

Cabinet – 14 December 2016

Microsoft Enterprise Agreement for Subscription Licenses

Portfolio:	Councillor Nawaz, Personnel and business support
Service:	Information, Communication & Technology
Wards:	All
Key decision:	No
Forward plan:	No

1. Summary

- 1.1 In order to ensure continued use of Microsoft licensed software products, the Council is required to have a new Microsoft Enterprise Agreement for Subscription Licences (ESA) in place no later than Friday 27 January 2017; 30 days before the expiry of the current agreement.
- 1.2 For the new agreement, in line with the changing workforce the number of device licences has been decreased by 30% and user licenses by 20%. The reduction in licences on the new agreement has not realised any savings as (a) Microsoft prices have steadily increased since February 2014 the Council has been protected from these increases by current and (b) a change in the way certain products are licensed has resulted in the new agreement requiring more licences than the current agreement.
- 1.3 If the Council commits to the new ESA before end December 2016 then it will avoid further price increases ranging from 13%-22% which will be levied by Microsoft on 1 January 2017.
- 1.4 Without an ESA in place, the Microsoft applications and systems licensed by the current ESA will expire and will not be available after 28th February 2017 as they will not be legally licensed for use; this affects the use of all Council desktops, laptops and Wyse devices and systems including the Website, Email, iTrent, Mosaic, Elections and at least 80 other line of business systems.
- 1.5 Revenue budget for these licences resides in ICT, Regeneration (Smarter Workplaces), Childrens Services and SC&I (Mosaic Project), revenue budgets should be centralised to ICT for this specific licences and increased in line with the inflationary increases that have occurred since 2014.
- 1.6 This is not a key decision, but is being brought to Cabinet for for approval to award the contract and delegate authority to the Assistant Director – Finance to enter into the contract and subsequently authorise the sealing of any deeds, contracts or other related documents for such services.

2. Recommendations

- 2.1 That Cabinet approve the award of contract, via the Sprint ii Framework (RM720), to Specialist Computer Centres, for a period of 3 years from 28 February 2017 to 27 February 2020, for the supply of a Microsoft Enterprise Agreement for Subscription Licences.
- 2.2 That Cabinet delegate authority to the Assistant Director – Finance, to enter into the contract for the supply of a Microsoft Enterprise Agreement for Subscription licences, as set out in 2.1 of this report, and to subsequently authorise the sealing of any deeds, contracts or other related documents for such services.

3. Report detail

- 3.1 Microsoft products feature heavily within the Council's Information, Communication and Technologies Strategy 2016-2020, because they are business standard, economic, robust and interface easily with other Microsoft technologies. Microsoft is at the forefront of software development and cloud technology; their products underpin the Councils transformation agenda.

The Council has had a Microsoft Enterprise Agreement since 2006. The agreements allow for the purchase of Microsoft Licences and more recently have allowed for licences to be "subscribed to" or "rented".

The benefits of a subscription agreement are

- products included on the agreement can be increased and decreased to fit the organisation's changing size
- products included on the agreement can be upgraded to the latest version without having to repurchase licences
- pricing is locked for the period of the Agreement

Following Cabinet approval in 2014, the Council's current Microsoft Enterprise Agreement for Subscription Licences was entered into for the period 27 February 2014 to 28 February 2017. A new agreement must be in place no later than 30 days prior to expiry of the current agreement so as to ensure the Council can continue to use its Microsoft based products.

- 3.2 The Cabinet Office is responsible for controlling Microsoft's pricing for public sector. Every three years Cabinet Office and Microsoft will construct and agree a new Public Sector Agreement (PSA). The new PSA which the Council will be entering into will be formed under PSA12.

Microsoft have announced that there will be a 13-22% price increase on 1 January 2017 for the licences that the Council currently use; by completing and signing the new PSA prior to 23 December 2016 the Council will avoid having this increased imposed.

- 3.3 The subscription agreement currently licences all Microsoft Windows desktops, laptops and Wyse devices; servers hosting more than 120 line of business

applications such as E-mail, the Council's website, iTrent, Mosaic and other desktop applications such as Microsoft Office.

Without an agreement being in place all Microsoft software utilised on desktops, laptops and Wyse boxes will become inoperative on 28 February 2017 along with a large proportion of IT application servers.

4. Council priorities

- 4.1 Information, Communication and Technology under pins the delivery of all Council Priorities.

5. Risk management

- 5.1 Having a Microsoft Enterprise Agreement for Subscription Licences in place will allow the Council to continue operating its business services after 28 February 2017.
- 5.2 By entering into an early commitment the Council will avoid price increases and will fix pricing for a further 3 years.

6. Financial implications

- 6.1 The total cost of the new three year agreement based on 2800 IT users or 2356 IT devices will be no less than £1,211,620 for user licensing or £961,607 for device licensing.

Whilst device licensing is more complex than user licensing it is the chosen method as it will cost the Council considerably less for the term of this agreement.

- 6.2 The Council will be entering into a new ESA agreement on the basis that revenue budget will be approved in the forthcoming years. The budget for this agreement is split between ICT, Smarter Workplaces (Regeneration), Childrens Services and Social Care & Inclusion. The disparate budgets for Microsoft licences should be centralised to ICT.
- 6.3 Whilst recognising that the Council is facing budgetary challenges over the next 4 years and that this is a significant commitment, there are provisions in the new ESA for early termination and flexibility for reduction of licences, for example each of the 25 products in the agreement can be decreased to a minimum value as long as the Council accepts that the use also has to decrease in line with the licensed number of products; for example the agreement allows for 59 "servers" to be licensed, but if 49 were turned off the agreement would be adjusted at the next annual date to reflect licensing for 10 servers, for which the annual cost would reduce.
- 6.4 The three year total cost for the agreement is £961,762 – phased as follows:
- Year 1 - circa £299,967
 - Year 2 - circa £318,901

- Year 3 - circa £342,737

Costs for years 2 and 3 may change and will be dependent on (a) the size of the Council's workforce and its demand for IT provision and (b) any technological changes or adoption of new software ie moving to 'Cloud' based systems, deploying Office 2017 or Office 365.

- 6.5 It has been assumed that revenue streams that have been available in budgets for 2014/15, 2015/16 and 2016/17 financial years for the current ESA will continue to be available for 2017/18, 2018/19 and 2019/20.
- 6.6 There are capital bids currently under review for technology upgrades such as Office 2017 or Office 365 and these include further revenue growth streams for the subscription agreement in 2017/18 and 2018/19.
- 6.7 If the new ESA agreement is not signed on or before 23 December 2016 there will be a minimum 13% increase in price and some products will be subject to a 22% increase; the products which may be subject to the 22% increase are those that will be required for the Council's digital transformation should it choose to use cloud technologies such as Microsoft Office 365 or Azure Cloud Services.

See **Appendix B** for further detail.

7. Legal implications

- 7.1 The Council must have a Microsoft Licensing Agreement in place for its IT infrastructure to be compliantly licensed. Failure to have such licenses in place may result in Intellectual Property rights being infringed, which can leave the Council at risk of action being taken against it.
- 7.2 Using the Sprint ii Framework is an EU Compliant procurement route and as such Information, Communication & Technology are confident that the framework's call-off terms and conditions of supply are fit for the Council's needs and are not onerous.

8. Procurement Implications

- 8.1 The Sprint ii Framework (RM720) was procured via the former Government Procurement Service 'GPS', in compliance with the Public Contracts Regulations and is compliant with the Council's Contract Rules. This Framework Agreement is valid for seven years from the date of signing, which in this case expires on 26 February 2021. The Council can therefore enter into a further Agreement with Specialist Computer Centres, via the Sprint ii Framework, in a compliant manner, without any further requirement to tender.
- 8.2 In order to ensure that the council complies with its 'Best Value' duty a benchmarking exercise has been carried out to compare pricing that could be achieved should a competition be facilitated against other Framework agreements. The outcome of the benchmarking exercise has established that the Sprint ii Framework (RM720) is proven to be the most suitable to service the needs of the Council and most cost effective.

- 8.3 Crown Commercial Service has advised that using the Technology Products 2 Framework (RM3733) would see suppliers add margins to the standard Microsoft Public Sector Pricing of 1.0% - 2.5%. The Sprint ii margin is set at 1.9%; the Council also benefits from a 0.3% rebate for utilising a lodge card with this supplier.
- 8.4 Whilst there is a potential opportunity to realise a saving 0.6% (£5,769) by facilitating a further competition against the Technology Products 2 Framework this is outweighed by the known 13-22% increase which equates to £125,008 - £203,846 should the process not be completed before 31 December 2016. See **Appendix A** for further details.

9. Property implications

None.

10. Health and wellbeing implications

The Council uses its IT systems to ultimately deliver a service to the citizens of Walsall; these services underpin the key objectives of the Marmot Review, being

- Give every child the best start in life;
- Enable all children, young people and adults to maximise their;
- capabilities and have control over their lives;
- Create fair employment and good work for all;
- Ensure a healthy standard of living for all;
- Create and develop healthy and sustainable communities; and
- Strengthen the role and impact of ill-health prevention.

Without the ESA being in place IT systems which support these key objectives of the Marmot Review will not be available.

11. Staffing implications

None.

12. Equality implications

An Equality Impact Assessment is not required. There will be no impact on people in terms of accessibility features of the products or any change to existing services. Council employees are currently using Microsoft software and will continue to do so.

13. Consultation

None.

Background papers

None

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James Walsh
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6 December 2016



Councillor Nawaz
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6 December 2016

Appendix A

This table shows current budget locations and the costs that will need to be accounted for against each revenue stream in the new agreement (if completed before 23 December 2017).

Budget Location/Cost Centre	Cost for Early Commit 17/18
Smarter Workplaces 6316.3161100.63820	£160,950
Childrens & Adults (for Mosaic – see Tracy Evans)	£29,880
ICT 6623.6231025.63820	£109,137
Total	£299,967

Appendix B

This table demonstrates the increased costs that will be avoided by ensuring the agreement is completed before 23 December 2016.

Agreement without introducing new technology	Complete Agreement prior to 31/12/16	+13% increase as of 01/01/17	22% increase as of 01/01/17	Cost avoided by early commit 31/12/16
Renew and roll-out Microsoft Office on Premise ie "as is" (no Office 365)	£961,607	£1,086,615	-	£125,008**

This table demonstrates the increased costs that will be avoided should the Council implement cloud services such as Office 365 and Azure. A capital bid has been submitted for consideration for 2017/2018 and beyond to implement Microsoft Office 365; Office 365 is licensed on a per user per year basis; should the council chose to adopt cloud services the cost increases will be avoided by completing the agreement prior to 23 December 2016; it is unknown whether Office 365 will attract a 13% increase or a 22% increase.

Agreement introducing Cloud Services such as Office 365 and Azure	Complete Agreement prior to 31/12/16	+13% increase as of 01/01/17	22% increase as of 01/01/17	Cost avoided by early commit 31/12/16
Renew and roll-out Microsoft Office 365 (13% increase)	£1,287,989	£1,330,421	-	£42,432 (plus **)
Renew and roll-out Microsoft Office (22% increase)	£1,287,989	-	£1,359,827	£78,838 (plus **)

The ICT Strategy includes cloud services; the Council does not currently subscribe to Microsoft Azure however this is another element which will increase by 22% as of 01 January 2017; so as to lock the Council's subscription price for Azure the lowest quantity purchase has been included in the new agreement.