

CABINET

DATE	18 th September 2024
REPORT OF	Councillor Stephen Harness - Portfolio Holder for Finance, Resources and Assets
RESPONSIBLE OFFICER	Sharon Wroot, Executive Director, Place and Resources
SUBJECT	Renewal of M365 E5 Software Licensing
STATUS	Open report - Closed appendices NOT FOR PUBLICATION - Exempt information within paragraphs 3 of Schedule 12A to the Local Government Act 1972 (as amended)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 08/24/08

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 of December 2024 and there are no options to extend. In order to ensure a continuity of service and the Council's continued use of Microsoft products, a replacement contract needs to be procured. The authority's desktop, laptop and server estate are utilising Microsoft's Enterprise Licensing E5 model which covers the full range of Microsoft's software and applications and lies at the top of the M365 Enterprise Plans licensing scale. The current licensing products were implemented after a review due to the expiration of the previous Microsoft Enterprise Agreement (EA) contract in December 2021. The EA Licensing purchased in 2021 covers software licenses for the core IT server infrastructure and end user devices. By taking this route for licensing and taking advantage of the Crown Commercial Service's Microsoft Aggregation Winter 2024 (DTA-24), the Council is able to achieve savings on and ensure best value for the renewal of the existing software licences.

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 Cabinet:

1. Approves the commencement of a procurement exercise for the Microsoft Enterprise E5 licence Agreement.
2. Approves the purchase of Microsoft E5 licensing renewal.
3. Delegates authority to the Executive Director Place and Resources in consultation with the Portfolio Holder for Finance, Resources and Assets to award the contract for the Microsoft Enterprise Agreement and E5 licensing and thereafter to deal with all ancillary matters reasonably arising.
4. Authorises the Assistant Director Law and Governance (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 of December 2024 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 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 the first half of 2022, UK councils faced an average of 10,000 attempted cyber-attacks every day, demonstrating the persistent threat posed. For further information please refer to the CLOSED appendices - "CLOSED Microsoft Enterprise Agreement Appendix1

and 2”.

- 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. 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. Purchase the E5 Licence Renewal. This would continue to give enhanced security features and opportunities for collaboration. This option supports the Council to continue support collaborative ways of working, enabling the ‘work anywhere and with anyone’ culture, whilst maintaining and enhancing the security of our infrastructure, systems and data. For further information please refer to the CLOSED appendices - “CLOSED Microsoft Enterprise Agreement Appendix1 and 2”.

Option 3.3 is the recommended option.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

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

5. FINANCIAL CONSIDERATIONS

Renew the existing Microsoft E5 license agreement. Revenue cost **£1,176,050.26** per annum based on current users, this requires an additional budget allocation of **£662,443.05** over the 3-year contract period (1st Jan 2025 – 31st Dec 2027).

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 and evaluate the benefits and implications of emerging technologies. We will seek to capitalise salary costs in accordance with the principles in the financial strategy.

The M365 E5 Project Team Delivery Resourcing required for 3 Years is **£769,846.21** (1st Jan 2025 – 31st Dec 2027).

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The renewal of Microsoft's E5 enterprise software licence has significant implications for children and young people, particularly in the realm of fostering and adoption, payments and the management of children's young people data for analysis and targeted outcomes. The financial investment in Microsoft Technology via the Microsoft E5 licence renewal, ensures resilient systems are in place, maintained and are cyber-secure.

The Microsoft platform ensures the tools available for Children Services to securely communicate and transfer data and utilise the Microsoft Power BI platform to produce dashboards.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

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.

8. CONSULTATION WITH SCRUTINY

There is no consultation planned.

9. FINANCIAL IMPLICATIONS

- 9.1. The recommended option would result in an estimated Revenue budget pressure of £53,892.77 in 2024/25 (1st Jan 2025 - 31st Mar 2025) and have to be met from the existing service budget or contingencies.

- 9.2. The additional Revenue cost for future years would be required to be addressed as a pressure within the next Medium Term Financial Plan (MTFP), the impact being as follows –

2025/26 Additional Cost £217,537.30 (1st Apr 2025 - 31st Mar 2026)

2026/27 Additional Cost £223,435.99 (1st Apr 2026 - 31st Mar 2027)

2027/28 Additional Cost £167,576.99 (1st Apr 2027 - 31st Dec 2027)

MTFP Overall Cost Over 3 Years £608,550.28

- 9.3. Additional Capital finance resource is required, this builds on the previous M365 Transformation Team capital to ensure the correct resources are in place to maximise the potential of the E5 Licence renewal. The current Capital provision ends on the 31st Dec 2024.

The M365 E5 Project Team Delivery Resourcing that has been identified for 3 Years (1st Jan 2025 – 31st Dec 2027) is £769,846.21, this is broken down into the following financial years: -

2024/25 M365 E5 Project Team £ 61,371.27 (1st Jan 2025 - 31st Mar 2025)

2025/26 M365 E5 Project Team £251,747.78 (1st Apr 2025 - 31st Mar 2026)

2026/27 M365 E5 Project Team £258,167.05 (1st Apr 2026 - 31st Mar 2027)

2027/28 M365 E5 Project Team £198,560.11 (1st Apr 2027 - 31st Dec 2027)

- 9.4. 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.
- 9.5. 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 could be in the region of £8M and potentially higher. 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 Microsoft E5 licensing provide additional assurance in this regard.

10. LEGAL IMPLICATIONS

- 10.1. 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.
- 10.2. The procurement exercise will be conducted 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.
- 10.3. The delegations sought are consistent with an exercise of this nature.
- 10.4. 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.

11. HUMAN RESOURCES IMPLICATIONS

There are no direct HR implications contained within this report.

12. WARD IMPLICATIONS

There are no wards specifically affected.

13. BACKGROUND PAPERS

There are no background documents.

14. CONTACT OFFICER(S)

Helen Gelder, Head of ICT and Digital
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Carl Drinkell, ICT Business Partner, ICT and Digital

COUNCILLOR STEPHEN HARNESS
PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS