final report clearance:

## Signed by:



Executive Member for Finance Performance  
and Community Safety

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