ITEM No …9………..

REPORT TO: CITY GOVERNANCE COMMITTEE – 20 APRIL 2026

REPORT ON: TENDER APPROVAL FOR RENEWAL OF MICROSOFT ENTERPRISE AGREEMENT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 69-2026

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide details of the outcome of a procurement process and seek approval of a contract award for renewal of the Microsoft Enterprise Agreement and licensing for Microsoft products.

2. RECOMMENDATION

2.1 It is recommended that the Committee:

a) notes the information in this report and

b) approves the award of contract to Phoenix Software following a competitive procedure, which was carried out as outlined in Section 6 of this report, in compliance with the Public Contracts (Scotland) Regulations 2015.

3. FINANCIAL IMPLICATIONS

3.1 The approval of this award would result in estimated costs of £3.3m over the period of the extended contract.

3.2 The estimated cost of £3.3m over the proposed contract period has been benchmarked against the Council's previous Microsoft Enterprise Agreement, which was entered into in 2023 for a period of 3 years at a total cost of approximately £2.9m. While direct comparison is influenced by changes in licensing models, increased adoption of cloud services, and the inclusion of additional products such as enhanced security, analytics and AI-enabled capabilities, the current agreement represents a continuation of best value within a significantly expanded scope of service and functionality. Microsoft license costs are fixed for the period of the agreement, therefore price increases that have been enforced by Microsoft since 2023 are now being imposed on the licenses in the new agreement. The pricing achieved through the collaborative procurement approach (as outlined in Section 6) further supports value for money when compared to market benchmarks.

3.3 The Executive Director of Corporate Services has confirmed these costs can be met from the approved Capital Plan 2025-26. The costs of £2.36m will be funded in years 2026-27 to 2028-29 from the Purchase Desktop Collaboration Platform line of the Design a Modern Council section of the approved plan.

3.4 The net revenue cost implications associated with this expenditure are expected to be £940,000 over the 3-year contract term, and will be funded from existing IT revenue budget. Revenue Budget 2026-27 to 2028-29.

4. BACKGROUND

4.1 The Councils Standing Orders and Schemes of Administration for Financial Regulations, Tender Procedures and Delegation of Powers to Officers were previously approved by elected members (Article V of the minute of meeting of the City Governance Committee of 22 September 2025, Report 293-2025 refers). This document includes the arrangements for procurement, and within Schedule 1 of the Contract Standing Orders, this includes a requirement that when proposing to enter into contracts in excess of £0.300m, then approval must be given by elected members. The details of the proposed contract together with how this contract has been procured along with any other wider benefits to the Council are set out within this report.

5. DETAILS OF THE PROJECT BEING COMMISSIONED

5.1 This report supports the Council's IT Strategy which was approved at the City Governance committee on 4 March 2024 (Article VIII of the meeting of the committee refers). The Councils IT strategy sets out to deliver secure, robust, and affordable IT platforms. Helping to enable digital services, mobile and flexibly accessible services with best value technology products and a cloud first approach.

5.2 Dundee City Council currently uses Microsoft licenses across much of its IT infrastructure, desktop computers and laptops. These licenses cover Microsoft 365 Suite, Windows Server, SQL Server databases, MS Copilot, Power Bi, MS Project and Visio as well as client access licenses.

5.3 Microsoft technologies are fundamental to the operation of the IT Service. Significant investment has been made in Microsoft technologies to support hybrid working, collaboration, digital communications, document management and email. The core Microsoft Office tools are widely used for word processing, spreadsheets, and presentations. Most of the Council's core databases are also hosted using Microsoft technology.

5.4 Microsoft 365 is a cloud-based productivity, collaboration, and security platform that provides modern communication, document management, data protection and compliance services. Across the Council, M365 is the core digital workplace platform, supporting day-to-day operations, hybrid working, and secure access to information from any location, making applications and data available securely on mobile devices.

5.5 The Microsoft platform provides significant benefits both to Council services and to the IT function. For services, it enables consistent and familiar tools that support productivity, collaboration and communication across teams and organisations. Applications such as Teams, SharePoint and OneDrive allow colleagues to work more effectively across locations, reduce duplication of effort, and improve access to information, supporting better and faster decision making. The integration of tools such as Power BI and Copilot also supports a more data-driven approach to service delivery and performance management.

From an IT infrastructure perspective, the Microsoft cloud platform provides a secure, resilient and scalable environment, reducing reliance on on-premise infrastructure and enabling more efficient management of systems and updates. It supports improved cyber security through built-in protection, identity management and compliance capabilities, while also providing a standardised platform that reduces complexity, improves interoperability, and supports the Council's cloud-first approach.

5.6 The Microsoft 365 cloud application suite is widely used in the public sector in Scotland. This has enabled more secure and efficient collaboration with partner organisations such as the NHS. There are only a few alternatives to Microsoft technologies that would meet Council requirements. A change in provider of suitable technologies would require a significant investment in time, money and staff training. It would represent a considerable risk to Council services and is not feasible to make a change at this time.

6. SOURCING STRATEGY SUMMARY

6.1 An aggregated procurement exercise was carried out by Crown Commercial Services in collaboration with Scotland Excel and the Digital Office for Scottish Local Government. Dundee City Council participated in this exercise and achieved an estimated 2.66% saving over the benchmarked pricing, based on the 3-year term of the Microsoft agreement, compared to the

Council going to market alone.

6.2 In parallel to this procurement, there is an ongoing national initiative led by Scotland Excel, in collaboration with the Improvement Service and the Digital Office for Scottish Local Government, to explore a collective approach to procuring Microsoft 365 licensing on behalf of all Scottish local authorities. Dundee City Council has been actively engaged in this work to help shape a potential national solution. However, at this stage the initiative has not yet been finalised and no financial benefits are currently being realised. The Council will continue to participate in these discussions and will consider any future opportunities that may deliver additional value.

6.3 The procurement exercise was carried out via the Crown Commercial Services Technology Products and Associated Services framework agreement (RM6098) Lot 3: Software. License costs purchased in the agreement are fixed for the 3-year term. This mitigates the risk of license price increases during the term of the agreement.

6.4 Procuring Microsoft 365 cloud platform supports delivery of the Council Plan and Digital strategy to Design a Modern Council. It is critical infrastructure for information security and organisational resilience, providing a robust, highly available, scalable and secure platform for communication, collaboration and data storage.

7. RISK ANALYSIS

7.1 There are four standard risks in any procurement and for public sector regulated procurements, a fifth is added, that of the procurement exercise itself breaching the public contract regulations and leaving the Council open to a legal challenge.

Description of Risk	Actions to be taken to manage Risk
Commercial Risk – That either the price objectives are not achieved up front or there are other costs that arise during the contract and diminish the overall benefits.	Competition carried out via aggregated procurement on national supply framework (CCS), to ensure maximum opportunity for best value. Estimated costs and requirements are known from market research and current license costs.
Technical Risk – This concerns the difficulty in being able to specify the desired outcome and on the market being unable to deliver to the specification.	Many suppliers are available within the framework Lot. Microsoft licensing is well established in the market. Licensing already in place, risks are known and managed.
Performance Risk – This concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits.	An incumbent supplier has won the new contract. Risk is minimal due to existing relationship and minimal change to service management.
Contractual Risk – Being able to remedy the 's shortcomings in the contractor's performance without severely damaging the contract and about avoiding reliance on the contracted supplier as the contract develops.	The contract will be managed through a Crown Commercial Service framework call-off arrangement, which includes provisions to mitigate supplier dependency and support exit planning. This will ensure that data portability, service continuity and the ability to transition to an alternative supplier at contract end are maintained, reducing risk.
Procurement Risk – where a procurement is found unsound in law, through the public procurement rules.	The procurement exercise was carried out in compliance with the Public Procurement (Scotland) Regulations 2015 and in accordance with the Framework call-off rules.

8. CONCLUSION

8.1 It is recommended that the contract award is made to Phoenix Software for the period of 3 years.

9. POLICY IMPLICATIONS

9.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

10. CONSULTATION

10.1 The Council Leadership Team were consulted in the preparation of this report.

11. BACKGROUND PAPERS

11.1 None.

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **20 APRIL 2026**