

 the low tax borough	London Borough of Hammersmith & Fulham CABINET 22 JULY 2013
MICROSOFT LICENSING	
Report of the Leader of the Council - Councillor Nicholas Botterill	
Open report	
Classification: For Decision Key Decision: Yes	
Wards Affected: All	
Accountable Executive Director: Jane West, Director of Finance and Corporate Governance	
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1. EXECUTIVE SUMMARY

- 1.1. H&F's current Microsoft Enterprise Licence agreement is due for renewal by 30th September 2013. This will involve a re-statement of the number of users for each application type (trueing up) leading to a recalculation of the amount due. H&F Bridge Partnership (HFBP) expect that under the current licence agreement this trueing up will lead to an increase in the overall enterprise agreement price, from £370,000 to £422,414 for 2013-14.
- 1.2. However, there is an opportunity to migrate to a new Microsoft enterprise agreement framework that will provide greater future flexibility, and reduce annual costs to £374,281 a year for 3 years, plus RPI linked annual increments.

2. RECOMMENDATION

- 2.1. That HPBP be authorised to contract with Microsoft on behalf of the Council to migrate to the new Microsoft licence agreement from September 2013 for 3 years at a cost of £374,281 pa for 2013-14.

3. REASONS FOR DECISION

- 3.1. The proposed new Microsoft enterprise agreement framework will provide greater future flexibility, and reduce annual costs to £374,281 a year for 3 years, plus RPI linked annual increments.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Council uses Microsoft software extensively across the IT infrastructure, including server and desktop based productivity tools used as part of its daily work. The existing Microsoft Enterprise Agreement (EA) was entered into in September 2009 for three years, with options to extend on an annual basis to up to five years.
- 4.2. This Microsoft enterprise agreement is therefore due for optional renewal in September 2013, at which point the number of staff using each package will be declared (referred to as a 'true-up / true-down' process), from which the annual licence cost will be calculated.

Current arrangements

- 4.3. The current Microsoft EA is a single solution for the Council's Microsoft products, which enables the Council to access the latest versions of Microsoft products (see Appendix) through an annually renewed subscription model. As well as Microsoft Office, this includes such packages as MS Project and MS Visio, which are used by a smaller number of staff.
- 4.4. The EA requires a declaration of the number of staff using each of the listed Microsoft packages, a process known as 'trueing up / down'. The number of declared users for each package is then used to determine the annual licensing charge. Licences are re-used wherever possible, with licences being harvested from staff leaving the Council, and from staff who no longer use or require access to a particular application. This helps to reduce overall licence costs and maximises the value for money from the Microsoft EA.
- 4.5. Based on the current Microsoft product mix, including all staff using MS Office and additional charges for the known number of users for additional products, H&F Bridge Partnership have calculated that extending the current Enterprise Agreement for another year will incur a charge of £422,414, an increase of approximately £48,500 from the 2012-13 charge.

5. PROPOSAL AND ISSUES

- 5.1. HFBP expect that under the current licence agreement this trueing up will lead to an increase in the overall enterprise agreement price, from £370,000 to £422,414 for 2013-14. However, there is an opportunity to migrate to a new Microsoft enterprise agreement framework that will provide greater future flexibility, and reduce annual costs to £374,281 a year for 3 years, plus RPI linked annual increments.

- 5.2. It is therefore recommended that the Council authorises HFBP to contract with Microsoft on behalf of the Council to migrate to the new Microsoft licence agreement from September 2013 for 3 years at a cost of £374,281 pa for 2013-14. The proposed new Microsoft enterprise agreement framework, PSA12, will provide greater future flexibility, and reduce annual costs to £374,281 a year for 3 years, plus RPI linked annual increments. PSA12 pricing has been negotiated by central government and will fix the price for three years.
- 5.3. The proposal will take the Council through to the end of September 2016, at which point the Council will seek to transition to arrangements under the Tri-borough ICT procurement. These may include consideration of office software from other suppliers. However, the transition costs for moving away from Microsoft are considerable, with training, testing application integration, and reworking complex sets of spreadsheets with macros embedded. As such, it was not considered financially viable to undertake such a move twice in three years (once to the alternate supplier, and then again to the software supported under the Tri-borough procurement). This option was therefore not considered further.
- 5.4. The council has reduced the number of licences in recent years along with the reduction in headcount:

Year	2009/10	2010/11	2011/12	2012/13
Number of logins	3718	3553	3441	3149

- 5.5. This will include additional licences required since 2011/12 to support tri-borough working. At the same time, the range of licences has increased during the period, with CHS being brought onto the Enterprise Agreement and the virtual desktop requiring additional licences.
- 5.6. HFBP discussed with Microsoft whether affiliated EA licensing might offer some price advantage by considering a Tri-borough approach to licensing. However this model is only really beneficial to a Council which is collapsing the datacentre down, and looking to run a shared datacentre, with the servers running a shared workload. Whilst this may be the longer term route the Tri-borough Councils are looking to develop, the recommendation from Microsoft is not to go down this road of moving to an affiliated EAP as the benefits will not be realised in the short term.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. The current Microsoft EA licensing model was agreed in 2009 but is no longer considered competitive as a result of changes in both the Microsoft licensing pricing model and changes in the H&F use of Microsoft products, particularly in relation to the virtual desktop, including the “Bring Your Own Device” service.
- 6.2. The optional annual renewal of the current Enterprise Agreement allows the Council an opportunity to consider alternative options for licensing

Microsoft products. HFBP have evaluated three Microsoft licensing models available to the Council to meet their Microsoft product usage:

Option 1 – Continue the existing Microsoft Enterprise Agreement

- 6.3. The existing Microsoft Enterprise Agreement can be renewed for another year. This will be on the existing terms, and will incur a charge for 2013-14 of £422,414.

Option 2 – Cancel the Microsoft Enterprise Agreement

- 6.4. The Council could use the annual renewal opportunity to end the Enterprise Agreement with Microsoft, and revert to purchasing separate perpetual licences for the required applications. Perpetual licences will mean that for a one-off cost, the Council will have access to the current version of each application licensed, rather than paying an annual subscription.
- 6.5. However, perpetual licensing means that the Council will incur additional licence costs whenever it needs to upgrade application versions – these costs are included in the Enterprise Agreement subscription models.
- 6.6. Additionally, not all of the Microsoft applications currently used can be purchased through perpetual licences, meaning that a core set of applications relating to the new virtual desktop will need to be licenced through an on-going subscription model.
- 6.7. Ending the current Microsoft Enterprise Agreement and moving to perpetual licensing will cost the Council £859,539, with an additional annual subscription cost of £39,500 for the virtual desktop application licences.

Option 3 – Enter into a new Microsoft EA based on PSA

- 6.8. The final option is to enter into a new 3 year Enterprise Agreement with Microsoft, based on a new Public Sector Agreement (PSA) framework. This includes prices agreed through central government procurement, including an RPI based annual inflation charge throughout the term of the Microsoft EA.
- 6.9. The new Microsoft EA will include Software Assurance, which enables the Council to receive application version updates where relevant and needed e.g. to maintain compatibility across tri-borough services.
- 6.10. As at present, the new Microsoft EA will include an annual true up / true down reconciliation at the agreement anniversary. This will enable the Council to confirm any reduction in the number of staff using any application, and thereby reduce the annual subscription cost accordingly.
- 6.11. The annual true up/down will also provide the Council with an opportunity to take advantage of new Microsoft product delivery models, including migrating to Office365. The existing licence numbers can be set to zero and any new Office365 licences added in their place.
- 6.12. Using the new Microsoft Enterprise Agreement will result in a charge for 2013-14 of £374,282

Benefits of Option 3

- 6.13. Entering into a new Microsoft EA based on the PSA offers a range of benefits:
- A subscription based agreement, providing on-going access to version updates
 - Costs spread evenly over the 3 year agreement duration, with RPI based annual increases
 - Annual true up/down process to re-align on-going costs based on actual usage, enabling the Council to reduce charge where staff use goes down
 - Home Use Program providing Microsoft Office at negligible cost to staff – this provide very useful in enabling staff to get used to the new Office 2010 suite ahead of the migration to Smart Desktops.
 - 24/7 support
 - Simplified license administration
 - 60 day evaluations free of any Microsoft software product
- 6.14. Option 3 is the solution recommended to Cabinet as it provides significant value for money for the Council compared to both continuing with the current Enterprise Agreement (option 1) or reverting to perpetual licences (option 2).
- 6.15. Licences for Microsoft Visio and Microsoft Project are 12 month subscriptions under an enterprise agreement. However, licenses can be reassigned during this period. Under Option 3, there are a range of mechanisms to ensure that that the requirement for continued usage is regularly tested, thus enabling licences to be made available to other users rather than purchasing additional licences. These include forcing password reset via the portal to ensure continuation of the service (effectively a sunset clause), and providing quarterly reports to managers for verification of a continued requirement. The council will work with HFBP to deploy appropriate mechanisms to ensure that the minimum number of such licences are purchased, and thus minimum spend.

Timescale

- 6.16. Microsoft require 60 days' notice from the annual anniversary date to migrate from the current Enterprise Agreement. This requires H&F Bridge Partnership to formally state an intention to migrate to the new Enterprise Agreement by 30th July 2013.
- 6.17. After this date, the existing Enterprise Agreement will continue for another year, resulting in an increase in the Microsoft licence price of £52,414.

7. EQUALITY IMPLICATIONS

- 7.1. There is considered to be little or no impact on equality as a result of the issues in this report.

7.2. Implications verified/completed by: (Carly Fry, Equalities Officer, ext. 3430)

8. LEGAL IMPLICATIONS

8.1. The Council's IT requirements are provided by HFBP under a service contract dated 1 November 2006 (the "IT Service Contract"). Under the IT Service Contract, HFBP contracts directly with software suppliers for the provision of IT software to the Council. There are no legal implications for the Council as HFBP will enter into the new contract with Microsoft.

8.2. Implications completed by: Catherine Irvine, Senior Solicitor (Contracts)
tel: 020 8753 2774

9. FINANCIAL AND RESOURCES IMPLICATIONS

9.1. As the proposal contains costs to their current levels, there are no direct financial implications for the purposes of this report.

9.2. Implications verified/completed by: Andrew Lord, Head of Strategic Planning and Monitoring, Phone: 020 8753 2531.

10. RISK MANAGEMENT

10.1. IT Procurement and the purchase of licences is in accordance with the Council's strategic objectives, Internal Procedures and IT Strategy. This ensures that IT software and its usage remains fit for purpose, and that unavailability of data through the deployment of officially licensed products is minimised. This also ensures that Information, data and supporting documentation continue to be held securely, and that access is made by authorised persons. In the event of product failure restoration of business operations is not unnecessarily delayed through purchase of a subscription based agreement, providing on-going access to version and security updates.

10.2. Failure to ensure the estate is appropriately licensed could result in financial and reputational damage to the Council. This is noted on the councils Enterprise Wide Risk and Assurance Register, Risk Number 9 (Maintaining reputation and service standards) and IT Risk Register.

10.3. Implications verified/completed by: (Michael Sloniowski, Bi-Borough Risk Manager, 0208 753 2587)

11. PROCUREMENT AND IT STRATEGY IMPLICATIONS

11.1. There are no procurement related issues as the recommendations contained in this report relate to an order to be placed under the contract with the Council's strategic IT Partner.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Microsoft Licensing (2009)	Jackie Hudson ext 2946	FCS SmartSpace
2.	IT strategy - getting the basics right IT infrastructure renewal	Jackie Hudson ext 2946	FCS SmartSpace
3.	Workplace strategy	Jackie Hudson ext 2946	FCS SmartSpace
CONTACT OFFICER:		NAME: Jackie Hudson	EXT. 2946

Appendix - Microsoft products included within Enterprise Agreement

Enterprise Products

Professional Desktop – Office Professional Plus

Professional Desktop – Windows OS

Professional Desktop – Core CAL

Roaming Usage Rights

Project Pro

Project Std

Visio Pro

Visio Std

Management Tools

Various technical tools, including the Virtual Desktop application platform

Other Products

BizTalk Enterprise (interface engine)

Exchange Server Enterprise (e-mail)

Exchange Server Standard (e-mail)

SharePoint Server

SQL Server Standard Per Processor (database)

SQL Server Enterprise Per Processor (database)

Visual Studio Professional with MSDN Premium

Windows Server Standard

Windows Server Enterprise

Windows Server Datacenter

Windows Server External Connector