

CABINET

22 March 2022

Title: Procurement of a Microsoft Enterprise Agreement	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
Report Author: Ben Davis, IT Project Manager	Contact Details: E-mail: ben.davis@lbbd.gov.uk
Accountable Director: Paul Ingram, Chief Information Officer	
Accountable Strategic Leadership Director: Claire Symonds, Chief Executive	
Summary: This report requests authorisation for the Council to procure a new Enterprise Agreement with a reseller for the acquisition of Microsoft Licenses. The current Microsoft Enterprise Agreement comes to an end in May 2022. This agreement is responsible for providing the council with all of its required Microsoft 365 licenses including Office 365 and Windows. Enterprise Agreements provide government organisations with locked in prices for all Microsoft licenses over a 3-year period at a reduced cost.	
Recommendation(s) The Cabinet is recommended to: (i) Agree that the Council proceeds with the procurement of a contract for a new Enterprise Agreement in accordance with the strategy set out in the report; and (ii) Delegate authority to the Finance Director, in consultation with the Strategic Director, Law and Governance, to award and enter into contract(s) / agreement(s) and any periods of extension with the chosen supplier(s) in accordance with the strategy set out in the report.	
Reason(s) To ensure the Council has continued licensing for all Microsoft products, which form an integral part of the Council's day-to-day operations.	

1. Introduction and Background

- 1.1 A Microsoft Enterprise Agreement is an agreement held between Microsoft and large organisations of 500 or more employees, that requires a flexible approach to Microsoft licensing. This agreement allows an organisation to purchase all their Microsoft licensing under one agreement, keeping it organised and centralised. The agreement is typically brokered by a reseller, this reseller will earn margin against the Microsoft licenses. The organisation acquiring the licenses will get these licenses for a fixed cost, this price is across all resellers with the only financially competitive advantage they gain being from the margin they are awarded by Microsoft themselves. These fixed prices are agreed annually and when acquired through an enterprise agreement will be locked in for a minimum of 3-years. Crown Commercial Services operate the RM 6068 framework that is the best available route to market for this procurement.
- 1.2 The current Enterprise Agreement was procured under the Elevate contract with Soft acting as the Microsoft re-seller. This agreement ends in May 2022.
- 1.3 Failure to procure a new agreement would result in withdrawal of Office 365 services including email and Teams, this would have detrimental effect on the operations of all council services.
- 1.4 Framework RM6068 is a CCS created Framework which operates with the Memorandum of Understanding (MoUs), this provides public sector organisations with discounted pricing as well as access to a wide variety of resellers. Through consultation with both IT and Procurement it is recommended that this framework is used for the procurement of the new Microsoft Enterprise Agreement.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

This proposal seeks to authorise the procurement of a replacement Enterprise Agreement. The Enterprise Agreement is an agreement which allows the Council to procure all of its Microsoft Licensing under one agreement. The current contract is held by Softcat, this contract comes to an end in May 2022. Microsoft licensing is always set at a fixed price, license price will not vary from competitor to competitor with prices being fixed by Microsoft.

2.2 Estimated Contract Value, including the value of any uplift or extension period

The estimated total annual cost of the new solution is £791,000.00. This is significantly higher than the previous agreement as a result of increased user numbers and inflation in license costs.

The total cost of the contract over the standard Enterprise Agreement term of 3 years is expected to be £2,373,000.00.

This will be funded from cost code: F26150

2.3 Duration of the contract, including any options for extension

The contract term will be for 36-months, this is the standard length of Enterprise Agreements held between public sector organisations and Microsoft.

2.4 Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?

No

2.5 Recommended procurement procedure and reasons for the recommendation

The recommended procurement procedure is to utilise the CCS RM6068 Framework to procure a new enterprise agreement. This framework has been selected due to the guarantee of government discounted prices and the wide selection of pre-approved suppliers.

2.6 The contract delivery methodology and documentation to be adopted

As per the RM6068 frameworks standard contract terms.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

The government pricing agreed on the RM6068 framework is fixed, this means that all the suppliers on the framework offer the exact same pricing for Microsoft licensing, the main financial benefit is through utilising this specific framework. The price itself is negotiated between the CCS and Microsoft; this agreement is called the Digital Transformation Agreement 21.

Further benefits are provided by resellers. These are usually provided out of the margin they receive from Microsoft on the licenses. In the previous enterprise agreement, Softcat provided financial returns to the Council of £25,000 over the three-year period, this is a return of around 1% against the total contract value. In this context, 1% may be outweighed by other benefits offered by resellers on the framework.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

The RM6068 Framework has a flexible evaluation criterion with the option of awarding based solely on price (100%). Due to price being fixed across resellers for this specific procurement, and financial benefits being random and not contractually agreed it has been decided that weighting 50/50 between Price and Quality would allow for the Council to acquire the best reseller available.

Social Value is not a separate criterion in the framework; however, CCS recommend that Social Value should be covered in point 3, which is 'After Sales Service Management'. We will ask relevant Social Value questions relating to the

Council's Social Value Toolkit.

50% Quality

50% Price

2.9 How the procurement will address and implement the Council's Social Value policies

Potential supplier(s) will need to address the Council's Social Value commitments and LBBB will expect bidders,' based on LBBB's Social Value Framework and the five priority themes (Investment in Local People, Investment in Local Economy, Environmental Sustainability, Community Participation and Engagement and People, Independence and Resilience) to make commitments which will be part of the assessment criteria.

Social Value is not a separate criterion in the framework; however, CCS recommend that Social Value should be covered in point 3, which is 'After Sales Service Management'. We will ask relevant Social Value questions relating to the Council's Social Value Toolkit here.

2.10 Contract Management methodology to be adopted

This contract will be managed by the IT Operations Service.

3. Options Appraisal

3.1 Option 1 – CCS RM6068 Framework (Recommended)

It is recommended to utilise the CCS RM6068 framework. This framework guarantees government pricing for the council as well as including market leading resellers of Microsoft licensing.

Choosing a different route to market over the aforementioned Framework would not guarantee the government discounts achieved through the Memorandum of Understanding (MoUs).

3.2 Option 2 – Open Market

By going through the Open Market, we would not be guaranteed the government discounted pricing which is agreed through the Memorandum of Understanding (MoUs).

3.3 Option 3 – Renew Current Supplier

Due to the financial commitment associated with an Enterprise Agreement, renewing with the current reseller would not be compliant with the Council's procurement protocols or constitution.

4. Waiver

Not applicable.

5. Consultation

- 5.1 As part of this strategy report, IT Services and Procurement, Finance and Legal have been consulted.

6. Corporate Procurement

Implications completed by: Francis Parker – Senior Procurement Manager

- 6.1 The CCS Framework is suitable for this particular service.
- 6.2 The framework is compliant with the Councils contract rules and the PCR 2015.
- 6.3 More information is required on the evaluation weightings and how the software licenses are priced in order to be able to provide comment.

7. Financial Implications

Implications completed by: Sandra Pillinger – Group Accountant

- 7.1 The estimated cost of the proposed contract is £791,000. This will be financed from the IT revenue budget for third party contracts (cost centre F26150). The cost is a £50k increase on the 21/22 contract with Softcat.

8. Legal Implications

Implications completed by: Tessa Odiah – Solicitor – Contracts and Procurement

- 8.1 This report seeks approval to proceed with the procurement of a new Microsoft Enterprise Agreement using the CCS RM6068 Framework Agreement for a term of 3 years, and for the total cost of £2.373m.
- 8.2 A procurement of this nature and value is subject to the requirements for a full competitive tender exercise in accordance with the Public Contracts Regulations 2015 (“the Regulations”) and Council’s contract rules, as contained within its constitution.
- 8.3 However, procuring the services via an established, compliant Framework Agreement meets the requirements of the Regulations and Council’s contract rules, provided that the proposed Framework Agreement permits the Council to procure via that Framework.
- 8.4 The Framework proposed in this report does permit the Council to procure via it, as it specifically permits all UK public sector bodies to procure using the Framework Agreement.
- 8.5 Therefore, if the Procurement Board agrees with the recommendations set out in this report, then the proposed procurement route is legally compliant.

9. Other Implications

9.1 Risk and Risk Management

Risk Description	Mitigating Actions	RAG Status
Any costs included in this report are estimate only and are likely to change.	Costs will need to be finalised with the supplier upon contract award, and resource costs will need to be ratified.	A
A joint procurement may not be feasible as some services may not meet all the requirements.	LBBD may be required to fallback to individual procurements.	A
Not meeting approval deadlines.	LBBD will engage with relevant individuals to ensure they have been briefed and are aware of the procurement timelines.	A
Supplier is not able to deliver on the joint procurement and implementation.	LBBD will need to decide if individual procurements will be more advantageous.	A

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None