

PFCC Decision Report

Report reference number: 203-23

Classification: Official – Sensitive (Commercial)

Title of report:

7 Force IT Licencing Partner

Area of county / stakeholders affected: Essex Police and the other forces in the eastern region (Kent, Bedfordshire, Cambridgeshire, Hertfordshire, Norfolk, Suffolk)

Report by: Dave Levy (Director of 7F Commercial Services)

Chief Officer: Claire Medhurst (Director of Kent & Essex Support Services)

Date of report: 11 January 2024

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1. Purpose of the report

- 1.1. This report outlines the procurement process and recommended contract award for the provision of IT software licences for Essex Police.
- 1.2. This procurement also includes the other six forces in the Eastern region (Kent, Bedfordshire, Cambridgeshire, Hertfordshire, Norfolk and Suffolk).

2. Recommendations

For the reasons set out in this report, the PFCC for Essex is recommended to:

- 2.1. Approve the award of a contract to Phoenix Software Limited for an initial term of four years from 16th January 2024 to 15th January 2028, with the option to extend for a further year. The approximate value for Essex Police would be £50m over 5 years, with a likely annual value of £10m per year. (the £10m only covers around 50% of total Essex renewals, however if other renewals could achieve better value through this contract then the £10m

value will be higher but only to the extent that budget is available and the costs are covered in the MTFS 2024/25 to 2028/29).

- 2.2. Authorise the application of the PFCC's electronic signature to the contract documents appended to this decision report.

3. Background to the Proposal

- 3.1. IT software licence renewals are typically high value and high-volume transactions, with several hundred applications being renewed annually across the region. Many of these renewals are procured through Value Added Resellers (VARs) who provide a route to market that is compliant with procurement legislation but not necessarily on the best commercial terms as each licence renewal may be procured via different resellers.
- 3.2. The procurement of an IT Licencing Partner is designed to deliver better value for money on contract licence renewals across the region in a more effective and efficient manner than at present. This new strategic contract will enable all renewals to be procured via a single partner who will be able to take a holistic view, aggregating / consolidating licences wherever possible to get the best deals.
- 3.3. A regional strategic VAR was first discussed at the Commercial Executive Board in March 2023 and, following consultation with the IT Directors across the region, the scope of the procurement was widened to incorporate the Microsoft Enterprise Agreement (MS EA, subject to a separate decision report - DR 126-23). The specification for the Licencing Partner requires them to have the highest partner status with key software providers such as Microsoft. This ensures that Essex Police will benefit from the best pricing and support package when the enterprise agreement is renewed.
- 3.4. The rationale for incorporating the MS EA in the scope of the Licencing Partner is that a) the MS EA represents approximately 50% of the IT software spend across the eastern region and its inclusion makes the wider licence renewal contract more attractive and likely to generate greater competition and better value for money and b) the MS EA can only be procured by a suitably qualified VAR which is highly likely to be from the same supply base as the Licencing Partner anyway, so makes the procurement more efficient for the forces and less costly for the market.
- 3.5. IT software procurement is a challenging area when it comes to complying with procurement regulations. These regulations require the competition of public sector contracts and, whilst this may happen for the initial software application and a limited period of support and maintenance, once that contract has expired then theoretically contracting authorities are required to compete the contracts. Unless there is a desire to procure new applications (which may incur significant cost of change e.g. testing, configuration / integration, training, data transfer, back record conversion etc), renewals of support and maintenance agreements for existing applications often can only be procured via the original software developer. The use of Value Added

Resellers through compliant frameworks enables the direct award (subject to agreement on commercial terms) of licence renewals.

3.6. The procurement was carried out under the Crown Commercial Services Framework Agreement RM6098 (Technology Products and Associated Services 2 – Lot 3, Software). Three companies tendered for the contract. The winning bidder, with an overall score of 95.21%, is Phoenix Software Limited.

4. Proposal and Associated Benefits

4.1. The contract will provide a more effective and efficient means of managing the region's IT software licence renewals and, over time, the expectation is that the successful VAR will seek to optimise costs through the aggregation of the same licences across the region, whilst ensuring compliance with procurement legislation.

5. Options Analysis

5.1. The options available are:

5.1.1. Do nothing and continue to procure licence renewals and new applications via multiple frameworks and VARs – **Not recommended** as this option does not take into account the potential for aggregation and better commercial offerings and requires significant resource to manage multiple procurements.

5.1.2. For each renewal (where there is no other viable alternative) conduct a negotiated procedure without prior publication competition (for exclusive rights or technical reasons) - **Not recommended** as, whilst compliant, the sheer volume of renewals and the bureaucracy involved in running many procurements as per Regulation 32 of the Public Contracts Regulations would be inefficient and likely require additional resources.

5.1.3. Procure a single strategic VAR for the region to aggregate and optimise licences where possible and ensure that licence renewals are managed in the most effective and efficient manner. **Recommended option.**

6. Consultation and Engagement

6.1. The Commercial Executive Board first discussed this opportunity at their workshop in March 2023. Subsequently the ICT Directors across the region endorsed the approach and, for the reasons set out in section 3, agreed to the incorporation of the Microsoft EA within the scope of the Licencing Partner's remit. The Commercial Executive Board agreed the procurement approach (Gateway 1) in accordance with the Contract Standing Orders on 30/10/2023.

6.2. The Essex Police Chief Officer Group (COG) was consulted on the approach and the timing to enable the subsequent Microsoft EA procurement on 29/11/2023.

6.3. A briefing paper was presented to the PFCC Strategic Board on 18/12/2023 where it was agreed to bring forward this decision outside of normal Strategic Board timescales as this contract must be in place by 16/01/2024 to enable the timely procurement of the Microsoft Enterprise Agreement (please see DR 126-23).

7. Strategic Links

7.1 The areas of the Police and Crime Plan that may be supported by this contract are:

- Increasing Collaboration, resulting in better value contracts
- Supporting our Officers and Staff, by ensuring they have access to the necessary IT products to fulfil their roles.

8. Police operational implications

8.1 This contract will ensure Essex Police has continued access to IT systems.

9. Financial implications

9.1 The current approximate spend on IT software renewals excluding some major strategic supplier contracts by Essex Police is £10m per annum.

9.2 It should be noted that the MS EA element of the £10m annual licence renewal spend accounts for £2.351m (2024/25 budget allocation). This figure already includes a 10% increase to allow for inflation as advised by our current VAR. The final MS EA cost will be determined for April 2024 onwards following the award of this contract, which is subject to a separate decision report (DR 126-23).

9.3 Any growth within the contract term not already accounted for in the MTFS (24/25 to 28/29) will be raised as part of the revenue budget setting process or via a separate business case depending on the reason for growth.

9.4 All licence renewals by the IT Licencing Partner will be subject to a value for money test in comparison to other providers.

9.5 [REDACTED]

9.6 It has not been possible to do a comparison of existing margins paid versus new as the existing margins are spread across multiple resellers and hidden within the overall software renewal cost. Each future renewal will be subject to the usual governance process, dependent on value, and the margin will

be transparent.

9.7 The financial submission under this contract was structured based on the most prevalent cost bandings of licences with the highest weighting being applied to the highest spend products e.g. the MS EA. The tendered margins and rebates from the winning bidder are as follows:

Individual Annual Purchase Order Value (Excluding VAT)	Margin Applied (%)
£0 to £4,999	1.50%
£5,000 to £25,000	1.35%
£25,000 to £49,999	1.20%
£50,000 to £99,999	1.20%
£100,000 to £499,999	1.20%
£500,000 to £999,999	1.00%
£1,000,000 +	-0.10%

Additional rebate % applied on contract anniversary when total annual regional spend exceeds £25,000,000 (Excluding VAT)	0.20%
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9.8 It is difficult to provide an accurate assessment of current costs for VARs as these are often hidden within the overall cost of software licenses. However, the margins offered by the unsuccessful bidders for the most common bandings above range from 2% to 6.2%, compared with the range under the new contract of -0.1% to 1.5%, so there will be savings, but given the make up of historic pricing we are not able to calculate the value of the savings.

9.9 The maximum liability in signing this contract is restricted to available budget or will be part of budget setting process or the subject of a business case.

10. Legal implications

- 10.1 The procurement has been carried out in accordance with the Contract Standing Orders and the Public Contract Regulations 2015 using the Crown Commercial Services Framework RM6098 Technology Products and Associated Services 2.
- 10.2 TLT Legal drafted and reviewed the Terms and Conditions prior to issuing the Further Competition. TLT also provided advice on the pricing evaluation following submission of tenders as the evaluation formula had to cope with negative margins. To ensure transparency, suppliers were informed of the approach (which was still in accordance with the published evaluation criteria and method) and subsequently the mandatory standstill period has passed with no challenges received.

11. Staffing implications

11.1 TUPE does not apply to this contract.

12. Equality, Diversity, and Inclusion implications

12.1 Social Value represented 10% of the overall evaluation criteria on this procurement in accordance with the regional procurement strategy. The winning bidder has committed to a range of mental health and wellbeing initiatives for staff employed on this contract and also developing a webinar for forces to discuss mental health and wellbeing with a focus on digital burnout. In addition, they have committed to providing digital literacy courses for staff and communities we work with and, specifically for the latter, online resources to help them find employment.

12.2 The winning bidder also:

- Supports Team Police (www.teampolice.uk) which sponsors sporting events for serving and retired police officers. This strategic alliance is centred around enhancing wellbeing through increased participation in sport and physical activity, crucial for mental and physical health.
- Is a Disability Confident Committed Employer
- Is a signatory to the Government's Mental Health at Work Commitment
- Is an accredited Living Wage Employer
- Offers all employees permanent contracts and has no zero hours contracts
- Has a zero tolerance policy on Modern Slavery

13. Risks and Mitigations

13.1 If this contract is not awarded it will have an impact on the timely retender of the MS EA. It would require a second procurement to take place to select a VAR to provide the MS EA, which duplicate effort and be a repeat of this exercise, which was heavily focused on the ability of the chosen VAR to secure the best deal on the MS EA and optimise the forces' licencing position with Microsoft. It would also have an impact on the commercial arrangements secured which were only possible because of the inclusion of the MS EA in this procurement.

14. Governance Boards

Commercial Executive Board (Gateway 1) – 30 October 2023
Essex Chief Officer Group - 28th November 2023
Essex Strategic Board (briefing note) – 18 December 2023

15. Links to Future Plans

15.1 The proposal supports ongoing delivery of the Police and Crime Plan as set out in section 7 above.

16. Background Papers and Appendices

Appendix 1 - [REDACTED]



Appendix 2 - [REDACTED]



Report Approval

The report will be signed off by the PFCC's Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign:

Print: P. Brent-Isherwood

Date: 12 January 2024

Chief Finance Officer

Sign:

Print: Janet Perry

Date: 15 January 2024

Publication

Is the report for publication?

YES

NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

Subject to redaction, as set out below

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

Redaction

If the report is for publication, is redaction required:

1. Of Decision Sheet?	YES	<input checked="" type="checkbox"/>	2. Of Appendix?	YES	<input checked="" type="checkbox"/>
	NO	<input type="checkbox"/>		NO	<input type="checkbox"/>

If 'YES', please provide details of required redaction:

Paragraph 9.5 of the DR is to be redacted as this contains commercially sensitive information.

Appendices are commercially sensitive so not to be published.

Date redaction carried out:

Chief Finance Officer / Chief Executive Sign Off – for Redactions only

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:

Print:

Chief Executive / Chief Finance Officer

Decision and Final Sign Off

I agree the recommendations to this report:

Sign: 

Print: Roger Hirst

PFCC

Date signed: 16/01/2024

I do not agree the recommendations to this report because:

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