


Individual Mayoral Decision 07/12/16	 TOWER HAMLETS
Report of: Zena Cooke, Director of Resources	Classification: [Unrestricted or Exempt]
Microsoft Enterprise Licensing – Renewal of Contract R4176	

Originating Officer(s)	Sean Green
Wards affected	All Wards
Key Decision?	Yes - Executive decision requiring Mayoral authorisation
Community Plan Theme	One Tower Hamlets

1. EXECUTIVE SUMMARY

1.1 The Council's framework agreement from Crown Commercial Services (CCS) called PSA09 for its Microsoft Enterprise Agreement (EA) is due to expire on 31st March 2017. The Council cannot renew this and would need to have a new agreement in place after this date, following a procurement process. The current agreement allows the Council to use Microsoft software for its Outlook email, servers and desktops; and the council has also procured Microsoft Visio and Project licences.

1.2 Timescales, recent price hike and urgency

Whilst the current agreement ends on 31st March 2017, following Brexit Microsoft announced a price increase of between 15% to 22% for its agreement. However, if the Council can renew its EA before the end of 2016 (i.e. by 9th December 2016), it will insulate itself from this price rise.

1.3 Recommendations

The Mayor is recommended to:

Delegate to the Corporate Director of Resources the authority to award the contract for a term of 36 months to the most competitive supplier on Kent County Council's Pro 5 Framework Software Products and Associated Services Y17003 following competition run by procurement.

2. REASONS FOR THE DECISIONS

- 2.1 Quotes from Kent's framework suppliers and Agilisys on an indicative specification offer best value compared to the CCS Framework. Award of contracts need to be done in the week commencing 5th December 2016 and an order will need to be raised for renewal before 9th December to avoid the up to 22% price increase.

3. ALTERNATIVE OPTIONS

- 3.1 In addition to running a competition on the Pro 5 framework on an indicative specification, the Council sought prices from Crown Commercial Services.
- 3.2 Prices from CCS framework were at least £75K more expensive over 3 years than the lower bidder on the Kent framework. With reseller margins on the CCS framework, the actual difference would be even greater than £75k, hence the CCS option would not be best value.
- 3.3 The Agilisys quote would attract up to a 5% margin. Whilst the Agilisys quote on the indicative specification was more expensive than Kent's framework, Agilisys will be given another opportunity to quote at the same time as Kent framework bidders on a revised specification and asked to specify their margins to allow a like for like comparison.

4. DETAILS OF REPORT

- 4.1 The Council currently uses a supplier from the old CCS framework agreement called PSA09 for its Microsoft Enterprise Agreement which is due to expire on 31st March 2017. The Council cannot renew this and would need to have a new agreement in place after this date, following a procurement process. The current agreement allows the Council to use Microsoft software for its Outlook email, servers and desktops; and the Council has also procured Microsoft Visio and Project licences.
- 4.2 The Council would like to renew its Microsoft Licensing Agreement and also take the opportunity to move to Microsoft Office 365 (O365) as a hosted cloud solution for its software with effect from 1st April 2017. This is more than software licences and is also a hosted solution for the Council's email and servers. The Council's intention is to gradually migrate over to the Cloud solution over the next 1-2 years, starting with some 150 users from April 2017 and progressing up to 4000 users by 2019.
- 4.3 The move to the Microsoft O365 software will help fulfil the aim to achieve better integration with core applications used by the Council. Using the O365 solution enables office software such as word processing, spreadsheets, presentations and email to be available with

any endpoint device in the Council's estate, plus web services that allow for email and shared document access for any device worldwide.

- 4.4 Using Microsoft tools and cloud services reduces the Council's dependency on data centres that exist. This is particularly important as space will be at a premium and is due to be decommissioned in 2018. The unit costs for storage are reducing with technological improvements and the cloud offering is increasing.
- 4.5 Early commitment has required Agilisys and the Council to fine tune the early indicative 'as now' specification to the forecast licences position in March 2017 when renewal is due and also plan for items that may be needed over the next 3 years.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

- 5.1 This report seeks approval to renew existing Microsoft premise based licenses and also move, over time, to cloud based licenses for the Office 365 product. Because of an announced price increase of up to 22% a mini procurement based on the Kent County Council framework is being proposed to ensure that the Council gets value for money notwithstanding the need to procure the licenses quickly.

The average cost of Microsoft licenses over the last four years has been approximately £400k. However, this is estimated to increase to an average cost of £550k over the next three years to allow for enhancement to the software and indexation as well as the cost of moving incrementally to cloud based services. This will provide for capacity of an estimated 1950 cloud based licenses.

The growth in the use of cloud based licenses proposed is as follows Year 1 - 150 licenses, Year 2 - 1050 and Year 3 – 1950 licenses, this profile maximises the financial benefit by securing the unit cost of future purchases whilst allowing development and rollout of the cloud based products according to business needs.

The estimated annual cost of £550k can be funded through existing provision for software licences within centrally held ICT budgets. The potential exposure to the risk associated with the impending price increases is estimated to be between £100k-£123k.

6. LEGAL COMMENTS

- 6.1 This report concerns a proposal to procure the provisions of Microsoft software licenses (the Services) using the Kent County Council – Pro 5 Framework Software Products and Associated Services Y17003 (Kent Pro 5 Framework) as the current contract under the Crown Commercial Services framework PSA09 is due to expire on the 31st March 2017.

- 6.2 The Council has power to enter into a contract for the provision of this product which arises by virtue of section 111 of the Local Government Act 1972, providing the power enabling the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. Under section 1 of the Localism Act 2011, the Council has the power 'to do anything that an individual may do' 'for the benefit of the authority, its area or persons resident or present in its area'. The Council has the enabling power(s) to initiate a procurement exercise for the Services and award any subsequent contracts pursuant to that competition.
- 6.3 The estimated value of the contract is circa £1.650 million (£550k per annum) making this an executive decision requiring Mayoral approval giving the relevant Corporate Director the delegated authority to award the contract.
- 6.4 When considering its approach to contracting, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). Officers are expected to continuously consider, at every stage, the way in which procurements conducted and contracts awarded satisfy the requirements of the public sector equality duty. This includes, where appropriate, completing equality impact assessment which should be proportionate to the function in question and its potential impacts.
- 6.5 The Framework being used will be procured under the Public Contracts Regulations 2015. Any competition the Council undertakes will therefore need to be compliant with those Regulations.

7. ONE TOWER HAMLETS CONSIDERATIONS

- 7.1 The revised arrangements will indirectly support the delivery of the Council's One Tower Hamlets objectives in particular supporting the enabling objective of creating a transformed Council, making best use of resources and with an outward looking culture. The move to new Microsoft services such as Office 365 will enable improved collaboration on documents and improved mobile working.

8. BEST VALUE (BV) IMPLICATIONS

- 8.1 This proposal supports the Council's efficiency programme as it insulates the Council from exposure to an increase of 15% to 22% in Microsoft licence costs and allows the Council to be less dependent on its communications room accommodation, lays the foundations for reducing the Agilisys data centre footprint over the next 2 years and allows savings at contract renewal/termination point.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 9.1 The move to large scale cloud services would be greener and more environmentally friendly than the use of large equipment dedicated to just the Council as the equipment is aged and not energy efficient.

10. RISK MANAGEMENT IMPLICATIONS

- 10.1 Not to commit now and wait until January/February, would attract up to a 22% margin on Microsoft products and therefore this delay would not be in the Council's best interest in terms of value for money.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 Placing additional expensive equipment in Roman Road data centre would make it vulnerable to theft.

12. SAFEGUARDING IMPLICATIONS

- 12.1 N/A