

## **Cabinet Report**

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**Date of Meeting:** 10 April 2018

**Report Title:** 3-year Microsoft Desktop Licence Agreement 2018

**Portfolio Holder:** Cllr Paul Bates – Finance and Communication

**Senior Officer:** Jan Willis, Interim Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. Both Councils depend on Microsoft® Windows and Office–based software for key ICT and service functions, ranging from desktop provision, authenticating network users to providing employees with critical communication and collaboration tools. Microsoft delivers in Windows, Office (including Office 365) a highly capable set of components that offer an industry leading desktop environment, secure, robust email, calendar, scheduling, task management, desktop productivity, telephony, real-time communications, and collaboration experience. Office 2016 and Office 365 (O365) can be tailored to specific requirements, as well as those of groups of users within both Councils and service areas, alternative service delivery vehicles and to enable more effective partnership working.
- 1.2. This Cabinet report recommends the renewal of the Microsoft Enterprise Desktop Licence Agreement over a 3 year period via a Licence Service Provider. Failure to enter into the agreement by 30th April 2018 would mean that both councils would not benefit from the Cloud Transformation Agreement (CTA) discount, which could lead to an increase of approximately 50% of the licence costs. Both Councils would be in breach of Microsoft Terms and Conditions, which could lead to external audit, reputational damage for both Councils, significant fines and withdrawal of the right to use the software.

### **2. Recommendation**

- 2.1. That authority be delegated to the Interim Executive Director of Corporate Services in consultation with the Portfolio Holder for ICT to undertake the procurement, and agree terms of the necessary contractual arrangements to deliver the required licences for Cheshire East Council and Cheshire West and Chester Council, desktop estate via a Licence Service Provider; with an estimated total cost of £4.00m (excluding VAT) over a 3 year period; funded jointly by the Cheshire East Council and Cheshire West and Chester Council (through programme recharges or staged payments as agreed).

### **3. Reasons for Recommendation**

- 3.1. The next few years will see significant changes across the entire public sector. The shape and size of our Councils will change however the need to provide high levels of service to our residents will remain, and be set against a backdrop of financial austerity.
- 3.2. With these challenges come new opportunities; information and communications technology (ICT) will be able to help both Councils to achieve efficiencies, providing the mechanism to support shared services and most importantly, keep pace with residents' changing needs and expectations.
- 3.3. Because of these changes, Cheshire East Council (CEC) ICT Services will be able to support base operations with improved efficiency and focus more effort to delivering the changes needed for the Councils. Equally by delivering the right levels of desktop services with elements both in-house and within the cloud, ICT will be better placed to support the Councils in reacting to changing circumstances and supporting the working partnerships with other Public and Private Sector organisations particularly health.
- 3.4. Both Councils are reliant on the use of Microsoft Desktop products to carry out day to day tasks. The new Desktop Licence Agreement will ensure that both Councils can continue with their day to day activity, with no impact to service, supported by the latest Microsoft desktop products and services. Desktop licence costs are on the increase (21% in 2017) in line with industry trends. Previous agreements have ensured that we have not been subject to these increases. The new Desktop Licence Agreement affords a level of protection for the next 3 years against future price increases. The agreement comes with planning services, end user and technical training, as well as access to new functionality.

### **4. Other Options Considered**

- 4.1. In order to provide the level of desktop licencing required, whilst ensuring continuity in operations, and in order to benefit from public sector discounts, whilst aligning with the strategic desktop transformation programme currently planned as part of the 5 year Infrastructure Investment Programme no other options have been considered.

## **5. Background**

- 5.1. In April 2015 Cheshire East Council entered into the current agreement. Cheshire West and Chester Council took out a separate agreement at this time.
- 5.2. The detailed business case for the full 5-year ICT Infrastructure Investment Programme that will fund the Desktop Licence Agreement has been reviewed through Council corporate governance procedures: Joint Officer Board (9th February 2017), Technical Enablers Group (1st March 2017), Shared Services Joint Committee (23rd March 2017) and Cabinet process (11th April – 9th May 2017). Cheshire West and Chester will seek financial approval through their appropriate internal governance with final sign off by the Section 151 Officer.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. The value of this procurement at over £1,000,000 requires compliance with both the Councils Contract Procedures and the Public Contracts Regulations 2015 (Public Contracts Regulations). The proposed procurement route using The Chest provides a compliant route for procuring desktop licences via a Licence Service Provider. The Chest is Cheshire East Council's e-Business portal where the Council advertises contract opportunities.
- 6.1.2. The maximum duration of this framework agreement is 3 years at which point a procurement exercise should have been undertaken to enter into a new agreement.

### **6.2. Finance Implications**

- 6.2.1. There is no option to continue on the current arrangement as this will end on 30th April 2018.
- 6.2.2. Options to purchase Microsoft desktop licences as part of a full desktop roll out or a phased roll out approach have been considered. A phased roll out approach is the preferred option as it enables both councils to exploit the flexibility of the Enterprise Agreement and delivers some cost avoidance over a 3 year period when compared to the full desktop rollout. The tables below highlight this.
- 6.2.3. The delivery of the new Desktop agreement provides the necessary financial flexibility to support the strategic desktop delivery roadmap for both councils. These financial benefits are included in the 2017-20

Medium Term Financial Strategy. By the use of up to date desktop products ICT Services will also be in a better position to prevent threats to customer information via the use of secure desktop products including Windows 10, Office 2017 and O365.

6.2.4. The new Enterprise Agreement will be procured via The Chest utilising the RM3733 lot 2 framework with an indicative price of £4.00m excluding VAT. This has been factored into ICT Shared Services expenditure for the period 2018-2021.

#### Cheshire East Council

<b>Cheshire East Council Phased Rollout</b>	<b>Annual Cost</b>	<b>Cheshire East Council Full Rollout</b>	<b>Annual Cost</b>	<b>Overall Cost Difference</b>
Yr1 - Rollout 50 Users	£633,366.50	Yr1	£721,328.81	£87,962.31
Yr2 - Rollout 1,000 Users	£709,886.47	Yr2	£721,328.81	£11,455.18
Yr3 - Full Rollout	£721,328.81	Yr3	£721,328.81	£0.00
			<b>Cheshire East Cost Avoidance over 3 Years</b>	<b>£99,417.49</b>

#### Joint

<b>Joint Phased Rollout</b>	<b>Annual Cost</b>	<b>Joint Full Rollout</b>	<b>Annual Cost</b>	<b>Overall Cost Difference</b>
Yr1 - Rollout 60 Users	£1,026,517.34	Yr1	£1,186,221.56	£159,704.22
Yr2 - Rollout 2,000 Users	£1,134,400.51	Yr2	£1,186,221.56	£51,821.05
Yr3 - Full Rollout	£1,186,221.56	Yr3	£1,186,221.56	£0.00
			<b>Joint Cost Avoidance over 3 Years</b>	<b>£211,538.11</b>

### 6.3. Equality Implications

6.3.1. An Equality Impact Assessment has been completed. The Desktop Transformation Programme that is underpinned by these licencing arrangements will impact all stakeholders equally and provide the benefits associated with flexible digital working

#### **6.4. Human Resources Implications**

6.4.1. No implications identified, as this paper relates to the provision of desktop licences in order to enable the compliant delivery of desktop software and services to our users. Resources to procure and implement the solutions will be sourced from ICT Services.

#### **6.5. Risk Management Implications**

6.5.1. If the proposals made in this paper are not approved at the Cabinet meeting on 10th April 2018, failure to enter into a new Enterprise Desktop Licence Agreement by 30th April 2018 would mean that both councils would not benefit from the CTA discount. This could lead to an increase of approximately 50% of the estimated licence costs. Both councils would be in breach of Microsoft Terms and Conditions, which could lead to external audit, significant fines, reputational damage for both councils and withdrawal of the right to use the software.

6.5.2. This paper relates to the provision of desktop licences. The risks relate to the procurement of a new Desktop Licence Agreement

#### **6.6. Rural Communities Implications**

6.6.1. The proposal will support the creation of greater digital choice for those in rural communities.

#### **6.7. Implications for Children & Young People**

6.7.1. The ICT Investment Programme supports the Adults, Children's and Public Health Programme and joint working arrangements with regional health colleagues, and the Digital Programme which enables residents online access to Council services.

#### **6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

### **7. Ward Members Affected**

7.1. All wards and members will be affected by this proposal.

### **8. Consultation & Engagement**

8.1. Consultation has taken place with our existing Licence Service Provider in order to understand the current Microsoft desktop licencing options, benefits, cost options and variables. The role of the Licence Service Provider is to fully understand the increasingly vital role software plays in the IT environment for both Councils, in order to provide ICT Services with

the correct level of understanding and guidance in order to inform our decision making around the desktop licencing requirements.

- 8.2. Consultation has taken place with Infotech (Consulting Services) to validate assumptions, challenge perceived requirements and confirm direction of travel with latest industry and local government trends.
- 8.3. Consultation has been undertaken with Microsoft Services which is the Professional Services organisation within Microsoft. Their role is to work with both Councils through ICT Services to realise the full value of our investment in the Microsoft technology stack as quickly as possible.

## **9. Access to Information**

9.1. Appendix 1 – Further information

## **10. Contact Information**

10.1. Any questions relating to this report should be directed to the following officer:

Name: Gareth Pawlett

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