

Committee: Cabinet

Date: 24th February 2020

Wards:

Subject: DN448053 - Renewal of Microsoft Enterprise Agreement

Lead officer: Mark Humphries - Assistant Director, Infrastructure & Technology

Lead member: Councillor Mark Allison

Contact officer: Richard Warren – Head of IT Service Delivery

Recommendations:

- A. To award a three-year contract for the provision of Microsoft Enterprise Licences to Supplier B, to be appointed as the Microsoft Large Account Reseller partner (LAR) for London Borough of Merton.

Exempt or Confidential Report

The following paragraph of Part 4b, Section 10 of the constitution applies in respect of information within this report and it has therefore been placed in an appendix.

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Members and officers are advised not to disclose the contents of the appendix.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. Merton Council's IT infrastructure is based on a hybrid of technology platforms including on premise, hosted and cloud-based services. Merton's servers, database and end point devices all use Microsoft software platforms, and as such, need to be licenced with Microsoft. Some examples of the software currently in use include; Windows 10, Microsoft Office (Word, Excel etc), Windows Server, SQL database management software and applications to run the corporate website.
- 1.2. The Council currently holds an agreement with Civica UK Ltd through which large volume licensing quantities are discounted and purchased via a Large Account Reseller (LAR). This relationship is one that Microsoft specify as they do not sell large volume licences directly to their clients. We therefore needed to engage a LAR in order to purchase complex licence models which then provides access to the wide breadth of Microsoft's goods and services.
- 1.3. Following the completion of a competitive tendering exercise, this report seeks approval to award a three-year contract to Supplier B to provide the LAR services required.

2. DETAILS

- 2.1 Merton Council is currently engaged with its incumbent LAR; Civica UK Ltd. The contract with Civica will expire at the end of March 2020.
- 2.2 Merton commenced a competitive tendering exercise between suppliers on the Crown Commercial Service “Technology Products 2” framework agreement in November, in line with the requirements of the Council’s Contract Standing Orders.
- 2.3 As an OJEU-compliant framework was used there was no need to publish an OJEU contract notice or to advertise the opportunity on the Government’s Contracts Finder website.
- 2.4 The procurement was carried out on the London Tenders Portal and the further competition documents were sent to the 21 potential suppliers who were appointed to the framework agreement.
- 2.5 Potential providers were given a list of the licences that the Council requires, for both corporate and academic products and asked to provide a quote as well as to answer a number of quality-related method statement questions.
- 2.6 The tender exercise was timetabled as below, and the evaluation stage has now been concluded. This report seeks approval to award a contract for the provision of new Microsoft Enterprise Agreement commencing with a new LAR from the end of March 2020.

15th November 2019	Publication of the Further Competition Invitation
25th November 2019	End of clarification period
29th November 2019	Clarification responses published
6th December 2019	Deadline for tender submissions
6th December – 6th January 2020	Individual evaluations
8th January 2020	Evaluation moderation meeting
10th February 2020	Leaders Strategy Group
24th February 2020	Cabinet Decision
25th February 2020	10-day standstill period starts
6th March 2020	Expected commencement date for the Contract

- 2.7 Three bids were received, but a submission from one of the bidders was incomplete as they had failed to provide all the required tender documents and was therefore rejected and not evaluated.
- 2.8 A panel of three IT Service Delivery officers independently evaluated the two compliant bids received, in accordance with the scoring regime set out

in the Invitation to Tender document. Final scores for each bidder were then agreed at a moderation meeting chaired by Commercial Services.

2.9 The moderated scores are as detailed below:

Bidder	Pass/Fail	Quality Score	Quality Weighting	Price (Lowest)	Final Weighted Score	Rank
Supplier A	PASS	15.0	58%	34.83%	92.83%	2
Supplier B	PASS	14.0	57%	39.72%	96.72%	1

2.10 Supplier B were ranked first, winning the procurement exercise with a total score of 97%, ahead of Supplier A, who achieved a score of 93%.

2.11 The weighting of 40% price against 60% quality was formulated to ensure that the winning supplier would be evaluated stringently on the quality of their complementing goods and services so that the value-added benefits can be maximised for the authority.

2.12 The Council had previously been advised by Microsoft that the price of Microsoft products are largely “fixed”, so suppliers only have a small margin of tolerance, in respect to adjustment of price, within which they are able to exercise discounts on software/licence units. These small margins have contributed to a difference in the price quoted.

2.13 Although supplier B were not the highest ranked in the area of quality the tender response did not cause any concerns.

Value Added Analysis

2.14 Both suppliers offered a range of material benefits as part of their respective submissions and will provide a number of additional benefits to the Council.

3 ALTERNATIVE OPTIONS

3.1 The Council must engage a LAR in order to purchase Microsoft goods and services.

3.2 If the Council decides to “do nothing” it could continue to procure services through the incumbent LAR, although this would not be compliant with the Council’s standing orders and would require Legal Services to extend the contract with the current supplier in order to remain compliant with CSO and consider if so doing would be compliant with Public Contracts Regulations 2015.

3.3 We considered Google Docs as an alternative, but concluded it was not viable due the Council decision to move to Office 365 and Azure as part of the Customer Contact migration.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1 Colleagues from Commercial Services, SLLP, and the Corporate Services Financial Advisor contributed to the drafting of this report.

4.2 No further consultation is required or proposed.

5 TIMETABLE

5.1 The following is the outline timetable for the management of the contract award.

Date	Activity
By 21 st January 2020	OPG (by virtual approval)
21st January 2020	Procurement Board
10th February 2020	Leaders Strategy Group
24th February 2020	Cabinet Decision
25th February 2020	10-day standstill period starts
6th March 2020	Expected commencement date for the Contract

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1 The Enterprise Agreement consists of two separate elements; Corporate licences and Academic licences and Merton requires both.

6.2 Microsoft's licencing models allow for "Academic" licences which are offered at a heavily discounted unit cost. These licences are subject to qualifying criteria. These criteria have been applied to specific job roles in Merton that qualify on the basis of their focus on educational support.

6.3 The Corporate element of the EA represents the majority of the service users and core technology infrastructure. These costs are also discounted from Microsoft's RRP under the new CCS framework Agreement.

6.4 The cost of the bids were as follows:-

Supplier	Annual Cost	Contract Cost (3 years)
Supplier A (Corporate EA)	£851,272.36	£2,553,817.08
Supplier A (Academic EA)	£76,261.44	£228,784.32
Supplier A - Total EA Costs	£927,533.80	£2,782,601.40
Supplier B (Corporate EA)	£800,262.79	£2,418,588.37
Supplier B (Academic EA)	£80,822.72	£242,468.16
Supplier B - Total EA Costs	£881,085.51	£2,661,056.53

NB: - These costs were based on our requirements at the time of the procurement and such requirements may change in the future.

- 6.5 At the end of each year, the Council will undergo a ‘true up’ exercise. This is based on several factors, (i.e.) starters and leavers, change to the IT infrastructure, additional/reduced services, so licences will be adjusted accordingly. All of these are closely monitored to ensure the budget forecasting is accurate.
- 6.6 The current budget for the Microsoft Enterprise Agreement is circa £585,000 per year. The tender evaluations reflect a significant increase in the annual payment which is due to a major change in the Microsoft Licensing models, and incremental changes to the pricing that Microsoft had held under previous agreements. The Council has had visibility of these changes and has adopted the most cost-effective framework available via Crown Commercial Services (CCS). Whilst the cost of the new Enterprise Agreement has increased, this is partly due to additional costs which have been incurred as a result of the Customer Contact programme and the subsequent need to migrate from GDIT to Azure, these include licensing of servers and applications to run the new environment.
- 6.7 The other main contributing factor relating to the price increase is that Merton has a strategic aim to embrace and increase mobile and flexible working. Through its revamped “Merton Smarter Working” programme, it aims to deliver the move from our Microsoft on premise environment to Office 365. As part of this move, the Council will roll out enterprise mobility and security and compliance modules – all of which have meant an uplift/change in licence units but provide a more flexible platform for the Council to deliver its services.
- 6.8 In our early discussions with Microsoft we were aware of the costs being increased. A growth bid is therefore included as part of the MTFS process, requested from 2020/21 onwards, to fund the increased budget requirement.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The Council has a legal obligation to ensure that all software products and services are correctly licensed and that we continue to be compliant with Microsoft’s Enterprise Agreement licence requirements.
- 7.2 Failure to renew our agreement would render the Council to be operating these platforms illegally and could expose the Council to financial and reputational losses.
- 7.3 This procurement has been carried out using the CCS Technology Product 2, a Framework Agreement and accordingly provided the Council was entitled to do so and followed the framework requirements, a full OJEU process was not required. However, it is advisable, as is the case here that a standstill period be observed.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 None for the purposes of this report.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1 None for the purposes of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 By renewing the Microsoft agreement, this will fix the unit prices for those declared products and services for three years. We would therefore have some protection against inflated cost over the period of the agreement.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix A provides a breakdown of the supplier’s bid price.
- Note that supplier details need to be redacted from the committee report in order to ensure the contract award decision is protected from the public arena, as some of the information contained within this report is deemed commercially confidential and therefore exempt from publication.