

Cabinet

Date of Meeting: 8th September 2020

Report Title: Microsoft Licence Agreements

Portfolio Holder: Cllr Amanda Stott - Portfolio Holder for Finance, ICT and Communication

Senior Officer: Jane Burns – Executive Director of Corporate Services

1. Report Summary

- 1.1. Both Cheshire East and Cheshire West and Chester depend on Microsoft Technology for their Infrastructure and Desktop provision, this includes Windows and Office-based software for key ICT and service functions, including 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. The Office suite of products 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 report recommends that the Council's agreements for Microsoft Licences are aligned where appropriate and that a single contract is awarded to a Microsoft Licence Reseller. The advantage of this approach will be to obtain greater discounts on the licence costs due to the higher volume of licences procured and value of the contract.
- 1.3. This approach has been reviewed and approved by finance, procurement and legal services. The consolidation of contracts will not incur any additional

budgetary obligation, but will result in an overall reduction in spend on these purchases.

2. Recommendation

- 2.1. That Cabinet authorise the Executive Director of Corporate Services in consultation with the Portfolio Holder for Finance, ICT and Communication to award and enter into a contract to deliver Microsoft licences for Cheshire East Council and Cheshire West and Chester Council, infrastructure and desktop estate via a single Licence Service Provider; with an estimated total cost of up to £35m (excluding VAT) as determined by the Council over two 3 year periods (6 years in total).

3. Reasons for Recommendation

- 3.1. The ICT Strategy is to continue with the Microsoft product suite for a 6-year period to avoid the costs of change as a result of a change in technology. This approach is supported by the new memorandum of understanding between Microsoft and the UK government – The Digital Transformation Arrangement (DTA) which started on 1st May 2018 and the Azure Pricing Agreement (APA) amendment from 30 April 2020 to 30 April 2021. These agreements enables UK public sector customers to receive greater discounts for our Cloud hosted solutions.
- 3.2. The Digital Transformation Arrangement provides discounted pricing and terms for UK public sector customers who wish to procure Microsoft cloud products and services. It recognises the strategic relationship between the government and Microsoft, enabling public sector organisations of all sizes to benefit from improved commercial terms.
- 3.3. 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 against a backdrop of financial challenge.
- 3.4. 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.
- 3.5. 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 both Councils. Equally by delivering the right levels of infrastructure and 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.

- 3.6. Both Councils are reliant on the use of Microsoft products to carry out day-to-day tasks. Aligning the Microsoft Licence Agreements will ensure that both Councils can continue with their day-to-day activities, with no impact to service, supported by the latest Microsoft products and services. Desktop and Infrastructure licence costs are increasing (21% in 2019) in line with industry trends. Previous agreements have ensured that the Councils have not been subject to these increases. The strategy of having all of our Microsoft agreements with a single licence service provider will allow the Councils to negotiate bigger discounts and better concessions, such as price locks and business investment funds.

4. Other Options Considered

Option 2 – Do not renew our Microsoft Agreements

This would have a major cost and technology implications for the Councils who rely substantially on Microsoft technology. The cost of changing to alternative software and supplier would be significant the impact on users and services would be detrimental to the Councils day to day running and ability to provide services.

Option 3 – Do not align our Microsoft Agreements

By having multiple agreements the Councils are reducing the discounts they could achieve, incurring increased costs of management of the contracts and increased cost of procurement by having to undertake multiple procurements.

Option 4 – Align our Microsoft Agreements and seek funding for one 3-year period

The maximum duration for a Microsoft agreement is three years. Both Councils ICT strategy is to continue to use the Microsoft product suite beyond this 3-year period. This option would therefore incur additional procurement costs, as it would be necessary re-procure the Microsoft licences after 3 years.

Option 5 – Align our Microsoft Agreements and seek funding for three 3- year periods

Although the ICT strategy is to continue with the Microsoft product suite for the long term, it would be very difficult to predict the Microsoft Licence costs

for the next 9 years in addition technology changes may provide different options.

5. Background

- 5.1. There are currently six Microsoft Agreements that could be aligned under a contract with a service provider (as detailed in Appendix 1). Along with these, there is a requirement to procure a new Azure Cloud Agreement which will provide eligible public sector organisations with discounted pricing and beneficial terms for using the Azure cloud. In addition, there is a contract which is taken out directly with Microsoft for support of all Microsoft products across the Council. Historically, where appropriate the council has used a perpetual based licence model, however, with recent announcements from Microsoft of price increases of over 10% for Perpetual Office and other on-premise software have prompted the Councils to move to a subscription-based licence model.
- 5.2. This expenditure is revenue funded, growth has been included in the budget for the current year, but any future growth would need to be quantified if in addition to that which has been included in the current financial year and considered as part of the Medium Term Financial Strategy.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The value of this procurement will be over £1,000,000 and is consequently a Key Decision requiring Cabinet approval. The procurement will need to comply with both the Councils' Constitutions and the the Public Contracts Regulations 2015. Three procurement routes are currently being reviewed to determine which will enable the Councils to procure the required licences for the preferred maximum period of 6 years.
- 6.1.2. The 3 procurement routes being considered are as follows:
 - 6.1.2.1. HealthTrust Europe's ICT Solutions 2019 Framework – this framework is designed for the procurement of enterprise level ICT including software. The framework permits the award of contracts either through direct award or through further competition;
 - 6.1.2.2. Other frameworks which would enable the required procurement are in the process of being investigated; and
 - 6.1.2.3. Open procedure under regulation 27 or Restricted procedure under regulation 28 of the Public Contracts Regulations 2015.

6.1.3. The advantage of using frameworks is that specifications will already have been drawn up as part of the process of procuring the framework, timescales for procurement via further competition may be shorter than under the Open or Restricted procedures and where permitted contracts may be directly awarded to a supplier.

6.2. Financial Implications

Aligning the agreements with a single provider allows the necessary financial flexibility to support the strategic desktop and infrastructure delivery roadmap for both councils. With reference to Appendix 1, the total value estimated spend over a six year period is £34,846,008 with a 1 to 2% reduction in cost. Benefits include more greater discounts on pricing for a larger value contract with a single provider who will also get access to more investment funding which they can then invest back into the Council. These programmes allow Microsoft partners, to provide customers with expertise to help ensure a smooth deployment experience. Funded programmes help organisations deploy and adopt modern workplace applications, examples include discovery sessions, proof of concept days and customer immersion experiences.

6.3. Policy Implications

6.3.1. The evolving nature of business and government is driving a need for transparent, accountable processes; efficient systems delivering better client services; improved management of records that comply with legislation; improved inter-agency collaboration and integrated service delivery. Information is a valuable asset that must be safeguarded. In the case of information held by the Council, especially personal information, people want to be certain that it is held securely, maintained accurately, available when necessary and used appropriately. ICT systems, services and data are vital business assets and effective management of these assets in support of prioritised business needs presents significant challenges in terms of co-ordination, funding, resources and timescales.

6.3.2. It is important ICT Strategy work with Members, multi-agency Partners, alternative new vehicles (ASDVs) and Officers across all the Council's Services, alongside colleagues in ICT Shared Services and others in order to develop and implement appropriate strategies, policies and supporting technologies and innovation.

6.3.3. It is the responsibility of ICT Strategy to take the lead role for ICT Account Management, ICT Business Analysis, ICT Security, Information and

Records Management and ICT Business Management (including ICT supplier or vendor management) across Cheshire East Council.

6.4. Equality Implications

6.4.1. Current versions of software such as Office 365 have improved accessibility enabling better access for all staff.

6.5. Human Resources Implications

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

6.6. Risk Management Implications

6.6.1. The Microsoft Licences are core to the Councils ICT infrastructure. Failure to enter into new licence agreement(s) before expiry of the current licences would leave the Councils without the ICT infrastructure to carry out its day to day business. If the Councils continued to operate after expiry of the licences they would breach Microsoft's intellectual property rights and consequently be open to compensate Microsoft for such breach as well as the Councils suffering reputational damage.

6.6.2. A decision is required before the end of September 2020 to enable an agreement for the provision of the Microsoft licences to be procured before expiry of the existing licences and to enable the Councils to benefit from the discounted pricing that can be achieved through consolidation.

6.6.3. Failure to ensure that IT systems and solutions are not kept up to date exposes the Council to a number of risks through unauthorised or unlawful access (cyber) or against accidental loss, destruction or damage. This is a requirement for our interactions with central government and in particular DWP and the NHS. If it's not possible to demonstrate that the Council is adequately protecting its systems through up to date software then the Council's involvement with those providers may be at risk. In addition one of key principles under GDPR is to ensure that the Council's services have Integrity and are Secure failure to have in place current infrastructure puts the Councils at greater risk of failure of its systems.

6.7. Rural Communities Implications

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

6.8. Implications for Children & Young People/Cared for Children

6.8.1. 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.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. Investment in ICT supports the Green Agenda.

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 Providers in order to understand the current Microsoft licencing options, benefits, cost options and variables. The role of the 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 Microsoft Directions (Consulting Services) to validate assumptions, challenge perceived requirements and confirm direction of travel with latest industry and local government trends.

8.3. Crown Commercial Services \ Memorandum of Understanding has been agreed between Microsoft and the government, and will be considered when published.

8.4. Consultation on the Councils licencing requirements 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:

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