

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 13 April 2021

TITLE	Microsoft Azure Licensing Agreement Contract		
Ward(s)	<i>None</i>		
Author: Simon Oliver	Job title: Director – Digital Transformation		
Cabinet lead: Cllr Craig Cheney	Executive Director lead: Mike Jackson		
Proposal origin: <i>BCC Staff</i>			
Decision maker: Cabinet Member Decision forum: <i>Cabinet</i>			
Purpose of Report: This report identifies the requirement to direct award a contract for the continued use of the Microsoft Azure Cloud Infrastructure. Cabinet approves the direct award of a 3 year contract, through the KCS Framework for the supply of Microsoft Licences and that authority to award the contract is delegated to Director – Digital Transformation			
Evidence Base: Microsoft Azure is the cloud-based (hosted by third party organisation) data centre technology used by the Council. The Council has migrated a number of services to Microsoft Azure during the delivery of the IT Transformation Programme (ITTP) as a means to meet a number of business benefits such as;			
<ul style="list-style-type: none"> • Improved IT resilience • Known total cost of ownership for services • Reduction in maintenance burden (support contracts and personnel) • Improved back-up and recovery • Improved delivery of remote working solutions • Improved approach to Partnerships, such as the safe sharing of information with third parties • Improved services to staff and citizens through a modern platform • Improved Information (Cyber) Security, protecting access to our systems and data • Improved approach to Information Assurance – helping the Council to meet our data protection act and GDPR obligations • Ability to use new solutions such as Data/Insights and Customer Relationship Management (CRM) tools • Reduce our carbon footprint. 			
This solution hosts our servers, as well as our data. Furthermore, it provides a number of critical IT services such as the authentication of users onto our systems/network and also delivers much of our Information (Cyber) Security protection and resilience technologies. It is a key platform that would effectively prevent the usage of any IT Systems if it were not available.			
The pricing model for this solution is mostly consumption based, e.g. the Council only pays for the services which are actively used at any time. We have the ability to put services into ‘standby’ when they are not actively being used			

such as Test Servers, which means the Council does not pay for services when they not required. We are also able to procure 12 months of services in advance through 'reserved instances' when we know we will need a service to be available all the time, such as email, achieving a lower cost for the Council.

Our Current contract expires 31 March 2021, however we will be rolling over the existing agreement for one month until 30th April 2021.

We need to have a contract in place that will allow us to continue to utilise this vital solution within the vendor licence terms.

Procurement will be through the KCS framework which is a compliant route to market. Based on our need for the platform a multi-year contract is both appropriate and advantageous. Through this framework the Council has negotiated a 12% discount over the life of the contract. This means the Council will pay a lower rate of all of the services it uses as part of this contract.

As the Council undertakes further digital transformation it will increase its usage of Microsoft Azure services. Therefore the procurement value has been set to enable the Council to increase the levels of services consumed over the life of the contract without the need for further contract value increases and negotiations. The contract will not commit the Council to spending the full contract value.

A key concern that has been raised is in relation to increased usage of the services, and therefore increasing consumption costs during the life of the contract. This is compounded by the fact that IT Services have historically used capital funding to procure physical equipment and then 'sweat the assets' over time, whereas now we will be revenue funding services year on year.

At present, if our consumption of services increases and this is not offset by additional funding, or reduction in other revenue costs, we risk having in place a contract for services which is not met by current allocated budgets. However, IT Services are actively managing this risk in collaboration with finance colleagues. We will mitigate this risk by:

1. Reviewing current consumption levels and ensuring that they are cost effective. Any changes to reduce ongoing costs will be made. Furthermore, the IT Service will continue to ensure services are procured on the best cost basis possible and ensure that services are 'switched off' when not required to reduce the costs of the consumption model.
2. Ensuring corporate change projects anticipate all future Microsoft Azure costs. The project will identify the ongoing costs to the council and ensure necessary budgets are utilised.
3. Reducing the number of line of business systems currently being utilised by the council (e.g. we have a number of CRM systems in use which could be replaced by a single system or solution). This approach to application rationalisation will reduce Microsoft Azure costs associated with these solutions as well as reducing other contract spend.

The budget holder is confident that the on-going costs for the services will be manageable with the above measures in place.

Cabinet Member / Officer Recommendations:

1. Approve the award of a 3 year contract, through the KCS Framework for the supply of Microsoft Licences at a cost of £767,000 per annum
2. Authorise the Director – Digital Transformation in consultation with the Deputy Mayor – Finance, Governance & Performance to take all steps necessary to procure and award the contract

Corporate Strategy alignment

This fully aligns to the Corporate Strategy and Digital Transformation Strategy to deliver aims. It is a key foundation to being able to deliver Digital Transformation and provide the stability of platform to build our new ways of working

against.

It meets the following principles:

- Maximising opportunities to work with partners
- Focussed on long-term outcomes, not short-term fixes
- Use our assets wisely

It meets our organisational priorities:

- Redesign the Council to work effectively as a smaller organisation
- Equip our colleagues to be as productive and efficient as possible
- Be able to explore new commercial ideas

City Benefits:
 There are considerable City Benefits to the usage of this platform. This includes the ability to delivery One City Plan Digital Outcomes on a platform which can be used to support Partners and deliver Data and Insights aligned to a Digital Place/Smart City agenda. By having the scale of capability available, on a consumption model, enables the Council to have access to solutions which would otherwise be prohibitively expensive to utilise.

Consultation Details:
 Not applicable

Background Documents:
 Cabinet approval document from June 2018
<https://democracy.bristol.gov.uk/ieListDocuments.aspx?Cid=135&MID=3091>

Revenue Cost	£2.3m	Source of Revenue Funding	General
Capital Cost		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: The approval is for a 3 year contract at up to £0.770m spend per annum. It should be noted that the current level of annual Revenue spend indicates that it has current budget for £0.34m spend per annum, however a high contract value is requested in order to manage an expectation the usage will increase over the life of the contract.

Since all services are expected to manage within its annually approved budget envelope it is required that prior to committing any increase to current levels that would lead to exceeding the £0.34m budget it must identify alternative budget capacity for the additional spend. This will entail initiating necessary activity now/in advance in order to manage with budget.

Finance Business Partner: Mike Pilcher, Chief Accountant – 29th March 2021

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 Team Leader: Husinara Jones, Team Leader/Solicitor, 11 March 2021

3. Implications on IT: This is a critical contract to enable the continued usage of the Council’s IT Services and to ensure we are contractually and procurement compliant. As a result, I fully support the report.

IT Team Leader: Simon Oliver 10/03/2021

4. HR Advice: No HR implications evident

HR Partner: James Brereton (HR Business Partner), 10th March 2021

EDM Sign-off	Mike Jackson	24/03/2021
Cabinet Member sign-off	Cllr Craig Cheney	23/03/2021
For Key Decisions - Mayor's Office sign-off	Mayor Rees	15/03/2021

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	NO
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