

## **Committee: Cabinet**

**Date: 16 January 2023**

Wards: All

## **Subject: Microsoft Enterprise Architecture Licencing**

Lead officer: Mark Humphries – Assistant Director Infrastructure and Technology

Lead member: Councillor Billy Christie – Cabinet Member for Finance and Corporate Services

Contact officer: Richard Warren – Head of IT Service Delivery/Gareth Prandle – IT Contract manager

### ***Exempt or confidential report***

*The following paragraph of Part 4b Section 10 of the constitution applies in respect of information within this appendix and it is therefore exempt from publication:*

*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.*

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### **Recommendations:**

- A. That Cabinet approves that the Contract for the Microsoft Enterprise Architecture Licences is awarded to Supplier A
- B. That Cabinet approves that the Microsoft Azure Hosting Cloud Solution Provider (CSP) is bundled with the contract award to Supplier A.

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### **Purpose of report and executive summary:**

- 1.1. The London Borough of Merton uses Microsoft (MS) technology upon which it, IT infrastructure is built to maintain security, connectivity, and general user services.
- 1.2. MS products and services are therefore required to maintain the overall IT functionality that underpins the delivery of the Council's services to both internal and external users.
- 1.3. This report outlines the steps that officers have taken to ensure that effective competition has been achieved in order to select the Large Account Reseller (LAR) that the Council will engage with to purchase MS Licences.

## **2 DETAILS**

- 2.1. MS technology is fundamental to the IT Infrastructure and day to day operation of the Council.

- 2.2. The cost of licences is set directly by MS who offer various levels of discount against set prices to marketplaces such as education, not for profit and Government sectors.
- 2.2.1 As recommended by the Commercial Services Team, we have utilised the Crown Commercial Services Framework RM3808 – Aggregated Winter 2022 Competition which effectively bundles multiple MS License requirements for Local Government, NHS & Blue Light Services into periodic auctions with pre-approved suppliers.
- 2.3. The pre-approved suppliers have been vetted for competency and all have the same base price for the licences from MS. Therefore, the element of competition is on the margin that the Large Account Reseller (LAR) will charge in top of the MS set price.
- 2.4. For the Aggregation that Council participated in, the successful LAR is Supplier A as detailed in the Appendix.
- 2.5. A list of known MS Licence requirements for the forthcoming 3 years was submitted to CCS, which included the current expenditure on Azure Hosted services from MS. The Azure hosted service costs were not previously included directly as part of the Councils previous EA contracts. This report proposes to pull all these associated operating costs together within the EA to maintain all of the Councils MS spend with the same LAR.
- 2.6. The licence requirements also included an upgrade from the current E3 specification licence platform to E5. This upgrade provides additional functionality for integration, security and additional MS products which will help to deliver operational efficiencies such as the move from Skype to Teams for external calling.
- 2.7. The Council achieves further MS licence discounts through an Education Licence Programme purchased via a CSP. The academic licence costs are estimated to be £37,370 per annum.
- 2.8. The Education CSP is currently maintained with the incumbent LAR. Renewal of the Education CSP would also move to Supplier as part of this award to ensure all MS products and licences are maintained by the same LAR.
- 2.9. The CCS Aggregation has delivered estimated annual costs of £816,181 per annum based on our expected products and volumes. This also includes the ramp from E3 to E5 licences and the associated benefits that come with that upgrade.
- 2.10. Generally, MS licence usage across the Council will fluctuate throughout the agreement and so it is normal for annual true ups/downs to change the usage figures and cost each year.
- 2.11. MS Azure hosting was added to the requirements of the Aggregation Exercise. Azure hosting effectively provides server services that can run other Council software functionality including the Council's website services and new digital transformation programmes, from the 'Cloud' as opposed to running these services on-premises.
- 2.12. Current costs for Azure hosting are approximately £25k per month - £300k per year. The Aggregation competition did not deliver any direct savings on Azure hosting. The winning provider, Supplier A, has indicated that they will not make

any margin on the provision of Azure hosting, so savings on this element of the new contract would be virtually impossible.

- 2.13. It is important to note that the Councils current Azure Hosting costs will increase in future years as the transformational projects currently under development will all utilise hosted technology and increase our operating costs. It is difficult to accurately forecast the likely increase at present because it will be driven by several factors, but it is estimated to be in the region of £150k for 2022/23 but is dependent on how much data we consume when the new systems go live.

### 3 ALTERNATIVE OPTIONS

- 3.1. The agreed IT Strategy of “Cloud First” means that bringing services in house would not align to the IT plan.
- 3.2. Officers therefore feel there is little true alternative to MS Enterprise Architecture and associated licence costs without significant disruption
- 3.3. An open Tender without using the CCS framework Aggregation is also unlikely to have delivered better results and would have taken significantly more officer time.

### 4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. There is no requirement for Consultation on this matter.

### 5 TIMETABLE

Milestone	Target Date
DPG Approval	1 December 2022
Procurement board Approval	13 December 2022
Cabinet	16 January 2023
Members call in	23 January
Award	End Jan 2023
Order placed/ Contract Starts	Feb 2023

### 6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The estimated annual value of the contract is summarised below

	Estimated Annual Contract Value
Microsoft EA*	£816,181
Current Azure Hosting	£300,000

Future Azure Hosting Cost	£150,000
Microsoft Education Licence Costs	£37,370
	<b>£1,303,551</b>

- 6.2. The contract value over the three years is therefore estimated at £3,910,653. This will be funded from the existing annual revenue provisions of £1,153,551. A growth bid has been submitted for the additional estimated funding requirements of £150,000 per year. Actual costs will depend on user numbers and Azure Consumption costs.
- 6.3. A credit check was carried out for the intended supplier and the report indicates recommended contract value is £30 million.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. This report refers to a contract above the threshold at which the Public Contracts Regulations 2015 require a compliant procurement. The framework referred to in the report is available for the council to call off.
- 7.2. The procurement as described is from a central purchasing body and the method of aggregated procurement is a method of procurement available under the framework as required by Contract Standing Order (CSO) 12.
- 7.3. Once the contract has been awarded the Council should update the corporate register under CSO 13.4 and publish the result of the procurement on Contracts Finder in accordance with regulation 108 of the PCR.

## **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. Officers do not believe there are any direct implications in this area however without correct licences there is considerable risk of Cyber threat. Without operational IT systems the Council's ability to operate efficiently would be severely hampered.

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

Appendix A – Exempted information

## **12 BACKGROUND PAPERS**

- 12.1 None for the purposes of this report.