

COMMISSIONING AND PROCUREMENT SUB-COMMITTEE – 11/09/18

Subject:	Purchase of Microsoft licences		
Corporate Director(s)/ Director(s):	Candida Brudenell, Corporate Director for Strategy & Resources		
Portfolio Holder(s):	Councillor Toby Neal, Portfolio Holder for Community Protection		
Report author and contact details:	Simon Salmon, Head of IT Services simon.salmon@nottinghamcity.gov.uk , 0115 85 77750		
Key Decision	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Subject to call-in <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons: <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input type="checkbox"/> No
Total value of the decision: The value of the decision is estimated to be up to £ 3,900,000 over 3 years			
Wards affected: All	Date of consultation with Portfolio Holder(s): Councillor Toby Neal 30/08/18		
Relevant Council Plan Key Theme:			
Strategic Regeneration and Development			<input type="checkbox"/>
Schools			<input type="checkbox"/>
Planning and Housing			<input type="checkbox"/>
Community Services			<input type="checkbox"/>
Energy, Sustainability and Customer			<input type="checkbox"/>
Jobs, Growth and Transport			<input type="checkbox"/>
Adults, Health and Community Sector			<input type="checkbox"/>
Children, Early Intervention and Early Years			<input type="checkbox"/>
Leisure and Culture			<input type="checkbox"/>
Resources and Neighbourhood Regeneration			<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users): Nottingham City Council use Microsoft products for both end-user and server computing, this is consistent with the Council's ICT Strategy. Every 3 years licences are re-purchased. This report seeks authorisation for re-purchasing and recommends an accelerated procurement route using an approved established framework, in order to achieve current levels of pricing before Microsoft raise prices of products on 1 Oct. 2018. The Microsoft purchasing model is based on actual license consumption and is subject to annual review during which licences volumes may be increased or reduced. The volume of licenses to be purchased will be based on the last review level, which was confirmed by a third party audit of Microsoft licence usage.			
Exempt information: None.			
Recommendation(s):			
1 To delegate authority to the Head of Service (IT) to enter into contracts up to the value of £1,300,000 per annum using an approved established procurement framework to purchase Microsoft software licences from financial years 2019/20 to 2021/22.			
2 To authorise the Head of Service (IT) to enter into discussions with Microsoft and their product supplier to obtain the opportunity to commit in advance to the procurement of software licences for financial years 2019/20 to 2021/22 during financial year 2018/19.			
3 To approve allocation of funding from the IT Efficiency Fund for the three year period 2019/20 to 2021/22 to purchase Microsoft software licences.			

1 REASONS FOR RECOMMENDATIONS

- 1.1 Nottingham City Council will need to renew its software licensing agreement with Microsoft before 30 Jun. 2019.
- 1.2 Microsoft are planning a significant license price increase from 1 Oct. 2018. The impact of this increase is exacerbated for the Council by changes to discounts previously available Government bodies.
- 1.3 The Council may be able to 'lock in' current pricing levels for its next 3 year agreement if it is able to commit early to purchase the volume of licensing that it currently has before 30 Sep. 2018. The Council will need to agree this with Microsoft before this date and commit to the purchase before 14 September 2018 to allow the commitment to be processed by the reseller and Microsoft.
- 1.4 The period of time available will make a full tendering process difficult to complete. It is therefore recommended that the Council make the re-purchase through the OJEU compliant Kent Commercial Services Professional Services (KCSPS). The KCSPS caps the supplier's 'mark-up' on prices, to 3% in this case, addressing concerns over value for money associated with not conducting an open competition for supply. The Council's previous competitive tenders for Microsoft software licensing also suggest minimal variations in price from suppliers. When Corporate Microsoft software licensing was last tendered there was only a 2.1% variation between the highest and lowest bidders. As well as reducing the time taken to achieve the procurement the Council will also reduce the transaction costs associated with the usual procurement process. It is believed that the cost avoided by securing licences at current prices, £1.18m over 3 years, will be greater than the saving that is likely to be made through the competitive process.
- 1.5 In preparation for the annual review of Microsoft licensing made in 2018 the Council undertook a third party audit of current licensing. The results of this audit mean that the Council can be confident about its current licensing requirement.
- 1.6 Because the renewal of Microsoft software licensing is a regular 3 yearly event provision for this expenditure has been made within the IT Efficiency Fund for this procurement.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 Nottingham City Council have used Microsoft products for many years to support end user computing and server providing application systems, security software, communications, etc.
- 2.2 The Council's ICT Strategy commits to the Microsoft product, preferring these to those of other suppliers.
- 2.3 Microsoft software licences are purchased as enterprise wide agreements on a 3 yearly basis. Annually licensing volumes are reviewed to confirm that levels are correct. These annual reviews allow the Council to add to or reduce the number of licences in use. The current 3 year agreement ends on 30 Jun. 2019.

- 2.4 The current Corporate Microsoft software licencing agreement is used by both the Council and Nottingham City Homes.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Do nothing. This is not considered feasible. The Council depends heavily upon Microsoft's software to deliver services to citizens and maintain shared service delivery with other organisations. The Council could not function without Microsoft software and would be acting illegally if this were not licensed.
- 3.2 Move away from Microsoft software to other providers' software. This is not considered feasible. The Council has trialled non-Microsoft software in the past and has found that challenges in compatibility between it and Microsoft products, which are far more widely used, have added cost and frustration to users' activities. There would be significant costs associated with a change from Microsoft software.

4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 The total value of this decision is £3.9m over the 3 year period of the contract, due to commence in 2019/20.
- 4.2 The £3.9m cited in this report can be met from within the IT Efficiency Fund (ITEF). The value of the decision is based on the current costs of £1.3m per annum currently paid for the Corporate Software Licenses. As this is an ongoing requirement for the City Council, the commitment for the licenses is currently scheduled into the forward plan for the ITEF.
- 4.3 As Microsoft are planning a significant price increase from 01 Oct 2018, this contract would allow the City Council to lock in and benefit from a reduced rate for a period of 3 years, which would save the Council c£1m over the 3 year period.
- 4.4 The number of licenses would be fixed for the first year of the contract (2019/20), however, the contract would allow for license numbers to be reviewed in subsequent years allowing for a decrease or increase (at the same reduced rate) to meet the changing needs of the organisation.

Hayley Mason, Strategic Finance Business Partner. 20 August 2018

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 The proposed approach to award a contract under the KCSPS framework is a compliant procurement method, which is in line with our own financial regulations and EU procurement regulations. Procurement are comfortable with the proposal as the framework being used has been procured in line with Procurement Regulations (2015) and also still secures the Authority value for money (based on the report authors reasons outlined above). As such, there are no procurement concerns and the proposal is supported.

Rosalie Parkin, Category Manager 16th August 2018

- 5.2 This report raises no significant legal issues as the procurement team has confirmed the KCSPS framework complies with the terms of the Public Contracts Regulations 2015.

Andrew James, Team Leader – Legal Services 31st August 2018

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE (STRATEGIC REGENERATION COMMITTEE REPORTS ONLY)

- 6.1 This report does not affect physical strategic assets and property and so comments of Strategic Asset & Property colleagues have not been sought.

7 SOCIAL VALUE CONSIDERATIONS

- 7.1 There are no Social Value Considerations directly associated with this decision.

8 REGARD TO THE NHS CONSTITUTION

- 8.1 Local authorities have a statutory duty to have regard to the NHS Constitution when exercising their public health functions under the NHS Act 2006. In making this decision relating to public health functions, we have properly considered the NHS Constitution where applicable and have taken into account how it can be applied in order to commission services to improve the health of the local community.

The NHS Constitution states in section 2, 'NHS Values' that:

'Working together for patients.

Patients come first in everything we do. We fully involve patients, staff, families, carers, communities, and professionals inside and outside the NHS. We put the needs of patients and communities before organisational boundaries. We speak up when things go wrong.'

Microsoft software products are widely used within the NHS. Operating software that is of the same type as the NHS reduces the risk of non-compatibility issues and so facilitates the exchange of information between the NHS and the Council and joint working.

9 EQUALITY IMPACT ASSESSMENT (EIA)

- 9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because:

The proposal included in this report is a renewal of software licensing for products that are already in use by the Council. As such an EIA would have been undertaken at the point of the initial acquisition.

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

- 10.1 None.

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 Nottingham City Council ICT Strategy 2015 - 2019