
**Manchester City Council
Report for Resolution**

Report To: Resources and Governance Overview and Scrutiny
Committee - 4 March 2010

Subject: Software Licence Agreement

Report of: Steve Park, Chief Information Officer, CIO
Directorate of Transformation

Summary

To apprise the Committee on the procurement of an organisation-wide software licence agreement with Microsoft.

Recommendations

The Committee are asked to note the contents of the report.

Wards Affected:

All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. INTRODUCTION

- 1.1. Manchester City Council currently makes use of a significant amount of Microsoft software, particularly on desktop and laptop PCs and through Wyse terminals. This is in the form of various Microsoft operating systems (such as Windows 2000 and XP) and Microsoft Office applications such as MS Word, MS Excel and MS PowerPoint. In addition, the Council has an extensive Microsoft Server estate that is required to support the desktop and file sharing environment used every day by over 12,000 staff.
- 1.2. The Council currently uses software on around 3,000 PCs and several servers that will not be supported by Microsoft from July 2010 without an expensive customer agreement in place. This would cost more than \$1m to obtain. This mostly affects those PCs and servers using Windows 2000 operating systems, although there are some examples of even older systems being used within the organisation. The remainder of the Council's 9,000 PCs (including Wyse terminals) use the XP operating system, which from July 2010 will move into an extended support status by Microsoft. This means that the operating systems will no longer be further developed to provide enhanced features and Microsoft will only provide critical patch updates to ensure the system remains secure. The Council is currently procuring a support agreement to enable the XP element of the Microsoft estate to continue to be supported, however by July 2014 the XP operating system will no longer be supported by Microsoft under any agreement.
- 1.3. The use of Microsoft products by the Council will soon be increasing as progress is being made towards the implementation of a Microsoft Dynamics Customer Relationship Management System, Microsoft SharePoint to support the new intranet and necessary upgrades to the supporting server estate.
- 1.4. Historically, the Council has procured Microsoft software licences on a piecemeal basis under what is called a Select Agreement. The prices for software licences under the Select Agreement are only marginally better than high street prices available to the general public.
- 1.5. Microsoft offer a way of procuring their software licences in a more economically advantageous way under an arrangement called an Enterprise Agreement, which is better suited to larger organisations who plan to continue to use Microsoft applications and possibly expand that usage (see section 4).
- 1.6. The Council is proposing to move into such an Enterprise Licence Agreement with Microsoft and this report explains more detail in later sections. All other core city Local Authorities in the UK now have a form of a Microsoft Enterprise Agreement because of the flexibility and cost savings it offers.

2. BACKGROUND

2.1. Purpose of Report

2.1.1. This note sets out to report on the following:

- The current use of Microsoft applications and operating systems.
- The options available to procure licences in a more flexible and economic way.
- The costs associated with establishing a Microsoft Enterprise Agreement.

2.2. Business Drivers

2.3. In 2008 the Council outlined the following strategies:

- Customer Strategy
- Information Strategy
- Information and Communication Technology Strategy
- Neighbourhood Strategy

2.4. The ICT Strategy refers to the need to invest in technology that allows the organisation to operate as 'One Council'. By standardising and upgrading the Microsoft desktop estate, the Council will be providing a sustainable platform upon which the organisation can continue towards a true One Council approach.

2.5. Section 1.2 explains that licenses for a substantial part of the ICT estate need to be renewed by July in coming months in order to continue to protect the Council from viruses and to ensure full support remains available from Microsoft.

3. OVERVIEW OF MCC MICROSOFT SOFTWARE REQUIREMENTS

3.1. Over the course of the next 3 years the Council will need to invest in and implement the following Microsoft technologies, many of which are already used but will require renewed software licences:

- ***Customer Relationship Management (Microsoft Dynamics)***
This system will record the interaction the Council has with residents, businesses and visitors when requesting information or services. This system will integrate with other Council IT systems that are used to deliver services for example in Environmental Service or Revenues and Benefits.
- ***BizTalk***
This is the system that enables business processes to be automated across IT systems. It is key to the integration of the Customer Relationship Management System with other IT systems.

- **SharePoint 2010**
This will be used to host the Council's new intranet site, delivering better quality information to staff to support self-service and provide staff with guidance throughout the Town Hall Transformation Programme. SharePoint is also the IT platform on which a corporate Electronic Document Records Management Solution is developed.
- **Office 2010, Project 2010 & Visio 2010**
The Council generally uses Microsoft Office 2003 and Microsoft Project 2003, which includes applications such as Word, Excel and PowerPoint. These are used extensively across the Council and the 2010 version offers many more functions that improve the use of the tools. Visio is used by departments to map business process and network architectures.
- **System Centre**
This is an IT infrastructure monitoring tool that allows centralised control of all desktop and laptop PCs (including Wyse terminals) and all servers. The system provides the ICT Service with system performance information and an early warning when issues are arising. This enables the ICT Service to take preventative action to avoid experiencing systems failure.
- **SQL Server 2008**
This is the tool that stores, sorts, analyses and reports data and is to be used to support the ongoing development of the corporate data warehouse. This will be the key to providing the single customer view that is essential to the Customer Relationship Management System and to providing the Ward Portal described in the Information Strategy.
- **Windows 7 Desktop Operating System**
This is the very latest PC operating system, launched in 2009, and the platform upon which the Council will standardise its PC estate.

4. ENTERPRISE LICENCE AGREEMENT

- 4.1. The Council had previously planned to implement Microsoft software to upgrade the current estate and to invest in new Microsoft technology, such as the Customer Relationship Management System. This still holds true, however these plans were based on using the existing method of procuring software licences. A more cost effective and strategically sound option of procuring the same software licenses has now arisen.
- 4.2. Microsoft have offered software licences that package together their application for some time, known as Enterprise Agreements. However, only very recently the enterprise agreement options have become much more flexible and subsequently the Council has assessed how this will benefit the organisation both financially and in terms of strategic ICT plans.

- 4.3. As the Council invests in new technology to update the ICT estate and support its transformation, including the move to One First Street, the opportunity has arisen to quickly exploit the new flexibility offered within the Enterprise Agreement and avoid unnecessary licence costs.
- 4.4. Microsoft have agreed a common pricing structure for application licences across the whole of the public sector negotiated by the Office of Government Commerce. This offers substantially better pricing than that borne by the private sector. Their software licenses are offered through a number of different licence products. Each license product has different benefits, disadvantages and attributes. Some allow the customer to buy the licence outright and others are effectively rental terms.
- 4.5. Microsoft offers a product called "Software Assurance" that is included in the price of certain agreement types (such as Enterprise Agreements). With Software Assurance, the Council is eligible to upgrade to new versions of licensed software made available during their term of Software Assurance coverage, at no extra cost. For example, if a new version of Microsoft Office is made available during the term of the Enterprise Agreement, the Council's Microsoft licenses will automatically be upgraded to the new version.
- 4.6. This agreement is a three year commitment for the Council and is designed for use by large organisations that make extensive use of Microsoft products and expect to continue to do so in at least the medium term (i.e. more than five years). The Enterprise Agreement enables the Council to deploy as many of the required Microsoft applications as is necessary.

5. LICENSING OPTIONS & COSTS

- 5.1. The Council has a need to update its ICT estate, in particular those areas that will no longer be supported by Microsoft from July 2010 (as described in Section 1.2). The Council also needs to invest in new technology to support its transformation ambitions.
- 5.2. The Council has three options available in procuring the Microsoft licenses necessary to maintain a resilient and up to date ICT estate and to support its transformation:

i) Select Licence Agreement

This is the way in which Microsoft Licences have been procured to date by the Council. This enables the Council to obtain a licence for each Microsoft application used, e.g. if 9,000 Microsoft Office licences are required, then 9,000 are bought at almost high street retail prices. The licence is fully owned by the Council and is paid for upfront. This is the most expensive way of obtaining Microsoft software licences but is useful if an organisation is unsure of its ICT Strategy as it does not involve any long term commitment. This licence type does not include any software assurance, therefore if a new version of an application is

made available by Microsoft then a new licence must be bought to use it.

ii) Enterprise Agreement - Full Licence (*known as perpetual*)

This gives access to all required Microsoft applications at a substantially lower cost than under a Select Agreement. The Full Licence is 3 year commitment by the Council but it does include software assurance, so if new software versions become available then they can be used at no extra cost. Additionally, after 3 years the licence is owned outright by the Council. The Council at this point has the option to either hold onto the Microsoft licences already procured if the estate is fully up to date and no new products are required, or enter into a new agreement with Microsoft. Organisations that make use of this Microsoft licence type (including across the public sector) will often intentionally 'stand-still' for 2 years following the 3 year commitment, before entering into another 3 year commitment.

iii) Enterprise Agreement - Rental (*known as subscription*)

This is almost the same the Full Licence, including the 3 year commitment and software assurance, except the software licence is not owned by the Council at the end of the 3 years. The software licences are therefore in effect rented for the duration of the agreement. This is lower cost than the Full Licence but will result in the Council having to take out a new agreement after 3 years. This type of Microsoft licence is best suited to those large organisations who expect to make more use of Microsoft applications in the medium to long term.

5.3. The following table summarises the costs for each of the licence types:

| | Licence Agreement | | |
|------------------------------|-------------------|---------------------------|--------------------------------|
| | Select £m | Full (perpetual) £m | Rental (subscription) £m |
| 1 st year payment | 14.319 | 2.049 | 1.193 |
| Total after 3 years | N/A | 5.825 | 3.579 |

5.4 The Enterprise Agreement on a rental basis offers the Council the most flexibility at the lowest cost. Given the need to upgrade the ICT estate across the Council, specifically the Microsoft desktop and laptop PC elements, and the need to introduce new Microsoft technology to support transformation, the Council is proposing to invest in a Subscription Enterprise Software Licence Agreement.

5.5 The funding required to support this investment over the next three years is available from existing budgets.

- 5.6 The need to procure a Microsoft Enterprise Licence Agreement follows the advice that the Council has been given by the ICT Strategic Partner, Ernst & Young.

6. TIMING

- 6.1. The Council is currently making good progress on a number of wide ranging transformation projects and ICT improvements, many of which have a dependency on Microsoft licences being available. The timing of this agreement is therefore crucial to the continued success of these key areas:

- ***One First Street***

The move to One First Street involves using Microsoft licences in two areas. Firstly, the Microsoft Customer Relationship Management (CRM) System that will underpin the Customer Service Centre requires software licences and secondly, the transformed Council intranet will be based on Microsoft SharePoint Technology. This will be used extensively in the new location.

- ***Information Management***

The single view of the customer is a keystone of the CRM System and indeed the Council's wider Customer Strategy. The databases which are used to develop this single view of the customer will require Microsoft licences.

- ***Corporate Project Management System***

The Council is about to implement a new application that supports improved project management across the organisation. This will also require Microsoft licences.

- ***ICT systems stability***

A key system that will enhance the performance of ICT across the Council generally is the system monitoring solution, and this will require Microsoft licences.

- ***Desktop and laptop PC upgrades***

A significant percentage of the Council's PCs are using out of date operating systems and require upgrading. This requires new Microsoft licences, and is integral to maintaining a resilient ICT estate.