

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	7 December 2023
<b>Subject:</b>	Microsoft Azure and Office 365 Licences		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

This report sets out the background for the Councils main Microsoft provision which briefly comprises of Office 365 end user licences (including email services), PowerBI subscription (used for business intelligence and reporting), Sefton's Azure cloud environment, the Azure managed service and Server Cloud Enrolment for SQL databases. These functions make up a large portion of the Councils ICT provision used by officers to conduct their day-to-day duties, helping provide services to the public and the Councils stakeholders.

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 2024.

### Recommendation(s):

(1) That the Executive Director of Corporate Resources & Customer Services be authorised to select an appropriate framework provider to conduct a direct award procurement exercise leading to the forming of a new contract for the provision of Microsoft Office 365 licences used by Council staff and also usage of the Council's cloud environment Microsoft Azure (which hosts the majority of the Councils Data Centre) with a view to entering into a contract for a period of 3 years plus an optional 1-year extension period for contingency; 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):

To ensure that Council staff 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)

To conduct a competition via a framework for a new provider, however due to the timing of the new Microsoft DTA agreement and the current challenges with the existing frameworks this would be incredibly challenging in terms of timescales to deliver.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

The current cost of this service is around £1.385m per annum. Whilst parts of the provision remain relatively fixed (circa £821k per annum), other parts such as Azure usage, which is the Councils cloud computing environment flex with use and also increase or decrease as new services are required or discontinued. Over the past 6 months, this has averaged around £47k per month.

The funding for this contract renewal exists already within the corporate ICT Contract Revenue stream (GF63).

**(B) Capital Costs**

There are no capital costs expected from this procurement.

**Implications of the Proposals:**

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

**Financial**

It is unlikely that costs will reduce or remain the same based upon general inflationary rises over the past couple of years and noting that when entering into the current contract, prices were fixed for the term of the contract.

Costs will only be able to be identified after negotiations complete between Microsoft and the Crown Commercial Service for the new 'DTA' which is discussed further into this report.

Product costs are set by Microsoft with resellers typically applying a small marginal percentage on top.

**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:**

The procurement exercise proposing to be undertaken will be compliant with Public Contract Regulations 2015.

**Equality Implications:**

There are no equality implications.

**Impact on Children and Young People:** No

**Climate Emergency Implications:**

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

This service will have a neutral impact because it is a renewal of an existing service, the move to Azure Cloud completed by Sefton has already reduced the local carbon footprint by significantly reducing the size of the local data centre.

**Contribution to the Council's Core Purpose:**

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.7428/23) and the Chief Legal and Democratic Officer (LD.5528/23) have been consulted and any comments have been incorporated into the report.

## **(B) External Consultations**

Not applicable

## **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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## **Appendices:**

There are no appendices to this report.

## **Background Papers:**

There are no background papers available for inspection.

## **1. Introduction/Background**

- 1.1 The Council and its staff use an array of Microsoft products, services and licences to conduct its business which are detailed within section 3 of this report.
- 1.2 This provision is currently provided under contract by the Councils incumbent provider Phoenix Software Ltd after the Council conducted an OJEU and Public Contract Regulations (2015) compliant mini-competition tender process using a Crown Commercial Services Framework in 2021
- 1.3 That contract started on 1 May 2021 for a duration of 3-years and is due to end on 30 April 2024.

## **2 Current Arrangements**

- 2.1 The Council currently uses the following Microsoft products and services under the current contract;
  - Microsoft 365
  - Power BI Subscription
  - Azure Cloud Environment
  - Azure Managed Service

- Server Cloud Enrolment for SQL Databases

### **3 Description of Current Services**

#### Microsoft 365

The M365 Suite (or Microsoft 365) is a suite of applications hosted in the cloud, and includes applications such as Teams, Word, Excel, PowerPoint, Outlook (email), One Drive and SharePoint. All of these applications are deployed as core line of business applications across all service areas.

#### Power BI Subscription

Power BI is a business intelligence tool provided by Microsoft for the analysis of raw data into intelligence. Power BI is being deployed across Sefton as part of the Business Intelligence strategy along with the Data Warehouse.

#### Azure Cloud Environment

The Azure Cloud environment is used to securely host and deploy a number of line of business applications used across the Council, the platform also provides resilient fail over for critical applications.

#### Azure Managed Services

These services offer various security and compliance features to ensure that data stored in the Azure cloud is protected from cyber threats and compliant with good practice. In addition, it is possible to right size the environment on an ongoing basis to ensure that Sefton only pays what is consumed. This ongoing rightsizing ensures the delivery of best value.

#### Server Cloud Enrolment for SQL Databases

This is an enrolment under a Microsoft Enterprise agreement that allows Sefton to standardise its technology in place and benefit from economies of scale in relation to licencing costs.

### **4 Outline of Digital Transformation Agreement**

- 4.1 With the current contract due to end on 30 April 2024, the Council must enter into a new contract for the supply of the above services. However, this contract award can only be made after a new Memorandum of Understanding (MoU) is in place between Crown Commercial Services (CCS) and the Microsoft Corporation.
- 4.2 This MOU negotiation is carried out every 3-years and is known as a Digital Transformation Arrangement. The Council's current arrangement with Phoenix Software Ltd was underwritten by 'DTA21'
- 4.3 The next iteration of the DTA agreement between CCS and Microsoft will be known as 'DTA24' and is still currently being negotiated but will be confirmed in advance of the current DTA ending on 30 April 2024.
- 4.4 In using a DTA, it ensures UK Public Sector Organisations such as the Council are guaranteed special pricing and special terms over entering a new contract without one.

## **5 Proposed Procurement Route**

- 5.1 It is being proposed that the Council having ran a competitive competition for the current contract should utilise a direct award facility for the next three years of these services noting that direct awards are allowed to be utilised within both the Councils internal Contract Procedure Rules and Public Contract Regulations 2015.
- 5.2 Prices offered by Microsoft to suppliers are set within the DTA and small margins are typically then added by suppliers when supplying goods and services to customers such as the Council.
- 5.3 The Council has gained added value from the incumbent provider during the term of the current contract including extra support with right sizing its Azure environment, which streamlined and optimised its use. There has also been significant support with other aspects of the contract such as enterprise level licencing support and advice.
- 5.4 There are potentially a number of frameworks that could be used for this procurement, however that the time of writing this report there are a number of frameworks from different hosts expiring and new ones due to be established. Therefore, an evaluation will take place prior to procurement commencing and a recommendation made to the Executive Director of Corporate Resources & Customer Services.
- 5.5 As such, this report is seeking permission to run a direct award procurement via a currently unnamed framework. This recommendation is made in light of the fact that there is currently not a clear procurement route making it incredibly difficult to commence a competitive procurement within the timescales available, in addition the Council has received excellent services from the incumbent supplier over the last three years, they are also currently recognised as a market leader by Microsoft themselves and delivered on value for money during the procurement completed three years ago. For a contract of this size the authority would usually only look to go to market after a five + two year contract but are restricted from letting a contract for such a period due to the fact that Microsoft review their own pricing every three years.
- 5.6 The framework to be used however, will be decided as more frameworks become available and will be from one of the above providers which the Council has used each of before for other procurements noting that it will be ensured that whichever framework is used will be compliant with Public Contract Regulations 2015.

## **6 Next Steps**

- 6.1 Should the recommendation of this report be accepted and approved, the Executive Director of Corporate Resources & Customer Services will be recommended a compliant framework (per above) before the end of the calendar year, for consultation with the Cabinet Member.

- 6.2 Framework specific Direct Award procedures will then be followed to enter in to a new 3-year contract with the incumbent provider Phoenix Software Ltd for the core Microsoft ICT services mentioned within this report.
- 6.3 Subject to negotiations and Legal reviews, a contract will be entered into after Crown Commercial Services and Microsoft complete their DTA24 agreement. A new contract will need to be live from 1<sup>st</sup> May 2024.