

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Thursday, 10 April 2025</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Microsoft Enterprise Agreement for Office 365 - Licensing Renewal
Purpose of Report:	To approve the approach to the renewal of the Microsoft Enterprise Agreement for Office 365 and related digital services
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Head of Digital
Elected Member and Officer Consultation:	Consultation has occurred with the Elected Member and support has been provided by the Head of Section 151 and via Ardal as the procurement support partner to the Vale of Glamorgan Council
Policy Framework:	This is a matter for Executive decision by Cabinet.
Executive Summary: <ul style="list-style-type: none"> <li>This report alongside the associated Part II report on the agenda requests Cabinet to consider and approve the approach to the renewal of the Microsoft Enterprise Agreement for Office 365 and related digital services.</li> </ul>	

## Recommendation

1. That Cabinet notes the contents of the report, with a view to taking decisions on the investment in the Council's ICT infrastructure as described in this report and the proposed route to market within the Part II report later on this agenda.

## Reason for Recommendation

1. To advise of the current position regarding the renewal of the Microsoft Enterprise Agreement for Office 365 and related digital services.

### 1. Background

- 1.1 The Council entered into a Public Sector (PA) Enterprise Agreement in 2021 for Microsoft E5 licensing, covering all Council end users. This agreement currently applies to approximately 2,460 users.
- 1.2 The adoption of the E5 license provided a significant uplift in both functionality and security, offering:
  - **Enhanced Productivity Tools:** Access to Microsoft Teams, Power BI, Power Automate, Power Apps, and other advanced features.
  - **Improved Security Capabilities:** Deployment of Microsoft Defender, data loss prevention measures, enhanced reporting and insight tools, and increased Virtual Private Network (VPN) security.
  - **Modernised Communication Infrastructure:** Implementation of Teams Telephony, improving connectivity and collaboration across departments.
  - **Increased Use of Cloud Services:** Expanded use of SharePoint and OneDrive, with ongoing work to optimise these platforms.
- 1.3 Cost savings have been achieved using the license model by reduction in the IT estate, which includes reduction in BT phone lines, third party VPN solutions, third party virus protection and third party email protection. An estimated cost to re-introduce these capabilities in the absence of the licenses is circa £250k.
- 1.4 Microsoft products form a core part of the Council's digital infrastructure, supporting remote and hybrid working models while ensuring compliance with industry standards. Microsoft Office is widely adopted across the UK public sector, with all 22 Local Authorities in Wales and over 98% of Councils in England utilising Microsoft solutions as the standard.
- 1.5 The existing Enterprise Agreement is set to expire in July 2025. The renewal cost was £927,147.08 in 2024.

## 2. Key Issues for Consideration

### Procurement

- 2.1 Microsoft licensing for public sector organisations is structured through a Memorandum of Understanding (MoU), known as the SPA 24 framework, released in October 2024 with significant cost savings per license for Public Sector organisations.
- 2.2 Under this framework, licensing costs are set at a fixed rate. Organisations of the Council's size are required to procure through a License Solution Partner (LSP) and are unable to deal directly with Microsoft.
- 2.3 LSPs can apply an additional margin to the base licensing cost, details of which can be found in the Part II report on this agenda. As licensing costs are standardised, procurement exercises provide limited potential for savings, with the primary cost variable being the LSP margin. Crown Commercial Services (CCS) state "Further price saving opportunities are limited to the variation of the Licence Solution Partner (LSP) margin, which is around 1% on average, regardless of the route to market or LSP a customer chooses."
- 2.4 To achieve economies of scale, CCS has facilitated an aggregation process. This approach enhances procurement efficiency and ensures compliance with regulations. This model of acquisition is aligned to the Digital Strategy and the recommendations from Audit Wales on digital sustainability.  
<https://www.crowncommercial.gov.uk/news/aggregation-helps-customers-make-savings-on-microsoft-licences>.
- 2.5 The financial details can be found in Part II due to commercial sensitivities, however the pricing achieved through aggregation exceeded the target discount set at the outset.
- 2.6 The latest CCS aggregation included: 15 Local Government Authorities, 7 Central Government organisations (agencies, NDPBs, arm's length bodies) and 10 Public Sector organisations (blue light, devolved, health). For the Local Councils it indicated a value for the LAs of approximately £22.150M.

### License Optimisation

- 2.7 To ensure the Council obtains value for money and optimises its licensing model, a utilisation profiling project commenced in Q4 2024. This project aimed to assess Microsoft product usage across departments and identify areas where licensing could be refined. Key considerations are described in the following paragraphs.:
  - 2.7.1 **Security Retention:** While security features remain a critical priority, replacing them would require a complex, multi-phase transition. Any review of security licensing will be considered at the next renewal in 2028.
  - 2.7.2 **Alternative Licensing for Frontline Staff:** Service areas have been engaged to ensure that employees with limited computer use (e.g., mobile-based workers) are allocated appropriate, lower-cost licenses.

- 2.7.3 **Exploration of Academic Licensing:** Discussions with Microsoft and partners have provided insights into academic licensing options, which offer potential cost reductions for eligible departments.
- 2.8 The profiling review has allowed us to offset the cost increase imposed by Microsoft between SPA21 and SPA24 whilst ensuring that the digital ambitions of the council are achievable.

### **Future Development**

- 2.9 The Council remains committed to maximising the benefits of Microsoft solutions as part of its broader digital transformation strategy. Future initiatives include:
- Expanding Power Apps Usage: Development of in-house applications to streamline operations and reduce reliance on third-party software.
  - Migrating the Staff Intranet to SharePoint: Enhancing document management and internal communication, reducing cost of alternative document management systems.
  - Reducing Long-Term Cloud Storage Costs: Transitioning data storage to SharePoint to optimise efficiency.
  - Exploring AI Integration with Microsoft CoPilot: Assessing opportunities for advanced AI-driven automation and process improvements.

## **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1 Long Term - Ensuring continued investment in modern digital tools enables the Council to communicate and collaborate efficiently into the future. This approach reflects a long-term commitment to financial sustainability in digital technology, ensuring the organisation remains adaptable to future demands, workforce changes, and emerging innovations.
- 3.2 Prevention - Maintaining up-to-date, cloud-based security measures strengthens the Council's resilience against cyber threats, safeguarding critical data and IT infrastructure. By proactively addressing cybersecurity risks, the organisation reduces the likelihood of service disruptions, data breaches, and compliance failures.
- 3.3 Integration - A unified digital platform enhances internal processes while improving collaboration with external partners and organisations. Seamless system integration reduces duplication, streamlines workflows, and ensures more efficient data sharing, ultimately improving service delivery across departments and partner agencies.
- 3.4 Collaboration - Strengthening collaboration across internal teams and with external partners creates efficiencies and enhances service coordination. By working closely with wider public sector organisations, the Council can achieve economies of scale, reduce procurement costs, and leverage shared expertise. The adoption of common digital platforms also fosters better interoperability, enabling a more connected and responsive public sector.

- 3.5 Involvement - Ensuring continued accessibility to digital tools allows all stakeholders—both internal and external—to contribute effectively to their goals. An inclusive approach to digital transformation supports engagement with staff, residents, and partner organisations, ensuring services are designed around user needs while driving greater adoption and positive outcomes.

## **4. Climate Change and Nature Implications**

- 4.1 The work of the Digital Service contributes to the Council’s climate change programme, Project Zero. Expanding our use of cloud environments which are designed to deliver storage and compute capabilities at the lowest carbon utilisation is key to this.

## **5. Resources and Legal Considerations**

### **Financial**

- 5.1 The financial details of the proposal can be found in the associated Part II report on this agenda.

### **Employment**

- 5.2 Microsoft 365 is a key element of ensuring that our colleagues have modern workplace technology delivered in a way that supports the wider needs of the organisation.

### **Legal (Including Equalities)**

- 5.3 It is recommended that Cabinet delegates authority to the Head of Digital, in consultation with the Executive Leader and Cabinet Member for Performance and Resources, to undertake the procurement of a three-year licensing arrangement via crown Commercial Services as described in this report, and delegates authority to the Monitoring Officer / Head of Legal and Democratic Services to execute the associated legal agreement.

## **6. Background Papers**

[Vale of Glamorgan Council Digital Strategy 2023-2028](#)