



## REPORT TITLE: Microsoft License Renewal

<b>Dates between which decision will be taken</b>	<p>Earliest date: 21 November 2023</p> <p>Latest date: 31 December 2023</p>
<b>Cabinet Member</b>	<p>Cllr Lynden Stowe Deputy Leader and Cabinet Member for Finance &amp; Change</p>
<b>Key Decision</b>	<p>Yes</p>
<b>Purpose of Report</b>	<p>To seek approval to procure a three-year agreement for the supply of a licensing program that gives the flexibility to buy cloud services and software licences under one agreement, known as Microsoft Enterprise Agreement (Microsoft EA) with Unified Support from 1st April 2024. This will be procured via an “aggregated competition” process that will be carried out by the Crown Commercial Service under the Crown Commercial Services (CCS) TePAS framework agreement, lot 3 (RM6068).</p>
<b>Recommendations</b>	<p>That the Cabinet Member delegates authority to the Director - People and Digital Services in consultation with the Deputy Leader &amp; Cabinet Member - Finance and Change to:</p> <ol style="list-style-type: none"> <li>1. Participate in the Crown Commercial Service (CCS) Technology Products &amp; Associated Services RM6068 – Lot 3 Software and Associated Services via an aggregated call-off competition for the supply of: <ul style="list-style-type: none"> <li>• Microsoft Cloud Services</li> <li>• Microsoft Software Licences</li> <li>• Software assurance services and</li> <li>• Unified Support Services</li> </ul> <p>for a three-year period from 1 April 2024.</p> </li> <li>2. Award one or more contract(s) to the preferred tenderer(s).</li> </ol>
<b>Reasons for Recommendations</b>	<p>The council’s current Microsoft EA volume licensing contract will expire on 31st March 2024 and, for the reasons set out in this report, there is no viable or realistic option other than to procure a new Microsoft EA volume licensing contract.</p>
<b>Resource Implications</b>	<p>The cost of the proposed Microsoft Enterprise Agreement with Unified Support will be funded from the existing ICT Software revenue budget and from the Gloucestershire Fire and Rescue Budget.</p>

	<p>The estimated value of the proposed new Microsoft Enterprise Agreement with Unified Support over the three-year term is £5.8 million (i.e. £1.9 million per annum) based upon the volume requirements set out in this report for Gloucestershire County Council and £350k for Gloucestershire Fire and Rescue. The Microsoft Unified Support element of this contract is approximately £370K for the three-year period.</p> <p>This results in an estimated total cost of £6.15 million over the three-year period.</p> <p>Additional charges for Azure which are outside of the contract (usage which exceeds the prepaid billing period) are paid separately. As Microsoft adoption increases and more applications move to our locally hosted cloud then these additional Azure overage charges will continue to increase on a month-by-month basis.</p> <p>An MTFs bid has been made to support growth in this area and the budget will be subject to approvals as part of the budget setting process in February 2024.</p>
<b>Background Documents</b>	<p><a href="#">Procurement of a new Microsoft Enterprise Agreement</a></p> <p><a href="#">Award of a Contract for the renewal of the Microsoft Enterprise Licence Agreement contract commencing on the 1st April 2021.</a></p> <p><a href="#">Variation to Microsoft Enterprise Licence Agreement Contract to include data migration</a></p>
<b>Statutory Authority</b>	
<b>Divisional Councillor(s)</b>	
<b>Officer</b>	<p>Any representations should be sent to:</p> <p>Name: Mandy Quayle – Director - People and Digital Services  Tel. no: 01452 324303  Email: <a href="mailto:mandy.quayle@gloucestershire.gov.uk">mandy.quayle@gloucestershire.gov.uk</a></p> <p><b>By 5pm on 20 November 2023</b></p>
<b>Timeline</b>	

## Background

1. Microsoft software is integral to the management, support and day to day operation of Council services. Microsoft Exchange is used for email between members, officers, partner organisations, suppliers, and Gloucestershire citizens. Microsoft Office 365 (e.g., Word, Excel, MS Teams) is used extensively throughout the Council. The Microsoft Windows operating system is used on most corporate devices and servers. The Council procured these software licences that underpin these software applications through a three-year Microsoft Enterprise Agreement licensing contract as a subscription for GCC and GFRS which will expire on 31 March 2024.
2. A Microsoft Enterprise Agreement allows the Council to legally access all the licensed software and products we obtain from Microsoft. These products include:
  - Windows operating system running our laptop devices
  - Microsoft 365; productivity (Outlook, Word, Excel etc) and collaborative tools (OneDrive, SharePoint, Teams, Yammer)
  - Microsoft SQL; Supporting database services
  - Microsoft software such as MS Project and Visio
3. Microsoft products are only available to be purchased from a licensed reseller, (a company that purchases them with the intention of reselling them) and cannot be purchased from Microsoft directly by the council. The renewal is required to deliver various core IT services to business, partners, residents and service users.
4. The CCS Technology Products & Associated Services (TePAS) RM6068 framework offers access to Microsoft's discounted rates for Public Sector customers by means of the "aggregated procurement process". An aggregated procurement is the joining of multiple public sector organisations to purchase the software licences. CCS have a dedicated aggregation team to manage and run aggregated procurements on behalf of the public sector. Aggregation is also known as collective buying. CCS uses aggregation to bring together customers with similar needs and get savings and favourable terms through their increased buying power. Aggregated procurements save time and money because CCS runs the procurement, so there is very little administration for buyers to deal with. The appropriate Lot under the framework is Lot 3: namely, "Software and Associated Services". There are 29 suppliers registered on this framework agreement.
5. Microsoft have recently changed their licensing entitlement so whereas Libraries would have been covered under Microsoft's Educational licenses they are now covered under Microsoft's reduced cost licensing for charities. Therefore, the council's requirements for Microsoft licensing will have changed in this contract when compared to previous contracts.
6. An exercise is currently underway to ascertain the council's licensing and volume requirements in respect of the proposed new Microsoft contract. This will include licenses purchased for GCC, GFRS, Libraries and the council's educational settings such as: Adult Education and Hospital Education

## **Options**

7. There are three options available to the Council in respect of the Microsoft EA:

### **Option 1: The non-renewal option**

8. This option is not recommended for the following reasons:
9. Most of the Council's business applications are built on a Microsoft platform to enable system access for staff and members across the organisation.
10. As the current subscription based Microsoft EA contract end date is 31st March 2024, council employees would not be licensed to use their corporate devices from 1st April 2024.
11. With this option, the Council would need to look for alternative suppliers for its operating systems, email servers, network servers and back-office applications. This is not a viable solution and would come at an increased cost (e.g. the cost of change would include replacing existing hardware and software and training of all council staff) when incorporating the wider non-technological implications of a complete change of platform.
12. To move to a non-Microsoft product would affect continuity of all services for the Council. There would be a significant amount of research, development and investment needed to integrate new software and technologies with existing back-office solutions which are already compatible and interface with existing Microsoft products.
13. This option would make it difficult for officers and members to work together and share information with partner organisations (e.g. NHS) using the standard communication and collaboration platform (i.e. Microsoft Teams).

### **Option 2: Renew the current Microsoft EA on a like-for-like basis**

14. This option is not recommended for the following reasons:
15. Although this option would allow the Council to continue to use the current range of Microsoft platforms and products, it would come at an increased cost as it would not benefit from Microsoft's latest public sector discount agreements.
16. This option would mean that the Microsoft licenses purchased for use in Gloucestershire's libraries would be non-compliant as the licensing model for Education and Charity licenses has changed and libraries are no longer considered educational units.

### **Option 3: Procure a new Microsoft EA volume licensing contract using the aggregated competition process offered by the Crown Commercial Service**

17. This is the recommended option because:

- it allows the Council to continue to use Microsoft software on corporate devices after the end of the current Microsoft EA volume licensing contract which expires on 31st March 2024. No changes would be required to existing systems or back-office solutions subject to the findings of the discovery phase.
- it can be implemented immediately and will enable all stakeholders to continue providing council services as is from 1st April 2024.
- it will guarantee that all corporate Microsoft software is assured in terms of licence compliance, support and maintenance for the duration of the contract.
- it is the most cost-effective as it would benefit from the highest available discounts for Public Sector organisations given that, on average, the Crown Commercial Service's Microsoft aggregated procurement exercises have helped customers from various sectors to save between 2% to 3.5% per annum.
- it allows for the amalgamation of all current Microsoft spend into one contract process which will include the current Enterprise Agreement (EAS), the Server and Cloud enrolment agreement (SCE), the Select Agreement (for Educational usage) and the Unified Support Contract.
- it ensures that the investment return is as beneficial as possible by giving the Council flexibility to amend the licensing products and volumes to reflect changing needs. It delivers value for money as any additional licences required will be costed at the price submitted during the procurement process; this protects against cost increases for the duration of the Microsoft EA. Savings can also be made from any licenses which are no longer required (as part of the annual true-up process) providing a value for money solution.
- it supports the business-driven requirements for the technological solutions necessary to enable digital transformation and the move towards cloud-based working.
- it would facilitate officers and members being able to work together and share information with partner organisations (e.g. NHS) using the standard communication and collaboration platform (i.e. the enhanced capability to host Microsoft Teams).

## **Risks**

18. The risk of procurement challenges is considered minimal as this is a fully compliant with the Public Contract Regulations 2015

## **Financial implications**

19. The cost of the proposed Microsoft licensing contracts will be funded from the existing ICT Software revenue budget and from the Gloucestershire Fire and Rescue Budget.
20. The estimated value of the proposed new Microsoft EA volume licensing contract over the three-year period is £5.8 million (i.e. £1.9 million per annum) based upon the volume requirements set out in this report for Gloucestershire County Council and £350k for Gloucestershire Fire and Rescue. The Microsoft Unified Support element of this contract is approximately £370K for the three-year period.
21. Additional charges (known as Azure Overages) that are incurred when we exceed the amount of resources secured through our cloud services agreement are paid separately. As Microsoft adoption increases and more applications move to our locally hosted cloud then these additional costs will continue to increase on a month-by-month basis.

22. An MTFSS bid has been made to support growth (e.g. Power BI/Power Apps) and to aid the increase in cost of Azure Overages as more apps are developed.

**Climate change implications – not applicable for this tender.**

**Ecological implications**

23. Has an Ecological Impact Assessment (EclA) been produced, or will one be undertaken at a later stage? No

**Equality implications**

24. Microsoft is committed to producing software that empowers people of all abilities and many of their products meet the ISO 9999:2016 requirements for accessibility software.

**Data Protection Impact Assessment (DPIA) implications**

25. There are no immediate DPIA implications of the recommended decision. The improved management of Microsoft licences will facilitate the better management of information and therefore helps reduce information risks.

**Social value implications**

26. The tender process will be run by Crown Commercial Services as an aggregated competition with multiple other public and private sector organisations. Bids will be evaluated based 90% on Price and 10% on Social Value.

27. Social value will be considered in accordance with the council's social value policy.

**Consultation feedback**

28. Advice has been sought directly from Microsoft in order to better understand the options available for licencing Microsoft products.

29. The incumbent Microsoft licensing resellers (Bytes and Phoenix) has been consulted to establish the Council's current products and volumes.

30. The global research and advisory company, Gartner, has provided authoritative research material and confirmation that the council's proposed procurement approach will give access to Microsoft's public sector discounts and that the council is procuring the most cost-effective license types for their current and future usage.

31. The Chief Technical Officer of Cantium Business Solutions who are providing advice on the council's new digital and ICT service, has provided advice in respect of the council's proposed procurement approach and license types.

32. The Crown Commercial Service has provided advice as to the use of the aggregation procurement process using the TEPAS framework and the current agreement between CCS and Microsoft. Previous aggregation procurements held by other public sector organisations have shown to have savings when compared to those completed by individual organisations due to the increased buying power.

### **Officer recommendations**

33. Officer advice is to implement Option 3 in this report via an aggregation opportunity with Crown Commercial Services under the TEPAS framework agreement Lot 3.

### **Performance management/follow-up**

34. ICT business change projects supported by the Microsoft EA will be defined within the ICT Technical Roadmap.
35. Regular account management meetings with Microsoft and the successful licence reseller will take place throughout the contract period to review our licencing volumes and products in the Microsoft EA to ensure the Council is getting best value for money.
36. Training will be undertaken as part of the ICT Training Plan to ensure the new products can be supported.
37. Software asset management, discovery and inventory tools will be in place to track and record the Council's software estate.