

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT TO CABINET

Date 22nd March 2017

RENEWAL OPTIONS FOR MICROSOFT ENTERPRISE AGREEMENT

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance, IT and Customer

Ward(s) affected: All Wards - Indirectly

Purpose of the Report

To seek approval for the renewal of the Council's Microsoft Enterprise Agreement for a further three year period.

Recommendations

That the Council renew its Microsoft Enterprise Subscription Agreement for the supply of Microsoft products, including software and maintenance for a further three years.

Reasons

- a) The Council has a legal obligation to ensure that its ICT equipment is appropriately licensed.
- b) Entering into a replacement Enterprise Subscription Agreement (ESA) will secure favourable pricing for the authority in the medium financial term.
- c) The software assurance benefits of the ESA will ensure that our primary software is kept up-to-date.
- d) The mobility aspects of the ESA are required to make Castle House an effective working environment.
- e) Additional cloud services will significantly improve member ICT provisions.
- f) The organisation is dependent upon Microsoft products and without effective licensing, could not function.

1. Background

- 1.1. Newcastle under Lyme Borough Council's ICT team currently manage just over 400 desktop computers. These are connected to over 150 servers providing 200 plus applications which support the day to day operation of the authority. Every service that the Council offers requires a degree of ICT provision and in every instance, that provision will use a Microsoft product.
- 1.2. In order to legally use Microsoft's software, appropriate arrangements must be in place to purchase and license it. At present, the Council does this through an Enterprise Subscription Agreement (ESA). The ESA is a volume licensing arrangement specifically reserved for large organisations and allows the Council to access Microsoft software on very beneficial terms.
- 1.3. Our current ESA was procured through Crown Commercial Services in 2014 under a memorandum of understanding known as the Public Sector Agreement 12. This agreement was superseded in 2015 by the Cloud Transition Agreement which was intended to reflect central governments "Cloud First" ICT strategy. Our current three year ESA expires in May 2017 and consequentially, a decision is required as to the procurement of a suitable replacement.

2. Issues

- 2.1. The Council currently licenses its core desktop applications (such as Microsoft Office and the Windows 7 operating system) and a proportion of its infrastructure software on a subscription basis. When our ESA ends, without a suitable replacement the Council will no longer have the legal right to use this software, effectively rendering our entire ICT infrastructure unlicensed and unusable.
- 2.2. Our ESA is procured via a Crown Commercial Services framework. This has a considerable economic advantage for the authority as our licensing costs attract the highest level of discount possible. However, the prices currently paid by the authority (agreed in 2014) are considerably less than anything that is available now and this will represent a financial pressure going forward.
- 2.3. As part of our ESA the Council also benefits from Software Assurance. This has many advantages but critically allows roaming use rights for desktop software, access to updates and maximisation of software usage in virtual server infrastructures. Without a current ESA, the benefits of Software Assurance cease to be available which would result in significant costs for the Council.

3. Options Considered

3.1. 1. Do Nothing

- 3.2. The Council could allow its ESA to lapse but this would also mean that the authority would no longer be able to use its ICT. Our desktop and server infrastructure is underpinned by Microsoft products. Without these systems, the Council would not be able to conduct its day to day business for any significant length of time.
- 3.3. If the Council were to continue using its ICT equipment unlicensed, it would be subject to significant and sustained legal action by Microsoft. Representatives of the Federation against Software Theft (FAST) would also be entitled to remove any (and all) unlicensed equipment from the organisation, resulting in further costs, loss of data and very damaging public exposure.

3.4. 2. Move to alternative Open Source products

- 3.5. In recent years, considerable progress has been made by application providers to facilitate their products being run on open source platforms. ICT have deployed numerous open source appliances and recently the Council began using an open source Content Management System. However, when considering the mainstream adoption of open source products, a number of problems persist.
- 3.6. The vast majority of the Council's desktop "line of business" applications require Microsoft Windows in order to function and where these are integrated with productivity tools, this is typically Microsoft Office. Our application servers, email system and file stores all run on Microsoft Windows servers and many store their data within Microsoft SQL Server databases.
- 3.7. Whilst ICT will continue to use open source software where ever possible, there are compatibility issues. As such ICT, cannot recommend open source as a viable alternative to our ESA.

3.8. 3. Move to Cloud Based provisions

- 3.9. The adoption of Cloud services within the public sector has been rapidly accelerated by central government's "Cloud First" ICT policy. A number of authorities within Staffordshire have recently started introducing cloud based productivity software such as Office 365 or Google docs, alongside specific line of business applications; most recently our E-Payments system was moved to the cloud.
- 3.10. Cloud based infrastructure has made considerable leaps forward in recent years. It has facilitated organisations rapidly adding computing capacity to their infrastructure without the expense of capital purchases and many of the limitations for government use that were present in 2014 have also been

overcome. However, cloud services and their true costs are often misunderstood and this is a very important consideration.

3.11. Moving our services to the cloud cannot be considered as an alternative to our ESA. Cloud infrastructure still requires the Council to obtain and license Microsoft products and cloud productivity software still requires a subscription and computer to run on. As such, cloud services must be considered as a complement to our ESA, not a replacement.

3.12. **4. Renew our ESA**

3.13. The Council's current ESA agreement was procured through Crown Commercial Services in 2014 under a memorandum of understanding known as Public Sector Agreement 2012. This was superseded in 2015 by the Cloud Transition Agreement (CTA) which itself, expires in July 2017. Once the CTA expires, it is anticipated that local authorities will procure their software on standard commercial terms, as any private enterprise would.

3.14. The Council has the option to renew its ESA for a further period of up to three years. As our current agreement expires in May, our renewal can be completed before the CTA expires in July. Furthermore, because the Council is a current ESA customer, we are able to lock in pricing that will not be subject to 20% price increase Microsoft added to its products in January 2017.

3.15. Renewing our ESA will ensure that the Council remains in an appropriate licensing position and will protect the authority from further price increases for a period of three years. This will also give the Council greater flexibility in terms of new products, changing requirements and access to value add software assurance products. ICT see renewing our ESA as a viable way forward for the Council.

4. Proposal

4.1. In order to ensure the continued reliable and legal provision of software and ICT services, ICT recommend option 4 and propose that the Council renew its Microsoft Enterprise Subscription Agreement for the supply of Microsoft products, including software and maintenance for a further three years.

5. Reasons for Preferred Solution

5.1. The Council has a legal obligation to ensure that its ICT equipment is appropriately licensed and entering into a replacement ESA helps to fulfil this obligation. It also puts the Council in a very good position in the medium financial term as our pricing will be fixed for three years – even if Microsoft announce further price increases during the term – allowing greater budget control.

5.2. The software assurance benefits of the ESA will ensure that our primary software is kept up-to-date and allow ICT to develop further opportunities such as mobile working. The mobility aspects of the ESA are required to make Castle House an effective working environment and access to additional cloud services will also significantly improve member ICT provisions.

5.3. Critically, the Council cannot avoid using Microsoft software. Our entire organisation is dependent upon it and without effective licensing, could not function. Whilst this may appear to be monopolistic, at present there is no viable or realistic alternatives.

6. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

As discussed previously, every Council service is either directly or indirectly underpinned by ICT provisions which use Microsoft software. As such, this proposal either directly or indirectly links to all corporate priorities, targets and strategies.

7. Financial and Resource Implications

- 7.1. In order to optimise our potential costs, in December 2016 ICT Services undertook a procurement exercise via Crown Commercial Services. This exercise secured our potential pricing for a new ESA.
- 7.2. Conducting the exercise in December (rather than April or May) allowed the Council to avoid a 13% price increase which came into effect in January 2017, and would have added at least £10,000 per year to the Council's licensing costs based on our current software usage. Should the Council decide to enter a new ESA, a further procurement exercise would not be required.
- 7.3. The expected agreement costs are as follows:

Item	Cost Per Year	Cost over 3 year Contract
Desktop Products	£30,012.96	£90,038.88
Server Products	£60,945.26	£182,835.78
Total	£90,958.22	£272,874.66

- 7.4. The costs of our replacement agreement can be met from ICT's existing revenue budgets.
- 7.5. The move to Castle House, the continued roll out of agile working and the requirements to update our infrastructure will have an additional impact on our licensing costs in the medium term. Within 18-24 months, our costs will increase by approximately £8,500 per year however this has also been accounted for by ICT within the budgets for the Castle House project.

8. Major Risks

- 8.1. A complete risk assessment is held within the Council's corporate risk management system. However, highlights include:
 - a) *The Council does not renew its ESA*
Should the Council decide not to renew ESA this would result in significant, unaffordable financial costs (to buy out our licences) or the total disruption of all Council services in the short to medium term.
 - b) *Insufficient Financial Resource*
The anticipated costs of our ESA will change if the Council's ICT requirements significantly alter. ICT have taken every available precaution to prevent this from happening, however given the changing nature of how the Council intends to operate, it cannot be guaranteed that our financial resources will be sufficient.

9. Earlier Cabinet/Committee Resolutions

- 9.1. 05/03/2014, Cabinet, Renewal of Microsoft Software Licensing.