

Brighton & Hove City Council

Cabinet

Agenda Item 136

Subject: Microsoft licence renewal

Date of meeting: Thursday, 16 January 2025

Report of: Cabinet Member for Adult Social Care, Public Health and Service Transformation

Contact Officer: Dan Snowdon: Head of Engagement and Digital Innovation, IT & Digital
Email: dan.snowdon@brighton-hove.gov.uk

Ward(s) affected: N/A

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

For general release

1. Purpose of the report and policy context

- 1.1 The purpose of this report is to support the delivery of outcome 4 of our Council Plan, to ensure a responsive council with well-run services by ensuring necessary licenses are in place for the essential Microsoft applications that support the daily operation of council services. The council is committed to using technology, data and digital tools to increase our efficiency and accessibility and the Microsoft office tools underpin the delivery of this mission.
- 1.2 The report outlines our approach to procurement which will ensure that best value is achieved in securing agreements over the next 3 years for these Microsoft licenses.

2. Recommendations

- 2.1 Cabinet delegates authority to the Interim Corporate Director, City Operations to take all necessary steps to use the NHS Digital Workplace Solutions Framework to procure a Licence Solution Partner (LSP) for the Council.
- 2.2 Cabinet delegates authority to the Interim Corporate Director, City Operations to Award a contract to the successful Licence Solution Partner (LSP) to provide the Council with three Microsoft Enterprise Licence Agreements for a term of 3 years with an estimated total value of up to £4,000,000.00

3. Context and background information

- 3.1 The proposed procurement supports the delivery of Outcome 4 of the Council Plan - A responsive council with well-run services. Having a modern, secure, and accessible IT estate helps our staff to work better by giving them the equipment and the support they need to work confidently and effectively.
- 3.2 Microsoft technologies are an essential part of the Council's digital agenda and drive to modernise the council's use of AI, data and productivity tools. In particular, the M365 suite provides tools like Microsoft Teams for seamless collaboration and remote working, empowering staff to work flexibly and deliver services more effectively across departments and locations. Teams will also become the primary telephony platform for the Council from February 2025.
- 3.3 With SharePoint and OneDrive, document management and information sharing are becoming streamlined, ensuring better access to data and improved decision-making. M365's security and compliance capabilities, including Defender and Information Protection, safeguard sensitive citizen data while meeting regulatory standards. Additionally, tools like Power Automate and Power Apps will be central to the replacement of the legacy Finance and HR applications and to underpin key process automation and innovation, reducing manual effort and enhancing operational efficiency.
- 3.4 By leveraging these capabilities, BHCC is equipped to improve service outcomes, deliver cost savings, and advance the digital transformation agenda, with improved working with partners and a better resident digital experience.
- 3.5 Microsoft's licensing operates on a three-year cycle, during which its local government customers commit to licensing agreements that lock in pricing and terms for software and services. This medium-term lock-in of pricing ensures predictable costs and access to the latest technology but requires renewal or renegotiation at the end of each term to continue usage.
- 3.6 The purpose of the contract is to provide the licence coverage for the Microsoft end user applications and back-office server infrastructure used to deliver business applications to the Council. This includes Operating Systems, user access licences and other software such as Microsoft Office providing email, word processing and spreadsheet functionality all critical for the Council to carry out its functions. The contract is managed in-house by the Head of Enterprise Technology and Systems, who manages similar contracts across East Sussex County Council and Surrey County Council. This provides resilience in contract management, and sharing of expertise across the 3 Orbis partner authorities.
- 3.7 The council currently utilises a KCS Framework Agreement for a call-off contract with Bytes Limited for the provision of their Microsoft Licences. The contract covers three separate licence agreements all of which expire on

30th June 2025. Two of the agreements cover end user licences for the corporate and educational users, this includes productivity tools such as Microsoft 365 (Word, Excel, Teams etc), Copilot (AI functionality) and the operating system (Windows 11). The third covers the licencing for core IT infrastructure such as SQL server and Azure Cloud services. There is no option to roll forward and extend these agreements beyond the 3-year term and a procurement is required.

- 3.8 The current licences expire at the end of June 2025 and there is now a requirement to procure the licences for the next three-year term. A review of sourcing route options has been undertaken please see Appendix 1.
- 3.9 The current total annual cost of the Microsoft service is £1.25m. It should be noted that the pricing for Microsoft products has increased and that the annual costs will increase regardless of the sourcing route selected. The increase has been built into the budget for 2025/6.

4. Analysis and consideration of alternative options

- 4.1 The review of sourcing options has identified that the NHS Framework would provide the most advantageous route to procure the licensing. The NHS Framework has a number of advantages in that it is a compliant procurement route and adheres to Public Contracts Regulations (2015), the Terms and Conditions are designed specifically for the Public Sector and it provides options for mini competition. This means that the framework accords with the Councils' needs and there is opportunity to seek additional value through competition between 28 suppliers who are market leaders. The fees associated with this framework are the lowest thereby maximising the opportunity for cost reduction. The incumbent provider is not a party to the framework but previous providers and other market leading Microsoft partners are on the framework.
- 4.2 Alternative frameworks include the Kent Commercial Services framework which is also fully Find a Tender (FTS) compliant and adheres to Public Contracts Regulations (2015). Its Terms and Conditions are designed specifically for the Public Sector and it provides options for mini competition, however the current iteration of the framework no-longer features a rebate of 0.75% to the Orbis authorities. Under the current contract each year a 0.75% rebate is claimable against the total value of each contract.
- 4.3 Using a full open market tender was rejected as suitable frameworks exist thereby providing a faster and less resource intensive route to market.

5. Community engagement and consultation

- 5.1 Engagement with staff across the council takes place through our internal digital skills team, who provide support and development to support users to make the best use of our Microsoft tools. Digital skills training has been developed, supported by digital champions who have applied and shared learning across the council. Most recently, staff have been involved in a trial of co-pilot, an AI tool as part of the Microsoft suite of tools that has been rolled out. This learning informs the continued development of the tools and

informs the plan to continue to embed these tools with renewed licenses as recommended in this report.

- 5.2 In addition, expertise across the Orbis has been provided to support the council's learning about the best use of Microsoft tools, and to inform the recommendation that BHCC continue to use the tools and use the appropriate route to market to ensure best value.

6. Financial implications

- 6.1 The report recommends that Cabinet delegates the responsibility to procure a three-year contract for three Microsoft Enterprise Agreements at a total cost of £1.250m per year. This is a renewal of licences and therefore the annual licence costs are already built into the IT & Digital revenue budget. Any updates to the cost of renewal will be reported back to Cabinet through the Targeted Budget Management (TBM) process.
- 6.2 It is expected that leveraging the capabilities of the Microsoft stack will create efficiencies and improve future service outcomes. This will be considered as part of the council's wider digital transformation plans and any associated cashable savings will be built into the Medium Term Financial Plan.

Name of finance officer consulted: Haley Woollard Date consulted:
(20/12/24)

7. Legal implications

- 7.1 The Council is required to comply with the Public Contract Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. Using a Framework such as the NHS Digital Workplace Solutions Framework is a compliant route to market. The Councils Contract Standing Orders (CSOs) will also apply to this procurement exercise.

Name of lawyer consulted: Eleanor Richards Date consulted (13/12/24):

8. Equalities implications

- 8.1 There are no implications for Brighton & Hove residents. Any impacts on internal staff related to the use of Microsoft tools will continue to be managed by services via the workplace adjustments process.
- 8.2 There are no TUPE implications because of this new contract and the resulting Microsoft agreements.

9. Sustainability implications

- 9.1 We do not envisage any direct sustainability implications arising from this tender however we will be asking bidders to provide their own sustainability policies as part of the tender process (for information only) and asking that

they adhere to our own sustainability policy if/when working on Council premises.

9.2 Microsoft have several initiatives under its Corporate Social Responsibility (CSR) program aimed at creating social value. The councils can access these initiatives and training courses through on-going supplier management rather than the partner contract. Their key focus areas include:

- Expanding Opportunity: Microsoft focuses on ensuring everyone has the skills to thrive in a digital economy. This includes training and certifying millions of people globally with in-demand skills.
- Earning Trust: The company is committed to the responsible use of AI, protecting privacy, and advancing digital safety and cybersecurity.
- Protecting Fundamental Rights: Microsoft promotes responsible business practices, expands accessibility and connectivity, and advances fair and inclusive societies.
- Advancing Sustainability: Addressing climate change is a major focus, with initiatives aimed at reducing carbon emissions and promoting sustainable practices.

9.3 As we intend to use an established Framework it is worth noting that providers are not obliged to offer Social Value/Community Wealth Building commitments, however officers can incorporate a question in the mini competition to address this. An appropriate question will therefore be devised based on common outcomes from the Brighton and Hove Social Value Framework with responses being evaluated by the panel.

10. Health and Wellbeing Implications:

10.1 We do not envisage any health or wellbeing implications arising from this tender.

Other Implications

11. Procurement implications

11.1 The procurement exercises outlined above will be led by Surrey Council who is procuring these agreements on behalf of all 3 Orbis authorities, in consultation with the Council's procurement team. The cabinet advisor for contract Management and procurement was consulted on 09/11/2024. All routes to markets detailed in Appendix 1 are fully compliant with the Public Contract Regulations 2025 and the Council's Contract Standing Orders.

12. Crime & disorder implications:

12.1 We do not envisage any implications on crime or disorder prevention services arising from this tender.

13. Conclusion

- 13.1 This report recommends that the Cabinet delegates authority for the procurement and award of a contract for a Licence Solution Partner (LSP). Council officers will ensure the most appropriate, cost effective, flexible and compliant licensing solution is implemented to meet the current and future needs of the organisation.

Supporting Documentation

1. Appendices

1. The options for route to market

Option 1	Framework Mini Competition
Description	A tender using NHS Digital Workplace Solutions (DWS) framework agreement where suppliers on the framework can competitively bid for the contract.
Pros	<ul style="list-style-type: none"> - Fully compliant with Public Contracts Regulations (2015). - Terms and Conditions designed specifically for the NHS and Wider Public Sector. - Features 28 suppliers providing higher potential for competitive bids.
Cons	<ul style="list-style-type: none"> - The council is limited to the suppliers on the framework.

Option 2	Framework Mini Competition
Description	A tender using Kent County Council via Procurement Services - Software Products and Associated Services framework agreement where suppliers can competitively bid for the contract.
Pros	<ul style="list-style-type: none"> - Fully compliant with Public Contracts Regulations (2015). - Terms and Conditions designed specifically for Public Sector organisations. - Features 24 suppliers providing higher potential for competitive bids.
Cons	<ul style="list-style-type: none"> - The council is limited to the suppliers on the framework.

Option 3	Open tender
Description	A tender to the open market using the Councils Procurement Portal.
Pros	<ul style="list-style-type: none"> - Allows for the maximum number of bids.
Cons	<ul style="list-style-type: none"> - Can attract a large number of bids requiring significant resources to evaluate. - Bespoke terms and conditions to be drafted by Legal. - Unnecessary time and resource consuming when existing frameworks are available.

	<ul style="list-style-type: none">- It is unlikely to secure savings beyond those offered through a framework as Crown Commercial Services have fixed the licence pricing on behalf of the public sector.
--	---

