

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Procurement of Microsoft Subscriptions and Associated Services (CS/2024/07)	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Cabinet	DATE 28 th February 2024
STRATEGIC CONTEXT <p>Camden has always viewed the innovative use of technology as one of our most valuable strategic assets and a critical component in helping us to deliver against the missions and challenges set out by the We Make Camden ambitions. Our IT capabilities and infrastructure continue to prove instrumental in helping us deliver for Camden's citizens, even more so as we renew our vision for the organisation with new ambitions under The Way We Work framework.</p> <p>At Camden, technology is pivotal to delivering services for citizens, but there are also considerable opportunities to transform our services using modern tooling. Microsoft is a long-term established strategic partner, providing infrastructure elements and productivity tools that underpin every service the Council provides without exception. Furthermore, the Council directly delivers IT services to 48 Camden Schools through our traded service.</p>	
SUMMARY OF REPORT <p>This report sets out Camden's procurement strategy for Microsoft products and services used by Digital & Data Services (DDS) to provide infrastructure and productivity tools for Camden Council and Camden Schools. A preferred procurement route taking advantage of a further competitive process led by Crown Commercial Services (CCS) is recommended.</p> <p>The report is coming to the Cabinet because the estimated aggregated contract value is £8m, and the Contract Standing Orders (CSOs) require contracts over £5m in value to be approved by the Cabinet.</p> <p>Local Government Act 1972 – Access to Information</p> <p>No documents were used in the preparation of this report which are required to be listed.</p>	

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RECOMMENDATIONS

That the Cabinet agrees the following recommendations:

1. To agree the procurement strategy set out in the report for a contract for Microsoft Subscriptions and Associated Services for three years with an estimated aggregate value of £8M through undertaking a further competitive process using a Crown Commercial Services (CCS) framework: Technology Products & Associated Services 2 Products & Associated Services, Lot 3: Software.
2. To delegate to the Executive Director Corporate Services the power to award the contract to the License Service Provider selected through the approved procurement strategy

Signed: "Agreed, Jon Rowney Executive Director Corporate Services"

Date: 14 February 2024

1. CONTEXT AND BACKGROUND

- 1.1. Camden's Digital and Data Service (DDS) provides an extensive range of IT services that underpins every service the Council provides without exception. Furthermore, DDS provides a holistic IT service to 48 Camden schools through the Schools IT Support Service (SiTSS) on a fully traded basis.
- 1.2. At Camden, the innovative use of technology has always been viewed as one of our most valuable strategic assets and a critical component in helping us unlock solutions to the challenges we face. Our IT capabilities and infrastructure continue to prove instrumental in helping us deliver for Camden's residents and drive innovation and transformation of services.
- 1.3. Our Digital Strategy focuses on providing the best IT services possible, delivering consistently high levels of service and availability, placing the citizen experience at the front and centre and ensuring that we have industry-leading security to protect residents' data. Our key initiatives make the most of the opportunities offered by cloud technology, whether that's developing our data capabilities, providing industry-leading contact experiences for citizens, or helping services across the Council work smarter and deliver more efficiently.
- 1.4. Camden utilises Microsoft products and services to deliver many products and services. The IT industry has transitioned to a predominantly subscription and service-based model. Over the past six years, most spending with Microsoft has transitioned to this model as Camden has replaced and upgraded legacy services and infrastructure with cloud services. The subscriptions, software and services purchased from Microsoft include:
 - Microsoft 365 (M365), including Windows, Teams, Office and general productivity tools. Additionally, M365 includes extensive infrastructure services and identity and cyber security tools, which have been deployed extensively.
 - Software assurance for legacy licensing used on-premise, predominantly database software, which provides support and updates for mission-critical systems.
 - Unified Support provides enhanced support services for the Microsoft software and services consumed by the Council.
 - Microsoft 365 and legacy software maintenance for on-premise systems used in Camden schools, with the cost fully recovered by the traded service.
- 1.5. Collectively, these productivity and collaboration tools are required on a daily basis to allow staff to carry out their daily duties. The tools continue to support our aim to be a flexible and hybrid organisation by facilitating collaboration and work to occur easily within our physical offices or working from remote locations. Furthermore, this contract provides licensing and support services for much of Camden's ICT infrastructure.

- 1.6. Camden’s Cyber Security Programme heavily relies upon a comprehensive suite of tools sourced through Microsoft, known as the Microsoft 365 ‘E5’ suite. Camden ‘stepped up’ from the ‘E3’ suite to ‘E5’ in May 2022, which was demonstrated to be the most cost-effective route to procurement, with the Microsoft 365 E5 suite of tools offering significant value above procuring individual products from other vendors. Most legacy cyber security tools have now been retired and replaced with modern tools; deployment and adoption are at an advanced stage.
- 1.7. Crown Commercial Services (CCS) and Microsoft have negotiated a public sector pricing discount. Access to the agreement is available to all public sector organisations. This arrangement delivers an overall 40% discount compared to standard enterprise pricing. Contracts offered are for a standard three-year term. Contracting is via an approved License Service Provider (LSP) following further competition; LSPs offer value for money as they can compete by offering their own discounted pricing and added value support services such as proactive account management and social value benefits. Traditionally, using CCS frameworks has been a very competitive approach. There are 43 suppliers listed on the framework, where suppliers seek to make marginal profits from reselling and providing professional services of a margin between 2-5% of fixed resale price.
- 1.8. For the first time, this procurement represents a consolidated view of all Microsoft products and services used within Camden, including Camden Schools procuring through the traded service. The consolidated procurement approach, inflationary pressures, and the step up in M365 licensing have increased the cost, estimated at £8m over three years, including approximately £450k contingency. Funding for all costs is included in the revenue budgets of relevant services.
- 1.9. The table below shows the estimated costs for each product and service category. This model is a ‘worst-case scenario’ taking estimated pricing from our current contracted LSP and assuming only moderate growth in the establishment:

Subscription Type	Annual Cost
Subscriptions for Office Staff	£1,700,000
Subscriptions for Frontline Staff	£153,000
Schools	£145,000
Specialist Applications	£40,000
Project Management and Drawing tools	£80,000
Unified Support	£140,000
Azure Services	£260,000
Total Annual	£2,518,000

- 1.10. As set out in the Contract Standing Orders (CSOs), this procurement strategy requires approval by the Cabinet because the value is over £5m.

2. PROPOSAL AND REASONS

- 2.1. The current three-year contract concludes on 30th April 2024. The Council must enter a new contract to ensure continued operation of services and ongoing license compliance. This report seeks approval to proceed with a procurement strategy for a contract to provide Microsoft subscriptions and associated services for 36 months from 1st May 2024. The aggregated contract costs are estimated at c £8m over three years, covering estimated costs and a £450k contingency.
- 2.2. Crown Commercial Services (CCS) has offered Camden the opportunity to participate in a Nationwide tender using an existing Crown Commercial Services framework agreement - Technology Products and Associated Services 2, Lot 3 -Software Suppliers on Lot 3: Software - CCS (crowncommercial.gov.uk). This time-sensitive opportunity involves collaboration with 21 other local authorities, and there is an expectation this will further reduce the marginal profit of the LSP.
- 2.3. Considering the modest margins in a fiercely competitive procurement competition run by CCS, the Social Value (SV) element of the contract has been designed in proportion to the likely value of the marked-up cost of the services and subscriptions. Camden has requested that the winning LSP deliver SV elements supporting the Digital Inclusion Programme. Specifically, the winning LSP must support the delivery of the following SV elements:
- Collaborative delivery of the annual DDS work experience programme each July, delivered for 30 students in collaboration with Camden Learning's Science Technology, Engineering, Arts and Mathematics (STEAM) programme.
 - Summer internships and apprentice placements for Camden young people.
 - Provide devices and licenses for citizens who need to be digitally enabled.
- 2.4. We propose to use bid evaluation criteria where quality is a mandatory pass/fail based on the statement of requirements. The overall weighting will be 90% price/quality and 10% social value.

3. OPTIONS APPRAISAL

- 3.1. Five options have been explored, with option 2 recommended on the basis that it was felt that this option delivered the greatest economy of scale.

- 3.2. **Option 1** proposed a procurement of subscriptions and associated services with an appropriate Licencing Solution Partner (LSP). The proposed procurement strategy is for Camden to run a further competition using an existing Crown Commercial Services framework agreement - Technology Products and Associated Services 2, Lot 3 -Software Suppliers on Lot 3: Software - CCS (crowncommercial.gov.uk).
- 3.3. **Option 2** (Recommended) proposed a procurement of subscriptions and associated services with an appropriate Licencing Solution Partner (LSP), participating in a collaborative further competition led by CCS. This nationwide tender uses an existing Crown Commercial Services framework agreement - Technology Products and Associated Services 2, Lot 3 -Software Suppliers on Lot 3: Software - CCS (crowncommercial.gov.uk) to improve competition on the LSP margin element of the contract.
- 3.4. **Option 3** proposed procuring via a Tender procurement route. Going out to full procurement at the current time using this route is not recommended, as Camden will not obtain the discounted options available to the Public sector negotiated via CCS. Furthermore, the process would be unnecessarily complex without delivering a lower cost.
- 3.5. **Option 4** proposed migrating to another provider of collaboration and productivity tools, although this is unviable because of the significant cost of change. The Council has invested significantly in moving to cloud-based Microsoft tools, and the challenges of migrating include a long timeframe, significant effort, prohibitive opportunity costs, and digital skills challenges for IT staff and officers across the Council. In any case, this would unlikely result in significantly reduced costs due to the highly competitive nature of IT services.
- 3.6. Finally, DDS was asked to consider doing nothing, but it must be noted that not renewing the contract would leave the Council without IT services and unable to deliver services to citizens or to operate as an organisation.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1. A failure to procure a new contract to purchase these services from Microsoft will result in losing access to Microsoft 365 services for all council officers and members, leading to a failure of the Council to deliver services.
- 4.2. Participating in the collaboration brings additional risks to the procurement exercise. While the Council may obtain improved pricing, collaborative processes introduce the possibility of delays that would be outside of the Council's control. There is a 60-day grace period at the end of the existing contract, which will cover delays in the contract process and mitigate this risk.
- 4.3. The three-year approach to Microsoft Enterprise Agreements will insulate the Council from in-contract price increases for contracted products. However, it is

important to note that the retail price will likely increase during the course of the contract, resulting in likely cost increases at the end of each contract. There is no way to mitigate this risk; this contract will likely be more expensive than the previous one.

- 4.4. Because the contract costs are directly linked to the establishment and deployment of technology, there is a risk that the Council may incur additional license costs in the future. DDS staff have completed an audit of all licenses to avoid over-provisioning; a contract mechanism at the end of each year allows the reduction of licenses (it is possible to increase at any time).

5. CONSULTATION/ENGAGEMENT

- 5.1. The Council has already adopted most services procured as part of the subscriptions. This proposal to renew the existing contract does not require a consultation.
- 5.2. An Equalities Impact Assessment (EqIA) has been considered and completed with reference to the characteristics of 'age' and 'disability' as the use of productivity technology can positively or negatively impact these groups depending on how it is deployed and used. These groups may need further consideration when adopting and using these technologies, and the teams responsible for the training and support will be responsible for ensuring we provide positive benefits. Camden already offers comprehensive Digital Skills Training to staff and has built a digital champions network to offer assistance on the ground and highlight anyone needing additional support.
- 5.3. A pre-screen Data Impact Risk Assessment (DPIA) has been completed, and it is not anticipated that a new DPIA will be required.

6. LEGAL IMPLICATIONS

- 6.1. The Council is required to carry out its procurement activities in accordance with the Council's Contract Standing Orders (CSOs) and the Public Contracts Regulations 2015 ("PCR"). The report seeks approval to agree a procurement strategy for a contract for the provision of Microsoft Subscriptions and associated services.
- 6.2. The proposed contract is for a period of 36 months from 1st May 2024. The service aggregated contract costs are estimated at £8m.
- 6.3. The recommended procurement route is the use of a PCR-compliant procurement framework, namely the Crown Commercial Services (CCS) Framework, Technology Products & Associated Services 2 Products & Associated Services, Lot 3 using a further competitive process to select an approved License Service Provider (LSP) as set out in this report.

- 6.4. Under Contract Standing Orders (CSOs), the decision to approve the strategy can be taken by the Cabinet. Legal officers consider that the recommendations comply with the CSOs and the PCR 2015

7. RESOURCE IMPLICATIONS

- 7.1. The current cost of Microsoft subscriptions, licenses and support is approximately £2.7m per year across the Council. The exact cost is driven by the number of licenses the Council needs each year due to the number of Microsoft users. The exact number of staff using Microsoft each year fluctuates depending on the establishment and activities across the Council.
- 7.2. The cost of procuring the subscriptions, licenses and support is expected to be within the existing budget of £2.7m per year. Unit pricing is fixed for the duration of the contract, giving the Council certainty and offering protection against in-contract price increases. The licensing cost will be split between the General Fund and the Housing Revenue Account in line with service use.
- 7.3. There is a risk that the annual cost will increase based on increased users or purchase of further subscriptions requested by individual services. A contingency will be held centrally to support managing the growth risk in service users.
- 7.4. Investment in Microsoft 365 subscriptions can help support future cost savings by enabling the retirement of some legacy services where the features and services of the legacy software can be provided via the Microsoft 365 suite.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 The DDS strategy to adopt a modern cloud infrastructure has already delivered significant reductions in the Council's environmental impact, which would not have been possible without the adoption of Microsoft 365 services. Camden's legacy data centre was closed in September 2023, with our refreshed infrastructure having a smaller footprint, consuming less energy and requiring less cooling. The external data centres used by vendors such as Microsoft manage the services more efficiently and sustainably than possible in-house.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1. The existing contract for services concludes on 30th April 2024. We expect to receive pricing from CCS in March 2024 and to conclude a new three-year contract to begin on 1st May 2024.

10. APPENDICES

Appendix A Equalities Impact Assessment (EqIA)

REPORT ENDS