

Slough Borough Council

Report To:	Cabinet
Date:	18 th March 2024
Subject:	Microsoft Licencing: Upgrade from Tier E3 to Tier E5
Lead Member:	Councillor Chandra Muvvala, Cabinet member for customer service, resident engagement, digital, data and technology.
Chief Officer:	Stephen Brown Chief Executive
Contact Officer:	Stephen Menzies, Interim associate director, chief digital and information officer
Ward(s):	All
Key Decision:	YES as it is likely to result in the council incurring expenditure in excess of £500,000.00
Exempt:	No
Decision Subject To Call In:	No, the Chair of the Corporate Improvement Scrutiny Committee has agreed to a request to waive call-in to enable the decision to be implemented urgently within the March 2024 renewal date as per paragraph 3.11 of the report.
Appendices:	None

1. Summary and Recommendations

1.1. The council uses Microsoft's E3 software licencing to deliver a range of cyber security services which include antivirus, malware, and device identity security. It is also the licencing through which staff get access to its range of productivity and collaboration tools such as Teams, Word, Excel, PowerPoint and Outlook.

1.2. It is proposed that the council upgrade its existing Microsoft E3 licencing to E5. By moving to E5 the council will be able to access a wider range of additional services:

For residents and staff visible improvements will include:

- Enhanced external telephony and conferencing through Teams – longer term replacing existing corporate telephony platform.
- Providing a single solution for both secure email and file transfer.
- Full access and use of Power BI for data analytics, visualisation, and insights.

For the ICT&D service:

- Enhanced security, with advanced threat protection and data loss prevention.
- A fully cloud hosted email environment, addressing the current single failure point from on-premises email infrastructure in the data centre.
- Streamlined compliance and risk management – advanced data retention and eDiscovery capability, advanced insider threat detection and improved compliance capability.

- 1.3. The cost of this upgrade will be an increase of approximately £230,000 each year. This is a subscription-based contract based on the number of subscribed users. This will be partly offset by not renewing two contracts for secure email and antivirus software with these services available through the licencing upgrade.
- 1.4. The existing contract allows for amendments to the contract throughout the life of the contract and this mechanism will be used to upgrade to the new licencing tier.

Recommendations:

- 1.5. It is recommended that Cabinet:
 - a) Approve the upgrade of the council's Microsoft software licencing from tier E3 to tier E5 at an increased approximate annual cost of £230,000 for three years, totalling £690,000.
and,
 - b) Delegate authority to the executive director for strategy and improvement, in consultation with the Cabinet member for customer service, resident engagement, digital, data and technology, to approve and sign the contract amendment.

Commissioner Review

- 1.6. This report has been reviewed by Commissioners who have no specific comments to add.

2. Report

Introductory paragraph

- 2.1. This report sets out a proposal, expected benefits and the cost of upgrading the council's Microsoft software licencing from the current E3 tier to E5.
- 2.2. Whilst many people will see Microsoft licencing as the way in which residents and staff access the suite of productivity and collaboration tools, the licencing also provides basic cyber security measures against, antivirus, malware, and device access security.
- 2.3. The benefits of this upgrade are threefold:
 - i. Improved access to a range of collaboration and productivity tools such as Power BI, a data insights platform and a secure email solution;
 - ii. Enhanced external telephony and conferencing through Teams – longer term replacing existing corporate telephony platform; and,
 - iii. Enhanced cyber protection and antivirus software

Options considered

- 2.4. Two options have been considered:
 - a) Upgrade from tier E3 licencing to tier E5 – **recommended**.
The council upgrades from its existing tier of E3 to E5, gaining access to a range of additional services and capabilities.

The advantages of this option are

- Improves compliance and risk management;
- Improves the council's cyber security capability;
- Supports better longer-term telephony service provision;
- Provides enhanced data insight functionality; and,

- Enables contract savings.

The option was robustly challenged during the council’s budget setting exercise and following that provision was made to increase the ICT&D budget to support this option.

b) Do nothing – not recommended.

The sole benefit of this option is that there would be no requirement to increase the council’s spend on licencing.

Disbenefits of this option include:

- Lower cyber security and resilience from cyber-attacks;
- Retention of a secondary secure email solution;
- Retention of a secondary antivirus solution;
- Continued requirement to buy individual PowerBI licences;
- Limited options around longer term telephony provision; and,
- A single point of failure in the council’s on premises email infrastructure remains.

2.5. The table below outlines the key stages in the process:

Activity	Date
Cabinet approval to upgrade to the new licencing Tier	18 th March
Contract with Dell amended	End of March
New services available	April
Services deployed (including adoption support for staff)	April-July

3. Background

3.1. Since 2012 Microsoft have been evolving the way in which their products are purchased. They have moved from a model where each product was bought individually to grouping products into distinct categories. In parallel to this realignment of product listing they have also reduced the availability of products as on-premises services and moved services to their cloud platforms.

3.2. On a three-year cycle Crown Commercial Service has entered a memorandum of understanding (MoU) with Microsoft which provides public sector customers with significant discounts against the pricing commercially available, typically between 20-35%. Access to the pricing is through a licencing solution partner (LSP) – who resell the licences to the council. The council’s LSP is Dell. The MoU allows for amendments to contracts to take account of the council’s changing technology and user needs.

Contract Savings

3.3. The two contracts noted below can be cancelled with a move to E5:

- **Clearswift Email Security** – We will be able to retire our existing contract value £16,000 and use Microsoft Defender for 365. This will also have the benefit of removing the dependency of the council's data centre being operational for emails to be sent / received from external recipients and be fully cloud hosted for council emails.
- **Trend Anti-Virus** – We will be able to move our workstation endpoint protection contract with Trend value £25,000 and use Microsoft Defender endpoint (User).

Additionally:

- **Power BI** – a further modest saving of approximately £4,000 will also be achieved as we will be able to reduce paying for individual Power BI licences as they will be part of the new licensing.

Streamlined Compliance and Risk Management:

3.4. Improved compliance and risk management through:

- **Data Retention and eDiscovery:** E5 provides advanced data retention and eDiscovery capabilities, ensuring that data is retained according to legal and regulatory requirements and can be easily retrieved for investigations or audits.
- **Microsoft 365 Compliance Manager:** E5 includes Microsoft 365 Compliance Manager, a centralized tool that helps organizations assess and manage their compliance risks across various data protection regulations.
- **Insider Risk Management:** E5's advanced threat detection capabilities can also help identify and mitigate insider threats, protecting against unauthorized access or data theft from within the organization.

Enhanced Security:

3.5. E5 improves the council's cyber security reliance through:

- **Advanced Threat Protection:** E5 provides a comprehensive suite of security tools, including Microsoft Defender for Office 365 E5, which offers enhanced threat detection, investigation, and remediation capabilities. This helps protect against sophisticated cyberattacks and data breaches.
- **Data Loss Prevention (DLP):** E5's advanced DLP features help prevent sensitive data from being accidentally or intentionally leaked outside the organization. This is crucial for protecting confidential information like citizen records and financial data.

Improved Communication and Collaboration:

3.6. E5 as a platform supports better telephony service and provides enhanced data insight functionality:

- **Teams Phone System:** E5 offers Teams Phone System, a cloud-based PBX solution that enables seamless voice and video calling within Teams. This eliminates the need for traditional phone lines and simplifies communication across departments and with citizens. This will allow us to consolidate our 8x8 telephony contract when it comes to an end.
- **Power BI Pro:** E5 includes Power BI Pro: a powerful business intelligence tool that allows staff to analyse data from various sources, gain insights into citizen needs, and make data-driven decisions. This will align with our data strategy of using Power Bi to visualise data to inform decision making.

3.7. Overall, upgrading to Microsoft 365 E5 can significantly enhance the security, improve communication and collaboration, and streamline compliance and risk management, contributing to better governance and citizen service delivery.

Implications of the Recommendation

Financial implications

3.8. The proposed upgrade from Microsoft Licensing Tier E3 to Tier E5 will incur an initial cost of approximately £230,000 per year for three years, totalling £690,000. The funding for this work has been included in the Council's 2024/25 revenue budget, as a growth bid for ICT&D. The growth bid within the revenue budget was approved on 26th February 2024.

- 3.9. The decision to upgrade will result in savings from the cancellation of existing contracts for secure email and antivirus software. Specifically, the cancellation of the Clearswift Email Security contract valued at £16,000 and the Trend Anti-Virus contract valued at £25,000 will contribute to offsetting the overall cost of the upgrade.
- 3.10. There are non-financial benefits arising from the upgrade, including benefits such as improved security and productivity, enhanced collaboration and data insights.
- 3.11. Should the council decide not to upgrade ahead of the March renewal date there would be a significant increase in costs to the council should it upgrade later.

	Total Contract Annual Cost	Annual Increase
Current contract cost	£2.331m	
Upgrade March 2024	£2.555m	£0.230m
Upgrade April 2025	£4.316m	£1.985m

- 3.12. It is important to note that this is a consumption-based contract. Should the council's staffing numbers rise the cost of the contract will increase, and similarly if staffing numbers fall the cost would drop. This happens on an annual basis through a true up/down process with the reseller.
- 3.13. Finally, the proposed expenditure aligns with the Council's strategic objectives and delivers value for money in terms of enhancing service delivery, improving operational efficiency, and supporting the Council's digital transformation initiatives.

Legal implications

- 3.14. Crown Commercial Service and Microsoft have a MoU in place which guarantees cheaper pricing to public sector organisations. The pricing is available through a licencing support partner network approved by Microsoft. Following a competitive procurement process to select an LSP, the council entered a contract with Dell, for the provision of Microsoft licencing.
- 3.15. The MoU and reseller contract has provision within the terms and conditions which allows the council and Dell to amend the contract to take account of the council's changing technology and user needs.
- 3.16. The Public Contracts Regulations 2015 allow amendments to existing contracts where the modifications, irrespective of their monetary value, have been provided for in the initial procurement documents in clear, precise and unequivocal review clauses, which can include price revision clauses or options, provided that such clauses
- i. state the scope and nature of possible modifications or options as well as the conditions under which they may be used, and
 - ii. do not provide for modifications or options that would alter the overall nature of the contract or the framework agreement.
- 3.17. The proposed amendment meets this requirement.
- 3.18. Paragraph 13.3 of the Contract Procedure Rules in the Council's Constitution also permit this contract amendment.

Risk management implications

- 3.19. The table below details the three main risks within the project:

Status	Risk description	Mitigation
Amber	Failure to approve the upgrade prior to end of March leading to a price increase	<ul style="list-style-type: none"> • None
Green	Delay in rolling out new functionality leading to existing secure email and antivirus contracts rolling over to new contract year	<ul style="list-style-type: none"> • Deployment plan aligned to renewal dates • Staff support and adoption support available prior to release to staff
Green	Adoption by staff on new secure email solution	<ul style="list-style-type: none"> • Appropriate support and adoption plans in place • Staff training provided to service leads

Environmental implications

3.20. None

Equality implications

3.21. None

Procurement implications

3.22. The current Microsoft Enterprise Agreement awarded to Dell (LSP) was for 3 years which commenced 1st April 2022 and was due to expire on 31st March 2025. The council have decided to opt for the E5 ramp on the 2nd anniversary of the original Microsoft Enterprise Agreement DTA21 with locked discount for 3 years.

3.23. The original agreement had provision for the council to true-up (increase) or true-down (decrease) licence and also made provision for the council to move up from the current M365 E3 licence to the proposed E5 licence tier which is the council's preference and is permissible so long as the original contract includes a clear, precise and unequivocal review clause, and the overall nature of the Contract is not altered as a result of the change.

3.24. As the Microsoft 365 E5 Ramp amendment is being entered into after the commencement of the Enrolment, to enable the discount ramp over 3 years, the term of this Enrolment with Effective date of 1st April 2022 will be extended by 1 year to new expiry date which shall be 30 April 2027.

Workforce implications

3.25. None

Property implications

3.26. None

4. Background Papers

4.1. None