

**Commissioning and Procurement Sub-Committee– 09/03/2021**

<b>Subject:</b>	IT Equipment Programme		
<b>Corporate Director(s)/ Director(s):</b>	Interim Corporate Director for COVID Response and Recovery, Hugh White		
<b>Portfolio Holder(s):</b>	Cllr. David Trimble, Portfolio Holder for Leisure, Culture and IT		
<b>Report author and contact details:</b>	Rav Ghattaora, <a href="mailto:rav.ghattaora@nottinghamcity.gov.uk">rav.ghattaora@nottinghamcity.gov.uk</a> , 0115 8763171		
<b>Other colleagues who have provided input:</b>	Paul J. Burrows, <a href="mailto:paul.burrows@nottinghamcity.gov.uk">paul.burrows@nottinghamcity.gov.uk</a> , 0115 8763153 Simon Salmon, <a href="mailto:simon.salmon@nottinghamcity.gov.uk">simon.salmon@nottinghamcity.gov.uk</a> , 0115 5577750		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Subject to call-in</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b> <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Total value of the decision:</b> £ 3.498m			
<b>Wards affected:</b> All		<b>Date of consultation with Portfolio Holder(s):</b> 18 Dec. 2020	
<b>Relevant Council Plan Key Theme:</b>			
Nottingham People			<input type="checkbox"/>
Living in Nottingham			<input type="checkbox"/>
Growing Nottingham			<input type="checkbox"/>
Respect for Nottingham			<input type="checkbox"/>
Serving Nottingham Better			<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>			
<p>The Council wishes to:</p> <ol style="list-style-type: none"> <li>Undertake a competitive purchasing exercise to find the best value supplier of IT equipment.</li> <li>Have authority to purchase, and deploy and support IT equipment with required labour resources to enable services' delivery to Citizens, Councillors and Partners.</li> </ol> <p>The service provided will support delivery of the Council's services, e.g. social care, and those of affiliated organisations, e.g. Nottingham Revenues and Benefits.</p> <p>Without these actions the Council will not have authority to acquire new and replacement IT equipment and employ colleagues to deliver it.</p>			
<b>Exempt information:</b>			
None.			
<b>Recommendation(s):</b>			
<p><b>1</b> To delegate authority to the Head of Service (IT) to enter into contracts up to the value of <b>£1.166m</b> per annum using a compliant procurement process to: purchase PCs, Laptops, Tablets, Monitors and other peripheral devices required to meet operational needs and the requirements of the IT Equipment Programme to March 2024, and; employ delivery resources.</p>			

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| <p><b>2</b> To authorise recovery and repayment to the IT Efficiency Fund of varying amounts from departmental budgets to cover requests for new equipment made outside of the IT Equipment Programme.</p>   |
| <p><b>3</b> To amend the Capital Programme for the next 3 years by an initial value of £0.715m per annum and, thereafter, by the value of additional departmental purchases of up to £0.451m per annum but excluding the value of items procured to support schemes already in the Capital Programme. To transfer existing IT Efficiency Funding and departmental budgets as and when required to the capital programme to fund this amendment. No prudential borrowing or additional draw on the Capital Programme is needed.</p> |

## **1 Reasons for recommendations**

- 1.1 There is a high level of dependence on IT throughout the City Council for delivery of services to Citizens and to support joint working with partners. The IT Equipment Programme will support this by ensuring that all equipment is fit for purpose. Delegation of authority to purchase IT equipment in bulk using a compliant procurement process will ensure the ongoing, cost-effective procurement of devices to support the Council's front-line services.
- 1.2 The single authorisation sought in this report will enable multiple procurements to be carried out over the approved period. This is to account for changes in technology that will occur over the period covered. The authorisation sought is for a projected volume of procurements based on historical trends. Should demand be less then fewer devices will be procured and authorised budgets will be retained within the IT Efficiency Fund.
- 1.3 For each procurement undertaken under this authorisation the approval of the Chief Finance Officer will be sought, prior to an order being placed, to ensure that the Council maintains the proper alignment between demand for equipment and the allocated budget.

## **2 Background (including outcomes of consultation)**

- 2.1 Since 2014 the Council has invested in a computer hardware replacement programme. A 5-year replacement cycle was in place until late 2019 when a Corporate decision was taken to extend the life of PCs and laptops by changing this to a 6-year cycle. The main driver for this change was the potential cost saving generated by extending products' life. The approach adopted assumes an expected productive life of an asset which over time will have reduced efficiency and reliability. This means that colleagues are more likely to experience down time (time without a working device) either through slowness to perform their routine tasks or a complete failure of the equipment. In addition to this, these devices would consume a higher proportion of IT resource to maintain, such as fault diagnosing, arranging for the repair, preparing and providing temporary devices during repairs and the actual cost of the repairs outside of the any warranty periods.
- 2.2 The decision to extend the life of the hardware through a delay in the replacement cycle alters the hardware requirements from 20% of the estate annually to approximately 17%. At the current prices on the established compliant procurement framework this equates to approximately **£530k** per annum (which

includes and factors in a potential 3% increase predicted owing to the effects of Brexit by the manufactures) which needs budgeted for in the IT Efficiency Fund.

- 2.3 The replacement costs are structured over a number of years and managed ensuring that we do not have a large budgetary pressure in any one year. Current approval for this expenditure expires in March 2021 and we now seek approval for the next three years with annual equipment costs expected to be approx. **£490k**.
- 2.4 In addition to the regular requirement for device replacement, each year there is an amount of expenditure on new IT equipment. This is incurred as a result of requests made by the various services across the organisation for new and/or upgraded equipment required to meet business needs. Approval for this expenditure has expired and we now seek approval for the next three years with aggregated annual costs expected to be approx. **£379k** per annum. Charges are made to projects for equipment acquired and the IT Efficiency Fund credited. Indicatively 20% of the total of IT equipment replacement is related to new equipment and 80% to refreshing of old equipment.
- 2.5 Delivery of new equipment and additional support costs are approx. **£297k** per annum. These costs from the IT Efficiency Fund (£222k pa) with the remainder being funded through projects paid for by requesters (£75k pa).

### **3 Other options considered in making recommendations**

- 3.1 Do nothing. If nothing is done then the current contract for IT equipment will expire. From this point purchases of new equipment will have to be made within the Council's Financial Regulations but on an ad hoc basis. This means that more procurements will be made, with a consequent increase in transactional activity adding to the cost of delivery. It is also the case that because purchase volumes will be lower there will be less opportunity to access economies of scale. The approach has therefore been discounted.
- 3.2 Move to a leasing model. Currently the Council adopts an approach to providing IT equipment that is based upon outright ownership and management. Some organisations have adopted a different approach, to lease equipment and also to buy support services as a part of this package. The benefits of this approach include smoothing the costs of equipment replacement and releasing the organisation from one of the day-to-day elements of IT service delivery. Initial investigation have suggested that this is not a desirable approach for the Council because of added cost associated with the model and the limits on future flexibility associated with it. The approach has therefore been discounted.

### **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 This decision seeks approval to delegate authority to the IT Head of Service to enter into contracts up to the value of £1.166m per annum to purchase IT equipment using a compliant procurement process. Total value of this decision over the 3 year period is £3.498m.

The breakdown of costs and funding source associated with this decision are detailed in the table below:

Item	Value £m per	Funding source
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	<b>annum</b>	
Hardware replacement programme	0.490	ITEF
New IT equipment	0.379	Projects/Departmental*
Delivery & support costs	0.222	ITEF
Delivery & support costs	0.075	Projects/Departmental*
<b>TOTAL PER ANNUM</b>	<b>1.166</b>	

\*revenue budgets in departments and/or grant funded projects

- 4.2 Whilst the items to be purchased are of capital nature this decision will not adversely impact the capital programme or require additional prudential borrowing as the equipment will be funded from the existing revenue sources outlined in 4.1 above.
- 4.3 The profiling of the above costs have been considered in the ITEF forward plan where applicable which aligns to the current MTFP. It is to be noted however that there are further IT projects within the ITEF forward plan that are yet to be approved. The current balance of the ITEF funding is insufficient to fund all of these projects from 2022/23 onwards therefore careful consideration and planning when prioritising projects is critical in order to only spend within the agreed ITEF allocated budget whilst at the same time meeting corporate IT needs. No financial pressure or overspend can occur.
- 4.4 Any changes or amendments to the current financial profile of the ITEF captured in future MTFP's will require the programme to be reviewed to ensure budget and IT sustainability to the organisation.
- 4.5 Costs that are to be met from Projects and Departmental budgets will need to be done so within the budget provision from those project/areas to ensure no financial pressure occurs for these elements also. Any grant funded items must meet grant conditions.
- 4.6 Whilst this decision seeks approval spend up to £1.166m per annum, the actual value and contracts paid will be based on actual activity levels. The IT service should make every attempt to spend below this ceiling amount, ensure only the minimum equipment is purchased and contracts are only entered for the minimum amounts in order to reduce future liabilities and financial risk, considering the constrained financial environment NCC is operating in.
- 4.7 Alternative provision delivery models have been explored but have proven unviable
- 4.8 The competitive procurement process will support the achievement of value for money.
- 4.9 VAT will be treated in accordance with HMRC guidance.
- 4.10 An amendment to the capital programme to take into account the above values and funding sources is requested as part of this decision. This should also adhere to the recent amendment to the scheme of delegation regarding capital expenditure, approval of which has been sought in conjunction with this decision and has been approved by the Strategic Director of Finance (Section 151 Officer) on 04/01/2021.

Phil Gretton, Strategic Finance Business Partner, 04/01/2021

## **5 Legal and Procurement colleague comments (including risk management issues, and including legal, Crime and Disorder Act and procurement implications)**

- 5.1 Procurement will ensure compliance with the Council's financial regulations and contract procedure rules. Tender(s) will be conducted in line with EU Procurement regulations 2015 to secure best value for the Council and the citizens it represents. On this basis there are no procurement concerns with the approach.

Mabs Karim Lead Procurement Officer, Strategy & Resources. 16 December 2020

- 5.2 The purchase of IT equipment as and when required by the Council needs to be procured in accordance with procurement rules and the Council's Contract Procedure Rules.

Sarah O'Bradaigh, Senior Solicitor - Commercial, Employment and Education, Strategy & Resources, 18 December 2020.

## **6 Social value considerations**

- 6.1 There are no social value considerations directly associated with this decision.

## **7 Regard to the NHS Constitution**

- 7.1 Local authorities have a statutory duty to have regard to the NHS Constitution when exercising their public health functions under the NHS Act 2006. In making this decision relating to public health functions, we have properly considered the NHS Constitution where applicable and have taken into account how it can be applied in order to commission services to improve the health of the local community.

The NHS Constitution states in section 2, 'NHS Values' that:

'Working together for patients. - Patients come first in everything we do. We fully involve patients, staff, families, carers, communities, and professionals inside and outside the NHS. We put the needs of patients and communities before organisational boundaries. We speak up when things go wrong.'

Having access to a ready and reliable supply of IT equipment enables the Council to work more effectively with NHS colleagues. The proposals in this report will enable the Council to refresh IT equipment used by colleagues in support of the NHS, e.g. Adult Social Care, and so to assist in delivery of services to Citizens.

## **8 Equality Impact Assessment (EIA)**

- 8.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because this report does not contain proposals for new or changed policies, services or functions.

Yes

**9 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

9.1 None.

**10 Published documents referred to in this report**

10.1 None.