

ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy and Resources
DATE	1 December 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Microsoft Enterprise Agreement
REPORT NUMBER	CG/16/148
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek members approval to renew the Microsoft Enterprise Agreements for a 3 year period.

2. RECOMMENDATION(S)

It is recommended that the Committee delegates authority:

- a) to the Head of Commercial & Procurement Services, Head of IT and Transformation and Head of Legal Services to procure, through an appropriate standard procurement framework, and to award a contract for a 3 year Microsoft Enterprise Agreement; and
- b) to the Head of Commercial & Procurement Services, Head of IT and Transformation and Head of Legal Services to procure, through an appropriate standard procurement framework, and to award a contract for a 3 year Microsoft Education Enrolment Subscription.

3. FINANCIAL IMPLICATIONS

The Council currently spends £353K per annum through its IT supplies and services on Microsoft product subscriptions for the corporate environment. It spends a further £89K per annum through its IT supplies and services on Microsoft product subscriptions for the curriculum environment. The unit price of product offerings within the agreement has been fixed for 5 years through the agreement. Due to the prevailing \$/£ exchange rate it is anticipated that the renewed agreements from January 2017 are likely to increase by 22% to £430K and £109K respectively, per annum. There is an option to renew the agreement early in December which will avoid these significant price increases, whereby ongoing subscription costs will be contained within IT supplies and services budgets.

If we were not to continue the Microsoft Enterprise Agreement, the Council would need to buy perpetual licences along with software assurance to be able to continue to use its installed Microsoft products. This would likely cost in the region of over £1M for a one-off capital investment with an additional cost for ongoing software assurance which would be a similar amount to the existing Agreement subscription costs.

4. OTHER IMPLICATIONS

Microsoft products are currently in use across all of the Council's Services, and there are no major implications with the recommendations. Maintaining the subscription agreements, will fix unit pricing for a further 3 year period, and entitle the Council to continue to upgrade to the latest versions of Microsoft products at the most appropriate time.

5. BACKGROUND/MAIN ISSUES

The Council entered a 5 year Microsoft Enterprise Agreement (EA) in 2012 following approval at Finance & Resources Committee on 15 March 2012. That Agreement expires on 29th April 2017. The same report approved entering an agreement on an annual basis for our curriculum environment for a period of up to 5 years. The most recent Education Enrolment Subscription (EES) agreement expires on 30th June 2017.

All Services are dependent on the use of Microsoft products – Word, Excel and Powerpoint for standard desktop productivity, and MS Outlook for email. The majority of our servers run Microsoft Windows operating systems and Microsoft SQL Databases. The EA and EES have provided benefit to the Council by enabling us to provide a consistent desktop platform across the Council and entitled the Council to maintain Microsoft software to supported versions without additional licence costs when needed. The Agreements have also provided certainty on annual spend while also providing flexibility to scale up or down licence counts on an annual basis to meet changing demands.

Due to the changes in the £/\$ exchange rate, Microsoft have indicated that prices for any new agreements from January 2017 will increase by a minimum of 22% during 2017, however unit pricing would be fixed again for the next 3 years. On follow up with Microsoft, there is possibility to renew the agreement early before end of December 2016 to avoid the unit cost price increase. The new agreement, and any payments associated with it, would commence from April 29th 2017 and

ongoing subscription costs will be contained within IT supplies and services budgets.

At this time, all Council Services are heavily reliant on the use of Microsoft products and therefore the Council is not in a position to consider not using Microsoft products.

6. IMPACT

Improving Customer Experience –

Continuation of Microsoft Enterprise Agreement will not impact on the customer experience.

Improving Staff Experience –

Our staff are competent in using Microsoft products and continuation of Microsoft Enterprise Agreement will enable them to maintain their skills on the latest versions of the software.

Improving our use of Resources –

Enterprise Agreements provide best value where an organisation is using a number of products from the same vendor. Microsoft will provide standard government discounts to the distribution channel, and by using a competitive framework to procure the Agreement, the Council can ensure that it is achieving Best Value.

Corporate -

All Services currently use Microsoft products to deliver their outcomes. There are unlikely to be opportunities for joint working in this Agreement as all Government achieve the same Microsoft discount levels.

Public –

There is unlikely to be any public interest in this report and no EHRIA or PIA is required.

7. MANAGEMENT OF RISK

There is a high risk that we will not be able to renew the agreement, and take advantage of current Microsoft pricing by Microsoft December deadline. This will significantly increase our annual costs as detailed in the financial section above. In order to mitigate this risk, suspension of Procurement Regulation 3.10 has been undertaken to allow the procurement process invitation to commence prior to Committee approval, which is being sought through this report. The reason for taking this action was to seek Best value for the Council.

There is a risk that Microsoft do not renew the Agreement early. Early dialogue is in place with Microsoft and our current partner reseller to outline our requirements to mitigate this risk.

8. BACKGROUND PAPERS

No background papers used.

9. REPORT AUTHOR DETAILS

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