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| <p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>CABINET</b></p> <p align="center"><b>2 NOVEMBER 2015</b></p> |               |
| <p align="center"><b>FUNDING APPROVAL FOR IMPLEMENTATION OF CLOUD-BASED PRODUCTIVITY AND COLLABORATION TOOLS (OFFICE 365)</b></p>                         |  |
| <p><b>Report of the Leader - Councillor Stephen Cowan</b></p>   |  |
| <p><b>Open Report</b></p>   |  |
| <p><b>Classification - For Decision</b></p> <p><b>Key Decision: Yes</b></p>   |  |
| <p><b>Wards Affected: All Wards</b></p>   |  |
| <p><b>Accountable Director: Ed Garcez, Chief Information Officer</b></p>  |  |
| <p><b>Report Author: Howell Huws, Head of Operations</b></p>  | <p><b>Contact Details:</b><br/> Tel: 020 8753 5025<br/> E-mail:<br/> howell.huws@lbhf.gov.uk</p> |

## 1. EXECUTIVE SUMMARY

- 1.1. This report seeks approval to proceed to Phase 3 of the cloud-based collaboration and productivity tools (Office 365) programme, delegating authority to approve detailed funding to the Cabinet Member for Finance as prices are agreed with suppliers. This is subsequent to approval for phases 1 and 2 that were given by Cabinet in May 2015.
- 1.2. The programme is critical to the following financial and non-financial objectives of LBHF:
  - Enabling targeted annual savings in excess of £4.7m to be achieved through the transition from the Hammersmith & Fulham Bridge Partnership (HFBP) to the hybrid approach to IT management agreed by LBHF on 1st December 2014.
  - Enabling a smooth transition in IT service provision to LBHF from HFBP and preventing extensive additional costs of transition that would accrue without Office 365.

- Significantly improve shared working both within the council, in shared services such as CHS and ASC, and in the shared working with other councils and partners targeted by H&F's administration.
  - Act as a key enabler to the Town Hall project by enabling smoother and more effective home and other location working, allowing the desk to staff ratio to decrease and office costs to be saved.
- 1.3. As set out in previous cabinet reports, the programme is based on a four phase implementation:
- Phase 1 – Assess the councils' technical readiness to adopt Office 365;
  - Phase 2 – Procure software and server licences to align licensing structure;
  - Phase 3 – Remediate infrastructure and transition to new services; and,
  - Phase 4 – Fully implement SharePoint (document sharing software), undertake pilots for Skype, Yammer and broaden device access and exploit Office 365 capability widely across the councils.
- 1.4. This project is also a key enabler for the desktop services at the end of the ICT service contract with HFBP, and is seen as critical to providing business continuity through the resulting transition.
- 1.5. The programme team has completed Phase 1 and Phase 2, which carried out a technical assessment of each council's readiness to adopt; and, procured and aligned software licensing across the three councils
- 1.6. At the end of Phases 1 and 2 a checkpoint was inserted to allow the three councils to review progress. The council is now ready to proceed to Phase 3 – implementation and transition with a single enterprise arrangement with Microsoft. It is proposed to undertake Phase 3 implementation in a number of stages, some of which may be carried out in parallel, although Stage A lays the foundation for all the remaining stages:
- Phase 3 - Remediate infrastructure and transition to new services**
- A. Initial integration pilot, for which outside technical support is required
  - B. SharePoint Intranet pilot
  - C. Roll-out core e-mail and calendar features, to enable transition to the new platform
  - D. Migrating public folders from the archive
- Phase 4 - exploit Office 365 capability**
- E. Skype pilot (software enabling low-cost communication amongst staff and with partners)
  - F. Yammer pilot (an internal enterprise social networking service software enabling more effective and tailored peer-based communications)

- G. SharePoint document management pilot
- H. Broadening device access pilot

- 1.7. At present it is not possible to exactly project the costs involved due to uncertainties involved and only high-level estimates can be surmised. For this reason a delegation of authority to the Cabinet Member for Finance to approve detailed funding for the Phase 3 programme implementation within the financial limits in this report is sought.
- a) Reasonable estimates are available for Stages A, C and D, and this paper provides an estimate of the costs for these, with a request for approval for work to start on this basis.
  - b) Stages B and E-H are in the process of being defined, with a request for approval for these stages to be delegated to the Cabinet Member for Finance on the basis of separate papers to be presented when these estimates are available.

## **2. RECOMMENDATIONS**

- 2.1. This report recommends the following costs from the IT Enablers Fund:
- a) Implementing cloud-based collaboration tools using Office 365, at a tentative cost of £643,000 for Stages A, C and D, to be funded from the IT enablers budget;
  - b) Delegate funding approval decision for the Phase 3 project implementation to the Cabinet Member for Finance for all Stages; and,
  - c) Award of a contract for consultancy support by calling off from the CCS G-Cloud framework.
- 2.2. Separate papers will be brought forward for Stages B, E-H.

## **3. REASONS FOR DECISION**

- 3.1. This project is a key enabler required to achieve savings in excess of £4.7m per annum in IT and to facilitate further office savings from the Town Hall estate consolidation.
- 3.2. The delivery of Office 365 is key to delivery of desktop services at the end of the ICT service contract with the HFBP, and is seen as critical to providing business continuity through the resulting transition.
- 3.3. The adoption of Office 365 supports the council's ICT strategy in terms of providing joined-up solutions to users, enabling an improved user experience at reduced cost and introducing utility based charging, i.e. costs based on user numbers. The approach of adopting a common set of cloud-based collaboration and productivity tools outlined in this report was approved by LBHF in May 2015.

- 3.4. LBHF has set out to increase the flexibility and collaborative working capability available to staff enabling significant productivity benefits to be realised. This flexibility is needed across LBHF, in working with existing shared services and to allow joint working with other organisations in the future. These benefits are detailed in the documents referred to below in the list of background papers.

#### **4. INTRODUCTION AND BACKGROUND**

- 4.1. In May 2015, in a report entitled *Shared ICT Services – Approval of strategy to align cloud based collaboration tools and funding for Phase 1 Assess*, the three councils approved a programme which would align the collaboration and productivity tools used by each councils' staff, migrating to Microsoft's Office 365 cloud offering. The programme was based on a four phase implementation:

Phase 1 – Assess the councils' technical readiness to adopt Office 365;

Phase 2 – Procure software and server licences to align licensing structure;

Phase 3 – Remediate infrastructure and transition to new services; and,

Phase 4 – Fully implement SharePoint and undertake pilots for Skype, Yammer and broadening device access exploiting Office 365 capability widely across the councils.

- 4.2. In a report entitled *Shared ICT Services – Procurement of software licenses for cloud based collaboration tools (Phase 2 of cloud based collaboration)*. The councils approved the approach and funding in June 2015 to deliver Phase 1 and 2 of the programme.

- 4.3. Phases 1 and 2 have completed:

Phase 1 - Each council's technical readiness to adopt has been assessed through a series of workshops which identified the technical requirements to align, assessed the server requirements, and provided a reassurance against a number of risks/issues.

Phase 2 - The councils have aligned their software and server licensing structure through entering into a single enterprise agreement with Microsoft.

#### **5. PROPOSAL AND ISSUES**

##### **Outline of proposed solution**

- 5.1. As set out in the previous paper, the proposed approach is based on the Microsoft cloud offering for Exchange email online, Office 365, supported by a single simplified Active Directory used solely for user authentication.
- 5.2. Phase 3 will deliver cloud-based email, calendar, contacts and tasks enabling working across services and with other organisations while

handling data securely. It is proposed to undertake Phase 3 implementation in a number of stages, some of which may be carried out in parallel, although Stage A lays the foundation for all the remaining stages:

**Phase 3 - Remediate infrastructure and transition to new services**

- A. Initial integration pilot, for which outside technical support is required
- B. SharePoint Intranet pilot
- C. Roll-out core e-mail and calendar features, to enable transition to the new platform
- D. Migrating public folders from the archive

**Phase 4 – further exploit Office 365 capability**

- E. Skype for Business pilot for instant messaging, voice, video and web conferences
- F. Yammer social media pilot
- G. SharePoint document management pilot, enabling users to create new SharePoint team sites in the cloud and developing the use of OneDrive to share individual files
- H. Broadening device access pilot

5.3. Stages B and E-H will be the subject of separate papers to be authorised separately by the Cabinet member for Finance:

**Procurement consultancy support**

5.4. The support to deliver Phase 3 will be procured through G-Cloud, the Crown Commercial Service’s (CCS) procurement framework for information technology commodity services. RBKC will lead on the procurement of these services from a Microsoft certified partner for the three shared service authorities.

5.5. The councils will be working with a Microsoft certified partner to deliver the remediation and enablement work which will deliver the Office 365 single incidence and undertaking the migration work.

5.6. Although most of the work will be carried out by HFBP, additional detailed support is required from a Microsoft certified consultancy. The value of the requirement is above the OJEU threshold of £172,000 and would be subject to UK Public Procurement Regulations 2015. Options for sourcing Phase 3 requirements are explored below:

| <b>Option</b>               | <b>Benefits</b>   | <b>Drawbacks</b>   |
|-----------------------------|---|--|
| OJEU (restricted procedure) | <ul style="list-style-type: none"> <li>• Greater level of market competition</li> <li>• Most recent market pricing and solutions</li> </ul> | <ul style="list-style-type: none"> <li>• Timescales to complete.</li> <li>• Cost.</li> </ul>   |
| CCS Framework               | <ul style="list-style-type: none"> <li>• Pre-selected suppliers</li> <li>• Capable suppliers</li> <li>• Reduced tendering</li> </ul>        | <ul style="list-style-type: none"> <li>• Limited competition.</li> <li>• Framework scope may not be a good fit for requirement.</li> </ul> |

| Option                            | Benefits  | Drawbacks   |
|-----------------------------------|---|---|
|                                   | costs and timescales  |   |
| Extension of an existing contract | <ul style="list-style-type: none"> <li>• Ease of access</li> <li>• Familiarity with provider</li> </ul> | <ul style="list-style-type: none"> <li>• Contract scope may not be a good fit to requirement.</li> <li>• No means to test value for money.</li> </ul> |

5.7. The timescales required and the relative simplicity of the services do not support a full OJEU procurement. G-Cloud is a CCS framework to provide cloud based services and support. The G-Cloud Framework is re-tendered every six months to ensure the pricing remains current and competitive. The Framework contains a high number of suppliers to ensure healthy competition, while providing simple means to down-select. It is a competitive and simple route to market for commoditised cloud based services and support such as those required for Phase 3.

5.8. It is recommended that procurement of support will be from G-Cloud. The contract period will be for a maximum of four months. The contract documentation, terms and conditions and service level agreements are pre-defined in the suppliers' service offering.

#### **Pilot Project**

5.9. A small pilot project will be implemented ahead of full implementation of Office 365. The purpose of the pilot will be to test the technical solution, trial some of the modules available within Office 365 and provide assurance that the councils are able to implement the single incidence required to maximally exploit the cloud collaboration capability.

#### **Transition to new platform**

5.10. On satisfactory completion of the pilot project, the work can begin to transition fully to the new platform and migrate users to the cloud-based email service. Experience from elsewhere suggests that this needs to be undertaken as rapidly as possible.

#### **Risk Analysis**

5.11. The main risk to the successful completion of the project is the feasibility of Microsoft's proposal set out in section 5.1 above, with the cloud-based Active Directory synchronising with local, on-premise Active Directories. To enable effective collaboration all three councils must be a single entity on Microsoft's Office 365 cloud, which is supported by a single user directory synchronised with the local Active Directories that continue to be maintained by the three councils.

5.12. This deployment model has not been completed in the UK previously, but has been undertaken in the USA by Microsoft, who also has direct access to the software developers for Office 365 software.

5.13. The skills required to undertake the range of assessments required on network connectivity, message routing and other key areas are not available in-house because of the unique arrangements for Microsoft.

5.14. To mitigate against the risks arising from the lack of referenced precedence with this work, the councils propose to engage a Microsoft certified partner to conduct this work through G-Cloud.

### Costs

5.15. Noted below are the high level estimates of costs as they are available at this point<sup>1</sup>:

| <b>Implementation Costs</b>       |   | <b>Estimate £</b> |
|-----------------------------------|---|-------------------|
| <b>Remediate</b>                  | HFBP Programme Manager across shared services | 10,000            |
|                                   | HFBP Project Management for H&F               | 26,000            |
|                                   | H&F Programme and Project Managers            | 25,000            |
|                                   | Technical resources (see appendix 1)          | 132,052           |
|                                   | <b>Remediate total</b>                        | <b>193,052</b>    |
| <b>Enable and migrate</b>         | Microsoft technical support for transition    | 120,000           |
|                                   | HFBP Programme and Project Managers           | 45,000            |
|                                   | H&F Programme and Project Managers            | 50,000            |
|                                   | Technical resources (see appendix 1)          | 234,948           |
|                                   | <b>Enable and migrate total</b>               | <b>449,948</b>    |
| <b>Implementation costs total</b> |   | <b>643,000</b>    |

5.16. There is a high level of uncertainty around these estimates at this point:

- Application compatibility – the project requires upgrading to Office 2013 (and possibly Office 2016) and to Internet Explorer 11. Many applications make use of these pieces of Microsoft software. These may encounter compatibility issues that take longer to resolve than anticipated.
- Cost uncertainty: there are a range of areas where costs are not yet certain:
  - The exact approach for migrating the email, the consultancy support required, costs and duration
  - The exact statement of works (and therefore costs) for the Microsoft consultancy support required
  - Storage costs – the combination of Office 365 with a virtual desktop requires the use of a local cache to ensure adequate performance. There will be additional costs during migration, but also on an ongoing basis, which may offset some of the anticipated savings from email storage.
- Email tools configuration – there are a range of supplementary tools where detailed analysis work on the configuration work required has not been fully estimated. These include support for Blackberry devices, the mail filtering required, and enablement of a secure email capability.
- Information governance model – alongside the detailed planning of the technical work required to deliver Office 365, a series of policies will

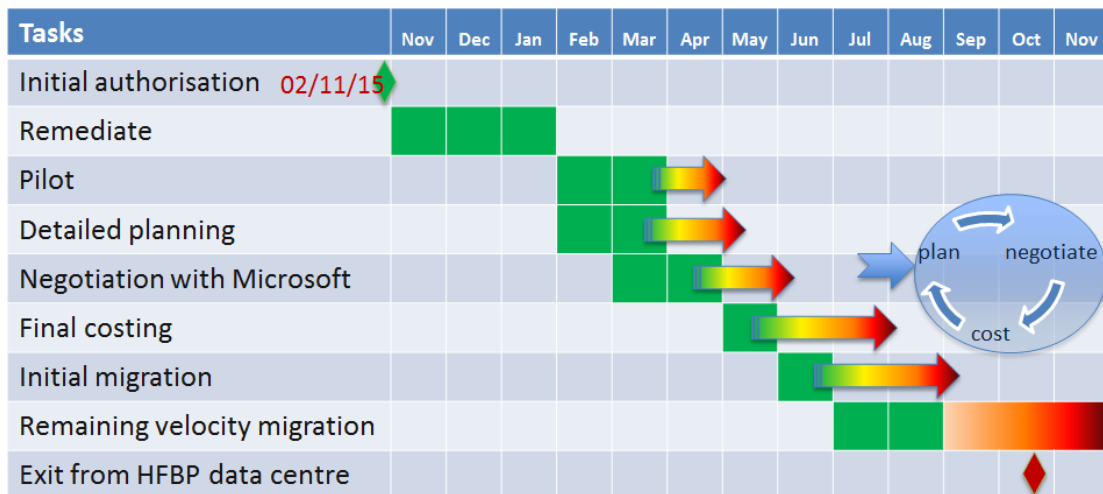
<sup>1</sup> A comparison with the previous estimate provided in May is available in Appendix 2.

need to be developed for use with cloud-based collaboration tools. This may, in turn, impact on the estimates for the work required.

- Office 2013 will need to be deployed on thick clients. In most cases, this can be undertaken remotely, but this work has not been planned in sufficient detail for a reliable estimate.
- On transitioning to a new cloud based service, especially one with as high a volume of traffic as an email service, there is a potential impact on the internet bandwidth required for the organisation.

### Timelines

5.17. Current timescales for these phases are as shown in the high-level plan below:



| Level of uncertainty around timescale | Colour |
|---------------------------------------|--------|
| Low (= +/- 20%)                       | ■      |
| Medium (+/- 30%)                      | ■      |
| High (+/- 50%)                        | ■      |

## 6. CONSULTATION

6.1. There is no public consultation requirement

## 7. EQUALITY IMPLICATIONS

7.1. There are no Equality/HR implications. Staff training will be considered, planned and implemented as appropriate. The programme board will work closely with the user reference group to develop an effective communications plan.

Verified by Jo Meagher, Senior HR Manager



## **8. LEGAL IMPLICATIONS**

- 8.1. The ICT Strategy has been approved by the Cabinet in May 2015 and the proposed transition to Phase 3 is in accordance with such strategy.
- 8.2. The delegation sought for approving funding is justified on grounds of current uncertainties as to the final shape of the phase 3 and only high level best estimates have been currently provided.
- 8.3. The proposal to call-off from the CCS G-Cloud Framework for appointment of the consultant to support project implementation would be in compliance with the Council's obligations under the Public Contracts Regulations 2015. Accordingly, the recommendations in this report are endorsed.
- 8.4. Verified by: Babul Mukherjee, Senior Solicitor (Contracts) Phone: 2073613410

## **9. FINANCIAL AND RESOURCES IMPLICATIONS**

- 9.1. Approval is now requested to proceed with phase 3 of this project. The estimated charge to Hammersmith and Fulham is £643,000 for the implementation, and it is proposed that this be funded from the IT Enablers Fund. Any on-going costs and savings associated with Office 365 will be considered alongside the wider savings programme made by the IT transition, which are subject to regular reviews by officers and updates to Cabinet and will ultimately appear in future annual budgets set by Full Council.
- 9.2. All prospective financial benefits from this project cannot be quantified but are expected to lie with the transformation programmes such as the Town Hall estate consolidation, shared working, Working from Anywhere and how the technology is exploited. The key benefit is that all staff will work on the same software and collaborate effectively across borough boundaries and provide easy integration with further partners. Savings should also materialise from dropping the number of devices that staff have to carry.

Verified by Andrew Lord, Head of Strategic Planning and Monitoring.

## **10. BUSINESS IMPLICATIONS**

- 10.1. The councils are buying a commodity item, provision of technical advice through G-Cloud. This procurement route is pre-vetted and only suppliers on the frameworks will be able to participate in the procurement.

## **11. PROCUREMENT IMPLICATIONS**

- 11.1. Procurement of the cloud support services will need to be carried out in accordance with EU procurement rules and the three councils' contract standing orders.
- 11.2. A project board has been set up with cross borough representation. The three councils' requirements and how the resulting contracts will be set up have been discussed at length. This document presents the outcome of these discussions.
- 11.3. Further competition under the G-Cloud framework will be carried out in accordance with the framework provisions. G-Cloud is designed as a commodity based marketplace and for most requirements all factors required to select the Most Economically Advantageous Tender are included in the G-Cloud service offerings and published on the Cloud marketplace.
- 11.4. If further competition is required it will be managed by LBHF and partner councils.
- 11.5. There is no particular EU procurement risk involved in this procurement other than to state that the proposed strategy complies with EU procurement law.

Verified by: Dermot Doherty, ICT Category Manager.

## **12. IT STRATEGY IMPLICATIONS**

- 12.1. The report is aligned with the current shared services ICT strategy and vision of converging software and infrastructure, whilst enabling better collaboration and productivity amongst staff. It is a key enabler to a range of critical council initiatives, including the realisation of savings in excess of £4.7m, the transition from the HFBP contract and the new ways of working planned through the Town Hall project.

Verified by: Ed Garcez, Chief Information Officer, 020 8753 2900.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

| <b>No.</b> | <b>Description of background papers</b>   | <b>Name/ Ext of holder of file/copy</b> | <b>Department/ Location</b> |
|------------|---|---|-----------------------------|
| 1.         | Shared ICT Services – Approval of strategy to align cloud based collaboration tools and funding for Phase 1 Assess – published                | Howell Huws,<br>Ext: 5025               | shared ICT service          |
| 2.         | Shared ICT Services – Procurement of software licenses for cloud based collaboration tools (Phase 2 of cloud based collaboration) – published | Howell Huws,<br>Ext: 5025               | shared ICT service          |

## Appendix 1 Technical work required

| Technical tasks                                |   | Indicative cost £ |
|--|---|-------------------|
| Remediate                                      | Preparation of Active Directory (user information)  | 7,737             |
|  | Deploy Office 2013 ProPlus and IE11 on VDI  | 38,710            |
|  | Exchange changes to work with Office 365  | 18,801            |
|  | Technical architect detailed design   | 49,661            |
|  | Networking changes to enable access to Office 365 cloud   | 17,143            |
| <b>Total remediate technical work</b>          |   | <b>132,052</b>    |
| Enable and migrate                             | Further work on Active Directory  | 9,401             |
|  | Further work on Exchange  | 13,272            |
|  | Further work on Networking  | 3,338             |
|  | Public Folder Migration to Office 365   | 11,060            |
|  | Archive migration to Office 365 (including third party costs)   | 109,963           |
|  | Enabling BlackBerries to connect to Microsoft Exchange Online   | 29,309            |
|  | High level testing effort for 46 HFBP Supported Applications with Office 2103 ProPlus and IE 11 including email functionality | 16,037            |
|  | Training for Office 365 for technical staff, administrators and help desk   | 29,296            |
|  | Message Encryption Move to Office 365 Offering  | 13,272            |
| <b>Total enable and migrate technical work</b> |   | <b>234,948</b>    |
| <b>Total</b>                                   |   | <b>367,000</b>    |

## Appendix 2 comparison with previous estimate

| Phase 3 – implementation and transition | Estimate       |                |
|---|----------------|----------------|
|   | May            | October        |
| HFBP Programme & project management     | 70,000         | 81,000         |
| Consultancy services                    | 113,941        | 120,000        |
| Technical resources                     | 252,000        | 367,000        |
| H&F project management                  | 0              | 75,000         |
| <b>Total implementation costs</b>       | <b>435,941</b> | <b>643,000</b> |

The main reason for the increase in costs is the increased complexity of the work required (together with the impact of the changing target, resulting from the rapid evolution of Microsoft's flagship project). In addition, as the awareness of the scale of the impact on H&F users has emerged, the decision has been taken that dedicated client side project management is required to minimise the loss of productivity that will result from the changes.