

Report to: The Cabinet Member for Resources

Date: 12th June 2009

Report by: Head of Service ICT

Microsoft Enterprise Agreement (EA)

Recommendations

That the Cabinet Member for Resources:

1. gives authority for PCC to enter into an agreement with Microsoft,
2. approves the costs and funding sources as laid out in the Financial Appraisal,
3. gives authority to adjust service departments cash limits in 2009/10 and subsequent years in order to centralise the Software Licence Fee budget and realise any overall budget saving that may arise, be delegated to the Strategic Director and Section 151 Officer,
4. gives the authority to the City Solicitor to complete the required legal documentation associated with the agreement.

Current Position

We purchase our key Microsoft licences (Corporate and Academic licences) via a Microsoft Select Agreement. Individual Services hold the budgets themselves and decide when they will upgrade. This becomes a problem when technology becomes obsolete and the Services have not yet upgraded to supported technology. This forces unplanned spend.

Benefits

- The Select Agreement is a nationally agreed contract so prices better than buying as a separate entity.
- No commitment to spend
- Covers all Microsoft Software
- Licences owned by PCC

Disadvantages

- Not able to get the benefits of planned spend and amalgamated budgets.
- Not able to plan strategically with confidence that budgets will be available.
- No entitlement to new versions/upgrades etc.
- Most departments unable to get the benefits of the new releases for many years and struggle with old software.
- Many different versions are in use, causing problems transferring files between users and increasing support costs.
- Microsoft support not included.
- There is a huge overhead to ICT Service in managing the current licensing situation for individual Services.

Proposed position

We have the opportunity to procure a new kind of Corporate Microsoft Agreement where we only use software from Microsoft and don't actually own it. This agreement will allow us to use a wide range of Microsoft desktop software including new products when they become available and also allows us to get some additional benefits.

Benefits

- Better prices than the Select Agreement.
- Subscription based – so costs considerably reduced.

- ❑ Entitlement to new versions (any version released during the contract) so we can put the same version on all (capable) desktops.
- ❑ Further reduced prices for some other software e.g. Server Operating System.
- ❑ Able to get the benefits of planned installations across a 12-month period.
- ❑ Right to use Sharepoint (Document sharing and management system) (worth £177,000).
- ❑ Right to install the next release of Office (worth £906,000) on all capable desktops.
- ❑ Employee Purchase scheme at cost (employee owns the licence).
- ❑ Home use scheme at cost (employee doesn't own the licence).
- ❑ Ease of management of desktop ICT.
- ❑ Full access to E-Learning software for users and technologists.
- ❑ Full Microsoft support for the products.
- ❑ Access to Microsoft technical resources.

Disadvantages

- ❑ Have to make a 5-year commitment and pay annually in advance.
- ❑ Licences not owned by PCC so would have to 'buy back' licences at a reduced rate if we leave the agreement (not recommended).

Financial Appraisal

A Financial Appraisal summarising the estimated future software licence costs under the existing and the proposed new agreement has been prepared in consultation with the Head of Financial Services and is submitted at Appendix 1.

The estimated cost of software licence fee renewal over the next five years is put at £1,740,700. There is no specific revenue budget provision for this level of expenditure, licence fee costs tend to be funded at financial year-end from savings achieved on other budget heads. If savings are not available the upgrade to the later software release tends to be deferred, this results in operational inefficiencies and additional support requirements on ICT Services. Therefore the proposal to move to the new terms under the Enterprise Agreement is a cost avoidance measure.

The estimated cost of software licence fee renewal under the proposed Enterprise Agreement is put at £1,307,900. This represents a reduction of £432,800 that would otherwise be incurred if we continued to fund licence fees under the existing arrangements.

The estimated cost associated with each type of agreement over a 5-year period is summarised in the table below:

	2009/10	2010/11	2011/12	2012/13	2013/14	Totals
Select Agreement (Estimated Costs)	£470,300	£186,500	£441,400	£316,400	£326,100	£1,740,700
Enterprise Agreement	£229,600	£229,600	£229,600	£309,550	£309,550	£1,307,900
Annual Cost/(Saving)	(£240,700)	£43,100	(£211,800)	(£6,850)	(£16,550)	(£432,800)

The annualised cost of software licences purchased under the existing Select Agreement equates to £348,140 over the five-year period, this should be compared to £261,580 under

the proposed Enterprise Agreement. This represents a potential saving of £86,560 per annum.

However, it should be noted that to buy out of the Enterprise Agreement at the end of year 5 would cost an additional £714,000. Therefore the City Council would effectively be locked into this method of licence funding agreement with Microsoft.

It is proposed that the 2009/10 costs of the Enterprise Agreement amounting to £229,600 be part funded from the PC, Server and E-Mail scheme contained within the approved capital programme in the sum of £150,000 and the residual cost of £79,600 be funded from within service cash limits.

In subsequent years it is proposed that the Enterprise Agreement costs are funded from service cash limits, which should be centralised under the control ICT Services.

In the event that any savings are realised from service department's cash limits it is further proposed that these revert to the corporate centre.

Why do it now?

- ❑ All prices will rise significantly at 16th June 2009. If we buy now we will make an estimated saving of £430k over the five year period, not taking into consideration the additional benefits.
- ❑ PC, Server and Email project can fund the majority of the first year costs (at least £150K) enabling departments to benefit from all the above at greatly reduced cost in 2009/10. The balance of funding requirement in 2009/10 estimated to total £79,600 would need to be found by top-slicing existing departments budgets for Software Licence Fee costs.

What will users see?

- ❑ All users will be able to use the same version of Windows and Office (provided their desktop is of sufficient capacity).
- ❑ Users will no longer have to prove they have a licence.
- ❑ Planned and highly visible rollout of new versions with plenty of notice given to users.
- ❑ A reduction in transactions and negotiating with ICT making the provision of service more seamless.
- ❑ A reduction in the need to buy software out of surplus end of year funds and bring the ICT service to a standstill while this unplanned spend and work is processed.

Academic licences

- ❑ The EA would not cover academic licences – these are a fraction of the cost of corporate licences and will continue to be purchased under the Select Agreement.

City Solicitor's comments

The City Solicitor has been consulted on these proposals and is satisfied that it is within the powers of the Cabinet Member for Resources to approve the recommendations set out above.

This report has undergone an effective Equality Impact Assessment

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**Michael Lawther on behalf of
Mel Burns - Head of ICT Services**

Background list of documents: Section 100D of the Local Government Act 1972

Title of Document

Location

none

The recommendation(s) set out above were approved/approved as amended/rejected by the Cabinet Member for Resources on 12 June

Signed
(Cabinet Member for Resources Portfolio)