

Islington Digital Services
222 Upper Street,
London, N1 2UD

Report of: Corporate Director of Resources

Date: 17 May 2024

Ward(s): All

Subject: Combined strategy and contract award report for Enhanced Microsoft Security (EMS)

Contract Number

1. Synopsis

- 1.1. This report seeks approval for the combined procurement strategy and award to enhance Council's Microsoft security for a 3-year period commencing 13th May 2024 in accordance with Rule 2.8 of the Council's Procurement Rules.
- 1.2. The enhanced security equips the Council with the latest versions of the Microsoft laptop anti-virus/malware, proactive and instant response capabilities to external and internal threats, secure and filtered email protection.
- 1.3. These solutions will replace and consolidate three separate contracts into one and align with the Microsoft Windows Software Enterprise Agreement (MWSEA) that will commence 1 May 2024.
- 1.4. This procurement strategy and award will enhance the cyber security of the organisation by allowing us to manage Microsoft security through a central security dashboard with better insights into our security status.

2. Recommendations

- 2.1. To approve the combined procurement strategy and contract award for EMS to Phoenix Software Limited using the existing agreement, the Council has put in place for the MWSEA Crown Commercial Service (CCS) Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services via an aggregated competition.

- 2.2. To approve a contract, change notice request to the MWSEA agreement (mentioned in 2.1 above) to enable us to take advantage of competitive aggregated pricing and contract alignment under one agreement. To approve the contract alignment, this agreement will run alongside the MWSEA for three years which will allow for this innovative technology adoption whilst existing contracts end.

3. Date the decision is to be taken

- 3.1. **28 May 2024**

4. Background

4.1. Nature of the service

- 4.1.1. EMS will replace three existing solutions into a single vendor service that enhances the council's cyber security and integrates seamlessly with existing Microsoft technologies the Council already utilises. The products will include:

- **Microsoft Defender Experts for XDR:** A managed threat hunting service that combines expert-trained technology with human-led services to proactively hunt for threats across our environment.
- **Microsoft Defender for Office Plan 1:** Provides advanced protection against phishing, malware, spam, and business email compromise within our email and collaboration tools.
- **Microsoft Defender for Endpoint Plan 2:** Offers robust endpoint security capabilities, including detection, investigation, response, and vulnerability management.

4.2. Estimated value

- 4.2.1. There are three contracts that will off-set EMS as follows:

	Contract expiry	2023/2024
Mimecast	24/11/2024	£72,500
Egress	16/11/2024	£47,300
Managed SoC (Security Operations Centre)	19/06/2024	£75,000
		£194,800

- 4.2.2. Projected costs with current solutions are estimated as follows:

	2024/2025	2025/2026	2026/2027	Total
Mimecast	£72,500	£72,500	£72,500	£217,500
Egress	£52,000	£52,000	£52,000	£156,000
Managed SoC	£75,000	£75,000	£75,000	£225,000
Total Annual Cost	£199,500	£199,500	£199,500	£598,500
Growth and cost increase %	0	0	0	

4.2.3. We will be using the framework used to award the MWSEA that was approved by the Corporate Director of Resources on 25th January 2024 and published here: [Decision - Contract award for Microsoft Windows Software Enterprise Agreement | Democracy in Islington](#). A change request will be made to the supplier to take advantage of the supplier margin already agreed when awarding the MWSEA contract through the Crown Commercial Service (CCS) Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services.

4.2.4. The costs are based on the number of Council users (5,000 for benchmarking purposes). The user profile is comprised of permanent and agency staff and third parties who are granted access to our network for support or collaboration purposes. Therefore, projected costs are as follows:

	2024/2025	2025/2026	2026/2027	Total
Annual cost	£220,000	£220,000	£220,000	£660,000

4.2.5. Microsoft License costs are fixed at the point of commencement for three years. Following the extension of DTA21 to the end of October 2024, this means that the pricing is already defined. Licence numbers are closely monitored to ensure this reflects the true number of active users.

4.2.6. Therefore, considering the current spend and projected spend forecast we will see an overall 10% uplift from previous years in exchange for enhanced security.

4.2.7. By enhancing the Council’s cyber security, we are reducing the risk of a cyber-attack which in turn will save the council from potential fines or major costs for data/system recovery.

4.2.8. There are notable indirect benefits around organisational performance and efficiency of continued running services using Microsoft products. Council cyber-security colleagues are familiar with some Microsoft security suites. Additionally, the Microsoft security and products are integrated with core line of business systems. To ensure we pay the lowest margin and get best value, the reseller must also offer added value to the Council in terms of social value and auditing our requirements by offering guidance and support as required.

4.2.9. The products are mature and highly regarded by within the industry observers.

4.2.10. Two factors that have not been accounted for and will require change requests to this report in future:

- Changes in types of licenses and products that may be required throughout the term of the contract as either the Council’s requirements evolve or the Microsoft offering changes.
- Growth beyond 0% has not been accounted for years 2 and 3 where growth includes adding more licences for users and products.

Prices under the new MWSEA will be locked and fixed for the 3-year duration of the agreement, only a three-year agreement is available.

4.3. **Timetable**

- 4.3.1. Timescales listed in the timetable below need to be adhered to, as the Managed SoC service is coming up for renewal on **19th June 2024**.

Task	Date
Date of decision – signed report published on website	15 th May 2024
New contract commencement date	15 th May 2024

- 4.3.2. The current contracts expire as per 4.2.1. Note that procuring these ahead of expiry allows adequate time to onboarding new systems and decommission obsolete systems and services.
- 4.3.3. Failure to secure the EMS will result in administrative overheads for managing the renewal of the existing contracts.

4.4. **Options appraisal**

- 4.4.1. We will utilise the RM6068 CCS framework agreement that was used to award the MWSEA (which will commence 1st May 2024).
- 4.4.2. Alternative solutions have also been explored with other vendors; however, taking such an option would result in unconsolidated solutions, that will not be co-terminus.
- 4.4.3. G-Cloud and other frameworks have been explored also; however, the pricing structure is not as competitive.
- 4.4.4. Considering we have evaluated the CCS framework recently and awarded based on the results of aggregation exercise; by activating a contract change notice we will be able to simplify the procurement method as it has already been evaluated and approved.
- 4.4.5. An aggregated procurement is the joining of multiple public sector procurers. CCS have a dedicated aggregation team to manage and run aggregated procurements on behalf of the public sector. Aggregation is also known as collective buying. CCS uses aggregation to bring together customers with similar needs and get savings and favourable terms through their increased buying power. Aggregated procurements save time and money because CCS runs the procurement, so there is little administration for buyers to deal with.
- 4.4.6. CCS ran the further competition on our behalf, which freed up resource. The aggregated procurement through a further competition managed by the CCS aggregation team on our behalf will offer the following benefits.

- Future cost avoidance through fixed costs

- Better value for money through increased buying power
- Legally Compliant route to market with procurement run against tried and testing operating procedures that the reseller market is familiar with.
- Reduced operational bidding costs for the council.

4.5. **Key Considerations**

- 4.5.1. Delivering a contribution to the Council's social value objectives is included within this procurement strategy and award. As part of the procurement exercise that was undertaken by CCS via Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services the successful reseller demonstrated wider benefits regarding social value within the sphere of their operations. The priority theme for the CCS aggregation was tackling economic inequality. Resellers were required to set out activities that they would be able to undertake that could be made relevant to any public sector buyer participating in the aggregation.
- 4.5.2. The successful reseller submitted a social value plan detailing how the social value asks that could be applied to participating public sector organisations. A commitment by the reseller to pay at least the London Living Wage is a condition of the specific terms within the agreed change notice with the successful reseller. This was all captured in the MWSEA requirements.
- 4.5.3. The reseller will be expected to provide outcomes regarding the following.
- Increasing supply chain resilience and capacity
 - Support for new businesses, jobs, and skills
 - Supportive learning, development, and skills opportunities
 - School technology development and infrastructure

These outcomes will involve promoting and creating employment and skills offerings through provision of local initiatives including but not limited to apprenticeships, and work experience, participation in careers fairs and/or supporting SMEs. The social value plan to realise these expectations is attached as an Appendix to this report.

- 4.5.4. Whilst this is a contract change notice for a software licensing agreement, part of the service delivery includes cloud-based services from Microsoft. Microsoft made a commitment in 2020 to being Carbon 'negative' by 2030 and by 2050 to remove all the carbon the organisation has emitted since it was founded in 1975. Resellers on Technology Products & Associated Services RM6068 – Lot 3 Software and Associated Services are committed to carbon reduction plans.
- 4.5.5. TUPE will not apply to this procurement.

4.6. **Evaluation**

- 4.6.1. The aggregated competition was for a procurement process managed and owned by CCS. The evaluation weighting set by CCS was based on consultation with the wider public sector.

The evaluation envelopes were structured and evaluated as follows.

- Qualification Envelope - key participation requirements – Pass/Fail
- Technical Envelope - Social Value scored –10%
- Commercial Envelope – Pricing Scored – 90%

- 4.6.2. The commercial envelope prices received from CCS post-competition were then evaluated by the Council based on the number of users and applications required for the agreement term, inclusive of reseller fees and volume discounts.

4.7. **Business risks**

- 4.7.1. We will be replacing systems and services that are well embedded into the Councils infrastructure. Ensure there is no service disruption or degrading in the cyber security provision, we will be running the new EMS in parallel with the existing solutions and do a phased transition.
- 4.7.2. There is an opportunity to consolidate contracts and reduce the number of suppliers we use.
- 4.7.3. Every effort will be made to ensure there is no service disruption, configurations will be replicated where possible. Tweaks will still need to be made before and after the systems go live. Where possible, batches of users will be migrated for pilot purposes. We will also engage with Microsoft specialists to assist with the migrations.
- 4.7.4. The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale, or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 4.7.5. If we do not proceed with this, we will need to maintain multiple contracts with three separate vendors. Considering ever increasing cyber security threat landscape, we will need to procure additional services to protect our environment.
- 4.7.6. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	Enhanced Microsoft Security (EMS) See paragraph [4.1]
2. Estimated value	The estimated value per for FY 24/25 is £220,000 The estimated value per for FY 25/26 is £220,000 The estimated value per for FY 25/26 is £220,000 Total agreement value for agreement duration £660,000 The agreement is proposed to run for a period of 3 years with no optional extension/s and aligned with MWSEA
3. Timetable	See paragraph 4.3
4. Options appraisal for tender procedure including consideration of collaboration opportunities	See paragraph 4.4
5. Consideration of: <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions, and other staffing implications 	See paragraph 4.5
6. Award criteria	<ul style="list-style-type: none"> • Technical Envelope - Social Value scored –10% • Commercial Envelope – Pricing Scored – 90% See paragraph 4.6
7. Any business risks associated with entering the contract	See paragraph 4.7
8. Any other relevant financial, legal, or other considerations.	See paragraph 5

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5. Implications

5.1. Financial Implications

5.1.1 The current budget for the Enhanced Microsoft Security (EMS) services is £0.194m per annum. The projected cost of this contract is forecast to £0.220m for the first year (2024/25), 14% (£26k) higher than the budget. This will be met from the Digital Services contract inflation allocation for 2024/25. This is marginally cheaper (£4k) than the current solutions (£0.224m).

5.1.2 The cost is fixed over the three-year contact period on a per licence basis for the products in the specification. Any additional licences or addition of products will increase the cost accordingly, this would be met from the budget for contact inflation in the first instance. However, if there was insufficient funding, cost reductions would need to be identified elsewhere to fund it. Where additional products are being considered this should be subject to a business case.

5.1.3 These comments were written by Tim Partington, 24th April.

5.2. Legal Implications

5.2.1. The Council is entering into a change notice from a compliant framework agreement set up by the Crown Commercial Services for the procurement of licences to renew the Council's Microsoft Windows Software Enterprise Agreement ("MWSEA"). The framework agreement is for Technology Products & Associated Services RM6068, and the Council is awarding under Lot 3 Software and Associated Services. The successful supplier was selected following a mini competition. Although RM6068 has expired, Lot 3 has been extended to 30 April 2024 and it is critical that the change notice to the contract is entered into by this date.

5.2.2. Once entered into, the contract can be varied by completion of Schedule 2 setting out the proposed variation, reason for it and the value of the variation. The completed Schedule needs to be signed by both parties to be effective.

5.2.3. If the mini competition provided for this modification in clear, unequivocal terms, this will be a modification permitted by regulation 72 (1) (a) of the PCR 2015. If not, this modification is a major change (i.e., additional works, services or supplies by the original supplier "have become necessary" and a change of supplier cannot be made for economic or technical reasons or would involve substantial

inconvenience/duplication of costs). Such a modification is limited to 50% of the original contract price. The value is £4,871,530 and the modification value of £752,400 is well below the 50% limit, so this will be a permitted modification under regulation 72 (1) (b).

- 5.2.4. The proposed modification of the change notice to procure the Enhanced Microsoft Security as set out in this report is therefore compliant with the PCR 2015. A Notice of modification of a contract during its term will need to be published.
- 5.2.5. Paragraph 18.1 of the Procurement Rules requires this contract award decision to be signed off by a Corporate Director as having responsibility for awarding contracts paid for using revenue money of up to £2,000,000. Paragraph 33 requires a record of all variations to be issued in writing and sent electronically to Strategic Procurement and Supply Assurance. Commissioning officers must file a copy on the contract file and highlight any risks to their manager or any other affected department.
- 5.2.6. Written by Sally Sugden, Senior Commercial Contracts and Procurement Lawyer - 04.04.24

5.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

- 5.3.1. The main environmental impact of this contract is the electricity used by the cloud servers hosting the software. However, Microsoft Cloud services are up to 93 percent more energy efficient and up to 98 percent more carbon efficient than traditional enterprise data centres. Compared to virtualised, high-end data centres, the Microsoft Cloud delivers big gains in energy efficiency and reductions in carbon emissions. Microsoft also made a commitment in 2020 to being Carbon 'negative' by 2030 and by 2050 to remove all the carbon the organisation has emitted since it was founded in 1975. Further detailed information is available here: [Our Sustainability Journey | Microsoft CSR](#)

5.4. **Equalities Impact Assessment**

- 5.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and

promote understanding.

- 5.4.2. An Equalities Impact Assessment was completed on **01/03/24**. The main findings are: As this is a software and service agreement, this will not have any impacts of protected groups. The full Equalities Impact Assessment is appended.

6. Conclusion and reasons for the decision

- 6.1. Various security services/products are coming up for renewal through Q3 and Q4 of 2024. Recommendation is to replace these with Microsoft services that will enhance our cyber security and reduce the number of contracts and vendors we use.

7. Record of the decision

- 7.1. I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Authorised by: **Corporate Director of Resources**

Date: 5 June 2024

Appendices: None

Background papers: None

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