

## NOTICE OF MEETING

# Cabinet Member Signing: Taken Under Special Urgency

**Tuesday, 17th April, 2018, 4.00 pm - Civic Centre, High Road, Wood Green, N22 8LE**

**Members: Councillor Ali Demirci, Cabinet Member for Corporate Resources**

Quorum: 1

### **1. FILMING AT MEETINGS**

Please note that this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on.

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The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

### **2. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

### **3. DECLARATIONS OF INTEREST**

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and

(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

**4. CONTRACT STRATEGY AND AWARD DECISION: SHARED DIGITAL - CONTRACT AWARD FOR PROVISION OF MICROSOFT PRODUCT LICENCING (PAGES 1 - 8)**

**5. EXCLUSION OF THE PRESS AND PUBLIC**

Item 6 is likely to be subject to a motion to exclude the press and public from the meeting as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paragraph 3.

**6. CONTRACT STRATEGY AND AWARD DECISION: SHARED DIGITAL - CONTRACT AWARD FOR PROVISION OF MICROSOFT PRODUCT LICENCING (PAGES 9 - 12)**

As per Item 4.

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Tuesday, 17 April 2018

**Report for:** Cabinet Member Signing – Special Urgency Meeting 17 April 2018

**Title:** Contract Strategy and Award Decision: Shared Digital – contract award for provision of Microsoft product licencing

**Report authorised by :** Richard Grice, Interim Director for Customers, Transformation and Resources: 020 8489 1691, [richard.grice@haringey.gov.uk](mailto:richard.grice@haringey.gov.uk)

**Lead Officer:** Ed Garcez, Chief Digital and Information Officer: 020 7974 4583, [ed.garcez@camden.gov.uk](mailto:ed.garcez@camden.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Key

### 1. Describe the issue under consideration

- 1.1 Shared Digital on behalf of the London boroughs of Camden, Haringey and Islington, is seeking approval of the strategy set out in this report and contract award to a Licencing Solution Partner to support the councils' provision of Microsoft (MS) product licencing.
- 1.2 All three councils use MS productivity and collaboration tools on a daily basis. These include Office and Email and are business critical applications for all staff.
- 1.3 Renewal of Islington licencing presents an opportunity for the councils to align into a single contract with a licencing solution partner and avoid additional costs of c.£1.2m that would arise if the three councils procured separately.
- 1.4 There is a new public sector agreement available which provides discounted pricing for the range of products required. To access these discounts the councils are required to contract with a licencing solution partner, ahead of entering a contract for the councils' requirements.
- 1.5 The recommendation to award the contract is made following a further competition, undertaken using Crown Commercial Services' framework agreement RM3733, Technology Products, Lot 2 Software.

### 2. Cabinet Member Introduction

N/A

### 3. Recommendations

- 3.1 It is recommended that the Cabinet Member for Corporate Resources:

- 1) Notes and agrees the procurement strategy to call off from an existing framework agreement for a licencing solution partner for the renewal of Microsoft licences for Camden, Haringey and Islington;
- 2) agrees to award a contract to Insight Direct (UK) Ltd for the purchase of Microsoft licences . The total estimated contract value is £5,865,421 across the three councils and in respect of Haringey represents a cost of £1,667,128. The contract length and value for each council is noted below and subject to the approvals detailed in Paragraph 6.10 of this report:
  - a) London Borough of Haringey for 34 months (1<sup>st</sup> July 2018 to 30<sup>th</sup> April 2021) value of £1,667,128;
  - b) London Borough of Islington for 36 months (from 1<sup>st</sup> May 2018 to 30<sup>th</sup> April 2021) value of £2,776,583; and,
  - c) London Borough of Camden for 25 months (from 1<sup>st</sup> April 2019 to 30<sup>th</sup> April 2021 value of £1,421,710).

#### 4. Reasons for decision

- 4.1 The recommended supplier submitted the tender which scored highest across the evaluation criteria. The tender scored consistently well across all criteria and fully meets the councils' requirements.

#### 5. Alternative options considered

- 5.1 There are three options available following the conclusion of the procurement process:

**Option 1:** award a contract to the highest scoring tenderer – **recommended.**

The councils have completed a competitive procurement process which has returned a strong set of tenders. The successful bid fully meets our requirements and ensures continuity of service across the councils.

**Option 2:** do not award a contract and retender the service – not recommended.

The councils have followed an appropriate procurement process, compliant with contract standing orders and meeting public procurement regulations. There is no reason to re-run the process.

**Option 3:** do not award a contract and allow the existing service to end (do not re-commission) – not recommended.

This is a business critical service, delivery of which must be maintained.

#### 6. Background information

- 6.1 The London boroughs of Camden, Haringey and Islington share provision of ICT services through Shared Digital, the councils' joint delivery vehicle. Shared Digital is responsible for delivery of all the councils' ICT services and also leads on the councils' digital transformation.
- 6.2 Microsoft provides the councils with licences for the use of a wide range of productivity and collaboration tools such as: Office 365 and Office 2016 (Word, Excel, PowerPoint, Outlook); and also other tools such as Visio and Project.

Additionally, it provides licencing for a range of server based applications such as SQL and Exchange.

- 6.3 These productivity and collaboration tools and server licences are required on a daily basis to allow staff to carry out their daily duties.
- 6.4 The Crown Commercial Services and Microsoft have for a number of years entered into a series of memorandum of understanding (MOU) which offer public sector organisations significant reductions in the cost of these licences – up to 35% for some products.
- 6.5 The latest incarnation of the MOU is the Digital Transformation Agreement (DTA). This follows the Cloud Transition Agreement (CTA) which moved end users away from perpetual licencing into subscription licencing and into cloud software provision.
- 6.6 The DTA is due to launch in May this year, ahead of the renewal of licencing across the three councils. With a new MOU due and Camden becoming the host borough for SD from 1st June 2018, the councils have chosen this time to align the contract for a licencing solution partner into a single agreement. The Licensing Solution Partner (LSP) will then support the councils in fulfilling the correct licencing agreements against the councils' requirements.
- 6.7 This approach has been discussed at length with Microsoft and agreement has been reached whereby a Master Service Agreements (MSA) will be developed which will have Camden named as the lead borough, and Islington and Haringey as affiliates to the MSA.
- 6.8 Detailed below are the current renewals dates for each council:

Council	Renewal Date	End Date	Contract Duration
LB Islington	1 <sup>st</sup> May 2018	30 <sup>th</sup> April 2021	36 months
LB Haringey	1 <sup>st</sup> July 2018	30 <sup>th</sup> April 2021	34 months
LB Camden	1 <sup>st</sup> April 2019	30 <sup>th</sup> April 2021	25 months

- 6.9 The advantage of this approach is that the councils will all benefit from:
  - greater savings generated from the aggregated volumes of licences purchased;
  - aligned pricing, which will not increase during the contract period; and,
  - there will be a single agreement with one LSP, thus reducing the number of contracts and suppliers to be managed to one.
- 6.10 The intention is, in order to benefit from the reduced MSA costs, for all three councils to approve the renewal of Microsoft software licences in accordance with Islington's renewal timetable, through their respective governance processes.

**Procurement Strategy**

- 6.11 The recommended procurement strategy was to run a further competition using an existing framework agreement.
- 6.12 Crown Commercial Services' framework agreement RM3733, Technology Products is a multi-lot framework agreement available to the councils. Lot 2 of the framework, relates to packaged software and licencing. A further competition open only to those suppliers (21) participating in Lot 2 was undertaken.

### Procurement Outcome

- 6.13 Six bids were received. The request for proposal was available to all suppliers for five days. Acceptance of pricing from the DTA was approved by Microsoft the day before the tender was released. The timescales to complete are very aggressive and significant work will need to be completed to ensure that the contract award completes and a PO can be raised in time to meet the renewal deadline in Islington.

### Evaluation Criteria

- 6.14 Evaluation of the bid was based on a 70/30 split between price and quality.
- 6.15 Price was based on the total cost to the councils over the three-year period of the contract. The formula below details the scoring approach:

$$\text{Price Score} = (\text{lowest tender price}/\text{supplier tender price}) \times 70$$

- 6.16 Evaluation of the quality criteria included five questions as noted below:

1. Social value (weighting x1);
2. Subscription compliance (weighting x1);
3. Employee Purchase Programme (weighting x1);
4. Partnership working, account management and support (weighting x3); and,
5. References (weighting x1).

$$\text{Quality score} = (\text{weighted quality score}/\text{total score available}) \times 30$$

- 6.17 The review and evaluation of each bid received is contained in the exempt report.

	Price Score (70)	Quality Score (30)	Total Score (100)
<b>Insight Direct (UK) Ltd</b>	<b>70</b>	<b>21</b>	<b>91</b>

### Evaluation Panel

- 6.18 There was an evaluation panel of five members. The evaluation panel had cross council representation, drawn from Shared Digital, Finance and Procurement. The panel was chaired by the Assistant Director for Core Infrastructure and End User.
- 6.19 Evaluation was split between two groups: quality evaluation group and pricing group. Both groups held moderation sessions to review and agree the final scores for each bid.

### What are the key impacts/risks? How will they be addressed?

- 6.20 It should be noted that the cost of MS product licencing has significantly increased in the period since the last MOU was agreed in 2015. In 2016 there was an alignment of pricing across the public and private sector and in 2018, a currency alignment due to the fall in value of Sterling. The impact of this is that the cost of MS licencing across the councils will increase.
- 6.21 This increase in licencing costs will place a strain on the existing SD revenue budget and each council will need to take account of the increase in costs and allocate additional funds to the SD service budget.
- 6.22 The table below details the main risks:

Risk	Mitigation
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Loss of access to business critical software	Award an appropriate contract for the provision of software licences.
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**What actions will be taken and when following the decision and how will this be monitored?**

- 6.23 The procurement exercise was undertaken by Shared Digital on behalf of all three councils. The councils licencing contracts have differing renewal dates. This procurement allows all three councils to co-terminate their licencing renewals. Islington will contract first, followed jointly by Camden and Haringey within two weeks. This ensures that Islington can meet its renewal deadline and Haringey is able to contract ahead of its renewal date in June.
- 6.24 The table below provides a timeline of activity following approval of the recommendation in this report. For completeness it includes the contract award dates for all three councils:

Activity	Date
<b>Contract Award is proceeding across all three councils, expected approval dates are:</b>	Islington – 13.4.18 Camden – 16.4.18 Haringey – 17.4.18
<b>Successful Supplier notified, on behalf of Islington</b>	16.4.18
<b>Islington customer pricing sheet submitted</b>	16.4.18
<b>Camden and Haringey customer pricing sheet submitted</b>	Late April
<b>Contracts for all three councils reviewed and accepted</b>	End of April 2018

- 6.25 The contract will be monitored on a regular basis by members of the SD team. Key elements of monitoring will include review of the licence estate across all three councils and assurance of a) compliance to licencing entitlement; and b) maximisation of any additional licencing benefits available to the councils. There will be regular meetings with the supplier to review service and contract performance.

**Consultation**

- 6.26 There is no public consultation requirement. There are no identified equality implications. This is a renewal of an estate of existing software licences. Appropriate consultation has been undertaken within Shared Digital's senior management team and the senior management team are supportive of the recommendation contained within this report.

**7 Contribution to strategic outcomes**

- 7.1 The provision of core Microsoft licences are fundamental to the operation of the council's systems and, therefore, support all strategic outcomes.

**8 Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

## Finance

- 8.1 As part of the Shared Digital service agreement each council has committed, in good faith, to meet the cost of services consumed by the respective council. This contract award will allow LB Camden on behalf of LB Islington and LB Haringey to complete a contract to retain access to the existing MS licence estate at a cost of approximately £5.87m.
- 8.2 Contract prices represent an annual cost increase of £429k. This will result in a pressure on revenue budgets within Shared Digital, and mitigating action will need to be taken to ensure adequate budget provision within the service. The councils will be required to agree sufficient budget is made available to cover the respective councils' outlay on licences, and transfer this commitment to the Shared Digital budget. In Haringey, the increase will be met through an application to the Transformation Fund, under existing delegation to the Director of Transformation and Resources. It is envisaged that Haringey's contribution to this increase will be approximately one third of the total additional cost, in accordance with the governance arrangements for Shared Digital.
- 8.2.1 London Borough of Islington for 36 months (from 1<sup>st</sup> May 2018 to 30<sup>th</sup> April 2021) for an estimated cost of £2,776,583;
- 8.2.2 London Borough of Haringey for 34 months (1<sup>st</sup> July 2018 to 30<sup>th</sup> April 2021) for an estimated cost of £1,667,128; and,
- 8.2.3 London Borough of Camden for 25 months (from 1<sup>st</sup> April 2019 to 30<sup>th</sup> April 2021) for an estimated cost of £1,421,710.
- 8.3 The volume licencing concessions provided by MS has provided the three councils with an approximate £1.2m in cost avoidance, against renewal without this concession. License costs will be fixed throughout the contract period. The costs incurred will however be liable to variation due to changes in the number of licenses held, with adjustments made through an annual true-up / true-down assessment.

## Strategic Procurement

- 8.4 The councils have run a compliant procurement process in line with the requirements of a further competition under the Crown Commercial (CCS) Framework, Technology Products 2, RM3377, Lot 2 Packaged Software.
- 8.5 The procurement via the Framework rules is permitted under CSO 7.01 and 9.07 for the bid Acceptance and Contract Award. While the rationale behind the price increase is logical, the newness of the MS licensing pricing means that there is no price benchmark. However, from this process the winning bidder is the most cost effective provider.
- 8.6 It is recognised that the returns, when the councils decide to call-off the services provided by the successful licencing solution partner, will be a significant increase against the current costs, but these take account of the two price increases experienced across the sector.

## Legal

- 8.7 The Assistant Director of Corporate Governance has been consulted on this report.



- 8.8 The Council is required to carry out its procurement activities in accordance with the Council's Contract Standing Orders and the Public Contracts Regulations 2015.
- 8.9 The Council is seeking to appoint a Licencing Solution Partner from a framework to enable it procure licences to use Microsoft software. Microsoft software products are used by the Council on a daily basis in order to effectively carry out their statutory functions. Accordingly, the Council may enter into a contract with the recommended supplier for the provision of licenses for those Microsoft products provided that the decision maker is satisfied that their tender represents value for money.
- 8.10 The total estimated cost across the three Councils is £5.87m and in respect of Haringey represents a cost of £1, 667,128. In accordance with the thresholds set out in the Contract Standing Orders, based on the cost to Haringey, Cabinet Member approval is required to award the contract.
- 8.11 Procurement officers have also assessed the procurement strategy set out in this report and advise that the recommended option is in compliance with Contract Standing Orders and the 2015 Regulations and that there are no direct legal issues arising from approval of the Recommendations.

### **Equalities implications**

- 8.12 This is a core software licence procurement and, as such, there are no equalities implications.

## **9 Use of Appendices**

N/A

## **10 Local Government (Access to Information) Act 1985**

- 10.1 Part B of this report is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is exempt

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