

# **RENEWAL OF CONTRACT: MICROSOFT ENTERPRISE AGREEMENT**

## **PORTFOLIO RESPONSIBILITY: CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES**

**CABINET**

**10 APRIL 2008**

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### **Wards Affected**

Countywide

### **Purpose**

To agree the renewal of the current Microsoft Enterprise Agreement licence, support and maintenance contract covering all corporate (excluding schools, education and research) Microsoft computer software in use within the authority for a period of three years.

### **Key Decision**

This is a Key Decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000.

It was not included in the Forward Plan, however, inclusion in the agenda gives the required notice in accordance with Section 15 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2000.

### **Recommendations**

#### **THAT**

- a) the funding available is noted; and**
- b) the contract is renewed in the sum of £645,000 over the three year period.**

### **Reasons**

To ensure that all corporate Microsoft software is covered in terms of support, maintenance and licence compliance for a period of three years and to ensure that the Council continues to receive the associated forty percent discount for new Microsoft software.

### **Considerations**

1. The focus of this report is the corporate Microsoft Enterprise Agreement.
2. The Council has over 2000 corporate desktop users of Microsoft software. This includes

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the operating systems used to run the desktop computers across the authority and software such as Outlook, Word, Excel, Access and PowerPoint that staff and Members use daily.

3. The Council has over 100 servers that run Microsoft operating systems and a large number of business critical applications in use across the authority including: Geographic Information Systems (Mapping); Planning software; the Council's websites including the intranet; Members committee agenda and minutes system; Trading Standards; adult and children's social care systems; and Human Resource management systems.
4. The Council, similar to nearly all other local authorities, Central Government departments and agencies, NHS organisations and private sector businesses across the UK, uses Microsoft software on the majority of its desktops and servers.
5. The way that Microsoft licences its products means that the Council has two distinct agreements. A "Select Agreement" covers all educational, research and schools usage whilst an "Enterprise Agreement" covers all other corporate users. The "Select Agreement" is cheaper per unit but is only available for educational and academic purposes – the Council has this in place as a matter of course for these areas and this is not covered by this report.
6. The Microsoft Enterprise Agreement allows the Council to ensure that all Microsoft software is fully supported with:
  - licensing flexibility allowing licences to be transferred between people and computers;
  - 24/7 technical support;
  - security updates and major version upgrades;
  - extended support for end-of-life products;
  - technical support for all products;
  - access to training materials for staff and engineers;
  - access to enterprise only Microsoft software including a specific version of the desktop operating system for use in large organisations;
  - free training vouchers for technical training totalling 30 days;
  - help and support for upgrades;
  - planning and deployment of desktop services;
  - free licences for cold backup (duplicate server switched off until an incident or failure occurs) systems for disaster recovery;
  - free software training licences;
  - free consultancy days from Microsoft and partners.
7. The current Enterprise Agreement ends on 31<sup>st</sup> March 2008. The Council has a 30 day

grace period to renew at a discounted rate of £215k per year for three years totalling £645k.

8. If there is a delay agreeing the renewal past the 30 day grace period the Council will become ineligible for the renewal and must put a new agreement in place.
9. A new agreement would cost £249k per year for three years totalling £747k. This would give the same benefits as the current Enterprise Agreement but would mean an extra £102k over three years for the same terms and conditions as the renewal.
10. There is no pressure or leverage the Council can exert on Microsoft to change or further discount software past what is already offered. Prices are set at a negotiated national level by Microsoft and the Office of Government Commerce (OGC) under the CATALIST framework agreement for software. All resellers of Microsoft software under this agreement charge the same price. This is the only deal available for local authorities across England.
11. The current CATALIST framework agreement is being reviewed by Microsoft and OGC and will end 31<sup>st</sup> May 2008. Negotiations are due to complete in June and the expectation and advice from both Microsoft and Trustmarque (our current Microsoft reseller) are that prices will increase. They are advising all Councils who have the option to renew to take that option.
12. The Council cannot use the cheaper NHS PCT software agreement under a Herefordshire Public Services banner as this would break licensing laws and leave the Council subject to heavy financial penalties in excess of £1m (typical amount).
13. If it is decided not to renew the Council can still use existing software at current licence numbers but will become ineligible for all the benefits of an Enterprise Agreement and subject to much higher prices (40% above what the Council would pay under an Enterprise Agreement) for all new Microsoft software and upgrades of existing software past the current version of Microsoft products.

## **Financial Implications**

14. The funds for this have already been budgeted for in ICT Services base budget. There is no requirement for additional funding.
15. The cost of renewal will be £215k per annum over three years totalling £645k.
16. There will be a decrease in money spent on this agreement with the remaining budgeted amount being used to purchase new Microsoft software requested by directorates that fall under the corporate agreement at no cost to them. This excludes services that are licensed through the Academic and Research Select Agreement. This will go alongside the standardisation project approved by CMB to pool software licences under the existing ICT budgetary arrangements thus reducing budgetary pressures on Directorates.

## **Risk Management**

17. Delaying the decision to renew past this Cabinet meeting will mean that the Council no longer qualifies for the cheaper renewal price. Deciding to renew at a later meeting will incur extra costs of at least £102k over three years placing further budgetary pressure on both ICT Services and directorates.

18. Enterprise Agreements allow the authority more flexibility to transfer and reallocate software licences between staff and departments. If the Council do not have an agreement in place we must invest in further staff resources to ensure the Council is compliant with the licensing agreement with Microsoft. Microsoft schedules regular audits for all customers and the penalties for non-compliance are severe.

## **Alternative Options**

19. There are no realistic alternative options in terms of supplier. The majority of partners, local Councils, Central Government departments, NHS agencies and businesses use Microsoft software.

20. To switch to another supplier would be problematic at best as the majority of business applications within the Council only work on and with Microsoft operating systems and Office software. They would, therefore, become unworkable, necessitating their replacement. In short, the Council are locked into this supplier as are all other organisations who predominantly use Microsoft software on such a scale.

21. Microsoft software costs are seen as a “cost of doing business” by most organisations as there is no real alternative supplier that provides the same breadth of software to the same high quality and most importantly, to the same level of usability for staff and engineers.<sup>1</sup>

22. The authority could choose not to renew the Enterprise Agreement. However, this means the Council will lose out on the benefits of having an organisation-wide agreement and face a much larger cost when rolling out projects that require desktops or servers or when purchasing Microsoft products. When Microsoft upgrades its current line of products the Council would not be able to upgrade them and would have to buy the new version at full price. At over 2000 desktop users and over 100 servers this would be at a much higher cost (40% extra per unit of Microsoft software). Additional staff resource would be required to provide licence compliance support.

## **Appendices**

No additional appendices.

## **Background Papers**

No additional background papers.

## **Glossary**

**Corporate** – in the context of this report this term is used to describe all internal activities carried out by the Council and those staff who perform them. It excludes services that fall under an academic or research category as these are provided for under a “Select Agreement”

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<sup>1</sup> The only alternative to Microsoft software is open source software. This is provided by many different companies. Whilst appearing to be free, the total cost of ownership is similar if not slightly higher than when using Microsoft software on such an organisation-wide scale. The majority of the business applications in use do not work on this platform so most of the other software in use across the Council would need to be replaced as well as the core desktop and server software. Full retraining of all staff and technical engineers would need to take place and further integration with the Primary Care Trust who use Microsoft software would be made more difficult and costly.

**Desktops** - a generic term for computers that includes laptop and tablet computers used by staff within the authority.

**Enterprise Agreement** – a generic term used to describe an overall framework agreement between a vendor and an entire organisation such as the Council. This is a different approach than having individual contracts between individual departments.

**HPS** – Herefordshire Public Services; a term used to describe the joint working arrangements between the Council and the Herefordshire NHS Primary Care Trust.

**ICT Services -**

**Microsoft** – the largest software company in the world. They provide the server and desktop platform for the majority of computers within the authority.

**Microsoft Office** – collective term used to describe a set of software from Microsoft, including: Word, a word processing tool; Excel, a spreadsheet tool; Access, a database tool; PowerPoint, a presentation tool; and Outlook, an email and calendaring tool.

**MTFS** – Medium Term Financial Strategy; a term used within the Council to refer to the financial strategy for the revenue account, the capital account, treasury management, reserves and balances, financial management etc...

**NHS** – National Health Service.

**PCT** – Primary Care Trust; commissioners / providers of public health services

**Select Agreement -**

**Server** – computer running application software to which many *desktops* connect to access information and applications.