

Wiltshire Council

Cabinet

Date of meeting: 26 March 2019

Subject: Licensing and Support of Microsoft Software for Wiltshire Council

Cabinet member: Philip Whitehead - Cabinet Member for Finance, Procurement, ICT and Operational Assets

Key Decision: Key

Executive Summary

Wiltshire Council uses Microsoft software throughout the organisation including Windows and Office (Word, Excel etc) at the user level, along with server platforms and databases in our data centres, and cloud-based Office365 email and Azure services, plus software tools to administer these environments securely. In addition, the Council's Digital Programme with Microsoft and its partners, which will digitise and automate our services, will include the deployment of progressively more cloud-based Microsoft technology within the organisation.

Whilst Wiltshire Police license their own software and pay for this from their own budgets, administration of their software is carried out via the software and laptops used by the council's ICT engineers. What we do with our Microsoft software therefore has a direct impact on the provision of services by Wiltshire Police.

In summary, the Microsoft software used within the council underpins all the council's ICT systems, and impacts on Wiltshire Police's service delivery. It is relied upon for the council's service delivery from back office support functions through to frontline services to the public and police, and in the future delivery of digital services to the public.

To use this software, we are required to license it under an Enterprise Agreement (EA) with Microsoft, and supplier support is provided through an associated Premier Services Agreement (PSA), also with Microsoft. The current three-year agreement ends on 30th June 2019, although if the council **commits to renew by 31st March 2019** we will secure savings of £366k on its renewal cost.

Prior to the current EA (which makes up the larger part of the cost of the two agreements), Microsoft gave notice that it was changing its licensing model to discourage on-premises based licensing in favour of cloud licences. In response to this, the UK Government negotiated a Memorandum of Understanding with Microsoft for a period during which Public Bodies could

access a Cloud Transition Agreement and still secure premises-based licences at favourable rates. The change in approach to licencing will affect all local authorities.

Now that our current EA and the associated Cloud Transition Agreement are coming to an end, Wiltshire and many other Local Authorities are facing significant cost increases: our journey to the cloud is incomplete, and we still need some on-premises licences. To partially ameliorate this, the LGA and Socitm (Society of IT Managers) have negotiated with Microsoft to freeze the cost of the EA at September 2018 levels, thereby avoiding the further cost increases of October 2018 and February 2019. This September price will only be obtained if we sign by 31 March 2019, and still represents a significant increase on our previous agreement.

During the period of the proposed agreement the council plans, as part of the ICT & Digital Strategy, to continue its migration to delivering services on a cloud basis, thereby reducing future costs.

Proposal

That Cabinet approve the procurement of a 3-year Enterprise Agreement and associated Premier Services Agreement for Microsoft licences and support services. That this be undertaken through a competitive call off from Lot 2 of the Crown Commercial Services RM3733 framework Technology Products 2, and that authority be delegated to the Interim Director for Digital Transformation & IT to approve the award of any resulting contract for the best value solution.

The new contract would run from 1st July 2019 to 30th June 2022.

Reason for Proposal

Our existing Microsoft Enterprise Licence Contract with Bytes (the reseller) expires on 30th June 2019. If we do not have licences in place, we will have to cease using the software and essential public services will be significantly disrupted.

Alistair Cunningham - Corporate Director Growth, Investment & Place

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Purpose of Report

To seek approval to competitively procure software licences and related support services for Microsoft products through Crown Commercial Services (CCS) framework contract RM3733 - Technology Products 2, under Lot 2 which is for Packaged Software.

Relevance to the Council's Business Plan

Microsoft software underpins all the technology and ICT systems in use and planned (through the Digital Programme) within the Council. These include office productivity software such as word processing, spreadsheets and email, software that operates the servers that enable customer facing solutions such as Northgate's revenues and benefits system, OLM's CareFirst for social care management, the out-of-hours emergency duty service for vulnerable members of the community, and our data centres, the information hubs of the council.

Without these products and support services the day-to-day running of the Council would be materially compromised. This would impact our service teams' ability to deliver their work to protect the vulnerable, boost the local economy and help communities to do more for themselves.

Our Premier Services Agreement, through which we get technical support, provides the capability to access Microsoft directly rather than re-sellers for additional services such as critical fault resolution for the ICT infrastructure. We also use it to access advice, guidance and information on new products and executive briefing days. This support service is also crucial for delivering the Council's Digital Programme.

Main Considerations for the Council

The Enterprise Agreements run for 3 years. Our existing agreement expires on the 30th of June 2019.

We can renew our agreement at September 2018 costs (avoiding the October 2018 and February 2019 price increases) if we commit to that renewal by 31st March 2019.

Many of the digital services being delivered by the Council's Digital Programme require software licensing and support through this agreement.

We are legally required to either license the software we use, or cease using it.

If the council increases the number of users accessing its services, our costs increase (and similarly costs will decrease if less licences are needed). This is not just related to the number of council employees but includes individuals working for the council, for example agency workers that require access to council systems. Each year the council undertakes a "true up" review to identify and pay for any licence changes in the preceding year.

Background

Councils can secure the best prices by procuring licences via the framework negotiated by CCS, a central Government organisation that achieves good value for the whole of the public sector. Wiltshire Council has used these arrangements historically, and the current supplier Bytes was secured through a competition using the CCS Framework RM1054. We currently buy a mix of cloud and on-premise licences.

In 2015 Microsoft and CCS agreed that the then-current model for licensing would cease as Microsoft transitioned its product range from on premise licences to cloud based solutions. To encourage customers to move to the new solution, Microsoft's pricing for on premise licences ceased to benefit from price discounting that had originally been available. To mitigate the impact of this shift in Microsoft strategy on UK public sector customers, Microsoft and CCS agreed a Memorandum of Understanding that enabled customers to continue to secure favourable terms for on premise licences for a period while they migrated to a Cloud solution, or considered alternatives to Microsoft products.

This agreement has now come to an end and UK public sector organisations once again face this increase in costs due to the change in Microsoft licensing strategy. To partially mitigate this, the LGA and Socitm (Society of IT Managers) have negotiated with Microsoft and agreed that any local authority whose Enterprise Agreement ends on or before the 30th June 2019 can benefit from September 2018 pricing (so avoiding the October 2018 and February 2019 price increases) providing it commits to renewal of its agreement by 31st March 2019. As the Council's agreement expires on the 30th June, this benefit is available saving approximately £366,000 over the three-year term of the agreement.

During 2018, Microsoft further changed its licensing model by changing the basis of server based product licensing from being based on physical CPU processors to being based on virtual CPU processors. This has the effect of increasing the Council's licensing costs for its current set up.

The Council's Microsoft licensing requirements should be an attractive contract for a license supplier to have in its portfolio and we therefore anticipate a competitive set of quotations from resellers.

Overview & Scrutiny Engagement

There has been no overview and scrutiny involvement in the development of this report.

Safeguarding Implications

Microsoft products currently support the provision of social care to vulnerable adults. They also enable ICT services to the MASH hub based in County Hall working alongside strategic health and police partners.

As ICT also support the provision of ICT services to Wiltshire police, due to the nature of that support and its link to police operations, safety of the general public is also affected by the ability to continue to use the products.

Public Health Implications

Various public health services rely on systems that require these licences. There are several partnership-based approaches with Health that rely on services located on Microsoft technologies, e.g. the active health programme.

Failure to procure these licences would impact the support of all policing functions involving ICT including 101 and 999 operations, placing lives at risk.

Procurement Implications

The strategic procurement hub contributed to this report and recommends utilising Lot 2 of the CCS Technology Products 2 framework RM1054. This supports a lean, fast and compliant route to procurement that accesses the central Government agreement which offers best value for money.

Equalities Impact of the Proposal

None

Environmental and Climate Change Considerations

None

Risk Assessment

A summary of the main risks is at Annex A to this report.

Risks that may arise if the proposed decision and related work is not taken

The key risk if we do not procure appropriate licences will be the failure of most council ICT services and those provided to partners, with the consequential impact on the public.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

Failure to deliver the procurement for the target date of 30th June 2019. This has been mitigated by identifying the ICT and procurement resource required and a lean and fast procurement route through a framework.

Failure to commit to renewal by 31st March 2019 risks costs increasing by approximately £366,000 for the 3 year agreement (based on the difference between September 2018 and October 2018 pricing).

Financial Implications

The council's historic spend 2016/17 to 2018/19 on Microsoft Enterprise Agreement (licensing) and Premier Support Agreement (support) was:

Licences

- 2016/17 – 1st Year £909,921.93 (includes Azure Cloud commitment)
- 2017/18 – 2nd Year £990,044.56 (includes Azure Cloud commitment plus general growth)
- 2018/19 – 3rd Year £1,074,679.49 (includes Azure Cloud commitment, plus general growth)

Support

- 2016 - 2019 - £1,080,000 (including £450,000 contribution from Police)

The Council's proposed spend 2019/20 to 2021/22 on renewal of our Microsoft Enterprise Agreement (licensing) and Unified Support Agreement (support) **if commitment is given to Microsoft before 31st March 2019:**

Licences

- 2019/20 – 1st Year £2,081,079.96
- 2020/21 – 2nd Year £2,081,079.96
- 2021/22 – 3rd Year £2,081,079.96

Support

- 2019/20 – 2021/22 - £1,200,000 (pro-rata contribution from Wiltshire Police)

For 2019 onwards, Microsoft has redefined and reorganised the Premier Support offering, creating a new Unified Support service. This provides the same overall service as a base level, however certain aspects are now classed as 'additional' and carry an extra cost. Some of the services the Council ICT use fall into this category and are reflected in the cost of support.

If commitment is NOT given to Microsoft before 31st March 2019, the costs outlined above would be:

Licences

- 2019/20 – 1st Year £2,183,099.63
- 2020/21 – 2nd Year £2,183,099.63
- 2021/22 – 3rd Year £2,183,099.63

Support

- 2016 - 2019 - £1,260,000 (including Police contribution)

Each year a process known as “true-up” takes place as close as possible after the end of each contract year. This involves adjusting the number of user licenses per product up or down depending on increased/decreased usage during the preceding year to meet the changing needs of the council. Therefore, licensing under our EA is never a fixed total cost and final figures will be determined via the true-up audit.

Legal Implications

If the decision is taken not to approve this procurement, the time taken to move from Microsoft products onto alternative products means the council would be illegally operating software.

Legal resource and risk of challenge of renewing the agreements should be minimised by use of the CCS framework containing pre-agreed at central government T&C's.

Options Considered

1. Do Nothing.

Licensing expires and is not renewed and use of Microsoft products within the council must therefore cease. As a result, the operations of the Council will shut down and those of Wiltshire Police will be severely impacted.

2. Adopt alternative technology platforms

This would require significant time and resource to change, with potential disruption to services.

Before considering cost, alternative platforms that could provide the services within a government regulated organisation such as the council were considered.

Alternative platforms to Microsoft products do exist, some of which are open source, some commercial products:

- Laptops (Apple, Google Chromebooks, Linux-based desktop operating systems);
- End user productivity tools (Open Office, Google G Suite);
- Databases (Oracle, MySQL);
- Servers operating systems (Unix, Linux);

- Cloud services (Google, Amazon)

However, to use any of these platforms all applications, systems and ICT infrastructure components within the Council would need to be assessed to confirm if they run on the new platform.

- Where they do, the application and data would need to be ported to the new platform.
- Where an existing application does not support the new platform, a replacement application would need to be purchased and installed (if available).
- During the change-over, appropriate duplicate hardware (servers etc) would need to be purchased and installed to allow for transition to the new platform without disruption of existing service.
- Where information is stored and exchanged externally in a Microsoft format (e.g. Microsoft Word document format), an alternative data format would in many cases need to be agreed and implemented.
- Where there is ICT infrastructure shared with Wiltshire Police based on Microsoft products, a separate non-Microsoft infrastructure would need to be built and operated specifically for the Council.
- ICT staff would need to be re-trained on the alternative technology platforms.
- The UK government security accreditation of alternative solutions would need to be checked to confirm if they are appropriate for processing sensitive data.

3. Buy Microsoft licences and support

Licencing

Two options are presented based on whether the Council commits to renewal of its Enterprise Agreement before 31st March 2019 or after:

Licencing Option 1 – Commitment before 31st March 2019

Enterprise Agreement option 1: **£2,081,079.63 PA (£6,243,238.89 over 3 years)** based on September 2018 pricing.

Licences Option 2 – Commitment after 31st March 2019

Enterprise agreement option 2: Enterprise Agreement: **£2,183,099.63 PA for a 3 year agreement (£6,549,298.89 over 3 years)** based on October 2018 pricing. This cost will increase as the February 2019 price increases would need to be added when they are known.

Support and maintenance

Wiltshire Police contribute to this cost element.

Support & Maintenance Option 1 – Commitment before 31st March 2019

Unified Support Services Agreement: **£400,000 PA for a 3 year agreement (£1,200,000 over 3 years)**

The police contribute £150,000 pa towards this cost. Therefore the Council would need to commit to **£400,000** in the agreement and budget £250,000 for the net cost to the Council.

Support and Maintenance Option 2 – Commitment after 31st March 2019

Unified Support Services Agreement: **£420,000 PA for a 3 year agreement (£1,260,000 over 3 years)**

Note then that the additional cost if signing after 31 March 2019 is:

£306,000 for licences

£60,000 for support

Total: £366,000

Conclusions

Supporting a modern day sustainable and readily-supportable ICT infrastructure in a large unitary authority is, unfortunately, not cheap. Our enterprise agreement covers the core software, the platforms that the council's applications run on, many of the databases and tools that hold our information, software for the laptops we use to run the business, and the cloud-based services that do elements of the above. It is an essential prerequisite of running the council's ICT services.

The council requires software licences to operate, and Option 3 (Licencing Option 1: Commitment before 31st March 2019) offers the best means of doing so.

Alistair Cunningham - Corporate Director Growth, Investment & Place

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Background Papers

The following documents have been relied on in the preparation of this report:

- Anticipated expenditure on Licensing Enterprise Agreement based on our current pricing put together by current supplier Byte.

Appendices

Appendix A - Risks

Appendix A – Risks

The following is a list of risks related to failure to secure licences. They have not been assessed using the corporate risk assessment framework since the consequences of not having licences are so significant and the mitigation so simple (purchase them) that a detailed assessment has not been considered appropriate.

Risks if not procured

- Unlicensed environment – we may be able to discover some very old perpetual licences that may enable some operations. This would be of limited value, unknown quantity and would not be Public Services Network compliant i.e. security approved.
- Continued use would be software theft, leading to significant fines and reputational damage.
- Shut down of most of the ICT infrastructure
 - Council
 - Police – back office through to 101 and 999
 - Partners
- High risk of critical data loss (non-recoverable) through shut down of Cloud services centrally from Microsoft, including Office 365 (which includes e-mail and OneDrive).
- Interruption of service to the public.
- Risk to the safety of the public.
- If some perpetual licences found, the loss of access to Microsoft for assistance in critical service failure (support and maintenance).
- Increased time to restore service during critical service failure (support and maintenance).
- Cost of service teams being incurred while unable to operate e.g. Revenues and Benefits.

To mitigate the above risks we would be required to undertake a large-scale migration of all council ICT services to alternative platforms (email, laptops, applications, data centre, databases etc). This would require the entire ICT team to be diverted from current project work and support in both Wiltshire Council and Wiltshire Police and would take 18-24 months to achieve, including training ICT staff and users in alternative technologies. This is not realistic.

The estimated cost of such a transition would be approximately £20 million, based on transformation work previously carried out for Wiltshire Police on a smaller ICT estate. We would not be able to do a change of platform on existing hardware as this level of technical re-design requires the existing hardware to be wiped, and this would prevent any area of the council and Wiltshire police from accessing any ICT services.