

# Report to Cabinet

**7 February 2024**

<b>Subject:</b>	Award of contract to Phoenix Software LTD for the provision of Microsoft E5 licenses
<b>Cabinet Member:</b>	Councillor Bob Piper Deputy Leader & Cabinet Member for Finance & Resources
<b>Director:</b>	Brendan Arnold Director of Finance
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Daron Tonks – Senior Lead Officer Richard Griffiths – Principle Lead Officer

## 1 Recommendations

That Cabinet:

- 1.1 Give approval to award a contract to Phoenix Software Ltd for a period to end 31 March 2027 for a Microsoft Enterprise 5 (E5) licensing agreement using the KCS framework at a total value of spend attributable to E5, over 3 years is: £4,737,892.50.
- 1.2 Approve the purchase of Server and Cloud Enrolment (SCE) agreement at an annual cost of £152,890.80 - based upon a volume of up to 300 servers and at current pricing with a total value over 3 years of £458,672.40.
- 1.3 Approve the purchase of Microsoft 365 Copilot licenses at an annual cost of £88,740.00 - based upon a volume of up to 300 users and at current pricing at a total value over 3 years of £266,220.00.



1.4 That any necessary exemptions be made to the Council's Contract Procedure Rules to enable the course of action referred to in 1.1 – 1.3 to proceed.

## 2 Reasons for Recommendations

2.1 In April 2021, the council entered into a 3-year licensing agreement for Microsoft E3 products following a compliant "further Competition process" under Lot 3 of the Crown Commercial Services Framework RM 6068 – Technology Products and Associated Services. The expiry date for this contract is March 2024.

2.2 To enable the council to improve its cyber security resilience posture and retain its current Microsoft productivity tools we now wish to move to a Microsoft E5 licensing model. The threat of a Cyber-attack on Sandwell Council is constant and ever adapting. The move to E5 will significantly fortify the council against cyber-attacks, in line with the government's Cyber Security Strategy 2022-2030.

2.3 Microsoft recognise that the step up from E3 to E5 is expensive and that the product suite is extensive meaning it takes time to implement all available modules. Therefore, they offer what is known as a RAMP (Rapid Modernisation Plan) deal which is a discounted annual cost used as an incentive for organisations to move to E5.

2.4 E5 is recognised across the public sector as being the preferred level of licensing where cyber security resilience is seen as being important. Most councils across the Black Country and the West Midlands (including the WMCA) have already uplifted or are in the process of relicensing to E5.

2.5 The current E3 licensing includes Word, Excel, PowerPoint, Outlook, OneNote, SharePoint, OneDrive, Teams plus essential, but entry level tier, cyber security protection and tooling. The higher level E5 licensing includes tools for increased protection of the council's business applications and data. The additional cyber security products include:

- Identity and Access Management - enhanced control, including the ability to detect security vulnerabilities
- Advanced Threat Protection - providing additional protection for files, emails and outlook applications, real time checks of web links



and use of machine learning to identify trends. Includes enhanced protection against phishing emails and henceforth successful ransomware attacks.

- Advanced Information/Data Governance with auto classification and labelling – includes scanning content to apply the appropriate governance protocols to data.

2.6 Whilst there are a multitude of 3<sup>rd</sup> party security vendors offering a diverse set of tools, products, and solutions to satisfy the council's cyber security requirements, having multiple security vendors will complicate operations with individual account management and integration challenges. Microsoft E5 streamlines security, enhances functionality, and leverages existing council expertise and market accessibility for additional capabilities.

2.7 It must be recognised that whilst the enhanced cyber security tools will increase the council's protection there is no guarantee of preventing a future successful attack. Attacks are increasingly sophisticated, and attackers are always "ahead of the game". Microsoft E5 security technology makes significant use of artificial intelligence which is recognised by cyber professionals as the only sure way of keeping in-step with these advances.

2.8 Moving to E5 licensing brings additional benefits and opportunities to the council. As well as improving the council's cyber security requirements, it provides:

- Corporate wide licenses for Power Bi - currently, the council licenses individual users for Power Bi (which is a powerful data analytics tool) at additional cost. Use of the platform is expanding across a multitude of service areas and continues to grow.
- Teams Phone System - enables external telephone calling through Microsoft Teams – known as PSTN. This means users can use Teams to call traditional telephone numbers and receive them all from the 1 interface. As the council needs to update its telephone system, having access to these licenses will reduce the cost of this project as Teams Phone System is the preferred technical approach



- 2.9 There are a number of additional products and licensing agreements from Microsoft which complement E5. The SCE is for annual licensing related to our Windows Server platform – necessary for hosting our business applications and critical ICT infrastructure in our datacentre. This licensing agreement runs alongside E5 for a period of 3 years.
- 2.10 Copilot is Microsoft’s artificial intelligence technology designed to provide real-time intelligent assistance, enabling users to enhance their creativity, productivity, and skills. The award for 300 licenses is the minimal quantity able to be purchased and allows for us to trial, evaluate and understand the capability and use cases. It is recognised that not every employee requires Copilot and will never be licensed for everyone. By taking the minimum quantity of 300 will allow us targeted deployment and understand where it can assist with the council’s transformation programme including customer journey and business intelligence.
- 2.11 Microsoft technology is a core element of the council’s ICT strategy and extending the use of the tooling via E5 supports our ongoing direction of travel.

### 3 How does this deliver objectives of the Corporate Plan?

	<p>An effective approach to cyber security supports the council in achieving all of its Corporate Plan objectives as the availability of ICT business systems and electronic information is essential to the smooth operation of all council services.</p>
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### 4 Context and Key Issues

- 4.1 At the end of March 2024 the councils Microsoft 365 enterprise licence (E3) will expire. This covers Microsoft office products in use by the whole council and also basic cyber security functionality. The council is now able to purchase enhanced cyber security functionality whilst retaining current Microsoft office products by upgrading to the E5 licence



4.2 Cyber security resilience is a de-facto necessity for any organisation reliant on ICT business applications and electronic data. The council is now wholly dependent on technology for the provision of its front-line services. The threat from successful attack has risen dramatically emanating from adverse state actors, cyber-criminals intent on causing disruption.

4.3 The failure of the council to protect itself from a successful cyber-attack would be widespread. There is now a nationwide feeling of not if an attack will occur but when. The consequences are multiple and evidenced by successful attacks which have previously occurred in Hackney, Gloucester, and Copeland. All resulted in significant business disruption and expensive recovery and clean-up costs.

## 5 Alternative Options

5.1 There is no truly viable option to move away from a Microsoft enterprise licencing agreement as this provides the council with its office productivity tools server suite software and is heavily integrated other software used by the council for business-as-usual processes.

5.2 One alternative option is to remain at enterprise licensing tier E3 and purchase individual products from other security vendors to satisfy our desired outcomes. However, this would increase the amount of vendor account management required and there is no guarantee that all the various products would seamlessly integrate and interoperate with one another.

5.2 A do nothing approach to enhance the council's cyber security posture is not a desirable strategy given the increased cyber security threat across the public sector. The council wishes to push forwards, proactively, with its cyber security resilience programme and fundamental to this is having the right tools and products available to identify, defend and protect itself from suffering a successful cyber-attack. Successful attacks can stop a council from providing services for multiple months, cause excessive expenditure in clean-up costs and destroy its reputation. These are in



addition to the stress and anxiety inflicted on its workforce and the severe, detrimental impact on its citizens.

## 6 Implications

<b>Resources:</b>	<p><b>E5 Licensing</b></p> <p>The cost the council will pay by virtue of purchasing E5 licensing is:</p> <p>2024 / 2025 – RAMP price - £1,424,919.66 2025 / 2026 – RAMP price - £1,571,218.98 2026 / 2027 – RAMP price - £1,741,753.86</p> <p>E5 Total for 3 years: £4,737,892.50</p> <p>The licensing model is subscription based meaning the council pays for active licenses. If the council (and the Children’s Trust) increases its workforce numbers and those employees need a Microsoft license, then we would have to purchase additional licenses albeit at the agreed “discounted” price. In simple terms this increases our annual overall cost.</p> <p><b>SCE</b></p> <p>The cost the council will pay by virtue of purchasing Server Cloud Enrolment is:</p> <p>2024 / 2025 – price - £152,890.80 2025 / 2026 – price – £152,890.80 2026 / 2027 – price - £152,890.80</p> <p>SCE Total for 3 years: £458,672.40</p> <p>The cost will increase if the Council increases the number of servers within the ICT estate during the period of the agreement.</p>
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	<p><b>Microsoft 365 Copilot</b></p> <p>The cost the council will pay by virtue of purchasing Microsoft 365 Copilot is:</p> <p>2024 / 2025 – price - £88,740.00  2025 / 2026 – price - £88,740.00  2026 / 2027 – price - £88,740.00</p> <p>Co-pilot Total for 3 years: £266,220.00</p> <p><b>Overall cost per year of all products</b></p> <p>2024 / 2025 – price - £1,666,550.46  2025 / 2026 – price - £1,812,849.78  2026 / 2027 – price - £1,983,384.66</p> <p>Total for 3 years: £5,462,784.90</p>
<p><b>Legal and Governance:</b></p>	<p>Legal Services and Procurement have been consulted.</p> <p>This report indicates that the host of the framework, KCS, has advised the Council that this direct award by the Council is permitted under the rules of this framework.</p> <p>In reliance of this advice, this direct award would be compliant with the Public Contracts Regulations 2015 and the Council’s Procurement &amp; Contract Procedure Rules.</p> <p>The direct award will be subject to call-off terms and conditions made available by KCS.</p>
<p><b>Risk:</b></p>	<p>The corporate risk management strategy has been complied with to identify and assess the risks associated with the recommendations being sought in this report.</p>



	A risk assessment has been carried out and there are no significant risks associated with the recommendation
<b>Equality:</b>	No implications
<b>Health and Wellbeing:</b>	No implications
<b>Social Value:</b>	The Council is committed to being responsible and driving sustainable innovation – ensuring that our technology benefits everyone and helps to address society’s most pressing challenges now and in the future.
<b>Climate Change:</b>	Using cloud computing supports the council’s delivery of its climate change action plan. Microsoft is committed to sustainability and has pledged to be carbon negative by 2030.
<b>Corporate Parenting:</b>	No implications

## 7. Appendices

None

## 8. Background Papers

None

