



## Notice of KEY Executive Decision

<b>Subject Heading</b>	Award of a new Microsoft Enterprise Agreement
<b>Decision Maker:</b>	Kathy Freeman - Strategic Director Resources and s151 Officer
<b>Cabinet Member</b>	Councillor Paul Middleton - Cabinet Member for Digital, Transformation and Customer Services
<b>ELT Lead</b>	Kathy Freeman - Strategic Director Resources
<b>Report Author and contact details:</b>	Jenna Brophy – Programme Manager <a href="mailto:Jenna.Brophy@havering.gov.uk">Jenna.Brophy@havering.gov.uk</a>
<b>Policy context:</b>	Corporate plan priority – To manage our systems and data well and be a data driven organisation.
<b>Financial summary:</b>	Expenditure of the estimated maximum of c.£1.528m per annum over a three-year period (Total contract value c.£4.584m)
<b>19/11/2024 Reason Decision is Key</b>	Indicate grounds for decision being Key: (a) Expenditure or saving (including anticipated income) of £500,000 or more
<b>Date notice given of intended decision:</b>	11/11/2024
<b>Relevant Overview &amp; Scrutiny Committee:</b>	Resources Overview and Scrutiny Sub Committee
<b>Is it an urgent decision?</b>	No
<b>Is this decision exempt from being called-in?</b>	No
<b>The subject matter of this report deals with the following Council Objectives</b>	
People - Things that matter for residents	X
Place - A great place to live, work and enjoy	X
Resources - A well run Council that delivers for People and Place.	X

## Part A – Report seeking decision

### DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

**For the reasons set out in this report, the Corporate Director of Resources, s.151 Officer, in consultation with the Chief Executive, is recommended to approve:**

- A. The award of a three-year best value contract for Microsoft Enterprise Licence Agreements to Phoenix Software Ltd, via the “Crown Commercial Service (CCS) Technology Products & Associated Services 2 Lot 3 (Software)”, for a period of three years at an estimated cost of circa £1.528m/annum, totalling £4.584m; and
- B. Any budgetary change variances (price increases and expenditure) over the contractual period.

### AUTHORITY UNDER WHICH DECISION IS MAD

The Authority for this decision is derived from the Cabinet meeting on 13<sup>th</sup> March 2024, OneSource ICT Decoupling and creation of a Sovereign IT Service for Havering, in which it was agreed:

2.1.4 That the s.151 Officer, in consultation with the Chief Executive, to make all necessary arrangements to give effect to the authorisation, including but not limited to:

- a) H) delegate the authority to award and enter into contracts associated with the recommendations in this report in coordination with the Portfolio Lead for Resources.

### STATEMENT OF THE REASONS FOR THE DECISION

#### **Background & Supporting Information**

The current shared Microsoft Software Enterprise Licensing Agreement (MSELA) expires on 31 March 2025. In August 2024 a Key Decision Report was approved for the “Procurement route and Award of a new Microsoft Enterprise Agreement”.

This earlier report recommended proceeding with a procurement for a new Enterprise Agreement operated and led by the Crown Commercial Services (CCS) via their Winter Aggregation route.

The aggregation route award has now concluded and it has been confirmed that Phoenix Software Ltd are the winning supplier. Pricing based on our expected usage has now been received. This report recommends that the Council awards the Microsoft Software Enterprise Licensing Agreement contract to Phoenix Software Ltd.

1. The Council uses Microsoft Software extensively across the IT infrastructure, including server and desktop-based productivity tools. These products include Windows operating systems running our laptop devices, Microsoft 365; productivity (Outlook, Word, Excel etc.) and collaborative tools (OneDrive, SharePoint, Teams), Microsoft SQL; supporting database services.

Our current Enterprise Agreement (MSELSA), which allows the Council to legally access all the licensed software and products, comes to an end in March 2025. Procurement of a new Enterprise Agreement (MSELA) is essential to ensure ongoing and uninterrupted Council-wide operations and to support the creation of the Havering Sovereign IT Service.

2. The MS suite of products enables the Council to be efficient and effective in its functions. An Enterprise Agreement will ensure continued access to our current applications and any new applications and initiatives that Microsoft make available.
3. Best value has been derived by the CCS undertaking further competition through the Technology Products & Associated Services 2 RM6098 Framework. The CCS undertook an aggregated competition for a number of local authorities where suppliers were evaluated using a 90/10 Price/ Quality ratio. Following this further competition Phoenix Software Ltd were named as the winning supplier.
4. As part of the procurement, resellers had to demonstrate wider benefits regarding social value to cover Societal, Economic and Environmental benefits within the sphere of their operations.
5. Whilst this is a software licensing agreement, part of the service delivery includes cloud-based services from Microsoft. Microsoft made an environmental commitment in 2020 to being Carbon 'negative' by 2030 and by 2050 to remove all the carbon the organisation has emitted since it was founded in 1975. Resellers on the CCS Framework are committed to carbon reduction plans.

## **Costs**

1. The average annual contract cost for the licences contained with the contract are estimated to be £0.901m per year (totalling £2.703m over the three-year contract).
2. In addition to licences costs, this iteration of Havering's Enterprise Agreement will include Azure costs. These have been estimated at £0.627m per annum (££1.881m over the three -year contract).
3. The service will have the opportunity to 'true up at any time during the contract and will be able to 'true down' on the number of actual active licence being utilised and paid for on the anniversary of the contract each year.

## **OTHER OPTIONS CONSIDERED AND REJECTED**

If this agreement is not renewed, the Council will then need to relinquish the rights to use all Microsoft software.

Alternative product suites are available (e.g., Google suite), however, the cost and time of change, transition effort and implementation would have a significant impact and capital investment on service delivery across the council (such as staff training, integration with other systems). Moving to Google G-Suite product set as a replacement is currently not recommended.

## **PRE-DECISION CONSULTATION**

### ***Chief Executive***

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

Name: Mark Duff / Jenna Brophy

Designation: Havering IT Client Lead / Programme Manager

Signature: Mark Duff / Jenna Brophy

Date: 12/12/24

## Part B - Assessment of implications and risks

### LEGAL IMPLICATIONS AND RISKS

The Council has a general power of competence under Section 1 of the Localism Act 2011 to do anything an individual can do, subject to any statutory constraints on the Council's powers. The recommendations sought in this report are in accordance with these powers.

The Council is a contracting authority for the purpose of the Public Contracts Regulations 2015 (as amended) (PCR). The total value of the contract exceeds the threshold for services and the PCR therefore apply in full. Regulation 33 PCR permits the use of framework agreements to award contracts. The CCS framework is such a permitted framework.

Additionally, the Council's Contracts Procedure Rules 20.4 state that where a framework agreement is operational, all subsequent purchases under the framework shall either not require further competition (if a single supplier) or, if there are two or more suppliers for those goods or services on the framework, follow the express framework provisions for choosing a supplier. The express framework provisions for further competition are already set out in the body of the report.

The CCS conducted a further competition against a 90% Price and 10% Quality ratio/weighting. Whilst this is a departure from the Council's predetermined 70:30 Price: Quality ratio, it is noted that CPR 18.5 permits a contract to be awarded on different weightings based on Framework prescription.

### FINANCIAL IMPLICATIONS AND RISKS

This report is seeking approval for the award of a three-year contract for Microsoft Enterprise Licence Agreements to Phoenix Software Ltd, via the "Crown Commercial Service (CCS) Technology Products & Associated Services 2 Lot 3 (Software)", at an estimated cost of circa £1.528m/annum, totalling £4.584m over the life of the contract.

The current shared annual cost of Microsoft Enterprise Agreement licences products is c.£3.26m per year for both Havering and Newham. From April to June 2024 costs are charged to the OneSource ICT shared revenue budgets and are split between Newham and Havering 52/48 through the year end cost-sharing model. Costs from July 1st 2024, to 31st March 2025 are charged to each council based on user numbers. The combined value of these two approaches results in Havering's calculated share of the £3.26m of costs being £1.280m in 2024/25.

The average annual contract cost for products giving the same functionality under the aggregate pricing is £0.901m per year (totalling £2.703m over the three-year contract). This is an annual saving compared to 2024/25 costs of £0.379m per year.

Some licence costs have increased compared to current prices and some have decreased. Some new licence types have been included and some redundant licences have been excluded. The overall net impact of these changes, coupled with the benefit gained from no part-year 52/48 cost sharing with Newham, is an annual cost saving of £0.379m per year.

The final annual amount paid each year will depend on the number of each type of licence being used. The service will have the opportunity to 'true up at any time during the contract and will be able to 'true down' on the number of actual active licence being utilised and paid for on the anniversary of the contract each year. Efficient recycling of licences via the joiners/leavers/movers process will ensure the Council does not pay for licences that it doesn't need.

In addition to licences costs, this iteration of Havering's Enterprise Agreement will include Azure costs. These have been estimated at £0.627m per annum (£1.881m over the three-year contract). This is compared to an existing shared cost of £0.435m of which Havering pays 48%, £0.209m. The increase in cost is due to the migration to the Council's system, applications and data from shared on-premise end of life infrastructure to new sovereign cloud-based landing zone. The estimated cost of £0.627m is considered prudent because it is based on migrating everything which is currently on-premise over to the cloud when in reality it is likely that a degree of rationalisation will take place alongside migration activities.

The additional £0.223m per year will ultimately be funded via savings made from decommissioning on premise data centre costs. These costs are approx. £1m per year; Havering's share of that cost is approx. £0.48m and therefore will more than offset the additional cloud consumption costs. It is possible there will be a period of dual running over the course of 2024/25 and 2025/26 which the service will try to contain as far as possible.

The table below summarises some of the information above:

Item	Shared cost £m	Havering's 2024/25 share £m	New 25/26 contract cost £m	Difference £m
Azure	0.435	0.209	0.627	0.418
Licences	3.26	1.28	0.901	-0.379
<b>Total</b>	<b>3.695</b>	<b>1.4888</b>	<b>1.528</b>	<b>0.039</b>

The contract does not contain any annual inflationary uplift.

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

There are no HR implications or risks arising directly that impact on the Councils workforce from this report. TUPE will not apply 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, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

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.

Any decisions which need to be taken in furtherance of the IT service decoupling will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate full Equality Assessments will be undertaken and form part of the decision-making process.

### **HEALTH AND WELLBEING IMPLICATIONS AND RISKS**

The Microsoft EA procurement is not considered to have any health and wellbeing implications and risk in the context.

### **ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

Moving our systems to cloud-based solutions will help Havering towards the goal of becoming carbon neutral by 2040.

Microsoft made an environmental commitment in 2020 to being Carbon 'negative' by 2030 and by 2050 to remove all the carbon the organisation has emitted since it was founded in 1975. Resellers on both the CCS Framework are committed to carbon reduction plans.

**BACKGROUND PAPERS**

Disaggregation paper– Decoupling of One Source Services:

[Decision - OneSource ICT Decoupling and creation of a Sovereign IT Service for Havering | The London Borough Of Havering](#)

[Decision - Procurement route and award of a new Microsoft Enterprise Agreement](#)

**APPENDICES**

None



**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 Committee Services, in the Town Hall.

<p><b>For use by Committee Administration</b></p> <p>This notice was lodged with me on _____</p> <p>Signed _____</p>
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