

Wiltshire Council

Cabinet

15 March 2016

Subject: Licensing and support of Microsoft software

Cabinet member: Councillor Stuart Wheeler - ICT

Key Decision: Yes

Executive Summary

Wiltshire Council utilises Microsoft software such as Windows, Office and Outlook at the user level, through to server platforms for our data centres & administrative tools to securely administer the environment. This is a complex environment with many interdependent services.

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

The support and maintenance of this software is provided direct by Microsoft.

This software product suite underpins all of the council ICT systems, and impacts on Wiltshire Police 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.

In order to use this software we are required to license our software under an Enterprise Agreement (EA). Microsoft has changed its licencing model and has provided notice that it is ceasing on premises based licencing in favour of cloud licences. The Government has negotiated Memorandum of Understanding with Microsoft for a period during which Public Bodies can access a Cloud Transition Agreement and secure premises based licence at favourable rates. Microsoft has made pricing unfavourable for premises licences outside this arrangement to drive customers to switch their delivery to support their cloud model. This is typically in the order of a 50% price increase from current levels.

During the period of the proposed agreement the council has to develop its approach to delivering services such that when it ends, we are in a position that supports our move to Cloud based Microsoft licences from that date.

Proposal(s)

That Cabinet approve the procurement of a 3 year Enterprise Agreement for Microsoft licences and support services. That this will be undertaken through a competitive call off from Lot 2 of the Crown Commercial Services RM1054 framework, and authority is delegated to the Associate Director – People and Business Services to approve the award of any resulting contract for the best value solution.

The new contract will run from 1st June 2016 to 31st May 2019.

Reason for Proposal

The expiry of our existing Microsoft Enterprise License Contract with Trustmarque on the 1st of June 2016. If we do not have licences in place we will have to cease using the software and essential public services will be significantly disrupted.

(Name of Director)

Barry Pirie – Associate Director People and Business Services

Wiltshire Council

Cabinet

Date of meeting: 15 March 2019

Subject: Licensing and support of Microsoft software for Wiltshire Council

Cabinet member: Councillor Stuart Wheeler – ICT

Key Decision: Yes

Purpose of Report

To seek approval to competitively procure software licences and related support services for Microsoft products through Crown Commercial Services framework contract RM1054 - Technology Products, 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 within the Council. These include office productivity software such as word processing, spreadsheets and email; 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 even 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 do more for themselves.

Our premier services support agreement delivers the capability to access Microsoft itself 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, executive briefing days and for pro-active development such as our Sharepoint online migration planned for 2016. This support service is crucial for delivering the Information Governance Improvement Programme through our ability to maximise our Office365 investment.

Main Considerations for the Council

Enterprise agreements run for 3 years. Our existing agreement expires on the 1st of June 2016.

We are currently able to access preferential rates for on premise licences if we maintain back to back Enterprise agreements. This significantly reduces the cost of licenses if signed by the 1st of June 2016.

We are developing our ICT strategy to recognise the need to move to cloud based solutions.

We are legally required to either license the software we use, or cease using it. We do not currently buy perpetual licences but procure them on a subscription basis i.e. term licences.

If the council increases the users accessing its services, as licences are bought on a subscription basis our cost increases. This is not specifically 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 will undertake a “true up” review to identify and pay for any licence changes in the preceding year.

Background

Councils are able to secure best prices by procuring licences from the Crown Commercial Services framework, a central Government organisation that levers value for the whole of the public sector. Wiltshire Council has used these arrangements historically and the current supplier Trustmarque was secured through a competition off an earlier contract, replaced by RM1054. We currently buy a mix of cloud and on premise licences.

In 2015 Microsoft and Crown Commercial Services agreed that the current model for licencing would cease as Microsoft transitioned its product range to Cloud based solutions, rather than on premise licenses. To encourage customers to move to the new solution, Microsoft pricing for continuing to use on premise licences no longer benefits from the discounts. Price increases of around 50% on the overall requirements can be expected if we simply go to market openly for our on premise licence requirement.

To mitigate the unacceptable impact on customers of this shift in strategy from Microsoft and create a period in which customers can consider options, Microsoft and the Crown Commercial Services agreed a Memorandum of Understanding (MoU). This MoU enables customers that maintain their Enterprise Agreements without a break, to continue to secure the current favourable terms and on premise licence pricing while they migrate to a Cloud solution, or consider alternatives to Microsoft products.

One agreement, the server cloud enrolment will remain under existing contract to 2017 and will be brought into the procurement when it ends.

Wiltshire Council's has a reputation among Local Authorities and with Microsoft for developing and implementing innovative solutions. We believe our requirement will be an attractive contract for a license supplier to have in its portfolio so anticipate a competitive set of quotations from resellers.

Although License purchases are made via a 3rd party supplier allowing competition our relationship with Microsoft is un-changed. The premier services for direct support and maintenance forms the basis of our existing commercial relationship, this relationship is furthered through our collaborative working with

other local authorities across the southern region facilitated by Microsoft. Wiltshire Council is seen as one of the public sectors leading authority in regards to Microsoft Technologies.

Overview & Scrutiny Engagement

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

Safeguarding Implications

Microsoft products support the provision of social care to vulnerable adults and children. 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 the Microsoft technologies e.g. the active health programme.

Failure to procure these licences would impact 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 Crown Commercial Services Technology Products framework. 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

Do not believe any? Reviewer?

Environmental and Climate Change Considerations

No known impacts with this proposed approach.

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 1st June 2016. This has been mitigated by identifying the ICT and procurement resource required and a lean and fast procurement route through a framework.

The costs are based on current information. Microsoft set pricing in May including any indexation based adjustments to prices. Any tendered responses will be based on current prices and doubtless include appropriate links to Microsoft adjustments.

Financial Implications

The council's historic spend is:

Licences

- 2011/12 - 1st year £630,603.38
- 2012/13 - 2st year £733,911.38
- 2013/14 - 3nd year £1,024,126.85 increase due to O365 licenses added (investment in flexible working transformation).
- 2014/15 - 4th year £1,114,566.29 (include £953,892.33 EA plus Velocity licences @ £69,550.04 + SQL Server / Sharepoint @ £91,123.92) negotiated to a final sum of £914,000
- Server Cloud Enrolment contracted to 2017 @ £80,122 per annum

Support

- 2014 - 2016 - £840,000 (£420,000 per annum)

The total anticipated spend for the new agreement is £1,383,073.18 per annum (£4,149,219.54 over 3 years) made up from:

Future spend:

Licences

- £976,184.18 per annum (£2,928,552.54 over 3 years)
- £80,122 server cloud enrolment contract ends and this rolls into the agreement in 2017 increasing the EA cost when this agreement ends.

Support

- £326,767 per annum (£980,301 over 3 years) is likely to be required to provide essential support services to this software (**£150,000 per annum to be recharged to Wiltshire Police for support of their Microsoft ICT products - £450,000 in total**).

- £32,250 one-off, capitalised for one year to support the roll out and transition of applications to the laptop refresh running Windows 10

Please be aware that Microsoft set pricing for support and maintenance on the 1st of June for the following year. If signed early/promptly there is potential to avoid any price increases for 2016/17 as typically prices increase by 2% year on year.

Each year a process known as “true-up” takes place as close as possible after the end of each contract year. This involves altering the number of licenses per product up or down depending on increased/decreased usage during the preceding year to meet the changed 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. For the next anniversary payment due in the 16/17 financial year we are currently anticipating a true up cost of around £40,000.

Licence costs will increase by approximately £0.060m per annum. The increase is due to inflation, evolving technologies and Microsoft pushing the move to the Cloud. However, significant savings of around £0.240m per annum have been made by reducing service levels.

It should be noted that Wiltshire Police have been included in this contract and will contribute £0.150m p.a. If the Police should decide to separate Wiltshire Council will not incur any additional costs as this has been provided for in the contract.

Finance principal accountants have been consulted and this aligns with the ICT budget for 2016/17

Legal Implications

If the decision is taken not to approve this procurement, our inability to change solutions quickly means the council would be illegally operating software. Legal resource and risk of challenge 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, council operations shut down.

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 Laptop platforms exist (Apple, google chromebooks, unix based operating systems). To use these however you would need a server environment for the data centre to run on or a suitable non

Microsoft cloud environment. The next best server environment (Novell Netware) was phased out circa 2005 due to high costs, this would be a retrograde step financially and technologically.

Alternative cloud platforms in the form of Google and Amazon offering basic email and word processing functionality however these platforms do not have the required government security levels to support PSN compliance, by using these the council would be in breach of its obligations to safeguard data and it would be a barrier to sharing information with police and health colleagues.

Peterborough City Council have achieved cloud utilising Google technologies and Amazon cloud services via a dedicated innovation fund of circa £100 million. – we believe this was a risky decision in relation to PSN and would not work for Wiltshire

3. Buy Microsoft licences and support

Licences

Two options are proposed based on different scenarios. The second scenario covers the option of licensing council employees only. We would not provide devices to non council employees such as agencies and 3rd party partners. This brings the total user base from 5442 down to 4807 devices. This option costs £66,262.25 per annum (£198,786.75 total) less however will mean recovering ICT equipment from all 3rd parties.

Licences With 3rd parties

Enterprise Agreement option 1: **£976,184.18 PA (£2,928,552.54 over 3 years)** based on current spending, prices and numbers of consumers of council ICT services (please be aware Microsoft set pricing in May including rises and alterations to their licensing model, this could be to our advantage or disadvantage). This option applies to the user count of 5442 (Council + 3rd parties).

Licences with Council employees only

Enterprise agreement option 2: Enterprise Agreement: **£909,921.93 PA for a 3 year agreement (£2,729,765.79 over 3 years)** based on current prices and services council employees only (removal of ICT equipment from 3rd parties and agency staff). This would take some time to action which would most likely see these savings realised in year 2. This option applies to the user count of 4807 (Council employees only).

To implement a council only provision would entail consultation with commissioning officers to ensure that alternative access to data and systems such as Carefirst are provided in a secure manner. When contracts are renewed or new contracts implemented ensure that it is

clear that 3rd parties provide their own IT equipment. This process is one that can be started but are unlikely to implement immediately without adversely impacting on frontline service delivery

From June 2017 the requirement will include server cloud enrolment and this will increase costs by £80,122.63 for years 2 and 3.

Support and maintenance – Premier Services

The police will contribute significantly to this element although they will maintain and fund their own Enterprise Agreement from their own budget.

Premier services will cost:

- Wiltshire Council up to £176,767 PA
- Wiltshire Police £150,000 PA of which they have agreed to fund on a re-charge.

Regarding the council funded element it is proposed that Wiltshire council commits to £50,000 per annum of support to meet the baseline expectations for support, but includes scope to purchase additional support (top ups) as and when required. This will require budgetary approval to spend a total of £176,767 per annum as required to deal with emergent tasks. With a multi-year agreement we will be able to lock in year one pricing and provide maximum flexibility.

The police support is optional should they change their mind at any point.

Conclusions

Supporting a modern day sustainable and readily supportable ICT infrastructure in a large unitary authority is expensive. An enterprise agreement covers the core software, the platforms that the council's applications run on, the laptops we use to run the business and is a pre-requisite of running the council's ICT services.

The council therefore requires licences and support to operate. Option 3, to purchase a new Enterprise Agreement is recommended.

Option 3 gives us a decision to make. If we continue to directly support 3rd parties by giving them access to ICT then we will have to go with the higher cost option. However if we wish to phase out 3rd parties access to our ICT systems we can maintain a lower license cost as outlined above in option 3.

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Background Papers

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

- Support services proposal from Microsoft
- Anticipated expenditure on Licensing Enterprise Agreement based on our current pricing put together by current supplier TrustMarque.

Appendices

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 (buy them). that a detailed assessment has not been considered appropriate.

Risks if not procured

- Unlicensed environment – we may be able to discover some 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 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 the council and police websites and Office 365 including e-mail
- 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 recently 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, this would prevent any area of the council and Wiltshire police from accessing any ICT services.