

Cabinet

Supplementary Information



Date: Tuesday, 7 June 2022

Time: 4.00 pm

Venue: The Council Chamber - City Hall, College Green, Bristol, BS1 5TR

18. Microsoft Desktop Licensing – In-year Uplift and future contracting

(Pages 2 - 5)

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Date: Monday, 30 May 2022



Decision Pathway – Report

PURPOSE: Key decision

MEETING: Cabinet

DATE: 07 June 2022

TITLE	Microsoft Desktop Licensing – In-year Uplift and future contracting		
Ward(s)	N/A		
Author: Sharon Scull	Job title: Lead – Operational Procurement & Finance		
Cabinet lead: Cllr Craig Cheney	Executive Director lead: Mike Jackson		
Proposal origin: BCC Staff			
Decision maker: Cabinet Member			
Decision forum: Cabinet			
Purpose of Report:			
<p>This report identifies the requirement to increase the value of the council’s existing Microsoft Desktop Licensing Agreement to enable the provision of essential software to staff during 2022/23 and seeks permission to proceed. It also updates Cabinet on the longer-term requirements for this licensing, including the requirement to run a new tender process for a replacement contract for the supply of licences for Microsoft Windows products used across the BCC desktop estate.</p> <p>It seeks to renew and uplift an existing contract for June 2022 – May 2023, and to run a compliant tender process for a replacement contract to take effect from June 2023, with powers delegated to officers to award the contracts.</p>			
Evidence Base:			
<p>Microsoft products are used extensively across the BCC IT estate to provide desktop applications, such as Microsoft Office suite (including Word, Excel and PowerPoint), as well as Outlook, Lync, Project and Visio. These products underpin the fundamental day-to-day operation of the organisation, as well as providing a common, almost universal, format to allow sharing of documents and information with other organisations. Additionally, some back-end services and business applications are reliant on integration with Microsoft Office products. Our current contract expires 30 June 2023.</p> <p>In June 2021, Cabinet authorised the direct award of a 2-year contract with an approved supplier up to the value of £4m. A compliant contract was let with Bytes Software Services for Microsoft Desktop Licensing. The existing Bytes contract spend level was set based on knowledge at the time of the contract, and previous years costs, with a modest contingency. However, during the COVID pandemic, the number of devices issued to staff and emerging new ways of working has significantly increased our requirements. This has resulted in more device licences and software licences being required.</p> <p>In the period for June 2022 – May 2023, it is anticipated that up to £700,398k may need to be spent over and above the originally approved £4m contract. This is possible within the terms of the contract without re-procuring. The cost represents an in-year corporate financial pressure hosted within the Digital Transformation service budget. Approximately £300k of this pressure can be met through terminating an enhanced Microsoft product support arrangement, and the service is actively pursuing all opportunities to further mitigate the pressure, including options to bring forward some projects within the proposed Digital Transformation Programme Phase 2, which Cabinet will</p>			

be receiving in July 2022. This includes, for example, completing migration of all staff on to Windows 10 as soon as possible, removing Windows 7 costs from the estate.

If it is not possible to contain the in-year pressure within the service, mitigation will be sought from the wider Policy, Strategy and Digital divisional budget, and failing that from the Resources Directorate budget. This will help ensure that despite the pressure, the council operates within its agreed overall budget envelope for the year. Cabinet and Scrutiny members will be kept sighted on this via normal monthly financial reporting on the council's budget.

During the 2022/23 financial year there will be a concerted focus on consumption management, meaning only essential licenses are issued and seeking to operate at the minimum possible limits. This will include appropriate internal charging where additional license costs are linked to externally funded projects, for example providing Windows-based laptops to fixed-term staff hired to work on specific externally funded projects.

Looking ahead to the expiration of the current Bytes contract in June 2023, the council will need to have a contract in place to allow us to continue to use Microsoft products. Given the Council's existing and future strategic direction of using Microsoft products, a multi-year contract would best limit any commercial or financial risk and should be expected to provide improved pricing and best value to the Council. The Strategic Procurement service will provide advice on the compliant route to market.

It is possible to undertake this procurement exercise whilst still confirming forecasts for our future license needs, as the eventual provision is scalable and the price per license would not alter. If Cabinet approves initiating this procurement exercise, work will continue in tandem to stabilise our core budget for licenses and confirm our forecasts for future licensing types and needs. This will take account of many factors including hybrid working, the optimisation of our cloud hosting, and the Council's overall staffing levels and operating model following its Management and Capacity Review and its Common Activities Programme.

These factors notwithstanding, the Council will always need a legally compliant contract in place for the supply of any computing licenses it needs. The cost of the future contract is projected to have a maximum ceiling of £7m over a three-year period from June 2023.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Authorise the Director: Policy, Strategy and Digital in consultation with the Cabinet Member – Finance, Governance and Performance to take all steps required to incur the additional spend of up to £700,398 on the Bytes contract until May 2023 as outlined in this report, subject to this being contained within the Council's overall revenue budget envelope.
2. Authorise the Director – Policy, Strategy and Digital in consultation with the Deputy Mayor – Finance, Governance & Performance to take all steps required to procure and award a 3-year Microsoft Desktop Licensing contract, at a cost of up to £7m, with an approved Microsoft reseller, for the range of Microsoft products currently used by BCC, to include provision within the contract for products that support the BCC cloud migration and end-user computing strategy as outlined in this report.

Corporate Strategy alignment:

This supports the One Council approach, enabling hybrid working which results in colleagues and partners having the ability to collaborate and work from anywhere.

Enables better data driven decision making as a result of the Data Lake created Power Business Intelligence (BI).

City Benefits:

There are no specific or direct benefits to the city and there are no identified equalities impacts. However, without the use of Microsoft products, the Council would be unable to deliver most services in an effective way.

Consultation Details:

Not applicable

Background Documents:

Previous cabinet paper June 2021 - [Cabinet Decisions June 2021](#)

Revenue Cost	£7m (retender) £700,398k (Uplift)	Source of Revenue Funding	Digital Transformation division General Fund and business specific cost centres (requests)
Capital Cost	£0	Source of Capital Funding	
One off cost <input type="checkbox"/>	Ongoing cost <input checked="" type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: This report seeks (i) to obtain approval to renew and uplift the value of the Council's existing 2-year Microsoft Desktop Licensing Agreement in 22/23 by up to £0.7m and (ii) to gain approval to run a compliant tender process for a replacement contract to take effect from June 2023, with powers delegated to officers to award the contract. This new contract is to have a not to exceed value of £7.0m over a 3-year period.

- (i) The additional uplift to the current contract value is due to the increased number of devices issued to staff and emerging new ways of working since the start of the COVID-19 pandemic which have in turn led to additional device licences and software licences being required. Funding for this additional uplift is planned to come first from £0.3m generated from the termination of the Microsoft Unified Support contract. Thereafter the service is actively pursuing all opportunities to mitigate the balance of the in-year pressure (which is consistent with that previously approved). Mitigation includes reviewing options to bring forward some projects within the proposed Digital Transformation Project, tranche 2.

	<u>Previously Approved</u> <u>Budget Cost</u>	<u>Proposed Contract Cost</u> <u>Contract Cost</u>	<u>Proposed</u> <u>Contract Cost</u>	<u>Proposed</u> <u>Offset</u>	<u>Proposed</u> <u>Pressure to Budget</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
21/22	1.3	1.9	2.3-2.4	-	1.0-1.1
22/23	1.3	2.1	2.3-2.4	(0.3)	0.7-0.8
Total	2.6	4.0	4.7	(0.3)	1.8

- (ii) The proposed new contract value of up to £7.0m over 3 years from June 2023 will continue to be similarly offset first by the termination of the Microsoft Unified Support contract (at £0.3m p.a.) so that there is a consequent net budget pressure of approx. £0.7m p.a.

	<u>Previously Approved</u> <u>Budget Cost</u>	<u>Proposed Contract Cost</u> <u>Contract Cost</u>	<u>Proposed</u> <u>Contract Cost</u>	<u>Proposed</u> <u>Offset</u>	<u>Proposed</u> <u>Pressure to Budget</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
23/24	1.3	N/A	2.3-2.4	(0.3)	0.7-0.8
24/25	1.3	N/A	2.3-2.4	(0.3)	0.7-0.8
25/26	1.3	N/A	2.3-2.4	(0.3)	0.7-0.8
Total	3.9	N/A	7.0	(0.9)	2.2

Microsoft products are used extensively across the BCC IT estate to provide desktop applications, and as such, underpin the fundamental day-to-day operation of the organisation so that the Council requires a contract in place which enables it to continue to use these products.

If it is not possible to contain the in-year pressure within the service, mitigation will be sought from the wider Policy, Strategy and Digital divisional budget and thereafter from the Resources Directorate budget so that the Council may operate within its agreed overall annual budget envelope. Cabinet and Scrutiny members will be kept sighted on this via normal monthly financial reporting on the Council's budget.

Finance Business Partner: Jemma Prince, Finance Business Partner, 9 May 2022

2. Legal Advice: The procurement process must be conducted in line with the 2015 Procurement Regulations and the Councils own procurement rules. Legal services will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements. Legal Services will also advise and assist in relation to the contractual arrangements for the additional spend.

Legal Team Leader: Husinara Jones, Team Leader/Solicitor 6 May 2022		
3. Implications on IT: The software and systems provided under this contract are vital to the running of the council, comprising core systems which everyone with a digital device uses. It is in full alignment with our existing IT Strategy and emerging Digital Strategy 2022-27. However, the change to a modern subscription-based model prior to full benefit realisation of previous digital transformation activity has created a core funding pressure, and work is underway to address this. There is a level of ongoing financial risk and containing this and creating a sustainable new base financial model will be high priority work for the Policy, Strategy and Digital division during 2022/23.		
IT Team Leader: Tim Borrett, Director: Policy, Strategy and Digital, 05 May 2022.		
4. HR Advice: No HR implications evident.		
HR Partner: James Brereton (HR Business Partner), 22 March 2022		
EDM Sign-off	Mike Jackson, Chief Executive	04 May 2022
Cabinet Member sign-off	Cllr Craig Cheney	09 May 2022
For Key Decisions - Mayor's Office sign-off	Mayor's office	09 May 2022

Appendix A – Further essential background / detail on the proposal	NO
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	No
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO