

**NHSBT Board**  
November 2018

**Microsoft Office365 Agreement Renewal**

**1. Status – Official**

**2. Executive Summary**

NHSBT uses Office 365 Online services from Microsoft to deliver:

- Email through Exchange Online
- Collaboration through SharePoint
- Office productivity suite (Word, Excel, PowerPoint and Access 2016)
- Communications through Skype for Business

NHSBT have an opportunity to engage in an early renewal of its Office 365 Online services agreement which is being driven by planned Microsoft price increases in January 2019 and the high level of discount being offered. The current agreement was acquired in July 2016 and terminates in June 2019. The early renewal will not alter the dates of the established agreement and the one to replace it, and it will not change the schedule of payments nor will there be any need for early payment.

The tender response costs provided to NHSBT demonstrate price parity with those NHSBT negotiated with Microsoft in 2016. This cost absorbs the price increase Microsoft introduced in January 2017 and those being brought in Jan 2019. These combined price increases average around 20% although it is difficult to pinpoint exactly as each product/service has a different rate of increase.

The tender response cost of the three-year renewal is ~£1.22M per year. Whilst, the tender response from Microsoft partners provides a firm price the final cost will be determined once the contract is locked and signed with Microsoft.

**3. Action Requested**

**The Board is asked to:**

- **Approve the renewal of NHSBT's Microsoft Agreement from July 2019 with Microsoft for a period of three years up until June 2022 at a cost of £1.22M per annum +/- 5%. Final prices will be locked once the contract is signed. The 5% tolerance is to accommodate**

**any price changes due to finalisation of the contract with Microsoft. It is highly unlikely the 5% tolerance will need to be exercised.**

#### **4. Purpose of the paper**

4.1 The purpose of this paper is to request approval from the Board to renew NHSBT's Microsoft Office365 Agreement for 3 years at a cost of £3.66M.

#### **5. Background**

5.1. In July 2016 NHSBT commenced a new agreement for Microsoft Online services and On-Premise software licences.

5.2. This was the beginning of a three-year service contract with Microsoft ending in June 2019 with no options to extend further. Service provision to date has been good with no significant service outages. Enhancements to Online services occur regularly providing NHSBT access to new services or enhancements to existing ones. The Online services provide NHSBT with an 'evergreen' platform thus enabling NHSBT to exploit new capabilities.

5.3. The Contract award in 2016 included a broad set of services and licences to on-premise software:

- Email services for 100GB mailbox
- Office Productivity suite for all employees to be used across 15 devices (NHSBT issued and personal devices)
- SharePoint for document collaboration
- OneDrive with 1TB of storage for all employees
- Skype for Business for 1:1 conferences/meetings or 1:Many
- On-Premise software licences for Data Centre servers and management tools
- Windows 10 licences for all NHSBT devices
- Project and Visio licences

5.4. Crown Commercial Services have negotiated an agreement with Microsoft: The Digital Transformation Arrangement, this commenced on 1<sup>st</sup> May 2018 and will run for 3 years to 30<sup>th</sup> April 2021. This arrangement provides concessions on prices for a range of Online services, each service has its own price concession thus making it difficult pinpoint an overall discount – as a rough guide this delivers an average discount of 15-20%. NHSBT are being offered around 58% discount for renewing before December 2018.

5.5. At the time of establishing the original agreement in 2016, Microsoft was keen to acquire NHSBT as a customer on its Office 365 platform and NHSBT used this as a leverage to get a good concession. Renewing the

agreement in June 2019 may or may not allow NHSBT to negotiate a good discount, conditions prevailing at time may be different.

## **6. Proposal**

- 6.1. It is proposed that NHSBT takes up the early renewal to take advantage of the price being offered. This will ensure continuity of access to Microsoft Online services and required on-premise licences until June 2022 at a cost of £1.22M per annum.
- 6.2. The early renewal provides compelling savings, list price renewal cost is ~£5.6M over 3 years. This provides NHSBT a saving of £2.0M against list pricing.

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