

To: Cabinet
Date: 17 April 2024
Report of: Executive Director (Corporate Resources)
Title of Report Migration from Data Centre to Microsoft Azure

Summary and recommendations	
Purpose of report:	To seek project approval and delegated authority for the Executive Director (Corporate Resources) to award a five-year contract for the migration and running of business applications out of the data centre into a Microsoft Azure cloud hosting environment.
Key decision:	Yes
Cabinet Member:	Councillor Nigel Chapman, Cabinet Member for Citizen Focused Services and Council Companies
Corporate Priority:	Well-Run Council The migration of all existing business systems and services from a traditional data centre to a modern, cost-effective Microsoft Azure cloud environment. This is central to our IT strategy and aligns to the work over a number of years moving business systems into the Cloud. This project provides technological and financial benefits to the Council, whilst mitigating the risks associated with such a complex undertaking.
Policy Framework:	Council Strategy 2020-24

Recommendations: That Cabinet resolves to:	
1.	Grant project approval to the proposal to use the HealthTrust Europe (THE) Framework to undertake a compliant process to make a direct award of a five-year contract to migrate systems and services from the SCC data centre to an Azure-centric hosting environment;
2.	Delegate authority to the Executive Director (Corporate Resources) in consultation with the Head of Law and Governance, the Head of Financial Services, and the Cabinet Member for Citizen Focused Services and Council Companies to use the (HTE) Framework to finalise terms and enter into a contract with the preferred supplier; and

3. **Approve** the waiver of the Contract Rules in respect of sections 19.18 and 19.19 of the Constitution where the terms of the contract, due to the rules of the framework, cannot be amended to conform with the requirements of the Contract Rules.

Appendices

Appendix 1 (confidential)	Financial Implications
Appendix 2 (confidential)	Executive Summary
Appendix 3	Risk Register
Appendix 4 (confidential)	Objective Justification (Summary)
Appendix 5 (confidential)	Objective Justification (Detailed)
Appendix 6	Plans For Moving to the New Contract
Appendix 7 (confidential)	Summary of Financial Costs and Savings

Introduction and background

1. Over the past eight years, Oxford City Council has been operating numerous business and IT systems from a data centre managed by Specialist Computer Centres (SCC). This arrangement was put in place during the nascent stages of cloud computing. Now, with cloud computing having become the standard for hosting such systems, the Council is approaching the end of its contract with SCC, set to conclude in early 2026. Aligning with a broader strategy adopted over the last three years, the Council has embarked on a significant digital transformation, progressively migrating systems to cloud services. This move, largely facilitated by the software suppliers themselves, signifies a shift towards more modern and efficient cloud hosting solutions.
2. To date, the Council has successfully transferred over two hundred servers, encompassing a wide array of applications, data, and support services to the cloud. Approximately eighty systems and services, including the Aareon QL housing system and various security and identity management solutions that use Microsoft technologies, still reside in the SCC data centre. These remaining systems present a unique challenge due to their complexity and the requirement for direct management or oversight through a single provider.
3. With the contractual obligation to vacate the SCC data centre by early 2026 and the intricacies involved in migrating the residual systems, the Council has been evaluating alternative methods for this transition in recent months. Given the dependence on Microsoft's authentication services, Azure emerges as the sole feasible platform for this move. Azure not only supports M365, Teams, SharePoint, and the Office suite but also hosts numerous other services, including the newly implemented multi-factor authentication (MFA).
4. This strategic pivot towards cloud solutions not only aligns with the Council's long-term digital strategy but also reflects a common trend across local governments seeking to enhance efficiency, scalability, and security. The gradual decommissioning of physical servers and the shift to cloud platforms over the past three years

underscore a commitment to embracing cutting-edge technology and the benefits it brings.

5. The Council is in year nine of a ten-year contract with Specialist Computer Centres (SCC) plc to provide the following IT infrastructure services:
 - Computer and storage capacity that can be increased and reduced as services require.
 - Provisioning of non-production environments as required by projects.
 - Monitoring and capacity planning of servers, databases, and networks.
 - Security infrastructure that supports flexible, mobile working whilst maintaining PSN compliance.
6. The existing contract with our current provider is set to conclude in February 2026. Following a comprehensive assessment, including an independently commissioned third-party report, the Chief Technology and Information Officer has provided guidance that the technical migration to an alternative provider would reasonably be expected to last between 18 and 24 months.
7. This estimate considers the complexity and scale of the systems and services requiring transition. The third-party review has validated the projected timelines and confirmed the associated costs, evaluated alternative options, and assessed the risks involved in the migration process, ensuring a well-informed and strategic approach to this critical transition.

Options Considered

8. A review of options relating to the migration of the Council's business applications and Microsoft environment from the current data centre to a Microsoft Azure cloud computing platform has been conducted. Three potential approaches were considered, each with its unique set of advantages and challenges.
9. **OPTION1 - In-house Migration:** The first approach involves leveraging internal resources for the migration process. This route offers the advantage of bypassing the need to engage external vendors, thus avoiding third-party costs. However, it is not without its drawbacks. The Council currently lacks the in-house expertise in Azure technology and migration strategies, posing a substantial risk to business continuity. Furthermore, executing the migration internally would demand a significant allocation of Oxford City Council's (OCC) resources. Given that SCC (the current provider) would be uninterested in supporting a migration away from their services, this option also faces challenges in obtaining external assistance.
10. **OPTION 2 - Mini-Tender Process:** A mini-tender approach was considered, exploring the possibility of awarding the migration contract to a third-party provider, potentially excluding SCC. This approach has the benefit of engaging the market, possibly uncovering competitive offers and innovative solutions. It also aims to mitigate the risk of service disruption by leveraging the expertise of

a provider specialized in such migrations. However, this option still presents a medium risk to business continuity and requires substantial involvement from OCC's resources. Exit costs to support any third-party migration would be in the region of £446k and £1 million. A competition would not be able to factor in these additional costs.

11. **OPTION 3 - Framework Contract Award:** The third option considers the use of an appropriate framework to directly award the contract for the migration project to SCC for the migration project. To this end the HealthTrust Europe (HTE) Framework has been identified as a complaint framework which can be used in order to make a direct award in compliance with procurement law. This option is viewed as the least disruptive to business continuity, given SCC's intimate knowledge of their own data centre and the existing infrastructure. It promises a smoother transition with reduced risk of service disruption and less demand on OCC's resources compared to the other two options. Financially, this is the most favourable option, with a lower overall cost of £3.9 million for a five-year term and an immediate reduction in annual running costs to the Council.
12. Considering the analysis conducted on the various migration options, the preferred approach for the Council's migration to a Microsoft Azure cloud computing platform is **Option Three**. This decision is underpinned by critical factors that align with the Council's financial, technical, and operational priorities.
13. Firstly, the financial implications of a direct award to SCC are significantly more advantageous when compared to the alternatives. By choosing SCC, the Council is expected to incur a revenue cost of £3.9 million over five years. This figure includes the immediate reduction in annual expenditure. It is important to highlight that selecting an external vendor would expose the Council to additional exit costs charged by SCC, estimated to be between £446k and £1 million, to facilitate the migration process. These costs are a direct consequence of SCC's intimate knowledge of their infrastructure, making them the most technically equipped to manage the transition without incurring unnecessary expenditures.
14. Moreover, the risk to business continuity is a paramount concern for the Council. The award to SCC significantly lowers this risk, given their familiarity with the existing infrastructure and the nuances of the Council's operational requirements. The technical risks associated with migrating to a new cloud environment are mitigated when the incumbent provider, who is already deeply integrated into the Council's IT ecosystem, oversees the process. This familiarity, and the consistent level of service reliability demonstrated by SCC over the lifetime of the current contract, suggests an efficient migration and that the Council's services have a relatively low risk of interruption.
15. It is therefore recommended that the contract be awarded, through the HealthTrust Europe (HTE) framework, to SCC for a term of five years with contractual conditions agreed for early termination at any point after two years based on performance targets, to be reviewed on a periodic basis.
16. The award will be made on the following basis:

- The Participating Authority shall award based on objective justification. “Objective Justification” should be based on the Participating Authority’s specific requirements which may include, but not limited to:
 - specific goods/services being required.
 - importance of quality in relation to price and vice versa.
 - cybersecurity concerns, threats and issues which require quick resolution.
 - supply chain constraints.
 - previous experience which will impact future delivery of the good/services.
 - budget constraints.

17. To complete the award process, we will compile and submit a Participating Authority Objective Justification. This document will outline the rationale for selecting SCC directly, based on the criteria and the unique advantages they offer for this project, thus ensuring full transparency and compliance with procurement regulations.

Proposed Procurement Timeline

18. Indicative timeline for the process:

- Cabinet approval – April 2024
- Framework evaluation of specification – April 2024
- Recommendation for contract award – May 2024
- Contract implementation period – July 2024
- Contract start – August 2024

Policy and Procurement Implications

19. No specific policy and procurement implications have been identified.

Financial implications

Please see Confidential Appendix 1.

20. Cost Optimization

- **Azure Cost Management Tools:** Utilize Azure’s native tools to monitor, manage, and optimize cloud spending actively.
- **Scalability:** The ability to scale services up or down based on demand helps in managing costs effectively, avoiding over-provisioning or underutilization.

21. Exit Strategy and End-of-Contract Costs

- **Contractual Clarity:** We will need to establish what is incorporated into the standard terms and conditions for exit.
- **Exit Costs:** Potential costs associated with data egress, decommissioning services, and transitioning to a new platform or back to an on-premises solution. These costs can be significant, should be estimated, and negotiated upfront.
- **Data Retrieval and Portability:** Ensuring data can be easily retrieved and transferred at the end of the contract without excessive fees is essential for flexibility and future planning.

22. Long-term Financial Planning

- **Future Proofing:** Invest in a cloud architecture that supports easy updates and scalability to adapt to future needs without incurring substantial redevelopment costs.
- **Review and Renegotiation:** Regularly review the contract terms and performance against benchmarks to renegotiate terms as necessary to align with evolving needs and market rates.

Legal Issues

23. Where local authorities procure contracts for services they must comply with the requirements of the Public Contracts Regulations 2015 (“PCR”). The regulations cover the modification of existing contracts and the procurement of new contracts.
24. Due to the value and duration of the existing contract, there is no scope within the PCR to modify the Council’s current contract with SCC to incorporate the migration of the services to Azure. A new contract is therefore required, with the old contract being acknowledged as formally terminating on award of the new one, with no termination liability being incurred.
25. Under the PCR local authorities are permitted to call-off contracts from frameworks providing the call-off complies with the framework’s prescribed procedure. The terms of the call-off contract are established at the time that the framework is procured and the scope for the local authority to amend the terms when calling off from the framework is restricted – the only changes that may be made are to clarify and optimise existing terms.
26. The Health Trust Europe framework provides for three routes to contract including mini competition, direct award, or hybrid. Direct Award is recommended for which the framework award route requires the Local Authority to provide an objective justification based on their specific requirements. Under direct award, the standard terms and conditions set out under the framework must be accepted. The Council will seek to apply all available framework measures, including early termination and end-of-contract exit conditions and clauses.

27. The framework that this report anticipates using incorporates a detailed set of terms and conditions for the call-off contract which will form the basis of the contract between the Council and SCC.

Level of Risk

28. Please see the Risk Register at Appendix 3 for more detailed information, including mitigations. The register is summarised here for ease of reference:

Risk	Probability	Impact
Technical Complexity of Migration	4	5
Inadequate In-house Azure Expertise	5	4
Business Continuity During Migration	3	5
Cyber Security Vulnerabilities	3	5
Budget Overruns	3	4
Integration Issues	4	4
Data Loss or Corruption	2	5
Compliance and Regulatory Risks	2	5
Dependency on Single Vendor (SCC)	3	3
User Adoption and Training	3	3

Equalities Impact

29. In considering the impact on equalities of migrating to the Microsoft Azure environment, we can note that Microsoft’s approach to compliance is comprehensive, addressing various aspects such as data protection, privacy, and security, which are essential components of Equality Impact Assessment. The Microsoft Azure infrastructure and services comply with significant international standards and certifications, including ISO/IEC 27001, and Microsoft engages in regular audits to ensure these standards are maintained. Azure provides detailed documentation and submits evidence annually to attest that its cloud services comply with the UK G-Cloud's Cloud Security Principles. This includes considerations around data protection and privacy, which are relevant to an Equality Impact Assessment.

30. The key elements considered to ensure inclusivity and accessibility were:

- **Digital Accessibility:** To ensure the Azure cloud services and any associated applications are accessible to all users, including those with disabilities. This includes compliance with relevant standards such as the Web Content Accessibility Guidelines (WCAG).
- **User Interface Design:** The design and implementation of Azure user interfaces are inclusive, catering to diverse user needs, including those with visual impairments, hearing impairments, motor difficulties, and cognitive disabilities.

- **Sensitive Data Protections:** The inbuilt security features of Azure demonstrate how the project will protect sensitive data, particularly concerning individuals from vulnerable groups or those with protected characteristics, ensuring compliance with data protection laws such as GDPR.
 - **Security Measures:** A range of security measures will be in place to protect against data breaches that could disproportionately affect marginalized or vulnerable groups.
 - **Training and Development:** Plans have been drawn up for training and upskilling the Council's staff in Microsoft cloud technologies, starting with Microsoft 365, and extending beyond, whilst ensuring that training materials and opportunities are accessible and equitable.
31. Social value provides options for suppliers to demonstrate how they could offer opportunities for greater inclusion to be achieved through this contract. SCCs proposals for social value are shown below, grouped by the Council's priorities:

Enable an inclusive Economy

- The SCC Academy supported by The Rigby Foundation. Located in Birmingham, primary focus is to provide essential digital skills; entry level training courses enabling those who are digitally excluded, or who have not traditionally had access to digital skills provision, to build their IT skills and confidence. The academy is a training provider and facilitates and empowers individuals to develop key digital and employability skills to enable them to develop a career in the IT industry.
- To support develop these skills outside of the classroom, SCC Academy works with other community groups, businesses and charities, including Good Things Foundation and is part of their Online Centres network. Through this network, the academy supports Good Things Foundation in delivering their national device and databank initiatives which provide eligible individuals free access to devices and data.
- Working in partnership with local colleges and national training providers SCC offer a range of apprenticeship opportunities across our business linked to clear career pathways. Typically, SCC have 20+ apprenticeship schemes running at any one time, across many business areas, offering a career pathway and supporting level 2 right up to level 7 (Masters) programmes. Upon completion of their qualification, SCC aims to retain 100% of apprentices and offers opportunities to progress to higher level qualifications.
- Creating employment opportunities for those who face barriers to employment, and/or those from deprived areas, is a core focus of SCC Academy. The SCC Academy engage with local job centres, education establishments, and Local Authorities to create a syllabus designed to meet the needs and address the gaps in currently available training opportunities across the region.

- SCC welcomes the Council's input to directly address and impact improving employability chances for those who struggle with digital literacy and/or those from deprived areas across the region. This includes support with CV writing.

Support Thriving Communities

- As an equal opportunity employer, SCC has robust employment practices and ensures the efficient use of its employees. SCC encourage applications from suitably qualified and eligible candidates regardless of sex, race, disability, age, sexual orientation, gender reassignment, religion or belief, marital status, pregnancy and maternity or trade union membership.
- SCC propose to work with the Council to identify local community projects which can be support. SCC will work with the Council to agree a number of volunteering per annum. By working with a local Charity who understand the needs of the local community – SCC can target their support in meaningful ways and create 'value' for the citizens of Oxford and the surrounding areas.
- Using their relationship with the Prince's Trust, as part of their TEAM programme, SCC employees could use their volunteering day to support a CV workshop or mock interview session to help support people and communities in the region.

Pursue a Zero Carbon Oxford

- In addition to SCC's accredited Environmental Management System they operate a Corporate Social Responsibility (CSR) programme. Both activities include the identification of sustainability risks and the implementation of controls and improvements to mitigate the risks and their potential impacts.
- SCC will hold a meeting with Council stakeholders to understand our strategic requirements to fight climate change within the contract scope. SCC will record the agreed understanding. SCC will also meet Council stakeholders to identify opportunities to fight climate change.

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