

FOR PUBLICATION

AMENDMENT OF MICROSOFT ENTERPRISE AGREEMENT (B000L)

MEETING: EXECUTIVE MEMBER FOR GOVERNANCE
AND ORGANISATIONAL DEVELOPMENT

DATE: 23 SEPTEMBER, 2014

REPORT BY: ICT PROJECT MANAGER AND CLIENT MANAGER

WARD: ALL

COMMUNITY
FORUM: ALL

KEY DECISION REFERENCE (IF
APPLICABLE): 440

FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: Amendment of Microsoft Enterprise Agreement

LOCATION: File held by the ICT Project Manager

1.0 PURPOSE OF REPORT

1.1 To seek authorisation to amend the Council's Microsoft Enterprise Software Licences Agreement (core infrastructure package) from a perpetual agreement to a subscription agreement and request funding for this for the next year commencing October 2014.

2.0 RECOMMENDATION

2.1 That the Council amends the Microsoft Enterprise Software Licences Agreement (core infrastructure package) to a subscription agreement at a total cost of £63,466.88 per annum.

3.0 **BACKGROUND**

3.1 The Council signed a 3 year Microsoft Enterprise agreement in October 2011 for licenses for the following Microsoft products at a cost of £47,490.04 per year.

Product	Quantity	Net price	Net Value
Exchange Server	1	£178.27	£178.27
Sharepoint Server	1	£1241.75	£1241.75
Windows Server Datacentre	10	£606.20	£6062.00
SQL Server Enterprise	2	£6930.54	£13,861.08
System Centre Config Manager	1	£145.94	£145.94
Core CAL Licence	675	£38.52	£26,001.00
Total			£47,940.04

- 3.2 This agreement gave the Council the correct licences to:
Operate a Microsoft Exchange email server
Operate a Microsoft Sharepoint server
Operate Windows servers on the Council 5 virtual server hosts
Host SQL servers on 1 of the Councils 5 virtual server hosts
Operate Microsoft's System Centre Configuration Manager
Allow 675 users to access Microsoft systems on Windows servers.
(There has been a separate purchase of an additional 25 licences taking this total to 700.)
- 3.3 At the end of the 3 year agreement the Council owns the licences. The agreement has an option to extend for a further two years where the Council would pay a lower cost to continue to use the licences; this is known as Software Assurance. At this point the Council has the option to reduce (True Down) or increase (True Up) on the number of licences in the agreement. These new figures would then be fixed for the next two years.
- 3.4 At no cost to the Council, arvato has undertaken a software audit to ensure that the Council have the correct number of licences. This work looked at the licences in the existing Microsoft Enterprise Agreement and also considered licence requirements for the future.
- 3.5 The audit found the following shortfalls in existing licences which need to be purchased.

- SQL Server Enterprise/Datacentre - The Council is only licenced to run SQL servers on one of its five virtual servers; additional licences are required for running SQL servers on a second virtual server. This will allow for resiliency should a single virtual server fail.
- Core CALs – The Council is only currently licenced to allow 700 users to access systems hosted on servers with Microsoft operating systems. The audit found that there are 805 active users on the network; additional Core CAL licences are required for 105 users.
- Visual Studio - The Council uses this product to assist in the development of other Microsoft solutions; this is not currently licenced.

3.6 The audit also recognised the need for the following additional licences to enable future use of Microsoft products and systems.

- Exchange Server Standard – There is an ongoing project to upgrade the Councils email system. The upgrade will move the system from a single server to a four server configuration. This configuration gives resiliency and also additional space for larger mailboxes. The additional servers need licencing and adding the licences into the Enterprise Agreement is the most cost effective way of purchasing the licences.
- Remote Desktop Services – These licences are used to access systems hosted on servers particularly for when officers dial in from home or when remote working. The licences currently owned by the Council are not valid for accessing newer Microsoft servers (MS Server 2010 / 2012). Again adding these licences to the Enterprise Agreement is the most cost effective way of purchasing the licences.

3.7 Microsoft often change their licencing model so a correct licence purchase three years ago may not be correct under their model today.

4.0 **OPTIONS**

4.1 Taking into account the findings of the audit for shortfalls of existing licences and future requirements the following options are available.

Option 1 would be to continue with the existing agreement into years 4 and 5 and pay for Software Assurance, true up where there is a shortfall of licences and purchase the additional licences. The total cost for this option would be £80,568.68 and is made up of the True Up and Software Assurance Pricing:

True Up Pricing

Product	Quantity	Net price	Net Value
SQL Server Enterprise	2	£14,372.13	£28,744.26
Core CAL Licence	105	£81.40	£8547.00
Exchange Server	3	£369.82	£1,109.45
Total			£38,400.71

Software Assurance Pricing

Product	Quantity	Net price	Net Value
Core CAL Licence	805	£20.42	£16,437.58
Exchange Server	4	£84.84	£339.35
Sharepoint Server	1	£591.35	£591.35
SQL Server Enterprise	4	£3,300.24	£13,200.95
System Centre Config Manager	1	£69.48	£69.24
Windows Server Datacentre	10	£288.72	£2,887.20
Visual Studio Professional	1	£167.85	£167.85
Remote Desktop Services	150	£56.49	£8,474.19
Total			£42,167.97

- 4.2 Option 2 would be to start a new three year Enterprise Agreement to include the existing licences and the additional licences. The quantities of the licences in this option may be different compared to Option 1 due to changes in the licencing model by Microsoft. Some licences previously purchased on a 'per processor' basis are now only available on a 'per core' basis. The total cost for this option would be £120,123.59 and is made up of the True Up and 3 year Enterprise Agreement pricing:

True Up Pricing

Product	Quantity	Net price	Net Value
SQL Server Enterprise	2	£14,372.13	£28,744.26
Core CAL Licence	105	£81.40	£8547.00
Exchange Server	3	£369.82	£1,109.45
Total			£38,400.71

New 3 year Enterprise Agreement (where a product states 'SA' it signifies that the price is for Software Assurance. Otherwise the price is for initial purchase)

Product	Quantity	Net price	Net Value
Core CAL Licence SA	805	£22.35	£17,995.65
Exchange Server SA	1	£90.19	£90.19
Exchange Server	3	£203.41	£610.23
Sharepoint Server SA	1	£865.16	£865.16
SQL Server Enterprise SA	4	£1,749.81	£6,999.23
SQL Server Enterprise	12	£3,950.57	£47,406.84
System Centre Config Man SA	1	£97.55	£97.55
Windows Server Datacentre SA	5	£612.39	£3,061.94
Visual Studio Professional	1	£202.54	£202.54
Remote Desktop Services	150	£29.29	£4,393.55
Total			£81,822.88

- 4.3 Option 3 would be to move away from the current three year perpetual Enterprise Agreement model and start to licence Microsoft core infrastructure products under a Subscription Agreement. The licences would never belong to the Council but this type of agreement allows for much greater flexibility. Additional licences can be added in at any time and at each anniversary there is an opportunity to reduce licences if they are no longer required. (Option 1 would have a two year tie in and Option 2 would have a three year tie in where you continue to pay for products you may no longer require.) The total cost for this option would be £63,466.88 and is made up of the following:

Product	Quantity	Net price	Net Value
Core CAL Licence SA	805	£17.31	£13,936.02
Exchange Server SA	4	£129.69	£518.75
Sharepoint Server SA	1	£1,245.38	£1,245.38
SQL Server Enterprise SA	16	£2,518.44	£40,295.05
System Centre Config Man SA	1	£140.28	£140.28
Windows Server Datacentre SA	5	£881.70	£4,408.49
Visual Studio Professional SA	1	£142.26	£142.26
Remote Desktop Services SA	150	£18.54	£2,780.65
Total			£63,466.88

5.0 RISK MANAGEMENT

Description of the Risk	Impact	Likelihood	Mitigating Action
The Council is under licenced for its Microsoft products. As a vendor, Microsoft can at any time ask to conduct an audit to ensure the correct quantity of licences has been purchased.	High	Medium	'True up' to the correct quantity of licences. While Chesterfield Borough Council is quite a small organisation for Microsoft to be interested in undertaking an audit, the correct quantity of licences should still be purchased. Microsoft can issue fines due to under licensing of software
Not future proofing the licencing requirements	Medium	Medium	Purchase the additional licences (Core CAL, SQL Server and Exchange Server) as part of an Enterprise Agreement as this is the most cost effective model.

6.0 EQUALITIES IMPACT

6.1 There are no changes proposed that will have an equalities impact.

7.0 FINANCIAL CONSIDERATIONS

7.1 The purchase of Microsoft core infrastructure licences via Enterprise Agreements has previously been funded from the ICT Projects budget (2750 9001). This budget has the funds to cover the increased costs for this year and future years therefore a growth item is not being requested.

8.0 RECOMMENDATIONS

8.1 That the Council amends the Microsoft Enterprise Software Licences Agreement (core infrastructure package) to a subscription agreement at a total cost of £63,466.88 per annum. (Option 3)

9.0 REASONS FOR RECOMMENDATIONS

9.1 To ensure that the Council is correctly licenced for the use of Microsoft products.

9.2 To give the Council flexibility to add or remove licences with the minimum tie in (one year) for unrequired licences. This is particularly important when considering the move to a Virtual Desktop environment, flexible working and the potential changes in licencing requirements these might bring.

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ICT PROJECT MANAGER*

*MICHAEL ERWIN
CLIENT MANAGER*

You can get more information about this report from Jonathan Alsop on 5729 or Michael Erwin on 2553

Officer recommendation supported/not supported/modified as below or Executive Member's recommendation/comments if no officer recommendation.

Signed

Executive Member

Date

Consultee Executive Member comments (if applicable) / declaration of interests.