

## Notice of KEY Executive Decision

<b>Subject Heading:</b>	Microsoft Cloud Enrolment Agreement
<b>Cabinet Member:</b>	Cllr Roger Ramsey
<b>SLT Lead:</b>	Jane West - Chief Operating officer
<b>Report Author and contact details:</b>	John Friend Assistant Director of ICT  Tel : 02033731897  John.friend@onesource.co.uk
<b>Policy context:</b>	Ensuring continued digital Services to Residents
<b>Financial summary:</b>	Expenditure over 3 years of £1.65m, there is also a requirement for a revenue increase of £0.072m p.a.
<b>Reason decision is Key</b>	Expenditure or Saving (including anticipated income) of 500k or more.
<b>Date notice given of intended decision:</b>	March 2020
<b>Relevant OSC:</b>	Overview and scrutiny Board
<b>Is it an urgent decision?</b>	No
<b>Is this decision exempt from being called-in?</b>	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

- To approve the purchase of Microsoft licenses for a period of 3 years via an Enterprise Agreement which is to be entered into by London Borough of Newham on behalf of both London Borough of Newham and London Borough of Havering as set out in this report.
- To note that the total estimated contract value is £3.445m, of which Havering will contribute an estimated £1.65m over 3 years.

### 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

#### 1. Background

- 1.1. The Council uses Microsoft Office for the day to day use of productivity tools required for working in the office environment. The products have been in use for over 30 years since introduction of Office suite.
- 1.2. The Microsoft Office products are procured via a 3 year Enterprise Agreement (EA). At the end of the 3 years a further EA must be bought in order to retain continued access to the products.
- 1.3. The existing 3 year agreement with Microsoft expires on 31<sup>th</sup> March 2020 and is the driver for this procurement exercise. The Council requires a new EA in place on 1 April 2020 to ensure continued access.
- 1.4. Further study will be carried out to review options for future use of Microsoft in light of technology growth and in line with the council's ICT strategy.
- 1.5. The current EA is joint between Havering and Newham and is a single solution providing all the Council's Microsoft Products. The joint EA allows

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greater sharing flexibility (specifically around joint working and practices). It enables access to the latest versions of Microsoft products through an annually renewed subscription model, this includes Microsoft office, Security packages and Power BI reporting. Licenses for MS project and MS Visio are also included.

- 1.6. The EA requires a declaration of the number of staff using each of the listed Microsoft products, a process known as 'trueing up/down'. The number of declared users for each package is then used to determine the annual license charge.
- 1.7. Licenses are reused whenever possible, with licenses being harvested from staff leaving the Council and from staff who no longer require access to a particular products. This helps to reduce overall license costs and maximise value for money.
- 1.8. The licenses proposed have dual Cloud rights supporting the 'Cloud first strategy'. As the Council transitions to the Cloud for more and more services there will be no need to purchase separate cloud licenses for the Microsoft applications. Purchase of dual cloud licences will therefore reduce licensing costs incurred with Cloud migration.
- 1.9. Based on the current Microsoft product mix, including all staff accessing a device with Windows 10 and MS office, the total costs per year for the joint EA will be £3.445m with Havering's cost £1.65m. This is based on staff numbers and can be 'trued/up or down, at each yearly anniversary. The percentage split between Havering and Newham is 48%/52% respectively.
- 1.10. The Council will review its use of Microsoft Office products and assess suitability of potential new tools and technologies now available in the market place. Some of the alternative are discussed in 4.0 but additional options are now open as a potential solution to some of the productivity suite offered by Microsoft.
- 1.11. The details of these will be assessed as solutions tested for potential alternatives as we review and revise the ICT strategy and technology roadmap over next two years.

## **2. Financial Implications**

- 2.1. The license are funded from the shared ICT revenue cost centre and the costs EA over the last 3 years has been contained within this budget. However, there has been a significant price increase of circa 28% due to currency changes between the Dollar and the pound.

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- 2.2. The cost increase has been mitigated to an extent by changing certain license types to reflect the roll out of New technology and taking advantage of education discounts.
- 2.3. The increase, including the mitigations, has resulted in a pressure of £0.150m per year which will need to be funded by 48% / 52% by Havering and Newham. The Havering portion of the increase is £0.072m.
- 2.4. This is a 3 year contract and it is expected by year 2, with further utilisation of cloud services, such as, Exchange online and SharePoint this will allow us to further change the license types to reduce the overall yearly spend.
- 2.5. It is hoped that this pressure will not be ongoing in nature as by year two of this three year contract it is expected that with further utilisation of cloud services, such as, Exchange online and SharePoint, changes to the license types will be able to be made which will reduce the overall yearly spend.

### **3. Procurement**

- 3.1. For the procurement of the Microsoft EA licences, a direct award will be done for the Microsoft Enterprise Agreement (EA) to Bytes Software Services through KCS – National Framework, Software Products and Associated Services Lot 1 (Microsoft).
- 3.2. The Direct Award has been chosen since suppliers will not be able to improve their offer compared to the one the council received from Bytes.
- 3.3. Microsoft gives unique discounts to all of the public sector. All the Government's discounts available from Microsoft to the public sector have been applied to the licences.
- 3.4. The only difference in price would come from the margin the suppliers apply. The KCS framework allows the supplier to charge between 0 and 3% maximum. In that instance, Bytes applied 0% margin. Bytes are getting some rebates from Microsoft directly which is the reason why they don't charge any margin for the EA licences.
- 3.5. To run a further competition for the EA Microsoft licences would have needed extra resources and time where no further discounts could have been achieved.
- 3.6. Rather than savings from playing the competition, there was cost optimisation to achieve by assessing the number and type of licences and adjust them to the Council's current needs.

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3.7. Direct Award is possible under that framework for either of the reasons below:

- Ability to supply the required service
- Continuity of existing services or goods

**OTHER OPTIONS CONSIDERED AND REJECTED**

4.0 A short study has been carried out to ascertain viability of implementation of Google suite

4.1 Switching to alternative software vendor suite has been considered. The current ICT server environment relies heavily on the Microsoft products. The business systems we use also rely on Microsoft product databases. The only realistic option would be the Google G-Suite product set as a replacement for the Microsoft Office suite for email and sharing and collaboration services. However this would only partly remove the reliance on Microsoft products in these service areas.

4.2 It should also be noted that if the decision were made to move to G suite, Havering would still need to invest in Microsoft products and licences for other infrastructure and application set up. .

**PRE-DECISION CONSULTATION**

N/A

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

Name:

Designation:

Signature:

Date:

## Part B - Assessment of implications and risks

### LEGAL IMPLICATIONS AND RISKS

- 5.0 London Borough of Newham will enter into a contract for the Enterprise Agreement with Bytes Software Services on behalf of both Boroughs.
- 5.1 The contract will contain provision for Havering to access the licences referred to in this report and for annual truing up/ down and for separation of the tenancies with attendant variations to the contract if required as an outcome of the review described at paragraph 6.6 of this report.
- 5.2 Purchase of the software is included within the scope of the Council's shared services agreement. The shared services agreement provides for apportionment as set out in the finance section of this report of the cost of the EA contract which Newham will enter into on behalf of both Boroughs.
- 5.3 The Council should be satisfied that the cost to it of the licences represents best value. Officers have confirmed that the licences cannot be obtained at a lower price.

### FINANCIAL IMPLICATIONS AND RISKS

- 6.0 The license are funded from the shared ICT revenue cost centre and the cost of the EA over the last 3 years has been contained within this budget. However, there has been a significant price increase of circa 28% due to currency changes between the Dollar and the Pound.
- 6.1 The cost increase has been mitigated to an extent by changing certain license types to reflect the roll out of new technology and taking advantage of education discounts.
- 6.2 The increase, including the mitigations, has resulted in a pressure of £0.150m per year within ICT budgets which will need to be funded by 52% / 48% by Newham and Havering. The Havering portion of the increase is £0.072m. This is currently not built into 20/21 budgets and is unlikely to be containable within the overall service budget, therefore it will represent a pressure on ICT shared revenue budgets until such time as funding is identified.
- 6.3 It is hoped that this pressure will not be ongoing in nature as by year two of this three year contract it is expected that with further utilisation of cloud services,

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such as, Exchange online and SharePoint, changes to the license types will be able to be made which will reduce the overall yearly spend.

6.4 This is a joint EA, therefore, parallel approval is being sought at Newham; this will be required prior to progressing the contract.

6.5 There is currently a piece of work being undertaken to ascertain whether Havering should continue operating under a single tenancy arrangement (with Newham).

6.6 If it is deemed preferable to split out Havering's and Newham's tenancies, the result would be an uplift in the cost of the councils' EA costs as they could no longer procure a single EA. This would cost in the region of £75k to procure additional licences as oneSource staff would require separate licences for both tenancies to enable collaborative working. Further discussions on how this pressure is mitigated will take place once the tenancy approach has been finalised.

## **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.

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.

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**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

Name:

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date:

**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 \_\_\_\_\_

Signed \_\_\_\_\_