

Bob Lanzer, Cabinet Member for Corporate Relations	Ref No: CR3 18.19
November 2018	Key Decision: Yes
Procurement of a Microsoft Enterprise Agreement Subscription	Part I
Report by Director of Finance, Performance and Procurement	Electoral Division(s): n/a
<p>Summary</p> <p>This report concerns the procurement of a Microsoft Enterprise Agreement Subscription (EAS). The current EAS will terminate at the end of March 2019. A new EAS is required for a three-year period from the end of March 2019.</p> <p>It is estimated that the total value of the contract would be approximately £4m over 3 years.</p>	
<p>West Sussex Plan: Policy Impact and Context</p> <p>Microsoft software provides critical enabling technology for use of computers and data centre servers and it is used by all Council computer users. Together, the suite of capacities and functionalities it provides underpin all service delivery.</p>	
<p>Financial Impact</p> <p>The budget for Microsoft licencing and the shift to the Office365 product sets was anticipated in the IT Strategy 2016-2020. Budget provision was set based on the prevailing Microsoft licencing regime and predicted user numbers. A predicted reduction in head count has not been realised resulting in additional costs, however, it is expected that revised licencing can be achieved within existing IT budget provision as a result of savings in migration costs.</p>	
<p>Recommendations</p> <p>The Cabinet Member is asked to:</p> <p>(1) approve the commencement of a procurement process for renewing Microsoft licensing for a three-year period from March 2019 to April 2022 for an approximate sum of £4m over the three years; and to</p> <p>(2) delegate authority to the Director of Finance, Performance and Procurement to enter into the contract.</p>	

PROPOSAL

1. Background and Context

- 1.1 The County Council uses Microsoft products to deliver a set of core functionality used by most employees of the County Council. This includes products such as the Windows operating system, Office Productivity Suite (Word, Excel, and PowerPoint), email, SharePoint and Lync/Skype telephony.
- 1.2 As part of its migration to cloud services the Council is implementing the Microsoft 365 (MS 365) product set (see Cabinet Member decision report [CR01\(16/17\)](#)). This includes the cloud-based version of the Office product set, known as Office365 (O365) and then adds Windows 10 Pro licensing and the Microsoft Enterprise Mobility and Security (EMS) suite for a complete, interconnected experience.
- 1.3 In addition, Microsoft products are used in the Council's data centre to manage and protect IT systems architecture, in particular the use of Systems Centre software which provides software management that allows the Council to manage a large number of Windows based computers, including provision of remote control, patch management, operating system deployment, network protection and other services.
- 1.4 The County Council's laptops, PCs and some servers are protected by Microsoft products that provide disk encryption, anti-virus capability and spam removal. It is critical to the protection of data and systems and to the business continuity of the whole organisation, that this protection is maintained.
- 1.5 The prevailing Microsoft EAS commenced in April 2016 and ends in March 2019 and a new EAS is required from the end of March 2019 to ensure continuity of use of Microsoft products.
- 1.6 The current EAS does not include certain Microsoft products acquired through ad-hoc arrangements, for example SQL Server licencing that is acquired as required. The Council's EAS does not include acquisitions made on behalf of schools as additional education only discounts are available.

2. Proposal Details

- 2.1 It is proposed that a new EAS agreement is made with Microsoft based on the discounts available to the UK Government and the currently predicted levels of usage of the associated software.
- 2.2 There are several products that are included within the scope of the EAS (See Appendix A for full list). Some of these are for single instances of a product. This sets a precedence for future pricing for products which the Council is likely to use in the three-year duration of the EAS. There are four products of significance, these are:
 - MS365 E3
 - Skype for Business
 - Power BI

- Systems centre (two variants)
- 2.3 MS365 E3 provides users with the latest versions of: Word, Excel, PowerPoint, Outlook, OneNote, Publisher, SharePoint, Skype and OneDrive. These products are available to install locally on devices or via browser software from the cloud. The licence arrangements allow a user to install and access this software from more than one device, including laptops, smartphones and tablets.
 - 2.4 Office 365 also provides storage for document, emails and other content. It includes critical functionality to manage and control content such as advanced mail management, document and email access control and message encryption. New communication capabilities are included such as online audio and video meetings, broadcast Skype and enterprise video services. There are new tools and collaboration capabilities such as Team, Yammer social networking, work scheduling tools, Sway presentations and unified messaging.
 - 2.5 As well as the O365 products, MS365 also includes all necessary licensing associated with the Windows operating system and Enterprise Mobility services. These latter services provide the control and management of activity that enables a wider access to systems and services, including from third-party or personally owned devices. It will replace the existing systems that currently manage this function (e.g. MobileIron).
 - 2.6 Skype for business adds updated telephony features that are currently in general use at the Council, for example delegated access and response group management.
 - 2.7 Power BI licensing enables analysts and other specialists to access the cloud-based Power BI analytic tools and capabilities to create reports, dashboards and other ways of presenting information and data.
 - 2.8 The Systems Centre software is used to manage software across the IT estate, including laptops and PCs as well as servers and other data centre equipment.
 - 2.9 The licencing included within the EAS provides the continuity to enable the Council to continue to use Microsoft products, while significantly enhancing the capabilities and features available to all Council computer users. As the capabilities are all delivered from the cloud it also addresses the strategic intent to migrate away from local delivery.
 - 2.10 The migration of users to MS365 has started and it is anticipated that most users will be using the new software before the end of March 2019.
 - 2.11 Other options have been considered before making the proposal described above, these include:
 - Delaying re-licencing. This would invalidate the Council's use of many of the Microsoft products. In instances where the Council could revert to earlier versions of software, in all instances such software is either already out of support or will be by January 2020. Use of unsupported

software would invalidate existing security accreditations which are used to demonstrate specified levels of security that enable exchange of information within the UK public sector.

- Seek an alternate product set. Alternate options were explored as part of the IT Strategy 2016-2020 report. An informal market review has confirmed that there are no providers that can match the entire Microsoft product set of capabilities, this is especially so given the inclusion of telephony and analytics services alongside those associated with system management. Those product sets with a partial match have cost implications that will make them more expensive to acquire and manage.

3. Consultation

- 3.1 The proposal and approach for Microsoft licencing has been agreed with Capita, the County Council's local IT Services provider. Given the requirement for a public-sector signatory to the Microsoft Licence agreement, Capita is not able to procure licencing on behalf of the County Council at the UK Government discount rate. The development of the licencing arrangements and associated product set have been co-designed with Capita.
- 3.2 Extensive consultation has been undertaken with the current Microsoft reseller and Microsoft themselves to optimise licence arrangements.
- 3.3 The continued use of the Microsoft software was described in the IT Strategy 2016-2020 which was agreed via Cabinet Member decision and after scrutiny from the Performance and Finance select committee.

4. Financial (revenue and capital) and Resource Implications

- 4.1 The continued use of Microsoft products from March 2019 was anticipated in previous Cabinet Member decisions CR08(15/16) and CR01(16/17). This resulted in budget provision based on the best understanding of costs and user numbers at those times. Budget provision was also made for dealing with the cost of migration from the then locally delivered systems to those delivered from the Microsoft cloud.
- 4.2 Revised pricing has now been received from Microsoft. It should be noted that these prices are set through a national agreement and apply to all UK public sector users of Microsoft products.
- 4.3 The total licence cost for all EAS-based licences required by the Council commencing end of March 2019 is £1,281,857. This is an increase of c£145,000 over the anticipated cost. The increase is due to the number of users, and therefore licences required, being higher than anticipated when the strategy was set. The licence provision is subject to monthly and annual reviews at which point licence numbers can be adjusted. Consequently, any reduction in future user numbers will result in reduced licence fees.
- 4.4 Current budget provision also includes an element to enable the migration to the cloud-based product set. The migration was projected to complete in 2020-21. While some activity is planned for 2019-20 it is likely to be at a

lower level than anticipated and should be completed in that year. This enables the additional provision to be used to off-set the increased costs of licencing up to 2020-21. The shortfall in the last year of the EAS will be addressed either through realisation of a reduction in user numbers or by absorption into other IT budgets.

	2019/20 £	2020/21 £	2021/22 £
Existing Revenue budget	1,477,000	1,305,000	1,136,000
Costs of Licences	1,281,857	1,281,857	1,136,000*
Available Revenue for Cloud migration	195,143	23,143	0

*Assumes reduction in user numbers

5. Legal Implications

5.1 None

6. Risk Assessment Implications and Mitigations

6.1 There are significant risks associated with not entering into a new EAS agreement with Microsoft, including:

- Microsoft licencing would revert to that in place before the prevailing EAS agreement, i.e. that prevailing in 2013. This limits the Council to use of Microsoft Office 2010 and 2013 products and the Windows 7 operating system. All these products reach end of life in January 2020. This means that there will no longer be support for them and they will not receive updates and changes that counter malicious software attacks and fixes to known problems. In turn, the Council security accreditations that enable exchange of information with all other public-sector organisations would not be achievable.
- The reversion of licencing would require removal of products already implemented through the current EAS, including O365 and Windows 10 users already using these products.
- Core systems used by the Council, including telephony, email and SharePoint would not be updated and would lose functionality over time.
- New capabilities and tools will not be available for use in the Council, the loss of cloud-based service and the mobility services would significantly impact service re-design and adversely impact productivity.
- Out of date software is frequently cited during staff surveys as an inhibitor to good performance, delays in upgrading software may impact staff morale.

6.2 There is a risk that user numbers will increase, resulting in higher licence costs. This is mitigated by including any additional costs within the business case that underpins an increase in users.

6.3 There is a risk that the reduction in user numbers required by 2021-22 is not realised. This is mitigated by seeking to absorb the cost within other IT budgets.

7. Other Options Considered (and Reasons for not proposing)

7.1 The recommendation to pursue the Microsoft cloud versions of their software and alternate options were explored in depth in the IT Strategy 2016-2020 (Cr01(16/17)).

7.2 Delayed acquisition of the EAS was considered, however this would overly constrain the available time to migrate all users on to the new software. This must be achieved by January 2020 and delaying the start of the migration (and therefore, the EAS) will significantly enhance the risks described above.

8. Equality and Human Rights Assessment

8.1 Not applicable as this is a report dealing with an internal matter.

9. Social Value and Sustainability Assessment

9.1 Not applicable

10. Crime and Disorder Reduction Assessment

10.1 Not applicable

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Appendix A

Attached below: Summary of Microsoft products included in the Enterprise Agreement Subscription contract

Background papers

None

Appendix A

Summary of Microsoft products included in the Enterprise Agreement Subscription contract

Product	Qty
M365 E3	6550
Skype for Business Plus	6550
Power BI Pro	101
Azure Monetary Commit	1
Microsoft Developer Network (MSDN) Platform Licence	18
MSDN Enterprise Licence	2
MSDN Professional Licence	5
Systems Centre Datacentre Core licencing	176
Systems Centre Standard licencing	472
Azure Information Protection	1
Project Online Essentials	1
Project Online Professional	1
Audio Conference	1
Phone System	1
Domestic Calling Plan 120min	1