

Resources Department
Islington Digital Services
7 Newington Barrow Way

Report of: Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 23 March 2023

Ward(s): n/a

Subject: Procurement strategy report for laptop refresh

1. Synopsis

- 1.1. This report seeks approval of the procurement strategy to refresh our laptop estate as our current contract expires at the end of August 2023.
- 1.2. The contract will provide continued technology support for staff and enable continued access to the council's digital systems. It is necessary to replace the current laptop estate with new devices which provide improved energy efficiency and other productivity enhancements that come with Windows 11. The new contract will deliver approximately 5,500 new laptops on a 4-year lease agreement.

2. Recommendations

- 2.1. To approve the procurement strategy for the laptop refresh to a total estimated value of £4,400,000 for the procurement of hardware, managed deployment and related services and software licensing for four years.
- 2.2. To delegate authority to award the contract to the Corporate Director of Resources following consultation with the Executive Member for Finance, Planning & Performance

3. Background

3.1. Nature of the service

- 3.1.1. The current estate of laptops was deployed in 2019 with some additional purchases to meet growth demand. The laptops are now reaching the end of their support lifecycle and the end of their four-year leasing agreement which terminates in August 2023. This is reflected in an increasing failure rate, which is to be expected in the final year.
- 3.1.2. The Council is seeking to procure 5500 new laptops¹ with warranty, based on a lease arrangement over four years.

3.2. Estimated value

- 3.2.1. The funding will be via Islington Digital Services (IDS) revenue budget. There is currently budgeted at £800,000 per year. However, rising laptop costs² and growth in the organisation means the new contract will be approximately £1.1m per year. The gap of £300K will require additional funding and discussed further under financial implications section 4.1.
- 3.2.2. Benchmarking has been conducted through market research and indications are the overall value will be in the region £4,400,000 over a four-year lease period. This total is made up of £1.1m per year over 4 years.
- 3.2.3. The current laptop lease agreement has cost £800,000 per year. In addition to this there has been £427,000 spent on additional and replacement laptops in the last two years. The new leasing agreement will provide cover for risks around devices either lost or beyond economical repair.
- 3.2.4. Overall savings based on the cost of the 2019 lease will be difficult to achieve, we expect cost pressure to exist based on factors such as demand, inflation, cost of components and exchange fluctuations which combined mean enterprise level

¹ There are 5100 users issued with devices.; This is a mix of permanent staff, contractors, and suppliers. The cost also factors in any potential permanent loss of assets beyond economical repair and damages not covered by warranty.

²“Inflation is a significant factor in the PC market, with prices jumping amid chip shortages and market uncertainty. In 2021 average selling prices of PCs were up by 10 per cent compared to 2020. We recognize that enterprise grade laptops are the most impacted as these do not have flexibility on the configuration” Gartner analyst Mikako Kitagawa

“Due to the added manufacturing costs and intense component supply chain, logistics, and assembly problems, the major laptop makers are ‘mulling’ an increase in prices for the second half of the year. The ongoing Covid-19 lockdowns in China, as well as the supply issues stemming from the Russian invasion of Ukraine are cited as the main culprits” Daniel Zlatev

laptops increased in price whilst low end and customer devices have only maintained level pricing at the cost of reduced functionality.

3.2.5. In the context of the inflationary market and the de-risking of future cost uplifts over the next 4 years, the projected uplift in lease costs is modest and good value.

3.3. **Timetable**

3.3.1. The current agreement started in September 2019. The laptops are reaching the end of their replacement and support lifecycle of four years with the leasing agreement expiring in August 2023.

3.3.2. The new agreement needs to be in place three months before the existing agreement expires to ensure new laptops are ready for rollout before the existing agreement ends.

3.3.3. The anticipated timetable is as follows:

Task	Date
Strategy approved by Executive	March 2023
Issue Tender	April 2023
Tender Return Deadline	April/May 2023
Evaluation/ Moderation	May 2023
Contract award	June 2023
Start date for new contract	September 2023

3.4. **Options appraisal**

3.4.1. The current laptop supply contract is under a lease arrangement. It is considered beneficial to continue with a lease rather than upfront purchase for the following reasons:

- **Reduced costs:** There are reduced upfront and total cost of ownership costs.
- **Predictable Cost Management:** Smooths out cash flow with known predictable annual outgoing. Eliminates the challenge of proving capital funds every cycle. Align investment with expected use and business benefits.

- **Implement a regular technology refresh program:** Laptop obsolescence is avoided, and the council will not be stuck with old laptops at the end of 4 years. Staff will not have to use old equipment with slow performance and high failure rates. We will avoid increased maintenance and failure costs associated with aging infrastructure
- **Sustainability:** Lease providers are committed to taking maximum residual value. Reuse and recycling processes are optimised for sustainability. Islington will leverage expert asset management to manage equipment recycling while reducing regulatory and data security risk.

3.4.2. A review of suitable frameworks for the procurement of the hardware and deployment has been undertaken. The recommended route to market is to utilise a framework agreement via Crown Commercial Services framework agreement RM6068 Lot 1 hardware, software, and associated services. The framework offers a compliant route to market for technology product requirements and the associated services via a leasing agreement. The benefit of using this framework agreement is that it allows for a call-off of four years for the leasing agreement. Procuring these requirements via an open procurement outside of an established framework will not be possible as the requirements to advertise in Find a Tender Service would not allow a September 2023 contract start date.

3.5. **Key Considerations**

3.5.1. Delivering the Council's social value objectives is a key element of this procurement strategy. The framework providers must demonstrate their contribution to economic, environmental, and social benefits if they are awarded the contract. The CCS (Crown Commercial Services) RM6068 Lot 1 framework agreement provides sufficient flexibility to ensure that any call-off contract will address the following social value commitments:

- A commitment by the successful provider to pay at least the London Living Wage.
- Support learning, development, and skills opportunities for Islington residents.
- Technology development and infrastructure for schools within the borough.
- Digital inclusion within our local communities and businesses.
- Compliance with procurement policy regarding carbon reduction plans in relation to public procurement policy PPN (Procurement Policy Note) 06/21.
- All laptop hardware purchased will include recycled material. Resellers must demonstrate appropriate end-of-life recovery of old laptops.

3.6. **Evaluation**

The further competition will be conducted by firstly issuing a request for information (RFI) as part of pre-market engagement, during the pre-market engagement questions will be asked to help refine the requirements and give suppliers early insight into the opportunity. Final requirements will then be comprehensively captured within the further competition documents and sent to framework providers that have responded to the RFI. The proposed evaluation award criteria are:

Cost 40%

Quality 40%

- Quality and Future Product Direction – 10%
- Logistics and Delivery Capabilities – 10%
- Goods and Services Fitness for Purpose – 10%
- Buyers Service and Satisfaction – 5%
- Understanding Buyer's Needs – 5%

Social Value 20%

- Social value offerings that being benefits to residents and may include pro bono services through to the provision of additional laptops to support learning and/or residents with special needs.

3.7. **Business risks and Opportunities**

- 3.7.1. Failure to secure new laptops will result in a significant corporate risk to increased laptop failures that will result with the council unable to deliver essential services to businesses and residents.

Additionally, there is a financial risk as existing laptops will be out of support and warranty and any faults or failures will incur costs for repairs or replacement for devices that are beyond repair, removing the need to purchase additional laptop stock to issue to services within the council.

- 3.7.2. 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.

- 3.7.3. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	Laptop refresh See paragraph 3.1
2. Estimated value	The call-off contract from a framework agreement has an estimated value of up to £4,400,000. See paragraph 3.2
3. Timetable	The new agreement needs to commence 3 months before the 31 August 2023, when existing contract ends. See paragraph 3.3
4. Options appraisal for tender procedure including consideration of collaboration opportunities	As outlined within the report. See paragraph 3.4
5. Consideration of: <ul style="list-style-type: none"> • Social benefit clauses. • London Living Wage. • Best value. • TUPE, pensions, and other staffing implications 	As outlined within the report. See paragraph 3.5.
6. Award criteria	40% Cost. 40% Quality and 20% Social Value The award criteria price/quality breakdown is more particularly described within the report. See paragraph 3.6
7. Any business risks associated with entering the contract	As outlined within the report. See paragraph 3.7
8. Any other relevant financial, legal, or other considerations.	See paragraph 4

4. Implications

4.1. Financial Implications

In financial terms, the lease option offers better value to the Council as compared to buying the laptops outright. The predicted nominal payments over the 4-year lease term are expected to be less than the required outlay to purchase outright. There will be a £300k shortfall between annual budget and the average annual lease payments.

This lease option also improves cash flow, financial planning, and management; a consistent lease payment allows the Council to budget for the annual costs of the equipment accurately and consistently. If purchased, it will be the responsibility of IDS (Islington Digital Services) to decommission and at cost compared with a leasing vendor who will cover the cost.

4.2. Legal Implications

- 4.2.1. This report seeks approval to enter into a new four-year leasing agreement for all applicable estate laptops utilizing a framework agreement via Crown Commercial Services – RM6068 Lot 1 – hardware, software and associated services which is a compliant route to market. This framework agreement will allow for a call-off of four years for the leasing agreement.

This is an above threshold contract This under the Public Contract Regulations 2015 as exceeds the current value of £213,477 whole life value for supplies and services. The total value of the contract is £4.4million for four years. This proposed contract under clause 2.6.1 of the Procurement Rules as connected to the Council IT infrastructure network will need the prior agreement of the Director of Digital Services or nominated representative.

Rule 18.1.3 states the corporate director responsibilities include awarding contracts paid for using revenue money over £2,000,000 of Islington Council spend where authorised to do so under the constitution or by a specific Executive decision.

Rule 2.5.1 states that contracts exceeding £500,000 must be signed as a Deed by Director of Law and Governance or their authorised representative. Officers will need to ensure that in awarding the contract it achieves value for money.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

- 4.3.1. The Environmental Implications are device and vendor specific. A formal Environmental Implications assessment will be provided in the Award report where the specifics of the preferred vendor and device will be available for assessment.
- 4.3.2. In general, the environmental credentials of laptops improve with each generation of technology and there is an expectation that the devices will lift the overall position and consume less energy.

4.4. Equalities Impact Assessment

- 4.4.1. 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.
- 4.4.2. An Equalities Impact Assessment screening was completed on 8/12/22. No negative impacts were identified.

5. Conclusion and reasons for recommendations

- 5.1. The council's current four-year lease agreement for laptops expires in Aug 2023. To enable the council to equip its staff with replacement laptops so that they can continue to work, a new leasing agreement must be in place effective from Sept 2023.

Appendices:

- There are no appendices associated with this paper.

Background papers:

- There are no background papers associated with this paper.

Final report clearance:

Authorised by:

Cllr Diarmaid Ward Executive Member for Finance, Planning & Performance

Date: 6 March 2023

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