

Cabinet

11 April 2024

Approval to proceed with Procurement - Renewal of Microsoft 365 licences and support

Recommendations

That Cabinet:

- 1) Approves the use of the CCS (Crown Commercial Services) contract to secure its Microsoft 365 licences and support for the next three years from 1 June 2024;
- 2) Authorises the Executive Director for Resources to enter into all necessary agreements under the CCS contract to implement this decision, on terms and conditions acceptable to him; and
- 3) Approves the use of the Financial Management Reserve to meet the potential overspend in 2024/25, if offsetting reductions in in-year spending are not forthcoming, and a request for on-going funding is brought forward as part of the 2025/26 Medium-Term Financial Strategy refresh.

1. Executive Summary

- 1.1. The procurement exercise required is a renewal of the Council's existing Microsoft licences, without significant changes to the type or range of products purchased. Microsoft licences are an essential and core service for the County Council, with M365 products heavily adopted since our migration to them and are used by all colleagues and elected members daily.
- 1.2. In 2023, Crown Commercial Services (CCS) undertook an aggregation exercise utilising Lot 3 of their Technology Products and Associated Services 2 Framework (RM6098), to secure a provider of Microsoft licences to public sector organisations. The Council expressed an interest in the exercise which has now completed.
- 1.3. Relying on the exercise undertaken by CCS ensures a legally compliant route to market that secures best value for the Council, having followed a nationally run procurement exercise. The CCS exercise produces a single price for Microsoft licences for all public sector organisations, negotiated centrally by Government.

- 1.4. Although the scale and level of the Council's Microsoft licences remains consistent, utilising the CCS contract will result in a change in the supplier of the licences from Phoenix, our current partner, to Trustmarque. There will be a small transition exercise to move to the new supplier which will have minimal impact to ICT and in turn the wider business.
- 1.5. Data regarding licence usage and optimisation has been analysed to ensure we have the correct and necessary licence model in place going forward. It is proposed that the pricing agreed through CCS is approved, with the new contract commencing on 1 June 2024.

2. Financial Implications

- 2.1. Based on the latest information from CCS as this report is written, the proposed per user price for the new contract M365 licencing will be between £338.94 and £425.20 per licence, an increase in price of up to £86.26. This means the cost of the proposed contract is expected to cost between £0.306m to £0.468m a year more than the approved budget for 2024/25, due to a combination of licence cost increases and additional licenses for increased headcount.
- 2.2. The service does not have capacity within its 2024/25 budget to meet these additional costs without materially reducing the level of investment in ICT in other aspects of service activity, impacting on the level of change and innovation that can be supported across the organisation.
- 2.3. Unless a reduction in ICT investment is delivered the cost of the contract renewal will result in an overspend in 2024/25 and create an unavoidable spending pressure in 2025/26.
- 2.4. In 2024/25 it is proposed the overspend is met from the Financial Management Reserve, set aside to manage in-year financial risk, if offsetting underspends across the Council are not forthcoming. An additional budget allocation for an unavoidable spending pressure will be required in 2025/26 to ensure the underlying budget is sustainable. This will be a call on the £10.5m set aside for this purpose in the 2024-29 Medium Term Financial Strategy.

3. Environmental Implications

- 3.1. The increased adoption of MS products and services such as Azure and SharePoint has allowed us to migrate complex services and data to the cloud, reducing the need for locally hosted infrastructure. Environmentally this has the impact of reducing energy costs of our buildings and data centres. Additionally, the use of M365 has been an enabler of agile working, reducing staff travel and in turn our carbon footprint. An agile workforce will support the most effective use of council buildings, allowing for rationalisation considerations.

4. Supporting Information

- 4.1. The Council purchases several different licences under its Microsoft pricing agreement. These include Microsoft 365 E5 and E1 licences, access to Azure, SQL database licences that underpin other core applications and other business-critical services like Power BI.
- 4.2. The number of licences needed to be purchased has grown since our initial migration to Microsoft products. In 2020/21, the Council purchased 5,662 M365 licences. By FY2023/24, ICT purchased 6,262 M365 licences, budgeting £2,092m for the entire Microsoft suite of licences.
- 4.3. The proposed contract with CCS will purchase 6,295 M365 licences, with the proposed cost of the entire Microsoft suite set to reach between £2.476m and £2.558m p.a. (based on final pricing from CCS); an increase of between £0.306m and £0.468m p.a. on 2024/25's budget.
- 4.4. The range is due to the ongoing pricing negotiation between Microsoft and the Government which our contract will reflect. The prices negotiated will replace the existing pricing, due to expire on 31 May 2024.
- 4.5. The licence price increase is inflationary, but additional cost has been incurred since the contract was let in 2021 due to an increase in the number of licences, linked to headcount. The Council has seen an increase in the number of licences required of 9% in this time.

5. Timescales associated with the decision and next steps

- 5.1. If approved, licences will be arranged via the CCS contract to be in place from 1 June 2024.

Background Papers

None.

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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable - County wide report

Other members: Councillors Birdi, Boad, Feeney, Roberts & Warwick