

SURREY COUNTY COUNCIL

CABINET

DATE: 24 MAY 2016

REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE

LEAD OFFICER: MATT SCOTT, CHIEF INFORMATION OFFICER

SUBJECT: APPROVAL TO ENTER INTO ENTERPRISE AGREEMENT FOR MICROSOFT LICENCES



SUMMARY OF ISSUE:

To deliver easy to use, responsive public services to residents, the Council needs to provide easy to use, modern and efficient digital technology tools to its staff. Surrey has chosen to adopt a Microsoft-based software approach, in line with many partnering authorities.

This report seeks Cabinet approval to enter into a three year Microsoft Enterprise Agreement commencing on 1 July 2016 for the supply of Microsoft licencing and associated support services under the recently awarded Microsoft Licence Solution Partner contract with Phoenix Software Limited.

The Enterprise agreement will enable delivery of up-to-date software, including cloud-based Office 365, which will allow staff to work more flexibly, enabling them to improve the service delivery to residents.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. approves a three year Microsoft Enterprise Subscription Agreement to be entered into to provide a compliant, flexible and cost effective Microsoft licencing solution with an initial value of £1.5m per annum which is fixed throughout the term if there are no licence volume changes but will increase or decrease in cost with any changes in licence volumes.
2. Ensures the Council remains compliant under Microsoft licencing terms, Cabinet gives delegated authority to the Chief Information Officer and Head of Procurement to purchase any additional licences required within the term of the Microsoft Agreement Subscription via the same route, where this provides the most cost effective solution and can be funded.

REASON FOR RECOMMENDATIONS:

The existing five year Microsoft Enterprise Agreement Subscription expires on 30 June 2016 after which time the Council will no longer be compliantly licenced for the Microsoft applications currently in use including the Microsoft Office suite and associated Microsoft services.

Microsoft only resells the licensing for its products through a network of approved Partners. Purchase of a Microsoft Agreement therefore needs to be completed via the Microsoft Licence Solution Partner contract recently awarded by the Council to Phoenix Software Limited. This 'nil value' contract was the result of a further competition under a Government procurement framework, in compliance with the requirements of the Public Contracts Regulations and Procurement Standing Orders.

Following a thorough evaluation process, this further competition demonstrated that the selection of Phoenix Software Limited will provide best value for money for the Council.

DETAILS:

Background

1. The aim of the proposed Microsoft Enterprise Subscription Agreement is to replace the existing five year agreement which is coming to its end, and to ensure the most appropriate, cost effective, flexible and compliant licensing solution is implemented going forward to meet the current and future needs of the organisation.
2. Both the existing and replacement agreement provide the licence coverage for the Microsoft end user applications and back office server infrastructure used to deliver business applications to the Council. This includes Operating System, user access licences and other software such as Microsoft Office providing email, word processing and spreadsheet functionality all critical for the Council to carry out its functions.

Procurement Strategy

3. The existing Microsoft Enterprise Agreement Subscription will expire on 30 June 2016. There is no existing or comparable contract that this can be renewed under. A tender process, completed via a further competition under a Government procurement framework, compliant with the European Public Procurement Regulations and Procurement Standing Orders, has been carried out.
4. After a detailed options analysis it was decided it was in the interests of the Council and would support its shared service operation (Orbis) to procure a Microsoft Licence Solution Partner contract in collaboration with existing Orbis partner East Sussex County Council and potential partner Brighton and Hove City Council. This would secure the expertise and services of the same Microsoft Licence Solution Partner across all three Councils to assist in developing and enabling the IT strategy for Orbis.
5. A joint project team was set up and lead by Procurement including representatives from IT across all three Councils.
6. Microsoft license pricing is negotiated at a national level by Crown Commercial Service on behalf of the whole of the Public Sector in the UK and even a collaborative procurement activity such as this does not influence the base level Microsoft Public Sector discounts applied to the resulting agreements. Further Microsoft licensing expertise and guidance was sought from Crown Commercial Service's Software Category team.

7. A single invitation was issued on behalf of the three Councils to all fifteen suppliers on the Crown Commercial Service Technology Products procurement framework (Lot 2 – Packaged Software) with the outcome that potentially three individual Council contracts would be awarded as a result. An electronic tendering platform was used to ensure a competitive process that was open and transparent to all involved. A total of four suppliers responded to the invitation.

Key Implications

8. By awarding the Microsoft Licensing Solution Partner contract to the recommended supplier, for the provision of the Microsoft Enterprise Agreement Subscription, and to commence on 1 July 2016, the Council will ensure it is fully compliant under Microsoft licensing terms.
9. Performance will be monitored and benchmarked through a series of Key Performance Indicators as detailed in the contract and reviewed at regular operations meetings.
10. The management responsibility for both the Microsoft Licensing Solution Partner contract with Phoenix Software Limited and the Microsoft Enterprise Agreement Subscription itself lies with IMT Contract Managers and will be managed in line with the Contract Management Strategy and plan as laid out in the contract documentation which also provides for fixed annual licence charges at the commencement of the subscription agreement, flexibility to increase and decrease licence subscription volumes annually on anniversary, and capped mark-up on any additional types of licences that may be required.

Competitive Tendering Process

11. The contract has been let as a competitive tendering exercise via an existing procurement framework. It was decided that the use of a Crown Commercial Service procurement framework further competition was appropriate because this framework has been put in place at a national level for all of Public Sector to use and therefore reduced timescales over a full EU tender, included only those pre-qualified suppliers technically capable of providing the required services and licensing advice, and ensured most favourable Government level discounting and terms.
12. The four tenders received were evaluated by the joint project team against the following criteria and weightings, the results being that Phoenix Software Limited scored highest, with a total score of 81.77%:

Criteria (Weighting)	Phoenix	Supplier 2	Supplier 3	Supplier 4
Quality (60%)	42.00%	41.73%	38.47%	34.13%
Price (40%)	39.77%	40.00%	39.79%	39.57%
Total (100%)	81.77%	81.73%	78.26%	73.70%

CONSULTATION:

13. Connected stakeholders at East Sussex County Council and Brighton and Hove City Council were also consulted and contributed to the service specification.

RISK MANAGEMENT AND IMPLICATIONS:

14. The Microsoft Enterprise Subscription Agreement allows for decreases in licence numbers as part of an annual declaration and true-up activity, which will allow the Council to reduce licence subscriptions should the opportunity arise.
15. The awarded supplier successfully completed satisfactory financial checks.
16. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Additional licences required due to growth in user population or back office infrastructure	Where possible IMT will fund within existing resources. If this is not possible it will be addressed through the budget planning process.
Reputational & Financial	Incorrect licensing in place and risk of audit and fines from Microsoft	Regular monitoring by IMT and Microsoft Licensing Solution Provider to ensure Council is fully compliant, alongside engagement with Microsoft directly.

Financial and Value for Money Implications

17. The Microsoft Enterprise Agreement has an initial value of £1.34m per annum and if there is no change in the volume of licences required over the three year life of the agreement will be £4m total. This is the same as the 2015/16 cost.
18. The procurement activity has delivered a solution which represents best value for money for the Council. The individual licence subscription costs have increased due to lower national Microsoft Public Sector discounts in the UK. However, reconfiguring the licences and reviewing the quantity required has brought the costs down to current levels.
19. The cost of the Microsoft licences is met from the IMT Equipment Replacement Reserve (ERR) and the proposed spend is provided for in the current Medium Term Financial Plan (MTFP). IMT will continue to manage and monitor the licence volumes and ensure that, where possible, the costs are met from existing resources. The service will manage any budget planning issues that may arise due to volume increases.

Section 151 Officer Commentary

20. The Section 151 Officer confirms that the funding for this purchase is included in the 2016-21 MTFP.

Legal Implications – Monitoring Officer

21. The procurement is compliant with the Public Contract Regulations 2015 and the Procurement Standing Orders.
22. The proposed supplier was successful in the mini competition under the Government's Crown Commercial Service Framework Agreement for Technology Products (Lot 2 Packaged Software).
23. The provision of software is a commercial necessity for the Council to perform its many functions. It is important that Surrey County Council and the reseller work together to ensure that the license(s) cover the Council's use of the software.

Equalities and Diversity

24. The Council has been mindful of its equalities duties under the Equality Act 2010 in carrying out the tender process and letting the contract with due regard to the need to eliminate discrimination in age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
25. Surrey County Council is committed to providing its services in a way, which promotes equality of opportunity at every possibility. The contract document stipulates that the supplier will comply with the relevant Equality and Diversity legislation. It is expected that the appointed suppliers will be fully committed to equality and diversity in their service provision and will ensure compliance with all anti-discrimination legislation.
26. There are no TUPE implications as a result of this contract and Microsoft agreement.

WHAT HAPPENS NEXT:

27. The timetable for implementation is as follows:

Action	Date
Cabinet decision to enter into Microsoft Enterprise Agreement with Phoenix Software (including 'call in' period)	3 June 2016
Contract Signature (Licence Solution Partner)	16 May 2016
Contract Commencement Date	16 May 2016
Microsoft Enterprise Agreement Signature	23 June 2016
Agreement Commencement Date	1 July 2016

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Consulted:

Surrey Information Management and Technology (IMT) team, East Sussex County Council and Brighton and Hove City Council IT and Procurement teams, and Crown Commercial Service.

Annexes:

None.
