



Notice of KEY Executive Decision

Subject Heading:	Microsoft Cloud Enrolment Agreement
Cabinet Member:	Cllr Roger Ramsey
SLT Lead:	Jane West
Report Author and contact details:	John Friend Assistant Director of ICT Tel : 02033731897 John.friend@onesource.co.uk
Policy context:	Ensuring continued digital Services to Residents
Financial summary:	Expenditure over 3 years of £0.618m, this will be funded from the existing shared oneSource ICT revenue Budgets.
Reason decision is Key	Expenditure or Saving (including anticipated income) of 500k or more.
Date notice given of intended decision:	March 2019
Relevant OSC:	Overview and scrutiny Board
Is it an urgent decision?	No
Is this decision exempt from being called-in?	No

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

Place an X in the [] as appropriate

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

- 1.1. The purpose of this report is to seek approval to award contracts related to the renewal of Havering's Microsoft Cloud Enrolment Licensing Agreement. This provides licenses for our Application estate including SQL (Application databases) and MS Dynamics (CRM).
- 1.2. This requires approval of the expenditure from existing shared revenue budgets to the value of circa £0.616m over 3 years and the agreement to enter into the KCS national Framework (Y17038) to direct award the contract to the incumbent Bytes Software Services Ltd. This will allow the continuation of a single license provider for the whole of Havering's Microsoft licensing estate – which also includes the Enterprise Agreement (EA) for desktop productivity tools and cloud collaboration services, such as, Office 365.

AUTHORITY UNDER WHICH DECISION IS MADE

Part 3, section 3.3 - powers of members of the corporate management team, contracts powers (b) To award all contracts with a total contract value of between £500,000 and £5,000,000 other than contracts covered by Contract procedure Rule 16.3.

STATEMENT OF THE REASONS FOR THE DECISION

2. Background

2.1. Introduction and Background

- 2.1.1. The Council uses Microsoft software extensively across the IT infrastructure, including server and desktop based productivity tools. The existing cloud enrolment agreement is a joint agreement between Havering and Newham (lead authority) and was entered in May 2016 for 3 years. The Microsoft Cloud enrolment agreement is therefore due for renewal in May 2019.
- 2.1.2. In common with other public sector bodies, the largest percentage of IT software products consumed within the local government market place are Microsoft on premise and cloud based products. The current ICT strategy is based on Microsoft technology in order to enable Havering's digital strategies. This license model allows dual rights to premise and cloud, allowing us to transition when ready to do so.

2.2. Current arrangements

- 2.2.1. The current Joint Havering and Newham Cloud enrolment Agreement is

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a single solution for the Council's Application Licensing. We have a joint agreement which allows greater sharing flexibility (specifically around joint working and practices). This enables access to the latest versions of Microsoft products through an annually renewed subscription model. This agreement includes, MS Dynamics licensing (CRM), Application Databases (SQL).

2.2.2. The Cloud enrolment licensing requires a declaration of the number of servers and staff (for the CRM licensing costs), these numbers can be adjusted up or down on the anniversary of the agreements. The number of declared servers/users for each package is then used to determine the annual license charge.

2.2.3. Licenses are reused whenever possible, with licenses being harvested from staff leaving the Council, staff who no longer require access to a particular product and consolidation of systems which reduce the server usage. This helps to reduce overall license costs and maximise value for money.

2.2.4. Based on the current server count and staff using the CRM system, the Havering costs per year for the Cloud enrolment agreement will be circa £206k (48%/52% split with Newham). This represents a revenue increase of circa 6k for the Havering share of the increase.

3. Key Considerations & Proposals

3.1. The current ICT strategy is based on the continuation of the current license agreement being extended for at least the next three years. The licenses we are proposing to procure have dual Cloud rights supporting the 'cloud first' strategy'. As we transition to the cloud for more and more services there will be no need to purchase separate cloud licenses for the Microsoft applications. Therefore reducing the licensing costs incurred with Cloud migration.

3.2. A large number of key business systems are reliant on Microsoft technology such as Revenues/benefits (the Mayrise Environment systems), Data Warehouse (DWH), the Housing system, CRM. Therefore the impact of not having these licensed, and needing to turn them off would be a significant impact to the services run by Havering Council.

3.3. A significant element of this license renewal is the CRM system, which is heavily used by residents. Although the existing system is due for replacement it is expected to still be in service for the next 18 months, at which point the replacement would also be based on MS dynamics. These licenses being purchased will cover both the old CRM system and the new CRM system.

3.4. The framework being used, although provided through a reseller (Bytes Software Services Ltd), are provided at no additional cost to us through the Microsoft Digital Transformation Arrangements (DTA), providing discounted license costs open to UK government organisations only.

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4. Procurement

- 4.1.1. The recommendation within this report is to award a contract under a direct call off procedure available via the KCS Software Products and Associated Services Y17038 (Lot 1 Microsoft) framework agreement. The framework agreement was awarded for 4 years – 20th March 2017 to 19th March 2021, and was competitively tendered via OJEU. Should this recommendation be agreed the Lead Council (Newham) would be required to sign an access agreement to access the framework, and subsequently, complete and sign a Direct Award Order Form with the supplier.
- 4.1.2. As stated within the framework agreement guidance, selection of the most appropriate supplier under the Direct Award procedure is required to be based on one of the following criteria (not in any particular order):
- Ability to supply the required service
 - Total value of order below £10,000
 - Product or service required is unique/exclusive to one supplier
 - Continuity of existing services or goods
 - Authorised Participants own procurement policy value threshold
- 4.1.3. Agreement to the renewal of licenses is essential to support the Microsoft software within the Council across the IT infrastructure, including server and desktop based productivity tools.
- 4.1.4. This is being cleared on the basis that Checkpoint 1 has been approved on the 22/2/2019 and check point 2 will be by the time the report is published as per Contract Standing Order 1.8.9.
- 4.1.5. Procurement are working with the service to ensure the award is undertaken in line with the Councils Contract Standing Orders, and Public Contracts Regulations 2015.

OTHER OPTIONS CONSIDERED AND REJECTED

- 1.1. Switching to alternative software vendor products has been considered. Due to the heavy reliance on Microsoft products for use in the IT infrastructure the only realistic mainstream option would be Oracle databases instead of the Microsoft SQL equivalent. However, the cost point for these is significantly higher and would also require additional staff being trained in this technology.
- 1.2. The number of applications within Havering using the Microsoft technology is circa 100, therefore the costs to change and the respective planning involved would make this option too expensive. This would also assume that the applications are compatible with other technologies providing the same service.

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- 1.3. Open source was also considered for the equivalent database technology but due to the limited number of applications that can run on this technology and substantially higher cost of ownership and sustainability this was ruled out.
- 1.4. Therefore this, along with certain applications not supporting non Microsoft technology, would mean that significant expenditure on Microsoft Licenses will still be required, removing any potential cost savings.
- 1.5. For the CRM system it would not be possible to move to an alternative solution at this point. The migration and transition costs to another platform would be significant and not viable at this stage.

PRE-DECISION CONSULTATION

N/A

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: John Friend

Designation: Assistant Director of ICT and head of ICT Operations

Signature:



Date: 27/03/2019

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

Under Havering's 2018 joint arrangement with Newham, pursuant to sections 9EA and 9EB of the Local Government Act 2000 and Section 1 of the Localism Act 2011 and other enactments, the parties agreed to establish and to participate in a joint committee to facilitate the joint delivery of certain of their functions with a view to their more economical, efficient and effective discharge of services, which includes the ICT Strategy and Operations

- 1.1.1. Pursuant to that arrangement, it was agreed that Newham would be the lead authority to procure Microsoft Licences on behalf of itself and Havering. The report states that Newham used the KCS National Framework, (which Legal has been informed is compliant with the Public Procurement Regulations 2015 ('Regulations')). Bytes Software Services Limited were again the successful bidder and Newham has entered into a contract with Bytes for a further period of 3 years. Newham is the contracting entity with Bytes, Havering does not have a contract with Bytes. Legal has been informed that Bytes has agreed, for Newham to grant sub licences to Havering
- 1.1.2. Under the Public Procurement Regulations 2015 ('Regulations'), 'a contracting authority has to undertake a procurement process where their need for service/goods exceeds the threshold of £182,302. A direct award without a competitive process is only permitted in certain circumstances. Section 12 of the Regulations permits Havering to make a direct award to Newham, to provide services for the purchase of both council's licences, where all of the following conditions are fulfilled:—
 - 1.1.3. (a) the service contract establishes or implements a co-operation between the participating contracting authorities with the aim of ensuring that public services they have to perform are provided with a view to achieving objectives they have in common;
 - 1.1.4. (b) the implementation of that co-operation is governed solely by considerations relating to the public interest; and
 - 1.1.5. (c) the participating contracting authorities perform on the open market less than 20% of the activities concerned by the co-operation.
- 1.1.6. Provided the arrangement between the Havering and Newham fulfil the above, Havering can make a direct award to Newham to continue with the services of providing Havering with the Microsoft licenses. Legal has been informed that the arrangement with Newham complies with section 12(7) of the Regulations.
- 1.1.7. The recommendation is therefore for Havering to continue with the arrangement with Newham and to agree for a payment of £0.618m to be made to Newham, to enable Newham to provide services and to purchase the Havering licences from Bytes Software Limited.
- 1.1.8. The Council can agree the recommendation provided it is satisfied with

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the content of the report.

FINANCIAL IMPLICATIONS AND RISKS

1.2. Financial Implications

1.2.1. The current costs of the Microsoft Licensing Agreement are met within the cost centre G45055642060, which is within the oneSource ICT shared service. The annual costs will be split in line with oneSource cost share arrangement between Newham and Havering, which currently are split as; Newham 52% to Havering's 48% share.

1.2.2. The overall cost of the renewal is expected to be £1.287m, as the renewal still needs to go through a procurement process, there is always a risk that the costs could be more. On the basis of a £1.287m renewal cost over 3 years, the annual cost is expected to be £0.429m with Havering's cost being £206k. The current annual cost to Havering is £0.199m, therefore it is expected that the renewal will cost £0.007m more per year.

1.2.3. As the cost of licensing is going up, the Council will need to fund the increased costs which are £7k per annum from within existing ICT budgets. In line with the cost share arrangements, both authorities should agree additional funding from each authority in line with their percentage share, if funding is not agreed this will have a direct impact on future year's outturn positions.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

There are no HR implications to this procurement

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

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The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

BACKGROUND PAPERS

N/A

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

Proposal ~~NOT~~ agreed because

Details of decision maker

Signed Jane West

Name: Jane west

Cabinet Portfolio held:

CMT Member title: chief operating officer

Head of Service title

Other manager title:

Date: 03/04/19

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Committee Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on 3/4/2019

Signed J.P.M.

