

Islington Digital Services
7 Newington Barrow Way,
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Report of: Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 7 September 2023

Ward(s): All

Procurement Strategy for Microsoft Windows Software Enterprise Agreement

1. Synopsis

- 1.1. This report seeks pre-tender approval for the procurement strategy to renew the Council's Microsoft Windows Software Enterprise Agreement (MWSEA) for a 3-year period commencing 1 May 2024 in accordance with Rule 2.8 of the Council's Procurement Rules.
- 1.2. The MWSEA equips the Council with the latest versions of the Windows operating systems, Microsoft 365 (e.g., Outlook, Word, Excel, PowerPoint, and Teams), connects users and devices to Microsoft's most trusted communication and collaboration products (e.g., OneDrive, SharePoint, and Teams).

2. Recommendations

- 2.1. To approve the procurement strategy for MWSEA, using the Crown Commercial Service (CCS) Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services via an aggregated call-off competition.
- 2.2. To delegate the contract award decision to the Corporate Director of Resources, following consultation with the Executive Member for Finance, Planning and Performance.

3. Background

3.1. Nature of the service

3.1.1. A MWSEA allows the Council to legally access all the licensed software and products we obtain from Microsoft. These products include:

- Windows operating system running our laptop devices
- Microsoft 365; productivity (Outlook, Word, Excel etc) and collaborative tools (OneDrive, SharePoint, Teams, Yammer)
- Microsoft SQL; supporting database services

Microsoft products are only available to be purchased from a licensed reseller, (a company that purchases them with the intention of reselling them) and cannot be purchased from Microsoft directly by the council. The current MWSEA is due to expire 30th April 2024. The renewal is required to deliver various core IT services to business, partners, residents and service users.

3.1.2. If this agreement was not renewed, then all operations would have to revert to being paper-based processing. Alternative product suites are available (e.g., Google suite), however, the cost of change and transition effort would have a significant impact on service delivery across the council. Additionally, the integrations that the Microsoft suite has with our line of business applications is very complex. Therefore, staying with the Microsoft suite will be the optimum strategy.

The Council needs to maintain a licensed estate for its software otherwise the Microsoft 365 suite and laptop devices stop after 30 days of the MWSEA expiring and data stored in OneDrive, Teams and SharePoint Online will be deleted permanently. Microsoft technology is a fundamental building block of council infrastructure providing functionality to directly enable work across all the Council's priority activities.

3.2. Estimated value

3.2.1. The renewal of MWSEA over the duration of the agreement is estimated to be as follows:

	2024/2025	2025/2026	2026/2027	Total
Annual cost	£1,405,443.89	£1,602,206.04	£1,826,514.88	£4,834,164.81
Growth and cost increase %		14	14	

Our licence requirements will change during the duration of the contract; therefore a 14% cost increase has been forecasted for new product licenses, product upgrades and increased user numbers. The projected spend will be dependent on the number of

licenses needed and any additional software products and subscriptions the Council needs over the term of the agreement. Increased costs are also due to a combination of inflation, unfavourable exchange rate changes and current Microsoft pricing for the Public Sector.

3.2.2. The current MWSEA is due to expire 30th April 2024 and must be renewed. Spend for the last two financial years including costs for the current financial year 2023/24 are tabled below.

	2021/2022	2022/2023	2023/2024	Total
Annual cost	£964,484.54	£1,085,664.12	£1,232,845.52	£3,282,994.18
Growth and cost increase %		12.56	13.56	

Current spend is **£1,232,845.52** per annum from existing revenue budgets, under the existing MWSEA. The growth has been a combination of increased licenses, sliding discount levels, upgrading of products and procuring newer products. Microsoft offer the same pricing discount to the UK government.

3.2.3. A high-level breakdown of user growth is as follows:

Year	Number of user increases
21/22	Standard user licences (E3) Qty: 276 Frontline worker licences (F3) Qty: 100
22/23	Standard user licences (E3) 420 Frontline worker licences (F3) Qty: 127
23/24	Standard user licences (E3) Qty: 50* Frontline worker licences (F3) Qty: 100*

*These are new orders we have place up to June 23

The growth has been a result of the future works programme where frontline staff have been assigned cheaper F3 licenses. There has otherwise been a growth in office staff who need the higher E3 licence. Some of these users are contractors or FTCs. Third party access is also a growth area (albeit not as high).

Most frontline workers have licences assigned now, not expecting further growth.

With an increased staff/contractor turnover we have, the greater the 'bubble' M365 licenses (and laptops/mobiles) we need. This is because, we retain licences for an individual for 3 months after they leave before reclaiming the licences (in case we need to retrieve their data). So, every four staff turnovers effectively generate another licence.

For the future there is likely to be additional pressure on licencing for the proposed work experience (and associated) programme.

- 3.2.4. Compared to other market leading products (Google Office Apps), the average growth in costs of Google Office Apps and Microsoft M365 has been relatively consistent over the past few years. In 2019, the average cost of Google Office Apps was \$6 per user per month, while the average cost of Microsoft M365 was \$12 per user per month. In 2020, the average cost of Google Office Apps increased to \$7 per user per month, while the average cost of Microsoft M365 increased to \$13 per user per month. In 2021, the average cost of Google Office Apps increased to \$8 per user per month, while the average cost of Microsoft M365 increased to \$14 per user per month. In 2022, the average cost of Google Office Apps increased to \$9 per user per month, while the average cost of Microsoft M365 increased to \$15 per user per month. As you can see, the average cost of both Google Office Apps and Microsoft M365 has increased by \$1 per user per month over the past four years. This represents an average growth rate of 25% per year.

This year, Microsoft have increased the pricing by 9%.

There are a few factors that could be contributing to this growth in costs. One factor is that both Google and Microsoft are constantly adding new features and functionality to their office suites. This requires them to invest in research and development, which can lead to higher costs. Another factor is that the demand for office suites is increasing. As more and more businesses move to the cloud, they are looking for cloud-based office suites that can help them collaborate and communicate more effectively. This increased demand is also driving up prices

- 3.2.5. To minimise costs, the Council works with Microsoft and our reseller, to audit and minimise licenses purchased to the number of licenses required based on consumption. Year 1 license numbers from 1 May 2024 are broadly consistent with current licence numbers.

There are notable indirect benefits around organisational performance and efficiency of continued running services using Microsoft products. Council staff are familiar with the Microsoft suite. Additionally, the Microsoft suite is integrated with core line of business systems. To ensure we pay the lowest margin and get best

value, the reseller must also offer added value to the Council in terms of social value and auditing our requirements by offering guidance and support as required.

- 3.2.6. Two factors that have not been accounted for and will require change requests to this report in future:
- Changes in types of licenses and products that may be required throughout the term of the contract as either the Council's requirements evolve or the Microsoft offering changes
 - Growth beyond 14% has not been accounted for years 2 and 3 where growth includes adding more licences for users and products.

Prices under the new MWSEA will be locked and fixed for the 3-year duration of the agreement, only a three-year agreement is available.

3.3. **Timetable**

- 3.3.1. Timescales listed in the timetable below need to be adhered to, as this is the last window available for the aggregated call-off competition due to the framework expiring and the introduction of a new CCS framework. The timescales associated to joining the new CCS framework to follow the existing framework will not meet our renewal date.

CCS must be notified by **1st December 2023** of the intention to proceed. The reseller must notify Microsoft by 15 April 2024 to ensure enrolment of licenses in readiness for 1 May 2024 when the new Software Enterprise Agreement will start. Until 15 April 2024, we can adjust the license types and quantities.

Task	Date
Commissioning and Procurement Board	25 May 2023
Requirements Completed and sent to CCS (non-committal) For aggregated competition	21 July 2023
Executive	7 September 2023
CCS Aggregated competition (non-committal)	September 2023
Publish on Executive Forward Plan for contract award	2 October 2023

Evaluation of CCS aggregated offer	October 2023
Corporate Director delegated approval from Executive	Mid - November 2023
Notify CCS of intent to proceed + contract agreement signed	1 st December 2023
New MWSEA commencement	1 st May 2024

3.3.2. When does any current contract expire?

The current agreement through the KCS (Kent County Council) SOFTWARE PRODUCTS & ASSOCIATED SERVICES 2 Y20011 Framework started 1 May 2021 and ends 30 April 2024. The new agreement needs to be in place from 1 May 2024, when the existing Software Enterprise Agreement expires.

3.3.3. Failure to secure the Microsoft EA licencing will result in a significant corporate risk where core Microsoft technologies will not be available that will result with the council unable to deliver essential services to businesses and residents.

3.4. **Options appraisal**

3.4.1. In the interest of continued delivery of essential Council services to businesses, partners, residents, and service users, ceasing provision of the service is not a viable option.

Microsoft is a market leader in software products of this nature. The specialist nature of services precludes the council from being able to replace the services with in-house developed alternatives. Switching to a competitor alternative to Microsoft Office is cost prohibitive, would significantly reduce cross council effectiveness, risk unrecoverable reputational damage, and require impractical organisational change. Procuring an MWSEA ensures the highest levels of discount available and a 35% reduction on a standard Microsoft pricing model as per a Memorandum of Understanding with the UK government.

Advice has been sought directly from Microsoft to better understand the options available for licensing Microsoft products. The two options are to seek either an MWSEA that is only available on a 3-year contract or go outside of an MWSEA and carryout transactional licensing under their Cloud Solution Provider (CSP) programme. An MWSEA provides the best discounts and price locks; therefore, we recommend we proceed with a 3-year contract.

3.4.2. The recommended approach is to continue externally commissioning the service, via a call-off contract pursuant to Crown Commercial Service (CCS) Technology

Products & Associated Services RM6068 – Lot 3 Software and Associated Services via an aggregated call-off competition this is the most expedient route to market.

A newer framework RM6098 Technology Products & Associated Services 2 will be available from the CCS. However, timelines for that process including enrolments are extremely tight and present a risk to essential renewal by the 30 April 2024 if there are any delays in the aggregated further competition pursuant to RM6098 Technology Products & Associated Services 2

A review of suitable framework agreements covering MWSEA accessible to the Council has been undertaken.

- 3.4.3. An aggregated procurement is the joining of multiple public sector procurers. CCS have a dedicated aggregation team to manage and run aggregated procurements on behalf of the public sector

Aggregation is also known as collective buying. CCS uses aggregation to bring together customers with similar needs and get savings and favourable terms through their increased buying power.

Aggregated procurements save time and money because CCS runs the procurement, so there is very little administration for buyers to deal with.

- 3.4.4. CCS will run the further competition on our behalf, which will free up resource. An aggregated procurement through call-off competition managed by CCS aggregation team on our behalf will offer the following benefits

- Future cost avoidance through fixed costs
- Better value for money through increased buying power
- Legally Compliant route to market with procurement run against tried and testing operating procedures that the reseller market is familiar with.
- Reduced operational bidding costs for the council and the resellers.

3.5. **Key Considerations**

- 3.5.1. Delivering a contribution to the council's social value objectives is included within this procurement strategy. As part of the procurement exercise that will be undertaken by CCS via Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services the resellers must demonstrate wider benefits regarding social value within the sphere of their operations. The priority theme for this CCS aggregation is tackling economic inequality. Resellers will be required to set out activities that they would be able to undertake that could be made relevant to any public sector buyer participating in the aggregation.

The successful reseller will upon request provide the council a social value plan detailing how the social value set out in their tendered response will be applied to Islington.

3.5.2. A commitment by the reseller to pay at least the London Living Wage will be a condition of the special terms within the agreed call-off agreement with the successful reseller.

3.5.3. Resellers will be expected to provide outcomes regarding the following.

- Increasing supply chain resilience and capacity
- Support for new businesses, jobs, and skills
- Supportive learning, development, and skills opportunities
- School technology development and infrastructure

These outcomes will involve promoting and creating employment and skills offerings through provision of local initiatives including but not limited to apprenticeships, and work experience, participation in careers fairs and/or supporting SMEs.

3.5.4. Whilst this is a software licensing agreement, part of the service delivery includes cloud-based services from Microsoft. Microsoft made a commitment in 2020 to being Carbon 'negative' by 2030 and by 2050 to remove all the carbon the organisation has emitted since it was founded in 1975. Resellers on Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services are committed to carbon reduction plans.

3.5.5. TUPE will not apply to this procurement.

3.6. **Evaluation**

3.6.1. The aggregated call-off competition is a procurement process managed and owned by CCS. The evaluation weighting set by CCS was based on consultation with the wider public sector.

The evaluation envelopes are structured and will be evaluated as follows.

- Qualification Envelope - key participation requirements – Pass/Fail
- Technical Envelope - Social Value scored –10%
- Commercial Envelope – Pricing Scored – 90%

Technical scores will be added to total commercial weighted scores to calculate the final score.

3.6.2. The commercial envelope prices received from CCS post call-off competition will then be evaluated by the Council based on the number of users and applications required for the agreement term, inclusive of reseller fees and volume discounts.

3.7. **Business risks**

- 3.7.1. The call-off contract from the framework agreement is from an approved reseller meaning that all the resellers can access and transact the required licenses on behalf of the Council.

Failure to secure a new agreement will result in a significant corporate risk with the council unable to deliver essential services to businesses, partners, residents, and service users. If a new MWSEA is not procured, the Council will relinquish the rights to use all Microsoft software on 1 May 2024 unless the licensing is renewed. This would have a severe impact on business continuity and existing service provision with permanent loss of data stored in OneDrive and SharePoint Online, laptop devices would become unusable within 30 days and service would revert to paper-based processing.

- 3.8. The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 3.9. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	Microsoft Windows Software Enterprise Agreement (MWSEA). See paragraph 3.1
2. Estimated value	The estimated value per for FY 24/25 is £1,405,443.89 The estimated value per for FY 25/26 is £1,602,206.04 The estimated value per for FY 25/26 is £1,826,514.88 Total agreement value for agreement duration £4,834,164.81

	The agreement is proposed to run for a period of 3 years with no optional extension/s See paragraph 3.2
3. Timetable	<ul style="list-style-type: none"> • See paragraph 3.3
4. Options appraisal	Options for Procurement routes to market See paragraph 3.4
5. Consideration of: <ul style="list-style-type: none"> • Social benefit clauses. • London Living Wage. • Best value. • TUPE, pensions and other staffing implications 	See paragraph 3.5
6. Evaluation	<ul style="list-style-type: none"> • Technical Envelope - Social Value scored – 10% • Commercial Envelope – Pricing Scored – 90% See paragraph 3.6
7. Business Risks	See paragraph 3.7
8. Any other relevant financial, legal or other considerations.	See paragraph 3.8

4. Implications

4.1. Financial Implications

- 4.1.1. This report seeks pre-tender approval for the procurement strategy to renew the Council's Microsoft Windows Software Enterprise Agreement (MWSEA). The total value for the 3-year contract period is £4,834,164.81.

- 4.1.2. The projected cost for 2023/24 is £1,232,845.52, there is an annual inflationary increase of 14%. This contract is currently funded from the corresponding annual digital contract budgets.
- 4.1.3. There is overall budgeted contract inflation provision of 11% against the 14%; this will mean that the balance will need to be met from reallocating inflation from other contracts to this one where possible. In terms of growth for future years, this will need to be factored into the Council's MTFs process, where it cannot be mitigated through other actions.

4.2. **Legal Implications**

- 4.2.1. This Report seeks approval to enter a 3 year call off from the CCS Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services. The total cost is £4,834,164.81.
- 4.2.2. The Framework Agreement expires on 9th December 2023 and therefore any call off contract must be entered into before this date as per Regulation 33 of the Public Contracts Regulations 2015 (as amended).
- 4.2.3. The council's current contract is due to expire 30th April 2024, and Officers wish to enter the new call off contract on 1st May 2024. Officers want to hold a mini competition known as "aggregation" and utilise this framework by 1st December 2023 before expiry of the CCS framework on 9th December 2023.
- 4.2.4. Individual call-offs may extend beyond the four-year term of the framework itself, in this instance (2019-2023) however this should not be done to circumvent the current Regulations. Officers are satisfied this contract represents value for money and that there is a risk of entering into a high value 3 year call off contract 8 days before expiry of the framework agreement. CCS have confirmed It is not certain if a new framework will replace the current RM6068.
- 4.2.5. For contract values over £2million revenue must be made by the Executive (with a prior report to Joint Board/CMB) and the Key Decision process to be followed.
- 4.2.6. Rule 18.1.4 states that Corporate Director and Chief Finance Officer responsibilities include awarding contracts paid for using revenue money over £2million of Islington Council spend where authorised to do so under the constitution or by a specific Executive decision. The call off contract must be signed as a Deed by Legal Services in line with Rule 2.5.1.

4.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

- 4.3.1. The main environmental impact of this contract is the electricity used by the cloud servers hosting the software. However, Microsoft Cloud services are up to 93 percent more energy efficient and up to 98 percent more carbon efficient than traditional enterprise data centres. Compared to virtualised, high-end data centres, the Microsoft Cloud delivers big gains in energy efficiency and reductions in carbon emissions. Microsoft also made a commitment in 2020 to being Carbon

'negative' by 2030 and by 2050 to remove all the carbon the organisation has emitted since it was founded in 1975. Further detailed information is available here: [Our Sustainability Journey | Microsoft CSR](#)

4.3.2. The software being purchased also enables ways of working that reduce other environmental impacts. Microsoft 365 staff allows council staff to access emails and files from any location and on mobile devices, and alongside Microsoft Teams, reduces the need for staff to travel, in turn reducing travel-related environmental impacts such as vehicular emissions and contributing to congestion, while programmes such as Microsoft Forms reduce the need for paper forms, reducing material usage.

4.4. **Equalities Impact Assessment**

4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.2. An Equalities Impact Assessment screening was completed on 16 May 2023. The main findings are: As we are simply renewing an agreement, and pursuing the renewal will not have any impacts of protected groups

5. Conclusion and reasons for recommendations

5.1. The Council's current 3-year MWSEA expires on the 30 April 2024. To enable the council to continue using this software, a new MWSEA must be in place effective from 1 May 2024.

Background papers:

- None

Final report clearance:

Authorised by: Executive Member for Finance, Planning and Performance

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