

Decision Maker: EXECUTIVE

Date: 20 October 2021

Decision Type: Non-Urgent Executive Key

Title: MICROSOFT OFFICE LICENSES

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Chief Officer: Charles Obazuaye, Director of HR, Customer Services and Public Affairs

Ward: All Wards

1. REASON FOR REPORT

- 1.1. This report provides details of the current Microsoft Office licensing and changes in Microsoft Licensing Policies imposed upon us.
 - 1.2. This report provides details of a refresh of the Microsoft Office Licenses that supports the Council's core IT infrastructure, all users and key business systems.
 - 1.3. The report details the significant risks and the required licenses that are needed to ensure that the Council continues to have a supported office productivity suite.
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2. RECOMMENDATIONS

2.1 The Executive is asked to:

- 2.1.1 Note the information and agree to the procurement of Microsoft Office License Agreement, as set out in this report for 3 years.
- 2.1.2 The Executive is requested to approve an increase in the IT Services revenue budget of £13k in 2022/23, £79k in 2023/24 and £135k in 2024/25 to ensure the most optimal Microsoft Office productivity and Cyber Security functions are procured and available for the Council.
- 2.1.3 Agree to the use of the current IT service provider, BT, through the mechanism of the Westminster City Council Pan-London ICT Framework to procure the services detailed in the report. Where in the opinion of the Director of HR, Customer Services and Public Affairs a separate procurement is required or desirable, agree to delegate authority in consultation with the Portfolio Holder, to authorise the use of an alternative procurement route.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
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Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Estimated Cost Contract total £2.063m over three years
 2. Ongoing costs: Recurring Cost £758k per annum from 2024/25
 3. Budget head/performance centre: Information Systems – contract payments for Microsoft licences
 4. Total current budget for this head: £623k
 5. Source of funding: Revenue Budget
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Personnel

1. Number of staff (current and additional): Not Applicable
 2. If from existing staff resources, number of staff hours: Not Applicable
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Legal

1. Legal Requirement: Non-Statutory - Government Guidance:
 2. Call-in: Applicable:
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Procurement

1. Summary of Procurement Implications: See section 5.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1 It is fundamental that The London Borough of Bromley, has collaborative, agile, stable, robust & secure communications, and technology platforms to deliver services to their residents, members and support staff.
- 3.2 Members are referred to report CEXO1630 for background that was approved by the Executive on 9th August 2017. Subsequent to that approval, officers worked closely with BT to produce the IT Strategy that supports the councils' objectives, including a detailed analysis of alternatives to the Microsoft suite of products (as described below).
- 3.3 Following the successful delivery of the IT Transformation, Microsoft Office 365 (MS365) with E3 licenses was procured and implemented. This has supported improved mobility and flexibility, which aligns with the Councils vision of an agile workforce and was central to enabling flexible and agile working during the pandemic.
- 3.4 The implementation of the MS365 also supported the rapid development and delivery of applications such as the Desk Booking system to ensure controlled and safe return to work in compliance with the 'Return to Work' procedures.
- 3.5 The MS365 applications have also provided a robust development platform that was used in 'Track and Trace' and other Public Health requirements.
- 3.6 The delivery of the IT Transformation has aided new ways of working and has supported the Council in providing a high standard of service to all our residents, members, and staff during the Pandemic.
- 3.7 Microsoft provides various licensing models and following extensive research and consultation, the council opted for MS365 E3 licenses with add on which are outlined in Appendix 1, part 2 of the report.
- 3.8 Some of the functions that are extensively used by the Council are listed below:
 - Windows 10
 - Outlook Email
 - Word
 - Excel
 - PowerPoint
 - SharePoint – Intranet and Extranet
 - Microsoft Teams - Video/web conferencing
- 3.9 Microsoft has now changed their licensing policies, the consequence of which is that the functionalities procured in 2017 are no longer available to the Council.
- 3.10 Officers have access to Gartner an independent research and advisory company.
- 3.11 The Gartner consultants advised that Crown Commercial Service (CCS) have negotiated 3 years of discount from Microsoft under (DTA21) for the MS365 E5 licenses that can be procured by all Local Government Agencies through a Microsoft Partner, who will also manage the licenses for the Council. The discount negotiated by CCS for all Local Authorities to procure MS365 E5 licenses are: 45% discount for Year 1, 39% discount for Year 2 and 32% discount for Year 3.

- 3.12 The cost of MS365 E3 licenses with added functionalities is more expensive than procuring MS365 E5 licenses through a Microsoft Partner using the CCS Framework. The cost comparison is illustrated in Appendix 1, Part 2.
- 3.13 The council officers have negotiated with our partner BT to provide the licenses at pure pass-through of costs from CCS with no mark-up charged by BT for the procurement to the Council.
- 3.14 The officers have also investigated other productivity suites such as Google G-Suite.
- 3.15 Bromley's Managed Service Provider BT do not support other productivity suite such as G-Suite and therefore, the contracts for support of this service would need to be negotiated. BT have indicated that as they do not support G-Suite, all of the support staff would need to be trained to support Council staff and this may increase the support costs, as well as a review of the Key Performance Indicator associated with this service.
- 3.16 As Microsoft Office has been embedded within the Council's systems for over 10 years, any change of this key productivity tool will require a significant culture shift within the organisation with extensive cost implication. Staff would also need to embrace different work styles and adopt new processes to utilise cloud-based applications.
- 3.17 Office 365 Business is hosted and maintained by Microsoft, which means there is no need to install and update software. Instead, the Council would have access to everything it needs for office productivity tools, without having to install and maintain servers and networks. Set up is fast, with immediate access and will allow Council users to access Office applications with a single sign on using any device (tablet, PC, or smartphone), from any location.
- 3.18 Google lacks broad support for telephony or PBX services in the cloud and requires partners such as Dialpad or RingCentral to implement these capabilities. Microsoft offers corporate telephony services through its Phone System and Calling Plan features.
- 3.19 Google Hangouts Meet offers easy-to-use conferencing capabilities. It does not offer some specific functionality when compared to Microsoft Skype for Business and Microsoft Teams, which is a more specialised tool built for business communications. For example, Microsoft Teams and Skype for Business have more detailed status capabilities, and supports higher numbers of meeting participants.
- 3.20 The Council's ICT strategy has several agreed core design principles that were also considered as part of the productivity tool selection.
- Cloud First
 - Utilise Proven Solutions within the Market Place
 - Use open standards and common platforms
- 3.21 It is recommended; therefore, that the Council should upgrade to MS365 E5. This will also provide additional functionalities and provide DR and BC for systems such as Email, Documents, SharePoint etc.
- 3.22 The recommended option is the subscription-based option provided by Microsoft. The MS365 E5 is estimated to cost £620k year 1, £684k year 2 and £758k year 3 – a total over three years of £2,063k. Due to the renewal date being January, this equates to a cost of £636k in 2022/23, £702k in 2023/24 and £758k in 2024/25. The licensing agreement is then due for renewal from January 2025.

- 3.23 The revenue costs are based on license costs for 2,100 users per annum and are subject to change depending on the Changes with the services led by the Transformation Program.
- 3.24 The Office 365 solution is a subscription-based solution. The costs are directly related to number of users and are validated annually. Therefore, should the total number of users reduce, the annual license subscription would reduce and any increase in users will result in an increase in the annual subscription costs.
- 3.25 Within the current Revenue budget there is £623k allocated for Microsoft licenses.

4. CONTRACT AWARD RECOMMENDATION

- 4.1 **Recommended Provider(s): Microsoft**
- 4.2 **Estimated Contract Value (annual and whole life):** The annual costs is outlined in Financial Section, 6.
- 4.3 **Proposed Contract Period:** 3 years
- 4.4 Under the existing Framework the Council is able to include further IT services which are similar to those currently under contract. Therefore, the proposals set out in this report are permissible without the need for a competitive tendering process. This also ensures stability, supportability and Continuity for the Council.
- 4.5 The framework does not limit the officers should the officers find to soft market test and appoint alternative provider. Therefore, should market testing indicate that value for money can be provided by alternative framework then it is recommended that procurement is undertaken with most appropriate framework in consultation with the Portfolio Holder and Director of Corporate Services Director.

5. PROCUREMENT CONSIDERATION

- 5.1 This report seeks to make use of the current contractual arrangements with the Council's IT service provider, BT, appointed through the mechanism of the Westminster City Council Pan-London ICT Framework.
- 5.2 The CCS Digital Transformation Arrangement 21 is a memorandum of understanding (not a route to market) which allows LBB to access to preferential commercial terms. BT will subsequently award a contract on behalf of the Council for the provision of Microsoft Office licenses to Microsoft for a period of 3 years at a total value of £2,063k.
- 5.3 The requirement can be actioned as a Change Control Notice to the BT contract, subject to compliance with Regulation 72 of the Public Contract Regulations (which allows change to a contract without re-advertisement on Find A Tender where the proposed change, irrespective of monetary value, is provided for in the initial procurement documents in a clear, precise and unequivocal option clause which specifies the conditions of use and the scope and nature of the change).
- 5.4 The Council's requirements for authorising a variation are covered in CPR 23.7 and 13.1. For a contract of this value, the Approval of the Executive following Agreement by the Chief Officer, the Assistant Director Governance & Contracts, the Director of Corporate Services, the Director

of Finance and the Portfolio Holder must be obtained. In accordance with CPR 2.1.2, Officers must take all necessary professional advice.

5.5 The actions identified in this report are provided for within the Council’s Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

6. FINANCIAL CONSIDERATIONS

6.1 The current budget for the existing Microsoft licensing agreement is £623k.

6.2 The cost of renewing the existing agreement is £728k a year, a total of £2.183m over three years.

6.3 If the recommended revised licensing proposal is approved, the comparative cost over three years from January 2022 to December 2024 would be £2.063m. This is inclusive of higher discounts in years 1 and 2 and therefore the actual annual costs each year are set out below:

	2022/23 £'000	2023/24 £'000	2024/25 £'000
Microsoft 365 E5 license costs	636	702	758
Existing revenue budget	623	623	623
Budget Gap	13	79	135

6.4 The cost in 2024/25 assumes any subsequent agreement from January 2025 will be at the same cost as the third-year cost of the new agreement now being proposed. This remains to be determined.

6.5 The above estimates are predicated on a maximum number of licences of 2,100. Any increase in the number of licences needed above that level will result in an increased cost to the Council.

7. PERSONNEL CONSIDERATIONS

7.1 There is no Personnel implication.

8. LEGAL CONSIDERATIONS

8.1 The value of the services and supplies is above the EU threshold value requiring full compliance with the Public Contracts Regulation 2015 (Regulations). The proposal is to use the current contract with BT to procure the services and supplies as the variation is considered to be within the scope of the contract. In the event that the contract with BT is not used then an alternative Framework Agreement which has been tendered in compliance with the Regulations can be used. Alternatively, the Council can carry out a tender exercise itself in accordance with the Regulations and the Council’s Contract Procedure Rules.

Non-Applicable Sections:	None
Background Documents: (Access via Contact Officer)	None