

Report to:	Cabinet	Date of Meeting:	7 th January 2021
Subject:	Procurement of Microsoft Office 365 & Azure licences		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This report sets out the background for the provision of Microsoft Office 365 end user licences and the Council's cloud environment; Microsoft Azure. The report also details the associated procurement route(s) available to the authority to renew these licences and services due to the current contract expiring on 30 April 2021.

Recommendation(s):

- (1) That the Executive Director of Corporate Resources & Customer Services be authorised to select an appropriate procurement route and conduct a procurement exercise to renew Office 365 licences used by end users (staff) and also licences for the Council's cloud environment Microsoft Azure (which is used to store some Council data and also run a number of cloud migrated software applications) with a view to entering into a contract for a maximum period of 4 years comprising an initial 2 year period with an option to extend for up to 2 periods of 12 months; and
- (2) That the Executive Director of Corporate Resources & Customer Services in consultation with the Cabinet Member for Regulatory, Compliance and Corporate Services be granted delegated authority to award the Contract resulting from the procurement exercise and any subsequent contract extensions.

Reasons for the Recommendation(s):

- (1) To ensure that end users can continue using Microsoft Office 365 applications and that software applications and data stored within the Councils cloud environment (Microsoft Azure) are still available for use upon the expiry of the current contract.

Alternative Options Considered and Rejected: (including any Risk Implications)

- (1) There are no alternative options being considered.

What will it cost and how will it be financed?

(A) Revenue Costs

The current cost of this service is around £703,000 per annum. The cost flexes each year due to increases and decreases in both end users using Microsoft O365 applications and the level of usage of Microsoft Azure.

The funding for this contract renewal exists already within ICT contract revenue streams.

(B) Capital Costs

There are no expected capital costs expected from this procurement.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

Financial:

It is the aim of the procurement exercise being undertaken for prices to remain in the region of their current cost or where possible, to reduce the cost through a competitive process. Microsoft have made changes to their licencing model since the current contract commenced which will allow the Council to potentially resize its Azure provision and potentially reduce costs.

The procurement evaluation will also consider the longer-term opportunities to reduce overall licencing costs to the authority by providing an option within the contract for Sefton to procure other ICT software licences from the successful bidder where this is economically advantageous to Sefton. The decision to take advantage of such options for the delivery of specific licences will be subject to the appropriate decision-making process to obtain approval for any associated spend.

IT:

There are no negative implications expected.

Staffing:

The awarding of a new contract is not envisaged to have any staffing implications for the Council.

Assets:

There are no expected implications regarding Council assets expected in relation to this procurement exercise.

Legal Implications:

There are no Legal implications

Equality Implications:

There are no equality implications

Contribution to the Council's Core Purpose:

This proposal will support the delivery of each element of the Council's core purpose as set out below as both officers and Members will be equipped with the necessary technology to discharge their roles.

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6207/20.) and the Chief Legal and Democratic Officer (LD.4399/20) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

The Council has discussed options with its ICT Service Delivery Partner and Microsoft directly which explored licencing options for Cloud to ensure the Council is not over licensed. The Council will meet again with Microsoft before any procurement exercise is released to the market.

Council Officers are also continuing to engage and consult with Crown Commercial Services and Microsoft regarding the procurement frameworks which will be available to the authority in the first quarter of 2021.

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

Introduction/Background

- 1.1 The Council uses both end user Microsoft Office 365 licences for its workforce to conduct their duties and Microsoft Azure as its Cloud provision to store some of its data and as a platform to host some of its software applications.
- 1.2 The current contract is due to expire on 30 April 2021 so there is a requirement to enter into a new agreement for these services from 1 May 2021.

Current Arrangements

- 1.3 **Microsoft Office 365:** The Council has around 2,800 users who are using a standard 'E3' licences, there are around 64 users using light touch web based 'F1' licences. There are also small numbers of enhanced E5 licences to ensure that the authority is licenced for products such as MS Power BI. In addition, Sefton has licences for MS Visio and MS Project as required by specific service areas.
- 1.4 **Microsoft Azure (Cloud based systems):** There are a number of 'Virtual Machines' and 'Reserved Instances' which make up the cloud provision within Microsoft Azure. This is where some of the Council's data is stored and where several applications are hosted.

Scoping and preparation activity

- 1.5 The Council and its ICT provider will run a final review of its current licence numbers and Azure usage in advance of any procurement exercise to which those figures and information will be provided to suppliers to enable them to submit bids.

Proposed Procurement Route

- 1.6 Following recent discussions with Microsoft the Council was advised that Microsoft and Crown Commercial Services are currently renegotiating pricing for all of the UK Public Sector with the aim of those discussions forming an agreement in early 2021.
- 1.7 Upon those agreements concluding, the Council will then use the most appropriate way to run this tender exercise. This may be through a Crown Commercial Services Framework (such as RM6068 Lot 3) or another method directly set up by Central Government. The method will ensure however that compliance to both the Council's Contract Procedure Rules and Public Contract Regulations will be strictly adhered to.
- 1.8 The Council's Head of Procurement will also be consulted prior to any procurement activity commencing.
- 1.9 The procurement exercise will be led by the Council's ICT Lead for Contracts, Procurements and Schools in conjunction with and supported by the Procurement Team, other members of the ICT Client Team and the Council's ICT Service Provider.

1.10 The evaluation panel will be made up of a combination of the staff listed above, evaluating questions in line with their individual skills and expertise.

1.11 In terms of evaluation weighting, the following is proposed:

Price	50%
Quality	40%
Social Value	10%

1.12 It must also be highlighted that a number of vendors within this area also resell licences for other systems and ICT services in place at Sefton. There is therefore the opportunity to maximise the value of the contract by consolidating many lower value contracts across Sefton into a commercial proposal for the reseller thereby securing best value for the Council. The quality section of this tender will therefore include questions around this opportunity and it is proposed to add this into the contract as an option for Sefton to take up post award. As highlighted previously within the report the decision to take advantage of such options for the delivery of specific licences will be subject to the appropriate decision-making process to obtain approval for the associated spend.

1.13 It is proposed that the new contract, will run for 2 years and it is recommended that two optional single year extensions are included giving a maximum contract length of 4 years.

Next Steps

2.1 If the recommendation of this report is accepted and approved, the next steps will be as follows:

Activity	Timescales
Consultation with Microsoft and final decision on appropriate procurement route	January 2021
Publication and bidder response time	January/Feb 2021
Evaluation leading to Award	Feb/March 2021
Contract Start	1 st May 2021

2.2 Depending on approval, the intention is to commence the procurement activity at the start of January 2021, with a view to an award of a new contract taking place by the middle of March 2021. This will give the required amount of time to have services with a new provider in place in advance of when the current contract ends on 30th April 2021.

2.3 Timescales may flex depending on the number of suppliers who decide to submit a proposal and depending on staff resource however this will align with starting a new contract on 1st May 2021.