

Delegated Decision Report

Decision below £250k



Subject:	Additional Microsoft Azure Resources
Decision maker: Senior Officer	Shelley Kipling, Acting Chief Executive
Decision maker: Cabinet Member	Cllr Abdul Jabbar
Decision date:	19.12.2024
Report author:	Andrea Spencer
Ward (s):	No impact on council wards. Internal impact on ICT and internal services: consultation not required

Reason for decision

To modify the current contract for Microsoft Azure APA to increase cloud storage space thus achieving the continued use of Microsoft Azure systems and to approve the budget to meet the associated costs.

Over the remaining term of the current contract, specialists from the ICT team will consider recommendations from Microsoft, and they will work to improve how our current systems are running in the cloud. This "optimisation" process involves reducing costs and making the systems more efficient. The work is already underway and will continue as part of the routine work that keeps our systems running smoothly.

The migration of the Council's ICT systems from on-premise (physical servers located at the Civic Centre) to Microsoft Azure's cloud services is part of a larger plan to modernise our infrastructure. The main goals are to close the existing data centre and enable the Council's eventual withdrawal from the Civic Centre. Moving to the cloud also means better system reliability, ensuring our critical services have more robust backup and recovery options in case of unexpected issues. Microsoft Azure's cloud platform offers advanced features that help us protect our systems and improve how we manage business continuity during disruptions.

Budget Required For:

- 1. Maintaining the Current Level of Resources:** The systems we've already moved to Microsoft Azure are crucial for the Council's daily operations. To ensure we can continue using them without any disruptions, we need to allocate a budget to cover the cloud services used in Microsoft Azure. These services include storage,

computing power, and other technical resources that ensure our systems stay online and accessible.

2. **Supporting the Ongoing Migration:** We're moving more systems to Microsoft Azure. This aligns with the Council's "cloud-first" policy, which prioritises cloud technology over traditional on-site servers. Additionally, as the Civic Centre is being vacated, we need to ensure that all our business systems are fully migrated to the cloud to remain accessible and functional once we no longer use the Civic Centre's data centre. The allocated budget will support the necessary technical resources to continue and complete this transition.

It should be noted that from the 2025/26 financial year, the ongoing costs associated with Microsoft Azure must be transitioned from capital to revenue funding. This change is essential to ensure the Council's compliance with funding rules for operational expenses. If the Azure costs are not moved to the revenue fund, a new DDR will be required to request additional capital funds to cover the entire 2025/26 financial period. The ICT team will work closely with Finance to ensure this transition is planned and accounted for in future budgets.

Recommendation(s): Purchase additional cloud storage space under the current contract for Microsoft Azure APA and approve the budget required for the increased consumption

It is recommended that approval is granted to modify the Microsoft Azure APA Call-Off Contract procured under the RM6068 Crown Commercial Service Framework Agreement to account for increased consumption by purchasing additional cloud storage space. It is also recommended that a budget of £216,000 is approved to meet the costs of the increased consumption

This option will ensure that we have sufficient funding to maintain our current cloud services and continue the migration work while also allowing us to focus on optimising the systems to reduce costs.

Background

The Council is party to a Call-Off Contract with Insight Direct under Lot 3 of the now expired RM6068 Framework Agreement for Technology Products and Associated Services. The Call-Off Contract is for Microsoft Azure cloud storage space and the original Call-Off value was based on anticipated consumption over the contract term.

The Council is in the middle of a significant project to modernise its IT systems by moving them from physical servers located on-premise (in our buildings) to cloud services provided by Microsoft Azure. The aim is to close the old data centre and move entirely to the cloud, providing better security, reliability, and flexibility.

However, as more systems have been moved to Microsoft Azure, consumption of available storage space under the current Call-Off Contract has increased. There has also been an organic increase in consumption. This means that there is insufficient cloud storage space remaining under the Call-Off Contract to meet the Council's needs to the end of the contract term. Cloud services are charged based on how much we use them (e.g. storage, processing power, etc.), and we are now using more cloud services as more systems are migrated.

This report explains why we need additional funding to cover the unexpected costs and why we need to increase the available storage space under the Call-Off Contract to ensure the migration work can continue. Without this additional budget, we risk stalling the project and potentially losing access to the systems we've already moved to the cloud.

The current monthly cost of running the Council's business ICT systems in Microsoft Azure is **£36,000**. From the Azure project budget, **£25,000** remains available. Therefore, an additional budget of **£216,000** is required to ensure the Council can continue using its cloud-based systems while completing the migration from the Data Centre. This funding will cover the use of Microsoft Azure until March 2025. During this time, ICT specialists, with support from Microsoft, will continue to carry out optimisation efforts to reduce costs and improve efficiency. This optimisation work has already begun, and in the last month alone, it has resulted in a monthly cost reduction of **£4,000**.

Rationale for Investment

The investment is necessary because:

1. **Business Continuity:** Many critical business systems, such as those used for council services, are already running in Microsoft Azure. Stopping payment for these services would result in losing access to those systems, severely disrupting the Council's ability to deliver services to residents. The Council would have to resort to manual workarounds, which would be time-consuming and inefficient.
2. **Project Completion:** This project aims to fully migrate the Council's business systems to Microsoft Azure by March 2025. If we don't allocate the required funding now, the project could be delayed, and we would be unable to vacate the data centre on schedule. This could result in additional costs from running two sets of infrastructure—the old on-premise systems and the new cloud services—which is not cost-effective in the long run.
3. **Cost Optimisation:** While the costs of Microsoft Azure services have been higher than expected, the ICT team working with Microsoft has already started a programme to optimise the systems. This optimisation work aims to reduce how much we spend monthly on cloud services by making the systems run more efficiently and using fewer resources. We have already seen a reduction in monthly costs, and this optimisation will continue as more systems are reviewed.

Alternative option(s) to be considered.

1. Do nothing.

Choosing not to provide additional funding would mean that the Council cannot continue to use Microsoft's cloud services. This would result in immediate loss of access to all the business systems currently hosted in the cloud, which would cause severe disruptions. Critical services would need to switch to manual processes, significantly delaying day-to-day activities and causing major inefficiencies in service delivery.

Risks

- **Service Impact:** The Council will face severe disruptions if the recommended option is not approved. Most of the systems that residents and staff rely on would become unavailable. This would negatively impact the Council's ability to serve residents and maintain essential operations, forcing a return to manual processes for some functions, which would be inefficient and unsustainable.
- **Azure Funding 2025/26:** There is a risk that if Azure costs are not transitioned to a revenue fund for the 2025/26 financial year, the Council will need to resubmit another DDR to request capital funds to cover the whole financial period. This could delay funding approvals and potentially disrupt the ongoing use of Microsoft Azure systems, impacting the migration and cloud optimisation efforts. To mitigate this, early engagement with the Finance team is required to ensure the transition is accounted for in the upcoming budget planning cycles.

Consultation

Consultation was not required for this decision. No relevant Cabinet Members have declared any conflicts of interest.

Implications

Financial	<p><u>Capital Implications</u></p> <p>The proposed scheme represents capital expenditure and will be a charge against the Information Technology (IT) capital programme</p> <p>The estimate cost of extending the scheme will be £216,000.</p> <p>Provision exists within the capital programme against which this scheme will be a charge.</p>
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	<p>It is anticipated that the whole £216k will be defrayed in 2024/25.</p> <p>Jit Kara (Senior Accountant)</p> <p><u>Revenue Implications</u> From the 2025/26 financial year onwards, there will be an annual licence cost in the region of £432k.</p> <p>However, as stated in paragraph 4 of the background information, work is currently on going to optimise the azure capacity in a bid to reduce costs and improve efficiency. It is anticipated that this will reduce the monthly cost by £4k. revising the annual liability to £384k.</p> <p>This has been incorporated into the ICT’s Medium-Term Schedule of Works (MTSW). The MTSW will provide a rolling schedule of all ICT computing costs, including ongoing maintenance, and licensing.</p> <p>The Council has set aside £250k in the Medium-Term Financial Strategy (MTFS) to fund the cost of the azure contract.</p> <p>It is proposed the additional £134k will be funded from within existing ICT resources following the impending centralisation of Council wide ICT contracts and associated budgets.</p> <p>(Matthew Kearns – Finance Manager)</p>
<p>Legal</p>	<p>The additional budget sought will be used to increase the cloud storage space available under the Microsoft Azure APA Call-Off Contract. The Call-Off Contract was procured from Insight Direct, an approved Microsoft reseller, under Lot 3 of the Crown Commercial Service Framework Agreement for the provision of Technology Products and Associated Services (RM6068) prior to the framework’s expiry.</p> <p>To enable the, a Call-Off Contract modification will be required. Regulation 72 of the Public Contracts Regulations 2015 will govern the modification.</p> <p>As per the main body of the report and the procurement comments below, the Call-Off Contract for Microsoft Azure APA commenced on 1 October 2022 and is scheduled to</p>

	<p>expire on 30 September 2025. The Microsoft APA allows for Customers to Top Up Azure funds as and when required where consumption of cloud storage space increases beyond the estimated requirements.</p> <p>The original value of the Call-Off Contract was £597,000. Since its commencement, the Call-Off Contract has been varied and the contract price has risen to £666,000. An increase of £216,000 to the contract price has been calculated to cover the cost of the anticipated amount of cloud storage space needed by the Council. This will increase the contract price to £882,000.</p> <p>The modification will be governed by regulation 72(1)(b) of the Public Contracts Regulations 2015. The requirements are detailed in the procurement comments; a change to the contractor <i>cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement.</i> The Council is not in a position to use another storage solution alongside the Microsoft product and Microsoft products can only be accessed via approved resellers.</p> <p>Sarah Orrell – Commercial & Procurement Solicitor</p>
<p>Equality impact, including implications for Children and Young People</p>	<p>N/A (James Mulvaney, Policy Manager)</p>
<p>Other –</p>	<p>The Council is party to a Microsoft Azure APA Call-Off Contract Crown Commercial Services Digital Transformation Agreement DTA21 approved at Cabinet September 2022. The Call-Off Contract commenced on 1 October 2022 and is scheduled to expire on 30 September 2025. The Microsoft APA allows for Customers to Top Up Azure funds as and when required.</p> <p>Approval is sought to modify this Call-Off Contract to include the required consumption to ensure continuity of the Azure platform.</p> <p><i>(b) the Modification is for additional Supplies, Works and Services by the original Contractor that have become necessary and were not included in the initial procurement or commissioning exercise, where a change of Contractor:</i></p> <p><i>(i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with</i></p>

	<p><i>existing equipment, services or installations procured under the initial procurement,</i></p> <p>For information, the original contract value of the Microsoft Azure APA contract was £597,000, 2 additional projects have added to the ongoing consumption with an increase to the Azure funding of £69,000 these funds were approved on separate DDRs, which gives a current contract value of £666,000. The request for a further 6 months would see an uplift of £216,000 to the contract. Senga Henstock, ICT Senior Buyer, 18/10/2024</p>
Co-operative Implications	The recommended proposal in this report supports the council ambition to reduce it's costs and to vacate the Civic Centre to allow regeneration plans to continue. This is in the interest of residents, and as such, is in line with our cooperative agenda. (James Mulvaney, Policy Manager)

Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution?	Yes
Has the relevant Finance Officer confirmed that any expenditure referred to within this report is consistent with the Council's budget?	Yes
Are any of the recommendations within this report contrary to the Policy Framework of the Council?	No

Background Papers under Section 100D of the Local Government Act 1972

There are no background papers for this report.

Report author sign-off	Andrea Spencer
Role	Head of Infrastructure
Date of sign-off	14/10/2024

Approval	
Officer approval sign-off	 Shelley Kipling
Role	Acting Chief Executive
Date of sign-off	19.12.2024

Approval	
Member(s) approval sign-off	
Role	Cabinet Member for Value for Money
Date of sign-off	20 th December 24