DECISION REPORT TO CABINET MEMBER

From: Lisa Gannon, Director of Technology

To: Brian Collins, Deputy Leader

Subject: Microsoft 365 Licences Enterprise Agreement and Azure Consumption 2026 – 2029

Decision no: 26/00012

Key Decision: Yes, this decision involves expenditure or savings of maximum £1m

Classification: Unrestricted

Past Pathway of report: N/A

Future Pathway of report: Cabinet Member Decision

Electoral Division: County-wide

Is the decision eligible for call-in? Yes

Summary: KCC have heavily invested in Microsoft technology, to support the current working arrangements and to ensure that the Council is able to access the full security protections now available by Microsoft. With the current contract nearing its expiration, it is proposed to enter into a new three-year contract beginning on 1 July 2026. The new contract will licence KCC for the full use of the MS tool set over the next 3 years and offers enhanced security. As the Council strategy is Cloud First, the Azure platform enables us to move away from on-premise storage to the Cloud.

Recommendation(s):

That the Deputy Leader consider the following proposal:

1. To enter into a new Microsoft licencing agreement for 3 years to meet KCC business and Infrastructure licensing requirements – including the Microsoft Azure Consumption; and

2. Delegate authority to the Director of Technology, in consultation with the Deputy Leader to take all necessary actions, including but not limited to, undertaking negotiations, finalising terms, entering into any required contracts or legal agreements, and executing all necessary or desirable documentation required to implement this decision.

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1. Introduction

1.1 This report outlines the proposal to enter into a new 3-year licencing agreement between July 2026 and June 2029. This agreement will also include the Azure Consumption.

2. Key Considerations

2.1 Since the Covid 19 pandemic, the Council's operating model and reliance on technology systems has shifted significantly. As a result, there is a continuing need to access the full capability of the M365 toolset, including the BI capabilities and external sharing with multiple agencies.

2.2 To support the current and future ways of working, continuation of the E5 licencing model is required, to ensure full access to business analytics (Power BI), additional external sharing functionality and enhanced security arrangements. Amongst other features, the E5 licencing arrangements enable KCC to benefit from the following features:

- Microsoft Teams Full Package including instant messaging, call functionality, voicemail, audio and video conferencing
- Enhanced analytics capability
- Identity and Access Management - enhanced control of user identities including the ability to detect vulnerabilities
- Advanced Threat Protection - providing addition protection for files, emails and outlook applications, real time checks if links and use of machine learning to identify trends.
- Advanced Data Governance with auto classification and labelling – includes scanning content to apply the appropriate governance protocols to data.
- Enhanced Cloud Security
- Additional support for secure external sharing

2.3 As the Council strategy is Cloud First, the Azure platform enables us to move away from on-premise storage to the Cloud.

2.4 In 2023, KCC entered into a 3-year contract with Bytes Software Services Ltd to provide corporate E5 licences and the Azure platform. The current contract and pricing come to an end in June 2026.

2.5 The new contract will be procured under the KCS (Kent Commercial Services) Framework Y23065 for Software Products and Associated Services.

3. Background

3.1 KCC have utilised the E5 licences since 2020, and there is a continuing need to access the full capability of the M365 toolset, including the BI capabilities and external sharing with multiple agencies.

4. Options considered and dismissed, and associated risk

4.1 Microsoft licencing is standard across the public sector and cannot be purchased directly, but only through a Licencing Solutions Partner. Following a procurement exercise undertaken in 2020, the Council has established a strong working relationship with the winning supplier, Bytes Software Services Ltd. This supplier also provides additional support in ensuring our licence and Azure estate is optimised and efficient.

4.2 Options considered:

- **Do nothing** – dismissed, as a licensing agreement is necessary for the day to day running of the Council. Microsoft licencing is standard across the public sector and cannot be purchased directly, but only through a Licencing Solutions Partner.

- **Run a procurement to enter into a new Microsoft licencing agreement with a new provider** – Microsoft licencing is standard pricing across the public sector. This would involve beginning a relationship with a new partner, whereby our current relationship is well established and trusted.

- **Enter into a new Microsoft licencing agreement with existing provider** – Following a procurement exercise undertaken in 2020, the Council has established a strong working relationship with Bytes Software Services Ltd. This supplier also provides additional support in ensuring our licence and Azure estate is optimised and efficient - *this is the recommended option.*

5. Financial Implications

5.1 Initial indication based on current usage is that the 3-year licencing costs (July 2026 – June 2029) will equate to approximately £12.3m and the Azure consumption will equate to approximately £3m. The contract costs will be accounted for within the Technology budgets through the third-party contract allocation.

6. Legal implications

6.1 The licensing agreement is for a Standard 3-year contract term with no extensions. This will be procured as a Direct Award through the KCS Framework Y23065 for Software Products and Associated Services. The framework runs from March 2024 to February 2028. This framework allows direct awards to its suppliers.

6.2 As this decision results in expenditure of over £1 million a Key Decision will be required.

7. Equalities implications

7.1 An Equalities Impact Assessment (EqIA) has been undertaken and has identified no direct equalities implications arising from this decision.

8. Data Protection Implications

8.1 A Data Protection Implication Assessment (DPIA) screener has confirmed that there are no DPIA implications and that a further DPIA assessment is not required in respect of this decision.

9. Other corporate implications

9.1 No corporate implications, this decision will not have any impact on other areas of the Council’s work.

10. Governance

10.1 A Key Decision is being sought in line with the Constitution and the Council’s governance processes. It is expected that the level of expenditure will be in excess of the delegated threshold and therefore a Key Decision is required.

10.2 Delegated authority is to be given to the Director of Technology, in consultation with the Deputy Leader, to take all necessary actions, including but not limited to, undertaking negotiations, finalising terms, entering into any required contracts or legal agreements, and executing all necessary or desirable documentation required to implement this decision.

11. Conclusions

11.1 KCC have heavily invested in Microsoft technology to support the current and future working arrangements and to ensure that the Council is able to access the full security protections now available by Microsoft. In order to secure these benefits, it is necessary to enter into a new 3-year contract from 1 July 2026.

Recommendation(s):

That the Deputy Leader consider the following proposal:

1. To enter into a new Microsoft licencing agreement for 3 years to meet KCC business and Infrastructure licensing requirements – including the Microsoft Azure Consumption; and

2. Delegate authority to the Director of Technology, in consultation with the Deputy Leader to take all necessary actions, including but not limited to, undertaking negotiations, finalising terms, entering into any required contracts or legal

agreements, and executing all necessary or desirable documentation required to implement this decision.

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12. Background Documents / Appendices

12.1 Appendix A - Proposed Record of Decision

12.2 Appendix B - Equality Impact Assessment

13. Contact details

Report Author: Tina Lloyd Job title: Commercial Lead Telephone number: 03000 41 47 45 Email address: tina.lloyd@kent.gov.uk	Director: Lisa Gannon Job title: Director of Technology Telephone number: 03000 41 43 41 Email address: lisa.gannon@kent.gov.uk