

Report to CABINET

Contractual Arrangements – Azure Cloud Contract – Microsoft

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance, Corporate Services and Sustainability

Officer Contact: Fiona Greenway – Executive Director of Resources

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Date: 15 December 2025

Reason for Decision

To enter into a new call-off contract under a procurement compliant framework agreement in accordance with Contract Procedure Rules to support the ongoing use of Microsoft Azure Cloud for 3 years.

Executive Summary

The report seeks approval to enter into a call-off contract with Microsoft to provide the ongoing use of Azure Cloud, subject to budget approval.

The current contract for the Council's Azure environment will expire on 1st December 2025; however, the Council requires continued use of the Cloud environment and, therefore, a replacement contract is required to commence immediately following the expiry of the current contract.

This report also outlines the progress of the Council's cloud migration strategy, which aligns with Oldham's Corporate Plan "Ready for the Future" (2024-27) and Borough Plan "Pride, Progress, Partnership." These plans emphasise ambition through modernisation, inclusiveness by improving service delivery to all residents, and strength via enhanced resilience, sustainability, and supporting green initiatives like those highlighted in recent Greater Manchester Green City Region Board visits to Oldham.

Phase 1 of the migration is nearing completion, with significant progress in moving servers and storage to Azure.

Phase 2 is forthcoming and will be detailed in a separate paper will complete the transition, allowing the Council to fully move away from on-premises server rooms, realising cost savings, improved cybersecurity, and operational efficiencies. This approach mirrors successful migrations by other UK local authorities, such as Manchester City Council, Oxford City Council, and Bury Council, which have adopted Azure to modernise infrastructure, reduce costs, and enhance service delivery. Phase 2 will also incorporate the Microsoft Intelligent Data Platform, providing unified data management, real-time analytics, AI integration, and enhanced governance for better decision-making and service delivery.

We will be enabling Azure Sentinel which is Microsoft's cloud-native Security Information and Event Management (SIEM) and Security Orchestration Automated Response (SOAR) solution. Increasing our security posture further

Recommendations

Approve a direct award Call-Off Contract under Crown Commercial Services, RM6098 Framework Technology Products & Services Lot 2 Software, for a 3 year term, largely on the call-off terms and conditions prescribed by the Framework Agreement and delegate authority to the Director of Legal Services to formalise any relevant legal requirements, including the execution of the Call-Off Contract as a Deed

Continue with the cloud migration to achieve full cloud adoption by 2027/28 and enable Microsoft Azure Sentinel.

1 Background

1.1 The Council entered a Call-Off Contract with Microsoft, approved by Cabinet in October 2022, for Microsoft Azure migration. The total contract value for Azure is currently £1,027,950 for a 3-year term.

AZURE CALL OF COSTS TO DATE since 2022		
Item	Duration	Cost
Original Projected Consumption costs for 3 years	November 2022 to November 2024	£598,950
DDR - Additional Microsoft Azure Consumption	December 2024 to June 2025	£216,000
DDR - Additional Microsoft Azure Consumption	July 2025 to October 2025	£144,000
New Projects Azure costs	2024 to 2025	£69,000
Remaining Consumption Allocation	On October 2025	£0.00
Total		£1,027,950

As part of the Council's ongoing IT modernisation project, the Council is transitioning from on-premise physical servers to Microsoft Azure cloud services. Phase 1 of the cloud migration was in line with the Data Centre Migration project, which is now nearing completion, with the aim of closing the Civic Centre data centre and moving approximately 68% of servers and 85% of storage to the cloud. This transition will enhance our security, reliability, and flexibility.

As more systems have migrated to Azure, our storage usage has increased under the current contract, alongside natural growth in demand.

As a result, Azure current consumption costs are £34k with a 12% discount. This equates to an anticipated annual spend of approximately £432,000. IT Colleagues continue to review the Azure consumption and where possible use FinOps to maximise the business value to cloud technology.

IT recently engaged a third-party Microsoft partner to conduct a complimentary health check of the Council's Azure environment. This review will include:

Cost Analysis: Integration of monthly Azure costs to ensure the Council is receiving the best possible pricing and identifying any potential savings.

Optimisation Recommendations: Expert advice on how to maximise the use of the cloud environment, ensuring resources are being utilised efficiently and in line with best practices.

The main objectives of the health check are to ensure the Council is leveraging Azure to its full potential, identify opportunities for cost savings and improved efficiency and validate that the Council's cloud environment is secure, compliant, and future-ready.

Migration Progress Overview

Based on current data:

On-Premises Resources: 36 servers utilising 6 TB of storage.

Azure Resources: 259 Virtual Machines (VMs), of which 179 are servers utilising 135 TB of storage.

Notes:

Oldham's Corporate Plan "Ready for the Future" (2024-27) and Borough Plan "Pride, Progress, Partnership" focus on three key goals: ambition (through innovation and modernisation), inclusiveness (ensuring equitable access to services), and strength (building resilient communities). Cloud migration to Azure supports these by enabling scalable digital services, reducing environmental impact through energy-efficient cloud operations, and enhancing cybersecurity to protect resident data, key to community

cohesion and sustainability initiatives, such as those emphasised in recent council activities around green spaces and Northern Roots.

Other considerations:

- a. Community Cohesion Implications, including crime and disorder implications under Section 17 of the Crime and Disorder Act 1998: Enhanced cybersecurity in Azure reduces risks of data breaches, supporting safer digital services for all communities.
- b. Risk Assessments: Risks include migration downtime; mitigated through phased approach and health checks.

2 **Current Position**

2.1 Phase 1 migration is nearing completion, this has already improved service reliability and flexibility.

Oldham Council's current Microsoft Consumption contract ends 1st December 2025 and we need to renew for a further 3 years, Projected costs are included in the finance section 6.1.

3 **Options/Alternatives**

3.1 **Option 1: Do Nothing.**

Choosing not to provide additional funding would mean that the Council cannot continue to use Microsoft's cloud services. This would result in immediate loss of access to all the business systems currently hosted in the cloud, which would cause severe disruptions. Critical services would need to switch to manual processes, significantly delaying day-to-day activities and causing major inefficiencies in service delivery.

Service Impact: The Council will face severe disruptions if the recommended option is not approved. Most of the systems that residents and staff rely on would become unavailable. This would negatively impact the Council's ability to serve residents and maintain essential operations, forcing a return to manual processes for some functions, which would be inefficient and unsustainable.

Option 2: Enter into a new Microsoft call off contract for 3 years, to include the Unified Premium support.

- Complete the migration of remaining on premise servers to Azure.
- Enable Azure Sentinel for SIEM and SOAR use, enhancing Oldham's security and threat detection.

Maintain the Current Level of Resources: The systems we've already moved to

Microsoft Azure are crucial for the Council's daily operations. To ensure we can continue using them without any disruptions, we need to allocate a budget to cover the cloud services used in Microsoft Azure. These services include storage, computing power, and other technical resources that ensure our systems stay online and accessible.

Supporting the Ongoing Migration: We're moving more systems to Microsoft Azure. This aligns with the Council's "cloud first" policy, which prioritizes cloud technology over traditional on-site servers. Additionally, as the Civic Centre is being vacated, we need to ensure that all our business systems are fully migrated to the cloud to remain accessible and functional once we no longer use the Civic Centre's data centre. The allocated budget will support the necessary technical resources to continue and complete this transition.

4 Preferred Option

4.1 Option 2: Enter into a new Microsoft Call off Contract and proceed with full migration to Azure. Phase 2 is being scoped to achieve 100% cloud adoption, this will allow decommissioning of server rooms, saving on energy, maintenance, and real estate. Future cost savings include 20-30% reductions through Azure reservations, Hybrid Benefit, and better cost management. Optimisation strategies: Shut down unused resources, right-size VMs, use savings plans, autoscaling, and storage tiering. These will reduce ongoing costs while enhancing performance, as demonstrated by local government migrations like Node4's support for UK councils, achieving reduced costs and improved scalability.

Cybersecurity benefits include proactive threat intelligence and compliance tools, reducing risks and supporting Council strength priorities. Renewed Microsoft Contact. Continuation of Azure Cloud Services and assessments for further optimisation.

Enable Oldham's use of Azure Sentinel which is Microsoft's SIEM and SOAR solution.

5 Consultation

5.1 Consulted IT teams, third-party Microsoft partner, and senior leaders. Views: Strong support for full migration due to alignment with priorities like sustainability and efficiency. Response: Incorporate health check recommendations into Phase 2 planning.

6 Financial Implications

6.1 Full migration enables significant savings: Elimination of on-premises hardware costs (e.g., maintenance, power), 3-year reserved cost model for Azure, and optimisation yielding circa 20% reductions via strategies like Instance reservations and right-sizing.

6.2 Our current spending in Azure is around £33.9k per month including the 12% Microsoft Discount, (£38.6K with no discount).

The additional increase moving off premise will increase the projected monthly spend in Azure to £34.1k per month including the 15% discount (£40.1k with no discount). We will be re-accessing in a separate Phase 2 cloud paper, to bring this monthly spend down with additional optimisation and consolidations.

Microsoft has introduced a revised Strategic Partnership Agreement (SPA) for public sector customers called SPA24 and provides Oldham with a revised 15% discount instead of the current 12% for Azure costs.

Enabling Azure Sentinel will increase the Azure costs by £60k per year. The Microsoft Unified Premium Support Contract is expected to cost £112k per year.

6.3 Summary Expected Costs are shown below.

Item	Costs Year 1	Costs Year 2	Costs Year 3
Azure Consumption Costs for 3 years; Based on £40.1k per month spend	£481,200	£481,200	£481,200
Microsoft Azure Sentinel	£60,000	£60,000	£60,000
Microsoft SPA24 Discount 15%	-£81,180	-£81,180	-£81,180
Microsoft Unified Premium Support Contract	£112,000	£112,000	£112,000
SubTotal	£572,020	£572,020	£572,020
TOTAL Costs Required (3 years)			£1,716,060

7 Legal Implications

- 7.1 Provided the Council follows the direct award procedure set out in Contract Procedure Rule 8, there are no legal barriers to proceeding with the proposed direct award and contract execution under the CCS Framework, which is a legally compliant framework agreement established in accordance with the Public Contracts Regulations 2015. Procurement has confirmed that the framework expressly permits direct awards and that value for money requirements have been met. Accordingly, a direct award under the framework is lawful and compliant, and a separate competitive tender process is not required.

Legal Services will be available to review the Council-specific requirements of the call-off contract, such as data protection, information security, confidentiality, and liability provisions, prior to execution, to ensure alignment with the Council's standard contractual risk position and compliance with the data protection legislation

Pamela Nsofor (Solicitor)

8. Procurement Implications

- 8.1 Commercial Procurement Unit requests approval to direct award the AZURE Microsoft licensing contract to Insight Direct (UK) Ltd under the terms of Crown Commercial Services, CCS RM6098 Lot 2 Software, this is a compliant public sector framework agreement, details as follows:

Agreement ID RM6098

Start date 10/10/2023

End date 09/10/2027

Regulation PCR2015

Agreement type PCR15 Framework

Justification for Direct Award:

Framework Compliance: Insight Direct is an approved supplier under the Crown Commercial Services RM6098 Framework Technology Products & Services Lot 2 Software, which permits direct award without further competition.

Continuity and Risk Mitigation: Insight Direct is the incumbent supplier and has demonstrated reliable performance. A change in supplier could introduce unnecessary disruption and risk to critical services.

Value for Money: Pricing under the CCS RM6098 framework is pre-negotiated and benchmarked, ensuring competitive rates and full cost transparency. The Crown Commercial Service, in collaboration with Microsoft, has established the Strategic Partnership Agreement 2024 (SPA24). This agreement supports digital transformation across the UK public sector by offering consistent and equitable pricing. Under SPA24, all eligible public sector organisations, regardless of size, benefit from the same level of discount. Notably, Microsoft Azure services for the Councils annual spend will attract a 15% discount, deliver significant savings and ensuring value for money.

Efficiency and Timeliness: A direct award ensures no lapse in licensing coverage and avoids delays associated with a full tender process.

Strategic Relationship: Insight Direct (UK) Ltd is a highly accredited Microsoft partner and an authorised Cloud Solution Provider (CSP). This status enables them to sell and manage Microsoft cloud products, including Azure and Microsoft 365, while offering direct support and value-added services. As one of Microsoft's top 1% global partners, Insight is recognized for its excellence in cloud migration, solution development, and public sector engagement. Their strategic alignment with Microsoft ensures trusted delivery, technical expertise, and access to the benefits of the Strategic Partnership Agreement 2024 (SPA24).

Senga Henstock, ICT Senior Buyer

9 Equality Impact, including implications for Children and Young People

- 9.1 No Impact.

10 Key Decision

- 10.1 Yes.

11 Key Decision Reference

- 11.1 FCR-09-25.

12 Background Papers

12.1 No background papers.

13 **Appendices**

13.1 N/A