

CABINET

DATE	08/09/2021
REPORT OF	Councillor Stan Shreeve - Portfolio Holder for Finance, Resources and Assets
RESPONSIBLE OFFICER	Sharon Wroot, Executive Director, Environment, Economy and Resources
SUBJECT	Procurement of the Microsoft Enterprise Agreement
STATUS	Open report. Closed appendices NOT FOR PUBLICATION - Exempt information within paragraphs 3 of Schedule 12A to the Local Government Act 1972 (as amended)
FORWARD PLAN REF NO.	CB 08/21/04

CONTRIBUTION TO OUR AIMS

This report contributes to both the Stronger Economy and Stronger Communities outcomes by ensuring that the Council can continue to develop with operating in more pro-active, flexible, efficient and responsive ways.

EXECUTIVE SUMMARY

The Council's current contract for the Microsoft Enterprise Agreement is due to expire on the 31st December 2021 and there are no options to extend. In order to ensure a continuity of service and the Council's continued use of Microsoft, a replacement contract needs to be procured. The procurement also provides us with an opportunity to upgrade our current licensing arrangements from E3 to E5 licences, which will offer enhanced security features and will better support agile working and collaborative working with partners.

The replacement arrangements will comply with the Public Contracts Regulations 2015, the Council's Contract Procedure Rules, and ensure that the Council achieves its duty of Best Value.

RECOMMENDATIONS

It is recommended that the Cabinet:

1. Approves the commencement of a procurement exercise for the Microsoft Enterprise Agreement.
2. Approves the purchase of Microsoft E5 licensing.
3. Delegates responsibility to the Executive Director, Environment, Economy and Resources in consultation with the Portfolio Holder for Finance, Resources and Assets to deal with all matters leading to and including the award of the contract for the Microsoft Enterprise Agreement and E5 licencing.
4. Authorises the Assistant Director Law, Governance and Assets (Monitoring Officer) to complete and execute all legal documentation in connection with the award.

REASONS FOR DECISION

The decision allows the Council to commence the procurement exercise for the replacement Microsoft Enterprise Agreement and allows the Council to award the contract.

1. BACKGROUND AND ISSUES

- 1.1 The Council's current contract for the Microsoft Enterprise Agreement ends on the 31st December 2021 and there are no extension periods available. In order to ensure a continuity of service and the Council's continued use of Microsoft products, a replacement contract needs to be procured.
- 1.2 The Council must ensure we remain in a Microsoft Enterprise Agreement. This ensures we keep utilising the IT infrastructure, remain up to date and are able to apply the latest security patches, maintain the Public Services Network Code of Connection (PSN CoCo) criteria as well as remaining compliant with our Microsoft license usage.
- 1.3 A formal Invitation to Tender and award criteria will be developed, and the procurement will be undertaken in line with the requirements of the Public Contracts Regulations 2015, and the Council's Contract Procedure Rules, and ensure that the replacement contract represents value for money for the Council.
- 1.4 A project team has been established in readiness to undertake the procurement which consists of officers from NELC ICT and Digital and the Procurement Team. Advice will be sought from Legal Services in relation to development of the terms and conditions and formation of the contract.

2. RISKS AND OPPORTUNITIES

- 2.1 To procure E5 licensing which brings additional security features that will aid in the early detection and prevention is an action on the Council's Strategic Risk Register in response to the risk of a Cyber-attack impacting on the confidentiality, integrity and availability of the council network, data and communications. In UK local authorities there were 37 attempted breaches every minute according to the Big Brother Watch report, released February 2018.
- 2.2 If we do not renew our Microsoft Enterprise Agreement, we will have to cease the use of our Microsoft licensed infrastructure estate. This means that the Council would not be able to use IT to deliver its statutory duties.

3. OTHER OPTIONS CONSIDERED

- 3.1 Do nothing - this option is considered not a viable option as it is necessary to remain in-license with our Microsoft Enterprise Agreement. Our Enterprise Agreement enables the Council to update and maintain the ICT software and server infrastructure. The Council would lose the use of ICT and cease to operate as a modern functioning Council if it did not take action in response to the ceasing of the current support.

- 3.2 Replace the estate with an alternative products and infrastructure sets, E.g. Google Cloud Platform and G Suite, Amazon Web Services (AWS) etc. There are alternative solutions to Microsoft technology, such as Google and Apple for Business, although the cost of change is likely to be prohibitive. Also, the time required to make the change to another solution is likely to take several years.
- 3.3 Remain on current E3 licensing model. This will ensure we remain as is. The council would not lose the use of ICT, continuing to operate as it does now. Limited secure collaboration will still remain possible.
- 3.4 Purchase E5 ramp up. This would give enhanced security features and opportunities for collaboration. This option supports the Council to move to more modern and collaborative ways of working, enabling the 'work anywhere and with anyone' culture to further develop, whilst enhancing security of infrastructure, systems and data.

Option 3.4 is the recommended option.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 There are no direct reputational implications for the Council resulting from the decision to procure the replacement Microsoft Enterprise Agreement contract.

5. FINANCIAL CONSIDERATIONS

Option 1

Renew the existing Microsoft E3 license agreement.

Cost **£437K** per annum based on current users, this requires an additional budget allocation of **£192k** over a 3 year contract period.

Option 2 (Recommended Option)

Purchase Microsoft E5 Ramp license agreement.

Year 1 Cost: £697K (45% discount included)

Year 2 Cost: £773K (39% discount included)

Year 3 Cost: £862K (32% discount included)

There will be an additional budget requirement for this option over 3 years of **£1.2m**

The recommended proposal is Option 2 – Microsoft E5 Ramp which would provide full E5 functionality and enhanced security features.

The additional cost will be factored into the Medium Term Financial Plan (MTFP) as additional required revenue expenditure.

Staff resource to support the implementation and development of the software will be from existing resources, and we will seek to capitalise salary costs in accordance with the principles in the financial strategy.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 6.1 Microsoft have an aggressive plan to reduce carbon emissions and their data centres will be powered by 100 percent renewable energy sources by 2025. By 2030 Microsoft will be carbon negative, and by 2050 Microsoft will remove from the environment all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975.

7. CONSULTATION WITH SCRUTINY

- 7.1 There is no consultation planned.

8. FINANCIAL IMPLICATIONS

- 8.1 The recommended option would result in an estimated budget pressure of £80k in 2021/22 and have to be met from existing service budgets or contingencies.
- 8.2 The additional cost for future years would be required to be addressed as a pressure within the next Medium Term Financial Plan, the impact being as follows –

2022/23	Additional Cost (45% discounted)	£323k
2023/24	Additional Cost (39% discounted)	£399k
2024/25	Additional Cost (32% discounted)	<u>£488k</u>
MTFP	Overall Cost Over 3 Years	£1,210k

- 8.3 It is anticipated that the additional investment would generate longer term efficiencies in terms of systems and processes, improvements in the customer experience (internal and external) and support development of working with partners to approve data and intelligence flow.
- 8.4 The financial implications associated with a cyber attack can run into £Millions. Examples from other authorities suggest that the direct costs associated with a cyber attack would be in the region of £2.5M. These costs include consultancy support, procurement of new systems, rebuilds of old systems, staff time to recreate data and various hardware costs. The additional proposed investment in M365 would provide additional assurance in this regard.

9. LEGAL IMPLICATIONS

- 9.1 The procurement of a Microsoft Enterprise Agreement and E5 licensing is clearly consistent with the stated aims and objectives of the Council underpinning its strategic objectives of Stronger Economy, Stronger Communities.
- 9.2 The procurement exercise will be conducted so as to comply with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015, and

supported by relevant officers.

9.3 The delegations sought are consistent with an exercise of this nature.

9.4 Officers should note that an award constitutes a further decision and will be subject to completion of an Officer Decision Record and be subject to call in. Award and implementation timelines should accommodate this.

10. HUMAN RESOURCES IMPLICATIONS

10.1 There are no direct HR implications contained within this report

11. WARD IMPLICATIONS

11.1 There are no wards specifically affected.

12. BACKGROUND PAPERS

12.1 There are no background documents.

13. CONTACT OFFICER(S)

Helen Knights, Head of ICT and Digital

Barry Hunt, Strategic Lead (ICT Transformation and Improvement)

COUNCILLOR STAN SHREEVE
PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS