

REQUEST FOR DMPC DECISION – PCD 120

Title: Atos Contract Scope Extension – Software Licence Management

Executive Summary:

This paper requests approval to extend the Service Integration and Management (SIAM) contract with Atos to implement a software licence management service and approve funding of £1.86m over the extension period of 49 months.

Recommendation:

The DMPC is asked to

1. Approve the contract extension of the SIAM contract with Atos for a period of 49 months from January 2017.
2. Approve funding of £1.86m to cover the cost of the extension.

Deputy Mayor for Policing And Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Spivey

Date

9/1/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1. The MPS's current software licence management solution is the minimum service, as prescribed by the contract. The MPS acknowledges that this is inadequate and that a solution is required that will reduce the MPS's risk of non-compliance and provide a service that will meet current and future needs.
- 1.2. To address this the MPS is proposing to develop a solution consisting of three stages:
- The set up and run of an interim compliance service
 - A Strategic Assessment Project and;
 - Run a full software management service

The above will provide the MPS with the ability to achieve better long term management of its software licences, with the potential to create savings in the future.

2. Issues for consideration

- 2.1. There have been a number of audits performed by the MPS's software suppliers, which have identified gaps in the MPS's software licence management. This has resulted in liabilities of over £1m. The MPS's has an increased risk of further liabilities as their corporate licensing agreements are also used by their suppliers.

3. Financial Comments

- 3.1. There is no budget provision for this contract extension to provide an enhanced software licence management service in the current or future years.

The financial implications are shown below:

	£000	£000	£000	£000	£000	£000
	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Interim service	102.9	291.7	291.7	291.7	243.1	1,221.1
Full managed service	321.3	66.6	88.8	88.8	74.0	639.5
	424.2	358.3	380.5	380.5	317.1	1,860.6

- 3.2. Digital Policing are working with specialist advisors to identify savings from the fixed line telecoms contract and these potential savings are estimated to be in excess of £1m per annum. In addition, application rationalisation is likely to yield further savings in the region of £1m. It is proposed that these potential savings will be used to fund the £1.86m.
- 3.3. Digital Policing and Commercial Services will produce an Action Plan to confirm how the potential savings will materialise. Progress will be reported through regular financial monitoring.
- 3.4. The cost profile is based on the interim service beginning in January 2017 and running for three months, with the full service starting in July 2017.

4. Legal Comments

4.1. There are no legal implications arising from this report.

5. Equality Comments

5.1. There are no direct equality or diversity implications arising from this report

6. Background/supporting papers

6.1. None.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred ? NO

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rational for non-publication.

Is there a **part 2** form – No

If yes, for what reason:

ORIGINATING OFFICER DECLARATION:

	<i>Tick to confirm statement (✓)</i>
Head of Unit: The Head of Strategic Finance and Resource Management has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Head of Strategic Finance and Resource Management has been consulted on this proposal.	✓
Equalities Advice: No Equality and Diversity issues identified.	✓

OFFICER APPROVAL**Chief Executive Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature R. Lawrence

Date 9/1/17



Business Justification

SIAM Software Licence Management

(Revenue Proposal)

Investment Advisory Board

19 December 2016

Freedom of Information Act Publication Scheme

Protective Marking	Commercial – Not Protected
Publication Scheme Y/N	Y
Title	SIAM Software Licence Management Across the MPS
Version	1.2b
Summary	This paper articulates the need to extend the basic level of software licence management in the Atos contract to ensure an on-going optimised licence estate for MPS via key vendor agreements
(B)OCU or Unit, Directorate	Digital Policing
Author	Stephen Palcso, Head of End User Services and Hosting
Review Date	
Date Issued	11 November 2016

Version History

Version	Date	Additions/Modifications	Prepared/Revised by
0.1	02/09/2016	Initial Draft	Stephen Palcso
0.2	13/09/2016	Financial Table amendments	Patricia Woodhouse
0.3	13/09/2016	Commercial and general sections	Sheldon Mydat
0.4	26/09/2016	Decisions Required	Sheldon Mydat
0.5	10/10/2016	Financial table amendments and sources of funding identified	Patricia Woodhouse
1.0	11/11/2016	Tracked changes removed - Approved	Darren Scates
1.1	11/11/2016	Revised for PIB	Lynda McMullan
1.2	16/11/2016	Approved at PIB for IAB	
1.2b	25/11/2016	Revised for IAB	Pat Woodhouse
1.2b	25/11/2016	Approved for IAB	Lynda McMullan

Internal Consultation & Assurance

The following people have been consulted in the production of this Business Justification and their opinions incorporated.

Directorate / Dept.	Name & Job Role	Rank / Grade	Date Assured
Procurement	Sheldon Mydat	S	13/09/2016
DP	Stephen Palcso – Director EUS		
HR	N/A		
Legal (DLS)	Prit – Legal Directorate		
Property	N/A		
Finance Business Partners	Patricia Woodhouse – Finance Business Partner	S	18/10/2016 & 10/11/2016 & 25/11/2016
Health & Safety	N/A		
DCFD	N/A		



Contents

1	<i>Decisions Required</i>	3
2	<i>Strategic Case</i>	5
3	<i>Economic Case</i>	6
4	<i>Commercial Case</i>	8
5	<i>Financial Case</i>	9
6	<i>Management Case</i>	10

1 Decisions Required

This Business Justification concerns the implementation of a software licence management service solution across the MPS. This includes the SIAM/Towers contracts, but extending to all areas using MPS corporate licence agreements. Currently the SIAM supplier is operating the minimum service, prescribed in the contract, but it is accepted that this does not provide an adequate and future proofed solution. To enable the SIAM supplier to manage all the MPS large licence agreements effectively requires additional resources and a strategic assessment project.

MOPAC is requested to approve the following recommendations as essential:

- **£30,000 revenue one-off cost for the interim service set-up from January 2017**
- **£24,310 revenue cost per month for duration of SIAM contract (49 months from January 17) for the interim compliance service totalling £1.22m**

MOPAC is also requested to approve the following additional recommendations:

- **£321,256 one-off cost for the strategic assessment project**
- **An additional monthly cost of £7,407 resulting in a total cost of £31,717 per month for the full managed service for the duration of the SIAM contract (43 months from July 2017), totalling £319K**
- **That the costs be funded from savings in the fixed line telecoms contract and application rationalisation and that DP and Commercial manage an action plan to deliver the savings with progress to be reported through Financial Monitoring reports. The savings targets in the DP revenue budget will be increased by the amounts set out in Section 5 the Financial Case: £424K in 2016-17; £358K in 2017-18; £381K in each of 2018-19 and 2019-20; and £317K in 2020-21.**
- **Note that current and future years budgets will be amended accordingly**
- **The extension of the SIAM contract with Atos by £1.86m to an adjusted contract value of £64.19m**

Service	Status	Amount
SIAM (5 year initial term)	Approved	£45.31m
SDIM	Approved	£10.78m
Security Operations Centre (SOC) (Revenue)	Proposed	£5.76m
SOC (Capital)	Approved	483k
SLM	Proposed	£1.86m
Total Contract Value (TCV)		£64.19m

The key issues MOPAC is asked to take account of are:

The MPS currently has only a minimal service to record its software assets, which represents a considerable risk both monetary and reputational. The MPS has already had audits performed by software vendors that have exposed gaps in licence management and have resulted in liabilities of over £1m.

Because the MPS corporate licensing agreements are used by both our suppliers and internal departments, there is always the risk of further liabilities being incurred if licences are not managed by a single organisation. This business case addresses this issue.

There is no provision in the revenue budget 2016-17 for these activities. Digital Policing are working with specialist advisors to identify savings from the fixed line telecoms contract and these potential savings are estimated to be in excess of £1m a year. In addition application rationalisation is also likely to yield further savings in the region of £1m.

The proposal is that these savings will be used to fund the additional costs. Given the scale of the proposed savings vs additional costs the risk is deemed acceptable. DP and Commercial Services will produce an Action Plan for confirming the savings and progress will be reported through regular Financial Monitoring.

2 Strategic Case

As detailed above, the MPS needs to implement a robust and future-proofed software licence management solution across the whole of the MPS. This solution, delivered by Atos as our SIAM partner, will comprise 3 stages:

Setup and run of an interim software compliance service

This service comprises the recruitment of additional staff by Atos and the development of processes to enable the recording of all software deployments and purchases across the SIAM/Towers, other MPS suppliers and MPS internal support departments. This service will enable MPS to achieve compliance with its legal requirements for software asset management under its various software licence agreements. This service could be continued until the end of the SIAM contract (the 5 year initial term, currently dated February 2020) without commissioning the additional services below.

Strategic Assessment Project

This project, lasting approximately 5 months, will take a detailed view of the MPS's 9 key software vendors (for example Microsoft, Oracle, SAP, IBM, Adobe) with a view to determining an improved method of software licence management. This will enable the MPS to determine a strategy for managing each vendor agreement to enable best value to be achieved.

Run a full software management service

On completion of the strategic assessment project, the MPS will have the option to enhance the interim software compliance service with a full software licence management service. This includes the compliance components of the interim service, with additional, continuing management to achieve best value for the MPS in the management of its large software contracts.

3 Economic Case

The purpose of this section is to examine the options for satisfying the business need and recommend a preferred way forward which represents the optimum value-for-money.

In summer 2015 Management Board endorsed the adoption of SIAM and Towers model to manage the MPS IT estate. In late autumn 2015, Management Board appointed Atos as the new SIAM partner which effectively brought to an end the relationship and outsourced IT contract with Cap Gemini.

The service formerly provided by Capgemini was more wide-ranging in scope than that currently provided with in the SIAM/Tower contracts, which provide only for recording of software assets within the purview of those contracts.

The provision of the full software asset management service by Atos was considered as an additional service that could be provided and the take-up of this option is now being considered in this paper.

As stated earlier, there are 2 potential options for the service provided, the interim and the full. The full service requires the strategic assessment project to have been undertaken. However, after this project is completed, the MPS could still choose to continue with the interim service only. The benefits of the various options are shown below.

Option	Benefits	Risks/Dis-benefits	Recommendation
Continue with current service.	No additional expenditure	High risk and likelihood of non-compliance with legal obligations, particularly with regard to software usage outside SIAM/Towers	Not recommended
Adopt interim service only	MPS will achieve compliance with regard to its legal licence management obligations	Unlikely to yield any savings.	Not recommended. However, if full service is not approved, the interim service is strongly recommended for the MPS to achieve compliance.
Adopt interim service and commission the strategic assessment project (but not the full service)	As for the interim service above, plus the MPS will gain information regarding the best way of managing its large software vendors	Use of the information gleaned from strategic assessment project could be wasted, due to lack of MPS expertise in software vendor management	Not recommended
Adopt interim service and move to the full service after the strategic assessment project	As both of the previous items, but with additional potential to achieve better long-term management of the MPS's major software vendors, including savings.	Requires the greatest expenditure, but no other dis-benefits.	Recommended

It should be noted that the MPS has, within the last 2 years had 2 software audits resulting in an on-going £78,000 additional expenditure with VMware and a £1m one-off liability with IBM Ltd. These examples show

that there is real monetary and reputational risk to the MPS in not having a comprehensive service for software management and both liabilities arose outside the management of the previous Capgemini service.

4 Commercial Case

The purpose of this section is to outline the proposed procurement approach (or other commercial arrangement) for the achievement of the preferred option identified in the previous section.

The existing contract with Atos includes an option for a software licence management service and this paper articulates the manner in which this could be achieved.

The SIAM Tower contract allows the MPS to purchase the service as detailed under "Optional Services" in annex 1 schedule 2.1 without the need to enter into a tender process but subject to commercial review by MPS stakeholders.

Enhanced Software Licence Management services were included in the SIAM contract as "Optional Services" which MPS could commission from Atos using the procedure set out in clauses 5.11 - 5.18 of the SIAM Tower Agreement (included below for reference). This contractual hook was included to permit an "award" to Atos without the need for formal procurement process. At the time, all three bidders provided enhanced software licence management service proposals as part of the procurement activity, thus enhanced software licence management services were very much within the scope of TTPI procurement.

Relevant section in SIAM Contract:

Optional Services 5.11 & 5.12

As at the Effective Date, the service description for the Optional Services requires further refinement. Following the Effective Date, the Authority intends, but is not obliged, to finalise the service description for the Optional Services. If requested by the Authority, the SIAM Supplier will review and provide feedback to the Authority on any draft services description produced by the Authority.

Following finalisation of the service description, the Authority may require that the SIAM Supplier submits a solution for delivery of the Optional Services together with an outline implementation plan setting out the proposed timescales for implementation of the Optional Services. If the proposed solution and draft implementation plan are acceptable to the Authority it may, at any time, exercise its option to require that the SIAM Supplier provides any or all of the Optional Services by giving written notice to the SIAM Supplier

External legal advice supported by the Directorate of Legal Services have confirmed that the enhanced software licence management services were included in the SIAM contract as "Optional Services" which MPS could commission from Atos using the procedure set out in clauses 5.11 - 5.18 of the Tower Agreement. This contractual hook was included to permit an "award" to Atos without a formal procurement process. All three bidders priced these services during the procurement so the services were very much within the scope of the procurement.

Given the value there is always a risk that one of the other bidders may challenge but for the reasons outlined above together with the elapsed time since contract award the risk of challenge is low and the risk of a successful challenge is also low.

5 Financial Case

The purpose of this section is to set out the implications for the MPS revenue budget and capital plan of the proposed approach.

The cost for the proposed software licence management services (interim, strategic assessment project and full service) are shown in the table below.

The cost profile is based on the interim service beginning in January 2017 and running for 3 months, with the full service beginning in July 2017.

If the project is approved 2016-17 revenue requirements of £424K will be funded from savings to be met in the fixed line telecoms contract estimated to exceed £1m in that year. Costs from 2017-18 onwards will be funded by a combination of ongoing savings in fixed line telecoms costs and rationalisation of applications, which together result in a total estimated saving of £2m per annum. Digital Policing is working with specialist advisors to confirm these savings and this paper recommends a formal action plan around delivery to ensure sufficient savings are achieved. The savings targets in the DP revenue budget will be increased by the amounts set out in the table below: £424K in 2016-17; £358K in 2017-18; £381K in each of 2018-19 and 2019-20; and £317K in 2020-21. Current and future year budgets will be amended accordingly.

SIAM Software Licence Management

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	£	£	£	£	£	£
Interim service set up cost (one off) revenue	30,000					30,000
Interim compliance service £24310 per month	72,930	291,720	291,720	291,720	243,100	1,191,190
Sub-total cost of interim service	102,930	291,720	291,720	291,720	243,100	1,221,190
Strategic assessment project one-off cost	321,256					321,256
Additional cost of full managed service £7,407 pm		66,663	88,884	88,884	74,070	318,501
Sub-total cost of full managed service	321,256	66,663	88,884	88,884	74,070	639,757
Total additional cost	424,186	358,383	380,604	380,604	317,170	1,860,947
<i>Interim compliance service - number of months</i>	3	12	12	12	10	49
<i>Full managed service - number of months</i>		9	12	12	10	43

6 Management Case

The purpose of this section is to explain how the proposals will be implemented and the benefits realised.

Atos will employ Derive Logic Ltd as a subcontractor, a company which specialises in software licence management and has a proven track record in delivering both compliance management and long-term vendor management to achieve savings and efficiencies.

The interim service will be provided to fill a current gap in process, which will enable the MPS to fulfil all its compliance obligations.

This service will assist the MPS in avoiding reputational, legal and financial risks (potentially many £Ms), unnecessary software spend and hidden transformation costs. It will also address any lack of compliance in software licence management across the MPS estate as a whole, manage vendor audits proactively, protect the MPS's reputation and understand and eliminate any compliance risks in a proactive manner.

After the strategic assessment, the full service will provide all of the above, but will further enable full compliance, improved management of licence renewals, identify potential cost-saving opportunities and reduce costs through optimised software licence agreements. This last item will be achieved through the service providing intelligence to support centralised procurement decisions on software licences.

